Candidate exhibit excerpt

Preliminary group result.pdf | page 1

HEARTHLINE IT SERVICES

Preliminary consolidated income statement

Twelve months ended December 31, 2021 | Prepared March 10, 2022 | CAD, whole dollars

Revenue and cost of service

Account	Canada	Australia	Singapore	Malaysia	FY2021	FY2020	Change	Change %
Monthly clinic support plans	4,531,847	3,322,897	943,836	0	8,798,579	7,320,075	1,478,504	20.2%
Quarterly and annual support plans	468,385	71,825	14,581	0	554,792	794,064	(239,271)	(30.1%)
Recurring service contracts	17,017,362	5,790,456	3,536,013	0	26,343,830	22,602,291	3,741,539	16.6%
Recurring revenue	**22,017,594**	**9,185,178**	**4,494,430**	**0**	**35,697,201**	**30,716,430**	**4,980,771**	**16.2%**
Hourly implementation	6,808,477	1,295,961	(11,339)	0	8,093,099	6,943,937	1,149,162	16.5%
Write-downs and service credits	0	0	0	0	0	0	0	n.m.
Fixed-scope implementations	1,513,169	853,188	154,977	0	2,521,335	3,288,552	(767,217)	(23.3%)
Equipment resale	3,498,909	1,913,441	94,024	0	5,506,373	6,141,922	(635,549)	(10.3%)
Incidental reimbursements	48,949	10,290	5,182	0	64,421	59,766	4,655	7.8%
Vendor credits	66,419	872	0	0	67,291	76,397	(9,106)	(11.9%)
Finance charges	8,308	0	0	0	8,308	0	8,308	n.m.
Nonrecurring revenue	**11,944,230**	**4,073,752**	**242,844**	**0**	**16,260,828**	**16,510,573**	**(249,746)**	**(1.5%)**
Total revenue	**33,961,825**	**13,258,930**	**4,737,275**	**0**	**51,958,029**	**47,227,003**	**4,731,026**	**10.0%**
Hourly service staff	1,597,369	823,714	26,657	3,618	2,451,360	6,771,351	(4,319,991)	(63.8%)
Project delivery staff	1,156,386	911,713	2,616	3,056	2,073,771	1,346,755	727,016	54.0%
Recurring service staff	3,299,262	1,631,719	455,355	0	5,386,336	0	5,386,336	n.m.
Delivery overhead staff	6,455,053	2,261,163	134,623	124,176	8,975,015	9,381,245	(406,230)	(4.3%)
Deferred staff costs	0	(147,020)	3,091	0	(143,930)	82,579	(226,509)	(274.3%)
Shared labor allocation	0	0	0	0	0	0	0	n.m.
Outside technicians	174,496	10,117	968	0	185,582	284,076	(98,494)	(34.7%)
Affiliate staff charge	(264,373)	36,191	259,111	(8,000)	22,929	10,796	12,133	112.4%

Hearthline IT Services

Take-Home MSP LBO and Investment Memo

From the assignment

We are evaluating a majority investment in Hearthline IT Services, a managed service provider serving diagnostic clinics and outpatient care groups. Investment questions What is an appropriate value to assign to Hearthline? What returns do you think could be earned, and why?

Submission window

Friday issue, due Tuesday at end of day. Separate investment discussion.

What you submit

Excel LBO with management, underwritten and defensive cases. Investment recommendation, key risks and diligence priorities.

Hearthline IT Services

Group income statement · CAD

Four service revenue lines from the issued monthly accounts.

Revenue line	Jan 2018	Feb 2018	Mar 2018
Monthly clinic support plans	185,635	208,140	229,204
Quarterly and annual support plans	32,506	45,508	54,776
Recurring service contracts	1,318,606	1,321,071	1,289,620
Clinic continuity planning	4,763	4,763	4,763

Group monthly income statement.xlsx / Consol / B3:D3 and A4:D7

Submit a three-scenario buyout model and an investment memo with your recommendation, risks and diligence priorities.