

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$4.00	\$3.75
Revenue F2021E (M)	\$235.3	\$238.7
Adj. EBITDA F2021E (M)	\$36.4	\$32.4
EPS F2021 (M)	\$0.03	\$0.03

### MARKET DATA

Date:	Apr 29, 2022
Current Price (C\$):	\$1.28
Target Price (C\$):	\$4.00
52-Week Range:	\$0.73 / \$1.51
Shares O/S (M):	44.1
Mkt Cap (C\$M):	\$56.4
EV (C\$M):	\$130.9
Avg. Weekly Vol. (M):	0.15

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

### FINANCIALS

(\$M)	F2020A	F2021A	F2022E
Revenue	\$259.3	\$235.3	\$246.1
EBITDA	\$27.5	\$20.8	\$23.9
Adj. EBITDA	\$41.5	\$36.4	\$34.0
EPS (S)	\$0.27	\$0.03	\$0.18
Cash	\$0.6	\$0.9	\$5.5
Current Assets	\$75.9	\$68.0	\$72.6
Net Cash	-\$95.6	-\$74.5	-\$54.1
Total Assets	\$163.9	\$140.1	\$137.2
Debt	\$46.1	\$36.3	\$28.4
Total Liabilities	\$154.0	\$132.0	\$119.4
Fiscal Year End:	31-Dec		

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

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

## DATA Communications Management Corp.

(TSX:DCM | OTC: DCMDF)

### Quarterly Revenue Improves Y/Y as a Sign of COVID Impacts Easing

#### COMPANY DESCRIPTION:

**DATA Communications Management Corp. ("DCM" or "the Company")** is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises. Its services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management.

#### 2021 FINANCIAL HIGHLIGHTS:

- **Q4/2021 Revenue Slightly Higher Y/Y as COVID Impacts Easing.** Revenue of \$60.9M in Q4/2021 was below our estimate of \$64.2M, but slightly higher than Q4/2020. Even though some clients deferred expenditures and supply chain issues caused delays, it was the first time since the pandemic started that quarterly revenue improved Y/Y.
- **Corporate Consolidation Helps Maintain Margins.** Restructuring charges were \$9.7M in 2021 but could drive \$14M in annual savings. Even with declining revenue Y/Y, Gross Margin in 2021 was 29.5%, up from 28.1% in 2020. Margins continued to benefit from cost-saving initiatives including factory consolidation, operation efficiencies, and revenue mix.
- **"Digital-First" Strategy to Drive Revenue Growth.** The Company reported that it is currently targeting 50 clients and the sales pipeline was \$10 million. Recent wins include a deployment of DCMFlex™ to a U.S. multi-state cannabis operator.
- **Low Valuation Multiple Compared to Peers.** DCM is currently trading at 0.5x 2022 EV/Rev compared with Printer comps trading at 1.0x EV/Rev, and well below the Digital Asset Management & Tech-Enabled Workflow providers trading at 2.6x and 4.6x EV/Rev, respectively.

#### FINANCIAL ANALYSIS & VALUATION:

- We are maintaining our 2022 Revenue estimate at \$246.1M, our revenue multiple at 0.8x, and our EBITDA multiple at 7.0x. We shifted the model one quarter forward, which positively affected the valuation.
- We estimate an equal-weighted price target of \$4.00 based on a DCF valuation (\$6.49/share), a Revenue Multiple valuation (\$3.14/share), and an EBITDA Multiple valuation (\$2.70/share).
- **We are maintaining a Buy rating and increasing the one-year price target to \$4.00 from \$3.75.**

*All figures in CAD unless otherwise stated.*

eResearch Corporation

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## COMPANY INFORMATION

### Company Summary

**DCM** is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises.



The Company's services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management. It serves the cannabis, energy, financial, governmental, healthcare, insurance, lottery and gaming, not-for-profit, and retail industries.

**DCM** serves 250 enterprise clients and more than 2,000 SME clients through 16 locations across Canada and the United States.

We believe the Company has robust product and service offerings that will enable it to transition its clients from print to digital services and thus should benefit from top-line growth and robust EBITDA margin expansion.

### Business Strategy

Over the last five years, **DCM** has focused on cost reductions and operational efficiency improvements to improve its margins and cash flow. Restructuring charges were \$9.7 million in 2021 but the Company estimates that it should save up to \$14 million annually once the changes are fully implemented. **DCM** also reported that it was not expecting any material restructuring expenses in 2022.

In addition, **DCM** continues to transition from a "print-first" to a "digital-first" company and roll out a Digital Asset Management (DAM) service to help companies manage their ever-growing portfolio of digital assets.

**DCM's** strategic direction focuses on three key offerings in three broad market areas (see [Figure 1](#)):

1. DCM Conventional Print Solutions;
2. DCM Flex: Tech-Enabled Marketing Workflow;
3. ASMBL: DAM Tech-Enabled Service.

*Figure 1: DCM's Three Key Offerings*

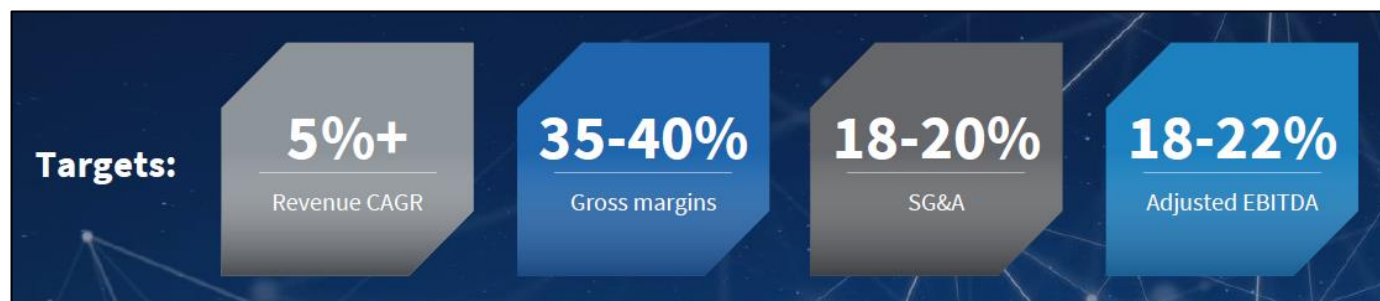


Source: Company Presentation (March 2022)

**DCM** has set four key financial objectives for the next five years (see [Figure 2](#)):

- 1) Revenue Compound Annual Growth Rate: Greater than 5%;
- 2) Gross Margins: In the range of 35% to 40%;
- 3) Selling, General, and Administrative Expenses (SG&A): In the range of 18% to 20%;
- 4) Adjusted EBITDA: In the range of 18% to 22%.

**Figure 2: DCM's Five-year Financial Objectives**



Source: Company Presentation (March 2022)

To hit these financial objectives, **DCM** continues to execute on a strategy that includes:

- 1) "Digital First" Strategy:
  - Continued focus on its "Digital First" strategy to shift clients to DCMFlex™ (Tech-Enabled Marketing Workflow) and ASMBL (DAM platform).
  - In January 2022, **DCM** reported that a multi-state operator of cannabis cultivation and retail locations in the United States selected **DCM's** DCMFlex™ workflow-management platform and its North American production network to provide tech-enabled marketing support to create, audit, change and execute digital assets, including packaging and in-store collateral.
  - The Company also reported that it is currently targeting 50 clients with digital offerings and the sales pipeline was \$10 million.
- 2) Office Consolidation, Headcount Reduction, and Productivity Improvements:
  - The Company has reduced its headcount by 14% year-over-year and, at the end of 2021, the headcount was 922 down from 1,411 in 2017.
  - **DCM** has also shifted to a hybrid work environment model with reduced offices to further reduce office costs.
- 3) Leadership Team Optimization:
  - **DCM** streamlined operations by eliminating two layers of leaders, including six senior leadership positions, but widened the span of responsibilities across the Company to make the organization more responsive.
- 4) Factory Consolidation to Increase Operational Efficiencies:
  - Brampton & Mississauga Consolidation: Operations from Mississauga were shifted to Brampton and the cost savings are expected to reach \$1.8 million.
  - Calgary & Edmonton Consolidation: Operations from Edmonton were moved to Calgary and the cost savings are expected to be \$0.80 million.
  - Combined with other operational efficiencies, including new Digital inkjet capabilities, the total operating expense savings are expected to deliver \$3.5 million in annualized savings.

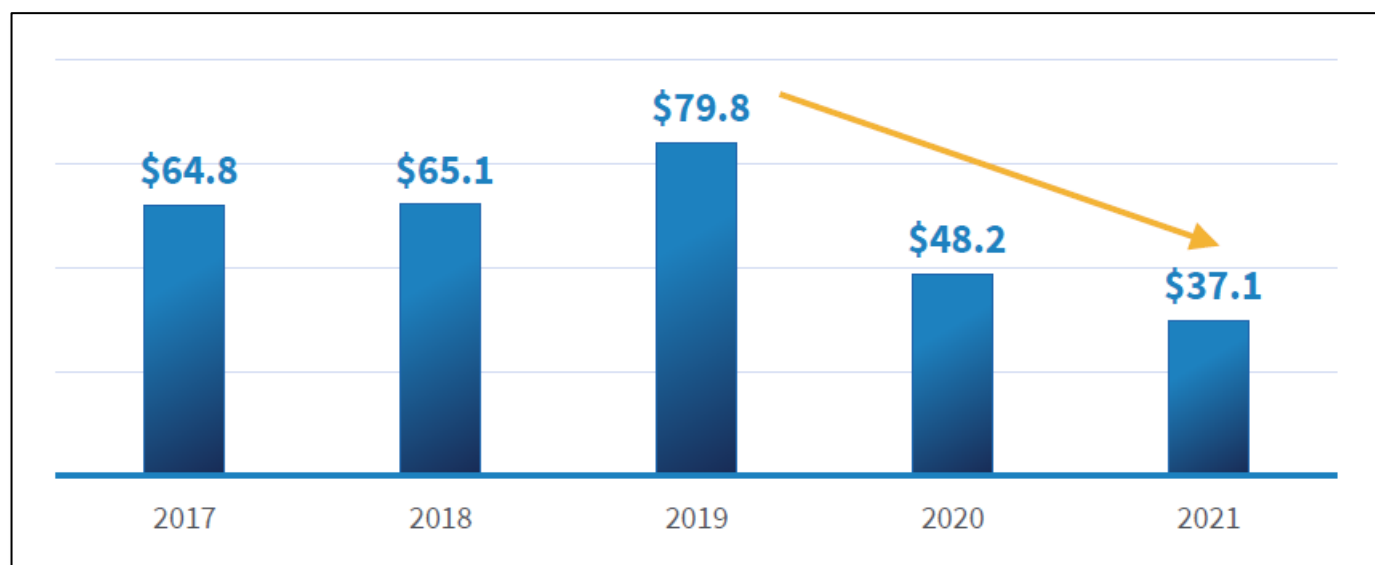
## 5) Debt Reduction &amp; Refinancing:

- **DCM** continues to focus on debt reduction to improve its debt-to-capital ratio, reduce interest payments, and have borrowing capacity in case a tactical acquisition presents itself.
- On November 8, 2021, **DCM** announced a refinancing of its credit facilities with a Canadian chartered bank that included a \$15 million revolving credit facility, a \$10 million term loan, and a \$10 million "accordion" facility. **DCM** has also entered into an agreement with **Fiera Private Debt ("FPD")** for an \$11 million term facility. The proceeds from new term loans provided by the Canadian chartered bank and **FPD** will be used to repay the \$21.4 million term loan with **Crown Capital Partners**.
- At the end of 2021, the total debt was \$37.1 million, down 23.0% from the same period in 2020, and down 53.5% from 2019. (See [Figure 3](#).) The Company estimates that the debt refinancing could save it \$1.5 million this year.

## 6) Other Key Initiatives include renewed employee and client engagement, a new Environmental, Social and Governance (ESG) strategy, and leveraging Business Intelligence from its ERP system.

- As part of the Company's ESG strategy, **DCM** partnered with **PrintReleaf**, a technology platform that measures a customer's paper usage and reforests that usage on an equivalent basis.

**Figure 3: DCM's Debt Reduction – Total Debt Outstanding at Year-End (in Millions)**



Source: Company Presentation (March 2022)

## REVIEW OF RECENT FINANCIALS

DCM's reported revenue in Q4/2021 of \$60.9 million was below our estimate of \$64.2 million but slightly higher than the revenue in Q4/2020. It was the first time since the pandemic started that quarterly revenue improved year-over-year. However, the Company continued to report that certain clients deferred expenditures on services due to COVID-19, and supply chain issues caused some potential business to be delayed from Q4/2021 into early 2022.

DCM continues to see "return to work" indications and believes that revenue will continue to trend higher in 2022. We are not concerned with short-term revenue shortfalls, as the Company seems to be on track with its cost-cutting measures and debt refinancing to improve cash flow and pay down debt. In addition, it is executing on its "digital-first" strategy, which is highlighted by a recent sale of DCMFlex™ into a multi-state cannabis cultivator and retailer in the United States.

Figure 4: Financial Summary

(C\$) ('000)	Q420A	2020A	Q121A	Q221A	Q321A	Q421A	Q421E	Diff.	2021A
Total Revenue	\$60,589	\$259,314	\$62,361	\$55,207	\$56,892	\$60,871	\$64,224	-5.2%	\$235,331
Gross Margin	24.8%	28.1%	30.1%	28.7%	30.2%	29.1%	30.2%	-1.1%	29.5%
Total Operating Expenses	\$13,724	\$61,705	\$18,912	\$15,842	\$14,984	\$15,910	\$19,225	-17.2%	\$65,648
Operating Income	\$1,284	\$11,237	(\$119)	\$0	\$2,203	\$1,803	\$177	+920.9%	\$3,887
EBITDA**	\$4,848	\$27,510	\$5,456	\$2,749	\$7,220	\$5,403	\$3,988	+35.5%	\$20,828
Adj. EBITDA*	\$7,387	\$41,476	\$9,300	\$7,292	\$9,437	\$10,384	\$6,883	+50.9%	\$36,413
Diluted EPS	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	+6.8%	\$0
Cash	\$578	\$578	\$599	\$163	\$0	\$901	\$6,014		\$901
Debt	\$46,893	\$46,145	\$39,105	\$39,099	\$36,341	\$34,100	\$32,768		\$32,062

\* Adj. EBITDA includes Lease Expenses and one-time charges.

\*\* The Valuation calculation uses EBITDA that does not include Lease Expenses or one-time charges.

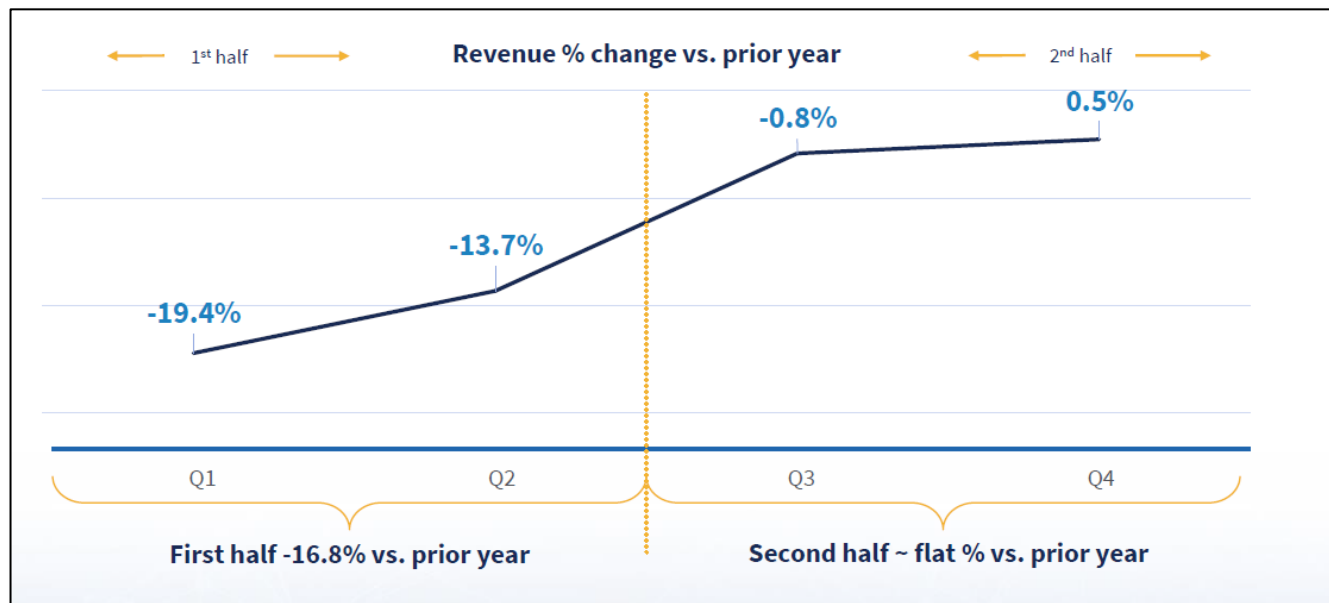
Source: Company Reports; eResearch Corp.

## Financial and Business Highlights

- Q4/2021 Financial Summary**
  - Revenue:** Revenue in the quarter was \$60.9 million, up 0.5% from \$60.6 million in Q4/2020 and up 7.0% compared to Q3/2021. The Company believes that this positive trend could continue into Q1/2022 and, from a seasonality perspective, the first quarter is typically the seasonally strongest quarter for DCM.
  - Gross Margin:** Gross Margin in Q4/2021 was 29.1%, up from 28.1% in Q4/2020, and resulted in Gross Profits of \$17.7 million, up from \$15.0 million in Q4/2020.
  - SG&A:** SG&A in Q4/2021 was \$15.4 million up from \$12.4 million in 2020. Excluding non-cash expenses and write-downs, the increase would have been only \$1.3 million and was primarily due to higher selling and commission expenses.
  - Net Income (NI):** NI in Q4/2021 was a loss of \$0.5 million compared with a gain of \$2.9 million in Q4/2020. In Q4/2020, the Company benefited from government grant income due to COVID-19 and in Q4/2021, NI was negatively impacted by \$2.3 million in Restructuring Charges.

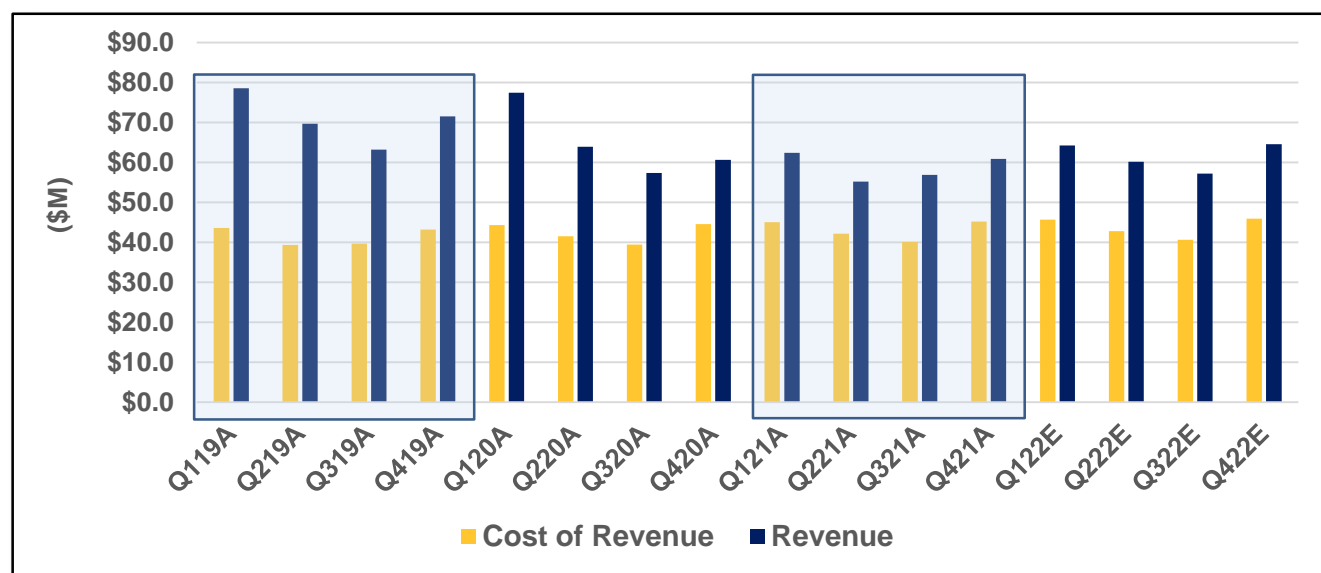
- **Adjusted EBITDA:** Adjusted EBITDA was \$7.3 million in Q4/2021 and slightly lower than the \$7.4 million reported in Q4/2020. Similar to NI, Adjusted EBITDA in Q4/2020 benefited from the government grant income. Note: DCM’s Adjusted EBITDA calculation includes Lease Expenses and one-time charges. **eResearch's** EBITDA calculation does not include Lease Expenses.
- **Restructuring Expenses:** Due to corporate consolidation and other headcount reductions, the Company continued to book Restructuring Expenses as it consolidates operations. Restructuring Expenses were \$2.3 million in Q4/2021 compared to \$0.7 million in Q4/2020. **DCM** reported that it was not expecting any material restructuring expenses in 2022.

Figure 5: 2021 Revenue by Quarter - Percentage Change vs 2020



Source: Company Presentation (March 2022)

Figure 6: Quarterly Revenue Comparison of Revenue to Cost of Revenue



Source: Company Reports; eResearch Corp.

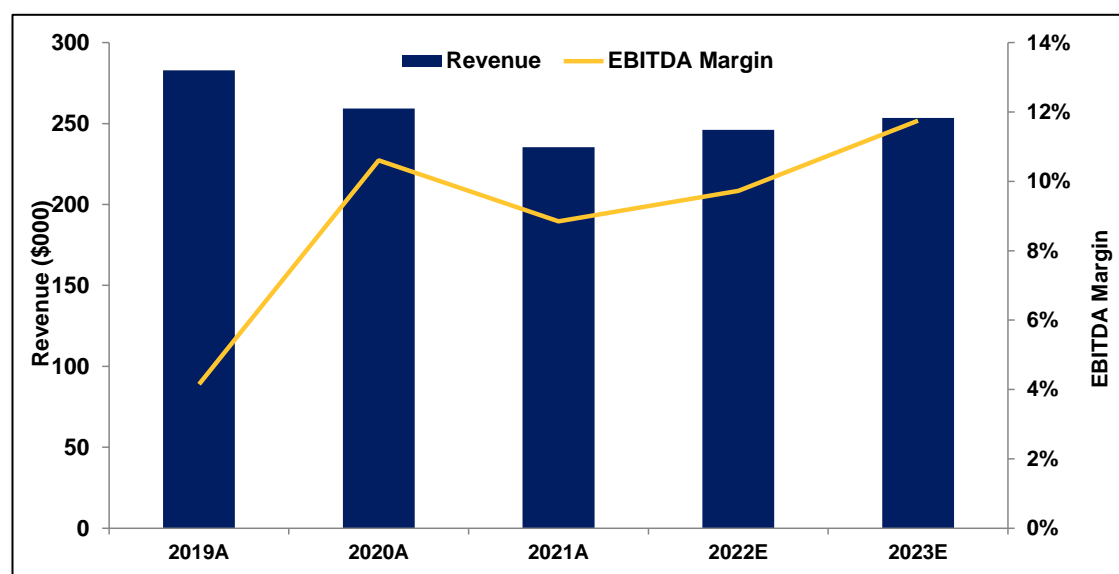
- **2021 Financial Summary**

- **Revenue:**

- Revenue in 2021 was \$235.3 million, down 9.2% from \$259.3 million in 2020. The Company reported that corporate client demand has not returned to pre-pandemic levels, but it is well-positioned to meet customer demand as the business environment returns to the new normal.
    - **DCM** reported that revenue appeared to stabilize in the second half of 2021. Revenue in the first half of 2021 continued to be impacted by the pandemic and was down 19.4% and 13.7% year-over-year in the first and second quarters, respectively, but was only down 0.8% in the third quarter and up 0.5% year-over-year in the fourth quarter (see [Figure 5](#)).
    - However, the Company's core business revenue showed better recovery in the second half of 2021, with core business revenue up 7.7% in Q3/2021 compared with Q3/2020 and up 13.0% in Q4/2021 compared with Q4/2020.

- **Gross Margin:** Even with declining revenue year-over-year, the Company's internal changes resulted in gross margin improvements. Gross Margin in 2021 was 29.5%, up from 28.1% in 2020, which continued to benefit from cost-saving initiatives including factory consolidation, operation efficiencies, and revenue mix.
  - **SG&A:** SG&A for 2021 was \$56.0 million down from \$58.9 million in 2020, due to the office and facility re-organizations. Excluding other Stock-Based Compensation and one-time charges, SG&A for 2021 would have decreased by \$3.6 million.
  - **Cash Flow and Debt Repayment:** In 2021, Cash Flow from Operations was \$26.9 million, down from \$47.6 million in 2020, due to a decrease in revenues year-over-year. However, the positive Cash Flow from Operations allowed the Company to reduce total debt to \$37.1 million, down 23.0% from \$48.2 million in the same period in 2020 (see [Figure 3](#)).

**Figure 7: Revenue and EBITDA Margins**



Source: Company Reports; eResearch Corp.

- **Net Income (NI):** NI in 2021 was \$1.6 million compared with \$13.3 million in 2020. NI was higher in 2020 as the Company benefited from government grant income due to COVID-19 and NI in 2021 was negatively impacted by restructuring charges. As previously mentioned, **DCM** reported that it was not expecting any material restructuring expenses in 2022.
- **Adjusted EBITDA:** Adjusted EBITDA in 2021 was \$33.3 million or 14.1% of revenue and lower than the \$41.5 million reported in 2020. Similar to NI, Adjusted EBITDA in 2020 benefited from the government grant income. Note: As previously mentioned, **DCM's** Adjusted EBITDA calculation includes Lease Expenses and one-time charges. **eResearch's** EBITDA calculation does not include Lease Expenses.
- **COVID-19**
  - Since the COVID-19 pandemic hit North America in March 2020, **DCM's** business has been negatively impacted by a decrease in revenue from clients whose businesses were not operating normally. Overall demand from clients decreased when Government-mandated lockdowns closed many businesses and stay-at-home orders reduced customer interactions.
  - **DCM** reported that it has not experienced any material credit collection delinquencies related to COVID-19, although the Company reported that certain customers have increased their payment terms. As of December 31, 2021, Trade Receivables was \$51.6 million, including \$1.3 million in Provisions for Expected Credit Losses, which is down from \$65.9 million, including \$0.65 million in Provisions for Expected Credit Losses, at the end of 2020.
- **Supply Chain:**
  - **DCM** also reported that it has recently been experiencing some supply chain disruptions due to COVID-19 and prices have increased from key suppliers on most of the Company's inputs, including ink, paper, other raw materials, and shipping. Increased customer demand coupled with supplier capacity reductions and labour shortages, has resulted in price increases, supply shortages, and shipping delays.
  - With inflation and supply chain issues impacting raw material costs, according to the **DCM**, in the majority of its contracts, it can pass through raw material cost increases, consequently, it has some price and margin protection.

## Segment information

Previously **DCM** had separate operating segments for **DCM** and its acquired businesses. Since the operating units had similar characteristics and customers, the print businesses were aggregated into one reportable segment.

**Perennial**, acquired in 2018, is a design firm and considered a separate operating segment but is not disclosed separately as it did not meet the IFRS accounting thresholds.

The following are descriptions of the main activities from which **DCM** generates its revenue.

- (i) Product sales: **DCM** manufactures customized products based on customer specifications. Following the completion of production, **DCM's** customers take delivery or **DCM** provides additional services including warehousing.
- (ii) Warehousing services: **DCM** provides safekeeping services to store customers' products in its warehouse.
- (iii) Freight services: **DCM** charges shipment fees when customers' products are transferred to the customer.
- (iv) Marketing services: **DCM** books revenue from providing marketing solutions to its customers, which include business and brand strategy, consumer insights, design services, and strategic marketing.

In 2021, the Product Sales segment continued to dominate and accounted for almost 93% of revenue.

**Figure 8: Segment Information**

('000)	Mar 31/20 Q1/20A	Jun 30/20 Q2/20A	Sep 30/20 Q3/20A	Dec 31/20 Q4/19A	Dec 31/20 2020A	Mar 31/21 Q1/21A	Jun 30/21 Q2/21A	Sep 30/21 Q3/21A	Dec 31/21 Q4/21A	Dec 31/21 2021A
<b>Revenue Streams</b>										
Product Sales	\$70,491	\$57,608	\$51,873	\$59,623	\$239,595 92.4%	\$56,726	\$49,096	\$51,614	\$60,627	\$218,063 92.7%
Warehousing Services	\$2,117	\$1,843	\$1,787	\$2,088	\$7,835 3.0%	\$1,991	\$1,878	\$1,835	\$2,028	\$7,732 3.3%
Freight Services	\$2,743	\$1,904	\$1,751	\$2,080	\$8,478 3.3%	\$1,758	\$1,730	\$1,513	\$2,506	\$7,507 3.2%
Marketing and Other Services	\$2,064	\$2,581	\$1,963	-\$3,202	\$3,406 1.3%	\$1,886	\$2,503	\$1,930	-\$4,290	\$2,029 0.9%
<b>Total</b>	<b>\$77,415</b>	<b>\$63,936</b>	<b>\$57,374</b>	<b>\$60,589</b>	<b>\$259,314 100.0%</b>	<b>\$62,361</b>	<b>\$55,207</b>	<b>\$56,892</b>	<b>\$60,871</b>	<b>\$235,331 100.0%</b>

Note: Negative Q4 revenue is associated with year-end accounting adjustments.

Source: Company Reports; eResearch Corp.

## VALUATION

Comparing **DCM** to other public companies is complicated given that it has many lines of business but is somewhat simplified as the Company only focuses on three core markets: (1) Conventional Print Solutions, (2) Tech-Enabled Marketing Workflow, and (3) DAM. See the [Business Strategy](#) section above.

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

- (1) Conventional Print Solutions: EV/Revenue of 1.0x (2022E revenue) and EV/EBITDA of 6.9x (2022E EBITDA).
- (2) Tech-Enabled Marketing Workflow: EV/Revenue of 2.6x (2022E revenue) and EV/EBITDA of 16.8x (2022E EBITDA).
- (3) DAM: EV/Revenue of 4.6x (2022E revenue) and EV/EBITDA of 14.9x (2022E EBITDA).

### DCM Valuation

Currently, **DCM** is trading at 0.5x our 2022 revenue estimate of \$246.1 million and 5.5x our 2022 EBITDA estimate of \$23.9 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples above and highlight the potential for **DCM's** share price appreciation.

**Note:** In our EBITDA calculation, we do not include Lease Expenses. In our calculation of Adjusted EBITDA, we include Lease Expenses and one-time charges. **DCM** includes Lease Expenses in its calculation of EBITDA.

**Figure 9: Valuation Multiples Comparing the Model to DCM and the Sector Averages (2022E)**

	Model	DCM (Market)	Conventional Print Solutions	Tech-Enabled Marketing Workflow	DAM
Revenue	0.8x	0.5x	1.0x	2.6x	4.6x
EBITDA	7.0x	5.5x	6.9x	16.8x	14.9x

Source: See Appendix D; eResearch Corp.

For 2023 through 2026, we are estimating only a 3% revenue growth rate but improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services. In [Figure 10](#) are the revenue growth and gross margin assumptions we use in our model to reach our estimates and we also include the Company's guidance for reference.

Even with the lower Revenue in Q4/2021, we are maintaining over Revenue estimate for 2022 at \$246.1 million. We have also shifted the model one quarter forward but we are keeping the revenue multiple at 0.8x and the EBITDA multiple at 7.0x.

Figure 10: Model Assumptions and Company Guidance

METRIC	RATE			
	2022E	2023E	2024E	2025-2026E
Revenue Growth	4.6%	3%	3%	3%
- Company Guidance	>5%			
Gross Margins	31%	32%	33%	34-35%
- Company Guidance	35-40%			
Adj. EBITDA Margins	14%	15%	16%	17%
- Company Guidance	18-22%			

Source: Company Presentation (2021); eResearch Corp.

**Note:** DCM's guidance for EBITDA Margins uses DCM's "reported" EBITDA and includes Lease Expenses so will be higher than our EBITDA Margins as our EBITDA does not include Lease Expenses.

### Target Price Calculation

#### Method 1: Discounted Cash Flow (see [Figure 12](#))

Using a Weighted Average Cost of Capital (WACC) of 10% and a Terminal Multiple of 7.0x EBITDA in 2027, the one-year target share price estimate is \$6.49.

#### Method 2: Revenue Multiple (see [Figure 11](#))

Using a revenue multiple of 0.8x and a one-year forward Revenue estimate of \$248.1 million, the one-year target share price estimate is \$3.14.

#### Method 3: EBITDA Multiple (see [Figure 11](#))

Using an EBITDA multiple of 7.0x and a one-year forward EBITDA estimate of \$25.4 million, the one-year target share price estimate is \$2.70.

**The equal-weighted price per share is \$4.11 and we are setting the one-year price target at \$4.00.**

**We are maintaining a Buy rating and increasing the one-year price target to \$4.00 from \$3.75.**

Figure 11: Target Price (1 Year) Calculation

						SHARES	TARGET
Method 1: DCF (5-year)	WACC:10%	Terminal Multiple: 7x EBITDA	See DCF calculation.			48.9M	\$6.49
			ENT. VALUE	NET DEBT Q1/2023	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	0.8x	1 Year Fwd Revenue (Est.): \$248.1M	\$198.5M	\$51.7M	\$146.8M	46.7M	\$3.14
Method 3: EBITDA Multiple	7.0x	1-Year Fwd EBITDA (Est.): \$25.4M	\$177.8M	\$51.7M	\$126.1M	46.7M	\$2.70
<b>Equal-Weighted Target Price (1 year)</b>							<b>\$4.11</b>

Source: eResearch Corp.

### Valuation Multiples – What if the Revenue & EBITDA Multiples get Re-Rated Higher?

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7.0x EBITDA in the DCF valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA Multiple of 7.0x in the EBITDA Multiple valuation calculation.

As the Company's shift to "digital-first" accelerates, and it grows the share of Tech-Enabled Marketing Workflow and DAM revenue as a percent of total revenue, it could cause a multiples' re-rating and an increase in the valuation multiples in-line with the Tech-Enabled Marketing Workflow and DAM comps.

If you calculated a revenue multiple by using the 2020 revenue associated with the three different sectors (1) Conventional Print Solutions: 68.5% of revenue; (2) Tech-Enabled Marketing Workflow: 30.2%, and (3) DAM: 1.3%, and assigned EV/Revenue multiples at the low end of the Comps range (see [Appendix D](#)), it would calculate to approximately 2.0x EV/Revenue and 13.0x EV/EBITDA.

**A re-rating of DCM's multiple to 2.0x EV/Revenue and 13.0x EV/EBITDA would cause our valuation to increase to \$8.52 per share from \$4.00 per share.**

Figure 12: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue (\$)	235.3	246.1	253.5	261.1	269.0	277.0	285.3
Revenue Growth	-9.2%	4.6%	3.0%	3.0%	3.0%	3.0%	3.0%
EBITDA (\$)	20.8	23.9	29.8	35.1	40.8	44.2	45.1
EBITDA Growth	-24.3%	14.9%	24.4%	17.8%	16.4%	8.4%	1.9%
EBITDA Margin	8.9%	9.7%	11.7%	13.4%	15.2%	16.0%	15.8%
Depreciation and Amortization	15.2	8.7	7.3	6.1	3.3	4.3	3.6
EBIT (\$)	5.7	15.3	22.5	29.0	37.5	40.0	41.5
NOPAT	6.6	18.7	28.3	36.9	45.8	51.4	53.4
Plus Amortization (\$)	15.2	8.7	7.3	6.1	3.3	4.3	3.6
Less Capital Expenditures (\$)	(3.2)	(1.2)	(1.0)	(0.8)	(0.7)	(0.6)	(0.5)
Net Working Capital Changes	(4.6)	1.6	(4.3)	(7.0)	(2.8)	(1.3)	(1.5)
EPS (Continuing)	0.03	0.18	0.31	0.42	0.53	0.60	0.63
<b>Unlevered Free Cash Flow (\$)</b>	<b>13.9</b>	<b>27.8</b>	<b>30.2</b>	<b>35.1</b>	<b>45.7</b>	<b>53.8</b>	<b>55.1</b>
PV of Unlevered FCFs (\$)	14.3	26.0	25.8	27.2	32.2	34.4	32.0

Valuation Assumptions:			
Discount Rate	10.0%		
Terminal Multiple	7.0x		
Valuation Analysis:			
	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	177.7	166.8	152.3
Terminal Value (\$M)	315.5	315.5	315.5
PV of Terminal Value (\$M)	183.6	202.0	222.2
Net (debt) cash position	(67.4)	(51.7)	(34.3)
<b>Total Value (\$M)</b>	<b>293.9</b>	<b>317.1</b>	<b>340.2</b>
DCF Value/Share (C\$)	<b>C\$6.01</b>	<b>C\$6.49</b>	<b>C\$6.96</b>
DCF Value/Share (US\$)	<b>US\$4.68</b>	<b>US\$5.05</b>	<b>US\$5.42</b>
FD Shares O/S (M)*	48.9	48.9	48.9

\*Using the Treasury Method

Source: Company Reports; eResearch Corp.

Figure 13: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

		Terminal EV/EBITDA Multiplier						
		4.00	5.00	6.00	7.00	8.00	9.00	10.00
Discount Rate	6.0%	5.54	6.24	6.95	7.65	8.35	9.05	9.76
	8.0%	5.11	5.75	6.40	7.04	7.68	8.33	8.97
	10.0%	4.72	5.31	5.90	<b>6.49</b>	7.08	7.67	8.26
	12.0%	4.36	4.90	5.44	5.99	6.53	7.07	7.61
	14.0%	4.03	4.53	5.03	5.53	6.03	6.53	7.03
	16.0%	3.73	4.19	4.65	5.11	5.57	6.03	6.49

Source: Company Reports; eResearch Corp.

## Appendix A: Investment Thesis – Why Invest In DCM

### “Print-First to Digital-First” Strategy to Grow Sales & Improve Margins

**DCM** is leveraging its existing DCM Flex and ASMBL platforms for direct-to-print applications, marketing and workflow management, and DAM solutions.

### Strong Growth Potential in the Tech-Enabled Marketing Workflow and DAM Sectors

**DCM** believes it can garner increased revenue within the Tech-Enabled Marketing Workflow and DAM service offerings, as these sectors are forecasted to grow annually by 15% and 21%, respectively. The Company believes it is winning and retaining business due to the capabilities of its technology-enabled service model. In addition, DAM services generated only 1.3% of revenue in 2020 and, with the proliferation of video and digital content, the total DAM addressable market is forecasted to reach US\$6 billion by 2025, thus there is plenty of upside revenue potential.

### Strong Cost Controls Improved Cash Flow to Reduce Debt

Over the last five years, cost reductions and operational efficiency improvements have been a key focus for **DCM** to improve its margins and cash flow. **DCM** consolidated its Mississauga facility into its Brampton facility during 2021 and expects to recognize at least \$1 million in lease savings per year.

### Diverse Customer Base

**DCM** has a diversified customer base of over 2,500 clients that includes large national retailers, Canadian Schedule I banks, insurance companies, government (federal, provincial, and municipal) agencies, healthcare service providers, non-profit organizations, lottery and gaming providers, cannabis companies (licensed cultivators, processors, and retailers), and energy and utility companies. It serves over 70 of the 100 largest corporations in Canada and 3 of the 5 top government agencies.

### Experienced Management Team

The Company continues to focus on digital innovation, growing revenue from key client relationships, and winning new customers through the capabilities of its technology-enabled service model. To achieve success, **DCM** has established a highly experienced team of professionals in the fields of business communication, customer development, digital and direct marketing, marketing communications, outsourced marketing services, and printing.

### Low Valuation Multiple Compared to Peers

**DCM** is currently trading at 0.5x our 2022 revenue estimate of \$246.1 million and 5.5x our 2022 EBITDA estimate of \$23.9 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples and highlight the potential for DCM's share appreciation.

Average valuation multiples in the various sectors are as follows:

- (1) Conventional Print Solutions: EV/Revenue of 1.0x (2022E revenue) and EV/EBITDA of 6.9x (2022E EBITDA).
- (2) Tech-Enabled Marketing Workflow: EV/Revenue of 2.6x (2022E revenue) and EV/EBITDA of 16.8x (2022E EBITDA).
- (3) DAM: EV/Revenue of 4.6x (2022E revenue) and EV/EBITDA of 14.9x (2022E EBITDA).

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7.0x EBITDA in the DCF valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA Multiple of 7.0x in the EBITDA Multiple valuation calculation. Growth in Non-Print Solutions revenue could cause a multiples' re-rating and an increase in the valuation multiples.

## Appendix B: Financial Statements

Figure 14: Income Statement

DCM Income Statement - FYE (December 31); CAD ('000)	2020A	Q121A	Q221A	Q321A	Q421A	2021A	2022E	2023E
<b>Total Revenue</b>	<b>259,314</b>	<b>62,361</b>	<b>55,207</b>	<b>56,892</b>	<b>60,871</b>	<b>235,331</b>	<b>246,129</b>	<b>253,513</b>
<b>Total Cost of Sales</b>	186,372	43,568	39,365	39,705	43,158	165,796	169,829	172,389
<b>Gross Profit</b>	<b>72,942</b>	<b>18,793</b>	<b>15,842</b>	<b>17,187</b>	<b>17,713</b>	<b>69,535</b>	<b>76,300</b>	<b>81,124</b>
Sales & Marketing	26,424	6,666	6,137	5,516	6,569	24,888	24,613	24,084
General and Administrative	32,460	8,839	8,787	6,384	7,059	31,069	31,997	31,689
Other operating costs	-	-	-	-	-	-	-	-
Restructuring Charges	2,821	3,407	918	3,084	2,282	9,691	1,000	-
Stock Based Compensation	-	-	-	-	-	-	1,231	1,268
Depreciation of Property & Equipment	-	-	-	-	-	-	2,385	1,998
Amortization	-	-	-	-	-	-	1,050	855
<b>Total Operating Expenses</b>	<b>61,705</b>	<b>18,912</b>	<b>15,842</b>	<b>14,984</b>	<b>15,910</b>	<b>65,648</b>	<b>62,275</b>	<b>59,893</b>
<b>Operating Income</b>	<b>11,237</b>	<b>(119)</b>	<b>-</b>	<b>2,203</b>	<b>1,803</b>	<b>3,887</b>	<b>14,025</b>	<b>21,231</b>
<b>Other Income (Expenses):</b>								
Interest Income	-	-	-	-	-	-	-	-
Foreign Exchange Gain (Loss)	-	-	-	-	-	-	-	-
Interest on Loan Payable	(2,819)	(718)	(1,088)	(988)	(524)	(3,318)	(2,653)	(2,088)
Government Grant Income	10,708	1,908	2,411	184	55	4,558	-	-
Other	(4,513)	613	(804)	(716)	(1,576)	(2,483)	-	-
<b>Total Other Income</b>	<b>3,376</b>	<b>1,803</b>	<b>519</b>	<b>(1,520)</b>	<b>(2,045)</b>	<b>(1,243)</b>	<b>(2,653)</b>	<b>(2,088)</b>
<b>EBT</b>	<b>14,613</b>	<b>1,684</b>	<b>519</b>	<b>683</b>	<b>(242)</b>	<b>2,644</b>	<b>11,372</b>	<b>19,143</b>
<b>Income Taxes</b>	(3,107)	(372)	(332)	(110)	(265)	(1,079)	(2,843)	(4,786)
<b>Net Income (Loss)</b>	<b>11,506</b>	<b>1,312</b>	<b>187</b>	<b>573</b>	<b>(507)</b>	<b>1,565</b>	<b>8,529</b>	<b>14,357</b>
<b>EPS</b>								
Basic EPS	0.27	0.03	0.00	0.01	(0.01)	0.04	0.19	0.33
Diluted EPS	0.27	0.03	0.00	0.01	(0.01)	0.03	0.18	0.31
<b>Shares Outstanding</b>								
Shares Outstanding, Basic (Weighted)	43,147	43,912	43,926	44,057	43,993	43,993	44,063	44,063
Shares Outstanding, Diluted (Weighted)	43,317	45,158	46,174	46,478	46,137	46,137	46,664	46,664
Shares Outstanding, Basic (End of Quarter)	43,867	43,938	43,954	44,057	44,063	44,063	-	-

Source: Company Reports; eResearch Corp.

Figure 15: Balance Sheet

DCM Balance Sheet - FYE (December 31); CAD ('000)	2020A	Q121A	Q221A	Q321A	Q421A	2021A	2022E	2023E
<b>Current Assets</b>								
Cash	578	599	163	0	901	901	5,499	12,452
Account Receivables	65,290	59,366	55,257	54,385	51,567	51,567	54,428	58,246
Prepaid Expenses & Other Assets	1,521	1,665	1,419	1,634	2,580	2,580	2,082	2,658
Inventory	8,514	8,767	9,054	10,222	12,133	12,133	9,755	9,902
Income taxes receivable	0	792	870	857	860	860	860	860
<b>Total Current Assets</b>	<b>75,903</b>	<b>71,189</b>	<b>66,763</b>	<b>67,098</b>	<b>68,041</b>	<b>68,041</b>	<b>72,624</b>	<b>84,117</b>
<b>Non-Current Assets</b>								
Deferred Income Tax Assets	3,163	2,941	3,588	3,735	5,465	5,465	5,465	5,465
Restricted Cash	515	515	515	515	515	515	515	515
Property and Equipment	9,783	9,060	8,558	7,996	8,416	8,416	6,975	5,757
Pension Assets	203	893	1,284	1,694	2,531	2,531	2,531	2,531
Intangible Assets	14,459	13,527	13,439	12,425	4,042	4,042	3,292	2,682
Goodwill	16,973	16,973	16,973	16,973	16,973	16,973	16,973	16,973
Right-of Use and Other	42,922	39,857	37,573	36,156	34,101	34,101	28,850	24,417
<b>Total Assets</b>	<b>163,921</b>	<b>154,955</b>	<b>148,693</b>	<b>146,592</b>	<b>140,084</b>	<b>140,084</b>	<b>137,225</b>	<b>142,456</b>
<b>Current Liabilities</b>								
Accounts Payables/Accrued Liabilities	39,999	39,406	34,906	33,702	37,589	37,589	39,903	40,029
Lease Liability	8,032	8,029	7,178	6,629	6,123	6,123	8,391	8,643
Bank Overdraft/Line of Credit	0	0	0	1,265	0	0	0	0
Current Portion of Debt/Promissory Notes	7,326	7,250	6,385	6,494	11,743	11,743	10,831	9,991
Provisions	1,186	1,732	2,627	3,207	3,280	3,280	3,280	3,280
Deferred Revenue - Current	2,798	2,062	2,334	2,133	3,269	3,269	2,582	2,659
Taxes Payable	1,608	2,226	3,154	3,480	841	841	1,901	2,961
<b>Total Current Liabilities</b>	<b>60,949</b>	<b>60,705</b>	<b>56,584</b>	<b>56,910</b>	<b>62,845</b>	<b>62,845</b>	<b>66,888</b>	<b>67,562</b>
<b>Non-Current Liabilities</b>								
Term Loan/Promissory Notes	975	938	0	0	0	0	0	0
Credit Facilities	39,567	32,228	32,199	29,414	24,556	24,556	17,592	12,603
Lease Liability	40,321	37,144	35,637	34,724	32,976	32,976	22,790	16,224
Deferred Income Tax Liabilities	282	204	101	101	0	0	0	0
Provision/Loan Payable/Benefits Payable	11,868	11,154	11,224	11,290	11,666	11,666	12,154	12,642
<b>Total Liabilities</b>	<b>153,962</b>	<b>142,373</b>	<b>135,745</b>	<b>132,439</b>	<b>132,043</b>	<b>132,043</b>	<b>119,424</b>	<b>109,031</b>
<b>Shareholders Equity</b>								
Capital Stock	256,260	256,300	256,321	256,478	256,478	256,478	256,478	256,478
Warrants & Options	850	890	879	881	881	881	881	881
Accumulated OCI	192	169	141	183	173	173	173	173
Contributed Surplus	2,354	2,670	2,706	2,723	2,791	2,791	4,022	5,289
Deficit	(249,697)	(247,447)	(247,099)	(246,112)	(252,282)	(252,282)	(243,753)	(229,396)
<b>Total Shareholders Equity</b>	<b>9,959</b>	<b>12,582</b>	<b>12,948</b>	<b>14,153</b>	<b>8,041</b>	<b>8,041</b>	<b>17,801</b>	<b>33,425</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>163,921</b>	<b>154,955</b>	<b>148,693</b>	<b>146,592</b>	<b>140,084</b>	<b>140,084</b>	<b>137,225</b>	<b>142,456</b>

Source: Company Reports; eResearch Corp.

Figure 16: Cash Flow Statement

DCM	2020A	Q121A	Q221A	Q321A	Q421A	2021A	2022E	2023E
<b>Cash Flow Statement - FYE (December 31); CAD ('000)</b>								
<b>Cash Provided By Operating Activities</b>								
Net Income (Loss)	11,506	1,312	187	573	(507)	1,565	8,529	14,357
Amortization of Intangibles	4,279	1,046	1,019	1,045	479	3,589	1,050	855
Depreciation of Property & Equipment	3,541	806	776	820	731	3,133	2,385	1,998
Depreciation of Right-of-Use Assets	8,399	2,239	2,168	2,101	1,920	8,428	5,251	4,433
Interest Expense on Lease Liabilities	3,257	694	628	599	600	2,521	2,159	1,722
Amortization of Deferred Lease Inducement	-	-	-	-	-	-	-	-
Stock Based Compensation Expense	54	316	36	68	108	528	1,231	1,268
Pension Expense	487	119	120	119	122	480	488	488
Loss on Disposal of Intangible Assets	-	8	(8)	-	(130)	(130)	-	-
Provisions	2,821	3,407	918	3,084	2,282	9,691	-	-
Income Tax Expense	3,107	372	332	110	265	1,079	1,060	1,060
Finance Cost	284	145	111	182	322	760	-	-
Other	514	(154)	224	98	(286)	(118)	-	-
<b>Changes in Non-Cash Working Capital</b>								
Account & Other Receivables	21,011	5,924	4,109	872	2,818	13,723	(2,861)	(3,817)
Inventory	4,066	(253)	(287)	(1,168)	(1,911)	(3,619)	2,378	(147)
Due from related parties	-	-	-	-	-	-	-	-
Investment/Income Tax Credits	-	(720)	(276)	(39)	1,035	-	-	-
Prepaid Expenses & Other Current Assets	1,627	(195)	248	(255)	(828)	(1,030)	498	(576)
Accounts Payable & Other Payables	(11,425)	(593)	(4,500)	(1,204)	3,887	(2,410)	2,314	126
Deposits	-	-	-	-	-	-	-	-
Other	(935)	(241)	(242)	(209)	(4,533)	(5,225)	-	-
Provisions	(5,623)	(2,924)	(50)	(2,252)	(1,265)	(6,491)	-	-
Deferred (Unbilled) Revenue	665	(736)	272	(201)	1,136	471	(687)	77
<b>Total Cash Provided By Operating Activities</b>	<b>47,635</b>	<b>10,572</b>	<b>5,785</b>	<b>4,343</b>	<b>6,245</b>	<b>26,945</b>	<b>23,795</b>	<b>21,844</b>
<b>Investing Activities</b>								
Purchase of Property & Equipment	(268)	(83)	(274)	(258)	(1,217)	(1,832)	(944)	(780)
Interest Income Received	-	-	-	-	-	-	-	-
Purchase of Intangibles	(571)	(122)	(923)	(31)	(314)	(1,390)	(300)	(244)
Business (Acquisition) Sale	4	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-
<b>Total Cash From Investing Activities</b>	<b>(835)</b>	<b>(205)</b>	<b>(1,197)</b>	<b>(289)</b>	<b>(1,531)</b>	<b>(3,222)</b>	<b>(1,244)</b>	<b>(1,024)</b>
<b>Financing Activities</b>								
Proceeds from Loan/Promissory Notes	-	-	-	-	21,000	21,000	-	-
Repayment of Loan/Promissory Notes	(533)	(176)	(2,009)	-	41	(2,144)	(912)	(841)
Operating Line/Credit Facility (Repayment)	(32,865)	(7,191)	(164)	(2,922)	(20,419)	(30,696)	(6,964)	(4,989)
Repayment of Other Liabilities	(333)	-	-	-	-	-	-	-
Transaction Costs	(227)	-	-	-	(489)	(489)	-	-
Lease Payments	(11,336)	(2,993)	(2,875)	(2,635)	(2,699)	(11,202)	(10,077)	(8,036)
Proceeds from exercise of Stock Options and Warrants	-	-	10	108	-	118	-	-
Issue/Repurchase of Equity	173	-	-	-	-	-	-	-
Discontinued Ops	-	-	-	-	-	-	-	-
<b>Total Cash From Financing Activities</b>	<b>(45,121)</b>	<b>(10,360)</b>	<b>(5,038)</b>	<b>(5,449)</b>	<b>(2,566)</b>	<b>(23,413)</b>	<b>(17,953)</b>	<b>(13,867)</b>
<b>Effect of Exchange Rates on Cash</b>	<b>(8)</b>	<b>14</b>	<b>14</b>	<b>(33)</b>	<b>18</b>	<b>13</b>	<b>-</b>	<b>-</b>
<b>Net Increase in Cash</b>	<b>1,671</b>	<b>21</b>	<b>(436)</b>	<b>(1,428)</b>	<b>2,166</b>	<b>323</b>	<b>4,598</b>	<b>6,953</b>
<b>Beginning Cash</b>	<b>(1,093)</b>	<b>578</b>	<b>599</b>	<b>163</b>	<b>-</b>	<b>578</b>	<b>901</b>	<b>5,499</b>
<b>Ending Cash</b>	<b>578</b>	<b>599</b>	<b>163</b>	<b>-</b>	<b>901</b>	<b>901</b>	<b>5,499</b>	<b>12,452</b>

Source: Company Reports; eResearch Corp.

## Appendix C: Outstanding Shares, Options & Warrants

Figure 17: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Sep 30/21)	44,057
Shares Issued in the Quarter	6
Shares Outstanding: Basic - End of the Current Quarter (Dec 31/21)	44,063
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	44,063
- In the Money Options: Stock Price above Strike Price*	1,160
- In the Money Warrants: Stock Price above Strike Price*	1,441
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	46,664

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

Shares Outstanding - DCF Valuation ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Dec 31/21)	44,063
Shares Issued after the Quarter End	-
Updated Share Count for Next Quarter	44,063
- In the Money Options: Target Price above Strike Price*	3,080
- In the Money Warrants: Target Price above Strike Price*	1,732
Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF)	48,874

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

Source: Company Reports; eResearch Corp.

## Appendix D: Company Comparables by Industry

Figure 18: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

Name	Ticker	Apr 28 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
							2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
<b>DATA Communications Management Corp.</b>	<b>TSX:DCM</b>	<b>\$1.28</b>	<b>\$56</b>	<b>\$1</b>	<b>\$75</b>	<b>\$131</b>	<b>\$235.3</b>	<b>\$246.1</b>	<b>\$253.5</b>	<b>\$20.8</b>	<b>\$23.9</b>	<b>\$29.8</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>6.3x</b>	<b>5.5x</b>	<b>4.4x</b>
<b>US Comps - Conventional Print Solution Providers</b>																		
ARC Document Solutions, Inc.	NYSE:ARC	US\$3.82	US\$165.0	US\$55.9	US\$113.5	US\$229.2	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0						
Canon Inc.	TSE:7751	US\$22.90	US\$23,949.3	US\$3,593.4	US\$2,787.7	US\$25,094.8	US\$30,944.5	US\$28,988.0	US\$29,357.7	US\$4,408.7	US\$4,579.7	US\$4,402.3	0.8x	0.9x	0.9x	5.7x	5.5x	5.7x
Cimpress plc	NASDAQ:CMPR	US\$53.44	US\$1,394.9	US\$378.4	US\$1,830.4	US\$2,931.7	US\$2,566.2	US\$2,853.5	US\$3,195.1	US\$352.4	US\$328.4	US\$379.0	1.1x	1.0x	0.9x	8.3x	8.9x	7.7x
Ennis, Inc.	NYSE:EBF	US\$17.58	US\$457.4	US\$85.6	US\$16.9	US\$388.7	US\$356.1	US\$400.9	US\$410.5	US\$59.6	US\$67.7	US\$70.0	1.1x	1.0x	0.9x	6.5x	5.7x	5.5x
Quad/Graphics, Inc.	NYSE:QUAD	US\$6.80	US\$374.1	US\$179.9	US\$936.7	US\$1,130.9	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0	US\$0.0						
Xerox Holdings Corporation	NASDAQ:XRX	US\$17.53	US\$2,714.5	US\$1,681.0	US\$4,536.0	US\$5,800.5	US\$7,088.3	US\$7,040.1	US\$7,081.4	US\$697.9	US\$619.8	US\$723.2	0.8x	0.8x	0.8x	8.3x	9.4x	8.0x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>7.2x</b>	<b>7.4x</b>	<b>6.8x</b>	
<b>Median</b>												<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>7.4x</b>	<b>7.3x</b>	<b>6.7x</b>	
<b>Cdn Comps - Conventional Print Solution Providers</b>																		
CCL Industries Inc.	TSX:CCLB	\$57.00	\$10,180.3	\$602.1	\$1,851.3	\$11,429.5	\$5,653.4	\$5,884.3	\$6,118.2	\$1,177.7	\$1,230.7	\$1,294.8	2.0x	1.9x	1.9x	9.7x	9.3x	8.8x
Supremex Inc.	TSX:SXP	\$3.36	\$88.4	\$6.4	\$67.6	\$149.6	\$215.8	\$241.0	\$250.0	\$35.1	\$36.1	\$37.3	0.7x	0.6x	0.6x	4.3x	4.1x	4.0x
Transcontinental Inc.	TSX:TCLA	\$16.28	\$1,414.2	\$23.0	\$1,067.3	\$2,466.5	\$2,697.3	\$2,804.1	\$2,822.7	\$456.1	\$445.2	\$455.0	0.9x	0.9x	0.9x	5.4x	5.5x	5.4x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>1.2x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>6.5x</b>	<b>6.3x</b>	<b>6.1x</b>	
<b>Median</b>												<b>0.9x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>7.2x</b>	<b>7.3x</b>	<b>6.7x</b>	
<b>US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)</b>																		
Adobe Inc.	NASDAQ:ADBE	US\$410.53	US\$193,975.4	US\$4,701.0	US\$4,665.0	US\$193,939.4	US\$15,758.0	US\$17,853.4	US\$20,507.5	US\$7,954.3	US\$8,828.7	US\$10,152.8	12.3x	10.9x	9.5x	24.4x	22.0x	19.1x
Box, Inc.	NYSE:BOX	US\$30.70	US\$4,403.1	US\$586.3	US\$642.3	US\$4,947.0	US\$768.4	US\$869.5	US\$1,118.9	US\$247.2	US\$281.5	US\$329.5	6.4x	5.7x	4.4x	20.0x	17.6x	15.0x
Fluent, Inc.	NASDAQ:FLNT	US\$1.35	US\$107.0	US\$34.5	US\$53.8	US\$126.4	US\$319.6	US\$366.0	US\$398.9	US\$18.6	US\$24.3	US\$32.3	0.4x	0.3x	0.3x	6.8x	5.2x	3.9x
LiveRamp Holdings, Inc.	NYSE:RAMP	US\$33.45	US\$2,283.5	US\$560.5	US\$60.2	US\$1,783.2	US\$440.3	US\$526.3	US\$758.0	US\$43.2	US\$62.2	US\$119.2	4.0x	3.4x	2.4x	41.3x	28.7x	15.0x
Open Text Corporation	NASDAQ:OTEX	US\$40.78	US\$10,998.8	US\$1,517.6	US\$4,499.2	US\$13,981.5	US\$3,331.4	US\$3,528.6	US\$3,722.9	US\$1,274.4	US\$1,320.4	US\$1,411.1	4.2x	4.0x	3.8x	11.0x	10.6x	9.9x
QuinStreet, Inc.	NASDAQ:QNST	US\$9.81	US\$535.2	US\$115.0	US\$11.8	US\$431.9	US\$569.7	US\$606.6	US\$725.7	US\$50.5	US\$47.9	US\$68.2	0.8x	0.7x	0.6x	8.5x	9.0x	6.3x
Smartsheet Inc.	NYSE:SMAR	US\$51.01	US\$6,562.1	US\$449.1	US\$76.2	US\$6,189.3	US\$378.3	US\$545.1	US\$996.0	-US\$24.1	-US\$63.5	-US\$30.6	16.4x	11.4x	6.2x			
TechTarget, Inc.	NASDAQ:TTGT	US\$68.63	US\$2,041.9	US\$381.7	US\$481.3	US\$2,141.5	US\$266.0	US\$312.6	US\$356.7	US\$103.3	US\$122.9	US\$146.4	8.0x	6.9x	6.0x	20.7x	17.4x	14.6x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>6.6x</b>	<b>5.4x</b>	<b>4.1x</b>	<b>19.0x</b>	<b>15.8x</b>	<b>12.0x</b>	
<b>Median</b>												<b>5.3x</b>	<b>4.8x</b>	<b>4.1x</b>	<b>20.0x</b>	<b>17.4x</b>	<b>14.6x</b>	
<b>CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)</b>																		
Absolute Software Corporation	TSX:ABST	\$10.13	\$516.4	\$61.6	\$279.9	\$734.7	\$156.4	\$212.9	\$244.0	\$38.4	\$43.7	\$52.6	4.7x	3.5x	3.0x	19.1x	16.8x	14.0x
AcuityAds Holdings Inc.	TSX:AT	\$3.96	\$241.3	\$102.2	\$11.0	\$150.1	\$121.7	\$146.8	\$174.5	\$20.8	\$21.6	\$26.6	1.2x	1.0x	0.9x	7.2x	7.0x	5.6x
Fobi AI Inc.	TSX:FOBI	\$0.69	\$100.9	\$4.8	\$0.0	\$96.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0						
MediaValet Inc.	TSX:MVP	\$1.71	\$66.4	\$6.7	\$1.8	\$61.5	\$9.3	\$12.8	\$17.3	-\$8.6	-\$10.0	-\$7.7	6.6x	4.8x	3.6x			
ProntoForms Corporation	TSXV:PFM	\$0.62	\$81.1	\$6.1	\$3.8	\$78.7	\$24.4	\$28.8	\$35.8	-\$4.1	-\$5.9	-\$4.2	3.2x	2.7x	2.2x			
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>3.9x</b>	<b>3.0x</b>	<b>2.4x</b>	<b>13.2x</b>	<b>11.9x</b>	<b>9.8x</b>	
<b>Median</b>												<b>4.0x</b>	<b>3.1x</b>	<b>2.6x</b>	<b>13.2x</b>	<b>11.9x</b>	<b>9.8x</b>	

Source: S&P Capital IQ; eResearch Corp.

Figure 19: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

Name	Ticker	Apr 28 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
							2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
<b>DATA Communications Management Corp.</b>	<b>TSX:DCM</b>	<b>\$1.28</b>	<b>\$56</b>	<b>\$1</b>	<b>\$75</b>	<b>\$131</b>	<b>\$235.3</b>	<b>\$246.1</b>	<b>\$253.5</b>	<b>\$20.8</b>	<b>\$23.9</b>	<b>\$29.8</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>6.3x</b>	<b>5.5x</b>	<b>4.4x</b>
<b>Tech-Enabled Marketing Workflow Providers</b>																		
Cimpress plc	NASDAQ:CMPR	US\$53.44	US\$1,394.9	US\$378.4	US\$1,830.4	US\$2,931.7	US\$2,566.2	US\$2,853.5	US\$3,195.1	US\$352.4	US\$328.4	US\$379.0	1.1x	1.0x	0.9x	8.3x	8.9x	7.7x
Deluxe Corporation	NYSE:DLX	US\$27.25	US\$1,167.8	US\$41.2	US\$1,785.2	US\$2,912.1	US\$1,999.2	US\$2,194.4	US\$2,194.4	US\$402.3	US\$438.3	US\$459.5	1.5x	1.3x	1.3x	7.2x	6.6x	6.3x
dotdigital Group Plc	AIM:DOTD	£0.87	£259.7	£40.0	£3.1	£222.8	£57.9	£62.8	£70.4	£21.6	£21.1	£22.5	3.8x	3.5x	3.2x	10.3x	10.5x	9.9x
Galaxy Digital Holdings Ltd.	TSX:GLXY	\$15.34	\$1,559	\$27	\$0	\$1,532	\$1,591	\$582	\$0	\$0	\$0	\$0	1.0x	2.6x				
Harte Hanks, Inc.	NASDAQ:HHS	US\$7.37	US\$51.7	US\$11.9	US\$30.8	US\$80.3	US\$191.3	US\$203.4	US\$211.2	US\$17.1	US\$19.9	US\$21.5	0.4x	0.4x	0.4x	4.7x	4.0x	3.7x
HubSpot, Inc.	NYSE:HUBS	US\$398.48	US\$18,955.5	US\$1,198.0	US\$713.0	US\$18,470.4	US\$1,288.8	US\$1,728.5	US\$2,206.2	US\$158.4	US\$220.3	US\$305.7	14.3x	10.7x	8.4x	116.6x	83.9x	60.4x
Publicis Groupe S.A.	ENXTPA:PUB	€ 57.34	€ 14,533.53	€ 3,659.00	€ 6,448.00	€ 17,267.99	€ 10,388.28	€ 11,424.14	€ 11,720.06	€ 2,330.28	€ 2,566.02	€ 2,608.42	1.7x	1.5x	1.5x	7.4x	6.7x	6.6x
Quadrat S.A.	ENXTPA:QDT	€ 17.28	€ 593.36	€ 487.00	€ 847.50	€ 963.11	€ 1,028.10	€ 1,019.66	€ 1,067.45	€ 239.62	€ 246.98	€ 260.55	0.9x	0.9x	0.9x	4.0x	3.9x	3.7x
StarTek, Inc.	NYSE:SRT	US\$4.02	US\$161.9	US\$47.9	US\$238.7	US\$410.7	US\$704.9	US\$696.2	US\$747.0	US\$71.7	US\$72.5	US\$81.1	0.6x	0.6x	0.5x	5.7x	5.7x	5.1x
Teleperformance SE	ENXTPA:TEP	€ 343.70	€ 20,188.01	€ 837.00	€ 3,503.00	€ 22,854.01	€ 6,994.51	€ 7,992.51	€ 8,677.56	€ 1,473.14	€ 1,625.75	€ 1,780.67	3.3x	2.9x	2.6x	15.5x	14.1x	12.8x
TTEC Holdings, Inc.	NASDAQ:TTEC	US\$75.92	US\$3,570.9	US\$158.2	US\$905.7	US\$4,390.6	US\$2,254.4	US\$2,586.9	US\$2,809.2	US\$348.4	US\$383.2	US\$420.2	1.9x	1.7x	1.6x	12.6x	11.5x	10.4x
Zeta Global Holdings Corp.	NYSE:ZETA	US\$11.42	US\$2,274.8	US\$103.9	US\$186.6	US\$2,357.6	US\$446.4	US\$545.4	US\$651.4	US\$61.2	US\$81.8	US\$113.6	5.3x	4.3x	3.6x	38.5x	28.8x	20.8x
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>3.0x</b>	<b>2.6x</b>	<b>2.3x</b>	<b>11.4x</b>	<b>16.8x</b>	<b>13.4x</b>	
<b>Median</b>												<b>1.6x</b>	<b>1.6x</b>	<b>7.9x</b>	<b>8.3x</b>	<b>8.9x</b>	<b>7.7x</b>	
Name	Ticker	Apr 28 Close (C\$)	Mkt Cap (C\$ M)	Cash (C\$ M)	Debt (C\$ M)	EV (C\$ M)	REVENUE (C\$ M)			EBITDA (C\$ M)			EV/Revenue			EV/EBITDA		
							2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
<b>Canadian Advertising, Marketing &amp; Technology Comps</b>																		
AcuityAds Holdings Inc.	TSX:AT	\$3.96	\$241.3	\$102.2	\$11.0	\$150.1	\$121.7	\$146.8	\$174.5	\$20.8	\$21.6	\$26.6	1.2x	1.0x	0.9x	7.2x	7.0x	5.6x
Adcore Inc.	TSX:ADCO	\$0.34	\$21.6	\$11.1	\$0.4	\$11.0												
Aquarius AI Inc.	CNSX:AQUA	\$0.08	\$9.1	\$0.0	\$0.2	\$10.3												
ARHT Media Inc.	TSXV:ART	\$0.20	\$0.0	\$3.2	\$0.4	-\$2.8												
Datable Technology Corporation	TSXV:DAC	\$0.02	\$3.1	\$2.1	\$3.2	\$4.2	\$3.0	\$9.9	\$12.3	-\$2.9	-\$2.0		1.4x	0.4x	0.3x			
DeepMarkit Corp.	TSXV:MKT	\$0.62	\$26.3	\$0.5	\$0.0	\$25.9												
EQ Inc.	TSXV:EQ	\$1.21	\$84.0	\$8.8	\$0.1	\$75.4	\$12.1	\$17.5	\$24.3	-\$3.2	-\$1.9	-\$0.5	6.2x	4.3x	3.1x			
Fobi AI Inc.	TSXV:FOBI	\$0.69	\$100.9	\$4.8	\$0.0	\$96.1												
Gatekeeper Systems Inc.	TSXV:GSI	\$0.45	\$0.1	\$3.7	\$2.6	-\$1.0												
Reklam Ltd.	TSXV:MYID	\$0.11	\$7.6	\$0.5	\$0.0	\$7.1												
Snipp Interactive Inc.	TSXV:SPN	\$0.20	\$54.8	\$2.2	\$0.0	\$52.6	\$15.4	\$24.7	\$33.2	\$1.9	\$1.2	\$4.2	3.4x	2.1x	1.6x	28.0x	45.4x	12.6x
YANGAROO Inc.	TSXV:YOO	\$0.13	\$7.8	\$1.6	\$3.9	\$10.1												
Yellow Pages Limited	TSX:Y	\$13.91	\$375.8	\$123.6	\$49.9	\$302.1	\$285.9	\$253.2	\$224.5	\$102.5	\$90.0	\$79.5	1.1x	1.2x	1.3x	2.9x	3.4x	3.8x
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.58	\$55.5	\$3.2	\$2.2	\$54.5												
<b>Mean (EV/Rev &lt;20; EV/EBITDA &lt;100)</b>												<b>2.7x</b>	<b>1.8x</b>	<b>1.4x</b>	<b>12.7x</b>	<b>18.6x</b>	<b>7.3x</b>	
<b>Median</b>												<b>1.4x</b>	<b>1.2x</b>	<b>1.3x</b>	<b>7.2x</b>	<b>7.0x</b>	<b>5.6x</b>	

Source: S&P Capital IQ; eResearch Corp.

## Appendix E: Risks

**DCM** operates in the quickly changing technology industry, which inherently brings high levels of risk and uncertainty. **DCM** is in a very competitive landscape and primarily plans to leverage existing relationships to offer marketing and communications solutions to long-standing operations customers. Other risks include the following:

### Business and Operating Risks:

- Due to the highly competitive environment in the printing industry, **DCM** has experienced and expects to have declines in certain product sales in its printed business documents compared to historical levels. The Company expects to increasingly shift its emphasis on marketing solutions and digital products with the use of its legacy print business revenues as a source of capital.
- **DCM** faces competition from alternative sources of communication and information transfer, such as email, digital and web-based forms, and other digital communication technologies. Due to technological advancements, the overall printed forms industry has shown a declining trend in the last few years. Additionally, general economic and industry cycles account for seasonal risks affecting print distributors and print manufacturers.
- **DCM's** principal strategy component is organic growth. This growth depends on the ability to successfully introduce new products and gain market acceptance for them; identify and develop new geographic markets; and establish and maintain favourable relationships with customers in new markets, among others. This growth entails successfully managing expansion and obtaining the required financing as well as adding new employees and increasing the scope of both operational and financial systems and the geographic area of operations.

### Financial Risks:

- **DCM** will need to refinance its existing credit facilities or other debt obligations in the future and may require additional financing for future growth such as investments in digital innovation and potential acquisitions. Capital costs could increase and its availability could be negatively impacted by disruptions and high volatility in the capital markets. This event could have a material negative effect on its business and overall financial condition.
- **DCM** has all its Bank Credit Facility outstanding indebtedness subject to floating interest rates since March 1, 2020. **DCM** has no control over interest rate fluctuations, and they might represent a significant adverse effect on its financial performance. The Bank Credit Facility has a maximum available principal amount of \$35.0 million.

### Currency Risks:

- **DCM** has grown in the United States with current customers who have U.S. operations. Over time, a larger portion of sales could be derived from its U.S. operations, thus raising currency concerns. If there is an appreciation of the Canadian dollar versus the U.S. dollar, its investments and earnings in the United States could be negatively affected, and vice versa.

### Legal and Regulatory Risks:

- **DCM** can be involved in litigation matters, including lawsuits based on product liability, personal injury, breach of contract, indemnification claims, and lost profits or other consequential damage claims. The outcome of litigations is difficult to predict and raises the risk of an unfavourable impact to its business, results of operations, liquidity, and its financial condition.

### Technology Risks:

- **DCM** relies on its proprietary products to maintain its reputation and competitive position. Segregation and protection of its information and Confidential Client Information is required. Any failure to do so could result in harm to **DCM's** reputation or competitive advantage.
- Cyber threats might defeat **DCM's** security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of security measures adopted by **DCM** or its third-party service providers, leading to a breach of Confidential Information.

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### 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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