



Newtopia Reports Fourth Quarter and Full Year 2021 Financial Results

- Record breaking 135,500 engagements in 2021, up 14% year-over-year
- Strong progress made in new health plan business development strategy
- Launching expanded partnership focused on employee mental health with one of the world's largest apparel brands this June
- Anticipates Q1 2022 and full year 2022 revenue growth year-over-year
- Q4 and FY 2021 conference call scheduled for April 5, 2022 at 5 PM ET

TORONTO, ONTARIO – April 5, 2022: Newtopia Inc. (“Newtopia” or the “Company”) (TSXV: NEWU) (OTCQB: NEWUF), a tech-enabled habit change provider focused on preventing, slowing and reversing chronic disease, today announced its fourth quarter and fiscal 2021 financial results, operational highlights and filing of its annual financial statements. These results pertain to the three months and year ended December 31, 2021 and are expressed in Canadian dollars, unless otherwise noted.

Fourth Quarter 2021 Financial Highlights (vs. Q4 2020):

- Revenue of \$2.4 million, as compared to \$2.5 million.
- Gross profit margin¹ of 52%, as compared to 51%.

Full Year 2021 Financial Highlights (vs. 2020):

- Revenue of \$10.5 million, as compared to \$11.4 million.
- Gross profit margin¹ of 49%, up from the prior year of 48%.

“With the holiday season and the distraction of open enrollment for new benefits in the following year taking place for U.S. employers, the fourth quarter of the year is traditionally a slower period for new enrollments and engagements for Newtopia,” said Jeff Ruby, Founder and CEO of Newtopia. “That headwind, along with the surge in the Omicron variant towards year end, impacted our fourth quarter revenue. While our 2021 results did not live up to our historical performance nor our long-term goals, we are experiencing strong momentum to date in 2022 and believe that our business has officially turned a corner. Helping to fuel this go-forward growth is our record-breaking participant engagement which reached 135,500 participants for full year 2021, up 14% over the prior year. In fact, in 2021, we delivered our best engagement and retention rates for existing participants in our Company’s history driven by reductions in churn and by higher usage rates on our platform. As employers and health plans reflect on the challenge of reducing massive chronic disease risk and retaining their members, engagement and proven outcomes are key decision drivers where Newtopia shines.”

Mr. Ruby continued, “With a strong participant base and active pipeline of business, we are confident that Newtopia is firmly on a year-over-year revenue growth trajectory for both the first quarter as well as for the full year 2022. We are seeing increased optimism from clients earlier in the sales cycle compared to the past two years, providing us with a strong pipeline of activity with self-insured employers and health plans. The mid-2021 surge experienced with a Fortune 50 health services client, along with the anticipated launch of several proofs of concept in new customer categories in the coming weeks, will also positively impact our financials this year, setting us up for an even stronger performance in 2023.”

¹ Gross profit is defined as revenue which is comprised of onboarding welcome revenue, ongoing engagement fees and success fees, less cost of sales which is comprised of Welcome Kit costs, compensation expense for Inspirators and care specialists and genetic testing costs. Gross margin percentage is calculated by dividing gross profit by total revenue for the defined period. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Company after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

Fourth Quarter 2021 Financial Results

Revenue for the three months ended December 31, 2021 was \$2.4 million, as compared to \$2.5 million in the prior-year period. The decline in revenue was largely the result of COVID-19 headwinds along with corresponding softer participant engagement and onboarding in the fourth quarter. Engagement fee revenue totaled \$2.3 million for the fourth quarter, up from \$2.2 million in the prior-year period.

Gross profit for the fourth quarter 2021 totaled \$1.2 million, as compared to \$1.3 million in the prior-year period. Gross profit is comprised of Newtopia's revenue less direct expenses, which include the cost of Welcome Kits sold to new participants as well as labor costs associated with hiring and training of the Company's coaching team of Inspirators. As a percentage of revenue, gross profit totaled 52%, compared to 51% in the prior-year period.

Adjusted operating expenses² for the three months ended December 31, 2021 totaled \$2.6 million, compared to \$3.8 million in the prior-year period. Management made concerted efforts during 2021 to right-size operating expenses due to the challenging pandemic growth. The decline in adjusted operating expenses results from a decrease in headcount and compensation costs tied to this right-sizing effort.

For the quarter, the Company had an adjusted operating loss³ of \$1.4 million, compared to an adjusted operating loss of \$2.6 million in the prior-year period.

The Company ended the fourth quarter 2021 with \$0.8 million in cash and an outstanding loan balance of \$2.3 million against its \$7.5 million credit facility.

Full Year 2021 Financial Results

Revenue for the full year ended December 31, 2021 was \$10.5 million, as compared to \$11.4 million in the prior year. Similar to the fourth quarter, full year 2021 revenue was impacted by COVID-19. In addition, 2020 revenue was bolstered by an incentivized program launched in January 2020 by one of the Company's Fortune 500 financial services clients which was not repeated in 2021. Despite the decline in revenue, participant engagements did reach a record for the full year at 135,500, an increase of 14% year-over-year. Enrollment fee revenue totaled \$1.5 million for 2021, a decrease of over 12% year-over-year.

Gross profit for the year totaled \$5.1 million, as compared to \$5.5 million in the prior year. Gross profit is comprised of Newtopia's revenue less direct expenses, which include the cost of Welcome Kits sold to new participants as well as labor costs associated with hiring and training of the Company's coaching team of Inspirators. As a percentage of revenue, gross profit totaled 49%, up from the prior year of 48%.

Adjusted operating expenses² for year totaled \$11.0 million, as compared to \$11.3 million in the prior year due to reductions in the Company's compensation costs.

For the full year ended December 31, 2021, the Company had an adjusted operating loss³ of \$5.9 million, compared to an adjusted operating loss of \$5.8 million in the prior year.

2022 Outlook

Following a challenging 2021, Newtopia's business is trending positively in 2022 as the Company begins to see the benefits of growth with existing employer clients as well as the prospects of the launch of proofs of concept with new health plan clients through its expanded business development strategy. As a result,

² Adjusted operating expenses consist of all cash-based technology, sales and marketing and administrative expenses including employment expenses for these functions excluding equity-settled share-based compensation. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total operating expenses, which we believe to be the most directly comparable IFRS measure.

³ Adjusted operating loss consists of gross profit less adjusted operating income. Adjusted operating loss is not a measure of financial performance under IFRS and should not be considered a substitute for loss from operations which we believe to be the most directly comparable IFRS measure.

the Company anticipates achieving year-over-year and sequential revenue growth in the first quarter 2022 along with full year, year-over-year revenue growth for 2022.

In terms of capital expenditures, the Company expects approximately \$0.5 million in capex for 2022. Of note, these expenditures will be capitalized over their lifetime. A significant portion of this capital expenditure will be directly related to the launch of a new version of the Newtopia platform on the Company's own architecture in the second half of this year. Once the migration to this new platform is complete, an annual licensing cost associated with the existing CRM platform of approximately \$450,000 per year will be eliminated. Newtopia also anticipates that the Company will see improved gross profit margins over time after the launch of its new platform. Newtopia takes a measured approach to adding expenses in support of growth, and, as such, with the anticipated top line growth, the Company continues to strive to be cash flow positive from operations as it exits 2022.

Grants of Stock Options

Newtopia further announced today that its Board of Directors has approved the grant of 499,985 stock options to certain tenured employees and newly hired employees. The options issued to newly hired employees will expire five years from the date such employees complete their probationary period, and the exercise price will be based on the closing price of Newtopia's common shares on the trading day prior to the day these employees complete their probationary period. The options granted to tenured employees will be at an exercise price of CAD\$0.28 per common share and will expire five years from the grant date.

Conference Call

The Company will host a conference call today at 5:00 p.m. Eastern Time to discuss the fourth quarter and full year 2021 results in further detail. To access the conference call, please dial (877) 407-3982 (U.S.) or (201) 493-6780 (International) ten minutes prior to the start time and reference Conference ID number 13726826. The call will also be available via live webcast on the investor relations portion of the Company's website located at investor.newtopia.com.

A replay of the conference call will be available through Tuesday, April 19, 2022 which can be accessed by dialing (844) 512-2921 (U.S.) or (412) 317-6671 (International) and entering the passcode 13726826. The webcast will also be archived on the Company's website.

About Newtopia

Newtopia is a tech-enabled habit change provider focused on disease prevention and reducing the cost of care for health insurers. As a provider of whole person care, we prevent, reverse and slow the progression of chronic disease while enriching mental health, resilience and overall human performance. Newtopia's programs leverage genetic, social and behavioral insights to create individualized prevention programs with a focus on type 2 diabetes, heart disease, stroke and weight. With a person-centered approach that combines virtual care, digital tools, connected devices and actionable data science, Newtopia delivers sustainable clinical and financial outcomes. Newtopia serves some of the largest nationwide employers and health plans and is currently listed on the Toronto Stock Exchange and quoted on the OTC Venture Exchange in the U.S. (TSXV: NEWU) (OTCQB: NEWUF). To learn more, visit newtopia.com, [Facebook](#), [LinkedIn](#) or [Twitter](#).

Forward Looking Information

This press release contains forward-looking information and forward-looking statements, within the meaning of applicable Canadian securities legislation, and forward looking statements, within the meaning of applicable United States securities legislation (collectively, "forward-looking statements"), which reflects management's expectations regarding Newtopia's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects and opportunities. Wherever possible, words such as "predicts",

"projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation or other variations thereof, or comparable terminology have been used to identify forward-looking statements. All statements other than statements of historical fact may be forward-looking information. Such statements reflect Newtopia's current views and intentions with respect to future events, based on information available to Newtopia, and are subject to certain risks, uncertainties and assumptions, including without limitation, the Company's successful completion of its strategic technology projects (including on budget), continued and sustained high levels of client engagement and low client churn, the expansion of client relationships, the rollout of new clients, the conversion of pilot projects into full blown rollouts, the Company's ability to continue to grow its sales pipeline, and current financial trends remaining at or above the current levels in respect of revenue, gross profit, gross margin percentage and adjusted operating expenses. Material factors or assumptions were applied in providing forward-looking information. While forward-looking statements are based on data, assumptions and analyses that Newtopia believes are reasonable under the circumstances, whether actual results, performance or developments will meet Newtopia's expectations and predictions depends on a number of risks and uncertainties that could cause the actual results, performance and financial condition of Newtopia to differ materially from its expectations.

Certain of the "risk factors" that could cause actual results to differ materially from Newtopia's forward-looking statements in this press release include, without limitation: the termination of contracts by clients, risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and other general economic, market and business conditions and factors, including the risk factors discussed or referred to in Newtopia's disclosure documents, filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com, including Newtopia's final long form prospectus dated March 30, 2020.

Should any factor affect Newtopia in an unexpected manner or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, Newtopia does not assume responsibility for the accuracy or completeness of such forward-looking information. The forward-looking information included in this press release is made as of the date of this press release, and Newtopia undertakes no obligation to publicly update or revise any forward-looking information, other than as required by applicable law.

Non-GAAP Financial Measures

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Management uses certain non-GAAP measures, which are defined in the appropriate sections of this press release, to better assess the Company's underlying performance. These measures are reviewed regularly by management and the Company's Board of Directors in assessing the Company's performance and in making decisions about ongoing operations. In addition, we use certain non-GAAP measures to determine the components of management compensation. We believe that these measures are also used by investors as an indicator of the Company's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

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Key Financial Measures and Schedule of Non-GAAP Reconciliations

	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	2,402,793	2,476,904	10,455,848	11,416,319
Cost of sales	(1,164,683)	(1,215,148)	(5,384,184)	(5,913,724)
Gross profit	<u>1,238,110</u>	<u>1,261,756</u>	<u>5,071,664</u>	<u>5,502,595</u>
<i>Gross margin</i>	52%	51%	49%	48%

Reconciliation of Total Operating Expenses to Adjusted Operating Expenses ^[2]

	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Total expenses	3,033,487	4,190,148	12,721,418	13,234,441
Add (Subtract)				
Share-based compensation	(139,210)	(395,043)	(1,071,275)	(771,662)
Depreciation of property and equipment	(15,652)	(18,393)	(66,590)	(80,298)
Depreciation of right-of-use asset	(46,188)	(46,189)	(184,767)	(184,767)
Interest on lease obligations	(25,525)	(33,358)	(113,714)	(143,325)
Interest and accretion expense	(97,338)	-	(112,990)	(233,542)
Finance charges, including amortization of deferred expenses	(22,592)	(2,005)	(67,342)	(13,000)
Foreign exchange loss (gain)	(2,236)	(56,679)	(34,650)	34
Change in value of convertible debenture derivative liabilities	-	-	-	(448,656)
Change in value of derivative liability	-	194,966	47,508	131,162
Capitalized borrowing costs	39,200	-	39,200	-
Loss on settlement of related party payable	(18,964)	-	(18,964)	(167,716)
Adjusted operating expenses	<u>2,643,511</u>	<u>3,833,447</u>	<u>10,963,437</u>	<u>11,322,671</u>

Adjusted Operating Loss ^[3]

	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Gross profit	1,238,110	1,261,756	5,071,664	5,502,595
Adjusted operating expenses	<u>(2,643,511)</u>	<u>(3,833,447)</u>	<u>(10,963,437)</u>	<u>(11,322,671)</u>
	<u>(1,405,401)</u>	<u>(2,571,691)</u>	<u>(5,891,773)</u>	<u>(5,820,076)</u>

NEWTOPIA INC.

Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
Assets		
Current assets		
Cash	811,584	4,673,683
Trade and other receivables	1,381,977	1,067,123
Contract asset	-	18,810
Prepaid expenses and deposits	330,992	465,285
Inventories	131,000	278,696
Deferred costs	162,872	232,089
	2,818,425	6,735,686
Property and equipment	66,147	129,913
Right-of-use asset	369,538	554,305
Intangible asset	2,251,852	68,948
	5,505,962	7,488,852
Liabilities		
Current liabilities		
Trade and other payables	1,965,420	2,358,393
Credit facility	2,331,314	-
Lease obligations	300,555	215,532
Contract liability	144,034	-
Deferred revenue	59,549	-
Derivative liability	-	47,508
	4,800,872	2,621,433
Non-current lease obligations	367,001	667,558
Debentures	2,182,403	-
	7,350,276	3,288,991
Equity/Deficit		
Common shares	45,177,120	44,648,952
Common shares to be issued	-	528,168
Contributed surplus	11,652,200	10,046,621
Deficit	(58,673,634)	(51,023,880)
	(1,844,314)	4,199,861
	5,505,962	7,488,852

NEWTOPIA INC.

Statements of Loss and Comprehensive Loss

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
Revenue	10,455,848	11,416,319
Cost of revenue	5,384,184	5,913,724
Gross profit	5,071,664	5,502,595
Operating expenses		
Technology and development	3,126,963	3,439,845
Sales and marketing	3,156,822	3,528,912
General and administrative	4,679,652	4,353,914
Share-based compensation	1,071,275	771,662
	12,034,712	12,094,333
Other expenses (income)		
Depreciation of property and equipment	66,590	80,298
Depreciation of right-of-use asset	184,767	184,767
Interest on lease obligations	113,714	143,325
Interest and accretion expense	112,990	233,542
Finance charges	67,342	13,000
Capitalized borrowing costs	(39,200)	-
Foreign exchange (gain)/loss	34,650	(34)
Change in value of convertible debenture derivative liabilities	-	448,656
Loss on settlement of debt	18,964	167,716
Amortization of deferred finance charges	174,397	-
Change in value of derivative liability	(47,508)	(131,162)
	686,706	1,140,108
Net loss and comprehensive loss	(7,649,754)	(7,731,846)

NEWTOPIA INC.

Statements of Changes in Equity (Deficit)
Years Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Common Shares	Shares To Be Issued	Preferred Shares	Special Warrants	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2020	4,643,945	-	13,011,033	9,164,731	5,172,192	(43,204,384)	(11,212,483)
Net loss and comprehensive loss	-	-	-	-	-	(7,731,846)	(7,731,846)
Share-based compensation	-	-	-	-	771,662	-	771,662
Conversion of Convertible Debentures	6,039,000	-	-	-	589,594	-	6,628,594
Modification of Unit warrants issued on the conversion of Convertible Debentures	-	-	-	-	42,787	(42,787)	-
Conversion of retractable preferred shares	7,420,265	-	-	-	-	-	7,420,265
Conversion of preferred shares	13,011,033	-	(13,011,033)	-	-	-	-
Conversion of Special warrants	6,812,648	-	-	(9,164,731)	2,352,083	-	-
Modification of Warrants issued on the conversion of Special Warrants	-	-	-	-	44,863	(44,863)	-
Settlement of debt	-	528,168	-	-	85,446	-	613,614
Exercise of warrants	1,229,353	-	-	-	(352,581)	-	876,772
Private placement offering	5,696,835	-	-	-	1,052,134	-	6,748,969
Private placement compensation options	(204,127)	-	-	-	204,127	-	-
Warrants issued to Lender	-	-	-	-	84,314	-	84,314
Balance, December 31, 2020	44,648,952	528,168	-	-	10,046,621	(51,023,880)	4,199,861
Net loss and comprehensive loss	-	-	-	-	-	(7,649,754)	(7,649,754)
Share-based compensation	-	-	-	-	1,071,275	-	1,071,275
Warrants issued on issuance of Debentures	-	-	-	-	216,588	-	216,588
Issuance of shares	528,168	(528,168)	-	-	-	-	-
Settlement of related party payable	-	-	-	-	317,716	-	317,716
Balance, December 31, 2021	45,177,120	-	-	-	11,652,200	(58,673,634)	(1,844,314)

NEWTOPIA INC.

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	2021	2020
	\$	\$
Cash flows used in operating activities		
Net loss and comprehensive loss	(7,649,754)	(7,731,846)
Items not involving cash:		
Depreciation of property and equipment	66,590	80,298
Depreciation of right-of-use asset	184,767	184,767
Amortization of deferred finance charges	174,397	13,000
Capitalized borrowing costs	(39,200)	-
Accretion expense	62,090	233,542
Interest on lease obligations	113,714	143,325
Change in value of convertible debenture derivative liabilities	-	448,656
Change in value of derivative liability	(47,508)	(131,162)
Share-based compensation	1,071,275	771,662
Loss on settlement of debt	18,964	167,716
	(6,044,665)	(5,820,042)
Change in non-cash working capital		
Trade and other receivables	(314,854)	180,735
Prepaid expenses and deposits	134,293	(2,680)
Inventories	147,696	326,224
Trade and other payables	(94,221)	549,397
Contract asset/liability	162,844	(18,810)
Deferred revenue	59,549	-
	(5,949,358)	(4,785,176)
Cash flows used in investing activities		
Purchase of property and equipment	(2,824)	(23,835)
Intangible asset development costs	(2,143,704)	(68,948)
	(2,146,528)	(92,783)
Cash flows from financing activities:		
Credit facility withdrawals	6,352,152	-
Credit facility repayments	(4,020,838)	-
Proceeds from debenture units, net of closing costs	2,336,901	-
Credit facility financing costs	(105,180)	(160,775)
Repayment of lease obligation	(329,248)	(299,665)
Proceeds from private placement offering, net of share issuance costs	-	6,748,969
Proceeds from exercise of warrants	-	876,772
	4,233,787	7,165,301
Net change in cash during the year	(3,862,099)	2,287,342
Cash, beginning of year	4,673,683	2,386,341
Cash, end of year	811,584	4,673,683