

Letter to shareholders

Dear Fellow Shareholders,

We would like to report the results of DATA Communications Management for the third quarter of 2017. While we continue to experience secular declines in our traditional business communications markets, we believe we have taken positive actions to position your company for the coming year.

In our traditional business communications lines, we continue to optimize our operations to make your company more focused, agile and unified. We recently announced a number of initiatives to optimize our business for a strong 2018:

- The integration of our Multiple Pakfold operations into our Brampton, Ontario facility which is expected to generate in excess of \$0.8 million in annualized savings, and enhance productivity across our long-run and short-run business forms and labels production;
- The relocation of our Granby, Québec warehousing operations into our Drummondville, Québec facility which is expected to generate in excess of \$0.7 million in annualized savings including reductions in the cost of freight and shipping; and
- Restructuring initiatives we completed in the past three months are expected to result in annualized savings of more than \$1.1 million in indirect labour and \$2.4 million in selling, general and administrative ("SG&A") expenses.

In aggregate, assuming constant levels of sales, these initiatives will help improve our gross margins, reduce SG&A expenses and generate more than \$5.0 million in improved adjusted EBITDA on a proforma basis.

From a revenue perspective, the outlook for our core traditional business in 2018 is also positive. Our recent new contract with a major Canadian Schedule I bank has solidified our position as the largest supplier of managed communications services to the financial institutions market in Canada and will substantially help offset continued secular declines. We are well into the onboarding process with this client, and expect to be at a full run rate as we enter 2018.

To further strengthen our sales initiatives, we recently appointed Michael Côté as Senior Vice President, Chief Commercial Officer. Mr. Côté joined us in September as Senior Vice President, Corporate Development & Strategy. In this expanded role, Mr. Côté takes on additional responsibility leading our sales and marketing communications teams into 2018. Mr. Côté takes over our four sales verticals which have recently been refined into: (a) large enterprise clients, (b) national and regional retail clients, (c) strategic commercial and service related clients and (d) new ventures.

We count two-thirds of the largest 100 companies in Canada as our clients. Our efforts to increase the number of products and services we sell to our clients are bearing fruit, as we leverage our unique technology and applications, our national footprint, value-added insights from our sales team, and superior execution from our service delivery team.

In our marketing communications business, we've significantly expanded our capabilities in markets with growth potential, having completed three acquisitions this year and adding more than \$45.0 million of annual revenue. The recent acquisition of BOLDER Graphics further strengthens our large format presence in the market and is expected to provide

immediate synergies when combined with our state-of-the-art Calgary centre of excellence in the first quarter of 2018. While we will continue to evaluate other complementary acquisitions in the coming year, particularly in the labels, large format and digital print markets, our focus will be on leveraging our newly acquired capabilities and continued optimization of our business communications business.

Across all our business lines, we are focused on providing our clients with deep insights and the services and products to help our clients sell more to their customers.

While the outlook for 2018 is firming up, we have experienced some continued headwinds and long sales cycles in 2017. As a result, we are revising our financial guidance for fiscal 2017 to a range of between \$15.5 million and \$16.5 million of full year non-IFRS adjusted EBITDA. We look forward to reporting on our continued progress following completion of the fourth quarter of 2017.

For a full description of our financial results for the third quarter and the year to date of 2017, please refer to our unaudited consolidated financial statements for the three and nine months ended September 30, 2017 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Sincerely,



Michael G. Sifton
Chief Executive Officer

DATA Communications Management Corp.
November 2017

Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM.TO) and its subsidiaries (referred to herein as "DATA" or the "Company") for the three and nine month periods ended September 30, 2017 and 2016. This MD&A should be read in conjunction with the MD&A of DATA for the year ended December 31, 2016, the unaudited interim consolidated financial statements and accompanying notes of DATA for the three and nine month periods ended September 30, 2017 and 2016 and the audited consolidated financial statements and accompanying notes of DATA for the year ended December 31, 2016. Additional information about the Company, including its most recently filed unaudited interim and audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (www.sedar.com). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of November 13, 2017.

Basis of presentation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

On July 4, 2016, DATA consolidated its issued and outstanding common shares ("Common Shares") on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares (the "Share Consolidation"). All references in this MD&A to Common Shares, restricted share units and stock options reflect the Share Consolidation, unless specified otherwise.

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DATA, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DATA's current views regarding future events and operating performance, are based on information currently available to DATA, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DATA to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DATA made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DATA's printed business documents relative to historical sales

levels for those products; the risk that changes in the mix of products and services sold by DATA will adversely affect DATA's financial results; the risk that DATA may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DATA may not be successful in managing its organic growth; DATA's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DATA and are well-established suppliers; DATA's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA's businesses; risks associated with acquisitions by DATA; the failure to realize the expected benefits from acquisitions and risks associated with the integration of acquired businesses; increases in the costs of paper and other raw materials used by DATA; and DATA's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DATA's publicly available disclosure documents, as filed by DATA on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DATA does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, gain on cancellation of convertible debentures, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of Common Shares (basic and diluted) outstanding during the period. In addition to net income (loss), DATA uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DATA's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DATA also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DATA's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DATA's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 below.

Business of DATA

OVERVIEW

DATA is a leading provider of business communication solutions, bringing value and collaboration to marketing and operations teams in companies across North America. DATA helps marketers and agencies unify and execute communications campaigns across multiple channels, and it helps operations teams streamline and automate document and communications management processes. DATA is strategically located across Canada, including seven centres of excellence to support clients on a national basis, and serves the U.S. market through its facilities in Chicago, Illinois.

DATA derives its revenues from the following core capabilities: direct marketing, commercial print services, labels and asset tracking, event tickets and gift cards, logistics and fulfilment, content and workflow management, data management and analytics, and regulatory communications. The Company serves clients in key vertical markets such as financial services, retail, healthcare, lottery and gaming, not-for-profit, and energy.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DATA to pass along increases in the cost of paper and other raw materials used to manufacture products.

DATA's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DATA's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DATA has approximately 1,415 employees in Canada and the United States, and had revenues of \$278.4 million in 2016. Website: www.datacm.com.

RECENT DEVELOPMENTS

ACQUISITION OF BOLDER GRAPHICS

On November 10, 2017, DATA acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited, collectively "BOLDER Graphics", a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. The company has approximately 40 employees operating in a 59,000 square foot facility located in Calgary, Alberta. BOLDER Graphics generated approximately \$7.0 million in revenues (unaudited) for the fiscal year ended January 1, 2017.

During the first quarter of 2018, DATA intends to relocate BOLDER Graphics' staff and operations into DATA's 165,000 square foot Calgary, Alberta facility, which produces a wide array of sheet-fed lithography, digital and wide format print services, variable print-on-demand solutions and provides warehousing, fulfillment and distribution services. The combination of these two operations are expected to provide immediate cost savings synergies. This acquisition strengthens DATA's large and wide format printing capabilities in western Canada and complements its significantly expanded large and wide format capabilities obtained through the acquisition of Eclipse (as defined below) in eastern Canada earlier this year.

BOLDER Graphics was acquired for a total purchase price of approximately \$5.1 million, comprised of \$2.0 million in cash paid on closing (including funds advanced in repayment of approximately \$0.4 million of shareholder loans and transaction expenses), \$1.0 million through the issuance of 704,424 Common Shares of DATA, and \$1.1 million in the form of subordinated, unsecured, 6.0% interest bearing vendor take-back promissory notes, which are payable in twenty equal monthly blended payments of principal and interest commencing on February 28, 2018 and ending on September 30, 2019, and the assumption of approximately \$1.0 million in outstanding long-term indebtedness. DATA has secured lock-up agreements with the vendors, pursuant to which the vendors have agreed not to sell DATA common shares issued pursuant to the sale transaction for a period of twelve months from closing. The purchase price is subject to certain post-closing adjustments, including working capital, which will be reflected as an adjustment in the principal amount of the vendor take-back promissory notes.

Total cash advanced on the BOLDER Graphics acquisition of \$2.0 million was financed with the proceeds from the new IAM V Credit Facility (as defined below) and the outstanding long-term indebtedness of \$1.0 million was funded with a draw under DATA's Bank Credit Facility.

The number of DATA's issued and outstanding common shares has increased from 19,334,735 to 20,039,159.

The purchase price accounting related to the BOLDER Graphics acquisition is in progress.

INCREASE IN SENIOR CREDIT FACILITIES

On November 3, 2017, and in connection with the BOLDER Graphics acquisition, DATA established a \$5.0 million secured, non-revolving senior credit facility with Integrated Private Debt Fund V LP, a loan managed by IAM (as defined in "Liquidity and capital resources" below). This facility bears interest at a fixed rate of 6.95% per annum, calculated and payable monthly, and shall be repaid in sixty-six equal monthly payments of \$91.0 thousand beginning on December 15, 2017 and through to May 15, 2023.

The IAM V credit facility was used to fund the up-front cash component of the BOLDER Graphics acquisition of \$2.0 million, repay the remaining outstanding balance of the Bank Term Facility (as described further in "Liquidity and capital resources" below), of \$2.6 million, and the balance was used for general working capital purposes. The refinancing of the Bank Term Facility to 2023 will contribute to improved cash flows for DATA.

COVENANT AMENDMENTS

On September 29, 2017 and October 20, 2017, the fixed charge coverage ratio applicable to DATA's senior credit facilities with a Canadian chartered bank was amended. In addition, on September 29, 2017, the covenants applicable to DATA's senior term loan facilities with IAM were amended to adjust the calculation and ratio applicable to the Senior Funded Debt to EBITDA covenant (see "Liquidity and capital resources" below) and amend the calculation of the debt service coverage ratio. These changes were made to provide greater flexibility to DATA as it continues to transform its business and position itself for growth in 2018.

RESTRUCTURING

a) Integration of Multiple Pakfold operations

On October 11, 2017, DATA announced its plan to integrate the Multiple Pakfold operations, a division of DATA, into its Brampton, Ontario facility. As a result, DATA will exit Multiple Pakfold's facility in Mississauga, Ontario before the end of 2017 and relocate the division's staff and production capabilities into DATA's Brampton, Ontario facility.

Multiple Pakfold is a leading supplier of business forms, cheques and labels to the trade printing market, with approximately 100 employees operating in a 60,000 square foot facility in Mississauga, Ontario and with sales offices in Calgary, Alberta, Mississauga, Ontario and Montreal, Québec. Multiple Pakfold specializes in "short run" printing for its clients, who include independent print brokers serving small to medium sized businesses and small buying groups, office supply companies and other printers.

DATA's Brampton, Ontario facility is focused on the production of long-run forms, roll products and labels for DATA's enterprise clients, and includes a total of 229,000 square feet of production and warehousing capacity, together with its head office and administration. When this move is completed, DATA will operate six "centres of excellence" across Canada.

Multiple Pakfold will continue to serve its trade printing clients as a distinct market segment. DATA expects to benefit from improved efficiencies in balancing work and staffing across its short-run and long-run forms and labels business, allowing it to absorb incremental capacity into its largest production facility in the country. In excess of \$0.8 million in annualized savings is expected from this transition, primarily related to rent and facilities savings. DATA expects to incur approximately \$0.8 million in restructuring expenses relating to the Multiple Pakfold move, primarily consisting of early lease exit charges and relocation of equipment in the fourth quarter of 2017. It is expected that substantially all of Multiple Pakfold's employees will relocate to DATA's Brampton facility.

b) Closure of Granby warehousing operations

On October 18, 2017, DATA announced its plan to close its Granby, Québec warehousing operations and relocate into its Drummondville, Québec facility before the end of 2017.

DATA's Drummondville facility is focused on long-run production of lottery rolls, point of sale rolls and direct mail, and includes a total of 170,000 square feet dedicated to production, warehousing, corporate engineering and administration. DATA previously moved substantially all of Granby's production capabilities to Drummondville in the fourth quarter of 2015, but has continued with warehousing and distribution activities as well as other limited administrative functions in

the 100,000 square foot Granby facility. DATA is currently redesigning its Drummondville operation to accommodate the additional warehousing activities and expects this relocation to be completed in the fourth quarter of fiscal 2017. Approximately \$0.7 million in annualized savings is expected from this transition, primarily related to rent and facilities savings. DATA expects to incur approximately \$2.4 million in restructuring expenses relating to early lease exit charges in the fourth quarter of 2017 related to this move. It is expected that substantially all of the Granby warehousing staff will relocate to DATA's Drummondville facility and the administrative staff will relocate to DATA's Brossard, Québec facility.

c) Reduction of labour force

In connection with DATA's ongoing cost savings initiatives, on October 18, 2017, DATA announced the restructuring of approximately 30 individuals across its indirect labour, selling, general and administrative functions. During the three months ended September 30, 2017 DATA incurred restructuring charges of \$1.4 million and it is expected that total restructuring costs of approximately \$1.6 million in connection with these changes will be incurred in the fourth quarter of 2017. These employee reductions are expected to result in total annualized savings of approximately \$3.5 million, comprised of indirect labour savings of approximately \$1.1 million and SG&A savings of approximately \$2.4 million.

POST-INTEGRATION OF ECLIPSE AND THISTLE ACQUISITIONS

As previously reported, DATA completed the acquisition of Eclipse Colour and Imaging Corp. ("Eclipse") and Thistle Printing Limited ("Thistle") in the first quarter of 2017. Eclipse generated revenue and net income for the three months ended September 30, 2017 of \$6.5 million and \$0.7 million (nine months ended September 30, 2017 of \$15.9 million and \$1.9 million), respectively, and Thistle generated revenue and net income for the three months ended September 30, 2017 of \$4.4 million and \$0.2 million (nine months ended September 30, 2017 of \$10.4 million and \$0.6 million), respectively.

The valuation reports for the Eclipse and Thistle acquisitions are still in progress, and therefore, the purchase price allocation remains preliminary. As such, there may be adjustments to the purchase accounting and those adjustments could be material. The post-closing adjustment for the Eclipse acquisition was completed during the second quarter of 2017 and did not change the purchase price significantly from the estimated amount previously used for the purchase accounting. The post-closing adjustment for the Thistle acquisition was completed during the third quarter of 2017 and resulted in a small increase in the purchase price previously used for the purchase accounting.

REVENUE RECOGNITION POLICY

DATA recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DATA's products are customized, product returns are not significant. DATA may provide pre-production services to its customers; however, these services do not have standalone value and there is no objective and reliable evidence of their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DATA recognizes warehousing, administration and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DATA and the costs associated with these services can be reliably measured. DATA occasionally provides warehousing services that are negotiated as a separate charge based on market

rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing, administration and marketing service fees are included in one overall selling price of DATA's custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

DATA's cost of revenues consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DATA's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs consist of employee salaries and health benefits at DATA's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DATA's facilities, utilities, insurance and building maintenance. DATA's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DATA has incurred restructuring expenses in each of the last four fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for each of fiscal 2017 and fiscal 2016 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with DATA's fiscal 2016 audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

TABLE 1 The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended September 30, 2017 and 2016 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2017	July 1 to September 30, 2016	January 1 to September 30, 2017	January 1 to September 30, 2016
Revenues	\$ 70,212	\$ 65,842	\$ 213,404	\$ 210,172
Cost of revenues	53,539	51,537	162,367	160,345
Gross profit	16,673	14,305	51,037	49,827
Selling, general and administrative expenses	15,369	13,944	46,108	42,540
Restructuring expenses	1,383	1,787	5,004	2,479
Acquisition costs	18	—	987	—
	16,770	15,731	52,099	45,019
(Loss) income before finance costs and income taxes	(97)	(1,426)	(1,062)	4,808
Finance costs (income)				
Interest expense	1,135	838	3,266	2,575
Interest income	—	(4)	—	(8)
Amortization of transaction costs	141	111	377	467
	1,276	945	3,643	3,034
(Loss) income before income taxes	(1,373)	(2,371)	(4,705)	1,774
Income tax (recovery) expense				
Current	165	46	504	1,378
Deferred	(470)	(552)	(1,463)	(612)
	(305)	(506)	(959)	766
Net (loss) income for the period	\$ (1,068)	\$ (1,865)	\$ (3,746)	\$ 1,008
Basic (loss) earnings per share	\$ (0.06)	\$ (0.16)	\$ (0.25)	\$ 0.09
Diluted (loss) earnings per share	\$ (0.06)	\$ (0.16)	\$ (0.25)	\$ 0.09
Weighted average number of common shares outstanding, basic	19,325,409	11,964,978	15,184,358	10,840,273
Weighted average number of common shares outstanding, diluted	19,325,409	11,964,978	15,184,358	11,025,630
As at September 30, 2017 and December 31, 2016 <i>(in thousands of Canadian dollars, unaudited)</i>	As at September 30, 2017	As at December 31, 2016		
Current assets	\$ 76,445	\$ 68,620		
Current liabilities	63,272	58,473		
Total assets	122,553	90,910		
Total non-current liabilities	62,012	42,372		
Shareholders' deficit	\$ (2,731)	\$ (9,935)		

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted. See “Non-IFRS Measures”.

For the periods ended September 30, 2017 and 2016 <i>(in thousands of Canadian dollars, except percentage amounts, unaudited)</i>	July 1 to September 30, 2017	July 1 to September 30, 2016	January 1 to September 30, 2017	January 1 to September 30, 2016
Revenues	\$ 70,212	\$ 65,842	\$ 213,404	\$ 210,172
Gross profit	\$ 16,673	\$ 14,305	\$ 51,037	\$ 49,827
Gross profit, as a percentage of revenues	23.7%	21.7 %	23.9%	23.7%
Selling, general and administrative expenses	\$ 15,369	\$ 13,944	\$ 46,108	\$ 42,540
As a percentage of revenues	21.9%	21.2 %	21.6%	20.2%
Adjusted EBITDA (see Table 3)	\$ 3,294	\$ 1,974	\$ 10,461	\$ 12,164
As a percentage of revenues	4.7%	3.0 %	4.9%	5.8%
Net (loss) income for the period	\$ (1,068)	\$ (1,865)	\$ (3,746)	\$ 1,008
Adjusted net (loss) income (see Table 4)	\$ (28)	\$ (465)	\$ 939	\$ 2,919
As a percentage of revenues	0.0%	(0.7)%	0.4%	1.4%

TABLE 3 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures”.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended September 30, 2017 and 2016 <i>(in thousands of Canadian dollars, unaudited)</i>	July 1 to September 30, 2017	July 1 to September 30, 2016	January 1 to September 30, 2017	January 1 to September 30, 2016
Net (loss) income for the period	\$ (1,068)	\$ (1,865)	\$ (3,746)	\$ 1,008
Interest expense	1,135	838	3,266	2,575
Interest income	—	(4)	—	(8)
Amortization of transaction costs	141	111	377	467
Current income tax expense	165	46	504	1,378
Deferred income tax recovery	(470)	(552)	(1,463)	(612)
Depreciation of property, plant and equipment	1,084	988	3,027	3,237
Amortization of intangible assets	906	517	2,505	1,532
EBITDA	\$ 1,893	\$ 79	\$ 4,470	\$ 9,577
Restructuring expenses	1,383	1,787	5,004	2,479
One-time business reorganization costs	—	108	—	108
Acquisition costs	18	—	987	—
Adjusted EBITDA	\$ 3,294	\$ 1,974	\$ 10,461	\$ 12,164

TABLE 4 The following table provides reconciliations of net (loss) income to Adjusted net (loss) income and a presentation of Adjusted net (loss) income per share for the periods noted. See “Non-IFRS Measures”.

Adjusted net (loss) income reconciliation

For the periods ended September 30, 2017 and 2016 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2017	July 1 to September 30, 2016	January 1 to September 30, 2017	January 1 to September 30, 2016
Net (loss) income for the period	\$ (1,068)	\$ (1,865)	\$ (3,746)	\$ 1,008
Restructuring expenses	1,383	1,787	5,004	2,479
One-time business reorganization costs	—	108	—	108
Acquisition costs	18	—	987	—
Tax effect of the above adjustments	(361)	(495)	(1,306)	(676)
Adjusted net (loss) income	\$ (28)	\$ (465)	\$ 939	\$ 2,919
Adjusted net (loss) income per share, basic	\$ —	\$ (0.04)	\$ 0.06	\$ 0.27
Adjusted net (loss) income per share, diluted	\$ —	\$ (0.04)	\$ 0.06	\$ 0.26
Weighted average number of common shares outstanding, basic	19,325,409	11,964,978	15,184,358	10,840,273
Weighted average number of common shares outstanding, diluted	19,325,409	11,964,978	15,380,159	11,025,630
Number of common shares outstanding, basic	19,334,735	11,975,053	19,334,735	11,975,053
Number of common shares outstanding, diluted	19,334,735	12,545,015	19,592,938	12,545,015

Results of operations

REVENUES

For the quarter ended September 30, 2017, DATA recorded revenues of \$70.2 million, an increase of \$4.4 million or 6.6% compared with the same period in 2016. The increase in revenues for the quarter ended September 30, 2017 was due to the inclusion of the financial results for Eclipse and Thistle, in addition to greater than expected growth realized from these acquisitions. The increase in revenue was partially offset by lower revenues in DATA's core business due to (i) lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and (ii) non-recurring work and the timing of orders related to forms for certain government agencies and labels for a major retailer, respectively.

For the nine months ended September 30, 2017, DATA recorded revenues of \$213.4 million, an increase of \$3.2 million or 1.5% compared with the same period in 2016. The increase in revenues for the nine months ended September 30, 2017 was primarily due to the additions of revenues from the acquisitions of Eclipse and Thistle and new customers. This increase in revenue was partially offset by lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and was also due to non-recurring work and timing of orders related to the forms and labels business, from which DATA benefited last year, resulting in the overall increase in revenues compared to the first nine months of 2016.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended September 30, 2017, cost of revenues increased to \$53.5 million from \$51.5 million for the same period in 2016, proportionate to the increase in year over year revenue for the same period. Gross profit for the quarter ended September 30, 2017 was \$16.7 million, which represented an increase of \$2.4 million or 16.6% from \$14.3 million for the same period in 2016. Gross profit as a percentage of revenues increased to 23.7% for the quarter ended September 30, 2017 compared to 21.7% for the same period in 2016. For the nine months ended September 30, 2017, cost of revenues increased to \$162.4 million from \$160.3 million for the same period in 2016. Gross profit for the nine months ended September 30, 2017 was \$51.0 million, which represented an increase of \$1.2 million or 2.4% from \$49.8 million for the same period in 2016. Gross profit as a percentage of revenues increased marginally to 23.9% for the nine months ended September 30, 2017 compared to 23.7% for the same period in 2016. The increase in gross profit as a percentage of revenues for the three and nine months ended September 30, 2017 was due to higher gross margins attributed to Eclipse and Thistle, cost reductions realized from prior cost savings initiatives implemented in 2016 and additional process improvement savings implemented in January 2017. The increase in gross profit as a percentage of revenues was partially offset by changes in product mix, and compressed margins on recently negotiated large contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the quarter ended September 30, 2017 increased \$1.4 million or 10.2% to \$15.4 million compared to \$13.9 million in the same period in 2016. As a percentage of revenues, these costs were 21.9% of revenues for the quarter ended September 30, 2017 compared to 21.2% of revenues for the same period in 2016. The increase in SG&A expenses for the quarter ended September 30, 2017 was primarily attributable to the acquisitions of Eclipse and Thistle and was partially offset by cost savings initiatives implemented in early 2017.

SG&A expenses for the nine months ended September 30, 2017 increased \$3.6 million or 8.4% to \$46.1 million compared to \$42.5 million for the same period of 2016. As a percentage of revenues, these costs were 21.6% and 20.2% of revenues for the nine month periods ended September 30, 2017 and 2016, respectively. The increase in SG&A expenses for the nine months ended September 30, 2017 was primarily attributable to the acquisitions of Eclipse and Thistle and was partially offset by cost savings initiatives implemented in early 2017.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DATA over the past three years in order to improve margins and better align costs with the declining revenues experienced by the Company, a trend that has been faced by the traditional printing industry for several years now.

For the quarter ended September 30, 2017, DATA incurred restructuring expenses of \$1.4 million compared to \$1.8 million in the same period in 2016. The restructuring expenses of \$1.4 million during the quarter ended September 30, 2017 primarily related to headcount reductions across the operational, sales and information technology functions of the business. For the quarter ended September 30, 2016, DATA incurred restructuring expenses of \$1.8 million primarily related to headcount reductions.

For the nine months ended September 30, 2017, DATA incurred restructuring expenses of \$5.0 million compared to \$2.5 million in the same period in 2016. \$5.0 million of restructuring costs in the first nine months of 2017 were related to headcount reductions in DATA's indirect labour force across its operations, designed to streamline DATA's order-to-production process and across all area of DATA's operations including sales, general and administrative functions. These restructuring costs were offset by a recovery of \$0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DATA also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of \$0.3 million. For the nine months ended September 30, 2016, DATA incurred restructuring expenses related to headcount reductions of \$2.5 million.

DATA will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

ADJUSTED EBITDA

For the quarter ended September 30, 2017, Adjusted EBITDA was \$3.3 million, or 4.7% of revenues, after adjusting EBITDA for the \$1.4 million in restructuring charges. Adjusted EBITDA for the three months ended September 30, 2017 increased \$1.3 million or 66.9% from the same period in the prior year which was 3.0% of revenues in 2016. The increase in Adjusted EBITDA for the three months ended September 30, 2017 was due to higher gross profit as a result of higher revenues and was partially offset by higher SG&A expenses.

For the nine months ended September 30, 2017, Adjusted EBITDA was \$10.5 million, or 4.9% of revenues, after adjusting EBITDA for the \$5.0 million in restructuring charges and adding back \$1.0 million related to business acquisition costs. Adjusted EBITDA for the nine months ended September 30, 2017 decreased \$1.7 million or 14.0% from the same period in the prior year which was 5.8% of revenues in 2016. The decrease in Adjusted EBITDA for the nine months ended September 30, 2017 was attributable to higher SG&A expenses and was partially offset by higher gross profit as a result of higher revenues compared to the prior comparable period.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DATA's credit facilities, on outstanding 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities, and on DATA's employee benefit plans, was \$1.1 million for the three months ended September 30, 2017 compared to \$0.8 million for the same period in 2016, and was \$3.3 million for the nine months ended September 30, 2017 compared to \$2.6 million for the same period in 2016. Interest expense for the three and nine month periods ended September 30, 2017 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DATA's credit facilities in order to fund a portion of the upfront cash components of the purchase prices, settle certain debt assumed and pay for related acquisition costs associated with the Eclipse and Thistle acquisitions in February 2017 and was favourably impacted by the repayment of DATA's 6.00% Convertible Debentures in June 2017.

INCOME TAXES

DATA reported a loss before income taxes of \$1.4 million and a net income tax recovery of \$0.3 million for the quarter ended September 30, 2017 compared to a loss before income taxes of \$2.4 million and a net income tax recovery of \$0.5 million for the quarter ended September 30, 2016. DATA reported a loss before income taxes of \$4.7 million and

a net income tax recovery of \$1.0 million for the nine months ended September 30, 2017 compared to income before income taxes of \$1.8 million and a net income tax expense of \$0.8 million for the nine months ended September 30, 2016. The current income tax expense was due to the taxes payable on DATA's estimated taxable income for the three and nine month periods ended September 30, 2017 and 2016, respectively. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the three and nine month periods ended September 30, 2017 and 2016, respectively.

NET LOSS

Net loss for the quarter ended September 30, 2017 was \$1.1 million compared to net loss of \$1.9 million for the same period in 2016. The increase in comparable profitability for the quarter ended September 30, 2017 was substantially due to higher gross profit as a result of higher revenues and lower restructuring expenses, and was partially offset by higher SG&A expenses and interest expense during the three months ended September 30, 2017.

Net loss for the nine months ended September 30, 2017 was \$3.7 million compared to a net income of \$1.0 million for the same period in 2016. The decrease in comparable profitability for the nine months ended September 30, 2017 was primarily due to higher SG&A expenses and interest expense, a larger restructuring charge and business acquisition costs during the nine months ended September 30, 2017.

ADJUSTED NET LOSS

Adjusted net loss for the quarter ended September 30, 2017 was \$28.0 thousand compared to Adjusted net loss of \$0.5 million for the same period in 2016. Adjusted net income for the nine months ended September 30, 2017 was \$0.9 million compared to Adjusted net income of \$2.9 million for the same period in 2016. The decrease in comparable profitability for the nine months ended September 30, 2017 was attributable primarily due to higher SG&A expenses and higher interest expense in 2017.

Liquidity and capital resources

LIQUIDITY

DATA has established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with IAM IV, a loan managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate credit agreements, between DATA and the Bank (the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Upon closing of the Thistle acquisition, DATA became a co-borrower under an existing credit agreement (the "IAM III Credit Agreement") between Thistle and Integrated Private Debt Fund III LP ("IAM III"), another loan managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the "IAM III Credit Facility"). The IAM III Credit Facility is subject to the same covenant conditions stipulated under the IAM IV Credit Agreement and is reported on a consolidated basis.

On June 28, 2017, DATA established the Bridging Credit Facility with Bridging for \$3.5 million. Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DATA's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit

Facility has a term of one year and can be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DATA's other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DATA's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility limits spending on capital expenditures by DATA to an aggregate amount not to exceed \$5.5 million during any fiscal year. Transaction costs of \$0.1 million were capitalized and the unamortized transaction costs as at September 30, 2017 were \$0.1 million. These costs are being amortized over the term of the Bridging Credit Facility.

On November 3, 2017, DATA established a \$5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the "IAM Credit Agreements"). The IAM V Credit Facility may be drawn by way of a single advance, bears interest at a fixed rate of 6.95% per annum, calculated and payable monthly, and shall be repaid in sixty six equal monthly payments of \$91 thousand beginning on December 15, 2017 and through to May 15, 2023, consistent with the maturity of the IAM IV Credit Facility. The IAM V Credit Facility can be repaid in full at any time prior to maturity upon thirty days prior written notice to IAM and is subject to an early repayment fee equal to the difference between i) the present value of the remaining payments from the prepayment date discounted at a rate based on yields earned on Government of Canada Bonds with a comparable term; and ii) the face value of the remaining payments on the prepayment date. Under the terms of the IAM V Credit Agreement, DATA is required to deposit and hold cash of \$90 thousand in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the IAM V Credit Facility. In addition, the IAM V Credit Facility is subject to the same covenant conditions stipulated under the amended IAM IV Credit Agreement and will be reported on a consolidated basis. The IAM V Credit Facility was used to fund the up-front cash component of the BOLDER Graphics acquisition of \$2.0 million, repay the remaining outstanding balance of the Bank Term Facility (as defined below) on the closing of the BOLDER Graphics acquisition of \$2.6 million, and the balance was used for general working capital purposes.

As at September 30, 2017, DATA had outstanding borrowings of \$24.0 million and letters of credit granted of \$1.1 million under the Bank Credit Facility, outstanding borrowings of \$23.1 million under the IAM IV Credit Facility, outstanding borrowings of \$5.0 million under the IAM III Credit Facility and outstanding borrowings of \$3.5 million under the Bridging Credit Facility. Under the Bank Credit Facility, DATA had access to \$7.6 million of available credit at September 30, 2017.

In connection with the acquisitions of Eclipse and Thistle on January 31, 2017, DATA amended its Bank Credit Agreement (the "First Amended Bank Credit Agreement"). On May 30, 2017, the Bank Credit Agreement was amended to adjust the fixed charge coverage ratio (the "Second Amended Bank Credit Agreement") and on June 28, 2017, the Bank Credit Agreement was amended in connection with the establishment of the Bridging Credit Facility (the "Third Amended Bank Credit Agreement"). On September 29, 2017 and October 20, 2017, the Bank Credit Agreement was further amended to adjust the fixed charge coverage ratio (the "Fourth Amended Bank Credit Agreement" and "Fifth Amended Bank Credit Agreement", respectively).

Pursuant to the First Amended Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility increased from up to \$25.0 million to up to \$35.0 million and the extension of the term of the amended Bank Credit Facility increased by one year, to March 31, 2020. The amount available under the term portion of the amended Bank Credit Facility (the "Bank Term Facility") was increased from \$5.0 million to \$7.0 million. The maturity on the Bank Term Facility originally was the earlier of March 10, 2018 and the date on which the Bank Credit Facility is terminated pursuant to the amended Bank Credit Agreement, with monthly principal repayments of \$208.0 thousand. Pursuant to the First Amended Bank Credit Agreement, beginning March 31, 2017 through until March 31, 2020, the Bank Term Facility would be amortized in equal monthly payments of \$194.0 thousand, however pursuant to the Third Amended Bank Credit Agreement, the amortization period was subsequently adjusted to equal monthly installments of \$400 thousand being paid beginning July 31, 2017 until May 31, 2018. Payments on the Bank Term Facility will not reduce the amount available under the revolving credit facility. On June 28, 2017, DATA repaid \$2.0 million of the outstanding borrowings under the Bank Term Facility and on November 10, 2017, the remaining balance of \$2.6 million was fully repaid with a portion of the proceeds from the IAM V Credit Facility.

Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. Pursuant to the Third Amended Bank Credit Agreement, the interest on the Bank Term Facility was amended to a rate based upon the Canadian prime rate plus an applicable margin of 2.25%. The increased availability under the amended Bank Credit Facility was used, in part, together with the additional availability under the Bank Term Facility, to finance the up-front cash components of the Eclipse and Thistle acquisitions and related transaction expenses and to provide DATA with additional flexibility to continue to pursue its strategic growth objectives. In connection with these two acquisitions, DATA's indebtedness increased by approximately \$16.3 million, including assumed indebtedness of Eclipse and Thistle.

During the three months ended June 30, 2016, DATA amended the terms of the IAM IV Credit Agreement to adjust the calculation of the working capital ratio ("First Amended IAM IV Credit Agreement"). In connection with the acquisitions of Eclipse and Thistle on January 31, 2017, DATA amended its IAM IV Credit Agreement (the "Second Amended IAM IV Credit Agreement"). On August 4, 2017, the IAM IV Credit Agreement was amended to adjust the working capital current ratio (the "Third Amended IAM IV Credit Agreement") and on September 29, 2017, the IAM IV Credit Agreement was further amended to adjust the calculation and ratio applicable to the Senior Funded Debt to EBITDA covenant (as defined below) and amend the calculation of the debt service coverage ratio (the "Fourth Amended IAM IV Credit Agreement").

Under the terms of the Second Amended IAM IV Credit Agreement, the maximum aggregate principal amount which may be outstanding at any time under the IAM IV Credit Facility, the IAM III Credit Facility and the amended Bank Credit Facility, calculated on a consolidated basis in accordance with IFRS ("Senior Funded Debt"), was increased from \$50.0 million to \$72.0 million (after giving effect to the provisions of the inter-creditor agreement described below). The aggregate principal amount outstanding under the IAM V Credit Facility is included as part of Senior Funded Debt.

DATA has capitalized transaction costs of \$1.0 million related to the amended Bank Credit Facility, including \$0.3 million of additional costs incurred as a result of the Second, Third and Fourth Amended Bank Credit Agreements, respectively, during the nine month period ended September 30, 2017. The unamortized balance of the transaction costs are being

amortized over the remaining term of the amended Bank Credit Facility. As at September 30, 2017, the unamortized transaction costs related to this facility were \$0.6 million. As at September 30, 2017, all of DATA's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.95% per annum and all of DATA's indebtedness outstanding under the Bank Term Facility was subject to a floating interest rate of 5.45% per annum.

DATA has capitalized transaction costs of \$0.8 million related to the amended IAM IV Credit Facility, including \$0.1 million of additional costs incurred as a result of the Third and Fourth Amended IAM IV Credit Agreements during the nine month period ended September 30, 2017. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at September 30, 2017, the unamortized transaction costs related to the amended IAM IV Credit Facility were \$0.6 million. As at September 30, 2017, the unamortized transaction costs related to the IAM III Credit Facility were \$32.0 thousand. As at September 30, 2017, all of DATA's indebtedness outstanding under the IAM III Credit Facility and the amended IAM IV Credit Facility was subject to a fixed interest rate equal to 6.91% per annum and 6.95% per annum, respectively. The principal amount of the IAM III Credit Facility amortizes in equal monthly payments over an eight year term ending in October 15, 2022. The amended IAM IV Credit Facility matures on March 10, 2023.

Each of the amended Bank Credit Agreement, the IAM V Credit Agreement, the amended IAM IV Credit Agreement, the IAM III Credit Agreement and the Bridging Credit Agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the Common Shares without the consent of the Bank, IAM III, IAM IV, IAM V and Bridging, as applicable.

Under the terms of the Bank Credit Agreement, and before giving effect to the amendments described below, DATA was required to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DATA to service its outstanding debt for such period. As a result of the First Amended Bank Credit Agreement on January 31, 2017, the pro forma financial results for Eclipse and Thistle were included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DATA's covenant calculations. Pursuant to the Second, Fourth and Fifth Amended Bank Credit Agreements on May 30, 2017, September 29, 2017, October 20, 2017, respectively, the fixed charge coverage ratio was amended such that i) for the period commencing April 30, 2017 and ending June 30, 2017, the ratio would not be less than 1.0 to 1.0; ii) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; and iii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, on a consolidated basis, in respect of any particular trailing twelve month period. As at September 30, 2017, the fixed charge coverage ratio was 1.08. As at September 30, 2017, DATA was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the original IAM Credit IV Agreement, and before giving effect to the amendments described below, DATA was required to maintain (i) a ratio of Senior Funded Debt to EBITDA of not greater than the following levels: from the date of the advance up to March 31, 2017 - 3.25 to 1; from April 1, 2017 up to March 31, 2018 - 3.00 to 1; and on

and after April 1, 2018 - 2.75 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.25:1. Pursuant to the First Amended IAM IV Credit Agreement, during the quarter ended June 30, 2016, the terms of the IAM IV Credit Agreement were amended to exclude the aggregate principal amount of outstanding 6.00% Convertible Debentures from current liabilities for the purposes of calculating the working capital ratio for the period from June 29, 2016 to June 30, 2017. Furthermore, as a result of the Second Amended IAM IV Credit Agreement on January 31, 2017, the proforma financial results for Eclipse and Thistle were included on a trailing twelve and eighteen month basis, as applicable, effective as of the closing date of the acquisitions for the purposes of DATA's covenant calculations. Pursuant to the Third Amended IAM IV Agreement, the working capital current ratio was changed to 1.1 to 1 effective June 30, 2017.

On March 9, 2017, IAM consented, effective the quarter ending March 31, 2017, to modify the calculation of the debt service coverage ratio under the provisions of the amended IAM IV Credit Agreement to include EBITDA (as defined in the IAM IV Credit Agreement) for the six most recently completed fiscal quarters (previously four most recently completed quarters) less income taxes actually paid in cash and the amount of capital expenditures actually incurred or paid during such period up to the amount permitted under this agreement, divided by the aggregate of (i) scheduled principal plus interest payments on the amended IAM IV Credit Facility and IAM III Credit Facility and (ii) projected interest payments on the amended Bank Credit Facility for the next six quarters (previously the four most recently completed quarters).

In addition, on May 11, 2017, DATA received consent from IAM, effective the quarter ending June 30, 2017, to modify the calculation of the Senior Funded Debt to EBITDA ratio under the provisions of the amended IAM IV Credit Agreement and the IAM III Credit Agreement to include EBITDA for the six most recently completed fiscal quarters multiplied by 2/3 (previously the four most recently completed quarters). Pursuant to the Fourth Amended IAM IV Credit Agreement on September 29, 2017, the calculation of the debt service coverage ratio and the Senior Funded Debt to EBITDA ratio were amended to i) restore the inclusion of EBITDA to the four most recently completed fiscal quarters effective the quarter ending September 30, 2017; ii) include the Bridging Credit Facility as part of Senior Funded Debt effective the quarter ending September 30, 2017; iii) include projected interest payments on the Bridging Credit Facility over the next four quarters for the purposes of calculating the debt service coverage ratio; and iv) revise the Senior Funded Debt to EBITDA ratio such that DATA must maintain the following levels: from July 1, 2017 up to September 30, 2017 - 4.00 to 1; October 1, 2017 up to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1.

As at September 30, 2017, the ratio of Senior Funded Debt to EBITDA was 3.62, the debt service coverage ratio was 1.69 and the working capital current ratio was 1.21 (after giving effect to the amendments described above). As at September 30, 2017, DATA was in compliance with these covenants and it expects to be compliant with these covenants going forward.

A failure by DATA to comply with its obligations under any of the amended Bank Credit Agreement, the amended IAM Credit Agreements or the Bridging Credit Agreement, together with certain other events, including a change of control of DATA and a change in DATA's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III, IAM IV and IAM V, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the

indebtedness outstanding under each of those agreements. DATA anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DATA will be successful in achieving the results targeted in its 2017 operating plan or in complying with its covenants over the next twelve months.

DATA's obligations under the amended Bank Credit Facility, the IAM V Credit Facility, the amended IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DATA and its affiliates. On February 22, 2017, DATA entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DATA, Eclipse and Thistle. On June 28, 2017, the inter-creditor agreement was amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 3, 2017, the inter-creditor agreement was further amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

Market conditions and DATA's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DATA from time to time or upon the maturity of the amended Bank Credit Facility, the IAM V Credit Facility, the amended IAM IV Credit Facility, the IAM III Credit Facility, the Bridging Credit Facility or other indebtedness of DATA.

As at September 30, 2017, DATA had a bank overdraft of \$1.8 million compared to cash and cash equivalents of \$1.5 million at December 31, 2016. Under the terms of the amended IAM IV Credit Agreement, DATA is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility. As at September 30, 2017, there was a balance of \$0.4 million in the blocked account, which is recognized as restricted cash in DATA's consolidated statements of financial position.

In assessing DATA's liquidity requirements, DATA takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing and planned restructuring activities, as well as its ongoing cash needs for its existing operations, including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DATA's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DATA's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing

and distribution of products or the provision of services. DATA's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

PENSION FUNDING OBLIGATIONS

DATA maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. During the quarter ended September 30, 2017, DATA engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DATA's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 decreased from \$1.3 million to \$0.6 million. As of September 30, 2017, DATA has exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by \$0.2 million. This excess funding will be applied to DATA's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017. The new regulation allows plan administrators whose next filed valuation report is dated on or after December 31, 2016 and before December 31, 2017 to elect to defer the start of new solvency special payments by up to 24 months instead of the usual 12 months.

DATA has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DATA expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately \$0.4 million, after adjusting for the excess funding from 2017, and for 2019 will be approximately \$1.4 million. The January 1, 2018 actuarial valuation report for the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DATA's minimum funding requirements for 2018 and forward is not determinable at this time.

CASH FLOW FROM OPERATIONS

During the three months ended September 30, 2017, cash flows used for operating activities were \$0.8 million compared to cash flows used for operating activities of \$5.9 million during the same period in 2016. \$3.7 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with \$1.1 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse and Thistle, however, this was offset by a \$1.4 million increase in SG&A expenses over the prior year comparative period, in addition to lower revenues from DATA's core business. Changes in working capital during the three months ended September 30, 2017 used \$2.3 million in cash compared with \$5.1 million in the prior year primarily due to decreases in accounts payable related to the timing of payments to suppliers for purchases and deferred revenue, respectively, and due to an increase in accounts

receivable, which was partially offset by a decrease in inventory on hand. In addition, \$1.7 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$1.4 million of payments in 2016. Contributions made to the Company's pension plans were \$0.4 million, which was substantially unchanged from the prior year.

During the nine months ended September 30, 2017, cash flows generated by operating activities were \$1.5 million compared to cash flows generated by operating activities of \$4.3 million during the same period in 2016. \$8.4 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with \$11.4 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse and Thistle, however, this was offset by a \$3.6 million increase in SG&A expense over the prior year comparative period, in addition to lower revenues from DATA's core business. Changes in working capital during the nine months ended September 30, 2017 used \$0.5 million in cash compared with \$0.1 million in the prior year primarily due to increases in accounts receivable, prepaid expenses and other assets and accounts payable due to the timing of payments to suppliers for purchases which was partially offset by decreases in inventory on hand and deferred revenues, respectively. In addition, \$5.1 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$5.5 million of payments in 2016. Contributions made to the Company's pension plans were \$1.3 million, which was substantially unchanged from the prior year.

INVESTING ACTIVITIES

During the three months ended September 30, 2017, \$1.7 million in cash flows were used for investing activities compared with \$0.4 million during the same period in 2016. In 2017, \$0.5 million of cash was used to invest in digital press equipment, the relocation of certain sales offices and certain office equipment. In 2017, \$1.1 million of cash was used primarily related to investments in DATA's ERP project.

During the nine months ended September 30, 2017, \$8.9 million in cash flows were used for investing activities compared with \$1.3 million during the same period in 2016. In 2017, \$1.5 million of cash was used to invest in label equipment with digital capabilities, digital press equipment, the relocation of certain sales offices and certain office equipment. In 2017, \$2.2 million of cash was used related primarily related to investments in DATA's ERP project. In 2017, \$5.2 million of cash was used to acquire the businesses of Eclipse and Thistle and to settle the post-closing adjustment for Eclipse.

FINANCING ACTIVITIES

During the three months ended September 30, 2017, cash flow generated by financing activities was \$1.7 million compared to cash flow generated by financing activities of \$4.5 million during the same period in 2016. DATA used net cash received from the issuance of common shares and warrants of \$0.1 million and cash from advances under its credit facilities totaling \$4.1 million to repay \$1.8 million in outstanding principal amounts under its credit facilities. DATA also paid a total of \$0.5 million related to the promissory note issued in connection with the acquisition of Thistle.

During the nine months ended September 30, 2017, cash flow generated by financing activities was \$4.1 million compared to cash flow used for financing activities of \$4.6 million during the same period in 2016. DATA used net cash received from the issuance of common shares and warrants of \$8.1 million and cash from advances under its credit facilities totaling \$21.2 million to repay a total of \$2.4 million to settle the outstanding balance on certain equipment leases that

were assumed upon the acquisition of Eclipse, \$9.4 million in outstanding principal amounts under its credit facilities, to settle certain debt assumed upon the acquisition of Eclipse and Thistle on February 22, 2017, and to repay the 6.00% Convertible Debentures outstanding principal amount totalling \$11.2 million. DATA also paid a total of \$1.0 million related to the promissory note issued in connection with the acquisition of Thistle. Lastly, DATA incurred \$0.6 million of transaction costs related to the amendments to its senior credit facilities and costs to establish DATA's additional credit facility during the nine months ended September 30, 2017.

Outstanding share data

At November 13, 2017, September 30, 2017 and December 31, 2016, there were 20,039,159, 19,334,735 and 11,975,053 Common Shares outstanding, respectively.

On November 10, 2017, a total of 704,424 Common Shares were issued to the vendors as partial consideration for the purchase of the shares of BOLDER Graphics. Each of those vendors have entered into a lock-up agreement with DATA pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to those sale transactions until November 10, 2018.

On June 28, 2017, DATA completed a Private Placement and issued 2,690,604 Units, with each Unit consisting of one Common Share and one-half of a Warrant at a price per Unit of \$1.40 for gross proceeds of \$3.8 million. Among this, 550,650 Units were issued to directors and officers of DATA for total proceeds of \$0.8 million. Each full Warrant entitles the holder to acquire one Common Share (a "Warrant Share") at an exercise price of \$1.75 for a period of two years from the closing of the Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume-weighted average price of the Common Shares on the TSX equals or exceeds \$2.75 for 20 consecutive trading days, DATA has the right (the "Acceleration Right") to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DATA notifies the Warrant holders of its intent to exercise the Acceleration Right. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the Private Placement. DATA issued a total of 2,690,604 additional Common Shares pursuant to the Private Placement (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the Private Placement. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of \$3.8 million by the relative fair values of each component on closing of the Private Placement. The fair value of the Warrants issued was estimated to be \$0.3 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was \$3.4 million, based on the closing market price of the shares on closing of the Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was \$3.4 million and the proceeds allocated to the Warrants was \$0.3 million, net of transaction costs totaling \$0.1 million.

On July 13, 2017, DATA completed a second closing of the Private Placement to a director of DATA for 71,500 Units, raising additional gross proceeds of \$100.0 thousand. The value of the 71,500 Common Shares and 35,750 Warrants

issued were \$72.0 thousand and \$7.0 thousand, respectively, based on an allocation of the gross proceeds of \$100.0 thousand by the relative fair values of each component of the second closing of the Private Placement, net of transaction costs totaling \$21.0 thousand.

On June 23, 2017, DATA completed a Rights Offering which was conducted by way of a rights offering circular ("Circular"). Under the offering, DATA issued 3,312,368 Common Shares at a price of \$1.40 per share for gross proceeds of \$4.6 million. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DATA for total gross proceeds of \$1.5 million. Under the terms of the Rights Offering, each eligible shareholder ("Eligible Holder") on record as of May 31, 2017 (the "Record Date") received one right ("Right") for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of \$1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were \$0.2 million which were classified net of the Common Shares issued under the Rights Offering.

On May 5, 2017, 6,502 Common Shares were issued in connection with the net settlement of 19,505 stock options at an exercise price of \$1.50 per Common Share and the net amount was recorded in contributed surplus in DATA's consolidated statement of changes in equity (deficit).

On February 22, 2017, a total of 1,278,708 Common Shares were issued to the vendors as partial consideration for the purchase of the assets of Eclipse and the purchase of the shares of Thistle. Each of those vendors have entered into a lock-up agreement with DATA, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to those sale transactions until February 22, 2018.

On July 4, 2016, DATA completed the Share Consolidation and consolidated its issued and outstanding Common Shares on the basis of one post-consolidation Common Share for each 100 pre-consolidation Common Shares.

On May 31, 2016, DATA completed a portion of a non-brokered private placement and issued a total of 1,678,567 Common Shares at a price of \$1.40 per Common Share, of which 357,150 were purchased by the CEO of DATA. On July 4, 2016, following receipt of disinterested shareholder approval at the annual and special meeting of DATA's shareholders held on June 30, 2016, DATA completed the remaining portion of the private placement and issued an additional 308,958 Common Shares to a minority interest shareholder (the "Minority Shareholder") at a price of \$1.40 per Common Share pursuant to the exercise of anti-dilution rights held by the Minority Shareholder. The total number of Common Shares issued as a result of the private placement was 1,987,525 or approximately 19.9% of the current number of outstanding Common Shares on May 27, 2016.

At November 13, 2017 and September 30, 2017, there were options outstanding to purchase up to 811,463 Common Shares, respectively. During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DATA pursuant to the terms of DATA's existing long-term incentive plan. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DATA's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DATA's executive management team and vest at a rate of 1/24th per month beginning on June

23, 2016. During the year ended December 31, 2016, options to purchase 39,011 Common Shares were forfeited. During the nine months ended September 30, 2017, options to purchase 117,032 Common Shares were forfeited and 19,505 options were exercised.

During 2015, the Board approved the award of options to purchase up to 11,745 Common Shares to the CEO of DATA pursuant to the terms of DATA's existing long-term incentive plan which were granted on April 16, 2015 with an exercise price of \$75 per share. During the nine months ended September 30, 2017, all of these options were forfeited.

At November 13, 2017 and September 30, 2017, there were Warrants outstanding to purchase up to 1,381,050 Common Shares outstanding, respectively.

Contractual obligations

DATA believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at September 30, 2017. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

DATA believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

Summary of eight quarter results

TABLE 5 The following table summarizes quarterly financial information for the past eight quarters.

(in thousands of Canadian dollars, except per share amounts, unaudited)

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 70,212	\$ 73,066	\$ 70,126	\$ 68,191	\$ 65,842	\$ 69,716	\$ 74,614	\$ 81,010
Net income (loss) attributable to shareholders	(1,068)	(581)	(2,097)	(33,115)	(1,865)	991	1,882	13,405
Basic earnings (loss) per share	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)	0.09	0.19	11.27
Diluted earnings (loss) per share	(0.06)	(0.04)	(0.17)	(2.77)	(0.16)	0.09	0.19	11.27

The variations in DATA's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2017 can be attributed to several principal factors: the acquisitions of Eclipse and Thistle, revenue declines in DATA's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DATA's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting

from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DATA's key plants, gain on partial redemption of its 6.00% Convertible Debentures, lower interest expense as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DATA's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of \$1.4 million related to its cost reduction initiatives. There were \$1.8 million of restructuring expenses in the third quarter of 2016.

DATA's net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of \$1.7 million related to its cost reduction initiatives. DATA's net income for the second quarter of 2016 included \$0.4 million of restructuring expense related to its cost reduction initiatives.

DATA's net loss for the first quarter of 2017 included restructuring expenses of \$1.9 million related to its cost reduction initiatives and business acquisition costs of \$1.0 million. DATA incurred \$0.3 million of restructuring expenses in the first quarter of 2016.

DATA's net loss for the fourth quarter of 2016 included restructuring expenses of \$1.7 million and \$1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of \$31.1 million related to its DATA CM cash generating unit ("CGU"). DATA's net income for the fourth quarter of 2015 included restructuring expenses of \$1.5 million and a gain on partial redemption of its 6.00% Convertible Debentures of \$12.8 million.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DATA for the nine months ended September 30, 2017. DATA adopt the following new accounting policies:

- (i) On January 19, 2016 the IASB issued *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on DATA's condensed consolidated interim financial statements as a result of the amendments.
- (ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is

permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment will result in additional disclosures in the year-end financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

DATA has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

- (i) IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

- (ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DATA is currently evaluating the impact of the amendments to the standard on its consolidated financial statements.

- (iii) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 *Leases* or other IFRSs. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:
 1. Identify the contract with a customer
 2. Identify the performance obligations in the contract
 3. Determine the transaction price
 4. Allocate the transaction price to the performance obligations in the contract
 5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. DATA continues to actively review its customer sales contracts and evaluate the implications of this new standard. The extent of the impact of the adoption of IFRS 15 has not yet been determined.

- (iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DATA does not expect this amendment to have a significant impact on its consolidated financial statements.
- (v) IFRS 16 *Leases* was issued in January 2016. IFRS 16 requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early application permitted. DATA is currently assessing the impact of the new standard on its consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DATA.

Critical accounting estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that are not readily apparent from other sources about the carrying amounts of assets and liabilities, and reporting of income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method, and their operating results are included in the consolidated financial statements as of the acquisition date. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DATA and contingent considerations, on the acquisition date, in exchange for control of the acquired entity. The excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed is recognized as goodwill. The transaction costs attributable to the acquisition are recognized in the statement of operations when they are incurred.

If the agreement includes a contingent consideration, it is measured at fair value as of the acquisition date and added to the consideration transferred, and a liability for the same amount is recognized. Any subsequent change to the fair value of the contingent consideration will be recognized in the statement of operations.

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, DATA records a provisional amount for the items for which measurement is

incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which DATA has received complete information on the facts and circumstances that existed as of the acquisition date.

If a business combination is achieved in stages, DATA reassesses the share it held previously in the acquiree at fair value at the acquisition date and includes the gain or loss resulting, if any, to the statement of operations.

In the case of a business combination of less than 100%, a non-controlling interest is measured, either at fair value or at the non-controlling interest's share of the net identifiable assets of the acquiree. The basis of measurement is determined on a transaction-by-transaction basis.

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, assumed financial liabilities, among other items. These estimates have been discussed further below.

Property, Plant and Equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of equipment, computer hardware, furniture, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

Intangible Assets

The fair value of trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets were based on the depreciated replacement cost approach which reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Management's report on internal controls over financial reporting

DATA's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DATA for external purposes in accordance with IFRS.

In accordance with the provisions of the National Instrument 52-109- "Certification of the Disclosure in Issuers' Annual and Interim Filings", DATA's management has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Eclipse, Thistle and BOLDER Graphics. The scope limitation is primarily based on the time required to assess each recently acquired company's disclosure controls and procedures and internal controls over financial reporting in a manner consistent with the DATA's other operations.

Excluding the controls, policies and procedures of Eclipse, Thistle and BOLDER Graphics, DATA's management has determined that there have been no changes in the internal controls over financial reporting of DATA during the period beginning on July 1, 2017 and ending on September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DATA.

For a summary of certain financial information about the Eclipse, Thistle and BOLDER Graphics businesses acquired by the Company, see "Recent Developments - Post-integration of Eclipse and Thistle acquisitions" and "Recent Developments - Acquisition of BOLDER Graphics".

Outlook

In the third quarter of 2017, DATA continued to realize the benefits from the incremental revenue and higher relative margins which the acquisitions of Eclipse and Thistle have contributed. DATA also began to realize some of the benefits from its recent initiatives to reduce indirect labour, and SG&A, as demonstrated in higher year over year gross margins and adjusted EBITDA margins. In the fourth quarter of 2017, DATA expects to realize a full-quarter of these savings initiatives.

In the first quarter of 2018, DATA expects to realize significant additional savings - and operational synergies - from the relocations of Multiple Pakfold to its Brampton, Ontario facility and its Granby, Québec warehouse to its Drummondville, Québec facility, both of which are well on track to be completed before the end of the fourth quarter of 2017. DATA's corporate engineering team is leading both initiatives, and is focused on minimizing any disruption to production in the fourth quarter, particularly as DATA moves the Multiple Pakfold work into Brampton, Ontario. DATA will continue to be vigilant about seeking operational efficiencies through 2018.

On the sales front, the onboarding of DATA's recently announced new financial services client is accelerating, and DATA expects to start realizing the benefits from this customer in the fourth quarter of 2017. As this onboarding continues, DATA expects that this business will significantly help offset some of the declines it has been experiencing in its core business, particularly in the financial services sector. This client represents one of the largest single RFP's DATA has been awarded in its history and DATA believes it has room to grow.

DATA is also seeing positive trends from some of its sales initiatives, particularly by focusing on the significant high value-added service that DATA brings to its customers. These sales efforts have contributed to DATA's improved margins in the third quarter of 2017, and, in 2018, are expected to result in incremental cross-selling of its offerings, and improved product and solutions-based margins, to help offset some of the margin pressures DATA has highlighted in the past few quarters. DATA is also optimistic that the recent acquisition of BOLDER Graphics will contribute positively to its Western Canadian business, and its presence in the large format market.

DATA remains excited about its pipeline of new business, and there is a renewed enthusiasm in its sales force in conjunction with some of DATA's recent wins. DATA is looking forward to a strong 2018 and is confident that it has put the right structure and people in place to make 2018 a successful turning point for the Company.

However, given a softer third quarter of 2017 than previously anticipated, DATA is revising its financial guidance for fiscal 2017 to a range of between \$15.5 million and \$16.5 million of full year non-IFRS adjusted EBITDA. As part of establishing the above guidance, the Company made the following assumptions:

- Economic conditions in North America will not deteriorate
- Print revenues in DATA's core business communications market will continue to decline consistent with trends experienced by the industry
- The Company will be able to translate its pipeline of sales into new customer acquisitions and higher wallet share from its existing customer base
- The structural and leadership changes to the sales team, and the several strategic initiatives implemented to date to further enhance sales, will result in improved customer profitability and higher revenues
- The acquisitions of Eclipse, Thistle and BOLDER Graphics will generate additional revenue from cross-selling opportunities gained and will also improve profitability through synergies in cost savings
- Further operational efficiencies and cost savings will result from additional cost management and/or restructuring initiatives completed to date

DATA cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, as is qualified by, the section Forward-looking Statements beginning on page 1 of the November 13, 2017 MD&A.

Risks and uncertainties

An investment in DATA's securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DATA's most recent Annual Information Form and other continuous

disclosure filings made by DATA with Canadian securities regulatory authorities before investing in securities of DATA. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DATA. Additional risks not currently known to DATA, or that DATA currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DATA.