

## Company Summary

May 14, 2010

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

**Current Price : \$0.08**

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 \$1.96 million or \$0.078 per share as at December 31, 2009 with minimal long-term debt
- 11% year-over-year revenue growth recorded in 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 (KSA). NTG Clarity Arabia combines Al Mozoon's experience and relations in the KSA market with NTG's Telecom and IT solutions expertise.

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.

In November 2009, the company commenced the implementation of a water tankers distribution management system for a leading water service company in the 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.

In April 2010, NTG Clarity signed a \$300,000 technical resource contract with a government ministry in the Gulf region to be carried out over a 5 month period. Also in April, the company secured a \$750,000 data cleansing project with a leading telecom operator in the Middle East. Data migration and cleansing is an important growth area for NTG.

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 year ended December 31, 2009, NTG posted revenues of \$6.1 million and a gross margin of 49% as compared to 2008 sales of \$5.5 million and gross margin of 55%. This revenue increase is largely attributable to an aggressive marketing program in the Middle East. In Q4 2009, the company posted a 60% gross profit margin on sales of \$1.62 million with associated net

earnings of just over \$349,000 or \$0.014 per share. NTG Clarity's balance sheet has also improved with positive working capital of \$1.96 million or \$0.078 per share with long-term debt of just \$367,945. A significant foreign exchange loss of \$372,905 was incurred during 2009 due to the weakening US dollar, which had a major impact on the company's bottom line. Without these foreign exchange losses, earnings for the year would have been \$593,461 or \$0.024 per share. The company is working to mitigate future losses from foreign exchange exposure. Furthermore, NTG recorded a bad debt provision of \$225,000 in 2009, which further reduced earnings outside of the normal course of business. Given recently announced agreements and an improved revenue stream, it appears that Q4 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 at 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	2009	2010e**
Revenues	\$ 5,800,611	\$ 5,269,910	\$ 6,277,197	\$ 5,485,169	\$ 6,114,421	\$ 8,000,000
Gross Profit	2,781,600	2,537,280	3,491,155	3,032,269	3,117,841	4,250,000
Operating Income*	832,645	552,589	1,099,021	788,070	1,179,815	1,500,000
Net Income	302,641	194,810	90,958	539,418	220,556	1,000,000
per diluted share	\$0.01	\$0.00	\$0.00	\$0.021	\$0.009	\$0.04

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

\*\*QIS Capital estimates

## LATEST FINANCIAL RESULTS

	3 Months Ended Dec. 31		Year Ended Dec. 31	
	2009	2008	2009	2008
Revenues	\$1,621,368	\$2,004,143	\$6,114,421	\$5,485,169
Cost of Sales	644,167	508,531	3,117,841	2,452,900
Gross Profit	977,201	1,495,613	2,996,580	3,032,269
Expenses	640,013	803,580	1,816,765	2,244,199
Bad Debt Provision	0	6,860	225,000	6,860
Forex Loss (Gain)	(131,182)	55,531	372,905	(88,218)
Net Income	349,229	483,421	220,556	539,418
per share	\$0.014	\$0.019	\$0.009	\$0.021

## BALANCE SHEET

(As at December 31, 2009)

Current Assets	\$ 3,927,909
Total Assets	4,150,151
Current Liabilities	1,963,984
Long-Term Debt	367,945
Shareholders' Equity	1,818,222

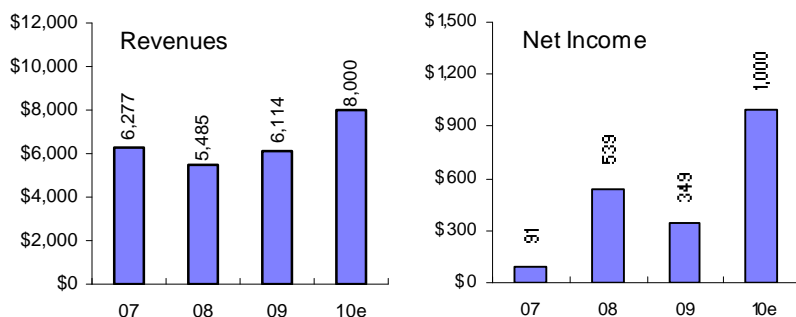
## SHARES OUTSTANDING

(As at December 31, 2009)

Basic	25,153,391*
Options	3,569,500**
Fully-diluted	28,722,891

\* 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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