

EQUITY RESEARCH

June 22, 2023

Industry Update

M&A Summer – Bits & Bytes Weekly

Tech M&A Heats Up In Europe

Our Conclusion

After a slower 2022, private equity spending appears to be recovering as valuations stabilize. European tech, in particular, appears to have found favour among private equity buyers. Last week, Norwegian IT company Crayon was reported by Bloomberg to be exploring a sale, causing its shares to jump 10%. The Crayon news comes after Silver Lake announced that it will be acquired by Software AG, and Bain Capital made a bid for SoftwareOne. After a muted 2022 with firms preserving cash, private equity has a significant amount of dry powder to spend. According to S&P Global, global private equity dry powder at the end of 2022 was estimated at ~\$2 trillion. With most of the dust now settled and current valuations seemingly accepted as the new normal, we expect private equity M&A activity to begin to pick back up in 2023.

Key Points

European Tech Deals: Crayon Group Holding ASA, a Norwegian based IT-services company, saw shares jump 10% after it was reported that the company is exploring strategic options, including a sale. Bloomberg reported that the company is working with an advisor as it studies potential transactions. European tech deals seem to be rebounding - last week Bain Capital made a bid for SoftwareOne Holding AG, and Silver Lake won the bidding war against Bain Capital for Germany's Software AG earlier this week. A quarterly M&A survey by Bloomberg highlighted software as the most attractive sector for M&A in Europe, with Swiss-based Temenos AG and France-based Atos SE topping the list of potential M&A targets, second only to fashion retailer Asos PLC.

M&A Environment: M&A activity fell off in 2022, amid rampant inflation, rising interest rates and recession concerns. According to data from Bloomberg. The value of technology deals in Europe fell by 40% in 2022, to \$245B. Private equity buyers chose to preserve cash, leading to a decline in public to private transactions. However, with inflation fears beginning to ease and rate hikes potentially slowing down, private equity buyers appear to be returning to the table. Thanks to 2022's environment, interest-rate sensitive technology stocks have become less expensive, with software valuations slumping below pre-pandemic levels and remaining deflated, making the sector increasingly attractive for M&A.

Readthrough To Canadian Tech? Earlier in 2023, Magnet Forensics was sold to American private equity firm Thoma Bravo for \$1.8 billion. In recent months, we've begun to see Canadian tech companies evaluate their alternatives through strategic reviews, indicating they may be ready for a sale. Among our coverage universe, Converge and dentalcorp recently underwent strategic reviews, and last month Blackberry announced a review of strategic alternatives for its portfolio of businesses.

All figures in Canadian dollars unless otherwise stated.

For required regulatory disclosures please refer to "Important Disclosures" beginning on page 9.

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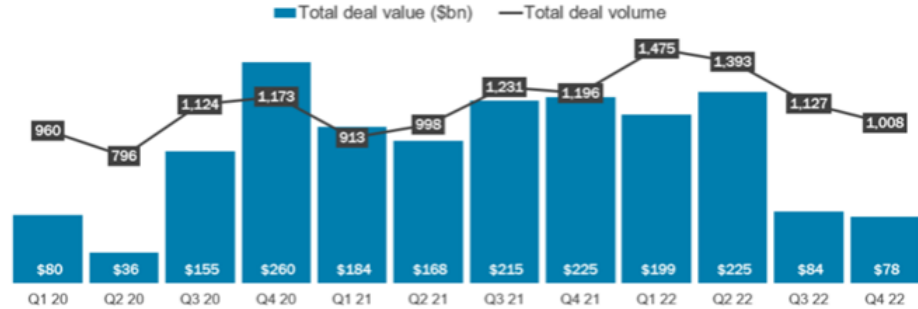
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Sector:
Information Technology

Tech M&A Poised To Increase In 2023

Spending on acquisitions dropped off in the second half of 2022, declining 60% compared to the first half of the year according to data from S&P Global, as displayed in the bar graph in Exhibit 1. However, respondents to an S&P Global survey gave a bullish view for 2023, with 46% expecting tech M&A to increase in 2023 relative to 2022.

Exhibit 1: S&P Global – Quarterly Tech M&A Activity, Q1/20 – Q4/22



Source: S&P Global.

Software companies top the list of potential European M&A targets according to a recent survey by Bloomberg News. The survey highlighted Swiss-based Temenos AG and France-based Atos SE as the top M&A targets, second only to fashion retailer Asos PLC. Temenos AG is a Swiss company that specializes in enterprise software for banks and financial services, with a market cap of ~\$5.6B USD. Atos SE is a French IT-services provider specializing in cybersecurity, cloud and high-performance computing with a market cap of ~\$1.6B USD.

Exhibit 2: Bloomberg Survey, List Of Top M&A Targets In Europe



Source: Bloomberg.

News Impacting Our Coverage

Research Highlight: [DND – Preliminary Results Of \\$15MM Substantial Issuer Bid](#)

Dye & Durham announced the preliminary results of its substantial issuer bid (SIB). DND expects to repurchase and cancel 882,352 shares or 1.59% of the shares outstanding, for a total of \$15 million. Shares are expected to be repurchased at a price of \$17/share, the lower end of the SIB's \$17 - \$20 range. Following the offer, DND will have 54,887,039 shares issued and outstanding.

Research Highlight: [CGI - Read-throughs From Accenture's FQ3/23 Results](#)

CGI peer Accenture reported FQ3/23 revenue that was in line with consensus, adjusted operating margins that were 60 bps above expectations and a book-to-bill of 1.0x. While revenue was in line, the mix was skewed towards managed services (~3.2% above expectations), while the consulting division missed consensus by ~3.5%. The company also provided a FQ3 revenue guide that was slightly below the consensus range at the mid-point. Accenture noted that revenue was impacted by lower-than-expected small deal sales, especially in Consulting, but also noted solid demand for IP and Managed Services as clients prioritize cost optimization. With a similar mix of business, we will be watching CGI's consulting revenue when the company reports at the end of July.

EROAD Receives Unsolicited, Non-binding Indicative Proposal

EROAD Limited has received an unsolicited, non-binding indicative proposal from Brillian APAC Pty Ltd (part of the Volaris Group, an operating group of Constellation Software) to acquire 100% of EROAD's shares at a proposed price of \$1.30 per share in cash, implying a total value of \$147 million. The non-binding offer is subject to conditions including due diligence on an exclusive basis, negotiation and execution of a scheme implementation agreement with customer terms and conditions, and unanimous support from EROAD's Board and approval from Volaris' investment committee. Volaris disclosed that it has acquired 17.734% of EROAD's shares.

Kinaxis Unveils New Product Innovations At Annual Kinexions Conference

Kinaxis unveiled new product innovations during the Day One keynote of its annual Kinexions conference, including Enterprise Scheduling, Supply Chain Execution (formerly MPO), Sustainable Supply Chain, and new features within Demand.AI.

CGI U.S. Cloud Earns StateRAMP Authorization For Cloud Services

CGI announced StateRAMP Authorization of the company's Infrastructure as a Service (IaaS) platform, assuring U.S. state and local government clients that CGI's U.S. Cloud IaaS solution meets the cybersecurity standards for StateRAMP authorization for data collection, processing and storage.

Descartes Receives Supply & Demand Chain Executive's 2023 Top Supply Chain Projects Award

Descartes announced that the company was named as one of the winners of this year's Top Supply Chain Projects presented by Supply & Demand Chain Executive alongside Brook Furniture Rental. Brook Furniture Rental and Descartes were recognized for the impact of Descartes' home delivery solution on Brook's customer service, operational efficiency and sustainability.

Exhibit 3: CIBC Coverage – Price Returns, For The Period Ending June 22, 2023

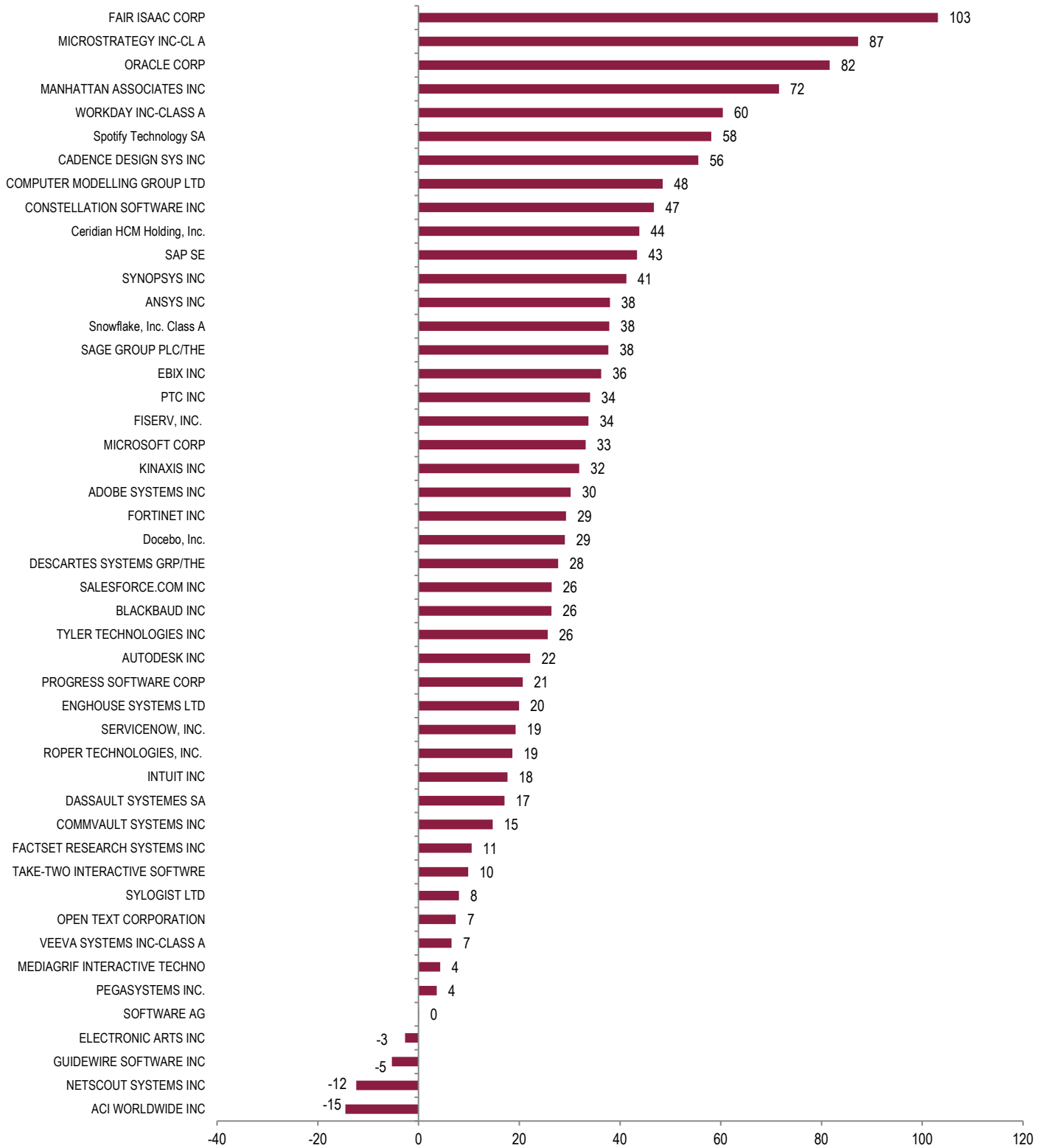
Software & Systems	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
Constellation Software Inc	2,638.24	(4.0)	(3.3)	12.1	26.0	46.7	27.4	2817.38	1747.83
Descartes Systems	76.19	(0.5)	(2.8)	(3.1)	10.8	25.2	9.4	82.02	60.11
Enghouse Systems Limited	32.41	(6.1)	(13.5)	(10.3)	(9.4)	19.9	(9.9)	44.59	26.37
Open Text Corp	40.25	(3.4)	(4.1)	8.6	39.2	7.4	35.8	43.25	24.91
Kinaxis	174.78	(3.9)	(5.3)	(3.9)	17.8	31.9	15.1	191.80	124.90
Docebo, Inc.	48.56	(2.3)	7.4	(6.2)	8.1	29.0	8.5	55.72	31.66
Dye & Durham	17.93	5.9	7.7	(1.9)	26.7	(20.2)	9.3	23.32	11.62
Altus Group	44.03	(5.7)	6.1	(23.3)	(17.6)	(0.4)	(18.5)	61.60	40.00
Q4 Inc.	3.32	(2.3)	(4.3)	9.6	4.1	NA	3.4	4.92	1.88
Average		(2.5)	(1.4)	(2.0)	11.7	17.5	8.9		

Business Services	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD	52W High	52W Low
CGI Group Inc	134.19	(3.5)	(5.2)	6.9	15.0	36.5	15.0	142.31	97.64
Converge Technologies	3.16	1.0	(4.8)	(20.0)	(28.5)	(42.1)	(31.2)	7.51	2.59
Information Services Corp	20.88	(1.6)	(0.6)	(5.0)	(8.3)	0.1	(13.6)	25.36	19.12
Softchoice Corporation	17.08	0.4	(0.4)	9.0	(2.4)	(17.9)	(6.5)	25.56	13.57
Telus International	19.04	(6.5)	(14.1)	(30.1)	(28.5)	(37.8)	(28.8)	40.55	19.41
Average		(2.2)	(6.1)	(8.5)	(11.1)	(15.4)	(12.9)		

Indices	Price	1 Week	1 Month	3 Month	6 Month	1 Year	YTD
S&P/TSX Composite Index	19,553.04	(2.4)	(3.9)	0.1	1.1	2.9	0.9
S&P 500 Index	4,363.78	(1.4)	4.1	10.8	14.2	16.1	13.7
S&P/TSX Software Index	182.82	(4.0)	(2.3)	14.0	34.2	43.0	34.0
S&P500 Software Index	5,662.66	(3.1)	6.0	22.1	39.3	32.9	38.2

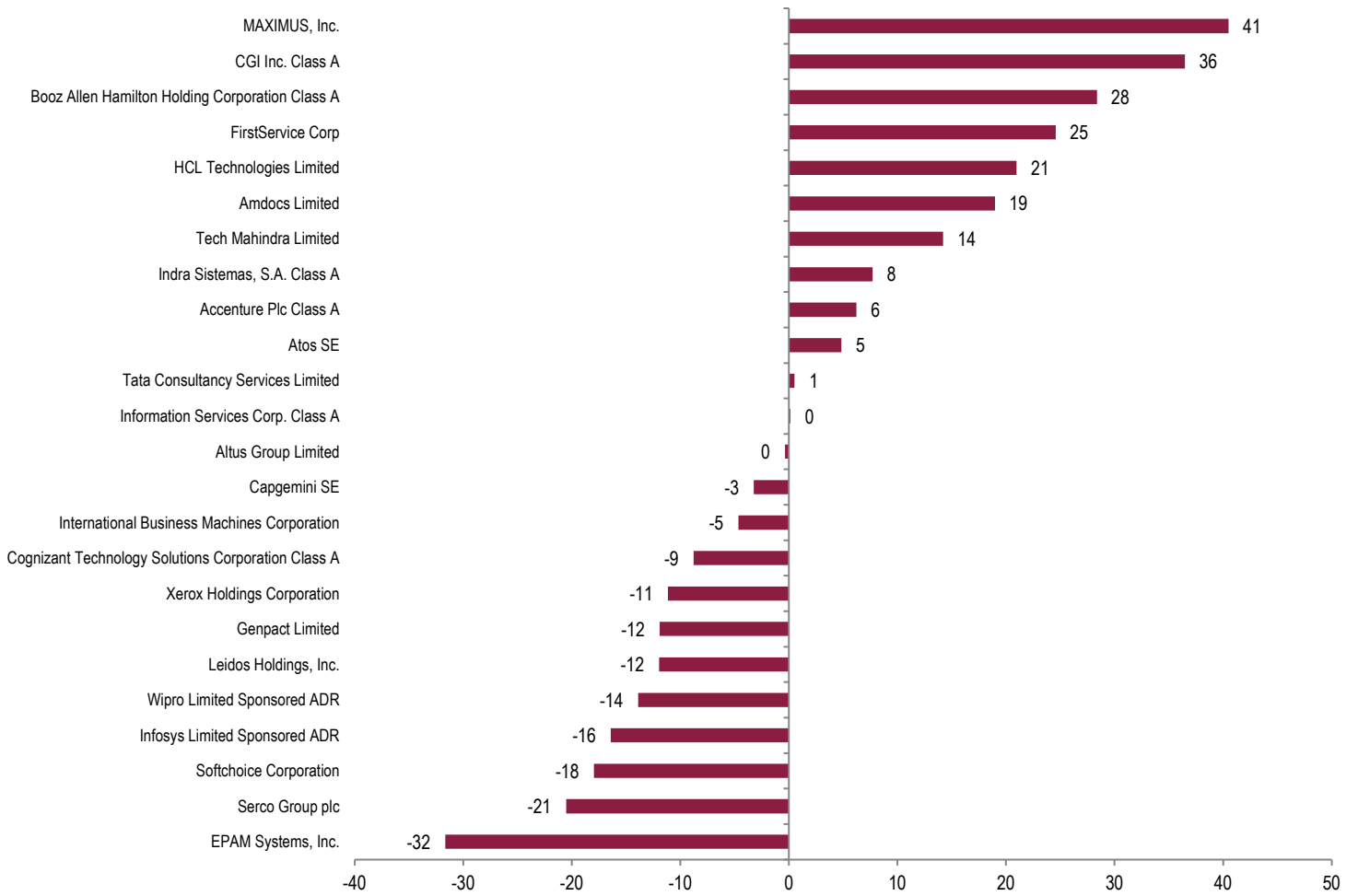
Source: Company reports, FactSet and CIBC World Markets Inc.

Exhibit 4: Software Stocks – Return Performance (%), 6/22/2022–6/22/2023



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

Exhibit 5: Business Services Stocks – Return Performance (%), 6/22/2022–6/22/2023



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.*	44,193	6.7x	5.6x	5.0x	26.0x	22.0x	19.5x	35.1x	32.4x	28.3x
BlackBerry Limited*	2,790	4.2x	3.0x	2.7x	NEG	NEG	>50	NEG	NEG	NEG
Sage Group plc	9,654	4.8x	4.4x	4.0x	21.2x	18.7x	16.8x	32.4x	27.3x	24.4x
Tyler Technologies, Inc.	17,429	9.4x	8.9x	8.2x	36.7x	36.4x	32.5x	>50	>50	45.5x
Roper Technologies, Inc.	54,526	10.1x	9.0x	8.5x	24.9x	22.3x	20.8x	31.8x	27.9x	25.9x
Enghouse Systems Limited	1,574	3.7x	3.64x	3.58x	11.4x	11.7x	10.80x	16.4x	25.3x	22.48x
Oracle Corporation	413,231	8.8x	7.9x	7.3x	17.7x	15.8x	14.2x	24.0x	22.4x	20.1x
SAP SE	154,467	4.6x	4.9x	4.6x	19.5x	16.6x	14.5x	30.1x	23.5x	19.8x
Enterprise Application Software Average		6.5x	5.9x	5.5x	22.5x	20.5x	18.4x	28.3x	26.5x	26.6x
Extended ERP										
Adobe Incorporated	216,738	12.2x	11.0x	9.8x	24.9x	22.7x	20.6x	34.3x	30.2x	26.6x
Open Text Corporation	18,942	5.4x	3.4x	3.1x	15.2x	10.9x	8.1x	12.7x	15.7x	7.5x
Manhattan Associates, Inc.	11,587	15.1x	13.4x	12.0x	>50	>50	44.0x	>50	>50	>50
Pegasystems Inc.	4,425	3.4x	3.2x	2.9x	>50	25.6x	16.9x	>50	35.1x	22.7x
Software AG	2,577	2.7x	2.6x	2.4x	14.5x	14.9x	12.6x	35.0x	22.4x	18.8x
Fiserv, Inc.	95,037	5.7x	5.3x	4.9x	13.2x	12.0x	11.1x	18.4x	16.2x	14.2x
Extended ERP Average		7.4x	6.5x	5.9x	16.9x	17.2x	18.9x	25.1x	23.9x	18.0x
Software As A Service										
Descartes Systems Group Inc.	6,287	12.9x	11.2x	10.1x	29.3x	25.7x	22.5x	>50	>50	48.7x
Kinaxis, Inc.*	3,533	9.6x	8.2x	6.9x	44.5x	>50	42.1x	>50	>50	>50
Docebo, Inc.*	1,003	7.0x	5.6x	4.3x	>50	>50	32.8x	>50	>50	>50
Lightspeed Commerce Inc*	1,499	2.2x	1.8x	1.4x	NEG	NEG	40.4x	NEG	>50	>50
Veeva Systems Inc Class A	28,977	13.6x	12.3x	10.4x	35.2x	34.9x	28.0x	47.2x	43.9x	37.0x
Shopify, Inc. Class A	76,814	13.7x	11.4x	9.7x	>50	>50	>50	>50	>50	>50
Q4 Inc*	78	1.4x	1.4x	1.3x	NEG	NEG	NEG	NEG	NEG	NEG
Ceridian HCM Holding, Inc.	10,860	8.7x	7.3x	6.3x	43.4x	29.2x	23.5x	>50	>50	41.2x
ServiceNow, Inc.	109,385	15.1x	12.4x	10.2x	47.8x	40.0x	31.7x	>50	>50	46.1x
Workday, Inc. Class A	54,312	8.9x	7.6x	6.5x	34.6x	28.4x	23.6x	>50	42.3x	34.9x
Software As A Service Average		9.3x	7.9x	6.7x	39.1x	31.6x	30.6x	>50	>50	>50
Infrastructure Vendors										
Microsoft Corporation	2,480,912	12.1x	11.1x	9.9x	24.6x	22.4x	19.4x	35.8x	32.7x	28.4x
Infrastructure Vendors Average		12.1x	11.1x	9.9x	24.6x	22.4x	19.4x	35.8x	32.7x	28.4x
Software Average										
		8.1x	7.1x	6.2x	26.9x	22.8x	23.0x	29.4x	28.4x	28.5x

*Share Price Converted to USD

Note: Bolded names are covered by CIBC World Markets Inc.

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	34,167	13.2x	12.0x	11.1x	21.4x	18.4x	17.4x	2.6x	2.3x	2.2x
TELUS International (CDA), Inc.	5,707	9.4x	8.1x	7.0x	11.7x	11.5x	9.6x	2.3x	1.9x	1.7x
Accenture Plc Class A	197,086	17.2x	16.5x	15.2x	27.6x	25.6x	23.4x	3.2x	3.0x	2.8x
Booz Allen Hamilton	16,883	17.0x	15.7x	14.7x	24.3x	22.5x	20.2x	1.9x	1.7x	1.6x
CACI International Inc Class A	9,563	14.1x	13.0x	12.2x	18.3x	17.2x	15.5x	1.5x	1.4x	1.3x
DXC Technology Co.	9,129	3.8x	4.0x	3.9x	7.7x	7.1x	6.1x	0.6x	0.6x	0.6x
Genpact Limited	7,922	10.1x	9.5x	8.4x	13.6x	12.7x	11.3x	1.8x	1.7x	1.6x
International Business Machines	163,881	10.3x	11.0x	10.5x	14.3x	13.9x	13.1x	2.7x	2.6x	2.5x
Atos SE	3,239	3.7x	2.9x	2.8x	NEG	5.4x	4.4x	0.3x	0.3x	0.3x
Capgemini SE	34,732	9.9x	9.5x	8.8x	14.7x	15.1x	13.6x	1.6x	1.5x	1.4x
Sopra Steria Group SA	4,934	8.3x	7.3x	6.8x	13.1x	10.7x	9.4x	1.0x	0.9x	0.8x
Converge Technology Solutions Corp	981	6.9x	5.8x	5.4x	29.9x	49.8x	34.3x	0.5x	0.4x	0.4x
Business & IT Services Average		10.6x	10.0x	9.2x	16.7x	14.5x	13.1x	1.8x	1.6x	1.5x
HR Outsourcing										
		EV/EBITDA			P/E			EV/S		
Ceridian HCM Holding, Inc.	10,860	43.4x	29.2x	23.5x	>50	>50	41.2x	8.7x	7.3x	6.3x
Willis Towers Watson	29,023	12.2x	12.1x	10.9x	17.4x	16.3x	13.8x	3.3x	3.1x	3.0x
Aon Plc Class A	78,181	19.7x	18.0x	16.8x	24.7x	23.1x	20.5x	6.3x	5.9x	5.6x
Automatic Data Processing, Inc.	92,928	20.1x	18.1x	16.5x	28.9x	25.7x	23.2x	5.4x	5.0x	4.7x
Paychex, Inc.	39,896	18.6x	17.3x	16.0x	27.4x	25.0x	23.2x	8.3x	7.7x	7.3x
HR Outsourcing Average		22.8x	18.9x	16.7x	24.6x	22.5x	24.4x	6.4x	5.8x	5.4x
Information Services										
		EV/EBITDA			P/E			EV/S		
Broadridge Financial Solutions, Inc.	22,604	17.3x	15.9x	14.9x	23.8x	22.0x	20.2x	3.8x	3.6x	3.4x
Dye & Durham Ltd.	2,239	14.1x	12.8x	10.3x	0.1x	0.1x	0.1x	4.7x	4.8x	4.5x
Deluxe Corporation	2,077	5.0x	5.2x	5.0x	4.0x	5.2x	4.9x	0.9x	0.9x	0.9x
Information Services Corp	410	6.4x	6.3x	6.0x	10.4x	10.0x	9.3x	2.2x	2.0x	2.0x
Information Services Average		10.7x	10.0x	9.0x	9.6x	9.3x	8.6x	2.9x	2.8x	2.7x
Financial Services Technology										
		EV/EBITDA			P/E			EV/S		
Fidelity National Information Services	49,712	8.0x	8.1x	7.7x	8.0x	8.9x	8.1x	3.4x	3.4x	3.3x
Fiserv, Inc.	95,037	13.2x	12.0x	11.1x	18.4x	16.2x	14.2x	5.7x	5.3x	4.9x
Jack Henry & Associates, Inc.	12,063	19.1x	17.6x	16.2x	33.3x	32.0x	28.9x	6.0x	5.7x	5.3x
ACI Worldwide, Inc.	3,403	9.1x	8.8x	8.2x	17.6x	23.0x	15.1x	2.4x	2.4x	2.2x
Temenos AG	6,008	16.4x	15.8x	13.8x	24.8x	23.2x	20.1x	6.3x	6.0x	5.5x
Global Payments Inc.	38,414	9.8x	8.9x	8.2x	10.6x	9.5x	8.4x	4.7x	4.4x	4.1x
Financial Services Technology Average		12.6x	11.9x	10.9x	18.8x	18.8x	15.8x	4.8x	4.5x	4.2x
Diversified Real Estate Services										
		EV/EBITDA			P/E			EV/S		
Colliers International Group Inc.	5,955	9.4x	8.9x	8.1x	13.5x	13.8x	12.2x	1.3x	1.3x	1.2x
Altus Group Limited	2,162	16.0x	15.8x	12.4x	23.1x	21.5x	18.7x	2.9x	2.8x	2.5x
CBRE Group, Inc. Class A	25,786	8.8x	10.1x	8.9x	13.3x	15.8x	13.2x	0.8x	0.8x	0.7x
Jones Lang LaSalle Incorporated	9,477	7.6x	9.1x	7.4x	9.3x	11.9x	8.8x	0.5x	0.4x	0.4x
Diversified Real Estate Services Average		10.5x	10.9x	9.2x	14.8x	15.7x	13.2x	1.4x	1.3x	1.2x
Software Focused IT Solutions/VARs										
		EV/EBITDA			P/E			EV/S**		
Softchoice Corporation* USD	865	10.6x	10.0x	9.1x	16.2x	16.8x	14.9x	2.8x	2.6x	2.4x
Softcat Plc*	2,699	15.7x	14.0x	12.9x	21.0x	19.5x	18.4x	6.5x	5.4x	4.9x
Crayon Group Holding ASA*	11,283	>50	>50	>50	>50	>50	>50	25.5x	21.7x	18.7x
Bytes Technology Group Plc*	1,168	17.1x	14.8x	12.9x	22.8x	20.8x	18.9x	NA	NA	NA
Bytes Technology Group Plc* Average		14.5x	12.9x	11.6x	20.0x	19.0x	17.4x	11.6x	9.9x	8.7x
Business Services Average		13.2x	12.1x	10.9x	17.3x	16.3x	15.2x	4.0x	3.7x	3.4x

*Share Price Converted to USD

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

Note: Bolded names are covered by CIBC World Markets Inc.

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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Neutral	130	44%	Neutral	130	100%
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Restricted	5	2%	Restricted	5	100%

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