



# The MicroCap Conference

Toronto 2017 - June 29, 2017



The MicroCap Conference, Toronto  
June 29, 2017

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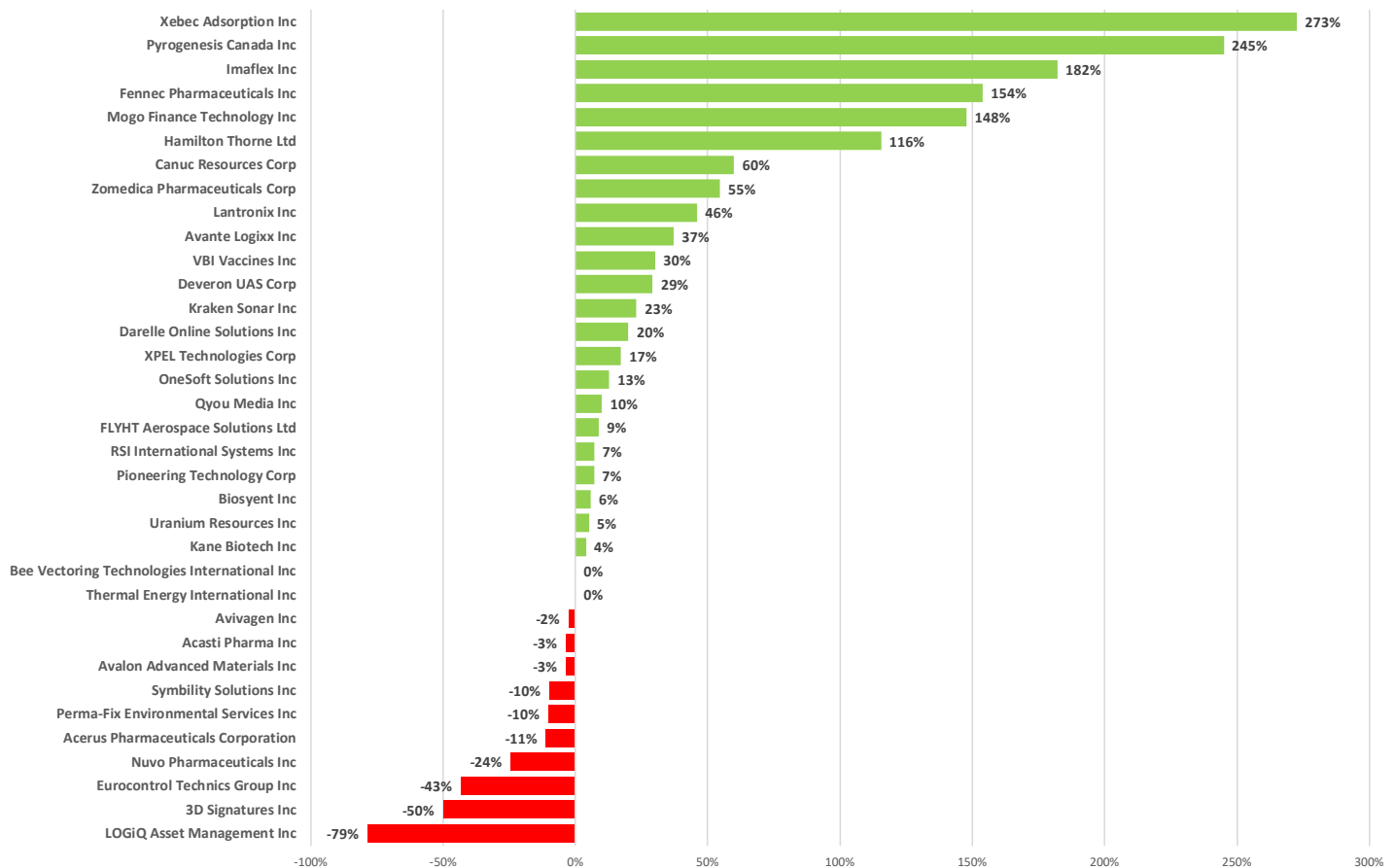
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## Insights & Overview

### In Brief

We attended The MicroCap Conference, which took place in Toronto at the Sheraton Centre on June 27th, 2017. The conference allured 35 small-cap Canadian public companies, 5 top-notch industry expert speakers, as well as ~100-150 attendees, including institutional and retail investors, fund managers, analysts, and other industry professionals. Overall, the event was very well organized, promptly followed schedule times, provided for some great connections and highlighted some small cap companies worth watching.

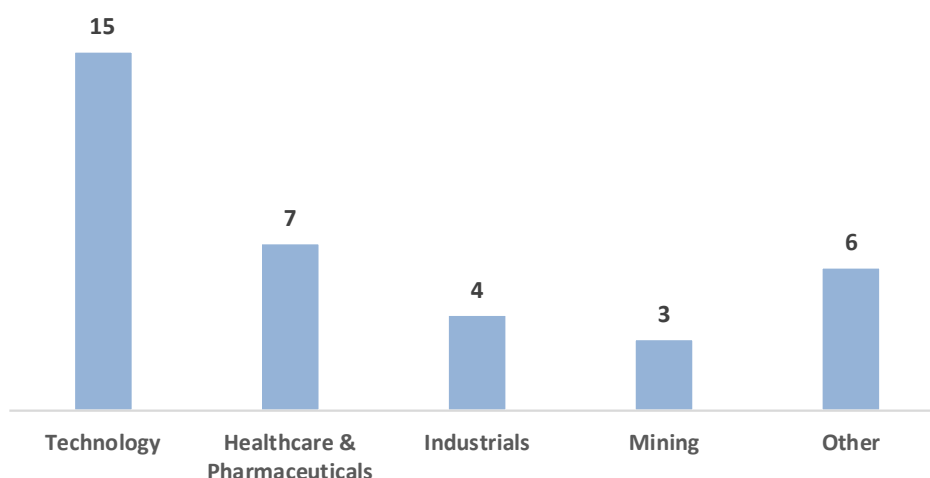
Figure 1: The MicroCap Conference Toronto 2017 - YTD Total Returns of Attending Co's



### Highlights:

- **Tech companies made up 43% of the 35 presenting companies**
- There was a focus on the world of data collection and analytics: *What aaS are you investing into?*
- Healthcare and Pharma: **still in its early stages**

Figure 2: Breakdown by Industry



Source: Ubika Research

## Insights & Outlook

### Data Collection, Analytics, and the World of aaS

The MicroCap Conference was predominantly outweighed by Tech and Healthcare companies, **aggregating to 63% of all presenting issuers. The 15 technology companies all had their own unique industry focuses**, including Aerospace, Energy, Financials, Insurance and Real Estate.

One theme that boldly stood out from many of the tech companies was the focus on data collection and analytics. In the growing field of IoT (Internet of Things), the access to data is helping their customers make actionable and intelligible business decisions. Once the customers recognize the value, service providers benefit from “sticky” customer solutions that lead to high retention rates and recurring monthly or annual revenues.

Some examples of this included:

- **OneSoft Solutions** – data collection and analytics within oil & gas pipelines
- **FLYHT Aerospace Solutions** – real-time data collection & analytics for the aircraft industry, providing flight tracking, aircraft health monitoring, fuel management, and

other value added services

- **Deveron UAS** – data collection of agricultural data utilizing drones
- **Kraken Sonar** – data collection of underwater infrastructure, and underwater mapping

Then there were other companies that operate within the IoT ecosystem, such as **Lantronix**, which supply gateways and other IT infrastructure, allowing ‘things’ to connect to each other; and **Eurocontrol Technics Group**, with its Xenemetrix division providing fuel markers for tracking & monitoring oil.

*Insights:*

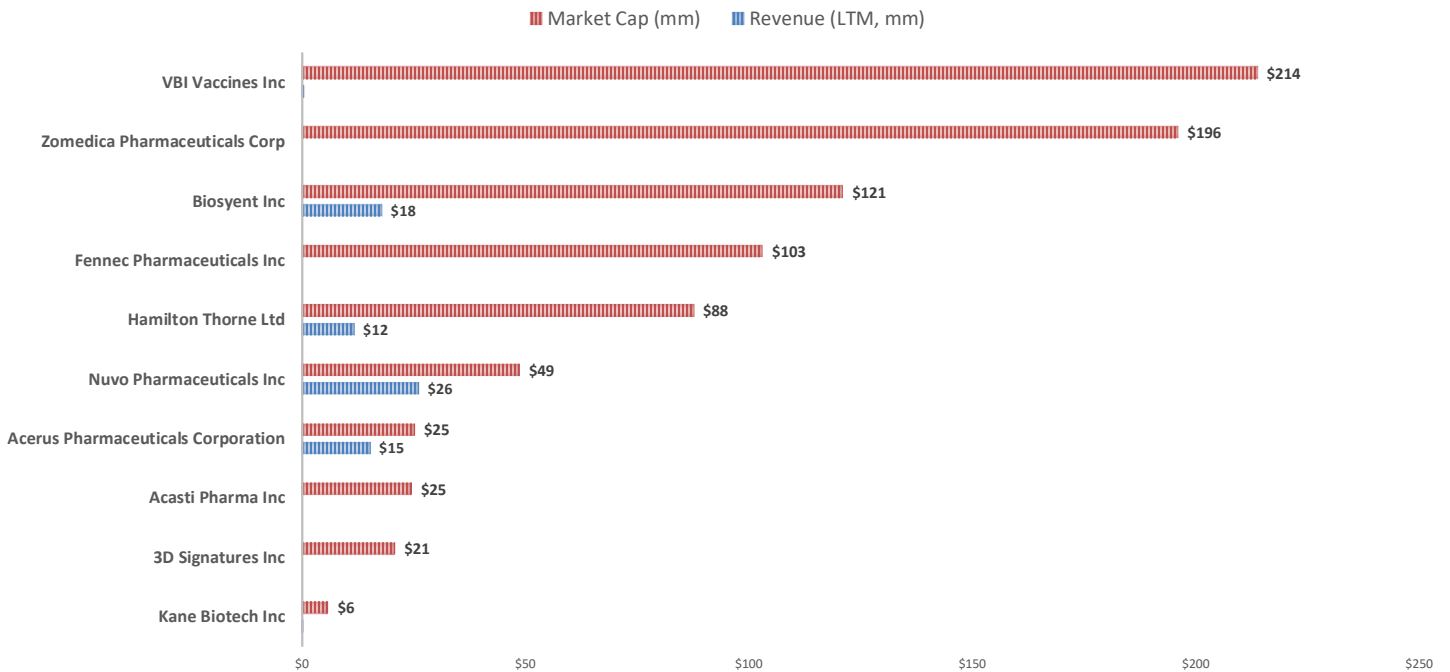
- **SaaS was a great keyword, but it is now being butchered** to various other acronyms such as DaaS (Data as a Service), RaaS (Robotics as a Service), Big data as a service (BDaaS) and others.
- **When it comes to data collection and analytics, we think the money will be in the “analytics”.**
  - Hardware companies command small valuation multiples (oftentimes trading at 1.0x sales, vs. the 5-10x multiple that software companies receive). Just look at Sierra Wireless (TSX:SW) trading at 1.3x LTM sales.
  - Hardware is becoming commoditized, and there are - many companies producing sensors/modules/equipment.
  - End-users would much rather pay for the data and analytics, rather than pay a huge upfront cost for hardware/infrastructure to collect the data themselves. We see this with Kraken Sonar (TSXV:PNG), having O&G clients rather pay for data analytics and mapping of their pipelines, rather than paying for the KATFISH itself.
  - Vertical Expertise will be a key differentiator when selecting an analytics vendor; domain knowledge will help drive value for customers
- **We expect data collection companies to integrate with data analytics companies,** via mergers & acquisitions.
  - In the case of Deveron (CSE:CD), collecting agricultural data is a key component of the total solution, however only the largest Ag companies would have their own analytics division so for the smaller farmers, the ability to process and analyze that data would offer a much more holistic benefit.
- **IoT data analytics industry hosts many various players,** with differentiation stemming from particular industry focuses. The Canadian small-caps that currently come to mind include:

- **Memex (TSXV:OEE)** is a data analytics company within the manufacturing industry
- **Carl Data Solutions (CSE:CRL)** is a data analytics companies within the water and waste water industries
- *We are sure there are other small players within this field. Further due diligence, on both the public and private sector, is required.*

### Healthcare and Pharma: still in its early stages

Looking at the 7 Healthcare & Pharmaceutical companies, along with 3 other HealthTech, we note that only 4/10 are making material revenues.

Figure 3: Healthcare & Pharmaceuticals, and HealthTech Co's - Market Cap. vs. Revenues



Source: Ubika Research

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