

Mossberg's Investor Digest

Best Idea Profile:

EXO U Inc. (TSXV:EXO)

DESCRIPTION:

The trend toward mobile technology is everywhere, in business as well as inside the classroom. The Company's EXOengine software is platform neutral, allowing the development of applications and software that can be used across all platforms and operating systems, and therefore enabling interaction and collaboration between differing electronic devices. The technology agnostic framework provides a way to eliminate many of the challenges of mobile technology. Founded in 2010, EXO U serves enterprises and educational institutes primarily in the United States, Canada, and Latin America. It is based in Montreal, with additional offices in Palo Alto, California.

KEY INVESTMENT CONSIDERATIONS:

BYOD Trends – Analysts expect that by 2018, a billion mobile devices used in the enterprise environment will be employee-owned. The BYOD market will grow from \$65 billion in 2012 to approximately \$238 billion by 2018. Currently, many information technology departments are overwhelmed by the myriad of mobile devices and operating systems emerging as this trend to bring your own device, or BYOD, explodes. Teachers and students are increasingly bringing their own technology devices into the classroom, creating tremendous opportunity for learning when these devices are able to work together across different operating systems. With EXO products, whether the device is Microsoft, Apple, Android or Linux, it can collaborate with other devices.

Advantages of BYOD in the Classroom – Computers in the classroom are ubiquitous; however, content delivery platforms are rapidly leaving desktop delivery behind. The mobility of BYOD is compelling in the educational market from many angles including flexibility and costs. BYOD allows educational institutions to offer state-of-the-art technology without busting their budgets by strategically passing along a majority of the investment in mobile devices, and their accountability, to the students. Students get to use the device of their choice, yet still benefit from high-tech and self-paced interactions between the student and the teacher. Students can be engaged to learn anywhere and at any time, with whichever device they feel most comfortable. They come away more tech savvy and better able to collaborate on projects as they learn at their own pace and access information outside of the classroom. Teachers have more classroom control and can use real-time analytics to evaluate each student's performance. And a large percentage of students own their own

devices: 84% of children aged 13 to 17 own their own mobile phone, and 42% own a tablet. Among 10 to 12 year olds, close to half own a mobile phone, and more than half own a tablet. Even younger children have easy access to these devices.

Recurring Revenue – The model employed by EXO U generates high-margin recurring revenue to the tune of \$3.25 to \$5 per seat, depending whether it is sold directly or through channel partners. Contracts are emerging: EXO U has an educational deployment in Panama and is negotiating several additional contracts expected to deploy in 2015, including the Institute of Economics and Management in the Russian Federation. Although its current focus is on the education market, the company intends to expand into the enterprise market in late 2015.

BYOD Companies Targeted for Acquisition – In the last three years, large technology companies, including Microsoft, Google, VMWare, and Cisco, have been acquiring BYOD companies in deals ranging into the billions of dollars.

VALUATION:

EXO represents a pure play on the burgeoning BYOD educational market, with probable expansion beyond classrooms. Its products are strong and it is a compelling M&A target. EXO U was recently listed as a TSX Venture 50 company.

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Investment Data (as of 2/20/15)

Recent Price	\$1.45
52-Week Range	\$1.03 - \$4.56
Fiscal Year End	Mar 31
Dividend	NA
Yield	NA
Shares Outstanding	41.8 M
Average Trading Volume (3 mos)	25 K
Market Capitalization	\$60 M
Cash	\$8 M
Long-term Debt	0
Enterprise Value (EV)	\$52 M
Book Value/share	\$0.18
TTM Revenue	\$882 K
P/ Revenue	68x
TTM EPS	\$(0.17)
P/ EPS	NA
TTM EBITDA	\$(7 M)
EV/ EBITDA	NA

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