

EQUITY RESEARCH

July 13, 2023

Industry Update

Battle Of The Titans – Bits & Bytes Weekly

Meta Takes On Twitter

Our Conclusion

Last week, Meta launched Threads, its Twitter rival app, another blow to Elon Musk's struggling social media platform. Threads gained 30 million users in its first 18 hours, and has now climbed beyond 100 million users in just five days – surpassing ChatGPT as the fastest growing app. By comparison, Twitter had ~240 million monetizable daily active users as of its last public disclosure in July 2022. Threads is linked to Meta's photo-sharing social media platform Instagram, making installation simple for existing Instagram users – and there are currently ~1 billion monthly active users worldwide. The platform is currently ad-free and Meta CEO Mark Zuckerberg has disclosed no active plans to monetize Threads this year, focusing first on user growth. With Meta already controlling a massive market share in social media, some are questioning whether adding another platform to the company's roster allows Meta to wield too much power.

Key Points

Twitter Threatens To Sue Meta: Twitter is allegedly threatening legal action against Meta over Threads, accusing the company of poaching former employees and engaging in "systematic, willful, and unlawful misappropriation of Twitter's trade secrets and other intellectual property", according to a letter obtained and published by U.S. news site Semafor. Despite the seemingly significant threat, legal experts say such accusations would be difficult to prove in court. Threads isn't the first Twitter rival to pop up; Bluesky, conceptualized by former Twitter CEO Jack Dorsey, and Mastodon have also gained users, but have been unable to reach the scale Threads achieved in a matter of days.

Concerns In Canada: Threads is available for download in Canada; however, there are concerns around how the Online News Act, Bill C-18, which was passed last month, will impact Canadian usage. Google and Meta previously pledged to block Canadian news on their platforms, and Meta made its stance on the issue clear last week when Canadian news articles stopped appearing on Instagram. If Threads is to rival Twitter, we believe real-time news will be instrumental to its success. According to a Twitter survey conducted in 2022, 55% of users on Twitter get their news from Twitter.

Privacy Fears: Threads was available in 100 countries as of last week; however, the app is currently unavailable in the European Union and other countries in the European Economic Area. The EU's Digital Markets Act came into effect in November, and contains provisions on data-sharing between platforms, which have caused issues for Threads. Beyond the EU, privacy advocates have flagged the app's data collection terms as invasive, collecting users' browsing history, physical location, employment information, union membership, health data, and race and ethnicity, among others.

All figures in U.S. unless otherwise stated.

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

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

Erin Kyle, CPA
Associate
+1 416-313-9851
Erin.Kyle@cibc.com

Sam Schmidt, CPA
Associate
+1 416-980-5448
sam.schmidt@cibc.com

Sector:
Information Technology

Meta's Privacy History

Meta has a checkered privacy history, having been caught in a few controversies over the years. The launch of Threads has reignited some concerns surrounding the company's access to private personal data and the sharing of that data to other platforms. From Facebook to Instagram to WhatsApp and now Threads, Meta has the ability to gather an unmatched amount of personal information data.

Many will recall the Cambridge Analytica scandal in 2018, where Zuckerberg faced tough questions from the U.S. Congress surrounding how detailed personal information of ~87 million Facebook users was given to voter-profiling company Cambridge Analytica in connection with the 2016 election. During the trial, Zuckerberg was also grilled about Facebook's practices including collecting personal details and tracking both Facebook users and non-users on other sites and apps in order to fine-tune targeted ads. While this type of data mining is not unique to Facebook, given Meta's social media dominance it can be argued the company likely has one of the largest databases of personal information.

According to a study conducted by Pew Research in 2019, the majority of Americans (62%) believe it is no longer possible to go through daily life without companies collecting data on them, and 79% are concerned with the way their data is being used by these companies. Despite concerns, only 9% of adults said they always read a company's privacy policy, with 63% of Americans saying they understand very little or nothing about the laws and regulations currently in place to protect their data privacy.

News Impacting Our Coverage

Research Highlight: [Dye & Durham - Selling TM Group For Up To £91 Million](#): Dye & Durham announced the company has entered into an agreement to sell TM group for GBP 91 million, satisfying the CMA's ruling that DND would need to divest the business due to competitive concerns. The deal is structured as a GBP 50 million upfront cash payment and up to GBP 41 million in potential additional earn-out payments between 2023 and 2026. Proceeds from the sale will be used to pay down debt, an encouraging development given DND finished FQ3 with net debt:LTM adjusted EBIDTA of 4.9x.

Research Highlight: [WELL Health - Announces CarePlus Acquisition & Increases 2023 Revenue Guidance](#): WELL Health announced the acquisition of CarePlus Management, a provider of recruiting, services, and revenue cycle management for the anesthesia market. CarePlus was acquired through WELL's CRH Medical subsidiary with cash on hand, and further terms of the acquisition were not provided. However, in connection with the deal WELL increased 2023 annual revenue guidance, with revenue now expected to be \$740MM-\$760MM, 7% above the midpoint of the previous guide of \$690MM-\$710MM. We expect that revenue from CarePlus is the primary source of the increased guidance, implying that CarePlus will contribute ~\$100MM in annual revenue. Adjusted EBITDA guidance of 10%+ growth is unchanged, further implying CarePlus will contribute minimal EBITDA and that the deal will be margin dilutive to CRH and to WELL's consolidated business. We expect further details on potential synergies between CarePlus and CRH, future margin potential across CarePlus, and consideration paid during WELL's Q2 earnings call.

Kinaxis Names Margaret Franco As Chief Marketing Officer: Kinaxis announced the appointment of Margaret Franco as Chief Marketing Officer, reporting to the President and CEO. Ms. Franco will lead the global marketing organization, including advertising and brand strategy, marketing communications, product and solution marketing, digital marketing, demand generation and business development. Ms. Franco was previously Chief Marketing Officer at Finastra, and previously held senior marketing roles in North America, Europe and Asia at Dell.

EROAD Rejects Takeover Offer From Volaris Group: New Zealand software company EROAD has rejected a Volaris Group subsidiary's takeover offer received on June 22, 2023 to acquire all EROAD shares it does not already own at NZ\$1.30 per share, implying a valuation of NZ147 million (\$134.5 million). The letter sent to the Volaris Group states that the NZ\$1.30 per share offer implies an EV/FY24 revenue (guidance) multiple of 1.2x, and that the EROAD Board has determined the proposal materially undervalues EROAD's business.

Exhibit 1: CIBC Coverage – Price Returns, For The Period Ending July 13, 2023

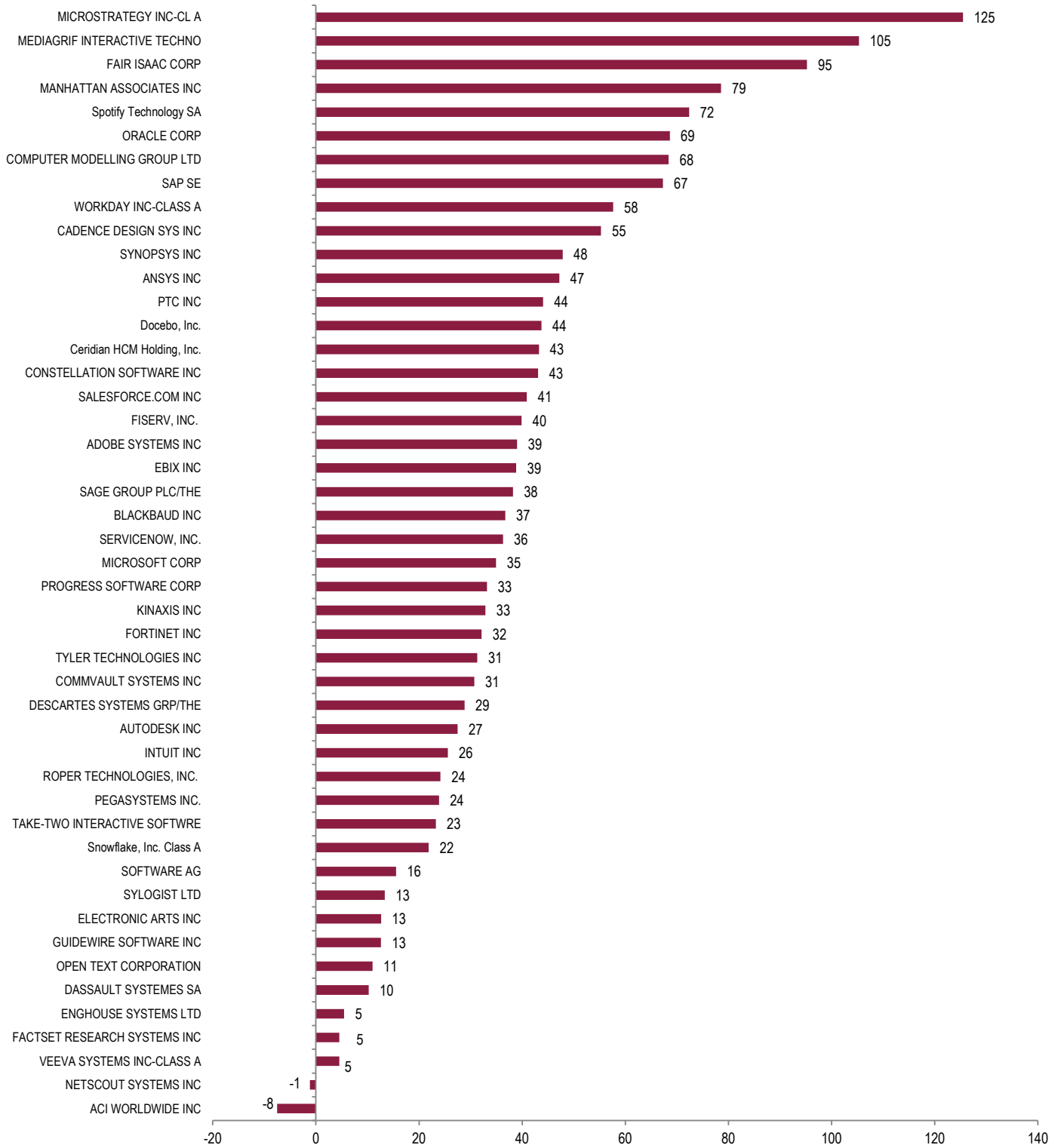
Software & Systems	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
Constellation Software Inc	2,684.67	1.1	(2.4)	2.2	21.1	43.1	29.6	2817.38	1747.83
Descartes Systems	79.40	0.7	5.6	(1.8)	11.5	27.7	14.0	82.02	61.26
Enghouse Systems Limited	31.13	(2.0)	(11.3)	(20.1)	(21.0)	5.5	(13.5)	44.59	27.30
Open Text Corp	41.98	0.5	(1.1)	5.8	28.7	11.0	41.6	43.25	24.91
Kinaxis	184.82	(2.3)	1.3	1.8	30.4	32.9	21.7	191.80	124.90
Docebo, Inc.	51.08	(5.2)	3.4	(2.2)	8.4	43.7	14.2	55.72	31.66
Dye & Durham	21.12	16.3	27.2	27.6	12.0	14.8	28.7	23.14	11.62
Altus Group	44.68	2.4	(6.9)	(21.9)	(20.6)	(4.6)	(17.3)	61.60	40.00
Q4 Inc.	3.55	9.2	6.3	(7.8)	54.3	NA	10.6	4.90	1.88
Average		2.3	2.5	(1.8)	13.9	21.8	14.4		

Business Services	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
CGI Group Inc	139.52	1.0	0.2	4.2	20.2	30.8	19.5	142.31	100.74
Converge Technologies	3.40	7.9	4.6	(14.6)	(34.2)	(34.4)	(25.9)	7.51	2.59
Information Services Corp	25.18	(0.1)	19.4	9.5	9.5	29.1	4.2	25.50	19.12
Softchoice Corporation	16.95	(2.8)	(0.3)	(13.3)	(8.9)	(26.1)	(7.2)	25.56	13.57
Telus International	19.48	(0.9)	(5.0)	(29.0)	(34.1)	(44.4)	(27.1)	40.55	18.86
Average		1.3	(0.1)	(13.2)	(14.2)	(18.5)	(10.2)		

Indices	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD
S&P/TSX Composite Index	20,262.30	2.3	1.4	(1.5)	(0.5)	8.8	4.5
S&P 500 Index	4,502.78	2.1	3.1	8.6	12.6	18.4	17.3
S&P/TSX Software Index	193.98	4.4	2.5	15.3	33.3	49.9	42.2
S&P500 Software Index	5,820.00	1.8	3.2	17.9	39.6	36.5	42.1

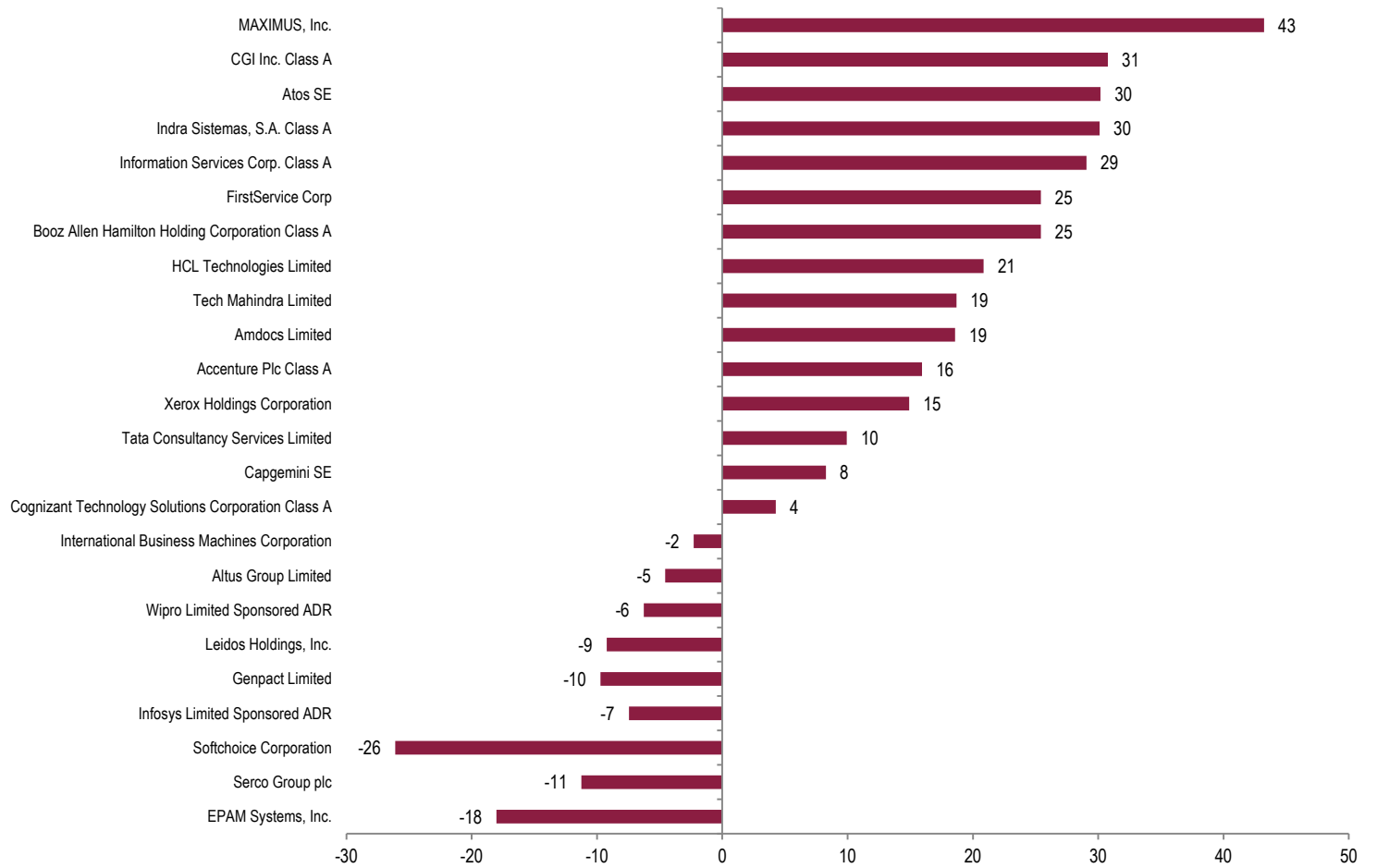
Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 2: Software Stocks – Return Performance (%), 7/13/2022–7/13/2023



Source: Company reports and CIBC World Markets Inc.

Exhibit 3: Business Services Stocks – Return Performance (%), 7/13/2022–7/13/2023



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

Exhibit 4: Software Stocks – Comp Table, 2022–2024E

	Enterprise Value (\$mns.)	EV/S			EV/EBITDA			P/E		
		C22	C23E	C24E	C22	C23E	C24E	C22	C23E	C24E
Enterprise Application Software										
Constellation Software Inc.*	45,006	6.8x	5.7x	5.1x	26.5x	22.4x	19.9x	35.8x	33.0x	28.9x
BlackBerry Limited*	2,942	4.4x	2.6x	2.8x	NEG	>50	>50	NEG	NEG	NEG
Sage Group plc	10,153	5.1x	4.6x	4.3x	22.2x	19.6x	17.6x	34.2x	28.7x	25.7x
Tyler Technologies, Inc.	18,496	10.0x	9.5x	8.7x	38.9x	38.6x	34.5x	>50	>50	48.4x
Roper Technologies, Inc.	57,038	10.6x	9.5x	8.9x	26.0x	23.4x	21.8x	33.5x	29.3x	27.2x
Enghouse Systems Limited	1,503	3.5x	3.47x	3.42x	10.9x	11.2x	10.32x	15.7x	24.3x	21.59x
Oracle Corporation	405,686	8.7x	7.8x	7.2x	17.6x	15.6x	13.9x	23.5x	21.9x	19.6x
SAP SE	160,536	4.8x	5.1x	4.7x	20.3x	17.5x	15.3x	31.4x	24.4x	20.7x
Enterprise Application Software Average		6.7x	6.0x	5.6x	23.2x	21.2x	19.0x	29.0x	26.9x	27.4x
Extended ERP										
Adobe Incorporated	234,172	13.2x	11.9x	10.6x	26.9x	24.5x	22.2x	37.3x	32.7x	28.9x
Open Text Corporation	19,410	5.5x	3.5x	3.2x	15.6x	11.2x	8.3x	13.3x	16.3x	7.8x
Manhattan Associates, Inc.	12,191	15.9x	14.1x	12.7x	>50	>50	46.3x	>50	>50	>50
Pegasystems Inc.	5,068	3.8x	3.7x	3.4x	>50	29.6x	19.4x	>50	40.6x	26.4x
Software AG	2,559	2.7x	2.6x	2.4x	14.4x	14.8x	12.5x	34.7x	22.2x	18.7x
Fiserv, Inc.	100,592	6.0x	5.6x	5.2x	13.9x	12.7x	11.7x	19.8x	17.4x	15.3x
Extended ERP Average		7.8x	6.9x	6.2x	17.7x	18.6x	20.1x	26.3x	25.9x	19.4x
Software As A Service										
Descartes Systems Group Inc.	6,560	13.5x	11.6x	10.6x	30.5x	26.8x	23.4x	>50	>50	>50
Kinaxis, Inc.*	3,754	10.2x	8.7x	7.3x	47.3x	>50	44.7x	>50	>50	>50
Docebo, Inc.*	1,068	7.5x	5.9x	4.5x	>50	>50	35.0x	>50	>50	>50
Lightspeed Commerce Inc*	2,012	2.9x	2.4x	1.8x	NEG	NEG	>50	NEG	>50	>50
Veeva Systems Inc Class A	30,544	14.3x	13.0x	11.0x	37.1x	36.7x	29.5x	49.5x	46.1x	38.8x
Shopify, Inc. Class A	85,903	15.3x	12.8x	10.8x	>50	>50	>50	>50	>50	>50
Q4 Inc*	85	1.5x	1.5x	1.4x	NEG	NEG	NEG	NEG	NEG	NEG
Ceridian HCM Holding, Inc.	11,588	9.3x	7.8x	6.7x	46.3x	31.1x	25.0x	>50	>50	44.1x
ServiceNow, Inc.	115,296	15.9x	13.0x	10.7x	>50	42.2x	33.5x	>50	>50	48.5x
Workday, Inc. Class A	54,738	8.9x	7.7x	6.6x	34.9x	28.7x	23.8x	>50	42.7x	35.2x
Software As A Service Average		10.0x	8.4x	7.1x	39.2x	33.1x	30.7x	>50	>50	>50
Infrastructure Vendors										
Microsoft Corporation	2,509,032	12.2x	11.2x	10.0x	24.9x	22.7x	19.6x	36.2x	33.1x	28.8x
Infrastructure Vendors Average		12.2x	11.2x	10.0x	24.9x	22.7x	19.6x	36.2x	33.1x	28.8x
Software Average										
		8.5x	7.4x	6.6x	26.7x	23.8x	23.2x	30.4x	29.5x	28.5x

*Share Price Converted to USD

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

Exhibit 5: Business Services Stocks – Comp Table, 2022–2024E

	Enterprise Value (\$mlns.)	EV/EBITDA			P/E			EV/S		
		C22	C23E	C24E	C22	C23E	C24E	C22	C23E	C24E
Business & IT Services										
CGI Inc. Class A	35,422	13.6x	12.4x	11.6x	22.3x	19.1x	18.1x	2.7x	2.4x	2.3x
TELUS International (CDA), Inc.	5,830	9.6x	8.2x	7.2x	12.0x	11.9x	9.9x	2.4x	2.0x	1.7x
Accenture Plc Class A	205,069	17.9x	17.1x	15.9x	28.7x	26.6x	24.6x	3.3x	3.1x	3.0x
Booz Allen Hamilton	17,419	17.5x	16.2x	15.1x	25.2x	23.3x	21.0x	1.9x	1.8x	1.6x
CACI International Inc Class A	9,980	14.7x	13.5x	12.7x	19.3x	18.2x	16.5x	1.5x	1.5x	1.4x
DXC Technology Co.	9,481	4.0x	4.2x	4.1x	8.2x	7.6x	6.5x	0.6x	0.7x	0.7x
Genpact Limited	8,253	10.5x	9.9x	8.8x	14.3x	13.3x	11.8x	1.9x	1.8x	1.6x
International Business Machines	166,914	10.5x	11.4x	10.8x	14.7x	14.2x	13.4x	2.8x	2.7x	2.6x
Atos SE	3,369	3.9x	3.1x	2.9x	NEG	5.9x	4.7x	0.3x	0.3x	0.3x
Capgemini SE	35,938	10.3x	9.9x	9.1x	15.3x	15.7x	14.1x	1.6x	1.6x	1.5x
Sopra Steria Group SA	5,088	8.5x	7.4x	6.8x	13.7x	11.1x	9.7x	1.0x	0.9x	0.9x
Converge Technology Solutions Corp	1,027	7.2x	6.1x	5.6x	32.1x	>50	36.9x	0.5x	0.4x	0.4x
Business & IT Services Average		11.0x	10.3x	9.5x	17.4x	15.2x	13.7x	1.8x	1.7x	1.6x
HR Outsourcing										
Ceridian HCM Holding, Inc.	11,588	46.3x	31.1x	25.0x	>50	>50	44.1x	9.3x	7.8x	6.7x
Willis Towers Watson	28,807	12.1x	12.0x	10.8x	17.3x	16.1x	13.7x	3.2x	3.1x	3.0x
Aon Plc Class A	79,325	19.9x	18.3x	17.0x	25.2x	23.5x	20.8x	6.4x	6.0x	5.7x
Automatic Data Processing, Inc.	95,882	20.8x	18.7x	17.1x	29.9x	26.6x	24.1x	5.6x	5.2x	4.9x
Paychex, Inc.	42,435	19.8x	18.3x	17.1x	29.5x	26.6x	24.6x	8.8x	8.2x	7.7x
HR Outsourcing Average		23.8x	19.7x	17.4x	25.4x	23.2x	25.5x	6.6x	6.0x	5.6x
Information Services										
Broadridge Financial Solutions, Inc.	23,663	18.1x	16.7x	15.6x	25.1x	23.3x	21.2x	4.0x	3.8x	3.6x
Dye & Durham Ltd.	2,418	15.2x	13.8x	12.7x	>50	NEG	NEG	5.0x	5.3x	5.0x
Deluxe Corporation	2,176	5.2x	5.4x	5.3x	4.6x	6.0x	5.6x	1.0x	1.0x	1.0x
Information Services Corp	486	7.5x	7.4x	7.1x	12.6x	12.1x	11.2x	2.6x	2.4x	2.3x
Information Services Average		11.5x	10.8x	10.1x	14.1x	13.8x	12.7x	3.1x	3.1x	3.0x
Financial Services Technology										
Fidelity National Information Services	53,779	8.7x	8.9x	8.3x	9.0x	10.0x	9.2x	3.7x	3.7x	3.6x
Fiserv, Inc.	100,592	13.9x	12.7x	11.7x	19.8x	17.4x	15.3x	6.0x	5.6x	5.2x
Jack Henry & Associates, Inc.	12,302	19.5x	18.0x	16.6x	34.0x	32.6x	29.5x	6.2x	5.8x	5.4x
ACI Worldwide, Inc.	3,662	9.8x	9.5x	8.8x	19.6x	25.5x	16.7x	2.6x	2.5x	2.4x
Temenos AG	6,170	16.9x	16.0x	14.0x	25.6x	24.0x	20.7x	6.5x	6.2x	5.7x
Global Payments Inc.	41,885	10.7x	9.7x	8.9x	12.0x	10.8x	9.4x	5.2x	4.8x	4.5x
Financial Services Technology Average		13.3x	12.4x	11.4x	20.0x	20.1x	16.8x	5.0x	4.8x	4.5x
Diversified Real Estate Services										
Colliers International Group Inc.	6,583	10.4x	9.9x	8.9x	15.5x	16.0x	14.1x	1.5x	1.5x	1.4x
Altus Group Limited	2,191	16.2x	16.0x	12.6x	23.5x	21.8x	19.0x	3.0x	2.8x	2.5x
CBRE Group, Inc. Class A	29,342	10.0x	11.4x	10.1x	15.4x	18.4x	15.2x	1.0x	0.9x	0.9x
Jones Lang LaSalle Incorporated	10,544	8.4x	10.2x	8.1x	10.8x	13.9x	10.1x	0.5x	0.5x	0.5x
Diversified Real Estate Services Average		11.3x	11.9x	9.9x	16.3x	17.5x	14.6x	1.5x	1.4x	1.3x
Software Focused IT Solutions/VARs										
Softchoice Corporation* USD	850	10.4x	9.8x	8.8x	16.1x	16.6x	14.6x	2.7x	2.5x	2.4x
Softcat Plc*	2,825	16.2x	14.1x	12.7x	21.7x	19.8x	18.6x	6.7x	5.6x	5.1x
Crayon Group Holding ASA*	10,536	>50	>50	>50	>50	>50	>50	23.8x	19.3x	16.6x
Bytes Technology Group Plc*	1,163	17.0x	14.5x	12.7x	22.7x	20.2x	18.1x	NA	NA	NA
Software Focused IT Solutions/VARs Average		14.5x	12.8x	11.4x	20.2x	18.9x	17.1x	11.1x	9.1x	8.0x
Business Services Average		13.8x	12.6x	11.4x	18.8x	17.7x	16.4x	4.1x	3.7x	3.4x

*Share Price Converted to USD

**Software Focused IT Solutions/VARs uses EV/GP metric.

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

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Stock Ratings	Abbreviation	Description
Outperformer	OP	Stock is expected to outperform similar stocks in the coverage universe during the next 12-18 months.
Neutral	NT	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
Underperformer	UN	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
Tender	TR	Shareholders are advised to tender shares to a specific offer as we do not believe a superior offer will materialize.
Not Rated	NR	CIBC World Markets does not maintain an investment recommendation on the stock.
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Sector Ratings	Abbreviation	Description
Overweight	O	Sector is expected to outperform the broader market averages.
Marketweight	M	Sector is expected to equal the performance of the broader market averages.
Underweight	U	Sector is expected to underperform the broader market averages.
None	NA	Sector rating is not applicable.

Note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.

CIBC World Markets Inc. Price Chart

For price and performance charts, please visit CIBC on the web at <https://researchcentral.cibccm.com/#/disclaimer-central-new> or write to CIBC World Markets Inc., 161 Bay Street, 4th Floor, Toronto, ON M5H 2S8, Attn: Research Disclosure Chart Request.

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(as of 13 Jul 2023)	Count	Percent	Inv. Banking Relationships	Count	Percent
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Neutral	127	43%	Neutral	127	100%
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