

Acquire, Integrate & Operate to Drive EBITDA



Management's Discussion and Analysis
For the three months ended September 30, 2021

Dye & Durham

DYE & DURHAM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Dye & Durham", "we", "us" or "our" refer to Dye & Durham Limited together with our subsidiaries, on a consolidated basis as constituted on September 30, 2021.

This MD&A for the three months ended September 30, 2021 and 2020 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three months ended September 30, 2021 and 2020 ("Financial Statements") as well as with the Company's audited annual consolidated financial statements and the related notes thereto for the year ended June 30, 2021. The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All amounts are in thousands of Canadian dollars and thousands of shares, except where otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional information relating to Dye & Durham, including our most recent Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com.

This MD&A is dated as of November 8, 2021 and was prepared with information available at that date.

Caution Regarding Forward-Looking Information

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risks and Uncertainties" in this MD&A and "Risk Factors" in the AIF, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although the Company bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this MD&A may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS financial measures, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Basic Adjusted EBITDA per share" to provide investors with supplemental measures of its operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Specifically, the Company believes that Adjusted EBITDA, when viewed with the Company's results under IFRS and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods and restructuring, impairment and other charges, the Company believes that Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

"EBITDA" means net income (loss) before amortization and depreciation expenses, finance and interest costs including change in fair value of Company's convertible debentures ("Convertible Debentures"), and provision for income taxes.

"Adjusted EBITDA" adjusts EBITDA for stock-based compensation expense, asset impairment charges, loss on settlement of loans and borrowings, realized loss on derivatives, gains or losses from re-financing transactions, specific transaction-related expenses related to acquisitions, IPO and capital structure reorganization, and operational restructuring costs. Operational restructuring costs include the full year impact of cost synergies related to the reduction of employees for acquisitions.

"Adjusted EBITDA Margin" means Adjusted EBITDA divided by revenue.

"Basic Adjusted EBITDA per share" means Adjusted EBITDA divided by basic weighted average number of shares outstanding.

See “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of each non-IFRS measure to its most directly comparable IFRS measure.

Business Overview

Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The Company provides critical workflow software and information services, which clients use to manage their process, information and regulatory requirements.

The Company has operations in Canada, Australia, the United Kingdom (“U.K.”) and Ireland and serves a large customer base of over 50,000 legal firms, financial service institutions, and government organizations.

Over the last many years, Dye & Durham has broadened its customer base through accretive acquisitions and has built a software platform that customers use to process transactions.

Dye & Durham is focusing on executing its strategy of building the Company to a billion dollar Adjusted EBITDA business (“Build to a Billion”). Dye & Durham plans to significantly expand the value proposition of its software platform as it unites other key parts of the software ecosystem around its customers, which should open adjacent markets and expand its addressable market. To continue to grow its business and to achieve this goal, the Company has identified the following key strategic priorities:

- Acquire businesses in its ecosystem;
- Focus on necessary technology products that are required to process transactions;
- Provide a single platform that drives efficiency and improvements for customers; and
- Increase adoption with larger customer base.

On March 22, 2021, the Company’s shares were added to the S&P/TSX Composite Index. The S&P/TSX Composite Index is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. The S&P/TSX Composite Index serves the dual purpose of a benchmark and an investable index. The index is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices.

On July 17, 2020, the Company completed its initial public offering (the “IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol “DND”.

Immediately prior to closing of the IPO, the Company entered into a share purchase agreement with the previous shareholders of Dye & Durham Corporation (“D&D Corp”), pursuant to which the Company acquired all of the issued and outstanding shares of D&D Corp in consideration for the issuance of 24.3 million common shares of the Company (the “Shares”). In addition, all existing stock options of D&D Corp were exchanged for stock options of the Company with the same terms and conditions. As the Company is a newly formed entity and the existing shareholders maintained common control over the Company and D&D Corp immediately prior to the closing of the IPO, this transaction has been accounted for as a reorganization using the continuity of interest method.



Consolidated Highlights

Financial highlights for the three months ended September 30, 2021

- Adjusted EBITDA for the three months ended September 30, 2021 was \$62.4 million, an increase of \$49.8 million or 398% compared to the three months ended September 30, 2020.¹
- Revenue for the three months ended September 30, 2021 was \$112.6 million, an increase of \$90.7 million or 414% compared to the three months ended September 30, 2020.
- Net income was \$22.1 million for the three months ended September 30, 2021, an increase of \$37.1 million, compared to the equivalent periods in the prior year. This is primarily due to the increased operational income as a result of increase in revenue and a gain on change in fair value of the Convertible Debentures.

Significant Acquisitions

- On July 8, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Limited ("TM Group") for total cash consideration of \$155.4 million. TM Group is a leading provider of technology-enabled real estate due diligence solutions used by law firms and conveyancers to complete both residential and commercial real estate transactions across England, Wales and Scotland.
- On July 1, 2021, the Company completed the acquisition of GlobalX Information Pty Ltd ("GlobalX") for total consideration of \$162.0 million. The acquisition of GlobalX further grew Dye & Durham's platform in Australia, delivering value to Australian legal, property and business professionals.

Other

- On August 27, 2021, the Company received an initial enforcement order (the "Order") from the United Kingdom's Competition and Market Authority ("CMA") in respect of the Company's acquisition of TM Group. In connection with the issuance of the Order, the CMA is assessing whether the acquisition of TM Group gives rise to a relevant merger situation for the purposes of Part 3 of the Enterprise Act 2002 (the "Act") and, if so, whether its statutory duty to refer the acquisition to a Phase 2 assessment as set out in section 22 of the Act is triggered. The CMA has up to December 9, 2021, to make such determination, unless this date is extended.

On October 28, 2021, the CMA agreed to limit the scope of the Order so that it applies only to Dye & Durham's U.K. businesses and to TM Group. By releasing Dye & Durham's non-U.K. business from the Order, the Company is able to continue all non-U.K. activities that do not compromise the CMA's ongoing review.

¹ Adjusted EBITDA is not a recognized measure under IFRS. See "Cautionary Note Regarding Non-IFRS Measures" and "Select Information and Reconciliation of Non-IFRS Measures" for a reconciliation of Net Income to Adjusted EBITDA.

- On October 8, 2021, the Company entered into a commitment letter for a new approximately \$1.8 billion committed senior secured credit facility (the “New Facility”). The New Facility is comprised of a (i) \$1,520 million initial term loan (“Initial Term Loan”), (ii) \$200 million delayed draw term loan (“DDTL”), and (iii) \$75 million revolving credit facility (“Revolver”). The Initial Term Loan and DDTL have a maturity date of six years from closing and the Revolver has a maturity date of five years from closing. The DDTL can be drawn in portions to fund permitted acquisitions and is available for two years from closing. Borrowings under the New Facility will be secured by a first charge over substantially all of the Company's assets. The New Facility will contain customary representations and warranties, positive and negative covenants and events of default. The Initial Term Loan and DDTL will not have any financial covenants. This New Facility is expected to close in the second quarter of fiscal 2021.

On closing of the New Facility, the Company will repay all balances outstanding under the FY2021 Amended Credit Facility (as defined below) and the FY2021 Amended Credit Facility will be terminated.

- On October 8, 2021, the Company announced that the special committee of the Board of Directors (“Board”) provided its final report to the Board wherein it recommended that the Company continue to pursue its existing business strategy which contemplates further growth through acquisitions under the leadership of Mr. Mathew Proud, the Company's Chief Executive Officer. The special committee's recommendation was accepted and endorsed by the Board. Accordingly, the work of the special committee has been completed and the committee was dissolved.

Factors Affecting the Company's Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the “Risk Factors” section of our AIF.

Ability to integrate acquired companies

The Company has successfully acquired and integrated numerous companies over the last seven years. The Company is of the view that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

Seasonality

A portion of the Company's revenue, derived from the real estate conveyancing product line, has experienced and is expected to continue experiencing moderate seasonality due to seasonal patterns in the real estate market from fluctuations in real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate revenue relative to other quarters.

Foreign currency

The Company's functional and presentation currency is Canadian dollars. The functional currency for our subsidiaries is the local currency of the country in which the foreign operation is located. Our results of operations are converted into our functional currency using the average foreign exchange rates for each period presented. As a result, our results of operations may be adversely impacted by an increase in the value of the Canadian dollar relative to the Pound Sterling, Euro or Australian dollar.



Economic Activity

General economic conditions may affect our results of operations and financial condition. Demand for our products depends in large part upon the level of capital and operating expenditures by many of our customers and their clients. Decreased capital and operational spending could have a material adverse effect on the demand for our products and our business, results of operations, cash flow and overall financial condition. Decreased capital and operational spending or disruptions in the financial markets could be caused by the outbreak of a contagious illness, such as the recent outbreak of COVID-19. Any of these conditions may reduce the ability of our customers, prospective customers and their clients to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

Natural disasters

Natural disasters, such as earthquakes, hurricanes, tornadoes, floods, and other adverse weather and climate conditions; unforeseen public health crises such as the recent global outbreak of COVID-19 and other pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; or other catastrophic events could disrupt our operations, or the operations of our customers or their clients. To the extent any of these events occur, our business and results of operations could be adversely affected.

Select Information and Reconciliation of Non-IFRS Measures

The following table summarizes the Company's recent results of operations for the periods indicated below. This information should be read together with the Financial Statements. See also "Cautionary Note Regarding Non-IFRS Measures".

(In thousands of Canadian dollars)

	Three months ended September 30,	
	2021	2020
	\$	\$
Income for the period	22,098	(14,992)
Amortization and depreciation	30,960	4,179
Finance costs, net	(12,599)	10,992
Income tax expense (recovery)	7,650	(4,494)
EBITDA⁽¹⁾	48,109	(4,315)
Stock-based compensation ⁽²⁾	3,605	268
Loss on settlement of loans and borrowings ⁽³⁾	—	5,407
Realized loss on derivatives ⁽⁴⁾	—	6,265
Acquisition, restructuring and other costs ⁽⁵⁾	10,643	4,820
Salaries synergies realized ⁽⁶⁾	—	84
Adjusted EBITDA¹	62,357	12,529

Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".
- (2) Stock-based compensation represents non-cash expenditures recognized in connection with stock options issued to employees and directors.
- (3) Loss on settlement of loans and borrowings represents loss recognized on extinguishment of debt on re-financings in September 2020.
- (4) Realized loss on derivatives represents the realized loss on the Company's interest rate swaps on re-financings in September 2020.
- (5) Acquisition, restructuring and other costs relates to costs incurred in connection with acquisitions, IPO listing and reorganization of the Company's capital structure.
- (6) Salaries synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees in relation to acquisitions.

Consolidated Results of Operations

(In thousands of Canadian dollars)

	Three months ended September 30,	
	2021	2020
	\$	\$
Revenue	112,622	21,901
Expenses		
Direct costs	(15,640)	(2,408)
Technology and operations	(20,111)	(4,509)
General and administrative	(9,186)	(2,035)
Sales and marketing	(5,328)	(504)
Stock-based compensation	(3,605)	(268)
Income before the following	58,752	12,177
Finance costs	12,599	(22,664)
Amortization and depreciation	(30,960)	(4,179)
Acquisition, restructuring and other costs	(10,643)	(4,820)
Income before taxes	29,748	(19,486)
Income tax (expense) recovery	(7,650)	4,494
Net income for the period	22,098	(14,992)
Net earnings per common share	0.32	(0.38)
Net earnings per diluted share	0.18	(0.38)
Weighted average number of shares outstanding		
Basic	68,637	39,730
Diluted	75,972	39,730



Discussion of Operations

Factors that caused period-over-period variations in the results set out above include:

Revenue

Revenue for the three months ended September 30, 2021 was \$112.6 million, an increase of \$90.7 million or 414% as compared to the three months ended September 30, 2020. The significant revenue increase was primarily attributable to: (a) increased revenue related to recent acquisitions that closed in the previous twelve months, and (b) realization of synergies from price adjustments.

Expenses

For the three months ended September 30, 2021 and 2020, total expenses were:

(In thousands of Canadian dollars)	Three months ended September 30,	
	2021	2020
	\$	\$
Expenses		
Direct costs	15,640	2,408
Technology and operations	20,111	4,509
General and administrative	9,186	2,035
Sales and marketing	5,328	504
Stock-based compensation	3,605	268
Finance costs, net	(12,599)	22,664
Amortization and depreciation	30,960	4,179
Acquisition, restructuring and other costs	10,643	4,820
Total	82,874	41,387

The changes in expense accounts were primarily due to a combination of the following:

- Direct costs increased from \$2.4 million to \$15.6 million or 550% for the three months, ended September 30, 2021 compared to the equivalent period in the prior year. The increase in direct costs was closely related to the increase in revenue.
- Technology and operations expenses increased from \$4.5 million to \$20.1 million or 346% for the three months ended September 30, 2021 compared to the equivalent period in the prior. The increase was primarily due to additional expenses from acquisitions completed in the previous twelve months, partially offset by synergies realized.
- General and administrative expenses increased from \$2.0 million to \$9.2 million or 351% for the three months ended September 30, 2021 compared to the equivalent period in the prior year. The increase was primarily attributable to the impact of acquisitions completed in the previous twelve months, along with higher salaries and benefits resulting from an increase in personnel required to support the Company's growing operations and higher professional fees.
- Sales and marketing expenses increased from \$0.5 million to \$5.3 million or 957% for the three months ended September 30, 2021 compared to the equivalent period in the prior year. The increase was primarily due to additional expenses from acquisitions completed in the previous twelve months and expenses related to global branding initiatives.

- Stock-based compensation expense for the three months ended September 30, 2021 was \$3.6 million, an increase of \$3.3 million compared to the equivalent period in the prior year. Service-based stock options typically vest over a four-year period in equal tranches annually with certain options vesting immediately on the date of grant. Performance-based stock options vest based on the Company achieving and maintaining certain share price targets. The increase in stock-based compensation expense was primarily due to additional stock options granted throughout fiscal 2021.
- Subsequent to September 30, 2021, the Company granted 4,796 market performance-based stock options and 2,055 non-market performance-based stock options to the CEO of the Company at an exercise price of \$39.38. The options provide the Company the opportunity to retain the CEO for the long run and incentivize him to continue the Company's growth strategy of "build to a billion". The CEO has not received any cash compensation in the form of salaries and wages or any other short-term incentives since the Company's IPO in July 2020. Market performance-based stock options vest based on the Company achieving and maintaining certain share price targets, which range from \$60 to \$120 per share and non-market performance-based stock options vest based on the Company achieving certain internal key performance indicators metrics.
- Finance costs for the three months ended September 30, 2021 was an income of \$12.6 million, a decrease of \$35.3 million compared to the equivalent period in the prior year. The decrease was primarily due to recognition of gain on change in fair value of Convertible Debentures of \$15.3 million and gain on change in fair value of contingent consideration of \$4.0 million. In addition, during the three months ended September 30, 2020, finance costs were higher due to re-financing completed in September 2020 as part of the Company's transition from a private company capitalization structure to that of a public company.
- Amortization and depreciation increased from \$4.2 million to \$31.0 million or 641% for the three months ended September 30, 2021 compared to the equivalent period in the prior year. The increase was primarily due to the amortization of intangible assets and depreciation of right-of-use assets acquired from the acquisitions completed in the previous twelve months.
- Acquisition, restructuring and other costs increased from \$4.8 million to \$10.6 million or 121% for the three months ended September 30, 2021 compared to the equivalent period in the prior year. The increase was primarily due to acquisition costs comprised of professional fees, integration expenses related to acquisitions completed in the previous twelve months and costs incurred for the privatization related activities.

Net income

Net income increased by \$37.1 million for the three months ended September 30, 2021 compared to the three months ended September 30, 2020. The increase in net income for the three-month period is primarily due to gain on change in fair value of Convertible Debentures of \$15.3 million and increased revenue related to recent acquisitions that closed in the previous twelve months, which was partially offset by higher depreciation and amortization expense and higher operating expenses from acquisitions completed during the previous twelve months.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three months ended September 30, 2021 increased from \$12.5 million to \$62.4 million or 398% compared to the equivalent period in the prior year. The increase in Adjusted EBITDA was primarily due to increased revenue from price adjustment synergies and acquisitions completed in the previous twelve months. Adjusted EBITDA Margin for the three months ended September 30, 2021 was 55%, which is within the expected range of 50% - 60%.

Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Measures” and “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of Net Income to Adjusted EBITDA.

Summary of Quarterly Results

The following table sets out select unaudited quarterly results for the past eight quarters, prepared in accordance with IFRS. The Company’s real estate conveyancing business product line experiences moderate seasonality, primarily because land titles revenue fluctuates with real estate transaction activity in Canada. Typically, the Company’s fourth quarter generates higher revenue than other quarters. The Company’s business law solutions product line does not experience seasonality. Quarterly fluctuations in the results set out in the table below are attributed to transaction expenses among other factors.

Quarterly Results

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
(In thousands of Canadian dollars, except per share data)	\$	\$	\$	\$
Revenue.....	112,622	84,395	68,926	33,723
Net income	22,098	6,309	(10,642)	(21,524)
EBITDA ⁽¹⁾	48,109	36,680	29,599	(9,029)
Adjusted EBITDA ⁽¹⁾	62,357	49,143	37,604	17,080
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue)	55%	58%	55%	51%
Basic EPS	0.32	0.09	(0.16)	(0.41)
Diluted EPS	0.18	0.09	(0.16)	(0.41)
Basic Adjusted EBITDA per share ⁽¹⁾	0.91	0.72	0.57	0.33

Note:

- (1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Measures”.

Quarterly Results

	Q1 2021	Q4 2020	Q3 2020	Q2 2020
(In thousands of Canadian dollars, except per share data)	\$	\$	\$	\$
Revenue.....	21,901	14,197	17,220	17,164
Net income	(14,992)	(3,763)	(1,270)	(1,540)
EBITDA ⁽¹⁾	(4,315)	5,764	6,883	6,352
Adjusted EBITDA ⁽¹⁾	12,529	8,795	10,255	8,720
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue)	57%	62%	60%	51%
Basic and diluted EPS	(0.38)	(0.18)	(0.06)	(0.08)
Basic Adjusted EBITDA per share ⁽¹⁾	0.32	0.43	0.50	0.43

Note:

- (1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Measures”.

Revenue

Our total quarterly revenue increased sequentially for all periods presented, except for Q4 2020, primarily due to COVID-19. We cannot assure you that this pattern of sequential growth in revenue will continue.

Expenses

Total operating expenses generally increased sequentially for each period presented to support the increase in revenue. The quarter-over-quarter variance in total expenses is primarily due to higher amortization expense from intangible assets acquired, the expenses incurred for acquisitions, restructuring and Share listing costs and costs related to the issuance of Convertible Debentures, which are expensed as incurred, along with additional finance costs in the periods of re-financing. In addition, there was a significant decrease in finance cost in Q1 2022 due to the gain of \$15.3 million resulting from change in fair value of Convertible Debentures. In Q2 2021, there was a significant increase in expenses due to recognition of \$20.3 million stock-based compensation expense primarily related to market performance-based stock options. Total expenses will continue to fluctuate based on the timing of acquisitions and financing-related activities.

Financial Condition

(In thousands of Canadian dollars)

	September 30, 2021	As at June 30, 2021
	\$	\$
Cash and cash equivalents	135,039	429,335
Total assets	1,609,704	1,558,366
Total liabilities	839,874	807,449

Cash and cash equivalents decreased from June 30, 2021 to September 30, 2021 as a result of \$298.2 million cash paid for acquisitions.

Total assets increased from June 30, 2021 to September 30, 2021 primarily as a result of assets acquired from acquisitions closed during the three months ended September 30, 2021 offset by the cash paid for these acquisitions.

Total liabilities increased from June 30, 2021 to September 30, 2021 primarily as a result of the incremental deferred tax liability recognized on intangible assets acquired, partially offset by the payment of holdbacks and contingent consideration on acquisitions.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, the stock option component of its shareholders' equity as well as its borrowings. The Company intends to rely on positive cash flows from operations and, if required, additional financings to achieve its growth strategies.

Cash Flows

The primary source of cash flow is cash flow from operations. The Company's approach to liquidity is to always have sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

(In thousands of Canadian dollars)

	Three months ended September 30,	
	2021	2020
	\$	\$
Net cash provided by operating activities	32,877	774
Net cash (used in) provided by financing activities	(13,823)	68,474
Net cash used in investing activities	(313,156)	(55,390)



Change in cash during the period	(294,102)	13,858
Cash and cash equivalents, beginning of period	429,335	2,569
Effect of foreign exchange on cash	(194)	90
Cash and cash equivalents, end of period	135,039	16,517

Cash flows provided by operating activities was \$32.9 million for the three months ended September 30, 2021 compared to \$0.8 million for the three months ended September 30, 2020. The increase in cash flows from operating activities was primarily due to increase in net income less items not affecting cash by \$44.1 million, partially offset by decrease in non-cash working capital balances of \$7.1 million during the three months period ended September 30, 2021 compared to three months ended September 30, 2020.

Net cash used in financing activities for the three months ended September 30, 2021 was \$13.8 million primarily due to \$9.2 million of interest payments and \$3.1 million of principal repayments. In comparison, net cash provided by financing activities was \$68.5 million for the three months ended September 30, 2020 due to \$186.7 million proceeds from issuance of shares, \$130.8 million proceeds from loans and borrowings and \$238.3 million repayment of loans and borrowings.

Net cash flow used in investing activities for the three months ended September 30, 2021 was \$313.2 million compared to \$55.4 million for the three months ended September 30, 2020. The increase in cash outflows from investing activities of \$257.8 million was primary due to higher consideration paid for acquisitions completed during the three months ended September 30, 2021.

Capital Expenditures

Dye & Durham's capital expenditures for the three months ended September 30, 2021 were \$5.9 million compared to \$0.6 million for the three months ended September 30, 2020. The increase in capital expenditures is primarily due to development activities on our existing platforms.

Credit Facilities

FY2020 Credit Facility

On July 11, 2019, the Company settled its then-existing credit facility and replaced it with a new credit facility (the "FY2020 Credit Facility"). The aggregate amount committed under the FY2020 Credit Facility was \$200.0 million comprising: (a) a \$10.0 million revolving loan facility and (b) a \$190.0 million term loan facility (the "Term Loan Commitment").

The Company received total gross cash proceeds of \$190.0 million under the Term Loan Commitment. The Term Loan Commitment bore an interest rate of the lower of (a) Banker's Acceptance ("BA") rate + 6.5% and (b) the prime rate of interest + 5.5% payable quarterly or monthly. Principal repayments of \$1.7 million were due on a quarterly basis on the Term Loan Commitment. The FY2020 Credit Facility had a maturity date of July 11, 2024. The FY2020 Credit Facility was repaid in full on September 25, 2020.

FY2021 Credit Facility

On September 25, 2020, the Company settled the FY2020 Credit Facility and replaced it with a new credit facility (the "FY2021 Credit Facility"). The aggregate amount committed under the FY2021 Credit Facility was \$140.0 million. The FY2021 Credit Facility also included an additional uncommitted accordion of up to \$25.0 million, for an aggregate total availability of up to \$165.0 million.

The Company received total gross cash proceeds of \$131.7 million under the FY2021 Credit Facility. The FY2021 Credit Facility bore an interest rate based on a grid system at the lower of: (i) BA rate and (ii) the prime rate of interest payable quarterly or monthly at the option of the Company. Interest payments were

due on a monthly or quarterly basis at the option of the Company. The FY2021 Credit Facility had a maturity date of September 25, 2022. On September 30, 2020, the Company completed an equity financing and repaid \$45.0 million of the FY2021 Credit Facility from the cash proceeds received.

On December 10, 2020, the balance outstanding under the FY2021 Credit facility of \$36.5 million was rolled over into the FY2021 Amended Credit Facility.

FY2021 Amended Credit Facility

On December 10, 2020, the Company amended the FY2021 Credit Facility and replaced it with the FY2021 Amended Credit Facility. The aggregate amount committed under the FY2021 Amended Credit Facility was \$570.0 million comprising of: (a) a \$140.0 million revolving loan facility, (b) a \$305.0 million term loan facility (the "Term A Credit Facility") and (c) a \$125.0 million term loan facility (the "Term B Credit Facility").

The Company received total gross cash proceeds of \$375.7 million under the FY2021 Amended Credit Facility. The FY2021 Amended Credit Facility bears an interest rate based on a grid system at the lower of: (a) BA rate and (b) the prime rate of interest payable monthly. The Term A Credit Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3.8 million in the years 2021 and 2022 and \$5.7 million thereafter until maturity. The Term B Credit Facility matures on July 31, 2022.

On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700.0 million comprising of (i) a \$455.0 million Revolving Credit Facility and (ii) a \$245.0 million Amended Term A Credit Facility. The Term B Credit Facility was fully repaid in March 2021. As at September 30, 2021, the Company has nil balance drawn under the Revolving Credit Facility and \$238.9 million under the Amended Term A Credit Facility.

The FY2021 Amended Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of general security agreement. The FY2021 Amended Credit Facility contains financial covenants based on a "Total Net Leverage Ratio", defined as the ratio of total net debt to Adjusted EBITDA, and interest coverage, defined as the ratio of Adjusted EBITDA to interest expense. As at September 30, 2021, the Company was in compliance with its covenants.

The balance outstanding under the FY2021 Amended Credit Facility as at September 30, 2021 is as follows:

(In thousands of Canadian dollars)	
	\$
Balance, June 30, 2021	235,019
Less	
Interest and accretion expense	1,626
Interest paid	(1,063)
Principal repayments	(3,062)
Balance, September 30, 2021	232,520
Current	12,842
Non-current	219,678



Use of Proceeds

The Company's use of proceeds from the IPO and the offerings completed under the Base Shelf Prospectus has not changed from the disclosure set forth in the "Use of Proceeds" section in the respective documents to the date of this MD&A.

Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements. Except for short-term leases and leases of low-value assets not recognized as right of use assets under IFRS 16 – Leases, all of our liabilities and commitments are reflected in our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

Related Party Transactions

The Company defines key management personnel as being the Company's Board of Directors, Chief Executive Officer and the executive leadership team. The remuneration of key management personnel during the periods ended September 30, 2021 and 2020 was as follows:

(In thousands of Canadian dollars)	three months ended September 30,	
	2021	2020
	\$	\$
Salaries and benefits	2,306	852
Stock options	2,003	199
Total	4,309	1,051

Financial Instruments and Other Instruments

On September 25, 2020, in connection with the FY2021 Credit Facility, the Company exchanged its existing \$150.0 million fixed interest rate swap for a new \$70.0 million interest rate swap with a fixed payment of 2.95% per annum (the "Amended Interest Rate Swap"). The Amended Interest Rate Swap has a five-year term ending September 25, 2025. The Company has designated the Amended Interest Rate Swap as a cash flow hedge for future variable interest payments. Any subsequent changes in fair value is recorded in other comprehensive income for the effective portion of the hedge and the ineffective portion is recognized directly through profit or loss as finance costs. The fair value of the derivative liability as at September 30, 2021 was \$3.8 million.

In February 2021, the Company issued \$345.0 million of Convertible Debentures bearing interest rate at a rate of 3.75% per annum payable semi-annually. The Convertible Debentures are convertible into Shares of the Company at a conversion price of \$73.2252 per Share. The Company determined that the Convertible Debentures did not meet the IFRS definition of equity due to the Company's ability to settle the Convertible Debentures in cash if the holders elect to exercise the conversion option in accordance with the terms of the Convertible Debentures. Changes in the fair value of Convertible Debentures is recognized through income in the period in which they occur except in cases where they result from changes in the Company's own credit risk, in which case the fair value changes are recorded in other comprehensive income. The fair value of the Convertible Debentures is classified as Level 2 in the fair value hierarchy. The fair value of the Convertible Debentures as at September 30, 2021 was \$348.4 million, using a market approach based on underlying share price of \$41.14 per share, resulting in a gain on change in fair value of \$1.6 million.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and

liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and will be recorded with corresponding impact on net income.

Significant assumptions about the future and other sources of estimation uncertainty that management has made, relate to, but are not limited to the following:

COVID-19

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. The COVID-19 pandemic, which first surfaced in Wuhan, China, has negatively impacted the global economy and economic outlook, disrupted global supply chains, lowered equity market valuations, lowered interest rates, created significant volatility and disruption in financial markets, increased unemployment levels and increased credit and market risk. In addition, governments and regulatory bodies have implemented several measures, including temporary closures of a number of businesses and the institution of social distancing and sheltering in place requirements in many of the jurisdictions in which we operate. Governments, monetary authorities and regulators have also taken actions to support individuals, the economy, capital markets, and the financial system, including taking fiscal and monetary measures to support incomes, businesses, liquidity, and regulatory actions in respect of financial institutions. The extent to which the COVID-19 pandemic impacts our business, results of operations, liquidity ratios, as well as its impact on our customers, will depend on future developments, which are highly uncertain and cannot be predicted. The scope and duration of the pandemic and actions taken by governmental and regulatory authorities could vary by country, and other third parties in response to the pandemic. The COVID-19 pandemic may also impact our ability to achieve, or the timing to achieve, certain previously announced targets, goals and objectives.

The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian, Australian and U.K. economies is highly uncertain and difficult to predict at this time. By their very nature, the judgments and estimates we make for the purposes of preparing our financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls that are intended to ensure these judgments and estimates are well controlled, independently reviewed, and our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at September 30, 2021.

Business Combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. In the event any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. The estimate of fair value of customer relationships includes the estimated revenue growth and attrition of acquired customer relationships. In determining the fair value of customer relationships, the Company estimates revenue growth including price adjustments based on a market participant model. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.



Goodwill and Indefinite-Lived Intangible Assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred.

Goodwill is allocated to a cash generating unit (“CGU”) or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The testing for impairment of either an intangible asset or goodwill compares the recoverable amount of the asset, CGU or group of CGUs to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculation uses a discounted cash flow model and is sensitive to the discount rate used as well as the expected future cash flows and the growth rate used for extrapolation purposes. Changes in certain assumptions could result in an impairment loss being charged in future periods.

Impairment of Long-Lived Assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups, exceeds the CGU’s recoverable amount, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no impairment is required, management must make certain estimates regarding the Company’s cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future period.

Income Taxes

The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

Fair Value of Share-Based Compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Risks and Uncertainties

In addition to the risks identified in this section and elsewhere in this MD&A, a number of factors that could cause actual results to vary significantly from the results discussed herein are noted in the AIF available on SEDAR at www.sedar.com. The occurrence of any of such risks, or other risks not presently known to Dye & Durham or that Dye & Durham currently believes are immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. Since the outbreak has spread to over 200 countries and territories and infections have been reported around the world. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. In response to the outbreak, governmental authorities in Canada and internationally introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. While these effects are expected to be temporary, their duration and the related business disruptions and financial impact cannot be reasonably estimated at this time. To date, the disruptions have impacted the Company's litigation and conveyancing services, given the closure of courts and government offices in particular. Although management believes that, at this time, these disruptions will not have a long-term impact on the Company's results from operations, Dye & Durham cannot estimate the duration and severity of this outbreak and its financial impact. As such, the extent to which COVID-19 may have a sustained impact on our results is uncertain and our future results may continue to be negatively impacted.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in the event of non-performance by clients but does not anticipate any such non-performance would be material. To the extent necessary, the Company takes steps to monitor the credit risk of clients.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk for the credit facility for which the interest rate is adjusted with future fluctuations in prime rate or BA rate. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Market Risk

The Company is exposed to market risk primarily in terms of revenue generation. The Company's revenue is driven by transaction volumes, which have increased with the growth and strength of the Canadian economy. The Company monitors the market conditions in an effort to capture fluctuations that may affect the ongoing revenue. That said, historically the Company's business model has proven to be resilient in market downturns.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as loans and borrowings, the Convertible Debentures, trade and other payables, accrued liabilities, customer advances, lease liabilities and contingent consideration are exposed to liquidity risk.



Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities [when revenue or expense is denominated in a foreign currency] and the Company's net investments in foreign subsidiaries. If deemed necessary, the Company may from time to time enter into foreign currency derivative contracts to reduce its exposure to foreign currency risk. No foreign currency derivative contract has been entered into for the three months ended September 30, 2021.

Ability to Integrate Acquired Companies

The Company has successfully acquired and integrated numerous companies in the past. The Company believes that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

Revenue

Dye & Durham earns the majority of its revenue on a recurring transactional-fee basis as clients perform various automated transactions including automated workflows, public record due diligence searches, associated document preparation, or electronic public records filings through the Company's cloud-based platforms. If transaction volumes decrease, the Company may be impacted, and revenue may therefore be adversely impacted.

Outstanding Share Information

The Company is currently authorized to issue an unlimited number of Shares. As of the date of this MD&A, 68,661,310 Shares, 7,411,715 stock options and 6,423,435 share appreciation rights were issued and outstanding.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures, which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, in a timely manner.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The CEO and CFO have been advised that the control framework used to design the Company's ICFR uses the framework and criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the period ended September 30, 2021 that have materially affected or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our ICFR are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.

Limitation on Scope of Design

The scope of design of internal controls over financial reporting and disclosure controls and procedures excluded the controls, policies, and procedures of TM Group, which was acquired on July 7, 2021, GlobalX, which was acquired on July 1, 2021 and Future Climate Info Limited and certain assets from CLS Property Insights Limited (together “FCI”), which was acquired on May 17, 2021.

TM Group’s contribution to our consolidated statements of operations for the three months ended September 30, 2021, excluding the amortization of intangible assets, was less than 15% of total revenues and less than 5% of total net income. Additionally, as at September 30, 2021, TM Group’s current assets and current liabilities were below 10% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

GlobalX’s contribution to our consolidated statements of operations for the three months ended September 30, 2021, excluding the amortization of intangible assets, was less than 8% of total revenues and less than 3% of total net income. Additionally, as at September 30, 2021, GlobalX’s current assets and current liabilities were below 6% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

FCI’s contribution to our consolidated statements of operations for the three months ended September 30, 2021, excluding the amortization of intangible assets, was less than 3% of total revenues and less than 3% of total net income. Additionally, as at September 30, 2021, FCI’s current assets and current liabilities were below 2% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

The amounts recognized for the assets acquired and liabilities assumed at the date of acquisition for TM Group, GlobalX and FCI are described in note 5 of the condensed consolidated interim financial statements for the three months ended September 30, 2021.