

## QHR TECHNOLOGIES INC.

Price (November 17, 2009) **\$0.60**  
 52-Week High-Low **\$0.69 - \$0.15**  
 Shares O/S **26.1 million**  
 Market Cap **\$15.6 million**  
 20-day Average Volume **17,900**  
 150-day Average Volume **25,800**  
 Year-End **December 31**  
 Symbol **TSX-V: QHR**  
 Website [www.qhrtechnologies.com](http://www.qhrtechnologies.com)

### Financial Data (CAD\$)

#### Selected Income/Cash Flow

CS\$000s; 12 months ended	Dec-07	Dec-08	Jun-09
Revenues	\$5,894	\$6,521	\$10,016
EBITDA	\$524	\$619	\$2,013
Net Income	\$213	\$254	\$1,082
Cash Flow (CF) From Ops	\$501	\$598	\$1,858

Selected Balance Sheet	At Dec-07	At Dec-08	At Jun/09
Cash (& Equivalents)	\$493	\$99	\$1,691
Total Debt	\$65	\$375	\$1,205
Shareholders' Equity	\$1,452	\$1,839	\$4,493
Total Assets	\$3,198	\$4,562	\$11,610
Working Capital	(\$40)	(\$433)	(\$1,829)
Working Capital Ratio	0.98x	0.82x	0.66x

Key Ratios	At Dec-07	At Dec-08	At Jun/09
EBITDA Margin	8.9%	9.5%	20.1%
Return on Equity (ROE)	14.7%	13.8%	24.1%
Return on Assets (ROA)	6.7%	5.6%	9.3%
Total Debt/Total Capital	4.3%	16.9%	21.1%
Cash Flow/Total Debt	7.71x	1.59x	1.54x
Earnings Per Share	\$0.01	\$0.01	\$0.04
Cash Flow Per Share	\$0.02	\$0.03	\$0.07
Cash Per Share	\$0.02	\$0.00	\$0.06
Equity Per Share	\$0.07	\$0.08	\$0.17

Multiples	At Dec-07	At Dec-08	At Jun/09
Price/EPS	44.00x	13.23x	11.82x
Price/EBITDA	17.89x	5.43x	6.35x
Price/Cash Flow	18.71x	5.62x	6.88x

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Note: Report was prepared with public information only.



Source: [www.bigcharts.com](http://www.bigcharts.com)

### THE COMPANY

QHR Technologies Inc. is a Kelowna, BC-based producer, marketer, and servicer of business software for the healthcare and social services markets. Its operations are conducted through two divisions:

- (1) the Enterprise Management Software (EMS) division, which specializes in workforce management software and financial management software targeted at medium to large healthcare and social services organizations; and
- (2) the Electronic Medical Records (EMR) division, which provides software for use in physician's offices.

For 2008, the EMS division provided about 66% of revenues, and the EMR division the remaining 34%.

### INVESTMENT CONSIDERATIONS

#### 1. Strengths

- Company is a leading provider of proprietary workforce management and financial management software for the Canadian healthcare industry.
- Its EMR (Electronic Medical Records) software is well established in all four Western provinces.
- Financially strong with debt of \$1.2 million comprising only 21% of total capitalization of \$5.7 million as at June 30, 2009. Also had \$1.69 million (\$0.06 per share) of cash as at that date.
- Rapidly-growing base of recurring revenues, (an annualized rate of \$6.25 million by June 2009). Company expects that its proposed acquisition and internal growth should increase this to \$10 million for 2010.
- High level of customer satisfaction with a retention rate of at least 95% for both its divisions.

## 2. Challenges

- With many of its customers dependent on federal or provincial government funding or approvals, programs may occasionally be subject to delays.
- Since it is a technology-related business, competitors may develop more advanced products or services.
- Company is dependent on a small group of key personnel, the loss of any one of which could adversely affect operations.

## BACKGROUND

QHR Technologies was founded in 1988 and was listed on the TSX Venture Exchange in June 2000. In January 2009, the Company announced the acquisition of the Financial software business of Momentum Healthware Inc., a privately-held Manitoba-based company. This acquisition, which is expected to add approximately \$3.5 million to QHR's 2009 revenues, has been merged into its Enterprise Management Software division.

The Company's Enterprise Management Software is marketed under the Quadrant brand and covers two product lines: (1) workforce management software for human resource management solutions; and (2) financial management software which provides enterprise management software for the healthcare market.

Contracts for these products are usually in the \$100,000 to \$1 million range. The electronic medical records products are marketed under the Accuro brand and provide medical software modules for family physicians, specialists, and surgeons. These products are sold under a monthly license and service agreement. There are also upfront training and implementation fees which make customers reluctant to change to another system once they become customers. This, together with the Company's strong customer service reputation, has resulted in QHR having an over 95% customer retention rate.

An important goal of the Company's business strategy is to build a stream of recurring revenues from satisfied customers. By the end of June 2009, recurring revenues had reached an annualized rate of \$6.25 million compared with \$4.8 million at the end of December 2008.

## RECENT ACQUISITION HISTORY

### (1) EMS DIVISION

- Momentum Healthware's Financial software business (January 2009).

### (2) EMR DIVISION

- National Medical Solutions Inc. (August 2007)
- Clinicvault Inc. (September 2008)\*
- Clinicare Corporation (November 2009)
- Merged into 51% owned Cloudwerx Data Solutions (July 2009)

## RECENT DEVELOPMENTS

The Company announced on November 9, 2009 that it had signed a Letter of Intent to acquire 100% of the outstanding shares of Clinicare Corporation, a Calgary-based privately held electronic medical records company. The purchase, which is subject to normal approvals, is expected to close by the end of November 2009. The acquisition will be merged with QHR's EMR division, Optimed Software Corporation, which will then be supporting over 3,000 physicians across Canada in almost every province. Management believes that this will be a greater number than any other EMR supplier in Canada. The acquisition is expected to generate approximately \$3.25 million in annualized recurring revenue in 2010, bringing the total for the EMR division to \$6.0 million and the total for QHR to \$10 million. It will also expand the Company's exposure in Ontario through Clinicare's Toronto office.

The price of the proposed acquisition is \$5 million, with an adjustment for net working capital. The initial payment is expected to be made by December 31, 2009, with final payments by January 31, 2010. Qualifying shareholders will have the option of receiving cash or QHR shares at \$0.65. QHR has secured an initial \$1.0 million four-year loan from the Southern Interior Development Initiative Trust. Additional funding for the acquisition is expected to come from Company operations and additional equity investments to be completed before year-end.

In June 2009, the Company announced that it had entered into a joint venture with SEBO Systems Inc., a private Calgary provider of data hosting, data storage, and services to form a new company called Cloudwerx Data Solutions Inc. The new company, 51% owned by QHR and 49% by SEBO, will combine the data hosting and storage operations of SEBO and QHR's Clinicvault subsidiary.

## FINANCIALS

### (1) Q2/2009 versus Q2/2008

For the second quarter of 2009, the Company reported earnings of \$0.01 per share compared with \$0.00 per share for the same period in 2008. Revenues more than doubled to \$3.2 million from \$1.5 million for the second quarter of 2008. The strong revenue gain reflected the benefit of a 137% increase in revenue from the EMS division from both workforce management software and a \$610,000 contribution from financial management software sales as a result of the Financials Division acquisition in January 2009. Revenue from the EMR division grew 67% to \$848.9 million. This growth reflected the impact of revenue from the Clinicvault acquisition in September 2008 and continued organic growth in QHR's operations.

	(000s)	Q2/2009	Q2/2008	Change
EMR Division Revenue		\$849	\$509	66.8%
EMS Division Revenue		<u>\$2,386</u>	<u>\$1,007</u>	<u>136.9%</u>
Total Revenue		\$3,235	\$1,516	113.4%
EBITDA		\$1,011	\$69	nmf
EBITDA Margin		31.3%	4.6%	
Net Income		\$213	\$11	nmf
Net Margin		6.6%	0.7%	
EPS		\$0.01	\$0.00	nmf
Shares O/S (000)		22,663	21,795	

### (2) H1/2009 versus H1/2008

The latest results brought first half 2009 earnings to \$0.04 per share compared with \$0.01 per share for the first six months of 2008. Revenues increased approximately 110% to \$6.7 million. For the latest six month period, the EMS division achieved a 136% revenue gain to \$5.1 million, including \$985,000 from the Financials Division acquisition. Revenue from the EMR division rose 42% to \$724,873 for the first half of 2009, again reflecting the impact of Clinicvault's operations in the latest period as well as continued growth in QHR's revenues. The earnings gain reflected the impact of the Financials Division as well as some large client sales.

	(000s)	H1/2009	H1/2008	Change
EMR Division Revenue		\$1,574	\$1,018	54.6%
EMS Division Revenue		<u>\$5,108</u>	<u>\$2,169</u>	<u>135.5%</u>
Total Revenue		\$6,682	\$3,187	109.7%
EBITDA		\$1,650	\$256	544.5%
EBITDA Margin		24.7%	8.0%	
Net Income		\$966	\$138	600.0%
Net Margin		14.5%	4.3%	
EPS		\$0.04	\$0.01	
Shares O/S (000)		22,572	21,795	

## OUTLOOK

With a growing emphasis being placed by most governments on the increased use of technology in healthcare applications, growth prospects for QHR appear bright. Through Canadian Health Infoway, the Federal Government is promoting a Canada wide initiative to have 50% of all Canadians on electronic health record systems by 2010 and 100% by 2016. Infoway estimates that there are about 2,000 healthcare "transactions" in Canada every minute. The vast majority of these are still recorded on paper or other media such as x-ray film. It is envisioned that eventually these records could be collected and stored in digital form and transmitted electronically. In the Federal Government's January 2009 Budget, a further \$500 million was allocated for implementing EHR systems over a three year period. Industry sources estimate that the potential market for these services is approximately 60,000 doctors. This could generate annual revenues of over \$200 million for EMR solutions providers.

The Company's Enterprise Management Software products are also expected to achieve continued strong growth as major healthcare and social service organizations upgrade or replace older software systems.

In the United States, a market which QHR is planning eventually to enter, the US Government recently announced \$1.2 billion of grants to help hospitals and healthcare providers establish and use electronic health records. The Obama administration has stated that the use of EMR is fundamental to reforming the US healthcare system.

## VALUATION

We have chosen five Canadian healthcare industry software producers to provide comparative valuations to QHR. They are Healthscreen Solutions, HTN Inc., Logibec Group, Nightingale Informatix, and ZoomMed. As shown in the table below, three have approximately the same market cap as QHR, Logibec is significantly larger, and HTN has a much smaller market cap.

At the present time, QHR shares are trading at 1.54 times trailing twelve month sales and 3.00 times book value. This is well below the average Price/Sales multiple of our comparables of 5.58 times and their average Price/BV multiple of 4.08 times. We believe that this largely reflects the Company's lack of investor awareness and possibly its western Canadian location. However, as QHR continues its rapid growth and becomes more visible to investors we believe that its multiples will expand from current levels providing attractive capital appreciation potential.

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<u>Company</u>	<u>Symbol</u>	<u>Stock Price</u>	<u>Shs.O/S (million)</u>	<u>Mkt. Cap. (million)</u>	<u>Sales/ Share</u>	<u>Price/ Sales</u>	<u>Book Value</u>	<u>Price/ BV</u>
HealthScreen	MDU	\$0.14	81	\$10.9	\$0.16	0.84 x	\$0.05	2.70 x
HTN Inc.	HET	\$0.02	97	\$1.5	\$0.01	2.50 x	\$0.00	0.00 x
Logibec Group	LGI	\$17.25	9	\$155.3	\$8.18	2.11 x	\$8.13	2.12 x
Nightingale Info.	NGH	\$0.26	71	\$18.1	\$0.25	1.02 x	\$0.03	8.50 x
ZoomMed	ZMD	\$0.15	98	\$14.7	\$0.01	21.43 x	\$0.05	3.00 x
Average						5.58 x		4.08 x
QHR Tech	QHR	\$0.60	26	\$15.6	\$0.39	1.54 x	\$0.20	3.00 x

## MANAGEMENT

**Al Hildebrandt** – President and CEO. Has been an officer of the Company since June 2000. Founded New Horizon Technologies in June 1997.

**Tom Mamie** – Chief Financial Officer since July, 2009. Previously held executive and senior management positions, including President & CEO of Agrisoma Biosciences Inc., and VP Finance & CFO of Chromos Molecular Systems Inc.

## DIRECTORS

Al Hildebrandt, Douglas Blakeway, Charles LaFleche, Dr. Ernest Wigmore, Robert McGowan, Dr. Tom Kinahan, Victoria Withers

## CORPORATE INFORMATION

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