

QUORUM INFORMATION TECHNOLOGIES INC.

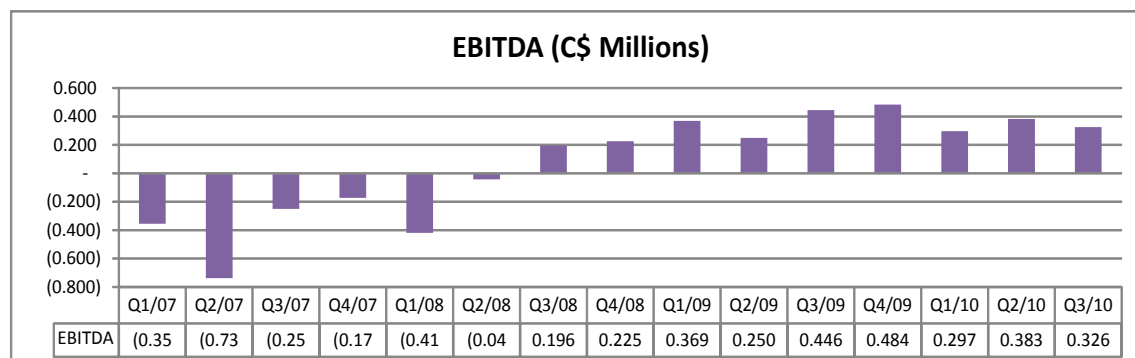
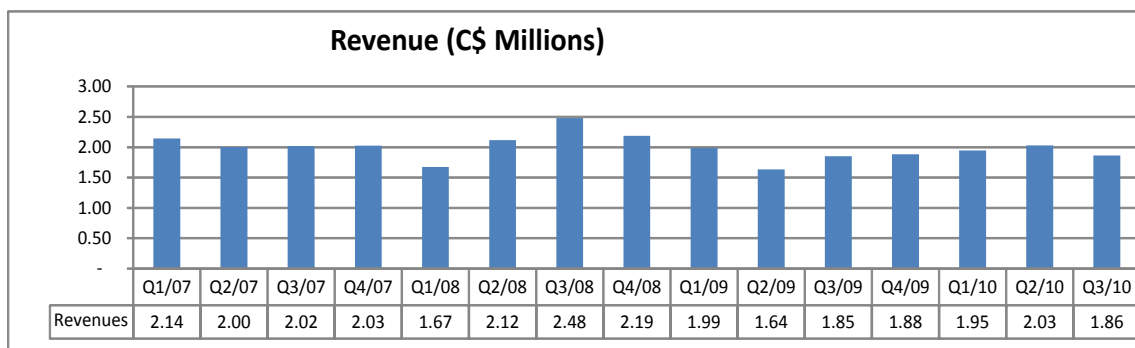
TSX-V: QIS

Price (December 9): \$0.12
 52-Week Range: \$0.25-\$0.055
 Shares Outstanding: 39.3 million
 Market Cap: \$4.7 million
 Average Daily Volume: 18,000
 Recommendation: Speculative Buy (No Change)

1. Third-Quarter And Nine-Months Results
2. Re-Pricing Of Warrants

THIRD-QUARTER RESULTS

Quorum Information Technologies Inc. reported results for the third quarter and nine months ended September 30, 2010. The following two charts show the quarterly trend in Revenue and EBITDA since the beginning of 2007. We summarize these results on the following page.





Analysis

The following table shows Quorum's annual Revenue and EBITDA for 2007, 2008, 2009, and the Last Twelve Months ("LTM").

<u>Year</u>	<u>Revenue</u> <u>(\$000s)</u>	<u>EBITDA</u> <u>\$000s)</u>	<u>EBITDA</u> <u>Margin</u>
2007	8,192	-1,515	neg
2008	8,457	-40	neg
2009	7,358	1,549	21.1%
LTM	7,723	1,490	19.3%

Quorum reported Q3/10 (ended September 30) revenue of \$1.86 million, down from \$2.03 million in the previous quarter although slightly higher than in the corresponding period of 2009. The results reflect the following:

- Recurring support and other revenue increased by 1% to \$1.49 million, compared with \$1.48 million in Q3/09. The improvement reflects a higher number of active dealership rooftops (i.e. customers), with an additional **8** new dealerships (5 in the USA and 3 in Canada) compared with only **3** in Q3/09.
- For the nine months, Quorum completed **27** rooftop installations, compared with only **6** in the corresponding period of 2009.
- The Company's customer base is now more diversified, with 25% of total dealerships being non-GM.

COMMENT: *We view this customer diversification as a positive development.*

- The GM restructuring, in which 42% of its franchised dealerships in both Canada and the USA would not have their franchise renewed, had a significant impact on Quorum's customer base and revenues over the past two years; however, going forward, the impact is not significant, as the last of the dealerships affected made decisions on their closures in Q4/10.
- EBITDA declined to \$0.326 million in Q3/10 from \$0.446 million in Q3/09, due to higher expenses as the Company hired more staff throughout 2010; however, we view the Q3/10 EBITDA to be solid given that the automobile industry has not fully recovered to the pre-2008 crisis level.

COMMENT: *With the higher number of dealership rooftops (now at 235, a record number for Quorum), we believe that the Company is closer to reaching critical mass to sustain its operations and finance growth.*



RE-PRICING SHARE PURCHASE WARRANTS

In connection with the holders of Quorum's 12% secured convertible debentures agreeing to accelerate the maturity of the debentures from April 15, 2011 to December 15, 2010, Quorum has applied to the TSX Venture Exchange for approval to amend the exercise price of the outstanding common share purchase warrants from \$0.55 per share to \$0.18 per share. Each warrant allows the holder to purchase one common share of QIS until the date that is two years from the earlier of the maturity date of the Debentures (December 15, 2010) and the conversion date of the Debentures. However, under the current policies of the TSX-V, if the stock trades at over \$0.225 for 10 consecutive trading days, then the Warrant exercise period will be reduced to 37 days following the 10 consecutive trading day period.

There are 1.125 million warrants outstanding, which were issued to the debenture holders in connection with their purchase of the debentures.

COMMENT: *Effectively, the Warrants do not expire until December 15, 2012 or 37 days following the 10 consecutive day period in which the stock trades over \$0.225. The conversion period enhances the chance for conversion and additional capital to the Company.*

STOCK CHART



Source: www.BigCharts.com

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 GM, Isuzu, Chrysler, Hyundai, KIA, Nissan, Subaru, NAPA, and Bumper to Bumper dealerships in North America.

For further information on Quorum Information Technologies Inc., see eResearch Corporation's earlier reports available at the following link: <http://www.eresearch.ca/profile.asp?companyID=485>.



RECOMMENDATION

We continue to recommend the shares of Quorum Information Technologies Inc. as a Speculative Buy for long-term, risk-tolerant investors. Our 12-month Target Price is \$0.40 per share.

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
Apr. 5, 2010	Perspective	No Change	\$0.18	None
June 1, 2010	Update	No Change	\$0.15	\$0.40
Dec. 10, 2010	Perspective	No Change	\$0.12	No Change

eResearch Analysts:

Eric Eng, BA, MBA

Bob Weir, B.Sc., B.Comm, CFA

Analyst Affirmation: I, Eric Eng, and I, Bob Weir, state that, at the time of issuance of this research report, I do not own, directly or indirectly, any shares of Quorum Information Technologies Inc.

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eResearch Corporation
56 Temperance Street, Suite 501
Toronto, ON M5H 3V5
Toll-Free: 1-877-856-0765



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eResearch Corporation
56 Temperance Street, Suite 501
Toronto, ON M5H 3V5
Toll-Free: 1-877-856-0765