

EQUITY RESEARCH

September 21, 2023

Industry Update

IPO Inspo – Bits & Bytes Weekly

Arm, Instacart, And Klavyio Now Listed

Our Conclusion

After Arm successfully made its debut on the Nasdaq last week, Instacart was quick to follow and Klavyio not far behind. In June, we wrote about the [IPO market defrosting](#), and now Arm's success seems to have inspired other tech companies that had IPO plans on standby. The three tech listings in the last week appear to support the notion that the market is heating up, although initial rallies for both Arm and Instacart have already started to fizzle. Arm's shares lost some of the day-one gains with shares closing yesterday at ~\$53, 4% above its IPO price, while Instacart is now trading close to its IPO price. Whether these recent IPOs inspire other companies to come to market remains to be seen, but in the U.S., 2023 has now outpaced 2022 in terms of total number of IPOs and total proceeds raised. Prospective tech candidates generally thought to be next include Stripe, Klarna, Chime, and Databricks.

Key Points

Arm Holdings Jumpstarts Listings: Chipmaker Arm Holdings listed on the Nasdaq Thursday last week after pricing at \$51 per share, valuing the company at almost \$60 billion and solidifying Arm as the largest tech IPO since Uber. Shares jumped almost 25% during the first day of trading, closing the day at \$63.56/share. Instacart, seemingly hoping to capitalize on the renewed appetite for IPOs, listed in short succession and its shares starting trading on September 19. Klavyio followed immediately, with shares first trading on September 20.

Instacart Gets Inspired: The online grocery service company raised its IPO price range at the last minute, inspired by Arm's initial success, to \$28-\$30 per share (compared with the previous \$26-\$28 range) and ultimately listed its shares at the top end of the range. Shares initially jumped ~40% to \$42 per share; however, CART closed at \$33.70 on its first day of trading valuing the company at ~\$11 billion. Day-one success for Instacart appears to have been just that, as shares slumped back to the IPO price yesterday. However, we'd be hesitant to consider Instacart's performance reflective of the general appetite for tech IPOs. Instacart enters a highly competitive market in the food-delivery industry, competing with the likes of DoorDash and Uber's UberEats delivery services, as well as facing competition from giants Amazon, Target and Walmart who all have their own delivery services.

Klavyio Opens The Door For More SaaS IPOs: Klavyio secured a valuation of \$9.2 billion after pricing its shares at \$30, above the previously indicated range of \$27-\$29 (raised initially from a \$25-\$27 range). Shares officially began trading yesterday, and closed the day at \$32.76, up ~9%, but not before running up 23% in the first few minutes of trading. Klavyio is a SaaS provider of automated digital marketing campaigns, whose success in the IPO market could open the floodgates for more SaaS IPOs in the future.

All figures in U.S. unless otherwise stated.

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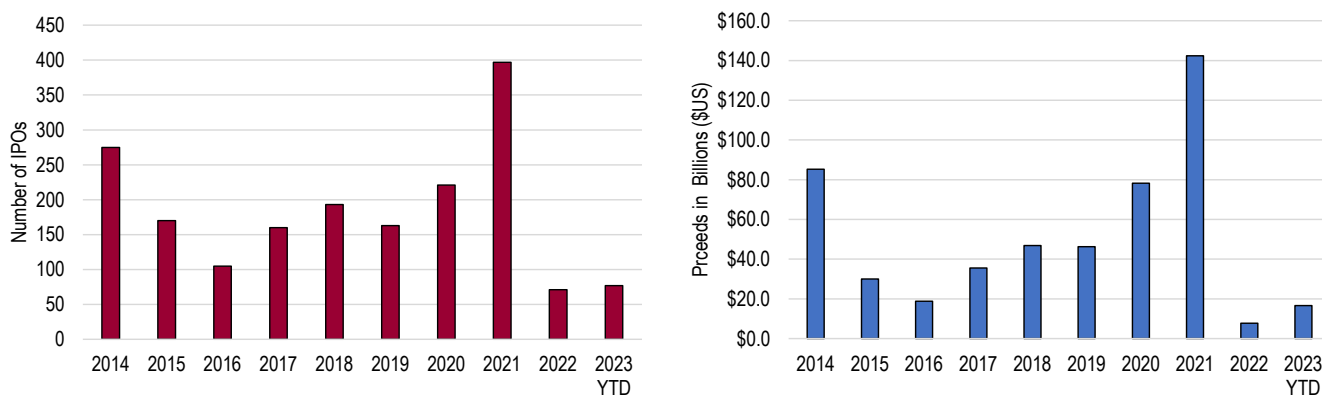
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Sector:
Information Technology

U.S. IPO Stats

While we have not yet returned to pre-pandemic levels, the number of U.S. IPOs and total proceeds raised year to date in 2023 has now exceeded 2022, indicating that the U.S. IPO market may finally be making a turnaround after bottoming in 2022.

Exhibit 1: U.S. IPO Market Statistics, 2014-Present



Source: Renaissance Capital and CIBC World Markets Inc.

Performance of the three tech IPOs this month has been relatively strong on day one; however, neither Arm nor Instacart has held onto its initial first-day return.

Exhibit 2: Arm Holdings, Instacart, Klaviyo - Share Price Performance, One-day And Since First Trading

IPO	Date Of First Trading	One-day Return	Return Since First Trading
Arm Holdings	9/14/2023	24.69%	3.75%
Instacart	9/19/2023	12.33%	0.33%
Klaviyo	9/20/2023	9.20%	9.20%

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

News Impacting Our Coverage

Research Highlight: Calian Group – [Covering All The Bases: Initiating At Outperformer](#)

Calian Group is a products and services firm that caters to government and commercial customers through four independent segments: Advanced Technologies, Health, Information Technology & Cyber Security (ITCS), and Learning. Calian's diverse set of offerings provides a variety of opportunities for organic and inorganic growth. Calian is an active acquirer and recent deals have helped the company to expand geographically and outside of its historical focus on government work while also expanding consolidated gross and adjusted EBITDA margins. As of September 17, we initiate coverage of Calian Group with an Outperformer rating and a \$65 price target based on 9.5x our F2024 adjusted EBITDA estimate.

CGI Certified To Support Instant Payments On FedNow Service

CGI announced that the CGI All Payments solution has been certified to support transaction activity for financial institutions that make payments on the Federal Reserve Bank's new instant payments system, FedNow Service. CGI has been developing FedNow Services' specific capabilities since the company joined the FedNow Service pilot program in 2021, and the company is certified to support sending and receiving FedNow Service credit transfers and requests for payment.

Telus International Ranked Leader In NelsonHall Content Transformation Services 2023

Telus International Announced that the company has been named a Leader in NelsonHall's Evaluation Assessment Tool (NEAT) for content transformation services and subcategories for cost optimization and revenue growth. The NEAT Assessment evaluated 12 CX vendors offering content transformation services, including trust and safety and community management, as well as content creative services such as marketing and including AI training, localization and labelling.

Scotiabank Selects CGI All Payments Solution

CGI announced that the company has been selected to deploy CGI All Payments for Scotia bank. CGI All Payments provides an API-enabled solution built to ISO 20022 standards, and is used by financials services clients, supporting multiple currencies, languages and payment channels.

Dialogue Announces Voting Results From Special Meeting Of Shareholders

Dialogue announced that shareholders of the company approved the plan arrangement pursuant to which Sun Life Financial will indirectly acquire all of the issued and outstanding shares of the company for \$5.15 per share. 99.62% of votes cast at the meeting were cast in favour of approving the arrangement. Dialogue will seek a final order approving the arrangement from the Superior Court of Quebec on September 22, 2023, and closing of the arrangement remains subject to court and regulatory approvals expected to be satisfied in October 2023.

Exhibit 3: CIBC Coverage – Price Returns, For The Period Ending September 21, 2023

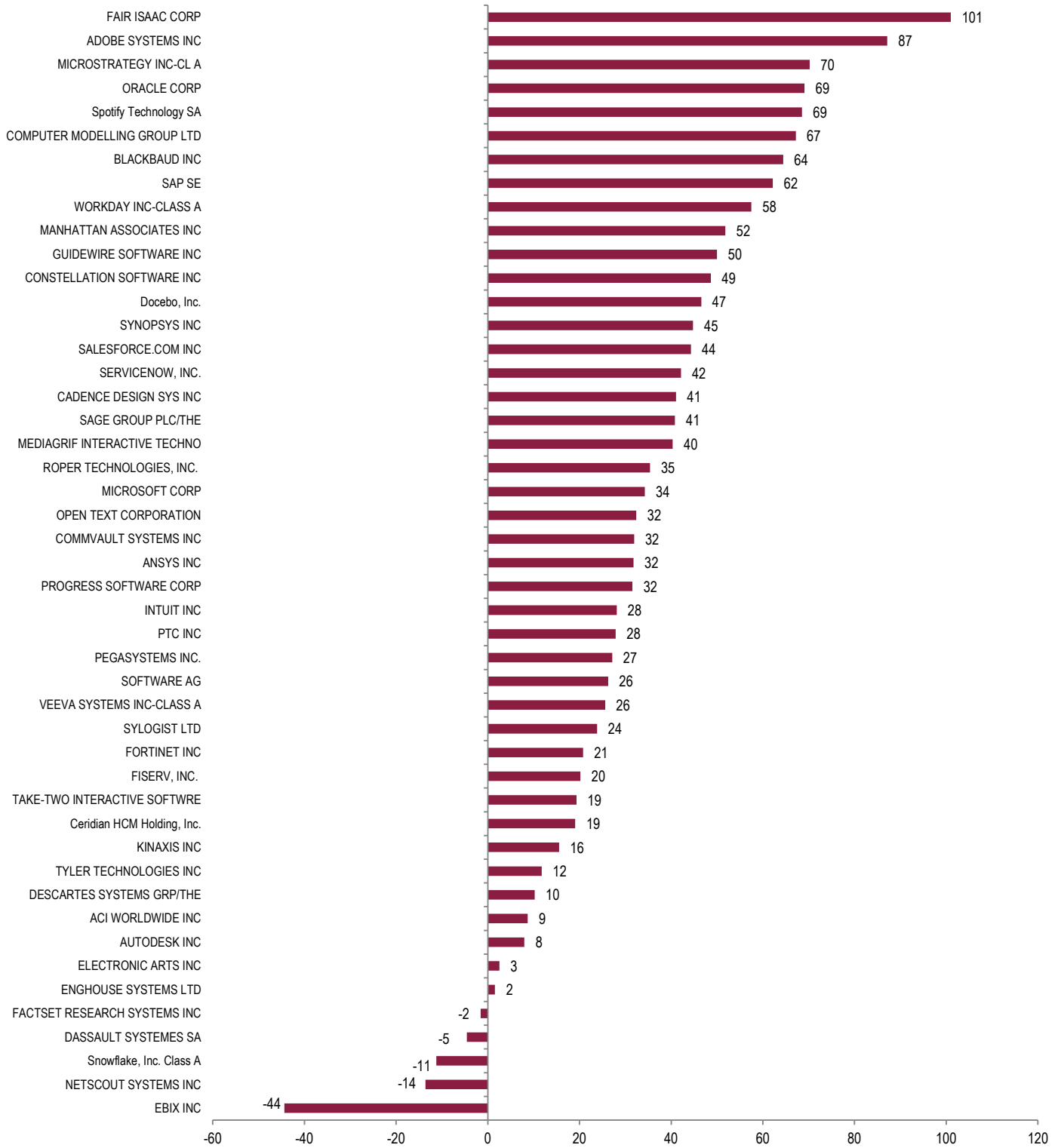
Software & Systems	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
Constellation Software Inc	2,787.98	(2.9)	3.9	3.9	18.2	48.6	34.6	2905.40	1747.83
Descartes Systems	73.20	(2.0)	0.5	(4.8)	(7.4)	10.1	5.1	82.02	61.26
Enghouse Systems Limited	29.54	(5.6)	5.6	(10.2)	(19.3)	1.5	(17.9)	44.59	27.30
Open Text Corp	36.89	(4.4)	(1.2)	(9.1)	(3.6)	32.4	24.5	43.25	24.91
Kinaxis	159.43	(2.5)	(4.5)	(9.9)	(12.9)	15.6	5.0	191.80	124.90
Docebo, Inc.	54.77	1.6	(6.1)	11.7	4.6	46.6	22.4	62.95	31.66
Dye & Durham	15.13	(25.5)	(14.6)	(16.9)	(19.2)	17.3	(7.8)	23.14	11.62
Altus Group	52.41	(0.0)	8.6	15.8	(10.2)	9.6	(3.0)	61.60	40.00
Q4 Inc.	4.00	0.0	0.0	18.3	32.9	NA	24.6	4.45	1.88
Average		(4.6)	(0.9)	(0.1)	(1.9)	22.7	9.7		

Business Services	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
CGI Group Inc	138.13	(1.9)	1.3	2.1	9.9	34.4	18.4	142.31	100.74
Converge Technologies	2.87	(4.7)	15.7	(11.7)	(26.6)	(52.4)	(37.5)	7.18	2.39
Information Services Corp	23.75	(1.9)	0.0	13.8	7.1	2.0	(1.7)	26.98	20.16
Softchoice Corporation	15.70	4.3	3.3	(8.2)	(1.3)	(21.8)	(14.0)	21.70	13.57
Telus International	10.82	(6.9)	(3.1)	(44.5)	(61.1)	(72.4)	(59.5)	39.69	10.70
Average		(2.3)	4.3	(15.6)	(19.8)	(28.1)	(23.2)		

Indices	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD
S&P/TSX Composite Index	20,214.69	(1.7)	2.2	2.6	2.8	5.4	4.3
S&P 500 Index	4,402.20	(2.3)	0.1	0.8	10.0	16.2	14.7
S&P/TSX Software Index	182.46	(5.2)	2.5	(1.1)	12.5	44.6	33.8
S&P500 Software Index	5,555.44	(4.3)	0.5	(1.3)	18.6	37.4	35.6

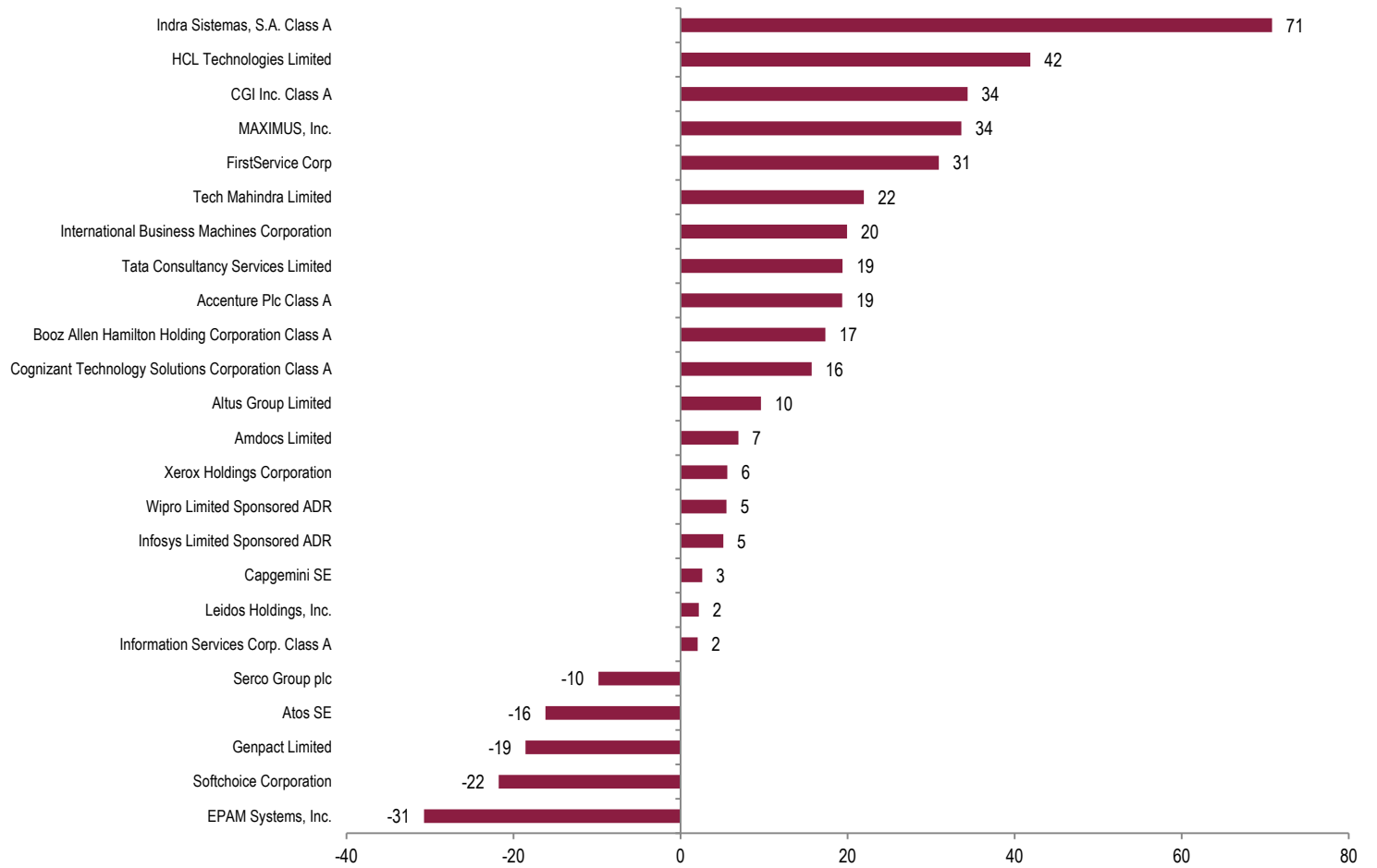
Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 4: Software Stocks – Return Performance (%), 9/21/2022 - 9/21/2023



Source: Company reports and CIBC World Markets Inc.

Exhibit 5: Business Services Stocks – Return Performance (%), 9/21/2022 – 9/21/2023



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

Exhibit 6: Software Stocks – Comp Table, 2022 - 2024E

	Enterprise Value (\$mlns.)	EV/S			EV/EBITDA			P/E		
		C22	C23E	C24E	C22	C23E	C24E	C22	C23E	C24E
Enterprise Application Software										
Constellation Software Inc.*	46,311	7.0x	5.7x	4.9x	27.3x	22.3x	18.6x	36.4x	38.7x	28.0x
BlackBerry Limited*	3,009	4.5x	2.6x	2.9x	NEG	>50	>50	NEG	NEG	>50
Sage Group plc	11,286	5.6x	5.1x	4.7x	24.6x	21.4x	19.3x	38.2x	31.9x	28.5x
Tyler Technologies, Inc.	17,352	9.4x	8.9x	8.1x	36.5x	35.5x	31.4x	>50	>50	45.1x
Roper Technologies, Inc.	59,878	11.1x	9.8x	9.2x	27.3x	24.1x	22.5x	35.3x	30.6x	28.2x
Enghouse Systems Limited	1,396	3.3x	3.04x	2.94x	10.1x	10.6x	9.50x	14.9x	25.0x	20.80x
Oracle Corporation	394,403	8.4x	7.6x	7.0x	16.6x	15.0x	13.7x	22.4x	21.0x	18.9x
SAP SE	156,654	4.7x	5.0x	4.6x	19.8x	17.2x	15.0x	30.6x	24.3x	20.4x
Enterprise Application Software Average		6.8x	6.0x	5.5x	23.2x	20.9x	18.6x	29.6x	28.6x	27.1x

Extended ERP										
Adobe Incorporated	242,746	13.7x	12.4x	11.0x	27.8x	25.1x	22.7x	38.6x	33.3x	29.4x
Open Text Corporation	18,027	5.1x	3.3x	3.0x	14.5x	10.9x	7.8x	11.7x	11.3x	6.8x
Manhattan Associates, Inc.	12,297	16.0x	13.8x	12.4x	>50	>50	44.2x	>50	>50	>50
Pegasystems Inc.	3,999	3.0x	2.9x	2.7x	>50	22.8x	15.1x	>50	30.6x	19.5x
Software AG	2,571	2.7x	2.6x	2.4x	14.5x	14.2x	12.1x	34.9x	22.1x	17.8x
Fiserv, Inc.	94,233	5.6x	5.2x	4.9x	13.0x	11.7x	10.8x	18.4x	16.1x	14.0x
Extended ERP Average		7.7x	6.7x	6.1x	17.5x	16.9x	18.8x	25.9x	22.7x	17.5x

Software As A Service										
Descartes Systems Group Inc.	6,008	12.4x	10.5x	9.6x	28.0x	24.6x	21.7x	>50	>50	49.0x
Kinaxis, Inc.*	3,139	8.6x	7.4x	6.1x	39.5x	49.2x	40.2x	>50	>50	>50
Docebo, Inc.*	1,096	7.7x	6.1x	4.9x	>50	>50	37.6x	>50	NEG	>50
Lightspeed Commerce Inc*	1,484	2.2x	1.7x	1.3x	NEG	NEG	35.8x	NEG	>50	>50
Veeva Systems Inc Class A	30,614	14.4x	13.0x	11.0x	37.2x	37.4x	30.4x	49.5x	45.2x	38.0x
Shopify, Inc. Class A	69,434	12.4x	10.0x	8.4x	>50	>50	>50	>50	>50	>50
Q4 Inc*	99	1.8x	1.8x	1.6x	NEG	NEG	NEG	NEG	NEG	NEG
Ceridian HCM Holding, Inc.	11,447	9.2x	7.6x	6.6x	45.7x	29.5x	24.3x	>50	>50	41.7x
ServiceNow, Inc.	114,510	15.8x	12.9x	10.6x	>50	40.8x	32.3x	>50	>50	46.5x
Workday, Inc. Class A	59,422	9.7x	8.3x	7.1x	37.8x	30.9x	25.6x	>50	43.9x	36.5x
Software As A Service Average		9.4x	7.9x	6.7x	37.6x	35.4x	31.0x	>50	>50	>50

Infrastructure Vendors										
Microsoft Corporation	2,351,424	11.5x	10.5x	9.3x	23.2x	21.2x	18.5x	33.7x	30.9x	27.1x
Infrastructure Vendors Average		11.5x	10.5x	9.3x	23.2x	21.2x	18.5x	33.7x	30.9x	27.1x

Software Average		8.2x	7.1x	6.3x	26.1x	24.5x	23.1x	30.4x	28.9x	28.7x
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*Share Price Converted to USD

Bolded companies are covered by CIBC World Markets. Data for non-covered companies is consensus.

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

Exhibit 7: 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	34,806	13.4x	12.1x	11.5x	22.1x	19.4x	18.3x	2.6x	2.4x	2.3x
TELUS International (CDA), Inc.	3,971	6.5x	6.8x	5.7x	6.5x	8.6x	7.1x	1.6x	1.5x	1.4x
Accenture Plc Class A	205,886	17.9x	17.1x	15.9x	28.8x	26.7x	24.7x	3.3x	3.2x	3.0x
Booz Allen Hamilton	17,278	17.4x	15.8x	14.6x	24.9x	22.7x	20.3x	1.9x	1.7x	1.6x
CACI International Inc Class A	9,239	13.6x	12.5x	11.6x	17.5x	16.6x	15.2x	1.4x	1.3x	1.3x
DXC Technology Co.	7,723	3.2x	3.6x	3.6x	5.9x	6.3x	5.5x	0.5x	0.6x	0.6x
Genpact Limited	7,778	9.9x	9.4x	8.4x	13.5x	12.7x	11.2x	1.8x	1.7x	1.5x
International Business Machines	181,668	11.5x	12.0x	11.5x	16.4x	15.7x	14.9x	3.0x	2.9x	2.8x
Atos SE	2,541	2.9x	2.3x	2.3x	NEG	3.0x	2.4x	0.2x	0.2x	0.2x
Capgemini SE	34,480	9.9x	9.5x	8.8x	14.6x	14.9x	13.6x	1.6x	1.5x	1.4x
Sopra Steria Group SA	5,142	8.6x	7.5x	6.9x	13.9x	11.2x	9.6x	1.0x	0.9x	0.9x
Converge Technology Solutions Corp	937	6.6x	5.5x	5.0x	27.1x	>50	21.7x	0.4x	0.4x	0.4x
Business & IT Services Average		10.4x	9.9x	9.2x	16.4x	14.3x	13.0x	1.7x	1.6x	1.5x
HR Outsourcing										
Ceridian HCM Holding, Inc.	11,447	45.7x	29.5x	24.3x	>50	>50	41.7x	9.2x	7.6x	6.6x
Willis Towers Watson	26,700	11.2x	11.4x	10.5x	16.0x	15.5x	13.6x	3.0x	2.9x	2.7x
Aon Plc Class A	79,919	20.1x	18.5x	17.2x	25.5x	24.1x	21.3x	6.4x	6.0x	5.7x
Automatic Data Processing, Inc.	101,912	22.0x	19.4x	17.7x	32.0x	28.1x	25.4x	5.9x	5.5x	5.1x
Paychex, Inc.	40,991	19.1x	17.7x	16.4x	28.5x	25.7x	23.7x	8.5x	7.9x	7.4x
HR Outsourcing Average		23.6x	19.3x	17.2x	25.5x	23.4x	25.1x	6.6x	6.0x	5.5x
Information Services										
Broadridge Financial Solutions, Inc.	25,191	19.1x	17.4x	16.1x	27.4x	25.2x	22.9x	4.3x	4.0x	3.8x
Dye & Durham Ltd.	2,144	13.5x	12.2x	11.0x	>50	NEG	NEG	4.5x	4.6x	4.5x
Deluxe Corporation	2,238	5.4x	5.5x	5.4x	4.9x	6.1x	6.1x	1.0x	1.0x	1.0x
Information Services Corp	461	7.2x	6.4x	5.2x	11.8x	11.7x	9.5x	2.4x	2.2x	2.0x
Information Services Average		11.3x	10.4x	9.4x	14.7x	14.3x	12.8x	3.0x	3.0x	2.8x
Financial Services Technology										
Fidelity National Information Services	52,809	8.5x	8.6x	8.2x	8.7x	9.6x	9.0x	3.6x	3.6x	3.5x
Fiserv, Inc.	94,233	13.0x	11.7x	10.8x	18.4x	16.1x	14.0x	5.6x	5.2x	4.9x
Jack Henry & Associates, Inc.	11,327	18.0x	17.0x	15.9x	30.7x	30.7x	28.8x	5.6x	5.3x	4.9x
ACI Worldwide, Inc.	3,566	9.6x	9.2x	8.5x	18.8x	24.3x	16.1x	2.5x	2.5x	2.3x
Temenos AG	5,650	15.4x	14.4x	12.9x	23.1x	21.2x	18.6x	5.9x	5.7x	5.2x
Global Payments Inc.	44,479	11.4x	10.3x	9.5x	13.2x	11.8x	10.3x	5.5x	5.1x	4.8x
Financial Services Technology Average		12.7x	11.9x	11.0x	18.8x	19.0x	16.2x	4.8x	4.6x	4.3x
Diversified Real Estate Services										
Colliers International Group Inc.	6,977	11.1x	10.5x	9.4x	15.4x	16.0x	14.0x	1.6x	1.6x	1.4x
Altus Group Limited	2,548	18.8x	17.5x	14.6x	27.5x	29.0x	27.8x	3.5x	3.2x	2.9x
CBRE Group, Inc. Class A	26,374	9.0x	11.0x	9.4x	13.7x	18.3x	14.3x	0.9x	0.8x	0.8x
Jones Lang LaSalle Incorporated	9,725	7.8x	10.5x	7.7x	9.7x	15.6x	9.8x	0.5x	0.5x	0.4x
Diversified Real Estate Services Average		11.7x	12.3x	10.3x	16.6x	19.7x	16.5x	1.6x	1.5x	1.4x
Software Focused IT Solutions/VARs										
Softchoice Corporation* USD	783	9.6x	9.2x	8.2x	14.6x	15.0x	12.9x	2.5x	2.4x	2.2x
Softcat Plc*	2,791	16.3x	14.7x	13.3x	21.9x	20.5x	19.3x	6.8x	5.8x	5.3x
Crayon Group Holding ASA*	8,382	>50	>50	>50	>50	>50	>50	18.9x	16.0x	13.9x
Bytes Technology Group Plc*	1,104	16.1x	14.2x	12.5x	21.6x	20.9x	19.1x	NA	NA	NA
Software Focused IT Solutions/VARs Average		14.0x	12.7x	11.4x	19.4x	18.8x	17.1x	9.4x	8.1x	7.1x
Business Services Average		13.4x	12.3x	11.1x	18.3x	17.5x	16.3x	3.9x	3.6x	3.3x

*Share Price Converted to USD

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

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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.
Restricted	R	CIBC World Markets is restricted (due to potential conflict of interest) from rating the stock.

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

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