

**Letter to Shareholders**

Dear Fellow shareholders,

I'm happy to report that the positive momentum in our business has continued, with strong third quarter results.

Revenue in the third quarter of \$63.4 million grew +11.4% or \$6.5 million compared to \$56.9 million last year. We have now delivered three sequential quarters of year over year revenue growth, bringing our year-to-date revenue to \$200.8 million, up +15.1% or \$26.3 million compared to \$174.5 million last year. This revenue growth has been driven by a combination of expansion revenue with existing clients, and new business wins of over \$30 million secured through this year.

Our team's focused efforts at managing a highly volatile raw material market are paying off. Gross profit in the quarter of \$19.9 million was up +15.8% or \$2.7 million compared to last year, and gross profit as a percent of revenue was 31.4% compared to 30.2%. Our pace of gross margin growth again exceeded our revenue growth, by +4.4 percentage points this quarter, further highlighting our operational success.

Year to date our gross profit of \$60.7 million is +17.1%, or \$8.8 million, ahead of \$51.8 million last year at this time. Our gross profit margin of 30.2% through three quarters is +0.5 percentage points ahead of 29.7% reported last year.

Higher revenue, along with lower associate count, combined to improve our productivity per associate to \$287,800, up a full +12.7% compared to year end 2021.

Our revenue growth, gross margin expansion and operational excellence, in addition to our ongoing commitment to zero restructuring charges, has resulted in continued strong "clean" EBITDA delivery this quarter, with EBITDA of \$8.0 million up +25.7% versus \$6.4 million last year. Year to date, EBITDA is now \$26.9 million, up almost +\$6.9 million or +34.2% over last year.

And, maybe even more importantly, net income in the quarter of \$2.8 million, is up considerably from \$1.0 million last year, and net income of \$10.3 million through the first three quarters of 2022, is up 201% compared to \$3.4 million at this point last year.

We continue to make positive progress on our digital journey. Substantially all our new business wins are tech-enabled solutions.

With regards to ESG, we are pleased to report we have reforested almost 470,000 trees in connection with our PrintReleaf initiative, offsetting one hundred percent of our clients' paper usage.

I would like to thank the entire DCM for a strong quarter and first nine months of 2022, and a special big thanks to the team's continued, relentless focus on building both a better and a bigger business. Results like these only come when everyone is moving forward together.

And finally, I would also like to thank our clients for continuing to trust DCM with their complex communication and workflow needs.

We look forward to reporting on quarter four and delivering a very strong fiscal 2022.

For a full description of our financial results for the third quarter of fiscal 2022, please refer to our unaudited, condensed interim consolidated financial statements for the three month and nine month periods ended September 30, 2022 and management's related discussion and analysis, copies of which are available at [www.sedar.com](http://www.sedar.com).

Yours truly,

(Signed) "Richard Kellam"

Richard C. Kellam  
 President & CEO  
 DATA Communications Management Corp.  
 November 2022

**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; OTCQX: DCMDF) and its subsidiary (referred to herein as "DCM" or the "Company") for the three and nine months ended September 30, 2022. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2021, the unaudited condensed interim consolidated financial statements and accompanying notes of DCM for the three and nine months ended September 30, 2022 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2021. 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 8, 2022. This MD&A reflects information as of November 8, 2022.

**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, 2021, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2022 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, 2022, as issued and outstanding as of November 8, 2022, 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: the COVID-19 Pandemic has adversely affected, and may continue to adversely effect, our business, operating results and financial condition and this continuing adverse effect could be material; there is limited growth in the traditional printing business, which may impact our ability to grow our sales or even maintain historical levels of sales of printed business communications documents; increases in the cost of, and supply constraints related to, paper, ink and other raw material inputs used by DCM, as well as increases in freight costs, may adversely impact the availability of raw materials and our production, revenues and profitability; our ability to continue as a going concern is dependent upon management's ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with our financial covenants under its credit facilities or to obtain financial covenant waivers from our lenders if necessary; we may not be successful in obtaining capital to fund our business plans on satisfactory terms (or at all), including, without limitation, with respect to investments in digital innovation (such as the development and successful marketing and sale of new digital capabilities), capital expenditures, and potential acquisitions; all of our outstanding indebtedness under our bank credit facility is subject to floating interest rates, and therefore is subject to fluctuations in interest rates; our credit agreements governing our senior indebtedness contain numerous restrictive covenants that limit us with respect to certain business matters, including, without limitation, our ability to incur additional indebtedness, re-pay certain indebtedness, pay dividends, make investments, sell or otherwise dispose of assets and merge or consolidate with another entity; we may not be able to successfully implement our digital growth strategy on a timely basis or at all; competition from competitors supplying similar products and services, some of whom have greater economic resources than us and are well-established suppliers; and our operating results are sensitive to economic conditions, which can have a significant impact on us, and uncertain economic conditions may have a material adverse effect on our business, results of operations and financial condition, including, without limitation, our ability to realize the benefits expected from restructuring and business reorganization initiatives, reducing costs, and reducing and paying our long-term debt.

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.

**Non-IFRS measures**

This MD&A includes certain non-IFRS measures and ratios 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, and one-time business reorganization costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, onetime 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. Adjusted EBITDA as a percentage of revenues means Adjusted EBITDA divided by revenues and Adjusted net income (loss) as a percentage of revenues means adjusted net income (loss) divided by revenue, in each case for the same period. In addition to net income (loss), DCM uses non-IFRS measures and ratios, including Adjusted net income (loss), Adjusted net income (loss) per share, Adjusted net income (loss) as a percentage of revenues, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues 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.

**Business of DCM****OVERVIEW**

DCM is a marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets including financial services, retail, healthcare, energy, other regulated industries, and the public sector. We integrate seamlessly into our clients' businesses thanks to our deep understanding of their needs, transformative tech-enabled solutions, and end-to-end service offering. Whether we're running technology platforms, sending marketing messages, or managing print workflows, our goal is to make everything surprisingly simple.

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 910 employees in Canada and the United States and had revenues of \$235.3 million in 2021. Website: [www.datacm.com](http://www.datacm.com).

## **RECENT DEVELOPMENTS**

### **COVID-19 GLOBAL PANDEMIC**

Management of DCM continues to closely monitor and respond to developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where DCM operates.

DCM has been experiencing more pronounced supply chain disruptions post-pandemic. Increased demand in the face of previous capacity reductions by suppliers and labour shortages is resulting in raw material and other input price increases, supply shortages and shipping delays. Pricing increases from key suppliers have been experienced on most of the Company's input costs, including paper, ink, other raw materials and freight. DCM has not experienced any material credit collection delinquencies related to COVID-19.

### **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, or shipped directly from third-party vendor. 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 or directly from third-party vendors. 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.

#### TECHNOLOGY-ENABLED HARDWARE SOLUTIONS

DCM procures certain products and services from third party providers to ensure that its clients' complete business and marketing communications needs are met and provide comprehensive vendor management strategies. Technology-enabled hardware solutions include scanners, printers, tablets, and other technology applications, often with barcoding and RFID functionality, and combined with its print consumables, creating an integrated ecosystem.

Tech-enabled hardware solutions represent a distinct performance obligation and revenue is recognized when the product is shipped.

#### TECHNOLOGY-ENABLED SUBSCRIPTION SERVICES AND FEES

DCM's tech-enabled subscription services and fees include the provision of marketing technology workflow applications and digital asset management, or DAM, software subscription fees, managed technology services,

professional services fees, and implementation and development fees. Typically, these services and fees are contracted on either a project basis in the case of professional services, implementation, and development services fees, or for periods of three to five-year terms, with one to two-year renewal options, in the case of software subscription fees and managed technology services.

Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services as they are delivered, or rateably over the term of the contract, and represent a distinct performance obligation.

#### **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 2022 and 2021 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, 2022 and 2021</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2022</b>	July 1 to September 30, 2021	<b>January 1 to September 30, 2022</b>	January 1 to September 30, 2021
		<i>(Restated)</i>		<i>(Restated)</i>
Revenues	\$ 63,399	\$ 56,892	\$ 200,759	\$ 174,460
Cost of revenues	43,495	39,705	140,089	122,638
Gross profit	19,904	17,187	60,670	51,822
Selling, general and administrative expenses <sup>(1)</sup>	14,864	11,300	42,289	40,527
Restructuring expenses	—	3,084	—	7,409
	14,864	14,384	42,289	47,936
Income before finance costs, other income, and income taxes	5,040	2,803	18,381	3,886
Finance costs				
Interest expense, net	1,233	1,587	3,831	4,715
Amortization of transaction costs	84	117	257	438
	1,317	1,704	4,088	5,153
Other Income				
Other income	—	—	—	1,452
Government grant income	—	184	—	4,503
Income before income taxes	3,723	1,283	14,293	4,688
Income tax expense				
Current	1,143	383	3,803	2,055
Deferred	(236)	(121)	204	(784)
	907	262	4,007	1,271
Net income for the period	\$ 2,816	\$ 1,021	\$ 10,286	\$ 3,417
Basic earnings per share	\$ 0.06	\$ 0.02	\$ 0.23	\$ 0.08
Diluted earnings per share	\$ 0.06	\$ 0.02	\$ 0.22	\$ 0.07
Weighted average number of common shares outstanding, basic	44,062,831	44,056,907	44,062,831	43,970,128
Weighted average number of common shares outstanding, diluted	46,501,606	46,477,944	46,516,249	46,025,059

(1) Selling, general and administrative expenses ("SG&A") and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended September 30, 2022 for further details on the impact of the amended accounting standard.

TABLE 1 CONTINUED

<b>As at September 30, 2022 and December 31, 2021</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>As at September 30, 2022</b>	As at December 31, 2021
Current assets	\$ 80,260	\$ 68,041
Current liabilities	67,834	62,845
Total assets	146,876	140,084
Total liabilities	128,920	132,043
Shareholders' equity	17,956	8,041

**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. See the "Non-IFRS Measures" section above for more details and Tables 3 and 4 below for reconciliations of net income (loss) to Adjusted EBITDA and net income (loss) to Adjusted net income.

<b>For the periods ended September 30, 2022 and 2021</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>July 1 to September 30, 2022</b>	July 1 to September 30, 2021	<b>January 1 to September 30, 2022</b>	January 1 to September 30, 2021
		<i>(Restated)</i>		<i>(Restated)</i>
<b>Revenues</b>	\$ 63,399	\$ 56,892	\$ 200,759	\$ 174,460
<b>Gross profit</b>	19,904	17,187	60,670	51,822
<b>Gross profit, as a percentage of revenues</b>	31.4 %	30.2 %	30.2 %	29.7 %
<b>Selling, general and administrative expenses <sup>(1)</sup></b>	14,864	11,300	42,289	40,527
As a percentage of revenues	23.4 %	19.9 %	21.1 %	23.2 %
<b>Adjusted EBITDA (see Table 3)</b>	7,988	9,437	26,914	26,016
As a percentage of revenues	12.6 %	16.6 %	13.4 %	14.9 %
<b>Net income for the period</b>	2,816	1,021	10,286	3,417
<b>Adjusted net income (see Table 4)</b>	2,816	3,345	10,286	7,879
As a percentage of revenues	4.4 %	5.9 %	5.1 %	4.5 %

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended September 30, 2022 for further details on the impact of the amended accounting standard.

**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, 2022 and 2021</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>July 1 to September 30, 2022</b>	July 1 to September 30, 2021	<b>January 1 to September 30, 2022</b>	January 1 to September 30, 2021
		<i>(Restated)</i>		<i>(Restated)</i>
Net income for the period <sup>(1)</sup>	\$ 2,816	\$ 1,021	\$ 10,286	\$ 3,417
Interest expense, net	1,233	1,587	3,831	4,715
Amortization of transaction costs	84	117	257	438
Current income tax expense	1,143	383	3,803	2,055
Deferred income tax expense (recovery) <sup>(1)</sup>	(236)	(121)	204	(784)
Depreciation of property, plant and equipment	760	820	2,321	2,402
Amortization of intangible assets <sup>(1)</sup>	402	445	1,213	1,308
Depreciation of the ROU Asset	1,786	2,101	4,999	6,508
<b>EBITDA</b>	<b>\$ 7,988</b>	<b>\$ 6,353</b>	<b>\$ 26,914</b>	<b>\$ 20,059</b>
Restructuring expenses	—	3,084	—	7,409
Other income	—	—	—	(1,452)
<b>Adjusted EBITDA</b>	<b>\$ 7,988</b>	<b>\$ 9,437</b>	<b>\$ 26,914</b>	<b>\$ 26,016</b>

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended September 30, 2022 for further details on the impact of the amended accounting standard.

**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, 2022 and 2021</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2022</b>	July 1 to September 30, 2021	<b>January 1 to September 30, 2022</b>	January 1 to September 30, 2021
		<i>(Restated)</i>		<i>(Restated)</i>
Net income for the period <sup>(1)</sup>	<b>2,816</b>	1,021	<b>10,286</b>	3,417
Restructuring expenses	—	3,084	—	7,409
Other income	—	—	—	(1,452)
Tax effect of the above adjustments	—	(760)	—	(1,495)
<b>Adjusted net income</b>	<b>2,816</b>	3,345	<b>10,286</b>	7,879
<b>Adjusted net income per share, basic</b>	<b>0.06</b>	0.08	<b>0.23</b>	0.18
<b>Adjusted net income per share, diluted</b>	<b>0.06</b>	0.07	<b>0.22</b>	0.17
<b>Weighted average number of common shares outstanding, basic</b>	<b>44,062,831</b>	44,056,907	<b>44,062,831</b>	43,970,128
<b>Weighted average number of common shares outstanding, diluted</b>	<b>46,501,606</b>	46,477,944	<b>46,516,249</b>	46,025,059
<b>Number of common shares outstanding, basic</b>	<b>44,062,831</b>	44,062,831	<b>44,062,831</b>	44,062,831
<b>Number of common shares outstanding, diluted</b>	<b>46,501,606</b>	46,483,868	<b>46,516,249</b>	46,117,762

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended September 30, 2022 for further details on the impact of the amended accounting standard.

## Results of operations

### REVENUES

For the three months ended September 30, 2022, DCM recorded revenues of \$63.4 million, an increase of \$6.5 million or 11.4% compared with the same period in 2021. For the nine months ended September 30, 2022, DCM recorded revenues of \$200.8 million, an increase of \$26.3 million or 15.1% compared with the same period in 2021. This represents the third sequential quarter with year over year revenue growth, which is primarily driven by a combination of expansion revenue of existing clients, and new business wins, substantially related to tech-enabled solutions.

**COST OF REVENUES AND GROSS PROFIT**

For the three months ended September 30, 2022, cost of revenues increased to \$43.5 million from \$39.7 million for the same period in 2021, resulting in a \$3.8 million or 9.5% increase over the same period in 2021. Gross profit for the three months ended September 30, 2022 was \$19.9 million, which represented an increase of \$2.7 million or 15.8% from \$17.2 million for the same period in 2021. Gross profit as a percentage of revenues increased to 31.4% for the three months ended September 30, 2022, compared to 30.2% for the same period in 2021.

For the nine months ended September 30, 2022, cost of revenues increased to \$140.1 million from \$122.6 million for the same period in 2021, resulting in a \$17.5 million or 14.2% increase over the same period in 2021. Gross profit for the nine months ended September 30, 2022 was \$60.7 million, resulting in an increase of \$8.8 million or 17.1% from \$51.8 million for the same period in 2021. Gross profit as a percentage of revenues increased to 30.2% for the nine months ended September 30, 2022, compared to 29.7% for the same period in 2021.

Gross profit as a percentage of revenues for the three and nine months ended September 30, 2022 increased from the prior period due to higher levels of client demand, price increases, product mix, cost synergies realized from the consolidation of our Brampton and Mississauga facilities at the end of 2021 and consolidation of our Calgary and Edmonton facilities in June 2021, and reduction in salaries and wages realized from the full benefits from the cost saving initiatives implemented throughout 2021. DCM continues to face certain supply chain challenges, however we have been able to manage effectively in a highly volatile raw material market, resulting in improved margins and further highlighting our operational excellence.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative ("SG&A") expenses increased by \$3.6 million or 31.5% to \$14.9 million, or 23.4% of total revenues for the three months ended September 30, 2022 compared to \$11.3 million, or 19.9% of total revenues for the same period in 2021. SG&A increased \$1.8 million or 4.3% to \$42.3 million, or 21.1% of total revenues, for the nine months ended September 30, 2022 compared to \$40.5 million, or 23.2% of total revenues for the same period in 2021.

For the three months ended September 30, 2022, SG&A increased by \$3.6 million, of which \$2.1 million of the increase was attributable to an increase in the non-cash mark-to-market expense for outstanding restricted share units ("RSUs") and deferred shared units ("DSUs") to reflect an increase in the price of DCM's common shares. For the three months ended September 30, 2022, the share price increased to \$1.30 as of September 30, 2022 from \$1.13 as of June 30, 2022, resulting in a total incremental expense of \$1.2 million. For the three months ended September 30, 2021, the share price decreased to \$1.00 as of September 30, 2021 from \$1.42 as of June 30, 2021, resulting in a total net recovery of \$0.9 million. The net change in this adjustment resulted in the increase of \$2.1 million.

The remaining increase in SG&A of \$1.5 million for the three months ended September 30, 2022 was attributable to higher sales commissions costs commensurate with the increase in revenues, an inflationary increase in salaries and an increase in the accrual under the short-term incentive plan ("STIP") to reflect stronger financial performance of the Company compared to plan.

For the nine months ended September 30, 2022, SG&A increased by \$1.8 million which was attributable to higher sales commissions costs commensurate with the increase in revenues, an inflationary increase in salaries and an increase in the accrual under the STIP to reflect performance of the Company. Due to little movement in the price of DCM's common shares during this period, the non-cash mark-to-market expense was not significant.

### **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. Notably, we did not incur any restructuring expenses for the three and nine months ended September 30, 2022; nor any other "adjustments" or one-time costs. We expect to have no further restructuring expenses for the balance of the year.

Restructuring costs of \$3.1 million and \$7.4 million, respectively, for the three and 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.

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. Given our current outlook, we look forward to keeping restructuring to negligible, if any, amounts, throughout the year.

### **OTHER INCOME**

Other income included government grant income received from the CEWS and CERS. For the three and nine months ended September 30, 2022, DCM did not qualify for government grant income, compared to \$0.2 million and \$4.5 million, respectively, in 2021. Other income also included a one-time gain of \$1.5 million for the nine months ended September 30, 2021, of which \$1.2 million related to the termination of an option agreement with an arms' length third party and a former subsidiary, and \$0.3 million related to settlement of an outstanding litigation.

### **EBITDA AND ADJUSTED EBITDA**

For the three months ended September 30, 2022, EBITDA was \$8.0 million or 12.6% of revenues compared to \$6.4 million or 11.2% of revenues in the same period in 2021, representing an increase of \$1.6 million in EBITDA. Adjusted EBITDA was \$8.0 million or 12.6% of revenues compared to \$9.4 million or 16.6% of revenues in the same period in 2021, after adjusting EBITDA for \$3.1 million in restructuring charges, representing a decrease in Adjusted EBITDA for the three months ended September 30, 2022 of \$1.4 million. This decrease in Adjusted EBITDA over the prior year comparable period was due to the increase in SG&A (see discussion above), specifically for the non-cash mark-to-market expense increasing by \$2.1 million to reflect the change in DCM's common share price.

For the nine months ended September 30, 2022, EBITDA was \$26.9 million or 13.4% of revenues, compared to \$26.0 million or 14.9% of revenues in the same period in 2021. The one-time gain of \$1.5 million noted above for the nine months ended September 30, 2021 was deducted from EBITDA. Excluding government grant income of \$4.5 million

for the nine months ended September 30, 2021, Adjusted EBITDA would be \$21.5 million; on this basis, Adjusted EBITDA for the nine months ended September 30, 2022 was \$5.4 million higher than the prior period.

The increase in EBITDA and Adjusted EBITDA for the nine months ended September 30, 2022, excluding the adjustments stated above, over the prior year comparable period was due to the increase in overall revenues and gross margin (in dollars). The increase was mitigated by an increase in SG&A (see discussion above).

For a reconciliation of net income (loss) to EBITDA and of net income (loss) to Adjusted EBITDA for the periods noted, see Table 3 above.

### **FINANCE COSTS**

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16. For the three and nine months ended September 30, 2022, DCM incurred \$1.3 million and \$4.1 million, respectively, of finance costs compared to \$1.7 million and \$5.2 million, respectively, for the same period in 2021.

Interest expense for the three and nine months ended September 30, 2022 increased due to the refinancing of the Crown Facility with the Bank and FPD at lower interest rates in the fourth quarter of 2021, resulting in a lower interest expense for the three and nine months ended September 30, 2022. There were also further reductions in interest expense due to termination/exiting of leases, repayment of all promissory notes throughout 2021, and monthly repayments on the FPD facilities. This was offset by an increase in interest expense on the Bank revolver as prime rate increases were implemented throughout 2022, and the Bank revolver balance as of September 30, 2022 was higher than the prior year.

### **INCOME TAXES**

DCM reported income before income taxes of \$3.7 million and a net income tax expense of \$0.9 million for the three months ended September 30, 2022 compared to income before income taxes of \$1.3 million and a net income tax expense of \$0.3 million for the same period in 2021. DCM reported income before income taxes of \$14.3 million and a net income tax expense of \$4.0 million for the nine months ended September 30, 2022 compared to income before income taxes of \$4.7 million and a net income tax expense of \$1.3 million for the same period in 2021.

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, 2022 was \$2.8 million compared to a net income of \$1.0 million for the same period in 2021. Net income for the nine months ended September 30, 2022 was \$10.3 million compared to a net income of \$3.4 million for the same period in 2021.

The increase in comparable profitability for the three months ended September 30, 2022 was due to the increase in overall revenues and gross margin (in dollars), reduction in restructuring expenses down to nil compared to \$3.1

million in the prior period and a reduction in interest expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes). DCM was able to achieve increased profitability despite the increase in SG&A of \$2.1 million attributable to the non-cash mark-to-market expense for outstanding RSUs and DSUs to reflect an increase in the price of DCM's common shares.

The increase in comparable profitability for the nine months ended September 30, 2022 was due to the increase in overall revenues and gross margin (in dollars), reduction in restructuring expenses down to nil compared to \$7.4 million in the prior period and a reduction in interest expense largely due to the Crown Facility refinancing (offsetting any increases in the expense from the prime rate hikes). DCM was able to achieve increased profitability despite the one-time income recorded in the prior period of \$6.0 million.

### **ADJUSTED NET INCOME**

Adjusted net income for the three months ended September 30, 2022 was \$2.8 million compared to adjusted net income of \$3.3 million for the same period in 2021. Adjusted net income for the nine months ended September 30, 2022 was \$10.3 million compared to adjusted net income of \$7.9 million for the same period in 2021.

The decrease in Adjusted net income for the three months ended September 30, 2022 was due to the increase in SG&A (see discussions above), specifically for the non-cash mark-to-market expense increasing by \$2.1 million to reflect the change in DCM's common share price.

The increase in Adjusted net income for the nine months ended September 30, 2022 was due to the increase in overall revenues and gross margin (in dollars). The increase was mitigated by an increase in SG&A (see discussion 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 \$15.0 million and the Bank Credit Facility matures on November 8, 2024. The Revolving Facility is available to be drawn by way of either Prime Rate Loans, Base Rate Loans, Canadian Dollar Offered Rate (CDOR Loans), London Interbank Offered Rate (LIBOR Loans), and/or Letters of Credit. Prime rate loans charge interest at the greater of the Bank's published reference rate on Canadian Dollar denominated commercial loans and the CDOR rate for a period of 30 days plus 100 basis points per annum. Currently advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$15.0 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 0.5% for a rate of 5.95% as at September 30, 2022. On November 8, 2021, DCM established a term loan ("Bank Term Loan") with the Bank for \$10.0 million to in part refinance the Crown

Facility. The Bank Term Loan matures on May 8, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50% for a rate of 8.95% as at September 30, 2022. On May 16, 2022 Refinitiv Benchmark Services Limited, the benchmark administrator of the CDOR announced that the calculation and publication of all tenors of CDOR will permanently cease after June 28, 2024. The Canadian Overnight Repo Rate Average (CORRA) has been nominated as a replacement for CDOR. When CDOR is phased out we expect the Bank Credit Facility will be amended to remove the CDOR borrowing option and the Prime rate will then be based solely on the Bank's reference rate. The amended facility also includes an "accordion" feature which can provide of up to \$10.0 million of additional capacity under the revolving facility. As at September 30, 2022, DCM had access to \$5.6 million of available credit under the Bank Credit Facility. The cash and cash equivalents of \$1.9 million shown on the condensed interim consolidated statement of financial position as at September 30, 2022 represents outstanding deposits which when cashed would reduce the borrowing under the Bank Credit Facility.

#### FPD FACILITIES

DCM has four amortizing term loan facilities (the "FPD Credit Facilities" and, collectively with the Bank Credit Facility, the "Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., Fiera Private Debt V L.P., and Fiera Private Debt VI L.P., all of which are funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

#### COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contains customary representations and warranties, certain financial covenant requirements, as well as certain 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 FPD VI, as applicable. As of September 30, 2022, DCM was in compliance with all of its financial covenants.

#### INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, and FPD VI, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, and FPD VI on the present and after-acquired property of DCM and its subsidiaries.

#### CASH FLOW FROM OPERATIONS

During the nine months ended September 30, 2022, cash flows generated by operating activities were \$11.0 million compared to cash flows generated by operating activities of \$20.7 million during the same period in 2021. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of \$21.1 million compared with \$18.7 million for the same period in 2021.

Changes in working capital during the nine months ended September 30, 2022 used \$10.1 million in cash compared with \$2.0 million of cash generated in the prior period. During the nine months ended September 30, 2022, DCM had a cash outflow of \$2.8 million from trade receivables compared to an inflow of \$10.9 million for the same period in 2021. The outflow during the nine months ended September 30, 2022 was a direct result of higher revenues in the

period, thereby increasing the trade receivables balance as of September 30, 2022 when compared to December 31, 2021. Changes in working capital further increased by a cash inflow of \$2.2 million from trade and accrued liabilities compared to an outflow \$6.3 million for the same period in 2021, and an outflow of \$9.2 million from inventories compared to an outflow of \$1.7 million for the same period in 2021. Due to the supply chain constraints being experienced and to support higher levels of near-term production revenue, DCM built up raw materials inventory to ensure sufficient stock is on-hand to meet customer demands in the first half of 2022. This continued in the third quarter of 2022, leading to a higher level of debt drawn on the Bank revolver (discussed in financing activities below) and lower relative payments for the trade payables. As momentum continued in production revenue in the third quarter of 2022, overall operating cash flows and working capital improved since the first half of 2022, and it is expected to continue in the fourth quarter.

### **INVESTING ACTIVITIES**

For the nine months ended September 30, 2022, \$0.9 million in cash flows were used for investing activities compared with \$1.7 million during the same period in 2021. The low level of capital expenditures for property, plant and equipment is consistent with DCM's initiative to maintain modest levels of capital spend, and finance new digital equipment through leases.

### **FINANCING ACTIVITIES**

For the nine months ended September 30, 2022, cash flow used in financing activities was \$9.1 million compared with \$20.8 million used during the same period in 2021. A total of \$8.9 million was repaid in the nine months ended September 30, 2022 on DCM's credit facilities compared to repayment of \$10.3 million during the same period in 2021, which is consistent with the lower levels of term debt as of September 30, 2022. During the nine months ended September 30, 2022, due to the supply chain constraints as discussed in operating activities above, combined with continued strong levels of revenue in the nine months ended September 30, 2022, DCM drew an additional \$5.9 million on the Bank revolver. As inventory levels are expected to somewhat normalize through the balance of year, working capital is expected to improve. Lease payments also declined from \$8.5 million to \$6.6 million in the current period as a result of lease terminations throughout 2021. Lastly, the restricted cash balance of \$0.5 million was no longer required to be held as part of the terms of the refinancing of debt in the fourth quarter of 2021.

### **Outstanding share data**

At November 8, 2022 and September 30, 2022, there were 44,062,831 common shares of DCM ("Common Shares") outstanding. At December 31, 2021, there were 44,062,831 Common Shares outstanding.

At November 8, 2022 and September 30, 2022, there were options outstanding to purchase up to 4,700,886 Common Shares. At December 31, 2021, there were options outstanding to purchase up to 3,950,886 Common Shares.

At November 8, 2022 and September 30, 2022, there were warrants outstanding to purchase up to 1,648,157 Common Shares. At December 31, 2021, there were warrants outstanding to purchase up to 1,863,607 Common Shares.

## 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, 2022. 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 6** The following table summarizes quarterly financial information for the past eight quarters.

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

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 63,399	\$ 68,103	\$ 69,257	<i>(Restated)</i> \$ 60,871	<i>(Restated)</i> \$ 56,892	<i>(Restated)</i> \$ 55,207	<i>(Restated)</i> \$ 62,361	<i>(Restated)</i> \$ 60,589
Net income (loss) attributable to shareholders	2,816	3,757	3,713	(1,857)	1,021	636	1,760	3,374
Basic earnings (loss) per share	0.06	0.09	0.08	(0.04)	0.02	0.01	0.04	0.08
Diluted earnings (loss) per share	0.06	0.08	0.08	(0.04)	0.02	0.01	0.04	0.08

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2022 can be attributed to several principal factors: the impact of COVID-19 which commenced in the second quarter of 2020, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations; 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. All figures above have been restated to include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

DCM's net income for the third quarter of 2022 included improved revenues and margins, an expense of \$1.2 million for DSUs and RSUs (including the mark-to-market expense to reflect the increase in the DCM's common share price), and no restructuring expenses. 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 second quarter of 2022 included improved revenues and margins, and no restructuring expenses. 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 first quarter of 2022 included improved revenues and margins, and no restructuring expenses. 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 fourth quarter of 2021 included improved margins due to cost saving initiatives, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations, receipt of CEWS of \$0.1 million, and restructuring expenses of \$2.3 million. 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.

## **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 2022 which are outlined in note 3 of the Notes to the condensed interim consolidated financial statements of DCM for September 30, 2022.

### **NEW AND AMENDED STANDARDS 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 customization costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customization 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 customization costs are to be expensed as incurred as an operating expense.

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

The company previously capitalized \$12.0 million of costs as an intangible asset relating to the 2019 implementation of its cloud-based ERP system which was being amortized over its estimated useful life of 5 years. In the fourth quarter of 2021, management completed its analysis and determined that none of these costs would qualify to be capitalized and amortized in accordance with the IFRS Interpretations Committee's agenda decision and would be required to be expensed in the period the costs were incurred. The adoption of the interpretation was implemented retrospectively. The following table summarizes the impact on DCM's condensed interim consolidated statement of operations for the period ended September 30, 2021:

<i>(in thousands of Canadian dollars)</i>	<b>Nine months ended September 30, 2021 prior to the adoption</b>	<b>Impact</b>	<b>Nine months ended September 30, 2021 after the adoption</b>
General and administration expense	\$ 24,010	\$ (1,802)	\$ 22,208
Deferred tax recovery	(1,241)	457	(784)

<i>(in thousands of Canadian dollars)</i>	<b>Three months ended September 30, 2021 prior to the adoption</b>	<b>Impact</b>	<b>Three months ended September 30, 2021 after the adoption</b>
General and administration expense	\$ 6,384	\$ (600)	\$ 5,784
Deferred tax recovery	(273)	152	(121)

The following table summarizes the impact on DCM's condensed interim consolidated statement of cash flows for the period ended September 30, 2021

<i>(in thousands of Canadian dollars)</i>	<b>Nine months ended September 30, 2021 prior to the adoption</b>	<b>Impact</b>	<b>Nine months ended September 30, 2021 after the adoption</b>
Net income for the period	\$ 2,072	\$ 1,345	\$ 3,417
Amortization of intangible assets	3,110	(1,802)	1,308
Income tax expense	814	457	1,271

The following table summarizes the impact on DCM's condensed interim consolidated statement of financial position as of December 31, 2020:

<i>(in thousands of Canadian dollars)</i>	<b>As of December 31, 2020 prior to the adoption</b>	<b>Impact</b>	<b>As of December 31, 2020 after the adoption</b>
Deficit	\$ (249,697)	\$ (6,145)	\$ (255,842)

### 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. This amended standard was adopted effective January 1, 2022 and did not have an 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. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim 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. This amended standard was adopted effective January 1, 2022 and did not have a significant impact on the condensed interim consolidated financial statements.

**FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED****AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS**

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the 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.

**AMENDMENTS TO IAS 12, DEFERRED TAXES RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION**

This standard was amended to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This amendment is effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the 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 are responsible for designing disclosure controls and procedures of DCM 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, 2022, there were no changes in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

**Outlook**

"I'm happy to report that the positive momentum in our business has continued, with strong third quarter results," says Richard Kellam, CEO and President of DCM.

"We continue to make positive progress on our digital journey. Substantially all our new business wins are tech-enabled solutions. And we've secured more than \$30 million of new business, both from new clients and expansion revenue with current clients, through the first nine months of 2022. Our pipeline of business continues to be strong."

"Our team's focused efforts at managing a highly volatile raw material market are paying off with positive trends in gross margin, further highlighting our operational success. Our operational effectiveness initiatives are expected to continue to deliver continued improvements in productivity per associate."

"We look forward to reporting on quarter four and delivering a very strong fiscal 2022."

**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.