

## **Letter to Shareholders**

Dear Fellow shareholders,

### **Third Quarter Results**

We're pleased with the performance we delivered in the third quarter of fiscal 2021. Revenue of \$56.9 million was up 3.1% compared to the second quarter. And notably, for the first time in eleven quarters, our revenue is in line with that of the prior year. Consumer movements have started to return to pre-pandemic levels, which has positively contributed to revenue.

Our relentless focus on building a better business continues to deliver strong gross margins and gross profit improvements, with gross margin north of 30% in the quarter, the second such quarter this year. We had one such quarter last year, which was the first we are aware of since we've been a public company. Also, gross profit of \$17.2 million was \$0.5 million ahead of last year or 3.1%. Our continued focus on operational excellence, factory consolidation, client mix, and revenue management are all driving these results.

We're happy with our continued progress on overheads, with SG&A of \$11.9 million, or 20.9% of revenue, which is \$1.4 million lower compared to last year.

As a result, our adjusted EBITDA was \$9.4 million, compared to \$10.2 million last year. However, if we adjust for government grants we received, adjusted EBITDA was \$9.2 million, up 25% compared to \$7.4 million one year ago. Please see "Non-IFRS Measures" in the accompanying management's discussion and analysis, including Table 3 which provides a reconciliation of adjusted EBITDA to net income.

Our commitment to paying down debt continues. Total debt at the end of September 2021 was \$36.3 million, down 24.6% or \$11.9 million compared to year end 2020, and down \$2.8 million since last quarter.

On the topic of debt, we recently announced a significant refinancing. Approximately \$21.4 million of 12% term debt, which had been due to mature in May 2023, is being refinanced through the support of both an amended bank credit facility and a new term facility from Fiera Private Debt. This will result in interest savings of more than \$1.5 million in 2022. We're focused on continuing to pay down debt, and targeting leverage below 1.0x debt / EBITDA in the near term.

Our client conversations regarding our tech-enabled capabilities have amplified considerably and we'd like to highlight some commercial successes in the quarter:

- Our tech-enabled revenue penetration is up 3% as a percent of total revenue, compared to last year at this time.
- We strengthened our financial services practice with a tech-enabled win, and will be servicing this client's more than 1,000 branches across Canada, commencing in the new year once onboarding is completed.
- We recently secured a tech-enabled services offering win with a new cannabis client in the US. This multi-state operator is licensing our Flex platform to manage their marketing workflow, art file content creation, regulatory compliance requirements, and integrating with our North American manufacturing to create a combined services model. This innovative approach for us, is another example of how our "digital first" approach is really evolving!
- In addition, we are in the final stages of implementing a digital asset management solution for a leading Canadian retailer, our first stand-alone DAM solution. We expect to build upon this offering in the coming year.

While we are still early in our evolution to "digital first", these successes by our commercial team are great wins to build upon as we accelerate our pace to digital.

Turning to the great work our operations team is doing, the consolidation of our Mississauga plant into our Brampton plant is on track to be completed by year end. While we've previously announced an expected \$1 million of savings from this project, we are also taking the opportunity to upgrade our digital print offering and installing new digital inkjet capabilities. This technology, along with other related operational efficiencies, is expected to save another \$1 million in operating expenses. These digital inkjet capabilities will also provide an additional competitive advantage for us in the market.

And, with our new hybrid work model, we expect to realize more than \$0.8 million of savings through office consolidation.

## 2021 THIRD QUARTER REPORT

Like many manufacturers, we have been experiencing increased headwinds in our supply chain, an after effect of re-openings and improving consumer movements. We are experiencing some raw material shortages, and some production delays as a result. We are working relentlessly to manage through this period with our clients and our vendors to best meet our client's needs.

Our team has also been active on other non-commercial but important initiatives, including with regards to our ESG policies. We recently presented an updated ESG strategy to our Board. We have also engaged with PrintReleaf to deliver a 100% reforestation program for our paper use. This compliments our other sustainability partnerships and commitments, including with the Forest Stewardship Council.

We are entering the fourth quarter of the year with great momentum in our business and the whole team is driving hard to finish strongly. With our focus on talent, business intelligence, operational excellence, client engagement and importantly our technology-enabled services, I'm confident in our outlook for success going forward. Our team is relentlessly committed to building both a bigger and better business.

I'd be remiss if I didn't invite our shareholders to attend – either in person or virtually - our first ever investor day to be held on December 1, 2021. Details on how to RSVP can be found on our website. Senior management will be available as well as two keynote speakers to talk about the importance of marketing technology.

For a full description of our financial results for the third quarter and year to date for 2021, please refer to our unaudited, condensed, interim consolidated financial statements for the three and nine month periods ended September 30, 2021 and management's related discussion and analysis, copies of which are available at [www.sedar.com](http://www.sedar.com).

Yours truly,



Richard C. Kellam  
President & CEO  
DATA Communications Management Corp.  
November 2021

**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) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three and nine months ended September 30, 2021. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2020, the unaudited condensed interim consolidated financial statements and accompanying notes of DCM for the three and nine months ended September 30, 2021 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2020. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR ([www.sedar.com](http://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 on November 9, 2021. This MD&A reflects information as of November 9, 2021.

**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 EBITDA means EBITDA adjusted for restructuring expenses, other income, and one-time business reorganization costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, other income, one-time business reorganization 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 of DCM (basic and diluted) outstanding during the period. In addition to net income (loss), DCM 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 DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM'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 DCM'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.

### **Basis of presentation**

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*". The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DCM's consolidated financial statements for the year ended December 31, 2020, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2021 and disclosed in note 3. Where applicable, DCM has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2021, as issued and outstanding as of November 9, 2021, the date the Board of Directors ("Board") approved these financial statements.

### **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 DCM, 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 DCM's current views regarding future events and operating performance, are based on information currently available to DCM, 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 DCM 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 DCM made or took into account in the preparation of these forward-looking statements include: risks relating to the continuing impact of the COVID-19 pandemic, the impact of which could be material on DCM's business, liquidity and results of operations; increases in the costs of paper, freight, and other raw materials inputs used by DCM and supply chain disruptions which may limit availability of raw materials and impact our production and revenues; DCM's ability to continue as a going concern is dependent upon its ability to comply with its financial covenants for at least the next twelve months which is contingent on management's ability to meet forecast revenue, profitability and cash collection targets; risks relating to DCM's ability to access sufficient capital, including, without limitation, under its existing revolving credit facility, on favourable terms to fund its liquidity and business plans from internal and external sources; DCM's ability to finalize with FPD VI the terms of definitive documentation related to the proposed \$11 million term loan and repay the outstanding balance of the Crown Capital credit facility and realize the anticipated interest savings and other benefits attributable to refinancing the Company's credit facilities; the risk that DCM will not be successful in negotiating amendments to the terms of its existing credit facilities including, without limitation, the financial covenants of DCM under these facilities; the limited growth in the traditional

printing industry and the potential for further declines in sales of DCM'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 DCM will adversely affect DCM's financial results; the risk that DCM 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 DCM may not be successful in managing its organic growth; DCM'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 DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions it has made and risks associated with the integration and growth of such businesses; and DCM's ability to maintain relationships with its customers and suppliers.

Additional factors are discussed elsewhere in this MD&A under the headings "Liquidity and capital resources" and "Risks and Uncertainties" and in DCM's publicly available disclosure documents, as filed by DCM on SEDAR ([www.sedar.com](http://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, DCM does not intend and does not assume any obligation to update these forward-looking statements.

## **Business of DCM**

### **OVERVIEW**

DCM is a leading provider of marketing and workflow solutions that solve the complex branding, communications, logistics and regulatory challenges of some of North America's biggest brands. Powered by purpose-built technology like our DCMFlex™ workflow management platform and our ASMBL digital asset management solution, we help clients bring their brands to life and create more meaningful connections with customers. We serve market leaders in key verticals such as financial services, retail, health care, cannabis, energy, and the public sector, supporting them with marketing scale, speed, efficiency and insight that drives their competitiveness and improves their performance.

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

DCM's revenue is subject to mailing patterns of certain customers. Typically, higher revenues and profit are generated in the first 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, DCM'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.

DCM has approximately 950 employees in Canada and the United States and had revenues of \$259.3 million in 2020. Website: [www.datacm.com](http://www.datacm.com).

## RECENT DEVELOPMENTS

### CREDIT FACILITY AMENDMENTS

DCM entered into an amended and restated credit facility (the “Amended Bank Facility”) with the Bank. The Amended Bank Facility includes a revolving credit facility of up to \$15 million, a term loan of \$10 million and an “accordion” which can provide of up to \$10 million of additional capacity under the revolving facility. The term loan will amortize in equal monthly payments over 30 months. The maturity date of the Amended Bank Facility has been extended from January 31, 2023 to November 8, 2024. The revolving facility is available to finance the working capital needs of the Company. Advances under the Amended Bank Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 50 basis points and 350 basis points for the revolving and term components, respectively.

DCM has also entered into a commitment letter with Fiera Private Debt Fund VI LP (“FPD VI”), by its general partner, FPD, pursuant to which FPD has committed to provide an \$11 million term facility, with a term of 60 months from closing. The FPD VI term loan will amortize in equal monthly principal payments over 84 months, with the remaining 24 payments at maturity due in a bullet payment. A fixed interest rate of 5.95% per annum is payable on the FPD VI term loan. Closing of the FPD VI facility is expected in November 2021.

Collectively, the proceeds from new term loans provided by the Bank and FPD will be used to repay the \$21.4 million Crown Facility.

### COVID-19 GLOBAL PANDEMIC

Management of DCM has been closely monitoring and responding to developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where it operates. While safeguarding the well-being of individuals is the Company’s principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to mitigate the financial impact on our business have been implemented to date, including temporary layoffs, shift reductions, reductions in non-essential spending and deferral of other expenses and payments where practical. The Company continues to evaluate and assess further actions that may be required.

DCM has begun to experience delays in certain raw materials in its supply chain due to the post COVID-19 return of consumer movements and related supply chain constraints. It has also experienced pricing increases in many of its raw materials and freight input costs as the global supply chain has increasingly been impacted. DCM has not experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

#### GOVERNMENT GRANTS

DCM has qualified for, and received, approximately \$3.8 million in 2021 under the Canada Emergency Wage Subsidy or CEWS and \$0.7 million under the Canada Emergency Rent Subsidy or CERS. DCM continues to assess whether it may meet the CEWS or CERS eligibility criteria for future periods, as well as other subsidies that may be available due to the impact of COVID-19 on its business.

#### REVENUE RECOGNITION POLICY

DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies.

#### PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when product is purchased from a third-party vendor and inducted into its warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM's customers obtain the product directly from DCM following completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with its customers, DCM has identified three key distinct performance obligations: product sales, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. DCM recognizes product revenues when control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses. For bundled pricing arrangements, DCM allocates the transaction price to each performance obligation based on their relative stand alone selling prices. Management applied significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.

#### WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. Warehousing services represent a distinct performance obligation and accordingly, revenues are recognized over the period that warehousing services are provided to the customer.

#### FREIGHT SERVICES

DCM provides services to ship customer product from its warehouse to a location specified by the customer. This represents a distinct performance obligation and revenue is recognized when performance of the shipping service has occurred.

## MARKETING SERVICES

DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. Most of DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct. DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue.

## COST OF REVENUES AND OTHER EXPENSES

DCM's cost of revenues primarily consists of raw materials, manufacturing salaries and benefits, occupancy costs, depreciation of owned equipment, and depreciation of the right-of-use asset ("ROU Asset") for property leases and equipment leases. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs primarily consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of depreciation of the ROU Asset for property leases, and costs related to utilities, insurance and building maintenance. DCM'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, the ROU Asset, 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 depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses which primarily consisted of severance costs associated with headcount reductions and costs related to the closure of certain facilities.

## Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary condensed interim and financial information for each of fiscal 2021 and 2020 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 our 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.

<b>For the periods ended September 30, 2021 and 2020</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2021</b>	July 1 to September 30, 2020	<b>January 1 to September 30, 2021</b>	January 1 to September 30, 2020
Revenues	\$ 56,892	\$ 57,374	\$ 174,460	\$ 198,725
Cost of revenues	39,705	40,711	122,638	140,791
Gross profit	17,187	16,663	51,822	57,934
Selling, general and administrative expenses	11,900	13,282	42,329	45,908
Restructuring expenses	3,084	1,065	7,409	2,073
	14,984	14,347	49,738	47,981
Income before finance costs, other income, and income taxes	2,203	2,316	2,084	9,953
Finance costs				
Interest expense, net	1,587	1,804	4,715	5,816
Debt modification (gains) losses	—	—	—	625
Amortization of transaction costs	117	146	438	407
	1,704	1,950	5,153	6,848
Other Income				
Other income	—	—	1,452	—
Government grant income	184	2,759	4,503	8,928
Income before income taxes	683	3,125	2,886	12,033
Income tax expense				
Current	383	(327)	2,055	263
Deferred	(273)	1,313	(1,241)	3,189
	110	986	814	3,452
Net income for the period	\$ 573	\$ 2,139	\$ 2,072	\$ 8,581
Basic earnings per share	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.20
Diluted earnings per share	\$ 0.01	\$ 0.05	\$ 0.05	\$ 0.20
Weighted average number of common shares outstanding, basic	44,056,907	43,047,030	43,970,128	43,047,030
Weighted average number of common shares outstanding, diluted	46,477,944	43,227,051	46,025,059	43,138,431

TABLE 1 CONTINUED

<b>As at September 30, 2021 and December 31, 2020</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>As at September 30, 2021</b>	As at December 31, 2020
Current assets	\$ 67,098	\$ 75,903
Current liabilities	56,910	60,949
Total assets	146,592	163,921
Total non-current liabilities	75,529	93,013
Shareholders' equity	14,153	9,959

**TABLE 2** The following table sets out selected historical consolidated financial information for the periods noted.  
See "Non-IFRS Measures" section above for more details.

<b>For the periods ended September 30, 2021 and 2020</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>July 1 to September 30, 2021</b>	July 1 to September 30, 2020	<b>January 1 to September 30, 2021</b>	January 1 to September 30, 2020
<b>Revenues</b>	\$ 56,892	\$ 57,374	\$ 174,460	\$ 198,725
<b>Gross profit</b>	17,187	16,663	51,822	57,934
<b>Gross profit, as a percentage of revenues</b>	30.2 %	29.0 %	29.7 %	29.2 %
<b>Selling, general and administrative expenses</b>	11,900	13,282	42,329	45,908
As a percentage of revenues	20.9 %	23.1 %	24.3 %	23.1 %
<b>Adjusted EBITDA (see Table 3)</b>	9,437	10,151	26,016	34,089
As a percentage of revenues	16.6 %	17.7 %	14.9 %	17.2 %
<b>Net income for the period</b>	573	2,139	2,072	8,581
<b>Adjusted net income (see Table 4)</b>	2,897	3,026	6,534	10,476
As a percentage of revenues	5.1 %	5.3 %	3.7 %	5.3 %

**TABLE 3** The following table provides reconciliations of net income to EBITDA and of net income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures” section above for more details.

### EBITDA and Adjusted EBITDA reconciliation

<b>For the periods ended September 30, 2021 and 2020</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>July 1 to September 30, 2021</b>	July 1 to September 30, 2020	<b>January 1 to September 30, 2021</b>	January 1 to September 30, 2020
Net income for the period	\$ 573	\$ 2,139	\$ 2,072	\$ 8,581
Interest expense, net	1,587	1,804	4,715	5,816
Debt modification losses	—	—	—	625
Amortization of transaction costs	117	146	438	407
Current income tax expense (recovery)	383	(327)	2,055	263
Deferred income tax (recovery) expense	(273)	1,313	(1,241)	3,189
Depreciation of property, plant and equipment	820	910	2,402	2,779
Amortization of intangible assets	1,045	1,045	3,110	3,156
Depreciation of the ROU Asset	2,101	1,929	6,508	6,725
<b>EBITDA</b>	<b>\$ 6,353</b>	<b>\$ 8,959</b>	<b>\$ 20,059</b>	<b>\$ 31,541</b>
Restructuring expenses	3,084	1,065	7,409	2,073
Other income	—	—	(1,452)	—
One-time business reorganization costs <sup>(1)</sup>	—	127	—	475
<b>Adjusted EBITDA</b>	<b>\$ 9,437</b>	<b>\$ 10,151</b>	<b>\$ 26,016</b>	<b>\$ 34,089</b>

*(1) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.*

**TABLE 4** The following table provides reconciliations of net income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See “Non-IFRS Measures” section above for more details.

### Adjusted net income reconciliation

<b>For the periods ended September 30, 2021 and 2020</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2021</b>	July 1 to September 30, 2020	<b>January 1 to September 30, 2021</b>	January 1 to September 30, 2020
Net income for the period	<b>573</b>	2,139	<b>2,072</b>	8,581
Restructuring expenses	<b>3,084</b>	1,065	<b>7,409</b>	2,073
One-time business reorganization costs <sup>(1)</sup>	—	127	—	475
Other income	—	—	<b>(1,452)</b>	—
Tax effect of the above adjustments	<b>(760)</b>	(305)	<b>(1,495)</b>	(653)
<b>Adjusted net income</b>	<b>2,897</b>	3,026	<b>6,534</b>	10,476
<b>Adjusted net income per share, basic and diluted</b>	<b>0.07</b>	0.07	<b>0.15</b>	0.24
<b>Weighted average number of common shares outstanding, basic</b>	<b>44,056,907</b>	43,047,030	<b>43,970,128</b>	43,047,030
<b>Weighted average number of common shares outstanding, diluted</b>	<b>46,477,944</b>	43,227,051	<b>46,025,059</b>	43,138,431
<b>Number of common shares outstanding, basic</b>	<b>44,062,831</b>	43,047,030	<b>44,062,831</b>	43,047,030
<b>Number of common shares outstanding, diluted</b>	<b>46,483,868</b>	43,227,051	<b>46,117,762</b>	43,138,431

*(1) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.*

### Results of operations

#### REVENUES

For the three months ended September 30, 2021, DCM recorded revenues of \$56.9 million, a decrease of \$0.5 million or 0.8% compared with the same period in 2020. For the nine months ended September 30, 2021, DCM recorded revenues of \$174.5 million, a decrease of \$24.3 million or 12.2% compared with the same period in 2020. For the three months ended September 30, 2021, revenue was in line with the prior period, which represents a positive sign that the business is firming up as we emerge from the COVID-19 pandemic and start to experience some tailwinds in recovery with openings across the country. For the nine months ended September 30, 2021, the decrease was primarily attributable to lower demand resulting from the impact of the COVID-19 pandemic in the first half of 2021, particularly in the financial services, retail and government sectors. During the prior year comparative period, revenue was significantly higher during the first quarter of 2020 as there was no material impact from the COVID-19 impact and due to one-time, non-core sales of COVID-19 related PPE products.

#### COST OF REVENUES AND GROSS PROFIT

For the three months ended September 30, 2021, cost of revenues decreased to \$39.7 million from \$40.7 million for the same period in 2020, resulting in a \$1.0 million or 2.5% decrease over the same period in 2020. Gross profit for

the three months ended September 30, 2021 was \$17.2 million, resulting in an increase of \$0.5 million or 3.1% from \$16.7 million for the same period in 2020. Gross profit as a percentage of revenues increased to 30.2% for the three months ended September 30, 2021, compared to 29.0% for the same period in 2020.

For the nine months ended September 30, 2021, cost of revenues decreased to \$122.6 million from \$140.8 million for the same period in 2020, resulting in a \$18.2 million or 12.9% decrease over the same period in 2020. Gross profit for the nine months ended September 30, 2021 was \$51.8 million, resulting in a decrease of \$6.1 million or 10.5% from \$57.9 million for the same period in 2020. Gross profit as a percentage of revenues increased to 29.7% for the nine months ended September 30, 2021, compared to 29.2% for the same period in 2020.

Gross profit as a percentage of revenues for the three and nine months ended September 30, 2021 increased from the prior year, particularly in the third quarter of 2021, despite the revenue shortfall due to the impact of the COVID-19 pandemic (which would result in weaker absorption of fixed overhead costs, primarily salaries and wages) and supply chain challenges such as raw material price increases and availability constraints. Gross margin was positively impacted by (i) realizing the full benefits from the cost saving initiatives implemented throughout 2020 and 2021, resulting in a reduction in salaries and wages, (ii) other temporary lay-offs, reduction in casual labour and other cost saving measures in reaction to the impact of COVID-19 on the business, (iii) improved management of purchasing inventory and other direct costs, and (iv) continued discipline to improve pricing with customers, including improvement in freight pricing to achieve positive margins.

#### **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative (“SG&A”) expenses decreased \$1.4 million or 10.4% to \$11.9 million, or 20.9% of total revenues, for the three months ended September 30, 2021 compared to \$13.3 million, or 23.1% of total revenues for the same period in 2020.

Selling, general and administrative (“SG&A”) expenses decreased \$3.6 million or 7.8% to \$42.3 million, or 24.3% of total revenues, for the nine months ended September 30, 2021 compared to \$45.9 million, or 23.1% of total revenues for the same period in 2020.

SG&A expenses for the three and nine months ended September 30, 2021 benefited from a reduction in selling, commissions and other sales expenses of \$0.5 million and \$2.1 million, respectively, and a reduction in general and administrative expenses of \$0.9 million and \$1.5 million, respectively. The decrease in SG&A for the three and nine months ended September 30, 2021 was primarily attributable to the reduction in salaries and wages realized from the full benefits from the cost saving initiatives implemented throughout 2020 and 2021, including the departure of senior executive team members, and other temporary lay-offs and a reduction in casual labour in reaction to the impact of COVID-19 on the business. Specifically for general and administrative expenses, there was a reduction in the expense due to one-time related projects in the prior year, including ERP project related expenses that were no longer eligible for capitalization, professional fees surrounding the implementation of the ERP system and consulting expenses for other one-time projects that are no longer required in the current year. Specifically during the three months ended September 30, 2021, the decline in SG&A expenses included a fair market value adjustment of RSUs

and DSUs of approximately \$1.4 million of income to reverse the charge of \$2.0 million recorded in the second quarter of 2021.

### **RESTRUCTURING EXPENSES**

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM in order to improve margins and better align costs with the declining revenues experienced by the Company in its business, a trend being faced by the traditional printing industry for several years now.

For the three months ended September 30, 2021, DCM incurred restructuring expenses of \$3.1 million compared to \$1.1 million in the same period in 2020. The restructuring costs for the three months ended September 30, 2021 related to headcount reductions predominately for direct and indirect labour across DCM's various facilities as cost savings initiatives to improve gross margin and SG&A, including the permanent termination of a number of employee who has been on temporary lay-off due to COVID-19, the consolidation of the Torbram and Mississauga plants, and the closure of our Edmonton plant. For the nine months ended September 30, 2021, DCM incurred restructuring costs of \$7.4 million compared to \$2.1 million in the same period in 2020. The restructuring expenses for the nine months ended September 30, 2021 related primarily to the departure of senior executive team members in Q1 2021, and included other headcount reductions to direct and indirect labour from various facilities across DCM as cost savings initiatives to improve gross margin and SG&A including the permanent termination of a number of employee who has been on temporary lay-off due to COVID-19. Restructuring costs for the three and nine months ended September 30, 2020 related to headcount reductions due to combining billing and credit/collections into one team for greater synergies across the cash management process and other various headcount reductions to indirect labour as cost savings initiatives to improve gross margin.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to improving its gross margins and lowering its selling, general and administration expenses.

### **OTHER INCOME**

Other income includes government grant income received from the CEWS and CERS (see (note 16) of the interim condensed consolidated financial statements). DCM has qualified for, and received, approximately \$4.5 million (with \$0.2 million attributable to the third quarter of 2021) compared to \$8.9 million in 2020. Other income also includes a one-time gain of \$1.5 million in the first quarter of 2021, of which \$1.2 million relates to the termination of an option agreement with an arms' length third party and a former subsidiary, and \$0.3 million relates to settlement of an outstanding litigation.

### **ADJUSTED EBITDA**

For the three months ended September 30, 2021, Adjusted EBITDA was \$9.4 million or 16.6% of revenues, after adjusting EBITDA for \$3.1 million in restructuring charges, compared to \$10.2 million or 17.7% of revenues in the same period in 2020, after adjusting EBITDA for \$1.1 million in restructuring charges. For the nine months ended September 30, 2021, Adjusted EBITDA was \$26.0 million or 14.9% of revenues, after adjusting EBITDA for \$7.4 million in restructuring charges, compared to \$34.1 million or 17.2% of revenues in the same period in 2020, after

adjusting EBITDA for \$2.1 million in restructuring charges. The one-time gain of \$1.5 million noted above in the first quarter of 2021 was deducted from EBITDA.

Adjusted EBITDA for the three months ended September 30, 2021 decreased over the prior year comparable period by \$0.7 million. Excluding the CEWS and CERS income, Adjusted EBITDA increased from the prior year by \$1.8 million. This represented the strongest quarter during the year with revenues down from prior the year by only \$0.5 million, an overall increase in both gross margin dollars and percentage, and cost savings in SG&A as noted above. Adjusted EBITDA for the nine months ended September 30, 2021 decreased over the prior year comparable period by \$8.1 million. The decline is attributed to the reduction in revenues due to lower demands resulting from the impact of COVID-19 thereby reducing overall gross margins and net income. However, the negative impact on our financial performance was mitigated by the temporary lay-offs and reductions in compensation and discretionary spending in response to the impact of COVID-19 on the business and CEWS income.

### **FINANCE COSTS**

Finance costs including interest on debt outstanding under DCM's credit facilities, interest accretion expense and income related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification gains/losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16 was \$1.7 million for the three months ended September 30, 2021 compared to \$2.0 million for the same period in 2020, and was \$5.2 million for the nine months ended September 30, 2021 compared to \$6.8 million for the same period in 2020. Interest expense for the three and nine months ended September 30, 2021 decreased due to a reduction in levels drawn under the Bank Credit Facility throughout the latter half of 2020 and throughout 2021 with a balance of \$nil as of September 30, 2021 compared to \$18.1 million as of September 30, 2020, and a reduction in the FPD Credit Facilities through scheduled repayments over the course of the year, thereby reducing the interest expense on all facilities. Interest expense on leases liabilities was also lower than the prior year as DCM modified certain leases to reduce the lease terms and terminate extension options for cost saving initiatives, reducing the lease obligation and associated interest expense. This was partially offset by lower accretion income recorded on the Bank Credit Facility as a direct result of the lower revolver balance, and recognition of a one-time accelerated accretion expense for early repayment on the related party promissory notes in the second quarter of 2021. Along with the related party promissory notes, DCM also repaid the balances owing on the Bolder VTB during the first quarter of 2021 and the Perennial VTB during the second quarter of 2021. All repayment of the three promissory notes will have further interest savings throughout 2021.

### **INCOME TAXES**

DCM reported income before income taxes of \$0.7 million and a net income tax expense of \$0.1 million for the three months ended September 30, 2021 compared to income before income taxes of \$3.1 million and a net income tax expense of \$1.0 million for the same period in 2020. DCM reported income before income taxes of \$2.9 million and a net income tax expense of \$0.8 million for the nine months ended September 30, 2021 compared to income before income taxes of \$12.0 million and a net income tax expense of \$3.5 million for the same period in 2020.

The deferred income tax expense was adjusted for any changes in estimates of future reversals of temporary differences, including estimated changes in tax loss carryforwards.

**NET INCOME**

Net income for the three months ended September 30, 2021 was \$0.6 million compared to a net income of \$2.1 million for the same period in 2020. Net income for the nine months ended September 30, 2021 was \$2.1 million compared to a net income of \$8.6 million for the same period in 2020

The decrease in comparable profitability for the three months ended September 30, 2021 was primarily due to the receipt of CEWS income of \$2.8 million in 2020 compared to \$0.2 million in the current period. Excluding the CEWS income, net income would be \$0.4 million in the third quarter of 2021 and a net loss of \$0.6 million in the third quarter of 2020. This represented the strongest relative quarter during the year with revenues down from prior the year by only \$0.5 million, an overall increase in both gross margin dollars and percentage, and cost savings in SG&A as noted above. This was offset by an increase in restructuring expense for headcount reductions to direct and indirect labour from DCM's various facilities as cost savings initiatives to improve gross margin and SG&A, including the permanent termination of a number of employee who has been on temporary lay-off due to COVID-19.

The decrease in comparable profitability for the nine months ended September 30, 2021 was primarily due to a reduction in revenue due to lower demand resulting from the impact of COVID-19, resulting in lower gross margin percentage due to weaker absorption of fixed overhead costs (receipt of \$4.5 million and \$8.9 million of CEWS and CERS, respectively, mitigated the impact on its financial performance) and an increase in restructuring costs incurred for the departure of certain members of the senior management team, and other headcount reductions to direct and indirect labour from various facilities across DCM. This was offset by a reduction in SG&A realized from the benefits of cost saving initiatives implemented throughout 2020 and 2021, reduction in interest expense and receipt of other income of \$1.5 million from the termination of an equity option and settlement of a lawsuit during the first quarter of 2021.

**ADJUSTED NET INCOME**

Adjusted net income for the three months ended September 30, 2021 was \$2.9 million compared to adjusted net income of \$3.0 million for the same period in 2020. Adjusted net income for the nine months ended September 30, 2021 was \$6.5 million compared to adjusted net income of \$10.5 million for the same period in 2020.

Adjusted net income remained consistent with the comparative period for the three months ended September 30, 2021, however excluding the impact of CEWS income, adjusted net income increased by \$2.7 million. This was primarily due to the improved gross margins and reduction in SG&A as noted above.

Adjusted net income decreased for the nine months ended September 30, 2021 by \$3.9 million, This was primarily due to a reduction in revenue and gross margin, offset by a reduction in SG&A and interest expense as noted above.

## Liquidity and capital resources

### CREDIT AGREEMENTS

#### BANK FACILITIES

DCM has established a revolving credit facility (as amended, the "Bank Credit Facility") pursuant to an agreement ("the Bank Credit Agreement") with a Canadian chartered bank (the "Bank"). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$35.0 million and the Bank Credit Facility matures on January 31, 2023. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$35.0 million and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.6%. As at September 30, 2021, DCM had no borrowing under the Bank Credit Facility and had access to \$18.4 million of available credit under the Bank Credit Facility. The bank overdraft of \$1.3 million shown on the consolidated statement of financial position as at September 30, 2021 represents outstanding cheques, which when cashed, would be a draw on the Bank Credit Facility.

#### FPD FACILITIES

DCM has three amortizing term loan facilities ("the FPD Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., and Fiera Private Debt V L.P., funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

Under the terms of the credit agreements with FPD (the "FPD Credit Agreements"), the maximum aggregate principal amount which may be outstanding under the FPD Credit Facilities, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis, cannot exceed \$93.0 million.

#### CROWN FACILITY

DCM has a non-revolving term loan facility with Crown Capital Partner Funding, LP, a fund managed by Crown Capital LP Partner Funding Inc. The total advances under this facility is \$19.0 million. Interest of \$2.4 million (2020 - \$1.9 million) has been deferred and capitalized to the outstanding principal obligation, increasing the total advances to \$21.4 million (2020 - \$20.9 million). These advances are repayable on maturity on May 7, 2023 and currently bear interest at 12% per annum, payable quarterly. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and secured by a conventional security on all of the assets of DCM and its subsidiaries.

A total of 1,510,000 warrants were issued to Crown in connection with these loans which entitle Crown to acquire one DCM common share per warrant at an exercise price of \$0.26. The warrants expire on May 7, 2023.

The Crown Facility can be prepaid in full at any time. The prepayment fees are: (a) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised prior to May 2022 or (b) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised thereafter.

#### AMENDMENT TO CREDIT FACILITIES

On January 22, 2021, DCM entered into a ninth amendment to its Bank Credit Facility. The interest rate on DCM's borrowings under the Bank Credit Facility was reduced by 0.75% for an interest rate of 3.05% taking into account

current floating reference rates and the applicable margin payable by DCM. The Minimum Cash Flow Requirement covenant (as defined in the Sixth Amending Agreement) has been terminated.

#### COVENANT REQUIREMENTS

Each of the Bank Credit Agreement, the FPD Credit Agreements and the Crown Facility 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 of DCM without the consent of the Bank, FPD III, FPD IV, FPD V and Crown, as applicable. As of September 30, 2021, DCM was in compliance with the amended covenants.

#### LIQUIDITY

In assessing DCM's liquidity requirements, DCM takes into account its level of cash, 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 restructuring activities, as well as its ongoing cash needs for its existing operations.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the FPD Credit Facilities, the Crown Facility, as amended, or other indebtedness of DCM.

The continuing ability to comply with financial covenants for at least the next twelve months is management's ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with its financial covenants on its credit facilities or to obtain financial covenant waivers from its lenders if necessary.

The estimate of future cash flows in the Company's latest forecasts include a number of key assumptions to support the financial covenant calculations, specifically related to revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions particularly to the ongoing impact of the COVID-19 pandemic, the effects and duration of which are difficult to project with respect to the Company's business and financial results (see COVID-19 section below). There is no forecasted headroom in certain financial covenants over the next twelve months if sales do not recover from the levels experienced since the COVID pandemic began, specifically relating to the fixed charge coverage ratio due to our focus on accelerating principal debt repayments. These factors may cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

There can be no assurances that DCM will be successful in meeting its financial covenants for at least the next twelve months or that future waivers will be provided by the lenders if the covenants are not met.

**CASH FLOW FROM OPERATIONS**

During the nine months ended September 30, 2021, cash flows generated by operating activities were \$20.7 million compared to cash flows generated by operating activities of \$31.4 million during the same period in 2020. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of \$18.7 million compared with \$26.2 million for the same period in 2020. Current period cash flows from operations before adjusting for changes in working capital were lower than the previous period primarily due to a decrease in revenues from lower demand resulting from the impact of the COVID-19 pandemic during the nine months ended September 30, 2021, thereby reducing net income and cash inflow. Contributions to defined benefit pension plans were fairly consistent with the prior year, however payments for severances related to DCM's restructuring initiatives and income tax payments were higher by \$1.0 million and \$0.9 million, respectively, compared to the same period in 2020.

Changes in working capital during the nine months ended September 30, 2021 generated \$2.0 million in cash compared with \$5.1 million of cash generated in the prior period. During the nine months ended September 30, 2021, DCM had a cash inflow of \$10.9 million from trade receivables compared to \$7.7 million for the same period in 2020. This increase of cash receipts of \$3.2 million is as a result of more timely billings and improved collection efforts. This increase is offset by a cash outflow of \$6.3 million for trade and accrued liabilities compared with \$2.6 million for the same period in 2020. With the improvement in accounts receivable collections and a significant reduction in its outstanding debt (thereby reducing payments on its credit facilities), DCM was able to increase payments to vendors in the normal course of operations.

**INVESTING ACTIVITIES**

For the nine months ended September 30, 2021, \$1.7 million in cash flows were used for investing activities compared with \$0.1 million during the same period in 2020. The low level of capital expenditures for property, plant and equipment is consistent with DCM's initiative to reduce spend during the continuing COVID pandemic. DCM incurred expenditures for intangible assets for development of a new digital development project which commenced substantially in the second quarter of 2021.

**FINANCING ACTIVITIES**

For the nine months ended September 30, 2021, cash flow used in financing activities was \$20.8 million compared with \$28.7 million used during the same period in 2020. A total of \$10.3 million was repaid in the nine months ended September 30, 2021 on DCM's credit facilities compared to repayment of \$19.0 million during the same period in 2020. With the increased cash flow from operations throughout 2020, DCM reduced the Bank Credit Facility to \$nil as of September 30, 2021 thereby reducing financing payments during the year. \$2.2 million was repaid for promissory notes (including final payments for the related party promissory notes, Perennial VTB and Bolder VTB) during the nine months ended September 30, 2021 compared to \$0.5 million repaid on the Perennial VTB in 2020. Lease payments were consistent with the prior period.

**Outstanding share data**

At November 9, 2021 and September 30, 2021, there were 44,062,831 common shares of DCM ("Common Shares") outstanding. At December 31, 2020, there were 43,867,030 Common Shares outstanding.

At November 9, 2021 and September 30, 2021, there were options outstanding to purchase up to 3,994,486 Common Shares. At December 31, 2020, there were options outstanding to purchase up to 1,587,486 Common Shares.

During the nine months ended September 30, 2021, options to purchase up to 125,000 common shares were awarded to the Chief Financial Officer ("CFO"). Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$0.85 per share, representing the fair value of the Common Shares on the date of grant. All 125,000 options vest at a rate of 1/3 each year beginning on May 14, 2022.

At November 9, 2021 and September 30, 2021, there were warrants outstanding to purchase up to 1,863,607 Common Shares. At December 31, 2020, there were warrants outstanding to purchase up to 1,920,092 Common Shares.

During the nine months ended September 30, 2021, DCM issued 67,866 warrants in connection with the Related Party Promissory Notes. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$0.32 for a period of 2.25 years, commencing on February 3, 2021.

### Contractual obligations

DCM believes 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, 2021. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition.

DCM 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)*

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 56,892	\$ 55,207	\$ 62,361	\$ 60,589	\$ 57,374	\$ 63,936	\$ 77,415	\$ 71,489
Net income (loss) attributable to shareholders	573	187	1,312	2,925	2,139	4,232	2,210	(4,013)
Basic earnings (loss) per share	0.01	0.00	0.03	0.07	0.05	0.10	0.05	(0.18)
Diluted earnings (loss) per share	0.01	0.00	0.03	0.07	0.05	0.10	0.05	(0.18)

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2021 can be attributed to several principal factors: the impact of COVID-19 which commenced in the second quarter of 2020 through to the third quarter of 2021, revenue declines in DCM's traditional print business due to production

volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, refinement of DCM's pricing discipline, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers, debt modification losses, and restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives.

DCM's net income for the third quarter of 2021 included reduction in revenues and margins due to COVID-19, receipt of CERS of \$0.2 million, and restructuring expenses of \$3.1 million. DCM's net income for the third quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of \$2.8 million, restructuring expenses of \$1.1 million, and \$0.1 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM's net income for the second quarter of 2021 included reduction in revenues and margins due to COVID-19, one time fair market value adjustment of RSUs and DSUs of approximately \$2.0 million included in cost of sales and SG&A, receipt of CEWS and CERS of \$2.4 million, and restructuring expenses of \$0.9 million. DCM's net income for the second quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS and CERS of \$4.5 million, restructuring expenses of \$0.3 million, and \$0.3 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM's net income for the first quarter of 2021 included reduction in revenues due to COVID-19, improved margins due to cost saving initiatives implemented throughout 2020 and the first quarter of 2021, receipt of CEWS and CERS of \$1.9 million, restructuring expenses of \$3.4 million, and \$1.5 million of other income. DCM's net income for the first quarter of 2020 included improved margins due to restructuring initiatives from the third and fourth quarter of 2019, and restructuring expenses of \$0.7 million related to its cost reduction initiatives

DCM's net income for the fourth quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of \$1.8 million, and restructuring expenses of \$0.7 million. DCM's net loss for the fourth quarter of 2019 included reduction in revenue and higher costs due to disruptions caused by the transition to the new ERP system, restructuring recovery of \$0.1 million related to its cost reduction initiatives and debt modification losses totaling \$3.8 million as a result of the amendments to its senior credit facilities.

## **Accounting policies**

### **CHANGES IN ACCOUNTING POLICIES**

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2021 which

are outlined in note (note 3) of the Notes to the condensed interim consolidated financial statements of DCM for September 30, 2021.

## **NEW AND AMENDED STANDARDS ADOPTED**

### **IFRS 16 COVID-19-RELATED RENT CONCESSIONS**

In May 2020, the IASB issued an amendment to IFRS 16 to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment to IFRS 16 was adopted effective January 1, 2021 and did not have an impact on the condensed interim consolidated financial statements.

### **IBOR REFORM**

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB have provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. The amendments were adopted effective January 1, 2021 and applied retrospectively and the adoption did not have an impact on the condensed interim consolidated financial statements.

## **FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED**

### **CONFIGURATION OR CUSTOMIZATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38)**

In April 2021 the IFRS Interpretations Committee published an agenda decision clarifying how configuration and customisation costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customisation activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where the company controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customisation costs are to be expensed as incurred as an operating expense.

The company previously capitalised \$12.0 million of costs as an intangible asset relating to the 2019 implementation of its cloud based ERP system and the net book value of those costs at September 30, 2021 was \$6.4 million.

Unlike new accounting standards with a specific future application date with some lead time, IFRIC agenda decisions have no effective date. The International Accounting Standards Board and the IFRIC refer to entities being entitled to 'sufficient time' to implement changes that result from an agenda decision published by the IFRIC. Management is in the process of analysing and determining the appropriate accounting treatment of previously capitalised customization and configuration costs in light of this new agenda decision and will reflect any adjustments required in its financial statements later this year.

Where a change in accounting policy is required, comparative financial information will be retrospectively restated to derecognise previously capitalised costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

### **IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT**

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amended standard is not expected to have a significant impact on the condensed interim consolidated financial statements.

### **IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK**

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the condensed interim consolidated financial statements.

### **IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT**

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. The amended standard is not expected to have a significant impact on the interim condensed consolidated financial statements.

### **IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES**

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The mandatory effective date would be for annual periods beginning on or after January 1, 2022 with early application permitted. The amended standard is not expected to have a significant impact on the condensed interim 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 significant impact on DCM.

## **Management's report on internal controls over financial reporting**

### **DISCLOSURE CONTROLS AND PROCEDURES**

DCM maintains a set of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) designed to provide reasonable assurance that information required to be disclosed in its public filings or otherwise under securities legislation is recorded, processed, summarized and reported on a timely basis and that such controls and procedures are designed to ensure that information required to be so disclosed is accumulated and communicated to its management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. With the supervision and participation of DCM's senior management team, the Chief Executive Officer of DCM and the Chief Financial Officer ("CFO") of DCM have evaluated the effectiveness of disclosure controls and procedures of DCM as of September 30, 2021. Based on that evaluation, those officers have concluded that, as of September 30, 2021, such disclosure controls and procedures were effective to provide reasonable assurance that (i) material information relating to DCM was made known to management and (ii) information required to be disclosed by DCM in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

### **MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Multilateral Instrument 52-109 requires the CEO and CFO to certify they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for the Company and that ICFR has been designed and is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. DCM's internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, or persons performing similar functions, and effected by DCM's Board of Directors, management and other personnel. DCM's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of DCM's annual or interim financial statements will not be prevented or detected on a timely basis.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

As at September 30, 2021, there were no changes in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

**Outlook**

"We are entering the fourth quarter of the year with great momentum in our business and the whole team is driving hard to finish strongly. With our focus on talent, business intelligence, operational excellence, client engagement and importantly our technology-enabled services, I'm confident in our outlook for success going forward. Our team is relentlessly committed to building both a bigger and better business," says Richard Kellam, CEO and President of DCM.

Our commitment to paying down debt continues. Total debt at the end of September 2021 was \$36.3 million, down \$2.8 million since the last quarter. We recently announced a significant refinancing of our Crown Facility, which will be refinanced through the support of FPD and the Bank resulting in interest savings of \$1.5 million in 2022.

We are pleased with the financial performance of the third quarter of 2021 as we delivered strong margins at 30.2% and continued to reduce our SG&A by \$1.4 million compared to the prior period. Our relentless focus on operational excellence, factory consolidation, client mix, and revenue management are driving all of these results for a strong quarter, and are expected to continue to drive improved financial performance in the remainder of the year as we continue to emerge from the COVID-19 pandemic and experience continued tailwinds in recovery with openings across the country.

**Risks and uncertainties**

An investment in DCM's securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DCM's most recent Annual Information Form and other continuous disclosure filings made by DCM with Canadian securities regulatory authorities before investing in securities of DCM. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DCM. Additional risks not currently known to DCM, or that DCM currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DCM.