

REVISIONS	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$6.75	\$6.90
Revenue 2024E (M)	\$542.3	\$549.0
EBITDA 2024E (M)	\$56.3	\$54.4
EPS 2024E (M)	\$0.13	\$0.37

MARKET DATA

Date:	May 16, 2024
Current Price (C\$):	\$2.96
Target Price (C\$):	\$6.75
52-Week Range:	\$2.42 / \$3.85
Shares O/S (M):	55.2
Mkt Cap (C\$M):	\$163.5
EV (C\$M):	\$396.2
Avg. Weekly Vol. (M):	0.02

Website: www.datacm.com

FINANCIALS

(\$M)	2022A	2023A	2024E
Revenue	\$273.8	\$447.7	\$542.3
EBITDA	\$32.0	\$39.9	\$56.3
Adj. EBITDA	\$40.7	\$73.5	\$70.7
EPS	\$0.30	-\$0.31	\$0.13
Cash	\$4.2	\$17.7	\$31.9
Current Assets	\$82.1	\$181.1	\$179.6
Total Assets	\$149.5	\$418.8	\$394.3
Debt	\$27.0	\$101.8	\$79.5
Lease Liabilities	\$39.8	\$155.3	\$155.9
Total Liabilities	\$126.6	\$390.0	\$351.5
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)

DCM Reports Strong First Quarter Results as Revenue Grows, Margins Strengthen, and Debt Reduction Continues

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 Revenue of \$129.3 million in Q1/2024, up 69.9% from \$76.1 million in Q1/2023, but lower than our estimate of \$139.0 million.
- Revenue fell short of expectations mainly because several projects from larger clients were postponed to later quarters. The Company reported that these projects are now scheduled for delivery in the second and third quarters of this year. To incorporate this change into our model, we lowered 2024 revenue to \$542.3 million from \$549.0 million, which negatively impacted our target price.
- **DCM** reported that it added \$1.9 million in new sales from 10 new clients and over \$12 million in "expansion" revenue from existing clients that should be recognized over the next year. **DCM** is still targeting an overall annual organic revenue growth rate of more than 5%, including growing its marketing technology solutions by more than 60%.

FINANCIAL ANALYSIS & VALUATION:

- We updated our model with **DCM's** recent financials, shifted the model ahead one quarter, and reduced the revenue in 2024 to reflect the lower first-quarter number.
- We estimate an equal-weighted price target of \$6.75 based on a DCF valuation (\$9.56/share), a Revenue Multiple valuation (\$6.15/share), and an EBITDA Multiple valuation (\$4.60/share).
- **We are maintaining our Buy rating but lowering our one-year price target to \$6.75 from \$6.90.**

All figures in CAD unless otherwise stated.

eResearch Corporation

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

Quarterly Update

Q1/2024 Financial Results

On May 13, 2024, **DCM** reported Q1/2024 results (see [Figure 1](#)).

Year-over-year improvements in Revenue and Gross Profit and increases in Cost of Sales and SG&A expenses were attributable to the **Moore Canada Corporation (MCC)** acquisition that closed in April 2023.



- **Revenue:**

- Revenue was \$129.3 million in Q1/2024, up 69.9% from \$76.1 million in Q1/2023, but lower than our estimate of \$139.0 million. Q1/2024 Revenue was also slightly lower than Revenue in the previous quarter, which reached \$130.0 million.
- Revenue fell short of expectations mainly because several projects from larger clients were postponed to later quarters. The Company reported that these projects are now scheduled for delivery in the second and third quarters of this year. To incorporate this change into our model, we lowered 2024 revenue to \$542.3 million from \$549.0 million, which negatively impacted our target price.
- Revenue per Associate (RPA) was \$297,200, down 1.7% from \$302,400 in 2023 but up 1.4% from April 24, 2023, the date of the **MCC** acquisition. RPA is a focus for **DCM** as a measure of productivity, which the Company expects to grow over the next 12 months.
- **DCM** reported that it added \$1.9 million in new sales from 10 new clients and over \$12 million in “expansion” revenue from existing clients that should be recognized over the next year. **DCM** is still targeting an overall annual organic revenue growth rate of more than 5%, including growing its marketing technology solutions by more than 60%.

Figure 1: Q1/2024 Results Compared to eResearch Estimates

(C\$) ('000)	Q123A	2023A	Q124A	Q124E	Diff.	Q224E	Q324E	Q424E	2024E
Total Revenue	\$76,077	\$447,725	\$129,254	\$139,000	-7.0%	\$136,500	\$136,000	\$140,500	\$542,254
Total Cost of Sales	\$52,442	\$328,952	\$91,943	\$103,555	-11.2%	\$101,693	\$101,320	\$103,268	\$398,223
Gross Profit	\$23,635	\$118,773	\$37,311	\$35,445	+5.3%	\$34,808	\$34,680	\$37,233	\$144,031
Gross Margin	31.1%	26.5%	28.9%	25.5%	+3.4%	25.5%	25.5%	26.5%	26.6%
Total Operating Expenses	\$18,754	\$113,148	\$28,596	\$24,422	+17.1%	\$26,358	\$26,126	\$26,133	\$107,213
Operating Income	\$4,881	\$5,625	\$8,715	\$11,023	-20.9%	\$8,449	\$8,554	\$11,100	\$36,818
EBITDA*	\$11,149	\$39,876	\$13,898	\$14,681	-5.3%	\$13,297	\$13,326	\$15,736	\$56,256
Adj. EBITDA**	\$12,766	\$53,390	\$18,665	\$18,874	-1.1%	\$17,505	\$17,582	\$20,037	\$73,790
Diluted EPS	(\$0.06)	(\$0.31)	\$0.02	\$0.10	(\$0.08)	\$0.02	\$0.02	\$0.06	\$0.13
Cash	\$2,994	\$17,652	\$19,842	\$23,037		\$26,471	\$28,011	\$31,872	\$31,872
Debt	\$22,292	\$101,815	\$96,697	\$86,951		\$90,988	\$85,252	\$79,476	\$79,476

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

Source: Company Financials; eResearch Corp.

- The Company provided an update on the Digital Signage & Display business launched in August 2023 (see [Figure 2](#)). **DCM** is focusing on five key verticals: automotive, cannabis, healthcare, retail, and not-for-profit. The Company mentioned a large implementation in the second quarter and a “good” pipeline for the rest of 2024.
- **DCM** also announced that its Digital Asset Management (DAM) product, called ASMBL, will be launched in July. The Company believes that it is a \$6 billion market. It will target its 400 enterprise clients as well as Small-to-Medium-Sized Businesses (SMBs) in the United States through its marketing automation product. The Company believes its product’s differentiation lies in its AI capabilities, developed over the past year, with access to advanced AI technologies. The solution features a folderless structure facilitated by AI functionalities such as Meta tagging, auto tagging, and natural language search. **DCM** believes that this design enables efficient and fast asset discovery and sharing.
- The Company also mentioned that it sees revenue growth potential in its Customer Communications Management (CCM) platform, called DCMFlex. During the first quarter, it acquired four new clients in four different verticals: automotive, financial institutions, alternative lenders, and loyalty.
- Product Sales remained the dominant segment at almost 88% of total revenue (see [Figure 3](#)). Although Technology Services revenue grew almost 428% year-over-year, primarily due to the **MCC** acquisition, it still only represented less than 6% of total revenue. Tech-enabled Hardware’s 51% decline was mostly attributed to the timing of a large healthcare provider in the first quarter of last year that was not repeated in the first quarter of this year.
- **Gross Profit & Gross Margin:**
 - **DCM** reported Gross Profit of \$37.3 million in Q1/2024, up 57.9% from \$23.6 million in the same quarter last year.
 - In Q1/2024, the Gross Margin was 28.9%, down 2.2% from 31.1% in Q1/2023, but higher than our estimate of 25.5%.
 - The Gross Margin improvement was due to product mix and efficiency progress. The Company continues to show post-merger improvements in Gross Margin to reach its goal of returning Gross Margin above 30% (see [Figure 4](#)).

Figure 2: New Line of Business — Digital Signage & Display



Source: Company Presentation (March 2024)

- Selling, General, and Administrative (SG&A) Expenses:**
 - The Company's SG&A expenses were \$25.4 million in Q1/2024, up slightly from \$25.3 million in the previous quarter.
 - In Q1/2024, SG&A expenses represented 19.6% of Total Revenue, up 1.6% from 18.1% in the same quarter last year (pre-merger). The higher SG&A expenses in the quarter were primarily related to a one-time consulting project; **DCM** expects lower SG&A expenses in subsequent quarters this year.
 - In the first quarter, **DCM** recorded \$0.3 million in one-time, non-recurring acquisition and integration costs, along with \$1.1 million in restructuring expenses, both linked to the **MCC** acquisition. The Company anticipates ongoing charges of a similar amount throughout 2024, however, it reported that it has now accounted for the majority of its envisaged restructuring expenses. In our model, we have estimated another \$4.0 million of acquisition and integration costs for the remainder of 2024.
- EBITDA:**
 - DCM** reported Adjusted EBITDA of \$18.7 million in Q1/2024, an increase of 46.2% from \$12.8 million in the same quarter last year. The EBITDA growth reflects the positive impact of the **MCC** acquisition and ongoing efforts to improve margins and reduce expenses.
 - The Company's Adjusted EBITDA Margin was 14.4% in the quarter, down 2.3% from 16.8% in Q1/2023. As part of its five-year strategic plan, the Company will continue with its planned objective to keep its Adjusted EBITDA Margin above 14%.
 - EBITDA calculated by **eResearch** was \$13.9 million in Q1/2024, up 24.7% from \$11.1 million in Q1/2023, and only slightly lower than our estimate of \$14.7 million.
 - Although Free Cash Flow in the quarter was negative, it was impacted by **DCM's** plans to upgrade its facilities and buy new equipment as part of the plant consolidations planned for this year and 2025, which should help the Company improve its gross margins.
 - We estimate that the Company could generate \$56.3 million of EBITDA in 2024, which could be allocated towards debt reduction, dividend distribution, or exploring further acquisition opportunities. On the Analysts' call, **DCM** mentioned that capital expenditures are projected to decrease in 2025, potentially releasing additional cash for various purposes, including the possibility of a share buyback or dividends in the future.

Figure 3: Revenue by Segment

('000)	2022A		Mar 31/23 Q1/23A	Jun 30/23 Q2/23A	Sep 30/23 Q3/23A	Dec 31/23 Q4/23A	2023A		Mar 31/24 Q1/24A	
Revenue Streams										
Product Sales	\$239,355	87.4%	\$66,712	\$108,157	\$107,976	\$113,471	\$396,316	88.5%	\$113,115	87.5%
Technology-enabled Hardware Solutions	\$12,156	4.4%	\$3,381	\$1,917	\$2,319	\$899	\$8,516	1.9%	\$1,646	1.3%
Warehousing Services	\$7,325	2.7%	\$2,001	\$2,545	\$3,752	\$3,875	\$12,173	2.7%	\$2,631	2.0%
Freight Services	\$8,402	3.1%	\$2,012	\$3,438	\$3,617	\$4,180	\$13,247	3.0%	\$3,626	2.8%
Marketing and Other Services	\$1,249	0.5%	\$515	\$811	\$523	\$903	\$2,752	0.6%	\$556	0.4%
Tech-enabled Subscription Services & Fees	\$5,317	1.9%	\$1,456	\$2,095	\$4,534	\$6,636	\$14,721	3.3%	\$7,680	5.9%
Total	\$273,804		\$76,077	\$118,963	\$122,721	\$129,964	\$447,725		\$129,254	

Source: Company Financials; eResearch Corp.

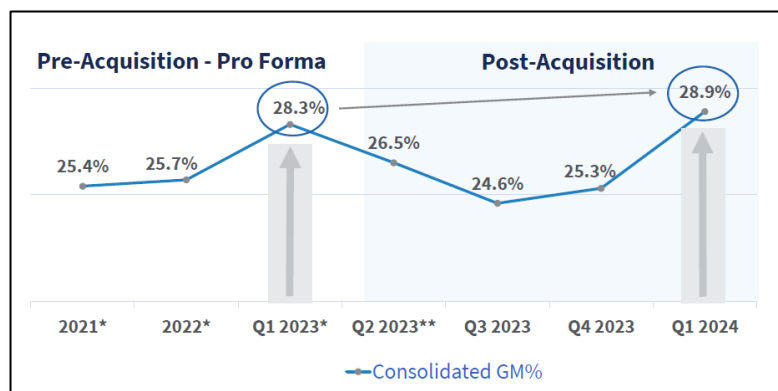
Net Income and EPS:

- **DCM** reported Net Income of \$1.5 million in Q1/2024 compared with a Net Loss of \$2.4 million in the first quarter of 2023.
- Accounting for acquisition and integration costs, restructuring expenses, and net fair value losses on financial liabilities, Adjusted Net Income in the quarter was \$4.9 million compared to \$5.9 million in the same quarter last year.
- Basic EPS in the quarter was \$0.03 and Diluted EPS was \$0.02 compared to a loss of \$0.06 per share (Basic and Diluted EPS) in the same quarter last year.

Cash and Total Debt:

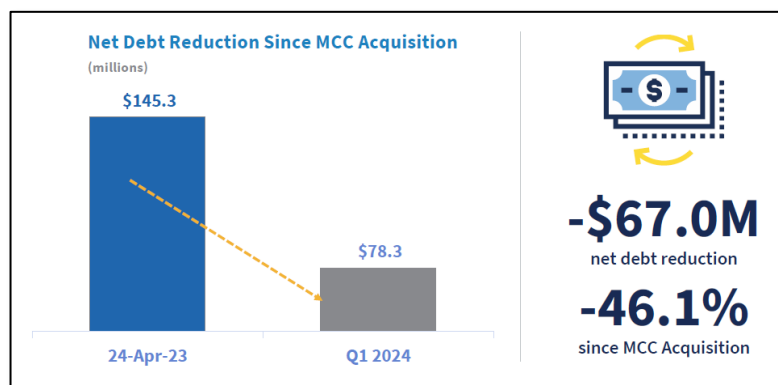
- As of March 31, 2024, **DCM** had \$19.8 million in cash but continues to apply any excess cash against its Bank Credit Facility.
- At the end of the quarter, the Company’s Total Debt stood at \$96.7 million, down 3.5% from \$100.3 million in Q4/2023.
- Net Debt, excluding Lease Liabilities, ended the quarter at \$76.9 million.
- The Company reiterated its focus on debt reduction as a key strategic priority and targets Net Debt of less than 1.0x Adjusted EBITDA (net of lease payments).
- At the end of the quarter, the Company’s Net Debt (by its calculation) was \$78.3 million, down 46.1% from \$145.3 million in April 2023, since the **MCC** acquisition (see [Figure 5](#)).

Figure 4: Gross Margins History



Source: Company Presentation (May 2024)

Figure 5: Net Debt Reduction Since MCC Acquisition



Source: Company Presentation (May 2024)

Merger and Operations Update

DCM reported achieving cost reductions on an annualized basis ranging between \$20 to \$24 million, aligning with projected post-merger synergies of \$30 to \$34 million. The Company remains on course to attain total annualized post-acquisition synergies within the range of \$30 to \$35 million within the next 12 months.

In January 2024, **DCM** concluded the sale and leaseback of its Trenton, Ontario, manufacturing facility, acquired through the **MCC** acquisition, generating net proceeds of \$8.5 million utilized to reduce its credit facility. Although a one-year lease was established for the facility, **DCM** plans its closure and relocation of production to other plants.

Primary contributors to achieving the remaining synergy targets involve consolidating two Toronto-based commercial print operations into the Bond, Toronto, facility, and merging the Fergus, Ontario and Trenton, Ontario, facilities into the Drummondville, Quebec and Brampton, Ontario facilities, respectively. The Toronto plant consolidation is slated for completion by mid-year 2024, while the latter two larger plant consolidations are expected within the next 12 months.

Strategic Update for 2024

We believe that **DCM** could see positive revenue growth and improved margins from its strategic priorities in 2024.

1. **Complete MCC Integration:** By advancing plant consolidation efforts and synchronizing back-office systems, **DCM** aims to finalize the **MCC** integration.
2. **Gross Profit Margin Improvement:** The Company plans to enhance gross profit margins, with a particular focus on optimizing the performance of the legacy **MCC** business.
3. **Business Growth:** **DCM** intends to leverage its increased scale, broadened product and service portfolio, and the capabilities of its unified team to drive revenue growth.
4. **Free Cash Flow Enhancement:** By continuing to increase Free Cash Flow, **DCM** will be better positioned to further reduce its Net Debt, opening opportunities for additional strategic investments and capital allocation decisions.

Figure 6: 2024 Strategic Priorities



Source: Company Presentation (May 2024)

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 1.0x (2024E Revenue);
- EV/EBITDA of 6.3x (2024E EBITDA).

(2) DAM:

- EV/Revenue of 2.8x (2024E Revenue);
- EV/EBITDA of 21.6x (2024E EBITDA).

(3) Tech-Enabled Marketing Workflow:

- EV/Revenue of 2.6x (2024E Revenue);
- EV/EBITDA of 13.7x (2024E EBITDA).

DCM Valuation

Currently, DCM is trading at 0.7x our 2024 revenue estimate of \$542.3 million and 7.0x our 2024 EBITDA estimate of \$56.3 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 7: Valuation Multiples Comparing our Model to DCM and the Sector Averages (2024E)

	Model	DCM (Market)	Conventional Print Solutions	DAM	Tech-Enabled Marketing Workflow
Revenue	1.0x	0.7x	1.0x	2.8x	2.6x
EBITDA	8.0x	7.0x	6.3x	21.6x	13.7x

Source: See Appendix B; eResearch Corp.

Due to the Company's revenue shortfall in Q1/2024, we lowered 2024 revenue to \$542.3 million from \$549.0 million, which negatively impacted our target price.

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

[Figure 8](#) highlights the revenue growth and gross margin assumptions we use in our model to reach our estimates.

Figure 8: Model Assumptions and Company Guidance

METRIC	RATE				DCM Guidance (5-Year Plan)
	2024E	2025E	2026E	2027E-2028E	
Revenue Growth	21%	4%	4%	5%	+5% Organic
Gross Margins	26.6%	27%	27%	28%-29%	+30%
Adj. EBITDA Margins	13%	14%	14%	15%-16%	+14%

Source: Company Presentation (2023); eResearch Corp.

Target Price Calculation

Method 1: Discounted Cash Flow (see [Figure 10](#)): 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 \$9.56.

Method 2: Revenue Multiple (see [Figure 9](#)): Using a revenue multiple of 1.0x and a one-year forward Revenue estimate of \$556.2 million, the one-year target share price estimate is \$6.15.

Method 3: EBITDA Multiple (see [Figure 9](#)): Using an EBITDA multiple of 8.0x and a one-year forward EBITDA estimate of \$57.8 million, the one-year target share price estimate is \$4.60.

The equal-weighted price per share is \$6.77 and we are reducing the one-year price target to \$6.75 from \$6.90.

We are maintaining a Buy rating and reducing the one-year price target to \$6.75 from \$6.90.

Figure 9: Target Price (1 Year) Calculation

						SHARES	TARGET
Method 1: DCF (5-year)	WACC:14%	Terminal Multiple: 8x EBITDA	See DCF calculation.			58.9M	\$9.56
			ENT. VALUE	Net Debt Q1/2025	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	1.0x	1 Year Fwd Revenue (Est.): \$556.2M	\$556.2M	\$200.1M	\$356.1M	57.9M	\$6.15
Method 3: EBITDA Multiple	8.0x	1-Year Fwd EBITDA (Est.): \$57.8M	\$462.4M	\$200.1M	\$262.3M	57.9M	\$4.60
Equal-Weighted Target Price (1 year)							\$6.77

Source: eResearch Corp.

Figure 10: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue (\$)	273.8	447.7	542.3	565.5	588.1	617.5	648.4
Revenue Growth	16.3%	63.5%	21.1%	4.3%	4.0%	5.0%	5.0%
EBITDA (\$)	32.0	39.9	56.3	60.2	62.8	73.8	84.1
EBITDA Growth	53.5%	24.7%	41.1%	7.0%	4.4%	17.4%	14.0%
EBITDA Margin	11.7%	8.9%	10.4%	10.6%	10.7%	11.9%	13.0%
Depreciation and Amortization	11.2	21.7	36.9	17.5	27.0	22.7	19.0
EBIT (\$)	20.8	18.2	19.4	42.7	35.8	51.1	65.1
NOPAT	38.6	8.0	47.6	61.1	66.7	82.7	97.7
Plus Amortization (\$)	11.2	21.7	36.9	17.5	27.0	22.7	19.0
Less Capital Expenditures (\$)	(1.5)	(3.1)	(7.4)	(3.6)	(3.0)	(2.5)	(2.0)
Net Working Capital Changes	(11.8)	0.9	(6.9)	(11.3)	(1.0)	(1.7)	(3.5)
EPS (Continuing)	0.30	(0.31)	0.13	0.35	0.44	0.62	0.79
Unlevered Free Cash Flow (\$)	36.4	27.5	70.1	63.7	89.7	101.3	111.3
PV of Unlevered FCFs (\$)	43.5	28.9	64.5	51.4	63.5	62.9	60.6

Valuation Assumptions:			
Discount Rate	14.0%		
Terminal Multiple	8.0x		
Valuation Analysis:			
	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	331.8	345.3	309.8
Terminal Value (\$M)	672.9	672.9	672.9
PV of Terminal Value (\$M)	366.4	417.9	476.4
Net (debt) cash position	(232.7)	(200.1)	(147.6)
Total Value (\$M)	465.5	563.1	638.6
DCF Value/Share (C\$)	C\$7.90	C\$9.56	C\$10.84
DCF Value/Share (US\$)	US\$5.81	US\$7.03	US\$7.97
FD Shares O/S (M)*	58.9	58.9	58.9

*Using the Treasury Method

Source: Company Reports; eResearch Corp.

Figure 11: 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%	7.88	8.89	9.90	10.91	11.92	12.93	13.94
	12.0%	7.37	8.32	9.26	10.21	11.15	12.10	13.05
	14.0%	6.90	7.79	8.67	9.56	10.45	11.33	12.22
	16.0%	6.46	7.30	8.13	8.96	9.79	10.63	11.46
	18.0%	6.06	6.84	7.62	8.41	9.19	9.97	10.75
	20.0%	5.68	6.42	7.16	7.89	8.63	9.36	10.10

Source: Company Reports; eResearch Corp.

Figure 12: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares, Options, and Warrants ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Mar 31/24)	55,023
Options Outstanding: 4.5 million at an average exercise price of \$1.18	4,529
Warrants Outstanding: 0.3 million at an average exercise price of \$3.16	261
Fully Diluted Share Count	59,813

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Dec 31/23)	55,023
Shares Issued in the Quarter	-
Shares Outstanding: Basic - End of the Current Quarter (Mar 31/24)	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*	2,892
- In the Money Warrants: Stock Price above Strike Price*	4
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	57,919

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

Shares Outstanding - DCF Valuation ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Mar 31/24)	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*	3,735
- In the Money Warrants: Target Price above Strike Price*	139
Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF)	58,897

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

Source: Company Reports; eResearch Corp.

Appendix A: Financial Statements

Figure 13: Income Statement

DCM	2022A	2023A	Q124A	Q224E	Q324E	Q424E	2024E	2025E
Income Statement - FYE (December 31); CAD ('000)								
Total Revenue	273,804	447,725	129,254	136,500	136,000	140,500	542,254	565,470
Total Cost of Sales	189,580	328,952	91,943	101,693	101,320	103,268	398,223	412,793
Gross Profit	84,224	118,773	37,311	34,808	34,680	37,233	144,031	152,677
Sales & Marketing	29,137	39,196	10,864	10,797	10,758	10,819	43,237	44,107
General and Administrative	26,477	47,234	14,307	13,787	13,600	13,488	55,182	55,416
Other operating costs	1,208	5,735	3,214	1,365	1,360	1,405	7,344	5,655
Restructuring Charges	-	20,308	-	-	-	-	-	-
Stock Based Compensation	328	675	211	410	408	422	1,450	1,696
Total Operating Expenses	57,150	113,148	28,596	26,358	26,126	26,133	107,213	106,874
Operating Income	27,074	5,625	8,715	8,449	8,554	11,100	36,818	45,803
Other Income (Expenses):								
Interest on Loan Payable	(2,742)	(8,315)	(2,498)	(2,417)	(2,275)	(2,131)	(9,321)	(6,833)
Interest Expense on Lease Liabilities	-	(7,006)	(3,055)	(3,117)	(3,096)	(3,072)	(12,340)	(12,009)
Acquisition and Integration Costs	(1,870)	(10,903)	(1,368)	(1,000)	(1,500)	(1,500)	(5,368)	-
Other	(2,567)	(1,845)	(140)	-	-	-	(140)	-
Total Other Income	(7,179)	(28,069)	(7,061)	(6,535)	(6,870)	(6,704)	(27,170)	(18,843)
EBT	19,895	(22,444)	1,654	1,915	1,684	4,396	9,649	26,960
Income Taxes	(5,929)	6,590	(179)	(479)	(421)	(1,099)	(2,178)	(6,740)
Net Income (Loss)	13,966	(15,854)	1,475	1,436	1,263	3,297	7,471	20,220
EPS								
Basic EPS	0.32	(0.31)	0.03	0.03	0.02	0.06	0.14	0.37
Diluted EPS	0.30	(0.31)	0.02	0.02	0.02	0.06	0.13	0.35
Basic EPS- ex-non-recurring items								
Shares Outstanding								
Shares Outstanding, Basic (Weighted)	44,063	50,833	55,023	55,023	55,023	55,023	55,023	55,023
Shares Outstanding, Diluted (Weighted)	46,572	50,833	59,052	57,919	57,919	57,919	57,919	57,919
Shares Outstanding, Basic (End of Quarter)	44,063	55,023	55,023	-	-	-	-	-

Source: Company Reports; eResearch Corp.

Figure 14: Balance Sheet

DCM	2022A	2023A	Q124A	Q224E	Q324E	Q424E	2024E	2025E
Balance Sheet - FYE (December 31); CAD ('000)								
Current Assets								
Cash	4,208	17,652	19,842	26,471	28,011	31,872	31,872	38,872
Account Receivables	54,630	117,956	107,154	106,136	105,747	109,246	109,246	113,634
Prepaid Expenses & Other Assets	2,984	5,313	5,827	6,106	6,045	6,014	6,014	5,915
Inventory	20,220	28,840	32,286	29,847	31,956	31,214	31,214	40,908
Income taxes receivable	15	2,640	1,248	1,248	1,248	1,248	1,248	1,248
Held for Sale	0	8,650	0	0	0	0	0	0
Total Current Assets	82,057	181,051	166,357	169,808	173,008	179,593	179,593	200,578
Non-Current Assets								
Deferred Income Tax Assets	4,830	9,801	9,122	9,122	9,122	9,122	9,122	9,122
Property and Equipment	6,779	30,358	31,088	29,632	28,137	26,712	26,712	22,044
Pension Assets	2,830	1,962	2,724	2,724	2,724	2,724	2,724	2,724
Intangible Assets	2,507	10,616	9,888	9,394	8,924	8,478	8,478	6,905
Goodwill	16,973	22,265	22,265	22,265	22,265	22,265	22,265	22,265
Right-of Use and Other	33,505	162,701	164,652	158,105	151,650	145,455	145,455	123,104
Total Assets	149,481	418,754	406,096	401,050	395,830	394,348	394,348	386,742
Current Liabilities								
Accounts Payables/Accrued Liabilities	44,133	75,766	69,963	70,162	69,905	71,248	71,248	73,862
Lease Liability	6,791	10,322	11,820	10,920	10,880	11,240	11,240	11,371
Current Portion of Debt/Promissory Notes	11,667	6,333	8,119	6,845	5,322	3,609	3,609	2,368
Provisions	1,316	16,325	13,395	13,395	13,395	13,395	13,395	13,395
Deferred Revenue - Current	3,942	6,221	6,032	5,460	5,440	5,620	5,620	5,686
Taxes Payable	1,630	0	0	0	0	0	0	0
Total Current Liabilities	69,479	116,531	109,528	106,781	104,941	105,113	105,113	106,682
Non-Current Liabilities								
Term Loan/Promissory Notes	0	93,918	88,379	83,960	79,762	75,774	75,774	49,715
Credit Facilities	15,380	0	0	183	168	93	93	66
Lease Liability	33,011	144,993	144,049	143,858	142,737	141,148	141,148	135,012
Provision/Loan Payable/Benefits Payable	8,764	27,390	23,992	24,274	24,556	24,838	24,838	25,966
Other	0	7,158	4,497	4,497	4,497	4,497	4,497	4,497
Total Liabilities	126,634	389,990	370,445	363,553	356,662	351,462	351,462	321,939
Shareholders Equity								
Capital Stock	256,478	283,738	283,738	283,738	283,738	283,738	283,738	283,738
Warrants & Options	869	219	219	219	219	219	219	219
Accumulated OCI	207	177	207	207	207	207	207	207
Contributed Surplus	3,131	3,135	3,346	3,756	4,164	4,585	4,585	6,281
Deficit	(237,838)	(258,505)	(251,859)	(250,423)	(249,160)	(245,863)	(245,863)	(225,643)
Total Shareholders Equity	22,847	28,764	35,651	37,496	39,168	42,886	42,886	64,803
Total Liabilities & Shareholders Equity	149,481	418,754	406,096	401,050	395,830	394,348	394,348	386,742

Source: Company Reports; eResearch Corp.

Figure 15: Cash Flow Statement

DCM	2022A	2023A	Q124A	Q224E	Q324E	Q424E	2024E	2025E
Cash Flow Statement - FYE (December 31); CAD ('000)								
Cash Provided By Operating Activities								
Net Income (Loss)	13,966	(15,854)	1,475	1,436	1,263	3,297	7,471	20,220
Amortization of Intangibles	1,606	2,881	728	692	658	625	2,702	2,202
Depreciation of Property & Equipment	2,965	6,165	1,523	3,072	3,036	2,888	10,520	7,655
Depreciation of Right-of-Use Assets	6,609	12,677	4,485	6,547	6,455	6,195	23,682	22,351
Interest Expense on Lease Liabilities	2,223	7,006	3,055	3,117	3,096	3,072	12,340	12,009
Stock Based Compensation Expense	328	675	211	410	408	422	1,450	1,696
Pension and other Benefit Expenses	351	121	282	282	282	282	1,128	1,128
Loss on Disposal of Intangible Assets	98	-	-	-	-	-	-	-
Provisions	-	20,308	(3,020)	-	-	-	(3,020)	-
Income Tax Expense	5,929	(10,662)	229	-	-	-	229	-
Finance Cost	120	-	-	-	-	-	-	-
Other	328	8,598	3,321	-	-	-	3,321	-
Changes in Non-Cash Working Capital								
Account & Other Receivables	(3,063)	(3,586)	10,802	1,018	389	(3,499)	8,710	(4,388)
Inventory	(8,087)	14,361	(3,446)	2,439	(2,110)	743	(2,374)	(9,695)
Prepaid Expenses & Other Current Assets	(43)	(2,051)	(4,710)	(279)	61	32	(4,897)	98
Accounts Payable & Other Payables	6,888	(3,452)	(9,017)	199	(257)	1,344	(7,732)	2,614
Other	(5,056)	-	-	-	-	-	-	-
Provisions	(3,160)	(4,975)	-	-	-	-	-	-
Deferred (Unbilled) Revenue	673	591	(189)	(572)	(20)	180	(601)	66
Total Cash Provided By Operating Activities	22,675	32,803	5,729	18,361	13,260	15,580	52,931	55,956
Investing Activities								
Purchase of Property & Equipment	(1,475)	(2,940)	(2,231)	(1,617)	(1,541)	(1,463)	(6,852)	(2,987)
Purchase of Intangibles	(71)	(127)	-	(198)	(188)	(178)	(564)	(629)
Business (Acquisition) Sale	70	(130,953)	-	-	-	-	-	-
Total Cash From Investing Activities	(1,476)	(104,487)	6,430	(1,814)	(1,729)	(1,642)	1,245	(3,616)
Financing Activities								
Proceeds from Loan/Promissory Notes	-	162,140	(1,365)	-	-	-	(1,365)	-
Repayment of Loan/Promissory Notes	-	(87,592)	-	(5,693)	(5,721)	(5,701)	(17,115)	(27,300)
Operating Line/Credit Facility (Repayment)	(9,716)	282	(3,893)	(16)	(15)	(76)	(3,999)	(26)
Repayment of Other Liabilities	515	-	-	-	-	-	-	-
Transaction Costs	-	(1,801)	-	-	-	-	-	-
Lease Payments	(8,730)	(13,321)	(4,730)	(4,208)	(4,256)	(4,301)	(17,496)	(18,014)
Proceeds from exercise of Stock Options and Warrants	-	1,240	-	-	-	-	-	-
Issue/Repurchase of Equity	-	24,221	-	-	-	-	-	-
Total Cash From Financing Activities	(17,931)	85,169	(9,988)	(9,918)	(9,992)	(10,078)	(39,975)	(45,340)
Effect of Exchange Rates on Cash	39	(41)	19	-	-	-	19	-
Net Increase in Cash	3,307	13,444	2,190	6,629	1,540	3,861	14,220	7,000
Beginning Cash	901	4,208	17,652	19,842	26,471	28,011	17,652	31,872
Ending Cash	4,208	17,652	19,842	26,471	28,011	31,872	31,872	38,872

Source: Company Reports; eResearch Corp.

Appendix B: Company Comparables by Industry

Figure 16: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

Name	Ticker	May 16 Close (\$)	Mkt Cap (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
					2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E
DATA Communications Management Corp.	TSX:DCM	\$2.96	\$164	\$396	\$273.8	\$447.7	\$542.3	\$32.0	\$40.6	\$56.3	1.4x	0.9x	0.7x	12.4x	9.8x	7.0x
US Comps - Conventional Print Solution Providers																
ARC Document Solutions, Inc.	NYSE:ARC	US\$2.75	US\$119	US\$168	US\$286	US\$281	US\$286	US\$38	US\$31	US\$37	0.6x	0.6x	0.6x	4.4x	5.5x	4.5x
Canon Inc.	TSE:7751	US\$27.85	US\$27,398	US\$29,466	US\$30,570	US\$29,660	US\$27,938	US\$4,594	US\$4,435	US\$4,269	1.0x	1.0x	1.1x	6.4x	6.6x	6.9x
Cimpress plc	NASDAQ:CMPR	US\$90.13	US\$2,294	US\$3,868	US\$2,888	US\$3,210	US\$3,390	US\$101	US\$323	US\$480	1.3x	1.2x	1.1x	38.4x	12.0x	8.1x
Ennis, Inc.	NYSE:EBF	US\$20.80	US\$540	US\$439	US\$400	US\$432	US\$423	US\$78	US\$77	US\$76	1.1x	1.0x	1.0x	5.6x	5.7x	5.8x
Quad/Graphics, Inc.	NYSE:QUAD	US\$4.95	US\$257	US\$899	US\$3,217	US\$2,958	US\$2,744	US\$252	US\$234	US\$228	0.3x	0.3x	0.3x	3.6x	3.8x	3.9x
Xerox Holdings Corporation	NASDAQ:XRX	US\$14.02	US\$1,741	US\$5,073	US\$6,900	US\$6,695	US\$6,482	US\$449	US\$541	US\$598	0.7x	0.8x	0.8x	11.3x	9.4x	8.5x
Mean (EV/Rev <20; EV/EBITDA <100)											0.8x	0.8x	0.8x	11.6x	7.2x	6.3x
Median											0.8x	0.9x	0.9x	6.0x	6.2x	6.3x
Cdn Comps - Conventional Print Solution Providers																
CCL Industries Inc.	TSX:CCL.B	\$71.64	\$12,848	\$14,457	\$6,382	\$6,650	\$7,016	\$1,179	\$1,270	\$1,452	2.3x	2.2x	2.1x	12.3x	11.4x	10.0x
Supremex Inc.	TSX:SXP	\$3.91	\$99	\$190	\$272	\$302	\$283	\$51	\$43	\$44	0.7x	0.6x	0.7x	3.7x	4.4x	4.3x
Transcontinental Inc.	TSX:TCL.A	\$13.54	\$1,173	\$2,133	\$2,973	\$2,914	\$2,891	\$395	\$407	\$454	0.7x	0.7x	0.7x	5.4x	5.2x	4.7x
Mean (EV/Rev <20; EV/EBITDA <100)											1.2x	1.2x	1.2x	7.1x	7.0x	6.3x
Median											0.7x	0.7x	0.7x	6.0x	6.2x	6.3x
US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																
Adobe Inc.	NASDAQ:ADBE	US\$482.88	US\$216,330	US\$213,596	US\$17,606	US\$19,409	US\$21,465	US\$6,716	US\$7,268	US\$10,717	12.1x	11.0x	10.0x	31.8x	29.4x	19.9x
Box, Inc.	NYSE:BOX	US\$27.18	US\$3,924	US\$4,427	US\$874	US\$1,038	US\$1,083	US\$85	US\$85	US\$338	5.1x	4.3x	4.1x	52.0x	51.8x	13.1x
Fluent, Inc.	NASDAQ:FLNT	US\$3.45	US\$47	US\$70	US\$361	US\$298	US\$279	US\$19	US\$3	US\$10	0.2x	0.2x	0.3x	3.8x	26.8x	6.8x
LiveRamp Holdings, Inc.	NYSE:RAMP	US\$33.16	US\$2,195	US\$1,708	US\$529	US\$636	US\$694	-US\$58	US\$17	US\$119	3.2x	2.7x	2.5x	99.5x	14.4x	
Open Text Corporation	NASDAQ:OTEX	US\$30.68	US\$8,268	US\$15,798	US\$3,494	US\$5,696	US\$5,528	US\$969	US\$1,435	US\$1,804	4.5x	2.8x	2.9x	16.3x	11.0x	8.8x
QuinStreet, Inc.	NASDAQ:QNST	US\$18.21	US\$1,007	US\$978	US\$582	US\$550	US\$707	-US\$4	-US\$12	US\$39	1.7x	1.8x	1.4x			24.9x
Smartsheet Inc.	NYSE:SMAR	US\$41.94	US\$5,774	US\$5,195	US\$551	US\$958	US\$1,116	-US\$203	-US\$106	US\$178	9.4x	5.4x	4.7x			29.2x
TechTarget, Inc.	NASDAQ:TTGT	US\$30.78	US\$879	US\$978	US\$297	US\$230	US\$233	US\$77	US\$16	US\$73	3.3x	4.3x	4.2x	12.8x	60.7x	13.5x
Mean (EV/Rev <20; EV/EBITDA <100)											4.9x	4.1x	3.7x	23.3x	46.6x	16.3x
Median											3.9x	3.5x	3.5x	16.3x	40.6x	13.9x
CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																
illumin Holdings Inc.	TSX:ILLM	\$1.58	\$82.0	\$34.0	\$121.0	\$126.3	\$129.7	-\$4.5	-\$9.9	\$5.3	0.3x	0.3x	0.3x			6.4x
Fobi AI Inc.	TSXV:FOBI	\$0.08	\$17.7	\$17.6	\$1.6	\$2.5	\$0.0	-\$12.7	-\$8.6	\$0.0	11.2x	7.0x				
TrueContext Corporation	TSXV:TCXT	\$1.06	\$141.6	\$141.3	\$21.3	\$24.4	\$39.0	-\$4.2	-\$1.5	\$3.0	6.6x	5.8x	3.6x			47.2x
Mean (EV/Rev <20; EV/EBITDA <100)											6.0x	4.4x	1.9x			26.8x
Median											6.6x	5.8x	1.9x			26.8x

Source: S&P Capital IQ; eResearch Corp.

Figure 17: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

Name	Ticker	May 16 Close (\$)	Mkt Cap (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
					2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E
DATA Communications Management Corp.	TSX:DCM	\$2.96	\$164	\$396	\$273.8	\$447.7	\$542.3	\$32.0	\$40.6	\$56.3	1.4x	0.9x	0.7x	12.4x	9.8x	7.0x
Tech-Enabled Marketing Workflow Providers																
Cimpress plc	NASDAQ:CMPR	US\$90.13	US\$2,293.9	US\$3,868.1	US\$2,887.6	US\$3,209.7	US\$3,389.6	US\$100.6	US\$322.5	US\$480.2	1.3x	1.2x	1.1x	38.4x	12.0x	8.1x
Deluxe Corporation	NYSE:DLX	US\$23.43	US\$1,032.0	US\$2,637.9	US\$2,238.0	US\$2,238.0	US\$2,213.4	US\$386.5	US\$390.2	US\$410.4	1.2x	1.2x	1.2x	6.8x	6.8x	6.4x
dotdigital Group Plc	AIM:DOTD	£0.97	£298.6	£263.2	£62.8	£74.2	£82.4	£13.0	£15.7	£25.0	4.2x	3.5x	3.2x	20.2x	16.7x	10.5x
Galaxy Digital Holdings Ltd.	TSX:GLXY	\$12.58	\$1,530	\$1,529		\$567	\$919					2.7x	1.7x			
Harte Hanks, Inc.	NASDAQ:HHS	US\$7.46	US\$54.0	US\$69.9	US\$206.3	US\$191.5	US\$194.3	US\$15.8	US\$9.9	US\$17.8	0.3x	0.4x	0.4x	4.4x	7.1x	3.9x
HubSpot, Inc.	NYSE:HUBS	US\$610.36	US\$31,105.4	US\$30,360.8	US\$1,731.0	US\$2,170.2	US\$2,561.4	-US\$83.0	-US\$80.9	US\$508.1	17.5x	14.0x	11.9x			59.8x
Publicis Groupe S.A.	ENXTPA:PUB	€ 106.90	€ 26,741.23	€ 28,145.02	€ 14,196.00	€ 14,802.00	€ 13,827.66	€ 2,557.00	€ 2,504.00	€ 3,017.07	2.0x	1.9x	2.0x	11.0x	11.2x	9.3x
Quadrat S.A.	ENXTPA:QDT	€ 19.52	€ 670.96	€ 1,390.67	€ 1,024.30	€ 1,074.38	€ 1,104.70	€ 231.90	€ 204.40	€ 257.10	1.4x	1.3x	1.3x	6.0x	6.8x	5.4x
Teleperformance SE	ENXTPA:TEP	€ 109.65	€ 6,657.12	€ 11,222.65	€ 8,154.00	€ 8,345.00	€ 10,332.16	€ 1,372.00	€ 1,406.00	€ 2,132.55	1.4x	1.3x	1.1x	8.2x	8.0x	5.3x
TTEC Holdings, Inc.	NASDAQ:TTEC	US\$7.69	US\$365.7	US\$1,371.0	US\$2,443.7	US\$2,462.8	US\$2,311.2	US\$301.2	US\$240.7	US\$230.5	0.6x	0.6x	0.6x	4.6x	5.7x	5.9x
Zeta Global Holdings Corp.	NYSE:ZETA	US\$17.10	US\$3,741.3	US\$3,793.2	US\$591.0	US\$728.7	US\$900.4	-US\$231.5	-US\$137.7	US\$170.9	6.4x	5.2x	4.2x			22.2x
Mean (EV/Rev <20; EV/EBITDA <100)											3.6x	3.0x	2.6x	12.5x	9.3x	13.7x
Median											1.4x	1.3x	1.3x	7.5x	7.5x	7.2x

Name	Ticker	May 16 Close (C\$)	Mkt Cap (C\$ M)	EV (C\$ M)	REVENUE (C\$ M)			EBITDA (C\$ M)			EV/Revenue			EV/EBITDA		
					2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E
Canadian Advertising, Marketing & Technology Comps																
illumin Holdings Inc.	TSX:ILLM	\$1.58	\$82.0	\$34.0	\$121.0	\$126.3	\$129.7	-\$4.5	-\$9.9	\$5.3	0.3x	0.3x	0.3x			6.4x
Adcore Inc.	TSX:ADCO	\$0.24	\$14.5	\$8.5	\$19.7	\$23.1		-\$0.4	-\$0.4		0.4x	0.4x				
ARHT Media Inc.	TSXV:ART	\$0.05	\$0.0	\$2.1	\$7.5	\$6.6	\$7.1		-\$7.9	-\$6.3	0.3x	0.3x	0.3x			
Datable Technology Corporation	TSXV:DAC	\$0.01	\$1.1	\$4.5	\$3.9	\$5.3		-\$3.8	-\$0.8		1.1x	0.8x				
DeepMarkit Corp.	TSXV:MKT	\$0.14	\$0.7	\$0.7				-\$6.3	-\$3.0							
EQ Inc.	TSXV:EQ	\$1.12	\$77.8	\$79.0	\$11.0	\$10.0		-\$6.1	-\$2.3		7.2x	7.9x				
Fobi AI Inc.	TSXV:FOBI	\$0.08	\$17.7	\$17.6	\$1.6	\$2.5		-\$12.7	-\$8.6		11.2x	7.0x				
Gatekeeper Systems Inc.	TSXV:GSI	\$0.70	\$0.1	-\$3.1	\$22.2	\$32.8		\$0.8	\$5.7							
Reklaim Ltd.	TSXV:MYID	\$0.14	\$15.7	\$16.5	\$2.4	\$4.1		-\$4.5	\$0.5		7.0x	4.0x			34.1x	
Snipp Interactive Inc.	TSXV:SPN	\$0.12	\$32.9	\$29.3	\$24.7	\$30.5	\$23.5	-\$1.6	-\$3.3	\$0.2	1.2x	1.0x	1.2x			146.5x
YANGAROO Inc.	TSXV:YOO	\$0.04	\$2.2	\$5.0	\$7.7			-\$0.5			0.6x					
Yellow Pages Limited	TSX:Y	\$9.50	\$130.7	\$149.9	\$268.3	\$239.4	\$209.8	\$85.8	\$69.5	\$58.0	0.6x	0.6x	0.7x	1.7x	2.2x	2.6x
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.07	\$6.4	\$7.9	\$53.0	\$32.1		-\$1.9	-\$1.2		0.1x	0.2x				
Mean (EV/Rev <20; EV/EBITDA <100)											2.7x	2.3x	0.6x	1.7x	18.1x	4.5x
Median											0.6x	0.7x	0.5x	1.7x	18.1x	6.4x

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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