

## Letter to Shareholders

Dear Fellow Shareholders,

As we continue to drive the execution of our strategy, I am pleased to provide you with an update on our performance in the third quarter of 2024.

We maintained our focus in the quarter on our key post-acquisition integration priorities including consolidating our plant network, migrating off legacy MCC systems, completing our restructuring actions and building a platform for profitable future growth.

While we are pleased with our progress in each of these areas, our overall performance in the quarter was impacted by the planned acceleration of our factory closures and associated production transfers; the migration of MCC clients and legacy applications to DCM's platforms; our decision to exit certain low margin accounts; and revenue headwinds due to reduced spending by some of our large enterprise clients, which we expect to recover in future quarters. These factors contributed to a year-over-year revenue decline for the quarter of 11.4% although, on a year-to-date basis, revenue is up 14.5% through the first nine months of 2024.

While our top line did not meet our expectations in the quarter, our gross margin percentage and adjusted EBITDA improved year over year, demonstrating further progress towards our goal of returning our gross margin to the +30% range and Adjusted EBITDA margins to more than 14%.

We remain confident about the platform we are building for profitable growth and winning in the marketplace. Our Commercial team continues to make excellent progress strengthening our presence in key industry verticals, increasing wallet share with existing customers, attracting new business and leveraging DCM's growing suite of product and service offerings. These include tech-enabled solutions like ASMBL, the fully AI-enabled digital asset management platform we launched in the third quarter, and our recently announced acquisition of Zavy Limited, a marketing technology business that helps companies optimize their social media effectiveness.

Turning to our financial results for the third quarter of 2024:

- Revenues of \$108.7 million were down -11.4%, or -\$14.0 million vs. Q3 2023. For the first nine months of 2024, revenues of \$363.7 million were up +14.5%, or +\$46.0 million.
- Gross profit as a percentage of revenues was 25.8% in the third quarter of 2024 compared to 24.7% for the same period last year, an improvement of +1.1%. For the first nine months, gross profit as a percentage of revenues was 27.4% vs. 27.1% in 2023, an improvement of +0.3%.
- Gross profit in the third quarter decreased -7.7% year over year or \$2.3 million to \$28.0 million. For the first nine months, gross profit grew by +15.7%, or +\$13.5 million, to \$99.7 million reflecting cost structure improvements.
- SG&A expenses in the third quarter were \$22.4 million vs. \$25.1 million in Q3 2023, an improvement of 10.5% or \$2.6 million. SG&A as a percentage of revenue was 20.6% in Q3 2024 compared to 20.4% of revenues in Q3 2023. For the first nine months of 2024, SG&A expenses were \$71.7 million or 19.7% of revenues, compared to \$61.9 million or 19.5% of revenues for the first nine months of 2023.
- Adjusted EBITDA for the quarter was \$12.6 million vs \$11.8 million in Q3 2023, an increase of +6.6%. Adjusted EBITDA represented 11.6% of revenue vs. 9.6% for Q3 2023. For the first nine months of 2024, Adjusted EBITDA was \$48.1 million or 13.2% of revenue, representing a year over year increase of +25.4%.
- We incurred \$2.1 million of one-time, non-recurring acquisition and integration costs, and \$1.2 million of restructuring expenses in Q3 2024. For the nine months ended for 2024, we incurred \$2.6 million of non-recurring acquisition and integration costs and \$3.3 million of restructuring expenses.
- During Q3 2024, net loss was \$2.7 million compared to a net loss of \$4.2 million during the similar period last year. For the nine months of 2024, net income was \$2.9 million compared to a net loss of \$9.5 million.
- Adjusted net loss in Q3 2024 was \$0.2 million compared to adjusted net income of \$1.8 million during the similar period last year. For the nine months of 2024, adjusted net income was \$8.8 million compared to Adjusted net income of \$11.5 million for the same period in 2023.
- Net debt at the end of September 2024 was \$77.2 million, down -\$63.4 million or 45.1% since closing the MCC acquisition. DCM ended the quarter with a net debt to trailing 12 months Adjusted EBITDA (net of lease payments) ratio of 1.76x. Our commitment to paying down debt remains a key priority.

For a full description of our financial results for the third quarter and first nine months of 2024, please refer to our unaudited, condensed interim consolidated financial statements for the three and nine months ended September 30, 2024, and management's related discussion and analysis ("MD&A"), copies of which are available at [www.sedarplus.ca](http://www.sedarplus.ca).

Certain statements in this letter 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. See "Forward-Looking Statements" in our MD&A. This

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letter also includes certain non-IFRS Accounting Standards measures and ratios as supplementary information. See "Non-IFRS Accounting Standards measures" and Tables 1,3,4, and 5 in our MD&A, each of which is incorporated by reference in this document.

Yours truly,

A handwritten signature in black ink, appearing to read "R. C. Kellam", written in a cursive style.

Richard C. Kellam

President & CEO

DATA Communications Management Corp.

November 2024

***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 subsidiaries (referred to herein as "DCM" or the "Company") for the three and nine months ended September 30, 2024. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2023, the unaudited condensed interim consolidated financial statements and accompanying notes of DCM for the three and nine months ended September 30, 2024 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2023. 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.sedarplus.ca](http://www.sedarplus.ca)). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors (the "Board"), on the recommendation of its Audit Committee, approved the contents of this MD&A on November 12, 2024. This MD&A reflects information as of November 12, 2024.

**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 Accounting Standards"). The condensed interim consolidated financial statements for the three and nine months ended September 30, 2024 have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial reports under International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The accounting policies applied in those condensed interim consolidated financial statements are the same as those applied in DCM's consolidated financial statements for the year ending December 31, 2023, except for certain new accounting pronouncements adopted by DCM on January 1, 2024 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 those condensed interim consolidated financial statements are based on IFRS Accounting Standards effective for the year ending December 31, 2024, as issued and outstanding as of November 12, 2024, the date the Board approved those 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. 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 MD&A 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 include but are not limited to the following:

- 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;
- 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, integrating legacy MCC systems, 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;
- 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 acquisitions;

- The acquisition of MCC involves a number of risks, including:
  - the possibility that DCM paid more than the acquired assets are worth;
  - the Company may fail to realize the expected benefits and anticipated annualized synergies from the acquisition;
  - there may be additional unexpected expenses, capital investment, and management resources required to complete the integration of the MCC acquisition;
  - the integration and consolidation of the operations of the MCC business are complex, and achieving improved operational efficiencies from such integration may not be realized as expected;
  - the challenge of implementing uniform standards, controls procedures, systems, and policies throughout the combined business;
  - the potential disruption of the Company's ongoing business and the distraction of management from its day-to-day operations;
  - the challenge of integrating, training, retaining and motivating key personnel of the MCC business; and
  - the potential impairment of relationships with the Company's employees, clients, suppliers and strategic partners;
- 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 and marketing communications materials;
- Competition from competitors supplying similar products and services, some of whom have greater economic resources than us and are well established suppliers;
- 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 meet our revenue, profitability and debt reduction targets;
- Our ability to comply with our covenants, and in particular, our financial and other covenants under our credit facilities or to obtain financial or other 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, with respect to investments in digital innovation (such as the development and successful marketing and sale of new digital capabilities) and capital expenditures;
- Some of our outstanding indebtedness under our bank credit facility is subject to floating interest rates, and therefore is subject to fluctuations in interest rates, an increase of which in the future, could increase our borrowing costs.

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.sedarplus.ca](http://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 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 Accounting Standards measures

### NON-IFRS ACCOUNTING STANDARDS AND OTHER FINANCIAL MEASURES

This MD&A 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 NON-IFRS ACCOUNTING STANDARDS, FINANCIAL MEASURES AND RATIOS

We use **adjusted financial measures** because we believe they are useful for providing investors with supplemental measures of DCM's operating performance and highlight trends in our business that may not otherwise be apparent when relying solely on IFRS Accounting Standards financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use such information in the evaluation of issuers. Further, DCM's management uses such adjusted information to facilitate operating performance comparisons from period to period, prepare annual operating budgets, assess its ability to meet future debt service, capital expenditure and working capital requirements and to evaluate potential acquisitions and the subsequent performance of completed acquisitions.

**EBITDA** means earnings before interest and finance costs, taxes, depreciation and amortization. The most comparable IFRS Accounting Standards measure for EBITDA is net income (loss). For a reconciliation of net income (loss) to EBITDA, see Table 5 below.

**Adjusted EBITDA** represents EBITDA, adjusted for acquisition and integration costs, restructuring expenses, the net fair value (gains) losses on financial liabilities at fair value through profit or loss for restricted share units ("RSUs") and deferred shared units ("DSUs") and other adjustments for other specific items that may be significant but are not reflective of our underlying operations. Specific items are subjective; however, we use our judgement and informed decision-making when identifying items to be excluded in calculating our Adjusted EBITDA. We use Adjusted EBITDA as a measure of pre-tax operating cash flow. The most comparable IFRS Accounting Standards measure of Adjusted EBITDA is net income (loss). For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 5 below.

**Adjusted net income (loss)** represents net income (loss) before acquisition and integration costs, restructuring expenses, the net fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs and other adjustments for other specific items that may be significant but are not reflective of our underlying operations, all on an after-tax basis. Specific items are subjective; however, we use our judgement and informed decision-making when identifying items to be excluded in calculating our Adjusted net income (loss). We use Adjusted net income (loss) as a measure of overall profitability. The most comparable IFRS Accounting Standards

measure of Adjusted net income (loss) is net income (loss). For a reconciliation of net income (loss) to Adjusted net income (loss), see Table 6 below.

**Adjusted net income (loss) per share (EPS) (basic and diluted)** is a non-IFRS Accounting Standards ratio calculated by dividing Adjusted net income (loss) (defined above) for a given period by the weighted average number of common shares of DCM (basic and diluted) outstanding, respectively, during the period.

**Margin** is calculated as a percentage of revenues, which is itself an IFRS Accounting Standards financial measure, and we monitor margins in comparison to our internal targets. Margin is a non-IFRS Accounting Standards ratio when applied to non-IFRS Accounting Standards financial measures.

**Free cash flow** is a non-IFRS Accounting Standards financial measure we use to monitor the availability of discretionary cash as part of our capital management. It is defined as total cash generated from operating activities, less net capital expenditures (comprised of purchase of property, plant and equipment (including transfers from non-current assets), less proceeds on disposal of property, plant and equipment, other than proceeds on sale and leaseback of properties), less lease principal payments. A reconciliation of free cash flow to its most comparable IFRS Accounting Standards measure, total cash generated from operating activities, is included in “Additional Reconciliations of Non-IFRS Accounting Standards Financial Measures” in Table 1 below.

#### SUPPLEMENTARY FINANCIAL MEASURES

**Annualized synergies** is a non-IFRS Accounting Standards financial measure we use to evaluate the integration progress of our acquisition of MCC. These represent annualized operating savings management expects to derive from its post-acquisition integration activities relating to the acquisition. We believe these synergy estimates are important to investors to inform on our potential and evaluate our progress on initiatives relating to management's cost reduction objectives. These metrics were initially determined based on management's own pre-acquisition due diligence of the MCC business prior to closing and the advice of its external integration consultants and have subsequently been refined and tracked based on actual progress against such preliminary objectives. These estimates are primarily based on management's expectations relating to (1) organizational savings through eliminating duplicative positions, (2) operational savings from initiatives including planned plant closures and optimization initiatives, and (3) procurement savings anticipated from a larger purchasing base and are expected by management to be achieved through the combination and integration of the two companies. From time to time, we also quantify the impacts of certain unusual, non-recurring events to provide useful information to investors to help better understand our financial outlook. Also see “Forward-looking statements”.

**Compound Annual Growth Rate (CAGR)** is a supplementary financial measure when applied to IFRS Accounting Standards financial measures.

**Revenue per associate** is a metric we use to evaluate the productivity of our employees, who we refer to as “associates”, and is a non-IFRS Accounting Standards financial measure. It is determined by dividing revenues, an IFRS Accounting Standards financial measure, for a specific twelve-month period, typically being a fiscal year, or four consecutive fiscal quarters, by the total number of associates at the end of that period. Where the pro forma

acquisition of MCC is referred to, revenues may not be representative of an IFRS Accounting Standards financial measure but are based on management's informed analysis of the pro forma combined revenues as if MCC had been owned by DCM during the full respective period in 2023.

**Margin** (defined above) is a supplementary financial measure when applied to IFRS Accounting Standards measures.

**Net Debt to Adjusted EBITDA (net of Lease Payments)** is a non-IFRS Accounting Standards ratio used as part of our assessment of our capital structure. Net debt is defined as (1) the total balance of our credit facilities less cash and equivalents at a given period (net of bank overdraft), divided by (2) Adjusted EBITDA less lease payments, for the most recent four quarters then ended. Net Debt to Adjusted EBITDA (net of Lease Payments) is quantified in "Additional Reconciliations of Non-IFRS Accounting Standards Financial Measures" in Table 2.

**Working capital** is a supplementary non-IFRS Accounting Standards financial measure that we use as a measure for assessing our overall liquidity. It is calculated by subtracting current liabilities from current assets.

#### ADDITIONAL RECONCILIATIONS OF NON-IFRS ACCOUNTING STANDARDS FINANCIAL MEASURES

**TABLE 1** The following table sets out free cash flow for the periods noted.

*(in thousands of Canadian dollars, unaudited)*

	January 1 to September 30, 2024	January 1 to September 30, 2023
Total cash generated from operating activities	21,850	18,522
Less: Purchase of property, plant and equipment	(9,709)	(2,419)
(Net of): Proceeds on disposal of property, plant and equipment	440	242
Less: Lease principal payments	(6,055)	(5,299)
<b>Free cash flow</b>	<b>\$ 6,526</b>	<b>\$ 11,046</b>

**TABLE 2** The following table sets out Net Debt to Adjusted EBITDA (net of Lease Payments) for the periods noted.

*(in thousands of Canadian dollars, except Net Debt to Adjusted EBITDA, unaudited)*

	September 30, 2024	December 31, 2023
Total credit facilities	\$ 86,106	\$ 101,866
Less: Cash and equivalents (net of bank overdraft)	(8,878)	(16,088)
<b>Net Debt</b>	<b>\$ 77,228</b>	<b>\$ 85,778</b>
Trailing twelve months adjusted EBITDA	\$ 63,132	\$ 53,390
Less: Trailing twelve months total lease payments	(19,275)	(13,321)
<b>Adjusted EBITDA (net of Lease Payments)</b>	<b>\$ 43,857</b>	<b>\$ 40,069</b>
<b>Net Debt to Adjusted EBITDA (net of Lease Payments)</b>	<b>1.76x</b>	<b>2.14x</b>

## Business of DCM

### OVERVIEW

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 many 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.

DCM's manufacturing operations are characterized by a high degree of complexity, as our products and services are customized to meet the unique requirements of each customer. The end products are derived through integrated production processes spanning multiple product categories and revenue streams. These processes typically involve various stages of work across multiple plants, culminating in the delivery of a finished product. As a result of the complex nature of this production landscape, conventional metrics such as selling prices and the volume or quantity of products or services are challenging to discern and are not relevant other than in the aggregate in management's view.

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 the purchasing patterns of its clients' marketing campaigns and business communications needs. 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 due to changes in a client's purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of expected full year revenue and financial performance.

DCM has approximately 1,700 employees in Canada and the United States and had revenues of \$447.7 million in 2023.

### RECENT DEVELOPMENTS

#### ACQUISITION OF ZAVY LIMITED ("ZAVY")

On November 4, 2024, DCM announced the acquisition of 100% of the shares of Zavy, in an all-cash transaction of approximately \$0.8 million, subject to post-closing working adjustments. Zavy is now a wholly-owned subsidiary of DCM. Zavy is a New Zealand-based Software-as-a-Service ("SaaS") marketing technology ("martech") company that helps companies optimize their social media effectiveness. DCM plans to integrate Zavy into its suite of martech offerings, with the goal of helping customers simplify complexity and increase productivity in their marketing processes.

## ENVIRONMENTAL, SOCIAL and GOVERNANCE REPORT (“ESG REPORT”)

In October, 2024, DCM published its inaugural ESG Report. The four key commitments of DCM outlined in the ESG Report include lowering greenhouse gas (GHG) emissions by establishing science-based targets; helping to create a greener planet, including through participation in the PrintReleaf reforestation program; building a more inclusive workplace and supporting communities; and improving the sustainability of DCM’s operations.

Key ESG-related initiatives of the Company through the fiscal year ended December 31, 2023, include:

- Establishing near-term science-based targets to reduce the Company’s greenhouse gas emissions and receiving validation of those targets from the Science-Based Targets initiative (SBTi);
- Completing the planting of 716,345 trees in 2023 through DCM’s partnership in a reforestation program with PrintReleaf 1; and
- Securing sustainability certification for seven DCM facilities under the Sustainable Green Printing Partnership.

Since commencing its PrintReleaf reforestation initiative two years ago, DCM has now completed the planting of more than two million trees.

## LAUNCH OF ASMBL, A FULLY AI-ENABLED DIGITAL ASSET MANAGEMENT PLATFORM

In July, 2024, DCM announced the release of ASMBL, a new digital asset management (“DAM”) platform developed by DCM that is fully enabled by artificial intelligence (“AI”). ASMBL is a multi-featured, out of the box solution for organizing, storing, retrieving, and distributing digital assets. ASMBL was designed with AI as part of its core experience, including automated file tagging, enhanced search capabilities, and AI-generated transcription and content summaries. These AI features provide users with easily accessible content to work smarter, faster, and more efficiently.

## RESTRUCTURING INITIATIVES AND INTEGRATION EXPENSES

Following the acquisition of MCC in April 2023, DCM commenced its planned initiatives to drive post-acquisition operating synergies, including initiatives to align its organizational structure and optimize its operational footprint. During the three months ended September 30, 2024 these restructuring initiatives resulted in a total restructuring expense of \$1.2 million and \$2.1 million of expenses related to one-time, non-recurring integration costs. During the nine months ended September 30, 2024, these restructuring initiatives resulted in a total restructuring expense of \$3.3 million and \$2.6 million of expenses related to one-time, non-recurring integration costs. DCM continues to evaluate its business for opportunities to enhance productivity and reduce its cost of operations and expects to substantially complete its restructuring initiatives related to the MCC acquisition in 2024. We remain on track to realize our objective of total post-acquisition annualized synergies in the range of \$30 to \$35 million, which we expect to substantially achieve prior to the end of 2024.

## PLANT CONSOLIDATION AND STRATEGIC CAPITAL INVESTMENTS

DCM has made continued progress with plans to consolidate its plant network from 14 to 10 main production facilities to improve its operating efficiency following the MCC acquisition. The closure of our Edmonton, Alberta facility and transition of its production to our Calgary, Alberta facility was completed in November 2023.

During the nine months ended September 30, 2024, DCM completed the consolidation of its Thistle Printing and Toronto commercial printing operations, bringing together the two facilities at 180 Bond Avenue in Toronto, Ontario. DCM has invested in new state-of-the-art equipment in its Bond Avenue facility and completed other upgrades to the facility, providing additional capacity for future growth and production efficiencies.

DCM has also accelerated production and equipment moves from its Fergus, Ontario and Trenton, Ontario factories to its Drummondville, Quebec and Brampton, Ontario facilities, respectively. As of October 4, 2024, production activities have ceased in Fergus and DCM anticipates that production in Trenton will cease by mid-November 2024. DCM expects to substantially complete these plant closures by the end of 2024.

DCM has also been making strategic capital investments in the latest technology and equipment in its remaining plants consistent with management's commitment to providing high quality solutions for DCM's clients, while investing in segments of the print and marketing communications markets where the Company expects to see growth potential.

#### **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 the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies.

#### **PRODUCT SALES**

DCM's product sales include printed products and related services designed to simplify, streamline, and ensure compliance of clients' branded requirements for their marketing and communications needs, including a wide range of commercial print products, business communications services, direct mail, data management and analytics, point-of-sale transaction rolls, lottery rolls and selection slips, kitting and fulfillment, loyalty program execution, and outsourced products and services.

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 product to its customers, including technology-enabled hardware solutions (see "Technology-enabled hardware solutions" below). For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements and is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third-party product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. DCM recognizes revenue when control over the product transfers to the customer, which effectively occurs upon the completion of production or when a resale product is purchased from a third-party vendor and inducted into DCM's warehouses or shipped directly by the vendor to the DCM customers due to the custom nature of the product. In the case of custom third-party products that do not have an alternative use to DCM, DCM is entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into warehouses. Given the fact that DCM's 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 the 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. Certain of DCM's contractual arrangements with its customers related to product, include the provision of warehousing, freight and financing services, in addition to manufacturing or purchase from third parties of customized products based on specifications pre-approved by its customers. For bundled pricing arrangements, DCM allocates the transaction price to each performance obligation based on their relative stand-alone selling prices. Management applies judgment and assumptions when determining stand-alone selling prices and allocating revenue between the various performance obligations based on non-bundled pricing arrangements and comparable market data, where applicable. In some cases, 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. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when DCM completes the production of product or upon receipt of third-party product in its warehouses or when warehousing and freight services are provided (see "Warehousing Services" and "Freight Services" below).

#### WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the agreed period of the warehousing as it best represents the pattern of performance. Amounts are typically invoiced as warehousing services are performed in accordance with agreed upon contractual terms at periodic intervals. When DCM receives advance payments or issues billings in excess of revenue, these are recognized as deferred revenue in the statement of financial position. Deferred revenue is recognized as revenue when or as DCM provides custodial services over the agreed upon warehouse term.

#### FREIGHT SERVICES

DCM frequently contracts with third parties to deliver product to its customers. DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control as a principal. In those cases where DCM has identified it has a distinct performance obligation to arrange product shipment services and control of the product has been transferred to the customer prior to shipment, DCM recognizes shipment revenues when the performance of the shipping service has occurred as products are shipped.

#### MARKETING AND OTHER SERVICES

Marketing services include fee-for-service marketing strategy, creative and other marketing services fees, and other ancillary services include fees related to financing charges associated with customers where DCM stores customer product in the warehouse over a period of time and invoices the customer when the product is dispatched from DCM's warehouse. Revenue from marketing services is recognized over time as the services are performed. Revenue for other ancillary services is recognized upon completion of the performance obligations to its customers.

Financing income is recognized as DCM provides custodial services to its customers over the agreed upon warehouse term.

#### TECHNOLOGY-ENABLED HARDWARE SOLUTIONS

DCM procures certain products and services from third-party providers to ensure that our clients' complete business and marketing communications needs are met while providing comprehensive vendor management strategies. Technology-enabled hardware solutions include scanners, printers, tablets, and other technology applications, often with barcoding and RFID functionality, and digital signage applications. Such products typically complement our product sales, and other services, and are sold to clients as part of an integrated offering. Technology-enabled hardware solutions represent a distinct performance obligation from our "Product Sales" and "Marketing and Other Services", and revenue is recognized when the product is shipped from the vendor or inducted into DCM's warehouse.

#### TECHNOLOGY-ENABLED SUBSCRIPTION SERVICES AND FEES

DCM's technology-enabled subscription services and fees include the provision of marketing technology workflow applications and DAM solutions, software subscription fees, managed technology services, program management services, professional services fees, content management 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, program management services 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 ratably over the term of the contract, and represents a distinct performance obligation.

#### COST OF REVENUES AND OTHER EXPENSES

DCM's cost of revenues primarily consists of raw materials, manufacturing salaries and health 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 other expenses primarily 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 the depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

**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 the three and nine months periods in 2024 and 2023 has been derived from consolidated financial statements, prepared in accordance with IFRS Accounting Standards. 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.

The principal factors that caused period to period variations in the financial information set forth in Table 3 below are as follows:

- Increases in revenues, cost of revenues, gross profit, SG&A expenses, and amortization of transaction costs in 2024, primarily attributable to the acquisition of MCC in April 2023, with revenues, cost of revenues, and gross profit offset somewhat in the most recent quarters of 2024 by lower levels of customer spend, and lower SG&A expenses due to overhead reductions strategies including headcount reductions since the MCC acquisition;
- Substantially higher acquisition and integration costs in 2023 compared to 2024 given due diligence and acquisition-related expenses incurred in advance of closing the MCC acquisition;
- Restructuring initiatives in 2023 and 2024, related to post-acquisition integration initiatives;
- Lower net fair value losses in 2024 attributable to lower relative increases, and/or relative decreases, in DCM's common share price trading value compared to prior periods;
- Higher levels of interest expense in 2024 given higher outstanding debt incurred under DCM's credit facilities in the period to finance the MCC acquisition and additional lease liabilities associated with the MCC acquisition, the addition of short term leases associated with the Trenton and Fergus facilities subsequent to their sale and leaseback, and the addition of additional lease liabilities with capital equipment investment; and
- Improved levels of net (loss) or net income attributable to the above, and, in the case of earnings (loss) per share, offset somewhat due to a higher weighted average number of common shares outstanding, related to an equity offering completed by DCM in mid-2023.

There have been no material changes in the accounting principles in our financial reporting between the respective periods.

**TABLE 3** The following table sets out selected historical consolidated financial information for the periods noted.

<b>For the periods ended September 30, 2024 and 2023</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2024</b>	July 1 to September 30, 2023	<b>January 1 to September 30, 2024</b>	January 1 to 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
Selling, general and administrative expenses	22,430	25,065	71,676	61,944
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 and other costs				
Interest expense, net	5,273	5,072	16,192	9,654
Amortization of transaction costs, net of debt extinguishment gain	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 (recovery)				
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)
Basic earnings (loss) per share	\$ (0.05)	\$ (0.08)	\$ 0.05	\$ (0.19)
Diluted earnings (loss) 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

<b>As at September 30, 2024 and December 31, 2023</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>As at September 30, 2024</b>	As at December 31, 2023
Current assets	\$ 140,442	\$ 181,051
Current liabilities	96,483	116,531
Working capital	43,959	64,520
Total assets	388,349	418,754
Total non-current liabilities	252,494	273,459
Shareholders' equity	39,372	28,764

**TABLE 4** The following table sets out selected historical consolidated financial information for the periods noted. See the "Non-IFRS Accounting Standards measures" section above for more details and Tables 5 and 6 below for reconciliations of net (loss) income to Adjusted EBITDA and net (loss) income to Adjusted net income.

<b>For the periods ended September 30, 2024 and 2023</b> <i>(in thousands of Canadian dollars except percentage amounts, unaudited)</i>	<b>July 1 to September 30, 2024</b>	July 1 to September 30, 2023	<b>January 1 to September 30, 2024</b>	January 1 to September 30, 2023
<b>Revenues</b>	\$ 108,726	\$ 122,721	\$ 363,731	\$ 317,761
<b>Gross profit</b>	28,009	30,341	99,654	86,151
<b>Gross profit, as a percentage of revenues</b>	25.8 %	24.7 %	27.4 %	27.1 %
<b>Selling, general and administrative expenses</b>	22,430	25,065	71,676	61,944
As a percentage of revenues	20.6 %	20.4 %	19.7 %	19.5 %
<b>Adjusted EBITDA (see Table 5)</b>	12,567	11,790	48,120	38,378
As a percentage of revenues	11.6 %	9.6 %	13.2 %	12.1 %
<b>Net (loss) income for the period</b>	(2,668)	(4,185)	2,871	(9,496)
<b>Adjusted net (loss) income (see Table 6)</b>	(165)	1,778	8,755	11,465
As a percentage of revenues	(0.2)%	1.4 %	2.4 %	3.6 %

**TABLE 5** The following table provides reconciliations of net income (loss) to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Accounting Standards measures” section above for more details.

### EBITDA and Adjusted EBITDA reconciliation

<b>For the periods ended September 30, 2024 and 2023</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>July 1 to September 30, 2024</b>	July 1 to September 30, 2023	<b>January 1 to September 30, 2024</b>	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 recovery	(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
<b>EBITDA</b>	<b>\$ 9,222</b>	<b>\$ 3,820</b>	<b>\$ 40,256</b>	<b>\$ 10,363</b>
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
<b>Adjusted EBITDA</b>	<b>\$ 12,567</b>	<b>\$ 11,790</b>	<b>\$ 48,120</b>	<b>\$ 38,378</b>

**TABLE 6** The following table provides reconciliations of net income (loss) to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See “Non-IFRS Accounting Standards measures” section above for more details.

<b>For the periods ended September 30, 2024 and 2023</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2024</b>	July 1 to September 30, 2023	<b>January 1 to September 30, 2024</b>	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)
<b>Adjusted net (loss) income</b>	<b>\$ (165)</b>	<b>\$ 1,778</b>	<b>\$ 8,755</b>	<b>\$ 11,465</b>
<b>Adjusted net income per share, basic</b>	—	0.03	<b>0.16</b>	0.23
<b>Adjusted net income per share, diluted</b>	—	0.03	<b>0.15</b>	0.22
<b>Weighted average number of common shares outstanding, basic</b>	<b>55,308,952</b>	55,022,883	<b>55,192,969</b>	49,420,414
<b>Weighted average number of common shares outstanding, diluted</b>	<b>55,308,952</b>	57,895,056	<b>57,784,458</b>	52,084,116
<b>Number of common shares outstanding, basic</b>	<b>55,308,952</b>	55,022,883	<b>55,308,952</b>	55,022,883
<b>Number of common shares outstanding, diluted</b>	<b>55,308,952</b>	57,895,056	<b>57,900,441</b>	57,686,585

## Results of operations

### REVENUES

For the three months ended September 30, 2024, DCM recorded revenues of \$108.7 million, a decrease of \$14.0 million or 11.4% compared to \$122.7 million in Q3 2023. For the nine months ended September 30, 2024, DCM recorded revenues of \$363.7 million, an increase of \$46.0 million or 14.5% compared with the same period in 2023. Revenues in the third quarter of 2024 were lower than expectations, due mainly to reduced spending by some of our large enterprise clients and decisions we made to exit certain lower margin accounts. The revenue increase in the nine-month comparative periods mainly reflects the integration of MCC's financial results into DCM's consolidated financial outcomes following the acquisition of MCC in April 2023. Revenues in 2024 have also been impacted by certain large, non-recurring projects included in revenues in 2023.

DCM's revenue is comprised of six revenue streams: product sales, technology-enabled subscription service fees, freight services, warehousing services, technology-enabled hardware solutions, and marketing and other services.

**TABLE 7** The following tables set out DCM's revenue by revenue stream for the periods noted.

(in millions of dollars except percentage amounts, unaudited)	<b>For the three months ended September 30, 2024</b>	For the three months ended September 30, 2023	Revenue	Percentage Change
Product sales	<b>\$ 94,417</b>	\$ 107,976		(12.6)%
Technology-enabled subscription services and fees	<b>3,857</b>	4,534		(14.9)%
Freight services	<b>3,366</b>	3,617		(6.9)%
Warehousing services	<b>4,524</b>	3,752		20.6 %
Technology-enabled hardware solutions	<b>1,811</b>	2,319		(21.9)%
Marketing and other services	<b>751</b>	523		43.6 %
	<b>\$ 108,726</b>	\$ 122,721		(11.4)%

(in millions of dollars except percentage amounts, unaudited)	<b>For the nine months ended September 30, 2024</b>	For the nine months ended September 30, 2023	Revenue	Percentage Change
Product sales	<b>\$ 317,054</b>	\$ 281,695		12.6 %
Technology-enabled subscription services and fees	<b>15,961</b>	9,286		71.9 %
Freight services	<b>10,917</b>	9,041		20.7 %
Warehousing services	<b>11,554</b>	8,274		39.6 %
Technology-enabled hardware solutions	<b>5,993</b>	7,616		(21.3)%
Marketing and other services	<b>2,252</b>	1,849		21.8 %
	<b>\$ 363,731</b>	\$ 317,761		14.5 %

Product sales for the three months ended September 30, 2024 declined by 12.6% to \$94,417 compared to the prior period in 2023. This decline was largely due to a decrease in spending by some of our large enterprise clients during the period across a number of vertical markets. Additionally, DCM has also been intentionally focused on reducing selected lower-margin client product sales, which has resulted in some lost and deferred business this year. This decrease was partially offset by DCM's initiatives to expand our presence in new vertical markets, such as automotive, and consumer packaged goods, increase our wallet share with existing customers, and leverage our growing suite of product and service offerings. For the nine months ended September 30, 2024, revenue grew by 12.6% as compared to last year. This growth was largely due to the MCC acquisition, offset somewhat from reduced spending by our large enterprise clients in 2024.

Technology-enabled subscription services and fees for the three months ended September 30, 2024 declined by 14.9% compared to the same period in 2023, while for the nine months ended September 30, 2024, technology-enabled subscription services and fees grew by 71.9% compared to the same period in 2023. The decline in the third quarter of 2024 compared to 2023 is largely related to permanent declines in lower-margin archiving and scanning activities for two clients. The significant year over year increase for the nine months ended September 30, 2024 was primarily due to the MCC acquisition and professional services fees associated with MCC's transactional print services, which are charged separately from product sales on a fee-for-service basis.

For the three months ended September 30, 2024, freight services revenue declined by 6.9% compared to the same period in 2023, while for the nine months ended September 30, 2024, freight services revenues grew 20.7% compared to the same period last year. Warehousing services grew by 20.6% and 39.6%, respectively, compared to the same periods in 2023. The decline in freight revenue during the third quarter of 2024 compared to 2023 is largely related to lower levels of product sales which impacted freight services revenue by enterprise clients during the period and was offset by revised allocations by management of Freight Services as a percentage of Product Sales in bundled pricing arrangements with our clients. The year over year growth in freight services and warehousing services is primarily attributable to revised allocations by management of Freight and Warehousing Services as a percentage of Product Sales in bundled pricing arrangements with our clients, to better reflect the value of distribution and logistics services to our clients, and the inclusion of MCC results for the full period in 2024.

For the three and nine months ended September 30, 2024, technology-enabled hardware solutions revenues decreased by 21.9% and 21.3%, respectively, compared to the same period in 2023. This decrease was largely driven by lower levels of volume from a healthcare client which generated particularly strong technology-enabled hardware solutions revenues last year. The nine months ended September 30, 2024, benefited from a large national digital signage program for a new client in the automotive market in the second quarter.

Marketing and other services for the three and nine months ended September 30, 2024 grew 43.6% and 21.8%, respectively, compared to the same period in 2023, primarily due to organic growth in marketing services revenue. MCC typically did not offer marketing services on a fee-for-service basis to its clients prior to the acquisition.

#### **COST OF REVENUES AND GROSS PROFIT**

For the three months ended September 30, 2024, DCM recorded cost of revenues of \$80.7 million, a decrease of \$11.7 million or 12.6% from \$92.4 million for the same period of 2023. Gross profit for the three months ended September 30, 2024 was \$28.0 million compared to \$30.3 million for the same period in 2023. Gross profit as a percentage of revenues increased to 25.8% for the three months ended September 30, 2024, compared to 24.7% for the same period in 2023.

For the nine months ended September 30, 2024, DCM recorded cost of revenues of \$264.1 million, an increase of \$32.5 million or 14.0% from \$231.6 million for the same period in 2023. Gross profit for the nine months ended September 30, 2024 was \$99.7 million, an increase of \$13.5 million or 15.7% from \$86.2 million for the same period in 2023. Gross profit as a percentage of revenues increased to 27.4% for the nine months ended September 30, 2024, compared to 27.1% for the same period in 2023.

The increase in cost of revenues for the nine months ended September 30, 2024 compared to the prior year was primarily a result of recognizing the full results of the acquisition of MCC in 2024. The decrease in cost of revenues for the three months ended September 30, 2024 compared to the prior period was primarily the result of lower levels of product sales.

Gross profit as a percentage of revenues for the three and nine months ended September 30, 2024 increased from the prior period due to synergies realized from integration activities and initiatives to align pricing strategies amongst our clients and focus on more profitable business opportunities. Some lower-margin product sales have been intentionally declined or deferred, which has also contributed to higher levels of gross profit margin. This increase was offset by the acquisition of MCC as its average gross profit as a percentage of revenues has historically been lower than that of DCM's legacy business and the first nine months of 2024 included a full nine months of MCC financial results. MCC's historically higher raw material costs as a percentage of revenues, and lower relative sell prices for finished goods, as well as higher relative fixed overhead expenses are key areas management is focused on improving with our integration efforts.

Higher levels of tech-enabled subscription services and fees in the nine months ended September 30, 2024, from programming fees (which typically have relatively higher margin contribution than product sales) contributed by the MCC acquisition positively impacted year to date gross margin performance. Otherwise, there were modest variations in the contributions to gross profit margin from other revenue streams on a period-to-period comparative basis.

DCM is advanced in its planned initiatives to drive annualized synergies in connection with the acquisition of MCC to optimize its operational footprint, and further enhance its pricing strategies, which are expected to continue to improve consolidated gross margins. We experienced modest price increases related to raw material purchases in the quarter ended September 30, 2024 and DCM is continuing its efforts to pass on paper and other raw material price increases to our clients where practical. No material raw material or input cost changes are anticipated in the near term.

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

Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2024 were \$22.4 million, or 20.6% of revenues, a decrease of \$2.6 million compared to \$25.1 million and 20.4% of total revenues for the same period in 2023. For the nine months ended September 30, 2024, SG&A expenses were \$71.7 million, or 19.7% of revenues, an increase of \$9.7 million compared to \$61.9 million and 19.5% of total revenues for the same period in 2023.

The decrease in SG&A for the three months ended September 30, 2024 was primarily driven by the lower staffing levels due to restructuring initiatives related to SG&A, and the synergies achieved from the integration of MCC and DCM business. The increase in SG&A for the nine months ended September 30, 2024 was primarily attributable to the addition of MCC's SG&A expenses and increased spending on research and development expense for the full periods in 2024. For the three months ended September 30, 2024, research and development expenses related to technology development increased to \$1.1 million from \$1.0 million compared to the same period last year, and for the nine months ended September 30, 2024 research and development expenses related to technology development increased to \$3.8 million from \$2.5 million during the same period in 2024. In each period, these expenses were attributable to the Company's investment in ASMBL and other tech-enabled client-facing applications. The increase in SG&A as a percentage of revenues for the three months ended September 30, 2024 was primarily driven by lower levels of revenue, despite lower overall overheads levels due to restructuring initiatives related to SG&A, and synergies realized from the integration of the MCC business.

**ACQUISITION AND INTEGRATION COSTS**

DCM incurred \$2.1 million and \$2.6 million for the three and nine months ended September 30, 2024, respectively, for one-time, non-recurring integration costs, and acquisition expenses related to Zavy. Of those amounts, a total \$0.2 million specifically pertains to the acquisition costs associated with Zavy for the three months ended September 30, 2024. The remainder related to the planned consolidation of three DCM plants expected to be completed in 2024. This includes plant set-up costs, moving and freight costs for relocation of equipment to other locations, and raw material write-offs.

**RESTRUCTURING EXPENSE**

DCM incurred total one-time, non-recurring restructuring expenses of \$1.2 million and \$3.3 million for the three and nine months ended September 30, 2024, respectively, compared to \$7.0 million and \$9.7 million for the three and nine months ended September 30, 2023, respectively. DCM continued its planned initiatives to drive annualized synergies in connection with the acquisition of MCC, including initiatives to align its organizational structure and optimize its operational footprint. The restructuring expenses included headcount reductions in various functions, including operations and other SG&A functional roles, and eligible costs related to plant consolidations, such as losses on disposal of equipment and lease termination loss on exit of Edmonton lease.

**NET FAIR VALUE (GAINS) LOSSES ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**

The Company's common share price decreased by -1.1% during the third quarter of 2024, from \$2.73 as of June 30, 2024 to \$2.70 as of September 30, 2024, compared to the third quarter of 2024 to \$2.73 as of June 30, 2024, and decreased by -1.0% during the third quarter of 2024 to \$2.70 as of September 30, 2024 compared to 3.1% increase in our share price during the first three quarters of 2023, from \$2.62 as of December 31, 2023. Accordingly, we incurred an expense of \$0.1 million and an expense of \$1.9 million for the three and nine months ended September 30, 2024, respectively, compared to expenses of \$0.7 million and \$8.1 million for the same periods in 2023. DCM recorded these non-cash (benefit) accruals for mark-to-market expense and the normal vesting expense for outstanding long-term incentive compensation in the form of restricted share units ("RSUs") and deferred shared units ("DSUs").

**EBITDA AND ADJUSTED EBITDA**

For the three months ended September 30, 2024, EBITDA was \$9.2 million or 8.5% of revenues, compared to \$3.8 million or 3.1% of revenues in the same period in 2023. During this period, Adjusted EBITDA was \$12.6 million or 11.6% of revenues after adjusting EBITDA for \$1.2 million of restructuring costs, \$2.1 million of acquisition and integration costs and \$0.1 million of net fair value (gains) losses on financial liabilities at fair value through profit or loss, compared to \$11.8 million or 9.6% of revenues for the same period in 2023.

For the nine months ended September 30, 2024, EBITDA was \$40.3 million or 11.1% of revenues, compared to \$10.4 million or 3.3% of revenues in the same period in 2023. During this period Adjusted EBITDA was \$48.1 million, or 13.2% of revenues, after adjusting EBITDA for \$3.3 million of restructuring costs, \$2.6 million of acquisition and integration costs and \$1.9 million of net fair value (gains) losses on financial liabilities at fair value through profit or loss, compared to \$38.4 million or 12.1% of revenues for the same period in 2023.

The increase in Adjusted EBITDA for the nine months ended September 30, 2024 compared to the prior period in 2023 was due to the inclusion of MCC's financial results commencing April 24, 2023, and benefited from operating efficiencies and annualized synergies realized since closing the MCC acquisition. Adjusted EBITDA as a percentage of revenues increased for the three and nine months ended September 30, 2024 due to DCM's initiatives to target higher-margin business and focus on profitable business opportunities and is consistent with management's intent to return Adjusted EBITDA margins as a percentage of revenues to more than 14% per year. DCM is actively advanced in its planned initiatives to drive annualized synergies in connection with the acquisition of MCC to optimize its operational footprint, which we expect will continue to improve Adjusted EBITDA as a percentage of revenues.

#### **FINANCE AND OTHER COSTS**

Finance costs include interest on debt outstanding under DCM's credit facilities, interest on pension obligations, debt extinguishment gains, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16. For the three and nine months ended September 30, 2024, DCM incurred \$5.4 million and \$16.6 million of finance and other costs, respectively, compared to \$5.2 million and \$10.0 million for the same period in 2023.

Interest expense for the three and nine months ended September 30, 2024 increased primarily due to additional debt incurred by DCM to finance the acquisition of MCC. The additional debt bears interest at higher rates than DCM's other outstanding debt, which, together with increases in the prime interest rate applicable to DCM's floating rate debt, contributed to the increase in interest expense. Additionally interest expense also increased due to increase in lease liabilities from MCC acquisition and DCM lease renewals in the last quarter of 2023.

#### **INCOME TAXES**

DCM reported loss before taxes of \$3.2 million and a net income tax recovery of \$0.5 million for the three months ended September 30, 2024 compared to loss before taxes of \$7.9 million and a net income tax recovery of \$3.7 million for the same period in 2023. DCM reported income before taxes of \$3.5 million and a net income tax expense of \$0.6 million for the nine months ended September 30, 2024 compared to loss before taxes of \$13.8 million and a net income tax recovery of \$4.3 million for the same period in 2023.

The deferred income tax expense was adjusted for changes in estimates of future reversals of temporary differences.

#### **NET INCOME (LOSS)**

Net loss three months ended September 30, 2024 was \$2.7 million compared to a net loss of \$4.2 million for the same period in 2023. Net income for the nine months ended September 30, 2024 was \$2.9 million compared to a net loss of \$9.5 million for the same period in 2023.

The increase in comparable profitability for the nine months ended September 30, 2024 compared to last period was due to lower one-time acquisition and integration costs and lower net fair value losses on financial liabilities at fair value through profit or loss as compared to the same period in 2023.

**ADJUSTED NET INCOME**

Adjusted net loss for the three months ended September 30, 2024 was \$0.2 million, or 0.2% of revenues, compared to adjusted net income \$1.8 million, or 1.4% of revenues, for the same period in 2023. Adjusted net income for the nine months ended September 30, 2024 was \$8.8 million, or 2.4% of revenues, compared to \$11.5 million or 3.6% of revenues for the same period in 2023.

The decrease in Adjusted net income for the nine months ended September 30, 2024 was primarily attributable to the inclusion of MCC's SG&A expenses and higher research and development expenses related to technology development.

**Liquidity and capital resources****LIQUIDITY**

DCM's strategic allocation of funds has been guided by a comprehensive approach encompassing various financial priorities. The primary focus areas for fund utilization have encompassed working capital needs, capital investments, business acquisitions, organic growth initiatives, and the repayment of outstanding indebtedness. DCM has funded these liquidity requirements primarily with cash generated from operating activities, funds drawn from its unused committed credit facilities, long-term debt and sales of its common shares. Additionally, the Company has supplemented its financial resources through the net proceeds derived from asset sales.

In assessing its ongoing liquidity requirements, DCM conducts a comprehensive analysis, considering its current cash position, anticipated cash inflows from operational activities, projected availability of funds from unused credit facilities, cash from investing activities such as sales of real estate acquired with the acquisition of MCC and of redundant assets, access to the capital markets and expected reductions resulting from existing restructuring activities, as well as its ongoing cash needs for its existing operations.

DCM's working capital requirements consist primarily of the costs associated with manufacturing and delivering its products and services. These include expenditures related to wages, facility operations, payments to suppliers for raw materials, debt repayments, technology research and development expenses and other operational necessities. DCM's working capital requirements are primarily affected by the level of operating activities, including the length of the Company's operating cycles, printed products inventory turnover, and collection of accounts receivable.

Looking ahead, DCM anticipates that a combination of cash reserves, future operational cash flows, and access to committed credit facilities will enable the Company to meet its projected operating requirements for the next 12 months. This includes generating adequate levels of working capital, funding expenditures related to its growth strategy, expenses related to ongoing restructuring initiatives (particularly related to severance payments), investments in productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities, financing of planned capital expenditures, and fulfilling debt repayment obligations. To the extent required, the Company also believes it has access to equity markets to fund additional capital needs.

DCM believes the following factors could adversely impact cash flows from operations, primary sources of liquidity and operational capabilities in the future: diminished demand for the Company's products and services, including, in

particular, decreased demand for traditional business forms and certain other print-related products; pricing pressures from both existing and new customers; competition; rising manufacturing, distribution and other operating costs, including increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business, including as a result of continued inflationary pressures; interest rate increases, which have, and may in the future, adversely affect the borrowing costs associated with DCM's floating rate indebtedness; supply chain disruptions; seasonal variations in client spending; higher wage costs; and restructuring expenses.

## **CREDIT AGREEMENTS**

### **BANK FACILITIES**

DCM has established a revolving credit facility (the "Bank Credit Facility") pursuant to a third amended and restated credit agreement (the "Bank Credit Agreement") with a Canadian chartered bank (the "Bank"). Under the terms of the amended Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$90.0 million. The Bank Credit Facility also includes an "accordion" feature, which can provide up to an additional \$20 million of capacity under the revolving facility. The Bank Credit Facility matures on April 24, 2026. This facility is available to DCM in the form of a Loan Facility (Revolving Facility and/or Term Facility), a Hedging Facility, a Leasing Facility and a MasterCard Facility.

The Loan Facility is available to be drawn by way of either Prime Rate loans, Base Rate loans, Canadian Overnight Repo Rate Average (CORRA) loans, Secured Overnight Financing Rate (SOFR) loans, and/or Letters of Credit.

Prime rate loans charge interest based on the Canadian prime rate plus a margin whereby the prime rate is the greater of the Bank's published reference rate on Canadian Dollar denominated commercial loans and the adjusted Term CORRA for a period of one month plus 100 basis points per annum. Currently, advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$90 million and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the Bank Credit Facility of \$9.8 million as at September 30, 2024 are currently subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 1.00% for a total interest rate of 7.45% as of September 30, 2024.

Base Rate loans is the rate of interest on US dollar denominated loans plus applicable margin. SOFR loans is the secured overnight financing rate published by the Federal Reserve Bank of New York on the next succeeding Business Day. DCM has a discretion of availing CORRA loan advances under the Loan Facility for 1, 2 and 3 month terms ("CORRA loan").

As at September 30, 2024, DCM had \$18.0 million of advances under CORRA loan, but no advances under SOFR and Base Rate loans. As at September 30, 2024, three advances were made under the CORRA loan for an amount of \$4.0 million ("CORRA Loan I"), \$7.0 million ("CORRA Loan II) and \$7.0 million ("CORRA Loan III"). The applicable CORRA loan interest rate on these terms is calculated as adjusted Term CORRA plus an applicable margin for total interest of 7.08%, 7.40% and 6.83%, respectively.

In April 2024, DCM signed an Interim Funding Agreement ("IFA") with the Bank using the available Leasing Facility (Bank Leasing Facility) to finance the equipment purchases. According to the terms of the credit agreement, the maximum principal amount available under the IFA is \$8.2 million, with the facility expiring on January 2, 2025

(amended on October 8, 2024 from the original expiration date of October 10, 2024). The interest fee on the IFA is charged based on one-month forward looking term rate based on the CORRA published on such determination date, plus a margin of 3.75%. During the period, \$4.6 million was drawn to partially fund \$6.8 million in installment payments for equipment. These payments are recorded as other non-current assets on the condensed interim consolidated statement of financial position as at September 30, 2024 as the equipment is intended to be leased to the Bank upon completion of installation.

On June 5, 2024, DCM entered into an amendment to its Bank Credit Agreement. The applicable Canadian Dollar Offered Rate ("CDOR") was replaced by the CORRA plus 0.3%.

On July 24, 2024, DCM completed its' first sale and leaseback transaction for various equipment with the Bank under the Bank Leasing Facility for total proceeds of \$1.6 million. In conjunction with this transaction on July 30, 2024, DCM entered into an Amendment to the Interim Funding Agreement ("Amended IFA") to reduce the maximum principal amount available under the IFA from \$8.2 million to \$6.6 million to reflect the completed sale and leaseback transaction.

In January 2024, DCM completed a sale and leaseback for its Trenton, Ontario manufacturing facility for net proceeds of \$8.5 million (after deducting rent deposits paid), which were applied towards paying down the Bank Credit Facility.

As at September 30, 2024, DCM had access to \$22.4 million of available credit under the Bank Credit Facility and had cash and cash equivalents of \$8.9 million as shown on the condensed interim consolidated statement of financial position as at September 30, 2024.

#### FPD FACILITIES

DCM has two amortizing term loan facilities (the "FPD VI Credit Facilities") with Fiera Private Debt VI L.P. ("FPD VI"), which is a fund managed by Fiera Private Debt Fund GP Inc. ("FPD") pursuant to an amended and restated credit agreement dated as of April 24, 2023 (the "FPD Credit Agreement"). On October 22, 2024 a second amended and restated credit agreement was entered into to align the financial covenants on the term loans with those on the Bank revolving facility. The amended covenants are reflected in the table below.

#### COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreement contains customary representations and warranties, certain financial covenant requirements (see below), 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 and FPD VI, as applicable.

**TABLE 8** The following tables set out DCM's financial covenant requirements.

<b>Borrowings subject to financial covenants</b>	<b>Financial Covenant</b>	<b>Frequency Tested</b>	<b>Ratios to be compliant</b>	<b>Ratios at September 30, 2024</b>
Term loans	Total Funded Debt to Adjusted EBITDA	Quarterly	From September 30, 2024 to December 30, 2025 < 3.50 : 1.00 From December 31, 2025 to loan maturity < 2.75 : 1:00	1.97 : 1.00
	Fixed charge coverage ratio	Quarterly	For September 30, 2024 > 1.25 : 1.00 From December 31, 2024 to loan maturity > 1.10 : 1.00	2.09 : 1.00
	Working capital ratio	Quarterly	At all times > 1.10 : 1.00	1.64 : 1.00
Revolving facility	Fixed charge coverage ratio	Monthly	At all times > 1.10 : 1.00	2.09 : 1.00

For purposes of the Bank Credit Agreement and the FPD Credit Agreement, "EBITDA" means net income or net loss for the relevant period, calculated on a consolidated basis, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: (a) the aggregate expense incurred for interest on debt and other costs of obtaining credit; (b) income taxes, whether or not deferred; (c) depreciation and amortization; non-cash expenses resulting from employee or management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write up of property and losses resulting from the write-down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; lease payments to convert on a pre-IFRS 16 basis; and any other extraordinary, nonrecurring or unusual items such as restructuring costs (as agreed to by the lender) provided the amounts added back pursuant to clause (c) above in respect of cash expenses (other than acquisition, integration and restructuring costs related to the April 2023 MCC acquisition) are capped at 15% of unadjusted EBITDA. The pro forma financial results from any acquisitions completed by DCM during a given year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations.

As of September 30, 2024, DCM was in compliance with all its financial covenants.

The continued ability to comply with financial covenants under the Company's credit facilities for at least the next twelve months is contingent on management's ability to meet budgeted revenue, profitability and working capital targets. The estimate of future cash flows in the Company's 2024 budget and forecasts through to December 31, 2025 include a number of key assumptions to support the financial covenant calculations, specifically related to forecast revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). Management are satisfied that the Company's forecasts and projections, taking account of

reasonably possible changes in results and other uncertainties, will not result in any breach of the financial covenants on its credit facilities within the next fifteen months.

A failure by DCM to comply with its obligations under the Bank Credit Agreement or the FPD Credit Agreement, together with certain other events, including a change of control of DCM and a change in DCM's Chief Executive Officer, President or Chief Financial Officer (unless a replacement officer acceptable to FPD, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, would result in the interest rate on borrowings increasing by 2% while in default and could result in the indebtedness outstanding becoming immediately due and payable under each of those agreements if called by the lenders.

#### **INTER-CREDITOR AGREEMENT**

DCM's obligations under the Bank Credit Facility, and the FPD VI Credit Facilities are secured by conventional security charging all the property and assets of DCM and its subsidiaries. DCM has entered into an inter-creditor agreement between the Bank and FPD VI which, among other things, establishes the rights and priorities of the respective liens of the Bank 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, 2024, cash flows generated by operating activities were \$21.9 million compared to \$18.5 million during the same period in 2023. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of \$18.7 million compared with \$12.8 million for the same period in 2023. The change in the current period cash flow from operations is primarily related to higher levels of gross profit during the period, lower levels of net losses on financial liabilities at fair value, and lower income taxes paid, despite increased interest expense from higher levels of debt to finance the MCC acquisition, lower benefits from changes in working capital and higher provisions paid.

Changes in working capital (see note 11 in the Condensed interim consolidated statements of comprehensive loss) during the nine months ended September 30, 2024, generated \$3.1 million in cash compared with \$5.7 million of cash generated for the same period in 2023. During the nine months ended September 30, 2024, DCM had a cash inflow of \$22.0 million from trade receivables compared to an inflow of \$10.3 million for the same period in 2023 and inflow of \$3.1 million from inventories compared to an inflow of \$8.1 million for the same period in 2023. In the current period, receivables decreased compared to September 30, 2023 as collections increased during the period. The outflows were offset in part by a cash outflow of \$18.5 million from trade payables and accrued liabilities compared to an outflow of \$9.5 million for the same period in 2023 and an outflow of \$1.3 million from prepaid expenses and other current and non-current assets compared to an outflow of \$2.2 million for the same period in 2023. The decrease in trade payables and accrued liabilities and the decrease in non-current assets can be attributed to the timing of vendor payments.

**INVESTING ACTIVITIES**

For the nine months ended September 30, 2024, investing activities used \$7.6 million in cash flows compared with \$109.2 million during the same period in 2023. The change in the current period cash flow from investing activities is primarily related to \$9.7 million invested in our facilities in anticipation of planned consolidation initiatives and certain purchases of new equipment and \$8.0 million of installment payments made during the year to date on new equipment that DCM plans to lease once installation is completed. This was offset by an inflow of \$10.2 million generated from the sale and leaseback of DCM's Trenton, Ontario production facility, which was acquired as part of the acquisition of MCC. During the comparable period in 2023, cash consideration for the acquisition of MCC was \$131.0 million.

**FINANCING ACTIVITIES**

For the nine months ended September 30, 2024, the cash flow used by financing activities was \$23.0 million compared with \$108.7 million generated during the same period in 2023. In total, DCM borrowed \$58.1 million under its Credit Facilities, and repaid \$73.9 million of outstanding debt, which is consistent with the Company's lower levels of term debt as of September 30, 2024. During the same period in 2023, DCM borrowed \$155.6 million under its Credit Facilities, of which \$132.2 million related to the acquisition of MCC and associated transaction costs.

For the nine months ended September 30, 2024, the lease payments increased from \$9.4 million to \$15.3 million, while lease principal payments increased from \$5.3 million to \$6.1 million. This increase is primarily attributable to the acquisition of MCC and increases to date in equipment leases in connection with our capital investment plans in advance of our plant consolidation initiatives.

**Outstanding share data**

At November 12, 2024 and September 30, 2024, there were 55,308,952, respectively, common shares of the Company outstanding. At December 31, 2023, there were 55,022,883 common shares of the Company outstanding.

At November 12, 2024 and September 30, 2024, there were options outstanding to purchase up to 4,223,800 common shares of the Company. At December 31, 2023, there were options outstanding to purchase up to 4,529,000 common shares of the Company.

At November 12, 2024, September 30, 2024 and December 31, 2023, there were warrants outstanding to purchase up to 261,216 common shares of the Company.

**Financial instruments and Risk management**

DCM's financial instruments consist of cash, trade receivables, bank overdraft, trade payables and accrued liabilities, credit facilities, and lease liabilities. All of DCM's financial instruments are non-derivative in nature and DCM does not enter into financial instruments for trading or speculative purposes.

**FAIR VALUE**

DCM's non-derivative financial instruments are comprised of cash, trade receivables, bank overdraft, trade payables and accrued liabilities, credit facilities, and lease liabilities. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments at fair value through the profit and loss include restricted share units and director share units, which are recorded as a liability at fair value on the grant date and are subsequently adjusted for changes in the price of DCM's common shares through the consolidated statements of operations.

The fair value for other non-derivative financial instruments such as cash, trade receivables, bank overdraft, trade payables and accrued liabilities approximates their carrying value because of the short-term maturity of these instruments. Credit facilities are initially recognized at the discounted present value of the amounts required to be paid to derive their fair value and are then measured at amortized costs using the effective interest method. The fair values are not materially different from their carrying amounts since the interest payable on these borrowings is close to market rates.

**MARKET RISK****INTEREST RATE RISK**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities. DCM's interest rate risk arises from credit facilities issuances at floating interest rates.

As of September 30, 2024, \$9.8 million of DCM's indebtedness outstanding was subject to floating interest rates of 7.45% per annum; a 1% increase/decrease in interest rates would have resulted in an increase/decrease in the loss by \$0.1 million during the nine months ended September 30, 2024 (2023 – \$0.2 million), respectively. At September 30, 2024, \$6.7 million was subject to a fixed interest rate of 5.95% per annum and \$47.0 million was subject to a fixed interest rate of 8.08% per annum. Furthermore, from the revolving facility, amounts of \$4.0 million, \$7.0 million and \$7.0 million was subject to a fixed interest rate of 7.08%, 7.40% and 6.83%, respectively. Although these loans are subject to fixed interest rate, they are subject to short-term renewals; a 1% change in interest rates would have resulted in a \$0.1 million change in the loss the nine months ended September 30, 2024.

**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 projected contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at September 30, 2024. 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.

**TABLE 9** The following table sets out DCM's significant contractual obligations and commitments as of September 30, 2024.

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>Total</b>	Less than a year	1 to 3 years	4 to 5 years	5 years and greater
Pension funding contributions	22,994	1,246	13,393	4,218	4,137
Lease liabilities	284,368	18,394	59,674	20,924	185,376
Termination (Severance) Obligations	10,914	9,007	1,907	—	—
Long-term debt	101,523	19,822	59,232	22,469	—
	<b>\$ 419,799</b>	<b>\$ 48,469</b>	<b>\$ 134,206</b>	<b>\$ 47,611</b>	<b>\$ 189,513</b>

During the first three quarters of 2024, DCM entered into several significant contractual obligations. On January 11, 2024, DCM completed a sale and leaseback transaction for its manufacturing facility in Trenton, Ontario. The gross proceeds from the sale were \$9.0 million, and after deducting closing commissions, rent deposit, and other expenses, the net proceeds amounted to \$8.5 million. This lease includes a one-year leaseback arrangement, with options to extend the lease for up to an additional six months, providing the Company ample time to complete the planned closure of the facility. Additionally, during the first three quarter of 2024, DCM entered into a number of new significant contractual obligation to enhance its production capabilities. Notably, DCM signed a five-year lease agreement for Heidelberg equipment, along with two five-year lease agreements for Durst printer equipment. These strategic investments are aimed at improving our production efficiency and capacity, ensuring we meet the growing demands of our clients.

DCM signed a Termination of Lease Agreement (the "Lease Termination Agreement") on August 27, 2024 with the landlord, effective August 31, 2024 of the leased facility in Edmonton, Alberta. The Lease Termination Agreement required DCM to pay an aggregate of \$0.8 million in consideration of terminating the lease, payable on the effective date on August 31, 2024 resulting in a modification loss of \$0.4 million which was recorded as restructuring expense.

### Transactions with related parties

During the three and nine months ended September 30, 2024, there were regular inter-company activities between DCM and its subsidiaries during the normal course of business. These transactions and balances are eliminated in DCM's consolidated financial statements. Related parties are defined as individuals who can influence the direction or management of DCM or any of its subsidiaries and therefore, the directors and officers of DCM's subsidiaries are considered related parties.

On March 15, 2018, DCM entered into a loan agreement with a key member of management, of \$0.1 million to finance the purchase of common shares of the Company. The loan is set to expire on March 15, 2026. Interest

accrues at a rate of 7.5% per annum on the unpaid balance of the loan. The loan is unsecured and repayable upon maturity. At September 30, 2024, the balance owing on the loan was \$0.1 million.

### COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be Directors on DCM's Board, the CEO, the President, the Chief Financial Officer and other members of the senior executive team. Compensation awarded to key management personnel, excluding compensation awarded to Directors, which are described below, included:

**TABLE 10** The following table sets out DCM's compensation awarded to key management personnel, excluding compensation awarded to Directors as of September 30, 2024.

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended September 30, 2024</b>	For the three months ended September 30, 2023
Salaries and other short-term employee benefits	\$ 836	\$ 502
Post-employment benefits	2	—
Share-based compensation expense	177	529
<b>Total</b>	<b>\$ 1,015</b>	<b>\$ 1,031</b>

  

	<b>For the nine months ended September 30, 2024</b>	For the nine months ended September 30, 2023
Salaries and other short-term employee benefits	\$ 2,425	\$ 2,493
Post-employment benefits	14	10
Share-based compensation expense	1,232	2,997
<b>Total</b>	<b>\$ 3,671</b>	<b>\$ 5,500</b>

During the three months ended September 30, 2024, key management personnel (excluding compensation awarded to Directors) were granted nil RSUs (2023 - nil), and nil RSUs (2023 - nil) were forfeited. During the three months ended September 30, 2024, there were no options granted (2023 - nil) to purchase Common Shares to key management personnel (excluding compensation awarded to Directors). During the three months ended September 30, 2024, DCM's general and administration expenses include a charge of \$11.0 thousand (2023 - \$0.2 million) for these past share-based compensation awards related to options.

During the three months ended September 30, 2024, DCM's general and administration expenses include a net recovery of \$82 (2023 - \$0.2 million) for the duties performed by DCM's Board, of which a recovery of \$0.1 million (2023 - \$28.3 thousand) relates to DSU fair value expense (note 9).

During the nine months ended September 30, 2024, key management personnel (excluding compensation awarded to Directors) were granted 172,073 RSUs compared with 252,260 during the same period in 2023. During the nine months ended September 30, 2023, key management personnel (excluding compensation awarded to Directors) were granted options to purchase up to 750,000 Common Shares. During the nine months ended September 30,

2024, DCM's general and administration expenses include a charge of \$0.1 million for these past share-based compensation awards related to options compared with \$0.4 million during the same period in 2023.

During the nine months ended September 30, 2024, DCM's general and administration expenses include a net charge of \$0.5 million for the duties performed by DCM's Board compared with \$4.1 million during the same period in 2023, of which \$0.2 million relates to DSU fair value expense compared with \$3.6 million during the same period in 2023.

### Summary of quarterly results

**TABLE 11** The following table presents selected quarterly financial information derived from our consolidated financial statements for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes.

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

	2024			2023			2022	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$108,726	\$125,751	\$129,254	\$129,964	\$122,721	\$118,963	\$76,077	\$73,045
Net income (loss) attributable to shareholders	(2,668)	4,064	1,475	(6,358)	(4,185)	(2,879)	(2,431)	3,680
Basic earnings (loss) per share	(0.05)	0.07	0.03	(0.12)	(0.08)	(0.06)	(0.06)	0.08
Diluted earnings (loss) per share	(0.05)	0.07	0.02	(0.12)	(0.08)	(0.06)	(0.06)	0.08

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2024 can be attributed to several principal factors: the post-recovery impact of COVID-19 which commenced in 2021 and continued in 2022; the acquisition of MCC as of April 24, 2023, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business primarily in 2022; supply chain disruptions which impacted operations in 2022; seasonal variations in customer spending related to marketing campaigns and business communications; refinement of DCM's pricing discipline; fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs; acquisition and integration costs related to the acquisition of MCC; and restructuring expenses related to DCM's ongoing productivity improvement and cost reduction initiatives. See additional information on the operating results in our MD&A for each respective quarter.

DCM's net income for the third quarter of 2024 included higher gross margins as a percentage of revenue, attributed to the synergies from MCC and DCM integration and DCM's initiatives to target higher-margin business and fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs of approximately \$0.1 million. This was offset by the decrease in revenue of \$11.7 million, one-time costs related to restructuring expenses of \$1.2 million and acquisition and integration costs of \$2.1 million. DCM's net income for the third quarter of 2023

included restructuring expenses of \$7.0 million, acquisition and integration costs of \$0.2 million, one-time fair market value adjustment of RSUs and DSUs of approximately \$0.7 million included in cost of sales and SG&A.

DCM's net income for the second quarter of 2024 included higher gross margins, attributed to the synergies from MCC and DCM integration and DCM's initiatives to target higher-margin business and fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs of approximately \$1.4 million. This was offset by the one-time costs related to restructuring expenses of \$1.1 million and integration costs of \$0.2 million. DCM's net income for the second quarter of 2023 included restructuring expenses of \$2.7 million, acquisition and integration costs of \$3.8 million, one-time fair market value adjustment of RSUs and DSUs of approximately \$2.3 million included in cost of sales and SG&A.

DCM's net income for the first quarter of 2024 included higher revenues and lower gross margins attributable to the operations of MCC. This was offset by one-time costs related to restructuring expenses of \$1.1 million and integration costs of \$0.3 million, and fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs of approximately \$3.2 million. DCM's net income for the first quarter of 2023 included acquisition and integration costs of \$6.1 million, one-time fair market value adjustment of RSUs and DSUs of approximately \$5.0 million included in cost of sales and SG&A and no restructuring expenses.

DCM's net loss for the fourth quarter of 2023 included higher revenues and gross profits due to: the acquisition of MCC; one-time costs related to restructuring expenses of \$10.6 million and acquisition and integration costs of \$0.7 million; and fair value (gains) losses on financial liabilities at fair value through profit or loss for RSUs and DSUs of approximately \$1.0 million. However, DCM's net income for the fourth quarter of 2022 included a higher gross margin as a percentage of revenues, and one-time costs related to acquisition integration for \$1.9 million.

## **Accounting policies and Estimates**

### **CHANGES IN ACCOUNTING POLICIES AND ESTIMATES**

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 2024 which are outlined in note 3 of the Notes to the condensed interim consolidated financial statements of DCM for September 30, 2024.

#### *a) New and amended standards adopted*

### **AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT, AND NON-CURRENT LIABILITIES WITH COVENANTS**

In January 2020 the IASB issued an amendment to 'Classification of Liabilities as Current or Non-current (2020 Amendments). This standard was amended 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. In October 2022 the IASB

issued a further amendment 'Non-current Liabilities with Covenants' (2022 amendments) which also deferred the effective date of the 2020 amendments). The 2022 amendments aim to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period. The amendments were adopted effective January 1, 2024 and did not have an impact on the condensed interim consolidated financial statements.

#### **AMENDMENTS TO IFRS 16 LEASES: LEASE LIABILITY IN A SALE AND LEASEBACK**

In September 2022 the IASB has issued narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 explaining how a seller-lessee accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or a rate are impacted. The amendments were adopted January 1, 2024 and did not have any significant impact on the condensed interim consolidated financial statements.

#### **AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS AND IFRS 7 FINANCIAL INSTRUMENTS: SUPPLIER FINANCING AGREEMENTS**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures, addressing the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements. The disclosure requirements in the amendments enhance the previous requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments were adopted January 1, 2024. and did not have any significant impact on the condensed interim consolidated financial statements.

#### *b) Future accounting standards not yet adopted*

#### **AMENDMENTS TO IAS 21: LACK OF EXCHANGEABILITY**

In August 2023, the IASB amended IAS 21 to address challenges in determining exchangeability between currencies and establishing the spot exchange rate in cases where exchangeability is lacking. Previously, IAS 21 provided guidance for situations of temporary lack of exchangeability but did not address scenarios of non-temporary lack of exchangeability. The amendments are effective for reporting periods beginning on or after January 1, 2025. DCM is currently evaluating the impact but does not expect these amendments to have any significant impact on the condensed interim consolidated financial statements.

#### **NEW STANDARD: IFRS 18: PRESENTATION AND DISCLOSURE IN FINANCIAL STATEMENTS**

In April 2024 the IASB issued a new standard, IFRS 18 "Presentation and Disclosure in Financial Statements". This standard will replace IAS 1 and (i) provides a defined structure for the statement of profit or loss and will require items in the statement to be classified into one of five categories: operating, investing, financing, income taxes and discontinued operations, (ii) requires enhanced disclosures within the notes to the financial statements for certain non-GAAP profit or loss performance measures (management defined performance measures, "MPM") that are reported outside an entity's financial statements including a reconciliation between the MPM and the most similar specified subtotal in IFRS Accounting Standards, and (iii) provides clarification on aggregation and disaggregation in

the primary financial statements and note disclosures. The new standard will apply to reporting periods beginning on or after January 1, 2027 and will apply to comparative information. Management is currently evaluating the impact of this future policy on the consolidated financial statements.

### **AMENDMENTS TO IFRS 9 and IFRS 7: CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS**

In May 2024, the IASB amended IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”. The amendments (i) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (ii) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; (iii) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and (iv) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The amendments are effective for reporting periods beginning on or after January 1, 2026. DCM is currently evaluating the impact on the condensed interim consolidated financial statements.

There are no other IFRS Accounting Standard or International Financial Reporting Interpretations Committee (‘IFRIC’) interpretations that are not yet effective that would be expected to have a significant impact on DCM.

#### *c) Change in accounting estimates*

### **DEFINED BENEFIT OBLIGATIONS DISCOUNT RATE**

During the three and nine months ended September 30, 2024, DCM recorded re-measurements of pension obligations gains of \$0.6 million and \$9.4 million in the condensed interim consolidated statements of comprehensive income (loss). The \$8.8 million remeasurement gains prior to this quarter were primarily as a result of an increase in the discount rate from 4.6% at December 31, 2023 to 5% at June 30, 2024 to reflect changes in Canadian economic conditions and long-term interest rates. The \$0.6 million remeasurement gains in the third quarter reflected asset returns in excess of the discount rate which were largely offset by remeasurement losses due to a reduction in the discount rate back to 4.6% at September 30, 2024.

#### *d) Comparative figures*

To align with the presentation adopted in the current period the comparative figures in the cash flow statement have been revised to (1) reclassify the \$4.1 million interest portion of lease payments from financing activities to operating activities to be consistent with the presentation of interest payments on the credit facilities and (2) present the \$8.1 million net fair value losses on financial liabilities at fair value through profit and loss separately from the other changes in trade and accrued liabilities within changes in working capital.

## **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 National Instrument 52-109) ("DC&P") 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 INTERIM REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING**

National 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 Accounting Standard. 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 Accounting Standards, 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, 2024, except as set forth below in the immediately following sentence, there were no changes in the Company's internal control over financial reporting that occurred during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting. The CEO and CFO have assessed that MCC was successfully integrated into DCM's control environment.

## Outlook

Our focus in the third quarter of 2024 and throughout the year has been on building a strong platform for profitable growth following last year's acquisition of MCC.

Revenues in the third quarter of 2024, and year to date, have been lower than our expectations, due mainly to reduced spending by some of our large enterprise clients and decisions we made to exit certain lower margin accounts. Our revenues in 2024 have also been impacted by the timing of certain larger, non-recurring projects. These headwinds have continued into the fourth quarter of 2024. However, we expect spending to recover in future quarters.

Significant priorities this year have included the planned consolidation of our plant network, integrating legacy MCC systems, completing our restructuring activities, and accelerated capital investment in our plants and equipment. We remain on track to deliver in 2024 substantially all of our post- acquisition integration commitments including our operational, organizational and procurement synergy objectives.

Our four planned facility consolidations have now been substantially completed. In addition to the previously completed closure of our Edmonton, Alberta facility, and the consolidation of our two Toronto, Ontario facilities, we completed the consolidation of our Fergus, Ontario facilities into our Drummondville, Quebec facility in early October 2024, and our Trenton, Ontario facility is on track to cease production in mid-November 2024.

We are pleased with our progress on these initiatives, which are helping us deliver consistently higher levels of gross profit margin, as well as lower levels of SG&A expenses. We expect continued improvement in gross profit margins and operating income in the fourth quarter of 2024 and particularly in 2025.

Our investment in new state-of-the-art capital equipment in our plants has advanced throughout the year, along with investments in network security and infrastructure. Together, these capital investments are intended to provide us with additional production capacity, enhance our production capabilities, and enable us to deliver additional workflow and operating cost efficiencies going forward.

An improving interest rate environment and lower inflationary pressures should result in an improved spending outlook by our clients in 2025, particularly in the financial and retail sectors. We are closely monitoring labour negotiations between Canada Post and the Canadian Union of Postal Workers and the potential impact of a labour disruption on our business, as well as increases in regulated postage rates which are scheduled to become effective in mid-January 2025.

While we've experienced revenue headwinds in 2024, we expect to return to modest levels of growth in 2025, and, in the longer term, to accelerate and achieve our five-year organic revenue CAGR of more than 5% per year. Our gross profit margins achieved in the first three quarters of 2024 are on track with our plans to return gross margins to pre-acquisition levels and we continue to believe that our target of annual Adjusted EBITDA as a percentage of revenues of more than 14% is achievable in the near term.

**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.