

Quintek Technologies Inc
(OTC: QTEK)

Web Page: www.quintek.com



SECTOR: Business Services

INDUSTRY: Technology

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RECOMMENDATION: BUY

August 10, 2005

Current Price	\$0.15	12 Month Target Price	1.07
Market Cap	\$8,271,750	Cash & Equivalents	\$21,00
52 Week Range: Low High	0.10 - 0.265	Earnings & Revenue Estimates	
		EPS FY03A	(.02)
		EPS 3Q04A	(.004)
Com/Shares Out	70,068,566	EPS FY 04E	(.01)
Avg. Daily Volume	128,200	EPS FY 05E	(.01)

Fiscal Year End December

Quintek is a provider of business process outsourcing (BPO) services to companies that are looking to outsource back office services locally and overseas. The specific services that Quintek offers are those of high speed scanning, data entry, ASP hosting of scanned images, in-house imaging solutions, and mailroom outsourcing of inbound mail. The BPO market is expected to grow from \$19 billion in FY04 to \$146 billion in 2008, according to an August 2003 Forrester Research report, and Quintek has positioned themselves to take advantage of this enormous market potential and growth.

POTENTIAL SHARE PRICE DRIVERS

- 2Q04 agreement with GCAP Services, a management consulting firm that has government clients, including the County of Orange, CA, the Judicial Council of California – Administrative Office of the Courts, the Los Angeles County MTA, the Los Angeles City Community Redevelopment Agency, the Los Angeles County Department of Public Works, and the United States Navy – Naval Facility Engineering Command. This agreement will allow Quintek to up sell their services to GCAP's existing clientele.

- 2Q04 agreement with FedEx Kinko's (NYSE:FDX) to be their preferred document imaging and document scanning partner for Kinko's Western region.
- 2Q04 agreement with Single Source Partners (SSP), a provider of mortgage solutions to the mortgage industry. SSP and Quintek have identified and are pursuing more than \$60 million in potential business form SSP's client companies.
- 2Q04 agreement with Iron Mountain (NYSE:IRM) that enables Iron Mountain's sales force to offer Quintek's BPO services. As Quintek improves their balance sheet, we expect Iron Mountain to select Quintek as their preferred imaging partner in Southern California.
- 1Q04 hiring of Robert Brownell, a seasoned BPO executive as President.
- Five year contract signed FY04 that represents just under \$1 million in revenue each year through FY09. This contract alone will meet our current FY05 revenue estimates.

FINANCIAL SUMMARY

Quintek reported 3Q04 had a loss of \$(.004) per share compared to a 3Q03 loss of \$(.006). Quintek reported a loss of \$(0.02) for the twelve months ended June 30, 2003 compared to a loss of \$(0.03) for the twelve months ended June 30, 2002. We estimate a FY04 per share loss at \$(.01) compared to FY03 at \$(.03). We expect the company to become profitable in FY06, estimating earnings per share of \$.01.

COMPANY DESCRIPTION

Quintek is a provider of business process outsourcing (BPO) services to companies that are looking to outsource back office services locally and overseas. The specific services that Quintek offers are those of high speed scanning, data capture, optical character recognition, indexing, ASP hosting of scanned images, in-house imaging solutions, and the mailroom outsourcing of inbound hardcopy mail and electronic mail. Quintek is targeting the Mortgage and Healthcare markets, as well as local, state and federal governments. The sales relationships that Quintek has (GCAP, FedEx Kinko's, SSP, Iron Mountain) will let them be opportunistic to markets outside of the above.

Quintek's core competencies are performing high speed, high-quality document scanning and BPO project management. Quintek is offering these services for local delivery as well as offshore. The Value Proposition that Quintek offers to clients is that the client can significantly reduce their existing fixed cost operations, and get a return on investment as fast as one quarter.

The BPO business is broken down into five levels of services. Level One BPO services are typically simple data entry and are a low margin business. Level Two BPO services typically involve complex data capture from multi-page forms. Level Three BPO services typically involve the above as well as the need for industry experts needed to interpret data relative to the processes of the company and industry. Level Four BPO

services involve the ability to make decisions for the customer. Level Five BPO services involve the complete outsourcing of an entire departmental function.

Quintek is focusing their business efforts into capturing Level Two and Level Three BPO services. These two levels offer attractive margins and allow Quintek to more handily compete against the large competitors in the space that focus on Level Four and Level Five BPO services.

COMPETITION ON MARKET

The following companies are in the BPO business at different levels. The following NYSE companies all have over a \$1 billion market cap, so it's a little difficult to offer direct comparisons against them, but we are listing them for informational purposes.

Affiliated Computer Services, Inc. (NYSE:ACS)
Anteon International, Corp. (NYSE:ANT)
Automatic Data Processing, Inc. (NYSE:ADP)
Ceridian, Corp. (NYSE:CEN)
DST Systems, Inc. (NYSE:DST)
Electronic Data Systems, Corp. (NYSE:EDS)
Perot Systems, Corp. NYSE:PER)

The TriZetto Group Inc. (NASDAQ: TZIX) offers outsourcing efforts targeted to the payer market in the Healthcare sector. The company went public in 4Q99 and has a current market cap of around \$300 million on FY03 revenues of \$290 million.

SOURCECORP, Inc. (NasdaqNM: SRCP) offers BPO services to numerous industries and specializes in information management distribution and healthcare, regulatory and legal compliance. The company went public 1Q97 and has a current market cap of around \$361 million on FY03 revenues of \$424 million.

The BPO industry is highly fragmented with numerous local competitors but few with the expertise of local delivery and virtually none with an offshore capability. Quintek should be able to navigate the terrain.

VALUATION

Discounted Cash Flow

In the following model, we have only accounted for revenues from existing contracts, contracts under negotiation, and the presence of Quintek's selling partners. We are accounting for an existing BPO market > \$15 billion. We are assuming 125% revenue growth from FY06 through FY09, with a net FY06 net of 3.2% and a FY09 net of 12%.

If our earnings estimates are correct, then Quintek should turn profitable in FY06. Based on earnings through FY09, a multiple of 10, and a discount rate of 40%, we have derived a current valuation of \$1.07.

QTEK Revenue Projections (In Thousands)	FY2004E	FY2005E	FY2006E	FY2007E	FY2008E	FY2009E
Total Revenue	\$ 250	\$ 800	\$ 20,000	\$ 45,000	\$ 101,250	\$ 227,813
Cost of Revenue	\$ (261)	\$ (720)	\$ (18,000)	\$ (40,500)	\$ (91,125)	\$ (205,031)
Gross Profit	\$ (11)	\$ 80	\$ 2,000	\$ 4,500	\$ 10,125	\$ 22,781
Selling General and Administrative	\$ (822)	\$ (1,108)	\$ (1,212)	\$ (1,333)	\$ (1,467)	\$ (1,613)
Non Recurring	\$ -	\$ -	\$ (98)	\$ -	\$ -	\$ -
Others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ (822)	\$ (1,108)	\$ (1,310)	\$ (1,333)	\$ (1,467)	\$ (1,613)
Operating Income or Loss	\$ (833)	\$ (1,028)	\$ 690	\$ 3,167	\$ 8,658	\$ 21,168
Earnings Before Interest And Taxes	\$ (833)	\$ (1,028)	\$ 690	\$ 3,167	\$ 8,658	\$ 21,168
Interest Expense	\$ (44)	\$ (50)	\$ (43)	\$ -	\$ -	\$ -
Income Before Tax	\$ (877)	\$ (1,078)	\$ 647	\$ 3,167	\$ 8,658	\$ 21,168
Income Tax Expense	\$ -	\$ 1	\$ 1	\$ 855	\$ 2,338	\$ 5,715
Minority Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income From Continuing Ops	\$ (877)	\$ (1,077)	\$ 648	\$ 4,022	\$ 10,996	\$ 26,883
Net Income	\$ (877)	\$ (1,077)	\$ 648	\$ 4,022	\$ 10,996	\$ 26,883
Preferred Stock And Other Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income Applicable To Common Shares	\$ (877)	\$ (1,077)	\$ 648	\$ 4,022	\$ 10,996	\$ 26,883
Shares Outstanding	70,068	90,000	90,000	90,000	90,000	90,000
EPS	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.04	\$ 0.12	\$ 0.30

Source: EMER

Financials

Annual Balance Sheet

Assets	30-Jun-03	30-Jun-02	30-Jun-01
Current Assets			
Cash And Cash Equivalents	21	3	3
Short Term Investments	-	-	9
Net Receivables	73	27	33
Inventory	4	57	40
Other Current Assets	9	2	16
Total Current Assets	107	89	101
Long Term Investments	32	31	2
Property Plant and Equipment	23	32	52
Goodwill	-	-	-
Intangible Assets	49	83	109
Accumulated Amortization	-	-	-
Other Assets	2	5	5
Deferred Long Term Asset Charges	-	-	-
Total Assets	214	240	269
Liabilities			
Current Liabilities			
Accounts Payable	756	-	786
Short/Current Long Term Debt	164	-	247
Other Current Liabilities	539	-	91
Total Current Liabilities	1,458	-	1,124
Long Term Debt	25	-	-
Other Liabilities	-	-	-
Deferred Long Term Liability Charges	-	-	-
Minority Interest	-	-	-
Negative Goodwill	-	-	-
Total Liabilities	1,483	240	1,124
Stockholders' Equity			
Misc Stocks Options Warrants	-	-	-
Redeemable Preferred Stock	-	-	-
Preferred Stock	-	-	-
Common Stock	468	-	222
Retained Earnings	-22,063	-	-20,310
Treasury Stock	-	-	-
Capital Surplus	20,327	-	19,356
Other Stockholder Equity	-1	-	-123
Total Stockholder Equity	-1,269	-	-854
Net Tangible Assets	-1,318	-83	-963

Source: Company Filings

Annual Income Statement

PERIOD ENDING	30-Jun-03	30-Jun-02	30-Jun-01
Total Revenue	389	446	675
Cost of Revenue	261	199	460
Gross Profit	128	247	215
Operating Expenses			
Research Development	-	-	-
Selling General and Administrative	822	1,108	1,212
Non Recurring	-	-	98
Others	-	-	-
Total Operating Expenses	-	-	-
Operating Income or Loss	-694	-861	-1,095
Income from Continuing Operations			
Total Other Income/Expenses Net	37	-141	-37
Earnings Before Interest And Taxes	-657	-1,001	-1,132
Interest Expense	44	50	43
Income Before Tax	-701	-1,051	-1,175
Income Tax Expense	-	1	1
Minority Interest	-	-	-
Net Income From Continuing Ops	-701	-1,052	-1,176
Non-recurring Events			
Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-

Source: Company Filings

OFFICERS AND DIRECTORS:

- Robert Steele, Chairman & CEO

Mr. Steele has been a technology business owner & senior executive for over fifteen years. Mr. Steele assembled and led the team that created Brite, Inc. a wireless / mobile software company, where they raised two rounds of financing and established contractual partnerships with AOL and Global Knowledge. Prior to that, Mr. Steele and two co-Founders grew CADD Microsystems, Inc., (CMI) to be the number-one provider of Computer Aided Design (CAD) software, training and consulting services to the Federal Government. Mr. Steele has sold and managed systems integration and consulting projects for the design, engineering departments and information management departments of major clientele such as; ABB, Lucent Technologies, The Marmon Group, Federal Aviation Administration (FAA), General Services Administration (GSA), and the National Reconnaissance Office (NRO).

- Bob Brownell, President

Mr. Brownell has sold, managed and delivered all aspects of BPO solution's for 25 years and brings over 25 years of industry sales and management experience to Quintek. His primary goal is to recruit and organize a highly talented team of sales professionals to positively impact revenues from new lines of business. Most recently, Mr. Brownell served as Senior Vice President, of ImageMax, Inc, (OTCBB: IMAG) directing their Western Region sales and production efforts. Mr. Brownell also led and assisted with negotiations between ImageMax and a number of strategic partners that supported sales, offshore BPO, VARS and integrators. Mr. Brownell has also served as Regional Vice President for LASON Systems, Inc., a \$500 million dollar international sales organization.

Prior to LASON, Mr. Brownell was Vice President of Worldwide Channel Sales for Document Control Solutions, Inc., where he was responsible for directing the company's sales and marketing, administrative infrastructure, project managers and sales engineers. Mr. Brownell was previously named as FileNet Dealer-of-the-Year for exceeding assigned quota in the Southwest Region.

- Andrew Haag, CFO

Mr. Haag has over 10 years experience in the investment banking industry. Mr. Haag began his career on Wall Street at Drexel Burnham Lambert in 1987. Mr. Haag established a West Coast presence for Auerbach, Pollock & Richardson a small-cap investment bank. Mr. Haag assisted in the development of the firm, attracting and referring new hires and clients to all offices, set up and managed road shows and assisted in the structuring and funding of offerings for corporate clientele. Mr. Haag has advised

and assisted numerous small public and private companies in securing more than \$50 million in capital

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth the ownership of Quintek common stock, as of October 1, 2003 by the directors and by two shareholders who owned more than 5% of the outstanding shares. This information was obtained from the transfer agent and the numbers are based on definitions found in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934.

On October 1, 2003, 47,097,008 shares of common stock were outstanding.

Shareholder	Shares Owned	
	Number	Percent
Robert Steele, President, CEO and Chairman	400,000	0.85%
Andrew Haag, CFO, Director	0	0.0%
Zubair Kazi (3)	4,428,572	9.40%
Kurt Kunz, VP Engineering (1) (2)	2,024,428	4.30%
All directors as a group (2 persons)	400,000	0.85%

(1) These shares and options are beneficially owned equally by Kurt Kunz, his wife, Teresa, and their children.

(2) Includes warrants to purchase 350,000 shares of restricted common stock at \$1.00 per share within 60 days after June 30, 2003

(3) Includes 1,428,572 shares owned by Kazi Management VI, Inc., an affiliate of Mr. Kazi.

Source: Company Filings

CERTIFIED PUBLIC ACCOUNTANT

Heard, McElroy & Vestal, LLP
Shreveport, LA

The accountants expressed in the company's June 30, 2003 annual report their doubts to the company as a going concern.

LEGAL PROCEEDINGS

None

Emerging Market Equity Research

Emerging Market Equity Research (EMER) including any affiliates, have been compensated for this research on behalf of Quintek in the past 12 months and may perform and receive compensation for investment banking services on behalf of Quintek in the next 3 months. The compensation of the individual(s) preparing this report is based, in part, on fees generated from Quintek. Additionally, EMER may perform and be compensated for other services for, or other business from, any company mentioned in this research report. For the securities discussed in this report, EMER, its officers, directors, or employees may at any time have a position, long or short, in any securities or options of the issuer in this report. However, as it pertains to NASD Rule 2711(g)(3), the individual(s) preparing this report, and any and all of their respective accounts, are prohibited from purchasing or selling a security or option or derivative of that security in a manner contrary to their most recently published recommendation reflected in the member's research report. Although the statements of facts in this report have been obtained from and are based upon sources EMER believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute EMER's judgment as of the date of the report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of a security. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain individual financial advice based on their own particular circumstances before making an investment decision. Past performance is not a guarantee of future results.

There are substantial risks associated with Quintek's ability to successfully execute on their business plan. Their ability to execute on their business plan, or lack thereof, will most likely have an impact on the Company's stock price. If Quintek does not successfully execute on their business plan, their stock price may not reach our targets outlined in this report. Please review Quintek's most recent public filings for a detailed explanation of these risks prior to purchasing any security mentioned in this report.

STOCK RATINGS

Our rating definitions are defined below.

- Buy** We believe the common stock will appreciate in excess of 20% in 12 months.
- Neutral** We believe the risk return is neutral in that the shares are fully valued at these levels. We would not be adding to our position as a result.
- Sell** We would be sellers of the stock because we believe it is overvalued or that the trends in the market are not favorable.

FIRM COVERAGE UNIVERSE

Total Number of Companies Covered:	3	Percentage of Total
Total Buy Ratings	3	100%
Total Neutral Ratings	0	0%
Total Sell Ratings	0	0%