

## Company Summary

May 28, 2010

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

**Current Price : \$0.08**

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

#### **Highlights:**

- targeting growth in an expanding international market, primarily the Middle East
- profitable with strong gross margins
- large working capital position of \$1.97 million or \$0.079 per share as at March 31, 2010 with minimal long-term debt
- 11% year-over-year revenue growth recorded in 2009

### **DISCUSSION:**

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

In February 2009, NTG Clarity signed an agreement with Al Mozoon Group Architectural Contracting to open a joint venture company called NTG Clarity Arabia. The new company provides telecommunications and information technology consulting services and products in the Kingdom of Saudi Arabia (KSA). NTG Clarity Arabia combines Al Mozoon's experience and relations in the KSA market with NTG's Telecom and IT solutions expertise.

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

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

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

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

For the year ended December 31, 2009, NTG posted revenues of \$6.1 million and a gross margin of 49% as compared to 2008 sales of \$5.5 million and gross margin of 55%. This revenue increase is largely attributable to an aggressive marketing program in the Middle East. In Q1 2010, the company posted sales of \$1.3 million with associated net earnings of \$59,620 or \$0.002 per

share. In Q1 2009, sales were \$1.78 million with earnings of just \$19,844. The decrease in year-over-year revenues is largely attributed to project timing. At March 31, 2010, NTG Clarity had positive working capital of \$1.97 million or \$0.079 per share with long-term debt of just \$311,000. During the quarter, an \$86,000 foreign exchange loss and a bad debts provision of \$40,000 had a major impact on the company's bottom line. Without these items, earnings for the period would have been \$185,575 or \$0.007 per share. The company is working to mitigate future losses from foreign exchange exposure. Given recently announced agreements and the anticipation of a stronger second quarter, NTG Clarity should remain on pace to deliver record 2010 performance. Despite this potential, NTG Clarity continues to trade at working capital value attributing nothing in share value towards the current or future profitability of the company.

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

	2005	2006	2007	2008	2009	2010e**
Revenues	\$ 5,800,611	\$ 5,269,910	\$ 6,277,197	\$ 5,485,169	\$ 6,114,421	\$ 8,000,000
Gross Profit	2,781,600	2,537,280	3,491,155	3,032,269	3,117,841	4,250,000
Operating Income*	832,645	552,589	1,099,021	788,070	1,179,815	1,250,000
Net Income	302,641	194,810	90,958	539,418	220,556	550,000
per share	\$0.01	\$0.00	\$0.00	\$0.021	\$0.009	\$0.02

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

\*\*QIS Capital estimates

### LATEST FINANCIAL RESULTS

	3 Months Ended Mar. 31		Year Ended Dec. 31	
	2010	2009	2009	2008
Revenues	\$1,304,374	\$1,723,307	\$6,114,421	\$5,485,169
Cost of Sales	716,578	1,163,286	3,117,841	2,452,900
Gross Profit	587,796	560,021	2,996,580	3,032,269
Expenses	348,641	588,147	1,816,765	2,244,199
Bad Debt Provision	40,000	-	225,000	6,860
Forex Loss (Gain)	85,955	(107,894)	372,905	(88,218)
Net Income	59,620	19,844	220,556	539,418
per share	\$0.002	\$0.001	\$0.009	\$0.021

### BALANCE SHEET

(As at March 31, 2010)

Current Assets	\$ 3,504,164
Total Assets	3,718,376
Current Liabilities	1,529,534
Long-Term Debt	311,000
Shareholders' Equity	1,877,842

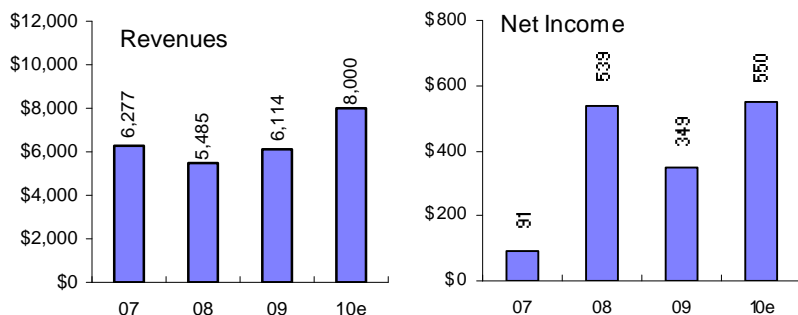
### SHARES OUTSTANDING

(As at March 31, 2010)

Basic	25,153,391*
Options	4,089,500**
Fully-diluted	29,242,891

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

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



### MANAGEMENT & DIRECTORS:

**Ashraf Zaghloul, CEO & Chairman**

**Adel Zaghloul, CEO, NTG Egypt**

**Kristine Lewis, President & CFO**

**Allen Fournier, VP Eastern Canada**

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

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