

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$4.00	\$4.00
Revenue 2022E (M)	\$251.2	\$246.1
Adj. EBITDA 2022E (M)	\$34.1	\$34.0
EPS 2022 (M)	\$0.17	\$0.18

MARKET DATA

Date:	Jul 29, 2022
Current Price (C\$):	\$1.10
Target Price (C\$):	\$4.00
52-Week Range:	\$0.93 / \$1.45
Shares O/S (M):	44.1
Mkt Cap (C\$M):	\$48.5
EV (C\$M):	\$119.8
Avg. Weekly Vol. (M):	0.12

Website: www.datacm.com

FINANCIALS

(\$M)	2021A	2022E	2023E
Revenue	\$235.3	\$251.2	\$258.7
EBITDA	\$20.8	\$24.3	\$30.5
Adj. EBITDA	\$33.3	\$34.1	\$38.9
EPS (S)	\$0.03	\$0.17	\$0.31
Cash	\$0.9	\$10.1	\$25.4
Current Assets	\$68.0	\$78.9	\$96.5
Net Cash	-\$74.5	-\$54.3	-\$26.9
Total Assets	\$140.1	\$143.1	\$154.3
Debt	\$36.3	\$31.6	\$26.2
Total Liabilities	\$132.0	\$126.0	\$121.4
Fiscal Year End:	31-Dec		

Source: Company Reports, S&P Capital IQ, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.
Director of Equity Research

DATA Communications Management Corp.

(TSX:DCM | OTC: DCMDF)

Corporate Strategy Drives Business Transformation with Q1/2022 Producing Largest Revenue Growth in 4 Years

COMPANY DESCRIPTION:

DATA Communications Management Corp. ("DCM" or "the Company") is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises. Its services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management.

COMPANY UPDATE:

- **AGM Presentation Outlined 14-Point Corporate Strategy.** The five-year strategy focuses on key areas such as digital transformation, revenue and EBITDA growth, debt reduction, client revenue expansion, customer growth, leadership development, and employee satisfaction.
- **Strategy Drives Revenue Growth in Q1/2022: DCM** reported its strongest Y/Y quarterly revenue growth since 2018, with revenue of \$69.3 million in Q1/2022, up 11.1% Y/Y and 13.8% Q/Q. First quarter revenue was above our estimate of \$64.2 million. The Company carried its fourth-quarter 2021 momentum into the first quarter of 2022.
- **Q2/2022 Financials Expected on August 9 and We Expect Continued Strong Y/Y Revenue Growth.** The Company has a pipeline of over \$10 million in new business opportunities targeting digital solutions and a new SVP of Digital to help move the opportunities through the sales funnel.
- **DCM Multiples Still Trading Below Peers.** DCM is currently trading at 0.5x 2022 EV/Rev compared with Printer comps trading at 1.1x EV/Rev, and well below the Digital Asset Management & Tech-Enabled Workflow providers trading at 2.1x and 3.5x EV/Rev, respectively.

FINANCIAL ANALYSIS & VALUATION:

- We are raising our 2022 Revenue estimate to \$251.2 million from \$246.1 million based on the higher revenue in Q1/2022. We are maintaining our revenue multiple at 0.8x and our EBITDA multiple at 7.0x.
- We estimate an equal-weighted price target of \$4.00 based on a DCF valuation (\$6.93/share), a Revenue Multiple valuation (\$3.28/share), and an EBITDA Multiple valuation (\$1.80/share).
- **We are maintaining a Buy rating and the one-year price target of \$4.00.**

All figures in CAD unless otherwise stated.

eResearch Corporation

100 University Avenue, 5th Floor • Toronto, Ontario • M5J 1V6
www.eresearch.com

Company Summary

DCM is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises.



The Company's services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management. It serves the cannabis, energy, financial, governmental, healthcare, insurance, lottery and gaming, not-for-profit, and retail industries.

DCM serves 250 enterprise clients and more than 2,000 SME clients through 16 locations across Canada and the United States.

We believe the Company has robust product and service offerings that will enable it to transition its clients from print to digital services and thus should benefit from top-line growth and robust EBITDA margin expansion.

AGM Presentation – 14-Point Corporate Strategy

Recently at **DCM's** Annual General Meeting, Richard Kellam, President, CEO & Director, presented a corporate overview of the Company's 5-Year plan for revenue growth, margin expansion, and debt repayment as it transforms from a Print-First to Digital-First focused company.

Mr. Kellam referenced the Company's business momentum that was reflected in the Q1/2022 financial results with its strongest year-over-year revenue growth since 2018 and revenue hitting \$69.3 million, up 11.1% Y/Y and 13.8% Q/Q.

Mr. Kellam outlined 14 key corporate strategies (events) that are transforming the company, in non-sequential order as all of the strategies are equally important.

EVENT 1 – Five Year Strategy

- Starting in July 2021, **DCM** worked with the **Boston Consulting Group** on a 5-year strategy to move from a print company to a digital-first company.
- The Company set some very clear, 5-Year financial objectives:
 - Grow the business between 5% and 10% over the next 5 years and be over \$300 million in revenue again. In Q1/2022, revenue growth was 11%.
 - Marketing Technology (MarTech) revenue growth of 60% and contributing margins of 80%. Gross margins in the range of 35-40% with digital capabilities contributing to higher margins.
 - SG&A in the range of 18% to 20%. In Q1/2022, SG&A was 19.7% so in-line with the plan.
 - **DCM** plans to operate at Zero Overhead Growth (ZOG) over the 5-year plan. Last year the Company executed Negative Overhead Growth (NOG).
 - Adjusted EBITDA in the range of 18% to 25%.
 - Debt reduction and have a less than 1x Debt/EBITDA leverage.
 - The Company plans to pay off between \$12 million and \$13 million in 2022 and the current repayment schedule has it debt-free by 2026.

Figure 1: Five-Year Strategy



Source: AGM Presentation (June 2022)

EVENT 2 – Change Management Practices

- **DCM** has 13 change management projects which are directly linked to its 5-year strategy.
- These projects are staffed with senior personnel, and a few of the projects are making significant progress.

Figure 2: Change Management Practice



Source: AGM Presentation (June 2022)

EVENT 3 – Associate Engagement

- **DCM** has over 900 associates and an active associate engagement program to create a positive work environment.
- The Company created the “Voice of the Associate Program” to listen to the feedback from employees.
 - The Company uses the Gallup Q12 Program, which includes 12 effective survey questions to measure employee engagement.

- Based on the responses, **DCM** builds action plans and implements them through team leaders to build better engagement with their team.
- Additionally, the Company focuses on improving its associates’ social interaction. For this, **DCM** uses Yammer, an enterprise social network. The Company has over 700 daily users on Yammer.
- Moreover, **DCM** performs a communication program called “All Hands”, where the Company delivers business updates and any significant knowledge transfer to its associates once every quarter.

Figure 3: Associate Engagement



Source: AGM Presentation (June 2022)

EVENT 4: Leadership Development

- **DCM** has identified around 85 team leaders for a leadership development program called 70-20-10 learning, where 70% of learning is job-related experiences, 20% is from interactions with others, and 10% is formal learning.
- The leadership development program is based on Patrick Lencioni’s book “FYI” (For Your Improvement), which helps assess team members’ and team leaders’ competencies and capabilities.

Figure 4: Leadership Development



Source: AGM Presentation (June 2022)

EVENT 5: Brand Strategy and Repositioning

- **DCM** has been working on building its brand and repositioning itself to give a clear message about the Company's business.
- The Company's message is simple, it delivers value to businesses by simplifying their highly complex marketing and communication workflows.

Figure 5: Brand Strategy and Repositioning



Source: AGM Presentation (June 2022)

EVENT 6: Marketing Initiatives

- **DCM** has a lot of marketing initiatives to clarify its brand strategy and positioning, including focusing on website changes and making the website a leading marketing platform.
- **DCM** has several other marketing initiatives including a YouTube channel and updated collateral material.
- The Company believes that its website marketing strategy should increase visitors' engagement, interest, and conversion.

EVENT 7: Commercial Capabilities

- **DCM** has around 60 salespeople (commercial leaders) across the Company who are responsible for working with the Company's clients.
- **DCM's** management believes that it has a highly skilled Sales team but still has implemented a sales development program to build the skills and capabilities of the team so they are "ready for today, fit for the future".
- The Company created the **DCM** Commercial Development Program to build the necessary sales capability and created a commercial evaluation program on seven core commercial competencies. The commercial development program helps **DCM** to understand the needs of its clients and look at opportunities for revenue expansion.

EVENT 8: Client Leadership

- **DCM** implemented a structured listening program to listen to its clients and then created plans to help drive engagements.
- **DCM** has 250 enterprise clients who account for 93% of its revenue but has over 2,500 clients in total.
- For this function, the Company uses the Apex Scoring System, a brand tracking and marketing reporting software that scores client engagement and insights.

Figure 6: Client Leadership



Source: AGM Presentation (June 2022)

EVENT 9: New Business Development

- **DCM** generated nearly 3% of its revenue from new businesses in 2021 but it wants to increase that amount and targets generating more than 10% of revenue from new businesses.
- The Company reported that it has developed a business development program to help it achieve the target. In Q1/2022, **DCM** announced that it had \$12 million (17.3%) in revenue from new clients.

Figure 7: New Business Development



Source: AGM Presentation (June 2022)

EVENT 10: Digital Acceleration

- It is a key component in moving from a print-first company to a digital-first company.
- The Company has been involved in digital services for nearly 20 years and every day it is touching tens of thousands of digital assets. For this function, the Company uses DCMFlex, its workflow management platform.
- **DCM** also uses the DCMFlex platform to help its clients optimize their workflow. Approximately 35% of the Company's revenue in 2021 was generated through its tech-enabled segment and it generate almost \$5 million in annual recurring revenue (ARR).
- **DCM** sees significant growth opportunities in its tech-enabled segment and could drive penetration in existing clients from the current 35% to around 75% and improve the ARR as well as add new clients.
- ASMBL is **DCM's** platform for Digital Asset Management (DAM) solutions. The Company has a pipeline of over \$10 million in new business opportunities targetting DAM solutions. To help move opportunities through the sales funnel, the Company recently hired Steve Livingstone as the Senior Vice President of Digital.
- **DCM** believes that it has three C's that put the Company ahead of its competitors. Those are:
 - **Clients:** The Company currently works with 70 of the top 100 corporations in Canada, 3 of the top 5 government agencies, 250 enterprise clients, and more than 2,000 SME clients.
 - **Capabilities:** The Company believes it does not need to invest in capabilities to accelerate its digital journey as it already has 60 sales leaders and 26 people in its software development team.
 - **Cash flow:** **DCM** also has the cash flow to fund sales, marketing, and development activities. Over the last two years, it had Free Cash Flow (FCF) of \$23.7 million in 2021 and \$46.8 million in 2020.

Figure 8: Digital Acceleration

Source: AGM Presentation (June 2022)

EVENT 11: ESG Initiatives

- **DCM** has assigned a cross-functional team for its Environmental, Social, and Governance (ESG) strategy, which is led by the CEO of the Company.
- **DCM** is involved with various associations to drive its ESG strategy:
 - **Woman-owned Business Enterprise (WBE) Canada:** It builds connections between Canadian women-owned businesses and corporate buyers across North America.
 - **Canadian Aboriginal Minority Supplier Council (CAMSC):** It drives supplier diversity by linking corporate Canada with Aboriginal and minority-owned businesses.
 - **Canada's LGBT+ Chamber of Commerce (CGLCC):** It links lesbian, gay, bisexual, and transgender (LGBT+) businesses in Canada to the broader business community.
 - **Habitat for Humanity Canada:** It helps families build strength, stability, and independence through affordable home-ownership. **DCM** is their strategic partner and offers pro-bono brand strategy, marketing services, digital asset management, and commercial printing.
- **DCM** also partnered with the following associations for its ESG strategy:
 - **PrintReleaf:** It's a relatively new program for the Company, where **DCM** replants one tree for every tree used in its printing processes. The Company mentioned that 1 tree equals nearly 83 pounds of paper. Hence, for every 83 pounds of paper used by **DCM**, a tree gets replanted. **DCM** has used 24 million pounds of paper in production since it started this program in October 2021 and has replanted almost 300,000 trees. Moreover, **DCM** has also engaged its clients in this initiative as 40 clients that represent 45% of the paper use, now have full knowledge of how much offset they have.
 - **Forest Stewardship Council (FSC):** It is a global not-for-profit organization that sets the standards for responsibly managed forests. **DCM** is 100% FSC-certified. The Company was the first company of its kind in Canada to offer a full array of FSC paper stock.

Figure 9: ESG Initiatives



Source: AGM Presentation (June 2022)

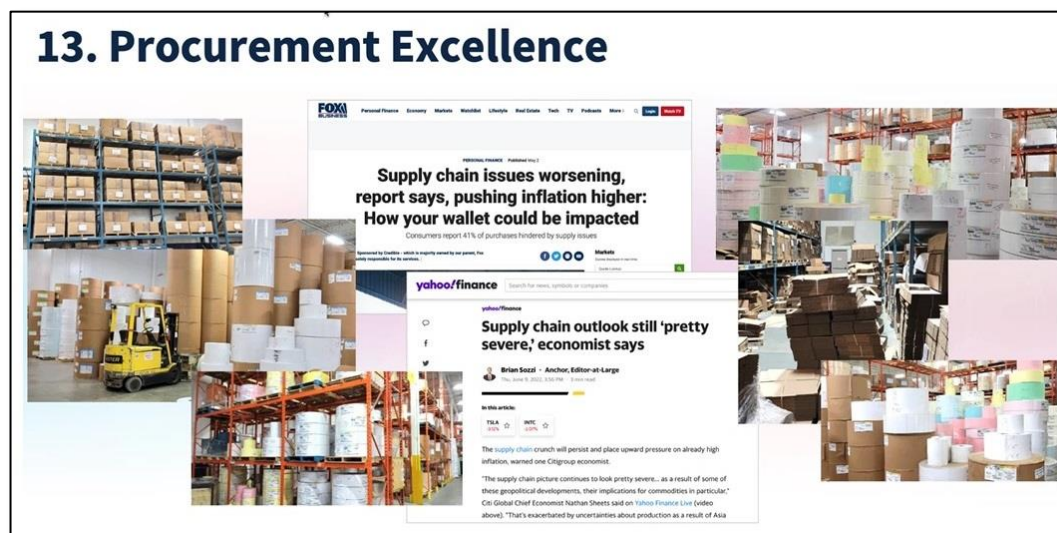
EVENT 12: Operational Excellence

- **DCM** took cost reductions and other operational effectiveness efforts by combining its office and facilities under the leadership of Christine Custodio, VP of Operations.
- For this, the Company merged the Mississauga facility into Brampton and merged the Edmonton facility into Calgary.
- The Company expects to save \$14 million from these operational activities and reportedly is on track to achieve the target.

EVENT 13: Procurement Excellence

- **DCM** believes that the paper market supply chain is significantly disrupted, and the Company faces many challenges in getting paper but it did not miss an order as a result of the supply chain issues and sales were up 11% in the quarter.
- The Company believes it has the “best-in-class procurement team” that managed to build its supply inventory to meet the higher demand.
- Moreover, the **DCM** picked up some business from competitors because it was able to execute.

Figure 10: Procurement Excellence



Source: AGM Presentation (June 2022)

EVENT 14: Financial Excellence

- **DCM** produces, sells, warehouses, and distributes nearly 50,000 stock-keeping units (SKUs) a month, which needs to be tracked. To simplify this complexity, the Company invested in Enterprise Resource Planning (ERP) in 2019 and a data warehouse last year.
- **DCM** also uses Microsoft Power Business Intelligence (BI), a data and analytics reporting tool that helps organizations combine different data sets into reporting dashboards. The Company uses this platform to pull information from the data warehouse.
- The business momentum is translating into financial momentum. In the most recent quarter (Q1/2022), **DCM** booked revenue of \$69.3 million, up 11.1% Y/Y and 13.8% Q/Q, which was its strongest quarterly revenue growth since 2018.
- In Q1/2022, Gross Margin rose 8.1% Y/Y to \$20.3 million and Net Income increased 111% Y/Y to \$3.7 million.

Review OF Q1/2022 Financials

Revenue:

- **DCM** reported its strongest year-over-year revenue growth since 2018 in Q1/2022, with revenue of \$69.3 million, up 11.1% Y/Y and 13.8% Q/Q. First quarter revenue was above our estimate of \$64.2 million. The Company carried its fourth-quarter 2021 momentum into the first quarter of 2022 as it recovered from the impacts of the COVID-19 pandemic.
- Furthermore, due to potential supply chain constraints, certain customers purchased products earlier in the year than planned, further boosting the Q1/2022 performance.
- From a seasonality perspective, the first quarter is typically the strongest quarter for DCM.

Gross Margin:

- The Company reported a gross profit of \$20.3 million in Q1/2022, up 8.1% Y/Y and 14.7% Q/Q. The Company's gross margin edged up by 0.2% Q/Q to 29.3% in Q1/2022.
- Slight changes in gross margin from the prior periods are due to the product mix and certain supply chain issues such as raw material prices and availability constraints.

SG&A:

- **DCM's** selling, general, and administrative (SG&A) expenses were \$13.6 million in Q1/2022, down 4.1% Q/Q and 8.5% Y/Y. In Q1/2022, SG&A expenses represented 19.7% of total revenues down from 23.9% in Q1/2021 and 25.4% in Q4/2021.
- The decline in SG&A expenses was attributable to the continuous reduction in salaries and wages realized from the full benefits of the cost-saving initiatives implemented throughout 2021, including the consolidation of the Brampton and Mississauga sites, and the consolidation of the Calgary and Edmonton sites.

Net Income:

- **DCM** recorded a net income of \$3.7 million in Q1/2022, an increase of 111% Y/Y, compared to \$1.8 million in the prior-year period.
- Excluding government grant income and other income of \$2.3 million in Q1/2021, net income increased by \$5.3 million on a year-on-year basis. The net margin during the quarter was 5.4%, while it was 2.8% in the same quarter last year. The increase in net income and growth in net margin during the quarter was due to the increase in overall revenues, tighter cost control, and there were not any restructuring expenses in the quarter.

Figure 11: Financial Summary

(C\$) ('000)	Q121A	2021A	Q122A	Q122E	Diff.	Q222E	Q322E	Q422E	2022E	2023E
Total Revenue	\$62,361	\$235,331	\$69,257	\$64,232	+7.8%	\$60,176	\$57,176	\$64,545	\$251,155	\$258,689
Gross Margin	30.1%	29.5%	29.3%	0.0%	+29.3%	0.0%	0.0%	0.0%	29.3%	32.0%
Total Operating Expenses	\$18,311	\$65,648	\$13,644	\$16,243	-16.0%	\$15,254	\$14,500	\$16,192	\$59,590	\$60,948
Operating Income	\$482	\$3,887	\$6,680	\$3,669	+82.1%	\$2,405	\$2,279	\$2,749	\$14,113	\$21,832
EBITDA**	\$5,456	\$20,828	\$7,924	\$6,294	+25.9%	\$3,819	\$3,628	\$4,096	\$24,269	\$30,499
Adj. EBITDA*	\$9,288	\$33,286	\$9,448	\$9,031	+4.6%	\$6,538	\$6,198	\$6,524	\$28,709	\$34,319
Diluted EPS	\$0	\$0	\$0	\$0	+68.1%	\$0	\$0	\$0	\$0	\$0
Cash	\$599	\$901	\$985	\$3,621		\$7,724	\$11,555	\$10,093	\$10,093	\$25,399
Debt	\$39,105	\$37,186	\$34,809	\$30,174		\$31,645	\$31,645	\$30,137	\$28,728	\$23,953

* DCM's Adj. EBITDA includes Lease Expenses and one-time charges.

** eResearch's Valuation calculation uses EBITDA that does not include Lease Expenses or one-time charges.

Source: Company Reports; eResearch Corp.

EBITDA and Adjusted EBITDA:

- The Company reported that EBITDA during Q1/2022 was \$9.4 million, up 28.9% Y/Y and 89.4% Q/Q. In Q1/2022, the EBITDA margin stood at 13.6%, increasing 1.9% Y/Y and 5.4% Q/Q.
- The Company reported that adjusted EBITDA was \$9.4 million, with a Y/Y increase of 1.7% and a Q/Q increase of 30.0%. In Q1/2022, the adjusted EBITDA margin stood at 13.6%, compared with 14.9% in Q1/2021.
- In Q1/2021, EBITDA was affected by \$3.4 million of restructuring expenses and included \$1.9 million of government grant income. However, the Company did not incur any restructuring expenses or other adjustments in Q1/2022 and it does not anticipate any restructuring charges for the balance of 2022.
- Note: **DCM's** Adjusted EBITDA calculation includes Lease Expenses and one-time charges. **eResearch's** EBITDA calculation that is used in its valuation calculation does not include Lease Expenses.

Cash, Debt, and Working Capital:

- As of March 31, 2022, **DCM** had \$0.98 million in cash but continues to maintain a low cash balance to reduce the borrowing charges under its Bank Credit Facility.
- **DCM's** total debt stood at \$34.2 million as of March 31, 2022, down an additional 7.7% from December 31, 2021.

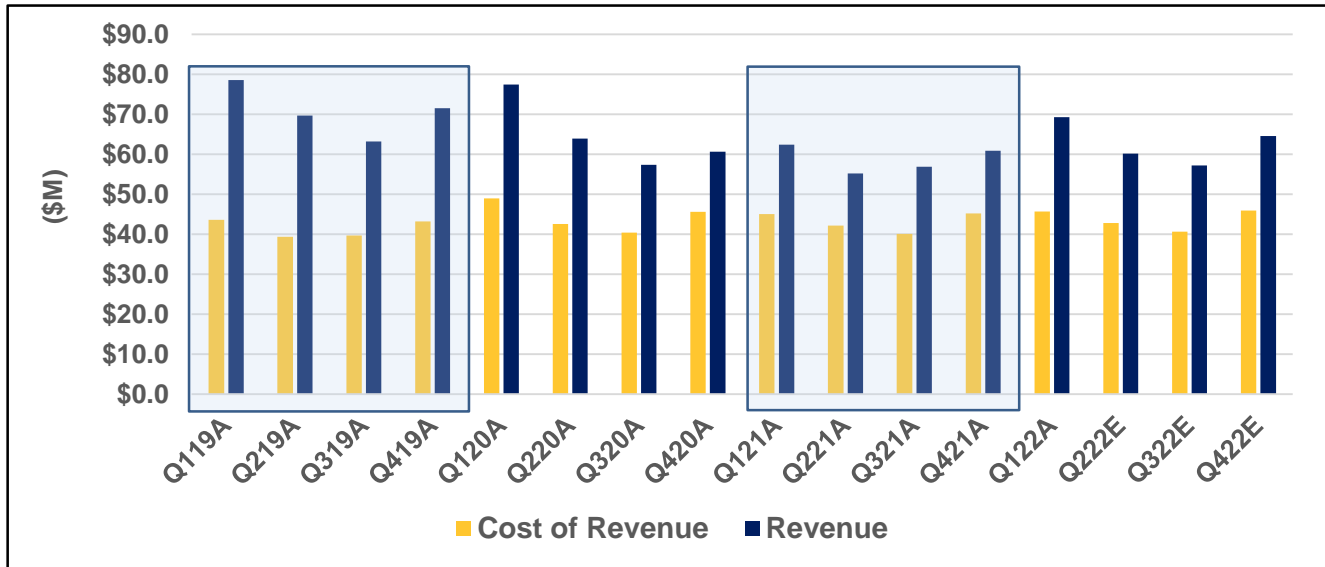
Outlook:

- **DCM** anticipates its positive 2021 momentum to continue throughout 2022.
- We see Revenue continue to climb back to pre-pandemic levels with the Cost of Revenue contained and EBITDA Margins improving as illustrated in [Figure 12](#) and [Figure 13](#).

Recent Developments:

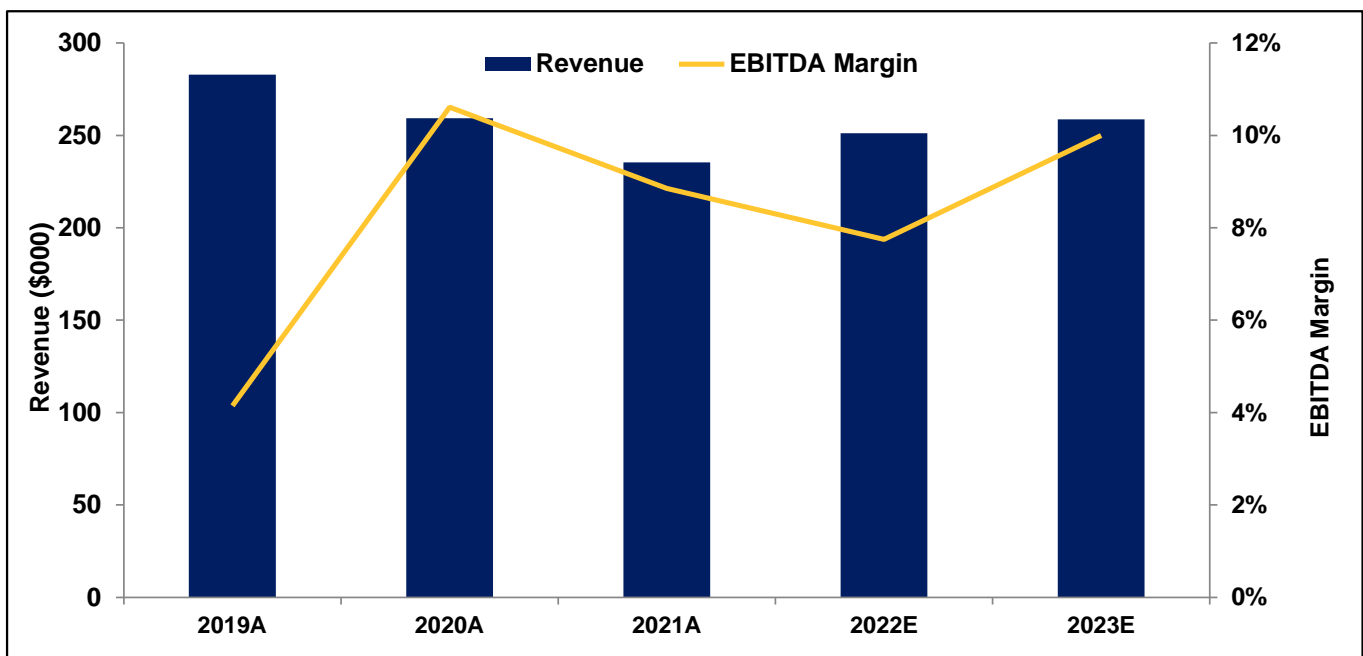
- On April 29, 2022, **DCM** was selected as the digital marketing agency of record for Habitat for Humanity Canada to bolster Habitat Canada's digital fundraising efforts.
- On April 25, 2022, **DCM** began trading on OTCQX® Best Market under the symbol **DCMDF**.
- On April 4, 2022, **DCM** announced that it hired Steve Livingstone to lead its Digital Asset Management business. Mr. Livingstone has 25 years of experience in selling complex enterprise software. His primary focus will be to close **DCM's** \$10+ million pipeline of ASMBL opportunities through the sales funnel while the Company continues to focus on its strategic shift from a print-first to a digital-first company.

Figure 12: Quarterly Revenue Comparison of Revenue to Cost of Revenue



Source: Company Reports; eResearch Corp.

Figure 13: Revenue and EBITDA Margins



Source: Company Reports; eResearch Corp.

Segment information

Previously **DCM** had separate operating segments for **DCM** and its acquired businesses. Since the operating units had similar characteristics and customers, the print businesses were aggregated into one reportable segment.

Perennial, acquired in 2018, is a design firm and considered a separate operating segment but is not disclosed separately as it did not meet the IFRS accounting thresholds.

Although **DCM** operates in both Canada and the United States, United States sales were not significant to disclose separately.

The following are descriptions of the main activities from which **DCM** generates its revenue.

- (i) **Product Sales:** **DCM** manufactures customized products based on customer specifications. Following the completion of production, **DCM's** customers take delivery or **DCM** provides additional services including warehousing.
- (ii) **Technology-Enabled Hardware Solutions:** Third-party products that are part of customer solutions and include scanners, printers, tablets, and other technology applications.
- (iii) **Warehousing services:** **DCM** provides safekeeping services to store customers' products in its warehouse.
- (iv) **Freight services:** **DCM** charges shipment fees when customers' products are transferred to the customer.
- (v) **Marketing services:** **DCM** books revenue from providing marketing solutions to its customers, which include business and brand strategy, consumer insights, design services, and strategic marketing.
- (vi) **Technology-Enabled Subscription Services and Fees:** This revenue includes marketing technology workflow applications and digital asset management (DAM), software subscription fees, managed technology services, professional services fees, and implementation and development fees.

In 2021, the Product Sales segment continued to dominate and accounted for almost 93% of revenue but further segmentation has reduced the amount to only 88.4% in Q1/2022.

In Q1/2022, DCM added two new segments, Technology-enabled Hardware Solutions and Tech-enabled Subscription Services & Fees so only select information is available.

Figure 14: Segment Information

('000)	Mar 31/20	Jun 30/20	Sep 30/20	Dec 31/20	Dec 31/20		Mar 31/21	Jun 30/21	Sep 30/21	Dec 31/21	Dec 31/21		Mar 31/22	
	Q1/20A	Q2/20A	Q3/20A	Q4/19A	2020A		Q1/21A	Q2/21A	Q3/21A	Q4/21A	2021A		Q1/22A	
Revenue Streams														
Product Sales	\$70,491	\$57,608	\$51,873	\$59,623	\$239,595	92.4%	\$54,449	\$49,096	\$51,614	\$62,904	\$218,063	92.7%	\$61,248	88.4%
Technology-enabled Hardware Solutions							\$2,425	n/a	n/a	n/a	n/a		\$2,542	3.7%
Warehousing Services	\$2,117	\$1,843	\$1,787	\$2,088	\$7,835	3.0%	\$2,022	\$1,878	\$1,835	\$1,997	\$7,732	3.3%	\$1,993	2.9%
Freight Services	\$2,743	\$1,904	\$1,751	\$2,080	\$8,478	3.3%	\$1,785	\$1,730	\$1,513	\$2,479	\$7,507	3.2%	\$2,064	3.0%
Marketing and Other Services	\$2,064	\$2,581	\$1,963	-\$3,202	\$3,406	1.3%	\$662	\$2,503	\$1,930	-\$3,066	\$2,029	0.9%	\$266	0.4%
Tech-enabled Subscription Services & Fees							\$1,018	n/a	n/a	n/a	n/a		\$1,144	1.7%
Total	\$77,415	\$63,936	\$57,374	\$60,589	\$259,314	100.0%	\$62,361	\$55,207	\$56,892	\$64,314	\$235,331	100.0%	\$69,257	100.0%

Note: Negative Q4 revenue is associated with year-end accounting adjustments.

Source: Company Reports; eResearch Corp.

VALUATION

Comparing **DCM** to other public companies is complicated given that it has many lines of business but is somewhat simplified as the Company only focuses on three core markets: (1) Conventional Print Solutions, (2) Tech-Enabled Marketing Workflow, and (3) DAM.

Average valuation multiples in the various sectors are as follows (see [Appendix D](#)).

- (1) Conventional Print Solutions: EV/Revenue of 1.1x (2022E revenue) and EV/EBITDA of 7.2x (2022E EBITDA).
- (2) Tech-Enabled Marketing Workflow: EV/Revenue of 2.1x (2022E revenue) and EV/EBITDA of 13.8x (2022E EBITDA).
- (3) DAM: EV/Revenue of 3.5x (2022E revenue) and EV/EBITDA of 13.5x (2022E EBITDA).

DCM Valuation

Currently, **DCM** is trading at 0.5x our 2022 revenue estimate of \$251.2 million and 4.9x our 2022 EBITDA estimate of \$24.3 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples above and highlight the potential for **DCM's** share price appreciation.

Note: In our EBITDA calculation, we do not include Lease Expenses. In our calculation of Adjusted EBITDA, we include Lease Expenses and one-time charges. **DCM** includes Lease Expenses in its calculation of EBITDA.

Figure 15: Valuation Multiples Comparing the Model to DCM and the Sector Averages (2022E)

	Model	DCM (Market)	Conventional Print Solutions	Tech-Enabled Marketing Workflow	DAM
Revenue	0.8x	0.5x	1.1x	2.1x	3.5x
EBITDA	7.0x	4.9x	7.2x	13.8x	13.5x

Source: See Appendix D; eResearch Corp.

For 2023 through 2026, we are estimating only a 3% revenue growth rate but improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services. In [Figure 10](#) are the revenue growth and gross margin assumptions we use in our model to reach our estimates and we also include the Company's guidance for reference.

Even with the lower Revenue in Q4/2021, we are maintaining over Revenue estimate for 2022 at \$246.1 million. We have also shifted the model one quarter forward but we are keeping the revenue multiple at 0.8x and the EBITDA multiple at 7.0x.

Figure 16: Model Assumptions and Company Guidance

METRIC	RATE			
	2022E	2023E	2024E	2025-2026E
Revenue Growth	6.7%	3%	3%	3%
- Company Guidance	5-10%			
Gross Margins	29%	32%	33%	34-35%
- Company Guidance	35-40%			
Adj. EBITDA Margins	12%	13%	15%	16%
- Company Guidance	18-25%			

Source: Company Presentation (2022); eResearch Corp.

Note: DCM's guidance for EBITDA Margins uses DCM's "reported" EBITDA and includes Lease Expenses so will be higher than our EBITDA Margins as our EBITDA does not include Lease Expenses.

Target Price Calculation

Method 1: Discounted Cash Flow (see [Figure 18](#))

Using a Weighted Average Cost of Capital (WACC) of 10% and a Terminal Multiple of 7.0x EBITDA in 2027, the one-year target share price estimate is \$6.93.

Method 2: Revenue Multiple (see [Figure 17](#))

Using a revenue multiple of 0.8x and a one-year forward Revenue estimate of \$253.2 million, the one-year target share price estimate is \$3.28.

Method 3: EBITDA Multiple (see [Figure 17](#))

Using an EBITDA multiple of 7.0x and a one-year forward EBITDA estimate of \$18.7 million, the one-year target share price estimate is \$1.80.

The equal-weighted price per share is \$4.00 and we are maintaining the one-year price target at \$4.00.

We are maintaining a Buy rating and the one-year price target at \$4.00.

Figure 17: Target Price (1 Year) Calculation

						SHARES	TARGET
Method 1: DCF (5-year)	WACC:10%	Terminal Multiple: 7x EBITDA	See DCF calculation.			48.8M	\$6.93
			ENT. VALUE	NET DEBT Q1/2023	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	0.8x	1 Year Fwd Revenue (Est.): \$253.2M	\$202.6M	\$50.3M	\$152.2M	46.4M	\$3.28
Method 3: EBITDA Multiple	7.0x	1-Year Fwd EBITDA (Est.): \$18.7M	\$130.9M	\$50.3M	\$80.6M	46.4M	\$1.80
Equal-Weighted Target Price (1 year)							\$4.00

Source: eResearch Corp.

Figure 18: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue (\$)	235.3	251.2	258.7	266.4	274.4	282.7	291.2
Revenue Growth	-9.2%	6.7%	3.0%	3.0%	3.0%	3.0%	3.0%
EBITDA (\$)	20.8	24.3	30.5	35.9	41.7	45.2	46.0
EBITDA Growth	-24.3%	16.5%	25.7%	17.7%	16.3%	8.3%	1.9%
EBITDA Margin	8.9%	9.7%	11.8%	13.5%	15.2%	16.0%	15.8%
Depreciation and Amortization	15.2	9.2	7.4	6.2	3.2	4.3	3.6
EBIT (\$)	5.7	15.1	23.1	29.7	38.6	40.9	42.4
NOPAT	6.6	19.5	29.1	37.8	46.9	52.6	54.6
Plus Amortization (\$)	15.2	9.2	7.4	6.2	3.2	4.3	3.6
Less Capital Expenditures (\$)	(3.2)	(1.1)	(1.0)	(0.8)	(0.7)	(0.5)	(0.5)
Net Working Capital Changes	(4.6)	(1.1)	(4.1)	(7.0)	(2.7)	(1.3)	(1.5)
EPS (Continuing)	0.03	0.17	0.32	0.43	0.54	0.62	0.64
Unlevered Free Cash Flow (\$)	13.9	26.6	31.4	36.2	46.7	55.1	56.3
PV of Unlevered FCFs (\$)	14.7	25.5	27.4	28.7	33.7	36.1	33.6

Valuation Assumptions:			
Discount Rate	10.0%		
Terminal Multiple	7.0x		
Valuation Analysis:			
	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	185.0	175.5	159.8
Terminal Value (\$M)	322.3	322.3	322.3
PV of Terminal Value (\$M)	192.2	211.4	232.5
Net (debt) cash position	(71.4)	(50.1)	(26.9)
Total Value (\$M)	305.8	336.7	365.5
DCF Value/Share (C\$)	C\$6.26	C\$6.89	C\$7.48
DCF Value/Share (US\$)	US\$4.86	US\$5.35	US\$5.81
FD Shares O/S (M)*	48.8	48.8	48.8

*Using the Treasury Method

Source: Company Reports; eResearch Corp.

Figure 19: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

	Terminal EV/EBITDA Multiplier						
	4.00	5.00	6.00	7.00	8.00	9.00	10.00
6.0%	5.84	6.57	7.30	8.03	8.75	9.48	10.21
8.0%	5.42	6.09	6.76	7.43	8.10	8.77	9.44
Discount Rate 10.0%	5.04	5.66	6.28	6.89	7.51	8.13	8.75
12.0%	4.69	5.26	5.83	6.40	6.97	7.54	8.11
14.0%	4.37	4.90	5.42	5.95	6.48	7.01	7.54
16.0%	4.07	4.56	5.05	5.54	6.03	6.52	7.01

Source: Company Reports; eResearch Corp.

Valuation Multiples – What if the Revenue & EBITDA Multiples get Re-Rated Higher?

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7.0x EBITDA in the DCF valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA Multiple of 7.0x in the EBITDA Multiple valuation calculation.

As the Company's shift to "digital-first" accelerates, and it grows the share of Tech-Enabled Marketing Workflow and DAM revenue as a percent of total revenue, it could cause a multiples' re-rating and an increase in the valuation multiples in-line with the Tech-Enabled Marketing Workflow and DAM comps.

If you calculated a revenue multiple by using the 2020 revenue associated with the three different sectors (1) Conventional Print Solutions: 68.5% of revenue; (2) Tech-Enabled Marketing Workflow: 30.2%, and (3) DAM: 1.3%, and assigned EV/Revenue multiples at the low end of the Comps range (see [Appendix D](#)), it would calculate to approximately 2.0x EV/Revenue and 13.0x EV/EBITDA.

A re-rating of DCM's multiple to 2.0x EV/Revenue and 13.0x EV/EBITDA would cause our valuation to increase to \$8.21 per share from \$4.00 per share.

Appendix A: Investment Thesis – Why Invest In DCM

“Print-First to Digital-First” Strategy to Grow Sales & Improve Margins

DCM is leveraging its existing DCM Flex and ASMBL platforms for direct-to-print applications, marketing and workflow management, and DAM solutions.

Strong Growth Potential in the Tech-Enabled Marketing Workflow and DAM Sectors

DCM believes it can garner increased revenue within the Tech-Enabled Marketing Workflow and DAM service offerings, as these sectors are forecasted to grow annually by 15% and 21%, respectively. The Company believes it is winning and retaining business due to the capabilities of its technology-enabled service model. In addition, DAM services generated only 1.3% of revenue in 2020 and, with the proliferation of video and digital content, the total DAM addressable market is forecasted to reach US\$6 billion by 2025, thus there is plenty of upside revenue potential.

Strong Cost Controls Improved Cash Flow to Reduce Debt

Over the last five years, cost reductions and operational efficiency improvements have been a key focus for **DCM** to improve its margins and cash flow. **DCM** consolidated its Mississauga facility into its Brampton facility during 2021 and expects to recognize at least \$1 million in lease savings per year.

Diverse Customer Base

DCM has a diversified customer base of over 2,500 clients that includes large national retailers, Canadian Schedule I banks, insurance companies, government (federal, provincial, and municipal) agencies, healthcare service providers, non-profit organizations, lottery and gaming providers, cannabis companies (licensed cultivators, processors, and retailers), and energy and utility companies. It serves over 70 of the 100 largest corporations in Canada and 3 of the 5 top government agencies.

Experienced Management Team

The Company continues to focus on digital innovation, growing revenue from key client relationships, and winning new customers through the capabilities of its technology-enabled service model. To achieve success, **DCM** has established a highly experienced team of professionals in the fields of business communication, customer development, digital and direct marketing, marketing communications, outsourced marketing services, and printing.

Low Valuation Multiple Compared to Peers

DCM is currently trading at 0.5x our 2022 revenue estimate of \$246.1 million and 5.5x our 2022 EBITDA estimate of \$23.9 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples and highlight the potential for DCM's share appreciation.

Average valuation multiples in the various sectors are as follows:

1. **Conventional Print Solutions:** EV/Revenue of 1.1x (2022E revenue) and EV/EBITDA of 7.2x (2022E EBITDA).
2. **Tech-Enabled Marketing Workflow:** EV/Revenue of 2.1x (2022E revenue) and EV/EBITDA of 13.8x (2022E EBITDA).
3. **DAM:** EV/Revenue of 3.5x (2022E revenue) and EV/EBITDA of 13.5x (2022E EBITDA).

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7.0x EBITDA in the DCF valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA Multiple of 7.0x in the EBITDA Multiple valuation calculation. Growth in Non-Print Solutions revenue could cause a multiples' re-rating and an increase in the valuation multiples.

Appendix B: Financial Statements

Figure 20: Income Statement

DCM	2020A	2021A	Q122A	Q222E	Q322E	Q422E	2022E	2023E
Income Statement - FYE (December 31); CAD ('000)								
Total Revenue	259,314	235,331	69,257	60,176	57,176	64,545	251,155	258,689
Total Cost of Sales	186,372	165,796	48,933	42,517	40,398	45,604	177,451	175,909
Gross Profit	72,942	69,535	20,324	17,659	16,779	18,941	73,703	82,781
Sales & Marketing	26,424	24,888	7,048	6,018	5,718	6,455	25,238	24,575
General and Administrative	32,460	31,069	6,596	7,823	7,433	8,391	30,243	32,336
Other operating costs	-	-	-	-	-	-	-	-
Restructuring Charges	2,821	9,691	-	250	250	250	750	-
Stock Based Compensation	-	-	-	301	286	323	909	1,293
Depreciation of Property & Equipment	-	-	-	608	571	544	1,724	1,934
Amortization	-	-	-	254	242	230	726	809
Total Operating Expenses	61,705	65,648	13,644	15,254	14,500	16,192	59,590	60,948
Operating Income	11,237	3,887	6,680	2,405	2,279	2,749	14,113	21,832
Other Income (Expenses):								
Interest Income	-	-	-	-	-	-	-	-
Foreign Exchange Gain (Loss)	-	-	-	-	-	-	-	-
Interest on Loan Payable	(2,819)	(3,318)	(691)	(670)	(744)	(696)	(2,801)	(2,358)
Government Grant Income	10,708	4,558	-	-	-	-	-	-
Other	(4,513)	(2,483)	(651)	-	-	-	(651)	-
Total Other Income	3,376	(1,243)	(1,342)	(670)	(744)	(696)	(3,452)	(2,358)
EBT	14,613	2,644	5,338	1,735	1,536	2,053	10,661	19,474
Income Taxes	(3,107)	(1,079)	(1,625)	(434)	(384)	(513)	(2,956)	(4,868)
Net Income (Loss)	11,506	1,565	3,713	1,301	1,152	1,540	7,705	14,605
EPS								
Basic EPS	0.27	0.04	0.08	0.03	0.03	0.03	0.17	0.33
Diluted EPS	0.27	0.03	0.08	0.03	0.02	0.03	0.17	0.31
Shares Outstanding								
Shares Outstanding, Basic (Weighted)	43,147	43,993	44,063	44,063	44,063	44,063	44,063	44,063
Shares Outstanding, Diluted (Weighted)	43,317	46,137	46,748	46,406	46,406	46,406	46,406	46,406
Shares Outstanding, Basic (End of Quarter)	43,867	44,063	44,063	-	-	-	-	-

Source: Company Reports; eResearch Corp.

Figure 21: Balance Sheet

DCM	2020A	2021A	Q122A	Q222E	Q322E	Q422E	2022E	2023E
Balance Sheet - FYE (December 31); CAD ('000)								
Current Assets								
Cash	578	901	985	7,724	11,555	10,093	10,093	25,399
Account Receivables	65,290	51,567	53,762	50,744	48,215	54,428	54,428	58,246
Prepaid Expenses & Other Assets	1,521	2,580	2,463	1,970	1,872	2,075	2,075	2,650
Inventory	8,514	12,133	15,335	14,900	12,387	11,986	11,986	9,902
Income taxes receivable	0	860	309	309	309	309	309	309
Total Current Assets	75,903	68,041	72,854	75,646	74,338	78,892	78,892	96,506
Non-Current Assets								
Deferred Income Tax Assets	3,163	5,465	4,860	4,860	4,860	4,860	4,860	4,860
Restricted Cash	515	515	0	0	0	0	0	0
Property and Equipment	9,783	8,416	7,807	7,433	7,084	6,752	6,752	5,573
Pension Assets	203	2,531	2,385	2,385	2,385	2,385	2,385	2,385
Intangible Assets	14,459	4,042	3,634	3,452	3,280	3,116	3,116	2,538
Goodwill	16,973	16,973	16,973	16,973	16,973	16,973	16,973	16,973
Right-of Use and Other	42,922	34,101	33,798	32,743	31,412	30,129	30,129	25,499
Total Assets	163,921	140,084	142,311	143,492	140,332	143,107	143,107	154,334
Current Liabilities								
Accounts Payables/Accrued Liabilities	39,999	37,589	41,763	37,757	35,874	39,761	39,761	39,906
Lease Liability	8,032	6,123	6,121	7,823	7,433	8,391	8,391	8,643
Bank Overdraft/Line of Credit	0	0	0	0	0	0	0	0
Current Portion of Debt/Promissory Notes	7,326	11,743	16,265	19,940	18,943	17,048	17,048	15,725
Provisions	1,186	3,280	1,272	1,272	1,272	1,272	1,272	1,272
Deferred Revenue - Current	2,798	3,269	2,465	2,407	2,287	2,582	2,582	2,659
Taxes Payable	1,608	841	1,444	3,069	4,694	6,319	6,319	12,819
Total Current Liabilities	60,949	62,845	69,330	72,268	70,502	75,373	75,373	81,024
Non-Current Liabilities								
Term Loan/Promissory Notes	975	0	0	0	0	0	0	0
Credit Facilities	39,567	24,556	17,246	17,246	15,866	14,597	14,597	10,457
Lease Liability	40,321	32,976	32,728	28,889	27,260	24,394	24,394	17,503
Deferred Income Tax Liabilities	282	0	0	0	0	0	0	0
Provision/Loan Payable/Benefits Payable	11,868	11,666	10,849	11,026	11,203	11,380	11,380	12,088
Total Liabilities	153,962	132,043	130,153	129,732	125,135	126,047	126,047	121,376
Shareholders Equity								
Capital Stock	256,260	256,478	256,478	256,478	256,478	256,478	256,478	256,478
Warrants & Options	850	881	881	881	881	881	881	881
Accumulated OCI	192	173	160	160	160	160	160	160
Contributed Surplus	2,354	2,791	2,847	3,148	3,434	3,756	3,756	5,050
Deficit	(249,697)	(252,282)	(248,208)	(246,907)	(245,755)	(244,216)	(244,216)	(229,610)
Total Shareholders Equity	9,959	8,041	12,158	13,760	15,197	17,060	17,060	32,959
Total Liabilities & Shareholders Equity	163,921	140,084	142,311	143,492	140,332	143,107	143,107	154,334

Source: Company Reports; eResearch Corp.

Figure 22: Cash Flow Statement

DCM	2020A	2021A	Q122A	Q222E	Q322E	Q422E	2022E	2023E
Cash Flow Statement - FYE (December 31); CAD ('000)								
Cash Provided By Operating Activities								
Net Income (Loss)	11,506	1,565	3,713	1,301	1,152	1,540	7,705	14,605
Amortization of Intangibles	4,279	3,589	408	254	242	230	1,134	809
Depreciation of Property & Equipment	3,541	3,133	780	608	571	544	2,504	1,934
Depreciation of Right-of-Use Assets	8,399	8,428	1,580	1,358	1,331	1,283	5,552	4,630
Interest Expense on Lease Liabilities	3,257	2,521	564	583	551	520	2,218	1,811
Amortization of Deferred Lease Indicement	-	-	-	-	-	-	-	-
Stock Based Compensation Expense	54	528	56	301	286	323	965	1,293
Pension Expense	487	480	177	177	177	177	708	708
Loss on Disposal of Intangible Assets	-	(130)	-	-	-	-	-	-
Provisions	2,821	9,691	-	-	-	-	-	-
Income Tax Expense	3,107	1,079	1,625	1,625	1,625	1,625	6,500	6,500
Finance Cost	284	760	87	-	-	-	87	-
Other	514	(118)	(22)	-	-	-	(22)	-
Changes in Non-Cash Working Capital								
Account & Other Receivables	21,011	13,723	(2,195)	3,018	2,529	(6,214)	(2,861)	(3,817)
Inventory	4,066	(3,619)	(3,202)	435	2,512	401	147	2,085
Due from related parties	-	-	-	-	-	-	-	-
Investment/Income Tax Credits	-	-	16	-	-	-	16	-
Prepaid Expenses & Other Current Assets	1,627	(1,030)	142	493	98	(203)	530	(575)
Accounts Payable & Other Payables	(11,425)	(2,410)	4,174	(4,006)	(1,883)	3,887	2,172	146
Deposits	-	-	-	-	-	-	-	-
Other	(935)	(5,225)	(283)	-	-	-	(283)	-
Provisions	(5,623)	(6,491)	(2,094)	-	-	-	(2,094)	-
Deferred (Unbilled) Revenue	665	471	(804)	(58)	(120)	295	(687)	77
Total Cash Provided By Operating Activities	47,635	26,945	4,722	6,090	9,070	4,408	24,291	30,206
Investing Activities								
Purchase of Property & Equipment	(268)	(1,832)	(213)	(234)	(223)	(213)	(883)	(755)
Interest Income Received	-	-	-	-	-	-	-	-
Purchase of Intangibles	(571)	(1,390)	-	(73)	(69)	(66)	(207)	(231)
Business (Acquisition) Sale	4	-	31	-	-	-	31	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(835)	(3,222)	(182)	(307)	(292)	(278)	(1,059)	(986)
Financing Activities								
Proceeds from Loan/Promissory Notes	-	21,000	-	-	-	-	-	-
Repayment of Loan/Promissory Notes	(533)	(2,144)	-	(325)	(997)	(1,894)	(3,217)	(1,324)
Operating Line/Credit Facility (Repayment)	(32,865)	(30,696)	(2,327)	4,000	(1,380)	(1,269)	(976)	(4,140)
Repayment of Other Liabilities	(333)	-	-	-	-	-	-	-
Transaction Costs	(227)	(489)	-	-	-	-	-	-
Lease Payments	(11,336)	(11,202)	(2,129)	(2,719)	(2,570)	(2,429)	(9,847)	(8,450)
Proceeds from exercise of Stock Options and Warrants	-	118	-	-	-	-	-	-
Issue/Repurchase of Equity	173	-	-	-	-	-	-	-
Discontinued Ops	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	(45,121)	(23,413)	(4,456)	955	(4,947)	(5,592)	(14,039)	(13,913)
Effect of Exchange Rates on Cash	(8)	13	-	-	-	-	-	-
Net Increase in Cash	1,671	323	84	6,739	3,832	(1,462)	9,192	15,306
Beginning Cash	(1,093)	578	901	985	7,724	11,555	901	10,093
Ending Cash	578	901	985	7,724	11,555	10,093	10,093	25,399

Source: Company Reports; eResearch Corp.

Appendix C: Outstanding Shares, Options & Warrants

Figure 23: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Sep 30/21)	44,063
Shares Issued in the Quarter	-
Shares Outstanding: Basic - End of the Current Quarter (Dec 31/21)	44,063
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	44,063
- In the Money Options: Stock Price above Strike Price*	960
- In the Money Warrants: Stock Price above Strike Price*	1,383
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	46,406

* Number of shares has been adjusted by the Treasury Stock Method

Shares Outstanding - DCF Valuation ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Dec 31/21)	44,063
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	44,063
- In the Money Options: Target Price above Strike Price*	3,050
- In the Money Warrants: Target Price above Strike Price*	1,732
Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF)	48,845

* Number of shares has been adjusted by the Treasury Stock Method

Source: Company Reports; eResearch Corp.

Appendix D: Company Comparables by Industry

Figure 24: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

Name	Ticker	Jul 28 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA			
							2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	
DATA Communications Management Corp.	TSX:DCM	\$1.10	\$48	\$1	\$72	\$120	\$235.3	\$251.2	\$253.5	\$20.8	\$24.3	\$29.8	0.5x	0.5x	0.5x	5.8x	4.9x	4.0x	
US Comps - Conventional Print Solution Providers																			
ARC Document Solutions, Inc.	NYSE:ARC	US\$2.71	US\$117.3	US\$50.4	US\$108.2	US\$181.6	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0							
Canon Inc.	TSE:7751	US\$23.61	US\$24,320.4	US\$3,406.1	US\$3,547.2	US\$26,324.8	US\$30,944.5	US\$29,610.8	US\$30,083.7	US\$4,408.7	US\$4,595.3	US\$4,691.5	0.9x	0.9x	0.9x	6.0x	5.7x	5.6x	
Cimpress plc	NASDAQ:CMPR	US\$39.10	US\$1,021.0	US\$327.0	US\$1,816.4	US\$2,630.2	US\$2,566.2	US\$2,848.9	US\$3,199.3	US\$352.4	US\$313.2	US\$364.9	1.0x	0.9x	0.8x	7.5x	8.4x	7.2x	
Ennis, Inc.	NYSE:EBF	US\$21.87	US\$564.6	US\$91.2	US\$14.7	US\$488.1	US\$356.1	US\$400.9	US\$420.0	US\$59.6	US\$72.5	US\$74.5	1.4x	1.2x	1.2x	8.2x	6.7x	6.6x	
Quad/Graphics, Inc.	NYSE:QUAD	US\$3.16	US\$175.6	US\$138.3	US\$924.3	US\$961.6	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0							
Xerox Holdings Corporation	NASDAQ:XRX	US\$16.85	US\$2,611.2	US\$1,151.0	US\$4,541.0	US\$6,230.2	US\$7,088.3	US\$7,109.9	US\$7,117.6	US\$697.9	US\$571.8	US\$700.0	0.9x	0.9x	0.9x	8.9x	10.9x	8.9x	
Mean (EV/Rev <20; EV/EBITDA <100)												1.0x	1.0x	0.9x	7.6x	7.9x	7.1x		
Median												1.0x	0.9x	0.9x	7.8x	7.6x	6.9x		
Cdn Comps - Conventional Print Solution Providers																			
CCL Industries Inc.	TSX:CCL.B	\$63.10	\$11,165.6	\$616.9	\$2,079.9	\$12,628.6	\$5,653.4	\$6,270.1	\$6,551.4	\$1,177.7	\$1,262.2	\$1,329.7	2.2x	2.0x	1.9x	10.7x	10.0x	9.5x	
Supremex Inc.	TSX:SXP	\$3.46	\$90.3	\$3.0	\$67.2	\$154.5	\$215.8	\$260.3	\$267.4	\$35.1	\$40.8	\$41.6	0.7x	0.6x	0.6x	4.4x	3.8x	3.7x	
Transcontinental Inc.	TSX:TCL.A	\$16.09	\$1,393.8	\$24.8	\$1,059.8	\$2,436.7	\$2,697.3	\$2,870.3	\$2,887.9	\$456.1	\$452.0	\$464.0	0.9x	0.8x	0.8x	5.3x	5.4x	5.3x	
Mean (EV/Rev <20; EV/EBITDA <100)												1.3x	1.2x	1.1x	6.8x	6.4x	6.2x		
Median												0.9x	0.8x	0.8x	7.6x	7.6x	6.9x		
US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																			
Adobe Inc.	NASDAQ:ADBE	US\$403.50	US\$188,838.0	US\$5,299.0	US\$4,658.0	US\$188,197.0	US\$15,758.0	US\$17,695.7	US\$20,179.0	US\$7,954.3	US\$8,785.2	US\$10,090.7	11.9x	10.6x	9.3x	23.7x	21.4x	18.7x	
Box, Inc.	NYSE:BOX	US\$28.43	US\$4,095.6	US\$519.3	US\$621.5	US\$4,686.1	US\$768.4	US\$869.5	US\$1,111.8	US\$247.2	US\$281.9	US\$321.4	6.1x	5.4x	4.2x	19.0x	16.6x	14.6x	
Fluent, Inc.	NASDAQ:FLNT	US\$1.13	US\$90.2	US\$28.9	US\$51.6	US\$112.8	US\$319.6	US\$382.7	US\$422.7	US\$18.6	US\$27.6	US\$35.9	0.4x	0.3x	0.3x	6.1x	4.1x	3.1x	
LiveRamp Holdings, Inc.	NYSE:RAMP	US\$27.07	US\$1,867.0	US\$607.7	US\$61.2	US\$1,320.6	US\$440.3	US\$526.3	US\$708.4	US\$43.2	US\$45.2	US\$97.1	3.0x	2.5x	1.9x	30.6x	29.2x	13.6x	
Open Text Corporation	NASDAQ:OTEX	US\$40.49	US\$10,839.4	US\$1,639.8	US\$4,482.9	US\$13,683.6	US\$3,331.4	US\$3,497.5	US\$3,698.2	US\$1,274.7	US\$1,271.2	US\$1,391.4	4.1x	3.9x	3.7x	10.7x	10.8x	9.8x	
QuinStreet, Inc.	NASDAQ:QNST	US\$10.96	US\$600.7	US\$109.5	US\$10.3	US\$501.6	US\$569.7	US\$576.0	US\$654.1	US\$50.5	US\$28.6	US\$50.2	0.9x	0.9x	0.8x	9.9x	17.5x	10.0x	
Smartsheet Inc.	NYSE:SMAR	US\$30.19	US\$3,908.1	US\$446.7	US\$76.5	US\$3,537.9	US\$378.3	US\$545.1	US\$994.3	-US\$24.1	-US\$59.8	-US\$18.3	9.4x	6.5x	3.6x				
TechTarget, Inc.	NASDAQ:TTGT	US\$63.35	US\$1,872.0	US\$395.2	US\$480.9	US\$1,957.8	US\$266.0	US\$316.2	US\$361.5	US\$103.3	US\$127.6	US\$149.6	7.4x	6.2x	5.4x	19.0x	15.3x	13.1x	
Mean (EV/Rev <20; EV/EBITDA <100)												5.4x	4.5x	3.6x	17.0x	16.4x	11.8x		
Median												5.1x	4.7x	3.6x	19.0x	16.6x	13.1x		
CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																			
Absolute Software Corporation	TSX:ABST	\$11.64	\$594.2	\$69.1	\$278.2	\$803.4	\$156.4	\$217.1	\$246.0	\$38.4	\$51.7	\$53.5	5.1x	3.7x	3.3x	20.9x	15.5x	15.0x	
AcutyAds Holdings Inc.	TSX:AT	\$3.17	\$187.4	\$99.5	\$10.1	\$97.9	\$121.7	\$140.2	\$167.4	\$20.8	\$17.7	\$24.1	0.8x	0.7x	0.6x	4.7x	5.5x	4.1x	
Fobi AI Inc.	TSXV:FOBI	\$0.49	\$72.4	\$3.3	\$0.0	\$69.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0							
MediaValet Inc.	TSX:MVP	\$1.20	\$46.9	\$4.1	\$1.7	\$44.4	\$9.3	\$13.1	\$18.0	-\$8.6	-\$9.7	-\$7.2	4.8x	3.4x	2.5x				
ProntoForms Corporation	TSXV:PFM	\$0.48	\$63.0	\$7.4	\$6.1	\$61.7	\$24.4	\$27.4	\$32.9	-\$4.1	-\$5.9	-\$4.2	2.5x	2.3x	1.9x				
Mean (EV/Rev <20; EV/EBITDA <100)												3.3x	2.5x	2.0x	12.8x	10.5x	9.5x		
Median												3.6x	2.8x	2.2x	12.8x	10.5x	9.5x		

Source: S&P Capital IQ; eResearch Corp.

Figure 25: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

Name	Ticker	Jul 28 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
							2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
DATA Communications Management Corp.	TSX:DCM	\$1.10	\$48	\$1	\$72	\$120	\$235.3	\$251.2	\$253.5	\$20.8	\$24.3	\$29.8	0.5x	0.5x	0.5x	5.8x	4.9x	4.0x
Tech-Enabled Marketing Workflow Providers																		
Cimpress plc	NASDAQ:CMPR	US\$39.10	US\$1,021.0	US\$327.0	US\$1,816.4	US\$2,630.2	US\$2,566.2	US\$2,848.9	US\$3,199.3	US\$352.4	US\$313.2	US\$364.9	1.0x	0.9x	0.8x	7.5x	8.4x	7.2x
Deluxe Corporation	NYSE:DLX	US\$24.85	US\$1,068.3	US\$44.5	US\$1,760.2	US\$2,784.4	US\$1,999.2	US\$2,194.6	US\$2,194.6	US\$402.3	US\$437.3	US\$451.2	1.4x	1.3x	1.3x	6.9x	6.4x	6.2x
dotdigital Group Plc	AIM:DOTT	£0.92	£275.3	£40.0	£3.1	£238.3	£57.9	£62.7	£70.3	£20.3	£21.2	£22.5	4.1x	3.8x	3.4x	11.8x	11.2x	10.6x
Galaxy Digital Holdings Ltd.	TSX:GLXY	\$7.00	\$784	\$3	\$0	\$781	\$1,591	\$902	\$0	\$0	\$0	\$0	0.5x	0.9x				
Harte Hanks, Inc.	NASDAQ:HHS	US\$12.99	US\$91.2	US\$9.7	US\$28.5	US\$119.8	US\$191.3	US\$196.8	US\$208.9	US\$17.1	US\$18.7	US\$21.1	0.6x	0.6x	0.6x	7.0x	6.4x	5.7x
HubSpot, Inc.	NYSE:HUBS	US\$300.73	US\$14,365.6	US\$1,234.9	US\$781.1	US\$13,911.8	US\$1,288.8	US\$1,720.7	US\$2,166.6	US\$158.4	US\$213.7	US\$298.7	10.8x	8.1x	6.4x	87.8x	65.1x	46.6x
Publicis Groupe S.A.	ENXTPA:PUB	€ 51.06	€ 12,822.41	€ 3,342.00	€ 5,837.00	€ 15,279.88	€ 10,388.28	€ 11,963.46	€ 12,266.82	€ 2,330.28	€ 2,668.37	€ 2,679.76	1.5x	1.3x	1.2x	6.6x	5.7x	5.7x
Quadient S.A.	ENXTPA:QDT	€ 18.90	€ 648.50	€ 486.60	€ 990.40	€ 1,161.82	€ 1,028.10	€ 1,019.66	€ 1,078.39	€ 239.62	€ 248.77	€ 264.45	1.1x	1.1x	1.1x	4.8x	4.7x	4.4x
Startek, Inc.	NYSE:SRT	US\$3.08	US\$124.1	US\$43.3	US\$234.3	US\$374.0	US\$704.9	US\$678.7	US\$702.5	US\$71.7	US\$57.5	US\$70.4	0.5x	0.6x	0.5x	5.2x	6.5x	5.3x
Teleperformance SE	ENXTPA:TEP	€ 317.20	€ 18,753.04	€ 828.00	€ 3,503.00	€ 21,428.04	€ 6,994.51	€ 8,137.83	€ 8,907.34	€ 1,473.14	€ 1,676.20	€ 1,844.14	3.1x	2.6x	2.4x	14.5x	12.8x	11.6x
TTEC Holdings, Inc.	NASDAQ:TTEC	US\$73.41	US\$3,452.9	US\$156.8	US\$916.5	US\$4,285.8	US\$2,254.4	US\$2,589.8	US\$2,812.7	US\$348.4	US\$383.1	US\$422.6	1.9x	1.7x	1.5x	12.3x	11.2x	10.1x
Zeta Global Holdings Corp.	NYSE:ZETA	US\$5.17	US\$1,049.1	US\$103.9	US\$183.7	US\$1,129.0	US\$446.4	US\$558.0	US\$663.7	US\$61.2	US\$84.6	US\$115.6	2.5x	2.0x	1.7x	18.4x	13.3x	9.8x
Mean (EV/Rev <20; EV/EBITDA <100)												2.4x	2.1x	1.9x	16.6x	13.8x	11.2x	
Median												1.4x	1.3x	6.6x	7.5x	8.4x	7.2x	

Name	Ticker	Jul 28 Close (C\$)	Mkt Cap (C\$ M)	Cash (C\$ M)	Debt (C\$ M)	EV (C\$ M)	REVENUE (C\$ M)			EBITDA (C\$ M)			EV/Revenue			EV/EBITDA		
							2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
Canadian Advertising, Marketing & Technology Comps																		
AcuityAds Holdings Inc.	TSX:AT	\$3.17	\$187.4	\$99.5	\$10.1	\$97.9	\$121.7	\$140.2	\$167.4	\$20.8	\$17.7	\$24.1	0.8x	0.7x	0.6x	4.7x	5.5x	4.1x
Adcore Inc.	TSX:ADCO	\$0.28	\$16.9	\$8.7	\$0.4	\$8.5												
Aquarius AI Inc.	CNSX:AQUA	\$0.04	\$4.9	\$0.3	\$0.1	\$4.7												
ARHT Media Inc.	TSXV:ART	\$0.23	\$0.1	\$7.1	\$0.3	-\$6.8												
Datable Technology Corporation	TSXV:DAC	\$0.02	\$2.4	\$0.7	\$3.1	\$4.8	\$3.0	\$5.1	\$7.9	-\$2.9	-\$3.0	-\$1.1	1.6x	0.9x	0.6x			
DeepMarkit Corp.	TSXV:MKT	\$0.06	\$10.2	\$3.5	\$0.0	\$6.7												
EQ Inc.	TSXV:EQ	\$1.15	\$79.9	\$7.5	\$0.1	\$72.5	\$12.1	\$16.7	\$22.2	-\$3.2	-\$3.7	-\$0.3	6.0x	4.4x	3.3x			
Fobi AI Inc.	TSXV:FOBI	\$0.49	\$72.4	\$3.3	\$0.0	\$69.1												
Gatekeeper Systems Inc.	TSXV:GSI	\$0.31	\$0.0	\$3.0	\$2.7	-\$0.3												
Reklaim Ltd.	TSXV:MYID	\$0.07	\$6.5	\$0.5	\$1.4	\$7.4												
Sripp Interactive Inc.	TSXV:SPN	\$0.14	\$39.5	\$2.6	\$0.0	\$36.9	\$15.4	\$24.9	\$33.9	\$1.9	\$1.0	\$3.4	2.4x	1.5x	1.1x	19.7x	36.9x	10.9x
YANGAROO Inc.	TSXV:YOO	\$0.08	\$4.7	\$0.8	\$3.1	\$7.0												
Yellow Pages Limited	TSX:Y	\$12.54	\$333.7	\$115.9	\$49.1	\$266.9	\$285.9	\$258.4	\$233.7	\$102.5	\$93.0	\$86.0	0.9x	1.0x	1.1x	2.6x	2.9x	3.1x
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.44	\$42.4	\$5.0	\$1.0	\$38.4												
Mean (EV/Rev <20; EV/EBITDA <100)												2.3x	1.7x	1.3x	9.0x	15.1x	6.0x	
Median												1.6x	1.0x	1.1x	4.7x	5.5x	4.1x	

Source: S&P Capital IQ; eResearch Corp.

Appendix E: Risks

DCM operates in the quickly changing technology industry, which inherently brings high levels of risk and uncertainty. **DCM** is in a very competitive landscape and primarily plans to leverage existing relationships to offer marketing and communications solutions to long-standing operations customers. Other risks include the following:

Business and Operating Risks:

- Due to the highly competitive environment in the printing industry, **DCM** has experienced and expects to have declines in certain product sales in its printed business documents compared to historical levels. The Company expects to increasingly shift its emphasis on marketing solutions and digital products with the use of its legacy print business revenues as a source of capital.
- **DCM** faces competition from alternative sources of communication and information transfer, such as email, digital and web-based forms, and other digital communication technologies. Due to technological advancements, the overall printed forms industry has shown a declining trend in the last few years. Additionally, general economic and industry cycles account for seasonal risks affecting print distributors and print manufacturers.
- **DCM's** principal strategy component is organic growth. This growth depends on the ability to successfully introduce new products and gain market acceptance for them; identify and develop new geographic markets; and establish and maintain favourable relationships with customers in new markets, among others. This growth entails successfully managing expansion and obtaining the required financing as well as adding new employees and increasing the scope of both operational and financial systems and the geographic area of operations.

Financial Risks:

- **DCM** will need to refinance its existing credit facilities or other debt obligations in the future and may require additional financing for future growth such as investments in digital innovation and potential acquisitions. Capital costs could increase and its availability could be negatively impacted by disruptions and high volatility in the capital markets. This event could have a material negative effect on its business and overall financial condition.
- **DCM** has all its Bank Credit Facility outstanding indebtedness subject to floating interest rates since March 1, 2020. **DCM** has no control over interest rate fluctuations, and they might represent a significant adverse effect on its financial performance. The Bank Credit Facility has a maximum available principal amount of \$35.0 million.

Currency Risks:

- **DCM** has grown in the United States with current customers who have U.S. operations. Over time, a larger portion of sales could be derived from its U.S. operations, thus raising currency concerns. If there is an appreciation of the Canadian dollar versus the U.S. dollar, its investments and earnings in the United States could be negatively affected, and vice versa.

Legal and Regulatory Risks:

- **DCM** can be involved in litigation matters, including lawsuits based on product liability, personal injury, breach of contract, indemnification claims, and lost profits or other consequential damage claims. The outcome of litigations is difficult to predict and raises the risk of an unfavourable impact on its business, results of operations, liquidity, and financial condition.

Technology Risks:

- **DCM** relies on its proprietary products to maintain its reputation and competitive position. Segregation and protection of its information and Confidential Client Information are required. Any failure to do so could result in harm to **DCM's** reputation or competitive advantage.
- Cyber threats might defeat **DCM's** security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management, or other irregularities may result in a breach of security measures adopted by **DCM** or its third-party service providers, leading to a breach of Confidential Information.

Appendix F: eResearch Disclosure

eRESEARCH CORPORATION

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers benefit by having written research on a variety of under-covered companies. We also provide unsponsored research reports on middle and larger-cap companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.com

NOTE: eResearch company reports are available FREE on our website: www.eresearch.com

eResearch Intellectual Property: No representations, express or implied, are made by **eResearch** as to the accuracy, completeness, or correctness of the comments made in this report. This report is not an offer to sell or a solicitation to buy any security of the Company. Neither **eResearch** nor any person employed by **eResearch** accepts any liability whatsoever for any direct or indirect loss resulting from any use of this report or the information it contains. This report may not be reproduced, distributed, or published without the express permission of **eResearch**.

ANALYST ACCREDITATION

eResearch Analyst on this Report: Chris Thompson CFA, MBA, P.Eng.

Analyst Affirmation: I, Chris Thompson, hereby state that, at the time of issuance of this research report, I do not own common shares, share options, or share warrants of **DATA Communications Management Corp. (TSX:DCM)**.

eRESEARCH DISCLOSURE STATEMENT

eResearch is engaged solely in the provision of equity research to the investment community. **eResearch** provides published research and analysis to its Subscribers on its website (www.eresearch.com), and to the general investing public through its extensive electronic distribution network and newswire agencies. **eResearch** makes all reasonable efforts to distribute research material simultaneously to all of its Subscribers.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines. **eResearch** accepts fees from the companies it researches (the "Covered Companies"), and from financial institutions or other third parties. The purpose of this policy is to defray the cost of researching small and medium-capitalization stocks which otherwise receive little or no research coverage.

DATA Communications Management Corp. paid **eResearch** a fee to have it conduct research and publish reports on the Company for one year.

To ensure complete independence and editorial control over its research, **eResearch** follows certain business practices and compliance procedures. For instance, fees from Covered Companies are due and payable before research starts. Management of the Covered Companies is sent copies, in draft form without a Recommendation or a Target Price, of the Initiating Report and the Update Report before publication to ensure our facts are correct, that we have not misrepresented anything, and have not included any non-public, confidential information. At no time is management entitled to comment on issues of judgment, including Analyst opinions, viewpoints, or recommendations. All research reports must be approved, before publication, by **eResearch's** Director of Research, who is a Chartered Financial Analyst (CFA).

All Analysts are required to sign a contract with **eResearch** before engagement and agree to adhere at all times to the CFA Institute Code of Ethics and Standards of Professional Conduct. **eResearch** Analysts are compensated on a per-report, per-company basis and not based on his/her recommendations. Analysts are not allowed to accept any fees or other considerations from the companies they cover for **eResearch**.

Officers, analysts, and directors of **eResearch** are allowed to trade in shares, warrants, convertible securities, or options of any of the Covered Companies only under strict, specified conditions, which restrict trading 30 days before and after a Research Report is published.