

DATA Communications Management Corp. Reports Fourth Quarter and Full Year 2023 Financial Results

FULL YEAR HIGHLIGHTS

- Revenues of \$447.7 million were up +63.5%, or +\$173.9 million vs. 2022.
- Gross profit of \$118.9 million increased +41.2% or \$34.7 million.
- Gross profit came in at 26.6% of revenue came compared to 30.8% last year reflecting lower MCC gross profit margin contributions. As a reminder, the opportunity to enhance MCC gross profit margins was one of the key attributes of the MCC acquisition deal logic and improving our consolidated gross profit margins remains a strategic focus of our business.
- SG&A expenses were \$87.2 million for the full year or 19.5% of revenues, compared to 19.9% of revenues in 2022.
- Adjusted EBITDA¹ was \$53.4 million for the full year, an increase of +30.3% vs. the prior year.
- Adjusted EBITDA represented 11.9% of revenues for the full year, compared to 15.0% for 2022. Growth in Adjusted EBITDA was driven by the addition of the MCC business, continuing our focus on improving gross profit margins, and controlling our SG&A expenses.
- Total credit facilities outstanding at year-end of \$101.9 million, down approximately -30.0% since the MCC acquisition. Net debt, after deducting a \$16.1 million cash balance (net of bank overdraft), was \$84.2 million, down -39.0% since that time.

BRAMPTON, Ontario--(BUSINESS WIRE)--March 19, 2024--DATA Communications Management Corp. (TSX: DCM; OTCQX: DCMDF) ("DCM" or the "Company"), a leading provider of marketing and business communication solutions to companies across North America, today reported its fiscal 2023 and fourth quarter 2023 financial results.

MANAGEMENT COMMENTARY

"We are pleased to report on the results of our performance in 2023," said Richard Kellam, President & CEO of DCM. "This was a transformative year for DCM highlighted by the completion of our acquisition of Moore Canada Corporation ("MCC") and the significant progress we made in our post-merger planning and execution."

"Our focus throughout the year was to build on the positive momentum we experienced in our business prior to the announcement of the MCC acquisition and to set a clear direction for our entire team beginning on Day 1 of the combined business in late April. We moved quickly to bring our teams together, design our new organization and select key leadership to take us

forward, prioritizing our large Commercial and Operations teams. We completed this effort within the first six months of Day 1.”

“We also moved quickly to complete a thorough analysis of our manufacturing footprint and announced a decision in early July to consolidate our plant network from 14 to 10 facilities to drive greater efficiencies in producing and delivering our products and services. We completed the closure of the first of these facilities in Edmonton, Alberta before the end of the year and are on track with our detailed plan to close the remaining three plants and transfer production to other facilities in our network.”

“Our Commercial team delivered solid performance throughout the year, expanding revenue with existing clients, winning new logos, and building a strong new business pipeline focused on the value we can deliver to clients with our combined product and service offerings. We are pleased to report that in a year of significant change, the team delivered organic year over year revenue growth of 2%, which we believe is a great start for this new team.”

¹ Adjusted EBITDA, Adjusted EBITDA as a percentage of revenues, Adjusted net income (loss) and Adjusted net income (loss) as a percentage of revenues are non-IFRS measures. For a description of the composition of these non-IFRS measures, and a reconciliation to their most comparable IFRS measure, net income, see the information under the heading “Non-IFRS Measures”, the information set forth on Table 2 and Table 3 herein, and our Management Discussion & Analysis for the year ended December 31, 2023.

FOURTH QUARTER RESULTS

- Revenues of \$130.0 million were up +77.9%, or +\$56.9 million, compared to the fourth quarter of 2022.
- Gross profit of \$32.8 million, increased +39.1%, or +\$9.2 million compared to last year.
- Gross profit came in at 25.2% of revenue compared to 32.2% last year.
- SG&A expenses were 19.5% of revenues or \$25.3 million, up modestly from 18.7% of revenue year over year.
- Adjusted EBITDA was \$15.0 million, up +19.5% compared to the fourth quarter of 2022.
- Adjusted EBITDA represented 11.6% of revenues compared to 17.2% of revenues last year.

OTHER BUSINESS HIGHLIGHTS

In June 2023 and December 2023 respectively, DCM completed the sale and leaseback of its Oshawa, Ontario warehouse facility and its Fergus, Ontario manufacturing plant, each of which

was acquired as part of the Company's acquisition of MCC. The total gross proceeds from these transactions amounted to \$30.5 million. Total net proceeds of \$29.5 million were used to repay an acquisition-related credit facility.

On January 11, 2024, DCM completed the sale and leaseback of its Trenton, Ontario warehouse facility, also acquired as part of the Company's acquisition of MCC. DCM realized gross proceeds on the Trenton sale of \$9 million and net proceeds of \$8.5 million have been applied towards paying down the Company's revolving credit facility.

DCM management to date has focused on four key areas of post-merger integration in connection with the MCC acquisition:

1. Operational initiatives primarily intended to drive higher levels of gross profit as a percentage of revenues by reducing our overall cost of goods sold and implementing operating efficiencies, including the planned consolidation of four plants.
2. Organizational initiatives primarily intended to drive both higher levels of gross profit and lower levels of SG&A expenses, including the integration of key functional teams, particularly our Commercial and Operations teams and the reduction of duplicative positions.
3. Procurement initiatives, primarily intended to lower our consolidated purchasing costs and secure improved terms.
4. Revenue growth focus, primarily through aligning our commercial selling efforts, including expanding and leveraging our combined print and communications workflow solutions and our digital offerings.

DCM continues to expect total annualized synergies from the MCC acquisition of between \$30 million to \$35 million to be substantially realized over the next 12 months from these operational, organizational and procurement initiatives.

2024 PRIORITIES

DCM has established the following strategic priorities for 2024:

1. To substantially complete the integration of MCC by moving ahead with our plant consolidation plans and harmonizing our back-office systems;
2. Remain focused on driving improvements in our gross profit margins, particularly in the legacy MCC business;
3. Continue to focus on growing our business, by taking advantage of our larger scale, our expanded product and service offerings, and the capabilities of our combined team;
4. Generate continued increases in free cash flow, to enable us to reduce our net debt further and allow us to consider further strategic opportunities for investment and capital allocation.

FISCAL 2023 AND FOURTH QUARTER 2023 EARNINGS CALL

The Company will host a conference call and webcast on Wednesday, March 20, 2024, at 9.00 a.m. Eastern time. Mr. Kellam, and James Lorimer, CFO, will present the fiscal 2023 and fourth quarter 2023 results followed by a live Q&A period.

Instructions on how to access both the webcast and telephone call are available below. For those unable to join live, a replay of the webcast will be available on the DCM Investor Relations page.

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

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

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

For the periods ended December 31, 2023 and 2022 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	October 1 to December 31, 2023	October 1 to December 31, 2022	January 1 to December 31, 2023	January 1 to December 31, 2022
Revenues	\$ 129,964	\$ 73,045	\$ 447,725	\$ 273,804
Gross profit	32,760	23,554	118,911	84,224
Gross profit, as a percentage of revenues	25.2%	32.2%	26.6%	30.8%
Selling, general and administrative expenses	25,300	13,636	87,244	54,439
As a percentage of revenues	19.5%	18.7%	19.5%	19.9%
Adjusted EBITDA	15,012	12,565	53,390	40,965
As a percentage of revenues	11.6%	17.2%	11.9%	15.0%
Net income for the period	(6,358)	3,680	(15,854)	13,966
Adjusted net income	1,362	6,302	12,827	17,388
As a percentage of revenues	1.0%	8.6%	2.9%	6.4%
Basic earnings per share	\$ (0.12)	\$ 0.08	\$ (0.31)	\$ 0.32
Diluted earnings per share	\$ (0.12)	\$ 0.08	\$ (0.31)	\$ 0.30
Adjusted net income per share, basic	\$ 0.02	\$ 0.14	\$ 0.25	\$ 0.39
Adjusted net income per share, diluted	\$ 0.02	\$ 0.13	\$ 0.25	\$ 0.37
Weighted average number of common shares outstanding, basic	55,022,883	44,062,831	50,832,543	44,062,831
Weighted average number of common shares outstanding, diluted	55,022,883	46,796,407	50,832,543	46,572,066

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

EBITDA and Adjusted EBITDA reconciliation

For the periods ended December 31, 2023 and 2022 <i>(in thousands of Canadian dollars, unaudited)</i>	October 1	October 1	January 1	January 1
	to	to	to	to
	December	December	December	December
	31, 2023	31, 2022	31, 2023	31, 2022
Net income for the period	\$ (6,358)	\$ 3,680	\$ (15,854)	\$ 13,966
Interest expense, net	5,667	1,134	15,321	4,965
Debt modification losses and prepayment fees	—	—	—	—
Amortization of transaction costs	137	87	457	344
Current income tax expense	367	1,653	1,209	5,456
Deferred income tax expense (recovery)	(2,671)	269	(7,799)	473
Depreciation of property, plant and equipment	2,058	644	6,165	2,965
Amortization of intangible assets	829	393	2,881	1,606
Depreciation of the ROU Asset	4,665	1,610	12,677	6,609
EBITDA	\$ 4,694	\$ 9,470	\$ 15,057	\$ 36,384
Acquisition and integration costs	704	1,870	10,903	1,870
Restructuring expenses	10,570	—	20,308	—
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	(956)	1,225	7,122	2,711
Adjusted EBITDA	\$ 15,012	\$ 12,565	\$ 53,390	\$ 40,965

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

Adjusted net income reconciliation

For the periods ended December 31, 2023 and 2022 <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	October 1 to December 31, 2023	October 1 to December 31, 2022	January 1 to December 31, 2023	January 1 to December 31, 2022
Net income (loss) for the period	\$ (6,358)	\$ 3,680	\$ (15,854)	\$ 13,966
Acquisition and integration costs	704	1,870	10,903	1,870
Restructuring expenses	10,570	—	20,308	—
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	(956)	1,225	7,122	2,711
Tax effect of the above adjustments	(2,598)	(473)	(9,652)	(1,159)
Adjusted net income (loss)	\$ 1,362	\$ 6,302	\$ 12,827	\$ 17,388
Adjusted net income per share, basic	\$ 0.02	\$ 0.14	\$ 0.25	\$ 0.39
Adjusted net income per share, diluted	\$ 0.02	\$ 0.13	\$ 0.25	\$ 0.37
Weighted average number of common shares outstanding, basic	55,022,883	44,062,831	50,832,543	44,062,831
Weighted average number of common shares outstanding, diluted	55,022,883	46,796,407	50,832,543	46,572,066

About DATA Communications Management Corp.

DCM is a marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets, including financial services, retail, healthcare, energy, other regulated industries, and the public sector. We integrate seamlessly into our clients' businesses thanks to our deep understanding of their needs, our technology-enabled solutions, and our end-to-end service offering. Whether we are running technology platforms, sending marketing messages, or managing print workflows, our goal is to make everything surprisingly simple.

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

FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute “forward-looking” statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such

forward-looking statements. When used in this press release, words such as “may”, “would”, “could”, “will”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “plan”, and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM’s current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this press release.

These forward-looking statements involve a number of risks, uncertainties, and assumptions. They should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. We caution readers of this press release not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates or intentions expressed in these forward-looking statements.

The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements and which could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements are described in further detail in our Management Discussion and Analysis for the year ended December 31, 2023, and include but are not limited to the following:

- Our ability to successfully integrate the DCM and MCC businesses and realize anticipated synergies from the combination of those businesses, including revenue and profitability growth from an enhanced offering of products and services, larger customer base and cost reductions;
- The expected annualized synergies that the Company expects to derive from the MCC acquisition have been estimated by the Company based on its experience integrating previously acquired businesses, other facilities and completing previous restructuring initiatives, and includes estimated benefits expected to be derived from the acquisition, including those related to facility sales and consolidations, operational improvements, eliminating redundant positions, and purchasing synergies;
- Our expected total annualized synergies estimates are principally based upon the following material factors and assumptions: (a) given the significant overlap in the nature of the two businesses, DCM will be able to eliminate duplication of overhead expenses across the combined DCM and MCC businesses in its SG&A functions; (b) given significant overlap in the nature of DCM’s and MCC’s production processes and available combined excess capacity, DCM will be able to consolidate manufacturing plants; (c) further operational and SG&A costs savings will be achievable once the above-noted initiatives are completed; (d) the combined business will achieve more favourable purchasing terms by virtue of the fact it is approximately twice the size of each of DCM and MCC pre-acquisition, and therefore able to command lower pricing from vendors based on larger volumes, and its expected ability to better harmonize purchasing strategies to leverage more favourable purchasing terms than each company

had individually for similar goods or services; and (e) the combined business will be able to generate certain revenue synergies from cross-selling each other's broader, combined, suite of capabilities; and

- Such expected annualized cost savings have not been prepared in accordance with IFRS Accounting Standards, nor has a reconciliation to IFRS Accounting Standards been provided, and the Company evaluates its financial performance on the basis of these non-IFRS Accounting Standards measures. Therefore, the Company does not consider their most comparable IFRS Accounting Standards measures when evaluating prospective acquisitions.

Additional factors are discussed elsewhere in this press release and under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's Management Discussion and Analysis and in DCM's other publicly available disclosure documents, as filed by DCM on SEDAR+ (www.sedarplus.ca). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

NON-IFRS ACCOUNTING STANDARDS MEASURES

NON-IFRS ACCOUNTING STANDARDS AND OTHER FINANCIAL MEASURES

This press release includes certain non-IFRS Accounting Standards measures, ratios and other financial measures as supplementary information. This supplementary information does not represent earnings measures recognized by IFRS Accounting Standards and does not have any standardized meanings prescribed by IFRS Accounting Standards. Therefore, these non-IFRS Accounting Standards measures, ratios and other financial measures are unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that this supplementary information should not be construed as alternatives to net income (loss) determined in accordance with IFRS Accounting Standards as an indicator of DCM's performance. Definitions of such supplementary information, together with a reconciliation of net income (loss) to such supplementary financial measures, can be found in Table 4 and Table 5 of our Management Discussion and Analysis for the fiscal year ended December 31, 2023 and filed on SEDAR+ at www.sedarplus.ca.

Consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)

	December 31, 2023	December 31, 2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	\$ 17,652	\$ 4,208
Trade receivables	117,956	54,630
Inventories	28,840	20,220
Prepaid expenses and other current assets	5,313	2,984
Income taxes receivable	2,640	15
Assets held for sale	8,650	—
	181,051	82,057
Non-current assets		
Other non-current assets	2,900	466
Deferred income tax assets	9,801	4,830
Property, plant and equipment	30,358	6,779
Right-of-use assets	159,801	33,505
Pension assets	1,962	2,364
Intangible assets	10,616	2,507
Goodwill	22,265	16,973
	\$ 418,754	\$ 149,481
Liabilities		
Current liabilities		
Bank overdraft	1,564	—
Trade payables and accrued liabilities	\$ 75,766	\$ 44,133
Current portion of credit facilities	6,333	11,667
Current portion of lease liabilities	10,322	6,791
Provisions	16,325	1,316
Income taxes payable	—	1,630
Deferred revenue	6,221	3,942
	116,531	69,479
Non-current liabilities		
Provisions	1,004	—
Credit facilities	93,918	15,380
Lease liabilities	144,993	33,011
Pension obligations	26,386	6,069
Other post-employment benefit plans	3,606	2,695
Asset retirement obligation	3,552	—
	\$ 389,990	\$ 126,634
Equity		
Shareholders' equity		
Shares	\$ 283,738	\$ 256,478
Warrants	219	869
Contributed surplus	3,135	3,131

Translation Reserve
Deficit

	177	207
	(258,505)	(237,838)
\$	28,764	\$ 22,847
\$	418,754	\$ 149,481

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

	For the three months ended December 31, 2023	For the three months ended December 31, 2022
	\$	\$
Revenues	\$ 129,964	\$ 73,045
Cost of revenues	97,204	49,491
Gross profit	32,760	23,554
Expenses		
Selling, commissions and expenses	11,014	6,501
General and administration expenses	14,286	7,135
Restructuring expenses	10,570	—
Acquisition costs	704	1,870
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	(956)	1,225
	35,618	16,731
(Loss) income before finance costs, other income and income taxes	(2,858)	6,823
Finance costs		
Interest expense on long term debt and pensions, net	2,742	1,134
Interest expense on lease liabilities	2,925	—
Amortization of transaction costs	137	87
	5,804	1,221
(Loss) income before income taxes	(8,662)	5,602
Income tax expense		
Current	367	1,653
Deferred	(2,671)	269
	(2,304)	1,922
Net (loss) Income for the period	\$ (6,358)	\$ 3,680

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

	For the year ended December 31, 2023	For the year ended December 31, 2022
	\$	\$
Revenues	\$447,725	\$ 273,804
Cost of revenues	328,814	189,580
Gross profit	118,911	84,224
Expenses		
Selling, commissions and expenses	39,195	29,041
General and administration expenses	48,049	25,398
Restructuring expenses	20,308	—
Acquisition and integration costs	10,903	1,870
Net fair value (gains) losses on financial liabilities at fair value through profit or loss	7,122	2,711
	125,577	59,020
(Loss) income before finance costs, other income and income taxes	(6,666)	25,204
Finance costs		
Interest expense on long term debt and pensions, net	8,315	2,742
Interest expense on lease liabilities	7,006	2,223
Amortization of transaction costs net of debt extinguishment gain	457	344
	15,778	5,309
(Loss) Income before income taxes	(22,444)	19,895
Income tax expense		
Current	1,209	5,456
Deferred	(7,799)	473
	(6,590)	5,929
Net (loss) income for the period	\$ (15,854)	\$ 13,966
Other comprehensive income:		
Items that may be reclassified subsequently to net income		
Foreign currency translation	(30)	34
	(30)	34
Items that will not be reclassified to net income		
Re-measurements of pension and other post-employment benefit obligations	(6,525)	640
Taxes related to pension and other post-employment benefit adjustment above	1,712	(162)

	<u>(4,813)</u>	<u>478</u>
Other comprehensive (loss) income for the period, net of tax	\$ (4,843)	\$ 512
Comprehensive (loss) income for the period	\$ (20,697)	\$ 14,478
Basic (loss) earnings per share	\$ (0.31)	\$ 0.32
Diluted (loss) earnings per share	\$ (0.31)	\$ 0.30

Consolidated statements of cash flows*(in thousands of Canadian dollars, unaudited)*

	For the year ended December 31, 2023	For the year ended December 31, 2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Net (loss) income for the year	\$ (15,854)	\$ 13,966
Items not affecting cash		
Depreciation of property, plant and equipment	6,165	2,965
Amortization of intangible assets	2,881	1,606
Depreciation of right-of-use-assets	12,677	6,609
Interest expense on lease liabilities	7,006	2,223
Share-based compensation expense	675	328
Net fair value losses on financial liabilities at fair value through profit or loss	7,122	2,711
Pension expense	1,245	351
(Gain)/ loss on disposal of property, plant and equipment	487	98
Provisions	20,308	—
Amortization of transaction costs, accretion of debt premium/ discount, net of debt extinguishment gain	457	344
Accretion of non-current liabilities	—	120
Accretion of asset retirement obligation	24	—
Other post-employment benefit plans expense	515	(16)
Right-of-use assets impairment	464	—
Income tax (recovery) expense	(6,590)	5,929
Changes in non cash working capital	5,863	(3,632)
Contributions made to pension plans	(1,124)	(869)
Contributions made to other post-employment benefit plans	(471)	(365)
Provisions paid	(4,975)	(3,160)
Income taxes paid	(4,072)	(3,822)
	32,803	25,386
Investing activities		
Net cash consideration for acquisition of MCC	(130,953)	—
Purchase of property, plant and equipment	(4,222)	(1,475)
Proceeds on sale and leaseback transactions	29,533	—
Purchase of intangible assets	(127)	(71)
Proceeds on disposal of property, plant and equipment	1,282	70
	(104,487)	(1,476)
Financing activities		
Issuance of common shares and warrants, net	24,221	—
Decrease in restricted cash	—	515
Proceeds from credit facilities	162,140	2,900
Repayment of credit facilities	(87,592)	(12,616)
Proceeds from exercise of warrants	489	—

Increase in bank overdrafts	282	—
Proceeds from exercise of options	751	—
Transaction costs	(1,801)	—
Lease payments	(13,321)	(8,730)
	85,169	(17,931)
Change in cash and cash equivalents during the period	13,485	5,979
Cash and cash equivalents – beginning of period	\$ 4,208	\$ 901
Effects of foreign exchange on cash balances	(41)	39
Cash and cash equivalents – end of period	\$ 17,652	\$ 6,919

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