



Ubika Tech 20

September 6, 2016

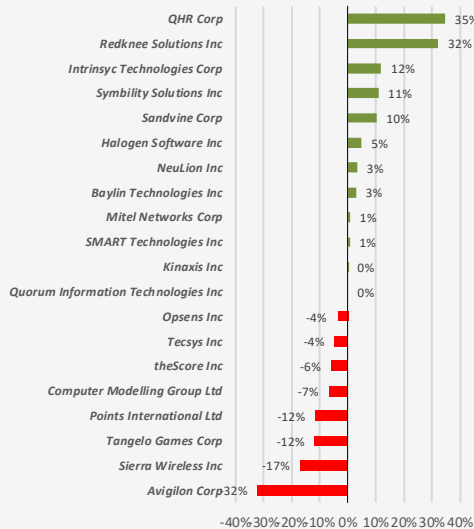
Ubika Tech 20

Aug. 2, 2016 - Sept. 6, 2016

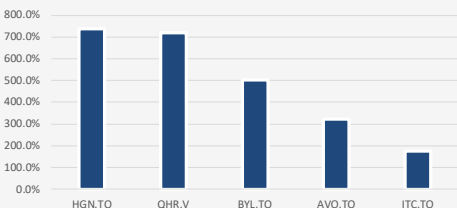
UT20: -5.1% (+11% Y/Y)
 TSX Venture: +0.7% (+47% Y/Y)
 TSX Info Tech: +2.7% (+11% Y/Y)



Ubika Tech 20: Performance Distribution



Top Volume Gainers (m/m)



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Better Times Ahead for Ubika Tech 20

The Ubika Technology 20 Index (UT20) has declined 5.1% in value over the past month, falling short of the TSX Information Technology Index's 2.7% gain and TSX Venture Index's 0.7% gain. However, this monthly volatility seems short lived, as the UT20 is up 11% over the past year, in line with the TSX Info. Tech's 11% rise.

Industry Highlights

- September is upon us, and in the tech world this means that Apple is ready to announce some news. Specifically, the tech giant has booked a keynote presentation for September 7th, with consumers anticipating the release of a set of new phones, and maybe even new laptops.
- Speaking of consumer tech, another product launch is expected to be announced from the gaming giant out of Japan, Sony. In one of the most convoluted stories, leaked images of new PlayStation 4 systems surfaced at major news outlets, depicting a PS4 slim model as well as a new Neo system. Instead of the Company coming out and putting the rumors to rest, they will simply wait until its September 7th PlayStation show.
- Open Text (TSE:OTC), one of Canada's largest tech names, is looking for deals and is exploring the possibility of larger acquisitions. The Company is planning at least \$3 billion in acquisitions by 2019 and raised US\$600 million in debt in May to help fund that goal. Open Text has spent almost US\$750 million on acquisitions in the past four months, and it's not stopping there.
- Amaya's (TSE:AYA) largest shareholder and CEO, David Baazov, has officially resigned his position at the online gambling company – four months after he took a paid leave to fight charges laid against him by Quebec's securities regulator. Rafi Ashkenazi, who was appointed as Amaya's interim CEO in March, was named Mr. Baazov's permanent replacement. Mr. Baazov previously decided against continuing on the Company's board of directors.
- Blockchain technology, as most well-known for implementing the digital currency - bitcoin, is getting attention and investment from a slew of financial companies, including Visa. According to a report by the Financial Times on Thursday (Sept. 1), Visa is taking initial steps toward changing the market for payments from one bank to the next by inviting lenders to try out a system for sending money over blockchain.

Index Highlights

QHR Corp. (CVE:QHR)

QHR, a provider of Electronic Medical Record software, is the top performer within the UT20 index, gaining 35% over the past month. Having gained 160% over the last 52-week period, the stock now trades at a market cap of over \$150 million, and is now a much-respected growth stock on the Venture exchange.

However, the stock will soon be out of everyone's reach, as the Company announced a definitive agreement to be acquired by Loblaw (TSE:L). Loblaw has agreed to acquire all of QHR's outstanding common shares for \$3.10 in cash per each QHR share, or approximately \$170 million in total. The acquisition represents a 29% premium to the 20-day volume-weighted average trading price of QHR's common shares on the TSXV, and 22% premium to the closing price of QHR's common shares on the TSXV, as of August 19, 2016. The actuation multiple represents roughly 5.7x sales, a high multiple considering the S&P 500 trades within the 1-2x range.

QHR is a natural complement for Loblaw, a trusted source of pharmacy and health and wellness solutions for patients and providers nationally. QHR is expected to operate as a distinct business within the Shoppers Drug Mart division of Loblaw, and remain headquartered in Kelowna, British Columbia. The transaction has the full support of QHR's management team, who have all agreed to continue with QHR in their current roles and be a part of Loblaw's broader pharmacy and healthcare group.

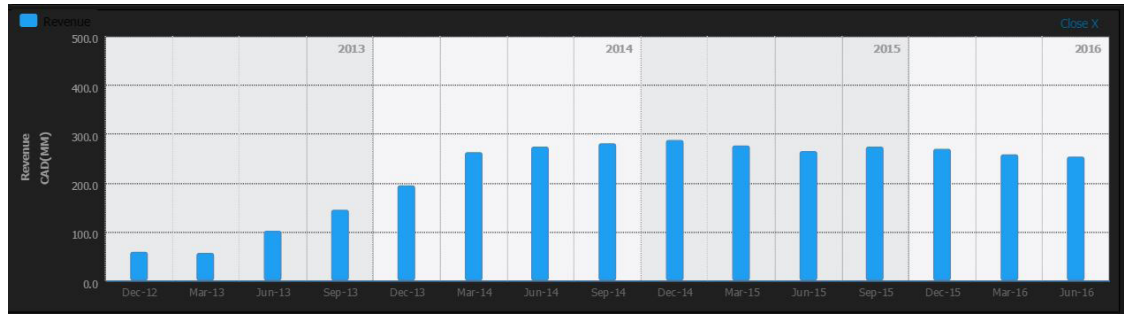
Today, QHR supports 7,700 healthcare providers, representing about 20% of EMR technology use nationwide. It will continue to develop its leading EMR platform and interoperability, and expand solutions for effective patient care and practice management.

Redknee Solutions (TSE:RKN)

In addition to QHR's acquisition news, there might be another company in the near future that may be taken out.

Redknee Solutions, a leading provider of real-time monetization and subscriber management software, announced on August 22nd that it has formed a special committee of independent members of the board of directors to consider various strategic and financing alternatives potentially available to the Company to enhance shareholder value, including a possible sale of the Company. As part of this process, the Company has engaged TD Securities Inc. as financial advisor.

Figure 1. Redknee Revenues



Source: Thomson Reuters

Redknee’s stock price has come down quite a bit since its 2013 highs of over \$7/share. The stock now sits at just over \$2/share, as the Company experiences a much tougher time hitting operational profitability and a mild decline in revenues.

New Addition: Halogen Software (TSE:HGN)

A new company is being added to the Ubika Tech 20, which will replace Vogogo. Unfortunately, Vogogo (CVE:VGO) has largely underperformed over the past year, plunging 86%, and falling below the UT20 index constituent guidelines.

Halogen Software has been selected as the replacement candidate. Halogen is a leading provider of cloud-based Talent Management solutions, primarily targeted at customers in the mid-market (organizations with 100 to 5,000 employees) level.

Figure 1. Redknee Revenues

Talent Management: Huge, Growing, Under-Penetrated Market



*100-10,000 employees
^Company estimates based on various sources and management’s calculations

Source: Company Presentation

With companies wanting to maximize engagement, alignment and performance of their top human talent, investment in performance and talent management solutions has increased over the years. This is where Halogen steps in.

The software as a service company was one of my personal top stock picks for 2016. Halogen boasts over 2000 customers worldwide, earning CAD \$92 million in revenue over the past 12 months. The market for talent management is estimated at US\$15 billion globally, and is largely unpenetrated, as over 90% of organizations still have no talent management solution.

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