

DATA Communications Management Corp. Announces First Quarter Financial Results for 2019

HIGHLIGHTS

FIRST QUARTER 2019

- **Revenues of \$78.5 million compared with \$88.5 million in the prior year; the prior period included significantly higher volume from one particular customer**
- **Gross margin as a percentage of revenue improved to 26.4% from 24.3% in the prior year comparative period**
- **Reduction in selling, general & administrative expenses by \$0.5 million versus the same quarter last year**
- **Adjusted EBITDA of \$7.9 million, compared to \$6.4 million in the prior year (See Table 2 and “Non-IFRS Measures” below). Excluding the effects of adopting IFRS 16 *Leases* (“IFRS 16”), Adjusted EBITDA was \$5.4 million**
- **Net loss of \$0.3 million, including restructuring expenses of \$1.7 million compared to net income of \$1.8 million, including restructuring expenses of \$0.1 million in the prior comparative period**
- **Adjusted net income of \$1.2 million, compared to \$2.1 million in the prior comparative period (See Table 3 and “Non-IFRS Measures” below). Excluding the effects of adopting IFRS 16, Adjusted net income was \$1.7 million**
- **Adopts new accounting standard IFRS 16 *Leases* effective January 1, 2019**

RECENT EVENTS

- **DCM announces it has entered into a significant multi-year agreement to provide innovative technology solutions to a large provincial health services network**
- **Sale of loose-leaf binders and index tab business to Southwest Business Products Ltd (“Southwest”) and long-term supply agreement with Southwest**
- **Strategic decision to outsource Brossard, Quebec stationery production and expand existing tier two supplier agreement for the provision of stationery**

BRAMPTON, Ontario--(BUSINESS WIRE)--May 9, 2019--DATA Communications Management Corp. (TSX:DCM) (“DCM” or the “Company”), a leading provider of marketing and business communication solutions to companies across North America, announces its consolidated financial results for the three months ended March 31, 2019.

“We continue to focus your Company’s efforts on providing additional products and services to our core client base. In addition, with the enhanced retail and consumer insight capabilities Perennial brings to DCM, we are capturing new client business due to the innovative ideas and exceptional executional capabilities we are presenting to clients. Our “pitched and pending” sales pipeline is at historic highs with both current and new clients,” said Gregory J. Cochrane, CEO.

CONTINUING THE PIVOT

DCM announced its Business Solutions Group was recently awarded a significant multi-year agreement to provide innovative technology solutions to a large provincial healthcare services network as it transforms its clinical information systems to become more integrated with enhanced automation tools. Key components to be provided by DCM include scanners, printers, patient identification solutions, consumables including labels, as well as ongoing support services.

“This long-standing customer of DCM in our traditional business has trusted DCM to consult, evaluate, recommend and execute a business solutions platform which will dramatically modernize the way this province delivers health care services to its customers,” said Mr. Cochrane. “By recommending the appropriate technology and business processes to this client, DCM is now seen as a total enterprise solutions provider instead of a print production vendor. DCM began to record revenue in the second quarter of 2019 under this agreement.”

DCM recently announced the sale of its loose-leaf binders and index tab business to Southwest, which closed on May 2, 2019. The sale was made by way of an asset purchase agreement in which certain assets were sold and certain liabilities were assumed by Southwest in exchange for cash proceeds to DCM. At the same time, DCM entered into a long-term supply agreement with Southwest as a preferred vendor of binders, index tabs and related products. DCM expects to incur restructuring costs of approximately \$0.4 million in connection with this initiative in the second quarter of 2019 primarily related to a reduction in headcount. This transaction aligns with DCM's strategy to focus on products and solutions that are critical to its top customers, and to source non-core offerings from other leading providers where it makes strategic sense.

Consistent with this theme, in early March 2019, DCM initiated plans to outsource its Brossard, Quebec stationery production to a long-standing tier two supplier. DCM also expanded its pre-existing supply agreement with this partner. Effective May 1, 2019, DCM closed the Brossard, Quebec facility, which primarily produced stationery products including business cards and letterhead and relocated the facility's digital print on demand production to other DCM sites. As a result of the Brossard closure, DCM incurred restructuring costs of approximately \$0.5 million in the first quarter of 2019 for severance costs. While DCM does not expect material changes in revenue or margins from this initiative, it allows DCM to better serve its customers with a seamless offering, and to avoid additional investment in what it sees as a declining business segment.

In the first quarter of 2019, DCM also initiated direct and indirect labour savings across a number of its facilities as part of its strategic focus on improving overall profitability. DCM incurred restructuring costs of \$1.2 million in the first quarter of 2019 for severance costs associated with this reduction of employees. Total annualized savings from these reduced labour costs are estimated to be \$1.2 million.

EXTENSION OF BANK CREDIT FACILITY

On March 5, 2019, DCM entered into a second amendment to its credit agreement with a Canadian chartered bank in relation to its revolving credit facility ("Bank Credit Facility"). Significant terms of the amendment made to the credit facility include an extension of the maturity date to January 31, 2023, from its original maturity date of March 31, 2020; a reduction in the prime rate margin on advances by 15 basis points from 0.75% per annum to 0.60% per annum; the elimination of an early termination fee in the event the credit facility is terminated or repaid prior to maturity; and amendments related to the calculation of certain financial covenants as a result of the adoption of IFRS 16 effective for reporting periods on or after January 1, 2019. The amendments related to IFRS 16 include clarification that the calculation of DCM's fixed charge coverage ratio under the Bank Credit Facility will be completed on a basis that substantially has the same effect as the results prior to the adoption of IFRS 16 whereby lease payments will also be deducted from EBITDA, in addition to all other adjustments previously allowed per the credit agreement. As a result, definitions of certain terms related to IFRS 16 were added to the credit agreement. DCM's financial covenant ratio with the bank remains unchanged. On April 29, 2019, DCM entered into a lease agreement with the bank pursuant to a master lease agreement dated July 31, 2018 in connection with the Gallus hybrid label press which was fully commissioned earlier in the month.

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, 2019 and 2018	Jan. 1 to Mar. 31, 2019 ⁽¹⁾	Jan. 1 to Mar. 31, 2018
<i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	\$	\$
Revenues	78,549	88,516
Cost of revenues	57,787	67,041
Gross profit	20,762	21,475
Selling, general and administrative expenses	17,158	17,672
Restructuring expenses	1,682	64
Acquisition costs	—	43
Income before finance costs and income taxes	1,922	3,696
Finance costs		
Interest expense, net	2,132	1,137
Amortization of transaction costs	137	143
	2,269	1,280
(Loss) income before income taxes	(347)	2,416
Income tax (recovery) expense		
Current	32	843
Deferred	(56)	(190)
	(24)	653
Net (loss) income for the period	(323)	1,763
Basic and diluted (loss) earnings per share	(0.02)	0.09
Weighted average number of common shares outstanding, basic and diluted	21,523,515	20,039,159

As at March 31, 2019 and December 31, 2018	As at Mar. 31, 2019 ⁽¹⁾	As at Dec. 31, 2018
<i>(in thousands of Canadian dollars, unaudited)</i>	\$	\$
Current assets	85,810	85,455
Current liabilities	72,756	64,716
Total assets	202,879	142,231
Total non-current liabilities	123,013	70,003
Shareholders' equity	7,110	7,512

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting

standards.

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, 2019 and 2018		January 1 to March 31, 2019			January 1 to March 31, 2018
<i>(in thousands of Canadian dollars, unaudited)</i>					
		Proforma without IFRS 16 adjustment	IFRS 16 adjustments	As reported	As reported
Net (loss) income for the period ⁽¹⁾	\$	178	\$ (501)	\$ (323)	\$ 1,763
Interest expense, net ⁽¹⁾		1,231	901	2,132	1,137
Amortization of transaction costs		137	—	137	143
Current income tax expense		32	—	32	843
Deferred income tax recovery		(56)	—	(56)	(190)
Depreciation of property, plant and equipment		1,119	—	1,119	1,148
Amortization of intangible assets		647	—	647	1,069
Depreciation of ROU Asset ⁽¹⁾		—	2,077	2,077	—
EBITDA	\$	3,288	\$ 2,477	\$ 5,765	\$ 5,913
Restructuring expenses		1,682	—	1,682	64
One-time business reorganization costs ⁽²⁾		412	—	412	332
Acquisition costs		—	—	—	43
Adjusted EBITDA	\$	5,382	\$ 2,477	\$ 7,859	\$ 6,352

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

Table 3 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See “Non-IFRS Measures”.

Adjusted Net Income Reconciliation

For the periods ended March 31, 2019 and 2018		January 1 to March 31, 2019			January 1 to March 31, 2018
<i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>					
		Proforma without IFRS 16 adjustment	IFRS 16 adjustments	As reported	As reported
Net (loss) income for the period ⁽¹⁾	\$	178	\$ (501)	\$ (323)	\$ 1,763
Restructuring expenses		1,682	—	1,682	64
One-time business reorganization costs ⁽²⁾		412	—	412	332
Acquisition costs		—	—	—	43
Tax effect of the above adjustments		(546)	—	(546)	(103)
Adjusted net income	\$	1,726	\$ (501)	\$ 1,225	\$ 2,099
Adjusted net income per share, basic and diluted	\$	0.08	\$ (0.02)	\$ 0.06	\$ 0.09
Weighted average number of common shares outstanding, basic and diluted		21,523,515	21,523,515	21,523,515	20,039,159
Number of common shares outstanding, basic and diluted		21,523,515	21,523,515	21,523,515	20,039,159

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

Revenues

For the three months ended March 31, 2019, DCM recorded revenues of \$78.5 million, a decrease of \$10.0 million or 11.3% compared with the same period in 2018. The first quarter of 2018 included significantly higher volume than normal from one particular customer, by approximately \$4.9 million compared to this year. The decrease in relative revenues for the three months ended March 31, 2019 was also due to (i) the loss of a lower margin customer, (ii) the timing of orders, (iii) some softness in spend from certain customers, and (iv) certain non-recurring work. The decrease was partially offset by (i) an increase in revenues from new customers in the Cannabis industry, (ii) year over year growth from a large customer in the financial services industry which was onboarded in late 2017, (iii) gains in wallet share from existing customers with new applications and (iv) the acquisition of Perennial which was not reflected in the comparative period as the acquisition was completed in the second quarter of 2018.

Cost of Revenues and Gross Profit

For the three months ended March 31, 2019, cost of revenues decreased to \$57.8 million from \$67.0 million for the same period in 2018, resulting in a \$9.2 million or 13.8% decrease over the same period last year. Excluding the effects of adopting IFRS 16, cost of revenues for the three months ended March 31, 2019 was \$58.1 million.

Gross profit for the three months ended March 31, 2019 was \$20.8 million, which represented a decrease of \$0.7 million or 3.3% from \$21.5 million for the same period in 2018. Gross profit as a percentage of revenues increased to 26.4% for the three months ended March 31, 2019, compared to 24.3% for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit for the three months ended March 31, 2019 was \$20.4 million or 26.0% as a percentage of revenues. The increase in gross profit as a percentage of revenues for the three months ended March 31, 2019 was positively impacted by (i) higher margins attributed to the acquisition of Perennial which was not reflected in the comparative period, (ii) continued refinement of DCM's pricing discipline, (iii) cost reductions realized from prior cost savings initiatives, and (iv) improvements in product mix compared to last year. The increase in gross profit as a percentage of revenues was, however, partially offset by the impact of paper and other raw materials price increases leading to somewhat compressed margins on contracts with certain existing customers.

Selling, General and Administrative Expenses ("SG&A")

SG&A expenses for the three months ended March 31, 2019 decreased \$0.5 million or 2.9% to \$17.2 million, or 21.8% of total revenues, compared to \$17.7 million, or 20.0% of total revenues, for the same period of 2018. After deducting one-time business reorganization costs, SG&A expenses were \$16.8 million, or 21.3% of total revenues compared to \$17.4 million or 19.7% of revenues in the prior period. The decrease in SG&A expenses for the three months ended March 31, 2019 was primarily attributable to (i) benefits from the cost saving initiatives implemented in the last two quarters of 2018, and (ii) reduction of amortization expense of intangible assets that were fully amortized in the fourth quarter of 2018. The decrease was partially offset by an increase in SG&A from the acquisition of Perennial which was not reflected in the comparative period, and an increase in non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs.

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 in its traditional business, a trend being faced by the traditional printing industry for several years now.

For the three months ended March 31, 2019, DCM incurred restructuring expenses of \$1.7 million compared to \$0.1 million in the same period in 2018. In 2019, the restructuring costs related to (i) headcount reductions due to the closure of the Brossard, Quebec facility, and (ii) headcount reductions to direct and indirect labour from various facilities across DCM as cost savings initiatives to improve gross margin.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to improving its gross margins and lowering its selling, general and administration expenses.

Adjusted EBITDA

For the three months ended March 31, 2019, Adjusted EBITDA increased by \$1.5 million to \$7.9 million, or 10.0% of revenues, after adjusting EBITDA for the \$1.7 million in restructuring charges and \$0.4 million of one-time business reorganization costs. The adoption of IFRS 16 resulted in a higher Adjusted EBITDA for the first quarter of 2019 due to changes in the recognition and classification of lease payments from cost of sales and SG&A expenses to depreciation of \$2.1 million and interest expense of \$0.9 million, respectively. Excluding the effects of adopting IFRS 16, Adjusted EBITDA for the three months ended March 31, 2019 was \$5.4 million, or 6.9% of revenues. The decrease of \$1.0 million in Adjusted EBITDA for the three months ended March 31, 2019 over the same period last year excluding IFRS 16 was attributable to a decrease in revenues, with a corresponding decrease in gross profit. The decline was offset due to the acquisition of Perennial which was not reflected in the comparative period, and a reduction in SG&A.

Interest Expense

Interest expense including interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations recorded at fair value, and interest expense on lease liabilities under IFRS 16 was \$2.1 million for the three months ended March 31, 2019 compared to \$1.1 million for the same period in 2018. Excluding the effects of adopting IFRS 16, interest expense for the three months ended March 31, 2019 was \$1.2 million. Interest expense for the three months ended March 31, 2019 was relatively consistent with the same period in the prior year excluding IFRS 16. The slight increase was primarily due to the Crown facility, secured in 2018 to fund the acquisition of Perennial and repay the outstanding balance on its subordinated debt facility with Bridging Financing Inc. ("Bridging Credit Facility"), which was not reflected in the comparative period as the facility was obtained in the second quarter of 2018. The increase was offset by a reduction in the unwinding of discount which was included in interest expense of the Eclipse and Thistle VTBs that were repaid during the current period.

Income Taxes

DCM reported a loss before income taxes of \$0.3 million and a net income tax recovery of \$24 thousand for the three months ended March 31, 2019 compared to income before income taxes of \$2.4 million and a net income tax expense of \$0.7 million for the three months ended March 31, 2018. The decrease in the current income tax expense to a recovery position was due to the reduction of DCM's estimated taxable income for the three months ended March 31, 2019. The deferred income tax recovery for the three months ended March 31, 2019 primarily relates to changes in estimates of future reversals of temporary differences.

Net Loss

Net loss for the three months ended March 31, 2019 was \$0.3 million compared to a net income of \$1.8 million for the same period in 2018. Excluding the effects of adopting IFRS 16, net income for the three months ended March 31, 2019 was \$0.2 million. The decrease in comparable profitability for the three months ended March 31, 2019 was primarily due to (i) the decrease in revenues, with a corresponding decline in the gross profit, and (ii) an increase in restructuring expenses. This decrease was partially offset by (i) continued implementation of the refined discipline in DCM's pricing strategy resulting in an increase in gross margin as a percentage of revenues, (ii) cost benefits as a result of the restructuring efforts implemented in the last two quarters of 2018, and (iii) a reduction in SG&A expense.

Adjusted Net Income

Adjusted net income for the three months ended March 31, 2019 was \$1.2 million compared to Adjusted net income of \$2.1 million for the same period in 2018. The adoption of IFRS 16 resulted in a lower Adjusted net income for the first quarter of 2019 by \$0.5 million due to changes in net income as discussed in Table 1. Excluding the effects of adopting IFRS16, Adjusted net income for the three months ended March 31, 2019 was \$1.7 million. The decrease in comparable profitability for the three months ended March 31, 2019 was primarily due to the decrease in revenues, with a corresponding decline in the gross margin. This decrease was partially offset by (i) continued implementation of the refined discipline in DCM's pricing strategy resulting in an increase in the gross margin as a percentage of revenues, (ii) cost benefits as a result of the restructuring efforts implemented in the last two quarters of 2018, and (iii) a reduction in SG&A expense.

CASH FLOW FROM OPERATIONS

During the three months ended March 31, 2019, cash flows generated by operating activities were \$10.1 million compared to cash flows generated by operating activities of \$6.1 million during the same period in 2018. Current period cash flow from operations, after adjusting for non-cash items, generated a total of \$6.7 million compared with \$5.5 million for the same period last year. As a result of the adoption of IFRS 16, \$2.5 million in lease payments are now presented as cash used for financing activities in the condensed interim consolidated statement of cash flow for the period ended March 31, 2019. In the prior year comparative period, this was classified as a reduction of operating activities thereby contributing to the variance in cash flow from operations year over year. In addition, current period cash flows from operations were negatively impacted by the decrease in revenues however this was slightly offset by an improvement in gross margin and a decline in SG&A expenses.

Changes in working capital during the three months ended March 31, 2019 generated \$6.0 million in cash compared with \$3.7 million of cash generated in the prior year. \$6.8 million of the increase in current period working capital was primarily a result of DCM's continued efforts to better align the timing of payments to its suppliers with collections on outstanding receivables from its customers. This was slightly offset by higher volumes in inventory purchases thereby reducing working capital by \$1.2 million.

Lastly, there were lower payments for severances and lease termination payments related to DCM's restructuring initiatives totaling \$1.4 million during the current period compared with \$2.2 million for the same period last year.

INVESTING ACTIVITIES

For the three months ended March 31, 2019, \$2.3 million in cash flows were used for investing activities compared with \$1.4 million during the same period in 2018. In the current period, \$0.5 million of cash was primarily used to invest in IT equipment and costs related to leasehold improvements to set up production equipment compared with \$0.6 million of capital expenditures incurred in the first quarter of 2018 related to investments in IT equipment and costs related to leasehold improvements, which were incurred as part of DCM's consolidation of certain facilities. Furthermore, \$1.8 million of cash was used to further invest in the development of DCM's new ERP system compared with \$0.9 million for the same period last year.

FINANCING ACTIVITIES

For the three months ended March 31, 2019, cash flow used for financing activities was \$5.2 million compared with \$4.8 million during the same period in 2018. A total of \$1.4 million in outstanding principal amounts under its various credit facilities were repaid during the period compared with \$1.9 million during the same period last year. In addition, \$2.7 million was repaid in the current quarter related to the vendor take-back promissory notes issued in connection with the acquisitions of Eclipse, Thistle and BOLDER Graphics compared with \$2.8 million in the prior year comparative period. The Eclipse and Thistle VTBs were fully repaid in the first quarter of 2019. As noted under "Cash Flow From Operations", as a result of the adoption of IFRS 16, \$2.5 million in lease payments are now presented as cash used for financing activities whereas this is presented as a reduction of cash from operations in the prior year comparative period, thereby contributing to the overall variance in cash used for financing activities. Lastly, proceeds of \$1.6 million was received in the current period by way of a draw on DCM's revolving credit facility with the Bank.

ADOPTION OF NEW IFRS 16 STANDARD AND IMPACT

DCM adopted new accounting standards IFRS 16 on January 1, 2019. As permitted by the transition provisions of IFRS 16, 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 2018 Annual Report. DCM applied IFRS 16 from January 1, 2019 retrospectively, and changed its accounting policy with the cumulative effect of initially applying the new standards recognized at January 1, 2019, the date of initial application.

DCM has disclosed all accounting policies in accordance with IFRS 16 that it considers to be significant. New or amended interim disclosures have been provided for the three months ended March 31, 2019, 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 condensed interim consolidated financial statements for the three-months ended March 31, 2019 and related management's discussion and analysis for a detailed discussion regarding the impact of adopting IFRS 16 on DCM's financial statements. Refer to tables 2 and 3 for a summary of the impact on Adjusted EBITDA and Adjusted net income.

IMPACT OF ADOPTION OF IFRS 16 ON JANUARY 1, 2019

Table 4 The following table provides the impact of adoption of IFRS 16 on January 1, 2019 on the condensed interim consolidated statement of financial position.

<i>(in thousands of Canadian dollars, unaudited)</i>	<i>December 31, 2018 prior to the adoption of IFRS 16</i>	<i>Impact of adopting IFRS 16</i>	<i>January 1, 2019 after the adoption of IFRS 16</i>
Prepaid expenses and other current assets ^(c)	3,519	31	3,550
Other non-current assets ^(c)	827	257	1,084
Right-of-use assets ^{(a) (b) (c)}	—	56,879	56,879
Property, plant and equipment ^(a)	16,804	(29)	16,775
Trade payables and accrued liabilities ^{(a)(b)}	43,497	(239)	43,258
Provisions (current portion) ^(c)	2,908	(105)	2,803
Provisions (non-current portion) ^(c)	540	(211)	329
Lease liabilities ^(a)	—	60,645	60,645
Other non-current liabilities ^(b)	3,272	(2,952)	320

- (a) Previously under IAS 17, leases were classified as financing or operating leases depending on the terms and conditions of the contracts.

On adoption of IFRS 16, for leases previously classified as finance leases under IAS 17, DCM recognized the carrying amount of the leased asset and lease liability immediately before transition as the carrying amount of the ROU Asset and the lease liability at the date of initial application.

On adoption of IFRS 16, for leases previously classified as operating leases under IAS 17, DCM recognized a lease liability and ROU Asset. These liabilities were measured at the present value of the remaining lease payments, and discounted using the lessee's incremental borrowing rate as of January 1, 2019. The ROU Asset was measured at the amount equal to the lease liability, adjusted by the amount of prepaid and accrued lease payments relating to that lease recognized on the statement of financial position as at January 1, 2019.

- (b) Deferred lease inducements and lease escalation liabilities previously recognized with respect to operating leases has been adjusted as a reduction to the ROU Asset as at that date.
- (c) Provision for onerous operating lease contracts and unfavourable lease obligation have been derecognized and the balance as of January 1, 2019 has been adjusted as a reduction to the ROU asset. With respect to an onerous lease, DCM has classified the subleases as a finance lease receivable within prepaid expenses and other current assets.

OUTLOOK

At the outset of 2019, DCM set out five business priorities:

- Focus on our core customers
- Continue to improve gross margins
- Reduce our selling, general and administrative expenses
- Pay down debt
- Make strategic investments in technologies that clients request and value to support our future growth

The first quarter results reflect our heightened focus on these five business priorities. We remain optimistic for the year, despite the continued presence of price increases on raw materials and secular declines in traditional print and production.

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. DCM pairs customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power its clients' go-to market strategies. DCM helps its 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.

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print or digital formats.

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 and/or investments in joint ventures 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 DCM's investment in the joint venture between Aphria Inc. and Perennial and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; DCM's ability to maintain relationships with its customers; risks relating to future legislative and regulatory developments and other business risks involving the wellness, medical and adult-use marijuana markets in Canada and internationally generally; and risks relating to DCM's ability to access sufficient capital on favourable terms to fund its business plans from internal and external sources. Additional factors are discussed elsewhere in this press release and under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's management'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. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, 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 of DCM (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

<i>(in thousands of Canadian dollars, unaudited)</i>		March 31, 2019	December 31, 2018
		\$	\$
Assets			
Current assets			
Trade receivables		73,131	73,124
Inventories		10,022	8,812
Prepaid expenses and other current assets		2,657	3,519
		85,810	85,455
Non-current assets			
Other non-current assets		1,050	827
Deferred income tax assets		2,391	3,428
Restricted cash		515	515
Property, plant and equipment		16,133	16,804
Right-of-use assets		60,637	—
Intangible assets		19,305	18,164
Goodwill		17,038	17,038
		202,879	142,231
Liabilities			
Current liabilities			
Bank overdraft		1,357	3,999
Trade payables and accrued liabilities		50,093	43,497
Current portion of credit facilities		5,767	5,670
Current portion of promissory notes		1,336	4,013
Current portion of lease liabilities		7,879	—
Provisions		2,820	2,908
Income taxes payable		2,355	3,152
Deferred revenue		1,149	1,477
		72,756	64,716
Non-current liabilities			
Provisions		565	540
Credit facilities		51,998	51,751
Promissory notes		1,383	1,363
Lease liabilities		56,702	—
Deferred income tax liabilities		596	1,753
Other non-current liabilities		225	3,272
Pension obligations		8,501	8,346
Other post-employment benefit plans		3,043	2,978
		195,769	134,719
Equity			
Shareholders' equity			
Shares		251,217	251,217
Warrants		806	806
Contributed surplus		1,915	1,841

Translation reserve	273	242
Deficit	(247,101)	(246,594)
	7,110	7,512
	202,879	142,231

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
	\$	\$
Revenues	78,549	88,516
Cost of revenues	57,787	67,041
Gross profit	20,762	21,475
Expenses		
Selling, commissions and expenses	9,305	10,461
General and administration expenses	7,853	7,211
Restructuring expenses	1,682	64
Acquisition costs	—	43
	18,840	17,779
Income before finance costs and income taxes	1,922	3,696
Finance costs		
Interest expense, net	2,132	1,137
Amortization of transaction costs	137	143
	2,269	1,280
(Loss) Income before income taxes	(347)	2,416
Income tax (recovery) expense		
Current	32	843
Deferred	(56)	(190)
	(24)	653
Net (loss) income for the period	(323)	1,763
Basic (loss) earnings per share	(0.02)	0.09
Diluted (loss) earnings per share	(0.02)	0.09

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars, unaudited)

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
	\$	\$
Net (loss) income for the period	(323)	1,763
Other comprehensive (loss) income:		
Items that may be reclassified subsequently to net income		
Foreign currency translation	31	22
	31	22
Items that will not be reclassified to net (loss) income		
Re-measurements of pension and other post-employment benefit obligations	(249)	323
Taxes related to pension and other post-employment benefit adjustment above	65	(84)
	(184)	239

Other comprehensive (loss) income for the period, net of tax	(153)	261
Comprehensive (loss) income for the period	(476)	2,024

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in thousands of Canadian dollars, unaudited)</i>							
	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity
	\$	\$	\$		\$	\$	\$
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 loss for the period	—	—	—	—	22	239	261
Total comprehensive loss 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
Balance as at December 31, 2018	251,217	806	—	1,841	242	(246,594)	7,512
Net loss for the period	—	—	—	—	—	(323)	(323)
Other comprehensive loss for the period	—	—	—	—	31	(184)	(153)
Total comprehensive loss for the period	—	—	—	—	31	(507)	(476)
Share-based compensation expense	—	—	—	74	—	—	74
Balance as at March 31, 2019	251,217	806	—	1,915	273	(247,101)	7,110

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars, unaudited)</i>			For the three months ended March 31, 2019	For the three months ended March 31, 2018
			\$	\$
Cash provided by (used in)				
Operating activities				
Net (loss) income for the period			(323)	1,763
Adjustments to net (loss) income				
Depreciation of property, plant and equipment			1,119	1,148
Amortization of intangible assets			647	1,069
Depreciation of right-of-use-assets			2,077	—
Interest expense on lease liability			901	—
Share-based compensation expense			74	94
Pension expense			148	134
Loss (gain) on disposal of property, plant and equipment			55	(124)
Provisions			1,682	64
Amortization of transaction costs			137	143
Accretion of non-current liabilities and related interest expense			112	161
Other non-current liabilities			—	326
Other post-employment benefit plans, net			65	67
Income tax (recovery) expense			(24)	653
			6,670	5,498
Changes in working capital			5,967	3,689
Contributions made to pension plans			(242)	(284)
Provisions paid			(1,429)	(2,154)
Income taxes paid			(831)	(616)
			10,135	6,133

Investing activities

Purchase of property, plant and equipment	(503)	(621)
Purchase of intangible assets	(1,788)	(902)
Proceeds on disposal of property, plant and equipment	—	124
	(2,291)	(1,399)

Financing activities

Proceeds from credit facilities	1,676	—
Repayment of credit facilities	(1,383)	(1,879)
Repayment of other liabilities	(100)	(101)
Repayment of promissory notes	(2,731)	(2,808)
Transaction costs	(108)	(5)
Lease payments	(2,549)	(7)
	(5,195)	(4,800)

Decrease (increase) in bank overdraft during the period	2,649	(66)
Bank overdraft – beginning of period	(3,999)	(2,868)
Effects of foreign exchange on cash balances	(7)	18
Bank overdraft – end of period	(1,357)	(2,916)

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