



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

Market Data (C\$)

Share Price	\$ 0.24
Market Capitalization (M)	\$ 20.4
Net Debt (M)	\$ 7.0
Enterprise Value (M)	\$ 27.3
Basic Shares O/S	84.83
Avg. Daily Volume (M)	0.221
52 Week Range	\$0.35 / \$0.11
Dividend Yield	0.0%
EV/Sales (TTM)	1.8
EV/EBITDA (TTM)	NM
P/E (TTM)	NM

Management

CEO	Mike Reinhart
CFO	Stephanie Ratza
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.



MICROSOFT CSP PROGRAM AND GOLD DATACENTER COMPETENCY; MICROSOFT NEWS FROM NRF 2019

Highlights

- QUIS recently announced that it is now selling through the Microsoft Cloud Solution Provider (CSP) Program as a Direct Provider. The CSP licensing model enables QUIS to be the center of the customer relationship by providing direct billing, sell combined offers and services, as well as directly provision, manage, and support Microsoft Office 365 and Microsoft Azure.
- The CSP program provides the platform for QUIS to realize recurring revenue from Microsoft cloud licensing, in addition to managed services and SaaS subscriptions solutions (see Exhibit 2).
- QUIS recently announced that it has attained a Gold Datacenter competency, demonstrating a "best-in-class" ability and commitment to meet Microsoft's customers' evolving needs in today's mobile-first, cloud-first world.
- The National Retail Federation (NRF) 2019 conference was held in NY from Jan 13-15, 2019. The world's largest retail conference and expo was attended by ~40,000 people, including 700 exhibitors. Microsoft made some key strategic announcements with Kroger, Walgreens, and Albertsons as it further grew its Azure base in the Retail sector.

Catalysts

- We would expect QUIS to announce new customer contracts as part of the Microsoft CSP program.
- As shown by Exhibit 2, we see considerable leverage in the business model as initial \$25-50K consulting projects could turn into multi-million dollar annual contracts.
- 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 2020E EV/Sales of 0.8x versus its North American IT Services comparables trading at 1.2x.

MICROSOFT CLOUD SOLUTION PROVIDER (CSP) PROGRAM BENEFITS

Microsoft’s CSP Program provides value to partners working in a cloud model. Value tenets of the program expressed by participating partners include being given the choice to work in a direct provider or indirect reseller model. As a direct provider, the CSP licensing model **enables QUIS to be the center of the customer relationship** by providing direct billing, sell combined offers and services, as well as directly provision, manage, and support Microsoft Office 365 and Microsoft Azure

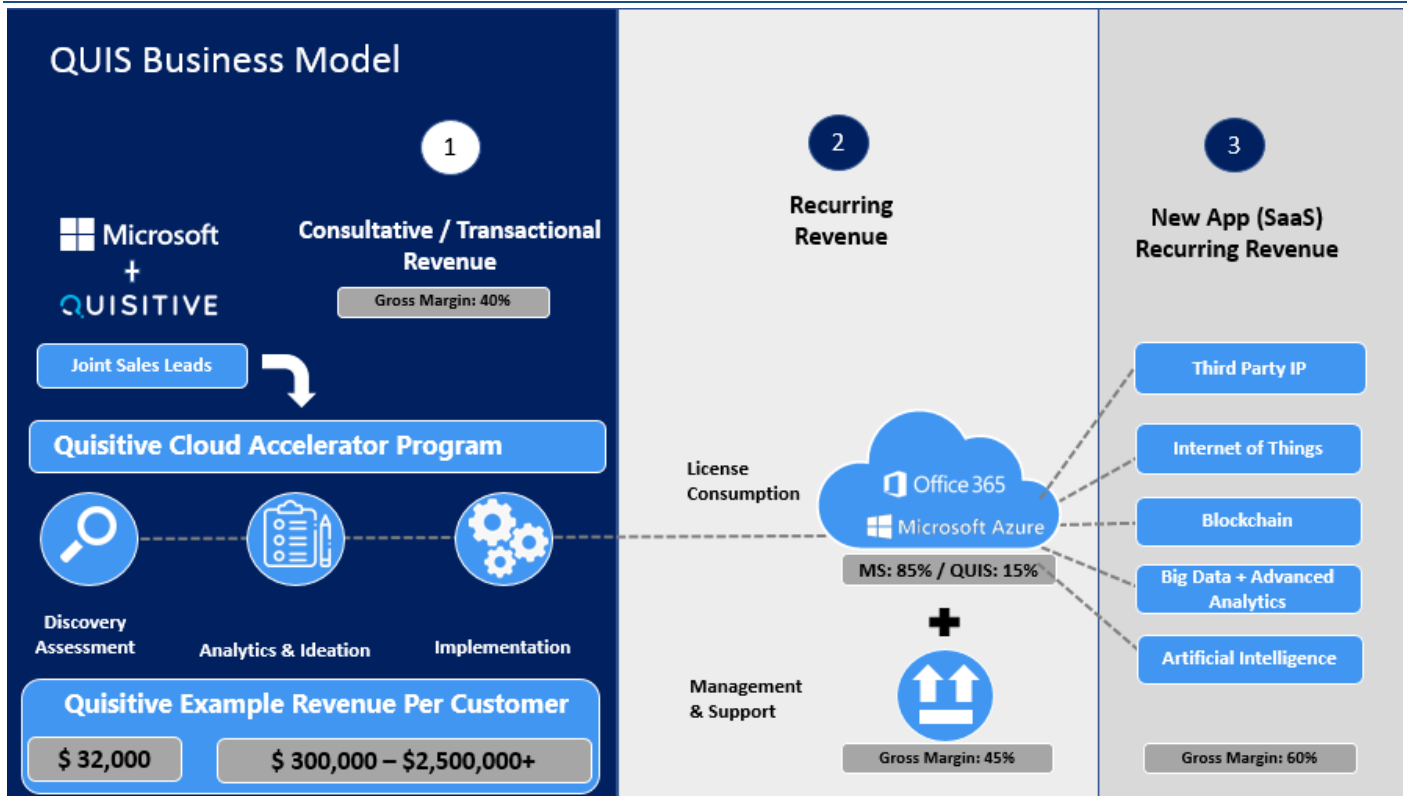
Exhibit 1 – CSP Program Value Tenets

Value	Summary
 <p>Customer ownership</p>	<p>Microsoft’s CSP Program leads to customer lifecycle ownership, which helps embed and drive deeper loyalty to the partner. What this means is that the CSP model specifically, and the cloud model generally, allows partners to play a more active role in the customer journey in both a pre- and post-sales capacity – leading to long-term engagements.</p>
 <p>Cross sell and upsell opportunities</p>	<p>Owning the customer lifecycle leads to stickiness in the customer relationship, which helps secure ongoing consumption of Microsoft cloud licensing. Once partners are in accounts, they continue to upsell and cross sell the Microsoft cloud stack as they deepen the customer relationship. The surfacing of business challenges, in addition to those in IT, expands the partner opportunity into cloud categories such as Azure, Power BI, and the greater breadth of Office 365, e.g. SharePoint, EMS, Skype.</p>
 <p>IP acceleration</p>	<p>For many CSP partners, it is not about selling licensing through the CSP model. In fact, that’s not considered a profitable, long-term strategy on its own. It’s about how CSP gives them the ability to build IP (services and software) around and on the Microsoft cloud services. Recurring license revenue and associated margin is considered valuable; however, generating greater wealth creation within the customer business through wrap-around services and other products related to the Microsoft cloud stack is the goal. The bottom line is that partners can accelerate their IP, such as professional and managed services, and software, through CSP license engagement.</p>
 <p>Provisioning/billing agility</p>	<p>There is an embedded agility in the CSP license provisioning and billing model that has not been available in past Microsoft licensing models. There’s a level of practicality and empowerment that comes from the CSP partners’ ability to provide one cloud services bill to customers, but in an automated way that also allows for service changes at any time.</p>
 <p>Choice of engagement model</p>	<p>Partners engaged in the CSP Program can chose from one of two models, direct provider or indirect reseller. The former model is defined by the partner having a direct relationship with Microsoft versus the latter model of engaging with a Microsoft distributor. However, CSP Program participation is less about the specific relationship model, and more accurately delineated by the level of investment a partner makes in support of their CSP business.</p>

Source: Microsoft, IDC

The CSP program also provides the platform for QUIS to realize recurring revenue from Microsoft cloud licensing, in addition to managed services and SaaS subscriptions solutions – as shown by Exhibit 2.

Exhibit 2 – CSP is a Critical Component of Quisitive’s Business Model



Source: Quisitive, Venture North Capital

QUISITIVE’S UNIQUE AZURE ACCELERATOR 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 (155+); Azure Assessments Completed (62+); Projected Azure Consumption Pipeline (\$200M+); Quisitive Solutions Pipeline (\$28M+).

Exhibit 3 – AZURE ACCELERATOR PROGRAM UPDATE vs TARGETS

	Current	Target
Azure Assessment Goal - North America (U.S. and Canada)	155+	300+
Azure Consumption Pipeline Potential to Microsoft	\$200M+	\$750M+
Customer Converted	62+	150+
Quisitive 2019 Pipeline	\$28M+	\$30-35M/yr

Source: Quisitive; all amounts in C\$

MICROSOFT GOLD DATACENTER COMPETENCY

QUIS recently announced that it has attained a Gold Datacenter competency, demonstrating a “best-in-class” ability and commitment to meet Microsoft’s customers’ evolving needs in today’s mobile-first, cloud-first world and distinguishing itself within Microsoft’s partner ecosystem. To earn a Microsoft Gold competency, QUIS had to demonstrate they had the technical expertise and staffing capacity in-house. More importantly, QUIS had to submit customer references that demonstrate successful projects, meet a performance (revenue and or consumption/usage) commitment, and pass technology and sales assessments. Through this competency, QUIS receives access to internal use software licenses, technical and presales support, IT professionals training, incentives, and access to the Microsoft Partner server and cloud site with exclusive content and resources to help QUIS win new deals and to deliver projects successfully. The Gold Datacenter competency adds to QUIS’ extensive competency portfolio including Gold achievement in Application Development, Cloud Platform and Cloud Productivity and Silver achievement in Collaboration and Content.

MICROSOFT AZURE MAKES A SPLASH AT NRF 2019

The National Retail Federation (NRF) 2019 conference was held in New York from January 13-15, 2019. The world’s largest retail conference and expo was attended by ~40,000 people, including 700 exhibitors. Microsoft has made some major announcements leading up to, at and after the conference, including:

- A retail-as-a-service (RaaS) partnership with supermarket chain Kroger, which is splitting its cloud buying between Azure and Google Cloud Platform. Microsoft and Kroger will use Kroger’s front-end EDGE smart shelving system (which includes Edgewater Wireless technology) and self-serve checkout tools and Microsoft’s artificial intelligence and cloud infrastructure.
- Microsoft and drugstore operator Walgreens Boots Alliance (WBA) announced a seven-year agreement under which Microsoft will provide cloud services to its new partner, the second largest pharmacy chain in the U.S. behind CVS Health, with nearly 10,000 stores, by migrating most of WBA’s tech infrastructure to Microsoft Azure.
- Microsoft signed a three-year agreement with Albertsons, the supermarket chain and parent of Safeway and Vons, to make Microsoft Azure the grocer’s preferred public cloud. Albertsons plans to sign up employees with the Microsoft Office 365 bundle, use Microsoft’s artificial intelligence (AI) technology, and the two companies could team up on cashierless systems, which Albertsons has already been testing.

The retail deals are similar to how Walmart is partnering with Microsoft. Walmart will use Microsoft Office 365, AI, Internet of Things (IoT) tools and Azure. Microsoft has been winning retailers and grocers since Amazon’s purchase of Whole Foods and expansion of Amazon Go stores. As well as the companies mentioned above, Microsoft has added retail customers such as Starbucks, Macy’s, the Gap, and Michaels – to name a few.

We believe that QUIS has deep expertise in the Retail sector through its LedgerPay technology, and that Retail could become the next key vertical (along with Oil & Gas, Financial Services and Healthcare).

VALUATION

On consensus estimates, QUIS is trading at a 2020E EV/Sales of 0.8x versus its North American IT Services comparables trading at 1.2x.

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.*** Many of the large companies below have growing Microsoft businesses (Accenture/Avanade, CGI, DXC, Perficient, etc); but in many cases Microsoft may represent only 10-15% of their respective revenue.

Exhibit 4 – North American IT Services Providers

	Ticker	Price (Local)	Mkt Cap. (US\$)	LTM Rev (US\$)	EV/Sales			EV/EBITDA			P/E		
					2018	2019	2020	2018	2019	2020	2018	2019	2020
Accenture Plc Class A	ACN	152.24	97,045	42,154	2.4	2.2	2.1	14.0	13.3	12.4	22.6	21.1	19.3
CGI Group Inc. Class A	GIB.A-CA	86.56	18,173	8,963	2.3	2.2	2.2	12.7	12.0	11.5	20.7	18.7	17.4
DXC Technology Co.	DXC	62.92	17,625	22,775	1.1	1.1	1.1	4.8	4.6	4.3	7.7	6.9	6.2
Leidos Holdings, Inc.	LDOS	57.09	8,550	10,063	1.1	1.1	1.0	10.7	10.1	9.7	13.1	12.0	10.8
Booz Allen Hamilton	BAH	47.76	6,798	6,397	1.3	1.2	1.1	12.6	11.8	11.1	18.0	16.4	14.6
EPAM Systems, Inc.	EPAM	139.34	7,526	3,200	4.0	3.2	2.7	21.6	17.6	14.5	32.3	26.8	22.5
MAXIMUS, Inc.	MMS	69.26	4,419	2,392	1.8	1.4	1.3	11.8	10.7	9.8	20.7	19.0	17.4
CACI International Inc Class A	CACI	156.14	3,880	4,548	1.1	1.0	1.0	12.1	11.2	10.4	13.1	15.4	14.6
Science Applications International Corp.	SAIC	66.66	3,945	4,595	0.8	0.8	0.8	11.2	8.1	7.6	18.8	15.4	14.3
Conduent, Inc.	CNDT	12.71	2,686	8,600	0.7	0.8	0.8	5.8	5.9	5.3	12.1	11.4	9.5
ManTech International Corporation Class A	MANT	54.19	2,153	1,924	1.1	1.0	1.0	12.8	11.6	11.0	26.1	23.5	21.9
Presidio, Inc.	PSDO	15.00	1,235	3,200	0.8	0.8	0.8	10.7	10.5	9.8	11.5	9.9	9.0
Perficient, Inc.	PRFT	25.27	839	3,200	1.9	1.8	1.7	13.3	11.8	10.4	16.5	15.3	13.9
Calian Group Ltd.	CGY-CA	30.37	236	305	0.7	0.6	0.6	8.5	7.4	6.7	14.7	13.2	12.0
Alithya Group inc Class A	ALYA	2.86	124	200	NM	NM	NM	NM	NM	NM	NM	NM	31.8
Qusitive Technology Solutions, Inc.	QUIS-CA	0.24	20	13	NM	1.3	0.8	NM	NM	NM	NM	NM	NM
Averages:					1.4	1.3	1.2	11.4	10.2	9.4	17.3	15.7	15.4

Source: FactSet, Consensus estimates

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