

REVISIONS	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$6.90	\$6.90
Revenue 2023E (M)	\$463.3	\$457.5
EBITDA 2023E (M)	\$39.6	\$37.7
EPS 2023 (M)	-\$0.04	\$0.05

#### MARKET DATA

Date:	Aug 16, 2023
Current Price (C\$):	\$3.22
Target Price (C\$):	\$6.90
52-Week Range:	\$1.16 / \$3.81
Shares O/S (M):	55.0
Mkt Cap (C\$M):	\$177.2
EV (C\$M):	\$365.8
Avg. Weekly Vol. (M):	0.47

Website: [www.dataacm.com](http://www.dataacm.com)

#### FINANCIALS

(\$M)	2021A	2022A	2023E
Revenue	\$235.3	\$273.8	\$463.3
EBITDA	\$20.8	\$32.0	\$39.6
Adj. EBITDA	\$33.3	\$40.7	\$55.6
EPS	\$0.03	\$0.30	-\$0.04
Cash	\$0.9	\$4.2	\$7.8
Current Assets	\$68.0	\$82.1	\$160.0
Total Assets	\$140.1	\$149.5	\$354.8
Debt	\$36.3	\$27.0	\$101.7
Lease Liabilities	\$39.1	\$39.8	\$92.1
Total Liabilities	\$132.0	\$126.6	\$305.5
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)

### Acquisition Provides 75% Revenue Jump & Cash Flow Growth as DCM Drops Merger Synergies to the Bottom Line

#### 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 its customers 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:

- On August 10, **DCM** reported Q2/2023 financial results with Revenue of \$119.0 million, up 74.7%, which exceeded our estimate by \$5.8 million. Unadjusted EBITDA in Q2/2023 was up 33.2% to \$10.6 million.
- The year-over-year revenue and EBITDA growth were mainly attributable to the acquisition of **Moore Canada Corporation (MCC)**, which closed during the quarter. We continue to believe this transaction enhances **DCM's** capabilities and growth potential, with economies of scale and new products, services, and technology capabilities.
- Gross Margin was 26.9%, down slightly quarter-over-quarter, but in-line with our estimate of 27.0%. **MCC's** lower average Gross Margin contributed to a decrease in the overall Gross Margin, however, **DCM** commented that integration synergies should yield Gross Margin improvements in the upcoming quarters.
- The debt increased significantly to \$112.7 million due to **DCM** financing the acquisition with debt, but, during the quarter, it proceeded to make repayments and also closed a \$26.1 million Equity Raise and \$23.1 million facility sale to help deleverage the Balance Sheet.

#### FINANCIAL ANALYSIS & VALUATION:

- We updated our model with the Company's recent financials and adjusted our model to incorporate the merger with **MCC**.
- We estimate an equal-weighted price target of \$6.90 based on a DCF valuation (\$11.69/share), a Revenue Multiple valuation (\$4.34/share), and an EBITDA Multiple valuation (\$4.60/share).
- We are maintaining a Buy rating and a one-year price target of \$6.90.**

*All figures in CAD unless otherwise stated.*

eResearch Corporation

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## Quarterly Update

### Key Events in the Quarter



#### 1. Acquisition of MCC and Working Capital Adjustments:

- On April 24, 2023, **DCM** closed the acquisition of **MCC**, involving a total cash purchase price of \$130.8 million.
- The acquisition is considered an important milestone for **DCM**, providing an opportunity to build a better and much bigger business with a larger presence in the Canadian market, estimated to generate combined pro forma revenues of over \$520 million in 2022.
- Post-closing, working capital adjustments amounted to \$4.9 million, increasing the total cash purchase price to \$135.8 million.
- **MCC** is now fully owned by **DCM**.
- Funding for the acquisition came from a revolving, floating rate credit facility from a Canadian chartered bank, encompassing up to \$90 million in revolving credit capacity; a \$30 million floating rate, term loan facility from the bank; and a new \$50 million fixed-rate credit facility from Fiera Private Debt.

#### 2. Organizational Synergy Initiatives:

- **DCM** initiated planned efforts to create organizational synergies to improve sales and reduce costs.
- In connection with a reduction of approximately 30 associates from the combined team, restructuring expenses of \$2.7 million were booked.
- The company anticipates annualized savings of around \$4.2 million from this initiative.

#### 3. Private Placement of Common Shares:

- On May 25, 2023, **DCM** completed a private placement of common shares offering, issuing over 8.7 million common shares at \$3.00 per share.
- Gross proceeds totaled \$26.1 million (\$24.2 million after closing costs).

#### 4. Sale and Leaseback of Oshawa Warehouse Facility:

- On June 8, 2023, **DCM** executed a sale and leaseback transaction involving its Oshawa, Ontario warehouse facility, which was part of the **MCC** acquisition.
- The sale generated gross proceeds of \$24.1 million (\$23.1 million in net proceeds).
- **DCM** intends to use the Oshawa facility and entered a ten-year lease agreement, inclusive of options for extending the lease for up to ten additional years.
- The lease agreement includes a capital improvement allowance of \$1.5 million.

#### 5. Updated Five-Year Strategic Plan:

- **DCM** updated its strategic financial objectives for the next five years and includes:
  - Organic revenue growth of more than 5% annually;
  - Achieving Adjusted EBITDA as a percentage of revenues of more than 14%;
  - Reducing total net debt as a multiple of Adjusted EBITDA to less than 1.0x;
  - Realizing total annualized post-merger synergies in the range of \$25 million to \$30 million over the next 18 to 24 months.
  - MarTech solutions growth of more than 60% with Gross Margins of more than 80%.

## Q2/2023 Financial Results (Positive Event)

On August 10, 2023, **DCM** reported second quarter 2023 financial results (see [Figure 1](#)):

- **Revenue:**

- Revenue was \$119.0 million in Q2/2023, up 74.7% from \$68.1 million in Q2/2022, and higher than our estimate of \$113.2 million.
- The year-over-year growth was mainly attributable to the acquisition of **MCC**. The combined businesses achieved growth through expanded revenue with existing clients, successful acquisition of new clients, and ongoing efforts to mitigate the impact of raw material cost increases by passing them on to the customers.
- The quarterly revenue includes the combined revenue of **DCM** and **MCC**. However, the consolidation encompasses only one week of April, coupled with the entire months of May and June, thus representing a period that falls just short of a complete quarter.
- Digital revenue in the first half of 2023 was \$2.9 million, up 18% year-over-year.
- It is the seventh consecutive quarter of year-over-year growth (see [Figure 2](#)).
- **DCM** reported that it believes it can still achieve its targeted organic annual revenue growth rate of 5%.

- **Gross Profit & Gross Margin:**

- The Company reported Gross Profit of \$32.0 million in Q2/2023, up 56.7% from \$20.4 million in the same quarter last year.
- In Q2/2023, Gross Margin was 26.9%, down 3.1% from 30.0% in Q2/2022, but in-line with our estimate of 27.0%.
- As anticipated, **MCC's** lower average Gross Margins contributed to a decrease in the overall Gross Margin. However, **DCM** has already initiated strategic measures to foster synergies and enhance the efficiency of its combined operations, which are projected to yield improvements in the consolidated Gross Margins in the upcoming quarters. **DCM** continues to aim for Gross Margins at greater than 30%.

Figure 1: DCM's Q2/2023 Results Compared to eResearch Estimates

(C\$) ('000)	Q122A	Q222A	2022A	Q123A	Q223A	Q223E	Diff.	Q323E	Q423E	2023E
Total Revenue	\$69,257	\$68,103	\$273,804	\$76,077	\$118,963	\$113,175	+5.1%	\$129,069	\$139,197	\$463,306
Gross Margin	29.3%	30.0%	30.8%	31.1%	26.9%	27.0%	-0.1%	27.0%	27.0%	27.6%
Total Operating Expenses	\$13,644	\$13,781	\$57,150	\$18,754	\$25,733	\$25,603	+0.5%	\$30,034	\$29,779	\$104,299
Operating Income	\$6,680	\$6,661	\$27,074	\$4,881	\$6,304	\$4,955	+27.2%	\$4,815	\$7,805	\$23,804
EBITDA*	\$7,924	\$7,937	\$31,973	\$6,131	\$10,573	\$8,168	+29.4%	\$8,985	\$13,951	\$39,640
Adj. EBITDA**	\$9,448	\$9,478	\$38,254	\$7,748	\$13,823	\$10,924	+26.5%	\$12,859	\$17,729	\$52,159
Diluted EPS	\$0.08	\$0.08	\$0.30	(\$0.06)	(\$0.06)	\$0.03	-292.2%	\$0.01	\$0.05	(\$0.04)
Cash	\$985	\$775	\$4,208	\$2,994	\$20,973	\$17,329		\$13,558	\$7,804	\$7,804
Debt	\$33,511	\$38,474	\$27,047	\$22,292	\$112,697	\$128,515		\$107,062	\$101,709	\$101,709

\* eResearch's EBITDA calculation.  
\*\* DCM's Adj. EBITDA calculation

Source: Company Presentation

- **SG&A Expenses:**

- **DCM's** SG&A expenses were \$23.0 million in Q2/2023, up 66.9% from \$13.8 million in Q2/2022, and up from \$18.8 million in the previous quarter.
- In Q2/2023, SG&A expenses represented 19.3% of Total Revenue, down 0.9% from 20.2% in the same quarter last year. **MCC's** relatively lower SG&A expenses helped to reduce the overall SG&A expenses for the combined company.
- The Company reported that it is on track to achieve its targeted total annualized post-merger synergies, ranging from \$25 million to \$30 million within the upcoming 18 to 24 months. It has already announced \$4.2 million of annualized savings towards this goal.

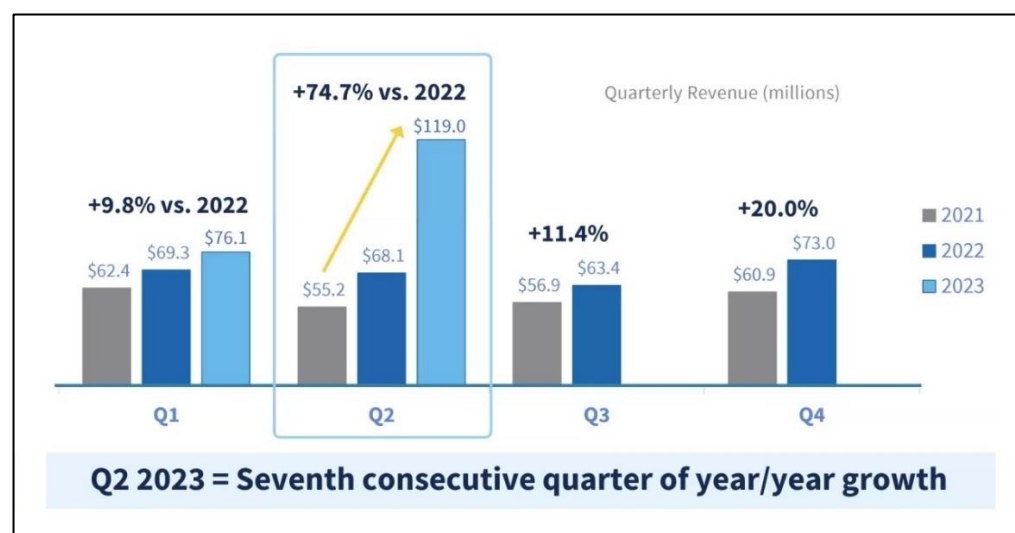
- **Net Income and EPS:**

- The Company reported a Net Loss of \$2.9 million in Q2/2023, a decrease of \$6.7 million from a Net Profit of \$3.8 million in Q2/2022.
- Basic and Diluted EPS in the quarter was a loss of \$0.06 compared to a gain of \$0.09 and \$0.08, respectively, in the same quarter last year.
- Adjusting Net Income for Acquisition, Integration, and Other One-time costs, would result in Adjusted Net Income in Q2/2023 of \$3.8 million, up slightly from \$3.6 million in Q2/2022, and an Adjusted Basic and Diluted EPS of \$0.08 per share, unchanged from Q2/2022.

- **EBITDA:**

- In Q2/2023, **DCM** reported Adjusted EBITDA of \$13.8 million, an increase of 45.8% from \$9.5 million in the same quarter last year, and due in part to the **MCC** acquisition.
- In the quarter, the Company's Adjusted EBITDA Margin was 11.6%, down 2.3% from 13.9% in Q2/2022.
- The decline in Adjusted EBITDA as a percentage of revenue can be attributed to the impact of **MCC's** comparatively lower average Gross Margins.
- EBITDA calculated by **eResearch** was \$10.6 million in Q2/2023, up 33.2% from \$7.9 million in Q2/2022, and higher than our estimate of \$8.2 million. **eResearch's** EBITDA calculation does not include adjustments of one-time charges.

**Figure 2: DCM's Revenue Momentum Continued in Q2/2023**



Source: Company Presentation (Q2/2023)

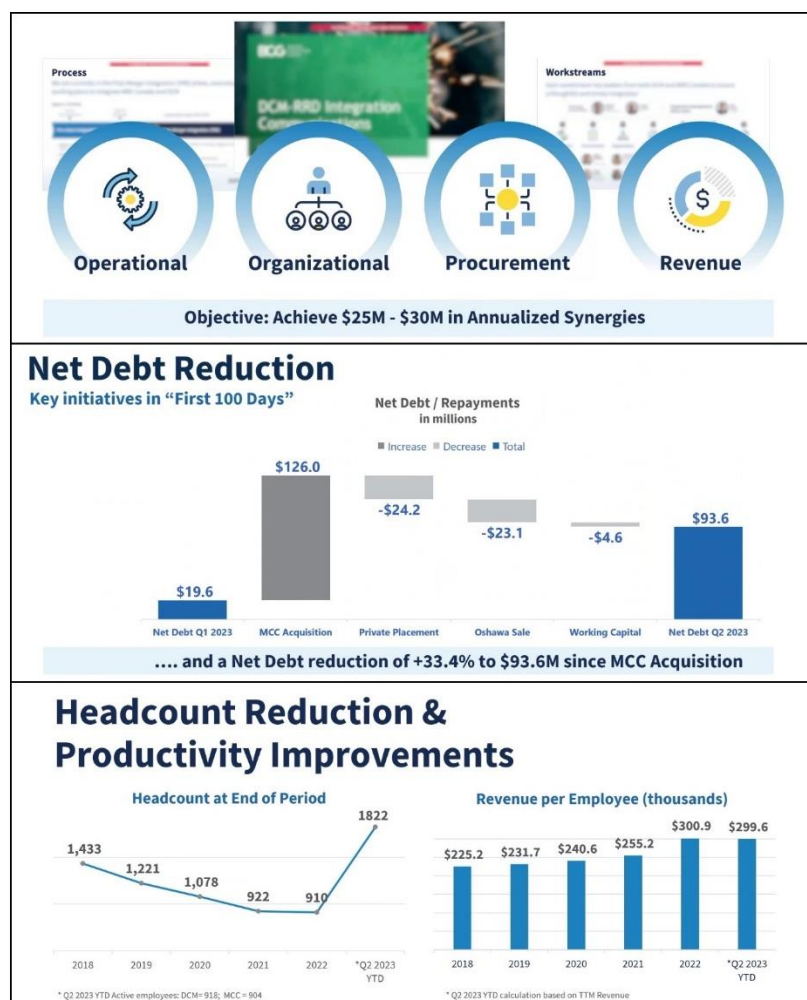
**Cash and Total Debt:**

- As of June 30, 2023, **DCM** had \$21.0 million in cash.
- At the end of the quarter, the Company's Total Debt stood at \$112.7 million, up 405.5% from \$22.3 million in Q1/2023 due to **DCM** financing the **MCC** acquisition with debt.
- During the second quarter, the Company proceeded to make repayments amounting to \$60.4 million, including \$24.5 million directed toward the Bank Credit Facility, \$23.1 million allocated to the Real Estate Bridge Loan, \$6.1 million for the complete repayment of the FPD IV and FPD V term loans, with the remaining balance allocated to regular principal repayments on term loans.

**Acquisition and Integration Costs:**

- In the quarter, one-time adjustments of \$3.8 million were booked, encompassing expenses linked to the acquisition of **MCC**, along with restructuring costs amounting to \$2.7 million.
- The Company is targeting synergies from four target areas: operations, organization, procurement, and revenue.
- As the companies continue to integrate, restructuring costs may recur as an expense item over the next several quarters.

Figure 3: Targeting \$25M-\$30M in Synergies, Debt Reduction & Improving Revenue Per Employee



Source: Company Presentation (Q2/2023)



## Valuation

### DCM Comps

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) Digital Asset Management (DAM), and (3) Tech-Enabled Marketing Workflow.

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

#### (1) Conventional Print Solutions:

- EV/Revenue of 0.8x (2023E revenue)
- EV/EBITDA of 6.1x (2023E EBITDA)

#### (2) DAM:

- EV/Revenue of 3.1x (2023E revenue)
- EV/EBITDA of 16.3x (2023E EBITDA)

#### (3) Tech-Enabled Marketing Workflow:

- EV/Revenue of 1.2x (2023E revenue)
- EV/EBITDA of 7.0x (2023E EBITDA)

### DCM Valuation

Currently, **DCM** is trading at 0.8x our 2023 revenue estimate of \$463.3 million and 9.2x our 2023 EBITDA estimate of \$39.6 million. These multiples are at the low end of the revenue and EBITDA multiples compared to the various industry multiples and highlight the potential for **DCM's** share price appreciation. As **DCM** shifts to more Tech-Enabled solutions, we expect its valuation multiples to increase.

*Figure 4: Valuation Multiples Comparing our Model to DCM and the Sector Averages (2023E)*

	Model	DCM (Market)	Conventional Print Solutions	DAM	Tech-Enabled Marketing Workflow
Revenue	0.8x	0.8x	0.8x	3.1x	1.2x
EBITDA	8.0x	9.2x	6.1x	16.3x	7.0x

Source: See [Appendix B](#); eResearch Corp.

For 2023 through 2026, we have maintained our organic revenue growth rate of 5%, in-line with the Company's target of 5%. We have maintained our estimate of improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services. [Figure 5](#) highlights the revenue growth and gross margin assumptions we use in our model to reach our estimates.

*Figure 5: Model Assumptions and Company Guidance*

METRIC	RATE			DCM Guidance
	2023E	2024E	2025E-2028E	
Revenue Growth	69%	21%	5%	+5% Organic
Gross Margins	28%	28%	30-33%	+30%
Adj. EBITDA Margins	12%	15%	17%	+14%

Source: Company Presentation (2023); eResearch Corp.

## Target Price Calculation

**Method 1: Discounted Cash Flow** (see [Figure 9](#)): Using a Weighted Average Cost of Capital (WACC) of 14% and a Terminal Multiple of 8.0x EBITDA in 2028, the one-year target share price estimate is \$11.69.

**Method 2: Revenue Multiple** (see [Figure 6](#)): Using a revenue multiple of 0.8x and a one-year forward Revenue estimate of \$439.7 million, the one-year target share price estimate is \$4.34.

**Method 3: EBITDA Multiple** (see [Figure 6](#)): Using an EBITDA multiple of 8.0x and a one-year forward EBITDA estimate of \$57.3 million, the one-year target share price estimate is \$4.60.

**The equal-weighted price per share is \$6.88 and we are maintaining the one-year price target at \$6.90.**

We are maintaining a Buy rating and the one-year price target of \$6.90.

Figure 6: Target Price (1 Year) Calculation

						SHARES	TARGET
Method 1: DCF (5-year)	WACC:14%	Terminal Multiple: 8x EBITDA	See DCF calculation.			59.0M	\$11.69
			ENT. VALUE	NET DEBT Q1/2023	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	0.8x	1 Year Fwd Revenue (Est.): \$549.6M	\$439.7M	\$188.6M	\$251.1M	57.9M	\$4.34
Method 3: EBITDA Multiple	8.0x	1-Year Fwd EBITDA (Est.): \$56.7M	\$453.6M	\$188.6M	\$265.0M	57.9M	\$4.60
<b>Equal-Weighted Target Price (1 year)</b>						<b>\$6.88</b>	

Source: eResearch Corp.

Figure 7: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Mar 31/23)	44,063
Shares Issued in the Quarter	10,960
Shares Outstanding: Basic - End of the Current Quarter (Jun 30/23)	55,023
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	55,023
- In the Money Options: Stock Price above Strike Price*	2,875
- In the Money Warrants: Stock Price above Strike Price*	5
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	57,902
* 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 30/23)	55,023
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	55,023
- In the Money Options: Target Price above Strike Price*	3,869
- In the Money Warrants: Target Price above Strike Price*	141
Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF)	59,033
* Number of shares has been adjusted by the Treasury Stock Method	

Source: Company Reports; eResearch Corp.

Figure 8: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Revenue (\$)	273.8	463.3	563.0	591.2	620.7	651.8	684.3
Revenue Growth	16.3%	69.2%	21.5%	5.0%	5.0%	5.0%	5.0%
EBITDA (\$)	32.0	39.6	69.4	83.8	91.0	98.1	106.2
EBITDA Growth	53.5%	24.0%	75.1%	20.7%	8.6%	7.8%	8.3%
EBITDA Margin	11.7%	8.6%	12.3%	14.2%	14.7%	15.0%	15.5%
Depreciation and Amortization	11.2	19.5	28.4	27.2	21.9	18.3	15.2
EBIT (\$)	20.8	20.1	41.0	56.6	69.1	79.8	91.0
NOPAT	38.6	18.3	55.0	74.7	91.0	106.3	122.0
Plus Amortization (\$)	11.2	19.5	28.4	27.2	21.9	18.3	15.2
Less Capital Expenditures (\$)	(1.5)	(14.6)	(17.1)	(5.6)	(4.6)	(3.8)	(3.1)
Net Working Capital Changes	(11.8)	6.0	(0.7)	(3.1)	(2.2)	(2.4)	(2.5)
EPS (Continuing)	0.30	(0.04)	0.41	0.65	0.83	1.00	1.16
<b>Unlevered Free Cash Flow (\$)</b>	<b>36.4</b>	<b>29.2</b>	<b>65.7</b>	<b>93.2</b>	<b>106.2</b>	<b>118.4</b>	<b>131.6</b>
PV of Unlevered FCFs (\$)	39.5	27.8	54.8	68.2	68.2	66.7	65.0

Valuation Assumptions:			
Discount Rate	14.0%		
Terminal Multiple	8.0x		
Valuation Analysis:			
	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	350.8	368.2	348.5
Terminal Value (\$M)	849.8	849.8	849.8
PV of Terminal Value (\$M)	419.9	478.8	545.9
Net (debt) cash position	(188.0)	(157.0)	(97.9)
Total Value (\$M)	582.8	690.1	796.5
DCF Value/Share (C\$)	<b>C\$9.87</b>	<b>C\$11.69</b>	<b>C\$13.49</b>
DCF Value/Share (US\$)	<b>US\$7.31</b>	<b>US\$8.65</b>	<b>US\$9.99</b>
FD Shares O/S (M)*	59.0	59.0	59.0
*Using the Treasury Method			

Source: Company Reports; eResearch Corp.

Figure 9: 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
	10.0%	8.90	10.08	11.27	12.45	13.64	14.82	16.01
	12.0%	8.24	9.33	10.43	11.53	12.62	13.72	14.81
	14.0%	7.63	8.65	9.66	10.68	<b>11.69</b>	12.70	13.72
	16.0%	7.08	8.02	8.96	9.90	10.84	11.78	12.72
	18.0%	6.57	7.44	8.31	9.19	10.06	10.93	11.80
	20.0%	6.10	6.91	7.72	8.53	9.34	10.15	10.96

Source: Company Reports; eResearch Corp.



## Appendix A: Financial Statements

Figure 10: Income Statement

DCM	2022A	Q123A	Q223A	Q323E	Q423E	2023E	2024E	2025E	2026E
<b>Income Statement - FYE (December 31); CAD ('000)</b>									
<b>Total Revenue</b>	<b>273,804</b>	<b>76,077</b>	<b>118,963</b>	<b>129,069</b>	<b>139,197</b>	<b>463,306</b>	<b>563,012</b>	<b>591,163</b>	<b>620,721</b>
<b>Total Cost of Sales</b>	189,580	52,442	86,926	94,220	101,614	335,202	405,369	413,814	428,297
<b>Gross Profit</b>	<b>84,224</b>	<b>23,635</b>	<b>32,037</b>	<b>34,849</b>	<b>37,583</b>	<b>128,104</b>	<b>157,643</b>	<b>177,349</b>	<b>192,423</b>
Sales & Marketing	29,198	8,562	9,850	11,907	11,133	41,452	46,413	50,249	52,761
General and Administrative	27,624	10,107	12,970	15,134	14,613	52,824	52,025	53,205	55,865
Stock Based Compensation	328	85	184	645	696	1,610	2,815	2,956	3,104
Depreciation of Property & Equipment	-	-	-	1,364	2,401	3,765	11,833	12,247	10,221
Amortization	-	-	-	984	935	1,919	3,295	2,683	2,186
<b>Total Operating Expenses</b>	<b>57,150</b>	<b>18,754</b>	<b>25,733</b>	<b>30,034</b>	<b>29,779</b>	<b>104,299</b>	<b>116,381</b>	<b>121,340</b>	<b>124,136</b>
<b>Operating Income</b>	<b>27,074</b>	<b>4,881</b>	<b>6,304</b>	<b>4,815</b>	<b>7,805</b>	<b>23,804</b>	<b>41,263</b>	<b>56,009</b>	<b>68,287</b>
<b>Other Income (Expenses):</b>									
Interest on Loan Payable	(2,742)	(543)	(2,480)	(2,254)	(2,141)	(7,418)	(7,896)	(5,926)	(3,888)
Acquisition and Integration Costs	(1,870)	(6,118)	(3,837)	(2,000)	(2,000)	(13,955)	(2,000)	-	-
Other	(2,567)	(612)	(3,469)	-	-	(4,081)	-	-	-
<b>Total Other Income</b>	<b>(7,179)</b>	<b>(7,273)</b>	<b>(9,786)</b>	<b>(4,254)</b>	<b>(4,141)</b>	<b>(25,454)</b>	<b>(9,896)</b>	<b>(5,926)</b>	<b>(3,888)</b>
<b>EBT</b>	<b>19,895</b>	<b>(2,392)</b>	<b>(3,482)</b>	<b>561</b>	<b>3,663</b>	<b>(1,650)</b>	<b>31,367</b>	<b>50,083</b>	<b>64,400</b>
<b>Income Taxes</b>	(5,929)	(39)	603	(140)	(916)	(492)	(7,842)	(12,521)	(16,100)
<b>Net Income (Loss)</b>	<b>13,966</b>	<b>(2,431)</b>	<b>(2,879)</b>	<b>421</b>	<b>2,748</b>	<b>(2,142)</b>	<b>23,525</b>	<b>37,562</b>	<b>48,300</b>
<b>EPS</b>									
Basic EPS	0.32	(0.06)	(0.06)	0.01	0.05	(0.04)	0.43	0.68	0.88
Diluted EPS	0.30	(0.06)	(0.06)	0.01	0.05	(0.04)	0.41	0.65	0.83
Basic EPS- ex-non-recurring items		0.13	0.08						
<b>Shares Outstanding</b>									
Shares Outstanding, Basic (Weighted)	44,063	44,063	46,148	55,023	55,023	55,023	55,023	55,023	55,023
Shares Outstanding, Diluted (Weighted)	46,572	44,063	46,148	57,902	57,902	57,902	57,902	57,902	57,902
Shares Outstanding, Basic (End of Quarter)	44,063	44,063	55,023	-	-	-	-	-	-

Source: Company Reports; eResearch Corp.

Figure 11: Balance Sheet

DCM	2022A	2023E	2024E
<b>Balance Sheet - FYE (December 31); CAD ('000)</b>			
<b>Current Assets</b>			
Cash	4,208	7,804	19,126
Account Receivables	54,630	106,708	108,843
Prepaid Expenses & Other Assets	2,984	5,410	6,664
Inventory	20,220	40,061	41,488
Income taxes receivable	15	0	0
<b>Total Current Assets</b>	<b>82,057</b>	<b>159,984</b>	<b>176,121</b>
<b>Non-Current Assets</b>			
Deferred Income Tax Assets	4,830	10,278	10,278
Property and Equipment	6,779	38,769	43,098
Pension Assets	2,830	2,784	2,784
Intangible Assets	2,507	12,686	10,333
Goodwill	16,973	43,851	43,851
Right-of Use and Other	33,505	86,484	73,195
<b>Total Assets</b>	<b>149,481</b>	<b>354,836</b>	<b>359,661</b>
<b>Current Liabilities</b>			
Accounts Payables/Accrued Liabilities	44,133	76,784	80,672
Lease Liability	6,791	18,096	19,000
Current Portion of Debt/Promissory Notes	11,667	18,282	51,983
Provisions	1,316	2,940	2,940
Deferred Revenue - Current	3,942	5,568	5,846
Taxes Payable	1,630	331	331
<b>Total Current Liabilities</b>	<b>69,479</b>	<b>122,001</b>	<b>160,773</b>
<b>Non-Current Liabilities</b>			
Term Loan/Promissory Notes	0	83,427	34,172
Credit Facilities	15,380	0	0
Lease Liability	33,011	73,990	60,855
Deferred Income Tax Liabilities	0	0	0
Provision/Loan Payable/Benefits Payable	8,764	23,362	25,466
Other	0	2,741	2,741
<b>Total Liabilities</b>	<b>126,634</b>	<b>305,521</b>	<b>284,006</b>
<b>Shareholders Equity</b>			
Capital Stock	256,478	283,738	283,738
Warrants & Options	869	219	219
Accumulated OCI	207	206	206
Contributed Surplus	3,131	4,070	6,885
Deficit	(237,838)	(238,919)	(215,394)
<b>Total Shareholders Equity</b>	<b>22,847</b>	<b>49,315</b>	<b>75,655</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>149,481</b>	<b>354,836</b>	<b>359,661</b>

Source: Company Reports; eResearch Corp.

Figure 12: Cash Flow Statement

DCM	2022A	2023E	2024E
<b>Cash Flow Statement - FYE (December 31); CAD ('000)</b>			
<b>Cash Provided By Operating Activities</b>			
Net Income (Loss)	13,966	(2,143)	23,525
Amortization of Intangibles	1,606	3,083	3,295
Depreciation of Property & Equipment	2,965	5,821	11,833
Depreciation of Right-of-Use Assets	6,609	10,618	13,289
Interest Expense on Lease Liabilities	2,223	4,429	5,242
Stock Based Compensation Expense	328	1,610	2,815
Pension Expense	351	1,482	2,104
Loss on Disposal of Intangible Assets	98	-	-
Provisions	-	2,729	-
Income Tax Expense	5,929	(564)	-
Finance Cost	120	179	-
Other	328	214	-
<b>Changes in Non-Cash Working Capital</b>			
Account & Other Receivables	(3,063)	8,036	(2,134)
Inventory	(8,087)	3,140	(1,427)
Prepaid Expenses & Other Current Assets	(43)	(872)	(1,255)
Accounts Payable & Other Payables	6,888	1,452	3,887
Other	(5,056)	(618)	-
Provisions	(3,160)	(1,785)	-
Deferred (Unbilled) Revenue	673	(62)	278
<b>Total Cash Provided By Operating Activities</b>	<b>22,675</b>	<b>33,444</b>	<b>61,453</b>
<b>Investing Activities</b>			
Purchase of Property & Equipment	(1,475)	(14,047)	(16,163)
Purchase of Intangibles	(71)	(562)	(941)
Business (Acquisition) Sale	70	(101,940)	-
<b>Total Cash From Investing Activities</b>	<b>(1,476)</b>	<b>(116,549)</b>	<b>(17,104)</b>
<b>Financing Activities</b>			
Proceeds from Loan/Promissory Notes	-	147,640	-
Repayment of Loan/Promissory Notes	-	(71,355)	(15,554)
Operating Line/Credit Facility (Repayment)	(9,716)	-	-
Repayment of Other Liabilities	515	-	-
Lease Payments	(8,730)	(13,221)	(17,473)
Proceeds from exercise of Stock Options and Warrants	-	1,240	-
Issue/Repurchase of Equity	-	24,221	-
<b>Total Cash From Financing Activities</b>	<b>(17,931)</b>	<b>86,723</b>	<b>(33,027)</b>
<b>Effect of Exchange Rates on Cash</b>	<b>39</b>	<b>(22)</b>	<b>-</b>
<b>Net Increase in Cash</b>	<b>3,307</b>	<b>3,596</b>	<b>11,322</b>
<b>Beginning Cash</b>	<b>901</b>	<b>4,208</b>	<b>7,804</b>
<b>Ending Cash</b>	<b>4,208</b>	<b>7,804</b>	<b>19,126</b>

Source: Company Reports; eResearch Corp.

## Appendix B: Company Comparables by Industry

Figure 13: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

Name	Ticker	Aug 16 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
							2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E
<b>DATA Communications Management Corp.</b>	<b>TSX:DCM</b>	<b>\$3.22</b>	<b>\$177</b>	<b>\$21</b>	<b>\$210</b>	<b>\$366</b>	<b>\$235.3</b>	<b>\$270.0</b>	<b>\$463.3</b>	<b>\$20.8</b>	<b>\$32.0</b>	<b>\$39.6</b>	<b>1.6x</b>	<b>1.4x</b>	<b>0.8x</b>	<b>17.6x</b>	<b>11.4x</b>	<b>9.2x</b>
<b>US Comps - Conventional Print Solution Providers</b>																		
ARC Document Solutions, Inc.	NYSE:ARC	US\$3.36	US\$145	US\$51	US\$95	US\$191	US\$272	US\$286	US\$282	US\$39	US\$40	US\$40	0.7x	0.7x	0.7x	4.9x	4.8x	4.8x
Canon Inc.	TSE:7751	US\$24.51	US\$24,161	US\$3,771	US\$4,584	US\$26,659	US\$30,514	US\$30,570	US\$29,224	US\$4,536	US\$4,646	US\$4,256	0.9x	0.9x	0.9x	5.9x	5.7x	6.3x
Cimpress plc	NASDAQ:CMPR	US\$69.62	US\$1,835	US\$169	US\$1,757	US\$3,447	US\$2,576	US\$2,888	US\$3,216	US\$246	US\$238	US\$397	1.3x	1.2x	1.1x	14.0x	14.5x	8.7x
Ennis, Inc.	NYSE:EBF	US\$21.56	US\$557	US\$102	US\$12	US\$467	US\$358	US\$400	US\$431	US\$61	US\$77	US\$80	1.3x	1.2x	1.1x	7.7x	6.1x	5.9x
Quad/Graphics, Inc.	NYSE:QUAD	US\$6.15	US\$317	US\$15	US\$721	US\$1,023	US\$2,960	US\$3,217	US\$3,059	US\$246	US\$0	US\$234	0.3x	0.3x	0.3x	4.2x		4.4x
Xerox Holdings Corporation	NASDAQ:XRX	US\$14.79	US\$2,324	US\$477	US\$3,319	US\$5,398	US\$6,817	US\$6,900	US\$7,003	US\$661	US\$474	US\$610	0.8x	0.8x	0.8x	8.2x	11.4x	8.8x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>0.9x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>7.5x</b>	<b>8.5x</b>	<b>6.5x</b>	
<b>Median</b>												<b>0.8x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>6.8x</b>	<b>6.1x</b>	<b>6.1x</b>	
<b>Cdn Comps - Conventional Print Solution Providers</b>																		
CCL Industries Inc.	TSX:CCL.B	\$61.26	\$10,884	\$738	\$2,299	\$12,445	\$5,733	\$6,382	\$6,705	\$1,128	\$1,246	\$1,328	2.2x	1.9x	1.9x	11.0x	10.0x	9.4x
Supremex Inc.	TSX:SXP	\$4.61	\$120	\$1	\$113	\$232	\$226	\$272	\$322	\$32	\$57	\$55	1.0x	0.9x	0.7x	7.3x	4.0x	4.2x
Transcontinental Inc.	TSX:TCL.A	\$12.56	\$1,088	\$36	\$1,226	\$2,285	\$2,711	\$2,973	\$3,030	\$403	\$456	\$447	0.8x	0.8x	0.8x	5.7x	5.0x	5.1x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>1.3x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>8.0x</b>	<b>6.4x</b>	<b>6.2x</b>	
<b>Median</b>												<b>1.0x</b>	<b>0.9x</b>	<b>0.8x</b>	<b>7.3x</b>	<b>6.1x</b>	<b>6.1x</b>	
<b>US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)</b>																		
Adobe Inc.	NASDAQ:ADBE	US\$14.49	US\$234,505	US\$6,601	US\$4,113	US\$232,017	US\$15,785	US\$17,606	US\$19,332	US\$6,378	US\$8,795	US\$9,654	14.7x	13.2x	12.0x	36.4x	26.4x	24.0x
Box, Inc.	NYSE:BOX	US\$30.10	US\$4,360	US\$517	US\$522	US\$4,855	US\$771	US\$874	US\$1,052	US\$61	US\$295	US\$324	6.3x	5.6x	4.6x	79.5x	16.5x	15.0x
Fluent, Inc.	NASDAQ:FLNT	US\$0.69	US\$56	US\$21	US\$45	US\$80	US\$329	US\$361	US\$320	US\$15	US\$25	US\$13	0.2x	0.2x	0.2x	5.3x	3.2x	6.0x
LiveRamp Holdings, Inc.	NYSE:RAMP	US\$30.63	US\$2,027	US\$504	US\$47	US\$1,571	US\$443	US\$529	US\$618	-US\$63	US\$51	US\$90	3.5x	3.0x	2.5x	30.8x	17.5x	
Open Text Corporation	NASDAQ:OTEX	US\$37.14	US\$9,941	US\$1,234	US\$9,246	US\$17,954	US\$3,386	US\$3,494	US\$5,630	US\$1,010	US\$1,226	US\$1,839	5.3x	5.1x	3.2x	17.8x	14.6x	9.8x
QuinStreet, Inc.	NASDAQ:QNST	US\$10.27	US\$556	US\$74	US\$5	US\$487	US\$578	US\$582	US\$546	US\$24	US\$17	US\$11	0.8x	0.8x	0.9x	20.1x	28.6x	44.5x
Smartsheet Inc.	NYSE:SMAR	US\$40.15	US\$5,364	US\$490	US\$63	US\$4,938	US\$386	US\$551	US\$946	-US\$142	-US\$21	US\$76	12.8x	9.0x	5.2x			65.2x
TechTarget, Inc.	NASDAQ:TTGT	US\$29.42	US\$818	US\$334	US\$479	US\$964	US\$263	US\$297	US\$228	US\$55	US\$121	US\$67	3.7x	3.2x	4.2x	17.6x	8.0x	14.4x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>5.9x</b>	<b>5.0x</b>	<b>4.1x</b>	<b>29.4x</b>	<b>18.3x</b>	<b>24.6x</b>	
<b>Median</b>												<b>4.5x</b>	<b>4.2x</b>	<b>3.7x</b>	<b>19.0x</b>	<b>16.5x</b>	<b>16.3x</b>	
<b>CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)</b>																		
illumin Holdings Inc.	TSX:ILLM	\$2.42	\$136.0	\$65.7	\$5.3	\$75.6	\$122.0	\$121.0	\$133.1	\$11.1	\$6.4	\$2.9	0.6x	0.6x	0.6x	6.8x	11.9x	26.3x
Fobi AI Inc.	TSXV:FOBI	\$0.25	\$41.7	\$0.4	\$0.0	\$41.3	\$1.7	\$1.6	\$0.0	-\$15.0	\$0.0	\$0.0	24.9x	26.4x				
MediaValet Inc.	TSX:MVP	\$1.35	\$58.7	\$0.4	\$1.3	\$59.7	\$9.3	\$12.8	\$16.9	-\$9.4	-\$9.5	-\$6.6	6.4x	4.6x	3.5x			
ProntoForms Corporation	TSXV:PFM	\$0.60	\$79.9	\$6.3	\$7.3	\$80.9	\$19.4	\$21.3	\$32.3	-\$4.0	-\$4.7	-\$2.5	4.2x	3.8x	2.5x			
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>3.7x</b>	<b>3.0x</b>	<b>2.2x</b>	<b>6.8x</b>	<b>11.9x</b>	<b>26.3x</b>	
<b>Median</b>												<b>5.3x</b>	<b>4.2x</b>	<b>2.5x</b>	<b>6.8x</b>	<b>11.9x</b>	<b>26.3x</b>	

Source: S&P Capital IQ; eResearch Corp.

Figure 14: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

Name	Ticker	Aug 16 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA			
							2021E	2022A	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	
<b>DATA Communications Management Corp.</b>	<b>TSX:DCM</b>	<b>\$3.22</b>	<b>\$177</b>	<b>\$21</b>	<b>\$210</b>	<b>\$366</b>	<b>\$235.3</b>	<b>\$270.0</b>	<b>\$463.3</b>	<b>\$20.8</b>	<b>\$32.0</b>	<b>\$39.6</b>	<b>1.6x</b>	<b>1.4x</b>	<b>0.8x</b>	<b>17.6x</b>	<b>11.4x</b>	<b>9.2x</b>	
<b>Tech-Enabled Marketing Workflow Providers</b>																			
Cimpress plc	NASDAQ:CMPR	US\$69.62	US\$1,835.3	US\$168.9	US\$1,756.9	US\$3,446.8	US\$2,576.0	US\$2,887.6	US\$3,215.9	US\$246.4	US\$238.3	US\$397.1	1.3x	1.2x	1.1x	14.0x	14.5x	8.7x	
Deluxe Corporation	NYSE:DLX	US\$20.37	US\$888.5	US\$47.5	US\$1,735.4	US\$2,576.9	US\$2,022.2	US\$2,238.0	US\$2,213.4	US\$322.7	US\$412.0	US\$408.5	1.3x	1.2x	1.2x	8.0x	6.3x	6.3x	
dotdigital Group Plc	AIM:DOTD	£0.90	£267.2	£49.6	£2.3	£219.9	£58.1	£62.8	£70.9	£15.1	£22.1	£23.2	3.8x	3.5x	3.1x	14.6x	10.0x	9.5x	
Galaxy Digital Holdings Ltd.	TSX:GLXY	\$5.14	\$550	\$0	\$0	\$550	\$0	\$0	\$439	\$0	\$0	\$0			1.3x				
Harte Hanks, Inc.	NASDAQ:HHS	US\$5.37	US\$38.7	US\$13.4	US\$20.5	US\$45.9	US\$194.6	US\$206.3	US\$191.0	US\$15.2	US\$20.1	US\$15.6	0.2x	0.2x	0.2x	3.0x	2.3x	2.9x	
HubSpot, Inc.	NYSE:HUBS	US\$510.07	US\$25,511.3	US\$1,529.1	US\$800.0	US\$2,782.2	US\$1,300.7	US\$1,731.0	US\$2,120.8	-US\$32.6	US\$210.5	US\$359.8	19.1x	14.3x	11.7x		117.7x	68.9x	
Publicis Groupe S.A.	ENXTPA:PUB	€ 70.94	€ 17,770.61	€ 3,682.00	€ 6,385.00	€ 20,425.57	€ 11,738.00	€ 14,196.00	€ 12,933.42	€ 2,118.00	€ 2,726.34	€ 2,899.32	1.7x	1.4x	1.6x	9.6x	7.5x	7.0x	
Quadrant S.A.	ENXTPA:QDT	€ 19.36	€ 665.69	€ 172.20	€ 893.80	€ 1,396.85	€ 1,029.40	€ 1,024.30	€ 1,097.00	€ 188.40	€ 249.61	€ 259.25	1.4x	1.4x	1.3x	7.4x	5.6x	5.4x	
Startek, Inc.	NYSE:SRT	US\$3.03	US\$122.1	US\$34.9	US\$119.9	US\$207.1	US\$470.2	US\$385.1	US\$377.6	US\$45.9	US\$55.9	US\$37.2	0.4x	0.5x	0.5x	4.5x	3.7x	5.6x	
Teleperformance SE	ENXTPA:TEP	€ 115.95	€ 6,894.47	€ 727.00	€ 3,372.00	€ 9,539.47	€ 7,115.00	€ 8,154.00	€ 8,344.91	€ 1,164.00	€ 1,745.49	€ 1,818.64	1.3x	1.2x	1.1x	8.2x	5.5x	5.2x	
TTEC Holdings, Inc.	NASDAQ:TTEC	US\$29.49	US\$1,398.3	US\$114.8	US\$1,040.0	US\$2,344.4	US\$2,273.1	US\$2,443.7	US\$2,503.2	US\$330.3	US\$320.6	US\$299.6	1.0x	1.0x	0.9x	7.1x	7.3x	7.8x	
Zeta Global Holdings Corp.	NYSE:ZETA	US\$7.72	US\$1,653.4	US\$117.1	US\$192.9	US\$1,729.2	US\$458.3	US\$591.0	US\$715.0	-US\$199.8	US\$89.4	US\$124.6	3.8x	2.9x	2.4x		19.3x	13.9x	
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>3.2x</b>	<b>2.6x</b>	<b>2.2x</b>	<b>8.5x</b>	<b>8.2x</b>	<b>12.8x</b>		
<b>Median</b>												<b>1.3x</b>	<b>1.2x</b>	<b>1.2x</b>	<b>8.0x</b>	<b>7.3x</b>	<b>7.0x</b>		
Name	Ticker	Aug 16 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	2022A	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	
<b>Canadian Advertising, Marketing &amp; Technology Comps</b>																			
illumin Holdings Inc.	TSX:ILLM	\$2.42	\$136.0	\$65.7	\$5.3	\$75.6	\$122.0	\$121.0	\$133.1	\$11.1	\$6.4	\$2.9	0.6x	0.6x	0.6x	6.8x	11.9x	26.3x	
Adcore Inc.	TSX:ADCO	\$0.21	\$12.4	\$4.7	\$0.1	\$7.7	\$28.0	\$19.7		\$0.8			0.3x	0.4x		9.1x			
ARHT Media Inc.	TSXV:ART	\$0.15	\$0.1	\$1.8	\$0.1	-\$1.7	\$4.8	\$7.5	\$11.8	-\$4.8	-\$5.0	-\$5.9				0.3x	0.3x	0.3x	
Datable Technology Corporation	TSXV:DAC	\$0.01	\$1.1	\$0.2	\$3.1	\$4.0	\$3.5	\$3.9	\$5.3	-\$4.3	-\$0.8		1.1x	1.0x	0.7x				
DeepMarket Corp.	TSXV:MKT	\$0.15	\$0.6	\$0.2	\$0.0	\$0.5	\$0.0			-\$0.3			157.2x						
EQ Inc.	TSXV:EQ	\$0.95	\$66.0	\$0.8	\$0.1	\$65.3	\$12.1	\$11.0	\$17.0	-\$4.4	-\$4.9	-\$0.3	5.4x	5.9x	3.8x				
Fobi AI Inc.	TSXV:FOBI	\$0.25	\$41.7	\$0.4	\$0.0	\$41.3	\$1.7	\$1.6		-\$15.0			24.9x	26.4x					
Gatekeeper Systems Inc.	TSXV:GSI	\$0.34	\$0.0	\$0.9	\$2.4	\$1.6	\$15.0	\$22.2		-\$0.3			0.1x	0.1x					
Reklaim Ltd.	TSXV:MYID	\$0.09	\$9.7	\$0.2	\$1.1	\$10.6	\$1.0	\$2.4		-\$6.5			10.6x	4.5x					
Snipp Interactive Inc.	TSXV:SPN	\$0.13	\$36.7	\$6.2	\$0.0	\$30.5	\$15.3			\$0.7			2.0x			46.6x			
YANGAROO Inc.	TSXV:YOO	\$0.05	\$3.1	\$0.2	\$3.3	\$6.3	\$7.7	\$7.7		\$0.0			0.8x	0.8x					
Yellow Pages Limited	TSX:Y	\$12.48	\$232.9	\$64.4	\$45.6	\$214.0	\$287.6	\$268.3	\$249.2	\$88.5	\$99.2	\$85.9	0.7x	0.8x	0.9x	2.4x	2.2x	2.5x	
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.06	\$5.9	\$2.7	\$4.7	\$7.9	\$52.6	\$53.0		\$3.2			0.2x	0.1x		2.4x			
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>2.2x</b>	<b>1.6x</b>	<b>1.5x</b>	<b>11.3x</b>	<b>4.8x</b>	<b>9.7x</b>		
<b>Median</b>												<b>1.0x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>4.6x</b>	<b>2.2x</b>	<b>2.5x</b>		

Source: S&P Capital IQ; eResearch Corp.



## Appendix C: eResearch Disclosure

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### 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)**.

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