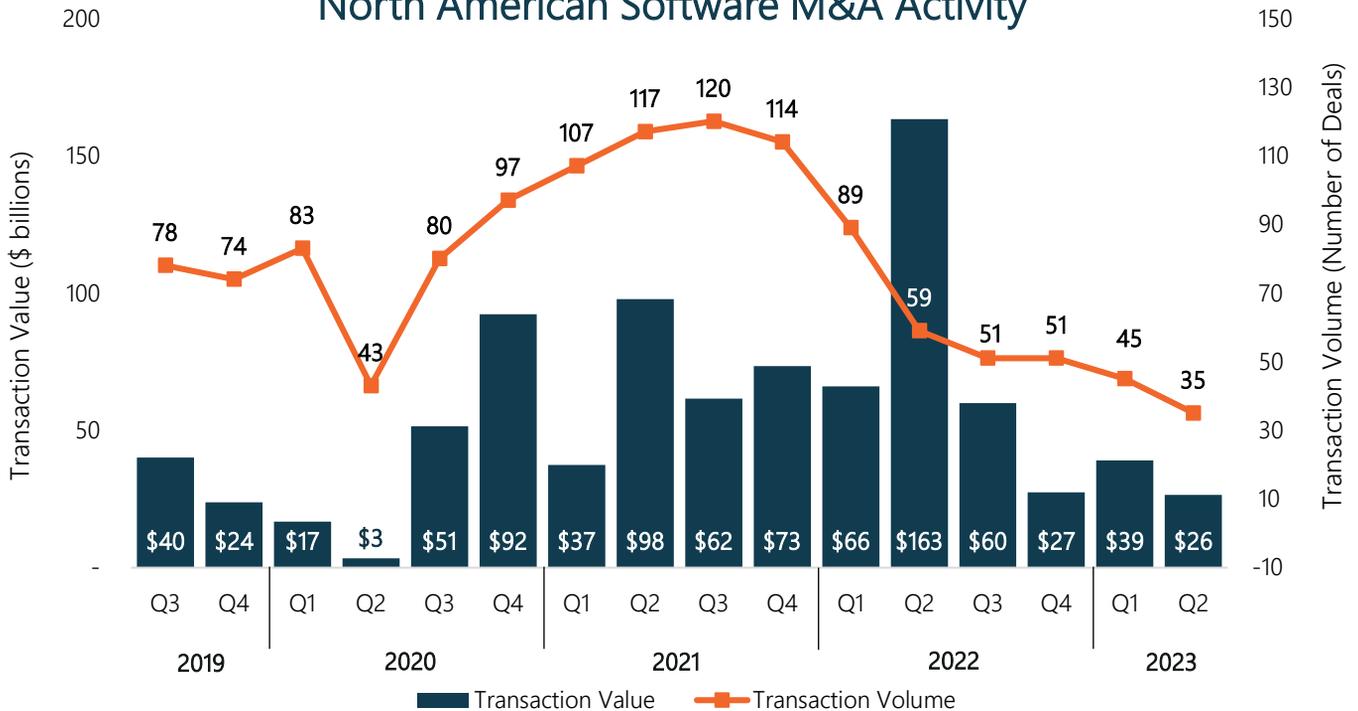


# Technology

Quarterly Update | Q2 2023



### North American Software M&A Activity



Source: S&P Capital IQ. Data as of June 30, 2023.

All figures are in CAD unless otherwise stated.

Transaction value is only inclusive of total transaction values which have been disclosed within Capital IQ.

Technology includes companies under Capital IQ categories: Software (Application Software and Systems Software)

Q2 Transactions

**35**

(-22% vs. Q1 2023)

Q2 Transaction Value

**\$26 billion**

(-33% vs. Q1 2023)

2023 Transactions

**80**

(-63% vs. Q2 2022)

2023 Transaction Value

**\$65 billion**

(-76% vs. Q2 2022)

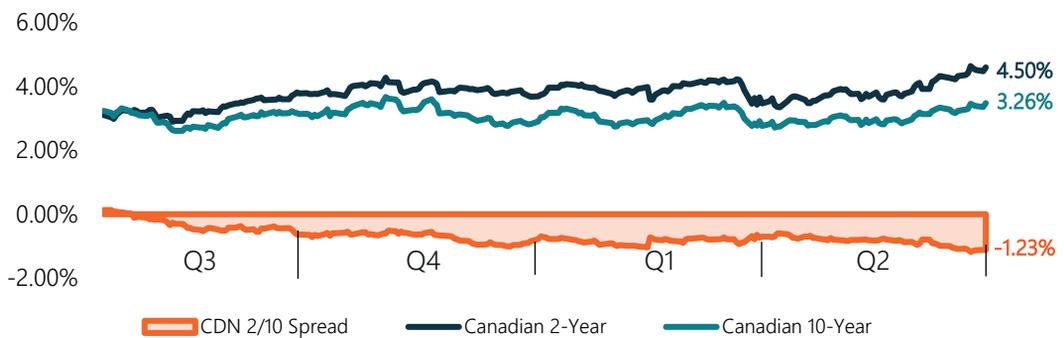
### M&A Market Update – Q2 2023

- North American software transaction volume through the first two quarters of 2023 was approximately half the pre-pandemic quarterly levels illustrated from Q3 2019 to Q1 2020.
- The remaining two quarters of 2023 will indicate whether transaction activity in the industry has effectively bottomed out and if the recent increase in public technology company valuations (illustrated on page 7) is indicative of a near-term recovery for deal-making.
- The primary reason for the unfavourable deal-making environment has been the run-up in valuations over the last 36 months caused by institutional investors (e.g. venture capital and growth-oriented private equity firms) as well as investors paying very high growth premiums on high-cash burn businesses – especially ones that were deemed to be driving digital transformation. To a lesser extent, interest rate increases since early 2022 have also played a role in diminished M&A activity.
- Valuations are now tied to stable, growing, profitable businesses or ones with high-growth, high-gross margins, and a shorter path to profitability.

Key external drivers that affect the technology industry include changes in inflation rates (i.e. Consumer Price Index) and treasury yields. Interest rates have shown conflicting movement over the past four quarters for both Canada and the U.S., where the two-year bond yield exceeds the 10-year, which began in Q2 2022. Investors commonly consider this inverted yield curve to be a recession indicator.

Inflation in Canada declined substantially to 2.81% from 8.1% a year prior. Similarly in the U.S., inflation decreased to 2.97% in June 2023. Inflation fell this quarter as a result of decreases in the prices of staple goods such as gas and telecom. However, the persistently high prices of other consumer goods such as groceries and homes (e.g. rent, mortgages) remain a challenge to tame inflation, as evidenced by the core inflation (which excludes volatile components of CPI, such as fruits, vegetables, gas and mortgage interest) still being well above 2%. As a result, the consensus is that the central bank will continue to combat inflationary pressures.

## Canadian Government Bond Yields



## US Government Bond Yields



## CPI Inflation



Source: Capital IQ, Bank of Canada. Data as of June 30, 2023.

Canada's inflation rate falls to 2.8%; <https://www.cbc.ca/news/business/canada-inflation-rate-june-1.6909635>

# Select Recent M&A Transactions



Announced	June 21, 2023
EV	Not disclosed
EV/EBITDA	Not disclosed
EV/Revenue	Not disclosed

**Cisco Systems Inc.** (NASDAQ: CSCO) announced the acquisition of **Accedian Networks Inc.** on June 21, 2023. Accedian is a privately-held developer of network communication and application monitoring software and hardware based out of Montreal, Canada.



Announced	May 17, 2023
EV	Not disclosed
EV/EBITDA	Not disclosed
EV/Revenue	Not disclosed

**Enhouse Systems Limited** (TSX:ENGH) entered into an agreement to acquire **Substantially All Assets of LifeSize Communications Inc.** on May 17, 2023. LifeSize is a provider of video conferencing and collaboration solutions for businesses.



Announced	May 11, 2023
EV	\$1.24B
EV/EBITDA	84.8x
EV/Revenue	3.9x

**Crosspoint Capital Partners, LP.** announced the acquisition of **Absolute Software Corporation** on May 11, 2023. Absolute Software Corporation is a developer and provider of software services that support the security of computing devices, applications, and data. The total consideration is approximately \$1.24 billion in an all-cash transaction.



Closed	May 2, 2023
EV	\$100M
EV/EBITDA	Not disclosed
EV/Revenue	Not Disclosed

**Alfar Capital** and **Walter Capital Partners** closed the acquisition of **MSP Corp. Investments Inc.** on May 2, 2023. MSP Corp. is a network of managed service providers that acquires and partners with managed service providers. The total consideration is approximately \$100 million in an all-cash transaction.

# Public Comparable Analysis

## Trading Multiples & Operating Statistics

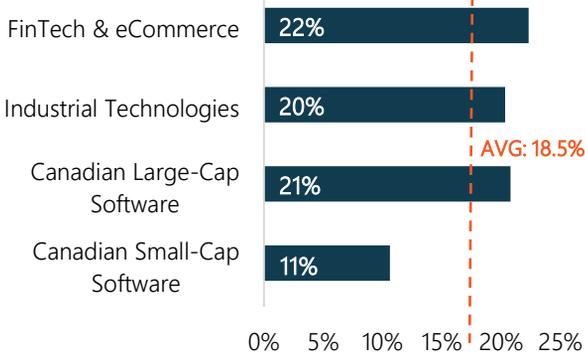
Company	Market Cap	Enterprise Value	LTM Operating Figures				NTM Consensus		Valuation	
			Revenue	Revenue Growth	EBITDA	EBITDA Margin	Revenue Growth	EBITDA Margin	LTM EV/EBITDA	LTM EV/REV
<b>Canadian Large-Cap Software</b>										
Constellation Software Inc.	\$58,166	\$60,582	\$9,620	32.6%	\$1,760	18.3%	19.2%	25.4%	34.4x	6.3x
Open Text Corporation	\$14,725	\$25,375	\$5,272	11.8%	\$1,439	27.3%	49.3%	35.0%	18.0x	4.9x
The Descartes Systems Group Inc.	\$9,028	\$8,791	\$687	14.5%	\$288	41.9%	10.4%	43.6%	30.6x	12.8x
Kinaxis Inc.	\$5,365	\$5,071	\$500	27.1%	\$42	8.3%	18.1%	15.8%	122.1x	10.1x
Enghouse Systems Limited	\$1,779	\$1,562	\$430	(4.0%)	\$97	22.6%	19.8%	28.2%	16.1x	3.6x
Docebo Inc.	\$1,731	\$1,443	\$206	33.0%	(\$2)	(1.0%)	20.6%	9.5%	NM	7.0x
<b>Median</b>	<b>\$7,197</b>	<b>\$6,931</b>	<b>\$594</b>	<b>20.8%</b>	<b>\$192</b>	<b>20.4%</b>	<b>19.5%</b>	<b>26.8%</b>	<b>30.6x</b>	<b>6.7x</b>
<b>Mean</b>	<b>\$15,133</b>	<b>\$17,137</b>	<b>\$2,786</b>	<b>19.1%</b>	<b>\$604</b>	<b>19.6%</b>	<b>22.9%</b>	<b>26.3%</b>	<b>44.2x</b>	<b>7.5x</b>
<b>Canadian Small-Cap Software</b>										
D2L Inc.	\$475	\$368	\$232	7.2%	(\$11)	(4.6%)	5.8%	4.2%	NM	1.6x
Real Matters Inc.	\$441	\$391	\$238	(55.8%)	(\$7)	(3.0%)	14.0%	3.0%	NM	1.4x
Thinkific Labs Inc.	\$159	\$41	\$73	29.3%	(\$32)	(44.4%)	10.4%	(7.3%)	NM	0.6x
Q4 Inc.	\$132	\$101	\$77	(2.4%)	(\$39)	(50.8%)	9.2%	(5.4%)	NM	1.3x
ProntoForms Corporation	\$73	\$72	\$30	14.0%	(\$4)	(13.6%)	6.3%	(7.8%)	NM	2.4x
Pluribus Technologies Corp.	\$20	\$39	\$39	60.0%	\$2	4.8%	(0.6%)	14.9%	20.4x	1.0x
<b>Median</b>	<b>\$145</b>	<b>\$87</b>	<b>\$75</b>	<b>10.6%</b>	<b>(\$9)</b>	<b>(9.1%)</b>	<b>7.8%</b>	<b>(1.2%)</b>	<b>20.4x</b>	<b>1.3x</b>
<b>Mean</b>	<b>\$217</b>	<b>\$169</b>	<b>\$115</b>	<b>8.7%</b>	<b>(\$15)</b>	<b>(18.6%)</b>	<b>7.5%</b>	<b>0.3%</b>	<b>20.4x</b>	<b>1.4x</b>
<b>Industrial Technologies</b>										
ATS Corporation	\$6,025	\$7,138	\$2,577	18.1%	\$369	14.3%	11.6%	16.1%	19.3x	2.8x
Ag Growth International Inc.	\$960	\$1,836	\$1,513	22.6%	\$199	13.1%	8.1%	16.9%	9.2x	1.2x
H2O Innovation Inc.	\$288	\$350	\$240	43.5%	\$21	8.6%	11.5%	10.1%	16.9x	1.5x
Reko International Group Inc.	\$28	\$27	\$51	6.1%	\$6	11.5%	NM	N/A	4.7x	0.5x
<b>Median</b>	<b>\$624</b>	<b>\$1,093</b>	<b>\$877</b>	<b>20.3%</b>	<b>\$110</b>	<b>12.3%</b>	<b>11.5%</b>	<b>16.1%</b>	<b>13.0x</b>	<b>1.3x</b>
<b>Mean</b>	<b>\$1,825</b>	<b>\$2,338</b>	<b>\$1,095</b>	<b>22.6%</b>	<b>\$149</b>	<b>11.9%</b>	<b>10.4%</b>	<b>14.3%</b>	<b>12.5x</b>	<b>1.5x</b>
<b>FinTech &amp; eCommerce</b>										
Shopify Inc.	\$109,219	\$104,632	\$7,988	22.3%	(\$534)	(6.7%)	15.9%	7.6%	NM	13.4x
SPS Commerce, Inc.	\$9,291	\$9,003	\$653	18.7%	\$148	22.6%	16.2%	29.6%	62.6x	14.4x
Nuvei Corporation	\$5,433	\$7,069	\$1,198	12.3%	\$274	22.9%	47.0%	37.9%	25.8x	5.9x
Lightspeed Commerce Inc.	\$3,403	\$2,355	\$988	33.2%	(\$271)	(27.4%)	19.1%	0.2%	NM	2.4x
Payfare Inc.	\$267	\$216	\$148	143.2%	(\$1)	(0.5%)	39.6%	12.6%	NM	1.5x
<b>Median</b>	<b>\$5,433</b>	<b>\$7,069</b>	<b>\$988</b>	<b>22.3%</b>	<b>(\$1)</b>	<b>(0.5%)</b>	<b>19.1%</b>	<b>12.6%</b>	<b>44.2x</b>	<b>5.9x</b>
<b>Mean</b>	<b>\$25,523</b>	<b>\$24,655</b>	<b>\$2,195</b>	<b>45.9%</b>	<b>(\$77)</b>	<b>2.2%</b>	<b>27.6%</b>	<b>17.6%</b>	<b>44.2x</b>	<b>7.5x</b>



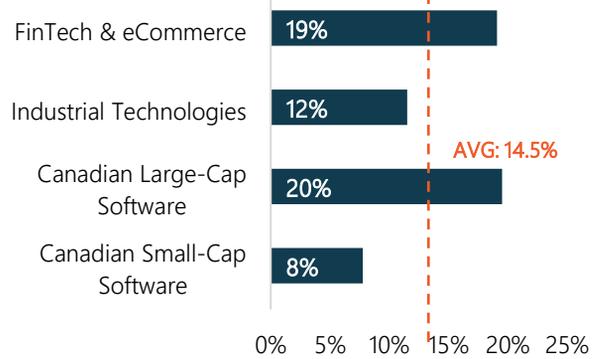
# Public Comparable Analysis

## Growth, Margins & Multiples

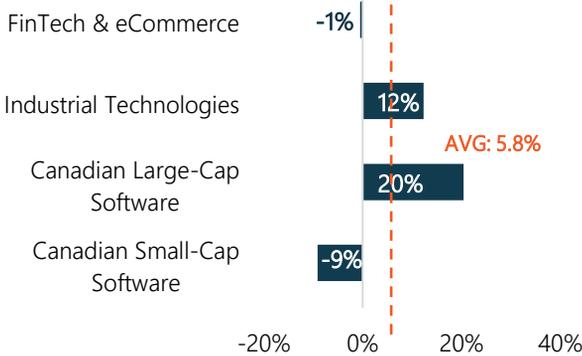
### LTM REVENUE GROWTH



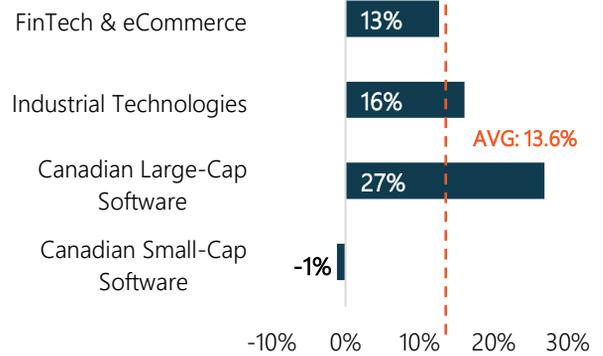
### NTM REVENUE GROWTH



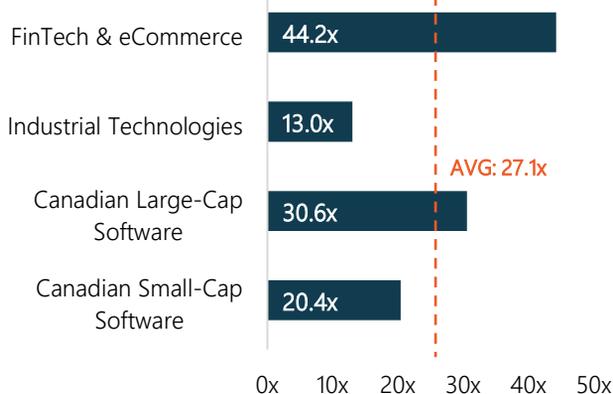
### LTM EBITDA MARGIN



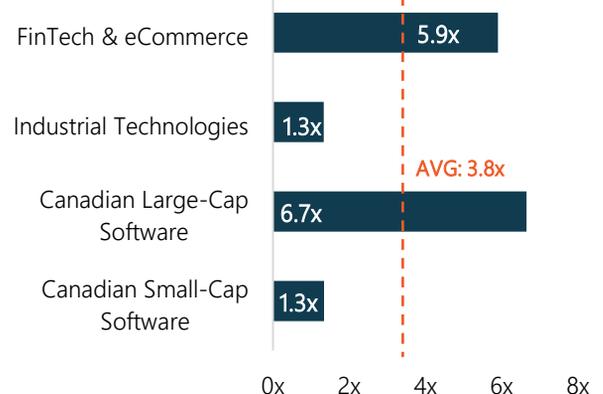
### NTM EBITDA MARGIN



### LTM EV/EBITDA



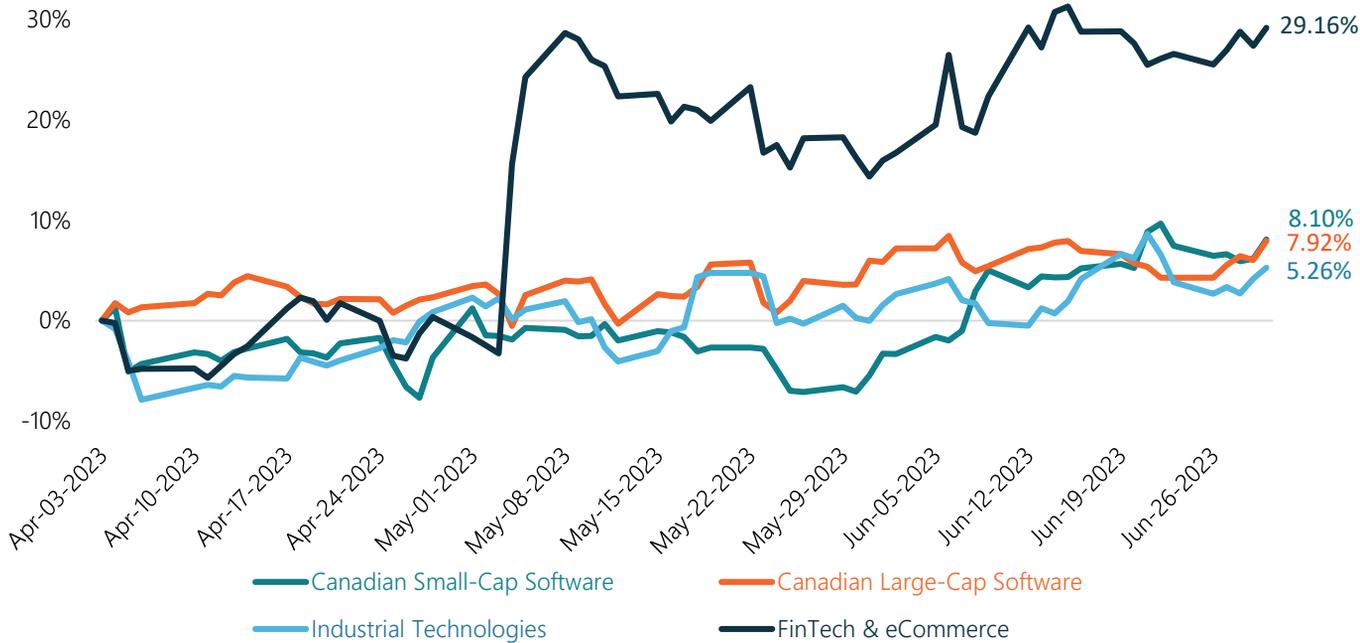
### LTM EV/REVENUE



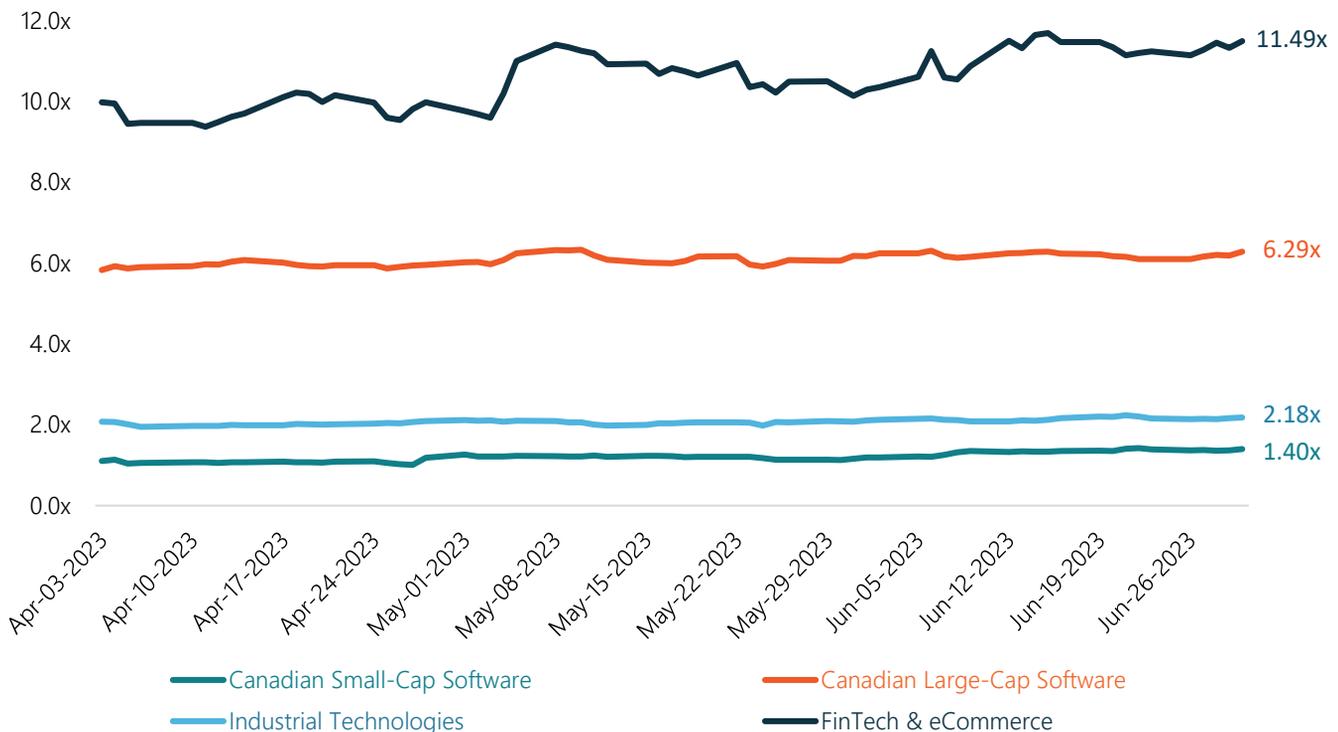
# Public Comparable Analysis

## Peer Group Performance

### Share Price Performance – Q2



### EV/Revenue Multiple Performance – Q2



# About Us



MNP Corporate Finance (MNPCF) has a dedicated team of over 100 M&A, capital markets, and due diligence professionals across Canada. MNPCF works with clients in virtually all industries as they prepare, plan, and execute transactions.

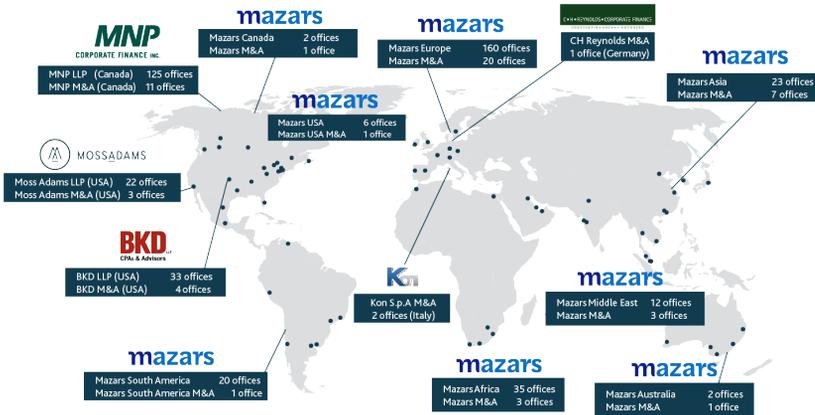
Our typical transactions range in value between \$3 million and \$300 million.

## Local and International Reach

MNP is a participating firm within Praxity, a unique global alliance of independent accounting/advisory firms created to answer global business needs. As a member of Praxity, we are able to offer access to corporate finance, accounting and tax advisory services worldwide. We are also affiliated with Corporate Finance Cross Border, which consists of 250+ M&A professionals in more than 30 countries.



**CFxB** CFXborder - Global reach with local relationships  
Our corporate finance team through CFXb consists of 250 plus M&A professionals in more than 30 countries



## Services

- Divestitures
- Acquisitions
- Debt Financing
- Due Diligence
- Transaction Advisory Services

## Recently Closed Deals (National)



# About Us

## Deal Experience

Since our inception, our team has advised on hundreds of transactions, in a wide range of industries with diverse enterprise values. In the past ten years alone, we have completed over 250 transactions worth over \$4.5 billion (not including due diligence engagements).

## Industry Experience

- Food & Beverage
- Retail & Distribution
- Manufacturing
- Agriculture
- Automotive
- Materials
- Health Care
- Pharmaceutical
- Transportation
- Construction
- Software
- Financial Services
- Technology
- Energy
- Oilfield Services
- Real Estate

## Hands-on Approach

Current M&A transactions require a hands-on approach from start to finish including the active engagement of senior resources. Our senior resources are dedicated to our clients and are available as necessary and appropriate. We keep our clients regularly informed of the engagement status, issues we are encountering, successes, and overall progress.

## Integrated Service Offering

We draw on the vast experience and deep specialist knowledge network of our partners locally, nationally and internationally as specialty issues arise, such as pre-transaction tax planning, transaction structuring, estate planning, valuation, due diligence, performance improvement, and risk management.

## Recently Closed Deals (National)



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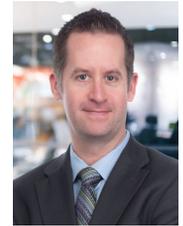
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