

DATA Communications Management Corp.

(TSX:DCM | OTC: DCMDF)

Strong Business Momentum Continues with Y/Y Revenue Growth of Over 23% in Q2/2022

COMPANY DESCRIPTION:

DATA Communications Management Corp. ("DCM" or "the Company") is a Canadian-based provider of marketing and business communication solutions to companies in North America. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of leading enterprises, so they can accomplish more in less time. Its services include printing, data & content management, labels & asset tracking, location-specific marketing, and multimedia campaign management.

COMPANY UPDATE:

- **Business Transformation Continues to Drive Revenue Growth:** In Q2/2022, **DCM** reported its strongest year-over-year revenue growth since 2018, with revenue of \$68.1 million, up 23.4% from \$55.2 million in Q2/2021, and higher than our estimate of \$60.2 million.
- **DCM Expects the Positive Momentum to Continue:** The Company reported that it has received more than \$22 million in new business this year and its overall pipeline remained strong with the tech-enabled service pipeline at over \$10 million.
- **Company's Total Debt Level Drops Y/Y:** Although supply chain issues led to higher inventory levels, Total Debt stood at \$38.5 million, down 1.6% from \$39.1 million in Q2/2021, but higher than \$33.5 million in the last quarter. **DCM** expects working capital improvements in H2/2022.
- **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 2.3x and 3.8x EV/Rev, respectively.

FINANCIAL ANALYSIS & VALUATION:

- We are raising our 2022 Revenue estimate to \$259.1 million from \$251.2 million based on the higher revenue in Q2/2022. We are maintaining our revenue multiple at 0.8x and our EBITDA multiple at 7.0x.
- For 2023 through 2026, we have increased our revenue growth rate to 5% from 3%, to be closer to the Company's target of 5-10% revenue growth.
- We estimate an equal-weighted price target of \$4.20 based on a DCF valuation (\$7.25/share), a Revenue Multiple valuation (\$3.25/share), and an EBITDA Multiple valuation (\$2.10/share).
- **We are maintaining a Buy rating and increasing the one-year price target to \$4.20 from \$4.00.**

| REVISIONS | Rev. | Prior |
|-----------------------|---------|---------|
| Rating | Buy | Buy |
| Target Price (C\$) | \$4.20 | \$4.00 |
| Revenue 2022E (M) | \$259.1 | \$251.2 |
| Adj. EBITDA 2022E (M) | \$33.0 | \$34.1 |
| EPS 2022 (M) | \$0.21 | \$0.17 |

MARKET DATA

| | |
|-----------------------|-----------------|
| Date: | Aug 22, 2022 |
| Current Price (C\$): | \$1.30 |
| Target Price (C\$): | \$4.20 |
| 52-Week Range: | \$0.93 / \$1.45 |
| Shares O/S (M): | 44.1 |
| Mkt Cap (C\$M): | \$57.3 |
| EV (C\$M): | \$135.5 |
| Avg. Weekly Vol. (M): | 0.26 |

Website: www.datacm.com

FINANCIALS

| (\$M) | 2021A | 2022E | 2023E |
|-------------------|---------|---------|---------|
| Revenue | \$235.3 | \$259.1 | \$272.0 |
| EBITDA | \$20.8 | \$23.3 | \$28.4 |
| Adj. EBITDA | \$33.3 | \$33.0 | \$37.7 |
| EPS (S) | \$0.03 | \$0.21 | \$0.36 |
| Cash | \$0.9 | \$0.4 | \$9.3 |
| Current Assets | \$68.0 | \$71.8 | \$79.5 |
| Net Cash | -\$74.5 | -\$65.9 | -\$39.5 |
| Total Assets | \$140.1 | \$137.5 | \$138.5 |
| Debt | \$36.3 | \$30.2 | \$19.9 |
| Total Liabilities | \$132.0 | \$118.4 | \$101.4 |
| Fiscal Year End: | 31-Dec | | |

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

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

All figures in CAD unless otherwise stated.

eResearch Corporation

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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.

5-Year Corporate Strategy

Starting in July 2021, **DCM** worked with the **Boston Consulting Group** on a 5-year strategy as it transforms into a Digital-First from a Print-First focused company. The key points of the 5-year plan are:

- **Revenue:** Grow the business between 5% and 10% over the next 5 years and be over \$300 million in revenue again. In Q2/2022, revenue growth was over 23% and 17% year-to-date.
- **Segment Growth:** Marketing Technology 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 Q2/2022, SG&A was 20.2% so in-line with the plan. **DCM** plans to operate at Zero Overhead Growth (ZOG) over the 5-year plan.
- **Adjusted EBITDA:** In the range of 18% to 25%.
- **Debt:** 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)

Review OF Q2/2022 Financials

Revenue:

- **DCM** reported its strongest year-over-year revenue growth since 2018 in Q2/2022, with revenue of \$68.1 million, up 23.4% from \$55.2 million in Q2/2021, and higher than our estimate of \$60.2 million.
- In Q2/2022, the tech-enabled subscription service fees were \$2.4 million, up 112% compared to the same quarter last year.
- **DCM** also reported that it has received more than \$22 million in new business this year and its overall pipeline remained strong with the tech-enabled service pipeline at over \$10 million.
- From a seasonality perspective, the first quarter is typically the strongest quarter for **DCM** but revenue in Q2/2022 was only slightly lower than Q1/2022.

Gross Profit:

- The Company reported Gross Profit of \$20.4 million in Q2/2022, up 29.0% from \$15.8 million in the same quarter last year.
- In Q2/2022, Gross Margin was 30.0%, up 1.3% from 28.7% in Q2/2021, and inline with our estimate of 30.0%.
- **DCM's** employee count was 919 in the quarter, down from 1078 in 2020 and 922 in 2021.

Selling, General, and Administrative (SG&A):

- **DCM's** SG&A expenses were \$13.8 million in Q2/2022, down 3.8% from \$14.3 million in Q2/2021, but up slightly from \$13.6 million in the previous quarter.
- In Q2/2022, SG&A expenses represented 20.2% of Total Revenue, down 5.7% from 25.9% in the same quarter last year.
- The continued decline in SG&A expenses was attributable to the reduction in salaries and wages realized from the full benefits of the cost-saving initiatives implemented throughout 2021 and early 2022, including the consolidation of the Brampton and Mississauga sites, and the consolidation of the Calgary and Edmonton sites.

Figure 2: Financial Summary

| (C\$) ('000) | Q221A | 2021A | Q122A | Q222A | Q222E | Diff. | Q322E | Q422E | 2022E | 2023E |
|--------------------------|----------|-----------|----------|----------|----------|---------|----------|----------|-----------|-----------|
| Total Revenue | \$55,207 | \$235,331 | \$69,257 | \$68,103 | \$60,176 | +13.2% | \$57,176 | \$64,545 | \$259,082 | \$272,036 |
| Gross Margin | 28.7% | 29.5% | 29.3% | 30.0% | 30.0% | +0.0% | 30.0% | 30.0% | 29.8% | 32.0% |
| Total Operating Expenses | \$15,241 | \$65,648 | \$13,644 | \$13,781 | \$15,254 | -9.7% | \$15,619 | \$16,161 | \$59,205 | \$62,615 |
| Operating Income | \$601 | \$3,887 | \$6,680 | \$6,661 | \$2,405 | +177.0% | \$1,543 | \$3,213 | \$18,097 | \$24,437 |
| EBITDA** | \$2,749 | \$20,828 | \$7,924 | \$7,937 | \$3,819 | +107.9% | \$2,868 | \$4,529 | \$23,258 | \$28,428 |
| Adj. EBITDA* | \$7,292 | \$33,286 | \$9,448 | \$9,478 | \$6,538 | +45.0% | \$5,703 | \$7,208 | \$31,836 | \$37,748 |
| Diluted EPS | \$0 | \$0 | \$0 | \$0 | \$0 | +189.0% | \$0 | \$0 | \$0 | \$0 |
| Cash | \$611 | \$901 | \$985 | \$775 | \$7,724 | | \$2,412 | \$404 | \$404 | \$9,271 |
| Debt | \$39,099 | \$36,299 | \$33,511 | \$38,474 | \$31,645 | | \$35,866 | \$30,180 | \$30,180 | \$19,911 |

* 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.

Net Income:

- The Company reported Net Income of \$3.8 million in Q2/2022, an increase of 490.7% from \$0.6 million in Q2/2021.
- Basic EPS in the quarter was \$0.09 and Diluted EPS was \$0.08 compared to \$0.01 and \$0.01, respectively, in the same quarter last year.

EBITDA and Adjusted EBITDA:

- In Q2/2022, **DCM** reported Adjusted EBITDA of \$9.5 million, an increase of 30.0% from \$7.3 million in the same quarter last year.
- In the quarter, Adjusted EBITDA was not affected by any restructuring expenses. The Company does not anticipate any restructuring charges for the balance of 2022.
- In the quarter, the Company's Adjusted EBITDA Margin was 13.9%, up slightly by 0.7% from 13.2% in Q2/2021.
- EBITDA calculated by eResearch was \$7.9 million in Q2/2022, up 188.7% from \$2.7 million in Q2/2021, and higher than our estimate of \$3.8 million.
- 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.

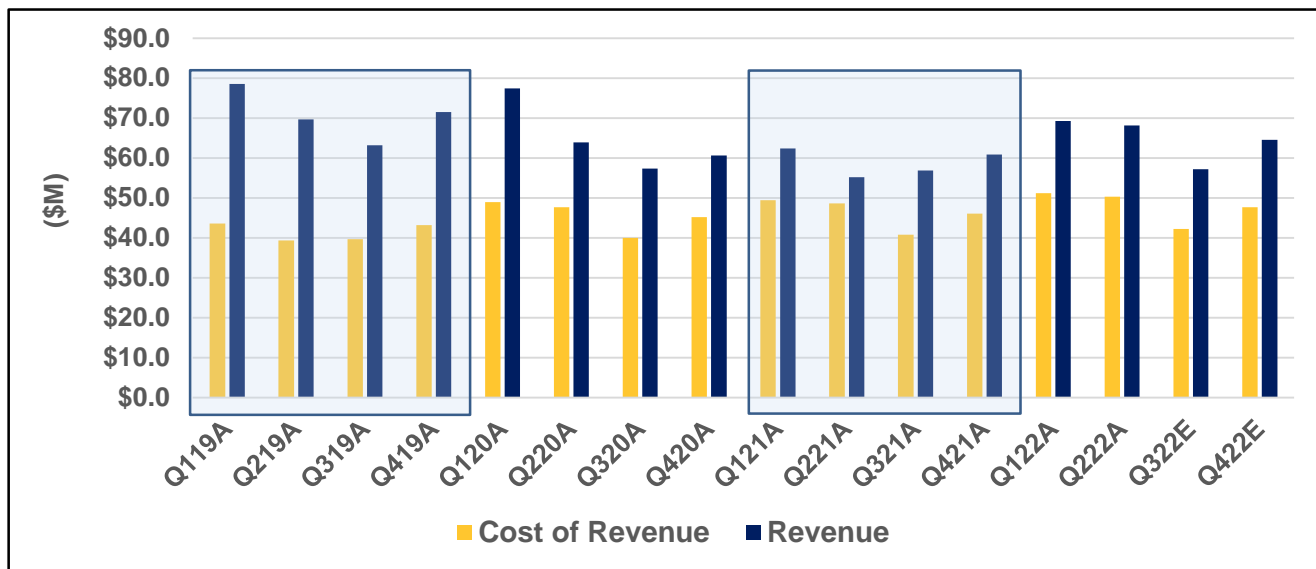
Cash, Debt, and Working Capital:

- As of June 30, 2022, **DCM** had \$0.8 million, in cash but continues to maintain a low cash balance to reduce the borrowing charges under its Bank Credit Facility.
- At the end of the quarter, the Company's Total Debt stood at \$38.5 million, down 1.6% from \$39.1 million in Q2/2021, but higher than \$33.5 million in the last quarter.
- The Company reported that due to supply-side issues, it maintained a higher inventory level that increased its line of credit. In the balance of the year, **DCM** expects working capital improvements as the raw material market normalizes.

Outlook:

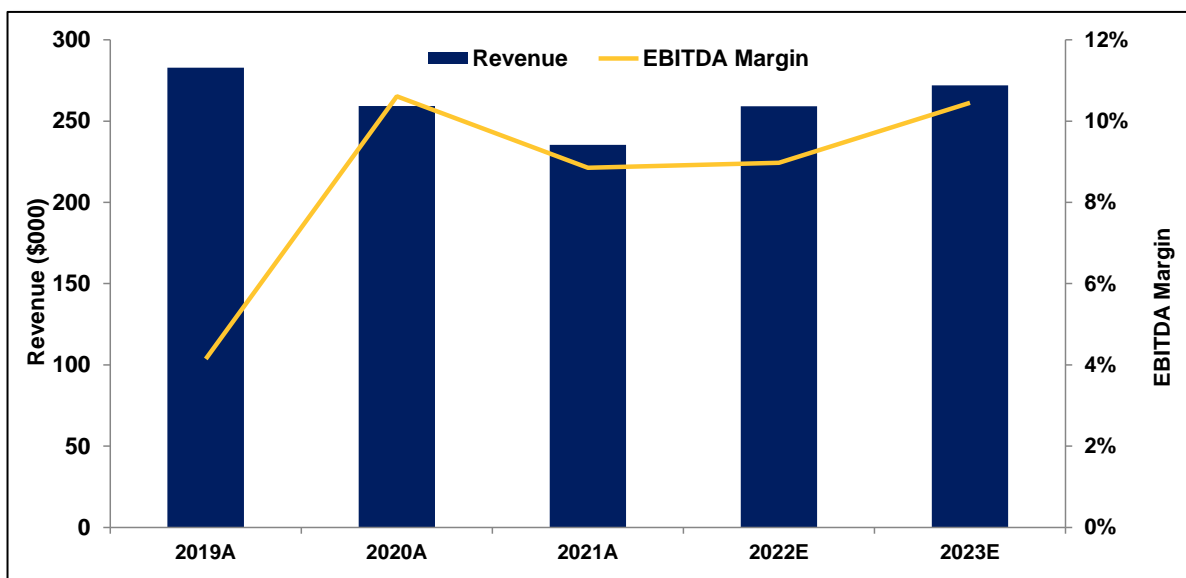
- **DCM** believes that the positive momentum in the first half of 2022 will continue into the second half of 2022.
- We see Revenue continue to climb back to pre-pandemic levels with the Cost of Revenue contained and EBITDA Margins improving as illustrated in [Figure 3](#) and [Figure 4](#).

Figure 3: Quarterly Revenue Comparison of Revenue to Cost of Revenue



Source: Company Reports; eResearch Corp.

Figure 4: 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 85.7% in Q2/2022.

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 5: Segment Information

| ('000) | Dec 31/20 2020A | Mar 31/21 Q1/21A | Jun 30/21 Q2/21A | Sep 30/21 Q3/21A | Dec 31/21 Q4/21A | Dec 31/21 2021A | Mar 31/22 Q1/22A | Jun 30/22 Q2/22A |
|---|-------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|------------------------|
| Revenue Streams | | | | | | | | |
| Product Sales | \$239,595 92.4% | \$54,449 | \$48,160 | \$51,614 | \$57,757 | \$218,063 92.7% | \$61,248 | \$58,336 85.7% |
| Technology-enabled Hardware Solutions | n/a | \$2,425 | \$1,521 | n/a | n/a | n/a | \$2,542 | \$3,073 4.5% |
| Warehousing Services | \$7,835 3.0% | \$2,022 | \$1,931 | \$1,835 | \$1,944 | \$7,732 3.3% | \$1,993 | \$1,879 2.8% |
| Freight Services | \$8,478 3.3% | \$1,785 | \$1,778 | \$1,513 | \$2,431 | \$7,507 3.2% | \$2,064 | \$2,274 3.3% |
| Marketing and Other Services | \$3,406 1.3% | \$662 | \$698 | \$1,930 | -\$1,261 | \$2,029 0.9% | \$266 | \$174 0.3% |
| Tech-enabled Subscription Services & Fees | n/a | \$1,018 | \$1,119 | n/a | n/a | n/a | \$1,144 | \$2,367 3.5% |
| Total | \$259,314 100.0% | \$62,361 | \$55,207 | \$56,892 | \$60,871 | \$235,331 100.0% | \$69,257 | \$68,103 100.0% |

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) Digital Asset Management (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 7.7x (2022E EBITDA).
- (2) **Tech-Enabled Marketing Workflow:** EV/Revenue of 2.3x (2022E revenue) and EV/EBITDA of 16.0x (2022E EBITDA).
- (3) **DAM:** EV/Revenue of 3.8x (2022E revenue) and EV/EBITDA of 16.3x (2022E EBITDA).

DCM Valuation

Currently, **DCM** is trading at 0.5x our 2022 revenue estimate of \$259.1 million and 5.8x our 2022 EBITDA estimate of \$23.3 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 6: 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 | 2.3x | 3.8x |
| EBITDA | 7.0x | 5.8x | 7.7x | 16.0x | 16.3x |

Source: See Appendix D; eResearch Corp.

For 2023 through 2026, we have increased our revenue growth rate to 5% from 3% to be closer to the Company's target of 5-10% revenue growth. We have maintained our estimate of improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services. [Figure 7](#) highlights 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.

With higher Revenue in Q2/2022 than our estimate, we have increased our Revenue estimate for 2022 to \$259.1 million from \$251.2 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 7: Model Assumptions and Company Guidance

| METRIC | RATE | | | |
|---------------------|--------|-------|-------|------------|
| | 2022E | 2023E | 2024E | 2025-2026E |
| Revenue Growth | 10.1% | 5% | 5% | 5% |
| - Company Guidance | 5-10% | | | |
| Gross Margins | 30% | 32% | 33% | 34-35% |
| - Company Guidance | 35-40% | | | |
| Adj. EBITDA Margins | 13% | 14% | 14% | 15% |
| - 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 9](#))

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 \$7.25.

Method 2: Revenue Multiple (see [Figure 8](#))

Using a revenue multiple of 0.8x and a one-year forward Revenue estimate of \$265.9 million, the one-year target share price estimate is \$3.25.

Method 3: EBITDA Multiple (see [Figure 8](#))

Using an EBITDA multiple of 7.0x and a one-year forward EBITDA estimate of \$22.5 million, the one-year target share price estimate is \$2.10.

The equal-weighted price per share is \$4.20 and we are increasing the one-year price target to \$4.20 from \$4.00.

We are maintaining a Buy rating and increasing the one-year price target to \$4.20.

Figure 8: Target Price (1 Year) Calculation

| | | | SHARES | TARGET | | | |
|---|----------|-------------------------------------|------------|-----------------------------|------------|--------|---------------|
| Method 1: DCF (5-year) | WACC:10% | Terminal Multiple: 7x EBITDA | 49.2M | \$7.25 | | | |
| | | | | <i>See DCF calculation.</i> | | | |
| | | | ENT. VALUE | NET DEBT Q1/2023 | MARKET CAP | SHARES | TARGET |
| Method 2: Revenue Multiple | 0.8x | 1 Year Fwd Revenue (Est.): \$265.9M | \$212.7M | \$61.5M | \$151.2M | 46.6M | \$3.25 |
| Method 3: EBITDA Multiple | 7.0x | 1-Year Fwd EBITDA (Est.): \$22.5M | \$157.5M | \$61.5M | \$96.0M | 46.6M | \$2.10 |
| Equal-Weighted Target Price (1 year) | | | | | | | \$4.20 |

Source: eResearch Corp.

Figure 9: DCF Analysis

| DATA Communications Management Corp. FYE (December 31) | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| DCF Analysis (C\$) | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E |
| Revenue (\$) | 235.3 | 259.1 | 272.0 | 285.6 | 299.9 | 314.9 | 330.7 |
| Revenue Growth | -9.2% | 10.1% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| EBITDA (\$) | 20.8 | 23.3 | 28.4 | 33.1 | 37.8 | 42.8 | 44.6 |
| EBITDA Growth | -24.3% | 11.7% | 22.2% | 16.6% | 14.1% | 13.3% | 4.2% |
| EBITDA Margin | 8.9% | 9.0% | 10.5% | 11.6% | 12.6% | 13.6% | 13.5% |
| Depreciation and Amortization | 15.2 | 9.9 | 7.6 | 6.4 | 3.1 | 4.5 | 3.8 |
| EBIT (\$) | 5.7 | 13.4 | 20.8 | 26.7 | 34.7 | 38.3 | 40.9 |
| NOPAT | 6.6 | 25.2 | 32.6 | 39.4 | 46.0 | 53.1 | 55.7 |
| Plus Amortization (\$) | 15.2 | 9.9 | 7.6 | 6.4 | 3.1 | 4.5 | 3.8 |
| Less Capital Expenditures (\$) | (3.2) | (1.0) | (0.9) | (0.8) | (0.6) | (0.5) | (0.4) |
| Net Working Capital Changes | (4.6) | (10.6) | 1.6 | (2.9) | (0.3) | 0.7 | (1.8) |
| EPS (Continuing) | 0.03 | 0.21 | 0.36 | 0.45 | 0.54 | 0.63 | 0.66 |
| Unlevered Free Cash Flow (\$) | 13.9 | 23.5 | 40.9 | 42.1 | 48.1 | 57.7 | 57.2 |
| PV of Unlevered FCFs (\$) | 14.8 | 22.7 | 35.9 | 33.6 | 34.9 | 38.1 | 34.3 |

| Valuation Assumptions: | | | |
|-----------------------------------|-----------------|-----------------|-----------------|
| Discount Rate | 10.0% | | |
| Terminal Multiple | 7.0x | | |
| Valuation Analysis: | | | |
| | Current | 1-Yr Target | 2-Yr Target |
| Total PV of FCFs (\$M) | 199.5 | 194.5 | 170.5 |
| Terminal Value (\$M) | 312.5 | 312.5 | 312.5 |
| PV of Terminal Value (\$M) | 187.4 | 206.1 | 226.8 |
| Net (debt) cash position | (71.7) | (43.6) | (22.4) |
| Total Value (\$M) | 315.2 | 357.0 | 374.8 |
| DCF Value/Share (C\$) | C\$6.40 | C\$7.25 | C\$7.61 |
| DCF Value/Share (US\$) | US\$4.93 | US\$5.58 | US\$5.86 |
| FD Shares O/S (M)* | 49.2 | 49.2 | 49.2 |
| <i>*Using the Treasury Method</i> | | | |

Source: Company Reports; eResearch Corp.

Figure 10: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

| | Discount Rate | Terminal EV/EBITDA Multiplier | | | | | | |
|--|---------------|-------------------------------|------|------|-------------|------|------|-------|
| | | 4.00 | 5.00 | 6.00 | 7.00 | 8.00 | 9.00 | 10.00 |
| | 6.0% | 6.25 | 6.95 | 7.65 | 8.36 | 9.06 | 9.76 | 10.47 |
| | 8.0% | 5.83 | 6.48 | 7.13 | 7.78 | 8.43 | 9.07 | 9.72 |
| | 10.0% | 5.46 | 6.06 | 6.65 | 7.25 | 7.85 | 8.45 | 9.05 |
| | 12.0% | 5.11 | 5.67 | 6.22 | 6.77 | 7.32 | 7.88 | 8.43 |
| | 14.0% | 4.80 | 5.31 | 5.82 | 6.33 | 6.84 | 7.36 | 7.87 |
| | 16.0% | 4.50 | 4.98 | 5.45 | 5.93 | 6.40 | 6.88 | 7.35 |

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 revenue associated with three different sectors (1) Conventional Print Solutions: 68% of revenue; (2) Tech-Enabled Marketing Workflow: 30%, and (3) DAM: 2%, 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 \$10.84 per share from \$4.20 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 \$259.1 million and 5.8x our 2022 EBITDA estimate of \$23.3 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 (see [Appendix D](#)).

- (1) **Conventional Print Solutions:** EV/Revenue of 1.1x (2022E revenue) and EV/EBITDA of 7.7x (2022E EBITDA).
- (2) **Tech-Enabled Marketing Workflow:** EV/Revenue of 2.3x (2022E revenue) and EV/EBITDA of 16.0x (2022E EBITDA).
- (3) **DAM:** EV/Revenue of 3.8x (2022E revenue) and EV/EBITDA of 16.3x (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 11: Income Statement

| DCM Income Statement - FYE (December 31); CAD ('000) | 2020A | 2021A | Q122A | Q222A | Q322E | Q422E | 2022E | 2023E |
|---|----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
| Total Revenue | 259,314 | 235,331 | 69,257 | 68,103 | 57,176 | 64,545 | 259,082 | 272,036 |
| Total Cost of Sales | 186,372 | 165,796 | 48,933 | 47,661 | 40,014 | 45,171 | 181,780 | 184,984 |
| Gross Profit | 72,942 | 69,535 | 20,324 | 20,442 | 17,162 | 19,374 | 77,302 | 87,052 |
| Sales & Marketing | 26,424 | 24,888 | 7,048 | 7,244 | 7,433 | 7,745 | 29,470 | 31,012 |
| General and Administrative | 32,460 | 31,069 | 6,540 | 6,445 | 6,861 | 7,100 | 26,946 | 27,612 |
| Restructuring Charges | 2,821 | 9,691 | - | - | 250 | 250 | 500 | - |
| Stock Based Compensation | - | - | 56 | 92 | 286 | 323 | 757 | 1,360 |
| Depreciation of Property & Equipment | - | - | - | - | 563 | 528 | 1,091 | 1,873 |
| Amortization | - | - | - | - | 226 | 215 | 441 | 757 |
| Total Operating Expenses | 61,705 | 65,648 | 13,644 | 13,781 | 15,619 | 16,161 | 59,205 | 62,615 |
| Operating Income | 11,237 | 3,887 | 6,680 | 6,661 | 1,543 | 3,213 | 18,097 | 24,437 |
| Other Income (Expenses): | | | | | | | | |
| Interest on Loan Payable | (2,819) | (3,318) | (691) | (779) | (769) | (717) | (2,957) | (2,230) |
| Government Grant Income | 10,708 | 4,558 | - | - | - | - | - | - |
| Other | (4,513) | (2,483) | (651) | (650) | - | - | (1,301) | - |
| Total Other Income | 3,376 | (1,243) | (1,342) | (1,429) | (769) | (717) | (4,258) | (2,230) |
| EBT | 14,613 | 2,644 | 5,338 | 5,232 | 774 | 2,496 | 13,840 | 22,207 |
| Income Taxes | (3,107) | (1,079) | (1,625) | (1,475) | (193) | (624) | (3,917) | (5,552) |
| Net Income (Loss) | 11,506 | 1,565 | 3,713 | 3,757 | 580 | 1,872 | 9,922 | 16,655 |
| EPS | | | | | | | | |
| Basic EPS | 0.27 | 0.04 | 0.08 | 0.09 | 0.01 | 0.04 | 0.23 | 0.38 |
| Diluted EPS | 0.27 | 0.03 | 0.08 | 0.08 | 0.01 | 0.04 | 0.21 | 0.36 |
| 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 | 46,502 | 46,551 | 46,551 | 46,551 | 46,551 |
| Shares Outstanding, Basic (End of Quarter) | 43,867 | 44,063 | 44,063 | 44,063 | - | - | - | - |

Source: Company Reports; eResearch Corp.

Figure 12: Balance Sheet

| DCM | 2020A | 2021A | Q122A | Q222A | Q322E | Q422E | 2022E | 2023E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Balance Sheet - FYE (December 31); CAD ('000) | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash | 578 | 901 | 985 | 775 | 2,412 | 404 | 404 | 9,271 |
| Account Receivables | 65,290 | 51,567 | 53,762 | 56,812 | 54,476 | 55,135 | 55,135 | 57,150 |
| Prepaid Expenses & Other Assets | 1,521 | 2,580 | 2,463 | 2,324 | 2,003 | 2,067 | 2,067 | 2,641 |
| Inventory | 8,514 | 12,133 | 15,335 | 17,182 | 15,776 | 13,851 | 13,851 | 10,094 |
| Income taxes receivable | 0 | 860 | 309 | 318 | 318 | 318 | 318 | 318 |
| Total Current Assets | 75,903 | 68,041 | 72,854 | 77,411 | 74,985 | 71,775 | 71,775 | 79,473 |
| Non-Current Assets | | | | | | | | |
| Deferred Income Tax Assets | 3,163 | 5,465 | 4,860 | 4,906 | 4,906 | 4,906 | 4,906 | 4,906 |
| Restricted Cash | 515 | 515 | 0 | 0 | 0 | 0 | 0 | 0 |
| Property and Equipment | 9,783 | 8,416 | 7,807 | 7,209 | 6,862 | 6,540 | 6,540 | 5,398 |
| Pension Assets | 203 | 2,531 | 2,385 | 1,864 | 1,864 | 1,864 | 1,864 | 1,864 |
| Intangible Assets | 14,459 | 4,042 | 3,634 | 3,231 | 3,069 | 2,916 | 2,916 | 2,375 |
| 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 | 35,276 | 33,895 | 32,511 | 32,511 | 27,515 |
| Total Assets | 163,921 | 140,084 | 142,311 | 146,870 | 142,554 | 137,486 | 137,486 | 138,505 |
| Current Liabilities | | | | | | | | |
| Accounts Payables/Accrued Liabilities | 39,999 | 37,589 | 41,763 | 35,570 | 35,651 | 35,843 | 35,843 | 36,147 |
| Lease Liability | 8,032 | 6,123 | 6,121 | 6,800 | 7,433 | 8,391 | 8,391 | 8,810 |
| Current Portion of Debt/Promissory Notes | 7,326 | 11,743 | 16,265 | 15,656 | 14,873 | 13,386 | 13,386 | 9,449 |
| Provisions | 1,186 | 3,280 | 1,272 | 788 | 788 | 788 | 788 | 788 |
| Deferred Revenue - Current | 2,798 | 3,269 | 2,465 | 2,756 | 2,287 | 2,582 | 2,582 | 2,711 |
| Taxes Payable | 1,608 | 841 | 1,444 | 2,591 | 2,591 | 2,591 | 2,591 | 2,591 |
| Total Current Liabilities | 60,949 | 62,845 | 69,330 | 64,161 | 63,624 | 63,581 | 63,581 | 60,496 |
| Non-Current Liabilities | | | | | | | | |
| Term Loan/Promissory Notes | 975 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Credit Facilities | 39,567 | 24,556 | 17,246 | 22,818 | 20,993 | 16,794 | 16,794 | 10,462 |
| Lease Liability | 40,321 | 32,976 | 32,728 | 33,696 | 30,836 | 27,773 | 27,773 | 20,030 |
| Deferred Income Tax Liabilities | 282 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Provision/Loan Payable/Benefits Payable | 11,868 | 11,666 | 10,849 | 10,160 | 10,201 | 10,242 | 10,242 | 10,406 |
| Total Liabilities | 153,962 | 132,043 | 130,153 | 130,835 | 125,653 | 118,390 | 118,390 | 101,394 |
| 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 | 869 | 869 | 869 | 869 | 869 |
| Accumulated OCI | 192 | 173 | 160 | 186 | 186 | 186 | 186 | 186 |
| Contributed Surplus | 2,354 | 2,791 | 2,847 | 2,951 | 3,237 | 3,560 | 3,560 | 4,920 |
| Deficit | (249,697) | (252,282) | (248,208) | (244,449) | (243,869) | (241,997) | (241,997) | (225,342) |
| Total Shareholders Equity | 9,959 | 8,041 | 12,158 | 16,035 | 16,901 | 19,096 | 19,096 | 37,111 |
| Total Liabilities & Shareholders Equity | 163,921 | 140,084 | 142,311 | 146,870 | 142,554 | 137,486 | 137,486 | 138,505 |

Source: Company Reports; eResearch Corp.

Figure 13: Cash Flow Statement

| DCM | 2020A | 2021A | Q122A | Q222A | 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 | 3,757 | 580 | 1,872 | 9,922 | 16,655 |
| Amortization of Intangibles | 4,279 | 3,589 | 408 | 403 | 226 | 215 | 1,252 | 757 |
| Depreciation of Property & Equipment | 3,541 | 3,133 | 780 | 781 | 563 | 528 | 2,652 | 1,873 |
| Depreciation of Right-of-Use Assets | 8,399 | 8,428 | 1,580 | 1,633 | 1,381 | 1,383 | 5,978 | 4,996 |
| Interest Expense on Lease Liabilities | 3,257 | 2,521 | 564 | 564 | 607 | 574 | 2,309 | 1,997 |
| Amortization of Deferred Lease Indicement | - | - | - | - | - | - | - | - |
| Stock Based Compensation Expense | 54 | 528 | 56 | 92 | 286 | 323 | 757 | 1,360 |
| Pension Expense | 487 | 480 | 177 | 41 | 41 | 41 | 300 | 164 |
| Loss on Disposal of Intangible Assets | - | (130) | - | - | - | - | - | - |
| Provisions | 2,821 | 9,691 | - | - | - | - | - | - |
| Income Tax Expense | 3,107 | 1,079 | 1,625 | 1,475 | - | - | 3,100 | - |
| Finance Cost | 284 | 760 | 87 | 206 | - | - | 293 | - |
| Other | 514 | (118) | (22) | 167 | - | - | 145 | - |
| Changes in Non-Cash Working Capital | | | | | | | | |
| Account & Other Receivables | 21,011 | 13,723 | (2,195) | (3,050) | 2,336 | (659) | (3,568) | (2,015) |
| Inventory | 4,066 | (3,619) | (3,202) | (1,847) | 1,406 | 1,924 | (1,718) | 3,757 |
| Due from related parties | - | - | - | - | - | - | - | - |
| Investment/Income Tax Credits | - | - | 16 | (384) | - | - | (368) | - |
| Prepaid Expenses & Other Current Assets | 1,627 | (1,030) | 142 | 268 | 321 | (64) | 667 | (573) |
| Accounts Payable & Other Payables | (11,425) | (2,410) | 4,174 | (6,192) | 81 | 192 | (1,745) | 303 |
| Deposits | - | - | - | - | - | - | - | - |
| Other | (935) | (5,225) | (283) | (287) | - | - | (570) | - |
| Provisions | (5,623) | (6,491) | (2,094) | (539) | - | - | (2,633) | - |
| Deferred (Unbilled) Revenue | 665 | 471 | (804) | 291 | (469) | 295 | (687) | 129 |
| Total Cash Provided By Operating Activities | 47,635 | 26,945 | 4,722 | (2,621) | 7,361 | 6,624 | 16,085 | 29,405 |
| Investing Activities | | | | | | | | |
| Purchase of Property & Equipment | (268) | (1,832) | (213) | (206) | (216) | (206) | (841) | (731) |
| Interest Income Received | - | - | - | - | - | - | - | - |
| Purchase of Intangibles | (571) | (1,390) | - | - | (65) | (61) | (126) | (216) |
| Business (Acquisition) Sale | 4 | - | 31 | 25 | - | - | 56 | - |
| Redemption of Short-Term Investments & Restricted Cash | - | - | - | - | - | - | - | - |
| Total Cash From Investing Activities | (835) | (3,222) | (182) | (181) | (281) | (267) | (911) | (948) |
| Financing Activities | | | | | | | | |
| Proceeds from Loan/Promissory Notes | - | 21,000 | - | - | - | - | - | - |
| Repayment of Loan/Promissory Notes | (533) | (2,144) | - | - | (783) | (1,487) | (2,270) | (3,937) |
| Operating Line/Credit Facility (Repayment) | (32,865) | (30,696) | (2,327) | 4,724 | (1,825) | (4,199) | (3,627) | (6,332) |
| Repayment of Other Liabilities | (333) | - | - | - | - | - | - | - |
| Transaction Costs | (227) | (489) | - | - | - | - | - | - |
| Lease Payments | (11,336) | (11,202) | (2,129) | (2,136) | (2,835) | (2,679) | (9,779) | (9,321) |
| 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) | 2,588 | (5,443) | (8,365) | (15,676) | (19,590) |
| Effect of Exchange Rates on Cash | (8) | 13 | - | 4 | - | - | 4 | - |
| Net Increase in Cash | 1,671 | 323 | 84 | (210) | 1,637 | (2,008) | (497) | 8,867 |
| Beginning Cash | (1,093) | 578 | 901 | 985 | 775 | 2,412 | 901 | 404 |
| Ending Cash | 578 | 901 | 985 | 775 | 2,412 | 404 | 404 | 9,271 |

Source: Company Reports; eResearch Corp.

Appendix C: Outstanding Shares, Options & Warrants

Figure 14: Shares Outstanding for Fully Diluted Share Count and Valuation

| Shares Outstanding - Valuation using Multiples ('000) | |
|--|--------|
| Shares Outstanding: Basic - End of the Previous Quarter (Mar 31/22) | 44,063 |
| Shares Issued in the Quarter | - |
| Shares Outstanding: Basic - End of the Current Quarter (Jun 30/22) | 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* | 1,224 |
| - In the Money Warrants: Stock Price above Strike Price* | 1,264 |
| Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples) | 46,551 |

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

| Shares Outstanding - DCF Valuation ('000) | |
|--|--------|
| Shares Outstanding: Basic - End of the Current Quarter (Jun 30/22) | 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* | 3,629 |
| - In the Money Warrants: Target Price above Strike Price* | 1,532 |
| Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF) | 49,224 |

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

Source: Company Reports; eResearch Corp.

Appendix D: Company Comparables by Industry

Figure 15: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

| Name | Ticker | Aug 19 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 | \$1.27 | \$56 | \$1 | \$79 | \$134 | \$235.3 | \$259.1 | \$272.0 | \$20.8 | \$23.3 | \$28.4 | 0.6x | 0.5x | 0.5x | 6.4x | 5.8x | 4.7x |
| US Comps - Conventional Print Solution Providers | | | | | | | | | | | | | | | | | | |
| ARC Document Solutions, Inc. | NYSE:ARC | US\$3.02 | US\$129.9 | US\$44.6 | US\$106.8 | US\$194.1 | US\$272.2 | US\$0.0 | US\$0.0 | US\$39.0 | US\$0.0 | US\$0.0 | 0.7x | | | 5.0x | | |
| Canon Inc. | TSE:7751 | US\$25.54 | US\$26,309.0 | US\$3,406.1 | US\$3,117.5 | US\$27,716.0 | US\$30,514.3 | US\$29,305.4 | US\$29,720.3 | US\$4,535.7 | US\$4,487.0 | US\$4,572.4 | 0.9x | 0.9x | 0.9x | 6.1x | 6.2x | 6.1x |
| Cimpress plc | NASDAQ:CMPR | US\$44.65 | US\$1,167.0 | US\$327.0 | US\$1,792.5 | US\$2,763.9 | US\$2,576.0 | US\$2,848.9 | US\$3,287.7 | US\$236.4 | US\$249.7 | US\$337.5 | 1.1x | 1.0x | 0.8x | 11.7x | 11.1x | 8.2x |
| Ennis, Inc. | NYSE:EBF | US\$22.54 | US\$581.9 | US\$91.2 | US\$14.7 | US\$505.4 | US\$358.0 | US\$400.9 | US\$420.0 | US\$60.5 | US\$72.5 | US\$74.5 | 1.4x | 1.3x | 1.2x | 8.4x | 7.0x | 6.8x |
| Quad/Graphics, Inc. | NYSE:QUAD | US\$3.96 | US\$214.6 | US\$13.3 | US\$825.4 | US\$1,026.7 | US\$2,960.4 | US\$0.0 | US\$0.0 | US\$250.3 | US\$0.0 | US\$0.0 | 0.3x | | | 4.1x | | |
| Xerox Holdings Corporation | NASDAQ:XRX | US\$18.58 | US\$2,890.5 | US\$1,151.0 | US\$4,122.0 | US\$6,094.5 | US\$6,817.0 | US\$7,100.2 | US\$7,097.0 | US\$695.0 | US\$566.3 | US\$695.7 | 0.9x | 0.9x | 0.9x | 8.8x | 10.8x | 8.8x |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | | 0.9x | 1.0x | 1.0x | 7.3x | 8.7x | 7.4x |
| Median | | | | | | | | | | | | | 0.9x | 1.0x | 0.9x | 7.2x | 8.9x | 7.5x |
| Cdn Comps - Conventional Print Solution Providers | | | | | | | | | | | | | | | | | | |
| CCL Industries Inc. | TSX:CCL.B | \$65.06 | \$11,512.0 | \$634.3 | \$2,398.6 | \$13,276.3 | \$5,732.8 | \$6,371.2 | \$6,643.3 | \$1,127.9 | \$1,279.3 | \$1,346.5 | 2.3x | 2.1x | 2.0x | 11.8x | 10.4x | 9.9x |
| Supremex Inc. | TSX:SXP | \$4.38 | \$114.3 | \$1.7 | \$58.0 | \$170.5 | \$226.4 | \$261.7 | \$285.6 | \$31.6 | \$44.4 | \$45.0 | 0.8x | 0.7x | 0.6x | 5.4x | 3.8x | 3.8x |
| Transcontinental Inc. | TSX:TCL.A | \$17.01 | \$1,473.5 | \$24.8 | \$1,059.8 | \$2,516.4 | \$2,711.3 | \$2,870.3 | \$2,887.9 | \$413.4 | \$452.0 | \$464.0 | 0.9x | 0.9x | 0.9x | 6.1x | 5.6x | 5.4x |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | | 1.3x | 1.2x | 1.2x | 7.7x | 6.6x | 6.4x |
| Median | | | | | | | | | | | | | 0.9x | 0.9x | 0.9x | 7.2x | 8.7x | 7.4x |
| US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS) | | | | | | | | | | | | | | | | | | |
| Adobe Inc. | NASDAQ:ADBE | US\$425.06 | US\$198,925.7 | US\$5,299.0 | US\$4,658.0 | US\$198,284.7 | US\$15,785.0 | US\$17,692.4 | US\$20,167.4 | US\$6,378.0 | US\$8,785.4 | US\$10,083.6 | 12.6x | 11.2x | 9.8x | 31.1x | 22.6x | 19.7x |
| Box, Inc. | NYSE:BOX | US\$30.34 | US\$4,370.7 | US\$519.3 | US\$621.5 | US\$4,961.3 | US\$770.8 | US\$869.5 | US\$1,112.0 | US\$48.9 | US\$281.3 | US\$320.3 | 6.4x | 5.7x | 4.5x | 101.4x | 17.6x | 15.5x |
| Fluent, Inc. | NASDAQ:FLNT | US\$1.70 | US\$135.8 | US\$26.4 | US\$49.9 | US\$159.3 | US\$329.3 | US\$387.2 | US\$426.8 | US\$15.2 | US\$30.0 | US\$34.0 | 0.5x | 0.4x | 0.4x | 10.5x | 5.3x | 4.7x |
| LiveRamp Holdings, Inc. | NYSE:RAMP | US\$21.84 | US\$1,467.4 | US\$515.8 | US\$59.3 | US\$1,010.9 | US\$443.0 | US\$526.3 | US\$662.4 | -US\$62.6 | US\$36.7 | US\$76.9 | 2.3x | 1.9x | 1.5x | 27.6x | 13.1x | |
| Open Text Corporation | NASDAQ:OTEX | US\$38.23 | US\$10,173.5 | US\$1,700.0 | US\$4,474.6 | US\$12,949.3 | US\$3,386.1 | US\$3,495.2 | US\$3,638.4 | US\$1,010.1 | US\$1,252.6 | US\$1,338.6 | 3.8x | 3.7x | 3.6x | 12.8x | 10.3x | 9.7x |
| QuinStreet, Inc. | NASDAQ:QNST | US\$13.29 | US\$728.4 | US\$96.4 | US\$10.3 | US\$642.3 | US\$578.5 | US\$575.2 | US\$618.8 | US\$24.2 | US\$19.3 | US\$41.9 | 1.1x | 1.1x | 1.0x | 26.5x | 33.3x | 15.3x |
| Smartsheet Inc. | NYSE:SMAR | US\$35.03 | US\$4,534.6 | US\$446.7 | US\$76.5 | US\$4,164.4 | US\$385.5 | US\$545.1 | US\$999.2 | -US\$143.9 | -US\$59.8 | -US\$18.3 | 10.8x | 7.6x | 4.2x | | | |
| TechTarget, Inc. | NASDAQ:TTGT | US\$69.39 | US\$2,047.5 | US\$394.1 | US\$480.0 | US\$2,133.4 | US\$263.4 | US\$315.5 | US\$359.0 | US\$55.3 | US\$128.7 | US\$149.5 | 8.1x | 6.8x | 5.9x | 38.5x | 16.6x | 14.3x |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | | 5.7x | 4.8x | 3.9x | 23.9x | 19.0x | 13.2x |
| Median | | | | | | | | | | | | | 5.1x | 4.7x | 3.9x | 28.8x | 17.6x | 14.3x |
| CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS) | | | | | | | | | | | | | | | | | | |
| Absolute Software Corporation | TSX:ABST | \$13.32 | \$680.0 | \$69.1 | \$278.2 | \$889.2 | \$155.2 | \$216.7 | \$246.0 | \$7.9 | \$51.7 | \$53.5 | 5.7x | 4.1x | 3.6x | 112.6x | 17.2x | 16.6x |
| AcutyAds Holdings Inc. | TSX:AT | \$3.24 | \$187.6 | \$92.5 | \$10.2 | \$105.4 | \$122.0 | \$125.1 | \$146.0 | \$9.9 | \$10.7 | \$16.4 | 0.9x | 0.8x | 0.7x | 10.6x | 9.8x | 6.4x |
| Fobi AI Inc. | TSXV:FOBI | \$0.59 | \$87.3 | \$3.3 | \$0.0 | \$84.0 | \$1.7 | \$0.0 | \$0.0 | -\$15.0 | \$0.0 | \$0.0 | 50.6x | | | | | |
| MediaValet Inc. | TSX:MVP | \$1.22 | \$48.1 | \$2.1 | \$0.7 | \$46.7 | \$9.3 | \$13.0 | \$17.9 | -\$9.4 | -\$9.7 | -\$6.5 | 5.0x | 3.6x | 2.6x | | | |
| ProntoForms Corporation | TSXV:PFM | \$0.55 | \$72.1 | \$7.5 | \$6.6 | \$71.3 | \$19.4 | \$27.7 | \$33.2 | -\$4.0 | -\$4.7 | -\$2.0 | 3.7x | 2.6x | 2.1x | | | |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | | 3.8x | 2.8x | 2.3x | 10.6x | 13.5x | 11.5x |
| Median | | | | | | | | | | | | | 5.0x | 3.1x | 2.4x | 61.6x | 13.5x | 11.5x |

Source: S&P Capital IQ; eResearch Corp.

Figure 16: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

| Name | Ticker | Aug 19 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 | \$1.27 | \$56 | \$1 | \$79 | \$134 | \$235.3 | \$259.1 | \$272.0 | \$20.8 | \$23.3 | \$28.4 | 0.6x | 0.5x | 0.5x | 6.4x | 5.8x | 4.7x |
| Tech-Enabled Marketing Workflow Providers | | | | | | | | | | | | | | | | | | |
| Cimpress plc | NASDAQ:CMPR | US\$44.65 | US\$1,167.0 | US\$327.0 | US\$1,792.5 | US\$2,763.9 | US\$2,576.0 | US\$2,848.9 | US\$3,287.7 | US\$236.4 | US\$249.7 | US\$337.5 | 1.1x | 1.0x | 0.8x | 11.7x | 11.1x | 8.2x |
| Deluxe Corporation | NYSE:DLX | US\$22.65 | US\$973.7 | US\$44.9 | US\$1,742.7 | US\$2,671.9 | US\$2,022.2 | US\$2,218.3 | US\$2,218.3 | US\$325.4 | US\$415.8 | US\$429.1 | 1.3x | 1.2x | 1.2x | 8.2x | 6.4x | 6.2x |
| dotdigital Group Plc | AIM:DOTD | £0.99 | £296.5 | £40.0 | £3.1 | £259.5 | £58.1 | £62.6 | £70.3 | £15.2 | £21.2 | £22.4 | 4.5x | 4.1x | 3.7x | 17.0x | 12.3x | 11.6x |
| Galaxy Digital Holdings Ltd. | TSX:GLXY | \$6.70 | \$730 | \$9 | \$0 | \$722 | \$0 | \$814 | \$1,070 | \$0 | \$0 | \$0 | | 0.9x | 0.7x | | | |
| Harte Hanks, Inc. | NASDAQ:HHS | US\$17.25 | US\$121.3 | US\$10.6 | US\$31.9 | US\$152.4 | US\$194.6 | US\$201.0 | US\$212.4 | US\$15.2 | US\$21.0 | US\$23.3 | 0.8x | 0.8x | 0.7x | 10.0x | 7.3x | 6.5x |
| HubSpot, Inc. | NYSE:HUBS | US\$351.58 | US\$16,882.6 | US\$1,246.0 | US\$746.2 | US\$16,382.8 | US\$1,300.7 | US\$1,693.7 | US\$2,106.0 | -US\$32.6 | US\$203.8 | US\$288.9 | 12.6x | 9.7x | 7.8x | | 80.4x | 56.7x |
| Publicis Groupe S.A. | ENXTPA:PUB | € 50.88 | € 12,777.20 | € 3,342.00 | € 6,533.00 | € 15,932.66 | € 11,738.00 | € 11,974.20 | € 12,266.88 | € 1,934.00 | € 2,672.20 | € 2,679.74 | 1.4x | 1.3x | 1.3x | 8.2x | 6.0x | 5.9x |
| Quadrant S.A. | ENXTPA:QDT | € 17.74 | € 608.69 | € 486.60 | € 990.40 | € 1,122.01 | € 1,029.40 | € 1,019.66 | € 1,078.39 | € 193.60 | € 248.77 | € 264.45 | 1.1x | 1.1x | 1.0x | 5.8x | 4.5x | 4.2x |
| Startek, Inc. | NYSE:SRT | US\$4.11 | US\$165.8 | US\$47.1 | US\$226.0 | US\$404.6 | US\$703.6 | US\$686.7 | US\$712.5 | US\$71.1 | US\$55.2 | US\$70.8 | 0.6x | 0.6x | 0.6x | 5.7x | 7.3x | 5.7x |
| Teleperformance SE | ENXTPA:TEP | € 310.10 | € 18,318.38 | € 756.00 | € 3,402.00 | € 20,964.38 | € 7,115.00 | € 8,160.86 | € 8,949.83 | € 1,156.90 | € 1,684.37 | € 1,856.94 | 2.9x | 2.6x | 2.3x | 18.1x | 12.4x | 11.3x |
| TTEC Holdings, Inc. | NASDAQ:TTEC | US\$56.35 | US\$2,650.5 | US\$163.2 | US\$1,046.0 | US\$3,604.9 | US\$2,273.1 | US\$2,414.9 | US\$2,604.4 | US\$330.3 | US\$316.5 | US\$357.8 | 1.6x | 1.5x | 1.4x | 10.9x | 11.4x | 10.1x |
| Zeta Global Holdings Corp. | NYSE:ZETA | US\$6.46 | US\$1,331.0 | US\$110.8 | US\$196.9 | US\$1,417.2 | US\$458.3 | US\$563.4 | US\$666.9 | -US\$198.6 | US\$86.4 | US\$114.2 | 3.1x | 2.5x | 2.1x | 16.4x | 12.4x | |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | 2.8x | 2.3x | 2.0x | 10.6x | 16.0x | 12.6x | |
| Median | | | | | | | | | | | | 1.4x | 1.3x | 7.3x | 10.0x | 11.1x | 8.2x | |

| Name | Ticker | Aug 19 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 | \$3.24 | \$187.6 | \$92.5 | \$10.2 | \$105.4 | \$122.0 | \$125.1 | \$146.0 | \$9.9 | \$10.7 | \$16.4 | 0.9x | 0.8x | 0.7x | 10.6x | 9.8x | 6.4x |
| Adcore Inc. | TSX:ADCO | \$0.30 | \$18.4 | \$7.0 | \$0.3 | \$11.7 | \$28.0 | | | \$0.8 | | | 0.4x | | | 13.9x | | |
| Aquarius AI Inc. | CNSX:AQUA | \$0.04 | \$4.9 | \$0.3 | \$0.1 | \$4.7 | \$0.2 | | | -\$3.0 | | | 30.1x | | | | | |
| ARHT Media Inc. | TSXV:ART | \$0.20 | \$0.1 | \$7.1 | \$0.3 | -\$6.8 | \$4.8 | | | -\$4.8 | | | | | | 1.4x | | |
| Datable Technology Corporation | TSXV:DAC | \$0.02 | \$2.7 | \$0.7 | \$3.1 | \$5.1 | \$3.5 | \$5.1 | \$7.9 | -\$4.3 | -\$3.0 | -\$1.1 | 1.4x | 1.0x | 0.6x | | | |
| DeepMarkit Corp. | TSXV:MKT | \$0.11 | \$18.7 | \$3.5 | \$0.0 | \$15.2 | \$0.0 | | | -\$0.3 | | | 5060.1x | | | | | |
| EQ Inc. | TSXV:EQ | \$1.19 | \$82.6 | \$5.7 | \$0.2 | \$77.1 | \$12.1 | \$16.7 | \$22.2 | -\$4.4 | -\$3.7 | -\$0.3 | 6.4x | 4.6x | 3.5x | | | |
| Fobi AI Inc. | TSXV:FOBI | \$0.59 | \$87.3 | \$3.3 | \$0.0 | \$84.0 | \$1.7 | | | -\$15.0 | | | 50.6x | | | | | |
| Gatekeeper Systems Inc. | TSXV:GSI | \$0.30 | \$0.0 | \$2.7 | \$3.5 | \$0.9 | \$15.0 | | | \$0.8 | | | 0.1x | | | 1.2x | | |
| Reklaim Ltd. | TSXV:MYID | \$0.08 | \$7.4 | \$0.5 | \$1.4 | \$8.3 | \$1.0 | | | -\$6.5 | | | 8.3x | | | | | |
| Snipp Interactive Inc. | TSXV:SPN | \$0.17 | \$48.0 | \$2.6 | \$0.0 | \$45.4 | \$15.3 | \$24.9 | \$33.9 | \$0.7 | \$1.0 | \$3.4 | 3.0x | 1.8x | 1.3x | 69.5x | 45.4x | 13.4x |
| YANGAROO Inc. | TSXV:YOO | \$0.07 | \$4.4 | \$0.8 | \$3.1 | \$6.7 | \$9.7 | | | \$0.0 | | | 0.7x | | | | | |
| Yellow Pages Limited | TSX:Y | \$12.70 | \$337.9 | \$129.3 | \$48.4 | \$257.0 | \$287.6 | \$269.7 | \$243.9 | \$88.5 | \$99.0 | \$91.0 | 0.9x | 1.0x | 1.1x | 2.9x | 2.6x | 2.8x |
| Zoomd Technologies Ltd. | TSXV:ZOMD | \$0.44 | \$42.5 | \$5.0 | \$1.0 | \$38.5 | \$52.6 | | | \$3.2 | | | 0.7x | | | 11.9x | | |
| Mean (EV/Rev <20; EV/EBITDA <100) | | | | | | | | | | | | 2.3x | 1.8x | 1.4x | 15.9x | 19.3x | 7.5x | |
| Median | | | | | | | | | | | | 1.4x | 1.0x | 1.1x | 10.6x | 9.8x | 6.4x | |

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.

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