# Ubika Tech 20

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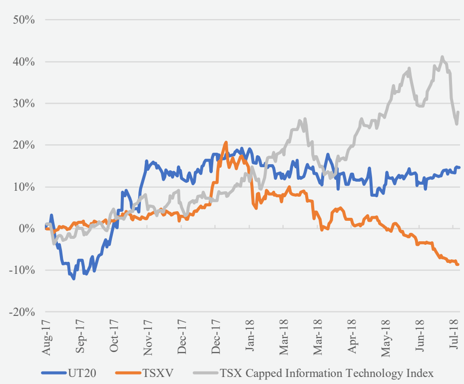
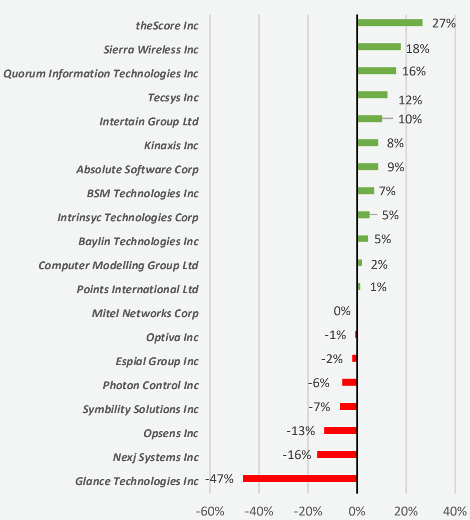
**Ubika Tech 20**
June 11, 2018 - August 3, 2018

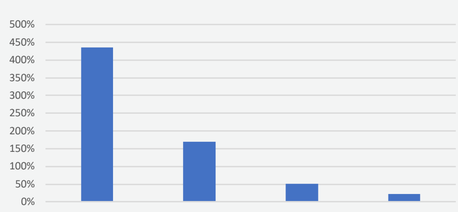
| | |
|---|---|
| UT20: | -1.7% (17.0% Y/Y) |
| TSX Venture: | -8.8% (-8.5% Y/Y) |
| TSX Info Tech: | -3.5% (28.1% Y/Y) |




### Ubika Tech 20: Performance Distribution




### Top Volume Gainers (m/m)




# Ubika Technology 20 Beats TSXV, Underperforms TSX Info Tech Benchmark

The Ubika Technology 20 Index eased 1.7% since our last report dated June 11, 2018. In that timeframe, it outperformed both the TSX-V and TSX Capped Information Technology Index, which fell 8.8% and 3.5%, respectively. Notable performers for this report include:

1. Glance Technologies Inc. (CSE:GET), which plummeted 50% following its AGM and subsequent share dump by its top shareholder.

2. TECSYS Inc. (TSX:TCS), which gained 13% due to strong EBITDA growth.

## Industry Highlights

- **Facebook (NASDAQ:FB) shares fell nearly 20% following its Q2 2018 earnings report, in which it displayed and forecasted a significant decreased in revenue growth.** FB aims to invest more in fighting harmful political content, complying with privacy regulations such as GPDR, and promoting user-driven content as opposed to corporate marketing. The biggest tech stocks, Facebook, Apple Inc. (NASDAQ:AAPL), Amazon (NASDAQ:AMZN), Netflix (NASDAQ:NFLX), and Google (NASDAQ:GOOG), also known as the FAANGs, have dropped significantly following Facebook's announcement as fears the other tech giants could be subject to similar concerns.

- **Penalties by the Trump Administration on ZTE (SHE:000063) were lifted on July 2, after the Company paid a US$1B fee to the Commerce Department, in addition to placing US$400M in escrow.** A ban on the Company purchasing U.S. parts was imposed in April, following the Company's failure to comply with sanctions. U.S. President Trump stated he wished to reconsider the purchasing ban following requests from the Chinese government. Although a U.S. defense bill in the Senate contained provisions that would reinstate penalties, the House bill removed them; it is widely believed the Senate will pass the House bill without amendments on the issue. Other Chinese tech companies have also declined. Tencent (HKG:0700) has declined 25% since January, while Baidu (NASDAQ:BIDU) fell 8% as Google announced their re-entry into the Chinese market.

- **Apple (NASDAQ:APPL) became the first company to ever reach a US$1 trillion valuation.** The Company's stock price rallied 9% in two days following the announcement of continued earnings growth and purchase of US$20B of its own shares.

## Upcoming Conferences

Traction, August 8-9, Vancouver, Canada –With a 2018 theme of "Scaling Up," business leaders in technology from companies such as Google (NASDAQ:GOOG), Twentieth Century Fox (NASDAQ:FOXA), and Reddit share and provide feedback about recent trends in the sector.

# Notable Performers:

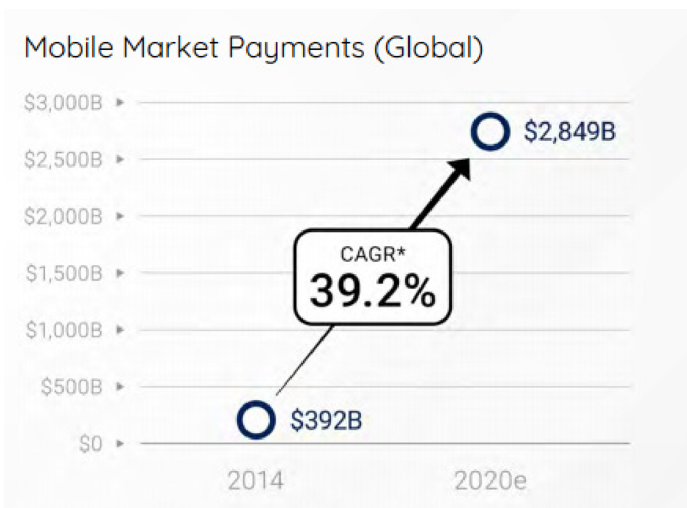
## Glance Technologies Inc. (CSE:GET)

Glance Technologies is a software company providing payment solutions. The Company's stock price fell 50% following its AGM the sale of over two million shares.

Glance Technologies provides payment solutions to clients primarily in the restaurant business. The Company's Glance Pay app allows uses to pay restaurant bills without the need for a card machine. Users sign up for the free app to pay bills without waiting for a server, receive targeted coupons, and earn rewards from loyalty programs. The Company plans to implement order and pre-order features into the app. Restaurants receive expense tracking, rewards and records for bookkeeping purposes through Glance Merchant. The Company's technology is currently patent-pending in Canada and the U.S.

Since its launch, over 500 merchant locations have signed up to use Glance Pay across North America. Glance's technology makes the payment process more convenient for customers and increases turnover at restaurants. Research from Future Market Insights indicates robust growth at a 39% CAGR for the global mobile payments market between 2014 and 2020, as seen below.

Figure 1: Mobile Market Growth

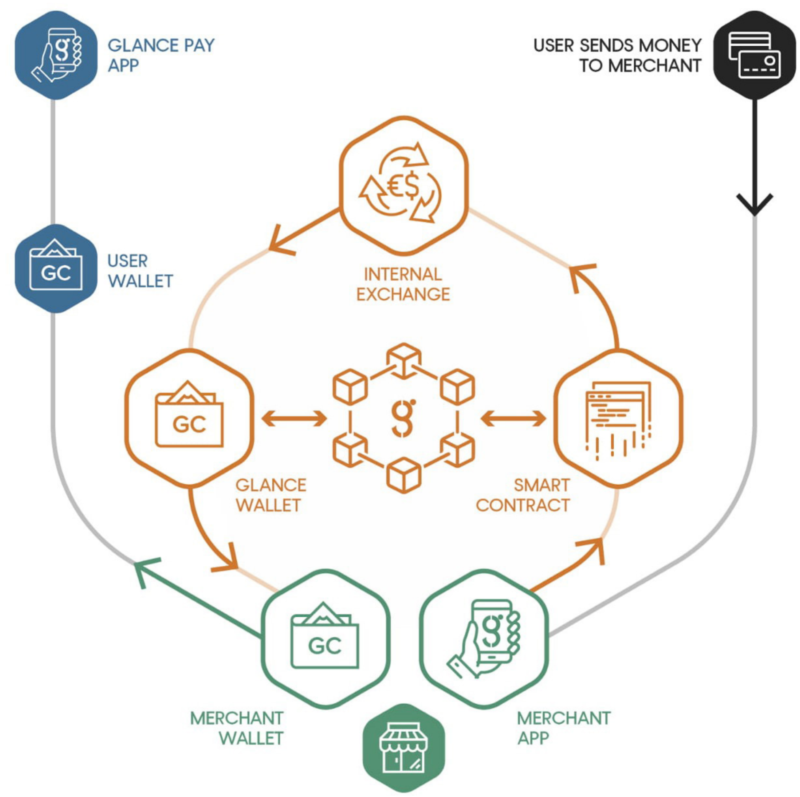



Source: Company Presentation

Glance leverages its payment platform to generate licensing revenues from a variety of industries, including Cannabis and Fitness & Wellness. In May 2017, the Company announced a $1M licensing deal that would allow CannaPay Financial Inc. to use its platform to service marijuana businesses. The Company also announced another $1M licensing agreement with ActivePay Distributions Inc. for the use of its technology and for the development of an online payments app for the Fitness & Wellness verticals. Lastly, the Company has an agreement with Euro Asia Pay for the use of its proprietary technology in exchange for a $1M licensing fee, as well as recurring service revenues.

The Company is developing Glance Coin (GC), a cryptocurrency for use in its pre-existing infrastructure. A whitepaper was released recently, highlighting the specifics of how the currency will operate. GC will be distributed as a reward from its Pay app, and possibly from an Initial Coin Offering (ICO). Glance initially plans to roll out a decentralized loyalty marketplace, allowing users to trade GC on a peer-to-peer basis. Following the initial launch, the Company will release the external wallet, enabling GC to be publicly traded and converted to fiat currency. The diagram below illustrates the calculation and verification process of rewards on the blockchain ledger.

Figure 2: GC Calculation and Distribution




Source: GC Whitepaper

On June 11, the Company held its Annual General Meeting. Penny Green, the Company's Co-Founder, Director, and 10.1% shareholder, entered into a proxy fight with the Board of Directors and CEO Desmond Griffin. Ms. Green advocated for a greater push in the blockchain space, as well as the distribution of the Company's shares in Yield Growth Corp, of which Ms. Green is also the founder. ~47M shares voted in favour of Mr. Griffin's slate, while ~29.5M shares voted for Ms. Green's. The day after the announcement, the Company's stock price climbed 16%. As Ms. Green began selling over two million shares the following day, it fell 32%, and continued to decline a further 17% over the next week.

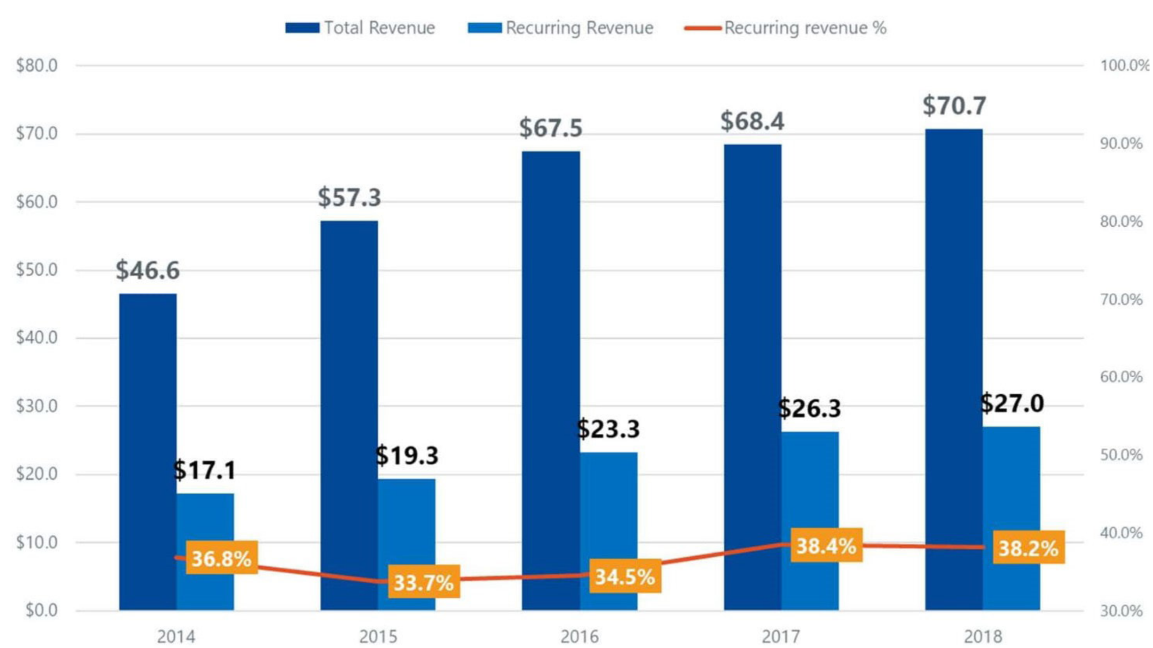
On July 27, the Company released its Q2 2018 financial results. Revenue increased 81% to $229,000. However, its operating loss grew 218%, due in large part to increased administrative, software development, and sales costs, as well as the expenses of the proxy contest. The Company's stock price has fallen 5% since.

## Tecsys Inc. (TSX:TCS)

Tecsys is a software company providing supply chain services. The Company's stock price has climbed 13% since our last report, owing to strong earnings growth.

Tecsys provides an array of enterprise-wide Supply Chain Management (SCM) software to clients in various industry verticals, ranging from service parts to general high-volume wholesale. The Supply Chain Platform provides solutions including warehouse management, distribution management, transportation management, and point-of-use supply management. The Company also provide professional services, which encompasses contractsand ongoing services, such as related training, adaptations, and third-party products. Proprietary products represent 16% of revenue, third-party products 10%, and services 71%.

Figure 3: Company Revenue, Total and Recurring




Source: Company Presentation

TCS operates in two divisions: Healthcare and Complex Distribution, each responsible for 50% of new account bookings. Currently, the Company services over 600 customers, 1500 sites, and 50,000 users. Management aims to prioritize growth in the healthcare market, responsible for 44% of its total revenue, by leveraging its platform, designed specifically for the sector. The Company currently holds 6% of the $9.6B market. Company management believes it can reach 12% market share through organic growth. However, the U.S. election created uncertainty in the healthcare market, driving healthcare providers to delay additional spending. This decreased healthcare contracts through the start of 2018.

On July 5, the Company announced its Q4 2018 results. Contract value bookings, a key operating metric, rose by 33% over the prior year, revenue increased by 5%, and EBITDA rose 33%. The interim CFO was also replaced by Mark J. Bentler. Over the week following the announcement, the Company's stock price rose 6%.

The Company holds an average price target of $18.10, representing a 7% upside. There are 4 Buy ratings, 1 Hold ratings, and no Sell ratings.

## Upcoming Catalysts:

**Data security breaches remain widespread,  and several high-profile targets have been hit recently.** Ransomware attacks on hospitals, the Equifax (NYSE:EFX) breach , and clounds around Russian hacking in the 2016 U.S. election  continue to draw further attention to the issue. Companies must persistently work to ensure that their systems are secure from attacks.

**Are streaming sites reaching their peak?** Netflix (NASDAQ:NFLX) failed to meet user growth expectations for its latest quarter, but still holds overwhelming market share despite attempts from many competitors to establish competing services. Disney (NYSE:DIS) also aims to enter the already crowded market, using its significant assets of Marvel and Disney films and television. With many media producers aiming to release content on their own platforms, content could fracture.

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