



# Ubika Tech 20

February 20, 2018

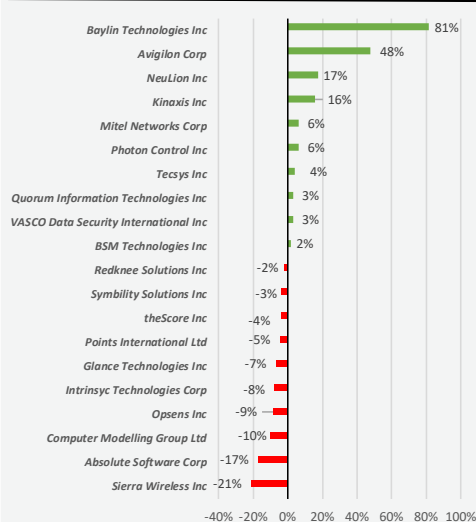
## Ubika Tech 20

November 6, 2017 - February 16, 2018

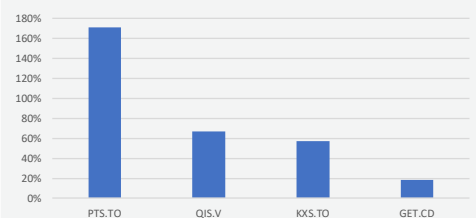
UT20: 4.7% (22.5% Y/Y)  
 TSX Venture: 4.3% (-1.6% Y/Y)  
 TSX Info Tech: 11.2% (23.9% Y/Y)



## Ubika Tech 20: Performance Distribution



## Top Volume Gainers (m/m)



All figures use price close as of February 16, 2018

**Chris Thompson** | Head of Research | Ubika Research | Chris@UbikaResearch.com | 1 (416) 574-0469  
**Patrick Smith** | Analyst | Ubika Research | Patrick@UbikaResearch.com | 1 (647) 444-5506  
**William Xiao** | Associate | Ubika Research | william.x@gicpartners.com | 1 (647) 828-4632

## Ubika Technology 20 Rises, Driven By Strong Earnings

The Ubika Technology 20 Index returned 5% since our last report dated November 6, outperforming the TSX-V but underperforming the TSX Capped Information Technology Indices, which returned 4% and 11%, respectively, over the same period. Notable performers for this report include:

1. Baylin Technologies Inc. (TSX:BYL), which soared 81% following strong quarterly results and the acquisition of Advantech's RF and microwave divisions.
2. Avigilon Corp. (TSX:AVO), which increased by 48% due to its pending acquisition by Motorola.
3. Kinaxis Inc. (TSX:KXS), which gained 16% driven by growing revenues and a new contract with Toyota.

## Industry Highlights

- **Intel (NASDAQ:INTC) rose 11% after its Q4/2017 earnings release.** The CEO of Intel said the Meltdown and Spectre vulnerabilities, hardware issues that could potentially expose users of most chipsets to hacking, will have no "meaningful impact" on hardware sales. Coupled with strong earnings, its share price climbed to a 17-year high.
- **Net Neutrality has been repealed.** The Federal Communications Commission has undone an Obama-administration policy preventing Internet Service Providers (ISPs) from throttling specific websites.
- **Facebook (NASDAQ:FB) is currently reworking its News Feed.** The Company wishes to provide more "meaningful social interaction" to its users, reducing the exposure of media outlets on the site.
- **Qualcomm (NASDAQ:QCOM) rejected an updated acquisition offer from Broadcom (NASDAQ:BRCM).** Broadcom has been pursuing an acquisition since November. After the rejection, Broadcom updated its US\$121 billion bid, including a US\$8 billion break fee and a fee for the length of the regulatory process. If the acquisition is successful, Broadcom would be the third-largest chipset manufacturer, behind Intel and Nvidia (NASDAQ:NVDA).

## Upcoming Conferences

- **IBM Think, March 19-22, Las Vegas, Nevada** – IBM Think focuses on new technology solutions for business. The conference features speakers from industry leaders, hands-on labs and workshops, and renowned entertainers.
- **Viva Technology, May 24-26, Paris, France** – With 68,000 attendees, 6,000 startups, and prominent speakers from around the globe, Viva Technology is the premier global tech conference

## Notable Performers:

### Baylin Technologies (TSX:BYL)

Baylin Technologies is a Canada-based tech company focused on creating antennas for mobile, networking and wireless infrastructure industries. The Company's stock price increased 81% following several financings, growing revenues, and the acquisition of Advantech's RF and Microwave division.

Baylin partners with Original Equipment Manufacturers (OEMs) to produce its antennas, jointly working on many projects simultaneously. The Company's mobile division produces antennas for mobile devices, which typically contain between three to seven antennas built into the handset. Its networking division creates antennas for Wi-Fi routers, home networking devices and land mobile radio products. Its wireless infrastructure division works with network carriers to produce distributed antenna systems to meet their requirements. Below is a list of its key customers by region.

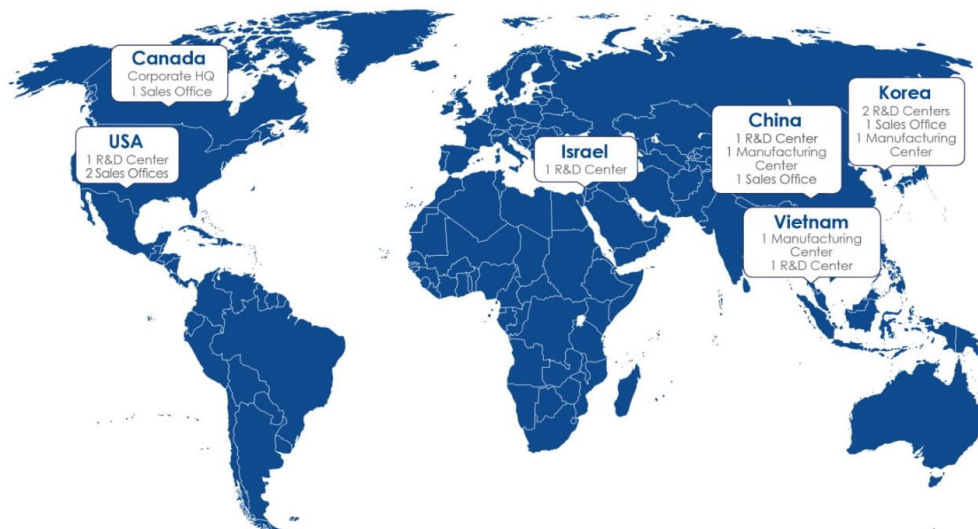
Figure 1: Baylin Technologies Key Customers by Region

| China    | South Korea | US Networking | US Wireless Infrastructure | Canada         |
|----------|-------------|---------------|----------------------------|----------------|
| Reliance | Samsung     | Cisco         | Verizon                    | Bell           |
| Foxconn  | AM Telecom  | Motorola      | Sprint                     | Telus          |
| Acer     | NT More     | Belkin        | AT&T                       | Rogers         |
| Videocon |             |               |                            | Freedom Mobile |

Source: Company Annual Information Form

From its production facilities in Asia, the Company produces 250M antennas per year, with the capacity to ramp up to 300M. The Company spends ~15% of its revenue on R&D from its research centres globally. Below is a map of Baylin's sales offices, R&D centres, and manufacturing centres.

Figure 2: Baylin Facilities Map



Source: Company Presentation

On November 1, Baylin announced a 21% Q3 revenue increase from the prior-year period, driving a 55% increase in its stock price over a two-week period. The stock then fell 13% following a November 16 announcement of a \$15M bought deal offering at \$2.35 per share. Its stock price rose 33% over December and the first half of January.

On January 17, the Company announced the acquisition of Advantech Wireless' Radio Frequency and Microwave Divisions for \$49M. To help finance the deal, the Company took a \$33M loan from Crown Capital Partners (TSX:CRWN). The Advantech divisions manufacture customizable RF and microwave products for highly-specialized communication markets. As Baylin has approved-supplier status, it can sell Advantech's products to its wireless infrastructure partners. The Company's stock increased by 17% since the announcement.

Baylin has an average price target of \$5.25. The Company has two Buy ratings and no Hold or Sell ratings.

### Avigilon Corp (TSX:AVO)

Avigilon is a Canada-based tech company focused on providing security solutions. The Company's stock price has risen by 48% since our last report date, driven by strong quarterly results and its pending acquisition by Motorola Solutions (NYSE:MSI).

Avigilon's primary offering is its video surveillance technology. The Company sells HD cameras and video analytics software. Avigilon offers 11 series of cameras ranging from 1 to 30MP. These cameras are all pre-installed with Avigilon Control Center, the Company's security managing system. Avigilon Control Center can manage cameras, record and review live and recorded video, conduct video analysis, and integrate the system with analog cameras. Avigilon's analytics include person identification, behaviour recognition, facial and vehicle appearance search, and automatic licence plate recognition. The Company also sells IP access control technologies.

The Company owns 765 international patents, and licenses many of them to industry partners. The majority of Avigilon's revenue is from the U.S. (58%). The Company continues R&D on cameras and video analytics, releasing new camera models and updated analytics software. The Company produces its cameras out of two manufacturing facilities in Richmond, British Columbia, and Plano, Texas. Below is a map of Avigilon's facilities.

Figure 3: Avigilon Facility Locations and Personnel Stats



Source: Company Presentation

The Company's stock price gained 10% after its November 7, Q3 2017 earnings showed a 13% increase in revenue from the prior-year period. Avigilon stock continued to rise 15% until February, as the Company announced a number of large retail security contracts.

On February 1, Motorola Solutions Inc (NYSE:MSI) announced the acquisition of the Company for US\$1 billion in cash at \$27.00 per share, an 18% premium. Motorola plans to integrate Avigilon's security solutions into its portfolio of communications technologies for commercial customers. Following the announcement, the Company's stock price rose 18%.

The Company has an average price target of \$26.88, in-line with the current price. The Company has 3 Buy ratings, 4 Hold ratings, and no Sell ratings.

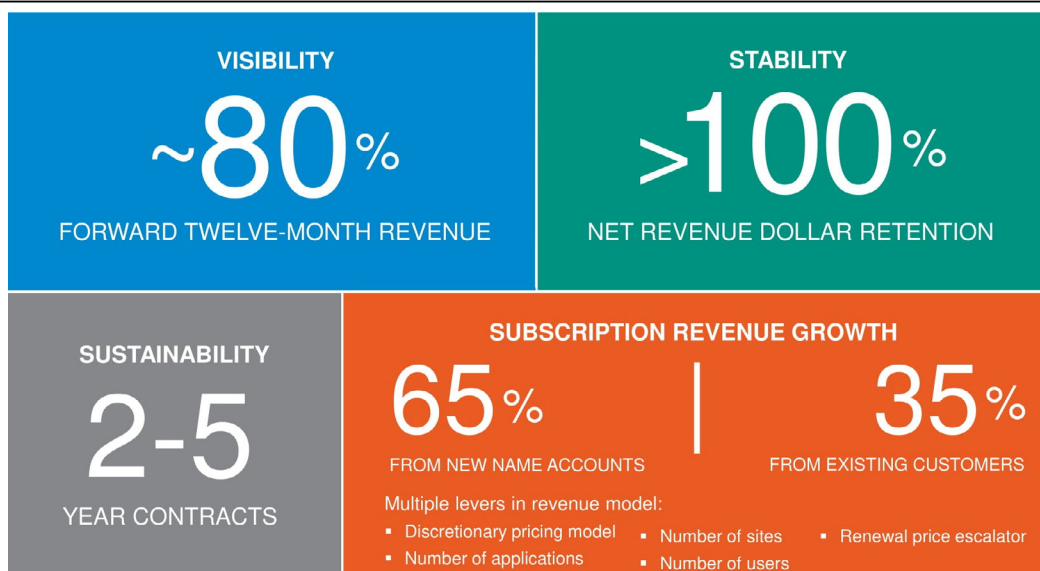
### **Kinaxis Inc. (TSX:KXS)**

Kinaxis is a Canada-based tech company focused on supply-chain solutions. The Company's stock has risen 16% since our last report date, driven by strong quarterly results and a new contract with Toyota.

The Company's primary offering is RapidResponse, an integrated supply chain system. The platform includes supply and demand planning, inventory management, order fulfillment, and capacity planning, all through a cloud-based company network. RapidResponse's integrated systems utilize data systems to provide a data and analytics model of the whole supply chain, enabling simple overview and simulation of supply-chain effects. The system reduces inventory costs and accelerates product delivery. Customers can configure the product suite to suit their needs.

The Company uses a subscription-based model for RapidResponse, with 2-5 year contracts and an initial subscription fee. The Company has a high customer retention rate, allowing it to maintain strong revenues from existing customers. Below is a summary of revenue source metrics.

Figure 4: Kinaxis Revenue



Source: Company Presentation

Kinaxis serves 100 customers across six industries. About 89% of its consolidated top-line is derived from its North American operations. The Company aims to expand its presence in the Asian and European markets. Approximately ~75% of the Company's revenues are derived from subscriptions to RapidResponse, and

the remaining 25% comes from professional services rendered primarily to new customers.

On November 1, Kinaxis announced that its Q3 2017 revenue had increased 12% from Q3 2016, leading to a 13% rise in its share price. The Company's previous earnings were worse-than-expected, and had caused a 19% drop in the Company's stock and a series of analyst downgrades.

On January 23, Kinaxis announced that Toyota Motor Corp. (NYSE:TM) had purchased KSX's RapidResponse system. Following the announcement, the Company's stock price increased 9%.

Kinaxis has an average price target of \$86.92, representing a 4% upside. The Company has 11 Buy Ratings, 2 Hold ratings, and no Sell ratings.

## Upcoming Catalysts:

**Artificial Intelligence (AI) technologies continue to advance.** The U.S. House IT subcommittee is starting a series of congressional Congressional hearings on the effects of the technology, including testimony from industry experts from Intel and NVIDIA. While the technology is still developing, AI could significantly increase analytical speed and problem-solving capabilities of many industries.

**New European Union privacy regulations will become binding on May 25.** The regulations aim to strengthen and harmonize data protection rules across the EU. Companies must gain assent for each term separately, and must delete any data it has collected on the individual on demand. Facebook is reworking its privacy settings again.

**Lawsuits against the Federal Communications Commission have been filed by various groups.** About 21 state State attorney Attorney generals Generals have filed suits, stating the net neutrality repeal was "arbitrary and capricious." In addition, Free Press and Public Knowledge, two public interest groups, have filed. If successful, net neutrality rules could be reinstated.

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