

CAPITAL IDEAS DIGEST



Mark Bunting
Publisher

COVER STORY

iFABRIC'S PROVEN
CORONAVIRUS KILLING
FABRIC TECHNOLOGY IS
"TRANSFORMATIONAL" FOR
THE COMPANY

QUISITIVE

UP 250% SINCE OUR FIRST
MENTION, MICROSOFT PARTNER
QUISITIVE TECHNOLOGY
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THE LOCKDOWN DEBATE

DO LOCKDOWNS WORK? J.P.
MORGAN'S RESPECTED GLOBAL
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STRATEGIST ON WHY THE NUMBERS
DON'T MATCH THE SCIENCE

Coronavirus Killer Tech Tailwind for iFabric
Success inactivating the virus a "game-changer"

Mark Bunting, publisher, Capital Ideas Media

This idea comes to us from a subscriber who said he had done “exceedingly well” investing in **Profound Medical** (TSX:PRN) after our interview with the founder in the summer of 2017, and he wanted to return the favour.

Hence, **iFabric Corp.** (TSX:IFA), one of those interesting sub-\$100 million market cap companies that’s been around for a while and operates in a corner of the market that not everyone is aware of.

But some recent test results of iFabric’s proprietary and trademarked Protx2 technology on its effectiveness inactivating the coronavirus that causes COVID-19 has put the company firmly on the radar of more investors.

Here’s how iFabric describes its business:

Intelligent Fabric Technologies Inc. (IFTNA) textiles and technologies vary between a wide range of market segments including medical and athletic, military, consumer and corporate apparel, bedding, linens and other market categories.

We are a two-fold business that not only offers fabric technologies but we also design and develop garments utilizing technologies under our own and private label brands.

Below are some of iFabric’s brand partnerships:



Source: iFabric

To delve into iFabric, we look at research from **Robin Cornwell**, the founder and principal shareholder of independent research and advisory firm Catalyst Equity Research.

Cornwell is a veteran research analyst specializing in financial services companies and special situations.

Here are excerpts from his recent report on iFabric:

“**iFabric is a unique investment opportunity** with a business model that combines an apparel business with a new generation of intelligent textile technologies which, among other applications, have the ability to kill bacteria and viruses.”

- Robin Cornwell, **Founder**,
Catalyst Equity Research

IFA provided details of its test results about the efficacy of fabrics treated with the company's proprietary Protx2® technology for inactivating the SARS-CoV-2 virus (the cause of COVID-19 disease).

The efficacy testing of Protx2® was carried out by an internationally recognized, independent laboratory to establish its ability to inactivate the virus at time points of 10 minutes, 1 hour, 6 hours and 24 hours.

The laboratory reported that **the treated fabrics demonstrated a greater than 99.9% reduction in active viral loads on the tested fabrics at each of the four time points**. This represents a more than 1,000-fold reduction in active viral load when compared to untreated fabric.

Motivated by the global need for protection of front-line workers and civilians alike, management stated that they are **“extremely excited to answer the call and bring forward a new weapon in the battle against the COVID-19 pandemic”**.

We view these test results as **the game changer** we had been expecting and **should propel IFA to higher revenues and profits.**

Management previously stated that it will be distributing a number of Protx2® treated products for medical, industrial, and consumer uses.

The necessary emergency approvals from the United States Environmental Protection Agency (EPA) and Food and Drug Administration (FDA), and Health Canada are already in progress.

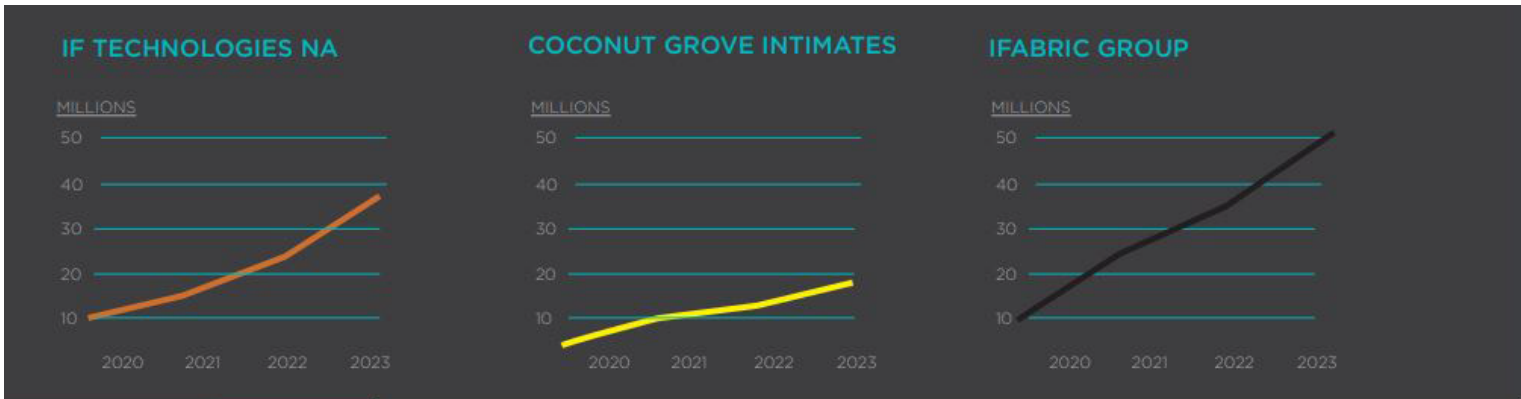
The inclusion of this technology in products like PPE’s (personal protective equipment) will provide **a much-needed additional level of protection for current front-line workers.**

We believe this technology will be deployed in many applications, not only in the medical market, but in everyday apparel for added protection.

We strongly believe that the receipt of EPA and FDA registration for Protx2® will be **transformational** for the company as it will provide it with a **first-mover advantage** in the medical arena and significant market opportunities globally.

We should note that entry into the medical market in the form of scrubs treated with Protx2® has already commenced via programs for both the retail and hospital markets. Other potential offerings are face masks, gloves and hospital coverings such as bedding and curtains.

PROJECTED REVENUES



Source: iFabric

Assuming a rapid roll-out of Protx2® treatments, **our revenue forecast could escalate dramatically.**

We have maintained our outlook for fiscal 2020 and 2021. For fiscal 2020, we expect adjusted net income of \$1.7 million (\$0.06 per share).

For fiscal 2021, our revenue forecast has been set at \$37 million with a gross margin moving slightly higher to the 37% to 38% level.

The operating EBITDA for 2021 has been set at \$6.5 million. For fiscal 2021, we expect adjusted net income of \$4.6 million (\$0.17 per share).

We continue to recommend iFabric as a “buy”.

We had increased our near-term share price target to \$4.50. This target represents a multiple of about 17 times our 2021 adjusted EBITDA estimate per share.

Given the positive test results, **we are reviewing our \$4.50 target with an upward bias.**

“iFabric tested the efficacy of fabrics treated with the company’s proprietary Protx2® technology for inactivating the virus that causes COVID-19 disease and reported the fabrics demonstrated a greater than 99.9% reduction in active viral loads on the tested fabrics at each of the four time points.”

- **Robin Cornwell**, Founder, Catalyst Equity Research

CAPITAL STRUCTURE

TSX LISTED, SYMBOL: IFA

Management Shareholding	> 75%	Market Capitalization	\$103.2M
Shares Outstanding (Basic)	26.2M	Available Cash and Line of Credit	\$6.0M
Shares Outstanding (Fully Diluted)	28.2M	Long Term Debt	\$1.3M
52 Week High	\$3.94	Share Capital and Reserves	
52 Week Low	\$0.61	Common Stock	\$3.0M
		Reserves	\$2.3M
		Retained Earnings	\$4.0M
		Total	\$9.3M

Source: iFabric

IFABRIC CORP (TSX:IFA) | 5YR CHART





I'm pleased to introduce Sean Mason as the Associate Publisher at Capital Ideas Media. Sean has been an investment writer and editor for more than 20 years, working for publications including Investor's Digest of Canada, Stockhouse Media, and SmallCapPower.com.

Inquisitive About Quisitive Technology Solutions?

Two new research calls say the Microsoft partner could gain 45%

Sean Mason, Associate Publisher, Capital Ideas Media

Beacon Securities and Clarus Securities have both started analyst coverage of **Quisitive Technology Solutions** (TSXV:QUIS).

Quisitive, as described by Beacon, is a Microsoft solutions provider that helps enterprise organizations move, operate and innovate in the Microsoft cloud.

This is a company we first featured in the Digest in late October, 2018, based on new coverage from Echelon Wealth Partners, which **gave the stock a projected return of nearly 330%.**

“Quisitive is a strong member of the Microsoft Partner network as evidenced by its Microsoft Country Partner of the Year award for the U.S. in 2019.”

- Beacon Securities

TALE OF THE TAPE

Quisitive Technology Solutions

- ▶ Ticker Symbol: TSXV:QUIS
- ▶ Market Cap: \$21 million
- ▶ Q2 Revenue: +148% quarter-over-quarter
- ▶ Q2 Net Loss: \$0.01 per share
- ▶ Projected Return: 329%

From the October 30, 2018 Capital Ideas Digest

Here we are 18 months later and QUIS has gained about 250%. Close enough.

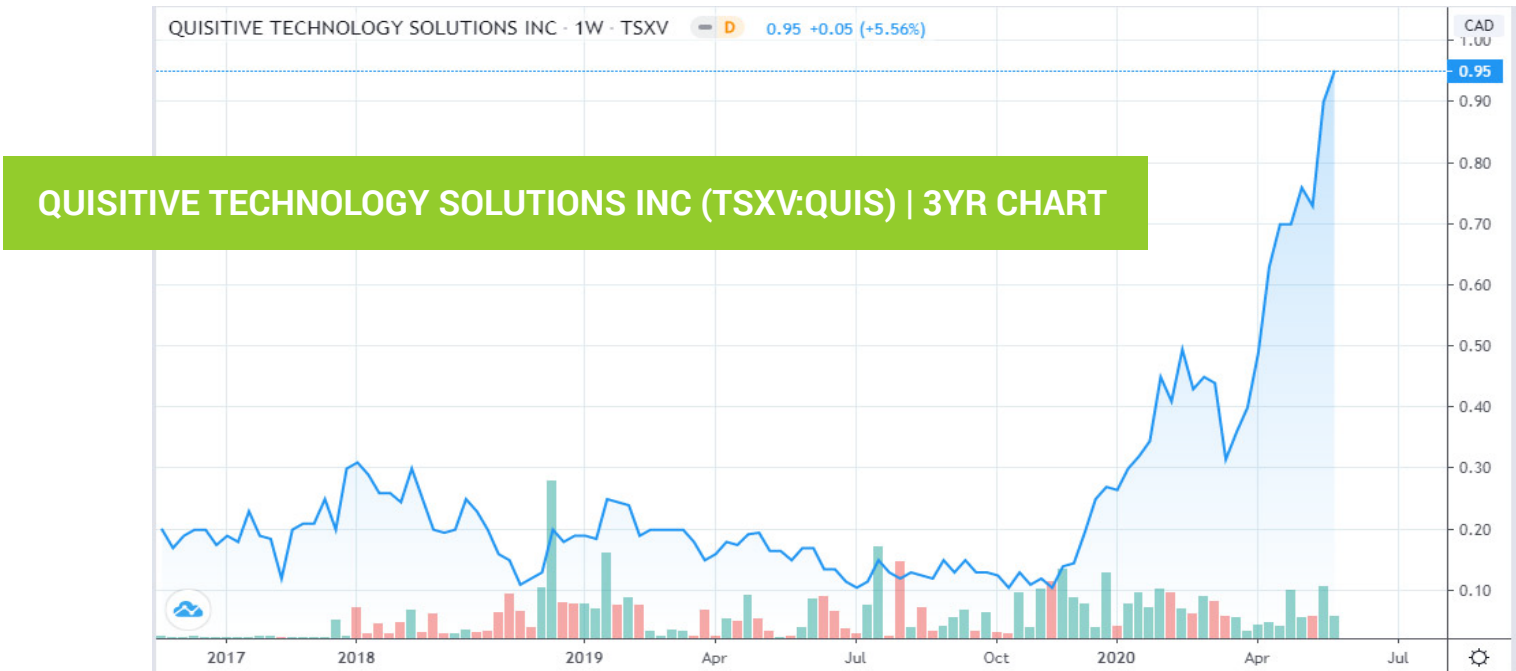
Now the analysts at Beacon and Clarus believe Quisitive can build on its recent success.

Beacon has started QUIS with a “buy” rating and price target of \$1.20, while Clarus begins with a “speculative buy” and a \$1.25 target.

Here are some hi-lights from Beacon's report: Not Your Father's Consulting Business

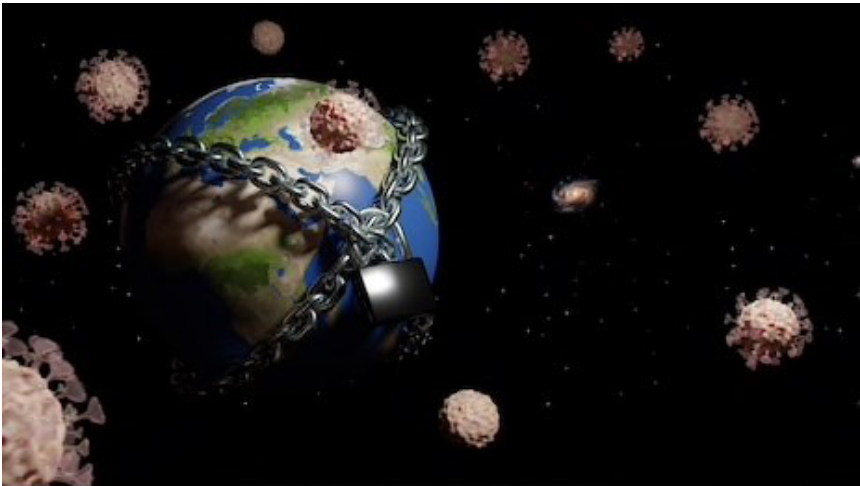
- ▶ Quisitive's business is tied directly to providing professional services implementing Microsoft cloud solutions (which generates both recurring and non-recurring revenues, currently split ~78% / 22%) and also from licensing proprietary software built on Microsoft's technology stack.
- ▶ The partner ecosystem is very important to Microsoft as 95% of its business is generated through this 40-year old, partner-led ecosystem. **Quisitive is a strong member of this network** as evidenced by its Microsoft Country Partner of the Year award for the US in 2019.

- ▶ The company also has full cloud capability, which places it in a select 5% of Microsoft partners. It also has Microsoft NSI (National Systems Integrator) status, which places it in the top 0.01% of Microsoft partners worldwide.
- ▶ Aside from organic growth in its core consulting business (expected in the ~15% y/y range), **Quisitive also has a focused M&A strategy** that targets geographic expansion, diversification of Microsoft service capabilities, service capacity, and recurring revenue platforms. To date, the company has completed to transformative acquisitions, which have brought scale, IP, and recurring revenues.
- ▶ Aside from its consulting expertise, Quisitive has also invested in proprietary SaaS-based solutions, which leverage the Microsoft cloud and emerging technologies.
- ▶ This is highlighted by products such as CRG emPerform and LedgerPay, the latter of which we believe has the potential to disrupt the multi-billion dollar payment processing and data analytics industry. LedgerPay was only recently launched and has already generated good revenue and partnership traction.
- ▶ **We view large deals, M&A and a better-than-expected ramp up of LedgerPay bookings as representing upside to our estimates and target price.**



The Lockdown Debate

The following is excerpted from a research report by J.P. Morgan Global Quantitative and Derivatives Strategy **Marko Kolanovic**, who is closely followed for his so far accurate analysis of the impact of the lockdowns due to the COVID-19 pandemic.

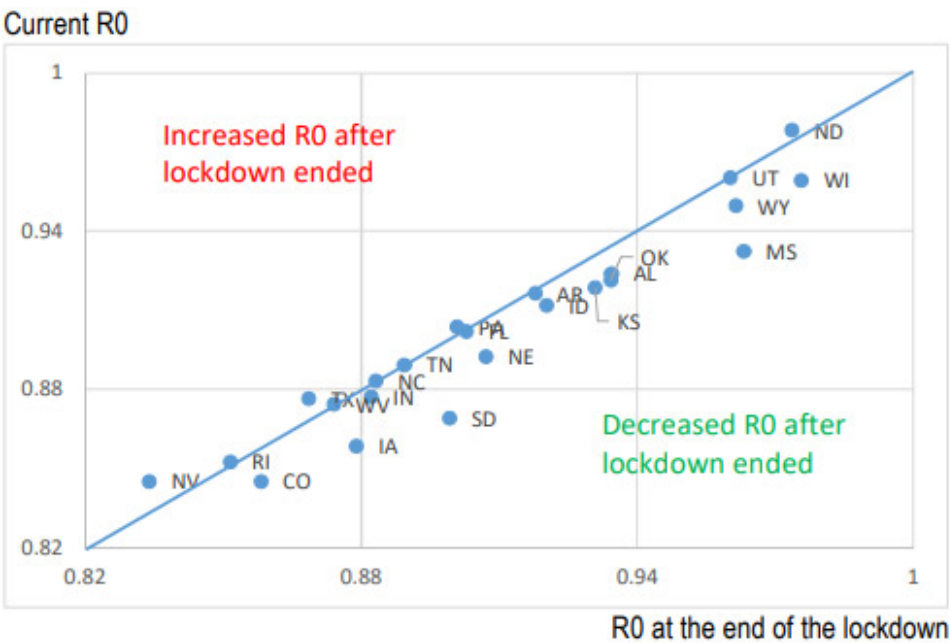


Here Kolanovic argues that the stay-at-home orders around the world have not been as effective as many health officials believe:

While we often hear that lockdowns are driven by scientific models, and that there is an exact relationship between the level of economic activity and spread of virus - **this is not supported by the data.**

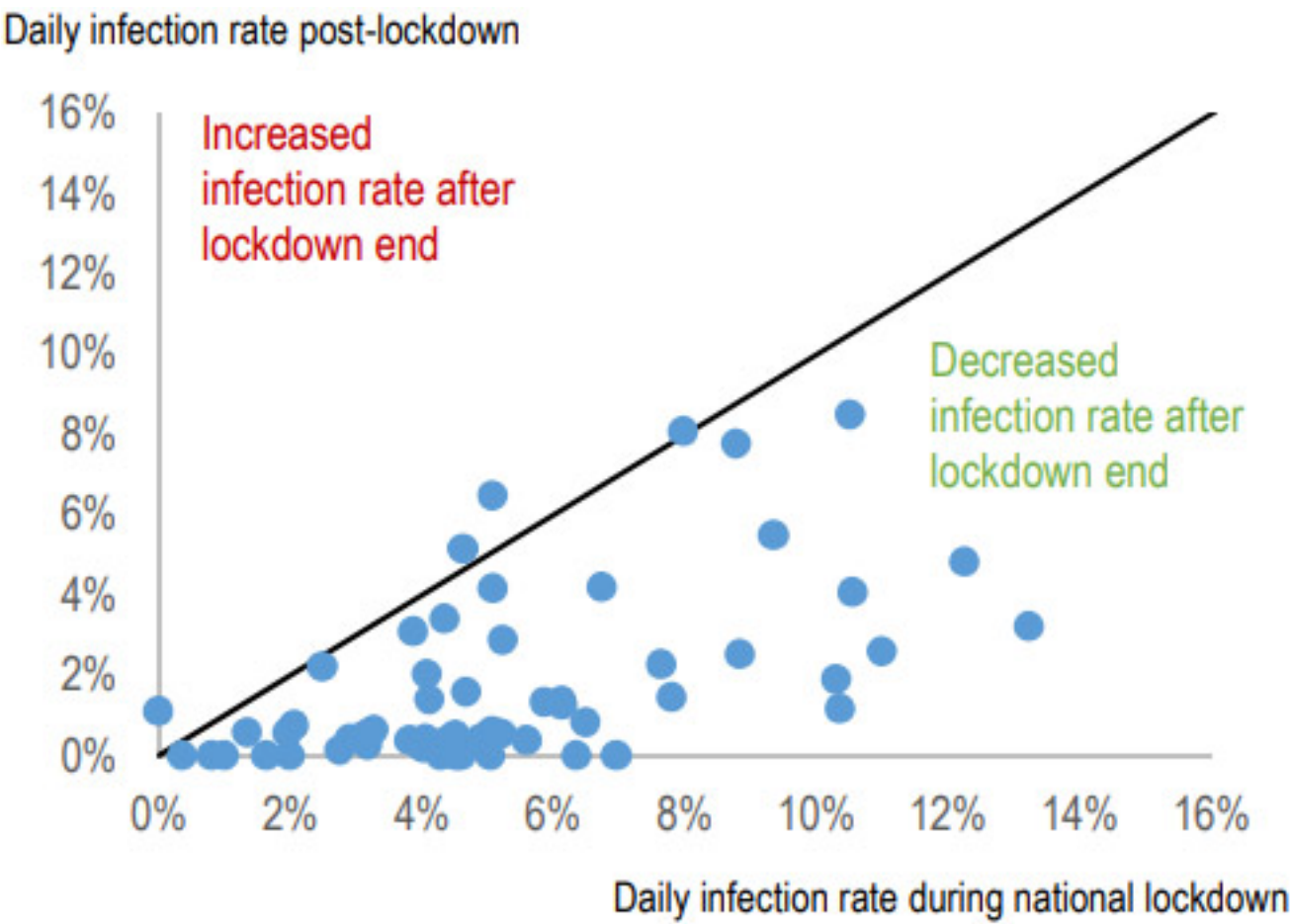
Figure 2 below show virus spread rates before and after lockdown for different countries around the world, and Figure 1 shows the spread for US states that have re-opened.

R0 DURING LOCKDOWN VS. AFTER LOCKDOWN END BY US STATE



Source: J.P. Morgan Quantitative and Derivatives Strategy

THE VAST MAJORITY OF COUNTRIES HAD DECREASED COVID-19 INFECTION RATES AFTER NATIONAL LOCKDOWNS WERE LIFTED



Source: J.P. Morgan Quantitative and Derivatives Strategy. Infection rate measured with a 7-day lag to allow for testing lags

In particular, regression shows that **infection rates declined, not increased, after lockdowns ended** (for US states we show most recent R nought vs R nought (Ro) - or basic reproduction number - on the day of lockdown end, and for countries we show infection rates).

For example, the data in Figure 2 shows a **decrease in infection rates after countries eased national lockdowns** with >99% statistical significance.

Indeed, **virtually everywhere, infection rates have declined after reopening** even after allowing for an appropriate measurement lag.

This means that the pandemic and COVID-19 likely have their own dynamics unrelated to often inconsistent lockdown measures that were being implemented.

The fact that re-opening did not change the course of pandemic is consistent with mentioned studies showing that initiation of full lockdowns did not alter the course of the pandemic either.

These virus dynamics are perhaps driven by the elimination of the most effective spreaders, impact on the most vulnerable populations such as in nursing homes, common sense measures unrelated to full lockdowns (such as washing hands, etc.) and weather patterns in the northern hemisphere, etc.

Technically Speaking

by Dwight Galusha, CMT, setyourstop.com

Intel Corp (NASDAQ:INTC) appears to have successfully performed a retest of the breakout on Friday.

This price action is very bullish and suggests more continued upside momentum.

One could put a protective stop-loss order at the bottom of the pattern just below 55.62 to define downside risk.

