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Logiq, Inc.

Second Quarter 2021 Earnings Conference Call

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Lisa Thompson, *Zacks Investment Research*

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PRESENTATION

Operator

Good morning, and thank you for joining us today to discuss the results for Logiq’s second quarter ended June 30, 2021.

Joining us today are Logiq's President Brent Suen, it's Chief Executive Officer, Tom Furukawa. They are joined by Chief Financial Officer of the Company's DataLogiq subsidiary, Rod Granero. Following their remarks, we will open the call to your questions.

Then before we conclude today's call, I will provide some important cautions regarding the forward-looking statements made by management during the call. I'd also like to remind everyone that today's call is being recorded and it will be made available for telephone replay following the instructions provided in today's press release.

Now, I'd like to turn the call over to Logiq's President. Brent Suen. Sir, please go ahead.

Brent Suen

Thanks Rocco, and good morning or good afternoon to everyone, and some of you is even good evening. Thanks for joining us.

Earlier we reported our financial results for the second quarter ended June, we showed another sequential quarter of improvement as we continue to transform our business and focus on higher-margin and higher-quality revenue streams. Revenue climbed 3% sequentially to $8.3 million in the second quarter, which followed a record revenue jump in the first quarter of 23%. But more importantly, our gross margin on this revenue increased sequentially by 190 basis points to a record 29.5% gross margins. This compares to just 13.1% gross margins in the same year-ago quarter. Again, for the quarter we had gross margins of 29.5% compared to 13.1% in the year-ago quarter.

I had to repeat that because I'm actually quite proud of that as a team. Gross profit increased more than 100% from $1.2 million to $2.4 million from the year-ago quarter, despite a $1 million decline in revenue. However, this validates the decision we took to move away from low margin business in favor of higher-quality revenues and higher-margin revenues. In fact, the sequential topline and margin expansion exceeded our expectations, especially when considering we had such a strong Q1.

In the second quarter, we also made great strides in expanding and strengthening our business across many fronts in preparation for and ensuring some very strong future growth. On the app Logiq front, we released Create app 4.0, which included critical features that were requested by our merchants to simplify stocking and inventory management processes. Additionally, we reported an exciting update with PayLogiq, the mobile payment technology that is operated by our Indonesian associates, which we call WIP, W-I-P.

We've formed a new partnership with Mentalku, which is the exclusive government licensed provider for psychological testing that is required for all driver's license applications and renewals in Indonesia. Using PayLogiq, Mentalku is going to offer a mobile payment option for testing services, and this is a huge win for us. It's potentially worth millions in annual revenues for WIP once fully deployed and consequently, enhancing the value of Logiq's strategic investment. This win is very welcome after months of lockdown challenges in Indonesia, even currently. However, there are several other exciting developments underway on this and the BPJS social security initiative in Indonesia, and over the next few weeks, we'll be detailing those two shareholders.

Also during the quarter, in the DataLogiq segment, we launched a new audio marketing channel on the Logiq digital marketing platform, or LDM, for short. In addition to web, mobile and connected TV, digital marketing agencies and brands on our platform can now add audio-based advertising to their overall multi-channel e-commerce marketing campaigns, VSS channels as digital radio and podcast. This is a huge growth area for digital marketing that we can now tap and we have attracted more clients onto our platform because of it.

In fact, more and more agencies are now signing onto LDM since our launch just in April of this year. We've been ramping many media buying programs for brands and represent, and the account growth of LDM is extremely exciting, especially given that gross margins for that segment are significantly higher than the corporate average, again over 29%.

Now, perhaps the most significant event of the quarter was the IPO on the NEO Exchange, which is considered Canada's premier exchange for emerging growth companies like ours. Incidentally, if you look at some of the listings that have recently happened there, Google, Tesla, and Amazon all have their CDRs or Canadian depository receipts which were just listed on the NEO, instead of the TSX. The IPO on the NEO raised CDN$6.5 million or US$5.3 million in total gross proceeds, and was followed recently by a post-IPO raise of an additional $4 million, which are all non-Canadian investors who were not able to participate in the IPO. We believe that these additional capital resources will support our growth initiatives near-term, and drive us toward higher margin and profitability goals.

There's other near-term catalyst that I will share with you. First, I'm going to turn the call over to the DataLogiq CFO, Rod Granero, he will take us through our financial results for the quarter, and then our CEO, Tom, will walk us through the business development initiatives with our digital marketing technology, which is creating bigger and bigger market opportunities.

Then I will return with more about these near-term growth catalysts and our outlook for the remainder of the year. Rod?

Rod Granero

Thank you, Brent, and good afternoon, everyone.

Earlier today, we issued a press release for the results of our second quarter of 2021, which I'll review shortly. A copy of the release is available in the Investor Relations section of our website. As many of you know, we manage our business under two reportable segments: App Logiq is our mobile commerce enablement, which has delivered by our platform-as-a-service Create app; and DataLogiq with our consumer marketplace and digital marketing platform offerings.

Now starting with our statement of operations for the second quarter. Our consolidated revenues for the quarter ended June 30, 2021 totaled $8.3 million. This marks another quarterly sequential increase compared to $8.1 million in Q1 of 2021, an increase of $0.2 million or 2.8%. As Brent mentioned, the revenue and most importantly, our gross margins demonstrate the positive trends based on key strategic decisions made by management.

This quarter's revenue compared to $9.3 million in the same period a year ago, a decrease of 10.9%. As we successfully moved to higher-margin revenues, consolidated revenues were down from the same period a year ago. This was partially offset by an increase in DataLogiq's revenue.

App Logiq contributed $2.8 million or 34.2% of our consolidated revenues in the second quarter, as compared to $5.7 million for the same period a year ago, a decrease of $2.8 million or 49.7%. The decrease from a year ago revenue was primarily due to the transition away from bulk white-label distributors to higher-margin direct end-users. However, app Logiq revenues increased 16.5% sequentially from $2.4 million in the first quarter of this year. DataLogiq contributed $5.5 million or 65.8% of our consolidated revenues in the second quarter. This compares to $3.7 million for the same period a year ago, an increase of $1.8 million or 49.1%.

Sequentially, DataLogiq revenues slightly decreased from $5.6 million in the previous quarter to $5.5 million. Our gross profit more than doubled in Q2 of 2021, exceeding our expectations. Our consolidated gross profit for the second quarter was $2.4 million or 29.5% of revenues compared to $1.2 million or 13.1% in the same period a year ago, an increase of $1.2 million or 100.8%. App Logiq's gross profit increased from $0.7 million in Q2 of 2020 to $0.9 million in Q2 of 2021, an increase of $0.2 million or 37.9%. Gross margins also increased from $11.6 million in Q2 of 2020 to 31.7% in Q2 of 2021. Improvement in both gross profit and gross margins was primarily due to the Company's plan to transition away from both by level Label distributors to direct end-users.

DataLogiq gross profit increase from $0.6 million in Q2 of 2020 to $1.5 million in Q2 of 2021, an increase of one million or 173.2%. Gross margins also increased from 15.5% in Q2 of 2020 to 28.5% in Q2 of 2021. Improvement in both gross profit and gross margins was due to new customer or consumer marketplace offerings for calls, sales, and other results driven intend distributed to buyers, along with additional depth and intelligence for traffic sellers. Our operating expenses for the second quarter of 2021 increased to $7.8 million compared to $2.6 million in the same period a year ago. An increase of $5.2 million or 197.9%.

The increase in operating expenses was primarily due to the increase in general administrative expense of $3.8 million, depreciation and amortization expense of $0.6 million and research and development expenses $0.6 million. The increase in G&A expenses is mainly due to increases in stock-based compensation of $1.7 million, legal and professional fees associated with the IPO in Canada, and the M&A

acquisitions, which are onetime nature of $1.2 million and an increase in DataLogiq's G&A of $0.8 million, mainly from the additional headcount to support its growth and the addition of Fixel AI and Rebel AI.

As we further upgrade our technical and operating infrastructure, we will continue to evaluate and implement opportunities to reduce overall operating costs. Our Q2 of 2021 consolidated net loss totaled $5 million or $0.27 per basic and fully diluted share as compared to a net loss of $1.7 million or $0.14 per basic and fully diluted share in the same period a year ago. App Logiq incurred a net loss of $3.7 million in the second quarter of 2021, as compared to a net loss of $0.4 million in the same period a year ago. This increase was largely due to the increase in operating expenses as previously discussed.

DataLogiq incurred a net loss of $1.3 million in the second quarter of 2021 as compared to a net loss of $1.2 million in the same period a year ago. The increase is due to the additional net losses from the Fixel AI and Rebel AI acquisitions of $1.1 million offset by a decrease in the net loss of our legacy business. Now looking at the performance highlights for the first half of the year. Consolidated revenues totaled $16.4 million, down 32.6% versus the first half of last year. The decrease from the same period a year ago was primarily due to a decrease in the Company's app Logiq platform revenues, which was partially offset by an increase in DataLogiq's revenues.

The app Logiq decrease in revenues was part of management's strategic decision to transition to market directly to end-users, which resulted in higher margins. For the first half of the year, our app Logiq platform contributed $5.2 million or a 32.3% of consolidated revenues, a decrease of 69.7% as compared to $17.4 million in the same period a year ago. Revenues decreased primarily due to management decision to transition away from both (inaudible) level distributors to higher-margin direct marketing end-users. DataLogiq contributed $11.1 million or 67.7% of consolidated revenues in the first half of 2021, which increased 61.9% from $6.9 million in the same period a year ago. Revenues increased due to additional consumer marketplace offerings and its continued customer growth.

Our consolidated gross profit increased 21% to $4.7 million or 28.5% of revenues, compared to $3.9 million or 15.9% of revenues in the same period a year ago. This increase in both gross profit and gross margins further solidifies management position to transition to higher-margin offerings. App Logiq's gross profit decreased to $1.6 million in the first half of 2021 as compared to $2.7 million in the same period a year ago. However, app Logiq's gross margin in the first half of 2021 was 31% up from 15.7% in the same period a year ago. The increase in gross profit and improvement in gross margin were the result of the change in strategic focus on both while level distributers to direct marketing end users.

DataLogiq's gross profit increased to $3 million in the first half of 2021, as compared to $1.1 million in the same period a year ago, an increase of $1.9 million or 171.4%. Gross margin in the first half of 2021 was 27.4%, up from 16.3% in the same period a year ago. The increases in gross profit and gross margins are due to an increase in data monetization revenues and a decrease in overall customer acquisition costs.

Our total operating expenses in the first half of 2021 increased to $14.1 million compared to $8.1 million in the same period a year ago, an increase of $6 million or 74.8%. The increase in operating expenses was primarily due to an increase in general administrative expenses of $4.8 million, depreciation and amortization expense of $0.8 million, and sales and marketing of $0.6 million. The increase in G&A is mainly due to increases in stock-based compensation of $2.5 million legal and professional fees associated with the IBM Canada and the M&A acquisitions, which are one-time in nature of $0.6 million, and an increase in DataLogiq's G&A of $1.4 million, mainly from the additional headcount to support its growth and the addition of Pixel AI and Rebel AI.

Consolidated net loss totaled $9.1 million or $0.53 per basic and fully diluted share in the first half of 2021 compared to a net loss of $5 million or $0.38 per basic and fully diluted share in the same period a year ago. Our app Logiq platform incurred a net loss of $6.5 million in the first half of 2021, up from $2.2 million in the same period a year ago. DataLogiq's net loss was $2.6 million compared to $2.3 million in the same year ago period.

Now turning to our balance sheet. As of June 30, 2021, our cash and cash equivalents and restricted cash totaled $5.8 million compared to cash and cash equivalents and restricted cash of $2.9 million as of March 31, 2021. Earlier this month, we completed a $4 million financing in the U.S. 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. Hello everyone, and thank you very much for joining us today.

Over the course of the past year, we have built an incredibly powerful and robust new technology stack, which is really beginning to bear fruit. But before I get into the details of business development initiatives with our digital marketing technology, I would first like to touch again on the financial performance of our DataLogiq business. As Rod mentioned, Q2 was another record quarter for DataLogiq, with its revenue up 49% to $5.5 million. This represented about two-thirds of consolidated revenue. This improvement was primarily due to strong revenue generation in our Medicare and finance verticals.

Now looking at DataLogiq's gross margins, it improved from a low of 15.5% in Q2 of 2020 to a record 28.4% in Q2 of 2021. This nearly doubling of gross margin demonstrates how we are successfully executing on our consumer marketplace data monetization strategy and objectives. Our consumer marketplace, build in-cells, first-party data to businesses that require consumer profiles of people who have expressed a level of buying intent for our type of product or service. We operate this business across more than 14 verticals that includes Medicare, solar in home renovation. We continue to scale this business by increasing our internal traffic generation efforts, while also in listing more industry verticals.

This has increased our intelligence to find more engaged consumers across a greater number of offerings for potential buyers of our profiles. Additionally, as many of you know, last quarter we launched Logiq digital marketing called LDM. LDM is an e-commerce marketing platform that helps F&B brands and agencies increase online sales more easily and cost effectively.

In order for F&B's (phon) to compete with larger agencies and brands are traditionally required a large ad spend in supporting resources. Now with LDM, agencies and brands have a partner who can provide them the benefits of enterprise scale and reach, but without the associated costs and commitments. They can now reach the same consumers as the larger competitors, but a fraction of the costs.

In the U.S. alone, mega brands, or the top 500, control nearly 70% of the U.S. e-commerce market. Along with the rising digital media costs, hidden marketing technology fees a fast evolving laws and regulations surrounding consumer data and privacy, SMBs have been under served by the segmented marketing technologies available to them.

We built our Logiq digital marketing platform specifically to address these challenges. This means LDM has been purpose-built for both agencies and in-house marketing teams. It is largely based on proprietary technology we acquired from Rebel AI in March of this year. A technology with the rapidly integrated into existing Logiqs operations and quickly made available for new clients to launch their e-marketing or e-commerce marketing campaigns.

In just a short span of time, more than a dozen agencies, such as Decibel, Sway Group and Digible, have contracted with LDM and are ramping up their media buying programs for the many brands they represent.

LDM enables these agencies, as well as in-house marketing teams to strategize and execute more powerful and cost-effective e-commerce marketing campaigns. By making this platform available to an easy-to-use, fully integrated dashboard, LDM enables SMBs to more effectively compete against competitors of any size. Upgrades we introduced into LDM last quarter was audio as a marketing channel. For example, if you stream music on platforms such as Spotify, SoundCloud or Tunein, you probably have heard audio ads in between songs.

Audio has become a critical marketing channel for the brands we serve. We recently launched a new audio marketing channel on LDM. LDM provides our clients an unprecedented level of insight and transparency into audio marketing channels and enables actionable steps. LDM's advanced software design allows us to easily add and further enhance it with new marketing channels like audio, as demand for such channels arise. Now this flexibility and interoperability enables our digital marketing partners to be nimble and responsive and help build campaigns that can deliver unmatched value and powerful results. We believe these many benefits and more make our LDM offering highly differentiated compared to other e-commerce marketing platforms.

We are now executing effectively on our data monetization strategy and objectives. In fact, subsequent to the second quarter, we announced advances that expanded reach and enhance the capabilities of e-commerce marketing solutions. We will be further discussing these advances and others throughout this quarter so please stay tuned.

Now, what's key is that they addressed head-on market opportunities we are seeing in today's digital marketing ecosystem. Twenty years ago, digital advertising was purchased by negotiating directly with publishers. However, today, millions of ads per second, are purchased via real-time auctions, otherwise known as programmatic advertising. In 2021, the programmatic market in just the United States expected to reach 98 billion in ad spend, making up 68% of the total market for digital media advertising, according to a report from Zeena, cited by the IAB. Recent advances we made to LDM helps us better serve this huge and rapidly growing market.

We recently announced for a strategic interoperability partnerships to add pre-bid textual data capabilities to LDM. This will enable marketers to access in real-time the context of potential media placements. We also recently expanded our direct media buying access across the Asia-Pacific region. We look forward to providing an update on these new initiatives later this year.

Now, let's transition to key developments in Southeast Asia with our mobile commerce product line Creta (phon). As Brent mentioned, we released Creta 4.0, which marks a significant set of enhancements in an e-store modules, allowing simplified stocking and inventory management of configurable similar products with differently skews. The release simplified invoicing when we seek management in the Eastern module. These are the most requested and awaited features by our merchants, representing many product types.

For example, for a parent merchants with e-store enhancements allows clients to quickly stock and maintained our inventory in their e-stores. This is particularly helpful to merchants with a large range of similar but varying products which vary by size, style, and material variations. Similarly, digital product merchants with skews having different storage memory for display configurations, can setup and manage our inventory much more effectively. The release also includes an enhanced merchant pickup and delivery options which allows access to delivery services like GoLogiq.

Looking ahead, we anticipate a strong second half driven by increased digital spending compared to the first half of the year. We will continue to add new verticals to our consumer marketplace and expect deeper market penetration in existing verticals that will help drive continued top-line growth and margin expansion.

Before I finish, I just wanted to say a huge thank you to the team members in DataLogiq and app Logiq for your dedication, your commitments and execution. We are also proud of the things that we are accomplishing at Logiq.

With that now, I would like to turn the call back over to Brent.

Brent Suen

Wow. Thanks, Tom.

It's funny when I, listen to Tom describe the evolving products and services that Logiq offers, it's actually impressive because this tiny single-product Company that we started six years ago in Asia has really evolved, and I think that over the near future, actually I know that over the near future, you will see some amazing progress from us.

As we covered earlier, app Logiq revenue was greatly impacted by our decision to refocus on higher-margin distribution partners, and furthermore, COVID related shutdowns in Indonesia have impacted sales, both for CreateApp in Indonesia as well as for Weyland Indonesia Perkasa or WIP. As a result, we've actually scaled back on marketing and advertising related costs to app Logiq's create absolution until business activity returns to a more normal level.

However, we are developing key partnerships in Indonesia as we build off of our presence there in order to monetize our mobile intellectual property. As mentioned earlier, this includes the relationship with Mentalku, which is the exclusive license provider of government mandated psychological testing for driver's license applications and renewals.

Right now, we are in the process of integrating the PayLogiq mobile payment solution, which we market under the name of AtozPay within Indonesia, into the Mentalku mobile app and payment terminals at in person testing centers. This actually represents the first time that mobile payments can be made via the Mentalku app or even at the testing centers in person, and this makes it much easier for millions of Indonesian drivers to pay for the required tests. To put this in perspective every year, Indonesia issues about 14 million driver's licenses. It's a huge growth opportunity, both for Mentalku and certainly for Logiq.

We will be talking more about that as we move ahead, but we believe that the partnership with Mentalku represents further digitization of government services and has the potential to help millions of people more conveniently apply for driver's licenses with a seamless and contactless alternative to in-person testing. Mentalku users will also gain access to our AtozGo digital wallet, which they can then use to make other types of payments as well as access additional financial services. Our more convenient payment solution is in-line with the government's mandate to encourage more digital participation, lower-cost, and move away from a cash-based economy, which it has been for many years now.

We've also been developing a new micro loan program in Indonesia, which is designed to provide mobile FinTech services to 5 million contract and delivery drivers of Garda Digital Indonesia, which is the membership organization overseen by BPJS TK, who serves as the social security agency in Indonesia. They also manage the pensions and health benefits for their members. The FinTech platform that we're rolling out makes these micro loans available to their members for both personal or business use and this can be used for things such as purchasing, configuring, or repairing their mobile vehicles.

This will eventually be introduced to the entire universe of BPJS's 48 million members. Actually that's incorrect, it's not 48, I think 53 million now and 620,000 SMBs, as well as through affiliated organizations such as Mentalku, which supports the motor vehicle license administration and their members will also be able to access our Pay Logiq e-wallet in GoLogiq, hyper-local food delivery mobile platforms.

Opportunities like these for new revenue streams, for micro lending, mobile payments and our e-commerce solutions with this huge user base are tremendous. We plan to provide an update in the coming weeks regarding regional expansion and updates on the micro lending initiatives, so please stay tuned. I know a lot of people have asked about that and we will be updating everyone shortly.

With that being said, we are extremely excited about the growth prospects in Indonesia, and some things that I've spoken about in the past three calls are that investors are going to start to see Indonesia and Southeast Asia based companies start to go public in the U.S. I've said that on the last three calls and also indicated that in live streams and on investor calls as well.

Previously, the only public Company was SCA (phon). We've talked about that a lot. I think over the past year, that stock has gone from $40 to over $300 and their market cap is 200 billion. However, two months ago, Grab also out of the region, announced a $45 billion merger with Altimeter Growth, which is a SPAC here in the U.S. FinXL and Victory Park are merging. FinXL is out of Singapore and has a specific focus in Indonesia. Victory Park is a Chicago-based SPAC. This is a $2.5 billion merger, and then there was recently an IPO of a Company in named Buca Palace, which is a $6.5 billion valuation. In the past two months, we've had three transactions which give retail investors and U.S. institutional investors opportunities to invest in growth in the region. I think it's something that has certainly come to pass and we're going to see a lot more of that.

What does that do for us? What does that do for you all as shareholders? I think that our original goal of setting out to position ourselves in the hottest emerging market is coming to fruition and I believe, very strongly that as we move ahead, you will see foreign companies interested in the region as well as super-regional parties enter into discussions with us on strategic initiatives, partnerships, or even an outright sale or spinoff of the business. We've been talking about that and I believe we'll be talking a lot more about it pretty soon, as well as indicating some details. That being said, these discussions with potential suitors have absolutely picked up this quarter and we're very excited about that.

We're also looking at licensing opportunities of our mobile IP into two other large neighboring countries in Southeast Asia, which we'll also be describing soon. Overall, we believe that DataLogiq's offering of a robust digital marketing solution, which now has greater market reach and contextual ad capabilities for brands and agencies, combined with the app Logiq, micro lending, e-wallet and upcoming regional expansion initiatives will absolutely drive increased overall market penetration revenue growth and increased margins over the coming quarters.

With that, I'd like to open up the call to questions.

Rocco, if you could go ahead with the instructions, that would be great.

Operator

Absolutely, sir.

Today's first question comes from Lisa Thompson of Zacks Investment Research. Please go ahead.

Lisa Thompson

Hi guys.

Brent Suen

Hey Lisa.

Lisa Thompson

I'm putting in a vote to call back at 1:00 o'clock and give everybody more time to look at the numbers, so that's my first story. It looks like you had a great quarter in revenues, better than expected. Of course, my question on that would be, I noticed that DataLogiq's didn't actually grow sequentially. Is there any explanation for that or what are we supposed to think about it?

Tom Furukawa

Sure, sure. Yes, we did have a slight decrease. I think it's important to reiterate that obviously we had great growth overall, but one thing that affected Q1—so Q1 greatly exceeded expectations, mainly because of the ACA enrollment period and so that actually brought in a lot of activity lot off of revenue for us. Q1 was a record quarter, and then some of the Medicare enrollment (inaudible) are expected to resume actually in the latter half of the year, in the second half.

Also at the same time, we've introduced additional verticals, as we discussed on the call today that will give us more penetration into home improvement, but the biggest thing is I think we overachieved in Q1. So, the way I look at it, is that we were close to the record Q1 numbers and then we're also looking really good for that for the second half.

Lisa Thompson

Great. That's a rational explanation. Thank you

Tom Furukawa

You're welcome.

Lisa Thompson

I couldn't write as quickly as I would've liked to. Could you just repeat what you said the onetime expenses were in Q2?

Tom Furukawa

Rod you want to pick up?

Rod Granero

Yes. Let me pull it up really quick.

Lisa Thompson

(Inaudible) millions in stock based. Go ahead.

Rod Granero

Yes, 1.71 stock-based compensation, then the onetime in nature which were mainly legal and professional fees of $1.2 million, which are more onetime in nature due to obviously the IPO in Canada, as well as finalizing the acquisition of Rebel, which happened in late Q1 but there were some expenses outflow into Q2.

Lisa Thompson

If I take out that 1.2 from this quarter, is that kind of what Q3 is going to look like, expense-wise?

Rod Granero

Yes. I would also, saying that our stock-based compensation is not going to be as high as it was in the first half. Yes, I would imagine that if you take out the 1.2, that's basically our normalized operating expenses going forward.

Lisa Thompson

Okay. Great. Thank you for that. Well, I got you. What was the 422,000 in other income? Is that a one-time thing? What is that?

Rod Granero

Yes, that is a one-time thing. That's the forgiveness of the PPP loan that was recorded under other income.

Lisa Thompson

Okay. Good. Good to know. Let's see. Brent, has the driver licenses in Indonesia, how much does that test cost? I assume we're going to get a few cents per test or something.

Brent Suen

That's a good question. It is about—well, it depends on whether they will be using the app of going in in person. They've historically charged the equivalent of about US$8. What we're most interested in though, is not necessarily the participation in the transaction fee or the actual fee, but the data. Because if they are using the app, the Q&A on there, their demographic and personal information, all of that is captured too. That's probably quite compelling, especially to companies that are in the motorcycles, scooter and auto insurance and aftermarket.

Lisa Thompson

Okay. That's interesting. When does that start?

Brent Suen

We are in pilots now. We expect to start the rollout within the next—well, we were hoping to this month, but they've had a series of lockdowns. COVID is actually at the worst point right now in Indonesia unfortunately, which is not unique to that country. Apparently there's resurgences going on elsewhere, but that I think actually drives further the point to not have the in-person tests and creating the scenario where people use the app more so. With the app, they have to use our e-wallet.

Lisa Thompson

So, are they just not renewing driver's licenses? I don't understand why this has just stopped.

Brent Suen

Even with the renewals, you have to have the psychological tests, especially when it's drivers on scooter or motorcycle that either do deliveries of goods or do ride sharing, and there's currently about 5.5 million of those that need to be tested, every—I think it's every three months, but all driver's license renewals and new applications have to have the tests as well.

Lisa Thompson

Wow. Gee, and I was complaining about the iTest? Let's see. I think those were my main questions. What do we look for next—something from Indonesia? Is it from there, or would that be the next thing we might hear from you?

Brent Suen

Without giving away too much, as I said a few minutes ago, the discussions that we've been having about a spinoff or sale of a stake in the business has stepped up a lot. I think it's more—it's less due to COVID and more due to the liquidity events that have just started. Those two SPACs, one IPO, I heard that every one of the 25 Unicorn valued companies there are in discussions with U.S based SPACs and investment banks for IPO, as well as the secondary that's, I think there's probably 100 companies valued between a $100 million and $999 million, which are in discussions too. Everyone's active there. I think we're going to see a lot more of this until it's just trickled down to our level as well.

Lisa Thompson

Great. That sounds great. I guess that's all my questions. I'll let somebody else ask some. Thank you.

Rod Granero

Cool. Thanks Lisa.

Tom Furukawa

Thank you Lisa.

Operator

Our next question comes from Christian Galatti with Phase Four Research. Please go ahead.

Christian Galatti

Hi, thanks for taking my questions. Lisa actually asked one of my segmentation questions, and so I'm going to try and ask for a little more color. You guys actually troughed a little earlier than I thought. You guys beat the estimates like she said, and it looks like you're going forward from here. If you did two—what was it? It was 2.8 on the app Logiq side. That beat my estimate by a couple of 100,000. I'm trying to find out, is that an ASP raised, is that more clients? Where is that coming from? Whoever can answer that color, that would be great.

Tom Furukawa

Yes sure, This is Tom. Let me give some context and then I'll have Rod go into more of a numbers. The first half—when we talked about it, so for Q1, we definitely beat our own expectations as well with Medicare growing. As we started to look at the DataLogiq and really the selling of the data, and we started to really become—I guess, really good and become profitable in very specific vertical segments, and so we mentioned things like home renovation, solar, those are doing well in addition to Medicare. So, what we've done is started to add more verticals, say things around insurance, for example. So, that part of the business in DataLogiq is continuing to grow and we can leverage our best practices, our infrastructure, as well as our data to be able to enter more and more, I would say adjacent verticals where we are in.

Christian Galatti

That's really interesting. Are each of these new verticals growing at the same rate, let's call it?

Tom Furukawa

They're very much different in terms of growth, but they're also very established. If we provide high-quality data that say an insurance company can then really use to be able to find more customers, and we start to do those type of things and we continue to succeed and providing quality results, we get more and more business and (inaudible) our market share.

Christian Galatti

Yes, yes. How many then—the question is then, how many more verticals do you got to go?

Tom Furukawa

Yes. I mean, right now we're in over 12. I think it's going to be, not doubling that, but maybe adding a few more. Let's say maybe two or three and each of those verticals could have pretty good revenue. Also we're very much careful to ensure that the margin profiles are always increasing bit by bit. That's another part of our business. We could jump into a bunch of different things and just focus on revenue, but what's important is the margin profile increasing along with the revenue and that's where we, for us, we've got to enter each new vertical carefully. We've got to test it, make sure that the entire supply chain is working well, and then we will spend more money into it.

Christian Galatti

Which gets me to DataLogiq. You guys came in with, what was it 5.8% on that site? Yes. Something like that?

Tom Furukawa

Just to clarify, that was for DataLogiq.

Christian Galatti

That beat my estimate too by half a million. Was that a salvaging of higher gross-margin clients? Was that in the—give me color around how you were able to have that be salvaged enough to sequentially grow from Q1—Q1 over total revenue I mean.

Tom Furukawa

Sorry. Can you ask your question again in terms of DataLogiq?

Christian Galatti

On the DataLogiq side, it beat my revenue estimate by about half a million or so. I'm trying to find out how that did that. Was that—again, was that salvaging some of the revenue in a different part that you saw that didn't have to be sacrificed? Was that actually new clients? What was that that actually did that revenue beat there? Thank you.

Tom Furukawa

That was I guess more my previous question is, for us, it's deeper penetration into existing verticals we're in and then adding additional that contributed to that increase in revenue.

Christian Galatti

Then she asked the question that I had, which was how much was fixed cost out of there? So, $1.2 million being taken out for next quarter is how we should be thinking about the expenses going forward. That's it. Okay, so you said (inaudible) foreseeable future, are you quantifying foreseeable future?

Brent Suen

Rod, do you want to take that one?

Rod Granero

Sorry. What was the question again?

Christian Galatti

Just how long do you think the cash as the foreseeable future? Are you quantifying that or putting anything around that? Because you guy are ramping up. It looks like gross margins are going the right way. If cash could get you to somewhat profitability or somewhere break-even or cash flow, that would be terrific.

Rod Granero

Ian, absolutely. As Brent mentioned with the Canadian IPO that we did, or being our gross profits were roughly $5.3 million and the subsequent financing round that we did here in the U.S. last week, earlier this month of $4 million, I think that will give us some runway, but we'll quite have to do a subsequent event by closer to the end of the year because as you mentioned, we're growing. We're having new businesses, entering that are also growing with the acquisitions of both fixed on Rebel or LDM as we call them. Yes, we expect cash to last for the foreseeable future, but we will have to do subsequent (inaudible) more towards the end of the year.

Christian Galatti

Thanks. It's going on the right direction. Thank you so much.

Brent Suen

Christian, I think to add to that, I think it's safe to say the large onetime expense is really behind us. Q2 has represent the peak cash burn, if you will, especially onetime expenses. But, the area that we're investing in is really within sales engineering and marketing. That's going to be really tied to the continued growth of DataLogiq because we're in the right verticals, we're seeing really good customer success with the dozen or so agencies on the platform. Then really we want to set us up that for scaling significantly next year.

Christian Galatti

No, it certainly looks all integrated, yes. It looks are integrated and ready to go in, and invested. Thank you so much.

Brent Suen

You're welcome.

Operator

Our next question is from Tony (Inaudible), a private investor. Please go ahead.

Tony

Hi, Brent. This question is for Brent. Congrats on the earnings release.

I know you've been working very, very hard to increase the gross margins. I also know that you are particularly aware of the market difficulties in listing on the OTC, which can contribute to low multiples because institutions are generally wary about investing there. Listing on the NEO is a great first step. My question basically is when do you believe Logiq will be able to list on either the New York Stock Exchange or NASDAQ, and does the Company have any preference?

Brent Suen

Good question, Tony.

Tony

Thanks.

Brent Suen

Speaking in the NEO part, it's actually been pretty exciting since actually about two weeks after the IPO, we started receiving regular requests for calls from brokers and institutional investors. There is around 14,000 wealth managers in Canada, and that's equivalent of brokers here in the U.S. I'd say I'd probably had a call every day, sometimes two a day, from individuals who've managed fair amounts of money for clients. That's been quite exciting. Since we are now listed on a primary exchange, I think that's really stepped up some confidence from institutional investors of which we've had a number of requests and calls as well. Things have absolutely stepped up on that front.

As far as uplisting the OTC shares, we don't really have a preference. What I would say is that we meet all of the requirements at the $3 per share number, we qualify as well. Ideally what you want to see is consecutive trading for call it 20 days and then submission of an application. That's generally the way to do it. When we do, we will absolutely let our shareholders know that we've mentioned before that we're intent upon doing that, and we will update everyone when we do.

Tony

Thanks very much for the answer, Brent.

Brent Suen

Yes, absolutely.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to Mr. Suen. Please go ahead, sir.

Brent Suen

Thanks, Rocco.

I would like to thank everyone for taking the time to join us for the call today. We had a strong second quarter, which was highlighted by sequential revenue and margin improvement. We believe this reflects how we've created a very strong foundation for growth in 2021 and beyond. We look forward to keeping everyone updated on our progress. In the meanwhile, please feel free to reach out to us with any questions or thoughts you'd like to share. Incidentally, many of you did since my number and email are published, so the rest of you please reach out. We love to catch people up on what we're doing because it's extremely exciting.

Thanks again everyone, and look forward to speaking again in the next quarter.

Rocco, please go ahead and wrap up the call.

Operator

Thank you. Before we conclude today's call, I would like to provide the Company's Safe Harbor statement that includes important cautions regarding 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 in the Securities Act of 1933 as amended, and Section 21E of the Securities 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 the e-commerce 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 these 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, www.sec.gov.

All forward-looking statements attributable to the Company or persons acting on its behalf are expressly 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, I would like to remind everyone that this call will be available for 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 today. This concludes today's conference call. You may now disconnect your lines, and have a wonderful day.