



H.C. Wainwright & Co Rating: Buy on NexTech AR Solutions Corp. (NEXCF) Large Enterprise Product Order Announced,

Large Enterprise Product Order Announced, Demand for 3D Models Driving Meaningful Revenue Ramp;

CUPERTINO, CALIFORNIA, USA, September 21, 2022 /EINPresswire.com/ -- Company well positioned to benefit from increasing demand for 3D models. Before the market open on September 20, NexTech AR Solutions Corp. announced a large purchase order to supply 7,500 3D models for an enterprise customer. The company has already delivered approximately 50% of this order with the remaining half to be delivered during 4Q22. Based on our pricing assumptions, we believe these 7,500 models could be worth as much as \$500.0K of revenue and perhaps more importantly should serve as a powerful marketing tool as NexTech looks to sign additional large enterprise customers as well as increase wallet share in the current customer footprint. Also, in the most recent release, NexTech indicated it is in negotiations with other large enterprise customers with deal sizes potentially larger than this most recent announcement. We believe the ramp in new business should begin to show in 3Q22 results, however, the most significant revenue growth is likely to come beginning in 2023. Given the scalability of the model, we believe investors should expect significant operating leverage, especially as the company exits its lower margin retail business, potentially driving positive adj. EBITDA as early as 2H23. We recommend investors take advantage of recent weakness in NEXCF shares ahead of these improving financial performance.

Benefits of 3D modeling for ecommerce clear, should drive multiyear demand. While still somewhat in its infancy, the use of 3D models for ecommerce has shown meaningful benefits to both consumers and retailers. While not appropriate for every item sold online, the number of potential use cases is significant. Consumers can "test" a piece of furniture or art in their home, look at a potential purse before purchasing, or even place a watch on their wrist, without visiting a brick and mortar

store. According to Shopify, Inc. (SHOP, not rated) 3D augmented reality product models have proven to generate a 94.0% increase in conversions and have resulted in a 40.0% reduction in costly returns. On some products, conversion rates have increased by as much as 250.0%. As a result, the market for 3D models is expected to grow to \$7.6B by 2025, representing a CAGR of 15.0% from 2020 levels. As demand for 3D and augmented reality products for ecommerce continues to grow, we believe NexTech is well positioned to be a key beneficiary of these favorable secular trends.

ARway spinout remains on track for later this year. In June, the company announced plans to spin out its spatial mapping platform, ARway Ltd., into a standalone public company listed on the CSE. Under the terms of the agreement, NexTech would maintain a majority ownership position in ARway while NexTech shareholders also receive a share distribution of the new company, expected to be approximately 4.0%. The spin is expected to be completed by late October as the company has received conditional listing approval from the Canadian Securities Exchange. We see several real-world applications for spatial mapping including museums, hospitals, conference, trade shows, and sporting venues. By integrating the company's SDK customers can create an interactive experience for their own customers including the addition of audio keys, advertising, and even holograms enhancing the customer experience and influencing consumer behavior. NexTech has indicated it has received significant interest in the mapping product, and we believe new contracts could be announced within the next 60 days.

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Valuation attractive given meaningful revenue growth opportunity and path to profitability. We are valuing NEXCF

shares at \$2.50, reflecting a 15.0x EV/revenue multiple on our 2023 revenue estimate of \$20.0M.

Our \$2.50 price target

represents approximately 315.0% upside from recent trading levels. A targeted 15.0x EV/revenue multiple represents a

premium to other small capitalization technology peers operating within the augmented reality, virtual reality, and metaverse

space. We view this as warranted in the near term as the business should begin to ramp quickly given recent partnership

announcements and anticipated revenue generation. As the company begins to demonstrate its ability to drive meaningful

revenue growth, improve gross margin expansion, and achieve consistent profitability we believe new investors should be attracted to NEXCF shares. In addition, we suspect positive news flow, including new contract and partnership announcements to serve as a near term catalyst, ahead of the 2023 acceleration in higher margin technology revenue.

Risks. (1) Dilution risk should the company raise additional capital given current cash burn; (2) high levels of industry competition; (3) technology risk; (4) M&A and integration risk; (5) partnership risk given partnership agreements; (6) foreign operation risk as the company operates in several jurisdictions with different levels of regulatory oversight

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