Trickle Research

Every raging river, every great lake, every deep blue sea starts ... with a trickle

Initiating Coverage

oneSOFT Solutions Inc.

One Soft Solutions, Inc.

(OTC: OSSIF, TSX-V: OSS.V)

Report Date: 11/18/22

12- 24 month Price Target: US$.60

Allocation: 4

Closing Stock Price at Initiation (Closing Px: 09/27/22):US$.34

Closing Stock Price at This Update (Closing Px: 11/17/22):US$.30

Prepared By:
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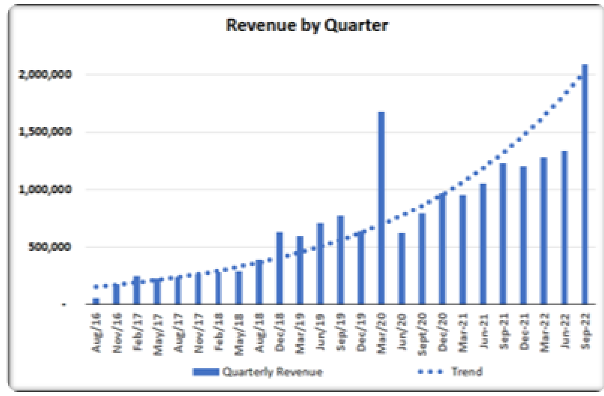
Disclosure: Portions of this report are excerpted from OneSoft's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

OneSoft reported results for Q3F22 (ended September 30, 2022). In short, they posted a very impressive quarter and surprised markedly to the upside, crushing our estimates. We will unpack that briefly and then provide some additional “big picture” color that we think is beginning to emerge. **(The following number references are reflected in Canadian Dollars).**



OneSoft Solutions Inc. , Tuesday, November 15, 2022, Press release picture

For Q3F22, Onesoft reported revenue of CAD$2.1 million versus out estimate of $1.4 million, and they reflected a net loss of just <$300,000> versus our estimate of <$1.1 million>. As we said, they handily outran our estimates. Further, beyond revenues, expenses were congruent with our estimates *despite the breakout revenue*, which we think supports our previously established view that the business includes some operating leverage that should result in higher gross margins at scale. To that end, gross margin for the quarter was 74% versus our estimate of 69%.

Beyond the operating statement, there were also a couple of balance sheet items worth noting. Recall, the Company has some number of customers that prefer to pay upfront for a set number of logs/miles, which they subsequently consume over time. From an accounting (debits and credits) standpoint, when the Company receives the payment, they debit Cash and credit Deferred Revenue (a liability). As the customer uses the platform to review their logs, OneSoft credits a revenue for the fees related to those respective logs, and debits the Deferred Revenue, effectively reducing that balance. As a result, watching the changes in these balances, (Revenues, Cash and Deferred Revenue) we can get a sense of the new business (essentially backlog) that has been added during the period. That is, since as we noted at this point much of their revenues occur in the deferred revenue context we noted, ostensibly, if revenues are up (as they were) and the sequential change in deferred revenues is nominal (which it was) it means they effectively replaced the lost deferred revenue with new business. Again, we will attempt to monitor the changes/relationships in some of these numbers to help us glean the direction of things going forward.

While above is some of the more granular part of the analysis, per our typical approach, we remain focused on some of the “big picture” issues that we think are beginning to emerge in OneSofts’s favor. To edify, in our initiating coverage, we identified a handful of opportunities that we believe will contribute to OneSoft’s success. Two of the more topical of those are, their ability to add more large customers to the platform, capturing an increasing share of the addressable market, and subsequently upselling those customers the additional modules that have and are developing. In short, the combination of the releases the Company is providing, the content of the presentations they are making and the numbers they are posting, lead us to believe that they are experiencing success in each of these opportunities as well in some others we also identified (expansion into international markets for example).

From the even *bigger* picture view, we will reiterate something we also touched on in the initiating coverage but also discussed with management at our recent conference, which they presented at. We believe the Company's platform is capable of significantly improving the process of identifying and mitigating pipeline failure. The case studies they provide support that viewpoint. Moreover, the cost of utilizing their platform relative to the costs of using legacy approaches as well as the costs associated with avoiding a catastrophic event suggest that OneSoft represents an *extreme* value proposition. As a result, we believe the Company could become an industry standard per se, which would most certainly result in significantly better valuations for the underlying shares.

All the above noted, while the quarter was a breakout, we are also cognizant of the fact that sequential results could remain volatile/lumpy as the Company works to expand both the breadth and the depth of the customer base. Clearly, with more customers collectively running more logs, the chance of an extraordinary quarter resulting from a single large customer for instance, becomes less likely. As a result, *as the customer base grows*, we expect volatility to smooth and consequently visibility to improve, which we also think will be positive for the underlying valuation. However, despite the strong quarter, we will refrain from making any marked changes to our model today until we see a few more data points that further support that approach. On the other hand, the operating momentum is compelling.

We reiterate our allocation of 4, and our 12-24 month price target of US$.60, which represents a roughly 100% lift from current levels. We will likely revisit our allocation (higher) if the stock experiences additional compression. We would add, the more we learn about OneSoft, the more we are convinced that their opportunities remain open ended perhaps well beyond our current target assumptions.

Projected Operating Model

(Reflected in Canadian Dollars)

OneSoft Solutions Inc.							
Projected Operating Model							
By: Trickle Research							
	(actual)	(actual)	(actual)	(estimate)	(estimate)	(estimate)	(estimate)
	3/31/2022	6/30/2022	9/30/2022	12/31/2022	Fiscal 2022	Fiscal 2023	Fiscal 2024
Revenue	**$ 1,279,764**	**$ 1,334,314**	**$ 2,085,135**	**$ 1,519,413**	**$ 6,218,626**	**$ 11,223,818**	**$ 20,177,321**
Direct Costs	$ 382,493	$ 427,305	$ 543,949	$ 459,271	**$ 1,813,018**	**$ 2,969,240**	**$ 4,939,011**
Gross Profit	**$ 897,271**	**$ 907,009**	**$ 1,541,186**	**$ 1,060,142**	**$ 4,405,608**	**$ 8,254,578**	**$ 15,238,311**
Salaries and Employee Benefits	$ 1,292,917	$ 1,238,586	$ 1,395,189	$ 1,327,912	**$ 5,254,604**	**$ 6,083,573**	**$ 7,426,598**
Sales and Marketing	$ 252,399	$ 239,851	$ 273,952	$ 316,690	**$ 1,082,892**	**$ 1,795,700**	**$ 2,726,448**
General and Adminsitrative	$ 226,993	$ 264,837	$ 276,013	$ 281,359	**$ 1,049,202**	**$ 1,485,667**	**$ 2,112,413**
Operating Expenses	$ 1,772,309	$ 1,743,274	$ 1,945,154	$ 1,925,961	**$ 7,386,698**	**$ 9,364,940**	**$ 12,265,459**
Software Development Costs Capitalize	$ (100,049)	$ (94,042)	$ (111,733)	$ (104,603)	**$ (410,427)**	**$ (492,001)**	**$ (620,036)**
Operating Expenses, net of Captialized C	**$ 1,672,260**	**$ 1,649,232**	**$ 1,833,421**	**$ 1,821,358**	**$ 6,976,271**	**$ 8,872,939**	**$ 11,645,423**
Loss Before Other Expenses	**$ (774,989)**	**$ (742,223)**	**$ (292,235)**	**$ (761,216)**	**$ (2,570,663)**	**$ (618,361)**	**$ 3,592,888**
Stock Based Compensation	$ 179,061	$ 206,933	$ 132,168	$ 200,000	**$ 718,162**	**$ 800,000**	**$ 800,000**
Amortization of Intangibles	$ 85,597	$ 83,602	$ 86,468	$ 87,333	**$ 343,000**	**$ 358,152**	**$ 372,694**
Depreciation of Property and Equipmen	$ 3,821	$ 4,199	$ 4,644	$ 4,600	**$ 17,264**	**$ 18,400**	**$ 18,400**
Interest Income	$ (4,961)	$ (11,230)	$ (23,161)	$ (20,534)	**$ (59,886)**	**$ (63,103)**	**$ (77,512)**
Foreign Exchange Loss	$ 25,694	$ (41,891)	$ (54,394)	$ -	**$ (70,591)**	**$ -**	**$ -**
Other			$ (138,067)	$ -	**$ (138,067)**	**$ -**	**$ -**
Total Other Expenses	**$ 289,212**	**$ 241,613**	**$ 7,658**	**$ 271,399**	**$ 809,882**	**$ 1,113,449**	**$ 1,113,583**
Gain (Loss) Before Income Tax	**$ (1,064,201)**	**$ (983,836)**	**$ (299,893)**	**$ (1,032,615)**	**$ (3,380,545)**	**$ (1,731,810)**	**$ 2,479,305**
Income Tax							
Net Gain (Loss)	**$ (1,064,201)**	**$ (983,836)**	**$ (299,893)**	**$ (1,032,615)**	**$ (3,380,545)**	**$ (1,731,810)**	**$ 2,479,305**
Other Comprehensive Gain (Loss)	**$ 14,358**	**$ (21,900)**	**$ -**	**$ -**	**$ (7,542)**	**$ -**	**$ -**
Net Gain/(Loss) per share -Basic	**$ (0.01)**	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**	**$ (0.03)**	**$ (0.01)**	**$ 0.02**
Net Gain/(Loss) per share - Diluted	**$ (0.01)**	**$ (0.01)**	**$ (0.00)**	**$ (0.01)**	**$ (0.03)**	**$ (0.01)**	**$ 0.02**
Basic Shares Outstanding	**118,476,369**	**118,572,332**	**120,640,396**	**120,890,396**	**119,644,873**	**121,515,396**	**122,515,396**
Diluted Shares Outstanding	**118,476,369**	**118,572,332**	**120,640,396**	**120,890,396**	**119,644,873**	**121,515,396**	**122,515,396**

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Trickle Research co-sponsors two microcap conferences each year. Trickle Research encourages its coverage companies to present at those conferences and Trickle charges them a fee to do so. Companies are under no obligation to present at these conferences. OneSoft has paid fees to present at Trickle's conferences.

Portions of this publication excerpted from company filings or other sources are noted in italics and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

- A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.
- A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.
- A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.