Back Ground

QHR Technologies is a public company trading on the TSX Venture Exchange (TSXV - QHR)
QHR is trading at $.82 as of September 18, 2013 and is comprised of the following divisions:

1. EMR - Electronic Medical Records	Approximately 63% of revenues
2. EMS - Enterprise Management Solutions	Approximately 29% of total revenues
3. RCM - Revenue Cycle Management	Approximately 8% of revenues

Financial Analysis
P&L Performance

	Projected 2013	2012	2011	2010
Income Statement				
Revenue	$ 33,364,054.00	$ 29,456,315.00	$ 23,857,147.00	$ 19,070,900.00
Revenue Increase	13.27%	23.47%	25.10%	
Gross Margin	$ 4,329,274.00	$ 2,735,223.00	$ 3,275,059.00	$ 2,460,612.00
Gross Margin % age	12.98%	9.29%	13.73%	12.90%
EBITDA	$ 4,062,378	$ 2,294,674	$ 3,121,985	$ 2,252,533
Income % change	77.04%	-26.50%	38.60%	
Comprehensive Income	$ 876,718	$ 435,379	$ 1,469,952	$ 1,006,956
Income % change	101.37%	-70.38%	45.98%	
Earnings Per Share	0.01	0.01	0.03	0.03

Balance Sheet

Current Ratio	0.69	0.60	0.63	1.36
Debt/Equity Ratio	0.67	0.67	0.54	0.41
Operating Cashflow	$ 3,498,512	$ 1,511,064	$ 2,583,169	$ 1,708,185

Overall Qualitative Analysis

- although there was revenue growth from 2010-12 all other financial indicators were declining over the same period
- 2012 was an especially down year which may be attributable to the high number of business mergers & acquisitions undertaken that year
- the high number of M&A in 2012 could also be a reaction to steady decline in the company's financial position from 2010-12
- it would appear that the company has turned around in 2013 based on the 2013 Q2 results
- 2013 results are merely a projection for the entire year based on 6 months of actual results which could include seasonality as well as other factors which may temper results for the final 6 months of the year
- we would stronly caution that no reliance is placed on the financial statements for the period ended June 30th, 2013 as these are unaudited financial statements

Segmented analysis

RCM

- the RCM division (basically the attempt to penetrate the US market) appears to be struggling as it is generating an operating loss since acquisition
- for the six months ended June 30th, 2013 RCM had revenues of $1,246,139 and an operating loss of $453,597 which represents a small portion of overall revenues and a significant negative contribution to profitability
- RCM assets represent 15% of the total QHR asset base and 7% of liabilities

EMS

- the EMS division represents 29% of the revenue and contributes marginally to profitability
- for the six months ended June 30th, 2013 EMS had revenues of $4,904,392 and an operating profit of $408,638
- EMS assets represent 45% of the total asset base and 62% of the total liabilities

EMR

- the EMR division is 59% of the overall QHR revenues and clearly the profit driver of the business

- for the six months ended June 30th, 2013 EMR had revenues of $10,531,496 and an operating profit of $2,209,596
- EMR assets represent 40% of the total asset base and 31% of the total liabilities

Valuation
- there are approximately 48M shares outstanding
- the market valuation is therefore approximately $39M
- there are two ways to value using the income approach
- typical revenue multiplier would be 1 - 1.5 times revenue which would create a value of $30-45M
- typical earnings multiplier would be 5 times EBITDA which would create a value of $15-20M
- PUC (paid up capital) is $20M

Conclusion
- several analysts currently recommend this stock as a strong buy, likely due to the potential for strong growth in this sector
- the EMR division and the related software and data is the key value component of QHR from both a strategic perspective and in terms of profitability
- EMR as a standalone divison generates strong profitability and heatlhy returns on assets
- it may be possible to negotiate only the purchase of the EMR division

Other Risks
- 25% of QHR Accounts Receivable is greater than 90 days which may be an indicator of software performance issues
- it will be important to understand the sources of contract revenue to ensure significant economic dependance does not exist
- QHR has received a statement of claim against it for $10,000,000 in damages; this claim has not been settled
- due diligence will be required on the stability and scability of the software
- proprietary software is often tied to key individuals who have programmed the code, it will be critically important to understand who these individuals and if redundancy