

	Price	Mkt Cap (\$M)
Ciscom	\$0.15	\$7.73
CGI	\$132.55	\$30,905.38
Constellation	\$2,753.42	\$58,349.18
Converge	\$2.74	\$560.42
Descartes	\$99.00	\$8,424.50
Docebo	\$52.89	\$1,686.55
Dye & Durham	\$8.40	\$461.62
Enghouse	\$32.34	\$1,787.00
Kinaxis	\$133.95	\$3,817.00
Lightspeed	\$17.50	\$2,669.69
Open Text	\$46.00	\$8,906.10

Sources: Statistics Canada; S&P Capital IQ

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Director of Equity Research
eResearch Corp.

Note: All figures are in Canadian dollars unless otherwise noted.

Roll-Up Strategies in the Canadian ICT Industry

Your Guide to Understanding and Investing in M&A-Focused Public Companies

Various companies in the Canadian market focus on a Mergers and Acquisition (M&A) roll-up strategy, concentrating their efforts within the Information and Communication Technology (ICT) industry.

The ICT industry encompasses various technologies and services related to information processing, communication, and data management. It plays a crucial role in modern society and business, driving innovation and enabling the exchange of information globally.

Core components include cybersecurity, data management, digital media, electronics, hardware, internet services, IT services, networking, software, and telecommunications.

In this report, we provide a brief overview of the ICT industry and companies in Canada that are executing an M&A roll-up strategy as part of their core business strategy.

REPORT HIGHLIGHTS:

- Despite the COVID-19 impact, the global ICT industry was resilient. Estimated worldwide ICT spending in 2023 is estimated at US\$4.8 trillion. Canada has a robust ICT sector and it is expected to reach \$270 billion in revenues in 2023, growing 5% annually.
- A roll-up strategy within M&A aims to consolidate businesses in the same sector, enhancing efficiency, competitiveness, and scale.
- Post-COVID-19, M&A activity in Canada saw a resurgence in 2021, recording over US\$349 billion in deals, a yearly jump of over 135%.
- Early 2023 showed a dip in M&A deal value due to economic uncertainties, but the second quarter of 2023 showed improvements.
- In Canada, there is a potential for increased M&A activity influenced by technological demands and the aging demographic of Canadian entrepreneurs.
- Public companies mentioned in the report include **Ciscom**, **CGI**, **Constellation Software**, **Converge Technology**, **Descartes**, **Docebo**, **Dye & Durham**, **Enghouse**, **Kinaxis**, **Lightspeed**, and **Open Text**.
- The report highlights **Ciscom** (CSE: CISC) which recently went public and focuses on acquisitions in the ICT sector. **Ciscom** completed its first two acquisitions in 2022 and is expected to book at least \$35 million of revenue in 2023, up from \$14.8 million in 2022.

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1.0 Industry and Market Overview

1.1 ICT Industry

1.1.1 ICT Industry Overview

The ICT industry encompasses various technologies and services related to information processing, communication, and data management. It plays a crucial role in modern society and business, driving innovation and enabling the exchange of information globally.

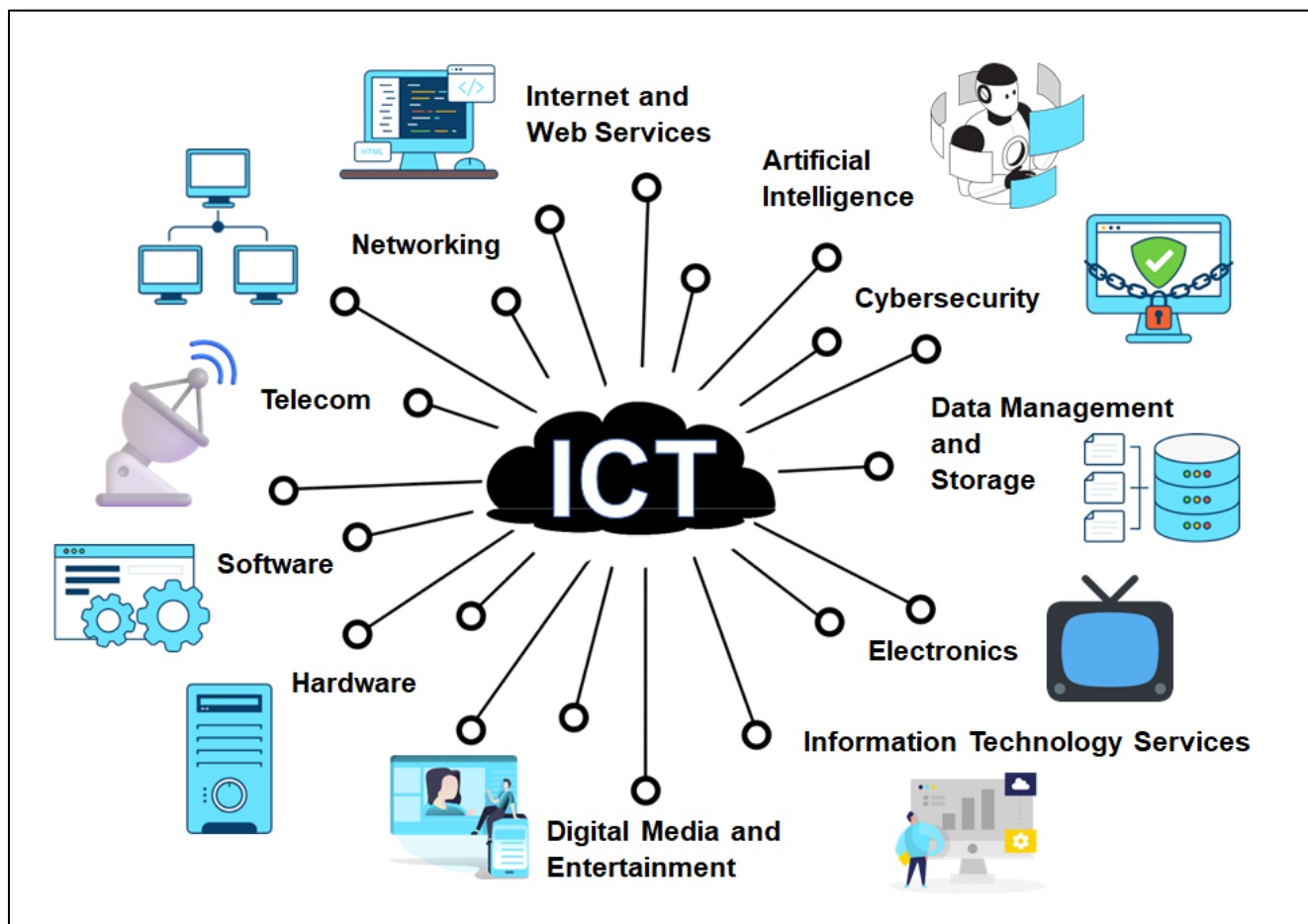
The key components of the ICT industry include:

1. **Artificial Intelligence:** Artificial Intelligence (AI) focuses on the creation of machines that can think and act like humans. As a bridge between hardware and software, AI allows for enhanced data processing and decision-making. This involves sophisticated algorithms, machine learning models, and neural networks that enable computers to learn, predict, and automate tasks. Within the ICT landscape, AI is deeply integrated into various sectors: enhancing cybersecurity through anomaly detection, revolutionizing data management with smart analytics, and driving innovation in digital media and entertainment through personalized content.
2. **Hardware:** This segment includes the physical devices and equipment used for data processing, storage, and communication. Examples include computers, servers, smartphones, tablets, networking equipment, and other electronic devices.
3. **Software:** Software refers to the programs and applications that run on hardware to perform specific tasks or processes. This category includes operating systems, productivity software (e.g., Microsoft Office), databases, customer relationship management (CRM) software, and various specialized applications used in different industries.
4. **Telecommunications:** Telecommunications involves the transmission of information over long distances. This sector includes technologies such as wired and wireless communication systems, internet service providers (ISPs), telecommunications infrastructure, mobile networks, and satellite communication.
5. **Networking:** Networking encompasses the technologies, protocols, and equipment that enable devices and systems to communicate and share information. It includes local area networks (LANs), wide area networks (WANs), routers, switches, and other networking components.
6. **Internet and Web Services:** The Internet is a vital part of the ICT industry. It provides global connectivity and allows users to access information, services, and resources online. Web services encompass various online platforms, e-commerce, cloud computing, and other internet-based services.
7. **Data Management and Storage:** This component deals with the storage, retrieval, and management of data. It includes technologies such as databases, data centers, data analytics, and data security solutions.
8. **Cybersecurity:** With the increasing reliance on digital technologies, cybersecurity has become a critical aspect of the ICT industry. This sector involves protecting computer systems, networks, and data from unauthorized access, attacks, and data breaches.
9. **Electronics:** The electronics segment involves the manufacturing and development of electronic components and devices used in ICT, such as semiconductors, microchips, sensors, and other electronic components.

10. **Information Technology Services:** IT services refer to a wide range of professional services that help organizations implement and manage their ICT infrastructure, including consulting, system integration, maintenance, and technical support.
11. **Digital Media and Entertainment:** This segment includes content creation, distribution, and consumption through digital platforms, including streaming services, social media, online gaming, and digital advertising.

The ICT industry is continually evolving and interconnected. Quite often, advancements in one area influence developments in other areas. Its pervasive nature has transformed how individuals, businesses, organizations, schools, and governments operate and interact, making it a foundation of the modern economy.

Figure 1: ICT Sector



Source: iconduck; eResearch Corp.

1.1.2 Evolution of the ICT Industry

The evolution of the ICT industry since the 1980s has been a remarkable journey, characterized by rapid advancements, transformative innovations, and the widespread integration of technology into various aspects of society and business.

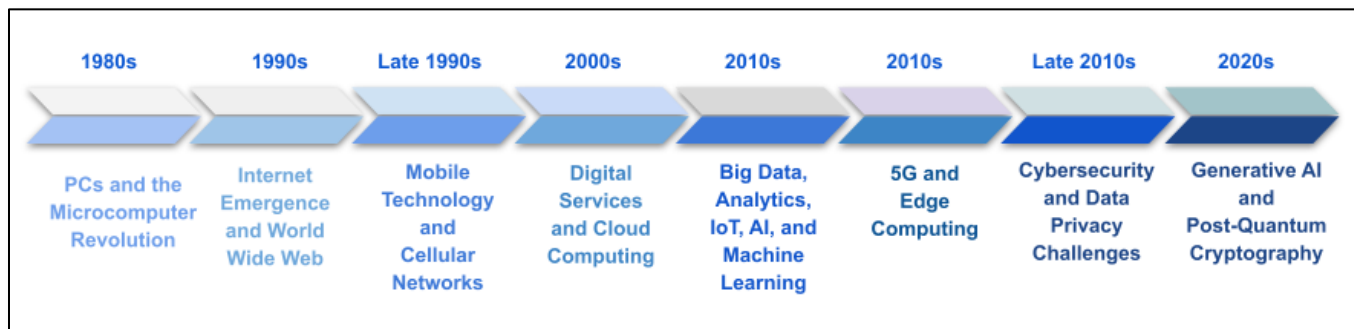
Here is an overview of the key milestones and trends in the ICT industry from the 1980s to the present (see [Figure 2](#)):

1. Personal Computers (PCs) and the Microcomputer Revolution (1980s):
 - The 1980s saw the rise of personal computers, with companies like **International Business Machines Corporation** (NYSE: IBM) and **Apple Inc.** (NASDAQ: AAPL) leading the way. PCs became more affordable and accessible to consumers and businesses, fueling the microcomputer revolution.
 - The introduction of the Graphical User Interface (GUI) made computers more user-friendly and enabled mass adoption.
2. Internet Emergence and World Wide Web (1990s):
 - The commercialization and popularization of the Internet with Tim Berners-Lee's invention of the World Wide Web (web) in 1989 was a pivotal moment, leading to the development of web browsers like Netscape Navigator and Internet Explorer.
 - E-commerce and online services began to emerge, transforming the way people shop, communicate, and access information.
3. Mobile Technology and Cellular Networks (late 1990s to early 2000s):
 - Mobile phones evolved from basic voice communication devices to smartphones with internet connectivity, multimedia capabilities, and app ecosystems.
 - The development of 3G and later 4G networks allowed for faster data transfer on mobile devices, facilitating the mobile internet revolution.
4. Digital Services and Cloud Computing (2000s):
 - Cloud computing services gained momentum, providing scalable and on-demand access to computing resources and services over the internet.
 - Social media platforms, such as **Facebook** (NASDAQ: META) and **Twitter**, transformed communication and social interactions on a global scale.
 - The rise of streaming services, such as **Netflix, Inc.** (NASDAQ: NFLX) and **YouTube** disrupted traditional media consumption, leading to the decline of physical media.
5. Big Data, Analytics, and IoT (2010s):
 - The proliferation of data generated by various digital activities led to the emergence of big data analytics, enabling organizations to extract valuable insights from large datasets.
 - The Internet of Things (IoT) gained traction, connecting everyday objects to the internet, and enabling smart homes, wearable devices, and industrial applications.
6. Artificial Intelligence (AI) and Machine Learning (2010s):
 - AI and machine learning technologies advanced rapidly, enabling applications in natural language processing, image recognition, autonomous vehicles, and more.
 - Virtual assistants and smart speakers, like Amazon Echo and Google Home, have become increasingly popular.

7. 5G Connectivity and Edge Computing (late 2010s and early 2020s):
 - 5G networks started to roll out, offering faster and more reliable connectivity, paving the way for innovations in augmented reality (AR), virtual reality (VR), and connected industries.
 - Edge computing emerged as a complement to cloud computing, bringing data processing closer to the source of data generation, reducing latency, and improving performance for IoT and real-time applications.
8. Cybersecurity and Data Privacy Challenges (ongoing):
 - As technology adoption increased, so did cyber threats and data breaches, leading to a growing focus on cybersecurity measures and data protection regulations.
9. Generative AI and Post-Quantum Cryptography (ongoing):
 - Generative AI (GenAI) is a branch of AI that generates content, like art or text, based on user prompts. For text generation, GenAI employs Large Language Models (LLM) trained on massive volumes of textual data.
 - Post-Quantum Cryptography (PQC) refers to cryptographic algorithms that are required to secure against the potential threats posed by quantum computers.

The evolution of the ICT industry continues to shape the way we live, work, and communicate. Advancements in artificial intelligence, quantum computing, biotechnology, and other emerging technologies are expected to drive innovation and transformation in the coming years.

Figure 2: Evolution of the ICT Industry



Source: eResearch Corp.

1.1.3 Worldwide ICT Industry Overview

Over the past few years, the global ICT industry remained robust and resilient, showing little adverse impact from the COVID-19 pandemic that negatively affected some other industries.

A report from **International Data Corporation** (IDC) estimated worldwide ICT spending (commercial, consumer, and government) would reach US\$4.8 trillion in 2023 after a compound annual growth rate (CAGR) of almost 4% during the previous four years.

The report estimates that commercial purchases will account for nearly 67% of all ICT spending in 2023, up from 60% in 2018, with banking and manufacturing industries spending the most on ICT.

Consumer ICT spending is expected to grow at a much slower rate and focused on purchases of mobile telecom services and devices, such as notebooks, smartphones, and tablets.

From a regional perspective, the US continues to be the largest geographic market with ICT spending forecasted to reach US\$1.66 trillion in 2023, followed by Europe at US\$927 billion, and China at US\$618 billion.

Digital transformation (DX) of operating models, products, and services by governments, businesses, and organizations continues to drive significant investments in technologies (hardware and software) and services and could reach almost 25% of ICT spending this year.

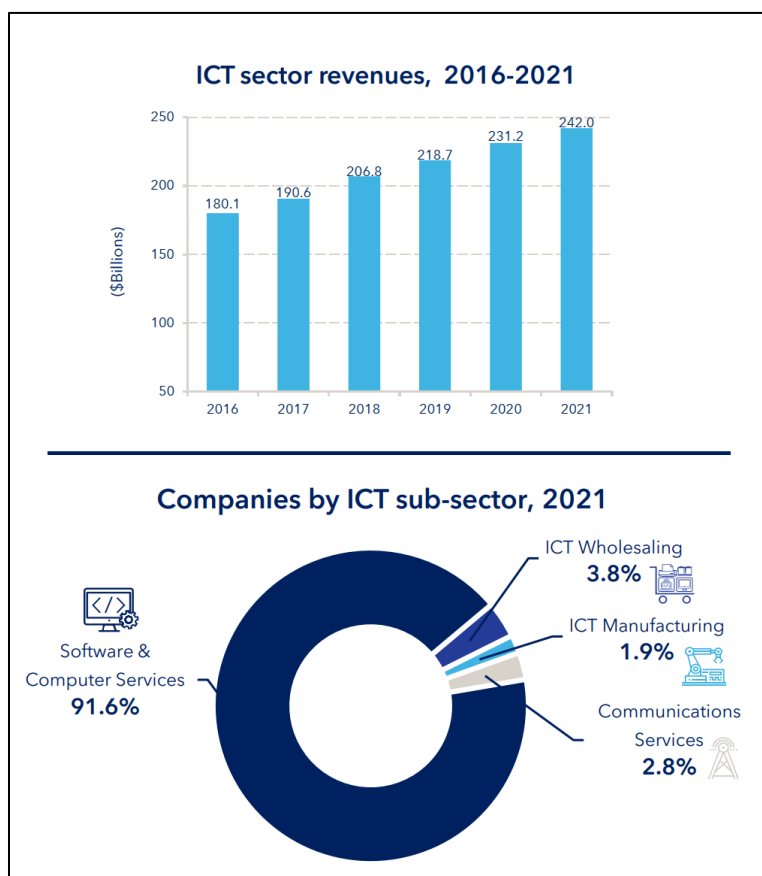
1.1.4 Canadian ICT Industry Overview

Although Canada represents a relatively small portion of ICT's global market, the country is home to a dynamic ICT sector that has grown to become one of the major national drivers of innovation and economic growth. In the last Canadian ICT Sector Profile, released by Statistics Canada in August 2022, the ICT sector reported strong growth in 2021 and outperformed the overall Canadian economy in terms of output, employment, and innovation growth.

Canada has a solid homegrown technology sector. There are more than 45,000 companies in the Canadian ICT sector. Canada's ICT sector generated \$242.0 billion in revenues in 2021, up almost 5% from \$231.2 billion in 2020 (see [Figure 3](#)).

Moreover, the ICT sector revenues grew by over 34% (a CAGR of 6.0%) between 2016 and 2021, which outpaced the overall Canadian economy which grew at an annual rate of only 1.6% over the same period.

Figure 3: Canadian ICT Sector – Total ICT Revenue Growth (2016-2021); Percentage of Companies by Sub-Sector



Source: Statistics Canada (2022)

Almost 92% (over 40,000) of the companies come under the Software & Computer Services sub-sector (see [Figure 3](#)). In 2021, the Software & Computer Services sub-sector comprised the largest revenue percentage at almost 44% and grew over 60% from 2016 to 2021 (see [Figure 4](#)).

In addition, Canada's ICT industry consists mainly of small companies, with approximately 38,270 small companies employing fewer than ten people (see [Figure 4](#)). The number of large companies employing over 500 people accounts for only 123 firms, including subsidiaries of foreign multinational corporations.

The large number of ICT companies gives M&A-focused companies, a wide pool of potential targets.

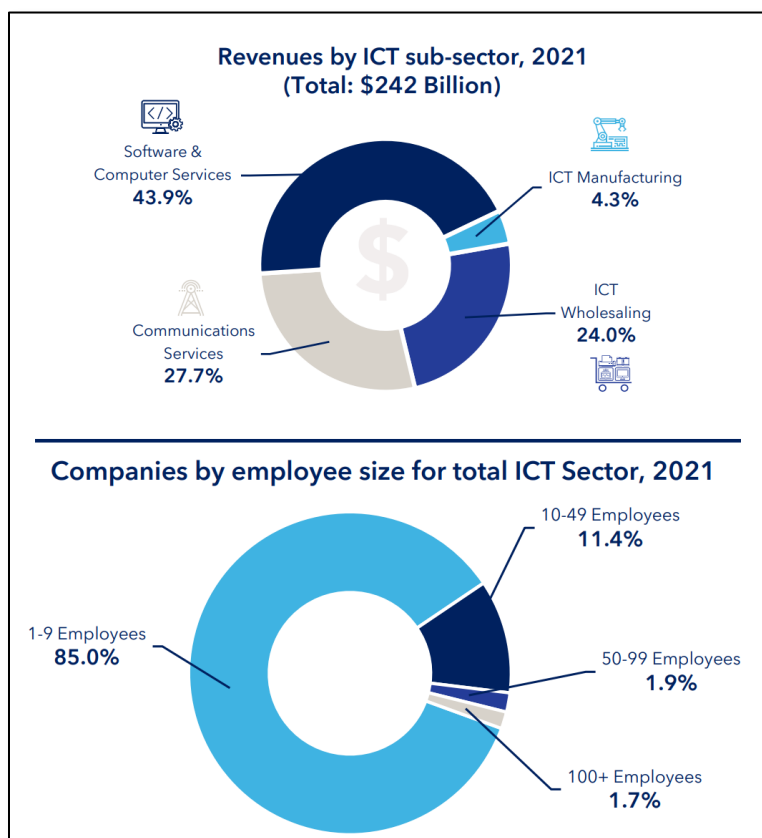
1.1.5 ICT Sector Outlook

In recent years, the Canadian ICT sector has outperformed the Canadian economy. Even though the COVID-19 pandemic interrupted various industry trends of the last decade, the longer-term direction of the Canadian ICT sector is positive.

While the ICT sector overcame the pandemic better than most sectors, some companies still experienced a decline in sales from shifting demand, strained supply chains, and altered working arrangements.

However, the economy-wide recovery positions the ICT sector favorably for growth. The sector sees an increase in demand from the accelerating adoption of diverse technology solutions (AI, analytics, Big Data, etc.) and significant investments in digital infrastructure from both private and public sources.

Figure 4: Canadian ICT Sector – Revenues by Sub-Sector (2021); Percentage of Companies by Employee Size (2021)



Source: Statistics Canada (2022)

1.2 M&A Industry

1.2.1 Understanding M&A and the Roll-up Strategy

An M&A strategy is a business approach that involves combining or acquiring companies to achieve specific objectives and goals. It is a corporate-level strategy aimed at consolidating businesses, assets, or operations to create synergies, enhance market presence, and achieve strategic objectives.

An M&A roll-up strategy is a growth strategy employed by a company to consolidate and expand its market presence within a specific industry or sector. In this strategy, a company seeks to acquire multiple smaller businesses operating in the same industry, with the ultimate goal of creating a larger, more efficient, and more competitive entity.

Key features of an M&A roll-up strategy include operational synergies from economies of scale resulting in cost savings and increased competitiveness, a broader range of products and services, geographic expansion, vertical integration in a supply chain, and an increase in the customer base and brand recognition.

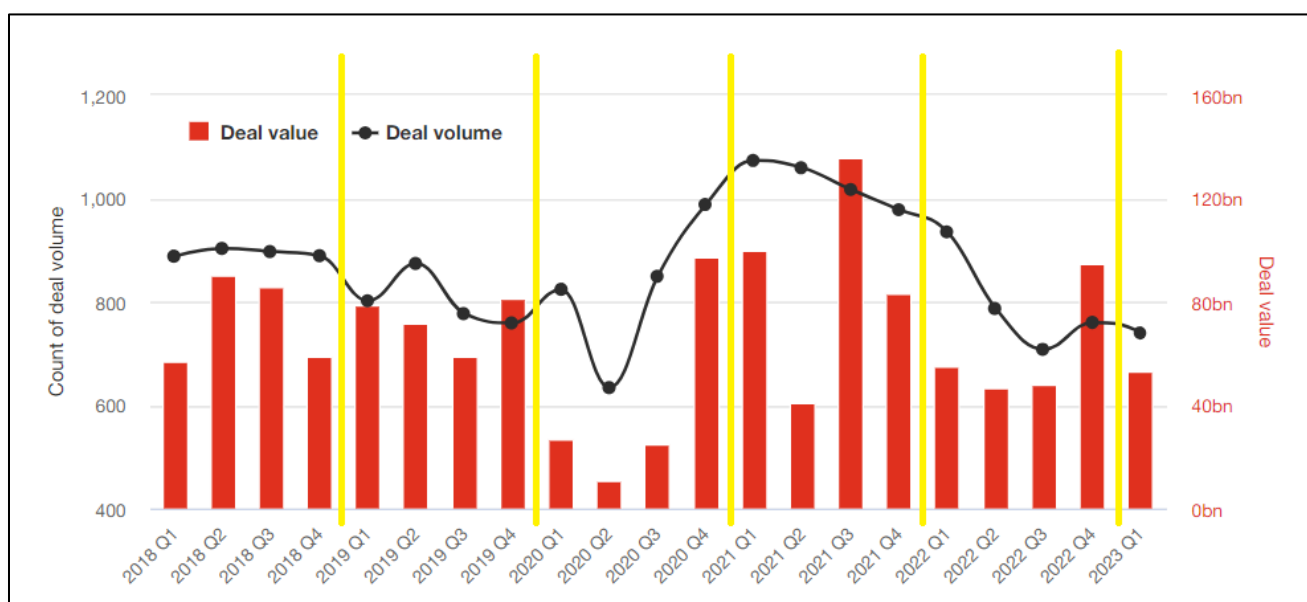
1.2.2 Canada M&A Industry

M&A activity recovered rapidly in 2021 following the COVID-19 pandemic waves that limited activity in 2020. However, in 2022 and 2023, the M&A activity returned to levels more in line with historical norms (see [Figure 5](#)).

As reported by Reuters, over US\$349 billion worth of M&A deals were announced in Canada in 2021, making it the most eventful year on record, compared with US\$148.2 billion in 2020.

In 2022, the Canadian M&A market recorded a decline in public M&A activity, with deal value down by more than half compared to the previous year and deal volume down by 27%. Smaller deals dominated the landscape, accounting for over 80% of total deal value, highlighting the continued dominance of small to mid-sized transactions (see [Figure 6](#)).

Figure 5: Canadian Deal Volume by Quarter



Source: PwC (2023); eResearch Corp. (annotations)

Inbound deals saw a mixed trend, with deal value decreasing but the number of deals remaining stable, indicating foreign investors' continued interest in Canadian opportunities despite market volatility. However, outbound M&A declined in both volume and value, possibly influenced by geopolitical tensions and supply chain disruptions. Canada ranked second, behind only the US, for the highest total value in cross-border deals in 2022, showing Canada's prowess for executing deals on the world stage (see [Figure 7](#)).

In 2023, Canadian M&A deal value in the first quarter was down from a year ago, in step with the Global M&A deal value trend that slumped 48% compared with the same period in 2022. In the second quarter of this year, the total deal value of Canadian M&A increased almost 160% quarter-over-quarter and over 30% year-over-year, primarily driven by some large proposed transactions.

The slow start in 2023 is largely attributed to financial uncertainty due to rising interest rates, inflation concerns, credit tightening due to the collapses of a few regional US banks, including Silicon Valley Bank in March 2023, and economic indicators pointing towards a potential recession.

Looking ahead to the rest of the year, dealmakers are exercising caution regarding the potential activity due to global economic uncertainties and the possibility of additional interest rate hikes. Still, as target boards adjust their expectations to reflect the market reality, the closing of the valuation gap could reduce deal friction and increase M&A activity.

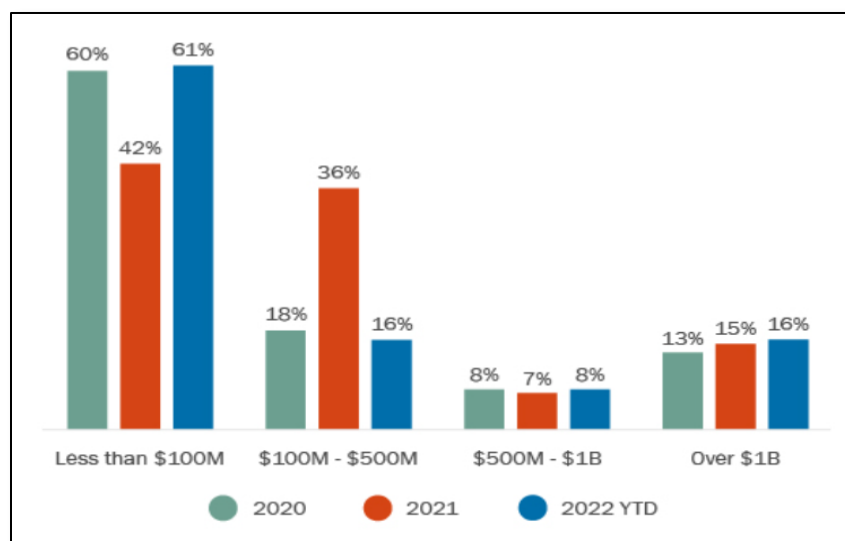
Multiples of Enterprise Value relative to EBITDA (EV/EBITDA) in North America from 2016 to 2021 averaged between 10.1x to 11.7x EBITDA with IT multiples ranging from 10.1x to 13.6x and Communication Services ranging from 8.9x to 11.0x (see [Figure 8](#)). IT and Communication Services comprise the ICT industry.

Multiples of Enterprise Value relative to Revenue (EV/Revenue) for some recent transactions averaged 4.4x Revenue but with a median of 1.0x Revenue (see [Figure 10](#)) and are much lower than the market comps that trade at an average of 5.0x Revenue and a median of 3.2x Revenue (see [Figure 11](#)).

An acquirer that can negotiate deals at lower Revenue or EBITDA multiples should see an increase in its market valuation with the additional revenue and/or cash flow and improved financial metrics.

In addition, buyers that can secure capital (e.g. cash, debt, and publicly-traded securities) and structure deals with vendor takebacks and earnouts, will be at an advantage in this market.

Figure 6: Canadian Public M&A by Deal Value



Source: Torsys (2023)

1.2.3 Factors Driving the Canadian M&A Industry

In the last M&A study published by **BDC** in November 2021, Canadian SMEs made more foreign acquisitions in 2020 than were acquired by foreign firms. From 2016 to 2020, Canadian SMEs acquired almost twice as many foreign companies compared to the foreign companies acquiring Canadian companies, illustrating that Canadian companies can grow inorganically in the North American market.

Healthcare and ICT sectors led the number of M&A deals as those sectors benefited from the pandemic. From 2016 to 2020, the share of healthcare sector transaction volume increased from 7% to 19%, while the ICT sector increased from 8% to 15% (see [Figure 9](#)).

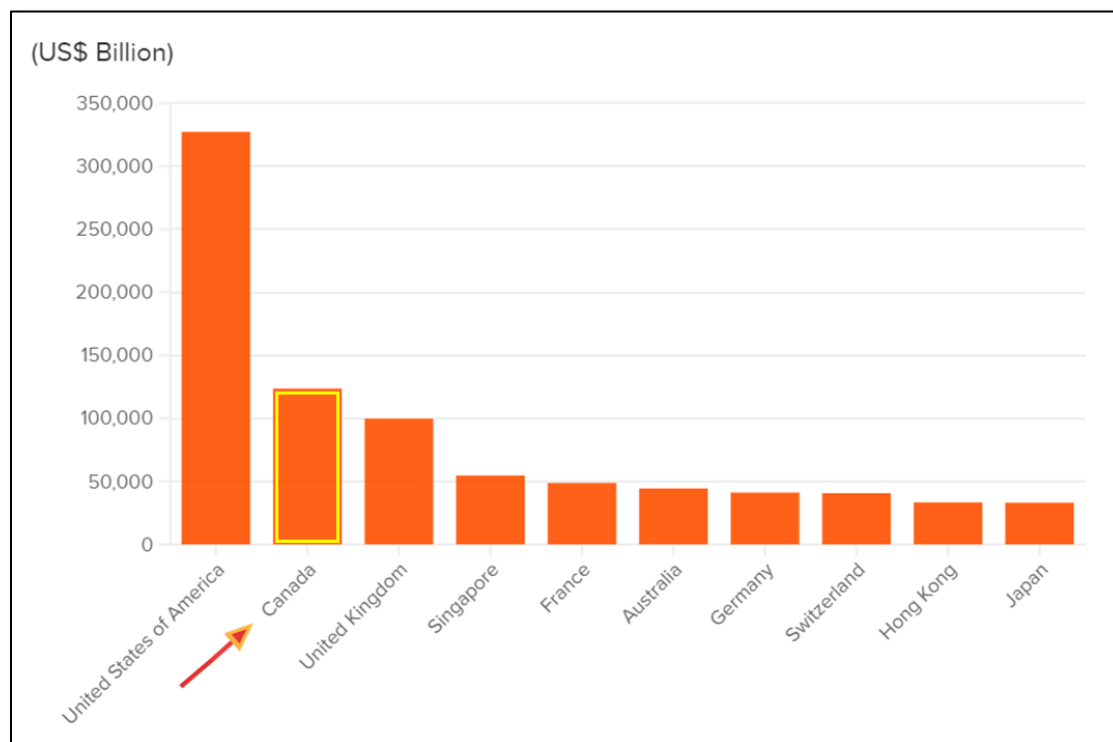
The **BDC** study also estimated that 9% of the nearly 1.3 million Canadian SMEs or 120,000 companies would come up for sale outside of family or management by 2025, showing a robust pool of target companies for acquirers.

The post-pandemic economy has accelerated the adoption of new technologies for businesses to compete effectively. However, to capitalize fully on these technologies, companies often require a certain critical mass or sufficient size.

In addition, entrepreneurs are experiencing a changing demographic profile due to aging with almost 60% of Canadian entrepreneurs aged 50 or over. Moreover, the pandemic has prompted some entrepreneurs to reconsider their succession plans.

All of these factors could lead to an increased supply of businesses available for sale.

Figure 7: Cross Border M&A - Most Acquisitive Nations



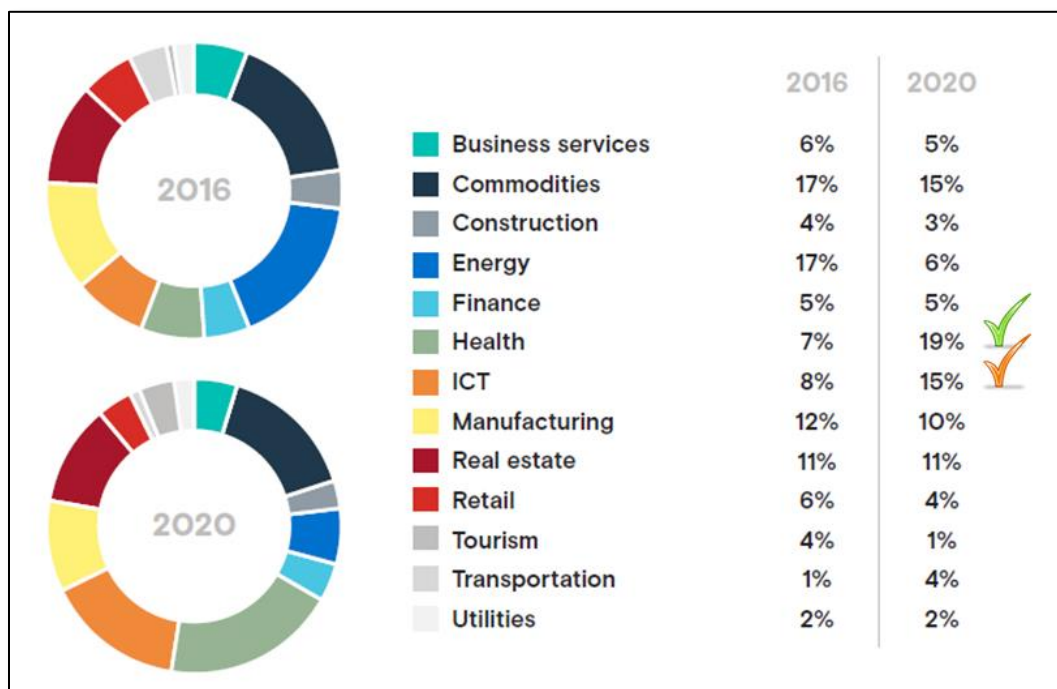
Source: Refinitiv (2023); eResearch Corp. (annotations)

Figure 8: Multiples of EV to EBITDA in North America

Sectors	2016	2017	2018	2019	2020	H1 2021
Consumer discretionary goods	10.6X	10.0X	11.1X	11.3X	11.6X	9.5X
Consumer staples	12.1X	12.0X	11.5X	10.7X	12.8X	9.9X
Energy	8.6X	13.1X	9.8X	9.7X	4.1X	6.4X
Financial services	12.1X	12.6X	10.4X	n.d.	6.0X	n.d.
Health care	12.6X	13.7X	12.3X	12.1X	14.1X	10.3X
Industrial goods	9.1X	10.4X	10.3X	10.9X	9.5X	11.2X
Information technology	12.4X	13.6X	12.1X	11.8X	10.1X	11.4X
Basic materials	7.8X	10.5X	10.7X	9.8X	9.3X	8.8X
Communication services	8.9X	9.7X	9.6X	9.6X	11.0X	10.9X
Utilities	11.1X	13.9X	11.8X	10.1X	15.1X	8.0X
Real estate	16.5X	17.7X	16.2X	14.1X	19.5X	15.8X
All industries	10.9X	11.7X	11.0X	10.9X	10.7X	10.1X

Source: BDC (2021); eResearch Corp. (annotations)

Early-stage companies are also valued using EV/Revenue as illustrated in [Figure 11](#) on page 17.

Figure 9: Volume of M&A in Canada by Sector (US\$5 million to US\$100 million)

Source: BDC (2021); eResearch Corp. (annotations)

Figure 10: Select M&A Transactions by Canadian-Based ICT-Focused Companies

Date	Buyer	Target	Price (\$M)	EV/REV	EV/EBITDA	Target Details
Dec-19-2022	Enghouse Systems Limited (TSX: ENGH)	Qumu Corporation	US\$12.7	0.6x		Qumu provides tools to create, manage, secure, distribute, and measure live and on-demand video content for the enterprises.
Sep-12-2022	Converge Technology Solutions (TSX: CTS)	Newcomp Analytics Inc.	C\$20.3	0.6x	6.0x	Newcomp Analytics offers managed data analytics and IT advisory services.
Aug-25-2022	Open Text Corporation (NASDAQ: OTEX)	Micro Focus International	€ 4,991.7	2.1x	8.9x	Micro Focus provides enterprise software business in the UK, the US, Germany, Canada, France, Japan, and internationally.
May-19-2022	Converge Technology Solutions (TSX: CTS)	PC Specialists	US\$74.0	0.2x	6.2x	PC Specialists, doing business as Technology Integration Group, is an IT systems integrator that provides IT solutions for small, medium, enterprise, government, and education organizations in the US and internationally.
Apr-1-2022	Converge Technology Solutions (TSX: CTS)	Creative Breakthroughs	US\$64.0	0.7x	8.9x	Creative Breakthroughs provides IT risk management services for large and small companies in the US.
Mar-22-2022	CGI Inc. (TSX: GIB.A)	Umanis SA (ENXTPA: ALUMS)	€ 351.7	1.4x	11.0x	Umanis SA operates as a digital service company in France. The company offers big data and artificial intelligence services.
Mar-1-2022	DGTL Holdings Inc. (TSXV: DGTL)	Engagement Labs (TSXV: EL)	C\$1.8	0.7x		Engagement Labs, a data and analytics firm, provides intelligent data, analytics, and insights for marketers and organizations to track, measure, and benchmark the Zix Corporation provides solutions for email encryption, data loss prevention, threat protection, unified archiving, and cloud data backup in the US, Israel, Canada, the UK, and
Nov-7-2021	Open Text Corporation (NASDAQ: OTEX)	Zix Corporation	US\$710.3	2.9x	14.9x	
Oct-4-2021	Converge Technology Solutions (TSX: CTS)	LPA Software Solutions, LLC	C\$15.2	0.9x	7.2x	LPA Software Solutions offers business data analytics, data science, and artificial intelligence related consulting services.
Sep-1-2021	Constant Contact	SharpSpring	US\$247.8	7.3x		SharpSpring operates as a cloud-based (SaaS) marketing technology company.
Jun-7-2021	Lightspeed Commerce (TSX: LSPD)	Ecwid Inc.	US\$526.6	26.3x		Ecwid designs and develops a software-as-a-service (SaaS) based e-commerce platform for small businesses that allows them to sell and manage products online.
Jun-7-2021	Lightspeed Commerce (TSX: LSPD)	NuORDER	US\$360.9	18.0x		NuORDER operates B2B e-commerce platform for brands and buyers worldwide.
Aug-5-2021	Converge Technology Solutions (TSX: CTS)	REDNET GmbH	C\$190.3	1.0x		REDNET provides IT related advice, economic planning, logistics, and services to education, healthcare, and government/public sectors.
Apr-1-2021	Converge Technology Solutions (TSX: CTS)	Dasher Technologies	US\$48.5	0.3x	4.8x	Dasher Technologies provides information technology solutions to public, private, and nonprofit organizations.
Mar-11-2021	Lightspeed Commerce (TSX: LSPD)	Vend Limited	C\$493.3	14.5x		Vend Limited provides cloud-based point-of-sale and retail platform solutions in New Zealand.
Feb-12-2021	Converge Technology Solutions (TSX: CTS)	Accudata Systems	US\$18.5	0.3x		Accudata Systems offers IT consulting, security, and system integration services.
Jan-4-2021	Converge Technology Solutions (TSX: CTS)	Vicom Computer Services	US\$25.0	0.3x	4.9x	Vicom Computer Services provides IT consulting services for Fortune 1000 companies, state and local governments, and emerging mid-market organizations.
Dec-22-2020	Converge Technology Solutions (TSX: CTS)	Viwo Application Studios	C\$7.0	3.8x		Viwo Application Studios designs and develops identity-management-as-a-service (IDMAAS) software that enables and accelerates digital transformation.
Dec-21-2020	Converge Technology Solutions (TSX: CTS)	CarpeDatum Consulting	US\$5.0	1.0x	3.6x	CarpeDatum Consulting offers IBM Analytics consulting services.
Oct-1-2020	Converge Technology Solutions (TSX: CTS)	Unique Digital Technology	US\$9.3	0.2x		Unique Digital Technology, a systems integrator, offers computer hardware and software solutions for networked storage, tiered storage, data life-cycle management, backup/restore, virtualization, consolidation, and disaster recovery.
Dec-1-2020	Lightspeed Commerce (TSX: LSPD)	Upserve	US\$406.2	10.2x		Upserve develops a smart management assistant for restaurants.
Apr-1-2020	The Rubicon Project (NYSE: RUBI)	Telaria	US\$441.4	4.8x	63.5x	Telaria, Inc. provides a software platform for publishers to manage and monetize video advertising
Mar-9-2020	Open Text Corporation (NASDAQ: OTEX)	XMedius Solutions	US\$73.3	1.8x		XMedius Solutions develops and markets on-premises and cloud Fax over IP (FoIP) solutions and software.
Feb-10-2020	Converge Technology Solutions (TSX: CTS)	Solutions P.C.D. Inc	C\$16.1	0.5x		Solutions P.C.D. provides specialized integration services for enterprise cloud infrastructure and datacenter solutions. The company serves businesses and public sector organizations in
Jan-7-2020	Lightspeed Commerce (TSX: LSPD)	GASTROFIX GmbH	US\$113.1	9.0x		GASTROFIX GmbH develops cloud-based point-of-sale Apple iPad, iPod, and iPhone solutions.
			Mean	4.4x	12.7x	
			Median	1.0x	7.2x	

Source: S&P Capital IQ; eResearch Corp.

1.3 Canadian Public Companies Focusing on M&A

Canada is home to some of the world's leading software and services companies. It is one of the leading countries for software development, and the software sector accounts for some of the biggest companies in Canada. Below is a selection of Canada-based companies that focus on the M&A and roll-up strategies as well as the companies' most recent acquisitions.

- **Ciscom Corp.** (CSE: CISC)

- **Ciscom** is a Canadian-based company that acquires and manages companies with a focus on the ICT sector. The company aims to accelerate its growth and realize the synergies of its portfolio companies, which primarily focus on technology-driven advertising, content management, document processing, and marketing solutions.
- **Ciscom's** M&A strategy is to leverage its expertise and network in the ICT industry to identify profitable and scalable Small-to-Medium Enterprises (SMEs) that complement its existing portfolio and offer synergistic benefits. It seeks to acquire potential targets from entrepreneurs looking for public equity, transition, and/or succession opportunities.
- **Ciscom** acquired its first two companies, **Market Focus Direct Inc.** and **Prospect Media Group Ltd.**, in 2021 and 2022, respectively.



- **CGI Inc.** (TSX: GIB.A | NYSE: GIB | LSE: 0A18 | FSE: CJ5A)

- **CGI** is a leading global information technology (IT) consulting and solutions company. With a strong presence in the IT services industry, CGI offers a comprehensive range of services and solutions to clients worldwide, including end-to-end IT consulting, system integration, application development, managed services, and business process outsourcing.
- **CGI's** M&A strategy focuses on strategically acquiring companies that complement its existing service offerings, enhance its position as a leading global IT consulting and solutions provider, and expand its geographic reach.
- A recent acquisition includes the purchase of Paris-based **Umanis SA** (ENXTPA: ALUMS) for €310 million (\$420 million) in May 2022. **Umanis** operated as a digital service company in France.



- **Constellation Software Inc.** (TSX: CSU | OTC: CNSWF | FSE: W9C)

- **Constellation** is a Canadian-based software company that focuses on acquiring, managing, and growing software businesses. It targets vertical market software businesses, which are companies that provide niche and specialized software solutions tailored to specific industries or verticals. While based in Canada, **Constellation** has a global presence, with its subsidiaries operating in various countries around the world.
- **Constellation** follows a "buy and hold" strategy, where it acquires successful and profitable software companies and allows them to continue operating independently while providing support and resources for growth. However, it spun out two operating subsidiaries into two



new public companies **Topicus.com Inc.** (TSXV: TOI) in 2021 and **Lumine Group Inc.** (TSXV: LMN) in February 2023.

- On July 17, 2023, **Constellation** announced that its **Perseus** operating group entered into a binding commitment with **Intercontinental Exchange, Inc.** (NYSE: ICE) and **Black Knight, Inc.** (NYSE: BKI) to acquire **Black Knight's** Optimal Blue business for US\$700 million, **Constellation** largest deal to date. Optimal Blue provides software and data services for the mortgage industry.

- **Converge Technology Solutions Corp.** (TSX: CTS | OTC: CTSDF | FSE: 0ZB)

- **Converge** is a primarily North American-focused IT solutions provider that helps organizations with their digital transformation initiatives. The company delivers a comprehensive range of IT services, cloud solutions, and software products to help businesses optimize their operations, improve efficiency, and accelerate growth.
- **Converge's** M&A strategy centers around strategic acquisitions to expand its portfolio of IT solutions and services, improve its technology and expertise, increase its geographic reach, diversify its industry presence, and expand its client base.
- **Converge** acquired 12 companies in 2022, including **PC Specialists, Inc.** for US\$74 million and **Creative Breakthroughs, Inc.** for US\$67 million. **PC Specialists** is an IT systems integrator and **Creative Breakthroughs** provides IT risk management services; both companies operate in the US.



- **Descartes Systems Group Inc.** (TSX: DSG | NASDAQ: DSGX | FSE: DC2)

- The **Descartes** is a multinational technology company focused on logistics software, supply chain management software, and cloud-based services for logistics businesses.
- Descartes has adopted a proactive M&A strategy and focuses on strategic acquisitions in the logistics technology industry that complement its existing portfolio of solutions and expand its market reach to provide more comprehensive and integrated solutions to its customers.
- Examples of recent transactions include the US\$6.5 million acquisition of **Localz** in Australia which specializes in final mile deliveries and the acquisition of US-based **GroundCloud** for US\$218 million which provides a cloud-hosted, automation platform to help independent final-mile delivery companies.



- **Docebo Inc.** (TSX: DCBO | NASDAQ: DCBO)

- **Docebo** provides AI-powered, cloud-based learning management systems (LMS), offering e-learning solutions to businesses and organizations worldwide. The company's platform enables organizations to deliver, track, and manage various types of learning content, including training programs, courses, and certifications.
- Although **Docebo's** primary focus has been on organic growth and product innovation, this year it acquired US-based **PeerBoard** which operates a subscription-based, community and online forum software for US\$8.5 million, and Hong Kong-based **Edugo.AI**, a provider of learning technology that uses Generative AI and Large Language Models (LLM) and algorithms to optimize learning paths, for US\$861.6 million.



- **Dye & Durham Ltd.** (TSX: DND | OTC: DYNDF)

- **Dye & Durham** provides cloud-based software and technology solutions for legal and business professionals that offer business workflow and information management services.
- The company's core solutions revolve around managing and processing legal and business information, including legal registries and public records data, to assist organizations in streamlining their operations and compliance processes with services such as document searches and creation, and electronic records filings.
- Since going public in 2020, **Dye & Durham** has made several acquisitions and recently bought UK-based **Insight Legal Software**, a provider of cloud-based legal practice management software, and South Africa-based **GhostPractice**, a provider of legal practice management software to small- and medium-sized law firms in South Africa and Canada.



- **Enghouse Systems Ltd.** (TSX: ENGH | FSE:3E4 | OTC: EGHSF)

- **Enghouse** is a Canadian technology company and, through its portfolio of software products and services, serves a wide range of industries.
- The company operates through two main segments: the Interactive Management Group (IMG), which provides software and services for contact centers, and the Asset Management Group (AMG), which offers products to the public safety, oil and gas, telecom, transportation, and utility industries.
- **Enghouse** follows a buy-and-hold strategy, emphasizing long-term sustainability in its acquisitions. It seeks to acquire vertically focused enterprise software companies with strong recurring revenue and revenue over \$5 million.
- So far this year, **Enghouse** acquired US-based **Qumu Corporation** (NASDAQ: QUMU), an on-demand video hosting provider for enterprises, for US\$18.8 million, Brazilian-based **Mobi All Tecnologia**, focused on corporate telecom management solutions, and Texas-based **LifeSize Communications** that offers a cloud video conferencing service to businesses of all size.



- **Kinaxis Inc.** (TSX: KXS | FSE: 9KX | OTC: KSXCF)

- **Kinaxis** provides cloud-based supply chain solutions and serves customers worldwide. The company combines human intelligence with AI and concurrent planning to help companies optimize their supply chain operations to efficiently plan, monitor, and respond to supply chain disruptions.
- **Kinaxis** is tactical in its M&A strategy and has only announced acquiring three companies since 2022: India-based **Prana Consulting Services** for US\$4.0 million in 2020, Canadian-based **Rubikloud Technologies** for US\$60.4 million in 2020, and Netherlands-based **MP Objects** for US\$45.0 million in 2022. All three acquired companies focused on different aspects of the supply chain software and services industry.



- **Lightspeed Commerce Inc.** (TSX: LSPD | NYSE: LSPD)

- **Lightspeed** is a Canadian software and technology company that specializes in providing cloud-based point-of-sale and commerce solutions to small and medium-sized businesses in various industries.



- With a global presence, the company's platform offers a range of tools and features, including payment processing, inventory management, customer engagement, and analytics, designed to streamline operations and enhance customer experiences.
- Although **Lightspeed** has not been as active recently on the M&A transactions, the company completed six transactions in 2020 and 2021 to purchase direct competitors and to improve its product offerings.
- While **Lightspeed's** recent M&A activity has been relatively subdued, the company successfully executed six transactions between 2020 and 2021. These acquisitions aimed to acquire direct competitors, expand globally, and enhance its product portfolio.
- **Open Text Corp.** (TSX: OTEX | NASDAQ: OTEX | FSE: OTX)
 - **Open Text** is a global leader in enterprise information management and provides software and services to help organizations manage, secure, and leverage their enterprise information.
 - **Open Text's** solutions span various industries, including financial services, healthcare, and manufacturing, to help clients effectively handle their data, content, and processes. It employs a strategic M&A approach and has a history of targeted acquisitions aimed at expanding its product offerings, customer base, and global reach.
 - In early 2023, **Open Text** successfully finalized a significant acquisition of UK-based Micro Focus International plc (LSE: MCRO) for a total Enterprise Value of £5.1 billion (\$7.5 billion), growing its revenue by almost 70%. Micro Focus specializes in delivering enterprise business software and consulting services to a global clientele.



1.4 Comps Table

Figure 11: Publicly-Traded Comps

Name	Ticker	Close	Mkt Cap (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
		Oct 30			2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E
Ciscom Corp.	CSE: CISC	\$0.15	\$7.7	\$7.7	\$1.1	\$14.8	\$35.0	-\$0.7	-\$1.5	\$3.50	6.8x	0.5x	0.2x			2.2x
CGI Inc.	TSX: GIB.A	\$132.55	\$30,905.4	\$33,208.5	\$12,199.7	\$13,225.1	\$14,514.2	\$2,151.9	\$2,571.1	\$2,875.2	2.7x	2.5x	2.3x	15.4x	12.9x	11.6x
Constellation Software	TSX: CSU	\$2,753.42	\$58,349.2	\$61,136.6	\$5,107.0	\$6,622.0	\$8,255.3	\$1,110.0	\$1,676.5	\$2,107.2	12.0x	9.2x	7.4x	55.1x	36.5x	29.0x
Converge Technology Solutions	TSX: CTS	\$2.74	\$560.4	\$990.4	\$1,329.7	\$2,164.6	\$2,653.7	\$82.9	\$142.8	\$172.8	0.7x	0.5x	0.4x	11.9x	6.9x	5.7x
The Descartes Systems Group	TSX: DSG	\$99.00	\$8,424.5	\$8,133.5	\$424.7	\$486.0	\$570.1	\$174.1	\$214.8	\$243.7	19.2x	16.7x	14.3x	46.7x	37.9x	33.4x
Docebo Inc.	TSX:DCBO	\$52.89	\$1,686.6	\$1,420.1	\$104.2	\$142.9	\$179.4	-\$11.9	\$0.2	\$12.5	13.6x	9.9x	7.9x		6097.5x	114.0x
Dye & Durham Limited	TSX: DND	\$8.40	\$461.6	\$1,744.8	\$375.6	\$479.4	\$458.5	\$179.1	\$270.2	\$250.4	4.6x	3.6x	3.8x	9.7x	6.5x	7.0x
Enghouse Systems	TSX:ENGH	\$32.34	\$1,787.0	\$1,550.7	\$459.2	\$422.9	\$465.9	\$133.9	\$138.1	\$137.1	3.4x	3.7x	3.3x	11.6x	11.2x	11.3x
Kinaxis Inc.	TSX: KXS	\$133.95	\$3,817.0	\$3,500.4	\$250.7	\$366.9	\$428.6	\$5.8	\$72.1	\$63.6	14.0x	9.5x	8.2x	601.1x	48.6x	55.0x
Lightspeed Commerce	TSX: LSPD	\$17.50	\$2,669.7	\$1,668.8	\$484.2	\$692.8	\$840.3	-\$127.2	-\$52.5	-\$10.8	3.4x	2.4x	2.0x			
Open Text Corporation	TSX: OTEX	\$46.00	\$8,906.1	\$16,919.1	\$3,435.6	\$3,534.2	\$5,628.9	\$1,010.1	\$1,226.5	\$1,841.7	4.9x	4.8x	3.0x	16.7x	13.8x	9.2x
Mean (EV/Rev <20; EV/EBITDA <100)											7.8x	5.8x	4.8x	23.9x	21.8x	18.3x
Median											4.9x	3.7x	3.3x	16.1x	13.8x	11.4x

Source: S&P Capital IQ; eResearch Corp.

2.0 Company Spotlight - Ciscom Corp. (CSE: CISC)

2.1 Company Description

Ciscom is a Canadian-based holding company that executes a Mergers & Acquisition (M&A) roll-up strategy focused on solutions and related services in the Information and Communication Technology (ICT) industry.

A roll-up strategy entails an M&A approach where smaller companies, often known as "bolt-on acquisitions," are acquired with the ultimate objective of building a significantly larger and more valuable corporate entity than the individual components combined.



The Company aims to accelerate its growth and realize synergies in its portfolio companies, which primarily focus on technology-based services and solutions in advertising, content management, document processing, and marketing.

Ciscom's M&A strategy is to leverage its expertise and network in the ICT industry to identify profitable and scalable Small-to-Medium Enterprises (SMEs) that complement its existing portfolio and offer integration benefits.

The growth through acquisitions concept is attractive to investors for its value-generating potential through economies of scale, benefits of synergies, increased market exposure, and access to better opportunities, including capital.

As M&A's are complex, **Ciscom's** management expects to build value through its due diligence process to ensure business, cultural, and operational fit, and sound deal structure for each acquisition.

The Company seeks to acquire potential targets from entrepreneurs looking for public equity, transition, and/or succession opportunities. It invests long-term with companies, where it can work with the existing management teams of its portfolio companies to achieve accelerated revenue objectives.

Ciscom acquired its first two companies, **Market Focus Direct, Inc. (MFD)** and **Prospect Media Group Ltd. (PMG)**, in 2021 and 2022, respectively.

2.2 Company History

Ciscom was incorporated in June 2020. As it looked for investment opportunities, **Ciscom** started raising capital in January 2021 and successfully closed the first two rounds, raising over \$3.2 million.

- In November 2021, the Company commenced the third round of capital raising of up to \$6.0 million.
- In September 2021, **Ciscom** acquired its first company, **MFD**, a Marketing Technology (MarTech) company.
- In February 2022, **Ciscom** announced its second acquisition, **PMG**, a data-driven integrated media agency, and completed the acquisition in September 2022.
- On June 30, 2023, **Ciscom** began trading on the **Canadian Securities Exchange**.

2.3 Company's M&A Strategy

To execute its M&A strategy, **Ciscom** targets businesses seeking equity, transition or that generally do not have a succession plan.

Ciscom plans to acquire Small and Medium-sized Enterprises (SMEs) with strong growth potential and proven historical profitability.

The Company typically targets independent ICT businesses with revenue ranging from \$10 million to \$30 million per year (excluding COVID-19 impacts) and a history of positive cash flow.

Ciscom employs a blend of cash and shares for its acquisition strategy. This approach provides sellers with a favorable exit opportunity at a fair valuation, and some immediate liquidity with the cash component but also offers the potential for long-term value growth through ownership in the combined entity.

This strategy enhances **Ciscom's** negotiation power, fosters collaboration with target companies, and aligns their interests for the mutual success of the merged entity.

Ciscom concentrates on the ICT sector for its targets and focuses on the following areas:

- Analytics
- Application Programming Interfaces (APIs)
- Business automation
- Communications
- Content management and delivery
- Digital/Online marketing
- Platforms
- Process automation and workflow
- Software as a Service (SaaS)
- Social media integration

Ciscom's first two acquisitions were:

1. **PMG**: An integrated marketing agency specializing in digital and integrated media services, direct mail and flyer services, and retail analytics, aimed at Canadian retailers and businesses.
2. **MFD**: A technology-driven organization that has developed proprietary software applications for efficiently processing big data. They offer unique solutions related to data analytics.

Ciscom's revenue growth:

Ciscom's reported revenue was \$1.1 million in 2021 and \$14.8 million in 2022 but its consolidated pro-forma revenue was over \$33.8 million in 2022.

Through organic growth, we expect **Ciscom's** revenue to be at least \$35.0 million in 2023. Any revenue from an additional acquisition would be incremental to this estimate.

2.4 Company Solutions

Ciscom offers diversified solutions through advanced analytics tools, digital marketing, proximity marketing, document management, direct mail, flyer distribution, and print management.

1. Advanced Analytics:

- **Ciscom** offers advanced analytics solutions, involving Big Data, data analysis, and insights for businesses.
- **Ciscom's** analytics tools deliver actionable outputs from its Big Data set to create targeted audience lists to maximize return on investment (ROI) for its clients.
- **Ciscom** creates customer profiles for its clients and advises them on media selection, including print and digital media, social media, flyers, direct mail, newspaper, radio, and television.
- **Ciscom**, through its technology, provides information about various (multi-cultural) communities involving retailers' customer bases and store trade areas.
- **Ciscom's** analytics solutions help clients capture the digital customer's journey, drive time or drive distance, location, and attribution.

2. Digital and Integrated Media Services:

- **Ciscom** provides digital marketing services and integrated media solutions to businesses, helping them reach their target audience effectively.
- **Ciscom** assists its clients in digital marketing through its digital toolbox. The Company provides services from strategy to planning and from production to execution.
- **Ciscom** helps clients reach optimal communities through proximity marketing. Proximity marketing is the marketing of goods or services based on a customer's physical location. This marketing tool reportedly leads to 'in-the-moment' customer engagement, expands basket size, and captures customer shopping information.
- **Ciscom** has various digital marketing solutions, which include:
 - Email communications
 - Geo-targeted text messages
 - Multi-cultural e-marketing
 - Podcast and production
 - Proximity marketing (includes instore, near store, and at competitor locations)
 - Quick Response (QR) codes
 - Search Engine Optimization (SEO)
 - Social and native advertising
 - Video production
 - YouTube advertising and YouTube channel

3. Direct Mail and Flyer Distribution:

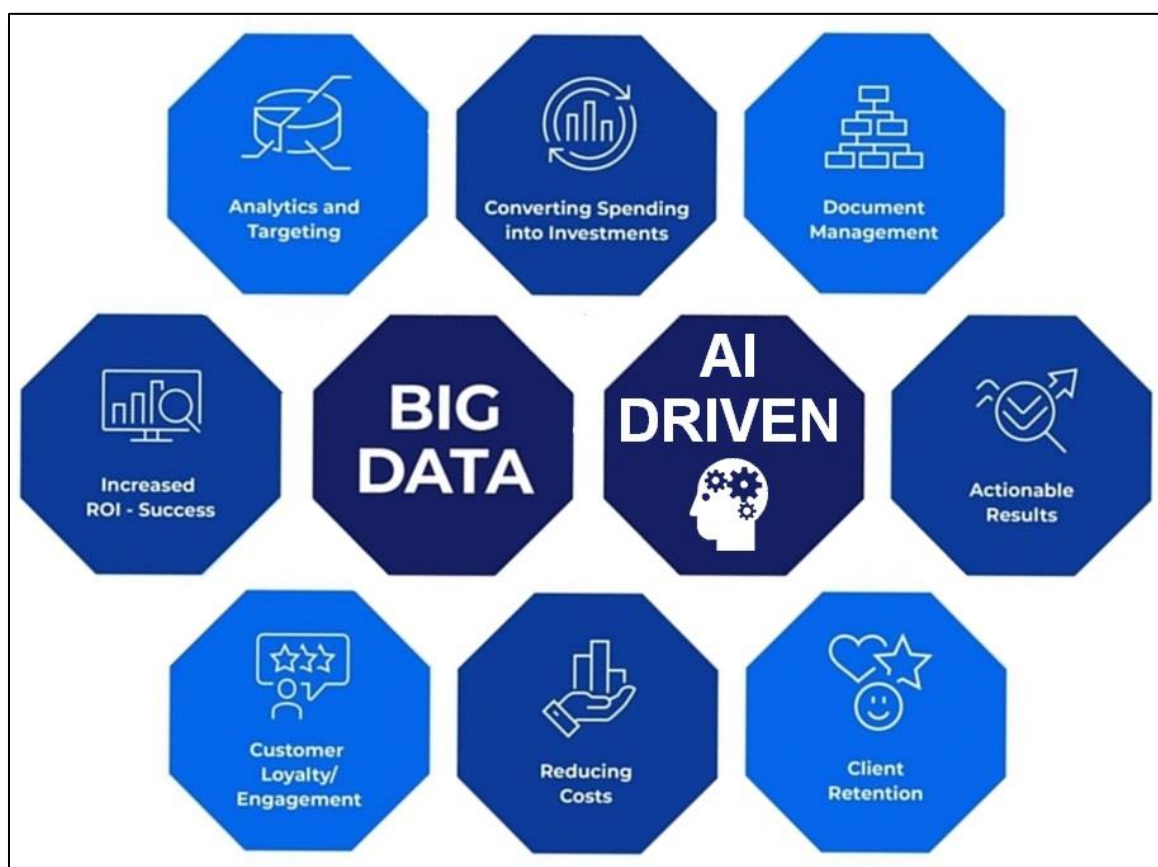
- **Ciscom** offers services related to direct mail marketing and flyer distribution for businesses looking to reach customers through traditional channels.
- Along with digital media services, **Ciscom** executes advertising campaigns across various channels, including direct mail, flyers, newspapers, and radio.

- To enhance operational efficiency, **Ciscom** developed a proprietary software solution to streamline data-intensive direct mail and flyer distribution initiatives. This software aims to simplify the complexities of multi-channel, multi-store, and multi-version programs.
- Integrating analytics and targeting seamlessly, Ciscom's software applications are designed to align with each retailer's Store Trade Area (STA), amplifying the effectiveness of marketing strategies.//
- **Ciscom's** software applications integrate the analysis and targeting into each retailer's Store Trade Area (STA).

4. **Print Management:**

- **Ciscom** manages the print production of flyers and direct mail for various clients, leveraging their preferred relationships with printers to negotiate favorable rates.

Figure 12: Ciscom's Service Offerings



Source: Ciscom

Appendix A: 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 own 2,953 common shares of **Ciscom Corp. (CSE: CISC)** that were issued as part of a stock dividend from **CBLT Inc.** (TSXV: CBLT) in June 2023 and 300 common shares of **Enghouse Systems Ltd. (TSX: ENGH)**.

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Ciscom Corp. (CSE: CISC) paid eResearch a fee to have it conduct research and publish this report.

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