

# Global Education Communities Corp.

(TSX: GEC)

## Strategic Student Housing Cushions Market Headwinds

**BUY**

**Current Price: C\$0.40**

**Fair Value: C\$1.11**

**Risk\*: 3**

**Sector: Student Housing**

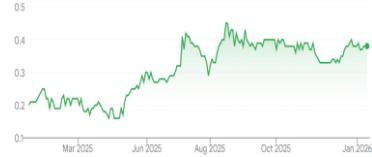
[Click here for more research on the company](#)

### Highlights

- **Q1 FY2026 (ended November 2025):** Performance exceeded expectations, driven by stronger-than-anticipated revenue from the flagship student housing business, higher gross margins, and lower G&A expenses.
- **Revenue:** Increased 2% YoY, missing our estimate by 3%. Growth was led by the rental business (+14% YoY, 67% of total revenue vs. 60% last year), partially offset by weaker education revenue due to lower international enrollments.
- **Profitability:** Gross margin rose 2.7 pp to 63% (1.5 pp above estimate). G&A declined following last year's sale of Sprott Shaw College (SSC), lifting EPS from (\$0.07) to \$0.01, +7% vs. our estimate.
- **Federal Immigration Cuts & Market Insulation:** We believe federal cuts to international student permits, immigration caps, and tighter work permit rules will put pressure on housing markets across Canada. However, Vancouver is relatively insulated, especially GEC's student housing, due to a severe shortage of affordable units, with vacancy rates under 1%. We believe GEC's strategic mix, with 40–50% domestic students, further cushions the impact by reducing reliance on international students.
- **Rental Recovery and Persistent Demand:** Following a brief cooling in 2025, we expect Vancouver rents to rise through 2026 and 2027, driven by low vacancy rates, and higher construction costs. We believe that rising rental income, combined with lower interest rates, will boost GEC's property valuations this year.
- Relative to REITs, GEC is trading at 8x forward revenue (sector: 12x), and 14x forward EBITDA (sector: 20x), a **31% discount on average**.

**Sid Rajeev, B.Tech, MBA, CFA**  
Head of Research

### Price and Volume (1-year)



	YTD	12M
GEC	1%	88%
TSX	4%	33%
Index (REIT)	6%	12%

### Company Data

52 Week Range	\$0.16 – \$0.48
Shares O/S	68M
Market Cap.	C\$27M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	0.6x

### Key Financial Data

(in C\$); YE - Aug 31	FY2024	FY2025	FY2026E	FY2027E
Revenue	\$35,235,000	\$29,037,000	\$30,656,620	\$33,835,123
Adj. EBITDA	\$5,991,000	\$1,288,000	\$7,039,057	\$9,053,728
Net Income	-\$21,273,000	\$3,997,000	-\$5,073,644	-\$4,388,550
EPS	-\$0.31	\$0.06	-\$0.07	-\$0.06
Assets	\$475,211,000	\$377,356,000	\$477,523,186	\$610,835,398
Debt to Capital	63.9%	55.9%	62.7%	67.7%

\* Global Education Communities has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.



## Core Business Strategy

GEC operates B.C.'s largest off-campus student housing platform, comprising 14 buildings, eight currently operating and six under development

Rental assets offer inflation-protected income, with low volatility, making them attractive to pension funds and institutions

Per Q1 financial statements, these projects were appraised at \$307M, up 0.3% QoQ

Eight operating buildings across six projects (1,232 beds)

GEC holds minority interests, and acts as project operator across all properties



In addition to GEC, the company also owns two language schools: Sprott Shaw Language College (SSLC) and Vancouver International College (VIC).

Source: Company

Several major **Canadian REITs have recorded property write-downs** over the past 12 months, largely due to softer market rents and valuation pressures. With rents and property values expected to recover modestly in 2026, we believe **GEC is well positioned to report valuation gains**. These gains should be further supported as ongoing development projects reach completion, providing additional upside to asset values and NAV.

## Operating Projects



GEC Viva Tower



GEC Burnaby Heights



GEC Kingsway



GEC Granville



GEC Pearson – North Tower



GEC Pearson – South Tower



GEC King Edward



GEC Marine Gateway – North Tower



GEC Marine Gateway – South Tower

Source: Company

Potential to generate  
\$14M in NOI, or  
\$11k/bed in NOI per  
year

Developing six  
buildings across four  
projects (2,988  
beds)

We are projecting  
\$45M in NOI, or  
\$15k/bed per year

At a 4% cap rate, we  
value these projects  
at \$1.12B upon  
completion,  
unchanged from our  
report in December  
2025

Target completion is  
2027–2030; we note  
that real estate  
development  
projects are often  
subject to  
permitting/financing  
delays

Operating Projects	1	2	3 & 4	5 & 6	7	8	Total
Name	GEC Viva	GEC Burnaby Heights	GEC Pearson (North and South Towers)	GEC Marine Gateway (North and South Towers)	GEC King Edward	GEC Kingsway	
Operating Since	2015	2016	2014	2020	2023	2024	
GEC Ownership	0% (Exited in 2018 & lease back)	25.0%	38.5%	20.0%	18.5%	0% (Master Lease)	
Beds	220	100	310	116	202	284	1,232
Approx. Annual Revenue (\$M)	\$3.34	\$1.52	\$4.70	\$1.76	\$3.06	\$4.31	\$18.69
Approx. NOI (\$M)	\$2.42	\$1.10	\$3.41	\$1.28	\$2.22	\$3.12	\$13.55
NOI per Bed	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
Valuation (\$M) - FRC Estimates		\$27.50	\$85.25	\$31.90	\$55.55		\$200.20
Estimated Cap Rate		4.0%	4.0%	4.0%	4.0%		
Development Projects	1	2	3	4			Total
Name	GEC Oakridge	GEC EMC	GEC Langara	GEC Cyber City			
GEC Ownership	13.1%	16.7%	20.0%	35.8%			
Beds	548	1,380	650	410			2,988
Approx. Annual Revenue (\$M)	\$11.74	\$29.57	\$13.93	\$8.79			\$64.03
Approx. NOI (\$M)	\$8.22	\$20.70	\$9.75	\$6.15			\$44.82
NOI per Bed	\$15,000	\$15,000	\$15,000	\$15,000			\$15,000
Construction/Development Costs (\$M) - GEC Estimates	\$140.00	\$340.00	\$140.00	\$225.00			\$845.00
Valuation Upon Completion (\$M) - FRC Estimates	\$205.50	\$517.50	\$243.75	\$153.75			\$1,120.50
Estimated Cap Rate	4.0%	4.0%	4.0%	4.0%			
Anticipated Completion Year	2027 (progressing on schedule)	2029 (construction starting in 2026)	2028 (construction starting in 2026)	2029-2030			

\*On January 14, 2025, the company announced that **GEC Langara received rezoning approval** to redevelop a single-house site into a 26-storey rental tower, allowing the project to move forward with development and building permit applications.

Source: Company/FRC



## Financial

*Q1 revenue rose 2% YoY, missing our estimate by 3%, driven by 14% growth in the flagship rental business, and partially offset by weaker education revenue due to lower international enrollments*

*Rental revenue, which made up 67% of total revenue (Q1 2025: 60%), grew with contributions from recently completed projects*

*Gross margins rose 2.7 pp to 63%, beating our estimate by 1.5 pp, driven by higher rental business margins*

*G&A expenses fell sharply YoY following the SSC sale last year, resulting in higher EBITDA, EPS, and operating cash flow*

*EPS improved YoY from (\$0.07) to \$0.01, beating our estimate by 7%*

C\$ (YE Aug 31st)	2024A	2025A	YoY	Q1-2025	Q1-2026	YoY
<b>Educational</b>						
Revenues	\$12,545,000	\$8,422,000	-33%	\$1,984,000	\$1,349,000	-32%
COGS	\$7,401,550	\$4,968,980		\$1,329,280	\$1,038,730	
Gross Margins	41%	41%		33%	23%	
<b>CIBT China + Referrals</b>						
Revenues	\$3,394,000	\$3,152,000	-7%	\$818,000	\$720,000	-12%
COGS	\$2,033,870	\$1,770,450		\$381,960	\$577,200	
Gross Margins	40%	44%		53%	20%	
<b>IRIX</b>						
Revenues	\$579,000	\$362,000	-37%	\$186,000	\$24,000	-87%
COGS	\$135,000	\$103,000		\$54,000	\$6,000	
Gross Margins	77%	72%		71%	75%	
<b>Global Education City</b>						
Revenues	\$17,250,000	\$17,101,000	-1%	\$4,507,000	\$5,138,000	14%
COGS	\$5,710,000	\$4,991,000		\$1,207,000	\$1,233,000	
Gross Margins	67%	71%		73%	76%	
<b>Global Education City</b>						
Development fees	\$1,467,000	\$0	-100%	\$0	\$385,000	n/a
Gross Margins	100%	-		0%	1.00	
<b>Overall Revenues</b>	<b>\$35,235,000</b>	<b>\$29,037,000</b>	<b>-18%</b>	<b>\$7,495,000</b>	<b>\$7,616,000</b>	<b>2%</b>
Overall Gross Margins	57%	59%		60%	63%	

Margins	2024A	2025A	Q1-2025	Q1-2026
Gross	56.6%	59.2%	60.5%	63.2%
EBITDA	14.3%	13.6%	4.8%	31.9%
EBIT	11.8%	10.8%	2.0%	29.5%
Net	-60.4%	13.8%	-65.9%	9.8%

C\$	2024A	2025A	YoY	Q1-2025	Q1-2026	YoY
Revenue	\$35,235,000	\$29,037,000	-18%	\$7,495,000	\$7,616,000	2%
EBITDA	\$4,897,000	\$3,782,000	-23%	\$317,000	\$2,395,000	656%
Adj. EBITDA (GEC estimates)	\$5,991,000	\$1,288,000	-79%	\$282,000	\$2,529,000	797%
Net Income	-\$21,273,000	\$3,997,000	n/a	-\$4,940,000	\$745,000	n/a
EPS	-\$0.31	\$0.06	n/a	-\$0.07	\$0.01	n/a

Summary of Cash Flows	2024A	2025A	YoY	Q1-2025	Q1-2026	YoY
Operating	-\$5,577,000	-\$1,270,000	-77%	-\$216,000	\$707,000	n/a
Investing	-\$20,908,000	\$19,781,000	n/a	\$1,038,000	-\$1,643,000	n/a
Financing	\$25,219,000	-\$17,343,000	n/a	-\$484,000	-\$615,000	n/a
Effects of Exchange Rate	\$6,000	-\$1,000	n/a	-\$8,000	-\$33,000	n/a
Net	-\$1,260,000	\$1,167,000	n/a	\$330,000	-\$1,584,000	n/a
Free Cash Flows to Firm (FCF)	-\$25,598,000	-\$13,004,000	-49%	\$3,722,000	-\$34,000	n/a

Source: FRC / Company



*Debt-to-capital remained above the sector average (56% vs. 46%), but this is expected to improve once development projects are completed*

Liquidity & Capital Structure	2024A	2025A	Q1-2026
<b>(C\$) - YE Aug 31st</b>			
Cash + Restricted Cash	\$2,132,000	\$3,299,000	\$1,715,000
Working Capital	-\$17,841,000	\$3,864,000	\$4,400,000
Current Ratio	0.58	1.17	1.20
Long Term Debt	166,970,000	130,621,000	147,523,000
Total debt	250,956,000	183,210,000	184,018,000
Long Term Debt/Capital	42.50%	39.83%	44.63%
Total Debt/Capital	63.87%	55.86%	55.67%
EBIT Interest Coverage	0.3	0.2	0.8

*Source: FRC / Company*

## FRC Projections and Valuation

### Sector Multiples and Ratios

Education		EV	EV/	EV/	Gross	Debt to	
Company		C\$M	Rev	EBITDA	P/B	Margin	Capital
New Oriental Education & Technology Group		\$7,777	1.01	7.36	2.30	55%	16%
Laureate Education Inc.		\$7,493	3.16	10.48	4.70	38%	28%
Adtalem Global Education Inc.		\$6,257	2.34	9.00	2.90	57%	35%
TAL Education Group		\$6,090	1.39	19.24	2.00	54%	10%
Strategic Education Inc.		\$2,612	1.49	7.16	1.20	48%	7%
Universal Technical Institute		\$2,155	1.71	13.39	4.40	56%	46%
Perdoceo Education Corp.		\$2,091	1.74	5.94	2.00	80%	11%
American Public Education Inc.		\$968	1.04	8.81	2.60	54%	37%
Global Education Communities		\$308	8.06	13.59	0.57	59%	56%
JLS Co. Ltd		\$83	0.83	5.60	1.00	20%	5%
<b>Average</b>			<b>1.63</b>	<b>9.66</b>	<b>2.11</b>	<b>52%</b>	<b>25%</b>

Student Housing/REITS		EV	EV/	EV/	Gross	Debt to	
Company		C\$M	Rev	EBITDA	P/B	Margin	Capital
Canadian Apartment Properties REIT		\$11,698	11.54	19.27	0.70	65%	39%
Boardwalk REIT		\$7,197	11.19	19.64	0.70	65%	44%
Xior Student Housing		\$4,606	15.75	20.36	0.80	71%	46%
Killam Apartment REIT		\$4,409	11.51	18.76	0.70	67%	42%
InterRent REIT		\$3,600	14.39	24.94	0.80	66%	43%
Morguard North American Residential		\$2,772	7.85	16.74	0.30	53%	50%
BSR REIT		\$1,670	8.34	17.95	0.70	51%	58%
Global Education Communities		\$308	8.06	13.59	0.57	59%	56%
<b>Average</b>			<b>11.51</b>	<b>19.67</b>	<b>0.67</b>	<b>63%</b>	<b>46%</b>

*Source: S&P Capital IQ, FRC*

*GEC's EV/R and EV/EBITDA multiples remain higher than those of education management peers but lower than real estate peers*

*Relative to REITs, GEC is trading at 8x forward revenue (sector: 12x) and 14x forward EBITDA (sector: 20x), a 31% discount on average*

Although Q1 revenue missed, we are raising our EBITDA and EPS estimates on stronger gross margins, and lower G&A expenses

(in \$); YE - Aug 31	FY2026E (Old)	FY2026E (New)	FY2027E (Old)	FY2027E (New)
Revenue	\$31,586,360	\$30,656,620	\$35,520,010	\$33,835,123
EBITDA	\$5,463,566	\$7,039,057	\$7,756,376	\$9,053,728
Net Income	-\$5,497,212	-\$5,073,644	-\$4,913,793	-\$4,388,550
EPS	-\$0.08	-\$0.07	-\$0.07	-\$0.06

**Comparables Valuation (Student Housing) - Operating**

Projected Annual Revenue	\$18,692,414
(a) FV of GEC's Equity @ sector average multiples	\$21,202,650
Projected Annual Revenue	\$13,552,000
(b) FV of GEC's Equity @ sector average multiples	\$26,264,101
Fair Value @ 4% cap	\$200,200,000
(c) FV of GEC's Equity	\$19,729,383
<b>Average of (a), (b), and (c)</b>	<b>\$22,398,711</b>
<b>A) Value/Share</b>	<b>\$0.33</b>

**Comparables Valuation (Student Housing) - Development**

Projected Annual Revenue	\$64,028,571
(a) FV of GEC's Equity @ sector average multiples, net of GEC' costs	\$31,068,117
Projected Annual EBITDA	\$44,820,000
(b) FV of GEC's Equity @ sector average multiples, net of GEC' costs	\$40,864,137
Fair Value @ 4% cap	\$1,120,500,000
(c) FV of GEC's Equity	\$57,077,940
<b>Average of (a), (b), and (c)</b>	<b>\$43,003,398</b>
<b>B) Value/Share</b>	<b>\$0.63</b>

Comparables Valuation (Student Housing)	Fair Value
Operating + Development Projects (A + B)	\$65,402,109
<b>Value/Share (A + B)</b>	<b>\$0.96</b>

Education Management	Fair Value
a) Discounted Cash Flow @ 10%	\$9,982,832
b) Comparables Valuation (EV / Revenue)	\$16,350,165
c) Comparables Valuation (EV / EBITDA)	\$9,667,827
<b>Average of (a), (b), and (c)</b>	<b>\$12,000,275</b>
<b>Value/Share</b>	<b>\$0.18</b>

Working Capital, net of Corporate Debt	-\$1,623,000
<b>Fair Value Estimate</b>	<b>\$75,779,384</b>
<b>Value/Share</b>	<b>\$1.11</b>

*Source: FRC*



**We are reiterating our BUY rating, and adjusting our fair value estimate from \$1.09 to \$1.11/share.** GEC delivered a solid Q1, with strength in student housing, margin expansion, and lower G&A expenses driving EPS above our estimate despite modest revenue softness. We believe GEC's diverse mix of domestic and international students, in Vancouver's tight rental market, **positions the company to weather immigration-related challenges.**

## Risks

We believe the company is exposed to the following risks:

- Real estate development and financing
- **Potential for delays in project development and construction**
- Cost overruns
- Permitting
- Profitability is highly dependent on the health of the rental market in Vancouver
- **Vacancy and rental rate fluctuations**
- Leveraged balance sheet

*Maintaining our risk rating of 3 (Average)*



## APPENDIX

INCOME STATEMENTS (in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
<b>REVENUE</b>				
Educational	\$14,633,000	\$10,109,000	\$8,384,520	\$8,636,056
Rental	\$17,250,000	\$17,101,000	\$19,153,120	\$22,026,088
Commissions + Referral Fees	\$1,305,000	\$1,465,000	\$1,347,480	\$1,387,904
Design and advertising IRIX	\$580,000	\$362,000	\$271,500	\$285,075
Development fees	\$1,467,000		\$1,500,000	\$1,500,000
<b>Total Revenues</b>	<b>\$35,235,000</b>	<b>\$29,037,000</b>	<b>\$30,656,620</b>	<b>\$33,835,123</b>
<b>DIRECT COSTS</b>				
Educational	\$8,836,000	\$6,075,000	\$5,532,284	\$5,112,236
Commissions + Referral Fees	\$608,000	\$675,000	\$943,236	\$832,743
Rental	\$5,710,000	\$4,991,000	\$4,979,811	\$6,057,174
Design and advertising IRIX	\$135,000	\$103,000	\$67,875	\$71,269
Development fees				
<b>Total Direct Costs</b>	<b>\$15,289,000</b>	<b>\$11,844,000</b>	<b>\$11,523,206</b>	<b>\$12,073,422</b>
<b>Gross Profit</b>	<b>\$19,946,000</b>	<b>\$17,193,000</b>	<b>\$19,133,414</b>	<b>\$21,761,701</b>
<b>EXPENSES</b>				
Stock-based compensation	\$134,000	\$157,000	\$165,757	\$182,943
General and administrative	\$14,915,000	\$13,254,000	\$11,928,600	\$12,525,030
<b>Total Expenses</b>	<b>\$15,049,000</b>	<b>\$13,411,000</b>	<b>\$12,094,357</b>	<b>\$12,707,973</b>
<b>EBITDA</b>	<b>\$4,897,000</b>	<b>\$3,782,000</b>	<b>\$7,039,057</b>	<b>\$9,053,728</b>
Amortization	\$727,000	\$639,000	\$670,950	\$704,498
<b>EBIT</b>	<b>\$4,170,000</b>	<b>\$3,143,000</b>	<b>\$6,368,107</b>	<b>\$8,349,231</b>
Interest / Finance Cost	-\$13,089,000	-\$12,752,000	-\$12,963,950	-\$16,160,500
Impairments				
Others	-\$15,681,000	-\$23,675,000		
<b>EBT</b>	<b>-\$24,600,000</b>	<b>-\$33,284,000</b>	<b>-\$6,595,843</b>	<b>-\$7,811,269</b>
Credit loss allowance/write-offs	-\$878,000	-\$1,059,000		
Gain on Change of Property FV			\$7,704,023	\$11,002,626
<b>Net Profit (Loss) before tax</b>	<b>-\$25,478,000</b>	<b>-\$34,343,000</b>	<b>\$1,108,179</b>	<b>\$3,191,356</b>
Taxes	-\$2,679,000	-\$2,140,000	-	-
<b>Net Profit (Loss)</b>	<b>-\$22,799,000</b>	<b>-\$32,203,000</b>	<b>\$1,108,179</b>	<b>\$3,191,356</b>
Non-controlling/Discontinued	\$1,526,000	\$36,200,000	-\$6,181,823	-\$7,579,906
<b>Net Profit (Loss) to CIBT</b>	<b>-\$21,273,000</b>	<b>\$3,997,000</b>	<b>-\$5,073,644</b>	<b>-\$4,388,550</b>
EPS	-0.31	0.06	-0.07	-0.06



**BALANCE SHEETS**

(in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
Cash	\$2,132,000	\$3,299,000	\$5,311,214	\$7,143,523
Restricted cash	\$2,749,000	\$1,388,000	\$1,388,000	\$1,388,000
A/R	\$13,677,000	\$17,388,000	\$18,257,400	\$19,170,270
Prepays and other	\$1,423,000	\$1,149,000	\$1,206,450	\$1,266,773
Others	\$3,300,000	\$3,300,000	\$3,465,000	\$3,638,250
Inventory	\$933,000	\$97,000	\$101,850	\$106,943
<b>Total Current Assets</b>	<b>\$24,214,000</b>	<b>\$26,621,000</b>	<b>\$29,729,914</b>	<b>\$32,713,758</b>
PPE	\$14,648,000	\$3,168,000	\$2,522,250	\$1,847,993
Intangible Assets	\$11,506,000	\$24,000	\$24,000	\$24,000
Others	\$1,147,000	\$1,048,000	\$1,048,000	\$1,048,000
Future Income Tax	\$3,825,000	\$3,225,000	\$3,225,000	\$3,225,000
Cur. Dev. Costs & Other Assets	\$869,000	\$869,000	\$869,000	\$869,000
Investment property	\$419,002,000	\$342,401,000	\$440,105,023	\$571,107,648
<b>Total Assets</b>	<b>\$475,211,000</b>	<b>\$377,356,000</b>	<b>\$477,523,186</b>	<b>\$610,835,398</b>
Accounts payable and accrued liabilities	\$15,315,000	\$14,745,000	\$15,482,250	\$16,256,363
Deferred revenue	\$20,979,000	\$3,120,000	\$3,276,000	\$3,439,800
Lease obligation + provision	\$5,271,000	\$4,708,000	\$4,708,000	\$4,708,000
Income Tax Payable	\$490,000	\$184,000	\$184,000	\$184,000
Current portion of the long-term debt	\$83,986,000	\$52,589,000	\$124,589,000	\$220,589,000
<b>Total Current Liabilities</b>	<b>\$126,041,000</b>	<b>\$75,346,000</b>	<b>\$148,239,250</b>	<b>\$245,177,163</b>
Lease Obligation	\$31,072,000	\$17,729,000	\$17,729,000	\$17,729,000
Long-term Debt	\$166,970,000	\$130,621,000	\$143,121,000	\$158,121,000
Future Income Tax Liabilities	\$9,196,000	\$8,916,000	\$8,916,000	\$8,916,000
<b>Shareholders' Equity</b>				
Share capital	\$44,969,000	\$45,371,000	\$45,371,000	\$45,371,000
Contributed surplus	\$7,372,000	\$7,579,000	\$7,744,757	\$7,927,700
Accumulated Comprehensive loss	\$278,000	\$278,000	\$278,000	\$278,000
Non-controlling interests	\$116,724,000	\$96,786,000	\$116,467,823	\$142,047,730
Deficit	-\$27,411,000	-\$5,270,000	-\$10,343,644	-\$14,732,194
<b>Total SE</b>	<b>\$141,932,000</b>	<b>\$144,744,000</b>	<b>\$159,517,936</b>	<b>\$180,892,236</b>
<b>Total Liabilities and SE</b>	<b>\$475,211,000</b>	<b>\$377,356,000</b>	<b>\$477,523,186</b>	<b>\$610,835,398</b>



CASH FLOWS (in C\$) - YE Aug 31st	2024A	2025A	2026F	2027F
<b>OPERATING ACTIVITIES</b>				
Net Profit (Loss) for the year	-\$22,799,000	-\$32,203,000	\$1,108,179	\$3,191,356
Adjusted for items not involving cash:				
- amortization	\$727,000	\$639,000	\$670,950	\$704,498
- stock-based compensation	\$134,000	\$157,000	\$165,757	\$182,943
-Others	\$5,150,000	\$2,954,000		
-gain on fair value changes/others	\$14,160,000	\$23,575,000	-\$7,704,023	-\$11,002,626
-finance fees	\$2,466,000	\$4,202,000		
<b>Funds From Operations</b>	<b>-\$162,000</b>	<b>-\$676,000</b>	<b>-\$5,759,136</b>	<b>-\$6,923,829</b>
Non-cash working capital items	-\$5,415,000	-\$594,000	-\$203,450	-\$213,623
	<b>-\$5,577,000</b>	<b>-\$1,270,000</b>	<b>-\$5,962,586</b>	<b>-\$7,137,451</b>
<b>INVESTING ACTIVITIES</b>				
PP&E	\$14,757,000	-\$21,000	-\$25,200	-\$30,240
Investment Properties	-\$34,778,000	-\$11,713,000	-\$90,000,000	-\$120,000,000
Net change in intangible assets		\$0		
Other Items	-\$887,000	\$31,515,000		
	<b>-\$20,908,000</b>	<b>\$19,781,000</b>	<b>-\$90,025,200</b>	<b>-\$120,030,240</b>
<b>FINANCING ACTIVITIES</b>				
Treasury	-\$11,000	-\$43,000	-	-
Lease obligation repayments	-\$2,935,000	-\$5,616,000		
Non controlling interest	\$6,040,000		\$13,500,000	\$18,000,000
Restricted cash and other deposits			-	-
Loan principal payments				
Long-term debt advances	\$22,588,000	-\$11,661,000	\$72,000,000	\$96,000,000
Others	-\$463,000	-\$23,000	\$12,500,000	\$15,000,000
	<b>\$25,219,000</b>	<b>-\$17,343,000</b>	<b>\$98,000,000</b>	<b>\$129,000,000</b>

**Fundamental Research Corp. Equity Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):**

**Buy** – Fair value is 12% above the current market price; or risk and reward is favorable

**Hold** – Fair value is between 5% to 12% above the current market price

**Sell** – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**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.

**Definition of FRC's Fair Value Estimate** – Our fair value estimate is the theoretical value of the company's equity using widely accepted methods of valuation such as discount cash flow or comparables. IT IS NOT A TARGET PRICE or PREDICTION OF THE FUTURE STOCK PRICE.

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