Siddharth Rajeev, B.Tech, MBA, CFA

Fundamental Research Corp.
Investment Analysis for Intelligent Investors

August 21, 2019

CIBT Education Group Inc. (TSX: MBA): Q3 Revenues Down, But Core Operations Remain Healthy

Sector/Industry: Education Services

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Market Data (as of August 21, 2019)

Current Price	**C$0.64**
Fair Value	**C$1.45**
Rating*	**BUY**
Risk*	**3**
52 Week Range	C$0.48- C$0.83
Shares O/S	76,532,540
Market Cap	C$48.98 mm
Current Yield	N/A
P/E (forward)	12.8x
P/B	1.0x
YoY Return	-19.0%
YoY TSX	-0.2%

**See back of report for rating and risk definitions*

Highlights

- In Q3-FY2019 (quarter ended May 31, 2019), CIBT's revenues decreased 29% YOY to $16 million because of lower development fees as CIBT is currently more focused on executing the developments acquired in 2018.
- Core operations remain healthy as the company reported a 7% YoY increase in educational revenues, and an 8% YoY increase in rental revenues.
- Since our previous update report in May 2019, the budget and scope of GEC® Mega Center (Surrey) was revised from $324 million to $275 million. Closing of the acquisition of land for GEC® Oakridge is expected in January 2020. In June 2019, the company entered into a 21-year head lease agreement with a real estate developer on a residential rental property (GEC® Kingsway) to be constructed in Metro Vancouver. This is the first deal wherein CIBT will manage a third party owned property.
- At the end of Q3-FY2019, the company had $24 million in cash. The debt to capital was at 40% versus a comparables' average of 61%.
- As we lowered our forecasts for development fees, we are adjusting our FY2019 net profit estimate from $10 million / EPS: $0.13 to $4 million / EPS: $0.05. Note that these figures are net of non-controlling interest.

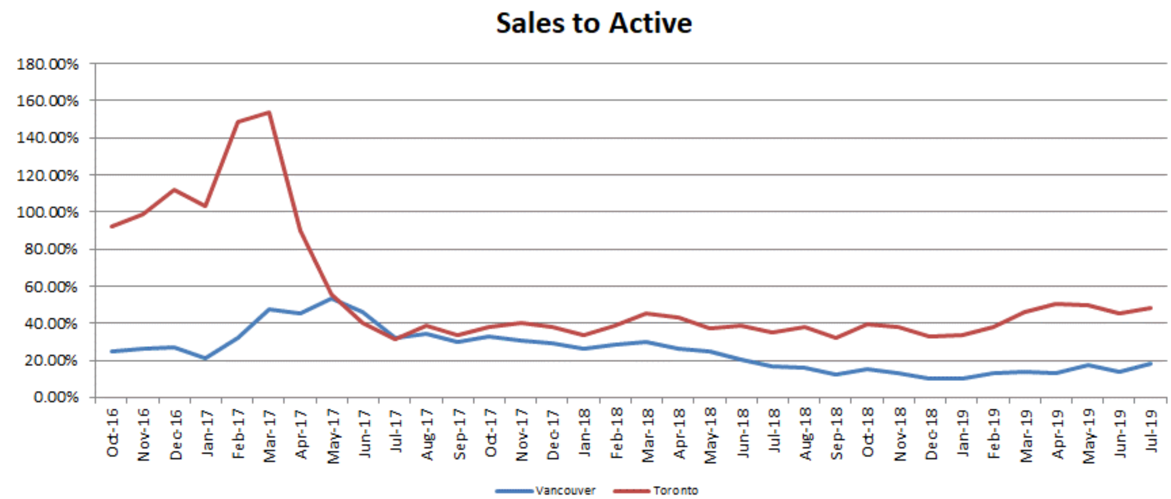
Key Financial Data (in C$); YE - Aug 31	2015	2016	2017	2018	2019E	2020E
Revenues	32,178,951	36,114,144	53,557,863	74,899,921	70,569,217	81,977,443
EBITDA	691,627	(527,312)	4,528,612	13,335,253	4,670,470	14,322,466
EBITDA Margin	2.1%	-1.5%	8.5%	17.8%	6.6%	17.5%
Net Income	6,000,774	9,215,414	8,284,034	45,371,165	10,592,283	22,475,236
EPS (Basic)	0.09	0.13	0.11	0.59	0.14	0.29
Debt to Capital	44.0%	35.2%	43.6%	40.2%	42.1%	42.7%
ROE	20.1%	17.5%	8.9%	50.5%	7.4%	9.3%

**The net profit / loss figures include CIBT's share of the net profit / loss and non-controlling interests.*

Market Update

Vancouver's real estate sales had declined every month on a YoY basis from February 2018 to June 2019. However, sales were up 24% in July. The sales to active listings ratio was 18% in July 2019, versus 17% in July 2018.

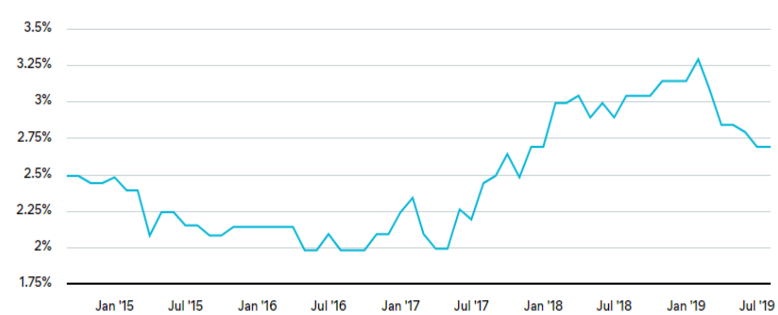
Metro Vancouver	Apr-18	Apr-19	YoY	May-18	May-19	YoY	Jun-18	Jun-19	YoY	Jul-18	Jul-19	YoY
Residential Sales	2,579	1,829	-29%	2,833	2,578	-9%	2,425	2,077	-14%	2,070	2,557	24%
New Listings	5,820	5,742	-1%	6,375	5,861	-8%	5,279	4,751	-10%	4,770	4,613	-3%
Active Listings	9,822	14,357	46%	11,292	14,685	30%	11,947	14,968	25%	12,137	14,240	17%
Sales to Listings	26.26%	12.74%		25.09%	17.56%		20.30%	13.88%		17.06%	17.96%	
MLS Home Price Index	$1,092,000	$1,008,400	-8%	$1,094,000	$1,006,400	-8%	$1,093,600	$998,700	-9%	$1,087,500	$995,200	-8%



Source: Real Estate Board of Greater Vancouver / TREB

Although the average price was down 8% YoY in July 2019, and 0.4% MoM, the jump in sales in July, and the potential for a lower interest rate environment, we believe, will likely stabilize prices. Despite the steady benchmark rate, mortgage rates in Canada have been declining (as shown below), primarily due to overall weakness in the economy.

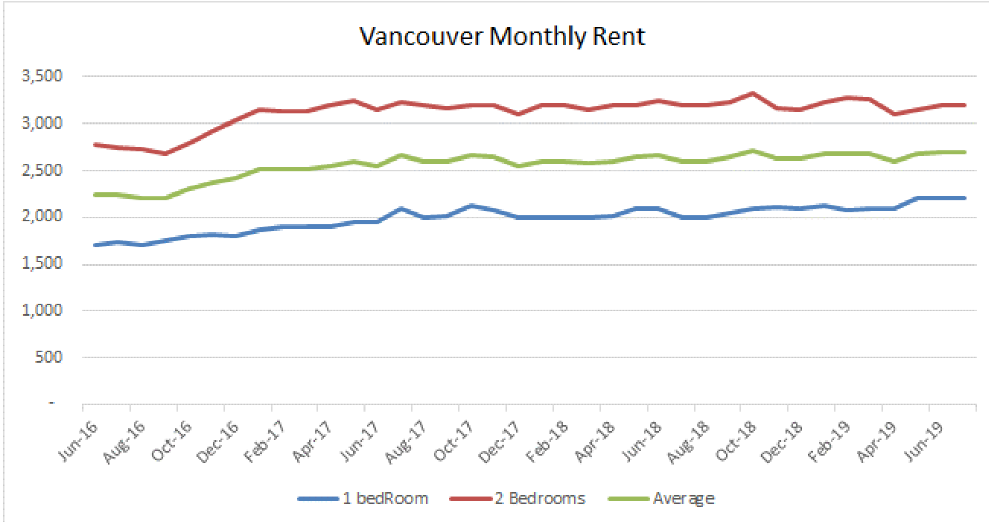
Three-Year Fixed Mortgage Rates



Source: Ratehub

Housing affordability remains a challenge in Vancouer, which has been driving CIBT's business model. As of July 2019, the average rent (1-bed) in the City of Vancouver was up 10% YoY to $2,200 per month. Vancouver continues to have one of the lowest residential vacancy rates in the country at approximately 1%.

FRC Fundamental Research Corp.



Source: PadMapper

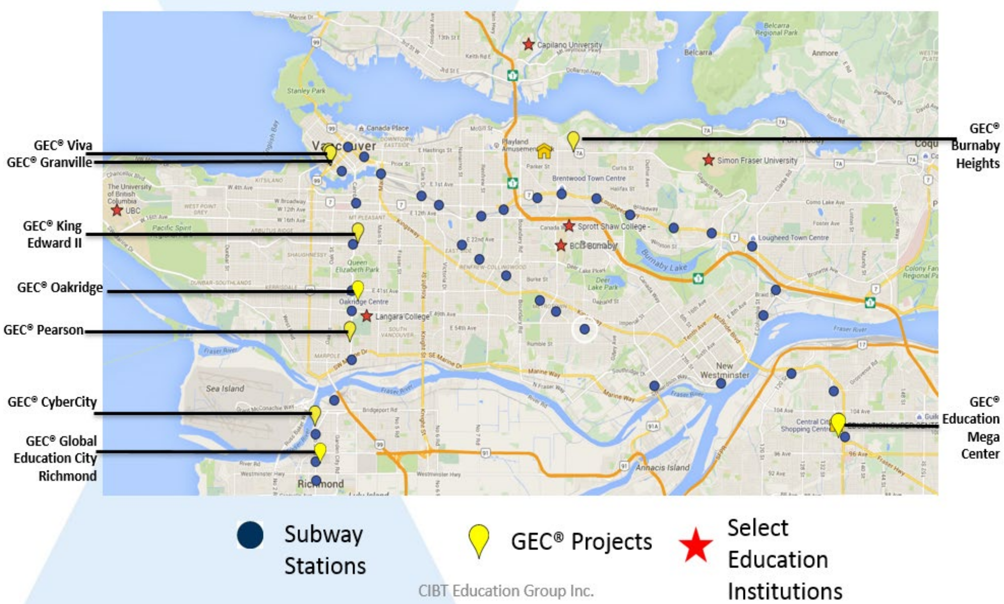
GEC's RE Portfolio

Since our previous update report in May 2019, the budget and scope of GEC® Mega Center (Surrey) was revised from $324 million to $275 million for two reasons: 1) an overall decline in construction costs in Vancouver, and 2) changes to the project's plan / scope to make it more cost efficient. Closing of the acquisition of land for GEC® Oakridge is expected in January 2020. The table below shows an updated summary of the acquired projects and the projects under development. Note that our estimates shown in the table below may not be in line with management's estimates.

Project Summary

Project #	GEC Project 3	GEC Project 2	GEC Project 4 / 8	GEC Project 5	GEC Project 6	GEC Project 1	GEC Project 7	GEC Project 9	GEC Project 10	
	Viva	Pearson	Granville	Burnaby Heights	King Edward	Cyber City	Mega Center (Surrey)	Richmond	Oakridge	Total
Status	Operating (Stablized)	Operating (expect to be stablized by Sept 2019)	Operating (Stablized)	Operating (Stablized)	Rezoning (Estimated to start operating in 2023)	Rezoning (DP submitted in July 2018; estsimated to start operating in 2023)	Rezoning (expected to take over the land title in FY2019, expected to start operating in late 2022)	Rezoning (DP approved in Nov 2018; BP expected in Oct 2019; expected to start operating in late 2022)	Rezoning (Expecting DP approval in November 2021; Construction timeline: 3 years)	
Projected Annual Rental Income (FRC Est.)	$3,500,000	$4,400,000	$7,700,000	$1,220,000	$2,880,000	$20,096,000	$20,096,000	$8,720,000	$8,215,200	$76,827,200
CIBT Ownership		38.5%	46.7%	25.0%	23.0%	27.0%	21.0%	20.0%	20.0%	
CIBT Management Fee	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Purchase Price/Project Costs		$43,500,000	$39,000,000	$19,000,000	$36,000,000	$251,200,000	$251,200,000	$109,000,000	$102,690,000	$851,590,000
Beds	223	328	222	97	193	240	720	466	475	2,964
NOI Estimate (FRC est.)	$1,560,000	$3,300,000	$4,000,000	$930,000	$1,728,000	$12,057,600	$12,057,600	$5,232,000	$4,929,120	$45,794,320
Cap Rate (assumption)		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Current Valuation (FRC est.)		$82,500,000	$100,000,000	$23,250,000	$43,200,000	$301,440,000	$301,440,000	$130,800,000	$123,228,000	$1,105,858,000
Gain (FRC Est.)		$39,000,000	$61,000,000	$4,250,000	$7,200,000	$50,240,000	$50,240,000	$21,800,000	$20,538,000	$254,268,000

*Ownership may change with project financing
* Our preliminary rental income estimates were based on approximately 8% of the cost price for each project.



Source: Company

Q3 revenues down due to lower development fees / Core operations remain healthy

In June 2019, the company entered into a 21 year headlease agreement with a real estate developer on a residential rental property (GEC® Kingsway) to be constructed in Metro Vancouver. This is the first deal wherein CIBT will manage a third party owned property. The project, which is estimated to have 350 – 410 beds, is expected to be completed in 2022.

Currently, 865 beds are in operations. We estimate the total projected cost of projects completed / under development is $875 million.

In Q3-FY2019, revenues decreased 29% YOY, to $16 million. In the nine month period, revenues were down 11% YoY to $49 million. The table below summarizes the company's key divisions and their revenues.

Revenues and Margins by Segment

	Q3-2017	Q3-2018	Q3-2019	YOY	2017 (9 mo)	2018 (9 mo)	2019 (9 mo)	YOY
SSC + Others								
Revenues	9,460,281	11,148,491	11,603,033	4.08%	23,284,313	33,169,300	34,492,058	3.99%
Gross Margins	54.27%	56.59%	56.06%		57.02%	57.02%	57.21%	
CIBT								
Revenues	438,473	469,310	835,558	78.04%	1,428,081	1,791,567	2,321,362	29.57%
Gross Margins	52.86%	35.68%	38.00%		49.31%	49.31%	44.00%	
IRIX								
Revenues	259,976	289,378	236,279	-18.35%	724,986	839,779	697,008	-17.00%
Gross Margins	72.59%	80.27%	82.00%		73.77%	73.77%	79.00%	
Commissions + Referral Fees								
Revenues	121,913	199,921	145,573	-27.18%	541,788	679,826	569,610	-16.21%
Gross Margins	39.06%	27.18%	57.00%		34.64%	34.64%	47.00%	
Global Education City								
Revenues (rental)	2,079,935	2,708,045	2,936,529	8.44%	5,258,568	6,552,381	8,525,684	30.12%
Gross Margins	33.45%	58.61%	40.00%		27.55%	27.55%	39.00%	
Global Education City								
Development fees		8,019,562	381,062	-95.25%	5,595,239	11,662,382	2,152,762	-81.54%
Overall Revenues	**12,360,578**	**22,834,707**	**16,138,034**	**-29.33%**	**36,832,975**	**54,695,235**	**48,758,484**	**-10.85%**

Source: Company Data

Revenues declined in Q3 due to a 95% drop in development fees; the company reported growth in the other two key segments (Education and Rent), as shown in the table above.

- **Educational revenues** were $12 million, up 4% YoY in Q3, primarily from organic growth. Nine-month revenues were also up 4% YoY to $34 million. **As Q3 was inline, we are maintaining our 2019 revenue forecast at $52 million.**

- **Rental revenues** were $2.94 million, up 8% YoY. Nine-month revenues were up 30% YoY to $8.53 million. Revenues came from four properties - Viva Suites Hotel, Granville, Burnaby Heights, and Pearson. Pearson remains in ramp-up stage, and the company expects operations to stabilize by September 2019 (with the commencement of a new term year). The full-capacity revenue potential of these four projects is $17 million per year. **We are maintaining our FY2019 revenue forecast at $14 million.**

- **Development fees** were $0.38 million versus $8.02 million in Q3-FY2018. Nine-month revenues were down 82% YoY to $2.15 million As mentioned in our previous reports, we are not concerned with this drop as volatility in such fees are expected as its recognition depends on the timing of projects. These fees are non-cash, as CIBT uses these fees to acquire an equity interest in projects. **We are adjusting our FY2019 development fee forecast from $11 million to $3 million.**

Based on the above, we are revising our FY2019 revenue estimate from $78 million to $71 million. We are also adjusting our FY2020 estimate from $85 million to $82 million.

Gross margins dropped to 54% in Q3-FY2019 versus 72% in Q3-FY2018, due to the decline in development fees (which have 100% gross margins). We are adjusting our gross margin estimate for FY2019 from 60% to 55%, due to lower expected revenues from development fees.

Margins

	Q3-2017	Q3-2018	Q3-2019	2017 (9 mo)	2018 (9 mo)	2019 (9 mo)
Gross	50.95%	71.68%	53.64%	59.0%	62.3%	55.3%
EBITDA	-3.0%	36.1%	4.9%	11.9%	19.8%	5.5%
EBIT	-5.4%	34.0%	1.5%	9.8%	17.5%	2.2%
EBT	-7.8%	26.3%	-4.3%	6.3%	11.1%	-6.3%
Net	-11.4%	34.9%	1.8%	16.6%	30.4%	11.7%
Net (normalized)	-7.8%	26.3%	2.1%	6.3%	11.1%	-4.8%

Source: Company Data

General and administrative ("G&A") expenses declined 3% YOY to $7.80 million in Q3, and 4% YoY to $24.05 million in the nine month period. **Our FY2019 estimate has been maintained at $34 million.**

EBITDA was $0.80 million in Q3-FY2019, versus $8.24 million in Q3-FY2018**. EBITDA, excluding development fees, was up 91% YoY from $0.22 million to $0.41 million. For the nine months, EBITDA, excluding development fees, was $0.53 million, versus -$0.86 million in the same period last year.** Note that the company's reported figures are slightly different from our calculations.

The company did not report any gain/loss in the **valuation of properties in Q3-FY2019. However, over the nine-month period, the gain** in the **valuation of properties** was $8.1 million in FY2019 versus $8.64 million in FY2018. Since inception of the real estate business, the company has reported total gains of $79 million. The table on page 4 shows our estimates of the expected increase in the valuation of the assets. We estimate the company will report a total valuation gain of $29 million over FY2019 and FY2020 (previously $68 million).

After deducting non-controlling interests, CIBT reported net income of $1.03 million (EPS: $0.01), versus net profit of $8.50 million (EPS: $0.11) in Q3-FY2018. Excluding development fees, CIBT reported net income of $0.65 million (EPS: $0.01) in Q3-FY2019, versus net profit of $0.48 million (EPS: $0.01) in Q3-FY2018.

For the nine months, after deducting non-controlling interests, CIBT reported net profit of $2.08 million (EPS: $0.03), down 82% YoY. Excluding development fees, CIBT reported a net loss of -$0.07 million (EPS: -$0.00) in FY2019, versus net profit of $0.11 million (EPS: $0.00) in FY2018.

We are adjusting our FY2019 net profit estimate from $10 million / EPS: $0.13 to $4 million / EPS: $0.05. Our FY2020 estimate has been adjusted from $11 million / EPS: $0.14 to $5 million / EPS: $0.07. Note that these figures are net of non-controlling interests.

Cash Flows

Free cash flows were -$8.91 million in the first nine months of FY2019 versus -$59.24 million in the same period in the previous year. FCFs were lower in the previous year due to a significantly higher cash outlay for investments, as shown in the below table.

Summary of Cash Flows (C$, mm)	2017 (9M)	2018 (9M)	2018 (9M)
Operating	$8.78	$19.51	-$0.21
Investing	-$44.38	-$78.75	-$8.70
Financing	$38.00	$62.83	-$1.12
Effects of Exchange Rate	$0.07	$0.10	$0.03
Net	**$2.47**	**$3.68**	**-$9.99**
Free Cash Flows to Firm (FCF)	**-$28.10**	**-$59.24**	**-$8.91**

Source: Company Data

Balance Sheet

At the end of Q3-FY2019, the company had $24 million in cash. The debt to capital was at 40%. We estimate that the average debt to capital of the REITs presented later in this report is approximately 61%.

Liquidity & Capital Structure (C$)	2017A	2018A	Q1-2019	Q2-2019	Q3-2019
Cash + Restricted Cash	$7,129,892	$33,495,798	$19,552,192	$21,001,882	$23,503,623
Working Capital	-$40,534,349	-$18,624,069	-$52,488,839	-$69,113,694	-$63,982,753
Current Ratio	0.32	0.75	0.41	0.36	0.39
Debt/Capital	43.61%	40.24%	39.58%	38.62%	39.88%
EBIT Interest Coverage	1.3	2.0	0.4	0.1	0.2

Source: Company Data

Working capital and the current ratio were -$64 million and 0.4x, respectively. The negative working capital was due to $62 million in mortgages (classified as short-term as they are up for renewal), and $28 million in deferred revenues.

Stock Options and Warrants

The company has 2.65 million options (exercise price between $0.37 and $0.82 per share), and nil warrants outstanding.

Valuation and Rating

As a result of our lower EPS forecasts, and the lower budget and scope of GEC® Mega Center, our revised fair value estimate has been adjusted to $1.45 versus our previous estimate of $1.55 per share. The following table summarizes our valuation.

	EV / Revenue	EV / EBITDA	P / B
CHC Student Housing	11.90	32.20	1.10
American Campus Communities	11.00	21.80	1.90
Education Realty Trust (acquired)	11.00	21.45	1.60
Pure Multi-Family REIT LP	10.50	20.80	1.10
Killam Apartment REIT	14.60	26.00	1.40
Morguard North American Residential	9.70	20.60	0.60
Northview Apartment REIT	10.20	19.00	1.00
Average (excl. outliers)	**11.27**	**21.61**	**1.24**

	Projected Annual Revenues	Projected EBITDA	Projected Book Value
$, millions	$78.73	$39.23	$175.08
	(FRC est.)	(based on a peer average EBITDA margin of 49.8%)	20% of the est. cost of $0.88B
Fair Value of 24.7% Equity ($, millions)	$46.15	$36.37	$53.67
Average ($, millions)	**$45.40**		

Valuation	Fair Value	Fair Value per Share
Education Management		
* Discounted Cash Flow @ 10%	$64,304,651	$0.81
* EV / Revenue @ 1.4x	$75,265,340	$0.95
Average	**$69,784,996**	**$0.88**
Student Housing (GEC)	**$45,395,423**	**$0.57**
Fair Value Estimate	**$115,180,419**	**$1.45**

Source: FRC / S&P Capital IQ

We reiterate our BUY rating, with a revised fair value estimate of $1.45 per share.

The company's share price had dropped significantly from $0.70 per share on May 7, 2019, to a low of $0.48 per share by mid-June 2019. This was highly unexpected as none of the press releases during this time period indicated any change in the company's business or its fundamentals. The company put out a press release stating that the decline in share price was a result of a few short-sellers. The share price subsequently ran back up to the $0.70 per share range by July 2019. **CIBT continues with its normal course issuer bid, and has purchased 3.37 million shares from the market over the past two years.**

Risks

The following risks may cause our estimates to differ from actual results (not exhaustive):

- Competition in the private education business in Canada is high.
- Real estate development and financing risks.
- Health of the rental market in Vancouver.
- The company's profitability is highly dependent on the health of the student housing real estate market in the Greater Vancouver area.
- Although the company has been able to pursue cheap acquisitions in the past, there is no guarantee they would be able to continue to do so going forward.

Appendix

(in C$)	2017A	2018A	2019F	2020F
REVENUES				
Educational	37,710,897	49,484,021	51,960,452	54,983,689
Rental	8,623,826	10,609,929	13,856,700	17,765,000
Commissions + Referral Fees	852,172	903,903	813,513	813,513
Design and advertising IRIX	998,824	1,096,658	986,992	1,036,342
Development fees	5,372,144	12,805,410	2,951,560	7,378,900
Total Revenues	**53,557,863**	**74,899,921**	**70,569,217**	**81,977,443**
DIRECT COSTS				
Educational	17,636,745	22,709,962	22,819,084	23,947,058
Commissions + Referral Fees	497,650	675,663	467,770	467,770
Rental	5,766,940	5,271,325	8,314,020	7,994,250
Design and advertising IRIX	240,809	249,835	197,398	259,085
Total Direct Costs	**24,142,144**	**28,906,785**	**31,798,272**	**32,668,164**
Gross Profit	**29,415,719**	**45,993,136**	**38,770,945**	**49,309,280**
EXPENSES				
Stock-based compensation	194,365	262,718	247,528	287,543
General and administrative	24,692,742	32,395,165	33,852,947	34,699,271
Website Development cost				
Business development costs/others				
Total Expenses	**24,887,107**	**32,657,883**	**34,100,475**	**34,986,814**
EBITDA	**4,528,612**	**13,335,253**	**4,670,470**	**14,322,466**
Amortization	1,190,329	1,811,415	2,391,166	2,618,515
EBIT	**3,338,283**	**11,523,838**	**2,279,305**	**11,703,951**
Interest / Finance Cost	(2,640,046)	(5,635,740)	(4,704,118)	(4,132,236)
Interest Income	1,781,861	2,070,874		
Foreign exchange (loss) gain	(40,288)	16,987		
Loss on disposal of property, plant and eq	34,771	-	-	-
EBT	**2,474,581**	**7,975,959**	**(2,424,813)**	**7,571,715**
Loss of investment in associates	(1,268,036)	(669,951)		
Gain on Change of Property FV	10,470,322	43,497,343	12,629,126	16,417,864
Discontinued operations / others	(1,501,751)	1,550,489	-	-
Net Profit (Loss) before tax	**10,175,116**	**52,353,840**	**10,204,313**	**23,989,579**
Taxes	1,891,082	6,982,675	(387,970)	1,514,343
Net Profit (Loss)	**8,284,034**	**45,371,165**	**10,592,283**	**22,475,236**
EPS	0.11	0.59	0.14	0.29
Non-controlling interests	(5,896,938)	(25,428,909)	(6,766,210)	(17,245,460)
Net Profit (Loss) to CIBT	**2,387,096**	**19,942,256**	**3,826,073**	**5,229,776**
EPS	0.03	0.25	0.05	0.07

CONSOLIDATED BALANCE SHEETS (in C$) ASSETS	2017A	2018A	2019F	2020F
CURRENT				
Cash and short-term investments	7,129,892	33,495,798	25,769,989	31,317,629
Accounts receivable	9,271,204	18,327,693	16,740,543	23,336,185
Prepaids and other	1,285,875	1,729,965	1,546,022	1,795,953
Others	930,149	862,746	862,746	862,746
Inventory	584,392	751,742	751,742	751,742
Total Current Assets	**19,201,512**	**55,167,944**	**45,671,042**	**58,064,255**
Due from Related Parties	2,776,320	204,126	204,126	204,126
Property and Equipment	4,142,299	62,277,524	63,747,294	65,236,657
Intangible Assets	13,178,800	9,457,443	8,261,860	6,952,603
Goodwill	7,056,274	10,356,253	10,356,253	10,356,253
Future Income Tax	2,046,307	3,867,389	3,867,389	3,867,389
Deferred Cur. Dev. Costs & Other Assets	1,854,124		-	-
Investment property	101,010,000	144,670,000	181,895,459	229,058,740
Refundable deposits + Investment	15,416,361	54,835,953	54,835,953	54,835,953
Assets held for Sale/Cash held in trust	-	-	-	-
Total Assets	**166,681,997**	**340,836,632**	**368,839,377**	**428,575,975**
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	7,454,305	16,596,566	10,337,014	10,619,799
Deferred revenue	18,452,047	23,572,827	23,382,833	30,558,267
Lease obligation + provision	193,933		-	-
Income Tax Payable	273,212	5,069,250	5,069,250	5,069,250
Current portion of the long-term debt	33,362,364	28,553,370	28,553,370	28,553,370
Total Current Liabilities	**59,735,861**	**73,792,013**	**67,342,467**	**74,800,686**
Lease Obligation			-	-
Long-term Debt	26,047,512	87,051,236	106,728,303	131,324,636
Future Income Tax Liabilities	4,085,456	8,341,202	8,341,202	8,341,202
SHAREHOLDERS EQUITY				
Share capital	52,190,322	52,039,965	52,039,965	52,039,965
Contributed surplus	5,741,510	5,692,765	5,940,293	6,227,836
Accumulated Comprehensive loss	243,766	248,034	248,034	248,034
Non-controlling interests	47,280,963	122,210,962	132,912,585	155,077,312
Deficit	(28,643,393)	(8,539,545)	(4,713,472)	516,304
Total shareholders' equity (deficiency)	**76,813,168**	**171,652,181**	**186,427,405**	**214,109,450**
Total Liabilities and Shareholders Equity	**166,681,997**	**340,836,632**	**368,839,377**	**428,575,975**

CONSOLIDATED STATEMENTS OF CASH FLOWS (in C$)	2017A	2018A	2019F	2020F
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit (Loss) for the year	8,284,034	45,371,165	10,592,283	22,475,236
Adjusted for items not involving cash:				
- amortization	1,944,159	3,377,604	2,391,166	2,618,515
- stock-based compensation	194,365	262,718	247,528	287,543
- loss on disposal of property, plant and equipment	(144,133)	(2,295,672)	-	-
-gain from changes in ownership investment interests	1,268,036	669,951	-	-
-gain on fair value changes in investment properties	(10,470,322)	(43,497,343)	(12,629,126)	(16,417,864)
-finance fees	766,267	1,039,765		
-future/current income tax provision/others	2,046,497	1,539,127		
Funds From Operations	**3,888,903**	**6,467,315**	**601,850**	**8,963,430**
Net changes in non-cash working capital items	7,108,759	13,401,605	(4,678,454)	612,647
Discontinued Operations				
NET CASH USED IN OPERATING ACTIVITIES	**10,997,662**	**19,868,920**	**(4,076,603)**	**9,576,077**
CASH FLOWS FROM INVESTING ACTIVITIES				
PP&E	(1,782,241)	(2,538,431)	(2,665,353)	(2,798,620)
Investment Properties	(35,148,261)	8,967,827		
Deposits on real estate properties	(500,000)	(52,000,000)		
Acquisitions	(8,297,361)	(15,834,974)	(24,596,333)	(30,745,417)
Disposal of business assets	(169,892)			
Restricted cash	(101,507)	(42)		
NET CASH USED IN INVESTING ACTIVITIES	**(45,999,262)**	**(61,405,620)**	**(27,261,686)**	**(33,544,037)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash from equity and debt issuances	5,096,956	374,048		
Acquisition of the Company's shares into treasury, net	(661,512)	(689,148)	-	-
Advances (to) from related parties	(2,855,956)	(11,797,050)		
Lease obligation repayments	(137,259)			
Non controlling interest capital contribution	10,510,050	49,349,137	3,935,413	4,919,267
Loan principal payments	(899,738)			
Long-term debt advances	29,476,661	33,978,413	19,677,067	24,596,333
Funds from loan advances	(2,478,747)			
Deferred finance fees	(521,927)	(3,314,231)	-	-
NET CASH FROM FINANCING ACTIVITIES	**37,528,528**	**67,901,169**	**23,612,480**	**29,515,600**
Foreign Exchange / Others	11,486	1,395		
INCREASE IN CASH FOR THE YEAR	**2,538,414**	**26,365,864**	**(7,725,809)**	**5,547,640**
CASH, BEGINNING OF THE YEAR	4,341,970	6,880,384	33,495,798	25,769,989
CASH, END OF THE YEAR	**6,880,384**	**33,246,248**	**25,769,989**	**31,317,629**

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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