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Serenic Corporation (SER:TSX-V)

Date: March 27, 2008
Price: \$0.41



KEY INFORMATION

Fiscal Year-end	February 28
52-Week High/Low	\$1.05 - \$0.40
3-Month Avg. Daily Trading Volume	48,506 shares
Market Capitalization	\$6.1 million
Enterprise Value	\$3.2 million
Book Value per Share	\$ 0.18
Current Ratio	1.4
Gross Margin (9 months Nov. 30)	70%
LT Debt to f2008e CF	nil
LT Debt to Equity	nil
Price to f2008e Sales	0.6
Price to f2009e Sales	0.5

FINANCIAL DATA (000's of Canadian Dollars)

	3 Months Nov 30		9 Months Nov 30	
	2007	2006	2007	2006
Revenues	1,875	1,823	7,784	5,509
Net Income	(323)	(507)	407	(280)
per share	(0.02)	(0.04)	0.03	(0.02)
Cash Flow	(149)	(374)	932	101
per share	(0.01)	(0.03)	0.06	0.01

BALANCE SHEET (as at November 30, 2007)

Current Assets	\$ 4,190,733
Total Assets	5,960,172
Current Liabilities	2,956,277
Long-Term Debt	nil
Shareholders' Equity	2,772,167

SHARES OUTSTANDING (as at March 27, 2008)

Basic	* 15,072,458
Options	2,671,400
Warrants	1,849,994
Fully-Diluted	19,593,852

* management and insiders own approximately 52% of the company's issued and outstanding common shares

Highlights:

- record 9 month revenues and earnings
- 30% recurring revenue stream
- selected in 2007 by Microsoft as Dynamics ISV of the year
- exclusive developer of payroll and HR products for Microsoft Dynamic NAV sold in North America

CORPORATE OVERVIEW

Serenic Corporation is a global provider of business solutions for the medium to large not-for-profit (NFP) organizations. The company also conducts business in certain public sector vertical markets in North America through Microsoft NAV reseller partners.

Serenic has two wholly-owned subsidiaries, namely, Serenic Software, Inc., which develops and markets enterprise financial and operational software solutions for the NFP, educational and government organizations; as well as Serenic Canada Inc., which provides payroll and human resource software applications for Microsoft Dynamic NAV. NAV is now Microsoft's highest growth and most widely distributed business application software suite with more than 60,000 installations, 1 million users, and 2,700 reseller partners.

The company's target markets for NFP comprise approximately 65,000 organizations worldwide, with potential license revenue exceeding \$3.5 billion. This is an extremely fragmented market space, with the biggest competitor, Blackbaud Inc. (BLKB:NASDAQ) generating only \$200 million in annual revenues. Many high profile organizations including Care International, Rick Hansen Society, Catholic Diocese, Salvation Army, Children's Aid Society, Carnegie Foundation and Heart & Stroke Foundation are Serenic clients.

For the 3 and 9 month period ended November 30, 2007, the company reported record

revenues and earnings. Revenues for the 9 month period increased by 41% to \$7.8 million. Serenic generated net income for the 9 month period of \$407,189 or \$0.03 per share.

The increase in revenues were due in part to the completion of the first \$1 million plus contract announced with Care International in July 2007. The installation of this contract will involve users in more than 50 countries. The trend towards higher value contracts has continued during f2008, with several orders exceeding \$100,000 in license fees.

Sericnic was able to generate record revenues and earnings during f2008 despite a rapidly rising Canadian currency. The dollar's rise will continue to impact Serenic's revenue recognition as most of the company's revenues are denominated in US dollars. Management continues to grow both the reseller and direct sales channels which has more than offset the rise in the Canadian dollar. This has produced outstanding results as the current sales pipeline, which totals more than \$13 million, has more than quadrupled during the past 12 months.

During the second quarter ended August 31, 2007, Serenic finalized two private placements for gross proceeds of \$1.6 million. The company also signed Tanzania-based Techno Brain as its African distributor. Techno Brain has more than 300 employees and is Microsoft's premiere partner for African markets.

ORGANIC GROWTH

During the past 4 fiscal years, the company's revenues grew from \$1.5 million in f2004 to \$7.9 million in f2007. In 2006, Serenic made the important transition from a development to marketing company. The company has evolved as a strong competitor within certain segments of NFP and public sector markets in North America and now expects to expand services to its core business customers which desire software that addresses multi-language, multi-

currency, and internet capabilities. Such customers require more sophisticated solutions that typically cost between \$1 million and \$3 million, inclusive of software license fees and implementation services.

The company also continues to enhance its core *Navigator* product offering with supplementary modules that manage specialized complexities such as donor management, grant management, religious governance, and community care.

In July 2007, Microsoft crowned Serenic as the top Dynamics Software Vendor of the year (selected from more than 8,000 Dynamic Partners worldwide).

REVENUE OBJECTIVES

Sericnic is on-track to achieve revenues for fiscal 2008 (ended February 29, 2008) of approximately \$9.8 million, which represents 25% growth over the previous year. The objectives for the next three years are to continue this growth rate for organic revenues, which should generate \$12 million for fiscal 2009, \$15 million for fiscal 2010, and \$19 million for fiscal 2011. Serenic's licensing model incorporates initial license fees and recurring annual maintenance fees, which are expected to comprise approximately 30% of overall revenues on an on-going basis.

SUMMARY

Sericnic has recently achieved considerable financial and operational success. Management appears to have found a unique niche market that is not adequately serviced and offers significant growth opportunities. The company is presently trading with a market capitalization of only 0.6 times current annual revenue, while boasting a strong balance sheet, a strong association with Microsoft, expanding global sales opportunities, and profitability. Historical acquisition parameters in the company's sector typically range from 3 to 5 times annual revenues.

Sericnic Corporation

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