Letter to shareholders

Dear Fellow Shareholders,

DCM completed 2017 with a strong fourth quarter. Revenues were $76.1 million, up 11.6% compared to a year ago; and Adjusted EBITDA was $5.6 million, up 154.5% versus a year ago. For the fiscal year ended December 31, 2017, total revenues were $289.5 million, up 4.0% versus a year ago, and Adjusted EBITDA was $16.1 million, compared to $14.4 million a year ago.

This improvement in your business was driven by several initiatives:

Sales Performance:

We benefited from market share wins including a large North American financial institution. We achieved gains in "share of wallet", essentially providing more services and products to long standing clients.

Margin Discipline and Cost Controls:

We undertook a number of initiatives to reduce our product price discounting with a focus to improve gross margins through "cost plus" discipline.

Acquisitions:

The Thistle and Eclipse acquisitions completed in February 2017 contributed strong results in the year and helped improve overall gross margins for the company. BOLDER Graphics, acquired in November 2017, chipped in for our last month of the year. BOLDER Graphics provides DCM with highly complementary large format platform capabilities in Western Canada and we expect a strong performance from the business in 2018.

Operational Efficiencies:

We focused on five key areas:

- Announced and executed the move of Multiple Pakfold from its separate Mississauga, Ontario facility into our Brampton, Ontario location. Estimated annual savings in excess of $0.8 million are expected from this move.
- Announced and completed the move of our Granby, Québec warehousing operations into our Drummondville, Québec facility. Annual associated savings are estimated at $0.7 million.
- Announced and completed the move of BOLDER Graphics into our Calgary, Alberta location. Annual total savings are estimated at $0.8 million.
- Executed strategic selling, general and administrative cost reductions. The elimination of approximately 30 personnel will result in annualized estimated savings of approximately $3.5 million.
- Continued to progress with the implementation of our new ERP project. This is positioned for completion before the end of 2018.

As a result of all of the above, we recently shared our outlook for fiscal 2018 with the market which incorporates the above initiatives together with positive revenue trends. The "Outlook" discussion in the enclosed management's discussion and analysis of financial conditions and results of operations further describes our outlook and assumptions. We are quite encouraged by the momentum we have in the business.

Leadership Transition:

Reflecting on how the DCM team has successfully navigated its transformation over the last three years, as evidenced by the strong fourth quarter in 2017 and the positive outlook for 2018, I want to announce that I am stepping aside from the CEO role, effective June 2018 at the shareholders' annual general meeting. I will however remain a director, subject to shareholder support, and continue as a significant and very supportive shareholder.

I originally joined DCM with the intent to reposition the business for lasting success, and I am confident that the changes we have made to strengthen our team at all levels, and the course we have established, are now in place to do just that.

Gregory J. Cochrane will add CEO to his current title of President. I have thoroughly enjoyed working with and learning from Greg since he joined us in November 2016. During this time Greg has made many important and transformative moves to propel DCM forward. His leadership, energy and keen "customer first" focus is what DCM needs as it continues to move from its strong historical role of being an operations-focused communications provider to becoming more of a marketing communications-focused provider and thought leader.

As we approach this succession, I want to share my extreme gratitude to the whole DCM team. The company is made up of a highly talented, diverse, and extremely loyal team of individuals, all of whom have made my job enjoyable and successful.

The caliber of the DCM team is a direct result of the leadership provided by many employees over the history of DCM. I consider it a once in a lifetime privilege to have spent three years working with you. In particular, I'd like to recognize my key confidants Alan Roberts, our Senior Vice President of Operations, James Lorimer, our Chief Financial Officer, and Judy Holcomb-Williams, our Vice President of People Experience and who has recently taken on the role of Senior Vice President, Chief Cultural Officer. You folks have made my DCM journey a thrill and one I'm immensely proud of.

Lastly, I'd like to thank our board of directors made up of seasoned, sound veterans, led by our Chairman J.R. Kingsley Ward. Your support has been an essential ingredient for our success.

This will be the last DCM shareholder letter I write by myself for I will share this privilege with Greg for our first quarter of 2018 report. As such, I want to take this opportunity to thank you, our shareholders, for your tremendous support and patience as we have wrestled to transition and transform your company into a modern communications corporation with an appropriate capital structure.

The journey is not over yet, but I truly now believe we know our destination and we have new sails with the wind at our backs.

For a full description of our financial results for the fourth quarter and full year financial results for 2017, please refer to our audited consolidated financial statements for the year ended December 31, 2017 and related management's discussion and analysis, copies of which are available at www.sedar.com.

Kindest regards,

(Signed) "Michael G. Sifton"

Michael G. Sifton
Chief Executive Officer

DATA Communications Management Corp.
March 2018

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

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

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of March 8, 2018.

Basis of presentation

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

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

Forward-looking statements

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions by DCM; the failure to realize the expected benefits from acquisitions and risks associated with the integration of acquired businesses; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this MD&A and under the headings "Risk Factors" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

Non-IFRS measures

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

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

Business of DCM

OVERVIEW

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

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

Customer agreements and terms typically include provisions consistent with industry practice, which allow 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 seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DCM has approximately 1,411 employees in Canada and the United States, and had revenues of $289.5 million in 2017. Website: www.datacm.com.

RECENT DEVELOPMENTS

POST-INTEGRATION OF ACQUISITIONS COMPLETED

As previously reported, DCM completed the acquisition of Eclipse Colour and Imaging Corp. ("Eclipse") and Thistle Printing Limited ("Thistle") in the first quarter of 2017 and completed the acquisition of BGI Holdings Inc. and 1416395 Alberta Limited, collectively "BOLDER Graphics" on November 10, 2017, (the "BOLDER Closing Date"). DCM reported revenues and net income (loss) for the year ended December 31, 2017 from Eclipse of $21.8 million and $2.1 million, from Thistle of $15.1 million and $0.8 million, and BOLDER Graphics of $1.0 million and $(0.1) million, all since their respective dates of acquisition.

During the first quarter of 2018, DCM relocated BOLDER Graphics' staff and operations into DCM's 165,000 square foot Calgary, Alberta facility, which produces a wide array of sheet-fed lithography, digital and wide format print services, variable print-on-demand solutions and provides warehousing, fulfillment and distribution services. The combination of these two operations are expected to provide immediate annualized total cost savings synergies of approximately.$0.8 million. This acquisition strengthens DCM's large and wide format printing capabilities in western Canada and complements its significantly expanded large and wide format capabilities obtained through the acquisition of Eclipse in eastern Canada earlier this year.

BOLDER Graphics was acquired for a total purchase price of approximately $3.4 million, before giving effect to post-closing adjustments for changes in working capital and bank indebtedness, based on the final statement of financial position as of the BOLDER Closing Date. The purchase price was satisfied as follows on the BOLDER Closing Date: $1.6 million in cash, $0.8 million through the issuance of 704,424 Common Shares, and $1.1 million in the form of subordinated, unsecured, 6.0% interest bearing vendor take-back promissory notes, which are payable in twenty equal monthly blended payments of principal and interest commencing on February 28, 2018 and ending on September 30, 2019, and the assumption of approximately $0.9 million in outstanding long-term indebtedness. The post-closing adjustments to the purchase of $88 thousand have been finalized and were paid in February 2018 to the vendor and therefore have been included in trade payables and accrued liabilities in DCM's consolidated statement of financial position as at December 31, 2017.

Note 4 to the audited consolidated financial statements of DCM for the year ended December 31, 2017 contains additional information used to determine the fair value of the Common Shares and fair value of the vendor take-back promissory note issued on BOLDER Closing Date.

On the BOLDER Closing Date, DCM also advanced $1.3 million to settle BOLDER Graphics' bank indebtedness and amounts payable to the former owners of the company.

Total cash advanced on the BOLDER Graphics acquisition of $2.9 million, which was used to finance the up-front cash component of the acquisition and settle the above noted debt. $2.0 million was financed with the proceeds from the IAM V Credit Facility (as defined in the "Liquidity and Capital Resources" below) and $0.9 million was financed with a draw under DCM's bank credit facility (see "Liquidity and Capital Resources" below for further details related to DCM's bank credit facilities).

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

OPERATIONAL INITIATIVES

On January 25, 2018, DCM announced the integration of the Company's Multiple Pakfold operations into its Brampton, Ontario facility and the relocation of its Granby, Québec warehousing operations into its Drummondville, Québec facility were completed as planned with little business disruption. These facility moves, together with the labour force reductions DCM announced in October 2017 of approximately 30 individuals across the Company's indirect labour, selling, general and administrative functions, and ongoing efforts to drive efficiencies throughout the Company, are expected to result in annualized total savings of approximately $5.0 million. DCM expects to realize the full quarter effect of many of these improvements commencing in the first quarter of 2018.

REVENUE RECOGNITION POLICY

DCM recognizes revenue from the sale of products upon shipment to the customer when costs and revenues can be reliably measured, collection is probable, the transfer of title occurs and the risk of loss passes to the buyer. When the customer requests a bill and hold arrangement, revenue is recognized when the goods are ultimately shipped to the customer. Since the majority of DCM’s products are customized, product returns are not significant. DCM may provide pre-production services to its customers; however, these services do not have standalone value and there is no objective and reliable evidence of their fair value. Therefore, these pre-production services and the final custom made printed product are considered to be one unit of accounting. DCM recognizes warehousing, administration and marketing service fees when the services are provided, the amount of revenue can be measured reliably, it is probable that economic benefits associated with these services will flow to DCM and the costs associated with these services can be reliably measured. DCM occasionally provides warehousing services that are negotiated as a separate charge based on market rates, even if included in the overall selling price of its products. Warehousing services represent a separate unit of accounting because they can be sold separately, have value to the customer on a stand-alone basis, and there is objective and reliable evidence of the fair value of these services. If warehousing, administration and marketing service fees are included in one overall selling price of DCM’s custom print products, the consideration is allocated to each component based on relative selling prices.

COST OF REVENUES AND EXPENSES

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

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

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information for each of Fiscal 2017, Fiscal 2016 and Fiscal 2015 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to December 31, 2017**	January 1 to December 31, 2016	January 1 to December 31, 2015
Revenues	**$ 289,529**	$ 278,363	$ 304,575
Cost of revenues	**220,138**	215,295	233,505
Gross profit	**69,391**	63,068	71,070
Selling, general and administrative expenses	**61,371**	55,934	56,663
Restructuring expenses	**9,457**	4,200	13,560
Impairment of goodwill	**—**	31,066	26,000
Gain on redemption of convertible debentures	**—**	—	(12,766)
Acquisition costs	**1,368**	68	—
	72,196	91,268	83,457
(Loss) before finance costs and income taxes	**(2,805)**	(28,200)	(12,387)
Finance costs (income)			
Interest expense	**4,415**	3,414	5,599
Interest income	**(6)**	(8)	(11)
Amortization of transaction costs	**701**	578	468
	5,110	3,984	6,056
(Loss) before income taxes	**(7,915)**	(32,184)	(18,443)
Income tax (recovery) expense			
Current	**725**	1,572	1,191
Deferred	**(2,435)**	(1,649)	(462)
	(1,710)	(77)	729
Net loss for the year	**$ (6,205)**	$ (32,107)	$ (19,172)
Basic (loss) earnings per share	**$ (0.38)**	$ (2.89)	$ (40.33)
Diluted (loss) earnings per share	**$ (0.38)**	$ (2.89)	$ (40.33)
Weighted average number of common shares outstanding, basic	**16,330,837**	11,125,518	475,382
Weighted average number of common shares outstanding, diluted	**16,330,837**	11,125,518	475,382

As at December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, unaudited)*	**As at December 31, 2017**	As at December 31, 2016	As at December 31, 2015
Current assets	**$ 82,804**	$ 68,620	$ 83,619
Current liabilities	**68,648**	58,473	46,176
Total assets	**131,859**	90,910	164,977
Total non-current liabilities	**68,610**	42,372	100,388
Shareholders' deficit	**$ (5,399)**	$ (9,935)	18,413

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

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to December 31, 2017**	January 1 to December 31, 2016	January 1 to December 31, 2015
Revenues	**$ 289,529**	$ 278,363	$ 304,575
Gross profit	**$ 69,391**	$ 63,068	$ 71,070
Gross profit, as a percentage of revenues	**24.0%**	22.7%	23.3%
Selling, general and administrative expenses	**$ 61,371**	$ 55,934	$ 56,663
As a percentage of revenues	**21.2%**	20.1%	18.6%
Adjusted EBITDA (see Table 3)	**$ 16,104**	$ 14,381	$ 21,110
As a percentage of revenues	**5.6%**	5.2%	6.9%
Net loss for the year	**$ (6,205)**	$ (32,107)	$ (19,172)
Adjusted net (loss) income (see Table 4)	**$ 2,472**	$ 2,944	$ 5,764
As a percentage of revenues	**0.9%**	1.1%	1.9%

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

EBITDA and Adjusted EBITDA reconciliation

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, unaudited)*	**January 1 to December 31, 2017**	January 1 to December 31, 2016	January 1 to December 31, 2015
Net loss for the year	**$ (6,205)**	$ (32,107)	$ (19,172)
Interest expense	**4,415**	3,414	5,599
Interest income	**(6)**	(8)	(11)
Amortization of transaction costs	**701**	578	468
Current income tax expense	**725**	1,572	1,191
Deferred income tax recovery	**(2,435)**	(1,649)	(462)
Depreciation of property, plant and equipment	**4,143**	4,052	4,754
Amortization of intangible assets	**3,509**	2,092	1,949
EBITDA	**$ 4,847**	$ (22,056)	$ (5,684)
Restructuring expenses	**9,457**	4,200	13,560
One-time business reorganization costs	**432**	1,103	—
Impairment of goodwill	**—**	31,066	26,000
Gain on redemption of convertible debentures	**—**	—	(12,766)
Acquisition costs	**1,368**	68	—
Adjusted EBITDA	**$ 16,104**	$ 14,381	$ 21,110

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

Adjusted net (loss) income reconciliation

For the years ended December 31, 2017, 2016 and 2015 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*		**January 1 to December 31, 2017**		January 1 to December 31, 2016		January 1 to December 31, 2015
Net loss for the year	**$**	**(6,205)**	$	(32,107)	$	(19,172)
Restructuring expenses		**9,457**		4,200		13,560
One-time business reorganization costs		**432**		1,103		—
Impairment of goodwill		**—**		31,066		26,000
Gain on redemption of convertible debentures		**—**		—		(12,766)
Acquisition costs		**1,368**		68		—
Tax effect of the above adjustments		**(2,580)**		(1,386)		(1,858)
Adjusted net (loss) income	**$**	**2,472**	$	2,944	$	5,764
Adjusted net (loss) income per share, basic	**$**	**0.15**	$	0.26	$	12.12
Adjusted net (loss) income per share, diluted	**$**	**0.15**	$	0.26	$	12.12
Weighted average number of common shares outstanding, basic		**16,330,837**		11,125,518		475,382
Weighted average number of common shares outstanding, diluted		**16,445,831**		11,125,518		475,382
Number of common shares outstanding, basic		**20,039,159**		11,975,053		9,987,528
Number of common shares outstanding, diluted		**20,154,153**		12,545,015		9,987,528

Results of operations

REVENUES

For the year ended December 31, 2017, DCM recorded revenues of $289.5 million, an increase of $11.2 million or 4.0% compared with the same period in 2016. The increase in revenues for the year ended December 31, 2017 was primarily due to the additions of revenues from the acquisitions of Eclipse, Thistle and BOLDER Graphics and new customer wins in DCM's core business. This increase in revenue was partially offset by lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and was also due to non-recurring work and timing of orders related to the forms and labels business, from which DCM benefited last year, resulting in the overall increase in revenues compared to 2016.

COST OF REVENUES AND GROSS PROFIT

For the year ended December 31, 2017, cost of revenues increased to $220.1 million from $215.3 million for the same period in 2016. Gross profit for the year ended December 31, 2017 was $69.4 million, which represented an increase of $6.3 million or 10.0% from $63.1 million for the same period in 2016. Gross profit as a percentage of revenues increased to 24.0% for the year ended December 31, 2017 compared to 22.7% for the same period in 2016. The increase in gross profit as a percentage of revenues for the year ended December 31, 2017 was due to higher gross margins attributed to Eclipse, Thistle and BOLDER Graphics, refinement of our pricing discipline, cost reductions realized from prior cost savings initiatives implemented in 2016 and additional process improvement savings implemented in January

2017. The increase in gross profit as a percentage of revenues was partially offset by changes in product mix, and compressed margins on recently negotiated large contracts with certain existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the year ended December 31, 2017 increased $5.4 million or 9.7% to $61.4 million compared to $55.9 million for the same period of 2016. As a percentage of revenues, these costs were 21.2% and 20.1% of revenues for the years ended December 31, 2017 and 2016, respectively. The increase in SG&A expenses for the year ended December 31, 2017 was primarily attributable to the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by cost savings initiatives that were implemented in 2017, primarily related to headcount reductions made during the year, in addition to increased professional fees to complete the various acquisitions and related financing arrangements.

RESTRUCTURING EXPENSES

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

For the year ended December 31, 2017, DCM incurred restructuring expenses of $9.5 million compared to $4.2 million in the same period in 2016. $6.8 million of restructuring costs were related to headcount reductions in DCM's indirect labour force, in order to streamline the order-to-production process, in addition to headcount reductions in the sales, general and administrative functions, facility closure costs, and costs to move equipment and inventory from the closed facilities. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred lease exit charges associated with the closures of its facilities in Regina, Saskatchewan, in Mississauga, Ontario, and in Granby, Québec of $0.3 million, $0.3 million and $2.4 million, respectively. For the year ended December 31, 2016, DCM incurred restructuring expenses related to headcount reductions of $4.2 million.

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

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2017, DCM performed its annual review of impairment of goodwill by comparing the fair value of each cash generating unit ("CGU") to the CGU's carrying value. The CGUs were defined as follows: DCM North America, Eclipse, Thistle and BOLDER Graphics.

Given the purchase price accounting for BOLDER Graphics is still being finalized, the goodwill recognized on acquisition was not tested for impairment as of December 31, 2017. Furthermore, DCM recorded a non-cash impairment of goodwill for $31,066 related to the DCM North America CGU during the fourth quarter of 2016, therefore, there was no further goodwill remaining for this CGU in 2017.

The recoverable amounts of all CGU's were determined based on their respective fair value less cost to sell. DCM used the income approach to estimate the recoverable value of each CGU which is predicated on the value of the future cash flows that a business will generate going forward and converting them into a present value through discounting. Discounting uses a rate of return that is commensurate with the risk associated with the business and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates.

Revenue growth rates and operating margins were based on the 2018 budget approved by the Board and projected over a five-year period. For the Eclipse and Thistle CGUs, a conservative growth rate of 1% was applied to revenue for 2019 to 2021, in consideration of the current economic conditions and the specific trends of the printing industry, and a perpetual long-term growth rate of 0% was used thereafter to derive the recoverable amount of these CGUs. Furthermore, a discount rate of 15.0% (2016 – N/A) was used for the Eclipse and Thistle CGUs. As a result of this review, DCM concluded that the fair value of its CGUs were greater than their carrying values and no goodwill impairment charges were required.

ADJUSTED EBITDA

For the year ended December 31, 2017, Adjusted EBITDA was $16.1 million, or 5.6% of revenues, after adjusting EBITDA for the $9.5 million in restructuring charges, $1.4 million related to non-recurring business acquisition costs and $0.4 million of one-time business reorganization costs. Adjusted EBITDA for the year ended December 31, 2017 increased $1.7 million or 12.0% from the same period in the prior year which was 5.2% of revenues in 2016. The increase in Adjusted EBITDA for the year ended December 31, 2017 was attributable to higher gross profit as a result of revenues contributed by the Eclipse, Thistle and BOLDER Graphics acquisitions, improved pricing initiatives implemented part-way through the year, and cost savings from the restructuring efforts carried out in the second half of 2017. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM's credit facilities, on outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $4.4 million for the year ended December 31, 2017 compared to $3.4 million for the same period in 2016. Interest expense for the year ended December 31, 2017 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase prices, settle certain debt assumed and pay for related acquisition costs associated with the Eclipse, Thistle and BOLDER Graphics acquisitions and was favourably impacted by the repayment of DCM's 6.00% Convertible Debentures in June 2017.

INCOME TAXES

DATA reported a loss before income taxes of $7.9 million and a net income tax recovery of $1.7 million for the year ended December 31, 2017 compared to a loss before income taxes of $32.2 million and a net income tax recovery of $0.1 million for the year ended December 31, 2016. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the years ended December 31, 2017 and 2016, respectively. In addition, the current tax expense for the year ended December 31, 2016 included a recovery of taxes paid in a prior period offset by a reclassification from deferred taxes related to an adjustment of a tax filing in a prior year. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the years ended December 31, 2017 and 2016, respectively. The deferred income tax recovery for the year ended December 31, 2016 included a reclassification to current income taxes related to an adjustment of a tax filing in a prior year.

NET LOSS

Net loss for the year ended December 31, 2017 was $6.2 million compared to a net loss of $32.1 million for the same period in 2016. The increase in comparable profitability for the year ended December 31, 2017 was primarily due to the inclusion of the post-acquisition financial results of Eclipse, Thistle and BOLDER Graphics, in addition to a refined discipline in our pricing strategy. This increase was partially offset by higher SG&A expenses and interest expense, a larger restructuring charge and business acquisition costs during the year ended December 31, 2017. During the year ended December 31, 2016, the net loss included a non-cash impairment of goodwill totaling $31.1 million which did not recur in 2017.

ADJUSTED NET INCOME

Adjusted net income for the year ended December 31, 2017 was $2.5 million compared to Adjusted net income of $2.9 million for the same period in 2016. The decrease in comparable profitability for the year ended December 31, 2017, despite higher revenues and gross margin, was primarily due to higher SG&A expenses and, to a lesser extent, higher interest expense in 2017.

Liquidity and capital resources

LIQUIDITY

DCM has established a revolving credit facility (the “Bank Credit Facility”) with a Canadian chartered bank (the “Bank”) and an amortizing term loan facility (the “IAM IV Credit Facility”) with IAM IV, a loan managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate credit agreements, between DCM and the Bank (as amended, the “Bank Credit Agreement”) and IAM (as amended, the “IAM IV Credit Agreement”), respectively. Upon closing of the Thistle acquisition, DCM became a co-borrower under an existing credit agreement (the “IAM III Credit Agreement”) between Thistle and Integrated Private Debt Fund III LP (“IAM III”), another loan managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the “IAM III Credit Facility”). On November 10, 2017, DCM established a $5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the “IAM Credit Agreements”) to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenant conditions stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for $3.5 million ("Bridging Credit Facility"). Advances under the Bridging Credit Facility are repayable on demand and bear interest at a rate equal to the prime rate of interest charged by DCM’s Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility has a term of one year and can be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM's other senior lenders. The Bridging Credit Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by certain specified equipment together with certain other conventional security. The Bridging Credit Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed $5.5 million during any fiscal year. Transaction costs of $0.1 million were capitalized and the unamortized transaction costs as at December 31, 2017 were $0.1 million. These costs are being amortized over the term of the Bridging Credit Facility.

As at December 31, 2017, DCM had outstanding borrowings of $21.7 million and letters of credit granted of $1.4 million under the Bank Credit Facility, outstanding borrowings of $4.8 million under the IAM III Credit Facility, outstanding borrowings of $22.2 million under the IAM IV Credit Facility, borrowings of $4.9 million under the IAM V Credit Facility, and outstanding borrowings of $3.5 million under the Bridging Credit Facility. Under the Bank Credit Facility, DCM had access to $6.6 million of available credit at December 31, 2017.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $35.0 million and matures on March 31, 2020. Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. DCM has capitalized transaction costs of $1.1 million related to the amended Bank Credit Facility, including $0.4 million of additional costs incurred as a result of amendments made to the agreement, and expensed unamortized transaction costs of $0.2 million related to the portion of the Bank Credit Facility paid during the year ended December 31, 2017. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at December 31, 2017, the unamortized transaction costs related to this facility were $0.5 million. As at December 31, 2017, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 3.95% per annum.

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

The principal amount of the IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over an nine year term ending in October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at December 31, 2017, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at December 31, 2017, the unamortized transaction costs related to the IAM III Credit Facility were $30.0 thousand. DCM has capitalized transaction costs of $0.8 million related to the amended IAM IV Credit Facility, including $0.2 million of additional costs incurred as a result of the amendments to this agreement during the year ended December 31, 2017. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. As at December 31, 2017, the unamortized transaction costs related to the amended IAM IV Credit Facility were $0.6 million. DCM has capitalized transaction costs of $0.2 million related to the IAM V Credit Facility and the unamortized balance of the transaction costs is being amortized over the term of this facility. As at December 31, 2017, the unamortized transaction costs related to the IAM V Credit Facility were $0.2 million.

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

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017,the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio would not be less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. The pro forma financial results for DCM's acquisitions completed during the 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 at December 31, 2017, the fixed charge coverage ratio was 1.30. As at December 31, 2017, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Senior Funded Debt to EBITDA of not greater than the following levels: from October 1 2017 to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. The pro forma financial results from DCM's acquisitions completed during the 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 at December 31, 2017, the ratio of Senior Funded Debt to EBITDA was 3.05, the debt service coverage ratio was 2.00 and the working capital current ratio was 1.21. As at December 31, 2017, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Bridging 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 IAM III, IAM IV and IAM V, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DCM will be successful in achieving the results targeted in its 2018 operating plan or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility and the IAM V Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates. On February 22, 2017, DCM entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the “VTB Noteholders”) issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle. On June 28, 2017, the inter-creditor agreement was amended to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the inter-creditor agreement was further amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

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

As at December 31, 2017, DCM had a bank overdraft of $2.9 million compared to cash and cash equivalents of $1.5 million at December 31, 2016. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at December 31, 2017, there was a balance of $0.5 million in the blocked account, which is recognized as restricted cash in DCM's consolidated statements of financial position.

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

PENSION FUNDING OBLIGATIONS

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. Effective January 1, 2008, no further service credits will accrue under the defined benefit provision of the DATA Communications Management Pension Plan. However, DCM is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. Applicable pension legislation requires that the funded status of the defined benefit provision of the DATA Communications Management Pension Plan be determined periodically on both a going concern basis (i.e., essentially assuming indefinite plan continuation) and a solvency basis (i.e., essentially assuming immediate plan termination).

The funded status of DCM's pension plan is impacted by actuarial assumptions, the plan's investment performance, changes in economic conditions and debt and equity markets, changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administrative expenses, among others. Where an actuarial valuation reveals a solvency deficit, current pension regulations require it to be funded by equal payments over a maximum period of five years from the date of valuation. Actuarial valuations are required on the DATA Communications Management Pension Plan every three years, beginning January 1, 2014. Based on these valuations, the annual cash contributions to this plan will be determined and will depend on the plan's investment performance and changes in long-term interest rates, estimates of the price of annuities, and other elements of pension plan experience such as demographic changes and administration expenses, among others.

During the year ended December 31, 2017, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2017, the DATA Communications Management Pension Plan had a solvency deficit. Based upon the January 1, 2017 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 decreased from $1.3 million to $0.6 million. As of December 31, 2017, DCM has exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by $0.2 million. This excess funding will be applied to DCM's future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

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

DCM has elected to defer the start of new solvency special payments by 24 months and intends on completing an updated actuarial valuation of the DATA Communications Management Pension Plan as at January 1, 2018. DCM expects that its future minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 will be approximately $0.4 million, after adjusting for the excess funding from 2017, and for 2019 will be approximately $1.4 million. The January 1, 2018 actuarial valuation report for the DATA Communications Management Pension Plan will not be completed until partway through 2018 and the funding reforms have not been finalized, therefore, the effect on DCM's minimum funding requirements for 2018 and forward is not determinable at this time. DCM's final funding obligations for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 and future years will be determined based on the actuarial valuation as at January 1, 2018, which will be completed within the first nine months of 2018. Accordingly, DCM continues to make contributions based on the January 1, 2017 valuation. DCM’s projected funding obligations for the defined benefit provision of this plan are set out below in the “Contractual obligations - Summary” table under the heading “Contractual obligations”.

DCM makes contributions to the Québec Graphics Communications Supplemental Retirement and Disability Fund of Canada (the "SRDF") based on a percentage of the wages of its unionized employees covered by the respective collective bargaining agreements, all of whom are employed at DCM facilities located in the Province of Québec. In addition, DCM makes contributions to a number of multi-employer, defined benefit employee pension and non-pension benefit plans which are administered by Unifor Local 591G for the hourly employees of Thistle ("Unifor Pension & Benefit Plans"). The SRDF and Unifor Pension & Benefit Plans provide post-employment benefits to unionized employees in the printing industry jointly-trusteed by representatives of the employers and the unions. DCM's obligation to the SRDF and Unifor Pension & Benefit Plans are limited to the amounts agreed to in the respective collective bargaining agreements of each plan. Based upon the terms of those applicable collective bargaining agreements, DCM’s estimated annual funding obligation for the SRDF and for the Unifor Pension & Benefit Plans for 2018 are $0.5 million and $0.1 million, respectively. DCM has accounted for these plans on a defined contribution basis.

Certain former senior executives of a predecessor corporation participated in a Supplementary Executive Retirement Plan (“SERP”), which provides for pension benefits payable as a single life annuity with a five year guarantee. The SERP is unfunded. DCM’s annual funding obligation under the SERP is approximately $0.6 million.

CASH FLOW FROM OPERATIONS

During the year ended December 31, 2017, cash flows generated by operating activities were $3.9 million compared to cash flows generated by operating activities of $10.1 million during the same period in 2016. $13.0 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $12.1 million in 2016. Current period cash flows from operations were positively impacted by the acquisitions of Eclipse, Thistle and BOLDER Graphics, however this was offset by a $5.4 million increase in SG&A expense over the prior year comparative period, in addition to lower revenues from DCM's core business. Changes in working capital during the year ended December 31, 2017 used $0.5 million in cash compared with $7.6 million of cash generated in the prior year primarily due to increases in accounts receivable which was partially offset by increases in accounts payable due to the timing of payments to suppliers for purchases and deferred revenues, respectively. In addition, $7.0 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $7.4 million of payments in 2016. Contributions made to the Company's pension plans were $1.4 million, which decreased from $1.9 million in the prior year.

INVESTING ACTIVITIES

During the year ended December 31, 2017, $11.9 million in cash flows were used for investing activities compared with $2.9 million during the same period in 2016. In 2017, $2.4 million of cash was used to invest in label equipment with digital capabilities, digital press equipment, the relocation of certain sales offices, certain leasehold improvements as a result of the Multiple Pakfold and Granby facility moves and additional office equipment. In 2017, $3.4 million of cash was used related primarily related to investments in DCM's ERP project. In 2017, $6.8 million of cash was used to acquire the businesses of Eclipse, Thistle and BOLDER Graphics.

FINANCING ACTIVITIES

During the year ended December 31, 2017, cash flow generated by financing activities was $3.7 million compared to cash flow used for financing activities of $6.5 million during the same period in 2016. DCM used net cash received from the issuance of common shares and warrants of $8.1 million and cash from advances under its various credit facilities, totaling $27.4 million to repay a total of $2.4 million to settle the outstanding balance on certain equipment leases that were assumed upon the acquisition of Eclipse, to repay $14.7 million in outstanding principal amounts under its senior term loan facilities, to settle certain debt assumed upon the acquisition of Eclipse, Thistle and BOLDER Graphics, and to repay the 6.00% Convertible Debentures with an outstanding principal amount totaling $11.2 million on June 30, 2017. DCM also paid a total of $1.4 million related to the promissory note issued in connection with the acquisition of Thistle and other loans payable in connection with the acquisitions of Thistle and BOLDER Graphics of $1.1 million. Lastly, DCM incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and costs to establish DCM's additional credit facility during the year ended December 31, 2017.

Outstanding share data

At March 8, 2018, December 31, 2017 and December 31, 2016, there were 20,039,159, 20,039,159 and 11,975,053 Common Shares outstanding, respectively.

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

On June 28, 2017, DCM completed a Private Placement and issued 2,690,604 Units, with each Unit consisting of one Common Share and one-half of a Warrant at a price per Unit of $1.40 for gross proceeds of $3.8 million. Among this, 550,650 Units were issued to directors and officers of DCM for total proceeds of $0.8 million. Each full Warrant entitles the holder to acquire one Common Share (a “Warrant Share”) at an exercise price of $1.75 for a period of two years from the closing of the Private Placement. The exercise price is subject to adjustment for certain capital events, as described in the warrant certificate, to preserve the relative rights of the existing shareholders of Common Shares and the Warrant holders. In addition, if the volume- weighted average price of the Common Shares on the TSX equals or exceeds $2.75 for 20 consecutive trading days, DCM has the right (the “Acceleration Right”) to accelerate the expiry date of the Warrants to a date that is 30 days from the date on which DCM notifies the Warrant holders of its intent to exercise the Acceleration Right. DCM did not exercise any of its Acceleration Rights during 2017. The Common Shares, Warrants and Warrant Shares are subject to a statutory hold period expiring four months and one day after the closing of the Private Placement. DCM issued a total of 2,690,604 Common Shares pursuant to the Private Placement (before giving effect to the exercise of any Warrants) and 1,345,300 Warrants pursuant to the Private Placement. The value of the Warrants and Common Shares issued were determined based on an allocation of the gross proceeds of $3.8 million by the relative fair values of each component on closing of the Private Placement. The fair value of the Warrants issued was estimated to be $0.3 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.04%, a weighted average life of two years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period. The fair value of the Common Shares issued was $3.4 million, based on the closing market price of the shares on closing of the Private Placement. This was adjusted using a discount rate of 5% for the statutory hold period. The proceeds allocated to the Common Shares was $3.4 million and the proceeds allocated to the Warrants was $0.3 million, net of transaction costs totaling $0.1 million. All of these transaction costs were allocated to the Common Shares. The value of the Common Shares were increased by a deferred income tax asset of $23.0 thousand.

On July 13, 2017, DCM completed a second closing of the Private Placement to a director of DCM for 71,500 Units, raising additional gross proceeds of $100.0 thousand. The value of the 71,500 Common Shares and 35,750 Warrants issued were $72.0 thousand and $7.0 thousand, respectively, based on an allocation of the gross proceeds of $100.0 thousand by the relative fair values of each component of the second closing of the Private Placement, net of transaction costs totaling $21.0 thousand. All of these transaction costs were allocated to the Common Shares. The value of the Common Shares were increased by a deferred income tax asset of $6.0 thousand.

On June 23, 2017, DCM completed a Rights Offering which was conducted by way of a rights offering circular (“Circular”). Under the offering, DCM issued 3,312,368 Common Shares at a price of $1.40 per share for gross proceeds of $4.6 million. Among this, 1,090,727 Common Shares were issued to directors, officers and related parties of DCM for total gross proceeds of $1.5 million. Under the terms of the Rights Offering, each eligible shareholder (“Eligible Holder”) on record as of May 31, 2017 (the “Record Date”) received one right (“Right”) for each Common Share held as of the Record Date. Every two Rights entitled the Eligible Holder to subscribe for one Common Share upon payment of the subscription price of $1.40 per share. The Rights were transferable and were represented by rights certificates. Total transaction costs were $0.3 million which were classified net of the Common Shares issued under the Rights Offering. The value of the Common Shares were increased by a deferred income tax asset of $0.1 million.

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

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

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

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

At March 8, 2018 and December 31, 2017, there were options outstanding to purchase up to 791,957 Common Shares and options outstanding to purchase up to 804,961 Common Shares, respectively. During the year ended December 31, 2016, the Board approved awards of options to purchase up to 987,011 Common Shares to the executive management team of DCM pursuant to the terms of DCM's existing long-term incentive plan. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.50 per share, representing the fair value of the Common Shares on the date of grant. A total of 499,377 options were awarded to DCM's CEO and vested on June 23, 2016 and a total of 487,634 options were awarded to the other members of DCM's executive management team and vest at a rate of 1/24th per month beginning on June 23, 2016. During the year ended December 31, 2016, options to purchase 39,011 Common Shares were forfeited. During the year ended December 31, 2017, options to purchase 123,534 Common Shares were forfeited and 19,505 options were exercised. Subsequent to the year ended December 31, 2017, options to purchase 13,004 Common Shares were forfeited.

During 2015, the Board approved the award of options to purchase up to 11,745 Common Shares to the CEO of DCM pursuant to the terms of DCM's existing long-term incentive plan which were granted on April 16, 2015 with an exercise price of $75 per share. During the year ended December 31, 2017, all of these options were forfeited.

At March 8, 2018 and December 31, 2017, there were Warrants outstanding to purchase up to 1,381,050 Common Shares outstanding, respectively.

Financial instruments and Risk management

DCM’s financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes, restricted share units and convertible debentures, as indicated in DCM’s statements of consolidated financial position as at December 31, 2017 and December 31, 2016, respectively. DCM does not enter into financial instruments for trading or speculative purposes.

FAIR VALUE

DCM's non-derivative financial instruments are comprised of cash and cash equivalents, trade receivables, restricted cash, bank overdraft, trade payables and accrued liabilities, loan payable, bonuses payable, credit facilities, promissory notes restricted share units and convertible debentures. 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 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 and cash equivalents, trade receivables, bank overdraft, trade payables and accrued liabilities, and loan payable approximates their carrying value because of the short-term maturity of these instruments. The fair value of restricted cash approximates its carrying value because it is a deposit held with a Canadian chartered bank. Credit facilities, bonuses payable and promissory notes are initially recognized as the amount required to be paid less a discount to derive its fair value and are then measured at amortized costs using the effective interest method, less any impairment losses. DCM’s convertible debentures contained a host contract and an embedded derivative. The host contract (the debt portion of the convertible debenture) was measured as the residual of the proceeds after deducting the fair value of the embedded derivative, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subjected DCM to credit risk consisted of cash and cash equivalents and trade receivables. The carrying amount of assets included in the consolidated statements of financial position represents the maximum credit exposure.

The cash equivalents consisted mainly of short-term investments, such as money market deposits. DCM has deposited the cash equivalents with Canadian Schedule 1 banks, from which management believes the risk of loss to be remote.

DCM grants credit to customers in the normal course of business. DCM typically does not require collateral or other security from customers; however, credit evaluations are performed prior to the initial granting of credit terms when warranted and periodically thereafter. Normal credit terms for amounts due from customers call for payment within 0 to 90 days.

DCM has trade receivables from clients engaged in various industries including financial institutions, insurance, healthcare, lottery and gaming, retailing, not-for-profit, energy and governmental agencies that are not concentrated in any specific geographic area. DCM does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by DCM’s large client base.

Based on historical experience, DCM records a reserve for estimated uncollectible amounts. Management assesses the adequacy of this reserve quarterly, taking into account historical experience, current collection trends, the age of receivables and, when warranted and available, the financial condition of specific counterparties. Management focuses on trade receivables outstanding for more than 90 days in assessing DCM’s credit risk and records a reserve, when required, to recognize that risk. When collection efforts have been reasonably exhausted, specific balances are written off. As at December 31, 2017, 7.0% (or $2.9 million), of trade receivables were more than 90 days old, an increase from 3.7% (or $1.1 million), of trade receivables that were more than 90 days old at December 31, 2016.

LIQUIDITY RISK

Liquidity risk is the risk that DCM may encounter difficulties in meeting obligations associated with financial liabilities as they become due. DCM believes that the currently projected cash flow from operations, cash on hand and anticipated lower operating costs resulting from existing restructuring initiatives will be sufficient to fund its currently projected operating requirements, including expenditures related to its growth strategy, payments associated with provisions as a result of on-going productivity improvement initiatives, payment of income tax liabilities, contributions to its pension plans, maintenance capital expenditures, and interest and scheduled repayments of borrowings under its credit facilities and scheduled repayments of promissory notes. See "Contractual obligations" section below which contains additional information on the contractual undiscounted cash flows of DCM's significant financial liabilities and the future commitments of the Company.

As at December 31, 2017, DCM had access to $8.0 million of additional available credit less letters of credit granted of $1.4 million under the Bank Credit Facility.

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. Non-derivative interest bearing assets are primarily short term liquid assets. DCM's interest rate risk arises from credit facilities issuances at floating interest rates. As at December 31, 2017, $25.2 million of DCM's indebtedness outstanding was subject to floating interest rates of 3.95% per annum and of 13.50% per annum, $32.0 million of DCM's indebtedness outstanding was subject to a fixed interest rate of 6.1% per annum and of 6.95% per annum. Interest bearing promissory notes related to the acquisition of BOLDER Graphics totaling $1.2 million was subject to a fixed rate of 6.0% per annum.

CURRENCY RISK

Currency risk is the risk that the fair value of future cash flows arising from a financial instrument will fluctuate because of changes in foreign currency exchange rates. In the normal course of business, DCM does not have significant foreign exchange transactions and, accordingly, the amounts and currency risk are not expected to have adverse material impact on the operations of DCM. Management considers the currency risk to be low and does not hedge its currency risk and therefore sensitivity analysis is not presented.

Note 17 to the audited consolidated financial statements of DCM for the year ended December 31, 2017 contains additional information on DCM's financial instruments.

Contractual obligations

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at December 31, 2017. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

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 6 The following table sets out DCM's significant contractual obligations and commitments as of December 31, 2017.

(in thousands of Canadian dollars, unaudited)

	Total	2018	2019	2020	2021	2022	2023 and thereafter
Pension funding contributions (1)	**$ 10,627**	**$ 1,176**	**$ 1,876**	**$ 1,889**	**$ 1,900**	**$ 1,893**	**$ 1,893**
Bonuses payable (2)	**$ 1,133**	**400**	**400**	**333**	**—**	**—**	**—**
Long-term debt (3)	**$ 65,462**	**11,911**	**8,176**	**29,206**	**7,317**	**7,123**	**1,729**
Promissory notes (4)	**$ 7,639**	**4,561**	**3,078**	**—**	**—**	**—**	**—**
Operating leases	**$ 71,338**	**12,078**	**10,747**	**9,544**	**8,124**	**6,596**	**24,249**
Total	**$ 156,199**	**$ 30,126**	**$ 24,277**	**$ 40,972**	**$ 17,341**	**$ 15,612**	**$ 27,871**

(1) DCM is required under applicable pension legislation to make monthly, annual and/or one-time cash contributions to the DATA Communications Management Pension Plan to fund current or future funding deficiencies which may emerge in the defined benefit provision of the DATA Communications Management Pension Plan. See "Liquidity and capital resources – Pension funding obligations" above. The table above includes amounts payable under the SERP. DCM's obligations under the SERP consist of benefits payable as a single life annuity with a five year guarantee. The duration of these payments is dependent on the length of each participant's life and, in certain cases, that of their designated beneficiary, and their age in any given year.

(2) Bonuses payable to former employees of Thistle assumed in connection with DCM's acquisition of Thistle on February 22, 2017. Monthly principal payments of $33 ending October 31 2020.

(3) Long-term debt at December 31, 2017 subject to floating interest rates consisting of the Bank Credit Facility, expiring on March 31, 2020 and the Bridging Credit Facility expiring on June 28, 2018. As at December 31, 2017, the outstanding balances totaled $25,247 and bore interest at an average floating rate of 3.95% per annum and of 13.50% per annum. The amounts at December 31, 2017 include estimated interest totaling $1,095 for 2018, $859 for 2019 and $143 for 2020. The estimated interest was calculated based on the total borrowings outstanding during the period and the average annual floating interest rate in effect as at December 31, 2016. Long-term debt at December 31, 2017 subject to fixed interest rates consisting of the IAM III Credit Facility, expiring on October 15, 2022, the IAM IV Credit Facility, expiring on March 10, 2023 and the IAM V Credit Facility expiring on May 15, 2023. As at December 31, 2017, the outstanding balances totaled $31,992 and bore interest at a fixed rate of 6.1% per annum, of *6.95% per annum and of 6.95% per annum, respectively. Monthly blended principal and interest payments of $96, of $422 and of $91, respectively.*

(4) Promissory notes related to the acquisitions completed during the year. Non interest bearing promissory notes related to the acquisition of Eclipse totaling $4,566 and payable in two installments of $2,283 due on February 28, 2018 and February 28, 2019, respectively, and related to the acquisition of Thistle totaling $1,913 and payable in monthly installments of $137 ending February 28, 2019*. Interest bearing promissory notes related to the acquisition of BOLDER totaling $1,160 and bore interest at a fixed rate of 6.0% per annum. Monthly blended principal and interest payments of $58, beginning February 28, 2018 and ending September 30, 2019.*

Off-balance sheet arrangements

DCM's off-balance sheet arrangements are operating leases. DCM leases real estate, printing equipment and office equipment in connection with its sales and manufacturing activities under non-cancellable lease agreements, which expire at various dates.

Transactions with related parties

During the year ended December 31, 2017, there were regular intercompany activities between DCM and its subsidiary during the normal course of business. These transactions and balances are eliminated in the consolidated financial statements of DCM. 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.

CORPORATE INSURANCE POLICIES

Effective June 23, 2015, DCM appointed an insurance company as its broker of record for its corporate insurance policies and subsequently entered into new general corporate insurance policies, including the renewal of its directors and officers liability insurance later in the year. The insurance company continues as DCM's broker of record and earns fees based on a percentage of the insurance expense paid by DCM. During the fiscal year, DCM recorded an insurance expense of $0.3 million (2016 – $0.5 million) related to these policies. As at December 31, 2017, prepaid expenses and other current assets included prepaid insurance to the insurance company of $0.3 million (2016 – $0.3 million). The insurance company is a related party whereby the Chair of the Board and the President of DCM each are Directors and indirectly have a minority interest in the insurance company, through companies controlled by them.

RIGHTS OFFERING AND PRIVATE PLACEMENT OF COMMON SHARES

During the year ended December 31, 2017, directors, officers and related parties of DCM participated in a rights offering and a private placement of common shares (see "Outstanding share data" above), purchasing 1,712,877 common shares (or 28.2% of the 6,074,472 common shares issued as a result of the rights offering and private placement) for consideration of $2.3 million.

OFFICE LEASE

On December 21, 2016, DCM entered into a new agreement to lease approximately 2,000 square feet of office space in Toronto, Ontario from a company that the Chair of the Board and the President are Directors of. Under the lease agreement, the lease commences March 1, 2017, runs month-to-month and can be terminated by either party with reasonable notice. The monthly expense is $7 thousand per month.

These transactions are provided in the normal course of operations and were measured at the exchange amount, which represents the amount of consideration established and agreed to by the related parties.

Operating results for the fourth quarter of 2017 and 2016

TABLE 7 The following table sets out selected consolidated quarterly financial information for the periods noted.

(in thousands of Canadian dollars, except share and per share amounts, unaudited)		**October 1 to December 31, 2017**		October 1 to December 31, 2016
Revenues	**$**	**76,125**	$	68,191
Cost of revenues		**57,771**		54,950
Gross profit		**18,354**		13,241
Selling, general and administrative expenses		**15,263**		13,394
Restructuring expenses		**4,453**		1,721
Impairment of goodwill		**—**		31,066
Acquisition costs		**381**		68
Loss before finance costs and income taxes		**(1,743)**		(33,008)
Finance costs (income)				
Interest expense		**1,149**		839
Interest income		**(6)**		—
Amortization of transaction costs		**324**		111
		1,467		950
Loss before income taxes		**(3,210)**		(33,958)
Income tax (recovery) expense				
Current		**221**		194
Deferred		**(972)**		(1,037)
		(751)		(843)
Net loss for the period	**$**	**(2,459)**	$	(33,115)
Net (loss) income attributable to common shareholders	**$**	**(2,459)**	$	(33,115)
Adjusted EBITDA (see Table 8)	**$**	**5,643**	$	2,217
Adjusted net income (see Table 9)	**$**	**1,533**	$	25
Adjusted net income per share, basic and diluted	**$**	**0.08**	$	0.00
Weighted average number of common shares outstanding, basic and diluted		**19,732,888**		11,975,053
Number of common shares outstanding, basic		**20,039,159**		11,975,053
Number of common shares outstanding, diluted		**20,039,159**		12,464,343

TABLE 8 The following table provides a reconciliation of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures”.

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2017**		October 1 to December 31, 2016
Net loss for the period	**$**	**(2,459)**	$	(33,115)
Interest expense		**1,149**		839
Interest income		**(6)**		—
Amortization of transaction costs		**324**		111
Current income tax expense		**221**		194
Deferred income tax (recovery)		**(972)**		(1,037)
Depreciation of property, plant and equipment		**1,116**		815
Amortization of intangible assets		**1,004**		560
EBITDA	**$**	**377**	$	(31,633)
Restructuring expenses		**4,453**		1,721
One-time business reorganization costs		**432**		995
Impairment of goodwill		**—**		31,066
Acquisition costs		**381**		68
Adjusted EBITDA	**$**	**5,643**	$	2,217

TABLE 9 The following table provides a reconciliation of net (loss) income to Adjusted net income for the periods noted. See “Non-IFRS Measures”.

(in thousands of Canadian dollars, unaudited)		**October 1 to December 31, 2017**		October 1 to December 31, 2016
Net loss for the period	**$**	**(2,459)**	$	(33,115)
Restructuring expenses		**4,453**		1,721
One-time business reorganization costs		**432**		995
Impairment of goodwill		**—**		31,066
Acquisition costs		**381**		68
Tax effect of above adjustments		**(1,274)**		(710)
Adjusted net income	**$**	**1,533**	$	25

REVENUES

For the quarter ended December 31, 2017, DCM recorded revenues of $76.1 million, an increase of $7.9 million or 11.6% compared with the same period in 2016. The increase in revenues for the quarter ended December 31, 2017 was primarily due to the inclusion of the financial results for Eclipse, Thistle and BOLDER and new customer wins. The increase in revenue was partially offset by lower revenues in DCM's core business due to (i) lower volumes and pricing pressures from certain customers that reduced their overall spend, particularly in the financial services sector, and (ii) non-recurring work and the timing of orders related to forms for certain government agencies and labels for a major retailer, respectively.

COST OF REVENUES AND GROSS PROFIT

For the quarter ended December 31, 2017, cost of revenues increased to $57.8 million from $55.0 million for the same period in 2016. Gross profit for the quarter ended December 31, 2017 was $18.4 million, which represented an increase of $5.1 million or 38.6% from $13.2 million for the same period in 2016. Gross profit as a percentage of revenues increased to 24.1% for the quarter ended December 31, 2017 compared to 19.4% for the same period in 2016. The increase in gross profit as a percentage of revenues for the quarter ended December 31, 2017 was due to higher gross margins attributed to Eclipse, Thistle and BOLDER Graphics and cost reductions realized from prior cost savings initiatives implemented early on in the year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the quarter ended December 31, 2017 increased $1.9 million or 14.0% to $15.3 million compared to $13.4 million in the same period in 2016. As a percentage of revenues, these costs were 20.0% of revenues for the quarter ended December 31, 2017 compared to 19.6% of revenues for the same period in 2016. The increase in SG&A expenses for the quarter ended December 31, 2017 was primarily attributable to the acquisitions of Eclipse, Thistle and BOLDER Graphics.

RESTRUCTURING EXPENSES

For the quarter ended December 31, 2017, DCM incurred restructuring expenses of $4.5 million compared to $1.7 million in the same period in 2016. $1.7 million of restructuring costs were related to facility closure costs, costs to move equipment and inventory from the closed facilities, and headcount reductions across all areas of DCM's operations including sales, general and administrative functions. DCM also incurred lease exit charges associated with the closures of its facilities in Mississauga, Ontario, and in Granby, Québec of $0.3 million and $2.4 million,respectively. For the quarter ended December 31, 2016, DCM incurred restructuring expenses of $1.7 million primarily to related headcount reductions associated with the closure of its large Edmonton, Alberta manufacturing facility, in addition to headcount reductions across other functions of the business.

IMPAIRMENT OF GOODWILL

During the fourth quarter of 2017, DCM performed its annual review for impairment of goodwill by comparing the fair value of its CGUs to their respective carrying values. As a result of this review, no impairment charges were recorded.

During the fourth quarter of 2016, DCM performed its annual review for impairment of goodwill, which resulted in DCM recognizing a non-cash impairment of goodwill charge of $31.1 million related to the DCM North America CGU. There was no further goodwill remaining for this CGU in 2017.

ADJUSTED EBITDA

For the quarter ended December 31, 2017, Adjusted EBITDA was $5.6 million, or 7.4% of revenues, after adjusting EBITDA for the $4.5 million in restructuring charges, adding back $0.4 million related to business acquisition costs and $0.4 million of one-time business reorganization costs. Adjusted EBITDA for the quarter ended December 31, 2017 increased $3.4 million or 154.5% from the same period in the prior year and Adjusted EBITDA margin for the quarter, as a percentage of revenues, increased from 3.3% of revenues in 2016 to 7.4% of revenues in 2017. The increase in Adjusted EBITDA for the quarter ended December 31, 2017 was due to higher gross profit as a result of the additional revenues at higher gross margins contributed by the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by higher SG&A expenses.

INTEREST EXPENSE

Interest expense, including interest on debt outstanding under DCM's credit facilities, the 6.00% Convertible Debentures, on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $1.1 million for the quarter ended December 31, 2017 compared to $0.8 million for the same period in 2016. Interest expense for the quarter ended

December 31, 2017 was higher than the same period in the prior year primarily due to the increase in debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related acquisition costs associated with the BOLDER acquisition.

INCOME TAXES

DCM reported a loss before income taxes of $3.2 million, a current income tax expense of $0.2 million and a deferred income tax recovery of $1.0 million for the quarter ended December 31, 2017 compared to a loss before income taxes of $34.0 million, a current income tax expense of $0.2 million and a deferred income tax recovery of $1.0 million for the quarter ended December 31, 2016. The current tax expense was primarily related to the income tax payable on DCM's estimated taxable income for the quarters ended December 31, 2017 and 2016. The deferred income tax recovery primarily related to changes in estimates of the timing of future reversals of temporary differences and new temporary differences that arose during the quarters ended December 31, 2017 and 2016, respectively.

NET LOSS

Net loss for the quarter ended December 31, 2017 was $2.5 million compared to net loss of $33.1 million for the quarter ended December 31, 2016. The increase in comparable profitability for the quarter ended December 31, 2017 was primarily due to higher gross profit contributed by the additional revenue at higher gross margins from the acquisitions of Eclipse, Thistle and BOLDER Graphics. This was partially offset by higher SG&A expenses and interest expense, a larger restructuring charge incurred during the quarter ended December 31, 2017. The net loss for the quarter ended December 31, 2016 included a non-cash impairment of goodwill totaling $31.1 million which did not recur in 2017.

ADJUSTED NET INCOME

Adjusted net income for the quarter ended December 31, 2017 was $1.5 million compared to Adjusted net income of $25.0 thousand for the same period in 2016. The increase in comparable profitability for the quarter ended December 31, 2017 was attributable primarily due to higher SG&A expenses and higher interest expense in 2017.

Summary of eight quarter results

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

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

	2017				2016			
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues	**$ 76,125**	**$ 70,212**	**$ 73,066**	**$ 70,126**	$ 68,191	$ 65,842	$ 69,716	$ 74,614
Net income (loss) attributable to shareholders	**(2,459)**	**(1,068)**	**(581)**	**(2,097)**	(33,115)	(1,865)	991	1,882
Basic earnings (loss) per share	**(0.12)**	**(0.06)**	**(0.04)**	**(0.17)**	(2.77)	(0.16)	0.09	0.19
Diluted earnings (loss) per share	**(0.12)**	**(0.06)**	**(0.04)**	**(0.17)**	(2.77)	(0.16)	0.09	0.19

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended December 31, 2017 can be attributed to several principal factors: the acquisitions of Eclipse, Thistle and BOLDER Graphics, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations in customer spending, restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DCM's key plants, lower interest expense during 2016 as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of $4.5 million, $0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of $0.4 million. DCM’s net loss for the fourth quarter of 2016 included restructuring expenses of $1.7 million and $1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of $31.1 million related to its DCM North America CGU.

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

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

DCM’s net loss for the first quarter of 2017 included operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of $1.9 million related to its cost reduction initiatives and business acquisition costs of $1.0 million. DCM incurred $0.3 million of restructuring expenses in the first quarter of 2016.

Accounting policies

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DCM for the year ended December 31, 2017. DCM adopt the following new accounting policies:

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

(ii) On January 7, 2016 the IASB issued *Disclosure Initiative* (Amendments to IAS 7 *Statement of Cash Flows*). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of the amendment resulted in additional disclosure in DCM's consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

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

(i) IFRS 9 *Financial Instruments* was issued in July 2014. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk relating to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. It further introduces a single, forward looking 'expected loss' impairment model for financial assets. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The new standard is not expected to have a significant impact on the consolidated financial statements of DCM.

(ii) Amendments to IFRS 7 *Financial Instruments: Disclosure* were issued in September 2014. This standard was amended to provide guidance on additional disclosures on transition from IAS 39 to IFRS 9. The amendments are effective on adoption of IFRS 9. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(iii) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 *Revenues* and related and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. DCM intends to use the modified retrospective approach. The IASB published final clarifications to IFRS 15 in April 2016, which do not change the underlying principles of the standard yet clarify how the principles should be applied.

DCM has undertaken a comprehensive review of its significant contracts in accordance with the five-step model in IFRS 15 to determine the impact on the timing and measurement on its revenue recognition. Based on management's preliminary assessment, the adoption of IFRS 15 may have an impact on the timing of recognition of revenues to an earlier stage for certain manufactured products, in addition to earlier recognition of related production and commission costs. There will also be enhanced disclosures in the consolidated financial statements of DCM. Management is in the process of finalizing its analysis.

(iv) An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. DCM does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Based on management's preliminary assessment, DCM has identified lease contracts, primarily for building and equipment rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to adopt IFRS 16 for the annual period beginning on January 1, 2019.

(vi) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, is an interpretation paper issued by the IASB in December 2016. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the consolidated financial statements of DCM.

(vii) In June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

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

Critical accounting estimates

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

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

USE OF ESTIMATES AND MEASUREMENT UNCERTAINTY

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred is the total fair value of the assets acquired, equity instruments issued, liabilities incurred or assumed by DCM, and contingent considerations, on the acquisition date.

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

If the initial recognition of the business combination is incomplete when the financial statements are issued for the period during which the acquisition occurred, DCM records a provisional amount for the items for which measurement is incomplete. Adjustments to the original recognition of the business combination will be recorded as an adjustment to the assets acquired and liabilities assumed during the measurement period, and the adjustments must be applied retroactively. The measurement period is the period from the acquisition date to the date on which DCM has received complete information on the facts and circumstances that existed as of the acquisition date.

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

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

Property, Plant and Equipment

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

Intangible Assets

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

Inventories

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

Financial Liabilities

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

IMPAIRMENT OF GOODWILL, INTANGIBLE AND NON-CURRENT ASSETS

Goodwill, intangible and non-current assets are tested for impairment if there is an indicator of impairment, and in the case of goodwill, annually at the end of each fiscal year. The determination of the impairment of goodwill, intangible and non-current assets are impacted by estimates of the fair value of CGUs, assumptions of future cash flows, and achieving forecasted business results. These assumptions can be impacted by economic conditions and also require considerable judgment by management. Declines in business results or declines in the fair value of DCM's reporting segments could result in impairments in future periods. Changing the assumptions selected by management, in particular the discount rate and growth assumptions used in the cash flow projections, could significantly affect ithe result of DCM's impairment analysis.

INCOME TAXES

In assessing the probability of realizing deferred income tax assets, management has made estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Deferred tax assets also reflect the benefit of unused tax losses that can be carried forward to reduce income taxes in future years. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

UNCERTAIN TAX POSITIONS

DCM maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. DCM reviews the adequacy of these provisions at the end of the reporting period. It is possible that at some future date, liabilities in excess of the DCM's provisions could result from audits by, or litigation with, relevant taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

PENSION OBLIGATIONS

Management estimates the pension obligations annually using a number of assumptions and with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimates of its pension obligations are based on rates of inflation and mortality that management considers to be reasonable. It also takes into account DCM's specific anticipation of future salary increases, retirement ages of employees and other actuarial factors. Discount factors are determined close to each fiscal year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist, which may vary significantly in future actuarial valuations and the carrying amount of DCM's defined benefit obligations.

PROVISIONS

Provisions are liabilities of uncertain timing or amount. Provisions are recognized when DCM has a present legal or constructive obligation arising from past events, when it is probable that an outflow of funds will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is DCM's best estimate of the present obligation at the end of the reporting period. When the effect of discounting is significant, the amount of the provision is determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. DCM's main provisions are related to restructuring costs and onerous contracts. Provisions are reviewed at each reporting date and any changes to estimates are reflected in the statement of operations.

AGGREGATION OF OPERATING SEGMENTS

Management applies judgment in aggregating operating segments in to a reportable segment. Aggregation occurs when the operating segments have similar economic characteristics and have similar products, production processes, types of customers, and distribution methods.

Management's report on internal controls over financial reporting

DISCLOSURE CONTROLS AND PROCEDURES

With the supervision and participation of DCM's senior management team, the Chief Executive Officer and the Chief Financial Officer of DCM have evaluated the effectiveness of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) of DCM as of December 31, 2017. Based on that evaluation, those officers have concluded that, as of December 31, 2017, such disclosure controls and procedures were sufficiently effective to provide reasonable assurance that (i) material information relating to DCM was made known to management and (ii) information required to be disclosed by DCM in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

With the supervision and participation of DCM's senior management team, the Chief Executive Officer and the Chief Financial Officer of DCM have evaluated the effectiveness of the internal controls over financial reporting (as defined in Multilateral Instrument 52-109) of DCM as of December 31, 2017.

In making this evaluation, the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework was used to design the internal controls over financial reporting. Based on that evaluation, those officers have concluded that, as of December 31, 2017, such internal controls over financial reporting were sufficiently effective to provide reasonable assurance regarding the reliability of DCM's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

DCM's management has determined that there were no changes in the internal controls over financial reporting of DCM during the year ended December 31, 2017 reporting period that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

Outlook

2017 was a pivotal year in DCM's pursuit to transform the business and create greater value for its shareholders. This was initiated with changes in the company's senior leadership team with the introduction of Gregory J. Cochrane as President late in 2016. With his leadership, DCM established a new and refreshed growth strategy which included refining the company's pricing model, realigning its sales force to specialize in vertical markets, highlighting the online and offline capabilities DCM has to offer to its customers, and the successful completion of three business acquisitions (Eclipse, Thistle and BOLDER Graphics) during the year, which have each expanded the package of solutions DCM furnishes to its long-standing and newly acquired customers. In the fall of 2017, DCM achieved a milestone win with the addition of a leading North American financial institution to its roster of customers.

On the operational side of the business, DCM made further progress restructuring to achieve greater operational efficiencies and cost savings through improved processes, further plant consolidations and additional headcount reductions.

From a financing perspective, DCM was able to further deleverage its balance sheet by raising additional equity (approximately $8.1 million) to partially facilitate the payout of the 6.0% convertible debentures ($11.5 million of principal and interest) which matured in June of 2017. In addition to this, a total of approximately $12.5 million in debt commitments were repaid during the year. DCM expects to pay down approximately $13.0 million of its fixed payment debt in 2018, including required principal payments on its senior debt, subordinated debt and promissory note payments related to its acquisitions. Management is committed to deleveraging its capital structure with a long-term target net debt to Adjusted EBITDA range of between 1 and 2 times.

Lastly, DCM has been working hard to revitalize its internal operating systems with the development of a new ERP system which is expected to go-live in the latter part of 2018. It is expected that the ERP system will further improve DCM's processes and bring additional cost savings.

DCM finished 2017 with a strong fourth quarter as it began to realize the benefits of the initiatives effected during 2017. Management is confident that DCM will continue to experience the benefits of these initiatives in the forth-coming year. The Company is confirming its previously announced guidance for 2018:

Revenues

DCM anticipates total revenues of between $295.0 million and $310.0 million, representing growth of approximately 2% to 7% compared to revenues of approximately $289.5 million in fiscal 2017.

Adjusted EBITDA

Adjusted EBITDA for fiscal 2018 is estimated to be between $22.0 million and $25.0 million, compared to Adjusted EBITDA in fiscal 2017 of approximately $16.1 million.

Capital Expenditures

For fiscal 2018, DCM expects to spend approximately $2.5 million on capital expenditures, in line with approximately $2.4 million recorded in fiscal 2017. In addition to capital expenditures, DCM incurred approximately $3.4 million in intangible asset purchases in 2017, substantially all of which related to the company's ERP project investment. DCM expects to incur approximately $1.5 million in intangible asset purchases in 2018 and most of those capitalizable costs relating to the project will be incurred through the first half of 2018.

As part of establishing the above guidance, DCM made the following assumptions:

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including increasingly capitalizing on its technology-enabled value-added services provided to customers, will offset continued expected declines in Company's core business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year;
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company;
- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through the strategic initiatives implemented in the fourth quarter of fiscal 2017, including from the consolidation of facilities, headcount reductions and continuing efforts by management to drive improved profitability and also from the relocation of BOLDER Graphics into DCM's Calgary facility which was completed in February 2018;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty that any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate; and
- The above guidance is based on the accounting policies applied in the consolidated financial statements of DCM for 2017 and IFRS in effect for the year ending December 31, 2017.

DCM cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, as is qualified by, the section Forward-looking Statements beginning on page 1 of the March 8, 2018 MD&A.

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.