



Logiq

First Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

Brent Suen, *President*

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Tom Furukawa, *Chief Executive Officer*

John MacNeil, *Chief of Staff*

CONFERENCE CALL PARTICIPANTS

Lisa Thompson, *Zacks Investment Research*

Chris Lacoursiere

PRESENTATION

Operator

Good morning, and thank you for joining us today to discuss Logiq's First Quarter ended March 31, 2021.

Joining us today are Logiq's President, Brent Suen, its Chief Executive Officer, Tom Furukawa, and the Company's Chief of Staff John MacNeil. They are joined by the Chief Financial Officer of the Company's DataLogiq subsidiary Rod Granero. Following their remarks, we'll open the call to your questions. Then before we conclude today's call, I'll provide some important cautions for forward-looking statements made by management during today's call.

I would now like to turn the call over to Logiq's President Bret Suen. Sir, please go ahead.

Bret Suen.

Thanks, Allie. Good morning or good afternoon to everyone. Thanks for joining us today. We hope that everyone has been staying safe and healthy. It's been encouraging to see the country finally opening up and life starting to return to somewhat normal.

Earlier today, we reported revenues for our first quarter. We had an increase of 23% sequentially to \$8.1 million and our gross margins improved by 990 basis points to 27.6%. The strengthening results demonstrate our commitment to expanding gross profit margins overall and a focus on higher-margin customers.

Over the course of the last year, we've been able to expand and strengthen our business across all fronts. This has included the acquisition of two leading eCommerce platforms and the formation of major partnerships. The acquisitions have accelerated our strategic mission of Logiq as a highly differentiated global provider and eCommerce solutions for small to medium-sized businesses or SMB's.

Our offerings now extend from fintech to mobile commerce and AI-powered customer acquisition. Due to our progress with these efforts in the expansion of our platform, we are optimistic that our operations will continue to grow in 2021, and with a goal of a more diversified higher-margin revenue stream. Our customer base now includes hundreds of thousands of small to medium-sized businesses around the world.

Now, as we have previously disclosed, we are in the process of listing on the NEO exchange through an IPO, and due to the quiet period associated with that, we will have to delay sharing some of our business development pipelines until the appropriate time. This is of course not something that I'm personally not fond of, however I can say that I am more enthused about the Company and our business than I've been in the entire six-year history of Logiq.

Now I'd like to turn the call over to our DataLogiq Chief Financial Officer, Rod Granero, who will take us through our financial results for the quarter. After that, our CEO, Tom Furukawa will walk us through our recent business development initiatives with digital marketing technology, as well as provide an update on our product integration with the technology platforms acquired from both Rebel AI and Fixel AI.

I'll then return with more about our operational activities and outlook for the remainder of the year. Rod?

Rod Granero

Thank you, Brent.

Earlier today, we issued a press release with the results of our first quarter of 2021. A copy of the release is available from the Investor Relations section of our website.

We manage our business on the basis of our two reportable segments: mobile commerce enablement through our AppLogiq platform-as-a-service CreateApp; and digital marketing software and consumer profile sales through our DataLogiq product offerings.

Now, starting with our statements of operations for the first quarter. Our consolidated revenues for the quarter ended March 31, 2021, totaled \$8.1 million compared to \$15 million during the same quarter a year ago, a decrease of \$6.9 million or 46.1%. Consolidated revenues were down largely due to our transition away from low margin bulk, white label distributors with our AppLogiq business and a lingering impact of COVID-19. However, due to the strategic shift on our strengthening presence with DataLogiq sequentially, consolidated revenues were up 22.7% and gross profit margins were up 30.8% from the previous quarter.

AppLogiq contributed \$2.4 million or 30.2% of our consolidated revenues in the quarter ended March 31, 2021, compared to \$11.8 million for the same period a year ago, a decrease of \$9.3 million or 79.3%. Revenues decreased primarily due to management's decision to transition away from bulk white label distributors to higher-margin, direct marketing end users. It also reflects subscription cancellations and the provision of complementary services for clients affected by COVID-19. Revenues increased 16% sequential from \$2.1 million in the quarter ended March 31, 2020.

Our DataLogiq segment has experienced continued growth both sequentially as compared to the same quarter a year ago. A strong customer growth has helped diversity our revenue streams and offset the AppLogiq revenue decrease. For the first quarter of 2021, DataLogiq contributed \$5.6 million or 69.8% of our consolidated revenues compared to \$3.2 million or 21.3% of our consolidated revenues for the same period a year ago, an increase of \$2.4 million or 76.5%. Sequentially, revenues increased from \$4.5 million or 67.9% of our consolidated revenues in the previous quarter to \$5.6 million, an increase of \$1.1 million or 25.1%.

Our consolidated gross profit for the quarter ended March 31, 2021 was \$2.2 million or 27.6% of revenues compared to \$2.6 million or 17.7% in the same period a year ago, a decrease of \$0.4 million or 15.8%. The gross profit margin increased by 55.9% mainly due to the shift to direct marketing users and lower customer acquisition cost.

The gross profit decrease was primarily the result of lower revenues for the quarter as the Company transitioned to higher-margin business activity. Gross margin for AppLogiq for the quarter ended March 31, 2021 increased to 30.1% from 17.7% in the same quarter a year ago. The increase in gross margin was primarily the result of our transition away from lower-margin bulk white label distributors to higher-margin direct marketing end users. DataLogiq's gross margin for the quarter ended March 31, 2021 increased to 26.4% from 17.3% in the same quarter a year ago. This strong improvement was due to an increase in our data monetization revenues combined with a decrease in overall customer acquisition cost.

Our total operating expenses for the first quarter of 2021 increased by 15.5% to \$6.3 million compared to \$5.5 million in the same period a year ago. The increase in operating expenses was mainly due to increases in depreciation and amortization expense of \$0.2 million, general and administrative expense of \$0.9 million, and sales and marketing expense of \$0.3 million offset by a decrease in research and development expense of \$0.7 million.

Our Q1 2021 consolidated net loss totaled \$4.1 million or \$0.25 per basic and fully diluted share, as compared to a net loss of \$2.8 million or \$0.24 per basic and fully diluted share in the same period a year ago. AppLogiq incurred a net loss of \$2.8 million in the first quarter of 2021 as compared to our net loss of \$1.8 million in the same period a year ago. This increase was largely due to an increase in stock-based compensation expense of approximately \$0.9 million. Sequentially, the net loss for AppLogiq decreased by 6.9%. DataLogiq incurred a net loss of \$1.3 million in the first quarter of 2021 as compared to a net loss of \$1 million in the same period a year ago. Sequentially the net loss for DataLogiq remained flat at \$1.3 million.

Now turning to our balance sheet. At March 31, 2021, our cash and cash equivalents totalled \$2.8 million. This compares to \$3.5 million at December 31, 2020. We believe our current cash levels are sufficient for the foreseeable future.

This wraps up our financial review. Now, I'd like to turn the call over to Tom for an update on our business development. Tom?

Tom Furukawa

All right. Thank you Rod and thank you all for joining us today.

Before I jump into the business update, I just want to reiterate how we are successfully executing against our strategy and objectives. In DataLogiq, our continued investment in our data infrastructure continues to bear fruit. DataLogiq revenue increased a record \$5.6 million mainly due to its growth in data monetization. In AppLogiq, we made a change to our customer acquisition strategy to focus on higher-margin segments. Gross margins for AppLogiq improved from 11.8% in Q2 2020 to a record 30.1% in Q1 2021. I just want to say I am so proud of our team for their focus and dedication and execution on this strategy.

Now, to the business update. At the end of Q1 2021, we completed our acquisition of Rebel AI's technology's platform which is an innovative digital marketing technology that delivers eCommerce growth to brands and agencies. Rebel AI platform now branded as Logiq Digital Marketing enables SMB businesses to more effectively compete against companies of any size. This platform complements a

technology we acquired from Fixel last year. As a reminder, Fixel is an AI-based algorithm used to determine a consumer's level of engagement for a brand's product or service. Executed without the need of a third-party cookie or personally identifiable information or PII, Fixel provides a critical audience segmentation capability that adheres to the evolving regulatory and platform policies for data in consumer privacy. Fixel has been adopted by both brands and premium publishers.

The technology platform acquired from Rebel AI and Fixel are key to our product offerings, especially given how the demand for AI-powered eCommerce platforms is expected to rise dramatically over the next few years. According to PWC study, more than 72% of internet marketers now consider AI as a business advantage. Although, to be sure, over the last year we have become more than an eCommerce services company through the integration of these technology platforms we have become a serious option for F&B businesses in need of data-driven, SaaS, consumer intelligence, and automated marketing technology. The global market for marketing automation software is expected to exceed \$14.1 billion by 2024, climbing at a compound annual growth rate of more than 19%.

During the quarter, we launched Fixel in the Shopify eCommerce marketplace as well as for WordPress. This is another exciting milestone for the Company as we are giving advanced AI customer acquisition technology to SMB's with online stores on Shopify and WordPress. We are seeing early successes with increased installs of Fixel within these massive eCommerce platforms.

Now, I would like to talk more about Logiq Digital Marketing. Logiq Digital Marketing uses advanced data management, audience targeting, and media activation across premium web, mobile and connected TV destinations. It provides SMB brands and agencies the ability to enhance their digital marketing strategies and lower their cost of customer acquisition. The integration of Rebel AI's team and the launch of digital marketing has completed seamlessly. While just beginning we are already seeing positive reactions to its value and have contracted with several leading agencies who power eCommerce programs.

We are now working on growing our pipeline and scaling the platform. This includes integrating Fixel into the Logiq Digital Marketing platform. We see this as a key strategic driver for DataLogiq as the combination of these technologies will create a larger value proposition for our clients and improve their customer acquisition efforts. Logiq's Digital Marketing technology is providing value for our clients and I am excited about its potential.

According to reports, as global eCommerce sales now reach upwards of \$4.9 trillion in a more than \$27 trillion retail industry, it's the mainly the largest brands who are capitalising on their fullest potential. In the U.S alone, the top 10 eCommerce players account for 63.2% of online sales. The SMB segment is largely unrepresented and requires better technology and services. We at Logiq are playing a key role and bringing more balance to this inequity. As this market opportunity grows, we see ourselves as well-positioned to provide high-value, differentiated solutions to our existing and future customers.

Now with that, I would like to turn the call over to Brent.

Brent Suen

Thanks, Tom.

So, as you all have heard, there is absolutely been great progress underway and that is for certain.

On our last call, we outlined several key initiatives that we were working on. One was overall margin improvement and we successfully executed on this with further improvement as evidence in our first quarter. We also began the integration of Rebel AI's technology platform now branded as Logiq Digital Marketing into DataLogiq and we are now nearly complete and only about a month since our acquisition of Rebel AI.

I think when—on those two fronts, things that we discussed on our year-end call we successfully executed on and we feel very confident in that. In addition to all the things that are happening with Data Logiq on the AppLogiq side, we continue to actively explore ways to unlock the value of our emerging markets business. This includes expansion of our current service offerings with strategic partners with whom we remain in broader conversations. I would also point out that we have disclosed publicly in the past that we are not only open to corporate actions, we are aggressively working on them.

During the quarter, we joined forces with Comviva which is a global leader in digital financial solutions, and together we will be offering a digital wallet and mobile payment service platform across Indonesia which is a country with hundreds of millions of mobile users. The services will be based on our PayLogiq digital wallet technology and powered by Comviva's mobiquity Pay platform. For those of you not familiar with Comviva they currently serve over two billion users on their various financial platforms.

Digital is increasingly becoming the preferred method for transactions and the global pandemic has only accelerated this transition. By providing digital access to an array of financial services instantly from the convenience of one's mobile device, we see our combined platforms enhancing the lives of many people in emerging markets helping them grow their businesses and boosting the country's economic activity.

Also, together with KMSV, Logiq is developing micro-lending services to members of the social security agency that provides retirement and pension plans on behalf the Indonesian Government organizations. The micro-lending services will benefit the agencies roughly \$48 million members and over 600,000 SMB's. The partnership with Comviva allows us to extend a convenient and secured digital wallet service to the membership that is already operating its scale on a global basis.

In conclusion, DataLogiq grew in Q1 while integrating the Fixel and Rebel technology platforms, both of which are seeing initial traction, while AppLogiq is benefitting from a much more focused direct selling effort and all of these things have increased our gross margins as indicated in our Q1 results.

So overall, we are extremely pleased with the progress we have made and we believe we've just begun with the growth strategy that we outlined last year. As we look ahead in 2021, we will continue to look for ways to take advantage of the market trends driving the phenomenal growth of eCommerce worldwide.

Now with that, let's open the call to questions. Allie, please go ahead with the instructions.

Operator

Thank you, sir.

We will go ahead and take our first question from Lisa Thompson from Zacks Investment Research. Please go ahead.

Lisa Thompson

Good afternoon. I love when a plan comes together.

Brent Suen

How are you, Lisa.

Lisa Thompson

Good. So, I have a couple of—a bunch of quick questions and then a few others. So first off, when do we get the 10-Q?

Brent Suen

Later today. I hope that's not a forward-looking statement. We'll file on time today.

Lisa Thompson

Okay. Good. How many shares are outstanding (inaudible) as of today?

Brent Suen

About \$18.4 million fully diluted.

Lisa Thompson

Okay. What do you think the cash burns going to be going forward?

Brent Suen

Lisa, I'm going to have to turn that over to John MacNeil, our Chief of Staff who I know you've spoken with in the past and John joins us here. John, please.

John MacNeil

Hi Lisa. I don't think we are going to be making the—I'm sorry. Can you hear me?

Lisa Thompson

Yes.

John MacNeil

Yes. I don't think we can make much in the way of forward-looking statements. But what I can say is that we've had a number of items which we are associated with either our Neo application and some of the acquisitions and whatnot that have rolled from Q4, Q1. Those I don't believe will be recurring. Beyond that, there will be a question of leverage but we don't really have—we can't really give you much guidance beyond that but we can probably break out what the one-timers were offline.

Lisa Thompson

Okay. When I see the 10-Q that will help too.

John MacNeil

Understood

Lisa Thompson

So, I just want to confirm, do you still believe that revenues—quarterly revenues and gross margins will be increasing sequentially throughout the year?

Brent Suen

Again, you'll have to...

John McNeil

Again...

Brent Suen

Go ahead, John.

John MacNeil

I'm sorry. Again, the forward-looking comment we are under a pretty strict quiet period continuing here at this point. But yes, we would expect that we are going to be growing.

Lisa Thompson

Okay. I had to try, you know. Okay. So, let me just talk more about business. First off can you speak, explain in English what strong growth and data monetization at DataLogiq means?

Male Speaker

I think that is a Tom question.

Tom Furukawa

Yes, Sure yes, I can take that one. So, your question is, what does data monetization actually mean?

Lisa Thompson

Yes.

Tom Furukawa

Is that the question? So, there are multiple different ways we monetize data. One of which could be where we run a marketing campaign to entice people to sign up for a product or service. Once we identify those folks that are very much—have signaled to us that they are interested, then we would, as a form of data we would then sell that to someone who wants to acquire that customer. It's this sort of—in the prior years you would kind of call that as legion, but for us it's a bit more advanced than that because there is so much more data that we're mining, those engagements, there's specific non-PII stuff that we look into. But at the end of day, we help our clients find customers so they can sell them stuff.

Lisa Thompson

Okay, that helps. Thank you. What does the DataLogiq pipeline look like? How was it progressing from say last quarter?

Tom Furukawa

I think this sort of falls into that forward-looking statement category. I think the—the statements that we made were—we've launched it and its really providing value to customers I think. That's the best I can say that—I think you can infer from there.

Lisa Thompson

All right. Let me try this one. How about—can you talk about how you are selling Fixel technology to Shopify people, and is your marketing going to change over the course of the year of how you try to find customers?

Tom Furukawa

Yes, on the F&B side it is little bit different than like typical software company where you hire big-name salespeople across big cities, right? This is more of a launching onto a platform and it's a service that if you go into the Shopify Appstore today, you can look it up and you can find it. It's very simple to install. The pricing is very clear-cut. If it is integrated—for example, if it's integrated to Shopify, so you don't have to like install custom code or make sure that your IT guys understand what bit of codes go where. It's already preinstalled and it works in terms of the data and the engagement information that's going to give you as a brand. That's what is really neat about it. So, if you're a Shopify store owner, you just go in and you can search for like digital marketing or retargeting, audience segmentation, something like that, and Fixel comes up and its really—you can really install it very quickly and start using it.

Lisa Thompson

Okay. That's pretty scalable. Nobody has to do anything.

Tom Furukawa

Yes, it's very scalable. Yes.

Lisa Thompson

Right. So, do you get good visibility. Do you like see downloads every day, or how do you know how things are going?

Tom Furukawa

Yes. We do. So, Shopify—as a Shopify partner, we get downloads every day. We get usage, we get how much people are spending on it and we can also reach out to them and see how things are going.

Lisa Thompson

So, in general then, what you think your visibility is. I know you're not going to say anything about anything. But at this point in time like how well do you know what this quarter is going to look like given the way your business runs?

Tom Furukawa

I don't know, John or Brent I might have to have you guys take that piece. I'm going to stay in my lane.

Lisa Thompson

Is it like a huge range or did you know—yes John, do you know like every week where you are or?

John MacNeil

I mean, from that perspective, like visibility yes. We know every day where we are. So, that's one good thing about the digital marketing business in a platform.

Brent Suen

I would echo what Tom was saying is that we have—in other words, we are where we are in the quarter, we do see what we are doing as we go along. So, we know depending on the point in the quarter how far we've got, etc. So, we have good visibility as to that.

The question as to what we know going forward, obviously we can't be specific but there are some parts of our business which will have a longer-term contract but much of our business is as you see the download you know it's happening kind of thing. So, there isn't an enormous amount of long-term contract that we have from—at any given time. It's not like we have big bulk long-term contracts that we have signed up.

Lisa Thompson

Okay. That's good to know. So, my last question is when is this deal supposed to close vaguely?

Male speaker

This is a question on the IPO?

Lisa Thompson

To financing. Yes. What does the timing look like?

Brent Suen

Right. Sure. That is one thing I can answer. It was press released at that—our investment bank research capital formally known as Mackie Research Capital. There's been questions about that wanting to know why didn't know the name of our investment banker. But it is one and the same. They are targeting the first week of June. Right now, they are in the (inaudible) building phase.

Lisa Thompson

Okay, thank you. That's all my questions.

Brent Suen

Cool. Thanks, Lisa.

Male Speaker

Thank you, Lisa.

Operator

We will go ahead and move on to our next question from Chris Lacoursiere. Please go ahead.

Chris Lacoursiere

Hi guys. Great quarter. My question I think is going to go to Brent. I believe he oversees the Indonesian region. There was a lot of activity announced today. I saw it on multiple new channels in Indonesia about Gojek merging with Tokopedia for their IPO. Now, with all this activity going on in Indonesia, is the company—are you able to say if the company had negotiations to solve that branch, spin it off? Is there active—I know the company is partnered currently with ShopeePay for the AtozGo. Is there a lot of activity going on behind the scenes? Can you share?

Brent Suen

Yes. Let me—let me do my best to answer the question. There has been a tremendous amount of activity. So, Grab is merging with the Altimeter of its stack at a \$40 billion evaluation. Gojek and Tokopedia are merging and what we'll see there as well, will either be an IPO here in the U.S. and then concurrently in Indonesia, or they'll go into a stack as well. I know that there are discussion with every unicorn valued company in South East Asia with Wallstreet investment banks or stack owners. Within the context of that, there's been a tremendous amount of discussion and outreach to second and third-tiered-sized participants in the region. We have been part of that. We have disclosed in the past as I indicated earlier that we are very open to strategic discussions. If it unlocks value and increases the footprint, absolutely. I can't be specific, but I can say that the pace of discussions with the activity from Grab and Gojek and Tokopedia among many others has absolutely increased significantly. So, we are seeing that as well.

Chris Lacoursiere

Thank you. I have another question. Another private investor had this question that he wanted me to ask it straight up. With IPO coming on rather quickly, has the Company been in contact with institutions that may buy on the open market afterwards, and one institution in specific was the ARK Fund with Cathie Wood, the gentleman wanted to know. Can the company reach out, can you guys market to them, fire the IPO? Thank you.

Brent Suen

John, you want to take that or I can?

John MacNeil

If you would take that, please.

Brent Suen

Yes, sure. Okay. I'll try not say anything forward-looking. But as part of Research Capital's book-building exercise and marketing exercise, both their institutional desk and their retail salesforce are in front of potential IPO investors. Whether or not they buy in the open market is certainly dependent upon their enthusiasm which we don't have insight into. As far as institutions go, they probably cover ARK fund. I can't say who we've spoken with but I think that Research Capital is in front of the appropriate funds that invest in our segment and our market capsize, so I hope that helps.

Chris Lacoursiere

That does. Thank you. One last question from the same investor. He wanted me to ask, will the Company start doing more aggressive campaigns, marketing themselves in front of institutional investors after the IPO, if I may ask that?

Brent Suen

John, can I say anything about that?

John MacNeil

I think that if I may answer. I would say that we will speak as much as we are allowed to and we are not allowed to speak very much at the moment. So clearly there...

Chris Lacoursiere

Understood. Understood. But John are you guys going to get out there after the IPO when you can speak when you....

John MacNeil

That is a forward-looking statement Chris, I am sorry. But, we're restricted from what we can say at the moment, that's all I can say.

Chris Lacoursiere

Fair enough. Thank you.

Brent Suen

Well maybe I can answer it. Maybe I can answer it a different way. Chris, and I am sure I see all the names of the attendees here, I think everyone knows us pretty well. In our normal course of business, we are quite active in outreach and we have a number of people who help us in introductions. So, I would not anticipate that to change so I hope that gives you a little more color without giving any color.

Chris Lacoursiere

Thank you. Thank you. It does. Thank you very much, guys.

Brent Suen

Great. Thanks, Chris.

Operator

At this time, that does conclude our question-and-answer session. I would now like to turn the call back to Mr. Suen. Please go ahead.

Brent Suen

Thanks. I want to thank everyone for taking the time for joining our call today. I hope that the takeaways from our discussion is that our first quarter was about as upbeat as we could be given the IPO quiet period. We absolutely executed on the things that we said we would. I can't say that we will continue to do so because I'm not supposed to say that. But with sequential revenue and margin expansion as our talked about goals, we absolutely executed on them. Product offerings now extend from mobile commerce to fintech solutions and AI-powered customer acquisition for SMB's.

Having been here for the duration of the company, I never imagined that we would be where we are in terms of corporate structure and product and service offerings. It's incredibly exciting and I wish everyone could see things from my perspective. But hopefully soon. We are addressing the critical challenges that this segment faces in the business of eCommerce, and we believe that we're in the right place at the right time with the right service offerings. We're pursuing the strategies that we've mapped out and we believe we've created an extremely strong foundation for our growth in 2021 and beyond.

I look forward to keeping everyone updated on our progress.

Operator

Before we conclude today's call, I would like to provide the Company's Safe Harbor statement that includes important cautions, forward-looking statements made during today's call.

Statements made by management during today's call may have contained forward-looking statements within the definition of Section 27A and the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934 as amended. These forward-looking statements should not be used to make an investment decision. All statements, other than statements of historical fact included herein, are forward-looking statements, including statements regarding the continued growth of eCommerce segment and the ability of the Company to continue its expansion into that segment, the ability of the Company to attract customers and partners and generate revenues, the ability of the Company to successfully execute its business plan, the business strategy, plans and objectives of the Company and any other statements of non-historical information.

These forward-looking statements are often identified by the use of forward-looking terminology, such as believes, expects, or similar expressions, and involve known and unknown risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks, and uncertainties, and these expectations may prove to be incorrect. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this conference call. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of a variety of factors, including those discussed in the Company's periodic reports that are filed with the Securities and Exchange Commission and available on its website at www.sec.gov.

All forward-looking statements attributable to the Company or persons acting on its behalf are expressively qualified in their entirety by these factors. Other than as required under the securities laws, the Company does not assume any duty to update these forward-looking statements.

Before we end today's conference call, I would like to remind everyone that this call will be available for a replay starting later this evening. Please refer to today's press release for dial-in replay instructions available via the Company's website at www.logiq.com.

Thank you for joining us. This concludes today's conference call. You may now disconnect.