

DATA Communications Management Corp. Announces Third Quarter 2024 Financial Results

THIRD QUARTER 2024 SUMMARY FINANCIAL RESULTS

- **Total revenues were \$108.7 million in the third quarter of 2024**
- **Gross profit as a percentage of revenues improved to 25.8% vs. 24.7% in Q3 2023**
- **SG&A expenses decreased to \$22.4 million vs. \$25.1 million in the prior year**
- **Adjusted EBITDA¹ increased +6.6% vs. the prior year to \$12.6 million**
- **Adjusted EBITDA represented 11.6% of revenues, compared to 9.6% in Q3 2023**

BRAMPTON, Ontario--(BUSINESS WIRE)--November 12, 2024--DATA Communications Management Corp. (TSX: DCM; OTCQX: DCMDF) (“DCM” or the “Company”), a leading Canadian provider of print and digital solutions that help simplify complex marketing communications and workflow, today reported its third quarter 2024 financial results.

MANAGEMENT COMMENTARY

“We maintained our focus in the quarter on building a strong platform for profitable growth following last year’s acquisition of Moore Canada Corporation (“MCC”), while advancing our integration priorities including the planned consolidation of our plant network, migrating legacy MCC systems and completing our restructuring actions,” said Richard Kellam, President & CEO of DCM.

Kellam added, “I am pleased to report that we have now substantially completed the integration of MCC operations into DCM. We are on track to finalize the consolidation of our plant network from 14 to 10 main production facilities later this month and we are in the process of bringing online new state-of-the-art capital equipment that will enhance our production capabilities and position us to drive additional operating efficiencies.”

“The progress of our post-acquisition integration and restructuring initiatives is reflected in the consistent improvement we are seeing in gross profit margin and SG&A expenses. We expect continued improvement in these areas in the fourth quarter and in 2025 marking further progress towards our goal of returning our gross margin to the +30% range and Adjusted EBITDA margins to more than 14%.”

“Revenue in the third quarter was lower than expected due mainly to reduced spending by some of our large enterprise clients which we expect to recover in future quarters along with decisions we made to exit certain lower margin accounts. This contributed to a year-over-year revenue decline of 11.4% although, on a year-to-date basis, revenue is up 14.5% through the first nine months of 2024.”

“We remain confident about the platform we are building for profitable growth and winning in the marketplace as our Commercial team continues to make excellent progress strengthening our presence in key industry verticals, attracting new business and leveraging DCM’s growing suite of product and service offerings,” said Kellam

DCM has recently expanded its portfolio of tech-enabled products and solutions, with the launch of ASMBL in the third quarter of 2024 and the acquisition of Zavy Limited (“Zavy”) earlier this month. ASMBL is a fully AI-enabled digital asset management platform enabling customers to organize, store, manage, retrieve, and distribute their digital assets seamlessly. Zavy is a Software-as-a-Service marketing technology company that helps businesses optimize their social media effectiveness.

THIRD QUARTER 2024 EARNINGS CALL

The Company will host a conference call and webcast on Wednesday, November 13, 2024, at 9:00 a.m. Eastern time. Mr. Kellam and James Lorimer, CFO, will present the third quarter of 2024 results followed by a live Q&A.

DCM will be using Microsoft Teams to broadcast our earnings call, which will be accessible via the instructions below:

Register for the webcast prior to the start of the event: Microsoft Virtual Events Powered by Teams

All attendees must register for the webinar prior to the call. Please complete the phone field in the form at the above link (prior to the start of the event) if you wish to dial in.

The Company’s full results will be posted on its Investor Relations page and on www.sedarplus.ca. A video message from Mr. Kellam will also be posted on the Company’s website.

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

For the periods ended September 30, 2024 and 2023 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2024	January 1 to September 30, 2023
Revenues	\$ 108,726	\$ 122,721	\$ 363,731	\$ 317,761
Gross profit	28,009	30,341	99,654	86,151
Gross profit, as a percentage of revenues	25.8%	24.7%	27.4%	27.1%
Selling, general and administrative expenses	22,430	25,065	71,676	61,944
As a percentage of revenues	20.6%	20.4%	19.7%	19.5%
Adjusted EBITDA	12,567	11,790	48,120	38,378
As a percentage of revenues	11.6%	9.6%	13.2%	12.1%
Net (loss) income for the period	(2,668)	(4,185)	2,871	(9,496)

Adjusted net (loss) income	(165)	1,778	8,755	11,465
As a percentage of revenues	(0.2)%	1.4%	2.4%	3.6%
Basic (loss) earnings per share	\$ (0.05)	\$ (0.08)	\$ 0.05	\$ (0.19)
Diluted (loss) earnings per share	\$ (0.05)	\$ (0.08)	\$ 0.05	\$ (0.19)
Weighted average number of common shares outstanding, basic	55,308,952	55,022,883	55,192,969	49,420,414
Weighted average number of common shares outstanding, diluted	55,308,952	55,022,883	57,784,458	49,420,414

TABLE 2 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended September 30, 2024 and 2023 <i>(in thousands of Canadian dollars, unaudited)</i>	July 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2024	January 1 to September 30, 2023
Net (loss) income for the period	\$ (2,668)	\$ (4,185)	\$ 2,871	\$ (9,496)
Interest expense, net	5,273	5,072	16,192	9,654
Amortization of transaction costs, net of debt extinguishment gain	140	141	420	320
Current income tax expense	647	(1,495)	2,005	842
Deferred income tax expense	(1,158)	(2,227)	(1,374)	(5,128)
Depreciation of property, plant, and equipment	1,832	2,051	5,138	4,107
Amortization of intangible assets	482	888	1,516	2,052
Depreciation of the ROU Asset	4,674	3,575	13,488	8,012
EBITDA	\$ 9,222	\$ 3,820	\$40,256	\$10,363
Acquisition and integration costs	2,077	244	2,603	10,199
Restructuring expenses	1,160	7,009	3,346	9,738
Net fair value losses on financial liabilities at fair value through profit or loss	108	717	1,915	8,078
Adjusted EBITDA	12,567	11,790	48,120	38,378

TABLE 3 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted.

Adjusted net (loss) income reconciliation

For the periods ended September 30, 2024 and 2023 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	July 1 to September 30, 2024	July 1 to September 30, 2023	January 1 to September 30, 2024	January 1 to September 30, 2023
Net (loss) income for the period	\$ (2,668)	(4,185)	2,871	(9,496)

Restructuring expenses	1,160	7,009	3,346	9,738
Acquisition and integration costs	2,077	244	2,603	10,199
Net fair value losses on financial liabilities at fair value through profit or loss	108	717	1,915	8,078
Tax effect of the above adjustments	(842)	(2,007)	(1,980)	(7,054)
Adjusted net (loss) income	\$ (165)	\$ 1,778	\$ 8,755	\$ 11,465
Adjusted net income per share, basic	\$ —	\$ 0.03	\$ 0.16	0.23
Adjusted net income per share, diluted	\$ —	\$ 0.03	\$ 0.15	0.22
Weighted average number of common shares outstanding, basic	55,308,952	55,022,883	55,192,969	49,420,414
Weighted average number of common shares outstanding, diluted	55,308,952	57,895,056	57,784,458	52,084,116

About DATA Communications Management Corp.

DCM is a leading Canadian tech-enabled provider of print and digital solutions that help simplify complex marketing communications and operations workflow. DCM serves over 2,500 clients including 70 of the 100 largest Canadian corporations and manage leading government agencies. Our core strength lies in delivering individualized services to our clients that simplify their communications, including customized printing, highly personalized marketing communications, campaign management, digital signage, and digital asset management. From omnichannel marketing campaigns to large-scale print and digital workflows, our goal is to make complex tasks surprisingly simple, allowing our clients to focus on what they do best.

Additional information relating to DATA Communications Management Corp. is available on www.datacm.com, and in the disclosure documents filed by DATA Communications Management Corp. on SEDAR+ at www.sedarplus.ca.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release 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 press release, 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 press release.

These forward-looking statements involve a number of risks, uncertainties, and assumptions. They 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. We caution readers of this press release not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements and which could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements are described in further detail in our Management Discussion and Analysis for the three and nine months ended September 30, 2024, and include but are not limited to the following:

- Our ability to successfully integrate the DCM and MCC businesses and realize anticipated synergies from the combination of those businesses, including revenue and profitability growth from an enhanced offering of products and services, larger customer base and cost reductions;
- The expected annualized synergies that the Company expects to derive from the MCC acquisition have been estimated by the Company based on its experience integrating previously acquired businesses, other facilities and completing previous restructuring initiatives, and includes estimated benefits expected to be derived from the acquisition, including those related to facility sales and consolidations, operational improvements, eliminating redundant positions, and purchasing synergies;
- Our expected total annualized synergies estimates are principally based upon the following material factors and assumptions: (a) given the significant overlap in the nature of the two businesses, DCM will be able to eliminate duplication of overhead expenses across the combined DCM and MCC businesses in its SG&A functions; (b) given significant overlap in the nature of DCM's and MCC's production processes and available combined excess capacity, DCM will be able to consolidate manufacturing plants; (c) further operational and SG&A costs savings will be achievable once the above-noted initiatives are completed; (d) the combined business will achieve more favourable purchasing terms by virtue of the fact it is approximately twice the size of each of DCM and MCC pre-acquisition, and therefore able to command lower pricing from vendors based on larger volumes, and its expected ability to better harmonize purchasing strategies to leverage more favourable purchasing terms than each company had individually for similar goods or services; and (e) the combined business will be able to generate certain revenue synergies from cross-selling each other's broader, combined, suite of capabilities; and
- Such expected annualized cost savings have not been prepared in accordance with IFRS Accounting Standards, nor has a reconciliation to IFRS Accounting Standards been provided, and the Company evaluates its financial performance on the basis of these non-IFRS Accounting Standards measures. Therefore, the Company does not consider their most comparable IFRS Accounting Standards measures when evaluating prospective acquisitions.

Additional factors are discussed elsewhere in this press release and under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's Management Discussion and Analysis and in DCM's other publicly available disclosure documents, as filed by DCM on

SEDAR+ (www.sedarplus.ca). 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 press release 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 ACCOUNTING STANDARDS MEASURES

NON-IFRS ACCOUNTING STANDARDS AND OTHER FINANCIAL MEASURES

This press release includes certain non-IFRS Accounting Standards measures, ratios, and other financial measures as supplementary information. This supplementary information does not represent earnings measures recognized by IFRS Accounting Standards and does not have any standardized meanings prescribed by IFRS Accounting Standards. Therefore, these non-IFRS Accounting Standards measures, ratios and other financial measures are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that this supplementary information should not be construed as alternatives to net income (loss) determined in accordance with IFRS Accounting Standards as an indicator of DCM's performance. Definitions of such supplementary information, together with a reconciliation of net income (loss) to such supplementary financial measures, can be found in Table 5 and Table 6 of our Management Discussion and Analysis for the three and nine months ended September 30, 2024 and filed on SEDAR+ at www.sedarplus.ca.

Condensed interim consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)

	September 30, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	\$ 8,878	\$ 17,652
Trade receivables	95,933	117,956
Inventories	25,715	28,840
Prepaid expenses and other current assets	6,383	5,313
Income taxes receivable	3,533	2,640
Assets held for sale	—	8,650
	140,442	181,051
Non-current assets		
Other non-current assets	9,568	2,900
Deferred income tax assets	8,767	9,801
Property, plant, and equipment	33,995	30,358
Right-of-use assets	160,240	159,801
Pension assets	3,421	1,962
Intangible assets	9,651	10,616
Goodwill	22,265	22,265
	\$ 388,349	\$ 418,754

Liabilities

Current liabilities		
Bank overdraft	\$ —	\$ 1,564
Trade payables and accrued liabilities	59,216	75,766
Current portion of credit facilities	13,359	6,333
Current portion of lease liabilities	10,974	10,322
Provisions	9,007	16,325
Deferred revenue	3,927	6,221
	96,483	116,531
Non-current liabilities		
Provisions	1,907	1,004
Credit facilities	71,553	93,918
Lease liabilities	152,727	144,993
Pension obligations	18,907	26,386
Other post-employment benefit plans	3,876	3,606
Asset retirement obligation	3,524	3,552
	\$ 348,977	\$ 389,990

Equity

Shareholders' equity		
Shares	\$ 284,592	\$ 283,738
Warrants	219	219
Contributed surplus	3,008	3,135
Translation Reserve	202	177
Deficit	(248,649)	(258,505)
	\$ 39,372	\$ 28,764
	\$ 388,349	\$ 418,754

Condensed interim consolidated statements of operations

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

	For the three months ended September 30, 2024	For the three months ended September 30, 2023	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
	\$	\$	\$	\$
Revenues	\$108,726	\$ 122,721	\$ 363,731	\$ 317,761
Cost of revenues	80,717	92,380	264,077	231,610
Gross profit	28,009	30,341	99,654	86,151
Expenses				
Selling, commissions and expenses	9,930	10,010	30,972	28,181
General and administration expenses	12,500	15,055	40,704	33,763
Restructuring expenses	1,160	7,009	3,346	9,738
Acquisition and integration costs	2,077	244	2,603	10,199

Net fair value losses on financial liabilities at fair value through profit or loss	108	717	1,915	8,078
	25,775	33,035	79,540	89,959
Income (loss) before finance and other costs and income taxes	2,234	(2,694)	20,114	(3,808)
Finance costs				
Interest expense on long term debt and pensions, net	2,108	2,550	6,913	5,573
Interest expense on lease liabilities	3,165	2,522	9,279	4,081
Amortization of transaction costs	140	141	420	320
	5,413	5,213	16,612	9,974
(Loss) income before income taxes	(3,179)	(7,907)	3,502	(13,782)
Income tax expense				
Current	647	(1,495)	2,005	842
Deferred	(1,158)	(2,227)	(1,374)	(5,128)
	(511)	(3,722)	631	(4,286)
Net (loss) income for the period	\$ (2,668)	\$ (4,185)	\$ 2,871	\$ (9,496)

Condensed interim consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)

	For the nine months ended September 30, 2024	For the nine months ended September 30, 2023
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	\$ 2,871	\$ (9,496)
Items not affecting cash		
Depreciation of property, plant, and equipment	5,138	4,107
Amortization of intangible assets	1,516	2,052
Depreciation of right-of-use-assets	13,488	8,012
Share-based compensation expense	390	524
Net fair value losses on financial liabilities at fair value through profit or loss	1,915	8,078
Pension expense	1,415	837
Gain on sale and leaseback	(11)	—
Gain on disposal of property, plant, and equipment	(54)	—
Provisions	3,346	9,738
Amortization of transaction costs, net of debt extinguishment gain	421	320
Accretion of asset retirement obligations, net of any changes in estimate	(28)	19
Other post-employment benefit plans expense	447	385
Income tax expense (recovery)	631	(4,286)
Right-of-use assets impairment	97	—

Changes in working capital	3,107	5,710
Contributions made to pension plans	(960)	(837)
Contributions made to other post-employment benefit plans	(177)	(207)
Provisions paid	(8,804)	(2,580)
Income taxes paid	(2,898)	(3,854)
	21,850	18,522
Investing activities		
Net cash consideration for acquisition of MCC	—	(130,953)
Proceeds on sale and leaseback transaction	10,218	24,091
Purchase of property, plant, and equipment	(9,709)	(2,419)
Purchase of intangible assets	(551)	(112)
Purchase of non-current assets	(8,013)	0
Proceeds on disposal of property, plant and equipment	440	242
	(7,615)	(109,151)
Financing activities		
Issuance of common shares and broker warrants, net	—	24,221
Exercise of warrants	—	489
Exercise of options	337	751
Proceeds from credit facilities	58,145	155,640
Repayment of credit facilities	(73,905)	(65,260)
Decrease in bank overdrafts	(1,564)	—
Transaction costs	—	(1,802)
Principal portion of lease payments	(6,055)	(5,299)
	(23,042)	108,740
Change in cash and cash equivalents during the period	(8,807)	18,111
Cash and cash equivalents – beginning of period	\$ 17,652	\$ 4,208
Effects of foreign exchange on cash balances	33	(9)
Cash and cash equivalents – end of period	\$ 8,878	\$ 22,310

¹ Adjusted EBITDA, Adjusted EBITDA as a percentage of revenues, Adjusted net income (loss) and Adjusted net income (loss) as a percentage of revenues are non-IFRS Accounting Standards measures. For a description of the composition of these and other non-IFRS Accounting Standards measures used in this press release, and a reconciliation to their most comparable IFRS Accounting Standards measure, where applicable, see the information under the heading “Non-IFRS Accounting Standards Measures”, the information set forth on Table 2 and Table 3 herein, and our most recent Management Discussion & Analysis filed on www.sedarplus.ca.

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