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QHR Technologies Inc. (QHR: TSX-V)

Date: May 27, 2009
Price: \$0.46



KEY INFORMATION

Fiscal Year-end	December 31
52-Week High/Low	\$0.56 - \$0.135
3-Month Avg. Daily Trading Volume	12,783 shares
Market Capitalization	\$10.4 million
Enterprise Value	\$11.8 million
Book Value per Share (Mar. 31)	\$0.12
Current Ratio (excluding deferred revenue)	1.3
Gross Margin	64%
LT Debt to 2009e CF	0.6
LT Debt to Equity	0.5
Price to f2008 Earnings	38.3
Price to f2009e Earnings	5.8

FINANCIAL DATA (000's of Canadian Dollars)

	3 Months Mar 31		Yr Ended Dec 31	
	2009	2008	2008	2007
Revenues	3,447	1,671	6,521	5,894
Net Income	754	127	254	213
per share	0.034	0.006	0.012	0.012
Cash Flow	1,017	185	598	501
per share	0.045	0.009	0.027	0.029

BALANCE SHEET (as at March 31, 2009)

Current Assets	\$ 3,963,401
Total Assets	12,036,773
Current Liabilities (excluding deferred revenue)	3,132,796
Long-Term Debt	1,454,654
Shareholders' Equity	2,689,577

SHARES OUTSTANDING (as at March 31, 2009)

Basic	22,624,759
Fully-Diluted	25,854,759

* management and insiders own approximately 34% of the company's issued and outstanding common shares

Highlights:

- record revenues and earnings in Q1/09
- recently closed two major acquisitions
- over \$6 million in annual recurring revenues
- revenues to exceed \$10 million in 2009
- positioned for growth in the expanding healthcare sector
- trading at only 6 times forward expected net income

COMPANY OVERVIEW

QHR Technologies Inc. was listed as a public company on June 28, 2000 and presently has 3 operating subsidiaries; QHR Software Inc., Optimed Software Corporation, and Clinicvault Inc. The company is primarily involved in the development and delivery of human resource (HR) management, payroll, staff scheduling and financial software systems for the healthcare and social services sector as well as electronic medical records applications for physicians' medical offices.

QHR operates two business units in two distinct markets. The Enterprise Management Software (EMS) division specializes in workforce management software consisting of integrated, proprietary applications, including payroll administration, staff scheduling, and HR. In addition, the company offers financial software built on Microsoft Dynamic's GP platform which enables QHR to offer comprehensive management software to the healthcare and social services market. QHR's software is currently used in North America's healthcare, forestry, manufacturing and government sectors.

The company's Electronic Medical Records (EMR) division provides computer-based medical records for physicians, medical specialists and surgeons, as well as an electronic patient record that is a key component of the move to provide electronic health records for all Canadians. The uniquely configured tools are used for clinical research and data management, as well as patient scheduling, billing, operating room, and other

general administration. Government funding is driving a Canada-wide initiative to have 50% of all Canadians on EMR systems by 2010 and 100% by 2016.

FINANCIAL SUMMARY

During the first quarter of 2009, QHR delivered record revenue of \$3.4 million, generating net income of \$753,849 or \$0.034 per share. The company has now been profitable in 10 of the last 11 quarters. The EMS division accounted for about 79% of total revenues.

For the year ended December 31, 2008, QHR's revenues reached \$6.5 million with recurring annual revenue rising to \$4.8 million at year-end compared with \$3.8 million at the end of 2007. Net income improved to \$253,627 or \$0.012 per share.

RECENT DEVELOPMENTS

On September 17, 2008, QHR completed the acquisition of Clinicvault Inc. for total consideration of \$528,774. Clinicvault provides data hosting services to the EMR market. This purchase added about \$600,000 in expected annual recurring revenue.

Effective January 15, 2009, QHR acquired the financial software division of Momentum Healthcare for total consideration of \$5 million less an adjustment for working capital of \$413,091. QHR arranged a 3-year term loan to finance the acquisition at an interest rate of 12%. Management believes that this purchase provides QHR the opportunity to become a market leader in the enterprise management software market for healthcare/social services. The acquisition is expected to add \$3.5 million to 2009 revenue (\$1.5 million of annual recurring revenue) and will create opportunities for sales to new and existing clients.

On March 6, 2009, QHR won a proposal to provide its products and services to the community support services, and community mental health and addictions sectors in Ontario. The initial term of the agreement is to install and implement as many of the organizations

as possible within a 3 year period. Approximately \$2 million in revenues from these contracts has already been announced and should be recognized in QHR's 1st and 2nd quarter 2009 financials.

On April 30, 2009, QHR announced that its EMS division has recently contracted new business in excess of \$1 million from healthcare clients.

SUMMARY

The company's business model is to provide technologically advanced business software solutions to customers and build long-term relationships with its clients. Thereafter, QHR enjoys ongoing recurring revenues as long as customers continue to use the company's products. With its quality software and strong customer service, QHR has enjoyed a customer retention rate exceeding 95% in each of its operating divisions. Recurring revenues reached an annual rate of \$4.8 million at the end of 2008 and have since increased to about \$6.0 million with the inclusion of the Momentum Healthcare acquisition.

Management expects 2009 revenues and earnings to continue to improve, with revenues projected to exceed \$10 million based on recent acquisitions and the growth of both of the company's divisions. The EMS division has a strengthening pipeline of opportunities and the EMR division is in the final stages of qualification as an approved vendor in both Saskatchewan and Manitoba. It is also anticipated that pre-tax earnings will improve to about \$0.08 per share in 2009 with the increase in recurring revenues and new growth initiatives.

Despite recessionary pressures, the healthcare sector continues to grow based on demographic changes in Canada. In addition, governments are accelerating investment in information technology infrastructure creating more demand for the company's products. Capitalizing on its management expertise, QHR also continues to source new markets and technologies through mergers and/or acquisitions.

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