



# Q4 2023 Software & Technology Industry Report

Whitehorn Merchant Capital Inc.'s Software and Technology Industry Report includes performance trends and transaction activity observed in this sector in Canada. All financial data has been sourced from Refinitiv Eikon.

## Market Dashboard

2023 Returns:

S&P/TSX Composite Index	Whitehorn Software & Tech Index (WST)	NASDAQ Composite Index
+8.1%	+66.2%	+43.4%

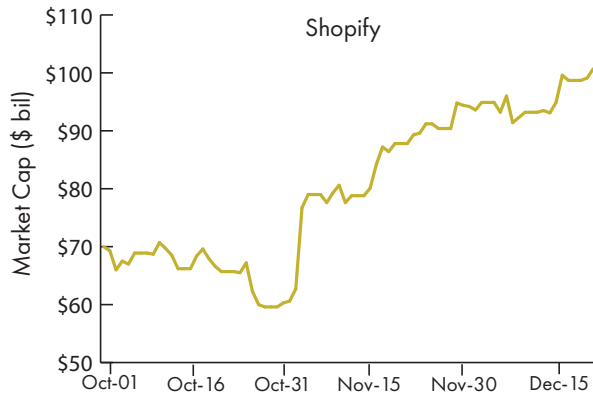
## WST Highlights

The WST Index consists of 39 publicly traded Canadian software and technology companies tracked by Whitehorn to represent the Canadian software and technology sector. The WST outperformed both the S&P/TSX Composite Index and the NASDAQ Composite Index in 2023.

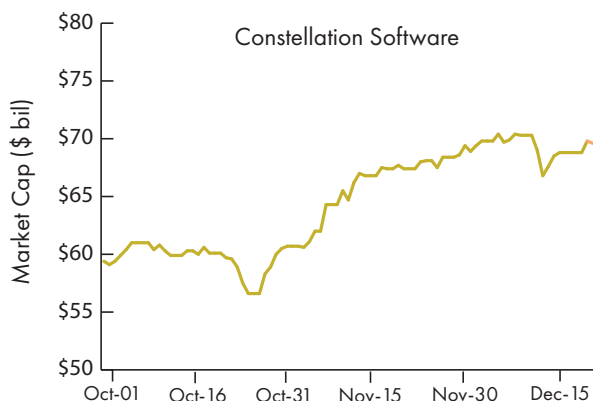
The dominance of mega-cap tech stocks was also evident in the S&P 500's performance in 2023. The S&P 500 recorded a +24.9 per cent increase in 2023. When peeling back the onion, we observed the following:

- Performance of the S&P 500 Index: +24.9 per cent
- Performance of seven large tech companies (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla): +74.6 per cent
- Performance of remaining 493 companies within the S&P 500 Index: +9.0 per cent

The WST's 2023 outperformance was led by its two largest constituents: Shopify and Constellation Software.



- +43.8 per cent during the quarter (+111.4 per cent in 2023).
- The Ottawa based e-commerce company reported a record high of \$9.3B in sales over the Black Friday-Cyber Monday weekend. This represented a 24 per cent increase from the same period a year ago, which was the previous record high.
- These metrics outpaced its competitors including Amazon, which were well received by investors.
- As per Mastercard, Black Friday e-commerce sales were 8.5 per cent higher year over year, whereas in-store sales were higher by 1.1 per cent. This further supports the trend that retail shoppers are increasingly shopping online.

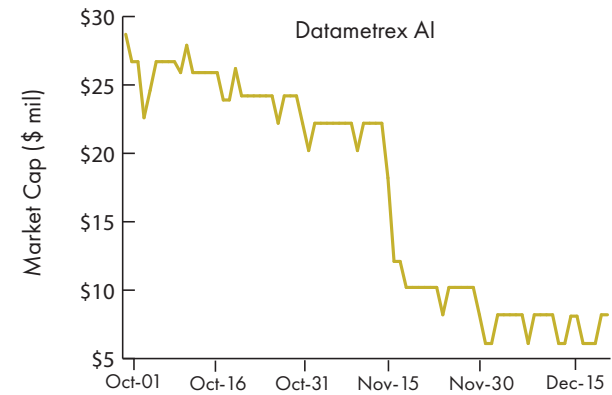


- Experienced a 17.2 per cent market cap increase during the quarter.
- For 2023, Constellation shares were up by 55.4 per cent, amounting to a \$24.8B market cap increase.
- The company continued its proven model of compounding cash flows via acquiring positive cash flow, niche vertical-specific software companies throughout 2023.

By excluding Shopify and Constellation Software, the other Canadian tech companies that comprise the WST produced a +25.1 per cent return in 2023.



On the opposite end of the spectrum, we present an underperformer of the WST below. Datametrex AI is a Toronto based AI and machine learning solutions provider that is currently traded on the Canadian Securities Exchange (CSE).

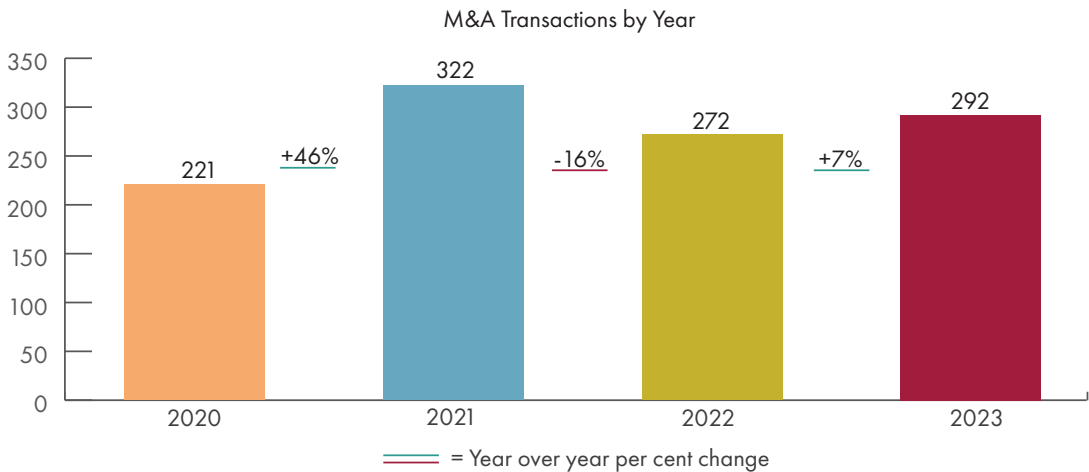


- 71.6 per cent during the quarter (-80 per cent in 2023).
- The Toronto based AI and machine learning solutions provider sold its subsidiary, DataMetrex Electric Vehicle Solutions on November 14 to Graph Blockchain (CSE:GBLC) to realign its focus on core offerings.
- Investors questioned the transaction valuation of \$3.75MM, which consisted of only \$750,000 of DataMetrex shares at closing and the remaining \$3MM in the form of an earnout over three years.
- In addition, the company announced it was shelving plans to graduate to the TSX Exchange as previously announced due to its current market cap being insufficient to meet listing requirements.

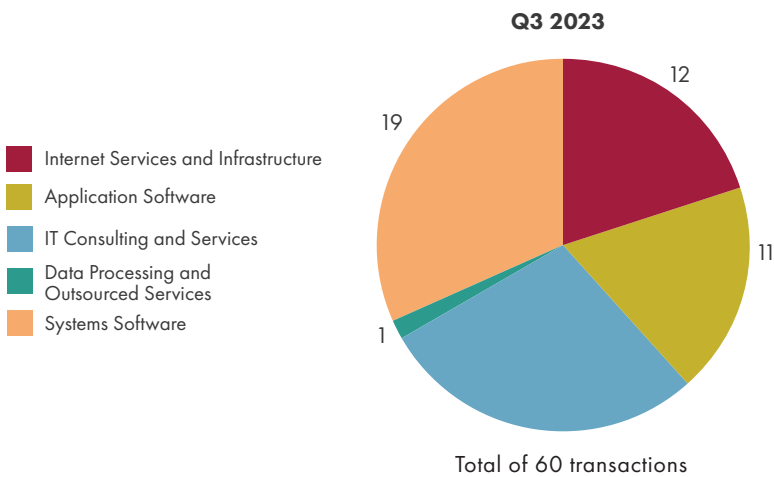
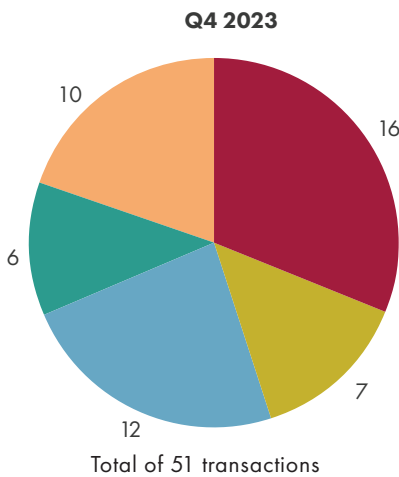
### Key Quarterly Highlights

- Nov 21** - The Canadian Chamber of Commerce formed an AI council aimed at public policy around AI, with members including Amazon, Google, SAP Canada, BlackBerry, Meta, Microsoft and Scotiabank.
- Nov 29** - The federal government reached a deal with Google over the Online News Act (C-18) where Google will continue sharing Canadian news content by making annual payments of \$100MM to news companies.
- Dec 5** - The federal government finalized deals with Visa and Mastercard to reduce fees businesses pay to credit card companies by 27 per cent.
- Dec 11** - BlackBerry (TSX:BB) canceled its Internet of Things (IoT) business IPO and will operate the IoT and cybersecurity businesses as separate divisions.

### M&A Year in Review



### M&A Quarterly Review



## Select Merger & Acquisition Transactions

Date	Acquirer	Acquirer Location	Target	Target Location
October 2023	Peoplesafe	Surrey	OK Alone	Victoria, BC
	Acquisition of employee protection software application business to expand North American presence.			
October 2023	Volaris Group	Toronto, ON	Squirrels	North Canton, OH
	Acquisition of wireless audio and video transmission software provider to increase education software offerings.			
October 2023	Devon Energy	Oklahoma City, OK	PrePad	Calgary, AB
	Strategic investment in cloud-based SaaS startup offering advanced simulation capabilities to enhance drilling and completions by Devon Energy Ventures.			
October 2023	CGI (TSX:GIB)	Montreal, QC	Momentum Consulting	Miami, FL
	Acquisition of IT and business consulting firm specializing in digital transformation, data analytics and managed services to strengthen geographic presence and enhance end-to-end solutions.			
October 2023	Univerus	Port Moody, BC	Varasset	Vancouver, BC
	Acquisition of software solutions provider for the communications industry to broaden Univerus portfolio and elevate asset management expertise.			
November 2023	Cars.com (NYSE:CARS)	Chicago, IL	D2C Media	Montreal, QC
	\$105MM cash acquisition of automotive technology and digital solutions provider with potential earn out up to \$35MM to further expand geographic footprint and leverage cross-selling opportunities.			
November 2023	Vertu Capital	Toronto, ON	ActiveState Software	Vancouver, BC
	Acquisition of enterprise software support developer for the creation and management of applications using open source programming languages.			
November 2023	Bitbuy	Toronto, ON	Bitvo	Calgary, AB
	Acquisition of registered crypto exchange operator including all customer accounts and domains by subsidiary of WonderFi.			
November 2023	PopReach dba Ionik (TSXV:INIK)	Toronto, ON	S44	Holbrook, NY
	US\$40MM acquisition of assets of first party data acquisition, lead generation and performance marketing platform with 16 personnel to extend performance marketing capabilities.			
November 2023	Rocket Software	Waltham, MA	The Application Modernization and Connectivity business of OpenText (TSX:OTEX)	Waterloo, ON
	US\$2.275B acquisition of provider of application modernization tools including COBOL and host connectivity to enhance and diversify portfolio of solutions.			
December 2023	OPENLANE (NYSE:KAR)	Carmel, IN	Manheim Canada business	Montreal, QC
	\$130MM acquisition of Canadian digital marketplace of used vehicles and auction business from Cox Automotive as the latter exits Canada.			
December 2023	Rentsync	Toronto, ON	Building Stack	Montreal, QC
	Acquisition of property management software to enhance list-to-lease solutions for the rental housing industry.			
December 2023	Perion Network	Holon	Hivestack	Montreal, QC
	\$125MM acquisition of digital out of home (DOOH) advertising platform developer with 154 employees to complement long-term growth strategy.			

Check out more transactions on our [website](#)