

Research Solutions, Inc.

RSSS:OTC

Analyst: Sofian Belhadj

Sector: Services

BUY

Price Target: \$5.3

Key Statistics as of 3/31/2015

Market Price:	\$1.07
Industry:	Business Services
Market Cap:	\$20.67 M
52-Week Range:	\$1.07-1.90
Beta:	0.59

Thesis Points:

- Enlarge the offer to target academic market
- Business model focusing on higher margin
- Strong management

Company Description:

Research Solution, Inc. is a digital media company, Inc. (OTCQB:RSSS) and its wholly-owned subsidiary Reprints Desk, Inc. (www.reprintsdesk.com) are pioneers in providing on-demand access to scientific, technical, and medical ("STM") information for life science companies, academic institutions, and other research intensive organizations. Its customers include 70% of the top 25 pharma companies in the world.

The company cloud based software-as-a-service (SaaS) solution, Article Galaxy, provides customers with access to the over one million newly published articles each year in addition to the tens of millions of existing articles that have been published in the past, helping them to identify the content that is critical to their research. The company helps its customers create and speed discoveries, save time and money, and remain copyright compliant.

RSSS have arrangements with numerous STM content publishers that allow electronic access and distribution of their content. In addition to serving end users of content, we also serve STM publishers by facilitating compliance with applicable copyright laws.



Thesis

The On-Demand Access to Scientific, Technical, and Medical Information is an unknown sector for most of the public. The demand is growing at a fast pace despite Deloitte 2015 Global life sciences outlook: Aging populations, chronic/ lifestyle diseases, emerging-market expansion, and treatment and technology advances are expected to spur life sciences sector growth in 2015. The number of researchers across the world seeking for technical and medical information (STM) would probably increase if we believe the World industry outlook

Macro overview Access to Scientific Information

Despite the world industry outlook: Healthcare and pharmaceuticals; the health care spending in North America is expected to increase at 4.9 percent during 2014-2018. Growth is being driven, in part, by expanded consumer access to health care in the United States through the 2010 Patient Protection and Affordable Care Act (ACA). Concerning Growth Latin America, health care spending is projected to increase an average of 4.6 percent annually over 2014-2018; several governments are trying to improve public health care systems amid general budget constraints. In Asia and Australasia, the rollout of public health care programs combined with growing consumer wealth are anticipated to boost health care spending an average of 8.1 percent in 2014-2018. The most rapid growth is expected to be in the Middle East and Africa, which could see an annual average increase of 8.7 percent over 2014-2018 due, in part, to population growth and efforts to expand access to care.



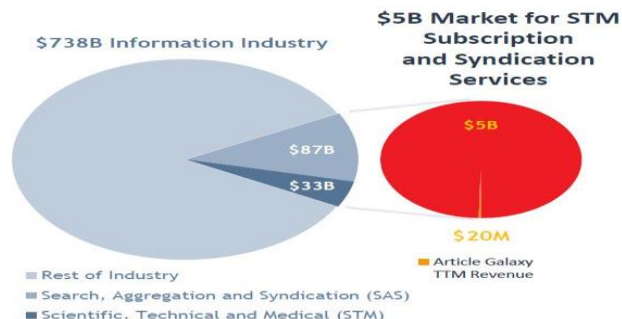
Research Solutions is providing on-demand access to scientific, technical and medical (STM) information for life science companies, academic institutions, and research intensive organizations. The business model of the company is reaching an inflection point that would determine the future of the company, by having an increase in **Article Galaxy** a cloud based software that provides efficiency for a single source for the universe of published STM content. The flexibility created for researchers, downloading single articles on demand and in digital format. The growing population in Latin

America, Asia, Middle East and Africa would lead to electronic version of the content at a low cost to create and speed discoveries, save time and money and respecting the copyright because it is affordable.

In term of comparison Research Solutions is focusing on Scientific, Technical and Medical research by distinguishing from Bloomberg and LexisNexis.



The industry in general is an addressable market of \$738 billion for the information Industry, concerning Research Solution, the Scientific, Technical, and Medical subscription is estimated at \$5 billion with roughly \$0.5 billion corporate market and \$4.5 billion in academic market.

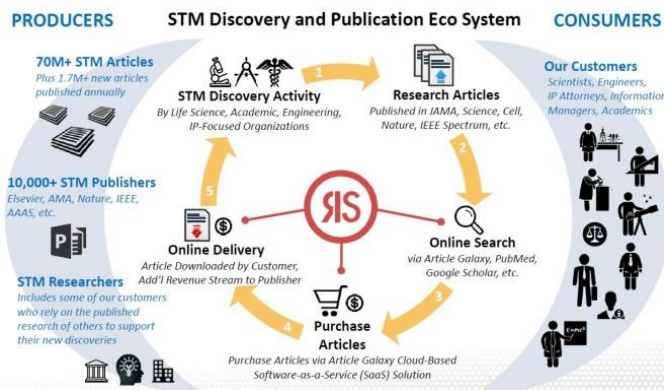


Enlarge to target the academic market

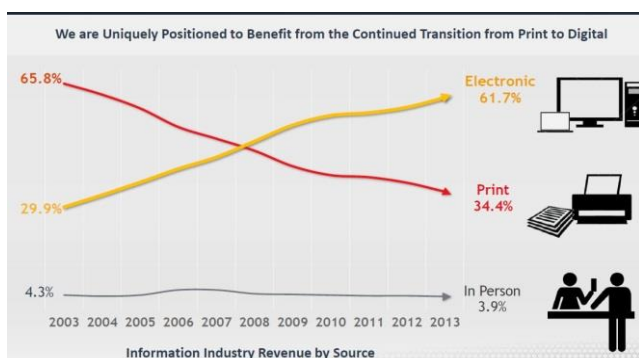
The market share of the company is about 4% of the corporate market with \$21.1M in Article Galaxy the platform created by Research Solution. The revenue at the previous earnings call Q42014 was that currently, the company is repositioning itself to reach a larger market which is the academic market representing an expansive opportunity to grow.

Research Solutions is started to be integrated into the discovery and publication cycle, the company has a strong market adoption.

The revenue of the platform oriented is as follow:



For the 2Q 2015 the company increased their revenue by 19% Y/Y to reach \$5.1M with a transaction increased by 22% compared to Q1 2015. The gross profit is increasing by 34% compared to last years to get a profit of <\$1.3M>. What is positive in term of customers is the active customer using galaxy customer accounts increased by 21% which is positive, if we remember that the company is shifting to customer that are on the medical industry and also due to a strong adoption that is lead with an electronic format in constant increase. The digital media is set to replace the printed version for the cost reduction. By providing a single possible download RSSS is creating a situation where they would be able to enjoy higher margin in the future because increase in customer flow on the platform. The situation in public library is following the same trend, researchers and institutions would have a tendency to be under a slower budget, and buying a single article that they need compared to purchasing the entire book.



Business model with higher margin

Research Solution was a company that was focused on business model that was using printed version of articles

with a margin lower than 9%, the consumer have a tendency to prefer the digital solution and for those reason RSSS margin are expected to increase in Q3 2015 to reach 25%



The Galaxy platform is fully automated to consult document, and insure a one pay workflow that is efficient and accessible globally. The conversion rate while on the platform is high compared to platform on iTunes for example, RSSS address to aware customers that are seeking for solid researches and studies. Below is showing the improvement of the platform made during the previous quarter.



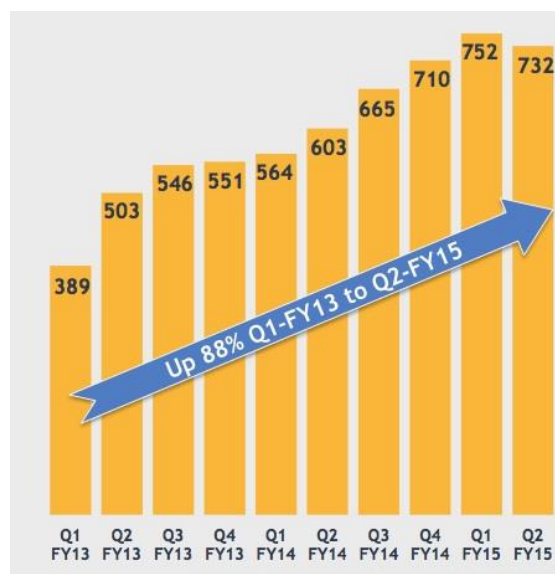
The company represents a fast growing opportunity to invest in a business that is growing at a fast pace with a leaner business model. The market is not aware of this transformation and can create a long-term investment. The market is also not aware that satisfaction for RSSS is visible among clients into their ranking among their competitors.

OUTSELL [®] Document Delivery Survey	Coverage Depth and Breadth	Fair Pricing	Ease of Doing Business	Overall Satisfaction	Would Recommend	Total Score
SIS RESEARCH SOLUTIONS	4.5	4.2	4.4	4.4	4.6	22.1
LIBRARY	4.1	4	4.1	4.1	4.4	20.7
THE BRITISH LIBRARY	4.4	3.7	3.7	4	4.1	19.9
THE RESEARCH INVESTMENT, INC.	3.9	3.7	4	3.9	4.4	19.9
INFORMATION EXPRESS	3.8	3.6	3.8	3.8	3.6	18.6
infotrieve	4	3.3	3.4	3.6	3.6	17.9
THOMSON REUTERS	3.6	3.2	3.4	3.4	3.6	17.2

Scale: 1=Very Dissatisfied 2=Dissatisfied 3=Neutral 4=Satisfied 5=Very Satisfied



A happy customer is willing to shop in a repetitive time especially with convenience created with the new business model with one time shop for a single article. The business model is highly scalable with already a loyal customer base.

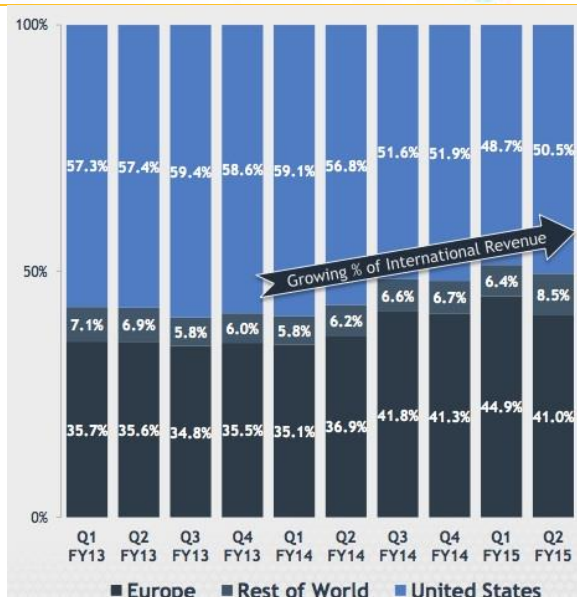


Business solution has an average number of customers that is increasing even if we count the seasonality quarter per quarter. The market is not aware of the positive outlook concerning the Growing number of clients in the customer's base.

The company has 4 out of 5 of the top 5 drug companies ranked by R&D performance. Rsss has 50% of the Global top 10 Biotech and Pharmaceutical companies ranked by revenue. To this we can add 36% of the top 503 and 50% of the top 202 global Pharmaceutical companies ranked by revenue.

The increasing number of customers is due to a global demand for research. The company has the potential to be a hub for research globally with the simplicity of usage, the convenience of saving money for single use documents, and the copyright compliance. Bellow the geography location of customers in term of revenue.

Business Solutions is partnering with long establish publishers. The partners are publishing contents that the company sells, which help the publishers, monetize and protect their contents.



SECURITY	AS OF DECEMBER 31, 2014	WEIGHTED AVERAGE EXERCISE PRICE	PERCENTAGE FULLY DILUTED
Common Stock Outstanding	17,971,302	N/A	88.8%
Stock Options	1,954,501	\$1.25	9.7%
Warrants	305,000	\$1.26	1.5%
Fully Diluted Shares Outstanding	20,230,803		100.0%

INSIDER SHAREHOLDERS	AS OF DECEMBER 31, 2014	SECURITY	PERCENTAGE OF COMMON STOCK OUTSTANDING
Bristol Investment Fund, Ltd. ¹	4,783,910	Common Stock	26.6%
Peter Derycz, CEO	4,143,627	Common Stock	23.1%
Other Management and Employees	843,220	Common Stock	4.7%
Total Insider Holdings	9,770,757		54.4%

Valuation

The company is significantly undervalued because it is still traded at the price of the company previous business model. RSSS is increasing its revenue by 19% over the Q2 2015 to \$5.1 million.

The galaxy product that unable access to scientific, technical, medical information is benefiting from the cost reduction of digital vs. paper and the gross profit was up by 34% over the Q2 2015. The adjusted EBITDA increased by 136% compared to Q2 2014. The operating expenses decreased by 11% compared to Q2 2015. RSSS is traded at 0.43 x EV/REVENUE comparing to its industry which 3.16 x.

By being conservative and considering a growth of 12% for the coming Q3, Q4 2015 and an increase of 18% for the year 2016. Considering a decrease of the operating expenses by 5% per years for 2015 and 2016. All these assumptions are considered conservative regarding company's potential and leads to a 1 year target price of \$1.70, representing an upside potential of 59% based on current market price.

RSSS could be leading platform for Scientific, Technical and Medical. On average revenue per transaction is about \$37, with single article delivery services generating substantially all of the revenue attributable to Article Galaxy. The scalability is easy to put in place with an automatic platform that could lead to steady income and satisfy knowledge workers today with the reduction of their budget.

Management:

The CEO Peter Derycz founded Research Solutions in 2006 after creating and selling Infotrieve Inc to private equity investor in 2003 called Copyright Clearance center. Despite the magazine Pharma Voice, Derycz is voted one of the 100 most influential people in pharma and holder of 9 patents. The experience of the CEO for the change in business model is a key driver for the future of the company. RSSS represent for the competition an outsider that is taking a slice in the business of Google Scholar. and therefore is a potential buyout target with 54.4% ownership of the company belonging to insiders.

