

## Company Summary

February 4, 2010

### **NTG Clarity Networks Inc. (NCI : TSX-V)**

**Current Price : \$0.045**

Coverage Initiated:  
\$0.045 (February 4, 2010)

#### **Highlights:**

- targeting growth in an expanding international market, primarily the Middle East
- profitable with strong gross margins
- large working capital position of \$1.9 million or \$0.07 per share as at September 30, 2009
- 71% year-over-year revenue growth for the third quarter of 2009

### **DISCUSSION:**

NTG Clarity Networks Inc. is a global leader in delivering network, IT (information technology) and infrastructure solutions to telecommunications service providers. The company has been developing niche software products directed at the business-to-business Internet market since its inception in 1992. NTG Clarity has a team of more than 120 network professionals offering design, engineering, implementation, software development and security expertise. The company's primary business focus is on the delivery of a world leading OSS (Operations Support System) product called NTS and the associated consulting services and training to implement the product. NTG Clarity's services are offered internationally with offices and operations in Canada, Egypt, Saudi Arabia, Algeria, Bahrain and Kuwait. A significant portion of future growth is expected to originate from the international marketplace due in part to the deregulation of the telecommunication sector and the licensing of new mobile operators.

In February 2009, NTG Clarity signed an agreement with Al Mozoon Group Architectural Contracting to open a joint venture company called NTG Clarity Arabia. The new company provides telecommunications and information technology consulting services and products in the Kingdom of Saudi Arabia. NTG Clarity Arabia will combine Al Mozoon's extensive experience and relations in the KSA market with NTG's Telecom and IT solutions leadership, enabling the joint venture to become a leading provider of IT and Telecom solutions for customers from small businesses to large enterprises. NTG Clarity Arabia provides customers the best value through expanded research and development, a broader range of products and services, increased sales capabilities and a more comprehensive set of market offerings.

In late October 2009, NTG Clarity commenced the implementation of its NTS OSS Process Automation/Workflow system for a leading telecom operator in the Middle East Gulf area. NTG will provide its NTS workflow module and implementation and support services for this service organization. Provided services also include functional process analysis, process automation and system customization. As telecom operators evolve and upgrade their existing infrastructures into next generation networks, effective workflow management and process automation is becoming key for the success of the operators. Over the years, NTG has developed strong expertise in process automation and Business Process Re-Engineering and has developed a product and methodology which ensures the successful completion of such projects.

On November 11, 2009, the company commenced the implementation of a water tankers distribution management system for a leading Water Service Company in the Middle East Gulf area. NTG will develop and support a management, monitoring, control and distribution system to improve the operation of the divisions involved in water distribution through tankers. The system will strengthen the management decision making, leading to improved income and improved performance of the Water Service company.

Management believes that NTG Clarity's brand name is gaining increased recognition as a reliable, quality supplier to telecom and network service providers. Looking forward, the company intends to increase market share in the telecom sector and expand the enterprise and wireless areas of the business. NTG Clarity will continue to focus on enhancing its cost structure while targeting double-digit revenue and profit margin growth.

For the third quarter ended September 30, 2009, NTG posted a 71% year-over-year increase in revenues to \$1.7 million and gross margins of 51%. This revenue increase is largely attributable to more project work in Saudi Arabia. As a result of improved financial performance, the company's balance sheet has also improved with positive working capital of \$1.9 million or \$0.07 per

share with long-term debt of just \$511,000. Significant foreign exchange losses were also incurred during the 3 and 9 months ended September 30, 2009, which had a major impact on the company's bottom line. Without these foreign exchange losses, earnings for the third quarter would have been \$316,594 or \$0.013 per share. The company is working to mitigate future losses from foreign exchange exposure. Furthermore, NTG recorded a bad debt provision of \$225,000 for the 9 months and \$75,000 for the three months ended September 30, 2009, which further reduced earnings outside of the normal course of business. Given recently announced agreements and an improved revenue stream, it appears that Q3 results should be repeatable which could translate into annualized earnings (pre-tax) of over \$1.0 million or \$0.04 per share. Despite this potential, NTG Clarity continues to trade below working capital value attributing nothing in share value towards the current or future profitability of the company.

## FINANCIAL SUMMARY (For the years ending December 31)

	2005	2006	2007	2008	2009e
Revenues	\$ 5,800,611	\$ 5,269,910	\$ 6,277,197	\$ 5,485,169	\$ 6,200,000
Gross Profit	2,781,600	2,537,280	3,491,155	3,032,269	2,900,000
Operating Income*	832,645	543,835	955,524	876,288	1,000,000
Net Income	302,641	194,810	90,958	539,418	n/a
per diluted share	\$0.01	\$0.00	\$0.00	\$0.02	n/a

\* income before amortization, interest, taxes, foreign exchange gains/losses, bad debt provisions and stock based compensation

### LATEST FINANCIAL RESULTS

	3 Months Ended Sept. 30		9 Months Ended Sept. 30	
	2009	2008	2009	2008
Revenues	\$1,707,231	\$997,188	\$4,493,053	\$3,481,025
Cost of Sales	824,849	502,017	2,473,674	1,944,369
Gross Profit	882,382	495,171	2,019,379	1,536,656
Expenses	490,268	623,631	1,405,914	1,624,408
Bad Debt Provision	75,000	-	225,000	-
Forex (Gain) Loss	304,842	(87,987)	504,087	(143,749)
Net Income	11,752	(40,473)	(128,673)	55,997
per share	\$0.000	(\$0.002)	(\$0.005)	\$0.002

### BALANCE SHEET

(As at September 30, 2009)

Current Assets	\$ 4,389,675
Total Assets	4,512,992
Current Liabilities	2,533,288
Long-Term Debt	510,711
Shareholders' Equity	1,468,993

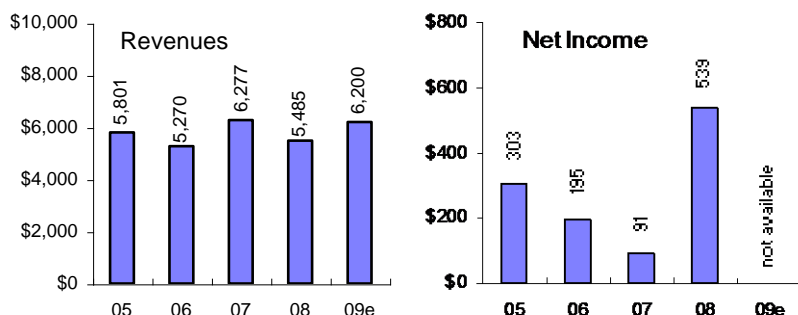
### SHARES OUTSTANDING

(As at September 30, 2009)

Basic	25,153,391*
Options	3,384,500**
Fully-diluted	28,537,891

\* officers and directors own approximately 25% of the basic and preferred shares issued and outstanding

\*\* stock options are exercisable at \$0.10 per share



### MANAGEMENT & DIRECTORS:

**Ashraf Zaghoul**, CEO & Chairman

**Adel Zaghoul**, CEO, NTG Egypt

**Kristine Lewis**, President & CFO

**Allen Fournier**, VP Eastern Canada

**Gamal Metwally**, VP Software Products & Services

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