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EQUITY RESEARCH

Stephanie Price, CFA
+1 416-594-7047
Stephanie.Price@cibc.com

Scott Fletcher, CPA, CA
+1 416-956-3229
Scott.Fletcher@cibc.com

Natalie Zhang, CFA
+1 416-581-2120
Natalie.Zhang@cibc.com

January 30, 2022 **Rating Change - Upgrade**

Q4/21 Software & Services Preview

Expect A Seasonally Strong Q4 In A Volatile Tech Market

Sector:
Information Technology

Key Changes

Price Target Changes
Converge Technology Solutions Corp. ↓
Softchoice Corporation ↓

Rating Changes
Descartes Systems Group Inc. ↑

Our Conclusion

We expect Q4 will be a typical seasonally strong quarter, with consensus calling for average revenue for our coverage universe to be up 20% Y/Y as demand remains robust. We expect adjusted EBITDA to be up 10% Y/Y given reinvestment initiatives, M&A integration and potentially some cost inflation. In a volatile tech market, we expect that we could see outsized stock moves from firms that report unexpected Q4 results or 2022 guidance. In this type of market, we prefer our more defensive software names, including CGI and Constellation Software. With this preview, as of January 30, we upgrade Descartes to Outperformer (prior Neutral) with our price target unchanged at US$89, and we regard current levels as marking an attractive entry point.

Key Points

Fundamentals Remain Strong: Q4 has historically been a seasonally strong quarter for software firms as customers spend budget dollars prior to year-end. We expect this strength to continue this quarter, with the pandemic accelerating digital and cloud spending. On average, we expect our coverage universe to post 20% revenue growth, driven by a seasonally strong quarter and an active M&A environment.

Wage Inflation A Focus: With Canadian inflation hitting a three-year high in December, we will be closely watching how companies handle tight labour markets and the potential for wage inflation. The Street expects Q4 adjusted EBITDA margins for our coverage universe to be roughly flat Y/Y. However, we expect the business services names we cover to face slightly more of a headwind (~100 bps Y/Y margin decline) than the software names under coverage as they navigate the tight labour market and contract pricing in a rising cost environment.

Rising Rates A Headwind: Despite solid fundamentals, rising interest rates are a headwind for technology stock performance. That being said, tech stock declines since the peak (November 19) are far worse than the expected impact of a 50 bps increase in WACC on our DCF-based price targets. The high-growth names have been most affected, with declines in SaaS stocks more than double the potential impact on our DCF valuations. We generally view this discrepancy as an opportunity for investors to add to positions, and see KXS and DCBO as attractive.

Our Q4/21 Estimates Vs. The Street: We are roughly in line with consensus on a consolidated basis, with outliers including CTS (+11% given recent acquisitions), TIXT (+4% given business mix), AIF (-8% given reinvestments) and CSU (-6% given acquisition integration).

All figures in Canadian dollars otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 24.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 26.

Q4 Preview

Q4 saw an overall market rebound with the S&P 500 Index posting a 9.4% gain and the TSX up 5.3%. However, the Canadian tech names underperformed both indexes, with the tech names under our coverage down an average of 1% in the quarter after posting a 9.4% gain in Q3. The range of returns within our coverage universe was wide, with Constellation delivering +12.2% and Enghouse -12.7%. The business services names under coverage posted an even wider variance in returns this quarter, with strong returns at Altus (+14.6%), Converge (+6.5%), and CGI (+3.6%) more than offset by negative returns from the remaining business services names, including Softchoice (-26.8%) and LifeWorks (-20.3%).

Exhibit 1: Software/Services – CIBC Coverage, 12/31/2020 - 12/31/2021

Software & Systems	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52-week High	52-week Low
Constellation Software Inc	2,346.94	0.9	9.6	12.2	24.8	42.0	42.0	2,385.80	1,530.35
Descartes Systems	82.68	2.2	5.5	2.4	17.3	41.4	41.4	91.39	56.78
Dye & Durham	44.88	2.4	12.5	7.0	(4.9)	(11.2)	(11.2)	53.13	35.51
Enghouse Systems Limited	48.43	(0.4)	(7.4)	(12.7)	(12.9)	(21.4)	(21.4)	66.66	43.31
Open Text Corp	47.48	0.2	2.2	(3.3)	(8.6)	4.4	4.4	55.25	43.68
Kinaxis	177.33	(0.2)	(5.6)	(2.9)	7.4	(1.7)	(1.7)	229.98	124.05
Docebo, Inc.	84.87	(2.2)	0.4	(9.5)	10.6	2.6	2.6	117.55	47.22
Q4 Inc.	8.50	1.8	(9.7)	NA	NA	NA	NA	12.05	7.90
Software & Systems Average		**0.6**	0.9	**(1.0)**	**4.8**	**8.0**	**8.0**		

Business Services	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52-week High	52-week Low
Altus Group Ltd	70.97	1.0	9.9	14.6	21.0	44.4	44.4	72.33	47.81
CGI Group Inc	111.85	(0.2)	4.3	3.6	(0.9)	10.8	10.8	116.88	93.88
Converge Technologies	10.87	0.9	0.2	6.5	(0.6)	118.7	118.7	13.09	4.58
Information Services Corp	26.25	6.7	1.2	(3.3)	(13.9)	31.8	31.8	33.87	20.26
LifeWorks Inc	25.53	0.9	1.3	(20.3)	(23.6)	(17.7)	(17.7)	37.56	24.20
Softchoice Corporation	21.35	(6.4)	(5.7)	(26.8)	NA	NA	NA	45.74	19.71
TELUS International	33.06	2.2	(1.5)	(5.0)	4.2	NA	NA	39.91	26.92
Business Services Average		**0.7**	**1.4**	**(4.4)**	**(2.3)**	**37.6**	**37.6**		

Indices	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD
S&P/TSX Composite Index	21,222.84	0.0	3.7	5.3	4.9	21.7	21.7
S&P 500 Index	4,766.18	0.9	5.6	9.4	9.5	26.9	26.9
S&P/TSX Software Index	212.25	(1.1)	(0.9)	(4.1)	(1.0)	16.4	16.4
S&P500 Software Index	5,847.51	0.3	1.1	10.6	15.8	39.2	39.2

Source: Company reports, FactSet and CIBC World Markets Inc.

Average EV/Sales valuations for companies in our coverage universe are roughly in line with both the one-year and two-year medians. We continue to see some multiple expansion versus the one-year average at select names under coverage (including DSGX +1.2x and CSU +0.9x), offset by multiple contraction at others (DND -4.5x and ENGH -0.7x). On an average basis, valuations are 0.4x higher than the two-year average, although this is driven primarily by three outliers (DSGX +2.6x, CSU +1.3x, and AIF +1.1x).

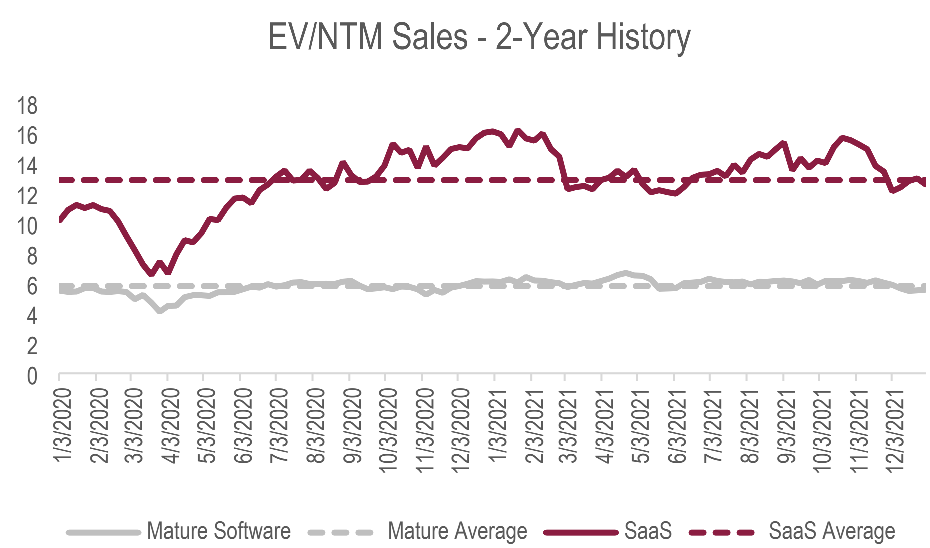
Exhibit 2: CIBC Software/Services Coverage – EV/NTM Sales Valuation, 2019 - 2021

Company	EV/NTM Sales	1-Year Average	Δ	2-Year Average	Δ
Altus	5.1x	4.4x	0.7x	4.0x	1.1x
CGI Inc.	2.4x	2.5x	0.0x	2.4x	0.1x
Constellation	7.7x	6.8x	0.9x	6.4x	1.3x
Descartes	16.0x	14.8x	1.2x	13.4x	2.6x
Docebo	19.2x	18.6x	0.6x	NA	NA
Dye & Durham	6.9x	11.4x	-4.5x	NA	NA
Enghouse	5.3x	6.0x	-0.7x	6.2x	-0.9x
Information Services	2.8x	3.2x	-0.4x	2.8x	0.0x
Kinaxis	14.7x	14.8x	-0.2x	14.6x	0.0x
LifeWorks	2.3x	2.7x	-0.4x	2.7x	-0.5x
Open Text	4.4x	4.7x	-0.3x	4.6x	-0.2x
Q4	2.4x	NA	NA	NA	NA
Softchoice	1.1x	NA	NA	NA	NA
TELUS International	4.4x	NA	NA	NA	NA
Average	**6.8x**	**8.2x**	**-0.3x**	**6.4x**	**0.4x**
Median	**4.8x**	**6.0x**	**-0.2x**	**4.6x**	**0.0x**

Source: Company reports, FactSet and CIBC World Markets Inc.

Of the broader group of SaaS companies we track, EV/NTM sales valuations are roughly 0.3x below the two-year average. The forward EV/Sales multiple for those mature software companies we track is 0.2x below the two-year average.

Exhibit 3: Mature Software Companies And SaaS – EV/NTM Sales, January 2019 - December 2021



Source: Company reports, FactSet and CIBC World Markets Inc.

Q4/21 Expectations

Consensus for companies under coverage is calling for revenue to be up 20%, on average, amid continued demand for cloud and digitization solutions. Outside of ENGH, we expect all names under coverage to post positive Y/Y growth, with the strongest growth forecast at Dye & Durham and Converge as they integrate recent acquisitions. We expect Y/Y EBITDA growth to be more muted (up 10% Y/Y) as companies add back COVID-19-related cost savings (marketing, travel), invest to execute on expanded sales pipelines and potentially encounter some cost inflation.

Exhibit 4: CIBC Software/Services Coverage – Estimate Summary, Q4/C20 - Q4/C21 ($MM, except per share)

	Consensus (Q4/C21)			CIBCe (Q4/C21)			Actual (Q4/C20)			% Change (Consensus - Actual)		
Company	Revenue	EBITDA	EPS	Revenue	EBITDA	EPS	Revenue	EBITDA	EPS	Revenue	EBITDA	EPS
Software & Systems												
Constellation (US$)	1,340	390.2	12.85	1,340	390.2	12.97	1,091	345.0	12.26	23%	13%	5%
Descartes (US$)	111	49.0	0.25	112	49.3	0.29	93	38.6	0.20	19%	27%	25%
Docebo, Inc. (US$)	30	(1.5)	(0.07)	30	(1.8)	(0.09)	19	0.06	(0.12)	60%	NA	-44%
Dye & Durham Limited (C$)	113	61.1	(0.01)	115	62.2	0.08	34	17.1	(0.41)	236%	258%	-98%
Enghouse (C$)	115	40.6	0.39	115	41.2	0.39	119	44.5	0.37	-3%	-9%	6%
Kinaxis (US$)	67	9.4	0.17	66	10.0	0.21	55	6.1	0.12	22%	55%	36%
Open Text Corporation(US$)	871	337.1	0.88	884	335.8	0.86	856	360.8	0.95	2%	-7%	-8%
Q4 Inc (US$)	13	(4.9)	(0.17)	13	(3.6)	(0.15)	11	(3.5)	(0.13)	17%	39%	30%
Business Services												
Altus Group Limited (C$)	161	21.0	0.35	161	22.1	0.42	139	26.7	0.44	15%	-21%	-21%
CGI Group Inc. (C$) (EBIT)	3,114	509.0	1.44	3,102	499.0	1.45	3,019	495.7	1.33	3%	3%	8%
Converge Technology (C$)	480	29.3	0.06	488	28.8	0.07	290	23.4	0.01	66%	25%	NA
Information Services Corp. (C$)	41	15.5	0.45	39	15.0	0.47	39	16.2	0.53	5%	-4%	-15%
LifeWorks Inc. (C$)	261	47.4	0.14	260	49.0	0.15	250	51.0	0.15	4%	-7%	-8%
Softchoice Corporation (US$)	265	25.0	0.24	264	23.9	0.20	231	26.0	0.36	15%	-4%	-34%
TELUS International (US$)	596	140.1	0.24	601	145.8	0.25	442	129.0	0.27	35%	9%	-10%
Average*										**20%**	**9%**	**-2%**

*% Change Average excludes DND.

Source: Company reports, FactSet and CIBC World Markets Inc

Across our coverage, we are broadly in line with consensus estimates. However, there are some outliers, including Converge (+11%) given the expected benefits of acquisition integration and Altus (-8%) as the company integrates recent acquisitions and continues to invest in its Analytics division.

Exhibit 5: CIBC Software/Services Coverage – Q4/21 Estimates Vs. Consensus ($MM)

Company	Reporting Date	Primary Metric	CIBCe	Consensus	CIBC Vs. Consensus
Altus Group	8-Mar	EBITDA	22.1	21.0	5.2%
CGI Group	2-Feb	EBIT	499	509	(1.9%)
Constellation (US$)	10-Feb	EBITDA	390	390	0.0%
Converge Technology		EBITDA	29	29	(1.7%)
Descartes (US$)		EBITDA	49.3	49.0	0.6%
Docebo (US$)		Sales	30.1	30.0	0.2%
Dye & Durham		EBITDA	62.2	61.1	1.9%
Enghouse		EBITDA	41.2	40.6	1.4%
Information Services		EBITDA	15.0	15.5	(3.0%)
Kinaxis (US$)		Sales	66.2	67.0	(1.2%)
Lifeworks		EBITDA	49.0	47.4	3.4%
Open Text (US$)	3-Feb	EBITDA	335.8	337.1	(0.4%)
Q4 Inc (US$)		Sales	13.3	12.9	3.2%
Softchoice Corporation (US$)		EBITDA	23.9	25.0	(4.5%)
TELUS International (US$)		EBITDA	145.8	140.1	4.1%
				Average	0.5%

Source: Company reports, FactSet and CIBC World Markets Inc.

Changes To Our Estimates

We have reduced our target multiple for each of SFTC and CTS to reflect the impact of volatile markets on IT Services provider valuations. We also upgrade Descartes from Neutral to Outperformer and leave our estimates and price target unchanged. We view current levels as an attractive entry point for Descartes, as we expect its business to benefit from logistics and supply chain complexities. With this preview we have also updated our estimates for CGI to reflect sequential movements in the EUR/CAD (bringing total revenue growth down by 0.5%) and our expectation that CGI can continue to pass through wage inflation to clients (with EBIT margins expected to be down 30 bps vs. 70 bps prior).

Exhibit 6: CIBC Software/Services Coverage – Estimate Changes, Q4/C21 ($MM, except EPS)

	Rating		Price Target		Multiple			CQ4/21 Estimate				2021E Estimate		
Company	**Old**	**New**	**Old**	**New**	**Basis**	**Old**	**New**	**Basis**	**Old**	**New**	**%**	**Old**	**New**	**%**
CGI Inc.	OP	OP	$130.00	$130.00	P/E	21.0x	21.0x	EPS	$1.45	$1.42	-2.1%	$5.87	$5.93	1.0%
Converge Technology	NT	NT	$12.50	$11.00	EV/EBITDA	13.0x	11.0x	EBITDA	28.8	28.8	0.0%	88.2	88.2	0.0%
Descartes (US$)	NT	OP	$89	$89	EV/EBITDA	32.5	32.5x	EBITDA	49.3	49.3	0.0%	184.9	184.9	0.0%
Softchoice	OP	OP	$37.50	$31.00	EV/EBITDA	19.0x	16.0x	EBITDA	23.8	23.8	0.0%	66.5	66.5	0.0%

Source: Company reports, FactSet and CIBC World Markets Inc.

Key Themes For The Quarter

Rising Rates A Headwind For Tech Names

With North American economies experiencing sustained elevated inflation levels, the timing of central bank rate hikes has quickly moved to the top of the list of key equity market variables in 2022. Technology markets have been hit hard in recent weeks as it has apparently become clear that rate hikes are coming faster and more frequently than previously expected. As tech equities have sold off, we have been left wondering how much of the drawdown is warranted, strictly as a fallout from rising rates. To get a sense of the effect of rising rates on valuation, we looked at the impact of a 50 bps increase in the WACC used in our discounted cash flow (DCF) based price targets.

The exercise showed that the share price changes in our coverage universe since the TSX peaked on November 19 have, on average, exceeded the impact that a 50 bps increase in WACC would have on our price target calculations. This discrepancy is magnified in names trading at premium multiples, where declines in SaaS stocks have more than doubled the potential impact on our DCF valuations. We generally view this discrepancy as an opportunity for investors to add to positions, and regard KXS and DCBO as attractive at these levels.

Exhibit 7: CIBC Software/Services Coverage – Impact Of Change To WACC, 11/19/21 - 1/18/22

Company	Price Decline (%) – Nov. 19, 2021 Vs. Jan. 27, 2022	Implied Change In PT With 50 bps Change In WACC	Delta (Actual Price Decline - Implied TP Decline)
Software & Systems			
Constellation (US$)	(9.9%)	(8.4%)	(1.4%)
Descartes (US$)	(26.4%)	(10.8%)	(15.6%)
Docebo, Inc. (US$)	(31.8%)	(7.9%)	(23.9%)
Dye & Durham Limited (C$)	(17.8%)	(10.5%)	(7.3%)
Enghouse (C$)	(24.8%)	(7.0%)	(17.8%)
Kinaxis (US$)	(34.7%)	(7.9%)	(26.8%)
Open Text Corporation(US$)	(13.0%)	(7.4%)	(5.6%)
Business Services			
Altus Group Limited (C$)	(10.7%)	(9.4%)	(1.4%)
CGI Group Inc. (C$)	(5.9%)	(7.1%)	1.3%
Converge Technology (C$)	(27.6%)	(6.3%)	(21.3%)
Information Services Corp. (C$)	(9.5%)	(6.5%)	(3.1%)
LifeWorks Inc. (C$)	0.6%	(8.1%)	8.7%
Softchoice Corporation (US$)	(9.0%)	(8.9%)	(0.1%)
TIXT (US$)	(24.9%)	(9.0%)	(15.9%)
Average	(19.1%)	(8.2%)	(10.8%)

Source: Company reports and CIBC World Markets Inc.

The limits of this exercise are clear, as equity prices reflect a number of variables in addition to discount rates. Further, the relationship between a rising rate environment and falling tech returns is hardly set in stone. Over the last 20 years, the correlation between 10-year treasury note yields and the S&P Software Index has not been uniformly negative: from 2016 to 2018, while 10-year yields more than doubled, technology stocks also saw gains of ~60%. The recent pullback in technology names is more than likely a combination of related issues, including rate concerns, profit-taking after a period of outsized gains, and a shift in sentiment from growth names to traditional value stocks, to list only a handful.

Keeping that in mind, we still see interesting takeaways from our look at rising discount rates. Some of the more mature software and services names under coverage have been less impacted by the recent sell-off, as business models with solid margins, strong free cash flow, M&A potential and a limited reliance on outsized growth look attractive in the current environment. These names could potentially remain safer havens throughout 2022 as the impact of and speculation around rising rates continue over the course of the year.

Wage Inflation A Focus

With Canadian inflation hitting a three-year high of 4.8% in December, we consider inflation a key risk and will be closely watching how companies handle a rising cost environment. The majority of software and services firms don't have to manage inflation in commodity prices or other physical inputs, but tight labour markets and wage inflation are pressuring the cost of talent. While increasing labour costs may be a less serious concern for companies valued on a revenue multiple with ample cash reserves, we believe investors will focus on gross margins and EBITDA margins in 2022 to ascertain any potential compression.

As noted in the table in Exhibit 8, consensus expects Q4 margins to be roughly flat versus LTM. Within our coverage universe, the IT Services names are most exposed to rising labour costs and elevated attrition rates given that talent is their most important asset. While commentary from global IT Services peers has noted significant upticks in attrition amongst consultants, those firms have still been able to grow headcount Y/Y. Those management teams have also been clear in their ability to pass on rising labour costs to their end-customers. We are seeing that contract language includes price escalators to offset rising costs, and with wage inflation and talent shortages making daily headlines, consulting clients understand the rationale. We expect that the ability to manage wage inflation will be one of the most important factors to impact margins in 2022.

Exhibit 8: CIBC Software/Services Coverage – Margin Expectations, LTM & Q4/21E

	LTM Margins	Q4/21E	Δ
Software & Systems			
Constellation (US$)	30.0%	29.1%	-0.9%
Descartes (US$)	42.9%	44.0%	1.1%
Docebo, Inc. (US$)	-6.8%	-6.0%	0.8%
Dye & Durham Limited (C$)	55.5%	54.2%	-1.3%
Enghouse (C$)	36.1%	35.8%	-0.3%
Kinaxis (US$)	14.6%	15.0%	0.4%
Open Text Corporation(US$)	38.0%	38.0%	0.0%
Q4 Inc (US$)	-26.2%	-26.7%	-0.6%
Business Services			
Altus Group Limited (C$)	18.4%	13.8%	-4.6%
CGI Group Inc. (C$) (EBIT)	16.1%	15.7%	-0.4%
Converge Technology (C$)	6.3%	5.9%	-0.4%
Information Services Corp. (C$)	40.7%	38.6%	-2.1%
LifeWorks Inc. (C$)	19.6%	18.8%	-0.8%
Softchoice Corporation (US$)	7.8%	9.1%	1.2%
TELUS International (US$)	25.8%	24.3%	-1.5%
Average	**21%**	**21%**	**-0.6%**

Source: Company reports, FactSet and CIBC World Markets Inc.

FX A Minimal Headwind For Canadian Dollar Reporters

The Canadian dollar depreciated against the U.S. dollar Q/Q, edging lower from $0.7938 at the end of Q3 to $0.7933 on December 31. As a result, we expect FX headwinds for the CAD reporters under coverage to be of minimal consequence on a sequential basis. That being said, the USD/CAD FX trends in Q4 are broadly similar to those in Q3, with the CAD reporters facing an FX headwind from the Y/Y appreciation in the CAD and the USD reporters under coverage experiencing an FX tailwind as the USD depreciated Y/Y. The EUR depreciated 7% against the Canadian dollar Y/Y.

Exhibit 9: FX – Y/Y Movements, Q4/21

	Reporting Currency			
Sales Currency	USD	CAD	EUR	GBP
USD	0.0%	-3.2%	4.4%	-2.0%
CAD	3.3%	0.0%	7.8%	1.3%
EUR	-4.2%	-7.3%	0.0%	-6.1%
GBP	2.0%	-1.3%	6.5%	0.0%

Source: Company reports, FactSet and CIBC World Markets Inc.

Of the CAD reporters in our universe, Enghouse, Lifeworks and Altus have the highest exposure to USD revenue. CGI has the largest exposure to Europe, as well as significant exposure to the USD. By contrast, TELUS International and Constellation report in USD but have the lowest exposure to USD revenue, suggesting they may be beneficiaries of the changing FX environment.

Exhibit 10: CIBC Software/Services Coverage – Estimated Company Revenue Exposure By Currency, Q4

	AIF	CGI	CSU	DCBO	DND	DSGX	ENGH	KXS	LWRK	OTEX	QFOR	SFTC	TIXT
Reporting Currency	*CAD*	*CAD*	*USD*	*USD*	*CAD*	*USD*	*CAD*	*USD*	*CAD*	*USD*	*USD*	*USD*	*USD*
USD	38%	30%	44%	71%	0%	65%	47%	62%	36%	55%	85%	54%	35%
CAD	33%	15%	12%	0%	40%	9%	5%	2%	59%	5%	6%	46%	25%
EUR	-	39%	25%	29%	0%	14%	15%	22%	-	24%	7%	-	40%
GBP	24%	12%	10%	0%	30%	6%	13%	-	-	6%	-	-	-
Other	5%	4%	10%	0%	30%	6%	20%	13%	5%	10%	2%	-	-

Source: Company reports, FactSet and CIBC World Markets Inc.

Based on Q4 FX movements and the relative breakdown of revenue by currency within our coverage universe, the majority of names are facing a revenue headwind in the quarter. While the USD did appreciate relative to the CAD, weakness in the EUR outstripped any relative tailwind that USD reporters would have experienced. CGI continues to face the largest FX headwind to revenue given its greater exposure to the EUR, GBP and CAD .

Exhibit 11: CIBC Software/Services Coverage – Expected FX Impact On Revenue, Q1/21 - Q4/21

	AIF	CGI	CSU	DCBO	DND	DSGX	ENGH	KXS	LWRK	OTEX	QFOR	SFTC	TIXT
Q4/21	(1.5%)	(4.0%)	(0.4%)	(1.2%)	(0.4%)	(0.2%)	(2.8%)	(0.9%)	(1.2%)	(0.7%)	(0.1%)	1.6%	(0.8%)
Q3/21	(1.9%)	(3.4%)	1.6%	0.2%	0.3%	1.0%	(3.1%)	0.3%	(2.0%)	0.9%	NA	2.7%	1.8%
Q2/21	(4.3%)	(4.3%)	5.1%	2.8%	1.1%	3.2%	(5.8%)	2.4%	(4.1%)	3.7%	NA	NA	7.0%
Q1/21	(1.8%)	(0.2%)	3.8%	2.7%	3.7%	2.6%	(2.1%)	2.2%	(2.1%)	3.0%	NA	NA	5.3%

Source: Company reports, FactSet and CIBC World Markets Inc.

Altus Group Ltd.

Exhibit 12: AIF – Estimate Summary, Q4/21

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	161	161	139	623	624	561
Adj. EBITDA ($MM)	22	21	27	106	108	99
Adjusted EPS	0.42	0.35	0.44	1.64	1.79	1.67

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: Thursday March 8, 2022

Conference Call Details: TBD

Q4 Overview: Altus hosted an Investor Day in December that focused on plans to create an integrated platform to help digitize and modernize the commercial real estate industry. The company remains committed to its 2023E target of $400 million in Analytics revenue, with a belief that the business' existing assets can grow to those levels. The cloud transition remains an important story in the near term, with 29% of ARGUS customers transitioned to the cloud, although many of its key enterprise customers continue to rely on on-premise solutions. With updated 2021 guidance implying a Q4 range of $158 million-$163 million in revenue and $21 million-$26 million in adjusted EBITDA, we are near the mid-point of the range on revenue and at the lower end on adjusted EBITDA.

Key Topics For The Quarter

1. **Divisional Expectations:** We are expecting Analytics revenue of $72 million, representing Y/Y growth of 40%, with growth primarily from recent acquisitions. We expect the property tax business to see flat Y/Y growth as property tax cycles in the U.K. and the U.S. continue to face COVID-19-related delays. On profitability, we forecast a 540 bps decline Y/Y in EBITDA margins from 19.2% to 13.8%, resulting from a shift in mix away from Property Tax and into Analytics and margin pressure from the Reonomy acquisition.

2. **Reonomy Integration:** We are expecting an update on the integration of Reonomy, Altus' newly acquired AI-powered data platform. Reonomy was acquired in November 2021 for $250 million or 11x TTM revenue. We are forecasting $3.5 million in Reonomy revenue in the quarter. With there being plans to integrate Reonomy with Argus, we will look for an update on initial sales momentum under the Altus banner as well as a clearer picture on the expected integration timeline into Argus. Prior to being acquired, Reonomy was growing revenue at 25%-30% and management expects that to increase into the mid-30% range as it cross-sells the product into the Altus/ARGUS customer base.

3. **M&A Outlook:** With management remaining committed to its 2023E Altus Analytics target of $400 million in revenue, we expect that the company will remain active on M&A discussions throughout 2022. Post Reonomy, leverage is sitting at 3x versus covenants of 4x and management appears comfortable operating in the range of 2.5x-3x leverage. Commentary at the Investor Day noted that the company could execute on $250 million-$300 million in M&A during 2022 without raising additional equity.

CGI Inc.

Exhibit 13: GIB.A – Estimate Summary, Q1/F22

	Q1/F22 (Ending December)			Fiscal Year (Ending September)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	3,102	3,114	3,019	12,573	12,603	12,127
Adj. EBIT ($MM)	499	509	496	1,980	2,048	1,952
Adjusted EPS	1.45	1.44	1.33	5.93	5.91	5.44

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: Wednesday February 2, 2022

Conference Call Details: 9 a.m., ET, dial-in: 1-800-590-6590; conference ID: 7425436

FQ1 Overview: We are expecting 6.5% constant-currency revenue growth in FQ1 as CGI executes on its solid backlog and bookings (TTM book to bill of 1.14x in FQ4). The bookings environment has been strong, with bookings outpacing revenue in four of CGI's last five quarters, and we will be looking for an update on the sales environment. Cost control will be a focus, with management noting on prior calls its ability to pass wage inflation onto clients. We will also be looking for an update on the M&A environment, with CGI announcing plans at its recent Investor Day to significantly accelerate M&A spending during F2022.

Key Topics For The Quarter

1. **Booking Momentum:** CGI has seen bookings outpace revenue in four of its last five quarters as LTM book-to-bill trended consistently above one in F2021. However, bookings did lag revenues in Q4/F21, despite FQ4 typically being a seasonally strong quarter for bookings. A disappointing book-to-bill could signal some challenges in meeting F2022 revenue growth estimates. With the spread of Omicron across Europe and North America in December providing a potential headwind, strong booking figures and their qualitative impact on the bookings pipeline will be important to maintain confidence in positive constant-currency organic growth for the year.

2. **Update On M&A Environment:** CGI has announced plans to spend between $800 million to $1.2 billion on M&A in F2022, a significant step-up from the $99 million spent in F2021. M&A is expected to focus on metro market tuck-ins, particularly local firms that have developed their own IP. We will be looking for an update on the M&A environment, the IP capabilities of tuck-ins completed in the quarter, and whether the targeted level of M&A spend remains reasonable as the Omicron wave has added further uncertainty. We believe that management would be willing to increase leverage to pursue transformational M&A, and increasing leverage to 2.5x would result in $4 billion in available liquidity. We have not included future M&A in our model, and view M&A at the levels targeted by management as 4%-7% accretive to EPS.

3. **Margin Stability:** Wage inflation for consulting professionals has been felt across the industry, and CGI is no exception. FQ1 results will provide some additional clarity on CGI's ability to pass cost increases onto its customers, as has been the case to date. CGI has been successful in retaining talent through a variety of programs (ownership, referral bonuses, learning and development), which are expected to help mitigate rising wages and talent acquisition costs. We forecast adjusted EBIT margins of 16.1%, a Y/Y decline of 30 bps and ~20 bps below consensus.

Constellation Software Inc.

Exhibit 14: CSU – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	1,340	1,340	1,091	5,063	5,115	3,969
Adj. EBITDA ($MM)	390.2	390.2	345.0	1,491.2	1,515.0	1,229.0
Adjusted EPS	12.97	12.85	12.26	30.43	40.81	39.40

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: Thursday February 10, 2022

Conference Call Details: CSU will not be holding a conference call.

Q4 Update: Constellation was more active than usual on the M&A front in the first three quarters of 2021 and we expect elevated M&A to have continued in Q4, with Constellation subsidiaries announcing 16 deals in the quarter. There is the potential for a slowdown in organic revenue growth as Omicron made its way across Constellation's main North American and European markets in the second half of the quarter. With Constellation not hosting a quarterly earnings call, we will continue to rely on the key items disclosed in the MD&A: organic growth, M&A spending, free cash flow available to shareholders, and profitability.

Key Topics For The Quarter

1. **M&A Accelerating:** M&A accelerated through the first three quarters of 2021, with $726 million in total M&A spend well ahead of the previous high water mark of $603 million. With Q3 results Constellation announced that post-quarter-end it had entered into agreements to spend an additional $329 million. Q4 results will include an update on M&A execution during the quarter, providing context on the set-up for M&A spending in 2022.
2. **VMS Ventures Management Changes:** During Q4 Constellation announced the formation of VMS Ventures, a venture capital fund that plans to deploy $200 million over the next three to five years. Included in the announcement was news that Topics.com CEO Dan Dijkhuizen would oversee the fund and resign from his role as Topicus.com CEO. Current Topicus.com chairman Robin van Poelje assumed the role of CEO in his stead. VMS Ventures' employees are permitted to invest in the VMS Ventures portfolio companies in another effort to give management additional upside opportunities.
3. **Organic Growth Update:** Constellation reported 5% constant-currency organic growth in Q3, down from 8% in the previous quarter and up from -3% in the prior-year quarter. Organic growth has benefitted from the COVID-19-impacted comparable periods, but strong performance relative to the preceding quarters would be viewed as a positive. Maintenance and other recurring revenue saw 6% constant-currency growth (down sequentially from 7%), while professional services constant-currency growth was 6% (10% in Q2/21). Licenses (1%) and hardware/other (-13%) were both down ~10% sequentially in Q3, although both categories are lumpier revenue streams.
4. **Free Cash Flow:** Free cash flow declined 60 bps Y/Y as a percentage of revenue in Q3 as injections to working capital impacted cash flow in the quarter. With Constellation funding acquisitions out of cash flow, we will be monitoring Free Cash Flow Available To Shareholders margins as well as EBITDA margins. A continuing negative margin trend or a slowdown in free cash flow growth could be indicative of the pace of future M&A capital deployment.

Converge Technology Solutions

Exhibit 15: CTS – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	488	480	290	1,511	1,508	949
Adj. EBITDA ($MM)	28.8	29.3	23.4	88.2	89.1	59.4
Adjusted EPS	0.07	0.06	0.01	0.12	0.14	(0.05)

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Update: Converge's Q4 will be its first quarterly report following our initiation of coverage in December. While we believe that Converge's approach to rolling up the IT Services provider market is a sound strategy, execution on that strategy is where management will need to create value. With the business investing heavily in M&A and relying on notable cost and revenue synergies from those transactions to drive margin accretion, tracking the impact of acquisitions on quarterly results is particularly important. We will be looking for important colour on the organic gross profit growth in the quarter, as well as the impact of recent M&A on profitability. Additionally, we will be looking for details on the operational integration and expansion into Germany that began with the August 2021 acquisition of REDNET AG.

Key Topics For The Quarter

1. **Organic Growth Disclosure:** A key component of Converge's M&A strategy is its ability to cross-sell managed services into the customer base of its acquired hardware-focused resellers. With limited disclosure around the historical gross profit margin at M&A targets, we have found it difficult to come to a reasonable estimate for overall organic growth. We expect management to disclose an organic growth figure with the quarter, ideally with context around how the number is calculated. A better-than-expected organic growth number would provide confidence in management's strategy of converting hardware VARs to managed services providers.

2. **Acquisition Updates:** Converge completed the acquisitions of LPA Software and OPIN Software in Q4, as well as the post-quarter acquisition of Paragon Development Systems on January 10. We will be looking for details around the integration of the acquired companies in the quarter, including the expected timeline required for the target companies to be included in Converge's operating model and target margins. We will also be looking for more information on the performance of REDNET AG and the expansion plans into Germany and eventually the U.K.

3. **Supply Chain Concerns:** Converge does face exposure to the supply chain issues that have plagued hardware providers through the course of 2021. While we expect supply chain concerns to have improved Q/Q, and to be alleviated at some point in 2022, they are likely to impact Converge's hardware reseller business in Q4 and the earlier quarters of 2022. Q4 results will give solid context on the extent of the impact relative to both the previous quarter and steady-state levels.

Descartes Systems Group Inc.

Exhibit 16: DSGX – Q4/F22 Estimate Summary

	Q4/F22 (Ending January)			Fiscal Year (Ending January)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	112	111	93	424	424	349
Adj. EBITDA ($MM)	49	49	39	185	184	142
Adjusted EPS	0.29	0.25	0.20	1.06	1.02	0.61

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

FQ4 Overview: The persistence of the logistics and supply chain challenges continued to provide a tailwind to Descartes throughout its F2022. Descartes completed $90 million of M&A in H1/F22, and we are expecting an update on the M&A environment as management did not close any transactions in the second half of the year. We expect FQ4 to be another relatively easy Y/Y comparison given the pandemic-related slowdown in transportation volumes in the prior year. With this preview, we are upgrading Descartes from Neutral to Outperformer as we foresee longer-term tailwinds for Descartes as supply chain disruptions highlight the need for digitization and technology adoption.

Key Topics For The Quarter

1. **Organic Growth:** We calculated organic growth last quarter in the mid-teens, and organic growth has trended well above historical levels (mid-single-digits) as transaction volumes and demand have improved during the pandemic. We expect similar growth in FQ4, with Descartes benefiting from: 1) an easy Y/Y comparison given the COVID-19-impacted transportation volumes in Q4/F21; 2) supply chain disruptions, which lead clients to see the value of supply chain digitization; and, 3) new U.K. customs filing regulations. Post F2022 we expect organic growth to return to more normalized levels.

2. **M&A Outlook:** Descartes sat out FQ3 and FQ4 on the acquisition front after acquiring QuestaWeb for $36 million in FQ1 and Portrix and GreenMile for $55 million plus a $10 million earn-out in FQ2. We will be looking for commentary on valuations in the space, especially given the relatively steep pullback in publicly traded technology valuations over the last two months. Descartes ended FQ3 with $171 million in cash and $350 million available under its credit facility.

3. **Baseline Calibration:** Management's baseline FQ4 revenue calibration was $97.3 million, up 2.4% sequentially, while baseline EBITDA of $36.6 million was up 3.1% sequentially. We will be watching for adjusted EBITDA margins in FQ4, with Descartes continuing to beat its F2022 adjusted EBITDA margin guidance of 38%-43% with margins of 44%. We forecast annual EBITDA growth of 31%, well above management's perpetual target of 10%-15% annual EBITDA growth. We believe that the margin outperformance post-pandemic has been driven by higher-than-expected transaction volumes, with incremental transactions on the global logistics network contributing very high-margin revenue. COVID-19-related cost savings have also been a factor, with travel and marketing expenses remaining well below pre-COVID-19 levels.

Docebo, Inc.

Exhibit 17: DCBO – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	30	30	19	105	104	63
Adj. EBITDA ($MM)	(1.8)	(1.5)	0.06	(8.2)	(9.0)	(2.6)
Adjusted EPS	(0.09)	(0.07)	(0.12)	(0.45)	(0.39)	(0.26)

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: Docebo shares have been hard-hit in recent weeks as the timing of rate hikes gained new levels of clarity. We maintain a positive outlook on the fundamentals of the business, and we expect the focus on the quarterly call will remain on subscription revenue and ARR growth, as growth rates in 2021 have been quite strong and generally trended higher than expected. Outside of revenue and ARR growth, we expect updates on significant customer wins in the quarter, the progress on new and existing OEM agreements, the sales performance of the Docebo learnings suite, and the move into APAC with the acquisition of Skillslive. With over $200 million in net cash and limited cash burn, the company has flexibility with capital allocation decisions and we would not be surprised to see Docebo pursue additional M&A in the near term as it builds out additional features for its platform.

Key Topics For The Quarter

1. **SaaS Revenue And ARR Growth:** We expect revenue growth of 60% in Q4, driven by recent contract wins and OEM expansions. The company's land-and-expand strategy targets large enterprises' individual divisions, before cross-selling solutions into other departments. We will be looking for information on customer expansion and whether impressive average contract value (ACV) growth (23% in Q3) can continue at elevated levels. The ACV of deals signed in the third quarter was ~$58,000, supporting continued expansion from the current ACV of ~$39,000. Docebo announced 151 new client wins in Q3 and we will be looking for additional new client metrics with Q4 results.

2. **2022E Cost Outlook:** Since its 2019 IPO Docebo has prioritized investing in the growth of the business over a push for profitability. Given the business has previously shown an ability to operate at breakeven profitability, we will be watching to see whether the pronounced sell-off in unprofitable technology names will prompt a renewed investor focus on profitability. LTM EBITDA margins of about -7% are below 2020 margins of -4%, and we believe that Docebo could return to profitability relatively quickly were it to scale back on re-investments into the business.

3. **OEMs And Partnerships:** While the core learning management system remains the main growth driver, OEM relationships are becoming a more important contributor to revenue. Relationships with Ceridian, MHR and other channel-style partners are still less than 50% of sales activity, but their contribution is growing as a percentage of sales. The quarterly results are likely to include an update on activity within the newer partners, particularly the newly acquired Skillslive, as well as an update on any new relationships signed in the quarter.

Dye & Durham Ltd.

Exhibit 18: DND – Q2/F22 Estimate Summary

	Q2/F22 (Ending December)			Fiscal Year (Ending June)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	115	113	34	502	507	209
Adj. EBITDA ($MM)	62	61	17	272	278	116
Adjusted EPS	0.08	(0.01)	(0.41)	0.30	0.44	(0.72)

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

FQ2 Overview: DND was extremely active on the M&A front in FQ2, committing $3.7 billion towards the acquisitions of Telus' Financial Services Business (FSB) and Link Group. These acquisitions are not expected to have a material impact on quarterly results as FSB was acquired in December and the Link Group deal is not expected to close until June 2022. We will be looking for an update on the integration of FSB into the current workflow as well as on progress towards the close of Link Group. Outside of the M&A completed in FQ2 we will also be looking for updates on the current CMA review of TM Group, recent Unity price raises and the impact of recent acquisitions on adjusted and unadjusted EBITDA margins.

Key Topics For The Quarter

1. **Telus FSB & Other Integrations:** The acquisition of Telus' FSB business was announced and closed in early December. No financial metrics were announced with the deal and we will look to the quarterly call for additional information on the price paid. The mortgage facilitation piece of the FSB business is a clear strategic fit with DND's existing assets and we will be looking for an updated timeline on integration into the Unity software platform. On the other hand, the online bill payment infrastructure piece is less of a natural fit, and the quarterly call may provide additional context on how DND plans to operate the business within the existing structure. We expect the majority of the synergies to come in the form of price increases, and will look for information on the extent of those price lifts.

2. **Update On CMA Review:** DND's pending acquisition of TM Group remains under review by the U.K. Competition and Markets Authority (CMA), having been referred to an in-depth Phase 2 merger investigation. The move to a Stage 2 review was expected, although DND had submitted a remedy proposal to address the CMA's concerns. Regulatory concerns and antitrust reviews remain a key risk to the Dye & Durham story given the business' acquisitive nature and the limited number of competitors in some of Dye & Durham's key markets.

3. **Housing Market Slowdowns:** Dye & Durham's revenue is re-occurring rather than recurring given that it relies on transaction volumes rather than subscriptions. With activity in housing markets slowing in serviced markets, the quarter may give us some insight into the impact of a slowing housing market on revenue growth as well as DND's ability to offset those slowdowns with further price increases. DND's historical reliance on price increases has led to negative press, but we do expect the practice to continue given the transaction cost remains a minimal component of a much larger real estate purchase. Post FQ2 DND increased the prices on Unity, announcing that clients will now choose between three packages, priced between $199 per transaction and $249 per transaction depending on transaction volumes and contract length.

Enghouse Systems

Exhibit 19: ENGH – Q1/F22 Estimate Summary

	Q1/F22 (Ending January)			Fiscal Year (Ending October)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	115	115	119	487	485	467
Adj. EBITDA ($MM)	41	41	45	171	169	169
Adjusted EPS	0.39	0.39	0.37	1.65	1.69	1.66

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

FQ1 Overview: Enghouse has faced a number of quarters with difficult Y/Y comparative periods as it laps prior-year quarters that benefitted heavily from one-time license sales of its Vidyo product. FQ1 should see a return to more normalized levels of organic growth, although we are still expecting a Y/Y decline of 3% in total revenue. A more normalized comparative period should give us a better idea of organic growth in the current business and whether adoption of the company's newer cloud products has helped drive additional organic growth. Conjecture about a potential sale has also added some noise to the story, but management has repeatedly denied any sale talks and we do not expect to hear anything further on the topic.

Key Topics For The Quarter

1. **M&A Update:** After spending only $35 million on business acquisitions in F2021, Enghouse finished FQ4 with $195 million in cash and appears poised to deploy that capital in F2022. With technology valuations contracting in recent months, management may have more opportunities to complete M&A at the 1x sales level with which it has historically been comfortable. We are forecasting $30 million in M&A spending in F2022E and foresee upside if Enghouse can exceed those targets. We expect some clarity on the valuation environment for Enghouse targets as well as on any willingness to return capital via a special dividend, as was the case in Q2/F21.

2. **Margin Sustainability:** Enghouse historically targets an average EBITDA margin of 30%, with the number fluctuating depending on the level of acquisition integration in a given period. EBITDA margins were 36% in F2021, benefitting from the migration of workforces to remote work, reduced travel spend, and scale efficiencies. Our F2022 forecast calls for EBITDA margins of 35%, higher than historical levels, and we will be looking for an update on the expected sustainability of mid-30% margins. We also note that higher EBITDA margins contribute directly to free cash flow generation, increasing the potential for M&A, as Enghouse has historically funded all acquisition activity through its free cash flow generation.

3. **Cloud Contact Center Sales:** Cloud contact center businesses made headlines in 2021 with Zoom's attempted acquisition of Five9, emphasizing the importance of the technology. Enghouse remains in the earlier stages of selling its cloud contact center, although selling efforts have been ramped up given demand for cloud solutions that can be implemented without on-site work. Further to information on cloud contact center sales, we will be looking for an update on Enghouse's newly launched UCaaS software as it looks to better integrate its contact center and unified communications offerings.

Information Services Corp.

Exhibit 20: ISV – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	39	41	39	164	166	137
Adj. EBITDA ($MM)	15	15.5	16	66	65	47.0
Adjusted EPS	0.47	0.45	0.53	1.61	1.75	1.18

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: Entering 2022, we downgraded Information Services Corp. after the stock returned 32% in 2021 as it benefitted from a strengthening Saskatchewan economy and from speculation around a potential Alberta land registry privatization or acquisition by peer Dye & Durham as it accelerated M&A. We foresee the Saskatchewan economy normalizing in 2022 and there being less speculation around the Alberta land registry and Dye & Durham, removing key tailwinds in 2022. For Q4 we forecast flat revenue growth as declines in the personal property registry offset 10% growth expectations in the services business. We consider future M&A as upside, with incoming CEO Shawn Peters noting at our recent Western Institutional Investor Conference that he is looking to increase M&A going forward. We will be looking for an update on the M&A valuation environment on the Q4 call.

Key Topics For The Quarter

1. **Revenue Growth:** We are expecting flat Y/Y growth in Q4 as the Saskatchewan housing market returns to more normalized levels. That being said, the Omicron variant has likely had some level of impact on ISV's business and may affect growth in either direction as it is difficult at this stage to determine the extent to which the pandemic has influenced major purchases (homes, personal property). We will also be watching for growth in the services and technology businesses, the latter of which has particularly struggled in the wake of the pandemic.

2. **Registry Margin Sustainability:** Registry margins of 64% in Q3 were well ahead of historical levels of 50% and set a high water mark for the business. While we believe that some one-time items contributed to the beat, we are forecasting above-historical 55% margins in Q4. ISV has focused on cost management throughout the pandemic, and we believe that it has identified some areas of permanent savings through those reductions. The quarter will provide additional insight into the sustainability of registry margins and whether we can comfortably project margins of 55% into future quarters.

3. **Recovery Solution Momentum:** ISV's acquisition of Paragon Recovery Services has yet to contribute meaningful growth as government subsidies have reduced loan default rates and lenders have been reluctant to pursue recovery in a pandemic environment. We expect that those headwinds are beginning to lessen and that ISV's full suite of services may see increased demand as recovery activity picks up. We are forecasting 10% growth in the services business and believe that the business could post growth beyond those levels if recovery activity and sales were to meaningfully accelerate.

Kinaxis Inc.

Exhibit 21: KXS – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	66	67	55	248	249	224
Adj. EBITDA ($MM)	10.0	9.4	6.1	38.5	38.1	53.8
Adjusted EPS	0.21	0.17	0.12	0.62	0.58	1.11

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: We expect Q4 to mark a return to stronger growth for Kinaxis, with Q3 probably having been the floor for subscription revenue growth after sales delays at the start of the pandemic. Management reiterated its guidance for 22%-25% SaaS growth in 2022, and we are expecting that growth to have begun accelerating in Q4. We expect 17% subscription growth in Q4, up from 14% in the prior quarter. We will be looking to ARR growth as a key indicator of the viability of the 2022E SaaS growth guidance, and expect ARR growth to hold steady at the 23% levels posted in Q3. The sale of RapidStart remains a key growth driver over the medium term given the shorter sales and implementation cycles amid the current supply chain disruptions.

Key Topics For The Quarter

1. **License Renewal Cycle Begins:** Kinaxis has been in the midst of a trough license renewal cycle for the last year, leading to slowing revenue growth and weaker-than-normal adjusted EBITDA margins. We forecast license revenue of $5 million in the quarter, a Y/Y increase of 157%. License revenue is high margin and recognized entirely at the time of renewal, which we forecast to lead to a ~400 bps expansion in adjusted EBITDA Y/Y.

2. **Update On RapidStart Conversions:** RapidStart, Kinaxis' program to deliver accelerated implementations for customers looking to get up and running as fast as possible, has been a popular option with customers. Companies are looking for quick and effective solutions to ongoing supply chain disruptions, and regard the program as a means to accomplish those goals. While RapidStart does bring subscription revenue online faster, the contract values for these deals are smaller and require additional upsell work post-close to bring contract values in line with typical RapidResponse contracts. We will look for an update on the sale of RapidStart solutions as well as on any incremental progress or data on upsell to customers that have now gone live with a RapidStart deployment.

3. **Capital Allocation/M&A:** Kinaxis finished Q3 with net cash of $210 million and has historically not been an active acquirer. We foresee upside to Kinaxis' revenue growth numbers if it were to complete M&A, and view platform extensions and companies with the ability to build on top of and integrate with RapidResponse (similar to Rubikloud) as the most likely targets. While Kinaxis does have ample cash reserves, the business has typically held high levels of cash and we would not be surprised to see it take a patient approach to eventually deploying capital. We will look for any indication from management as to how it plans to deploy capital and whether the current M&A environment is supportive of dealmaking.

LifeWorks

Exhibit 22: LWRK – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	260	261	250	1,021	1,025	979
Adj. EBITDA ($MM)	49	47	51	196	194	200.0
Adjusted EPS	0.15	0.14	0.15	(0.18)	(0.18)	0.80

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: After reporting a disappointing Q3 that saw elevated counseling demand result in downward margin pressure, the focus on the Q4 call is likely to be on the cost environment and the outlook for 2022. We forecast a sequential improvement in organic growth to 4.7%, after summer holidays contributed to growth of only 2.3% in Q3. We continue to consider LifeWorks as well positioned competitively, with a long track record of expertise in its faster-growing integrated health and wellbeing businesses and a strong network of in-person counselors providing an advantage over peers that can only provide virtual and self-led therapy. With shares trading below historical valuation levels, a solid quarter could go a long way to returning positive momentum to the story.

Key Topics For The Quarter

1. **Margin Trends:** High demand for EAP counselling services outweighed the supply of preferred providers in the previous quarter, forcing LifeWorks to work with more expensive affiliated counselors to meet demand. With the importance of mental health services gaining increasing recognition globally, we expect those elevated levels of demand and the need to rely on affiliate counselors to persist into 2022. Quarterly results will provide additional color on the extent and duration of the resulting margin pressure, and whether the hiring of extra staff counsellors and price increases have reduced some portion of those cost pressures.

2. **U.S. Revenue Growth:** LifeWorks has posted two consecutive quarters of declining Y/Y U.S revenue. After moving into the U.S. with the acquisitions of LifeWorks and Mercer's U.S. Consulting business, the region has been an important driver of revenue growth. Management suggests that the recent impact is primarily FX related and we will be watching U.S. growth closely as the FX environment normalizes. Given the market environment and fragmented nature of the U.S. EAP market, we see significant room for LifeWorks to continue to grow its U.S. wellbeing and iCBT businesses, barring any significant changes to the competitive environment.

3. **Competitive Positioning:** The rise of the importance and awareness of employer-sponsored mental health and wellbeing solutions was one of the major trends in 2021, leading to the rapid growth of a number of competing providers. There have been a handful of notable consolidations within the Canadian market in recent months, particularly among point solution providers. LifeWorks' full suite of health and wellbeing solutions and its ability to both acquire and develop new offerings in-house have kept its solutions relevant in the face of new competition. While we continue to view LifeWorks as a premier provider in the space, we believe that the company will need to continue to meet the needs of an evolving market to fend off competition. This dynamic is best tracked through organic growth within the Integrated Health (+2.4% in Q3) and Health & Productivity (+4.8%) businesses as well as through the introduction of new offerings.

Open Text Corporation

Exhibit 23: OTEX – Q2/F22 Estimate Summary

	Q2/F22 (Ending December)			Fiscal Year (Ending June)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	884	871	856	3,494	3,445	3,386
Adj. EBITDA ($MM)	336	337	361	1,332	1,312	1,315
Adjusted EPS	0.86	0.88	0.95	3.42	3.41	3.28

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: Thursday February 3

Conference Call Details: 5:00 p.m. ET, dial-in: 800-319-4610

FQ2 Overview: FQ2 is typically a seasonally stronger quarter and we are slightly above consensus revenue expectations. We forecast 5% Y/Y cloud growth, in line with FQ1 growth. We believe that the focus on the quarterly call will be on model guidance for the $865 million Zix acquisition, which closed during the quarter. Open Text will be reporting Zix's reseller business on a "net" basis to conform to Open Text's revenue recognition policies. As a result, we expect gross margins to be in Open Text's model immediately and revenue from the acquisition to be in the $225 million range in C2022 versus the $246 million reported TTM.

Key Topics For The Quarter

1. **Acquisition Of Zix:** The acquisition of Zix enhances Open Text's SMB solutions, adding email encryption and expanding threat protection, secure file-sharing, back-up/recovery and information archiving offerings. The acquisition also adds 5,600 MSP distribution partners, expanding Open Text's MSP channel by ~25%. We view these relationships as critical for selling solutions into the SMB space. The acquisition also expands Open Text's Microsoft relationship, with Zix one of only nine authorized Microsoft cloud solution providers in the U.S. In addition to a financial update, we will be looking for further details on OTEX's plans to integrate the acquired business, including its ability to cross-sell through distribution partners.

2. **F2022 Target Model Update:** We will also be looking for a F2022 target model update on an organic basis. Open Text's current outlook expects organic revenue growth of 1%-2%, driven by cloud organic growth of 3%-4%. Open Text expects F2022 gross margins in the range of 75%-77% (F2021 target 74%-76%), an adjusted EBITDA margin in the range of 37%-38% (F2021 target 37%-38%) and capex of $80 million-$90 million (F2021 $55 million-$65 million).

3. **Update On The Business Environment:** We will be looking for an update on the business environment, with Open Text seeing solid constant-currency organic cloud growth of 3.6% in FQ1 and management noting double-digit growth in new cloud bookings last quarter. We see cloud organic growth being driven by a number of factors, including Open Text's private cloud and its API cloud offering. We expect that the IBM spin-out of Kyndryl may also be leading to competitive wins, with FileNet and Sterling Commerce clients spun out with the new entity.

Q4 Inc.

Exhibit 24: QFOR – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	13.3	12.9	11.1	55.0	54.6	40.4
Adj. EBITDA ($MM)	(3.6)	(4.9)	(3.5)	(15.1)	(15.4)	(6.8)
Adjusted EPS	(0.15)	(0.17)	(0.13)	(0.73)	(0.85)	(0.32)

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: Q4 Inc. will report its second quarter as a public company against a market backdrop that has been challenging for unprofitable SaaS providers. Q4 Inc. has been focused on gross margin expansion, with a 380 bps Y/Y increase in Q3 as the company relied less on third-party providers and the automation of certain functions. We will be watching gross margins closely with Q4 results and are expecting gross margins of 57%, flat sequentially but up 510 bps Y/Y. Q4 Inc. has an opportunity to build upon its strong market position in the North American IR webhosting market by expanding the sale of its additional products and by deepening penetration in newer geographic markets. We are forecasting ARR growth of 25% in 2021E, and expect Q4 Inc. to provide an update on new customer wins and on changes in the average revenue per customer account.

Key Topics For The Quarter

1. **Release Of Virtual Events Platform:** Q4 Inc. has been developing its own virtual events platform to reduce third-party provider costs and to improve the customer experience. The company demoed the new platform on its Q3 earnings call, and we will be looking for an update on the platform's impact on the cost profile of the businesses as well as customer reception to the new platform. For those interested in gaining a sense of what the platform is capable of, we suggest tuning into the company's virtual Q4 earnings call.

2. **Upsell And ARPA Growth:** While Q4 Inc. enjoys a significant market share in its core IR webhosting business, upsell of additional services such as analytics and CRM provides a path to meaningful growth in the average revenue per customer metric. We will be looking for a quarterly update on any major upsell wins, particularly those that include the high-ticket analytics offerings. We will also be keeping an eye out for news on upsell activity within the acquired customer base from S&P Global, as upsell into acquired customer bases is also an important area of growth.

3. **M&A Outlook:** Management has been clear in its intention to use a portion of the IPO proceeds on M&A and we see M&A in the coming quarters as likely. We will be looking for an update on the M&A environment and any progress made towards deal completion, especially given a shifting environment. We expect that Q4 Inc. is targeting tuck-in M&A that acts as a customer acquisition tool and M&A that builds out its current suite of product offerings. Commentary in the quarter may provide colour on which category Q4 Inc. is prioritizing and whether either type of transaction is likely in the current environment.

Softchoice Corporation

Exhibit 25: SFTC – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Net Revenue ($MM)	264	265	231	909	903	837
Gross Profit ($MM)	75	79	65	277	279	238
Adj. EBITDA ($MM)	23.9	25.0	26.0	66.5	67.7	65.5
Adjusted EPS	0.20	0.24	0.36	0.56	0.59	0.64

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: Softchoice is now firmly in the execution phase of its strategy, with Project Monarch design and implementation well under way. Results for the quarter should provide additional information on plans to grow account executive (AE) headcount and the impact of Project Monarch on gross and adjusted EBITDA margins. We will also be looking for further developments on the partner strategy, which have historically contributed to growth. Softchoice has been recognized for its work by key parents AWS and CISCO in recent months and continued execution on the partner strategy remains important.

Key Topics For The Quarter

1. **Project Monarch Update:** Project Monarch is a business process re-engineering initiative that introduced new processes and systems designed to improve salesforce efficiency (reduce time on administrative tasks) and drive profitability through procurement savings and margin enhancement. Further, Project Monarch is expected to improve data management by ensuring that all critical data is captured and used to improve analytics and decision support for the business. We expect the project to generate $19 million in gross profit savings and $6 million in adjusted EBITDA savings in 2022E, helping to drive a 420 bps improvement in adjusted EBITDA as a percentage of gross profit between 2020 and 2022E.

2. **Account Executive Recap:** A key driver for Softchoice is its number of sales-focused account executives and the productivity levels of those account executives. After keeping account executive headcount flat during the pandemic and focusing on driving productivity in 2021, we are expecting growth in the total number of AEs. Demand for cloud-deployed software continues to intensify, and Softchoice will need to ramp up its headcount to help meet that demand. The company is expecting to add 40-50 AEs in 2022, and results and commentary in Q4 will provide an update on the progress towards hitting those hiring targets.

3. **Impact Of Supply Chain Disruptions:** Supply chain disruptions create less of a headwind for Softchoice than they do a traditional VAR given that only 30% of gross profit is generated from hardware sales. Supply chain issues present an opportunity for Softchoice to sell cloud solutions and services to customers who are struggling with shortages of hardware required for on-premise work. We will be looking for an update on the impact of the overall supply chain on the quarter and whether the impact is expected to change in 2022.

TELUS International (CDA), Inc.

Exhibit 26: TIXT – Q4/21 Estimate Summary

	Q4/21 (Ending December)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	601	596	442	2,195	2,190	1,582
Adj. EBITDA ($MM)	146	140	129	543	537	395
Adjusted EPS	0.25	0.24	0.27	0.98	0.96	0.71

Source: Company reports, FactSet and CIBC World Markets Inc.

Earnings Date: TBD

Conference Call Details: TBD

Q4 Overview: We expect the focus on the Q4 call will be on the cost environment, with TELUS International (TI) sounding a note of caution on wage inflation in Q3 and stating that the company will focus on balancing growth with profitability. In a rising cost environment, we expect TI to focus on profitable growth and to be selective about the contracts it takes on. Post Q3 we reduced our 2022 revenue growth expectations slightly (15% vs. prior 17%). With over $800 million in available liquidity and leverage at the lower end of the target range, we regard M&A as upside to our model and will be looking for an update on the M&A environment.

Key Topics For The Quarter

1. **Update On The Sales Environment:** TI had 14% constant-currency organic growth last quarter, with management noting it could have achieved higher revenue growth but that it was focused on balancing revenue growth with longer-term profitability. We consider the mid-teens organic growth rate as sustainable and will be looking for incremental colour on the sales environment. From here, we foresee upside as the company expands its content moderation customer base and cross-sells data annotation and other services into the existing customer base.

2. **Update On The Labour Market:** Similar to other IT Services firms, TI is seeing wage inflation amidst a tight labour market. The company has been navigating the environment well, adding 2,300 employees in Q3, with overall headcount up 21% Y/Y. TI expects wage inflation to continue into 2022. The company is looking at passing rising wage costs onto clients where possible and automating pieces of its business. Over time, TI expects it could see several hundred basis points of efficiency through automation and process efficiency.

3. **2022 Guidance:** With Q4 results, we expect TI to release 2022 guidance. We are expecting revenue of $2.52 billion (consensus $2.55 billion) and adjusted EBITDA of $634 million (consensus $635 million). We are forecasting 15% Y/Y revenue growth and adjusted EBITDA margins of 25%.

Price Target Calculation – CTS

We derive our price target of $11.00 (prior $12.50) by applying an 11x EV/EBITDA multiple to our 2023E EBITDA based on the current capital structure. The 11x multiple is in line with software resellers and IT Services peers.

Key Risks To Price Target – CTS

The primary risks to our price target include the following: 1) the company's ability to acquire ITSPs at reasonable valuations; 2) increasing competition from other IT Solutions providers; 3) volatility in the global IT environment; 4) the company's ability to partner with leading technology providers; and, 5) the loss of key management or other employees.

Price Target Calculation – DSGX

We derive our price target of US$89 by applying a multiple of 32.5x to our F2024E EBITDA using the current capital structure. The multiple is in line with logistics software peers. This is supported by a discounted cash flow (DCF) using a 7.01% WACC with 2.3% terminal growth.

Key Risks To Price Target – DSGX

The primary risks to our price target include the following: 1) economic slowdown; 2) competition; 3) commoditization and price pressure; and, 4) changing technology and industry dynamics.

Price Target Calculation – SFTC

We derive our price target of $31.00 (prior $37.50) by applying a 16x EV/EBITDA multiple to our 2023E EBITDA based on the current capital structure. The 16x multiple is in line with software-focused IT Solutions providers, including Softcat, Crayon, Bytes and SoftwareOne.

Key Risks To Price Target – SFTC

The primary risks to our price target include the following: 1) volatility in the global IT environment; 2) increasing competition from other IT Solutions providers; 3) the company's ability to introduce new or updated technology in a timely manner; 4) the company's ability to partner with leading technology providers; and, 5) the loss of key management or other employees.

Price Target Calculation – GIB.A

We derive our price target of $130 based on 21.0x F2023E EPS. The multiple is supported by CGI's three-year average premium multiple to Business Services Peers. This is supported by a DCF with long-term growth of 0.5%, a discount rate of 7.89%, and a terminal cash flow multiple of 13.5x.

Key Risks To Price Target – GIB.A

The primary risks to our price target include the following: 1) volatility in the global IT environment; 2) increasing competition from other enterprise application vendors; 3) the company's ability to introduce new or updated technology in a timely manner; 4) the company's ability to successfully integrate and operate any current or future acquisitions; and, 5) the loss of key management or other employees.

Also, for **Q4 Inc.** we adjust our downside scenario to $4.50, which is calculated using 20% revenue growth and a 1.0x EV/Sales multiple on our 2023E revenue estimate.

CIBC Ratings and Price Targets

Ticker	Price	Price Target Prior	Price Target Current	Rating Prior	Rating Current
CTS-CA	C$8.86	C$12.50	C$11.00	Neutral	Neutral
DSGX-US	US$66.21	US$89.00	US$89.00	Neutral	Outperformer
SFTC-CA	C$22.21	C$37.50	C$31.00	Outperformer	Outperformer

Source: Company reports and CIBC World Markets Inc.

Changes To CIBC Estimates

Ticker	Earnings Type	FYE	2021 Prior	2021 Current	2022 Prior	2022 Current	2023 Prior	2023 Current
GIB.A-CA	Adj. EPS	Sep	C$5.44	C$5.44	C$5.87	C$5.93	C$6.35	C$6.35

Source: Company reports and CIBC World Markets Inc.

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