

URBANA CORPORATION

Tax Efficient Investment Opportunity Participate In A Deeply Discounted Portfolio With Potential of Further Investment Gains

URBANA CORPORATION					
Recommendation:	Undervalued				
Sept. 3, 2021 Price: URB	\$3.43	52-Wk Range: URB	\$2.42 - \$3.55	BVPS	\$6.72
Shares O/S (mm) URB	10.0			P (URB)/BVPS	0.51
Sept. 3, 2021 Price: URB.A	\$3.32	52-Wk Range: URB.A	\$2.37 - \$3.56	P (URB.A)/BVPS	0.49
Shares O/S (mm) URB.A	34.1			Dividend (URB & URB.A)	\$0.09
Total Shares O/S (mm)	44.1			Yield URB	2.6%
				Yield URB.A	2.7%
Fiscal Y/E	Dec. 31	Total Net Assets (mm)	\$296	Risk:	Medium

Conclusion: Shares Significantly Undervalued

Urbana Corporation (“Urbana” or the “Company”) is a publicly traded investment company operating effectively as a closed-end investment fund. Urbana has a particular focus on financial and breakthrough companies that are positioned to disrupt traditional markets. The portfolio includes positions in Varo Bank (a mobile-only virtual bank) and Tetra Trust Company (Canada’s first custody and storage company for cryptocurrency assets). Urbana made a reputation by taking significant positions in private securities exchanges prior to these companies going public. In fact, Urbana currently has a significant position in CSNX Markets Inc. (“CSNX”), the operator of the Canadian Securities Exchange (“CSE”), which has had a remarkable growth record with over 700 listings. As such, Urbana has displayed an impressive performance record with an after-tax return as of August 31, 2021 of 21.47% YTD, a one-year return of 36.48% and an annual return of 14.99% since the October 1, 2002 inception date.

As a closed-end corporation, Urbana differs from other investment vehicles, such as mutual funds, whereby Urbana issues shares that trade on exchanges rather than units that can be redeemed at Net Asset Value (“NAV”). As such, the shares of closed-end corporations often trade below or above their NAV, driven by supply and demand factors. When shares trade significantly below NAV, the shares become a value proposition.

We have identified the shares of Urbana as a significantly undervalued investment opportunity particularly since the shares currently trade at an approximately 50% discount to Urbana’s NAV of \$6.72 per share. Although it is common for closed-end entities to trade at discounts to NAV

of 20% to 25%, we consider the shares of Urbana as excessively discounted. We view Urbana as an exceptional investor opportunity based on:

- A potential further increase in NAV of even just 10%. A conservative estimate given the impressive investment record of the Caldwell Investment Management Ltd. (“CIM”) team, Urbana’s investment manager;
- A narrowing of Urbana’s discount to NAV to 35% from 50%;
- Providing a potential return over the next 12 to 24 months of about 37%.

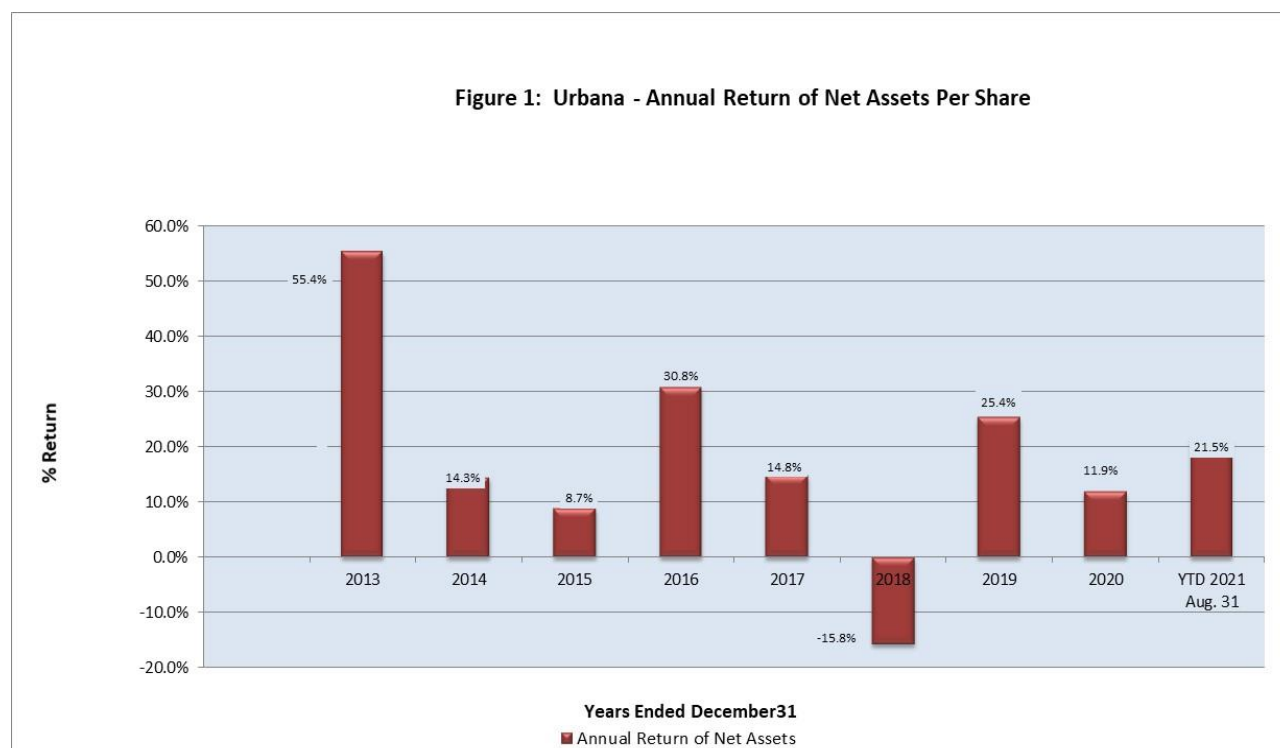
With permanent capital, Urbana has the flexibility to invest across a wide spectrum of investment possibilities, thus providing investors a range of investment alternatives in one vehicle. The closed-end publicly traded corporation provides an efficient and flexible means of wealth accumulation. Actively managed organizations, such as Berkshire Hathaway Inc. for example, trade at premiums to their underlying asset value. A criticism was that investments in closed-end companies were tax inefficient, since corporations pay tax. However, this can be an advantage for private shareholders or taxed accounts who seek simplicity in their financial affairs. Tax inefficiency can be overcome with greater operating efficiency, such as the use of leverage, non-taxed dividend flow-throughs and the ability to be flexible as to asset mix and tax selling.

In addition, there are significant other positives that emanate from the use of a publicly traded company as a medium for a wide range of investment activities:

- Managers are able to take a longer view in order to achieve results.
- Asset mix can be more attuned to market conditions. There is a time to be in the stock market and a time to simply hold cash. Other fund managers generally stay heavily invested in the specific type of securities within their mandate.
- Leverage (borrowing) can be used to overweight a sector or security in order to capitalize on opportunities and enhance results. Short positions can be implemented by closed-end investment companies when potential declines are identified. Options can also be used.
- The capital invested in a closed-end investment company is stable unlike other funds, such as mutual funds, which could lose their resources through redemptions in depressed markets and regain them as a result of investor purchases toward market tops. This can impact longer-term performance.
- There is increased scope to participate in a wide array of investment products from real estate, to private companies, to venture capital opportunities.
- Overall efficiencies are greater in a closed-end investment company, since operating and transfer costs can be significantly less than those of other vehicles such as mutual funds.

Performance History

The following bar chart shows the net assets per share performance of Urbana’s common shares for the financial periods indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period based on the net assets per share of Urbana, assuming that each dividend paid during the period was reinvested. Urbana’s Class A shares, which have the same rights as the common shares as to dividends and upon liquidation, are treated as if they are common shares for the purposes of the net assets per share calculation.



Description of the Business

Urbana’s objectives and strategies are to seek out, and invest in, private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income and liquidity. Urbana has engaged CIM to aggressively manage the Company’s marketable investment portfolio.

Historically, Urbana acted as a vehicle that allowed smaller investors to participate in private exchange seats and other pre-IPO companies. Several years ago, much of the Company's holdings were in the seats or private ownership stakes of exchanges such as the NYSE, AMEX, CBOE and others. Many of those exchanges have gone public and today, about 55.5% of the portfolio is comprised of publicly traded stocks. The largest position is a holding in the shares of CNSX which represents about 35.9% of the private portfolio and 15.9% of the entire portfolio. CNSX is experiencing a period of significant earnings growth.

Public Investments

Urbana has invested a large portion of its portfolio (generally in excess of 50% of its investable assets) in liquid North American equities. This part of the Urbana portfolio generates dividends and is available-for-sale (“AFS”) to generate proceeds that can be redeployed to other uses including private or less liquid investments. The composition of the portfolio depends, in part, on capital and investment opportunities available to Urbana as well as the state of financial markets. Public investment selection is determined by CIM. Thomas S. Caldwell is the lead Portfolio Manager for Urbana at CIM specifically responsible for Urbana's investment portfolio and is supported by the team at CIM. Urbana may take short sale positions in certain circumstances and may purchase and write exchange-traded and over-the-counter put and call

options on debt and equity securities, commodities, currencies and indices. In short, a wide array of strategies may be employed.

Private Investments

To date, the investments in private issuers have tended to be focused on the securities and investment management businesses but can extend to investments beyond the financial services sector. Private investments are acquired through participation in equity financings, purchase of long-term assets, financing start-ups, financings to fund specific issuer growth initiatives and by way of the purchase of foreign assets. Urbana's investment in private issuers can take the form of debt, preferred shares, and common equity or some combination of those. Private equities are typically targeted for liquidation in a five-to-ten year period (five-to-seven years for private pooled investments) and may be liquidated outside this period on any basis found to be appropriate by Urbana including by way of IPOs, mergers or buy-outs.

Holdings

The Company owns several private financial services assets. CIM has been a prominent investor in private exchange seats and an advocate of demutualization, public offerings and industry consolidation in the exchange universe for decades.

The largest three investments are as follows:

- CNSX (the operator of the Canadian Securities Exchange) : 15.9% of portfolio - position valued at \$55.2 million with a cost base of \$8.0 million.
- Morgan Stanley : 9.4% of portfolio - position valued at \$32.6 million with a cost base of \$6.9 million.
- Caldwell Canadian Value Momentum Fund : 5.7% of portfolio - position valued at \$19.7 million with a cost base of \$15.0 million.

Valuation of Portfolio Securities

In calculating the value of a security or other asset held by Urbana at any time, the following valuation principles are used:

- Investments are measured at fair value in accordance with IFRS 13 "Fair Value Measurement".
- Publicly traded securities are valued at the closing price on the recognized stock exchange on which the securities are listed or principally traded.
- Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued at the closing price in the market in which the securities are traded with an appropriate discount as determined by management.
- Investments for which reliable current trades are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks, available market prices and formulas prescribed by applicable shareholder agreements.

Figure 2: Urbana Corporation Holdings

(As at September 3, 2021)

Number of Securities	Description	Cost	Fair Value
Private Equity Investments			
7,000	Caldwell India Holdings Inc.	152,472	51,776
8,000	Urbana Mauritius Inc.	147,921	61,764
6,047,895	FundThrough Inc. Preferred	6,250,000	6,250,000
800,000	Caldwell Financial Ltd.	1,826,650	2,656,000
84,012	Caldwell Growth Opportunities Fund	703,437	795,932
13,460,878	CNSX Markets Inc. (Canadian Securities Exchange)	8,048,349	55,189,600
1,544,236	Evolve Funds Group Inc. Class B Preferred	1,850,000	2,347,239
3,000,000	Evolve Funds Group Inc. Class C Preferred	2,280,658	4,560,000
719,342	Evolve Funds Group Inc. Class D Preferred	719,342	719,342
4,538,460	Four Lakes Capital Fund Limited Partnership	4,999,998	7,881,358
15,259,886	Highview Financial Holdings Inc.	11,546,243	18,922,259
5	Integrated Grain Processors Co-operative Inc. Memb Shs	500	500
1,759,299	Integrated Grain Processors Co-operative Inc. E Preferred	4,486,212	4,486,212
27,428	Kognitiv Corporation Class A-2 Preferred	353,000	312,661
122,222	Kognitiv Corporation	2,404,596	1,102,671
1,327,620	Miami International Holdings, Inc.	12,257,268	12,459,382
2,350,000	Radar Capital Inc. Class A	50	-
16,755,081	Radar Capital Inc. Class B	11,561,006	8,994,127
2,000,000	LaurelCrest SPV III LP Class B Units	2,562,700	2,415,009
1,750,000	Tetra Trust Company Class A Common	1,750,000	1,750,000
500,000	Urbana Special Investment Holdings Ltd.	3,639,065	3,216,442
5,622	Urbana International Inc.	10,479,725	10,545,620
465,381	Vive Crop Protection Inc. Class A2 Preferred	314,132	314,132
455,671	Vive Crop Protection Inc. Class B1 Preferred	45,567	45,567
6,500,000	Vive Crop Protection Inc. Class B3 Preferred	3,250,000	3,250,000
3,250,000	Vive Crop Protection Inc. Warrants	-	-
		\$ 91,628,892	\$ 148,327,594
Public Equity Investments			
350,000	Bank of America Corp	4,882,387	17,978,053
110,000	Cboe Global Markets, Inc.	3,637,004	17,377,429
200,000	Citigroup Inc.	10,176,194	17,811,004
550,000	AGF Management Ltd. Class B	3,177,866	4,042,500
103,500	Innergex Renewable Energy	2,007,900	2,116,575
796,939	Caldwell Canadian Value Momentum Fund	15,000,000	19,717,375
100,000	Intercontinental Exchange	4,153,846	15,156,997
200,000	KKR & Co. Inc. Class A	7,516,623	16,126,754
250,000	Morgan Stanley	6,933,526	32,612,006
1,500,000	Real Matters Inc.	5,826,250	17,985,000
100,000	Stelco Holdings Inc.	3,300,000	4,943,000
4,000,000	Tamarack Valley Energy Ltd.	10,510,399	10,280,000
3,000,000	Whitecap Resources Inc.	10,531,333	16,620,000
		\$ 87,653,328	\$ 192,766,694
Private Debt Investments			
3,000,000	Highview Financial Holdings Inc. Convertible Promissory Note	3,000,000	3,000,000
1,000	Integrated Grain Processors Co-operative Inc. Debenture	1,000,000	1,000,000
1,500,000	Vive Crop Protection Inc. Convertible Promissory Note	1,500,000	1,500,000
		\$ 5,500,000	\$ 5,500,000
Cash			
		486,924	486,924
Total Portfolio		\$ 185,269,144	\$ 347,081,211

Net Assets per Share Calculation

The net assets per share of Urbana (“NAPS”) is calculated on a weekly basis at the end of the last business day of each week after the market closes. The NAPS is calculated by dividing the net assets of Urbana, being the value of its total assets less the value of its total liabilities, both as determined by management, by the total number of Common Shares and Class A Shares outstanding at the time of calculation. The weekly NAPS is posted on the Corporation’s website as soon as practical in the beginning of the week following the date on which the NAPS is calculated.

The total portfolio has a current estimated value of \$347 million with a cost base of \$185 million. The NAPS as at September 3, 2021 was \$6.72. URB.A currently trades at \$3.36, a 50% discount to the NAPS.

Figure 3: Urbana Historical Financial Data

	3 Months Ended		Years Ended				
	30-Jun	31-Mar	31-Dec	31-Dec	31-Dec	31-Dec	31-Dec
	2021	2021	2020	2019	2018	2017	2016
Assets							
Total Assets (Investments)	\$ 330,495,300	\$ 300,070,200	\$ 288,334,600	\$ 290,705,500	\$ 216,401,900	\$ 266,820,900	\$ 260,141,700
Total Liabilities (Debt)	\$ 41,083,900	\$ 35,727,000	\$ 39,165,400	\$ 37,179,900	\$ 8,973,100	\$ 15,535,900	\$ 23,464,900
Net Assets	\$ 289,411,400	\$ 264,343,200	\$ 249,169,200	\$ 253,525,600	\$ 207,428,800	\$ 251,285,000	\$ 236,676,800
Shares Outstanding	44,114,600	44,189,600	44,211,700	49,563,600	50,000,000	50,000,000	52,863,200
Net Assets Per Share	\$ 6.56	\$ 5.98	\$ 5.64	\$ 5.12	\$ 4.15	\$ 5.03	\$ 4.48
Revenue & Profit							
Total Revenue	\$ 31,177,700	\$ 24,194,200	\$ 22,239,600	\$ 63,036,800	\$ (38,264,800)	\$ 38,874,400	\$ 67,578,500
Profit (Owners of Company)	\$ 25,312,600	\$ 19,215,600	\$ 13,083,700	\$ 50,745,000	\$ (38,856,200)	\$ 28,806,300	\$ 54,375,300
Profit (Loss) Per Share	\$ 0.57	\$ 0.43	\$ 0.27	\$ 1.02	\$ -0.78	\$ 0.57	\$ 1.02
Dividends							
Common Shares	\$ -	\$ 0.09	\$ 0.08	\$ 0.07	\$ 0.10	\$ 0.10	\$ 0.05
Class A Shares	\$ -	\$ 0.09	\$ 0.08	\$ 0.07	\$ 0.10	\$ 0.10	\$ 0.05

Note: In 2017 and 2018 dividends included special dividends of \$0.05 and \$0.03 respectively.

Dividend Policy and Dividend Declared

Urbana has a dividend policy to pay a cash dividend to shareholders as soon as practical after the end of each year. The amount of the dividend to be paid is determined each year by the Board, taking into consideration all factors that the Board deems relevant, including the performance of the Urbana’s investments, the economic and market conditions, and the financial situation of Urbana.

The holders of Common Shares and Class A Shares are entitled to receive dividends if, as and when declared by the directors of Urbana and rank equally with respect to priority and payment of dividends. All dividends which the directors may determine to declare and pay in respect of Common Shares or Class A Shares outstanding will be paid in equal amounts per share without preference or distinction as between the classes.

Normal Course Issuer Bid

On September 1, 2021, the Toronto Stock Exchange (the “TSX”) accepted a notice of intention to conduct a normal course issuer bid from Urbana to purchase up to 3,373,358 of its own Class A shares (the “NCIB”). Purchases under the bid may commence on September 7, 2021, and will terminate on the earlier of September 6, 2022 and the date of notice by Urbana of termination of the bid. As of the date of this report, Urbana has not purchased any shares under the NCIB.

Previously on August 31, 2020 the TSX accepted a notice of intention to conduct a normal course issuer bid from Urbana to purchase up to 3,754,840 of its own Class A shares (the “2020 NCIB”). Purchases under the 2020 NCIB were permitted starting on September 4, 2020 and terminated on September 3, 2021. Pursuant to the 2020 NCIB, Urbana purchased and cancelled 3,738,227 Class A shares at an average purchase price of \$2.60 per Class A share.

Share Structure and Caldwell Ownership

As of the date of this report, Urbana has 44.1 million shares outstanding, of which 10.0 million are voting "Common Shares" and 34.1 million are non voting "Class A" shares. As of May 4, 2021, the date of the most recent Management Information Circular, the Caldwell family owned or controlled approximately 5.7 million common shares plus an additional 301,200 of Class A non-voting shares, representing approximately 57.5% of the Common Shares and 13.0% of the total equity shares outstanding.

Deployment of Capital and Execution Risk

While future capital deployment is a risk, it does not appear to be an especially material one. Thomas Caldwell's experience in this industry is lengthy and his track record within the financial services industry is strong.

Limited Liquidity of Certain Assets

The current holdings and future investments in equity securities of private entities will have reduced liquidity for potentially long periods of time. There is a risk that Urbana's investments may not be liquid at the time it wishes to sell them, and as a result its ability to sell may be affected.

Demand Loan Facility

Urbana has a demand loan facility with a major Canadian chartered bank allowing Urbana to borrow up to \$50 million. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 0.25%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at September 3, 2021, the outstanding balance of the loan was \$29.3 million.

Related Party Disclosures

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of CIM, which is the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana. Urbana has a 20% ownership interest in CFL.



Chart Courtesy BigCharts.com



Chart Courtesy BigCharts.com

Definition of Risk Ratings

Low: Low financial and operational risk, high predictability of financial results with stronger than average balance sheet and strong free cash flows. Company may pay substantial dividends or have an active share repurchase program.

Medium: Moderate financial and operational risk, moderate predictability of financial results, positive free cash flows and may or may not pay a dividend.

High: High financial and/or operational risk, low predictability of financial results. Limited financial history, negative free cash flows, adequate working capital and no dividends.

Definition of Research Ratings

The Catalyst research recommendation structure consists of the following categories:

Buy: The stock's total return, including dividends paid, is expected to exceed a minimum of 15% on a risk-adjusted basis, over the next 12 months.

Hold: The stock's total return, including dividends paid, is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months.

Sell: The stock's total return, including dividends paid, is expected to be negative over the next 12 months.

Speculative: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss.

Note: Analysts have discretion within 500 basis points of the upper and lower limit of each rating to maintain the recommendation.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

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