

VRX WorldWide Inc.

(VRW – TSX Venture)

Providing interactive online visual content solutions to customers. Company broadening and diversifying successful product offering in an increasingly content & transaction oriented Internet.

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Jeff Howlett is a financial analyst who for over 11 years has provided comprehensive research services to companies lacking adequate coverage. Mr. Howlett was previously affiliated with a major Canadian investment firm specializing in Mergers & Acquisitions and has received a B.Sc. in Economics from the Wharton School of the University of Pennsylvania.

Since February, 2000, VRX has been providing dynamic visual content solutions to companies to help them market their products and services on the Internet. Products now include *360° virtual tours* which can showcase virtually any setting and *interactive maps* of leading travel destinations and hotels. Primary target markets include *online travel and tourism companies*. There are 3 core business offerings: ① Custom Content (shooting/creating custom tours for clients), ② Interactive Content Licensing (licensing VRX images), and ③ Content Management Services (providing hosting/admin/infrastructure for VRX Custom Content). VRX is leveraging its success in these areas and expanding marketing efforts to offer new services with far reaching potential for significant recurring revenues.

Our view is that VRX is targeting a lucrative market (accommodations & destinations within the large online travel sector) with an excellent product offering (leading-edge content solutions) with a leading edge technology (proprietary shooting/processing/delivery).

Key Internet Trends

Our research indicates that not only is Internet usage increasing by leaps and bounds, activity is increasingly purposeful and transaction oriented. The *online travel sector* represents a very large and growing sector online (**42.2 million** U.S. travelers booking online in 2003). *Accommodation* is a very significant profit center online and one in which there is a desire to differentiate offerings with new tools.

VRX Product and Positioning Strategy

VRX is a leading edge provider of virtual tours for the online travel sector. Expedia, the leading online travel provider, continues to work with VRX and in 2003, VRX covered over **100 cruise ships** and about **1,000 hotels**. VRX expects to cover **1,700+ properties in 2004**. We see this as a ringing endorsement of the VRX solution – other clients include Carnival, Sandals, Southwest Airlines, etc. VRX now has its own *library of over 3,000 virtual tours* of destinations. VRX is beginning to create new online offerings and expand marketing efforts – not only in *Europe*, but also targeting the thousands of Destination Marketing Organizations and Convention Visitor Bureaus worldwide that seek new online promotional tools.

We see VRX as a company that is transitioning from what is largely a provider of custom content to a very major customer to a company that has a well diversified and recurring revenue streams. We see *content licensing*, including *syndication* of custom content from DMO's etc., combined with *hosting* of thousands of customers content, and targeted *advertising*, as becoming more and more significant over time.



Share Data (\$Cdn):

Recent Price:	\$0.50
52-week Price Range:	\$0.26 - \$0.86
Shares Outstanding (current):	31.1 million
Fully Diluted Shares (1):	33.3 million
12 month Trailing EPS:	\$0.04
(1) Incl. 2.15 mm options @ \$0.10 - \$0.44.	

Capitalization (\$Cdn):

Market Capitalization:	\$15.6 million
Working Capital (3/31/04):	\$1.76 million

Corporate Information:

CEO:	David MacLaren
Investor Relations (Barry Girling):	(604) 688-2321
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FINANCIALLY SPEAKING,

As VRX generated increasing revenues in 2003, it built out its infrastructure (people, technology, hardware, etc.). Although expensed on the Income Statement, these amounts have really been a discretionary *investing* exercise and earnings could have been higher or lower than those stated. Thus, although a reasonable argument can be made for an undervalued VRX based on its guidance and forecasting a 2004 EPS (say \$0.05 - \$0.07), as we note (p.7) we believe the real value of the company will ultimately be based on its ability to generate diversified, recurring revenue streams. We see lower Q1/04 revenue as a blip.

We see 2004 and 2005 as years where management is increasingly focused on proving its business concept and broadening marketing efforts to produce a large number of ongoing customers, the revenue potential for VRX is very significant (see p. 7). The high margin nature of its business offers potential for very high profits and – accordingly – returns to investors.

THE COMPANY

In December, 2000, the company changed its name to VRX WorldWide Inc. following the acquisition of VRX Studios Inc. Since that time, the company has been focused on providing a range of online content solutions that help companies more effectively market their products and services over the Internet. VRX commenced commercial operations in January, 2001 with the launch of its Interactive Content Licensing offering.

VRX has a mission to be at the forefront of creating immersive travel environments that enable customers to better research and thus confidently book all modes of travel – as VRX puts it "educate, empower, and compel".
VRX offerings are positioned as value-added tools in an increasingly media rich environment that demands new tools and technologies.

GROWING MAINSTREAM USE OF THE INTERNET

Important trends are gaining traction in how people are using the Internet. From a VRX perspective, there are 3 major trends that, together, are acting to heighten companies interest in creating an online presence and will drive the VRX business model going forward: ❶ web usage is increasing and becoming more focused, ❷ online travel is the largest online business and keeps increasing, and ❸ online advertising is coming of age and also increasing.

Consumers are increasingly web savvy and see the Internet as much more than a place to "surf" – it is a "friendly" place to shop and find information relevant to their lives.

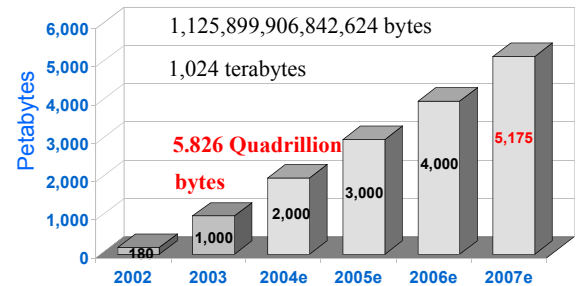
1. Web Usage is Increasing and More Sophisticated

The status and future movement of Internet was summarized well in a 2002 report by the Pew Internet & American Life Project,

The status of the Internet is shifting from being the dazzling new thing to being a *purposeful tool* that Americans use to help them with some of life's important tasks. As Internet users gain experience online, they increasingly turn to the Internet to perform work-related tasks, to make purchases and do other financial transactions, to write emails with weighty and urgent content, and to seek information that is important to their everyday lives.

About 63% of American adults go online, or about 128 million people. Recent survey results indeed point to a much more focused group – whereas 67% still surf the web for fun, there are numerous activities that are at least as important, as shown below right.

Internet Use



Broadband Helping to Push the Envelope.

Not only has home PC penetration increased, access to broadband Internet services has increased to the point where it is beginning to drive online offerings. Roughly **24 million Americans (21% of all Internet users) have high-speed connections at home**, up from 6 million in 2000. Home broadband adoption rates on par with the adoption of other popular technologies, such as the personal computer and the compact disc player, and faster than color TV and the VCR. This segment is particularly important in view of at least two factors:

- Two-thirds (65%) say the Internet has helped them better pursue their hobbies and interests.
- Two-thirds (65%) also say it has improved their ability to shop and **31% say their Internet use has decreased the time they spend shopping in stores** (which we find particularly interesting).

Broadband users are substantially more likely than dial-up users to say the Internet has helped them get information relevant to their lives.

Activity	% w/ Net Access
Send email	91%
Use search engine	88%
Search for a map or driving directions	84%
Do an Internet search to answer a specific question	80%
Research a product or service before buying it	78%
Look for info on a hobby or interest	76%
Get travel info	66%
Buy a product	65%
Buy or make reservations for travel	57%

2. Online Travel is Increasing

Originally utilized as a method of sourcing the lowest cost airline fares, online travel websites have become not only extensions of traditional travel agencies and airline / hotel / rental car companies, but the online travel industry has become an industry unto its own. Secure e-commerce capabilities, extensive product offerings, and sophisticated searching capabilities, is facilitating increasing numbers of individuals to book one or more of the elements of their travel online – air, accommodation, rental cars, and tours, or the entire tour itself.

According to the *Travel Industry Association of America*, over **64 million travelers**, representing 30% of the U.S. population, used the Internet to research vacations online compared with just **12 million** who used the Internet for travel planning in 1997. Importantly, of this 64 million, **42.2 million completed the booking process online**. While the number of Americans using the Internet for research stabilized between 2002 and 2003, the number of people completing the booking process online continued to increase. Not only this, the percentage of people completing **all** their booking online continued to grow (29% in 2003).

Clearly, the initial concerns of purchasing online have slowly subsided and continue to subside. In the 3rd quarter of 2003, retail e-commerce sales in the U.S. alone increased **27%** year over year to **over \$13.3 billion**.

Consumers have begun to actually shop online and to do so more effectively, **increasingly sophisticated tools are being sought after** for businesses to differentiate their product offerings and complete more transactions.

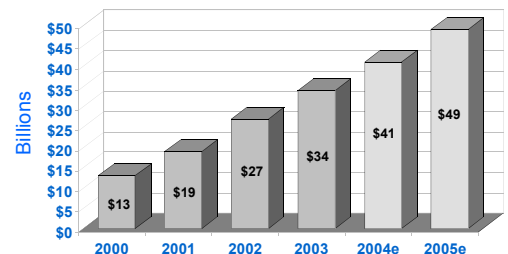
According to Doubleclick Research

- Personal travel is a subject that consumers enjoy spending their time researching and planning more than any other.
- **91%** of people surveyed said that the Internet has changed the way they purchase travel.
- **44%** of people who made a recent travel purchase, first learned about it through a travel website, first learned about it through a travel website, and that websites, email and Internet advertising are more influential than any other media.

Accommodation. According to *Smith Travel Research*, 3rd party sites rang up \$1 billion in sales in 2003, up from \$676 million in 2002. According to *PhoCusWright*, hotel-branded websites in the U.S. rang up about **\$4.6 billion** in sales last year, up from \$3.2 billion in 2002. If its forecast of \$8 billion in hotel-branded websites bookings turns out, roughly **20% of all hotel rooms will be booked online**. These are

offerings that are branded and these sites will increasingly require tools that help to capture and retain customers.

Online Travel



Over **35 million** online travelers have signed up with a travel supplier website or online travel service to receive e-mail offers and promotions.

Europe is considered to be about 2 years behind the U.S. (in terms of online travel overall). Currently, about **41 million Europeans are using the web to research, plan and book their travel needs**.

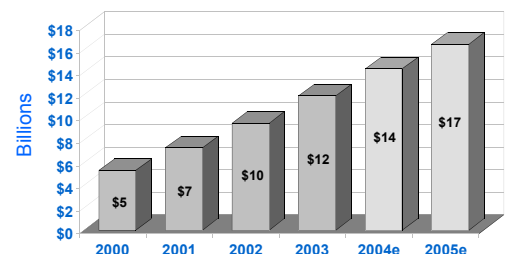
2. Online Advertising is Increasing

Because Internet use is increasingly a part of our daily lives and used in meaningful ways, a market for advertising has been created. Web sites are migrating from simple, standard brochure type sites (one for everyone) to having tailored content for targeted groups of consumers – thus **highly specific audiences can be targeted online**. Based on the demographics of these highly differentiated audiences, interactive web sites will create valuable advertising and vending opportunities that will increasingly propel online commerce and (finally) profitability. Elements such as "frequency" and "duration" are critical components of online ad rates and are increasingly being studied and measured.

Tools and content that attract visitors (page views) and retain them on the web page "duration" are valuable to advertisers.

There is little question that innovations in the medium will increase as broadband increases for home use and rich media will continue to increase in importance.

Online Advertising



There is very strong evidence that the Internet is changing in fundamental ways. It is becoming increasingly interactive, transaction oriented, and targeted.

Many companies that are successful online are using technologies and tools that motivate their targeted markets to research and consummate transactions.

VRX is at the forefront of this trend in terms of interactivity and rich media.

CURRENT PRODUCTS

**360°
Virtual
Tours**

Virtual tours provide consumers with a reliable, detailed view that enables them to research a resort's amenities, facilities, accommodation options, and nearby tourist attractions. To create a virtual tour, a camera is mounted on a tripod and a trained photographer takes multiple pictures so as to capture static images in a complete circle. A continuous 360° tour is then created by "stitching" together these static images using proprietary techniques. The completed panoramic image can be viewed using a "tweaked" version of the *iseemedia Inc.* (www.iseemedia.com) viewer using a proprietary compression format.

The creative process is straightforward but each step involves innovative, proprietary processes:

- Images are shot using proprietary techniques.
- Images are processed using proprietary techniques.
- Images are delivered using a proprietary infrastructure.

The Competitive Advantage. VRX has succeeded in setting itself apart from other types of content in several ways:

- Quality is extremely high – images are crystal clear and offer a level of detail that is very high.
- Speed – the streaming solution loads quickly and can be viewed in relatively little time.
- Attractive viewer – it is simple to use yet elegant.
- Highest production capacity.

Given the nature of the process, the know how associated with it, and the proprietary technology that is intimately associated with the VRX content, while it would be possible to replicate the system in some fashion, it would be expensive and time consuming to do so. It is also unlikely that the result produce the same solution or viewing experience.

Key Advantages

- Provide a level of **realism and detail** that other forms of visual and textual content fail to convey.
- Give consumers the information and thus the confidence they need to make **faster, more informed purchasing decisions.**

These considerations are vitally important in capturing customers, particularly those that are not at the budget end of the travel spectrum.

The result:

- Increased market share.
- Reduced offline selling efforts.
- Customer retention.
- Increased revenues combined with decreased costs.

In 2003, VRX covered over 100 cruise ships and well over 1,000 hotels. Currently, VRX employs roughly 27 photographers shooting hotels and destination content.

How VRX Creates Value

- Creates confidence.
- Longer duration per page view.
- Helps underlying site attract more affluent visitors.
- Establishes competitive advantage.

**Interactive
Maps**

In addition to virtual tours, VRX creates custom maps that visually identifies and organizes points of interest and VRX's virtual tours. Examples can include particular hotels and their amenities (rooms, restaurants, pool, etc.) or cities / destinations (i.e. Paris, London, Caribbean locations, etc.). Each icon on VRX's interactive maps link to one or more virtual tours. Thus, enabling to easily pinpoint where an attraction or resort is located on an Island within a destination – and to tour each and every one to assist them in their decision-making process. While these maps could be a stand alone product, we see this as something that has more value working to complement the virtual tours and understand the relationship between the information presented.



BUSINESS STRATEGY

There are now three separate, yet linked, sources of income for VRX, as detailed below:

**Historic
Product
Offerings**

1. **Custom Content.** These are 360° virtual tours and interactive maps created for specific clients. These are marketing tools that highlight the unique aspects of a hotel, cruise ship, museum, or destination. The accommodation industry, a large and growing sector of the online travel industry, is currently the primary target market for this offering.

One of the benefits of VRX photographers traveling to specific destinations and shooting custom content for clients is that they can spend time shooting content for VRX's own archive (i.e. various tourist attractions, views of the city / destination, beaches, etc.), which is routinely done.

Fees for creating custom content for individual customers have a broad range – from about **\$4,000 to \$50,000** (and above)

2. **Content Licensing.** To date, VRX has also created an extensive library of its own content. This includes an archive of over **3,000 virtual tours of destinations** throughout North America, the Caribbean, Mexico, and Europe. This content is licensed to a range of travel service providers, including ❶ 3rd party online sites (such as Expedia), ❷ traditional travel agencies, ❸ travel suppliers (hotels, etc.), ❹ Destination Marketing Organizations (DMO's) and ❺ Convention Visitor Bureaus (CVB's).

Monthly fees for licensing VRX content range from about **\$50 to over \$1,000** depending on usage.

3. **Content Management Services.** These services include hosting services that make use of VRX's extensive infrastructure to deliver its tours and maps to customers. VRX provides 99.9% uptime guarantee to its clients. It is extremely easy for customers to implement the VRX solution on their websites, including relocating the visual content and changing the virtual tours and interactive maps.

Monthly hosting fees for custom content customers range from about **\$50 to \$1,000** depending on usage.

Market	Illustrative Potential Market Size
Hotels	<ul style="list-style-type: none"> ● In North America, Expedia has roughly 60,000 hotels on its website – of this, about 17,000 are "merchant" hotels (whereby Expedia helps establish the pricing of rooms and assumes the inventory risk), which has become an increasingly important part of Expedia's business - in that Expedia realizes much higher margins. Naturally, Expedia will desire to utilize more advanced tools to attract patrons to these hotels. ● Europe has similar potential, but is more fragmented. VRX is just beginning to embark on a European strategy. ● In Asia, management expects to begin shooting there this fall.
DMO's & CVB's	<ul style="list-style-type: none"> ● There are literally thousands of these organizations throughout North America, with many more worldwide. These destinations and tourism bodies all have a desire to market their presence, which (as described above) increasingly means having a sophisticated Internet presence. Thus, there is a virtually unlimited opportunity for VRX to: ❶ create custom content, ❷ license existing VRX content to these customers, and ❸ host the virtual tours for these customers. ● A particularly exciting possibility for VRX is the possibility to "syndicate" the custom content created for these organizations and resell it to other sites that are interested in promoting particular destinations. Management expects to garner the bulk of any revenue generated with this activity, with the destination capturing the benefits associated with increased visits associated with placing the content elsewhere. ● These types of organizations are particularly active in Asian markets and we expect VRX to mount an aggressive sales effort (we note that VRX recently hired an Asian sales rep).
Other Travel Companies	<ul style="list-style-type: none"> ● This is a broad category that includes travel intermediaries, tour operators, and travel suppliers (companies that may license VRX content).

The Deal with Expedia & The Xplore Initiative

In early 2002, Expedia.com engaged VRX to create custom content solutions for their hotel rooms and cruise ship offerings. This relationship has expanded over time. **During 2003, VRX covered over 100 cruise ships and about 1,000 hotels.**

Expedia owns the hotel content but pays VRX monthly content management fees.

In April, 2004, VRX announced a new joint venture with Expedia, **The Xplore Travel Group**, to launch a series of destination-related travel sites. The sites essentially combine Expedia's **WWTE** private label booking engine (i.e. flights, hotel accommodations, ground transportation, entertainment tickets or complete vacation packages) with VRX content of hotels and attractions in each destination. The viewer on Xplore sites has a sizable area devoted to advertising (VRX has signed up *Dollar Rent a Car* as its first sponsor). This venture is separate from the current deal with Expedia. The first Xplore site is xplorelasvegas.com. Recently,

We believe the deal with Expedia, which continues to expand, not only provides cash flow to VRX, it also validates the VRX business model and builds VRX's brand.

a deal was entered into with WCITIES to include in-depth *descriptive* destination content to complement VRX's visual content.

It is worth noting that Expedia was in fact purchased in February, 2002 (a controlling stake – now 100% as of 2003) by *InterActive Corp.* (IACI – Nasd), a leading, multi-brand interactive commerce company. It operates a diversified portfolio of specialized and global brands in the travel, home shopping, ticketing, personals, local services, financial services and real estate, and teleservices industries. As of Dec/03, IACI had working capital of well over \$2 billion – its online travel division had **\$2.6 billion in revenue for 2003 and \$500+ million in operating income** (before amortization). While its other travel sites such as *hotels.com* and *hotwire.com* offer simple and deeply discounted trips, *expedia.com* offers more complex and more expensive trips.

An important part of the Xplore initiative will be to research the effectiveness of the VRX content. Essentially, VRX has begun to expand its business model to directly tie the interactive content with the revenue generating activities of bookings and advertising.

In 2004, Management of VRX expects to cover an additional 1700 properties for Expedia and launch 10 new Xplore sites by the end of 2004 (4 per month) and by mid-2005, be producing 8 new sites per month. VRX currently owns over 300 Xplore URLs.

Other notable VRX customers include *Carnival, Southwest Airlines, MGM, Club Intrawest, Sandals, Disney*, etc.

Online Advertising Offers a Unique Opportunity for VRX. Online travel consumers undoubtedly represent a desirable demographic to online advertisers - higher than average disposable income, well educated, and computer savvy. This demographic can be further divided – ① based upon location of the viewer (by IP address) and ② by location of interest (by the content viewed). This would allow VRX to *present advertisers with a finely targeted, affluent audience*. The size of the audience also will obviously be a key critical factor. **We believe that if VRX can deliver an audience of substance (i.e. 10+ million views / month), there will be significant interest on the part of advertisers** (we also believe that this will become an important component of any R&D effort undertaken by VRX - witness the *xplorelasvegas.com* website and the *Dollar Rent a Car* campaign).

Advertising represents basically unlimited upside given the Xplore initiative and the number of sites / hotels expected to be hosted over time and other revenue sharing possibilities.

The Future - Growth & Diversification

VRX has embarked on a highly aggressive program for the future. There is now considerable "infrastructure" in place to accommodate this future growth, including:

- Roughly **27** photographers, which enable VRX to shoot roughly 150+ locations per month,
- Appropriate management, staffing and expertise has been put in place to handle production and sales.
- VRX has begun to grow its sales force, which now stands at **5** (7 expected by the end of the year).
- Technology, including the requisite image servers and hardware. Monthly bandwidth usage at VRX is now roughly **2 terrabytes** per month.

Initiative	Illustrative Potential Market Size
Expedia	● Shoot and process an additional 2,000 hotels in 2005.
Xplore	● Create between 4 and 8 new sites per month with VRX content (beginning Q4/04).
DMO's, CVB's	● The goal is to cover the top destinations and then license the content to literally 1,000's of sites worldwide.
VRX Content	● Objective to cover the entire 20% of the top destinations worldwide with VRX content.
R & D	● Directly measure impact of tours and maps through Xplore sites.
Sponsorship	● 10 million views per month could generate US \$300,000 per month.

R&D to Create More Compelling Content & Marketing

From a longer term perspective, we believe that a critical element for VRX for 2004 will in fact lie with its R&D efforts. It will be important for VRX to measure results from its Xplore sites – for example to determine precisely what the relationship is between the interactive content and booking decisions. This will enable VRX to **design content in the future that is increasingly effective at generating income** - and in so doing will **create increasingly compelling arguments for customers to license VRX content**.

FINANCIAL

**"Conventional"
Analysis**

Clearly, 2003 was an excellent year for VRX. *Revenues increased to over \$4 million from just over \$1 million and pretax income increased from \$336k to \$1.7 million.* In the first quarter of 2004, however, service fees (i.e. creating custom content) was off due to one-time events at Expedia. Management has stated that operations would be back to normal in Q2 and issued *guidance for annual revenues to be 150% of 2003 levels* (thus – over \$6 million in revenue).

VRX Revenue Streams

- Continued custom content
- Content licensing from expanding VRX archive.
- Syndication of DMO, CVB content.
- Advertising.

Given that the VRX cost structure is largely a fixed cost one, it is a relatively straightforward exercise to extrapolate the cost structure from Q1 (relying on the fact that the infrastructure in terms of people, technology, hardware, photographers, etc. is in place) and forecast a 2004 EPS figure after taxes. As shown below, we also have shown the effect of a slightly higher expenses as well.

VRX WorldWide Inc. 2004 Financial Scenarios		
	2004F	2004F
Forecast Revenue	6,250	6,250
- Cost of Sales	2,736	Extrapolate from Q1
- Cost of Sales		3,684 Extrapolate from Q1 + slight increase through 2004
Earnings Before Income Tax	3,514	2,566
- Taxes (35.62%)	1,252	914
Net Income	2,262	1,652
E.P.S. (Fully Diluted)	\$0.068	\$0.050

**Our
Interpretation -
Not Your
Average
Income
Statement**

We believe that a conventional analysis does not really reflect the true dynamics of VRX, for several reasons:

- As positive cash flow is realized, management has been investing it back into the business – shooting more VRX content, hiring more programmers and staff, and developing new initiatives to diversify its future income stream. Because these expenses are somewhat discretionary, earnings can be "managed" or – in fact – made to go to nil – based upon management's investing philosophy. Short term earnings could disappear in a nanosecond if management chose to undertake a major new program.
- The Expedia contract, which contributes the great majority of income, may well last for the next few years (say until 10,000+ hotels are covered) – which could take say 2 to 3 more years. While this could be expected to contribute considerable cash flow, such cash flow over the next few years, which presumably will be used by management to undertake new marketing activities and projects, cannot be relied on as a true measure of the long term value of the company.

**Focus on
Longer Term
Recurring
Earnings
Potential**

Accordingly, we believe that an investment in VRX should not necessarily be made because the company is trading – for example - at a seemingly low PE or because earnings may be higher than anticipated – it really should be made on the basis of what the prospects for the company are over the long term – in other words – what are the true recurring earnings streams for the company?

VRX WorldWide Inc. Illustrative Revenue Potential (\$Cdn)				
1. Custom Content				
		Future		
Number of Hotels		Current	Low	L. Term
North America		150	110	150
Europe, Asia		0	56	100
		150	166	250
Other (DMO's, CBV's, etc.)		0	2	5
Total		150	168	255
Potential Monthly Revenue (000's)	\$3,000	\$450	\$504	\$765
2. Hosting Revenues				
		Future		
Number of Hotels		Current	Low	L. Term
North America		300	1,500	2,500
Europe, Asia		0	1,000	3,000
		300	2,500	5,500
Other (DMO's, CBV's, etc.)		0	200	300
Total		300	2,700	5,800
Potential Monthly Revenue (000's)	\$100	\$30	\$270	\$580
3. Licensing Content				
		Future		
VRX Content All Sources		Current	Low	L. Term
North America		300	2,000	5,000
Europe, Asia		0	4,000	10,000
		300	6,000	15,000
Syndicating DMO / CVB Content		0	2,000	5,000
Total		300	8,000	20,000
Potential Monthly Revenue (000's)	\$100	\$30	\$800	\$2,000
Total Monthly Revenue		\$510	\$1,574	\$3,345
Total Annual Revenue		\$6,120	\$18,888	\$40,140

Our observations are that – longer term – if the company is successful in attracting customers and content management customers as well as custom content customers, that – **long term the true revenue potential lies with the relatively low cost per client licensing and content management solutions as well as the advertising angle.**

Why is this? As VRX *hosts* content for an increasing number of custom content customers that have built up over time, as well as from *licensing* its own content – as shown above, we see the revenue potential from those activities as ultimately driving the bulk of VRX's future revenue streams (i.e. VRX distributing content to literally millions of consumers through travel-related websites and charging the associated licensing, hosting, and advertising fees).

Long term – if VRX succeeds in positioning itself securely inside the online advertising industry, there is potential for large scale, recurring earnings.

The key to understanding the potential of VRX is that if its' content solutions really work in differentiating certain products from others in the marketplace, that given the high margins associated with its low cost content solutions, there is very high potential in terms of future stock price performance.

We see 2004 and 2005 as years that will increasingly demonstrate the true potential for VRX – we would be inclined to particularly watch what happens with the "Licensing" and advertising side of the revenue breakdown.

CONCLUSIONS

We can summarize our analysis as follows:

- **The Internet.** People have begun to use the Internet in fundamentally different ways. It is increasingly being used as a tool to assist people with their lives and streamline their activities. Ecommerce activities are increasingly mainstream.
- **Online Travel.** There is no question that online travel is coming into its own as a large and growing industry. Within this space, it is increasingly evident that content solutions have the ability to differentiate product offerings and increase sales.
- **Advertising.** Given these trends, combined with the ability of the Internet to provide highly differentiated consumers, it is increasingly possible to target very specific groups of consumers with specific advertising. We are already beginning to see this with the xplorasvegas.com website and the *Dollar Rent A Car* advertising campaign. Longer term, we would expect revenue possibilities from this activity to become more and more significant.

We believe that VRX is highly focused on capturing value from these trends with its product offerings and is designing new methodologies to offer value-added online solutions to this vast marketplace.

We believe that if investors believe that these trends will continue and accelerate, that VRX is increasingly positioning itself as a company that has the potential to continue growing and diversifying. The nature of its business – high margin – offers the potential for very high profits and – accordingly – returns to investors.

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