



REVISIONS	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$6.90	\$6.90
Revenue 2023E (M)	\$448.8	\$463.3
EBITDA 2023E (M)	\$38.1	\$39.6
EPS 2023 (M)	-\$0.10	-\$0.04

MARKET DATA

Date:	Nov 13, 2023
Current Price (C\$):	\$2.74
Target Price (C\$):	\$6.90
52-Week Range:	\$1.28 / \$3.81
Shares O/S (M):	55.0
Mkt Cap (C\$M):	\$150.8
EV (C\$M):	\$397.5
Avg. Weekly Vol. (M):	0.01

Website: www.datacm.com

FINANCIALS

(\$M)	2022A	2023E	2024E
Revenue	\$273.8	\$448.8	\$551.0
EBITDA	\$32.0	\$38.1	\$60.7
Adj. EBITDA	\$40.7	\$63.3	\$89.0
EPS	\$0.30	-\$0.10	\$0.26
Cash	\$4.2	\$20.9	\$24.9
Current Assets	\$82.1	\$176.7	\$176.7
Total Assets	\$149.5	\$413.7	\$391.7
Debt	\$27.0	\$103.6	\$79.4
Lease Liabilities	\$39.8	\$148.7	\$143.5
Total Liabilities	\$126.6	\$367.9	\$328.3
Fiscal Year End:	31-Dec		

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

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

DATA Communications Management Corp.

(TSX: DCM | OTC: DCMDF)

Revenue & EBITDA Growth Continues to Benefit from MCC Acquisition; Deal Synergies Now Targeting up to \$35M

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:

- **DCM** reported Q3/2023 financial results with Revenue up 93.6% to \$122.7M but slightly lower than our estimate of \$129.1M due to seasonality. Adjusted EBITDA in the quarter was \$11.8M, an increase of 28.2% from \$9.2M in the same quarter last year. The Revenue and EBITDA growth were mainly attributable to the acquisition of **Moore Canada Corporation (MCC)**, which closed in Q2/2023.
- **DCM** has revised its forecast for anticipated merger synergies to between \$30M to \$35M over the next 18 to 24 months, up from the previous range of \$25M to \$30M with annualized savings of \$17.5M expected in 2024.
- We maintain that this transaction significantly bolsters **DCM's** growth potential and capabilities, offering economies of scale along with an expanded range of products, services, and technological advancements.
- We estimate **DCM** could generate over \$60M of EBITDA in 2024, which could be allocated towards debt reduction, dividend distribution, or exploring further acquisition opportunities.

FINANCIAL ANALYSIS & VALUATION:

- We updated our model with the **DCM's** recent financials and adjusted our model to include further deal synergies but slightly lower margins.
- We estimate an equal-weighted price target of \$6.90 based on a DCF valuation (\$9.31/share), a Revenue Multiple valuation (\$6.17/share), and an EBITDA Multiple valuation (\$5.10/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

Q3/2023 Financial Results

On November 8, 2023, **DCM** reported third quarter 2023 financial results (see [Figure 1](#)):



- **Revenue:**

- For the third quarter of 2023, **DCM** reported a significant increase in revenue to \$122.7 million, up 93.6% from \$63.4 million in Q3/2022, but slightly lower than our estimate of \$129.1 million.
- The substantial growth primarily reflects the additional business acquired through the **MCC** acquisition and the negative impact of revenue seasonality was greater than we estimated.
- The Company has reiterated its commitment to an overall annual organic revenue growth rate of more than 5%, including a revenue growth rate in its marketing technology solutions of more than 60%.
- Since the acquisition, **DCM** aligned its commercial sales teams under a unified leadership structure. This was complemented by the implementation of a streamlined "one company" account coverage strategy, enhancing overall business efficiency and client engagement.
- The Company reported that these changes resulted in generating expansion revenue through both existing client relationships and new business acquisitions.
- See the "[Merger Update](#)" section, for additional details.

- **Gross Profit & Gross Margin:**

- The Company reported Gross Profit of \$30.3 million in Q3/2023, up 52.4% from \$19.9 million in the same quarter last year.
- In Q3/2023, Gross Margin as a percentage of revenue was 24.7%, down 6.7% from 31.4% in Q3/2022, and lower than our estimate of 27.0%.
- The decline in gross margin is attributed to **MCC**'s lower average gross profit margins, which lowered the overall gross profit margin of **DCM**.
- Despite this, **DCM** reported that it has developed a strategic plan to restore the combined gross profit margins to at least 30%, the level **DCM** was at before the acquisition.

Figure 1: DCM's Q3/2023 Results Compared to eResearch Estimates

(C\$) ('000)	Q322A	2022A	Q123A	Q223A	Q223E	Q323A	Q323E	Diff.	Q423E	2023E
Total Revenue	\$63,399	\$273,804	\$76,077	\$118,963	\$113,175	\$122,721	\$129,069	-4.9%	\$131,000	\$448,761
Gross Margin	31.4%	30.8%	31.1%	26.9%	27.0%	24.7%	27.0%	-2.3%	26.0%	26.8%
Total Operating Expenses	\$14,864	\$57,150	\$18,754	\$25,733	\$25,603	\$32,791	\$30,034	+9.2%	\$25,152	\$102,430
Operating Income	\$5,040	\$27,074	\$4,881	\$6,304	\$4,955	(\$2,450)	\$4,815	n/a	\$8,908	\$17,643
EBITDA*	\$6,292	\$31,973	\$6,131	\$10,573	\$8,168	\$8,645	\$8,985	-3.8%	\$12,726	\$38,075
Adj. EBITDA**	\$9,196	\$39,462	\$7,748	\$13,823	\$10,924	\$11,790	\$12,859	-8.3%	\$18,827	\$52,188
Diluted EPS	\$0.06	\$0.30	(\$0.06)	(\$0.06)	\$0.03	(\$0.08)	\$0.01	(\$0.08)	\$0.06	(\$0.10)
Cash	\$1,945	\$4,208	\$2,994	\$20,973	\$17,329	\$22,310	\$13,558		\$20,887	\$20,887
Debt	\$33,655	\$27,047	\$22,292	\$112,697	\$128,515	\$115,945	\$107,062		\$103,648	\$103,648

* eResearch's EBITDA calculation.

** DCM's Adj. EBITDA calculation

Source: Company Financials; eResearch Corp.

- **SG&A Expenses:**

- **DCM's** SG&A expenses were \$25.1 million in Q3/2023, up 83.5% from \$13.7 million in Q3/2022, and up from \$23.0 million in the previous quarter.
- In Q3/2023, SG&A expenses as a percentage of Total Revenue were 20.4%, down 1.1% from 21.5% in the same quarter last year as the Company continues to focus on cost savings.
- The decline in SG&A as a percentage of Total Revenue was attributed to the completion of certain restructuring initiatives, however, this benefit was partially offset by factors such as inflationary salary increases and the incurrence of additional consulting fees.

- **Net Income and EPS:**

- The Company reported a Loss of \$4.2 million in Q3/2023, down from a Profit of \$2.8 million in Q3/2022. Basic and Diluted EPS in the quarter was negative \$0.08 compared to \$0.06 in the same quarter last year.
- The decline in Net Income can be attributed to several factors, including restructuring costs of \$7.0 million, one-time acquisition and integration expenses of \$0.2 million, net fair value losses on financial liabilities of \$0.7 million, and an increase in interest expenses related to the higher debt levels undertaken to finance the **MCC** acquisition. See the "[Merger Update](#)" section, for additional details.

Figure 2: DCM's Revenue Momentum Continued in Q3/2023



Source: Company Presentation (Q3/2023)

- **EBITDA:**

- In Q3/2023, **DCM** reported Adjusted EBITDA of \$11.8 million, an increase of 28.2% from \$9.2 million in the same quarter last year.
- The improved results in Adjusted EBITDA can be attributed to the inclusion of the **MCC** business, the Company's sustained emphasis on enhancing gross margins, and control over SG&A expenses.

- However, the Company's Adjusted EBITDA Margin was 9.6% in the quarter, down 4.9% from 14.5% in Q3/2022 and attributed to the lower average **MCC** gross margins, which the Company has formulated a strategic plan to improve.
- The Company has reiterated its commitment to an Adjusted EBITDA Margin of more than 14%.
- EBITDA calculated by **eResearch** was \$8.6 million in Q3/2023, up 37.4% from \$6.3 million in Q3/2022, but slightly lower than our estimate of \$9.0 million.
- We estimate the Company could generate \$60.7 million of EBITDA in 2024, which could be allocated towards debt reduction, dividend distribution, or exploring further acquisition opportunities.
- **Cash and Total Debt:**
 - As of September 30, 2023, **DCM** had \$22.3 million in cash.
 - Although it aims to maintain a low cash balance to reduce the borrowing charges under its credit facilities, due to the **MCC** acquisition, the Company is currently carrying a higher-than-normal cash balance.
 - At the end of the quarter, the Company's Total Debt, excluding the Lease Liabilities, stood at \$115.9 million, up 2.9% from \$112.7 million in Q2/2023, due to an increase in Working Capital requirements.
 - Net Debt, excluding Lease Liabilities, ended the quarter at \$93.6 million.
 - **DCM** reiterated its focus on debt reduction as a key strategic priority.
 - The Company has entered into agreements for the sale of its Fergus and Trenton facilities, with closures anticipated within the next three to six months. The Company reported that these transactions are expected to yield net proceeds of approximately \$15.2 million.
 - The proceeds from these sales are earmarked for further debt reduction and would almost completely pay off the Real Estate Bridge Loan that was entered into as part of the **MCC** acquisition financing.

Figure 3: Merger Integration Progressing Ahead of Schedule and Above Targets



Source: Company Presentation (Q3/2023)

Merger Update

DCM has revised its forecast for anticipated merger synergies, now forecasting savings of between \$30 million and \$35 million over the next 18 to 24 months, up from the previous range of \$25 million to \$30 million.

DCM reported that the collective impact of the Operational, Organizational, and Procurement initiatives already undertaken is projected to yield significant cost savings. These measures are anticipated to generate annualized savings of approximately \$17.5 million next year of the Company's forecasted merger synergy target.

DCM also provided an update on four areas of post-merger integration focus and projected cost savings and revenue impact:

(1) Operations:

- **DCM** has initiated a strategic consolidation plan, reducing its operational facilities from 14 to 10 over the next two years. This move aims to optimize the existing capacity within the network, thereby improving asset utilization and operational efficiency. The first step in this process is the scheduled closure of the Edmonton, Alberta facility by December 2023.
- Concurrently, the Company has implemented workforce reductions and combined with the aforementioned facility consolidation, are projected to yield annual operational savings of around \$3.75 million starting next year. Further financial benefits anticipated from the consolidation of three additional facilities will be disclosed in subsequent quarters.
- In addition to these internal restructuring efforts, the Company has entered into agreements for the sale of its Fergus and Trenton, Ontario facilities. These transactions are expected to generate net proceeds of approximately \$15.2 million.

(2) Organizational:

- For the year-to-date ending September 30, 2023, **DCM** implemented a workforce reduction of approximately 80 employees at **DCM** and **MCC**. This action led to a restructuring expense totaling \$9.7 million.
- **DCM** has also completed the integration of its Commercial and Operations teams, with new leadership structures and streamlined reporting processes.
- This integration is part of a broader organizational restructuring, which includes significant reductions in headcount within the SG&A functions. As a result of these changes, the company forecasted achieving annualized SG&A savings of approximately \$9 million starting next year.

(3) Procurement:

- **DCM** is advancing the centralization of its purchasing operations. This move is aimed at capitalizing on the Company's increased scale to achieve cost savings and minimize the outsourcing of products. Based on the initiatives completed thus far, the company projects an annualized procurement saving of approximately \$4.75 million next year.

(4) Revenue Growth:

- The integration of the Commercial teams post the **MCC** acquisition has been a strategic focus for **DCM**, aimed at both expanding services with current clients and acquiring new business. The Company reported that since the completion of this acquisition, it has secured expansion revenue of \$18 million, derived from both existing customers and new business.

Valuation

Lease Renewal Impact on Financial Model:

Since **DCM** is consolidating plants, it decided to extend leases for its Brampton and Toronto facilities.

During the quarter, the Brampton facility's lease, initially due to expire on December 31, 2025, was extended by 15 years, including a 10-year initial term and a 5-year extension option, and the Toronto facility's lease, originally ending on December 18, 2026, was extended by an additional 10 years.

This change significantly increased Lease Liabilities to \$152.5 million from \$96.9 million. As our valuation model incorporates Lease Liabilities in Net Debt, this increase adversely impacted the valuation.

However, this negative effect was offset by factoring in additional merger synergies and a slight increase to the Revenue multiple (see the [DCM Valuation](#) section).

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 0.9x (2023E revenue);
- EV/EBITDA of 6.0x (2023E EBITDA).

(2) DAM:

- EV/Revenue of 3.1x (2023E revenue);
- EV/EBITDA of 18.2x (2023E EBITDA).

(3) Tech-Enabled Marketing Workflow:

- EV/Revenue of 2.1x (2023E revenue);
- EV/EBITDA of 11.7x (2023E EBITDA).

DCM Valuation

Currently, **DCM** is trading at 0.9x our 2023 revenue estimate of \$448.8 million and 10.4x our 2023 EBITDA estimate of \$38.1 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.

We have increased our Revenue multiple to 1.0x from 0.8x.

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	1.0x	0.9x	0.9x	3.1x	2.1x
EBITDA	8.0x	10.4x	6.0x	18.2x	11.7x

Source: See Appendix B; eResearch Corp.

For 2023 through 2028, we have maintained our organic revenue growth rate of 5%, in line with the Company's target of 5% but recognize the higher revenue growth in 2023 and 2024 due to the acquisition of **MCC**.

We have maintained our estimate of improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services but reduced it to 26% in 2024 growing to 29% by 2028.

[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	64%	21%	5%	+5% Organic
Gross Margins	27%	26%	26%-29%	+30%
Adj. EBITDA Margins	14%	16%	15%	+14%

Source: Company Presentation (2023); eResearch Corp.

Target Price Calculation

Method 1: Discounted Cash Flow (see [Figure 7](#)): 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 \$9.31.

Method 2: Revenue Multiple (see [Figure 6](#)): Using a revenue multiple of 1.0x and a one-year forward Revenue estimate of \$544.4 million, the one-year target share price estimate is \$6.17.

Method 3: EBITDA Multiple (see [Figure 6](#)): Using an EBITDA multiple of 8.0x and a one-year forward EBITDA estimate of \$59.7 million, the one-year target share price estimate is \$5.10.

The equal-weighted price per share is \$6.86 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	\$9.31
			ENT. VALUE	Net Debt Q4/2024	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	1.0x	1 Year Fwd Revenue (Est.): \$544.4M	\$544.4M	\$188.3M	\$356.1M	57.7M	\$6.17
Method 3: EBITDA Multiple	8.0x	1-Year Fwd EBITDA (Est.): \$59.7M	\$477.6M	\$188.3M	\$289.3M	57.7M	\$5.10
Equal-Weighted Target Price (1 year)							\$6.86

Source: eResearch Corp.

Figure 7: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2022A	2023E	2024E	2025E	2026E	2027E	2028E
Revenue (\$)	273.8	448.8	551.0	578.5	607.4	637.8	669.7
Revenue Growth	16.3%	63.9%	22.8%	5.0%	5.0%	5.0%	5.0%
EBITDA (\$)	32.0	38.1	60.7	62.3	68.0	74.8	82.8
EBITDA Growth	53.5%	19.1%	59.5%	2.6%	9.2%	10.0%	10.6%
EBITDA Margin	11.7%	8.5%	11.0%	10.8%	11.2%	11.7%	12.4%
Depreciation and Amortization	11.2	22.7	39.8	28.3	30.2	25.3	21.1
EBIT (\$)	20.8	15.4	20.9	34.0	37.8	49.6	61.6
NOPAT	38.6	26.8	57.8	60.2	71.3	83.3	96.4
Plus Amortization (\$)	11.2	22.7	39.8	28.3	30.2	25.3	21.1
Less Capital Expenditures (\$)	(1.5)	(9.7)	(17.8)	(5.8)	(4.8)	(4.0)	(3.3)
Net Working Capital Changes	(11.8)	14.7	0.4	(2.1)	(2.1)	(2.1)	(2.2)
EPS (Continuing)	0.30	(0.10)	0.26	0.52	0.65	0.78	0.92
Unlevered Free Cash Flow (\$)	36.4	54.4	80.2	80.6	94.6	102.5	112.1
PV of Unlevered FCFs (\$)	40.7	53.5	69.1	60.9	62.7	59.6	57.2

Valuation Assumptions:			
Discount Rate	14.0%		
Terminal Multiple	8.0x		
Valuation Analysis:	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	363.0	352.9	312.5
Terminal Value (\$M)	662.2	662.2	662.2
PV of Terminal Value (\$M)	337.8	385.2	439.1
Net (debt) cash position	(246.2)	(188.3)	(135.3)
Total Value (\$M)	454.7	549.8	616.4
DCF Value/Share (C\$)	C\$7.70	C\$9.31	C\$10.44
DCF Value/Share (US\$)	US\$5.57	US\$6.73	US\$7.55
FD Shares O/S (M)*	59.0	59.0	59.0

*Using the Treasury Method

Source: Company Reports; eResearch Corp.

Figure 8: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

		Terminal EV/EBITDA Multiplier						
		5.00	6.00	7.00	8.00	9.00	10.00	11.00
Discount Rate	10.0%	7.98	8.92	9.87	10.81	11.76	12.71	13.65
	12.0%	7.40	8.28	9.15	10.03	10.91	11.79	12.66
	14.0%	6.87	7.68	8.50	9.31	10.13	10.94	11.76
	16.0%	6.37	7.13	7.89	8.65	9.41	10.17	10.93
	18.0%	5.92	6.63	7.34	8.04	8.75	9.46	10.17
	20.0%	5.50	6.16	6.82	7.48	8.14	8.80	9.46

Source: Company Reports; eResearch Corp.

Figure 9: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares, Options, and Warrants ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Sep 30/23)	55,023
Options Outstanding: 4.8 million at an average exercise price of \$1.31	4,779
Warrants Outstanding: 0.3 million at an average exercise price of \$3.16	261
Fully Diluted Share Count	60,063

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Jun 30/23)	55,023
Shares Issued in the Quarter	-
Shares Outstanding: Basic - End of the Current Quarter (Sep 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*	2,673
- In the Money Warrants: Stock Price above Strike Price*	-
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	57,696

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

Shares Outstanding - DCF Valuation ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Sep 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.

Appendix A: Financial Statements

Figure 10: Income Statement

DCM								
Income Statement - FYE (December 31); CAD ('000)	2022A	Q123A	Q223A	Q323A	Q423E	2023E	2024E	2025E
Total Revenue	273,804	76,077	118,963	122,721	131,000	448,761	550,951	578,498
Total Cost of Sales	189,580	52,442	86,926	92,380	96,940	328,688	407,491	428,089
Gross Profit	84,224	23,635	32,037	30,341	34,060	120,073	143,460	150,410
Sales & Marketing	29,137	8,562	9,850	10,010	10,087	38,509	40,694	42,809
General and Administrative	26,477	10,107	12,970	14,800	14,410	52,287	56,638	59,585
Other operating costs	1,208	-	-	717	-	717	-	-
Restructuring Charges	-	-	2,729	7,009	-	9,738	-	-
Stock Based Compensation	328	85	184	255	655	1,179	2,755	2,892
Total Operating Expenses	57,150	18,754	25,733	32,791	25,152	102,430	100,087	105,287
Operating Income	27,074	4,881	6,304	(2,450)	8,908	17,643	43,373	45,123
Other Income (Expenses):								
Interest on Loan Payable	(2,742)	(543)	(2,480)	(2,550)	(2,319)	(7,892)	(7,474)	(5,460)
Acquisition and Integration Costs	(1,870)	(6,118)	(3,837)	(244)	(2,000)	(12,199)	(16,000)	-
Other	(2,567)	(612)	(3,469)	(2,663)	-	(6,744)	-	-
Total Other Income	(7,179)	(7,273)	(9,786)	(5,457)	(4,319)	(26,835)	(23,474)	(5,460)
EBT	19,895	(2,392)	(3,482)	(7,907)	4,589	(9,192)	19,899	39,662
Income Taxes	(5,929)	(39)	603	3,722	(1,147)	3,139	(4,975)	(9,916)
Net Income (Loss)	13,966	(2,431)	(2,879)	(4,185)	3,442	(6,053)	14,924	29,747
EPS								
Basic EPS	0.32	(0.06)	(0.06)	(0.08)	0.06	(0.11)	0.27	0.54
Diluted EPS	0.30	(0.06)	(0.06)	(0.08)	0.06	(0.10)	0.26	0.52
Basic EPS- ex-non-recurring items		0.13	0.08					
Shares Outstanding								
Shares Outstanding, Basic (Weighted)	44,063	44,063	49,055	55,023	55,023	55,023	55,023	55,023
Shares Outstanding, Diluted (Weighted)	46,572	44,063	46,148	55,023	57,696	57,696	57,696	57,696
Shares Outstanding, Basic (End of Quarter)	44,063	44,063	55,023	55,023	-	-	-	-

Source: Company Reports; eResearch Corp.

Figure 11: Balance Sheet

DCM				
Balance Sheet - FYE (December 31); CAD ('000)	2022A	2023E	2024E	2025E
Current Assets				
Cash	4,208	20,887	24,884	37,148
Account Receivables	54,630	100,424	102,433	105,973
Prepaid Expenses & Other Assets	2,984	4,671	5,946	6,127
Inventory	20,220	38,219	40,672	42,136
Income taxes receivable	15	2,788	2,788	2,788
Held for Sale	0	9,726	0	0
Total Current Assets	82,057	176,715	176,723	194,171
Non-Current Assets				
Deferred Income Tax Assets	4,830	7,599	7,599	7,599
Property and Equipment	6,779	40,555	45,086	37,327
Pension Assets	2,830	1,791	1,791	1,791
Intangible Assets	2,507	12,604	10,266	8,362
Goodwill	16,973	16,996	16,996	16,996
Right-of Use and Other	33,505	157,399	133,241	112,767
Total Assets	149,481	413,659	391,702	379,012
Current Liabilities				
Accounts Payables/Accrued Liabilities	44,133	73,252	79,084	81,931
Lease Liability	6,791	17,030	17,882	18,776
Current Portion of Debt/Promissory Notes	11,667	19,885	50,061	32,845
Provisions	1,316	7,712	7,712	7,712
Deferred Revenue - Current	3,942	5,240	5,502	5,777
Taxes Payable	1,630	0	0	0
Total Current Liabilities	69,479	123,119	160,241	147,041
Non-Current Liabilities				
Term Loan/Promissory Notes	0	83,763	29,330	19,243
Credit Facilities	15,380	0	0	0
Lease Liability	33,011	131,684	111,080	90,758
Provision/Loan Payable/Benefits Payable	8,764	21,465	19,745	18,025
Other	0	7,916	7,916	7,916
Total Liabilities	126,634	367,947	328,311	282,983
Shareholders Equity				
Capital Stock	256,478	283,738	283,738	283,738
Warrants & Options	869	219	219	219
Accumulated OCI	207	204	204	204
Contributed Surplus	3,131	3,639	6,394	9,286
Deficit	(237,838)	(242,088)	(227,164)	(197,417)
Total Shareholders Equity	22,847	45,712	63,391	96,030
Total Liabilities & Shareholders Equity	149,481	413,659	391,702	379,012

Source: Company Reports; eResearch Corp.

Figure 12: Cash Flow Statement

DCM				
Cash Flow Statement - FYE (December 31); CAD ('000)	2022A	2023E	2024E	2025E
Cash Provided By Operating Activities				
Net Income (Loss)	13,966	(6,054)	14,924	29,747
Amortization of Intangibles	1,606	2,981	3,273	2,666
Depreciation of Property & Equipment	2,965	6,566	12,377	12,812
Depreciation of Right-of-Use Assets	6,609	13,115	24,158	20,474
Interest Expense on Lease Liabilities	2,223	6,369	8,465	7,286
Stock Based Compensation Expense	328	1,179	2,755	2,892
Pension Expense	351	(430)	(1,720)	(1,720)
Loss on Disposal of Intangible Assets	98	-	-	-
Provisions	-	9,738	-	-
Income Tax Expense	5,929	(8,140)	-	-
Finance Cost	120	-	-	-
Other	328	517	-	-
Changes in Non-Cash Working Capital				
Account & Other Receivables	(3,063)	13,946	(2,008)	(3,540)
Inventory	(8,087)	4,982	(2,453)	(1,464)
Prepaid Expenses & Other Current Assets	(43)	(1,031)	(1,275)	(180)
Accounts Payable & Other Payables	6,888	(255)	5,832	2,847
Other	(5,056)	-	-	-
Provisions	(3,160)	(2,580)	-	-
Deferred (Unbilled) Revenue	673	(390)	262	275
Total Cash Provided By Operating Activities	22,675	40,513	64,589	72,095
Investing Activities				
Purchase of Property & Equipment	(1,475)	(9,346)	(16,908)	(5,053)
Purchase of Intangibles	(71)	(377)	(935)	(762)
Business (Acquisition) Sale	70	(106,862)	-	-
Total Cash From Investing Activities	(1,476)	(116,585)	(17,843)	(5,815)
Financing Activities				
Proceeds from Loan/Promissory Notes	-	155,640	-	-
Repayment of Loan/Promissory Notes	-	(71,057)	(14,531)	(27,302)
Operating Line/Credit Facility (Repayment)	(9,716)	-	-	-
Repayment of Other Liabilities	515	-	-	-
Transaction Costs	-	(1,802)	-	-
Lease Payments	(8,730)	(15,481)	(28,217)	(26,714)
Proceeds from exercise of Stock Options and Warrants	-	1,240	-	-
Issue/Repurchase of Equity	-	24,221	-	-
Total Cash From Financing Activities	(17,931)	92,761	(42,749)	(54,017)
Effect of Exchange Rates on Cash	39	(9)	-	-
Net Increase in Cash	3,307	16,679	3,997	12,264
Beginning Cash	901	4,208	20,887	24,884
Ending Cash	4,208	20,887	24,884	37,148

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	Nov 13 Close (\$)	Mkt Cap (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
				2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E	2021A	2022A	2023E
DATA Communications Management Corp.	\$2.75	\$151	\$397	\$235.3	\$270.0	\$448.8	\$20.8	\$32.0	\$38.1	1.7x	1.5x	0.9x	19.1x	12.4x	10.4x
US Comps - Conventional Print Solution Providers															
ARC Document Solutions, Inc.	US\$2.65	US\$114	US\$160	US\$272	US\$286	US\$281	US\$39	US\$40	US\$39	0.6x	0.6x	0.6x	4.1x	4.0x	4.0x
Canon Inc.	US\$24.60	US\$24,093	US\$26,848	US\$30,514	US\$30,570	US\$28,178	US\$4,536	US\$4,646	US\$4,182	0.9x	0.9x	1.0x	5.9x	5.8x	6.4x
Cimpress plc	US\$62.87	US\$1,671	US\$3,304	US\$2,576	US\$2,888	US\$3,180	US\$246	US\$238	US\$399	1.3x	1.1x	1.0x	13.4x	13.9x	8.3x
Ennis, Inc.	US\$20.92	US\$541	US\$453	US\$358	US\$400	US\$431	US\$61	US\$77	US\$80	1.3x	1.1x	1.1x	7.4x	5.9x	5.7x
Quad/Graphics, Inc.	US\$4.41	US\$226	US\$906	US\$2,960	US\$3,217	US\$2,928	US\$246	US\$0	US\$227	0.3x	0.3x	0.3x	3.7x		4.0x
Xerox Holdings Corporation	US\$13.23	US\$1,626	US\$5,126	US\$6,817	US\$6,900	US\$6,952	US\$661	US\$474	US\$602	0.8x	0.7x	0.7x	7.8x	10.8x	8.5x
Mean (EV/Rev <20; EV/EBITDA <100)										0.8x	0.8x	0.8x	7.1x	8.1x	6.2x
Median										0.8x	0.8x	0.8x	6.7x	5.9x	6.0x
Cdn Comps - Conventional Print Solution Providers															
CCL Industries Inc.	\$56.80	\$10,095	\$11,621	\$5,733	\$6,382	\$6,655	\$1,128	\$1,246	\$1,317	2.0x	1.8x	1.7x	10.3x	9.3x	8.8x
Supremex Inc.	\$3.96	\$103	\$205	\$226	\$272	\$304	\$32	\$57	\$52	0.9x	0.8x	0.7x	6.5x	3.6x	4.0x
Transcontinental Inc.	\$10.73	\$929	\$2,074	\$2,711	\$2,973	\$2,954	\$403	\$456	\$433	0.8x	0.7x	0.7x	5.1x	4.6x	4.8x
Mean (EV/Rev <20; EV/EBITDA <100)										1.2x	1.1x	1.0x	7.3x	5.8x	5.9x
Median										0.9x	0.8x	0.7x	6.7x	5.9x	6.0x
US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)															
Adobe Inc.	US\$590.34	US\$268,782	US\$265,362	US\$15,785	US\$17,606	US\$19,383	US\$6,378	US\$8,795	US\$9,740	16.8x	15.1x	13.7x	41.6x	30.2x	27.2x
Box, Inc.	US\$25.50	US\$3,673	US\$4,258	US\$771	US\$874	US\$1,043	US\$61	US\$295	US\$315	5.5x	4.9x	4.1x	69.7x	14.4x	13.5x
Fluent, Inc.	US\$0.54	US\$44	US\$66	US\$329	US\$361	US\$320	US\$15	US\$25	US\$13	0.2x	0.2x	0.2x	4.4x	2.6x	5.0x
LiveRamp Holdings, Inc.	US\$32.57	US\$2,135	US\$1,657	US\$443	US\$529	US\$628	-US\$63	US\$51	US\$99	3.7x	3.1x	2.6x		32.5x	16.7x
Open Text Corporation	US\$36.83	US\$9,825	US\$17,945	US\$3,386	US\$3,494	US\$5,654	US\$1,010	US\$1,226	US\$1,869	5.3x	5.1x	3.2x	17.8x	14.6x	9.6x
QuinStreet, Inc.	US\$10.69	US\$583	US\$534	US\$578	US\$582	US\$542	US\$24	US\$17	US\$12	0.9x	0.9x	1.0x	22.1x	31.3x	45.8x
Smartsheet Inc.	US\$40.32	US\$5,449	US\$4,957	US\$386	US\$551	US\$951	-US\$142	-US\$21	US\$95	12.9x	9.0x	5.2x			52.2x
TechTarget, Inc.	US\$28.00	US\$795	US\$917	US\$263	US\$297	US\$229	US\$55	US\$121	US\$70	3.5x	3.1x	4.0x	16.7x	7.6x	13.1x
Mean (EV/Rev <20; EV/EBITDA <100)										6.1x	5.2x	4.2x	28.7x	19.0x	22.9x
Median										4.5x	4.0x	3.6x	19.9x	14.6x	15.1x
CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)															
illumin Holdings Inc.	\$1.61	\$83.2	\$32.7	\$122.0	\$121.0	\$130.0	\$11.1	\$6.4	\$2.4	0.3x	0.3x	0.3x	2.9x	5.1x	13.4x
Fobi AI Inc.	\$0.16	\$27.0	\$26.6	\$1.7	\$1.6	\$0.0	-\$15.0	\$0.0	\$0.0	16.0x	17.0x				
MediaValet Inc.	\$1.21	\$52.6	\$53.6	\$9.3	\$12.8	\$16.9	-\$9.4	-\$9.5	-\$7.2	5.7x	4.2x	3.2x			
ProntoForms Corporation	\$0.59	\$78.7	\$80.4	\$19.4	\$21.3	\$33.9	-\$4.0	-\$4.7	-\$1.1	4.2x	3.8x	2.4x			
Mean (EV/Rev <20; EV/EBITDA <100)										6.5x	6.3x	1.9x	2.9x	5.1x	13.4x
Median										4.9x	4.0x	2.4x	2.9x	5.1x	13.4x

Source: S&P Capital IQ; eResearch Corp.

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

Name	Nov 13 Close (\$)	Mkt Cap (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
				2021E	2022A	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
DATA Communications Management Corp.	\$2.75	\$151	\$397	\$235.3	\$270.0	\$448.8	\$20.8	\$32.0	\$38.1	1.7x	1.5x	0.9x	19.1x	12.4x	10.4x
Tech-Enabled Marketing Workflow Providers															
Cimpress plc	US\$62.87	US\$1,671.3	US\$3,303.8	US\$2,576.0	US\$2,887.6	US\$3,180.5	US\$246.4	US\$238.3	US\$399.1	1.3x	1.1x	1.0x	13.4x	13.9x	8.3x
Deluxe Corporation	US\$17.80	US\$777.7	US\$2,433.6	US\$2,022.2	US\$2,238.0	US\$2,213.4	US\$322.7	US\$412.0	US\$411.3	1.2x	1.1x	1.1x	7.5x	5.9x	5.9x
dotdigital Group Plc	£0.90	£275.3	£224.9	£58.1	£62.8	£73.9	£15.1	£22.0	£23.0	3.9x	3.6x	3.0x	14.9x	10.2x	9.8x
Galaxy Digital Holdings Ltd.	\$7.25	\$768	\$768	\$0	\$0	\$495	\$0	\$0	\$0			1.6x			
Harte Hanks, Inc.	US\$6.85	US\$49.4	US\$56.6	US\$194.6	US\$206.3	US\$189.0	US\$15.2	US\$20.1	US\$14.6	0.3x	0.3x	0.3x	3.7x	2.8x	3.9x
HubSpot, Inc.	US\$431.73	US\$21,729.2	US\$20,919.2	US\$1,300.7	US\$1,731.0	US\$2,146.6	-US\$32.6	US\$210.5	US\$381.4	16.1x	12.1x	9.7x		99.4x	54.9x
Publicis Groupe S.A.	€ 69.78	€ 17,480.02	€ 20,134.99	€ 11,738.00	€ 14,196.00	€ 13,106.56	€ 2,118.00	€ 2,726.34	€ 2,919.66	1.7x	1.4x	1.5x	9.5x	7.4x	6.9x
Quadient S.A.	€ 20.10	€ 687.60	€ 1,443.96	€ 1,029.40	€ 1,024.30	€ 1,089.87	€ 188.40	€ 249.61	€ 257.88	1.4x	1.4x	1.3x	7.7x	5.8x	5.6x
Startek, Inc.	US\$4.34	US\$175.1	US\$251.3	US\$470.2	US\$385.1	US\$376.9	US\$45.9	US\$55.9	US\$36.2	0.5x	0.7x	0.7x	5.5x	4.5x	6.9x
Teleperformance SE	€ 125.90	€ 7,486.61	€ 10,131.61	€ 7,115.00	€ 8,154.00	€ 8,574.44	€ 1,164.00	€ 1,745.49	€ 1,844.98	1.4x	1.2x	1.2x	8.7x	5.8x	5.5x
TTEC Holdings, Inc.	US\$15.82	US\$750.3	US\$1,719.2	US\$2,273.1	US\$2,443.7	US\$2,440.7	US\$330.3	US\$320.6	US\$274.9	0.8x	0.7x	0.7x	5.2x	5.4x	6.3x
Zeta Global Holdings Corp.	US\$8.17	US\$1,750.6	US\$1,822.3	US\$458.3	US\$591.0	US\$725.9	-US\$199.8	US\$89.4	US\$126.6	4.0x	3.1x	2.5x		20.4x	14.4x
Mean (EV/Rev <20; EV/EBITDA <100)										3.0x	2.4x	2.1x	8.5x	16.5x	11.7x
Median										1.4x	1.2x	1.3x	7.7x	5.9x	6.9x

Name	Nov 13 Close (C\$)	Mkt Cap (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
Canadian Advertising, Marketing & Technology Comps															
illumin Holdings Inc.	\$1.61	\$83.2	\$32.7	\$122.0	\$121.0	\$130.0	\$11.1	\$6.4	\$2.4	0.3x	0.3x	0.3x	2.9x	5.1x	13.4x
Adcore Inc.	\$0.19	\$11.1	\$5.6	\$28.0	\$19.7		\$0.8			0.2x	0.3x		6.6x		
ARHT Media Inc.	\$0.11	\$0.0	-\$0.2	\$4.8	\$7.5	\$7.5	-\$4.8	-\$5.0	-\$7.2				0.0x	0.0x	0.0x
Datable Technology Corporation	\$0.01	\$1.1	\$4.3	\$3.5	\$3.9	\$5.3	-\$4.3		-\$0.8	1.2x	1.1x	0.8x			
DeepMarkit Corp.	\$0.10	\$0.5	\$0.5	\$0.0			-\$0.3			156.4x					
EQ Inc.	\$0.79	\$54.9	\$54.5	\$12.1	\$11.0	\$17.0	-\$4.4	-\$4.9	-\$0.3	4.5x	5.0x	3.2x			
Fobi AI Inc.	\$0.16	\$27.0	\$26.6	\$1.7	\$1.6		-\$15.0			16.0x	17.0x				
Gatekeeper Systems Inc.	\$0.35	\$0.1	\$1.6	\$15.0	\$22.2		-\$0.3			0.1x	0.1x				
Reklam Ltd.	\$0.06	\$6.7	\$7.5	\$1.0	\$2.4		-\$6.5			7.5x	3.2x				
Snipp Interactive Inc.	\$0.13	\$36.7	\$30.5	\$15.3			\$0.7			2.0x			46.6x		
YANGAROO Inc.	\$0.05	\$3.1	\$6.6	\$7.7	\$7.7		\$0.0			0.9x	0.8x				
Yellow Pages Limited	\$11.05	\$206.2	\$181.2	\$287.6	\$268.3	\$239.3	\$88.5	\$99.2	\$75.9	0.6x	0.7x	0.8x	2.0x	1.8x	2.4x
Zoomd Technologies Ltd.	\$0.08	\$7.4	\$9.9	\$52.6	\$53.0		\$3.2			0.2x	0.2x		3.1x		
Mean (EV/Rev <20; EV/EBITDA <100)										3.0x	2.9x	1.3x	10.2x	2.3x	5.3x
Median										1.0x	0.8x	0.8x	3.0x	1.8x	2.4x

Source: S&P Capital IQ; eResearch Corp.

Appendix C: eResearch Disclosure

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ANALYST ACCREDITATION

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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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