

Global IT Spending Expected to Decline in 2020; But the Cloud Will Continue to Grow

According to Gartner, global IT spending for 2020 is expected to decline 8% y/y to \$3.46 trillion, on concerns over the COVID-19 pandemic and a global economic recession.

However, the shift to work-from-home (WFH) and digital transformation will continue to drive growth in public cloud services which are expected to grow 19% in 2020.

BPaaS = Business Process as a Service; PaaS = Platform as a Service; SaaS = Software as a Service;

MSaaS = Management and Security as a Service; IaaS = Infrastructure as a Service

Source: Gartner (Nov 2019)

Microsoft reported FQ3/20 revenue of \$35.0B (+15% y/y) (Cons: \$33.8B), and EPS of \$1.40 (+23% y/y) (Cons: \$1.27). Azure revenue grew 59% y/y (+61% in constant

currency). On the results conference call, CEO Satya Nadella commented on seeing COVID-19 drive “two years’ worth of digi-

tal transformation in two months” and helping customers adapt to “a world of remote everything”.

	2019 Spending	2019 Growth (%)	2020 Spending	2020 Growth (%)
Data Center Systems	211,633	0.7	191,122	-9.7
Enterprise Software	458,133	8.8	426,255	-6.9
Devices	698,086	-2.2	589,879	-15.5
IT Services	1,031,578	3.8	952,461	-7.7
Communications Services	1,357,432	-1.6	1,296,627	-4.5
Overall IT	3,756,862	1.0	3,456,344	-8.0

Exhibit 1 - Worldwide IT Spending Forecast (US\$M)

Source: Gartner (May 2020)



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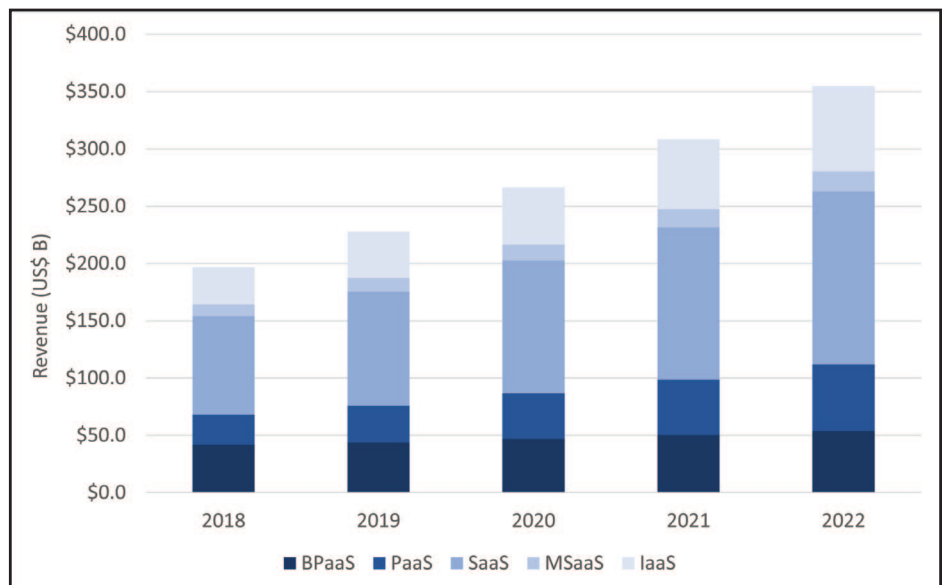


Exhibit 2 - Worldwide Public Cloud Service Revenue Forecast (US\$B)

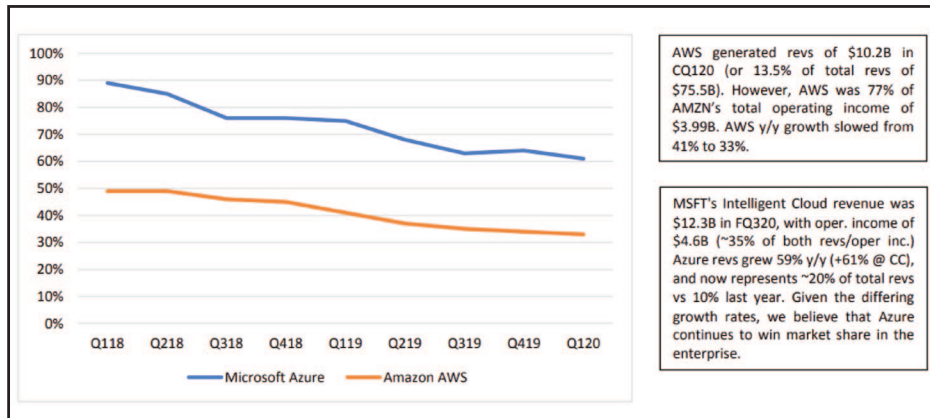


Exhibit 3 - Microsoft Azure vs AWS Growth Rates

In its annual State of the Cloud report, Flexera highlighted that 93% of the respondents are implementing either a multi-cloud or hybrid cloud strategy. While public adoption remains a two-horse race between AWS and Azure (with Google a distant third), the Microsoft Azure Stack is showing great promise in private cloud adoption with a jump to 35% in 2020 from 21% y/y.

HOW TO PLAY THE MICROSOFT AZURE TRADE

We believe the best microcap way to play the Microsoft Azure trade is through Quisitive Technology Solutions (QUIS-TSXV; QUISF-US). Given Microsoft's continued growth in the enterprise space, the company is well-positioned for significant growth in 2020 and beyond, as are its preferred partners, including QUIS. Many of the large IT Services providers have growing Microsoft businesses (Accenture/Avanade, CGI Group, DXC, Perficient, etc); but in many cases Microsoft may represent only 10-15% of their respective revenue. **QUIS is "all-in" on Microsoft Azure!**

Quisitive won the 2019 U.S. Microsoft Country Partner of the Year Award. QUIS was honored among a global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology. The recognition is a testament to the focus QUIS has had on leveraging its unique cloud assessment program to guide custom-

ers from hesitation to cloud adoption across Microsoft Azure and Microsoft O365.

We believe QUIS will continue to build the Microsoft Partner of the Future – both organically and through acquisitions. The combined company heading into 2020, will have 300+ employees, with a rev/EBITDA run rate of US\$44M/US\$4.4M (without any revenue synergies or LedgerPay). The QUIS management team is uniquely comprised of former and current Microsoft leaders and technologists who share a deep understanding of market needs and the appropriate application of Microsoft cloud technology. *Please refer to the accompanying profile on QUIS for an overview of the financials and valuation.*

HOW TO PLAY THE HYBRID CLOUD TRADE

In addition, we believe the best microcap way to play the Hybrid Cloud trade in the small-to-medium enterprise (SME) market is through Converge Technology Solutions (CTS-TSXV; CTSDF-US). Having completed 12 acquisitions since October 2017, CTS is building a leading national platform of regionally focused Hybrid IT Solution Providers (ITSP) in the U.S. and Canada focused on delivering industry leading solutions and services to public and private clients. The company's regional sales and services organizations deliver advanced analytics, cloud, cybersecurity, and managed services offerings to clients across various

industries. CTS supports these solutions with talent expertise and digital infrastructure offerings across all major IT vendors in the marketplace.

CTS has key strategic partnerships across the major cloud providers (Microsoft Azure, Amazon AWS, Google Cloud), hardware providers (IBM, Cisco, Dell/EMC) and software (IBM/Red Hat, VMware). Converge has become IBM's second largest reseller partner in North America, ranks in the top 3% of Cisco partners with respect to technical capabilities and is a top 3 VMware partner. These strong vendor relationships have driven robust annualized gross recurring revenue growth to C\$190M (+35.7% q/q). *Please refer to the accompanying profiles on CTS for an overview of the financials and valuation.* ■

About the Author

Mr. Garcea co-founded Focus Merchant Group in September 2018 and has more than 23 years experience in senior analyst positions at major domestic and international firms. He was a top-ranked research analyst, well regarded for the depth and breadth of knowledge he brings to bear on his coverage of technology, gaming, and industrial companies across a broad range of market capitalizations. Over the years, he has received top three rankings from Brendan Woods, Greenwich, Starmine and Thomson Reuters surveys. One of Mr. Garcea's consulting clients currently is Quisitive Technology Solutions Inc. (QUIS-TSXV), and he currently is a board member for Converge Technology Solutions Corp. (CTS-TSXV).

Note: This article is not an attempt to provide investment advice. The content is purely the author's personal opinions and should not be considered advice of any kind. Investors are advised to conduct their own research or seek the advice of a registered investment professional.

Ralph Garcea owns shares of QUIS and does not own shares of CTS.