Coverage Termination

OneSoft Solutions, Inc.

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

Report Date: 08/20/24

12- 24 month Price Target: US$.82

Allocation: 5

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

Closing Stock Price at This Target Increase (Closing Px: 08/21/23):US$.62

Closing Stock Price at This Allocation Increase (Closing Px: 11/16/23):US$.52

Closing Stock Price at Coverage Termination (Closing Px: 08/19/24):US$.62

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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.

Below is an excerpt of a recent announcement from OneSoft regarding the acquisition of the Company by Irth Solutions LLC:

EDMONTON, AB / ACCESSWIRE / August 12, 2024 / OneSoft Solutions Inc. (TSX-V:OSS) ("OneSoft" or the "Company") is pleased to announce that it has entered into a binding arrangement agreement dated August 12th, 2024 (the "Arrangement Agreement") with irth Solutions LLC and its wholly-owned subsidiary irth Acquisition Corp. (collectively "Irth"), a Blackstone portfolio company, pursuant to which Irth will acquire all of the issued and outstanding shares of OneSoft (the "Shares") for $0.88 in cash per Share (the "Consideration"), representing a total cash equity value of approximately CDN$113 million on a fully-diluted basis (the "Transaction").

The Consideration represents premiums of approximately 42% and 28% to the closing price and 20-day volume weighted average closing price of the Shares, respectively, on the TSX Venture Exchange (the "TSX-V"), on August 9, 2024. OneSoft shareholders ("Shareholders") and holders of restricted share units ("RSU") will receive $0.88 per Share or per RSU. Holders of options to purchase Shares ("Options") will receive the amount by which the Consideration exceeds the exercise price of the Options. All unvested RSUs and Options will fully vest immediately prior to the change of control of the Company and will entitle such holders to the above Consideration.

"This transaction is an important milestone in OneSoft's journey and is highly beneficial to all shareholders and stakeholders," said Dwayne Kushniruk, OneSoft CEO. "Irth will continue supporting OneSoft's employees and customers while providing our shareholders with an attractive share price premium and full liquidity for their Shares."

We initiated coverage of OneSoft in September 2022, or nearly 2 years ago. At that time, we established a 12-24 month price target for the shares of US$.60 vs. our initiating price of US$.34. For reference, the USD value of the above offer of CAN$.88 is approximately US$.64. That said, on 08/21/23, we established a new (higher) 12-24 month price target of US$.82. From that perspective, we have mixed views of the acquisition price. Here are a few quick observations therein.

First, we have historically reiterated a point regarding microcap stocks that we think may apply here. We often suggest that one of the biggest risks associated with owning a largely underfollowed microcap is the potential for the Company attracting a suitor that is willing to pay a marked premium for the shares relative to the prevailing public share price, but perhaps meaningfully lower than the intrinsic value of the shares. That scenario puts the acquiree's board in a difficult spot, and in our experience, more often than not, they opt to accept the offer. By the way, that is not a critique, but rather, a reality of owning underfollowed shares where the street may not have a complete grasp of that intrinsic value and/or a lack of visibility makes identifying that intrinsic value difficult. On the other hand, ostensibly, management and the board should have a better handle on that visibility than the rest of us, so we would also defer to that notion before critiquing decisions to sell the enterprise. We would add, we think it is reasonable to suggest that an entrenched industry participant would have a better idea of the applicable value of small undiscovered player, than the collective street. Moreover, we would also not dispute that a bigger company, may be able to accelerate the business at a pace and/or to levels, and perhaps to particular customers, that could make the underlying business worth more to the acquirer than to the existing shareholders. However, in our experience, acquiring companies do not typically pay up for pieces of synergy *that they bring to the combination.* Succinctly, we think OneSoft may have left some money on the table at US$.64 (CAN$.88), but we can understand the logic of accepting the offer.

Second, to be clear our targets (and therefore much of the basis for our notion that OneSoft might be worth a bit more), are based on continued traction in their core CIM technology, in both North America and internationally, and perhaps more importantly, the rollout and acceptance of the modules they are developing around CIM. The timing and success of those rollouts are part of the visibility issue we noted above. Again, we have developed our own vision of that growth, which could be more aggressive than management's and the board's views of the same. In that case, the acquisition price could certainly be more appropriate than our target.

Third, while we tend to believe the Company is worth more than the acquisition price, there is clear satisfaction in watching a coverage stock be taken away at meaningful premiums to our initiating price, as well as premiums to the prevailing share price. We believe that validates our initiating thesis regarding the value and potential of the business.

To summarize, over the course of our coverage OneSoft largely outperformed our estimates and they were ultimately rewarded with an acquisition at a fair price. We think that is a favorable outcome in the context of our coverage expectations. As a result of the transaction (which we are assuming will close), we are terminating our coverage of OneSoft. Shareholder's should make their own assessments regarding sticking around for the closing and collecting the full CAN$.88, versus accepting a small discount to that in the open market.

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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.

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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.