



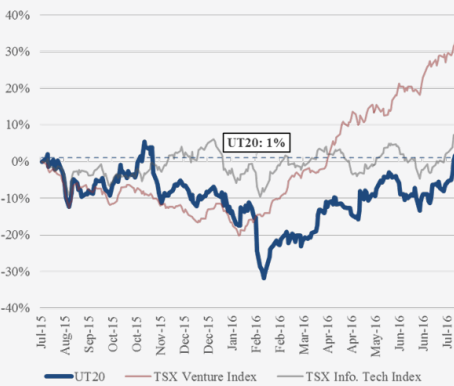
# Ubika Tech 20

August 2, 2016

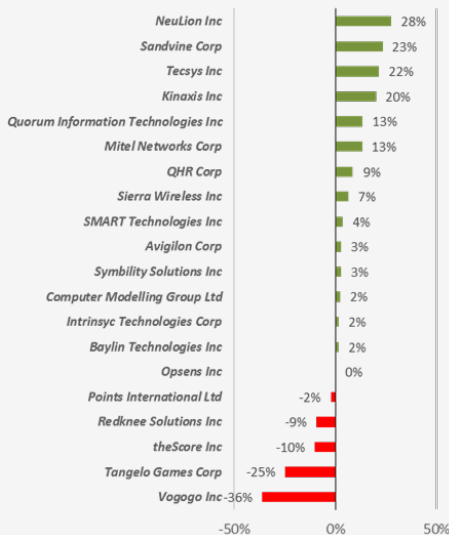
## Ubika Tech 20

Jun. 20, 2016 - Aug. 2, 2016

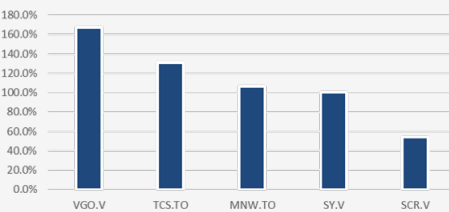
UT20: +10.9% (+1% Y/Y)  
 TSX Venture: +11.3% (+34% Y/Y)  
 TSX Info Tech: +4.9% (+6% Y/Y)



## Ubika Tech 20: Performance Distribution



## Top Volume Gainers (m/m)



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## Strong Tech Quarter Lifts the UT20 Over 10%

The Ubika Technology 20 Index appreciated in value by 10.6% since the last issue on June 20, 2016. Over the past year, the index has returned 1%, vs. the 6% from the TSX Info. Tech Index, year-to-date. Our stance on technology remains cautiously bullish. New technologies often grab a lot of attention and quickly become overvalued and later fall back down to earth. Once that happens, is when investors should look at the fundamentals and grab outstanding deals. Recent trends we've been noticing include virtual reality, artificial intelligence, 3D printing, and data processing.

### Industry Highlights

- It has been an outstanding quarter for mega-cap tech players. Most recently, Google's parent Alphabet and e-commerce behemoth Amazon.com capped a blockbuster second quarter for the five largest U.S. tech names. Facebook, Microsoft and Apple also continue to defy the law of large numbers as they all surged past expectations from Wall Street in terms of profit and revenue.
- Oracle agreed to a \$9.3 billion buyout of NetSuite, representing a 19% premium to the target's closing price. Larry Ellison, Oracle's chairman, is the largest stakeholder in both Oracle and NetSuite with 27% and 40% of the shares, respectively.
- One of the first giants of the Internet age – Yahoo, is no longer an independent company after Verizon's \$4.8 takeover. Factors like Yahoo Mail (used largely by seniors), Yahoo News, Yahoo Finance, Tumblr, match what Verizon has been aiming towards. Specifically, aside from being a wireless provider, they've acquired AOL and Huffington Post, meaning a Yahoo acquisition makes progress towards digitalization. Keep in mind that Verizon is not acquiring Yahoo's cash or humongous stake in Alibaba worth near \$28 billion, according to Oppenheimer.
- The worldwide hype with Pokemon Go initially brought Nintendo's stock up 50% as investors assumed they had a large stake in the game's financials. Once the game-maker announced minimal impact from Pokemon Go, shares dipped 30% in the span of a few days. While the hit game is reportedly earning \$2 million each day, investors are becoming more skeptical of how much Nintendo could benefit from it.
- Facebook continues to be leader in VR through Oculus, at least in terms of mindshare. The Oculus Rift headset is beginning to ramp up. For example, Marriot Hotels is using the headsets to showcase distant hotels to guests. The headsets went out to the public on March 28, 2016, for \$599.

### Upcoming Events

- The new iPhone 7 is expected to be revealed in early September. Accordingly to leaks, the release is the week of September 12th. Apple recently celebrated its one billion iPhones sold.
- Canadian player BlackBerry will be introducing its second Android handset, the DTEK50. The smartphone is being marketed as the "world's most secure phone."

## The Winners: Newly Introduced Constituents Top the UT20

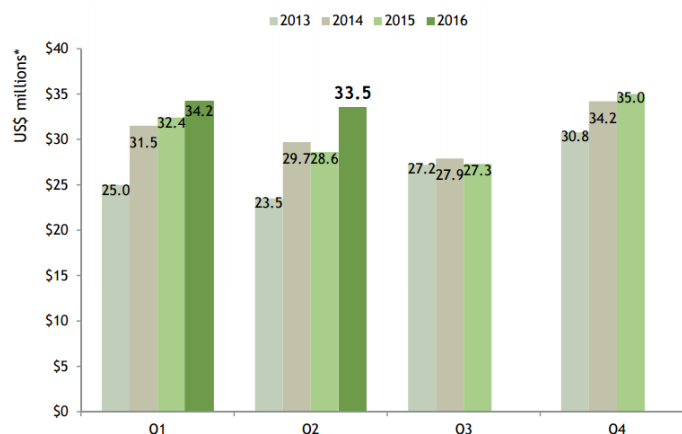
### Sandvine Corp (TSE:SVC)

Sandvine is in the business of developing and marketing Policy Control solution for communications service providers. Its services and platforms are bunched together to identify video steam such as: Netflix, and Voice over Internet Protocol (VOIP) traffic (i.e. Skype). Sandvine then uses this business intelligence to report on the data.

The Company, unlike many small caps, has fully profitable operations. What is more, its profitability has been sustained and positive for 15 consecutive quarters. The stock has jumped 23% since the last issue of the UT20 on June 20, 2016. Primarily, this was due to more record-breaking results:

- Sandvine brought in \$43.6 million in revenues, representing a 17% growth from 2Q15, a quarter that is historically known to be less ecstatic. Investors should also note that its wireless market seems to be gaining traction: the segment represented 69% of revenues, compared to 47% in 1Q16.
- The Company brought in 20 new customers in the quarter, diversifying its revenue base so that the largest customers account for less of the total figure. This is a significant feat for Sandvine as they convince investors of their growth.
- Another noteworthy diversification initiative is through their geographical segmentation. Compared to 1Q16, wherein 44% of revenue came from North American, Sandvine has increased international exposure so that only 30% in 2Q16 was derived from N.A.
- We also like Sandvine due to their extensive cash balance, which they have been building up constantly throughout the past two years. The Company has almost \$200 million in cash, signifying opportunities for strategic acquisitions or enhanced expansion programs.

Figure 1. Steady Revenue Growth Model



Source: Company Filings, Ubika Research

## Quorum Information Technologies Inc. (CVE:QIS)

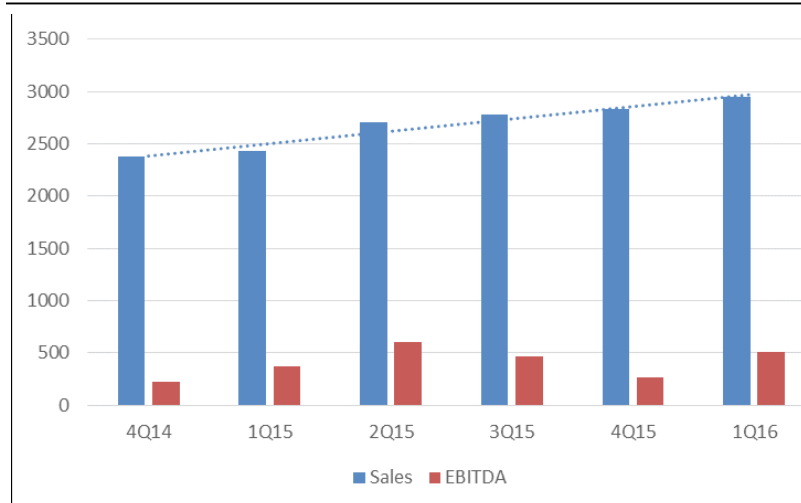
Quorum Information Technologies focuses on the auto retail business based in Canada and the U.S. The Company develops, markets, implements and maintains its Windows-based software product – XSELLERATOR, known as a dealership management system (DMS) for the auto market. The product is currently adopted by GM, Chrysler, Ford, Toyota, Hyundai, Kia, Nissan, Subaru, NAPA and Bumper to Bumper dealerships throughout North America.

Quorum has jumped in value by 13% since June 20, 2016.

We continue to like Quorum due to the following reasons:

- Quorum has a market size of roughly 325 dealerships that are currently utilizing its XSELLERATOR DMS. While the dominant DMS suppliers in North American have an 80% share in the market, there is still significant room for Quorum to advance. Specifically, there are approximately 20,000 franchised automotive dealerships across North America, 20% of that would constitute 4,000 dealerships. Less the 325 customers, and we come up with a relatively large market of 3,675 dealerships left for Quorum to capture.
- Aside from the one-time fee dealers pay for the XSELLERATOR DMS, Quorum derives a significant portion of its revenue from recurring support. We believe this to be largely the case due to its impressive cash flow from operating activities, which has been positive for the past seven years.
- Auto dealers, similar to many other industries, are constantly in search of efficiency. As such we believe the DMS industry is growing, as it can integrate more and more data onto the platforms. Dealership and customer management software, or DMS, are increasingly being adopted by dealers across North American with automated and seamless management across every department.

Figure 2. Quorum’s Steady Revenue (000s) Growth



Source: Company Filings, Ubika Research

## NeuLion Inc. (TSE:NLN)

NeuLion is a provider of digital video solutions for enterprises. The Company’s flagship product – NeuLion Digital Platform – is Cloud-based and allows for the delivery and monetization of digital video content. The Company’s solution suite also includes its DivX video software, which allows consumer electronics manufacturers to provide a video experience and upload onto a premium screen resolution.

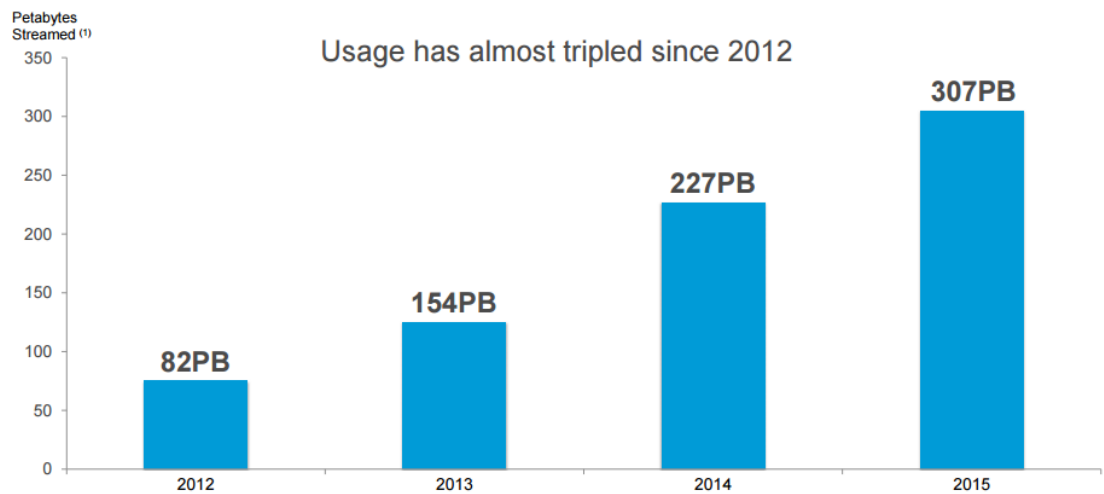
In addition to the delivery of live and on-demand video solutions, NeuLion offers solutions for Web publishing, electronic ticketing, donor management, e-commerce and advertising.

The Company has been ramping up its top-line figure: its most recent quarter recorded \$36 million in revenues, compared to \$27M for last year’s quarter. Annually, the Company has witnessed its revenue grow by a 34% CAGR in the last three years. For the past two quarters, the Company has also produced a profit as a result of COGS growing at a slower pace than revenues, yielding a higher gross profit.

NeuLion offers its platform to two types of customers: 1. Content Owners like the NBA, NFL, Rogers, etc. and 2. Consumer electronics manufacturers like LG, Philips, Toshiba, Samsung, etc. Content owners find the platform almost as a necessity as it reduces complexities across the board. Mainly as a result of this and strong fundamental financials, the Company stock has surged 28% since June 20, 2016.

NeuLion was recently chosen to power the digital experience for the English Football League and its 72 club teams through 2023. The seven-year partnership with the English Football League (EFL) provides exposure into the European market.

Figure 3. NeuLion’s Usage Rate in Petabytes Streamed (1 petabyte = 1,000 terabytes)



Source: Company Filings, Ubika Research

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