CIBC CAPITAL MARKETS

EQUITY RESEARCH

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April 19, 2023 **Earnings Revision**

Q1/23 Software & Services Preview

M&A Integration A Core Focus

Sector:
Information Technology

Key Changes

Price Target Changes
Altus Group Limited ↓
Constellation Software Inc. ↑

Our Conclusion

Despite concerns arising from the Silicon Valley Bank (SVB) collapse, the technology sector outperformed the overall market in Q1, with investors responding to stabilizing interest rates and normalizing inflation, while discounting the risk of a broader contagion. The S&P Software Index was up 20% in Q1 vs. the broader S&P Index up 7%. Our Software coverage returned 18% in Q1 while our Business Services coverage posted a -0.6% return amid concerns about the IT Solutions demand environment. Overall, the Street is forecasting a solid Q1, with average revenue for the names we cover expected to be up 13% Y/Y and average EBITDA up 11% Y/Y. We expect the focus to remain on the demand environment as rising rates continue to impact client spending. Post Q4, earnings revisions for the companies we cover were relatively modest, with consensus 2023E revenue down 1% and EBITDA down 3%, driven largely by revisions for acquirers as they integrate M&A. We remain watchful for commentary on lengthening sales cycles and spending slowdowns, especially in European regions.

Key Points

Our Pecking Order: Heading into Q1 reporting, we favour the more defensive software names, and highlight CGI and Constellation as our top picks. Both companies have strong recurring revenue (+50% and +70%, respectively) and the ability to leverage their respective balance sheets for M&A (small and transformational) in a favourable valuation environment. Of the higher-growth SaaS names under coverage, we favour Kinaxis, which is benefiting from multi-year secular demand tailwinds for supply chain optimization, and Docebo, which is now profitable with a solid product and consistent execution to drive ARR growth.

Key Names To Watch: We expect TELUS International and Open Text to be topical, with this quarter the first to include results from their respective WillowTree and Micro Focus acquisitions. We expect the focus to be on changes to the demand environment post deal and the pace of integration activities. We will also be focused on our IT Solutions coverage universe given the uncertain demand environment, with some verticals seeing reduced spending. Further, we expect an update from Converge on its strategic review process, on which management has been mute since announcing it in November 2022.

Changes To Our Models: We reduce Q1 estimates for the IT Solutions providers (SFTC and CTS) given concerns related to the impact of the macroeconomic climate on their SME/Commercial customer base. We also reduce our FQ3 estimates for OTEX given the expectation of greater seasonality with Micro Focus. We decrease our price target on AIF to $62 (prior $68), as we drop our target multiple on the Analytics business to 20x, and increase our CSU price target to $3,000 (prior $2,450) as we increase our multiple on the base business to 26x, reflecting upside from future spin-outs, and add Lumine to our sum-of-the-parts valuation.

All figures in Canadian dollars otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 26.
For required regulatory disclosures please refer to "Important Disclosures" beginning on page 28.

Q1 Preview

Technology stocks benefitted from stronger equity markets in Q1, with a particular focus on growth stocks. Software stocks under coverage were up an average of 18% in the quarter, outperforming the TSX (+4%) while underperforming the S&P Software Index (+20%) over the same period.

The business services names we cover fared far worse in the quarter, down 0.6%, impacted by fears of reduced end-market IT spending. Converge (-12%) and Information Services (-9%) led the decline as Converge reported worse-than-expected Q4 earnings and ISV sold off in January on typically light volume. CGI had a strong first quarter (+12%) as the defensive nature of its business continues to drive investor interest.

Exhibit 1: Software/Services – CIBC Coverage, For The 12 Months Ending March 31, 2023 (%)

Software & Systems	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52-week High	52-week Low
Constellation Software Inc.	2,540.91	6.25	8.30	22.68	34.93	21.36	22.68	2,611.95	1,747.83
Descartes Systems	80.61	3.95	9.41	15.74	26.88	10.03	15.74	81.57	56.19
Enghouse Systems Limited	38.25	2.33	(11.05)	6.34	31.90	(3.21)	6.34	44.59	23.96
Open Text Corp.	38.55	4.22	12.13	30.06	45.80	(9.08)	30.06	43.10	24.91
Kinaxis	185.56	1.51	17.02	22.15	35.38	13.41	22.15	187.01	119.48
Docebo, Inc.	55.02	4.92	14.70	22.98	47.51	(14.86)	22.98	64.43	31.66
Altus Group	57.39	4.55	(5.92)	6.20	28.16	13.64	6.20	61.60	41.27
Dye & Durham	17.98	(1.43)	(5.77)	9.57	5.64	(30.01)	9.57	24.68	11.62
Q4 Inc.	4.10	29.34	57.69	27.73	(0.73)	(10.28)	27.73	5.14	1.88
Software & Systems Average		**6.18**	**10.72**	**18.16**	**28.39**	**(1.00)**	**18.16**		

Business Services	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52-week High	52-week Low
CGI Group Inc.	130.25	2.18	6.47	11.60	25.25	30.79	11.60	132.43	95.45
Converge Technologies	4.08	2.00	(12.45)	(11.11)	(37.90)	(60.12)	(11.11)	9.45	3.60
Information Services Corp.	22.00	(1.52)	(2.83)	(8.98)	(0.23)	(11.47)	(8.98)	25.36	19.12
Softchoice Corporation	17.34	7.84	4.08	(5.04)	(15.62)	(38.64)	(5.04)	26.42	13.57
TELUS International	20.23	1.51	(5.07)	2.22	(22.67)	(18.13)	2.22	31.52	17.65
Business Services Average		**3.38**	**(1.74)**	**(0.58)**	**(12.73)**	**(21.53)**	**(0.58)**		

Indices	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD
S&P/TSX Composite Index	20,099.89	3.07	(0.60)	3.69	8.98	(8.18)	3.69
S&P 500 Index	4,109.31	3.48	3.51	7.03	14.61	(9.29)	7.03
S&P/TSX Software Index	168.57	4.18	9.84	23.59	37.44	0.15	23.59
S&P500 Software Index	4,921.22	3.43	13.72	20.14	25.62	(5.61)	20.14

Source: FactSet and CIBC World Markets Inc.

As illustrated in the tables in Exhibit 2, median EV/EBITDA valuations for companies in our coverage universe are trading at a 10% discount to the two-year median multiple and a 33% discount to the five-year median multiple. Enghouse (-2.75x), Open Text (-2.5x), and Descartes (-2.5x) posted the largest multiple contractions compared to their respective five-year EV/EBITDA averages, while CGI's multiple was roughly unchanged.

Exhibit 2: CIBC Software/Services Coverage – EV/FY2 Sales & EV/FY2 EBITDA Valuation, 2018 - 2023

	EV/Sales				
Company	EV/Sales	2-Year Avg	Δ	5-Year Avg	Δ
Altus Group	3.7x	3.9x	-0.2x	3.3x	0.3x
CGI Inc.	2.4x	2.4x	0.0x	2.3x	0.1x
Constellation	5.1x	6.1x	-0.9x	5.8x	-0.7x
Converge	0.4x	0.7x	-0.3x	NA	NA
Descartes	12.1x	13.1x	-1.0x	11.6x	0.5x
Docebo	6.4x	NA	NA	5.4x	NA
Dye & Durham	5.4x	7.2x	-1.8x	NA	NA
Enghouse	4.2x	4.8x	-0.6x	5.2x	-1.0x
Information Services	2.1x	2.7x	-0.6x	2.5x	-0.4x
Kinaxis	8.8x	11.1x	-2.3x	11.3x	-2.5x
Open Text	3.0x	4.0x	-1.0x	4.2x	-1.2x
Q4	1.5x	NA	NA	NA	NA
Softchoice	0.9x	NA	NA	NA	NA
TELUS International	2.1x	NA	NA	4.2x	-2.1x
Average	**4.2x**	**5.6x**	**-1.5x**	**5.6x**	**-1.4x**
Median	**3.3x**	**4.4x**	**-1.1x**	**4.7x**	**-1.4x**

	EV/EBITDA				
Company	EV/EBITDA	2-Year Avg	Δ	5-Year Avg	Δ
Altus Group	19.7x	21.6x	-1.9x	19.58x	0.15x
CGI Inc.	12.0x	11.7x	0.3x	12.04x	-0.04x
Constellation	22.9x	21.6x	1.3x	21.25x	1.65x
Converge	6.0x	11.6x	-5.6x	NA	NA
Descartes	26.6x	30.6x	-4.0x	29.12x	-2.54x
Docebo	81.5x	NA	NA	NA	NA
Dye & Durham	9.9x	13.0x	-3.1x	NA	NA
Enghouse	13.6x	13.8x	-0.2x	16.37x	-2.75x
Information Services	6.7x	8.0x	-1.3x	8.35x	-1.66x
Kinaxis	59.4x	72.7x	-13.3x	56.60x	2.84x
Open Text	8.8x	10.7x	-2.0x	11.26x	-2.50x
Q4	NA	NA	NA	NA	NA
Softchoice	9.4x	NA	NA	NA	NA
TELUS International	8.7x	NA	NA	NA	NA
Average	**17.0x**	**21.5x**	**-4.6x**	**21.82x**	**-4.84x**
Median	**12.0x**	**13.4x**	**-1.9x**	**17.98x**	**-0.85x**

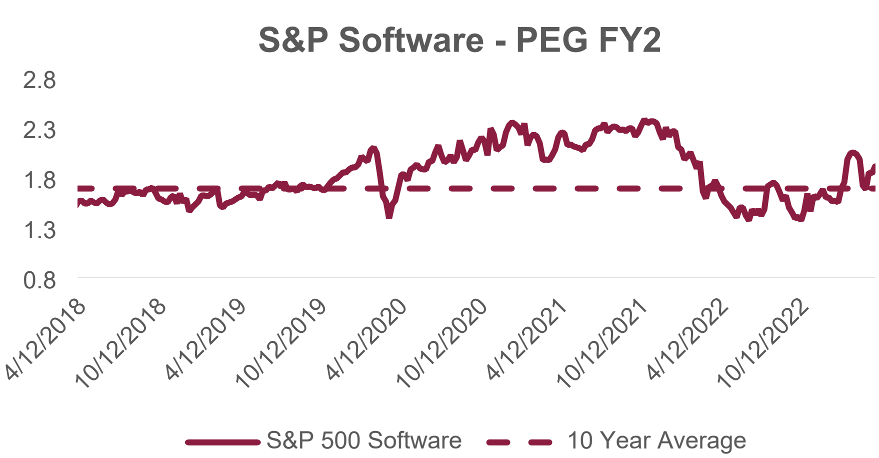
*Docebo excluded from EV/EBITDA average.

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

Software Names See PEG Rebound Above 10-year Average

A rally in software names following the March collapses of SVB and Signature Bank drove valuations higher after a retreat at the end of February and in early March. The line chart in Exhibit 3 illustrates the S&P Info Tech Index PEG ratio over the last five years relative to the 10-year average PEG. Growth-adjusted earnings multiples have been highly volatile in the wake of the COVID pandemic with multiple catalysts impacting the sector.

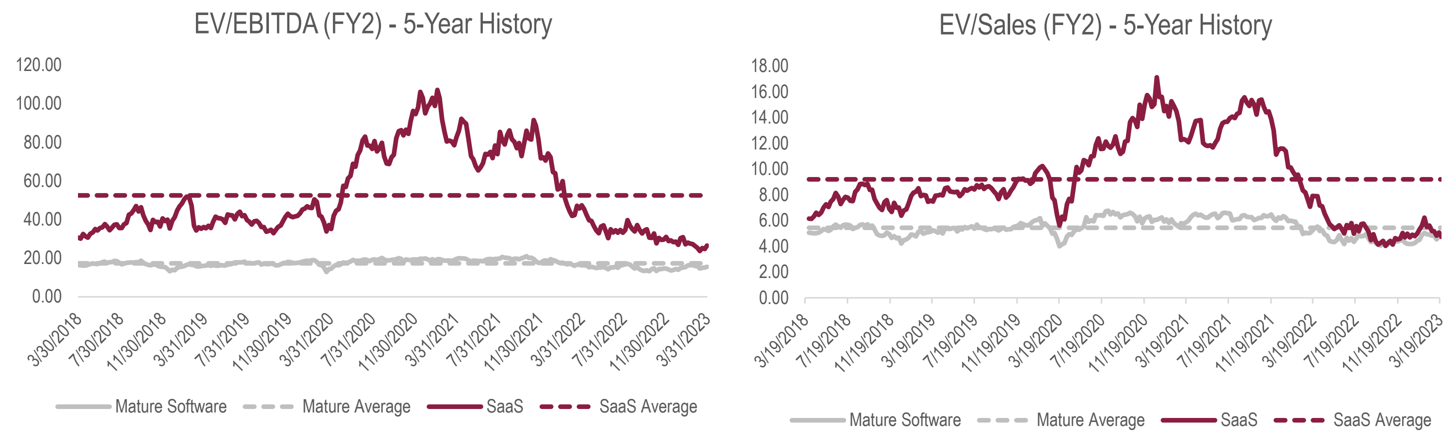
Exhibit 3: S&P Software Index – PEG (FY2) Vs. 10-year Average, 2018 - 2023



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

SaaS names continue to trade at five-year trough levels, with EV/Sales valuations roughly in line with the basket of mature software names that we track, despite stronger growth. This compares to a 6.9x spread in November 2021. From an EV/FY2 EBITDA perspective, the median valuation of 26x for SaaS companies under coverage is near the five-year low. The SaaS multiple is now trading at a 50% discount to the five-year average, compared to Mature Software stocks trading at a 10% discount at the end of the month.

Exhibit 4: Mature Software Companies And SaaS Companies – EV/FY2 EBITDA (left) And EV/FY2 Sales (right), March 2018 - March 2023



Source: FactSet and CIBC World Markets Inc.

Q1/23 Expectations

Consensus is expecting solid Q1 results, with an average revenue growth forecast for the companies we cover of 13% and an average EBITDA growth forecast of 11% Y/Y. Consensus is forecasting positive Y/Y sales growth for all our coverage names except Dye & Durham, although many names are benefitting from acquired growth.

OTEX is expected to post the highest Y/Y revenue growth (+34%) as a result of the recently closed Micro Focus acquisition, while DCBO is expected to deliver strong organic top-line growth (+29%) as the business continues to scale and expand its presence within organizations. From a profitability perspective, we expect EBITDA expansion from Docebo and QFOR although the percentage numbers benefit from small/negative comparatives. We also expect the IT Solutions/Business Services names to show solid profitability as wage inflationary pressures stabilized in Q1/23. We expect EBITDA declines at ENGH, given the integration of SaaS M&A that is non-margin accretive at acquisition, and KXS, as the company continues to invest in the business.

We expect slowing organic growth for the IT Solutions providers under coverage given a weaker demand environment. U.S. peer CDW pre-released Q1 results on April 18, noting a more cautious spending environment and stating that it now expects the U.S. IT market to decline at a high-single-digit rate in 2023.

Exhibit 5: CIBC Software/Services Coverage – Estimate Summary, Q1/C22 And Q1/C23E ($MM, except per share)

	Consensus (Q1/C23)			CIBCe (Q1/C23)			Actual (Q1/C22)			% Change (Consensus/Q1/C22 Actual)		
Company	**Rev**	**EBITDA**	**EPS**	**Rev**	**EBITDA**	**EPS**	**Rev**	**EBITDA**	**EPS**	**Rev**	**EBITDA**	**EPS**
Software & Systems												
Altus Group	186	30	0.39	188	28	0.33	168	18	0.27	11%	67%	46%
Constellation (US$)	1,879	477	13.49	1,867	462	14.12	1,431	373	11.84	31%	28%	14%
Descartes (US$)	133	57	0.33	133	58	0.30	116	51	0.27	14%	11%	23%
Docebo, Inc. (US$)	41	2	0.03	42	2	0.02	32	(2)	(0.21)	29%	205%	114%
Dye & Durham	109	61	(0.12)	111	63	(0.21)	123	67	(0.10)	-11%	-8%	24%
Enghouse (C$)	111	32	0.32	108	33	0.31	106	34	0.32	5%	-4%	-1%
Kinaxis (US$)	101	17	0.34	102	15	0.23	98	33	0.65	3%	-48%	-47%
Open Text (US$)	1,185	316	0.48	1,219	314	0.33	882	284	0.70	34%	11%	-32%
Q4 Inc. (US$)	15	(4)	(0.13)	15	(5)	(0.16)	14	(7)	(0.17)	6%	49%	19%
Business Services												
CGI Group Inc. (C$) (EBIT)	3,560	573	1.71	3,568	576	1.74	3,269	524	1.53	9%	10%	12%
Converge Technology (C$)	645	41	0.09	639	40	0.12	550	30	0.10	17%	39%	-11%
Information Services Corp.	48	15	0.37	48	15	0.39	44	15	0.41	9%	0%	-9%
Softchoice Corporation (US$)	224	12	0.08	232	12	0.03	223	10	0.07	0%	19%	15%
TIXT (US$)	700	158	0.25	700	152	0.25	599	142	0.26	17%	11%	-1%
Average										**13%**	**11%**	**3%**
Median										**10%**	**11%**	**13%**

Q4/Docebo excluded from EBITDA/EPS average.

Source: FactSet and CIBC World Markets Inc.

Across our coverage universe, we are an average of ~1.1% below consensus, as seen in the table in Exhibit 6. We are most notably below consensus on Altus as we are expecting investment in sales headcount to support Analytics revenue growth. We are also below consensus on TELUS International on the expectation that Q1 will have included a ramp-up period for recently signed contracts.

Exhibit 6: CIBC Software/Services Coverage – Q1/23 Estimates Vs. Consensus ($MM)

Company	Reporting Date	Primary Metric	CIBCe	Consensus	CIBC Vs. Consensus
Altus Group	TBD	EBITDA	28	29.6	(5.9%)
CGI Group	April 26	EBIT	576	573	0.5%
Constellation (US$)	May 15	EBITDA	462	477	(3.2%)
Converge Technology	TBD	EBITDA	40	41	(3.8%)
Descartes (US$)	TBD	EBITDA	58	57	1.3%
Docebo (US$)	May 11	Sales	42	41	1.0%
Dye & Durham	TBD	EBITDA	63	61	3.3%
Enghouse	TBD	EBITDA	33	32	1.5%
Information Services	TBD	EBITDA	15	15	4.8%
Kinaxis (US$)	May 3	Sales	102	101	0.1%
Open Text (US$)	May 4	EBITDA	314	316	(0.6%)
Q4 Inc. (US$)	May 15	Sales	15	15	2.8%
Softchoice Corporation (US$)	May 12	EBITDA	12	12	(0.6%)
TELUS International (US$)	May 4	EBITDA	152	158	(3.7%)
				Average	0.3%

Source: FactSet and CIBC World Markets Inc.

Changes To Our Estimates

We have made minor adjustments to our Altus Group estimates that have resulted in less than a 1% increase to our 2023 adjusted EBITDA estimate. More notably, we are decreasing our Altus price target from $68 to $62 as we reduce our target multiple on the Analytics business to 20x, closer to in line with other information services peers. We have also adjusted our Dye & Durham estimates to reflect the ongoing weakness in Canadian housing transactions, which remained down 30%-40% Y/Y in January, February and March.

We have reduced our Q1 estimates for Softchoice and Converge based on our expectation for a slower start to their year given potential demand headwinds in the SMB market in an uncertain macro environment. We have also reduced our Open Text estimates for FQ3 given our expectation of increased seasonality post the Micro Focus acquisition, which is primarily in the on-premise software business. On-premise software providers traditionally face a slow start to the year as customers finalize yearly budgets ahead of large license purchases.

Lastly, we have increased our price target on Constellation Software to $3,000 (prior $2,450) as we increase the multiple on Constellation's base business to 26x EBITDA as we take into account the future spin-out opportunities within the base business and add Lumine to our sum-of-the-parts valuation post its spin-out.

Exhibit 7: CIBC Software/Services Coverage – Estimate Changes, Q1/C23 & C2023 ($MM)

		Q1/C23E			C2023E		
Company	Basis	Old	New	% Change	Old	New	% Change
Altus Group	Adj. EBITDA	28.0	27.9	-0.4%	135.8	136.6	0.6%
Dye & Durham	Adj. EBITDA	64.7	63.3	-2.1%	259	256.3	-1.0%
Open Text	Adj. EBITDA	387.4	314.2	-23.0%	1,501	1,466	-2.0%
Softchoice	Adj. EBITDA	17.6	11.7	-33.3%	87	87	0.2%
Converge	Adj. EBITDA	44	40	-10.0%	172	167	-3.0%

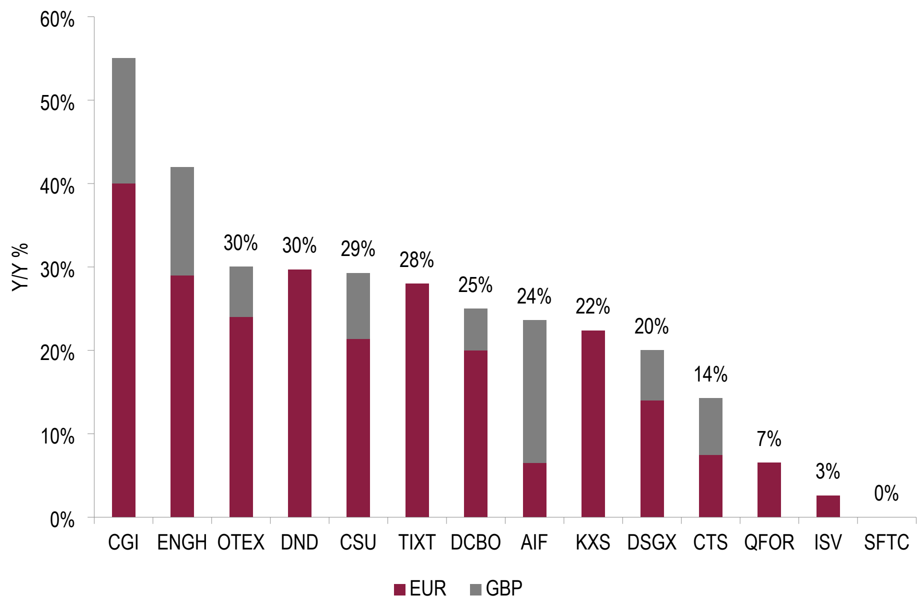
Source: Company reports, FactSet and CIBC World Markets Inc.

Key Themes For The Quarter

Will Tech Spending Remain Resilient?

To date, management commentary from the companies we cover has generally noted that the demand environment in Europe has been similar to that in the rest of the world, as technology investments that improve efficiency or reduce costs appear less likely to be cut. CGI has the largest European/U.K. exposure, which we estimate at ~55% of revenue. Further, we estimate that Open Text's recently closed acquisition of Micro Focus will increase its European exposure from 30% to 55%. We expect Constellation, Enghouse, Dye & Durham and TELUS International each to derive close to 30% of revenue from the region.

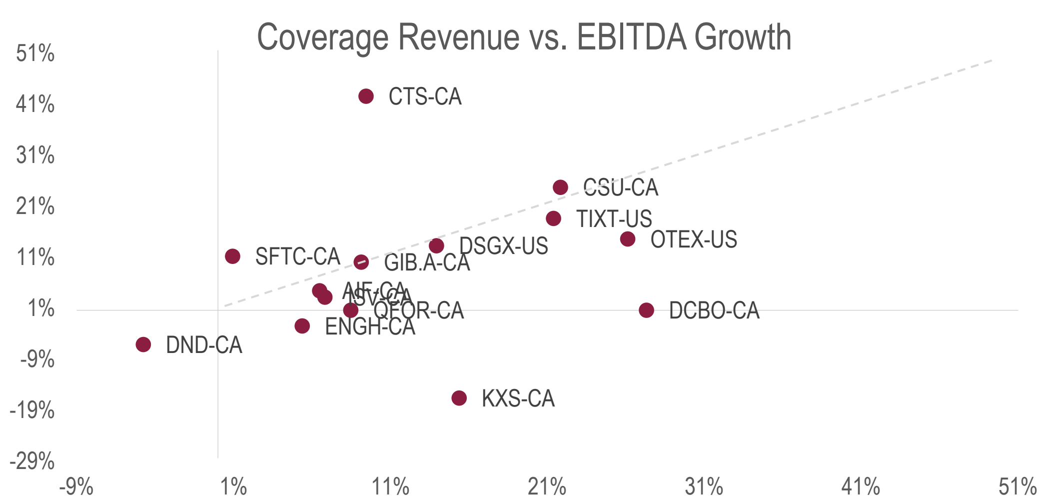
Exhibit 8: CIBC Software/Services Coverage – EUR & GBP Exposure, Current



Source: Company reports and CIBC World Markets Inc.

More broadly, the Street continues to call for 2023E Y/Y revenue growth of 13% and EBITDA Y/Y growth of 7% for our software coverage universe (excluding DCBO). While we expect fundamental demand to remain stable, some names under our coverage, such as Converge, Softchoice and TELUS International, are facing revenue headwinds given cutbacks in IT solutions and hardware spending. We also note that the integration of large acquisitions acted as a headwind on margins for some companies in our universe over H2/22 and we expect this to continue in Q1 for Constellation, Descartes and Enghouse. The scatterplot chart in Exhibit 9 illustrates the revenue and EBITDA growth within our coverage, with names above the dashed lines expected to generate positive operating leverage.

Exhibit 9: CIBC Software/Services Coverage – Y/Y Revenue And EBITDA Growth, F2023E



Source: Company reports and CIBC World Markets Inc.

Post Q4/22, Street revisions to F2023 estimates saw revenue expectations for names under coverage down an average of 1% and no changes to average EBITDA expectations. EBITDA revisions were somewhat company specific, with many SaaS names focused on profitability seeing EBITDA estimate increases (QFOR +20%, DCBO +7%) while other firms continued to invest in growth (KXS -13%) or faced macro headwinds (CTS -10%, DND -8%).

Exhibit 10: CIBC Software/Services Coverage – Q1/C23E And F2023E Earnings Revisions %, Post Q4/22

Coverage	Q1/C23E Revenue Δ %	Q1/C23E EBITDA Δ %	F2023E Revenue Δ %	F2023E EBITDA Δ %
AIF-CA	0%	-1%	0%	-1%
CSU-CA	4%	4%	5%	5%
CTS-CA	-12%	-5%	-16%	-10%
DCBO-CA	-1%	5%	-1%	7%
DND-CA	-6%	-10%	-5%	-8%
DSGX-US	4%	0%	4%	1%
ENGH-CA	2%	-8%	1%	-7%
GIB.A-CA	3%	3%	3%	2%
ISV-CA	-1%	3%	0%	5%
KXS-CA	5%	7%	2%	-13%
OTEX-US	0%	-1%	0%	0%
QFOR-CA	-4%	22%	-4%	20%
SFTC-CA	-5%	-8%	-6%	-5%
TIXT-US	7%	-3%	7%	2%
Average	0%	1%	-1%	0%

*QFOR Datapoint excluded from EBITDA average given small base.

Source: FactSet and CIBC World Markets Inc.

FX Environment Normalizes Sequentially

The GBP remained weak against the USD in Q1/23 following the trend over the past year, with the GBP depreciating 9.5% Y/Y against the USD and 3.7% against the CAD. The euro was relatively stable sequentially, depreciating by 4.4% against the USD and appreciating 1.7% against the CAD in Q1. As the USD remained strong, the CAD slipped this quarter and depreciated 6% Y/Y against the greenback.

Exhibit 11: FX – Y/Y Movements, Q1/C23

Sales Currency	Reporting Currency			
Currency	USD	CAD	EUR	GBP
USD		6.49%	4.62%	10.59%
CAD	-6.08%		-1.73%	3.88%
EUR	-4.41%	1.74%		5.70%
GBP	-9.56%	-3.74%	-5.39%	

Source: FactSet and CIBC World Markets Inc.

While the FX environment remains challenging, we expect its impact on most of our coverage names to have lessened sequentially in Q1 (with the exception of OTEX given its increased exposure to the U.K./European market with the closing of the Micro Focus acquisition). We anticipate that USD-reporting companies will face less of an FX headwind sequentially and forecast that CAD-reporting companies will have benefited from an FX tailwind given the appreciating USD and EUR.

Exhibit 12: CIBC Software/Services Coverage – Expected FX Impact On Revenue, Q1/22 - Q1/23E

	AIF	CGI	CSU	CTS	DCBO	DND	DSGX	ENGH	ISV	KXS	OTEX	QFOR	SFTC	TIXT
Reporting Currency	CAD	CAD	USD	CAD	USD	CAD	USD	CAD	CAD	USD	USD	USD	USD	USD
Q1/23E	2.4%	2.1%	(2.1%)	4.2%	(1.1%)	0.5%	(1.8%)	3.1%	0.1%	(1.1%)	(6.2%)	0.0%	(2.7%)	(1.5%)
Q4/22	2.5%	(0.7%)	(5.0%)	3.0%	(4.0%)	(1.1%)*	-3%*	0.9%	(0.1%)*	-7%	(5.4%)	NA	(2.2%)*	(4.0%)
Q3/22	(1.0%)	(6.0%)	(5.0%)	0.8%*	(5.0%)	(3.4%)*	-3.2%*	-1.5%*	(0.3%)*	-6.5%*	(4.6%)	NA	(1.6%)*	(5.0%)
Q2/22	(0.9%)	(3.6%)	(4.0%)	2.0%	(4.0%)	(2.4%)*	(3.0%)	(2.7%)	(0.3%)*	(6.0%)	(3.7%)	NA	(1.7%)*	(4.0%)
Q1/22	(1.4%)	(3.8%)	(3.0%)	NA	NA	(2.0%)*	(2.0%)	(3.2%)	(0.2%)*	(2.0%)	(2.1%)	NA	(0.1%)*	(2.0%)

* CIBC Estimates due to non-disclosed FX impacts.

Source: Company reports, FactSet and CIBC World Markets Inc

Company-specific Factors Likely To Have Impacted Margins More Than Inflation In Q1

While inflation remains well above average and target levels, we expect the majority of our coverage to post Y/Y margin expansion in the quarter. We expect QFOR and DCBO to record the most notable Y/Y margin increases, as the businesses have started to meaningfully benefit from growing scale. At the other end of the spectrum, we expect a combination of the timing of license revenue recognition and heavier investments in the business to lead to a 1,300 bps Y/Y margin contraction at KXS. We expect an average EBITDA margin of 24.6% (excluding QFOR) within our coverage universe in Q1, up 73 bps Y/Y.

Exhibit 13: CIBC Software/Services Coverage – EBITDA Margin Y/Y Expansion (CIBCE), Q1/22 And Q1/23E

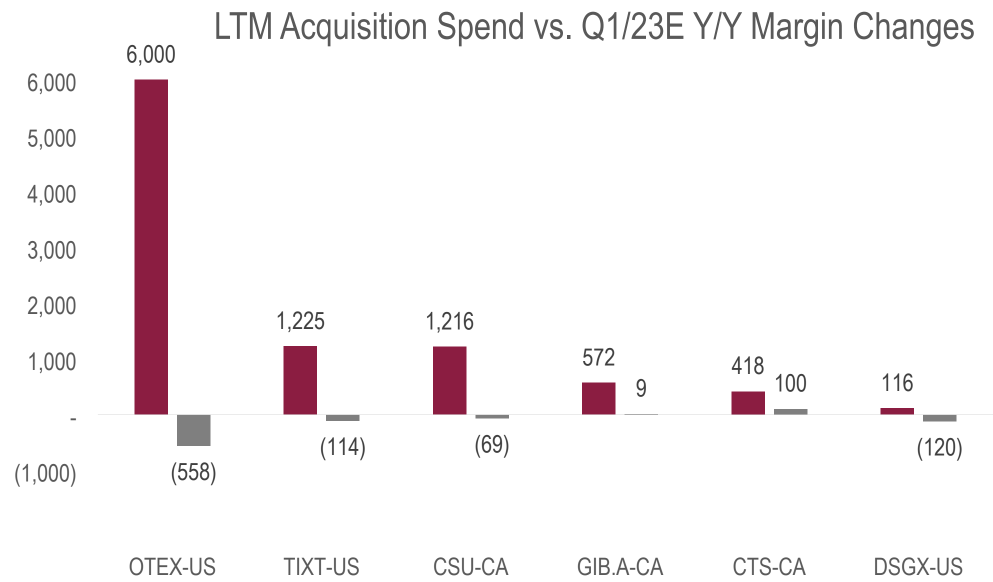
	EBITDA Margins		
	CQ1/23E	CQ1/22A	∆ bps
Software & Systems			
Altus Group	14.8%	10.6%	419
Constellation (US$)	24.7%	26.1%	(134)
Descartes (US$)	44.2%	44.0%	14
Docebo, Inc. (US$)	3.0%	(5.6%)	863
Dye & Durham	56.9%	54.4%	255
Enghouse (C$)	32.9%	31.8%	108
Kinaxis (US$)	20.4%	33.8%	(1,342)
Open Text Corporation(US$)	36.7%	32.2%	441
Q4 Inc. (US$)	(28.9%)	(51.3%)	2,234
Business Services			
CGI Group Inc. (C$) (EBIT)	16.2%	16.0%	17
Converge Technology (C$)	5.9%	5.4%	51
Information Services Corp.	31.7%	33.0%	(133)
Softchoice Corporation (US$)	8.1%	4.5%	363
TELUS International (US$)	24.0%	23.7%	30
Average*	**24.6%**	**23.8%**	**73**

*Average Excludes Q4. Source: Company reports and CIBC World Markets Inc.

M&A Integration A Key Focus

Over half of our coverage announced large acquisitions during 2022 and we expect 2023 to be a year of integration for those businesses. Lower operating margins at target companies and integration expenses have had an impact on margins, as highlighted in the bar chart in Exhibit 14. We expect that OpenText, TELUS International, and Descartes will be most impacted in 2023 as acquisition integration progresses. Exhibit 14 shows the Q1/23E Y/Y margin expansion and acquisition spend in F2022 for companies under coverage.

Exhibit 14: CIBC Software/Services Coverage – LTM Acquisition Spend (+$100MM) And Consensus Y/Y Q1/23E EBITDA Margin



Source: Company reports and CIBC World Markets Inc.

We expect a fairly muted H1/23 from an M&A perspective as most acquirers in our coverage universe integrate their F2022 acquisitions. That being said, roughly half of our coverage names continue to carry a net cash balance and we regard Enghouse and CGI as well positioned for further M&A in 2023. We expect Enghouse will remain an active acquirer of SaaS companies as it seeks to offset organic growth declines, while CGI has allocated $1B in M&A spend.

From a defensive point of view, take-private possibilities also provide valuation floors for companies under our coverage. We believe QFOR is an attractive takeout target from a valuation perspective.

Exhibit 15: CIBC Software/Services Coverage – Post Q4/22 Leverage & Liquidity, Current

Company	Net Debt ($MM)	Leverage (Net Debt/LTM EBITDA)	Available Liquidity ($MM)
AIF (C$)	$308	2.3x	$286
ENGH (C$)	($251)	NA	$251
DCBO (US$)	($216)	NA	$216
KXS (US$)	($175)	NA	$175
DND (C$)	$1,153	4.4x	$270
ISV (C$)	$40	0.7x	$184
DSGX (US$)	($138)	NA	$350
QFOR (US$)	($21)	NA	$21
SFTC (US$)	$105	1.3x	$186
CTS (C$)	$422	1.8x	$80
CSU (US$)	$1,160	0.7x	$1,160
GIB.A (C$)	$2,300	0.9x	$2,500
TIXT (US$)	$2,605	2.9x	$1,383
OTEX (US$)	$8,241	3.8x	$550

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

Altus Group

Exhibit 16: AIF – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	188	186	168	786	783	735
Adjusted EBITDA ($MM)	28	30	18	137	141	135
Adj. EBITDA %	14.9%	15.9%	10.6%	17.4%	17.9%	18.4%
Adjusted EPS	0.33	0.39	0.27	2.05	1.98	1.90

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

Earnings Date: TBD

Conference Call Details: TBD

Q1 Overview: Altus Group remains in the midst of a strategic pivot to position itself as an Intelligence-as-a-Service provider for the Commercial Real Estate (CRE) industry. Early returns on the pivot have been strong, as both growth and margins have benefitted from the new products and go-to-market strategy. With the early stages of the transformation complete, Altus is now focusing on continuing to sell its new analytics products into its existing install base. We are closely tracking the pace of new bookings growth in the Analytics segment to gauge the sustainability of the strong performance in the segment. Altus shares underperformed broader software markets in Q1, potentially owing to poor sentiment in the CRE space. With our preview we are reducing our price target from $68 to $62 as we lower our target multiple on the Analytics business to 20x EBITDA given the weaker macro environment.

Key Topics For The Quarter

1. **CRE Markets Under Pressure:** Sentiment in the CRE space is particularly poor as rising rates pressure cash flows and, in some cases, lead to defaults and foreclosures. While it is important to note that Altus' financial results have yet to be impacted by industry weakness, executives may be reaching a point where authorizing software and analytics purchases becomes more difficult. Further, the weak sentiment in the CRE space is an incremental negative for Altus and likely contributed to the underperformance in AIF shares relative to other software names in Q1.

2. **Analytics Bookings Lapping Stronger Comps:** Altus began selling its Analytics IaaS offering under its new go-to-market strategy in Q4/21, quickly realizing the benefits in the form of accelerating revenue and bookings growth. As the company begins to lap the initial quarters that benefitted from the new go-to-market strategy, we will be keeping a close eye on the pace of bookings growth. Constant-currency organic new bookings growth of 2.4% in Q4 was down notably from the prior-year period, and constant-currency organic *recurring* bookings growth of 14.6% was down relative to the full-year number of 44.5%. While the early stages of the Analytics pivot have gone exceedingly well, upcoming quarters will provide more clarity on the sustainability of bookings growth and the extent to which the early growth will prove to be sustainable.

3. **Margin Performance:** Another benefit of the updated Analytics model has been a significant lift to Y/Y margins, particularly in the back half of the year. We are forecasting Q1 Altus Analytics margins of 22%, down sequentially from 26.9% in Q4 but up 800 bps from prior-year levels. Management expects Analytics to reach a high-30s margin profile over the longer term, although we expect progress to slow in 2023 as Altus continues to invest in Analytics sales and marketing.

CGI Inc.

Exhibit 17: GIB.A – Estimate Summary, Q2/F23 And F2023

	Q2/F23 (Ending March)			Fiscal Year (Ending September)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	3,568	3,560	3,269	13,967	14,041	12,867
Adj. EBIT ($MM)	576	573	524	2,279	2,772	2,087
Adjusted EPS	1.74	1.71	1.53	6.89	6.87	6.10

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

Earnings Date: Wednesday April 26, pre-market open.

Conference Call Details: 9:00 a.m. ET, dial-in: 1-888-396-8049, passcode: 66993424

FQ2 Overview: Client demand has remained robust at CGI despite macroeconomic concerns, with customers continuing to focus on digitization and projects that lead to permanent cost savings. That being said, we have seen signs of a demand slowdown in certain segments of the IT Solutions market, with Indian outsourcers (INFY, TCS) noting a weaker demand environment in certain verticals (FI, high tech, communications) and project delays. While we do not consider INFY/TCS as CGI's direct peers given CGI's focus on near-shore work, we do expect the focus on the FQ2 call to be on the demand environment and any extensions in sales cycles created by budgetary pressures. CGI continues to manage headcount effectively, with no headcount reductions announced to date. The company has proven its ability to navigate an inflationary environment, and we will be watching margins as an indication of progress on M&A integration and the company's ability to pass costs on to customers. We regard CGI as well positioned to execute on M&A in F2023 given an improving valuation environment and ample capital.

Key Topics For The Quarter

1. **Record Bookings Last Quarter:** CGI posted record bookings last quarter, reflecting the impact of demand for digitization and IP. One-third of the bookings last quarter were new customer wins, demonstrating CGI's ability to take share as clients look to consolidate their tech stack. The company announced three material partnerships in FQ2: 1) A 10-year extension with the U.S. State Department in support of consular affairs services in India; 2) the acquisition of National Bank's in-house financial planning solution IP and a 10-year SaaS agreement for the delivery of the solution to the Bank, while expanding its IP capabilities; and 3) a deal with the Poland Electricity Transmission System Operator to design, build, implement and support a next-generation Central Energy Market Information System. We expect Y/Y revenue growth of 9% for FQ2 and a 2% FX tailwind from the appreciating EURO against CAD.

2. **Managing Inflationary Pressures:** CGI has been effectively managing a rising cost environment. Long-term contracts typically include IT-specific CPI escalators, with pricing on new contracts adjusted for the inflationary environment. For those clients focused on cost cutting, CGI has been building out its offshore capabilities, which recorded increased demand during F2022 while allowing the company to maintain competitive pricing. We expect EBIT margins of 15.5% in FQ2, up 20 bps Y/Y, as recent bookings flow through to revenue, global delivery centres drive cost savings, and the company benefits from merger synergies from the ~$600MM in M&A completed last year.

3. **Update On Capital Allocation:** In F2022 CGI spent ~$600MM on M&A, slightly less than its $800MM-$1.2B target. Management reiterated its plan to spend $1B on M&A in F2023, focusing on deals between $200MM-$500MM but also open to a long-term transformational deal. We will be looking for further details on the M&A pipeline.

Constellation Software Inc.

Exhibit 18: CSU – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	1,867	1,879	1,431	7,856	8,067	6,622
Adj. EBITDA ($MM)	462	477	373	2,009	2,108	1,699
Adjusted EPS	14.12	13.49	11.84	61.92	60.34	57.05

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

Earnings Date: Monday May 15, post market close

Conference Call Details: The company will not be hosting a conference call.

Q1 Update: Constellation completed the spin-out of its Lumine Group and the acquisition of Wide Orbit in Q1. The company was also active on the M&A front in the quarter, with subsidiaries announcing 20 acquisitions. We regard the current M&A environment as attractive for Constellation, with high volatility and rising rates potentially improving the pipeline for tuck-ins and larger deals. We expect the company to use all of its excess free cash flow (FCF) on M&A as valuations become more attractive. We forecast margins of 24.7%, down 140 bps Y/Y as Constellation continues to integrate the Altera acquisition.

Key Topics For The Quarter

1. **Demand Outlook And Organic Growth:** Constellation reported constant-currency organic growth of 4% last quarter. Altera constituted a 2% impact to organic growth in Q4, with Constellation recording 6% constant-currency organic growth excluding the recent acquisition. We expect similar organic growth in Q1 as Constellation continues to integrate its largest acquisition to date. Overall, we consider Constellation's business as relatively defensive given its large recurring maintenance base (+70% of revenue), but we will be watching for any indication of slowing demand or attrition from the predominantly SME customer base. We expect Y/Y revenue growth of 31% for Q1 and a 2% FX headwind.

2. **Altera's Impact On Margins And Cash Flow:** We calculated an ~11% Altera EBITDA margin in Q4, well below Constellation's consolidated Q4 margin of 27%. Constellation continues to work to integrate Altera and we expect consolidated Q1 margins of 24.7%, down 140 bps Y/Y. Altera contributed $60MM in Q4 free cash flow available to shareholders (FCFA2S), leading to a consolidated $290MM in FCFA2S in Q4. We forecast Q1 FCFA2S of ~$437MM.

3. **M&A:** With the acquisition of WideOrbit in the quarter, we forecast $400MM in acquisition spend in Q1. Constellation's subsidiaries announced 20 acquisitions in the quarter, up from 13 in Q4. We expect Constellation to spend roughly all of its FCF on M&A in 2023, with the market looking increasingly attractive for larger deals.

4. **Lumine:** Post the spin-out, Lumine is trading at an 18.3x EV/F24 multiple, versus a Constellation multiple of 17.6x and a Topicus multiple of 22.0x. We believe that Lumine should trade roughly between the Constellation and Topicus multiples, with the Constellation multiple at the lower end (given the law of large numbers) and Topicus at the higher end (given a more defensive business). We will be looking for additional insights into Lumine's demand environment with Q1 results, with Lumine posting a 2% organic decline in Q4, attributed to an acquisition completed in 2022 with known material attrition from customer notifications received prior to the company's acquisition.

Converge Technology Solutions Corp.

Exhibit 19: CTS – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	639	645	550	2,492	2,661	2,165
Adj. EBITDA ($MM)	40	41	30	168	191	143
Adjusted EPS	0.12	0.09	0.10	0.52	0.43	0.50

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

Earnings Date: TBD

Conference Call Details: TBD

Q1 Overview: The demand environment remains uncertain for Converge and other IT Solutions peers with hardware exposure. Last quarter Converge's gross revenue growth decelerated to 0.8% Y/Y, down sequentially from 6%, partly due to increasing backlogs caused by supply chain disruptions. We expect the company to progress on acquisition integration in H1/23 and will be looking for margin synergies over the course of the next two quarters. We believe the focus this quarter will be on integration progress as well as the demand environment in core geographies. With Q1 results, we will also be looking for an update on supply chain disruptions and updates from the strategic review.

Key Topics For The Quarter

1. **Demand Environment:** We expect Q1 revenue growth of 16.3% Y/Y as the focus remains on the spending patterns of customers across the various geographies and end verticals. Converge reported slower organic growth in Q4, partly due to supply chain disruptions and headwinds from hardware exposure as customers cut back on spending. The demand environment does not appear to have improved in Q1. U.S. peer CDW pre-announced Q1 results on April 18 and guided to Q1 revenue of $5.1B versus consensus at $5.58B. CDW noted more cautious consumer spending and the company now expects the U.S. IT market to decline at a high-single-digit rate in 2023.

2. **Update On Cost Outlook And Supply Chain:** We expect Q1 EBITDA margins (as a percentage of gross profit) of 27.6%, up 40 bps Y/Y. We forecast gross margin of 25%, up 520 bps Y/Y. We will be looking for an update on the supply chain issues that increased the backlog last quarter by $45MM+, including any changes in fulfillment timelines.

3. **Strategic Process Update:** Converge announced a strategic review in November 2022 in response to received expressions of interest. The company provided no updates with Q4 results that were released on March 15 and we will be looking for an update on the strategic process with Q1 results. We consider private equity as the most likely buyer, although any acquirer would have to be comfortable with the integration process of the ~$1B in gross revenue acquired in 2022. We also see valuation as a potential stumbling block to any sale process.

4. **M&A Integration Update:** We expect Converge to be muted on the M&A front in H1/23 as the company integrates the $1B+ of gross revenue acquired in 2022. We will be looking for further details on the near-term cost synergies and longer-term revenue synergy opportunities from acquired businesses. We will also be looking for details on managed services revenue, including guidance for 2023. Managed services revenue in 2022 was $138MM, below the company's target of $150MM-$200MM.

Descartes Systems Group Inc.

Exhibit 20: DSGX – Estimate Summary, Q1/F24 And F2024

	Q1/F24 (Ending April)			Fiscal Year (Ending January)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	133	133	116	550	554	486
Adj. EBITDA ($MM)	58	57	51	240	242	215
Adjusted EPS	0.30	0.33	0.27	1.26	1.42	1.18

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

Earnings Date: TBD

Conference Call Details: TBD

FQ1 Overview: We expect 15% Y/Y revenue growth for Descartes this quarter, up sequentially from 11% as the company integrates GroundCloud, its largest acquisition to date. We expect margins of 44.1%, down 10 bps sequentially given increased investments in the business and incremental lower-margin Professional Services revenue from GroundCloud. We see risks to organic growth at Descartes in F2024 as inflation and a tough economic climate potentially slow consumer spending and transaction activity. We expect the company will continue to use M&A to offset the organic growth weakness and will be looking for an update on the deal pipeline.

Key Topics For The Quarter

1. **Pressures On Organic Growth:** With ~40% of Descartes' revenue derived from transactional revenue, there is a risk that a slowdown in transportation volumes will impact overall revenue. Recent slowdowns in ocean freight volume and normalizing e-commerce volumes have pressured organic growth, which decelerated sequentially last quarter but was still above historical mid-single-digit growth. With this quarter's results, we will be looking for an update on the broader demand outlook, with management referencing cautious customer commentary last quarter. We expect Descartes to benefit from secular tailwinds such as increased demand for global trade intelligence (tariffs, sanctions, market data) and real-time freight visibility, which are driving clients to engage Descartes for incremental services.

2. **Update On The Cost Environment:** We forecast margin of 44.1% for FQ1, a 10 bps sequential decline as the company integrates GroundCloud and adds lower-margin professional services revenue. We will be looking for commentary on the cost outlook, as well as for updates on automation initiatives to drive cost efficiencies. Given the inflationary environment, Descartes is raising prices at some customers, and we will be looking for an update on customers' reception to these increased prices.

3. **M&A Activity:** Descartes announced the acquisition of GroundCloud, which adds final mile logistics and safety solutions to the company's platform, post Q4/F23. At US$138MM, GroundCloud is the largest acquisition in Descartes' history. We view the acquisition as a positive, with Descartes expanding its platform, adding solutions that can be sold to its existing customer base. Descartes has more than $138MM in cash post GroundCloud and an additional $350MM available on its credit line to execute on M&A. We will be looking for a broader update on the M&A pipeline and capital allocation strategy with FQ1 results.

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Docebo, Inc.

Exhibit 21: DCBO – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	42	41	32	185	183	143
Adj. EBITDA ($MM)	2	2	-2	14	13	0.1
Gross Margin	2%	3%	-21%	26%	26%	21%

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

Earnings Date: Thursday May 11, pre-market open

Conference Call Details: 8 a.m. ET, dial-in: 1-888-259-6580

Q1 Overview: Docebo accelerated its profitability timeline last year and from here we expect the company to continue to rely on scale to drive down G&A costs and enhance profitability. We expect the company to continue to leverage its partners' ecosystems to expand its enterprise pipeline, a critical element of Docebo's growth. On the quarterly call, we expect the focus to be on the demand across key geographies and sales verticals and on the integration of generative AI technology into the product suite. We will also be looking for an update on the enterprise sales cycle delays noted by management through H2/22. Docebo announced the tuck-in acquisition of PeerBoard post Q4, and with more than $200MM in cash, we expect that additional M&A is on the horizon.

Key Topics For The Quarter

1. **Demand Outlook And Growth Investments:** Docebo's subscription revenue grew 37% in 2022, and we forecast 29.4% growth in 2023E, with 30.8% Y/Y growth in Q1E. We will be looking for any updates on changes in the demand outlook and customer spending patterns. Docebo derives 90% of ARR from direct sales and the remaining 10% from partners like Ceridian that offer the company's products as an add-on to their own solutions. We will be looking for commentary on any new customer wins through partner channels.

2. **Enterprise Outlook:** Last quarter, DCBO saw a 10% Y/Y increase in average contract values, driven primarily by new enterprise wins with larger contract values. Enterprise customers are key to growth and we will be looking for commentary on enterprise spending and sales cycles, which have lengthened to an extent over the past few quarters. The use cases for Docebo's product continue to expand, with 80% of the company's customers using two or more use cases (i.e., onboarding, partner training, customer training, etc.). Given that 30% of the company's ARR is derived from existing customers, we regard upselling to enterprise customers as a lucrative, lower-cost opportunity for Docebo.

3. **Update On Profitability Targets:** We expect an EBITDA margin of 4.7% in Q1 and full-year 2023 margin of 7.7% as the company scales its profitability. From here, we expect DCBO to continue to balance revenue growth and profitability to achieve solid Rule-of-40 metrics. We expect operating leverage to increase as G&A costs start to benefit from scale.

Dye & Durham Ltd.

Exhibit 22: DND – Estimate Summary, Q3/F23 And F2023

	Q3/F23 (Ending March)			Fiscal Year (Ending June)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	111	109	123	459	452	475
Adjusted EBITDA ($MM)	63	61	67	256	249	267
Adjusted EBITDA %	57%	56%	54%	56%	55%	56%
Adjusted EPS	(0.21)	(0.12)	(0.10)	(1.01)	(0.83)	(0.32)

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

Earnings Date: TBD

Conference Call Details: TBD

FQ3 Overview: With Canadian housing activity remaining soft over the course of DND's FQ3, we anticipate another quarter of low-double-digit organic decline. That being said, DND has partially diversified into less cyclical workflow and payments businesses that should limit some of the downside related to the weakness in Canadian housing transactions. Further, DND is in the midst of an organization-wide cost-cutting program that, according to the company, is expected to reduce total operating expenses by 10%. With a reduced cost base, DND stands to benefit from a recovery in housing prices given the business' strong gross margins and free cash flow conversion. While we don't expect a notable improvement in revenue growth during FQ3, DND's discounted valuation (7.7x C2023E EBITDA) and its ability to benefit from a housing recovery combine to make a case to add to positions in advance of said recovery.

Key Topics For The Quarter

1. **Housing Remained Under Pressure:** Canadian housing transactions comprise a mid-30s percentage of consolidated revenue, and transaction activity showed no signs of improving in FQ3. Canadian housing activity was down 37% Y/Y in January, 40% in February and 34% in March. While price increases would offset a portion of that weakness, we expect the softness in Canadian housing transactions to result in a 10% consolidated organic decline. U.K. and Australian housing activity is slightly better than in Canada but still negative relative to prior-year levels.

2. **Do Buyers Get Comfortable With Rates?** With the Bank of Canada holding its policy rate at 4.5% for the second consecutive month in March, we may see further signs of life in the Canadian housing market. We foresee real potential for buyers to become more comfortable with making major purchases as the possibility of further rate hikes diminishes. Our DND revenue forecast is based on a gradual recovery over the next five quarters to a level of housing transactions that is in line with the 10-year average. If that scenario holds true, we foresee the potential for DND to generate upwards of $200MM in F2024E FCF before interest payments, implying a 21% yield at current prices.

3. **Leverage And Interest Costs Still Elevated:** DND finished FQ2 with leverage of 4.4x and we expect leverage to increase sequentially given a slight Y/Y decline in FQ3E adjusted EBITDA. DND's floating-rate long-term debt carries an annual interest rate of ~10.5% and current debt levels imply annual interest payments north of $100MM, which use up a substantial amount of our $155MM FCF estimate for 2023. While interest payments are well covered by FCF, leverage remains a sticking point for many investors. With transformational M&A no longer in focus we may see future FCF allocated to debt repayment rather than M&A or share buybacks.

Enghouse Systems

Exhibit 23: ENGH – Estimate Summary, Q2/F23 And F2023

	Q2/F23 (Ending April)			Fiscal Year (Ending October)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	108	111	106	429	447	428
Adj. EBITDA ($MM)	33	32	34	132	135	141
Adjusted EPS	0.31	0.32	0.32	1.25	1.40	1.70

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

Earnings Date: TBD

Conference Call Details: TBD

FQ2 Overview: Enghouse is facing a tougher competitive environment as a structural shift to cloud contact centre software is impacting the sale of on-premise solutions, leading to organic revenue declines. M&A is upside to current numbers, with ~$251MM in cash on Enghouse's balance sheet. We expect FQ2 revenue to be up roughly 2% Y/Y as the company laps an easier Y/Y comparison. We will be looking for an update on the M&A pipeline, the integration progress of recent M&A and the demand outlook for the company's solutions.

Key Topics For The Quarter

1. **Organic Growth Declines:** Last quarter, organic growth declined ~6% and we expect a ~5% organic decline in the upcoming quarter. Enghouse is facing heightened competition from SaaS competitors that are offering lower price points to gain market share. We will be looking for the company's update on the competitive environment and outlook for the IMG division, which has seen elevated churn over the last few quarters. We will also be looking for an update on whether Enghouse has implemented any pricing discounts to drive retention.

2. **M&A Update:** ENGH recently announced the acquisition of Qumu and Navita, which combined to generate ~$30MM of revenue in the LTM period. We expect these SaaS acquisitions will bring incremental opportunities for cross-selling, expanding ENGH's reach into the Brazilian market where Navita operates. We expect ENGH to continue to focus on acquisitions that add SaaS capabilities to its platform as it evolves its offerings to meet customer needs. With valuations compressing in the tech space, we see a more attractive M&A environment for value buyers such as Enghouse. We forecast $99.2MM in free cash flow for F2023E, leaving the company well positioned to continue to execute on M&A without taking on leverage. We will be looking for management commentary on near-term capital allocation.

3. **Profitability Outlook:** Enghouse has always focused on profitable growth, but margins have declined from pandemic highs as the company faces a tougher competitive environment, leading to lower (high-margin) license revenue. Additionally, recent acquisitions of SaaS companies are well below Enghouse's operating margins and we expect it will take the company a few quarters before acquisitions are ramped up to Enghouse's operating model. We expect a 30.4% EBITDA margin in FQ2, a 140 bps contraction Y/Y but up 10 bps Q/Q. Given the inflationary environment, we will be looking for details on how the company is managing through the pressures, including an update on the labour market and any automation initiatives to drive cost efficiencies.

Information Services Corp.

Exhibit 24: ISV – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	48.0	48.0	44	202	203	190
Adjusted EBITDA ($MM)	15.2	14.5	14.6	65.6	66.0	64.4
Adjusted EBITDA %	31.7%	30.2%	33.0%	32.5%	32.5%	33.9%
EPS	0.39	0.37	0.41	1.67	1.82	1.67

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

Earnings Date: TBD

Conference Call Details: TBD

Q1 Overview: ISV was a notable beneficiary in 2021 and 2022 from elevated transaction activity as a result of a favourable interest rate environment. Not only did revenue benefit, but elevated levels of high-margin, high-value transactions also drove improved profitability. We expect 2023 to be a more typical year for ISV as transaction numbers and margins return to more normalized levels. With ISV typically providing accurate guidance, there is little reason to believe the first quarter will not fall in line with Street estimates. M&A remains the primary catalyst for ISV as management has frequently referenced its willingness to increase leverage to 4x for an attractive deal.

Key Topics For The Quarter

1. **Impact Of Ontario Registry Changes:** When ISV released its 2023 guidance, it noted that the Services segment would be impacted by changes made to the Ontario Business Registry (OBR). In 2023 the Ontario government opened up access to OBR, access that was previously restricted to ISV's ESC subsidiary and Dye & Durham's eCore product. While the impact of the changes to the OBR was included in the 2023 guidance, the lack of exclusive access to the OBR adds a level of uncertainty to 2023 Services revenue.

2. **Transaction Activity Update:** We expect transaction activity to normalize to pre-pandemic levels in Saskatchewan despite below-average housing market transaction activity in other provinces. Data from the Saskatchewan Realtors Association backs up this expectation, as transactions in January, February and March were down 16%, 19% and 10% Y/Y, respectively. Despite declining Y/Y, the rate of decline is better than in other provinces and in Canada as a whole, remaining above pre-pandemic and 10-year averages. While ISV generates revenue from non-housing transactions, the above-average housing market performance in Saskatchewan does give us more confidence in management's guidance.

3. **M&A Update:** ISV has been relatively active on the M&A front recently, acquiring Reamined, Regulis and UPLevel since the start of 2022. None of the transactions have been transformational, but Reamined and UPLevel did add solid revenue streams and helped to further diversify the business outside of Saskatchewan. ISV finished Q4 with leverage of only 0.65x, and increasing leverage to 4x would allow it to spend up to $200MM on a debt-financed transaction. With management filing a shelf prospectus last week that authorizes up to $240MM in securities, ISV has at least positioned itself to execute on larger M&A should the opportunity arise.

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Kinaxis Inc.

Exhibit 25: KXS – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	102	101	98	430	427	367
Adj. EBITDA ($MM)	15	17	33	63	61	79
Adjusted EPS	0.23	0.34	0.65	0.99	1.18	1.60

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

Earnings Date: Wednesday May 3, after market close.

Conference Call Details: Thursday May 4, 8:30 a.m. ET, register for the conference call here

Q1 Overview: Kinaxis continues to benefit from multi-year secular tailwinds, driven by supply chain disruptions that have reinforced the need for effective supply chain planning. We forecast Y/Y subscription revenue growth of 27% in 2023, at the higher end of the company's guidance of 25%-27% on the back of strong momentum, as evidenced by backlog and the lack of impact from economic uncertainty. We forecast $7MM in license revenue for the quarter ($14MM for the full year) and 15% adjusted EBITDA margins, down 640 bps sequentially as the company continues to ramp up investments to position itself for future growth.

Key Topics For The Quarter

1. **Update On Demand Environment:** Kinaxis continues to see a strong demand environment as the C-suite focuses on supply chain execution, leading to shortened sales cycles. We expect Q1 subscription revenue growth of 27% Y/Y and forecast a 1% FX headwind. We will be looking for an update on the company's expansion to target smaller customers using VAR and public cloud partners. While Kinaxis continues to look to partners to fulfill implementation demand, we do expect Professional Services growth of 30% in the quarter to outpace subscription growth as Kinaxis focuses on implementing recent client wins as quickly as possible. Longer term, we expect an increasing amount of Professional Services work to be undertaken by systems integration partners. With the quarterly results, we will be looking for an update on partner certifications and the ability to meet demand.

2. **2023 A Year For Investments:** Last quarter, management's 2023 margin guidance of 13%-15% came in below Street expectations of 16.8%. We expect KXS to invest heavily in R&D and S&M in 2023 and forecast S&M spending to grow 22% Y/Y and R&D spending to be up 11% Y/Y. We expect margins of 15% in Q1/23E, down from 33.8% in Q1/22 on the back of lower term license revenue and additional investments.

3. **Capital Allocation/M&A:** Kinaxis recently hired a head of M&A and we expect the company to continue to look at acquisitions as it builds out its platform. We expect KXS will look for adjacent capabilities that allow it to extend its solutions and cross-sell into its install base. We regard KXS as well positioned to fund M&A, ending last quarter with $175MM in cash. We will be looking for details on the deal pipeline and commentary on the company's near-term capital-allocation strategy.

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Open Text Corporation

Exhibit 26: OTEX – Estimate Summary, Q3/F23 And F2023

	Q3/F23 (Ending March)			Fiscal Year (Ending June)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	1,219	1,185	882	4,505	4,406	3,494
Adj. EBITDA ($MM)	314	316	284	1,501	1,442	1,265
Adjusted EPS	0.33	0.48	0.70	2.94	3.05	3.22

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

Earnings Date: Thursday May 4, after market close.

Conference Call Details: 5 p.m. ET, Dial-in: 1-800-319-4610

FQ3 Overview: FQ3 will be the first quarter with Micro Focus included in OTEX results and we are looking forward to gaining insight into how the integration is progressing. We forecast 38% Y/Y revenue growth on the back of the acquisition and cloud growth of 7.6% Y/Y in the quarter. Other than transaction details, we will be looking for an update on the demand outlook, especially within the European/U.K. regions as the company's exposure to these regions has increased with the Micro Focus acquisition. We will also be looking for commentary on SMB spending as smaller clients continue to be impacted by cost inflation. We forecast FQ3 EBITDA margins of 25.8%, down 640 bps Y/Y. We also expect elevated FX headwinds of +4% in the quarter.

Key Topics For The Quarter

1. **Micro Focus Restructuring:** We expect Open Text's focus over the next year to be on the Micro Focus restructuring given the business was posting revenue declines in the mid-single-digits pre-acquisition. Open Text's guidance assumes that Micro Focus will have flat organic growth by F2024, which we expect will be driven by higher renewal rates. We will be looking for an update on how the Micro Focus integration is progressing and expect to gain additional insight into how the company's goal of flat organic growth by F2024 is tracking. We will also be looking for any changes to the timeline of FCF generation for Micro Focus, which is expected to be additive to FCF by Q1/F25.

2. **Demand Outlook:** We forecast FQ3 38% Y/Y revenue growth and a 640 bps Y/Y decline in EBITDA as Micro Focus is added to the company's model. We expect cloud revenue to grow at 7.6% as the company benefits from strong demand tailwinds, with record cloud bookings of $511MM in FQ2. We expect the cloud growth this quarter to be driven by the OTEX base business, with only 10% of Micro Focus revenue cloud-based. We will be looking for management commentary on the overall demand environment and spending patterns in specific verticals and regions. We anticipate elevated FX headwinds of +4% in FQ3 due to the addition of Micro Focus, which increases OTEX's exposure to the U.K. market.

3. **Typically A Seasonally Weaker Quarter:** CQ1 is typically a seasonally weak quarter for on-premise software providers, with client IT budgets still being finalized. With 90% of Micro Focus' revenue from on-premise solutions, we expect that the acquisition could return more of this typical seasonality to Open Text's financial model. We will be looking for additional details on Open Text's timeline to improve maintenance retention rates (which are in the low 80% range versus Open Text in the mid-90% range) and uptake on its private cloud offering from Micro Focus customers.

Q4 Inc.

Exhibit 27: QFOR – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	15.1	14.7	13.9	62	62	56
Adj. EBITDA ($MM)	-4.8	-3.7	-7.1	-11	-8	-25
Adjusted EPS	-0.2	-0.1	-0.2	-0.4	-0.3	-0.9

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

Earnings Date: Monday May 15, pre-market open

Conference Call Details: 9:30 a.m. ET, webcast

Q1 Overview: QFOR has been hit especially hard by the macro environment as the muted IPO market has limited new customer adds and increased M&A has led to elevated uncontrollable churn. The company has taken steps to right-size its cost structure as it targets positive EBITDA and cash flow exiting 2023. We expect gross margins to have continued to expand in Q1 as the business benefited from its virtual events platform and Latin American operations. With Q1 results, we expect to see continued realization of cost savings related to the Q3/22 workforce restructuring. We forecast gross margins of 65% in the quarter, up 760 bps Y/Y. We expect the focus of the earnings call to be on the profitability timeline, including the company's gross margin trajectory and the demand outlook for its solutions.

Key Topics For The Quarter

1. **Update On Demand Environment:** With an increase in the number of delistings driving uncontrollable churn and given a muted IPO market, QFOR's growth was limited in 2022. We expect these issues to remain headwinds throughout H1/23 and forecast revenue growth of 9% Y/Y for Q1, driven largely by upsell to existing customers. With results, we will be looking for an update on the company's demand environment, including any sales cycle extensions in Q1. We will also be looking at the controllable retention rate, which dropped to 94.7% last quarter vs. a TTM average of 95.5%. We expect gross margins of 65%, a sequential expansion of 100 bps as the impact of the Q3 restructuring and price increases continues to materialize. We forecast 4% Y/Y ARR growth in 2023 driven by higher ARPA as the company targets upsell to existing customers.

2. **Inflationary Pressures And Profitability Outlook:** We expect H1/23 to see incremental benefit from the workforce restructuring announced in Q3/22. We will also be looking for management commentary and an updated outlook on the profitability timeline. We expect the company to be EBITDA positive with gross margins in the mid-70% range exiting 2023.

3. **Cash Runway:** The company ended 2022 with $21MM in cash on the balance sheet and we will be watching for an improvement in the cash position through the progress on restructuring and other cost optimization initiatives. We forecast -$2.1MM in cash used in operations during Q1.

Softchoice Corporation

Exhibit 28: SFTC – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	232	224	223	1,008	991	928
Adj. EBITDA ($MM)	12	12	10	87	88	82
Adjusted EPS	0.03	0.08	0.07	0.61	0.81	0.79

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

Earnings Date: Friday May 12, pre-market.

Conference Call Details: 8:30 a.m. ET, webcast **here**

Q1 Overview: Demand headwinds continue to impact SFTC and other IT Solutions peers with hardware exposure. We have adjusted our Q1 estimates downward to reflect a slower start to the year. The company did not release guidance for 2023 with results last quarter, nothing that prior guidance was the result of its 2021 IPO process. We expect the focus on the Q1 call to be the demand environment, specifically for Enterprise customers, which comprise 10% of revenue but 25% of gross profit. We will be looking for an update on hiring, with Softchoice ending 2022 with account executive (AE) headcount up 10% Y/Y. We expect a more normalized hiring process in 2023 and expect AE headcount to grow ~2% Y/Y.

Key Topics For The Quarter

1. **Update On Demand Outlook:** Q1 is typically a seasonally weak quarter as clients finalize budgets, and this time in an uncertain macroeconomic climate. We expect ~4% net revenue growth in Q1. We will be looking for management commentary on customer spending patterns post Q4, especially as the Enterprise segment saw lengthening sales cycles in H2/22. We will also be looking for an updated outlook on the SMB market, which comprises 90% of overall revenue, as rising rates continue to pressure businesses.

2. **Growth And Profitability:** SFTC expanded its AE count significantly in 2022 as it ramped up its go-to-market strategy but we expect more normalized headcount growth in 2023. The company ended last quarter with 440 AEs and we forecast 2% Y/Y growth in AEs for 2023. We forecast gross margins of 32% in Q1, up 190 bps Y/Y, and adjusted EBITDA margins (as a percentage of gross profit) of 15.8%, up 100 bps Y/Y.

3. **2023 Outlook And Capital Allocation:** Softchoice did not provide guidance for 2023, noting that it expected to grow in line with North American industry forecasts. Industry research firm Gartner is predicting that North American enterprise IT Services will grow in the mid- to high-single-digit range and we forecast F2023 net revenue growth of 8.6% and gross profit growth of 6.3% for SFTC. The company is also focused on returning capital to shareholders, with the 2023 dividend increased by 22% and its normal course issuer bid (NCIB) renewed. We do not expect the company to engage in any M&A at this time.

TELUS International (CDA), Inc.

Exhibit 29: TIXT – Estimate Summary, Q1/23 And 2023

	Q1/23 (Ending March)			Fiscal Year (Ending December)		
	CIBCe	Consensus	Year Ago	CIBCe	Consensus	Year Ago
Revenue ($MM)	700	700	599	2,996	2,992	2,468
Adj. EBITDA ($MM)	152	158	142	711	713	607
Adjusted EPS	0.25	0.25	0.26	1.24	1.22	1.23

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

Earnings Date: Thursday May 4, pre-market open

Conference Call Details: 10:30 am ET, webcast here

Q1 Overview: We expect the focus on the quarterly call to be on the first quarter of WillowTree results and consumer spending patterns given recent slowdowns in TIXT's key Tech and Games verticals. We expect WillowTree to contribute $63MM in revenue in Q1 and to be margin dilutive as TIXT onboards WillowTree onto its operating model. We continue to regard TIXT as well positioned to benefit from digital transformation spending and view the recent WillowTree acquisition as an opportunity for TIXT to offer higher-value digital design and AI solutions to its customer base. While we foresee some short-term risks due to the broader macro environment, we consider TIXT as undervalued at these levels, trading at 7.4x EV/2024E EBITDA versus a blend of BPO/IT Services/Digital Services peers at 8.9x.

Key Topics For The Quarter

1. **Update On The Demand Outlook:** TIXT's 2023 guidance implies 11% organic growth at the midpoint, down Y/Y on the back of macroeconomic headwinds, primarily in the Tech and Games vertical. We expect Y/Y revenue growth of 17% in Q1, which includes a contribution from WillowTree. With Q1 results, we will be looking for an update on the global demand environment and on demand in key verticals, including any changes in customer spending habits. While the macro environment is an overhang, we foresee upside if TIXT can leverage its competitive position to expand market share as customers look to create cost savings.

2. **Labour And Profitability Outlook:** We expect the hiring slowdown at TIXT to persist as increasing macro uncertainty continues to impact the company and its end customers. We expect TIXT to have had higher opex in the first quarter as it integrated the WillowTree acquisition, but expect it to level off in subsequent quarters as cost synergies are realized and as WillowTree is ramped up to TIXT margins. We expect consolidated margins of 21.7% this quarter, down 200 bps Y/Y, and 2023E margins of 23.7%, down 90 bps Y/Y.

3. **WillowTree Opportunities:** With this quarter's results, we expect to hear about any recent cross-selling wins from WillowTree, with TIXT management highlighting that WillowTree customers have little overlap with TIXT's ~600 customers, creating opportunities to cross-sell develop/design capabilities into its base. We will also be looking for any commentary on cross-selling opportunities with TELUS (including TELUS Health and TELUS Ag).

Price Target Calculation – AIF

We value Altus on a sum-of-the-parts basis under the current capital structure, valuing the CRE Consulting business and Analytics business separately. We apply a 13x EV/EBITDA multiple to the Commercial Real business and 20x EV/EBITDA multiple to the Analytics business.

Key Risks To Price Target – AIF

The primary risks we see to our price target include the following: 1) integration risk from recent acquisitions; 2) risks involved with Analytics' strategic shift; 3) upside risk related to accelerating Analytics Growth; 4) upside risk related to M&A that creates further revenue synergies; and 5) accelerated Argus Cloud Adoption that leads to faster-than-expected revenue growth and margin expansion.

Price Target Calculation – CSU

Our $3,000 price target is based on a sum-of-the-parts methodology. We value CSU (ex-TOI) at a 26x forward EBITDA multiple and CSU's 30% ownership of TOI and 61% ownership of LMN at market values.

Key Risks To Price Target – CSU

The primary risks to our price target include the following: 1) ability to scale; 2) ability to acquire; 3) vertical market exposure; and 4) lack of detailed disclosure.

CIBC Ratings and Price Targets

Ticker	Price	Price Target Prior	Price Target Current	Rating Prior	Rating Current
AIF-CA	C$57.87	C$68.00	C$62.00	Neutral	Neutral
CSU-CA	C$2605.00	C$2450.00	C$3000.00	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
AIF-CA	Adj. EBITDA	Dec	C$109.75	C$109.75	C$135.32	C$135.32	C$135.84	C$136.64
CTS-CA	Adj. EBITDA	Dec	C$94.04	C$94.04	C$142.87	C$142.87	C$171.97	C$167.50
DND-CA	EBITDA	Jun	--	C$52.94	C$193.40	C$193.40	C$184.34	C$181.84
OTEX-US	Adj. EPS	Jun	--	US$3.28	US$3.22	US$3.22	US$2.94	US$2.94
SFTC-CA	Adj. EBITDA	Dec	US$69.08	US$69.08	US$81.76	US$81.76	US$87.23	US$87.36

Source: Company reports and CIBC World Markets Inc.

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