

Computer Modelling Group Ltd (Acquisition)

September 27, 2023

Corporate Speakers:

- Kim MacEachern; Computer Modelling Group Ltd.; Manager, Investor Relations
- Pramod Jain; Computer Modelling Group Ltd.; CEO
- Sandra Balic; Computer Modelling Group Ltd.; CFO

Participants:

- Doug Taylor; Canaccord Genuity Group Inc.; Analyst
- John Gibson; BMO Capital Markets; Analyst
- Amer Ezzat; IA; Analyst
- Nick Corcoran; Acumen Capital Partners; Analyst

PRESENTATION

Operator^ Good day, and thank you for standing by. Welcome to the CMG Bluware Acquisition Webcast. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions). Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Kim MacEachern, Manager of Investor Relations. Please go ahead.

Kim MacEachern^ Thank you, operator. Good morning, everyone and welcome to the call. Joining us today, are our CEO, Pramod Jain, and CFO, Sandra Balic. Pramod will begin with prepared remarks, and then we will open the call to questions from our sell-side analysts.

If there are any questions outstanding from our listeners after the call, I encourage you to contact me directly at CMG-investors@cmgl.ca. Some of our remarks on the call today may contain forward-looking information and non-IFRS measures. Forward-looking information is based on assumptions and therefore subject to risks and uncertainties that could cause actual results to differ materially from those projected.

Please reference our press release issued today, September 25, 2023, and other reports and filings available on sedar.com for information regarding these forward-looking statements, and non-IFRS measures. A reminder that this call is being recorded, and a replay will be available on our website later today under the Investor Relations section.

I will now turn the call over to Pramod.

Pramod Jain^ Thank you, Kim. And I hope everyone can hear me loud and clear. Good morning, everyone. I'm happy to be joining this morning on CMG's first-ever conference call, and to talk about the acquisition of Bluware that we announced this morning.

Since this is the first sizable transaction in the company's history, this call is a way to provide more context and background on the investment and our thesis of the acquisition. My intent this morning is to go over the strategic rationale for this transaction, and then leave room for questions from our analysts.

So at a high level, acquiring Bluware is an attractive strategic and financial decision for CMG. Bluware brings differentiated technologies and expands our product portfolio to allow us to add greater value, and then deepen our presence within our customers' upstream energy workflows.

Second, we're in a very good position to continue to develop relationship with Bluware's strategic customers, and expand the commercial potential in both the software and the services business. And last but not least, Bluware is the right size as CMG embarks on its acquisition strategy. The purchase price reflects the risk and opportunities while providing for a strong after-tax, internal rate of return under conservative assumptions.

So let's start to understand about the company. So if you look at the slide three, this is about the company overview. Bluware is headquartered in Houston, Texas, and has a sizable operation in Oslo, Norway.

As of the closing of our transaction, Bluware has approximately 120 employees. The business operates in two segments. The first is a service business that has been providing tailored software and application development under long-term contracts to many of energy industries, super majors over the past 30 years.

Not only it generates consistent profitable revenue, it also has developed strategic partnerships with these leading energy companies throughout expertise in cloud migration, and advanced workloads.

So this segment is important because it does provide critical insights in terms of market trends, and also evolving industry needs. Very much like CMG's own consulting services, they're also helping to drive software adoption by supporting the implementation and usage.

The services component has close to 70 employees, generating \$17.7 million in revenue in fiscal year 2022, which is the calendar year from January 1st to December 31st. And the healthy gross margins have contributed heavily towards funding the R&D of the software business.

The second segment of the business is the software sales, this business kicked off in 2019. And even though it's still early stage, it has delivered over 40% CAGR over the past three years. The software helps the geoscientist by reducing the time spent on

manual or repeat tasks and accelerates the time to operational decision-making while allowing the user to keep control of the process.

In terms of the revenue in fiscal 2022, these services -- this software segment generated \$5.8 million in high-quality subscription model recurring revenue. So like most new technology development, innovation is only possible if you have the support from industry top leading customers. And the same applies for Bluware, which means they have a high concentration of revenue with a small number of customers who have played a vital role in the product development and the long-term roadmap creation.

Shell is the most significant from a revenue standpoint, and our shareholders will recognize and appreciate that CMG has a long history of partnership with Shell. In talking to Shell, we both see this as an opportunity to deepen our relationship. Shell respects the domain expertise, and the technology innovation of Bluware, and see this acquisition as a strong union.

So let me talk about Bluware products, which are summarized on the next slide, slide four. Bluware's technology portfolio has several products, but most of the revenue comes from the products I will focus on here, FAST and InteractivAI, both enabled by a proprietary and industry-leading data format called VDS, volume data storage.

To understand VDS, think about how watching movies and TV shows have transformed over the past two decades. Some of you may remember VHS tapes, which eventually transitioned into DVDs. And at that time, DVDs were a big deal. But once compression came along, companies like Netflix, Hulu, Amazon, they transformed how we watch our favorite TV shows and movies by streaming content directly from the cloud allowing us to watch from anywhere, anytime, on practically any device.

Now, you apply the same analogy to the seismic data industry, storing information offline on tapes. The oil and gas industry is starting to begin to see the value of bringing petabytes of subsurface data to the cloud for archive purposes.

But when it's -- when it comes down to using the information from the cloud, it can be costly, and it can be cumbersome. But once the data is in the cloud, companies don't realize how difficult it is to use.

So VDS addresses that problem because it's a cloud-native format for writing, storing, and reading data. It compresses data for reduced storage requirements, but also enables live streaming and dynamic interaction with the data.

So you can think of VDS as a format where music instead of being on tapes or CDs is in the cloud, and can instantly be accessed at any point of any song. This is what we can do with Spotify, for example.

For seismic data, this is powerful. This is a powerful transformation, and it is why this data format has the potential to become an industry standard with a push towards cloud.

It also has become a standard recognized format within OSDU, open subsurface data universe, which further support its use and adoption.

So for some quick background, OSDU is the global collaboration of industry players close to around 250 companies participating in OSDU, committed to developing a standard-based E&P data platform.

Because Bluware technologies have always been fully open, fully extendable, they contribute towards that open source VDS implementation to OSDU which encourages adoption of this technology, which is now the most efficient and cost-effective way to store and use the seismic data.

They also retain a commercialized version called VDS plus, which is faster in terms of access than the open version, and also provides greater compression capabilities. So related to VDS is another product called FAST. And FAST is a technology that allows you to take advantage of the benefits of VDS while using applications that need other data formats.

So what happens is that when you have seismic data, you stream that too fast and that is converted from VDS to whichever data format is required by the seismic interpretation application.

It can seal the data directly from the source in the cloud -- in the cloud storage enabling more efficient workflows. So as more and more companies look to the VDS format for storing data due to the material cost savings, the need to be able to access the data and use it within the existing applications [fully increase], FAST answers that challenge.

For the data storage on the cloud and enable storing -- enable streaming, there are applications -- multiple applications for using data, this is where the next product InteractivAI comes in. InteractivAI is the biggest software revenue generator for Bluware, it's a cloud-native application built around the advantages of VDS format and is optimized to take advantage of cloud computing.

So a typical user would be a geoscientist, who is tasked with interpreting seismic data. And as they start to begin to label the falls or horizon within a seismic data set, what InteractivAI is doing is using that input as the training for the applications machine learning which can then with tremendous speed, and accuracy provides vast quantities of data.

So that feedback loop allows the expert user to validate the results, which means that InteractivAI is always learning the nuances of interpretation from the expert user, and it's increasing its accuracy.

So this pace of seismic interpretation, which is quite labor intensive can take three to four months to complete, can be done with high precision in two to three weeks, and sometimes even hours.

So the integration of sophisticated AI into the seismic interpretation workflow through interactive training, and the efficiency of using VDS is that combination that sets this apart. In seismic interpretation, the geoscientists should be now able to interact with the deep learning machine, which means that they feel comfortable with the results versus typical BlackBox AI approach.

So who will be using this technology? We estimate that the market for InteractivAI is roughly around \$100 million made of large and midsize E&P companies, many of whom actually are already CMG clients.

Those that are constantly uploading and evaluating large assets that do require intensive seismic interpretation can benefit tremendously from Bluware's portfolio solutions. This would be very important to capital-intensive offshore exploration which is very reliant on acquiring the new seismic data.

So if you look at slide five, in short, why this acquisition is good for CMG. Number one, it diversifies CMG product offering across the upstream energy value chain. This allows us to strengthen the value we deliver to our customers with forward-thinking differentiated solutions. In doing, so we are deepening our relationship as a trusted partner and open opportunities to expand our share of wallet.

Number two, Bluware adds a new solid state-of-the-art technology and typical -- technical capabilities in data management, machine learning, and AI. We are dedicated to investing in and delivering sophisticated software solutions that are leading the path towards digitalization, and Bluware's technology and skill set are that -- are an excellent fit for that vision.

Number three, Bluware is a strong candidate for applying CMG playbook. We can use a similar strategy that we did for CMG in my early days here to shift Bluware from a research-led company to a market-led one, and accelerate the commercialization of their software, while the service Bluware provides, creates stickiness with large customers.

And finally, number four, it presents a robust financial risk/reward opportunity, meaning that we expect to generate attractive after-tax IRR under conservative assumptions. So how does Bluware fits into CMG's acquisition strategy? Our M&A, if you recall strategy, our M&A strategy is broadly divided into two buckets of opportunities.

Looking at slide six, first and foremost, we want to explore acquisitions that fit into the technology landscape within the upstream energy value chain. As you see today, CMG plays a key role in reservoir simulation, and is expanding into production modeling.

Bluware now is adding capabilities into seismic. Still, we have plenty of white space opportunities to explore and building out our portfolio products. That does not mean that we'll be investing in all these areas, but we will prioritize game-changing technologies,

finding them across the upstream energy landscape to deepen the value that we bring to our customers.

We're also looking at diversifying into adjacent industries where our capabilities could be applied outside the energy industry. This can include, or this might include where we can apply at our expertise in managing the complex science and technology to our deep technical expertise in simulation, which is used in many, many industries from mining to water management, and others.

So in instance, our goal is very clear, we want to deploy our capital at attractive rates of return to build a long-term high-quality recurring software revenue and per share profitability. We are being very diligent in assessing opportunities through an IRR lens.

And in the case of Bluware we have done rigorous multi-month diligence process to ensure that our risk-adjusted IRR hurdle rate was met. But there's another aspect we think of when we look at acquisitions, which I mentioned just now, when I talked about why Bluware is a good fit for CMG, which is how we can -- how can we apply the CMG operational playbook.

Our shareholders will recall that when I joined CMG last year, we did several things to right size, the organization, shifting mindset and culture from research to a market-led, commercial-driven organization.

We shifted some of our R&D spending to sales, marketing, and other initiatives. And this was the balance of strong products with equally strong and balanced sales and marketing abilities. We then implemented software best practices, customer segmentation, value-based pricing, building sales pipeline coverage, also adopting a hunter-farmer sales methodology, among many things.

We also introduced a performance-based culture make -- backed up by measurable objectives and key results, the OKRs. And we have just started to see the results of these initiatives within CMG.

So this is this is CMG's operational playbook. We can and we will be applying that playbook to Bluware. Bluware software segment is in its early stage of commercialization, and we believe that we can unlock tremendous value with our operational strategy.

We are actually in the process of right-sizing some of the R&D costs for Bluware, and are now making sales and marketing investment, similar to what we did for CMG. We'll be looking at the pricing models, we'll be looking at plans to back-to-base growth, and upsell opportunities.

I've also brought in an experienced product leader, who will work with me and the Bluware management team to accelerate the development roadmap and drive growth. So

with that summary, let's address some key questions that I expect will be at the top of the minds of our shareholders.

The question one, I'm sure the first question on your mind is, Pramod, what are the risks and opportunities you consider for this acquisition? And the answer is, well, first of all, no business comes without risk.

Currently, Bluware has a service-heavy revenue mix, and a high customer concentration. And we accounted for these factors in our valuation. The reason this is opportunistic for CMG, and why we feel this risk -- these risks are manageable is because we have a history of working with Bluware's customer base, large customers, and we are committing to make sure that we develop those relationships. And that's why this concentrated customer base was comfortable for us.

Unlocking the value of this acquisition is all about increasing the profitability and the growth of the software business, which will require an organizational shift. And that's where the CMG playbook comes in.

We're taking a resource-centric company, we're applying the fundamentals of a well-run software company, investment into sales and marketing, value-based pricing, segmented customer strategy to increase the share of wallet, performance-oriented culture, and things that we do to the areas that we can build value because that comes from our playbook, and this won't be without risk, and we know here that execution here is the key.

And I also want to address the purchase price. I mentioned that we weighed the risk, the risk factors in our valuation, and you will see that we are structured this acquisition with the potential earn out provision. This provision is tied to achieving revenue thresholds with certain key contracts.

The way to think about that is if they're not achieved, then we have mitigated our upfront purchase price. If they are achieved, then we will have materially increased the recurring revenue stream, which would be a big win going forward for CMG, and everyone will be happy about the growth in the software business.

So if you do pay out the \$8 million of earn out in the next 18 months due to the success in the software business for certain clients, they're gaining \$6.4 million on recurring revenue. Question number two talk about competitive strategy or what are the competitors that are using machine learning and AI in seismic interpretation? What differentiates Bluware's InteractivAI product?

So yes, there are companies that are offering solutions within seismic interpretation space. And from our diligence process, which was quite exhaustive, we believe that Bluware has the first mover advantage in this particular niche segment. And CMG has an opportunity to increase the visibility of these solutions in the market with a strong standing in the industry.

In all the customer conversations and the expert conversations that we have done during the diligence process, what we heard is that the geoscientist and the geophysicist, they don't like BlackBox solutions. They want control on the decisions, they want to be involved in the process of interpretation.

So the ability for the user to interact, provide the standard, train the machine, provides the transparency to the output, and that's like anybody else or any other alternate in the market. The second differentiating aspect of Bluware is around data format built on VDS. It has a technology advantage as a true cloud-native solution, not a lift-and-shift product. The ability for us to allow for streaming data for interpretation, gives the speed and efficiency advantage.

The next question, does any of this technology have application with reservoir simulation, or what synergies are possible with the current business? So in our diligence, we did uncover R&D as well as sales synergies.

So Bluware has R&D engineers, who are experts in high-performance computing, cloud data scientist, and visualization to name a few. All of these are synergistic -- opportunistic for CMG as well. So CMG has the synergy in these areas as we continue to evolve our tech footprint.

On the sales and marketing side, CMG, due to its global sales network, customer relationships can open the sales pipeline for Bluware. However, for our model, and also for IRR calculations, we did not account for any synergies and looked at this company and this deal on a standalone basis.

One last, but critical question I think you may ask is, how do you define the success of the acquisition? Well, first, I want to be very transparent about the performance of Bluware under CMG ownership. So we will be disclosing a summarized financial table for Bluware within our regularly quarterly financial releases to make sure everyone can see the performance of the business, independent of the core CMG business.

What we will watch is the top-line revenue growth of the software business, the steady state of operations of the service business, and improve profitability of the overall business. We want to hold Bluware to CMG's financial standards over time.

The other -- one more comment I'll make is to highlight that all the senior management of Bluware will remain in the company, except the current CEO, Dan Piette. So Mr. Piette will be taking on an advisory role as of today, and I will be running the company as an interim CEO during the early days.

And I can do that without losing sight of the ambitious plans we have for CMG because CMG has a strong leadership team, and has the performance culture that we have established. I have now the time and freedom to focus some of my time on this acquisition, which will allow me to work closely with Bluware's talented executive team.

The entire senior management of the Bluware will remain in the company, and I will be taking on the role of interim CEO because it will allow me to spend a lot of time with the team, understand the business, allow me to give chance to think about the right leader for the company in due course.

So with that context, I would like to turn the call back to the operator to open for questions.

QUESTIONS AND ANSWERS

Operator^ Oh, thank you, Pramod. (Operator Instructions). One moment while we compile our Q&A roster. And our first question comes from the line of Doug Taylor with Canaccord Genuity. Mr. Taylor, please proceed.

Doug Taylor^ Yes, thank you. Good morning, and congratulations on executing on a first sizable acquisition. I'd like to start with a couple of questions on the financial model, we see that the 2022 financial information you've provided obviously were almost nine months past that.

So I wonder if you can comment on perhaps more recent financial performance either quantitative hopefully, or qualitatively, the growth rates you've experienced in the business overall so far this year and the trajectory of services growth in addition to the software growth that you've referenced.

Pramod Jain^ Yes, thank you, Doug, for the question. So you're right that we are now nine months into the -- into the year. The thing that -- the reason why we haven't disclosed the TTM or the current financials is because the team is going through audited aspect of the financial. So since the audit wasn't complete for this fiscal year, we wanted to ensure that we provide the 2022 numbers.

And from a -- from a commentary perspective in terms of how both segments are doing, our focus is on software and that's why I provided context on the software business which attracts us, and that software business has been growing at a CAGR of 40% over the past few years. And in our full commentary, as we release our quarterly results, we will be making sure that we give enough disclosure on the financial to Bluware.

Doug Taylor^ So is it fair to say from that comment that at least, qualitatively that the services business is more stable in terms of its trajectory over the last couple of quarters?

Pramod Jain^ That is right, Doug. So the service business has been around for a long time, and it has been very sticky, so. But the growth is in the software business.

Doug Taylor^ Okay. A couple more questions. One, I believe I just want you to clarify the full earn out that you'd be paying, I think you referenced \$6.4 million in additional

software revenue required to trigger that earn out, am I understanding that correct? And that software sales would be in the ballpark of \$12 million for full earn out achievement?

Pramod Jain^ Yes, that is right. So the analogy is structured in a way that it's tied to certain contracts, and the success on those contracts within the next 18 months starting today, and it has a revenue multiple of 1.25 and it's going to be a recurring revenue that's going to get added to Bluware software business.

Doug Taylor^ And maybe one more question before I pass the line here. You've talked to using the CMG playbook to improve margins obviously from 5% to north of 40% is a huge range. I wonder if I can get you perhaps to comment on what you would call success with respect to margin improvement of this asset as it -- as it grows in the coming years?

Pramod Jain^ Yes, no, that's a great question. And as I've said before that CMG margins are state-of-the-art. And definitely, as we start to look at companies, we want to make sure that the valuation reflects that as well.

And when I talk about CMG playbook, you notice that I've focused a lot on three things. One is we make -- we want to make sure that the service business, which has been a sticky business, also providing that stickiness to the large customer base that they have, continues to stay steady while creating opportunities for the software business.

And where CMG playbook will start to come into the picture is around sales and marketing, and making sure that there's a right balance of R&D versus sales because if you have a differentiated technology, which is first mover advantage, and if you can add sales and marketing muscle into it, you will start to see top-line growth. And then of course, you will also start to see margin expansion as well, but it will take time.

Doug Taylor^ Maybe I'll come at that question in another way, you say you expect to meet IRR expectations even under conservative assumptions. Maybe you could just refresh us on what your IRR threshold -- target thresholds are.

Pramod Jain^ Yes. The range that I have given, Doug is between 18% to north of 20%. And as I mentioned before, that this particular deal on a standalone basis have met that hurdle rate without counting any synergies that we see in the joint business.

Doug Taylor^ Thank you very much.

Pramod Jain^ Thank you, Doug.

Operator^ Thank you. One moment for our next question, please. And it comes from the line of John Gibson with BMO Capital Markets. Please proceed.

John Gibson^ Good morning all, and congrats on the announcement this morning. We're obviously represent a bit of a step out in terms of the end market or targeting seismic

data, but -- and I know you touched on the town being kind of \$100 million range, but I'm wondering what are the immediate client overlaps you could see currently between your two offerings?

Pramod Jain^ Yes. Thank you, John. So definitely seismic interpretation is outside reservoir engineering, and production modeling that we play in. And hence, I wanted to show that full spectrum of where the entire E&P portfolio looks like.

And we do want to focus on that, and make sure that we have product portfolio that we can offer to our customers. So this technology played very well into it. And of course, with the machine learning, AI, and cloud, that is the future of the energy industry as well.

Now, in terms of the client overlap, as you know that CMG has a large customer base. We have 19 out of the top 20 super-majors that use our software. And if you look at Bluware's value proposition, it's around offshore, and it's around large- and mid-size E&P customers, who really wants to make sure that they can get the most value of seismic interpretation. And if you combine the two together, there's a fair bit of an overlap.

Now, I do want to qualify that by saying that these are two different users. So CMG is working with reservoir engineers, Bluware was with the seismic geoscientists, and the buyer would be mapping back to an asset manager or a VP of that particular asset. But we do have an extensive sales channel, and then we feel that we can add a lot of value in terms of unlocking those relationships for future sales.

John Gibson^ Got it. I guess, [overall] would Bluware continue to be sold separately, or are you maybe look to bundle it with your other offerings?

Pramod Jain^ Yes. So, John, we will be looking at keeping Bluware completely independent from CMG. Now, as I mentioned that I'll be spending a lot of my time in the beginning as an interim CEO as I look for the next leader for the business.

But in terms of the integration team and applying our playbooks, my teams from finance and other areas will come in and guide the team to apply that playbook. But to answer your question, that will be a standalone business and we will make sure that we provide that financial commentary and full transparency of the business performance in our quarterly reports as well.

John Gibson^ Got it. Thanks. Last one for me. Going forward, it appears you're still going to target M&A, and seem to use externally held cash on the balance sheet. I'm just wondering if you'd be willing to take on some sort of leverage to fund future targets.

Pramod Jain^ Yes. So, John, as we mentioned before, that all options will be on the table. But it has to make sense for the -- for the transaction. As you see for this particular transaction, we are funding through our balance sheet, we'll still have a cash available in our balance sheet, and other options. So that leverage definitely will be an option as we pursue other opportunities.

John Gibson^ Okay. Great. I appreciate the comments. I'll turn it back.

Operator^ Thank you. And one moment for our next question, please. Alright, and it comes from the line of Amer Ezzat with IA. Please proceed.

Amer Ezzat^ Good morning, and congratulations. Pramod, you spoke to the differentiating factors that Bluware has relative to what's out there, but I'm looking to understand the proprietary nature of compressing through their format, the VDS like, what are the alternatives today for E&P companies? Are their products that allow for compressing of seismic data, like help us understand what's available right now?

Pramod Jain^ Yes. Thank you, Amer, and good morning. Yes, so definitely, there are options available on the market. But this is why I wanted to give some analogy in terms of how the industry has been operating from storing petabytes of data into tapes.

And there has been an industry-standard format called SEG-Y, which has been out there for decades. Now, the industry is moving towards cloud, and you're not just trying to take the data from one source to another, and that's why VDS comes in and OSDU comes in.

And what Bluware has done very smartly is that they have donated the freeware to the open community to allow that transition to happen. They've also built up a bunch of decoders to allow for that transformation or the handshake to be done as well.

So this is a great start for the industry to move towards for towards cloud and VDS, whether that's commercial version or a free version, it allows you to do that.

Amer Ezzat^ Fantastic. I understand. Then, can VDS compression format be used in your simulation business? I know you referenced using like the AI component for some of your simulating -- simulation business, but I just wonder, any uses for like decompression.

Pramod Jain^ We can learn a lot from it, right? So even in our simulation business, the data is quite, quite busy. It's quite large. So the way they have compressed the data is phenomenal. In fact, it came from the gaming industry, so a lot of inspiration from there.

But as we -- as we looked at the immediate benefit synergy, we are -- CMG is right now one step away from leveraging that seismic data because that data goes into [CMG] side of the things, and then it flows into reservoir simulation. But our R&D engineers definitely can take a lot of learnings, and collaborate together to improve the things that we do whether that's data compression, or data visualization.

Amer Ezzat^ Fantastic. Then, I'm not sure you're willing to share that, but how does the margin profile look like for software versus the services component?

Pramod Jain^ Yes. So the service business has been around for a long time, and has been doing fairly decent gross margins over the last couple of decades with the large customers they have got.

And when in 2019, the software business picked up, service business actually was funding that software business. So where we see coming in is that we want to make sure that those margins are protected on the services side.

And as we start to transform the software business by sales, marketing, and getting more customers on board, and more share a wallet, I think we'll start to see the margin expansion happening on the software side while also making sure that services business margins are protected.

Amer Ezzat^ Is services still funding software, or software now like close to breakeven?

Pramod Jain^ Yes. You'll start to see when we start to report our quarterly numbers, you'll see more color on that.

Amer Ezzat^ Okay. Then, are there any profitability metrics embedded in the earn out, or just the contract and sales metrics that you mentioned?

Pramod Jain^ Yes. We kept it at top line because a couple of customers that did not come through from a licensing perspective during the diligence process, this was our way of mitigating the risk. And it was a win-win for both parties in a lot of ways, but so this is revenue multiple that we have given.

And look, as I mentioned before, that if we do end up paying \$8 million of earn out in the next 18 months, the recurring revenue in nature, the software business is all 100% SaaS, and that's going to be phenomenal for the growth of software.

Amer Ezzat^ Okay. Then, maybe one last one. How should I think about your appetite for further M&A? You mentioned that you'll still have like casts available, obviously, a very clean balance sheet. Do we think of you now as like working on, I don't want to say integration, but like working on Bluware before you make another sizable acquisition, or can you guys like move quickly on another one?

Pramod Jain^ Yes. So, Amer, I think you're aware of the team that I've got. And my M&A team is already ready to move to the next one. But as I mentioned before that, for me, this is about execution. And as much as my time will go for the couple -- for the past few months in figuring out what kind of leadership this team needs, M&A strategy is super important to us.

So we are not losing sight of the fact that we need to constantly execute on CMG goals, drive that double-digit organic growth on CMG side, now, get Bluware to start to fire up on that growth as well. But that doesn't mean that we will be taking our foot off on M&A. So we'll be all steams ahead.

Amer Ezzat^ Fantastic. Congrats again, and thank you for taking my questions.

Pramod Jain^ Thank you, Amer.

Operator^ Thank you. One moment for our last question, please. Alright, and it comes from the line of Nick Corcoran with Acumen Capital Partners. Please proceed.

Nick Corcoran^ Good morning, and congrats on the acquisition.

Operator^ Your line is open.

Nick Corcoran^ I just wanted to build on the questions already asked, I'm just wondering what the margin [or positives] can be after about a year and should we expect margin expansion or are you just looking to internally fund the growth [of the book]?

Pramod Jain^ Yes. So, Nick, we're not -- we're not looking to fund the business using any of the -- or compromising CMG's margin profile from a standalone perspective. But what we see here is we have run our models and we assume that the business can start to perform both services and software, software mostly by applying our playbook. So it won't be at a cost of CMG. And that's why looking at this particular transaction on a standalone basis, and making sure that our IRR is met was very important.

Nick Corcoran^ Got it. It sounds like Bluware will be -- would be self-financing, is that correct?

Pramod Jain^ From an -- from an operations and working capital perspective, absolutely, yes.

Nick Corcoran^ Great. This helped me. Congrats again on the acquisition.

Pramod Jain^ Thank you, Nick.

Operator^ Thank you. And thank you, ladies and gentlemen, for participating in the Q&A. I will pass it back to Pramod for his final remarks.

Pramod Jain^ Thank you. Thank you, operator. So thank you for all the questions. And in closing, I really want to take this opportunity to welcome all the 120 employees of Bluware to CMG's team.

And I also want to thank the CMG employees who have been involved in this project for four months now, and it's been a lot of hard work and a lot of effort has gone into diligence over the past few months, but it's a significant effort, and now, it's time to execute and deliver on our investment. So the execution will be the key. So once again, thank you for all the questions and for taking the time to join this morning.

Operator^ Thank you. And with that, ladies and gentlemen, we -- by the -- we thank you for participating in today's program, and you may now disconnect.