



Source: Stockwatch, QUIS-V started trading Aug 13, 2018.

**Market Data (C\$)**

Share Price	\$ 0.13
Market Capitalization (M)	\$ 11.0
Net Debt (M)	\$ 7.0
Enterprise Value (M)	\$ 17.1
Basic Shares O/S	84.83
Avg. Daily Volume (M)	0.094
52 Week Range	\$0.35 / \$0.11
Dividend Yield	0.0%
EV/Sales (TTM)	1.1
EV/EBITDA (TTM)	NM
P/E (TTM)	NM

**Management**

CEO	Mike Reinhart
CFO	Stephanie Ratzka
SVP, Consulting Services	Steven Balusek
SVP, Production Innovation	Scotty Perkins
VP, North America Sales	Kevin Castillo
VP, Marketing	Tami Anders

**Total Insider Ownership 22.0%**

## Business Description

Quisitive is a premier Microsoft solutions provider that helps customers navigate the ever changing technology climate that their business relies upon. With a legacy of innovation and deep technical expertise, Quisitive is empowering the enterprise to harness the Microsoft cloud and emerging technologies such as blockchain, artificial intelligence (AI), machine learning, and the Internet of Things (IoT) through customized solutions and first-party cloud-based products. Quisitive serves clients globally with offices in Dallas, TX, Denver, CO and Toronto, Ontario. Quisitive is one of 35 companies that have earned the Microsoft National Solution Provider (NSP) designation.



## Q3/18 SETS THE TABLE FOR THE NEXT PHASE OF GROWTH

### Highlights

- QUIS reported Q3/18 revenue of \$3.23M, up 5.5% Q/Q. Gross profit increased 3.3% Q/Q to \$1.08M, for gross margins of 33.3% (vs 34.1% Q/Q). Adjusted EBITDA loss for Q3/18 was (\$649K).
- The Company was selected as a 2018 Microsoft US Partner of the Year Finalist and recognized as a top Microsoft partner demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.
- Subsequent to Q3/18, QUIS announced the approval and completion of a \$2.5M credit facility; and announced the build of Children's Hospital Colorado Telehealth Photo System.

### Catalysts

- QUIS has seen a 183% increase in customer cloud assessment engagements via QUIS's proprietary Azure Accelerator program; which has led to a strong pipeline of Microsoft cloud-based projects to drive revenue growth in future periods.
- We see considerable leverage of follow-on projects that include Office 365, Dynamics, Power BI, Blockchain, Azure DevOps and Azure Migration. QUIS is actively engaged with 19 new customers across Microsoft's key market segments; Financial Services and Healthcare.
- We expect the closing of the first one or two acquisitions to provide support to management's M&A strategy.

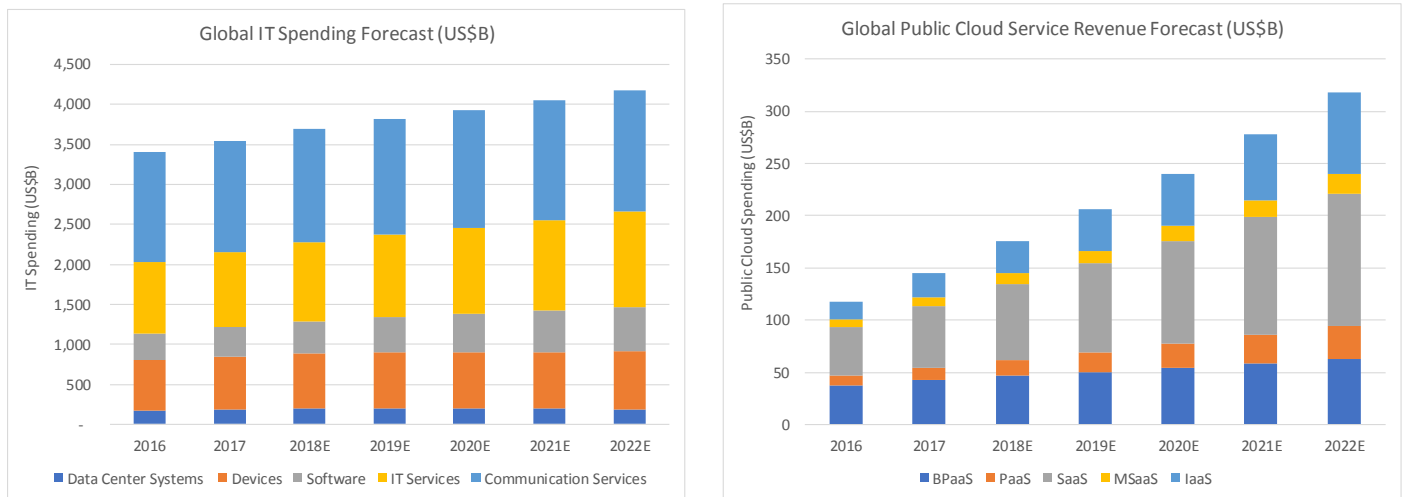
### Valuation

On consensus estimates, QUIS is trading at a 2019E EV/Sales of 0.8x versus its North American IT Services comparables trading at 1.2x.

## CLOUD SERVICES GROWTH – WHO WILL WIN THE CLOUD WAR?

Gartner estimates that overall global IT spending should reach \$3.8T in 2019, up 3.2% y/y – led by Enterprise Software spending growing at 8.3% to \$439B, and IT Services increasing by 4.7% to \$1.03T. Gartner estimates show a real shift from ownership to cloud services ('pay for use') as enterprises continue their digital transformation efforts. The global public cloud services market is estimated to increase to \$206B in 2019, up 17.3% y/y (or 5.4% of overall IT spending). From an enterprise perspective, the cloud war is down to Microsoft Azure (+76% y/y in Q3/18) vs Amazon Web Services (AWS) (+46% y/y in Q3/18), with Google Cloud and IBM Cloud bringing up the rear. Given Microsoft's dominance in the enterprise space, the company is well-positioned for significant growth in 2019 and beyond, as are its preferred partners, including QUIS. **In fact, QUIS is one of the only pure-play ways to invest in the growth of Microsoft Azure.**

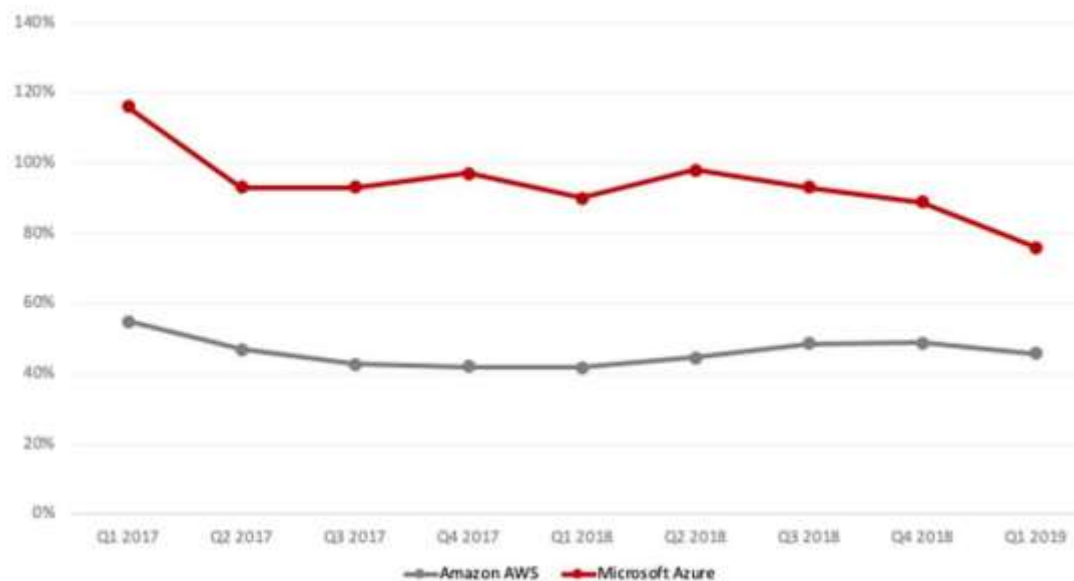
### Exhibit 1 – Growth in Global IT Spending vs Public Cloud Services



Source: Gartner; BPaaS = Business Process as a Service; IaaS = Infrastructure as a Service; PaaS = Platform as a Service; SaaS = Software as a Service; MSaaS = Management/Security as a Service

Given Microsoft's dominance in the enterprise space, the company is well-positioned for significant growth in 2019 and beyond, as are its preferred partners, including QUIS. **In fact, QUIS is one of the only pure-play ways to invest in the growth of Microsoft Azure.**

### Exhibit 2 – Microsoft Azure vs Amazon Web Services (AWS) (y/y Sales Growth)



Source: Business Quant Fundamental Tracker

## DIGITAL TRANSFORMATION DRIVEN BY MICROSOFT AZURE

Some of the world’s largest companies and greatest brands have made the commitment to move to Microsoft Azure as their platform of choice to digitally transform the way they do business.

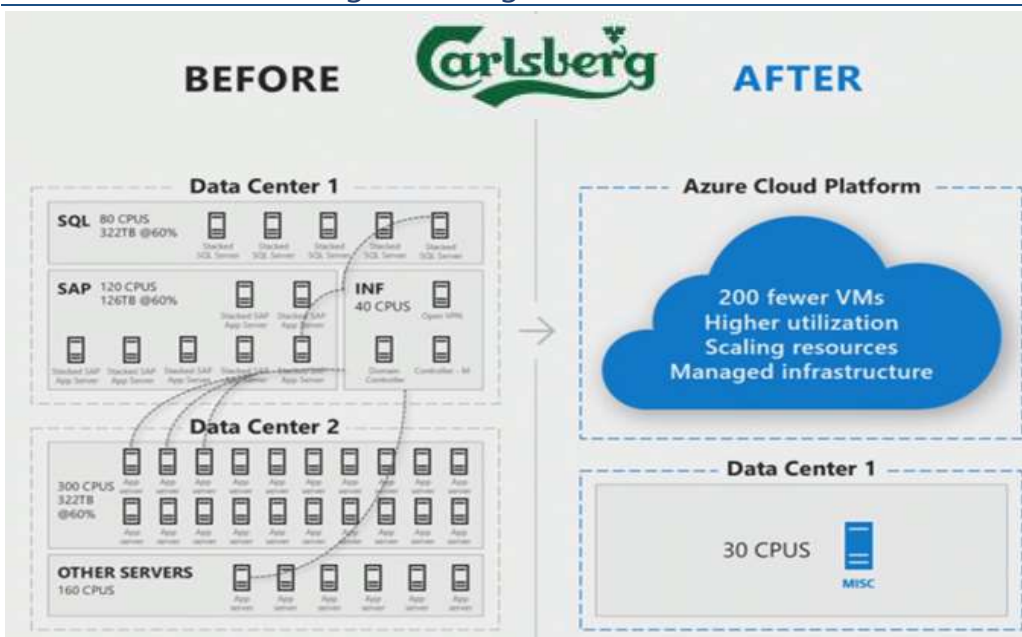
### Exhibit 3 – Global Companies Committed to Microsoft Azure



Source: Microsoft Inspire 2018

And one company in particular that was highlighted at Microsoft Inspire 2018 was Carlsberg Group. With 46,000 employees, 150 markets and 140 brands, Carlsberg Group – one of the world’s leading brewery companies – decided to move its digital innovation to Azure to gain access to state-of-the-art tools, services, unlimited (and scalable) computing power and security. In the future, Carlsberg Group will continue to innovate, with advanced tools in Azure such as Power BI, artificial intelligence and IoT to segment and target customers, while gaining new insights by analyzing data across its many markets. **We see these decisions being made across multiple industries, providing plenty of opportunities for Quisitive to leverage its Azure Accelerator program.**

### Exhibit 4 – Modernizing Carlsberg’s Infrastructure on Microsoft Azure



Source: Microsoft Inspire 2018, Carlsberg Group

## QUISITIVE'S GROWTH OBJECTIVES

Microsoft has more than 68,000 cloud partners with over 30% of Microsoft's partners joining the network in the past year, and **less than 20 partners with global scale**. With Microsoft generating more than 95% of its business through its partner ecosystem, Redmond Channel Partners predicts that Microsoft is looking to make focused investments in a limited number of "scale partners." QUIS is one of 35 companies that have earned the National Solution Provider (NSP) designation from Microsoft. NSP is not an opt-in model and companies only receive the recognition by demonstrating broad and deep technical acumen and successful client implementations. Most NSPs are regionally based and have limited ability to expand services to scale to Microsoft's addressable market. QUIS plans to become a premier Microsoft Solution Provider in North America, providing scale through acquisition to address the growing demand for Microsoft cloud-based services.

Fueled by the Azure Cloud Accelerator Program, QUIS expects to grow at an annual organic growth rate of 20%+, coupled with an aggressive M&A strategy. QUIS intends to pursue a targeted Microsoft partner consolidation in the US and Canada – looking at 3-5 acquisitions per year over the next five years. The ultimate 5-year goal is to achieve a 40% MRR (Monthly Recurring Revenue) run-rate from: Azure monthly recurring license revenue as a Cloud Solution Provider (CSP), monthly recurring revenue from Cloud Managed Services (CMS) and SaaS license revenue. **QUIS has an active acquisition pipeline with 12+ targets with aggregate revenue of \$300M+** - and their targets have 30-70% MRR.

### Exhibit 5 – A FOCUSED M&A STRATEGY

Target Profile	Preferred Deal Structure
<ul style="list-style-type: none"> <li>• Geographic Location (Regional US, Canada)</li> <li>• Microsoft Specialization                             <ul style="list-style-type: none"> <li>- Additional Microsoft capabilities (such as Dynamics CRM and ERP)</li> <li>- Microsoft Cloud Services</li> <li>- Cloud Solution Provider (CSP) – Direct Bill</li> <li>- Managed Services</li> <li>- Off-Shore Capability</li> </ul> </li> <li>• \$10M - \$50M in annual revenue</li> <li>• Growing Business with strong EBITDA (8-12%) and high % of MRR</li> </ul>	<ul style="list-style-type: none"> <li>• 1/3 Cash (debt financing preferred, if available)</li> <li>• 1/3 Equity</li> <li>• 1/3 Earnout (2-3 year, self-funded)</li> <li>• Pay 6-9x TTM EBITDA</li> <li>• Accretive in year 1</li> </ul>

Source: Quisitive

## QUISITIVE'S UNIQUE AZURE ACCELARATOR PROGRAM

QUIS is a premiere Microsoft solutions provider that empowers enterprise customers to embrace the Microsoft cloud and emerging technologies such as Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT) and blockchain. QUIS recently announced that it will be one of only a select few key Microsoft partners in North America to drive the adoption of Microsoft Azure through QUIS's unique Azure Accelerator Program. In collaboration with Microsoft, customers can engage QUIS to perform an in-depth analysis of their existing infrastructure, data, and application landscape to build a comprehensive roadmap for making the move to Azure.

QUIS's approach, intellectual property (IP), and deep relationship with Microsoft resulted in QUIS's selection as US Partner of the Year Finalist in July 2018 at Inspire, Microsoft's worldwide partner conference. The portfolio of four-week assessment offerings are targeted at specific workloads including: core infrastructure services; storage; application modernization; disaster recovery; big data and emerging technologies such as blockchain and artificial intelligence.

QUIS's Azure Assessment motion has seen some early successes across all metrics: Customers Engaged (121); Azure Assessments Completed (80); FY18 Projected Azure Consumption Influenced (\$85M+); Targets Touched (700+) and IP Co-sell with Microsoft (20+).

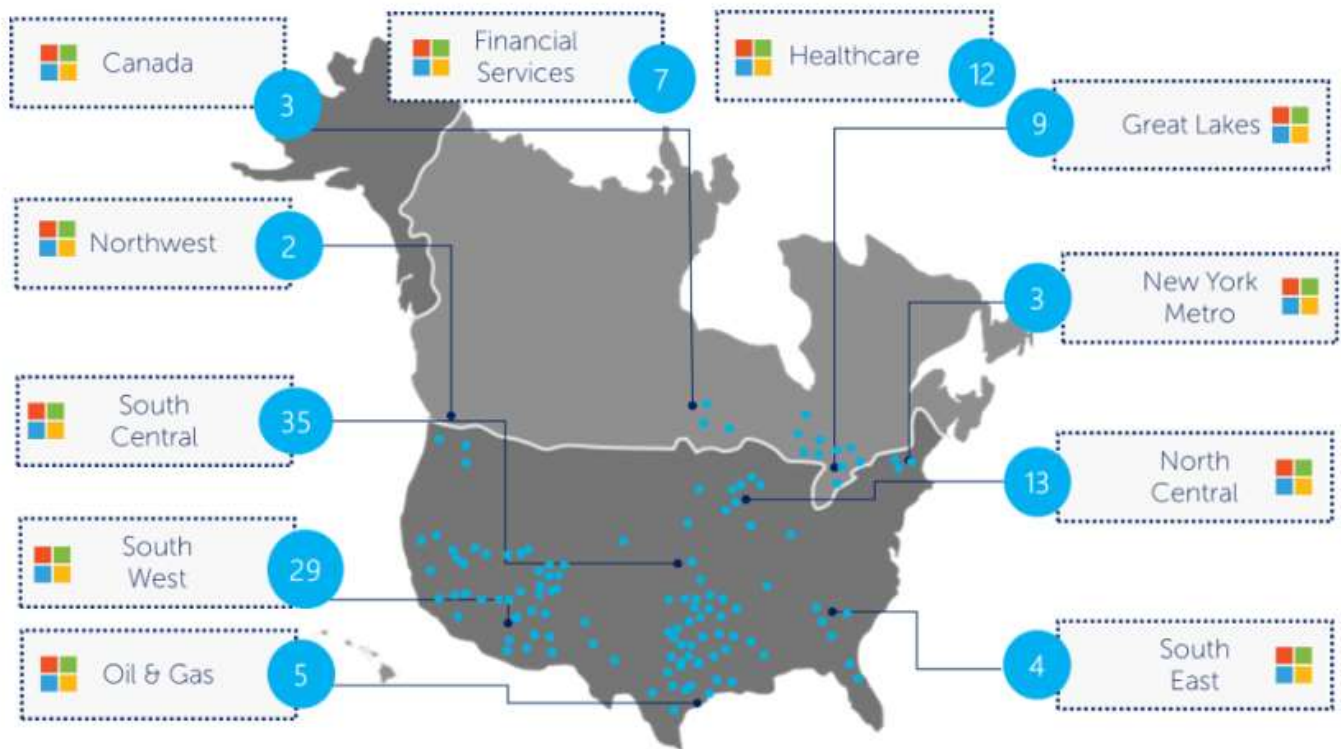
**Exhibit 6 – AZURE ACCELERATOR PROGRAM TARGETS**

Azure Assessment Goal - North America (U.S. and Canada)	300+
Azure Consumption Pipeline to Microsoft	\$750M -\$1B
Customer Converted	150+
Qusitive Services Revenue	\$7.5M
Qusitive 3 Year Pipeline	\$100M

Source: Qusitive; all amounts in C\$

What's important to note is that QUIS is quickly migrating from a **Regional** Microsoft Partner focused in a couple of geographic regions, to a **National** Solution Partner across different verticals. In relatively short order, QUIS has expanded to 6 regions in the US, 3 key verticals (Oil & Gas, Financial Services and Healthcare), and expanded into Canada.

**Exhibit 7 – FROM A SINGLE REGION TO NATIONAL COVERAGE.....**



Source: Qusitive



## VALUATION

On consensus estimates, QUIS is trading at a 2019E EV/Sales of 0.8x versus its North American IT Services comparables trading at 1.2x.

### Exhibit 8 – North American IT Services Providers

	Ticker	Price (Local)	Mkt Cap. (US\$)	LTM Rev (US\$)	EV/Sales			EV/EBITDA			P/E		
					2017	2018	2019	2017	2018	2019	2017	2018	2019
Accenture Plc Class A	ACN	155.53	103,512	41,603	2.8	2.5	2.3	16.6	14.3	13.3	26.3	23.1	21.5
CGI Group Inc. Class A	GIB.A-CA	84.31	17,605	8,963	2.4	2.3	2.2	13.2	12.4	11.7	23.1	20.1	18.1
DXC Technology Co.	DXC	56.76	15,899	22,775	0.8	1.0	1.0	4.2	4.5	4.3	7.1	6.9	6.3
Leidos Holdings, Inc.	LDOS	57.05	8,544	10,063	1.1	1.1	1.1	10.6	10.7	10.0	15.3	13.1	12.0
Booz Allen Hamilton Holding Corporation Cla	BAH	49.12	6,992	6,397	1.4	1.3	1.2	14.5	13.0	12.0	24.4	18.6	16.8
EPAM Systems, Inc.	EPAM	119.25	6,441	3,200	4.2	3.3	2.7	23.7	18.0	14.7	34.5	27.7	23.0
MAXIMUS, Inc.	MMS	69.46	4,455	2,392	1.7	1.8	1.5	10.9	11.8	10.8	22.9	20.7	19.4
CACI International Inc Class A	CACI	159.27	3,958	4,548	1.2	1.1	1.1	13.7	12.3	11.4	24.4	13.4	15.7
Science Applications International Corp.	SAIC	68.41	2,910	4,595	0.9	0.8	0.8	12.2	11.2	10.6	17.0	18.4	14.2
Conduent, Inc.	CNDT	11.09	2,343	8,600	0.6	0.6	0.7	5.1	5.3	5.3	13.0	10.5	9.9
ManTech International Corporation Class A	MANT	55.22	2,194	1,924	1.3	1.1	1.0	16.5	13.1	11.9	34.1	26.6	24.0
Presidio, Inc.	PSDO	13.59	1,119	3,200	0.8	0.8	0.8	10.0	10.1	10.1	11.5	10.4	9.0
Perficient, Inc.	PRFT	22.77	756	3,200	1.7	1.7	1.6	11.9	12.1	10.7	18.5	14.9	13.7
Calian Group Ltd.	CGY-CA	27.78	216	305	0.7	0.6	0.6	8.2	7.7	6.7	13.8	13.4	12.1
Alithya Group inc Class A	ALYA	3.65	158	200	NM	NM	NM	NM	NM	NM	NM	NM	NM
Quisitive Technology Solutions, Inc.	QUIS-CA	0.13	11	11	NM	1.2	0.8	NM	NM	NM	NM	NM	NM
<b>Averages:</b>					<b>1.4</b>	<b>1.3</b>	<b>1.2</b>	<b>11.9</b>	<b>10.9</b>	<b>10.0</b>	<b>20.0</b>	<b>16.5</b>	<b>14.9</b>

Source: Factset, Consensus Estimates

---

## DISCLAIMER

I, Ralph M. Garcea, certify that the views expressed in this report accurately reflect my personal views about the industry and company (ies) mentioned.

I also certify that I may own shares/options in some of the companies mentioned in this report, and that although I may not receive direct payment for publishing this report, some of these companies may be consulting clients of Focus Merchant Group.

The report excludes any target prices and is not a recommendation to buy or sell a stock. The report may contain statements and estimates that are forward-looking in nature, and therefore subject to numerous risks, uncertainties, and assumptions. The author, or Focus Merchant Group, does not assume any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this report.

The information compiled in this report has been compiled from sources believed to be reliable; but no representation or warranty, express or implied, is made by the author or any other person as to its fairness, accuracy, completeness or correctness.

The report does not constitute an offer or solicitation in any jurisdiction.