



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

Market Data (C\$)

Share Price	\$ 0.27
Market Capitalization (M)	\$ 29.6
Net Debt (M)	\$ 10.9
Enterprise Value (M)	\$ 40.5
Basic Shares O/S	109.8
Avg. Daily Volume (M)	0.161
52 Week Range	\$0.35 / \$0.11
Dividend Yield	0.0%
EV/Sales (TTM)	2.0

Management

CEO	Mike Reinhart
CFO	Michael Murphy
SVP, Consulting Services	Steven Balusek
SVP, Production Innovation	Scotty Perkins
President, CRG	Dr. Vijay Jog
President, Menlo Technologies	Gary Prioste
VP, North America Sales	Kevin Castillo
VP, Marketing	Tami Anders

Total Insider Ownership 36%

Business Description

Quisitive is a premier Microsoft solutions provider that helps enterprise organizations move, operate and innovate in the Microsoft cloud: Microsoft Azure, Microsoft Dynamics and Microsoft O365 as well as provide proprietary Software as a Service ("SaaS") solutions such as CRG emPerform(TM), LedgerPay payments and cloud data services (platform and business solutions from other technology partners that complement the Microsoft platform). QUIS helps customers harness the power of the Microsoft cloud and innovative technologies such as, artificial intelligence (AI), machine learning (ML), the Internet of Things (IoT) and blockchain through customized solutions. QUIS serves clients globally with offices in Dallas/Austin, TX; Denver, CO; Silicon Valley; Washington, DC; Minneapolis, MN; Ottawa/Toronto, ON; and Hyderabad, India.



CRG AND MENLO ACQUISITIONS SET THE STAGE FOR AN EXCITING 2020

Highlights

- QUIS should finish 2019 with ~\$19M in revenue, which includes only two full quarters of CRG revenue.
- QUIS acquired Ottawa-based Corporate Renaissance Group (CRG) on June 1, 2019, for US\$14.4M in cash, stock, debt notes, warrants, and contingent payout. CRG provides Microsoft technology and corporate business consulting software solutions. CRG generated revs/EBITDA of ~US\$5.8M/US\$1.8M in 2018.
- QUIS acquired California-based Menlo Technologies on January 1, 2020, for US\$16.2M in cash, stock, debt notes, and contingent payout. Menlo generated revs/EBITDA of US\$17.5M/US\$1.8M in 2019.
- The combined company heading into 2020, will have 300+ employees, with a rev/EBITDA run rate of US\$42M/US\$5.9M.
- QUIS is executing a targeted Microsoft partner consolidation strategy to fuel the build of the premier Microsoft partner in North America for business solutions and cloud innovation.
- QUIS is the 2019 Microsoft U.S. Partner of the Year – earning this top honor among a global field of top Microsoft partners for demonstrating excellence in innovation and implementation of customer solutions based on Microsoft technology.

Catalysts

- The integration of the Menlo competencies into the QUIS portfolio should drive substantial enterprise growth in the North American market. The combination of CRG and Menlo's Microsoft Dynamics businesses position QUIS as a leader in the Microsoft Dynamics partner community.

Valuation

On consensus estimates, QUIS is trading at a 2020E EV/Sales of 1.0x versus its North American IT Services comparables trading at 1.8x. On 2020E EV/EBITDA, QUIS is trading at 6.7x vs the comps at 13.1x.

Assuming industry average revenue per employee of US\$150K-\$200K, QUIS should be able to drive US\$45-60M in revenue and \$7-10M in EBITDA (with no further acquisitions), which should support a US\$100M enterprise value using the industry multiples above.

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Corporate Renaissance Group

QUIS acquired Ottawa-based Corporate Renaissance Group (CRG) on June 1, 2019, for US\$14.4M comprised of US\$4.8M in cash, 4,473,684 QUIS shares @ C\$0.19/share, US\$4.8M secured promissory note (2-yr term at 10% interest – with a 3rd year option; plus 19.5M warrants for QUIS shares with a strike price of C\$0.35/share), and a US\$4.8M earnout. The cash portion above was funded via a 7-yr term loan from a Canadian bank, with interest accruing based on a floating base rate of 2.6% plus 6.5% (or 9.1%) per annum, calculated and payable monthly, with the principal amount to be repaid in monthly installments and amortized over a seven (7) year period. CRG provides Microsoft technology and corporate business consulting software solutions. CRG generated revs/EBITDA of ~US\$5.8M/US\$1.8M in 2018, valuing the deal at 6.5x TTM EBITDA.

The CRG deal created a solid foundation from which to build. CRG covered all the criteria of an ideal target, adding: (1) geographic reach; (2) incremental expertise on Microsoft applications; (3) talented employees with deep technical knowledge; and (4) recurring revenues. Since 1989, CRG has been delivering expert guidance and leading solutions to help improve business management and performance, consisting of a group of business, financial and technology experts (~36 employees) helping leaders transform organizations by improving enterprise performance. CRG has established itself with expertise in business management, financial management, consulting and software development. Working with its technology partners such as Microsoft, BOARD, Adaptive Insights, Tableau and Atlassian, CRG delivers solutions in Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Office 365 (O365), Corporate Performance Management (CPM), Employee Performance Management (EPM) and Business Intelligence (BI). CRG's SaaS solution, emPerform: (1) has been working with companies across the globe to automate and re-tool performance management; (2) has ~180 active customers with over 100,000 active user licenses; (3) is ideally suited for companies with 100-5,000 employees; (4) has been sold 83% through direct sales and 17% through partners/referrals; and (5) and has delivered US\$2M in recurring license revenue with 3-year contract terms. In addition, Dr. Vijay Jog, CRG founder and President, was appointed to QUIS's board of directors where his worldwide consulting experience in strategy and value creation is expected to have a significant impact on QUIS's growth strategy roadmap.



QUIS acquired California-based Menlo Technologies on January 1, 2020, for US\$16.2M comprised of US\$3.77M in cash, 19.78M in QUIS shares, US\$5.0M convertible note (10% coupon, 3-year term; converts @ C\$0.20, forced convert @ \$0.40), and a US\$4.5M earnout (the first US\$3.5M payable 50% in cash and 50% in shares; with the final US\$1M in cash or equity at QUIS' choice). Menlo generated revs/EBITDA of US\$17.5M/US\$2.4M in 2019, valuing the deal at 6.2x TTM EBITDA.

The funds representing the Cash Payment, acquisition fees, and working capital for the Company were obtained pursuant to a 12-month US\$7.5M demand loan (the "Loan") from an investment company with interest accruing based on a Bank of Montreal Prime plus 8.05% per annum, calculated and payable monthly, with the principal amount to be repaid on demand or within 12 months from the date of initial advance of funds. The Loan will be a direct obligation of Menlo Technologies Acquisition, Inc. (the "Borrower") guaranteed by certain subsidiaries of the Borrower, and will be secured by: (i) a first ranking general security interest granted by the Borrower and each of the guarantors over all of their respective present and future personal property; and (ii) a pledge of the Purchased Shares. The Borrower incurred fees payable in cash upon closing of the Transaction equal to 3.75% of the Loan amount and 1.6% of the sum of the Cash Payment and the Notes.

Menlo is a global Microsoft technology services company specializing in cloud development, data analytics, mobile technology and enterprise business application services. With over 190 employees, Menlo offers managed on shore and offshore development services from its Silicon Valley headquarters and offshore development center in Hyderabad, India. Through application modernization and business application consulting, Menlo supports hundreds of clients globally (including Apple, Toshiba, Dell, Pure Storage, LinkedIn, Renesas and NEC). Their cloud application expertise supports their Microsoft Dynamics ERP practice and with an office in Washington, DC, have deep knowledge of government compliance. Their offices on the West Coast are recognized as an industry leader in cloud development and Azure migrations. Menlo CEO Gary Prioste will join the QUIS executive team as the President of Menlo Technologies, where his experience building, and operating technology companies will complement the QUIS leadership team.

William H.C. Chang, co-vendor of Menlo, will own 19.78M shares of QUIS (or ~18% on a non-diluted basis) post the transaction. Mr. Chang is the Chairman of Westlake International Group, and is also on the Executive Committee of the San Francisco Giants Baseball Club. Mr. Chang is an active investor in early stage technology companies through his Edge Venture Capital Fund, with a particular focus on clean/green, mobile and cloud-based applications.

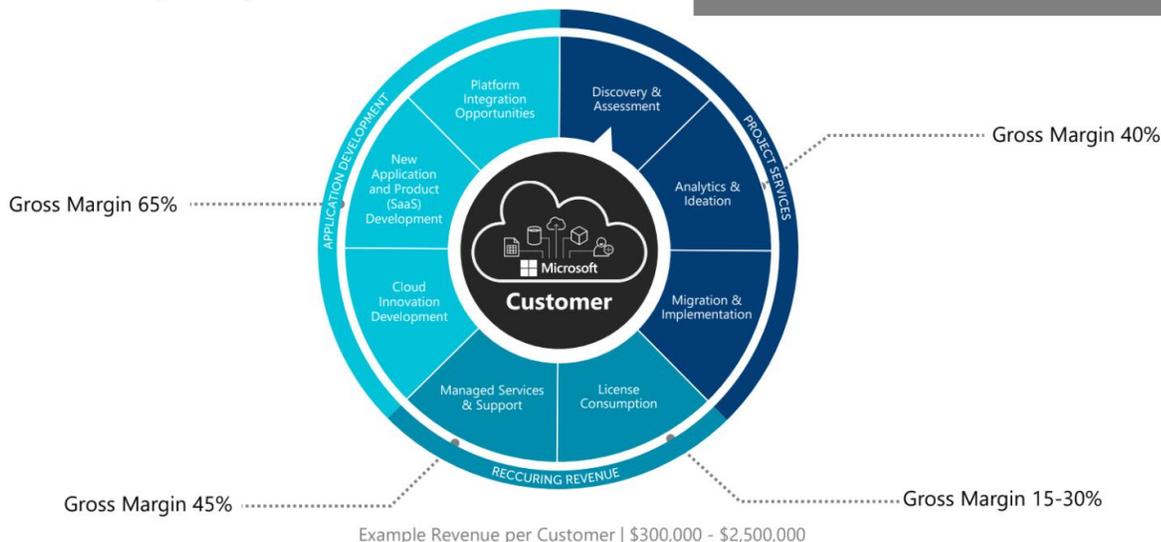
QUISITIVE IS BUILDING THE PREMIER MICROSOFT PARTNER IN NORTH AMERICA

Quisitive's mission is to become the premiere Microsoft partner in North America dedicated to helping enterprise organizations apply the robust and powerful capabilities within the full Microsoft cloud stack: Azure, Office 365, and Dynamics. QUIS helps its customers harness the power of the Microsoft cloud offering a variety of services that can be implemented individually or layered to create a unique solution to fit an organization's specific needs. QUIS has two cloud-based SaaS solutions that will drive recurring revenue: (1) CRG emPerform has been working with companies across the globe to automate and re-tool performance management; and (2) LedgerPay is poised to disrupt the status quo and transform payment transactions into beneficial, profitable and actionable experiences for both merchants and consumers through cloud-based payment and data analytics solutions.

With the acquisitions of CRG and Menlo Technologies, QUIS enters 2020 with ~300 employees, a US\$42M revenue run-rate with 18% recurring revenue and 14% EBITDA margins.

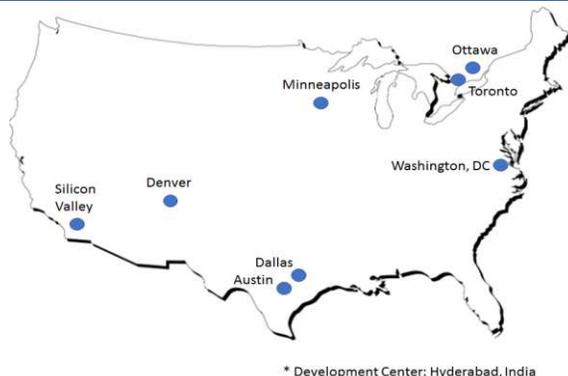
Exhibit 1 – Quisitive Business Model

The customer journey starts with the Microsoft Cloud



Source: Company Documents

Exhibit 2 – Expanding North American Footprint; Acquisition Synergies



ACQUISITION SYNERGIES:

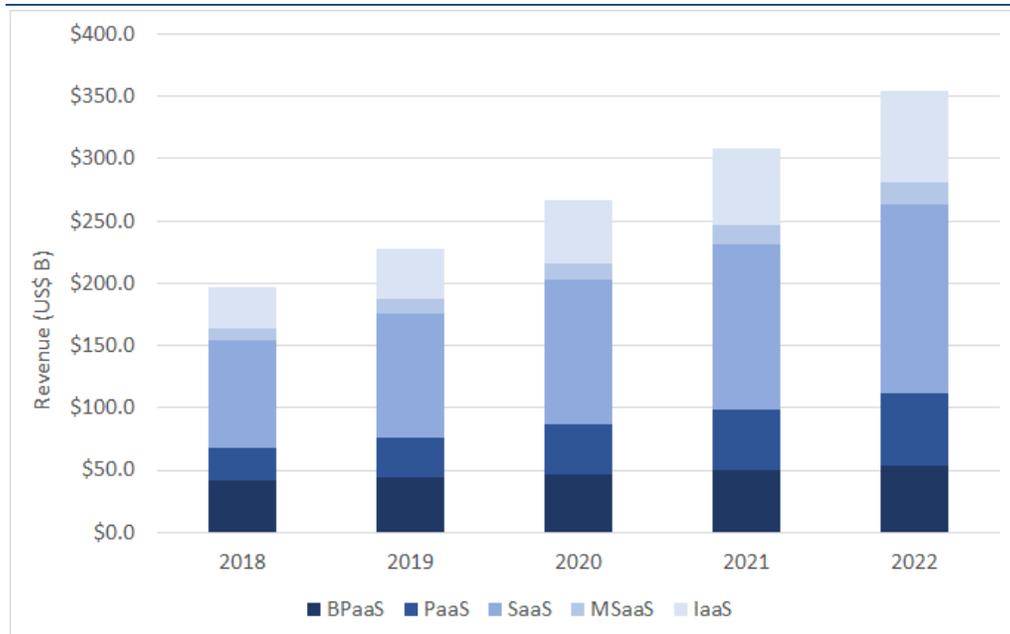
- Microsoft National Systems Integrator
- 10 Microsoft Gold Competencies
- Complimentary Microsoft Enterprise Cloud Expertise
 - ➔ Azure Public and Government Cloud
 - ➔ Dynamics 365 ERP and CRM
 - ➔ Microsoft 365
- Growing Recurring Revenues
 - ➔ Azure Cloud Managed Services
 - ➔ Cloud License Revenue
 - ➔ SaaS IP Solutions - CRG emPerform - LedgerPay
- Offshore Development Center

Source: Company Documents

THE MICROSOFT CLOUD OPPORTUNITY IS SIGNIFICANT

According to the industry analyst firm Gartner, the worldwide public cloud services market is forecast to grow to \$355 billion by 2022, up from \$228 billion in 2019 – with the emphasis of building on the strengths of cloud platforms to deliver digital business capabilities.

Exhibit 3 – Worldwide Public Cloud Service Revenue Forecast

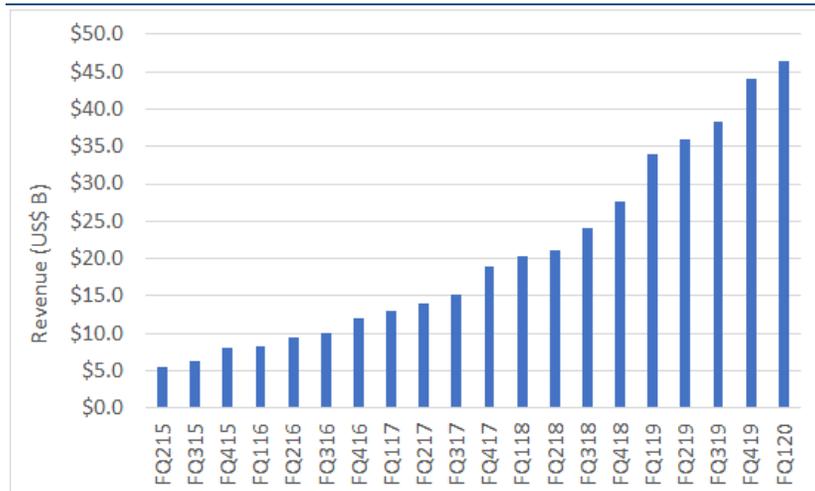


BPaaS = Business Process as a Service; PaaS = Platform as a Service; SaaS = Software as a Service; MSaaS = Management and Security as a Service; IaaS = Infrastructure as a Service

Source: Gartner, Inc.

While the cloud market remains a two-horse race between Microsoft and Amazon, QUIS has placed its bet on the former. Microsoft's first quarter was well ahead of expectations as its commercial cloud revenue was \$11.6 billion, up 36% from a year ago. As the following chart shows, Microsoft's commercial cloud business, consisting of Office 365 commercial, Azure, Dynamics 365 and other cloud properties, has shown impressive growth over the years – and now accounts for ~36% of overall revenue.

Exhibit 4 – Microsoft Annualized Commercial Cloud Revenue Run-Rate



Source: Microsoft, Statista

SIX REASONS WHY AZURE IS BETTER THAN AWS

As mentioned earlier, Microsoft's Azure and Amazon's AWS cloud platforms are the top choices when it comes to enterprise-level PaaS. Menlo Technologies has compared these platforms as they have evolved over the years and believe the best choice is Azure - for the following reasons (Source: [Link](#)).

1. Integration with Microsoft Products = Cost Savings. For enterprises that already run Windows Server, SQL Server, Exchange, Active Directory and other core Microsoft products to service critical aspects of their business, Microsoft has built a more seamless integration experience between its product line and Azure. More importantly, an 'Enterprise Agreement' with Microsoft entitles customers to receive discounts and significant incentives. While hybrid customers can maintain their on-premise data centers while reaping the benefits of flexibility and backup security in the Azure cloud.

2. PaaS Capabilities. Both Azure and AWS offer PaaS capabilities for virtual networking, storage, and machines. However, Azure gives stronger and faster PaaS capabilities which nowadays is more important part of Cloud infrastructure. Microsoft Azure PaaS provides application developers with the environment, tools, thus giving them building blocks which they need to build and establish new cloud services quickly. It also provides essential DevOps pipelines which are important for managing, monitoring, and continuously fine tuning those apps. With Azure PaaS, much of the infrastructure management is taken care of behind the scenes by Microsoft. Thus, you have 100% focus on innovation if you develop Azure PaaS solutions.

3. Scenario-Based Solutions, Advanced Developer Tools. Azure has the best environment and tools for development. Azure Developer Tools offer highly flexible and advanced facilities for implementation of applications for push notifications, streaming analytics, IoT deployments, and machine learning capabilities. With faster and stronger PaaS capabilities than AWS, it's easier for developers to design and deploy applications efficiently. Azure's IoT Suite provides solution accelerators such the Predictive Maintenance, an end-to-end solution for a business scenario that predicts the point at which a failure is likely to occur, and Remote Monitoring which implements an end-to-end monitoring solution for multiple machines in remote locations.

4. Data and Secured Service Offerings. Azure protects your data, services, and applications based on Security Development Lifecycle, an industry-leading assurance protocol. Microsoft has been a leader in security for years. Microsoft was the first to conform to ISO/IEC 27018, the only international set of privacy controls in the cloud. Azure also provides comprehensive coverage with more than seventy compliance offerings and is contractually committed to GDPR. Azure's development methodology was formed with privacy, compliance, and security in mind. As a result, Azure is the cloud option that is most trusted by US governmental agencies. In addition, Microsoft recently announced Azure Data Share, a new service designed to make sharing big data among organizations "easier" and "safer."

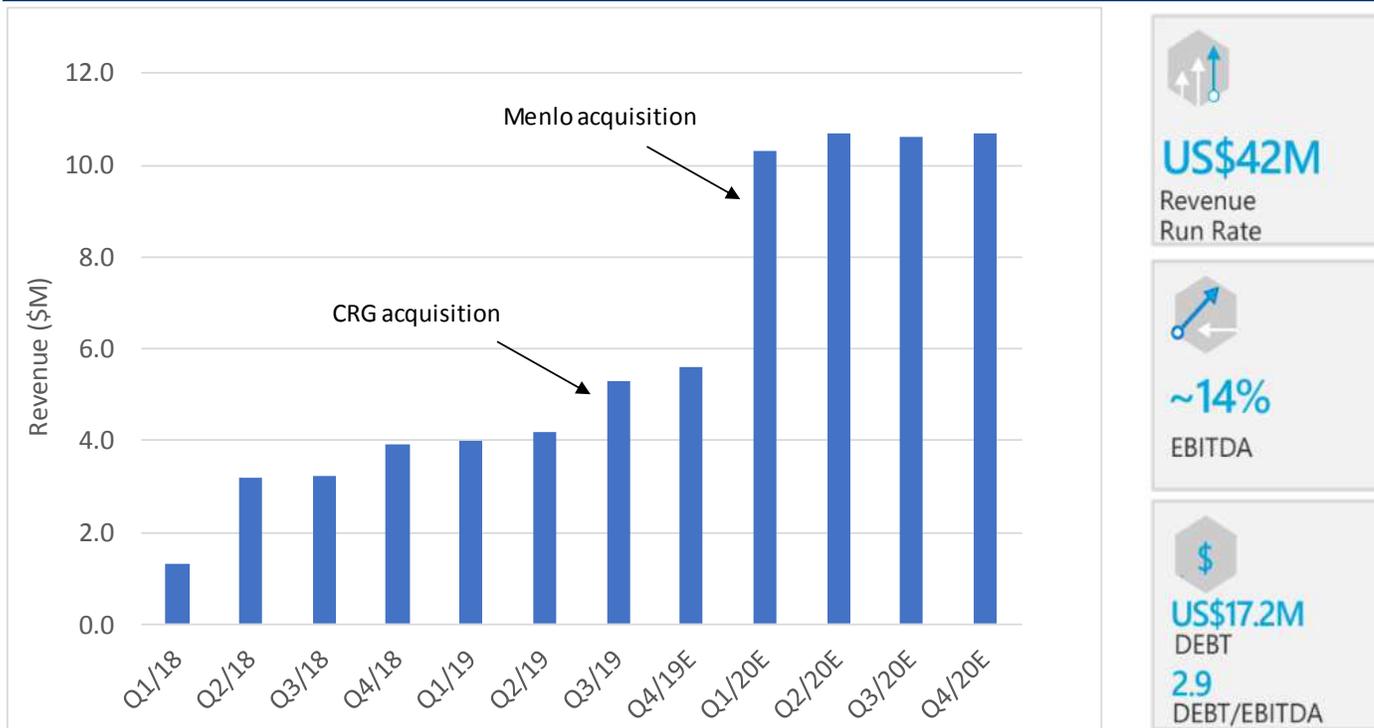
5. Compatible with .Net. Azure's compatibility with the .Net programming language is one of the most useful benefits of Azure over AWS. Azure has been built and optimized to work consistently with both old and new applications developed using the .Net programming framework. Azure natively runs .Net apps, without having to spin up a virtual server running IIS. Visual Studio will publish apps directly into Azure and run via a feature called Azure Web Apps, which is a serverless, load-balanced, auto-scaling and auto-patching IIS platform. It is much easier and straightforward for enterprises to move their Windows apps to Azure Cloud as opposed to AWS or others.

6. Hybrid Solutions. Microsoft has been the early leader in hybrid deployments. They embraced the idea early on that individual enterprise customers will move to the cloud at different stages. Unlike with AWS, hybrid apps can be developed on Azure which can take advantage of the resources available within datacenters, at the service provider's end, or within Azure itself. Azure also provides a broader range of hybrid connections including virtual private networks (VPNs), caches, content delivery networks (CDNs), and ExpressRoute connections to improve usability and performance.

FINANCIALS

The combined company heading into 2020, will have 300+ employees, with a rev/EBITDA run rate of US\$42M/US\$5.9M (without any revenue synergies). Post the Menlo deal, QUIS will have ~US\$17.2M in debt, for a Debt/EBITDA ratio of 2.9x – which is manageable in our view, and leaves room for further acquisitions in the second half of the year.

Exhibit 5 – Revenue Estimates Show CRG and Menlo Impact (Without Revenue Synergies)



Source: FactSet, Consensus estimates

Exhibit 6 – Capital Structure

Share Price (C\$)	\$ 0.27	Warrants Outstanding	2.5M @ C\$0.35 expiry (Mar 2022)
Shares Outstanding(M)	109.8		19.5M @ C\$0.35 expiry (Dec 2022)
- Insider/Officers	36%		12.3M @ C\$0.50 expiry (Mar 2020)
Warrants Outstanding (M)	34.3	Stock Options Outstanding	0.7M @ C\$0.35 expiry (April 2023)
Stock Options/RSU's (M)	8.3		0.5M @ C\$0.35 expiry (Feb 2020)
Shares Convertible	2.1		0.3M @ C\$0.15 expiry (Aug 2024)
Debt (C\$, M)	\$ 22.9		1.2M @ C\$0.20 expiry (Dec 2024)
Convertible Debt *	\$ 13.0	Restricted Stock Units (RSU's)	6.1M
Market Cap (C\$, M)	\$ 29.6		
Enterprise Value (C\$, M)	\$ 65.5		

* Convertible Notes C\$6.5M @ C\$0.20 and C\$6.5M note with 19.5M detachable Warrants @ C\$0.35

Source: Company Documents, FactSet

VALUATION

On consensus estimates, QUIS is trading at a 2020E EV/Sales of 1.0x versus its North American IT Services comparables trading at 1.8x. On 2020E EV/EBITDA, QUIS is trading at 6.7x vs the comps at 13.1x. Assuming industry average revenue per employee of US\$150K-\$200K, QUIS should be able to drive US\$45-60M in revenue and \$7-10M in EBITDA (with no further acquisitions), which should support a US\$100M enterprise value using the industry multiples above.

Given Microsoft's dominance in the enterprise space, the company is well-positioned for significant growth in 2020 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. Given the heavy focus and investment on the Azure platform by Microsoft, QUIS is inherently expected to benefit greatly into the future.

Exhibit 7 – Comparable Set of North American IT Services Providers Suggests QUIS Undervalued

	Ticker	Price	Mkt Cap.	LTM Rev	EV/Sales			EV/EBITDA			P/E		
		(Local)	(US\$, M)	(US\$, M)	2018	2019	2020	2018	2019	2020	2018	2019	2020
Accenture Plc Class A	ACN	209.80	137,827	43,968	3.4	3.1	2.9	19.7	18.7	16.7	31.1	28.5	26.7
CGI Inc. Class A	GIB.A-CA	108.80	22,557	9,126	2.8	2.7	2.5	15.5	14.6	13.7	26.0	23.1	21.0
DXC Technology Co.	DXC	35.23	9,019	20,199	0.8	0.9	0.9	3.6	4.8	5.0	4.2	6.5	5.9
Leidos Holdings, Inc.	LDOS	99.48	14,083	10,787	1.7	1.6	1.5	16.2	15.1	14.5	22.7	19.9	18.3
EPAM Systems, Inc.	EPAM	217.40	11,954	2,166	6.5	5.2	4.3	34.4	28.6	23.1	49.6	40.6	33.7
Booz Allen Hamilton	BAH	72.67	10,201	7,088	1.8	1.6	1.5	17.7	15.8	14.5	26.3	23.1	20.6
CACI International Inc Class A	CACI	255.91	6,408	5,184	1.9	1.7	1.5	20.3	18.0	14.3	21.5	24.5	20.9
Science Applications International Corp.	SAIC	88.21	5,220	6,031	1.5	1.1	1.1	20.2	13.4	12.4	28.4	16.2	14.2
MAXIMUS, Inc.	MMS	74.97	4,797	2,887	2.0	1.6	1.5	13.2	11.7	10.6	22.4	20.2	18.7
ManTech International Corporation Class A	MANT	81.52	3,269	2,115	1.7	1.5	1.4	20.5	17.9	16.6	39.6	33.6	31.2
Conduent, Inc.	CNDT	5.98	1,263	4,650	0.6	0.7	0.7	4.7	6.1	6.5	5.7	9.6	10.2
ExlService Holdings, Inc.	EXLS	70.50	2,404	969	2.8	2.5	2.4	23.3	18.8	15.3	25.5	23.3	20.8
Perficient, Inc.	PRFT	46.69	1,523	552	3.2	2.9	2.6	21.3	17.2	14.9	29.4	22.7	20.0
Calian Group Ltd.	CGY-CA	38.60	306	343	1.0	0.9	0.8	12.0	11.0	9.2	18.6	15.2	16.6
Alithya Group inc Class A	ALYA	2.85	138	204	1.1	0.8	0.7	32.2	14.7	9.4	NM	NM	34.1
Averages:					2.2	1.9	1.8	18.3	15.1	13.1	25.1	21.9	20.9
Qusitive Technology Solutions, Inc.	QUIS-CA	0.27	23	19	NM	2.0	1.0	NM	NM	6.7	NM	NM	NM

Source: FactSet, Consensus estimates

SUMMARY

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\$42M/US\$5.9M. 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.

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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.

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