

DATA Communications Management Corp. Announces First Quarter Financial Results for 2018

HIGHLIGHTS

FIRST QUARTER 2018

- Revenues increased 26.2% year over year to \$88.5 million compared with \$70.1 million in the prior year
- Net Income of \$1.8 million compared with a Net Loss of \$2.1 million in the prior comparative period
- Adjusted net income of \$2.1 million compared to break-even in the prior period (See Table 3 and “Non-IFRS Measures” below)
- Adjusted EBITDA of \$6.4 million, compared to \$2.9 million in the prior year (See Table 2 and “Non-IFRS Measures” below)
- Adopts new accounting standards IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018

RECENT EVENTS

- Reconfirms financial outlook for fiscal 2018 as first provided in February 2018
- Completed the acquisition of Perennial Group of Companies and new \$12.0 million credit facility.

BRAMPTON, Ontario--(BUSINESS WIRE)--May 14, 2018--DATA Communications Management Corp. (TSX:DCM) ("DCM" or the "Company"), a leading provider of business communication solutions to companies across North America, announced its consolidated financial results for the three months ended March 31, 2018.

STRATEGIC ACQUISITION

DCM completed the acquisition of Perennial Group of Companies ("Perennial"), on May 8, 2018, (the "Closing Date"). The acquisition includes Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio. Perennial generated approximately \$7.0 million in revenues (unaudited) for the fiscal year ended July 31, 2017, and has offices in Toronto and Bolton, Ontario.

Perennial was acquired for a total purchase price of approximately \$13.2 million after giving effect to a preliminary positive working capital adjustment of \$1.2 million, related primarily to Perennial's strong cash and accounts receivable balances at closing. The purchase price of the Perennial acquisition was satisfied as follows: \$8.2 million in cash, \$2.5 million through the issuance of 1,394,856 common shares of DCM ("Common Shares"), and \$2.5 million in the form of a subordinated, unsecured, interest bearing vendor take-back promissory notes (the "VTB"). The VTB is repayable as follows: \$1.0 million payable on the first anniversary of the Closing Date, \$1.0 million on the second anniversary of the Closing Date and \$0.5 million on the third anniversary of the Closing Date. The purchase price will be subject to certain post-closing adjustments.

NEW TERM LOAN FACILITY

On April 30, 2018, DCM established the Crown Facility in the principal amount of \$12.0 million. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, bears interest at a rate equal to 10% per annum and is payable on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to prepayment fee, upon ten (10) days prior written notice to Crown. The Crown 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 a conventional security on all of the assets of DCM and its subsidiaries. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed \$5.0 million during any fiscal year. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a) 1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of no more than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter.

RESULTS OF OPERATIONS

All financial information in this press release is presented in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

For the periods ended March 31, 2018 and 2017	Jan. 1 to Mar. 31, 2018	Jan. 1 to Mar. 31, 2017
<i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	\$	\$
Revenues ⁽¹⁾	88,516	70,126
Cost of revenues	67,041	53,766
Gross profit	21,475	16,360
Selling, general and administrative expenses	17,672	15,024
Restructuring expenses	64	1,886
Acquisition costs	43	956
Income (loss) before finance costs and income taxes	3,696	(1,506)
Finance costs (income)		
Interest expense	1,139	950
Interest income	(2)	-
Amortization of transaction costs	143	115
	1,280	1,065
Income (loss) before income taxes	2,416	(2,571)
Income tax (recovery) expense		
Current	843	51
Deferred	(190)	(525)
	653	(474)
Net income (loss) for the period	1,763	(2,097)
Basic earnings (loss) per share	0.09	(0.17)
Diluted earnings (loss) per share	0.09	(0.17)
Weighted average number of common shares outstanding, basic and diluted	20,039,159	12,514,952

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three months ended March 31, 2018 for further details on the impact of the adoption of new accounting standards.

As at March 31, 2018 and December 31, 2017	As at Mar. 31, 2018	As at Dec. 31, 2017
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$
Current assets	91,527	82,804
Current liabilities	69,907	68,648
Total assets	137,329	131,859
Total non-current liabilities	62,338	68,610
Shareholders' equity / (deficit)	5,084	(5,399)

Table 2 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures”.

EBITDA and Adjusted EBITDA Reconciliation

For the periods ended March 31, 2018 and 2017	Jan. 1 to Mar. 31, 2018 \$	Jan. 1 to Mar. 31, 2017 \$
<i>(in thousands of Canadian dollars, unaudited)</i>		
Net income (loss) for the period	1,763	(2,097)
Interest expense	1,139	950
Interest income	(2)	-
Amortization of transaction costs	143	115
Current income tax expense	843	51
Deferred income tax recovery	(190)	(525)
Depreciation of property, plant and equipment	1,148	885
Amortization of intangible assets	1,069	693
EBITDA	5,913	72
Restructuring expenses	64	1,886
One-time business reorganization costs	332	-
Acquisition costs	43	956
Adjusted EBITDA ⁽¹⁾	6,352	2,914

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three months ended March 31, 2018 for further details on the impact of the adoption of new accounting standards.

Table 3 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 periods ended March 31, 2018 and 2017	Jan. 1 to Mar. 31, 2018 \$	Jan. 1 to Mar. 31, 2017 \$
<i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>		
Net income (loss) for the period	1,763	(2,097)
Restructuring expenses	64	1,886
One-time business reorganization costs	332	—
Acquisition costs	43	956
Tax effect of the above adjustments	(103)	(492)
Adjusted net (loss) income ⁽¹⁾	2,099	253
Adjusted net (loss) income per share, basic and diluted	0.09	0.02
Weighted average number of common shares outstanding, basic and diluted	20,039,159	12,514,952
Number of common shares outstanding, basic	20,039,159	11,975,053
Number of common shares outstanding, diluted	20,039,159	12,545,015

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three months ended March 31, 2018 for further details on the impact of the adoption of new accounting standards.

Revenues

For the three months ended March 31, 2018, DCM recorded revenues of \$88.5 million, an increase of 26.2% or \$18.4 million compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the three months ended March 31, 2018, revenues were \$14.6 million, or 20.8%, higher than the same period last year. The increase in revenues for the three months ended March 31, 2018 was primarily due to additional revenues from the acquisitions of Eclipse, Thistle and BOLDER Graphics, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for a major retailer, and a one-time increase in volume from a long-standing customer which generated \$8.9 million in higher revenues relative to the same period last year. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the retail and financial institutions sectors due to a technological shift in the way they conduct business and the timing of orders which DCM expects will occur in the second quarter of 2018. Overall, DCM continues to benefit from the growth initiatives it effected throughout 2017 to help offset some of the secular declines experienced by the industry.

Cost of Revenues and Gross Profit

For the quarter ended March 31, 2018, cost of revenues increased to \$67.0 million from \$53.8 million for the same period in 2017, resulting in a \$13.3 million or 24.7% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by \$10.7 million or 19.9% relative to the same period last year. Gross profit for the quarter ended March 31, 2018 was \$21.5 million, which represented an increase of \$5.1 million or 31.3% from \$16.4 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by \$3.9 million or 23.6% relative to the same period last year. Gross profit as a percentage of revenues increased to 24.3% for the quarter ended March 31, 2018 compared to 23.3% for the same period in 2017 however, after excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 23.9% for the three months ended March 31, 2018. The increase in gross profit as a percentage of revenues for the quarter ended March 31, 2018 was due to higher gross margins attributed to Eclipse, Thistle and BOLDER Graphics. Gross margin increase was also due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives implemented in 2017. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the quarter ended March 31, 2018 increased \$2.6 million or 17.6% to \$17.7 million compared to \$15.0 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were \$2.4 million higher for the three months ended March 31, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 20.0% (or 20.6% before the affects of adopting IFRS 9 and 15) of revenues for the three months ended March 31, 2018 and 2017, respectively. The increase in SG&A expenses for the quarter ended March 31, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle and BOLDER Graphics, additional professional fees and higher sales commission costs commensurate with the increase in revenues.

Restructuring Expenses

For the quarter ended March 31, 2018, DCM incurred net restructuring expenses \$0.1 million compared to \$1.9 million in the same period in 2017. DCM incurred \$1.2 million of restructuring costs related to 1) headcount reductions in indirect labour as a result of the plant consolidations completed during the current quarter, in addition to reductions of certain individuals within the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of the Multiple Pakfold, BOLDER Graphics and Granby, Quebec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs were offset by a recovery of \$1.1 million related to the termination of DCM's lease agreement for its Granby, Quebec facility.

For the three months ended March 31, 2017, \$2.2 million of restructuring costs were incurred related to headcount reductions in DCM's indirect labour force across its operations, which were designed to streamline DCM's order-to-production process. 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.

Adjusted EBITDA

For the quarter ended March 31, 2018, Adjusted EBITDA was \$6.4 million, or 7.2% of revenues, after adjusting EBITDA for the \$0.1 million in restructuring charges and \$0.3 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was \$5.3 million or 6.3% of revenues for the three months ended March 31, 2018 compared with an Adjusted EBITDA of \$2.9 million or 4.2% for the same period last year. The \$3.4 million increase in Adjusted EBITDA for the three months ended March 31, 2018 over the first quarter of 2017 was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle and BOLDER Graphics acquisitions, improved pricing initiatives implemented part-way through the prior 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 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 three months ended March 31, 2018 compared to \$1.0 million for the same period in 2017. Interest expense for the three months ended March 31, 2018 was higher than the same periods 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 price, settle certain debt assumed and pay for related costs incurred to complete the acquisitions of Eclipse, Thistle and BOLDER Graphics in 2017.

Income Taxes

DCM reported income before income taxes of \$2.4 million and a net income tax expense of \$0.7 million for the quarter ended March 31, 2018 compared to a loss before income taxes of \$2.6 million and a net income tax recovery of \$0.5 million for the quarter ended March 31, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was \$0.4 million for the three months ended March 31, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the three months ended March 31, 2018. The deferred income tax recovery for the three month periods ended March 31, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose during the three month period ended March 31, 2018.

Net Income

Net income for the quarter ended March 31, 2018 was \$1.8 million compared to net loss of \$2.1 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the three months ended March 31, 2018 was \$0.9 million. The increase in comparable profitability for the quarter ended March 31, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle and BOLDER Graphics, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts made in 2017. This increase was partially offset by higher SG&A expenses and higher interest expenses for the three months ended March 31, 2018 the three months ended March 31, 2018.

Adjusted Net Income

Adjusted net income for the quarter ended March 31, 2018 was \$2.1 million compared to Adjusted net income of \$0.3 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the three months ended March 31, 2018 was \$1.3 million. The increase in comparable profitability for the three months ended March 31, 2018 was due to higher revenues and gross margin, despite higher SG&A expenses and, to a lesser extent, higher interest expense in 2018.

CASH FLOW FROM OPERATIONS

During the three months ended March 31, 2018, cash flows generated by operating activities were \$6.1 million compared to cash flows used for operating activities of \$1.6 million during the same period in 2017. A total of \$5.5 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with \$1.5 million in 2017. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a \$2.6 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the three months ended March 31, 2018 generated \$3.7 million in cash compared with \$0.9 million of cash used in the prior year. Given the increase in trade receivables as a result of higher sales in the current quarter, there was a corresponding increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs. Timing of payments to suppliers are fairly commensurate with collections on outstanding receivables from DCM's customers. In addition, \$2.2 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$1.7 million of payments in 2017. Contributions made to the Company's pension plans were \$0.3 million, which decreased from \$0.5 million in the prior year while income tax payments increased by \$0.6 million for the three months ended March 31, 2018.

INVESTING ACTIVITIES

During the three months ended March 31, 2018, \$1.4 million in cash flows were used for investing activities compared with \$5.0 million during the same period in 2017. In 2018, \$0.6 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Quebec and Calgary, Alberta locations, respectively. In 2018, \$0.9 million of cash was used to further invest in DCM's ERP project. In 2017, \$4.6 million of cash was used to acquire the businesses of Eclipse and Thistle.

FINANCING ACTIVITIES

During the three months ended March 31, 2018, cash flow used for financing activities was \$4.8 million compared to cash flow generated by financing activities of \$6.9 million during the same period in 2017. DCM used a portion of cash generated from its operations to repay \$1.9 million in outstanding principal amounts under its various credit facilities and paid a total of \$2.8 million related to the promissory notes issued in connection with the acquisitions of Thistle and Eclipse.

ADOPTION OF NEW IFRS STANDARDS AND IMPACT

DCM adopted new accounting standards: IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") on January 1, 2018. As permitted by the transition provisions of IFRS 9 and IFRS 15, DCM elected not to restate comparative period results. Accordingly, all prior year's comparative period information is presented in accordance with DCM's previous accounting policies as set out in its 2017 Annual Report. DCM applied IFRS 9 and IFRS 15 from January 1, 2018 retrospectively, and changed its accounting policies with the cumulative effect of initially applying these new standards recognized at January 1, 2018, the date of initial application.

DCM has disclosed all accounting policies in accordance with IFRS 9 and IFRS 15 that it considers to be significant. New or amended interim disclosures have been provided for the three months ended March 31, 2018, where applicable, and comparative period disclosures are consistent with those made in the prior year. See "Note 3 - Changes in Accounting Policies" in DCM's unaudited interim consolidated financial statements for the three-months ended March 31, 2018 and related management's discussion and analysis for a detailed discussion regarding the impact of adopting IFRS 9 and IFRS 15 on DCM's financial statements.

IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated statement of financial position as at January 1, 2018:

(in thousands of Canadian dollars, unaudited)	January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	January 1, 2018 after the adoption of IFRS 9 and IFRS 15
Trade receivables	\$ 41,193	\$ (505)	\$ 28,671	\$ 69,359
Inventories	36,519	-	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	-	601	34,907
Deferred revenue	11,237	-	(9,395)	1,842
Deferred income tax liabilities	1,295	-	83	1,378
Deficit	(256,233)	(373)	8,737	(247,869)

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three months ended March 31, 2018:

(in thousands of Canadian dollars, unaudited)	For the three months ended March 31, 2018 prior to the adoption of IFRS 9 and IFRS 15	Impact of adopting IFRS 9	Impact of adopting IFRS 15	For the three months ended March 31, 2018 as reported
Revenues	\$ 84,699	\$ -	\$ 3,817	\$ 88,516
Cost of Revenues	64,486	-	2,555	67,041
Gross profit	20,213	-	1,262	21,475
Selling, commissions and expenses	10,302	-	159	10,461
General and administration expenses	7,165	46	-	7,211
Current income tax expense	175	(144)	812	843
Deferred income tax expense (recovery)	236	132	(558)	(190)
Net income	948	(34)	849	1,763

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three months ended March 31, 2018.

IFRS 9 - Financial Instruments

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, impairment of financial assets and a new general hedge accounting model. With respect to measuring financial assets for impairment, IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs. DCM adopted the simplified approach to determine ECLs on trade receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECLs. An impairment loss of \$373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position as at January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts. Summarized below are the key differences in reporting as a result of the adoption of IFRS 15:

- a) Previously, under IAS 18 Revenue ("IAS 18"), DCM identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. Under IFRS 15, DCM has identified that product revenue should be recognized upon the completion of production by DCM or upon the purchase and induction of product from third-party vendors into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.
- b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services that were bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.
- c) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives and sales commission costs were changed to correspond with the related recognition of revenue.
- d) The combined tax impact of the above adjustments for IFRS 9 and 15 was a decrease to deferred income tax assets of \$2,874 and increase to deferred income tax liabilities of \$83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three-month period ended March 31, 2018 similar in nature to those noted above upon the adoption of IFRS 9 and 15. In addition, The following adjustments were made for the three-months ended March 31, 2018:

- e) As at March 31, 2018, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

(in thousands of Canadian dollars, unaudited)		For the three months ended March 31, 2018
Product sales	\$	81,835
Warehousing services		2,801
Freight and other services		3,880
	\$	88,516

- f) DCM serves as a principal when contracting freight services that it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis.

Management is of the view that these changes represent a more accurate reflection of the economics in how DCM conducts business with its customers, especially given all product orders are customized based on specifications pre-approved by the customer, the product is segregated and maintained solely for the customer who placed the order (i.e. cannot be used interchangeably to fill another customer's order), and DCM has a right to payment for the performance obligations it has satisfied.

OUTLOOK

DCM recently announced the acquisition of the Perennial along with a new \$12.0 million credit facility with Crown Capital, of which \$3.5 million was used to repay short term debt outstanding. Perennial highlights the strategic shift DCM is making to bolster its credibility in the retail sector which it sees as a key vertical market.

With encouraging signs like growth from existing customers, the addition of new customers, and improvements in key “growth” segments like labels and large format, DCM maintains the 2018 guidance it issued in February 2018.

DCM is buoyed by its first quarter results and looks forward to a strong 2018.

Revenues

DCM anticipates total revenues of between \$295.0 million and \$310.0 million for fiscal 2018, representing growth of approximately 2% to 7% compared to revenues of \$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 \$16.1 million.

Capital Expenditures

For fiscal 2018, DCM expects to spend approximately \$2.5 million on capital expenditures, in line with the \$2.4 million recorded in fiscal 2017. DCM expects to incur approximately \$1.5 million in intangible asset purchases in 2018 mostly relating to the ERP project which will be incurred primarily 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 the 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, and DCM will benefit from the partial year of results from the acquisition of Perennial, commencing May 8, 2018.
- The three acquisitions DCM completed in 2017, together with the acquisition of Perennial in May 2018, will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company in 2018;
- 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;
- 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 unaudited interim consolidated financial statements and accompanying notes of DCM for the first quarter of 2018 and IFRS in effect for the period ended March 31, 2018.

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, and is qualified by, the section Forward-looking Statements contained in this press release.

About DATA Communications Management Corp.

DCM is a communication solutions partner that adds value for major companies across North America by creating more meaningful connections with their customers. We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients’ go-to market strategies. We help our clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

Our extensive experience has positioned us as experts at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. Thanks to our locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), we are able to meet our clients’ varying needs with scale, speed, and efficiency - no matter how large or complex the ask. And we can do it all with advanced DCM security, regulatory compliance, and bilingual communications, in print or digital.

Additional information relating to DATA Communications Management Corp. is available on www.datacm.com, and in the disclosure documents filed by DATA Communications Management Corp. on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute “forward-looking” statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this press release, words such as “may”, “would”, “could”, “will”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “plan”, and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM’s current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions 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 the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration of such acquired businesses; risks related to the disruption of management time from ongoing business operations due to the acquisition of the Perennial Group of Companies; 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 press release and under the headings “Risk Factors” and “Risks and Uncertainties” in DCM’s management’s discussion and analysis and in DCM’s other 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 press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

NON-IFRS MEASURES

This press release includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this press release, 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, 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, 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 2 above. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 3 above.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unaudited)

	March 31, 2018	December 31, 2017
	\$	\$
Assets		
Current assets		
Trade receivables	76,651	41,193
Inventories	10,492	36,519
Prepaid expenses and other current assets	4,384	5,092
	91,527	82,804
Non-current assets		
Deferred income tax assets	3,210	6,108
Restricted cash	515	515
Property, plant and equipment	18,306	18,831
Pension assets	1,097	760
Intangible assets	14,306	14,473
Goodwill	8,368	8,368
	137,329	131,859
Liabilities		
Current liabilities		
Bank overdraft	2,916	2,868
Trade payables and accrued liabilities	44,782	34,306
Current portion of credit facilities	8,852	8,725
Current portion of promissory notes	4,190	4,374
Provisions	3,902	3,950
Income taxes payable	3,416	3,188
Deferred revenue	1,849	11,237
	69,907	68,648
Non-current liabilities		
Provisions	660	2,702
Credit facilities	45,339	47,207
Promissory notes	342	2,829
Deferred income tax liabilities	1,248	1,295
Other non-current liabilities	3,654	3,413
Pension obligations	7,997	8,133
Other post-employment benefit plans	3,098	3,031
	132,245	137,258
Equity		
Shareholders' equity/(deficit)		
Shares	248,996	248,996
Warrants	287	287
Contributed surplus	1,462	1,368
Accumulated other comprehensive income	205	183
Deficit	(245,866)	(256,233)
	5,084	(5,399)
	137,329	131,859

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	\$	\$
Revenues	88,516	70,126
Cost of revenues	67,041	53,766
Gross profit	21,475	16,360
Expenses		
Selling, commissions and expenses	10,461	8,518
General and administration expenses	7,211	6,506
Restructuring expenses	64	1,886
Acquisition costs	43	956
	17,779	17,866
Income (loss) before finance costs and income taxes	3,696	(1,506)
Finance costs (income)		
Interest expense	1,139	950
Interest income	(2)	-
Amortization of transaction costs	143	115
	1,280	1,065
Income (loss) before income taxes	2,416	(2,571)
Income tax (recovery) expense		
Current	843	51
Deferred	(190)	(525)
	653	(474)
Net income (loss) for the period	1,763	(2,097)
Basic earnings (loss) per share	0.09	(0.17)
Diluted earnings (loss) per share	0.09	(0.17)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2018 \$	For the three months ended March 31, 2017 \$
Net income (loss) for the period	1,763	(2,097)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net income (loss)		
Foreign currency translation	22	(18)
	22	(18)
Items that will not be reclassified to net income (loss)		
Re-measurements of post-employment benefit obligations	323	(1,345)
Taxes related to post-employment adjustment above	(84)	350
	239	(995)
Other comprehensive income (loss) for the period, net of tax	261	(1,013)
Comprehensive income (loss) for the period	2,024	(3,110)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

(in thousands of Canadian dollars,
unaudited)

	Shares \$	Warrants \$	Conversion options \$	Contributed surplus	Accumulated other comprehensive income \$	Deficit \$	Total equity (deficit) \$
Balance as at December 31, 2016	237,432	-	128	1,164	258	(248,917)	(9,935)
Net loss for the period	-	-	-	-	-	(2,097)	(2,097)
Other comprehensive loss for the period	-	-	-	-	(18)	(995)	(1,013)
Total comprehensive loss for the period	-	-	-	-	(18)	(3,092)	(3,110)
Issuance of common shares	2,847	-	-	-	-	-	2,847
Share-based compensation expense	-	-	-	52	-	-	52
Balance as at March 31, 2017	237,432	-	128	1,164	240	(252,009)	(13,045)
Balance as at December 31, 2017	248,996	287	-	1,368	183	(256,233)	(5,399)
Impact of change in accounting policy	-	-	-	-	-	8,365	8,365
	248,996	287	-	1,368	183	(247,868)	2,966
Net income for the period	-	-	-	-	-	1,763	1,763
Other comprehensive income for the period	-	-	-	-	22	239	261
Total comprehensive income for the period	-	-	-	-	22	2,002	2,024
Share-based compensation expense	-	-	-	94	-	-	94
Balance as at March 31, 2018	248,996	287	-	1,462	205	(245,866)	5,084

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	1,763	(2,097)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	1,148	885
Amortization of intangible assets	1,069	693
Share-based compensation expense	94	52
Pension expense	134	135
Gain on disposal of property, plant and equipment	(124)	(20)
Provisions	64	1,886
Amortization of transaction costs	143	115
Accretion of non-current liabilities and related interest expense	161	98
Other non-current liabilities	326	130
Other post-employment benefit plans, net	67	55
Income tax expense (recovery)	653	(474)
	5,498	1,458
Changes in working capital	3,689	(885)
Contributions made to pension plans	(284)	(459)
Provisions paid	(2,154)	(1,687)
Income taxes (paid) received	(616)	-
	6,133	(1,573)
Investing activities		
Purchase of property, plant and equipment	(621)	(137)
Purchase of intangible assets	(902)	(233)
Proceeds on disposal of property, plant and equipment	124	20
Cash consideration for acquisition of businesses	-	(4,638)
	(1,399)	(4,988)
Financing activities		
Issuance of common shares and warrants, net	-	(11)
Proceeds from credit facilities	-	13,589
Repayment of credit facilities	(1,879)	(3,598)
Repayment of loans and other liabilities	(101)	(289)
Repayment of promissory notes	(2,808)	(129)
Finance and transaction costs	(5)	(317)
Finance lease payments	(7)	(2,382)
	(4,800)	6,863
Increase in (bank overdraft) / increase in cash and cash equivalents during the period	(66)	302
(Bank overdraft) cash and cash equivalents – beginning of period	(2,868)	1,544
Effects of foreign exchange on cash balances	18	(8)
(Bank overdraft) cash and cash equivalents – end of period	(2,916)	1,838

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