

Fundamental Research Corp.

Investment Analysis for Intelligent Investors

June 22, 2017

CIBT Education Group Inc. (TSX: MBA) – Expecting to more than double student housing beds by end of fall

Sector/Industry: Education Services

www.cibt.net

Market Data (as of June 22, 2017)

Current Price	C\$0.79
Fair Value	C\$1.37
Rating*	BUY
Risk*	3
52 Week Range	C\$0.26 - C\$0.96
Shares O/S	76,736,175
Market Cap	C\$60.62 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.9x
YoY Return	172.4%
YoY TSX	7.7%

*See back of report for rating and risk definitions



Highlights

- The Vancouver rental market remains extremely strong due to a serious lack of new rental supply and high housing prices. The overall vacancy rate is just 0.7%, with an average monthly rent of a 1-bedroom unit of \$1,900.
- CIBT Education (“CIBT”, “company”) closed the acquisition of KGIC Inc.’s assets on March 29, 2017. The acquisition added 18 locations operating ESL Schools, Career Colleges and Community Colleges in Toronto, Vancouver and Victoria.
- The company entered into an agreement with a financing partner to raise approximately \$95 million for the GEC Education Super Center (Richmond, BC) and GEC Education Mega Center (Surrey, BC) projects over the next 18 months. The total estimated budget of the two projects is approximately \$410 million.
- CIBT’s portfolio currently has three projects with over 400 beds currently in operations. Management expects to have approximately 1,000 beds by the end of fall 2017, with another 2,580 beds under development.
- We are raising our fair value estimate from \$1.08 to \$1.37 per share.

Key Financial Data

(in C\$); YE - Aug 31	2014	2015	2016	2017E	2018E
Revenues	30,916,154	32,178,951	36,114,144	48,724,966	68,805,355
EBITDA	(1,183,601)	691,627	(527,312)	8,991,728	20,702,154
EBITDA Margin	-3.8%	2.1%	-1.5%	18.5%	30.1%
Net Income	5,312,961	6,000,774	9,215,414	21,380,712	29,256,154
EPS (Basic)	0.08	0.09	0.13	0.28	0.38
Debt to Capital	14.1%	44.0%	35.6%	49.7%	62.3%
ROE	27.8%	20.1%	17.5%	29.2%	37.9%

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



Completes acquisition of KGIC assets

CIBT closed the acquisition of KGIC Inc. assets on March 29, 2017. The company had announced back in January 2017 that they acquired senior secured debt totaling \$12.3 million owed by KGIC Inc. held by a Canadian bank for \$3.1 million. KGIC was placed in receivership immediately after CIBT's debt acquisition. Subsequent to the debt acquisition, CIBT's Spratt Shaw College was appointed by the receiver (BDO Canada) to manage the operations of KGIC's schools.

The transactions with KGIC have also been highly successful for CIBT in the past. Six campuses currently held by KGIC were sold to them by CIBT in 2013 for \$13.5 million, which they had originally acquired in 2010 for \$4.3 million. **These transactions reflect CEO, Toby Chu's ability to recognize and execute opportunistic transactions.**

KGIC has 18 locations (2,000 students) operating ESL Schools, Career Colleges and Community Colleges in Toronto, Vancouver and Victoria. They generated \$23.63 million in revenues in the first nine month of 2016.

Including the acquisition, CIBT's educational division in Canada currently consists of the following:

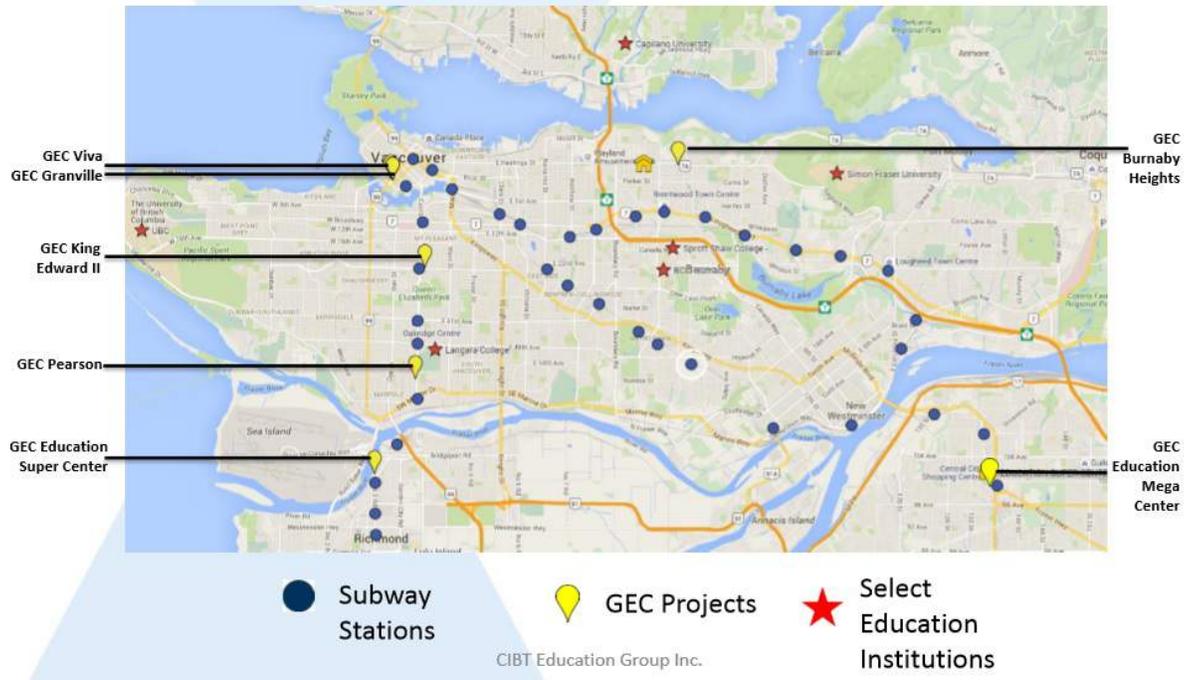
- 19 domestic business colleges under the brand Spratt Shaw College – SSC
- 6 language schools under the brand Spratt Shaw Language College – SSLC
- 6 overseas campuses under CIBT School of Business and Beihai International College - CIBT
- 1 Ontario higher school under the brand Urban International School – UIS
- 5 Recruitment offices in Asia under Global Education Alliance – GEA

The schools combined offer over 150 programs and management expects the annual enrollment to more than double from 8,000 to 20,000 over the next 2 years.

Student Housing

In May 2017, the company announced an agreement with Exempt Market Dealer, TriView Capital Inc, to raise approximately \$95 million for the GEC Education Super Center (Richmond, BC) and GEC Education Mega Center (Surrey, BC) projects over the next 18 months. The total estimated budget of the two projects is approximately \$410 million. The company had raised \$17.5 million in January 2017 for the GEC Education Super Center.

A map showing the company's projects are presented below.



The table below shows a summary of the acquired projects and the projects under development. The table also presents our preliminary rental income estimates (approximately 10% of the cost price) for each project.

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	GEC Education Super Center (Richmond)	GEC Education Mega Center (Surrey)	Total
Projected Annual Rental Income (FRC Est.)	\$3,500,000	\$3,750,000	\$1,775,000	\$4,250,000	\$2,800,000	\$18,200,000	\$23,000,000	\$57,275,000
CIBT Ownership	20.0%	20.0%	25.0%	38.5%	21.0%	26.8%	20.0%	
CIBT Management Fee	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Purchase Price / Construction Costs	\$35,000,000	\$37,500,000	\$17,750,000	\$42,500,000	\$28,000,000	\$182,000,000	\$230,000,000	\$572,750,000
Beds	210	240	84	330	184	1000	1400	3,448
Status	Phase I complete / Phase II completion by Summer 2017	Operational	Operational	Under Construction (operational by Summer 2017)	Under Development (operational by July 2018)	In Planning Stages (expected completion in Spring 2020)	In Planning Stages (expected completion in Spring 2020)	

*GEC Education Super/Mega Center Ownership may change with project financing

The projects have over 400 beds currently in operations. **Management expects to have over 1,000 beds by end of fall 2017, with another 2,580 beds under development.**



In Q2-2017, the company reported **revenues from development fees** of \$1.13 million. For the six month period, the company recorded \$5.60 million. Our forecast for FY2017 is \$5.62 million and for FY2018 is \$4.12 million. These estimates are based on the assumption that 20% of the equity portion of the GEC Education Super Center and the GEC Education Mega Center will be recorded as development fees (assuming 90% debt to capital for both projects). Note that our estimates are very preliminary as CIBT's ownership in these projects is subject to project financing.

The company reported **rental revenues** of \$1.51 million in the quarter, up by 381% YOY. Revenues came from Viva Suites Hotel / Downtown, Granville / Downtown Vancouver, and Burnaby Heights.

The total **gain in the valuation (only on one project)** was \$2.16 million in Q2-2017, versus nil in Q2-2016. The following table shows our estimates of the expected increase in valuations of the three operating assets, Pearson and West Kind Edward II (which are expected to be completed in 2017 and 2018, respectively). We estimate a total valuation gain of \$54 million of which, a total of \$21.65 million was reported in FY2015, FY2016 and the first six months of FY2017. We estimate the remaining gain to be reported over the next two years. Note that these estimates are also preliminary.

	Viva	Granville	Burnaby Heights	Pearson	West King Edward II	GEC Education Super Center (Richmond)	GEC Education Mega Center (Surrey)	Total
Status	Phase I complete / Phase II completion by Spring 2017	Operational	Operational	Under Construction (operational by Summer 2017)	Under Development (operational by July 2018)	In Planning Stages (expected completion in Spring 2020)	In Planning Stages (expected completion in Spring 2020)	
NOI Estimate (FRC est.)	\$2,100,000	\$2,250,000	\$1,065,000	\$2,550,000	\$1,680,000	\$10,920,000	\$13,800,000	\$34,365,000
Cap Rate (assumption)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	
Current Valuation (FRC est.)	\$46,666,667	\$50,000,000	\$23,666,667	\$56,666,667	\$37,333,333	\$242,666,667	\$306,666,667	\$763,666,667
Gain (FRC Est.)	\$11,666,667	\$12,500,000	\$5,916,667	\$14,166,667	\$9,333,333	\$60,666,667	\$76,666,667	\$53,583,333

Vancouver rental market

Vancouver's real estate sales continued to drop, but at a lower rate in May, compared to the first four months of the year. Property prices continue to rise despite the drop in sales.

Metro Vancouver	Jan-16	Jan-17	YoY	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY
Residential Sales	2,519	1,523	-40%	4,172	2,425	-42%	5,173	3,579	-31%
New Listings	4,442	4,140	-7%	5,812	3,666	-37%	6,278	4,762	-24%
Active Listings	6,635	7,238	9%	7,299	7,594	4%	7,358	7,586	3%
Sales to Listings	37.97%	21.04%	-45%	57.16%	31.93%	-44%	70.30%	47.18%	-33%
MLS Home Price Index composite Benchmark price	\$775,300	\$896,000	16%	\$795,500	\$906,700	14%	\$815,000	\$919,300	13%



Metro Vancouver	Apr-16	Apr-17	YoY	May-16	May-17	YoY
Residential Sales	4,781	3,553	-26%	4,769	4,364	-8%
New Listings	6,127	4,907	-20%	6,289	6,044	-4%
Active Listings	7,550	7,813	3%	7,726	9,168	19%
Sales to Listings	63.32%	45.48%	-28%	61.73%	47.60%	-23%
MLS Home Price Index composite Benchmark price	\$844,800	\$941,100	11%	\$889,100	\$967,500	9%

Source: Real Estate Board of Greater Vancouver

The sales to active ratio increased from 45% in April, to 48% in May 2017. We consider this as positive as it indicates a stabilization of the market as the ratio had dropped during the same time last year from 63% to 62%. The home price index was up by 9% YoY.

Detached properties continued to experience the steepest decline in sales volumes.

Vancouver Sales by Type	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY	May-16	May-17	YoY
Detached	2,137	1,150	-46%	1,979	1,211	-39%	1,865	1,548	-17%
Apartments	2,252	1,841	-18%	2,107	1,722	-18%	2,150	2,025	-6%
Attached Property	786	588	-25%	695	620	-11%	754	791	5%
Total	5,175	3,579	-31%	4,781	3,553	-26%	4,769	4,364	-8%

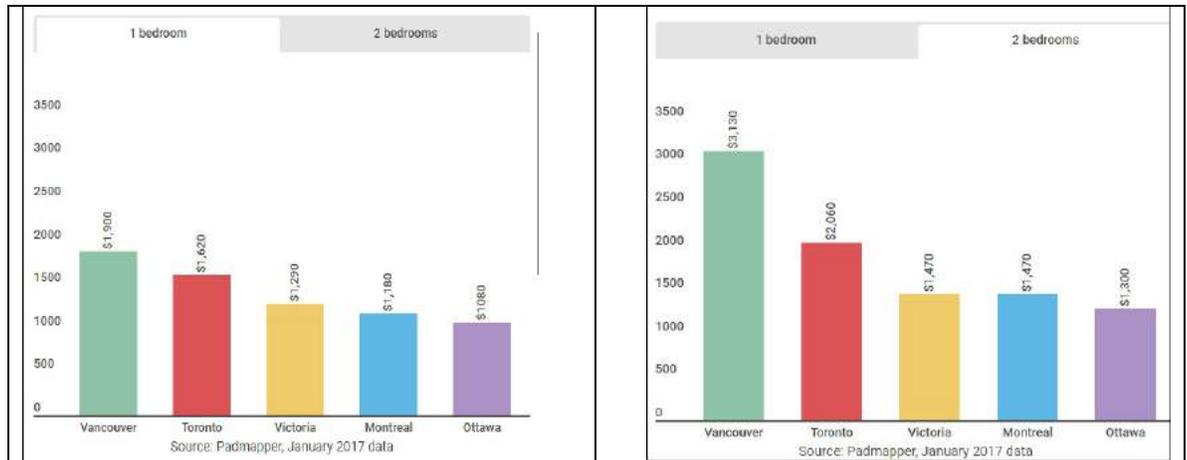
Source: Real Estate Board of Greater Vancouver

The Vancouver rental market remains extremely strong as housing prices remain strong and a serious lack of new rental supply remains. The overall regional vacancy rate was 0.7% in late 2016 for bachelor, and 1 – 2 bedroom units.

Apartment Vacancy Rates (%) - Oct 2016				
	Bachelor	1 Bedroom	2 Bedroom	3 Bedroom
West End/Downtown	0.8%	0.5%	0.7%	0.0%
City of Vancouver	0.8%	0.8%	0.9%	1.2%
Burnaby	0.5%	0.8%	0.9%	1.5%
New Westminster	0.4%	0.5%	0.1%	0.0%
Surrey	0.0%	0.5%	0.4%	0.3%
White Rock	0.0%	0.1%	0.0%	
Langley	2.4%	1.4%	0.5%	
Tri-Cities	1.1%	0.8%	2.4%	8.3%
Maple Ridge/Pitt Meadows	0.0%	0.7%	0.2%	
Vancouver CMA	0.7%	0.7%	0.7%	1.4%

Source: CMHC

Vancouver continues to remain the most expensive place for renters in the country.



Immigration and foreign investment is expected to continue due to the city's global appeal, Canada's economic stability, and the weakness in the C\$. In addition, international student enrollment for Canada continues to rise at a rapid rate. **These factors, we believe, bode favorably for CIBT's business model.**

Revenues up
7.3% YOY

In Q2-2017, revenues increased 7.3% YOY to \$10.49 million. The table below summarizes the company's key divisions and their revenues.

	Q2-2016	Q2-2017	YOY	2016 (6M)	2017 (6M)	YOY
SSC + Others						
Revenues	6,286,539	6,945,351	10.5%	12,600,784	13,824,032	9.7%
Gross Margins	57.94%	57.77%		57.73%	57.73%	
CIBT						
Revenues	657,842	509,320	-22.6%	1,402,724	989,608	-29.5%
Gross Margins	44.35%	47.76%		45.36%	45.36%	
IRIX						
Revenues	243,043	249,128	2.5%	467,866	465,010	-0.6%
Gross Margins	74.80%	64.27%		74.76%	74.43%	
Commissions + Referral Fees						
Revenues	90,912	143,751	58.1%	386,519	419,875	8.6%
Gross Margins	27.94%	13.93%		21.07%	33.36%	
Global Education City						
Revenues (rental)	314,698	1,514,018	381.1%	656,485	3,178,633	384.2%
Gross Margins	21.46%	21.25%		31.50%	23.69%	
Global Education City						
Development fees	2,181,732	1,130,953	-48.2%	3,624,808	5,595,239	54.4%
Overall Revenues	9,774,766	10,492,521	7.3%	19,139,186	24,472,397	27.9%
Overall Gross Margins	65.38%	57.89%		63.61%	63.13%	

As a result of the KGIC acquisition, we are revising our FY2017 revenue estimate



from \$44.22 million to \$48.72 million, and our FY2018 estimate from \$47.51 million to \$68.81 million.

Gross margins have been volatile on a QoQ basis. In Q2-2017, margins dropped to 58% because of the lower development fees reported in the quarter. The following table shows margins:

Margins	Q2-2016	Q2-2017	2016 (6M)	2017 (6M)
Gross	65.4%	57.9%	63.6%	63.1%
EBITDA	12.4%	4.0%	10.8%	19.4%
EBIT	10.0%	1.7%	8.3%	17.5%
EBT	6.2%	-2.6%	5.2%	13.4%
Net	6.2%	17.9%	5.2%	13.4%

General and administrative (“G&A”) expenses increased by 9% YOY to \$5.65 million.

EBITDA declined YoY due to lower margins largely due to lower development fees earned in the quarter. EBITDA was \$0.42 million in Q2-2017 versus \$1.21 million in Q2-2016. CIBT reported net income of \$1.88 million (EPS: \$0.03) in the quarter versus \$0.60 million (EPS: \$0.01) in Q2-2016. The higher net profit was a result of the \$2.16 million in gain in value of assets reported in the quarter. For the six month period, net profit increased by 662% YoY to \$7.54 million (EPS: \$0.11).

We are adjusting our FY2017 EPS estimate from \$18.44 million / EPS: \$0.28 to \$21.38 million / EPS: \$0.28, and our FY2018 estimate from \$18.94 million / EPS: \$0.28 to \$29.26 million / EPS: \$0.38.

Cash Flows

Free cash flows (“FCF”) were -\$26.23 million in the first six months due to a net capital outlay of \$35.79 million related to property investments.

Summary of Cash Flows		
(CS, mm)	2016 (6M)	2017 (6M)
Operating	-\$0.81	\$9.23
Investing	-\$3.93	-\$35.79
Financing	\$4.74	\$29.15
Effects of Exchange Rate	\$0.00	\$0.03
Net	\$0.00	\$2.62
Free Cash Flows to Firm (FCF)	-\$5.76	-\$26.23



Balance Sheet

At the end of Q2-2017, the company had \$7.25 million in cash. Working capital and the current ratio were \$0.59 million and 1.0x, respectively.

Liquidity & Capital Structure (C\$)	2013A	2014A	2015A	2016A	Q2-2017
Cash	\$3,746,406	\$5,022,012	\$2,514,195	\$4,489,971	\$7,254,808
Working Capital	-\$6,806,317	-\$3,780,054	-\$31,466,726	-\$3,994,904	\$594,840
Current Ratio	0.63	0.78	0.27	0.76	1.03
Debt/Capital	20.93%	14.08%	43.97%	35.58%	42.19%
EBIT Interest Coverage	(29.5)	(19.3)	(0.5)	(1.0)	0.3

Debt to capital was at 42%.

Subsequent to the quarter end, the company closed the second tranche of a private placement and raised \$0.86 million by issuing 1.43 million units at a unit price of \$0.60. Each unit consisted of a common share and one-half warrant (exercise price - \$0.75 for two years).

Stock Options and Warrants

At the end of Q2, the company had 0.35 million options (weighted average exercise price – \$0.39), and 4.85 million warrants (weighted average exercise price – \$0.57) outstanding. All the options and 1.95 million warrants are currently in the money. The company can raise up to \$0.71 million if all these options and warrants are exercised.

Valuation and Rating

Our valuation increased from \$1.08 to \$1.38 per share as we included potential revenues from the KGIC acquisition and an increase in valuation of the student housing projects. The following tables summarize our valuation.



	Ticker	EV / Revenue	EV / EBITDA	P / B
CHC Student Housing	TSXV: CHC	11.30		0.70
American Campus Communities	NYSE: ACC	11.20	22.60	1.90
Education Realty Trust	NYSE: EDR	12.20	26.10	1.60
Average		11.57	24.35	1.40

	Projected Annual Revenues	Projected EBITDA	Projected Book Value
\$, millions	\$57.28	\$24.13	\$114.55
	(FRC est.)	(based on a peer average EBITDA margin of 42%)	20% of the est. budget of \$573M
Fair Value of 20% Equity (\$, millions)	\$40.86	\$25.85	\$32.07
Average (\$, millions)	\$32.93		

Valuation	Fair Value	Fair Value per Share
Education Management		
* Discounted Cash Flow @ 10%	\$67,584,940	\$0.87
* EV / Revenue @ 1.5x	\$80,828,032	\$1.04
Average	\$74,206,486	\$0.95
Student Housing (GEC)		
	\$32,926,329	\$0.42
Fair Value Estimate	\$107,132,815	\$1.37

We maintain our BUY rating and raise our fair value estimate to \$1.37 per share.

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 associated with GEC.
- 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.
- Exchange rate risks exist, but are not significant as revenues from China account



for less than 10% of total revenues.

- Although topline (revenue) growth has been significant, the company has yet to achieve a track record of profitability.



Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS						
(in C\$)						
	2013A	2014A	2015A	2016A	2017F	2018F
REVENUES						
Educational	29,085,965	27,590,311	27,248,686	27,629,310	35,238,979	51,963,388
Rental			647,046	4,959,459	6,000,000	10,800,000
Commissions + Referral Fees	667,669	843,022	619,077	1,036,372	1,067,463	1,099,487
Design and advertising IRIX	993,927	860,989	1,082,119	775,266	798,524	822,480
Development fees		1,621,832	2,582,023	1,713,737	5,620,000	4,120,000
Total Revenues	30,747,561	30,916,154	32,178,951	36,114,144	48,724,966	68,805,355
DIRECT COSTS						
Educational	12,243,618	11,132,629	11,006,541	12,100,972	14,395,912	20,094,083
Commissions + Referral Fees	192,991	407,655	250,400	679,513	426,985	439,795
Rental		-	479,257	3,844,123	4,350,000	6,480,000
Design and advertising IRIX	253,278	174,759	309,689	161,204	199,631	205,620
Total Direct Costs	12,689,887	12,174,629	12,045,887	16,785,812	19,372,528	27,219,498
Gross Profit	18,057,674	18,741,525	20,133,064	19,328,332	29,352,438	41,585,857
EXPENSES						
Stock-based compensation	81,527	15,992	15,909	26,758	36,102	50,980
General and administrative	19,963,023	19,729,134	19,335,528	19,828,886	20,324,608	20,832,723
Business development costs		180,000	90,000			
Total Expenses	20,044,550	19,925,126	19,441,437	19,855,644	20,360,710	20,883,703
EBITDA	(1,986,876)	(1,183,601)	691,627	(527,312)	8,991,728	20,702,154
Amortization	1,163,981	1,101,531	979,534	870,376	1,028,521	973,815
EBIT	(3,150,857)	(2,285,132)	(287,907)	(1,397,688)	7,963,207	19,728,339
Interest / Finance Cost	(106,839)	(118,438)	(556,106)	(1,394,171)	(1,984,110)	(3,116,415)
Interest Income	38,743	135,445	38,972	645,861		
Foreign exchange (loss) gain	97,914	98,720	227,728	39,345		
Loss on disposal of property, plant and equipmer	142	(52,007)	(65,332)	(8,363)	-	-
EBT	(3,120,897)	(2,221,412)	(642,645)	(2,115,016)	5,979,097	16,611,924
Loss of investment in associates			(9,360)	(820,662)		
Gain on Change of Property Fair Value			7,615,175	9,779,146	15,966,615	15,966,615
Gain on sale of discontinued operations	319,540	7,030,395	-	3,827,120	-	-
Net Profit (Loss) before tax	(2,801,357)	4,808,983	6,963,170	10,670,588	21,945,712	32,578,539
Taxes	(1,216,267)	(503,978)	962,396	1,455,174	565,000	3,322,385
Net Profit (Loss)	(1,585,090)	5,312,961	6,000,774	9,215,414	21,380,712	29,256,154
EPS	-0.02	0.08	0.09	0.13	0.28	0.38
Non-controlling interests	(244,957)	(153,471)	(4,960,754)	(5,309,450)	(13,163,050)	(14,123,487)
Net Profit (Loss) to CIBT shareholders	-1,830,047	5,159,490	1,040,020	3,905,964	8,217,663	15,132,667
EPS	-0.03	0.08	0.02	0.06	0.11	0.20


CONSOLIDATED BALANCE SHEETS

(in C\$)

	2013A	2014A	2015A	2016A	2017F	2018F
ASSETS						
CURRENT						
Cash and short-term investments	3,746,406	5,022,012	2,514,195	4,489,971	12,170,093	29,858,933
Accounts receivable	6,636,480	7,323,999	7,975,499	6,795,474	13,870,338	19,586,540
Prepays and other	642,694	640,935	714,763	695,716	1,067,461	1,507,380
Others	-	-	-	-	-	-
Inventory	378,020	389,758	441,150	363,293	363,293	363,293
Total Current Assets	11,403,600	13,376,704	11,645,607	12,344,454	27,471,185	51,316,146
Due from Related Parties	52,500	835,000	735,000	2,329,947	2,329,947	2,329,947
Property and Equipment	2,794,473	2,478,150	2,518,789	2,103,147	2,070,340	2,088,958
Intangible Assets	9,097,072	8,521,598	8,472,376	8,182,067	7,667,806	7,180,899
Goodwill	4,793,303	4,793,303	4,793,303	5,721,907	5,721,907	5,721,907
Future Income Tax	2,654,283	2,582,442	2,115,926	2,091,845	2,091,845	2,091,845
Deferred Cur. Dev. Costs & Other Assets	33,518	53,483	10,306	1,522,116	1,522,116	1,522,116
Investment property	-	-	38,100,000	49,900,000	141,736,615	389,823,230
Refundable deposits + Investment	-	8,307,320	11,615,440	18,151,058	18,151,058	18,151,058
Assets held for Sale/Cash held in trust	11,709,872	748,200	660,010	-	-	-
Total Assets	42,538,621	41,696,200	80,666,757	102,346,541	208,762,819	480,226,107
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities	3,462,507	3,819,796	4,726,161	3,000,520	6,297,641	8,848,541
Deferred revenue	11,179,121	9,831,156	10,319,570	11,548,744	18,162,930	25,648,182
Lease obligation + provision	258,332	195,959	208,094	164,795	164,795	164,795
Income Tax Payable	153,564	155,491	176,259	114,836	114,836	114,836
Current portion of the long-term debt	2,931,495	450,000	23,675,080	493,638	-	-
Due to related parties	224,898	2,704,356	4,007,169	1,016,825	1,016,825	1,016,825
Total Current Liabilities	18,209,917	17,156,758	43,112,333	16,339,358	25,757,026	35,793,180
Lease Obligation	480,483	508,764	457,416	324,009	159,214	159,214
Long-term Debt	-	-	-	28,344,426	89,040,426	274,736,426
Liabilities held for Sale	8,070,697	-	-	-	-	-
Future Income Tax Liabilities	1,062,690	479,918	972,246	2,399,401	2,399,401	2,399,401
SHAREHOLDERS EQUITY						
Share capital	48,182,766	48,836,693	49,115,490	49,024,991	49,024,991	49,024,991
Contributed surplus	5,917,043	5,214,064	5,884,084	5,669,832	5,705,934	5,756,914
Accumulated Comprehensive loss	111,923	158,247	381,698	237,890	237,890	237,890
Non-controlling interests	1,209,395	5,156,637	15,518,351	30,875,531	59,089,171	119,636,658
Deficit	(40,706,293)	(35,814,881)	(34,774,861)	(30,868,897)	(22,651,234)	(7,518,567)
Total shareholders' equity (deficiency)	14,714,834	23,550,760	36,124,762	54,939,347	91,406,752	167,137,886
Total Liabilities and Shareholders Equity	42,538,621	41,696,200	80,666,757	102,346,541	208,762,819	480,226,107


CONSOLIDATED STATEMENTS OF CASH FLOWS

(in C\$)

	2013A	2014A	2015A	2016A	2017F	2018F
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Profit (Loss) for the year	(1,585,090)	5,312,961	6,000,774	9,215,414	21,380,712	29,256,154
Adjusted for items not involving cash:						
- amortization	3,183,130	1,830,410	1,382,852	1,386,170	1,028,521	973,815
- stock-based compensation	81,527	15,992	15,909	26,758	36,102	50,980
- loss on disposal of property, plant and equipment	(142)	52,007	65,332	(3,818,757)	-	-
- (gain) loss on disposal of subsidiaries	-	(7,030,395)	-	-	-	-
-gain from changes in ownership investment interests	-	-	9,360	883,279	-	-
-bad debt provision	-	100,000	-	-	-	-
-impairment of marketable securities	-	-	-	-	-	-
-development fees	-	(1,621,832)	(85,390)	(242,418)	-	-
-gain on fair value changes in investment properties	-	-	(7,615,175)	(9,779,146)	(15,966,615)	(15,966,615)
-finance fees	-	-	418,818	550,664	-	-
-future/current income tax provision	(1,208,172)	(510,931)	958,844	1,451,236	-	-
Funds From Operations	471,253	(1,851,788)	1,151,324	(326,800)	6,478,720	14,314,334
Net changes in non-cash working capital items	(2,268,852)	(2,449,894)	2,096,587	441,927	2,464,697	3,880,032
NET CASH USED IN OPERATING ACTIVITIES	(1,797,599)	(4,301,682)	3,247,911	115,127	8,943,418	18,194,366
CASH FLOWS FROM INVESTING ACTIVITIES						
PP&E	(1,354,206)	(377,359)	(683,625)	(458,527)	(481,453)	(505,526)
Investment Properties	-	-	(289,042)	(925,265)	-	-
Deposits on real estate properties	-	(1,950,000)	(2,800,000)	(6,725,000)	-	-
Acquisitions	(1,407,350)	(411,718)	(29,777,937)	(1,956,845)	(75,870,000)	(232,120,000)
Disposal of business assets	2,421	6,356,931	-	2,134,710	-	-
Proceeds from sale of SEG shares	-	-	-	-	-	-
Promissory Note Receivables	-	3,612,639	-	-	-	-
Sale and acquisition of CIBT shares	-	-	-	-	-	-
Net Cash used in marketable securities transaction	-	-	-	-	-	-
Disposal of controlling interest	-	-	-	-	-	-
CIBT curriculum development costs	-	-	-	-	-	-
CIBT deferred curriculum development costs	-	-	-	-	-	-
Restricted cash	66,513	(6,463)	(30,114)	79,563	-	-
Funds held in escrow/Cash held in trust	-	(748,200)	-	-	-	-
NET CASH USED IN INVESTING ACTIVITIES	(2,692,622)	6,475,830	(33,580,718)	(7,851,364)	(76,351,453)	(232,625,526)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash from equity and debt issuances	-	485,752	1,137,952	84,413	-	-
Acquisition of the Company's shares into treasury, net	(389,520)	(818,874)	(283,358)	(351,474)	-	-
Advances (to) from related parties	195,981	208,758	1,441,003	(2,848,753)	-	-
Lease obligation repayments	(129,617)	(136,717)	(166,412)	(219,526)	(164,795)	-
Non controlling interest capital contribution	-	-	6,033,200	10,374,000	15,050,591	46,424,000
Non-controlling interest draws	(358,799)	(236,654)	(485,100)	-	-	-
Loan principal payments	(1,652,737)	(2,481,495)	(450,000)	(14,585,142)	-	-
Long-term debt advances	3,000,000	-	22,756,262	19,914,554	60,202,362	185,696,000
Funds from loan advances	-	-	-	(1,897,308)	-	-
Deferred finance fees	(33,518)	(19,965)	43,177	(706,786)	-	-
NET CASH FROM FINANCING ACTIVITIES	631,790	(2,999,195)	30,026,724	9,763,978	75,088,158	232,120,000
Foreign Exchange / Others	(550,626)	(24,143)	(113,515)	27,198	-	-
INCREASE IN CASH FOR THE YEAR	(4,409,057)	(849,190)	(419,598)	2,054,939	7,680,122	17,688,840
CASH, BEGINNING OF THE YEAR	7,964,476	3,555,419	2,706,229	2,286,631	4,489,971	12,170,093
CASH, END OF THE YEAR	3,555,419	2,706,229	2,286,631	4,341,570	12,170,093	29,858,933



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.

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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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