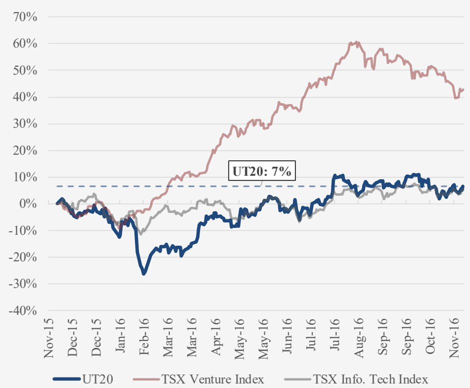
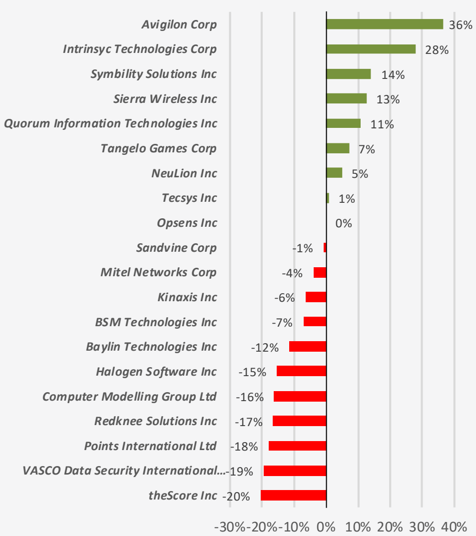
Ubika Tech 20
Oct. 11, 2016 - Nov. 21, 2016

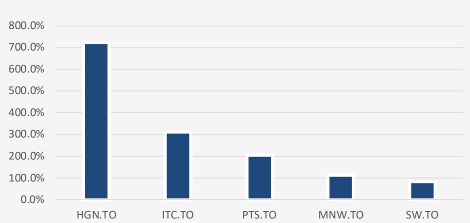
UT20:	-3.9% (+7% Y/Y)
TSX Venture:	-4.5% (+43% Y/Y)
TSX Info Tech:	-1.6% (+5% Y/Y)



Ubika Tech 20: Performance Distribution



Top Volume Gainers (m/m)



Alex Cutulenco | Analyst | Gravitas Financial Inc. | alex@gravitasfinancial.com | 1 (416) 992-6731
David Bar | Analyst | Gravitas Financial Inc. | dbar@gravitasfinancial.com | 1 (647) 284-8485

Ubika Technology 20 Index is Down with the Market, But a New Company is Added!

It hasn't been a positive reporting period as the Ubika Technology 20 and its two benchmarks are all slightly down over the period of October 11th and November 18th, 2016. The UT20 Index is off 3.9%, while the TSXV dropped 4.5%. The TSX Information Technology Index, however, was just on the negative side of 1.6%.

That being said, it was a busy time for acquisitions in the space as Loblaw's acquisition of the medical records company QHR Technologies closed and GE acquired the Vancouver-based private company Bit Stew. With QHR being acquired and delisted, we welcome BSM Technologies Inc. (TSE:GPS) to the UT20!

Industry Highlights

- After the market thought that David Baazov had been taken out of the equation upon pending allegations of insider trading, he came back with a $3.5 billion takeover bid in an attempt to take online gambling giant Amaya private. The $24 per share deal represents a 30% premium on the current stock price and is financed by four separate funds. The funds backing the deal are Head and Shoulders Global Investment Fund SPC of Hong Kong, Goldenway Capital SPC of Hong Kong, Ferdyne Advisory Inc. of the British Virgin Islands and Dubai-based KBC Aldini Capital Ltd.
- Canadian startup Bit Stew Systems, which operates in the Industrial Internet of Things (IIOT) space has been purchased by GE, in a deal valued at USD$153mm. This deal marks one of the largest exits of a venture-backed company in Vancouver.
- The Canadian Venture Capital & Private Equity Association CVCA released their Q3/2016 report. The quarter was highlighted by the $203mm that was invested in 40 deals bringing the YTD total to more than $659mm (over 115 deals), which represents a 31% increase over the same nine-month period in 2015.
- Cannabix Technologies Inc. has released the first pictures of its Cannabix Marijuana Breathalyzer Beta 2.0. The device, which detects trace levels of THC on a user's breath, will soon be heading into field testing to determine its effectiveness.
- As Loblaws' acquisition of QHR Technologies was completed during this time period and QHR shares effectively delisted, we welcome a new Canadian tech company into the UT20: BSM Technologies Inc. (TSE:GPS). The acquisition saw Loblaws purchase QHR shares for $3.10/ share, giving shareholders a 22% premium as of the closing price on August 19th, 2016.

Upcoming Tech Events:

- CIX: November 21-23rd, 2016 @ MaRS Discovery District, Toronto
- RAI$E: at the Grey Cup: November 24th, 2016 7:30am-6:30pm @ Sheraton Centre

Notable Performers

Intrinsyc Technologies Corporation (TSE:ITC)

Intrinsyc Technologies Corporation (“ITC”) is a product developer, providing software, engineering services and integrated solutions for mobile, embedded and Internet of Things (IoT) devices. Upon news of continued profitability, and new supplier agreements, ITC climbed 27.8% during this reporting period, taking one of the top spots on our Ubika Technology 20 Index.

With the release of ITC’s financial statements on November 3rd, covering the three and nine months ending September 30th, 2016, the Company continues to show that its growth and profitability are here to stay. For the quarter, revenues jumped 20% to USD$4.1mm over the same period last year and its net income grew substantially from a USD$20,936 loss in Q3 of 2015 to a profit of USD$362,048 for Q3 of 2016. This brings ITC’s nine-month net income to over USD$1.4mm for 2016 compared to an USD$81,112 loss for the same period in 2015. As the quarter ending September 30th marks the fourth-straight period that ITC has posted profits (Figure 1, below), this provides positive sentiment towards the future prospects of the Company, as you can say with more certainty that this is a trend and not a one-off.

Figure 1: Snapshot of ITC’s quarterly Performance taken from Reuters

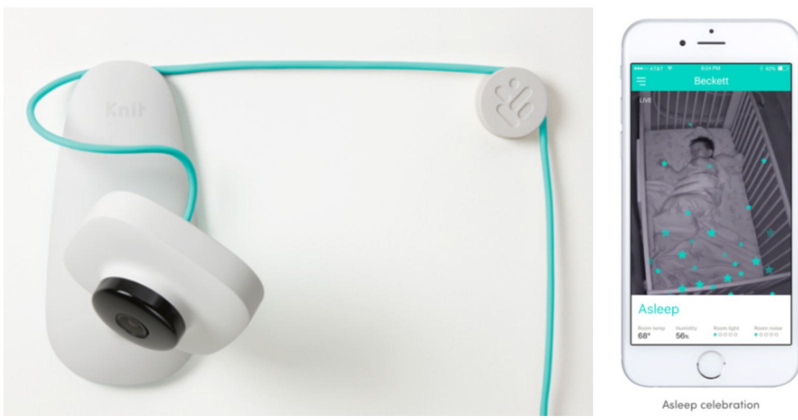
	2016			2015			
	Sep-2016	Jun-2016	Mar-2016	Dec-2015	Sep-2015	Jun-2015	Mar-2015
Earnings Quality Score	78	67	42	90	19	13	12
Period End Date	30-Sep-2016	30-Jun-2016	31-Mar-2016	31-Dec-2015	30-Sep-2015	30-Jun-2015	31-Mar-2015
+ Revenue	4.07	4.81	4.28	4.04	3.38	2.87	2.26
Other Revenue, Total	--	--	--	--	--	--	--
Total Revenue	4.07	4.81	4.28	4.04	3.38	2.87	2.26
Net Income	0.36	0.60	0.49	0.81	(0.02)	0.27	(0.33)

Source: Thomson Reuters

This trend is also likely to continue as ITC had record bookings during Q3, totaling more than USD$1.8mm on five new development agreements. Not only that, but currently in Q4, ITC announced that it had received a follow-up order from an existing client of USD$572,000, bringing orders from that client up to USD$1.2mm in the last 60 days. The orders are for its Open- QTM embedded computing modules, with delivery expected over the current quarter and Q1 of 2017. These large order bookings from new and existing customers is truly the best indicator for future growth as it provides substantiated evidence that the products ITC produces are superior to others on the market. As more companies start to use these products, you can expect revenues and bottom-line profits to continue to expand as the announcement of continued follow-on orders is the best form of marketing that a company can have, simply because it proves that what they have works.

In addition, another potentially large revenue and profit booster for the Company was announced on November 3rd, as ITC entered into a supply agreement with the innovative IoT health provider Knit Health Inc. The agreement is for Knit Health to use ITC's Open- QTM 410 System on module in its new HD camera baby monitor (Figure 2, below). The monitor, using a camera along with a learning system will analyze the baby's position, breathing and sleep throughout the night without any wearables. What is great it that this model is fully adaptive to monitor an adult as well and, I'm assuming could be used for medical purposes if someone suffers from sleep-related illnesses. We are unsure of just how big this will be for ITC, however if the fact that the Knit's deliverable units for March 2017 are already sold out, and they are taking pre-orders for April is any indication, I'd say it could become a substantial recurring revenue stream.

Figure 2. Knit Health's HD baby camera with smartphone interface



Source: Company Presentation

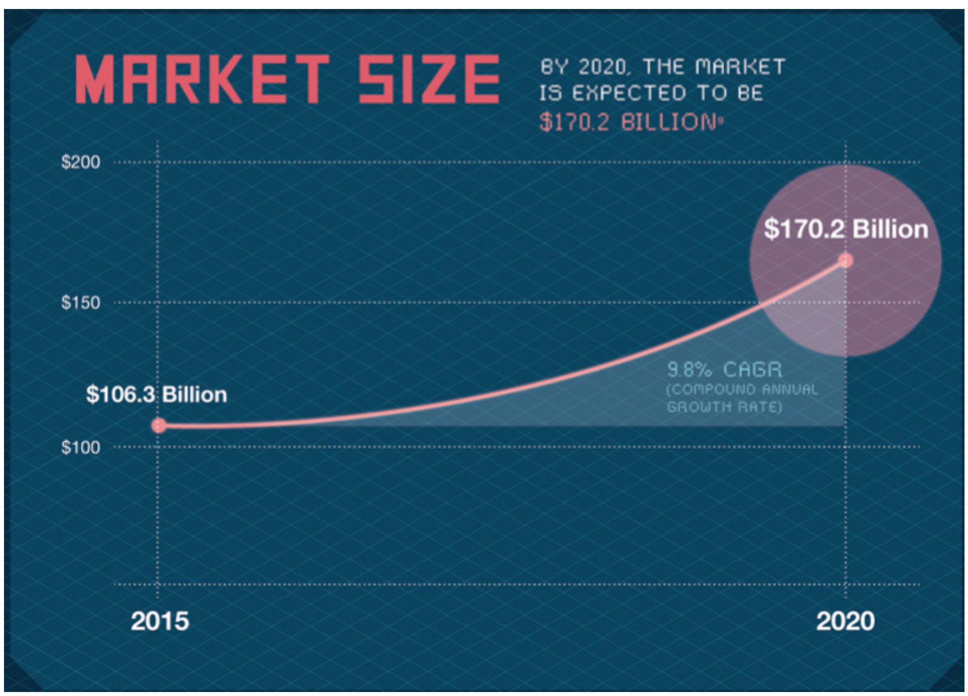
ITC is currently set up to continue growing and doing so organically without the need for additional outside funding. With over USD$4.5mm in the bank, and the current average net cash burn of only USD$460,114 over the past three quarters, due to the purchase of short-term investments totaling USD$1.9mm, ITC has access to significant cash resources for its current operations and any short-term expansions. Trading at an Enterprise Value to Revenue (EV/Rev) multiple of 1.6x compared to a peer median of 2.7x, and having positive net income makes certain for us that ITC is undervalued at this point and represents a good opportunity.

Sandvine Corporation (TSE:SVC)

Sandvine Corporation ("Sandvine") develops and markets network policy control solutions for communications service providers, creating both hardware and software products. Sandvine's stock value was relatively flat over this period at -0.6%, but there was some interesting revelations towards the end of the reporting period that we feel set the Company up for growth.

As the world becomes increasingly connected, we also become increasingly vulnerable to malicious attacks from individuals trying to steal important and confidential information. Sandvine announced on November 8th that its Network Security Product has a new feature enabling communications service providers to better protect their infrastructure. The feature appropriately called QuickSand, has the capability to respond to malicious attacks by using "decoy and deception" techniques to falsely let the program think it is progressing while the attack is being mitigated. According to Cyber Security Ventures, the cyber security market is expected to grow to over USD$170 billion annually by 2020 (Figure 3 below), opening up growth potential for Sandvine as its feature is tested and proven by network providers globally.

Figure 3. Growth of Cyber Security Market from 2015-2020



Source: Visual Capitalist

Recently, Sandvine won an order valued at over $6mm from a converged fixed/mobile communications service provider in its Europe, the Middle East, and Africa sales region. The order is an expansion of its existing deployment for the customer and includes Sandvine's PTS 32000 series platform to control traffic and licenses for OutReach, a tool used to build and manage subscriber engagement initiatives. As stated before, order expansions are a great marketing tool for validating the effectiveness of a product and if these continue for Sandvine could lead to more interest from global communications providers.

Another news release that supports our expectation for future value growth in the stock is that on November 3rd, the Board of Directors approved a normal course issuer bid (NCIB) to buy back over 12.5mm common shares over the next year. This NCIB represents approximately 10% of the public float currently in circulation. When management enters into a share repurchasing program it is generally a good sign of things to come. This is because management believes the Company's share price is undervalued and represents a strong opportunity to drive value back to its shareholders.

Regardless of the fact that Sandvine's results for Q3 ending August 31, 2016, missed Wall Street's EPS estimates of $0.03/share, coming in at $0.01/share and net income decreasing by 50% compared to the same period in 2015, it has created a unique opportunity for investors to capitalize on. The Company is still generating significant cash flow from operations to support its ongoing efforts to expand its product offering and Sandvine has been reducing its share count significantly over the past nine months. Having repurchased and cancelled over 11.6mm shares, all funded by cash flow from operations, and plans to repurchase another 12.5mm shares over the next year, shareholder value will be amplified moving forward as Sandvine's earnings gets back on track. As the market cap of Sandvine is still down 20% from its September high, the stock is currently trading at an EV/Rev multiple of 1.7x compared to a peer average of 2.7x, and if you look at the historic cyclicality of Sandvine's stock price, you can surmise that the value of the stock is heading for an upswing as business kick starts again after the summer.

New Addition: BSM Technologies Inc. (GPS.TO)

BSM Technologies Inc. ("BSM") is engaged in the development and rollout of hardware and software solutions for asset tracking worldwide, so companies can monitor aspects such as but not limited to; telematics, fuel and maintenance, compliance, routing, and scheduling. So far, year-to-date BSM Technologies has seen its stock value increase by approximately 35%, and is on its way to achieving the forecasted revenues and synergies from its merger with Webtech last October. For these reasons and the growth opportunity that lay ahead for this market is why we have chosen BSM as an addition to the Ubika Technology 20 Index.

As of the release for the quarter ending June 30th, 2016, BSM Technologies had hit revenues of $44mm for the nine-month period, which puts it on pace to hit the $58mmm in revenues projected last October. Not only that, but CEO Aly Rahemtulla has also announced that they have realized almost $4mm in annualized synergies in the quarter, which keeps the Company on track to hit the target $4mm to $5mm within the first 18-months. These are extremely positive results for BSM and is truly a testament to the strength of BSM's management, who will continue to drive the success and what we think is the eventual profitability of the Company. It is estimated that between 70-90% of mergers do not create the value that is forecasted, so for this merger to not only be bearing fruit early, but producing what was forecasted, is a big deal.

In addition, BSM has a strong business model as it not only sells the hardware to monitor machines, but has the capabilities and software offering to retain customers on a subscription basis, providing recurring revenues. Currently 66% of BSM's revenue, or $28.9mm, for the nine month period ending June 30th, 2016 is classified as recurring revenue generated from its client Application Service Provider (ASP) fees (Highlighted in Figure 4 below). These recurring revenues are on a contractual basis that extend on average for 36 months, and also represent the largest gross margin of the three types of revenues at a 72% margin. This type of business model supports a more consistent revenue stream and doesn't leave the Company open to the large cyclical nature that can plague companies that solely manufacture and sell hardware and are reliant on continually booking large purchase orders, which offer smaller margins.

Figure 4. Overview of BSM Financial Performance for Period ending June 30th, 2016

	Three months ended June 30				Nine months ended June 30			
($ thousands)	**2016 ($)**	2015 ($)	Change	Change (%)	**2016 ($)**	2015 ($)	Change	Change (%)
Revenue								
Hardware revenue	**3,185**	2,201	984	45%	**11,905**	6,594	5,311	81%
Recurring revenue[ii]	**9,058**	5,146	3,912	76%	**28,918**	15,299	13,619	89%
Service revenue	**849**	356	493	138%	**3,209**	1,312	1,897	145%
Total Revenue	**13,092**	7,703	5389	70%	**44,032**	23,205	20,827	90%
Cost of revenue								
Hardware cost of revenue [i]	**2,291**	1,320	971	74%	**8,449**	4,391	4,058	92%
Recurring cost of revenue	**2,682**	1,736	946	54%	**8,136**	5,577	2,559	46%
Service cost of revenue	**889**	710	179	25%	**3,038**	1,817	1,221	67%
Total Cost of Revenue	**5,862**	3,766	2,096	56%	**19,623**	11,785	7,838	67%
Gross Profit								
Hardware gross profit	**894**	881	13	1%	**3,456**	2,203	1,253	57%
Recurring gross profit	**6,376**	3,410	2,966	87%	**20,782**	9,722	11,060	114%
Service gross profit	**(40)**	(354)	314	89%	**171**	(505)	676	134%
Total Gross Profit	**7,230**	3,937	3,293	84%	**24,409**	11,420	12,989	114%
Gross Profit Margin								
Hardware gross profit margin [i]	**28%**	40%	(12%)	(30%)	**29%**	33%	(4%)	(12%)
Recurring gross profit margin	**70%**	66%	4%	6%	**72%**	64%	8%	13%
Service gross profit margin	**(5%)**	(99%)	94%	95%	**5%**	(38%)	43%	113%
Total Gross Profit Margin	**55%**	51%	4%	8%	**55%**	49%	6%	12%

Source: Sedar Filings

There is also considerable growth opportunities for BSM to capitalize on moving forward. Markets and Markets estimates that the Fleet Management Industry alone is expected to be worth USD$27.9billion by 2021, which creates a large opportunity for BSM to expand its international presence.

When looking at BSM Technologies, they are on the verge of turning their operations profitable and will most likely be able to do so without the help of outside funding moving forward. As of the quarter ending June 30th, 2016, they had $22.3mm in cash on hand, to only $10.7mm in current liabilities, which shows they can cover all upcoming obligations. In addition, although BMS's net income is currently negative, its operations provide positive cash flow, while investing activities have only consumed cash because management is buying back and cancelling shares, which increases shareholder value and ownership. Finally, BSM posted a net loss of just $161,717 for the period ending June 30th, 2016, compared to a net loss of $858,657 the prior quarter, as the Company continues to increase revenues and realize synergies, you could see BSM move out of the red as early as its Q4 results for 2016. Currently trading at an EV/Rev multiple of 2x, compared to the median of 2.7x amongst its peers, BSM represents a strong growth opportunity as we await the release of its year-end statements.

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