

QUORUM INFORMATION TECHNOLOGIES INC.

(QIS: TSX-V)

Closing Price (Nov. 26): \$0.16

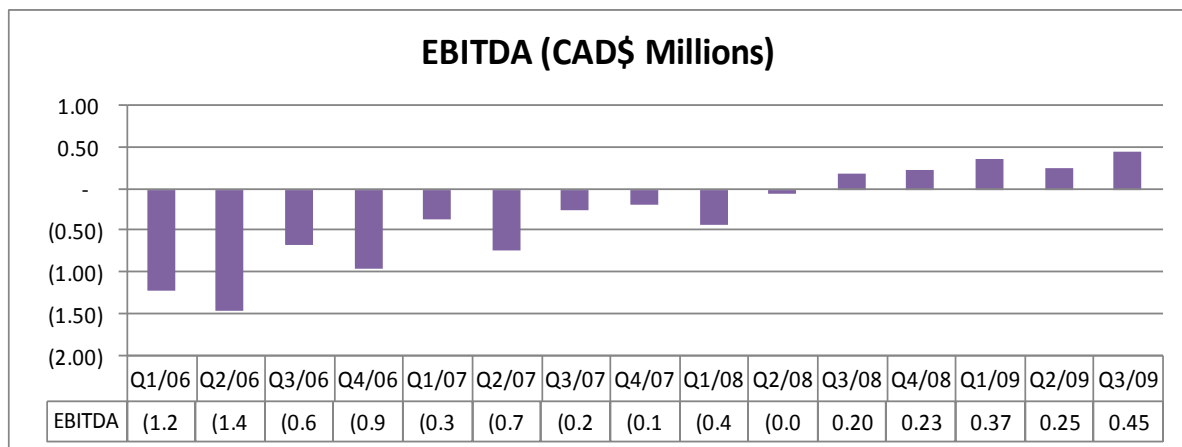
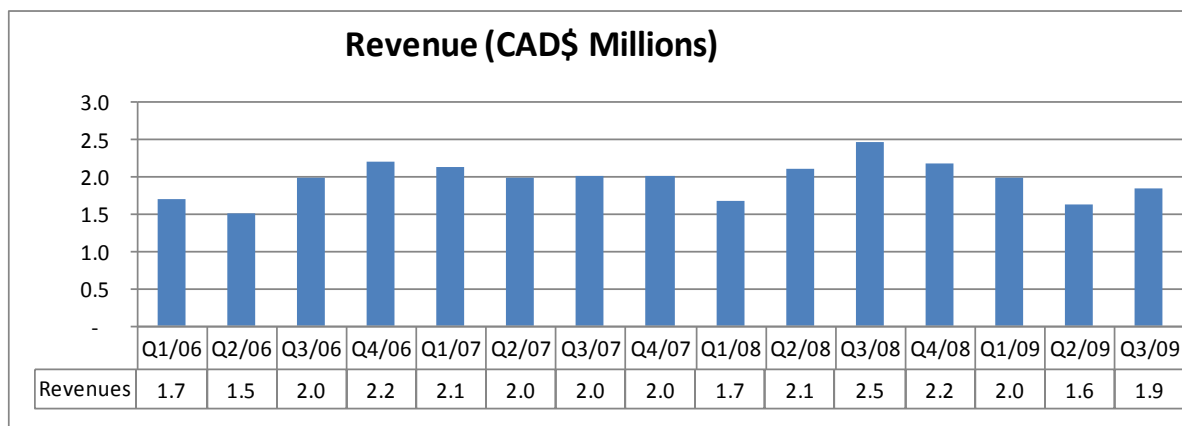
52-Week Range: \$0.24-\$0.01

Shares O/S: 39.23 million

Market Cap: \$5.1 million

THIRD-QUARTER RESULTS

Quorum Information Technologies Inc. reported financial and operating results for the third quarter of 2009. Shown on the charts below are the Company's revenue and EBITDA trends since 2006.





ANALYSIS

Revenue declined to \$1.85 million for Q3/09 (ended September 30), compared with \$2.48 million for the corresponding quarter a year earlier. The decline reflects the following:

- A significant decline in new Installation (Net New and Migrations) revenue (62%) and Integration revenue (48%) as shown in the table below. This decline reflects the difficult auto dealership market that is going through restructuring. There were only six new installations in Q3/2009 compared with 22 in Q3/2008.
- However, recurring revenues from Support and Other still showed a strong performance, reflecting a still larger customer base (215 vs. 201, before accounting for new Installations).
- The Company’s revenue composition is shown in the following table:

Revenues by Products (CAD\$)	Q3-2008	Q3-2009	9 months	9 months
			Sep. 2008	Sep. 2009
Support and Other	1,410,064	1,478,978	3,885,366	4,399,728
Net New and Migrations	808,521	258,368	1,780,785	674,397
Integration	262,375	115,559	604,663	311,494
Total	2,480,960	1,852,905	6,270,814	5,385,619
New Installations			22	6
Total Installations			223	221

Despite the decline in revenue in Q3/09, EBITDA improved for a fifth consecutive quarter, reflecting the following:

- Improved efficiency has been realized as a result of ongoing efforts to reduce overlaps to improve effectiveness.
- Lower operating costs (a 23% reduction in salaries compared to the corresponding quarter a year earlier) as the Company reduced staff to be in line with the lower level of activities.
- Lower general and administrative costs as these costs declined by 11%.

Overall, despite the difficulty and uncertainty in the last few quarters, we are satisfied that Quorum’s financial results have shown strong resilience. The Company’s efforts to achieve strong EBITDA for another quarter have demonstrated management’s ability to maintain the Company in a solid financial position in a difficult time, and prepare to grow as the auto dealership market slowly improves.

RECOMMENDATION

For the above reasons, we continue to recommend Quorum shares as a Speculative Buy, without having a Target Price (for the reasons we set out in our March 9, 2009 Initiating Report, available at www.eresearch.ca). The shares are, however, thinly traded and are subject to wide bid/ask prices. As we went to press, the stock’s bid/ask prices were \$0.12 bid (bid size 5,000 shares) and \$0.16 ask (ask size 3,500 shares). During the month of October and November to date, the shares have remained in the \$0.15-\$0.20 range. The average volume for 50 days is relatively thin at 18,900. The stock’s thin liquidity will often lead to wide share price swings. As the auto sector improves, we expect future trading to return to the plus-20-cent level.



THE COMPANY

Quorum Information Technologies Inc. develops, markets, implements and supports its software product XSELLERATOR™, a dealership management system for the automotive retail market. The Company's customers include General Motors, Chrysler and Hyundai dealerships in North America.

RATINGS HISTORY

<u>Date</u>	<u>Report Type</u>	<u>Recommendation</u>	<u>Stock Price</u>	<u>Target Price</u>
Mar. 9, 2009	Initiating	Speculative Buy	\$0.05	None
May 22, 2009	Bulletin	No Change	\$0.05	None
Sept. 4, 2009	Perspective	No Change	\$0.12	None
Nov. 27, 2009	Perspective	No Change	\$0.16	None

High-Low Since Initiating: \$0.24-\$0.025

NOTE: eResearch reports on Quorum Information Technologies Inc. and other companies are available FREE on our website at www.eresearch.ca.

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Quorum Information Technologies Inc. paid eResearch a fee of \$17,000+GST to conduct research on the Company on an Annual Continual Basis.

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