



For Immediate Release

## ***DATA GROUP LTD. ANNOUNCES FIRST QUARTER RESULTS FOR 2015***

### **HIGHLIGHTS**

#### Q1 2015

- First quarter 2015 (“Q1”) Revenues of \$76.0 million, Q1 Gross Profit of \$17.3 million and Q1 Net Loss of \$1.1 million
- Q1 Adjusted EBITDA of \$3.5 million (See Table 2 and “Non-GAAP Measures” below)

**Brampton, Ontario – May 7, 2015** – DATA Group Ltd. (TSX: DGI) (“DATA Group”) announced its consolidated financial and operating results for the three months ended March 31, 2015.

### **RESULTS OF OPERATIONS**

All financial information in this press release is presented in Canadian dollars and in accordance with generally accepted accounting principles (“GAAP”) measured under International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) for publicly accountable entities, unless otherwise noted.

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

<b>For the periods ended March 31, 2015 and 2014</b>	<b>Jan. 1 to Mar. 31, 2015 \$</b>	<b>Jan. 1 to Mar. 31, 2014 \$</b>
<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>		
Revenues	76,002	77,903
Cost of revenues	58,717	59,100
Gross profit	17,285	18,803
Selling, general and administrative expenses	14,935	14,680
Restructuring expenses	2,054	865
Amortization of intangible assets	479	479
(Loss) income before finance costs and income taxes	(183)	2,779
Finance costs		
Interest expense	1,284	1,549
Interest income	(4)	(5)
Amortization of transaction costs	36	139
	1,316	1,683
(Loss) income before income taxes	(1,499)	1,096
Income tax expense (recovery)		
Current	7	—
Deferred	(375)	300
	(368)	300
Net (loss) income for the period	(1,131)	796
Net (loss) income attributable to common shareholders	(1,131)	796
Basic and diluted (loss) earnings per share	(0.05)	0.03
Number of common shares outstanding	23,490,592	23,490,592
<b>As at March 31, 2015 and December 31, 2014</b>	<b>As at Mar. 31, 2015 \$</b>	<b>As at Dec. 31, 2014 \$</b>
<i>(in thousands of Canadian dollars, unaudited)</i>		
Current assets	80,904	83,619
Current liabilities	47,613	46,176
Total assets	163,764	164,977
Total non-current liabilities	98,660	100,388
Shareholders' equity	17,491	18,413

**Table 2** The following table provides a reconciliation of net income (loss) to Adjusted EBITDA for the periods noted. See “Non-GAAP Measures”.

### Adjusted EBITDA Reconciliation

<b>For the periods ended March 31, 2015 and 2014</b>	<b>Jan. 1 to Mar. 31, 2015 \$</b>	<b>Jan. 1 to Mar. 31, 2014 \$</b>
<i>(in thousands of Canadian dollars, unaudited)</i>		
Net (loss) income for the period	(1,131)	796
Interest expense	1,284	1,549
Interest income	(4)	(5)
Amortization of transaction costs	36	139
Current income tax expense	7	—
Deferred income tax (recovery) expense	(375)	300
Depreciation of property, plant and equipment	1,150	1,308
Amortization of intangible assets	479	479
EBITDA	1,446	4,566
Restructuring expenses	2,054	865
Adjusted EBITDA	3,500	5,431

### Revenues

For the quarter ended March 31, 2015, DATA Group recorded revenues of \$76.0 million, a decrease of \$1.9 million or 2.4% compared with the same period in 2014. The decrease, before intersegment revenues, was the result of a \$2.2 million decrease in the DATA segment and was partially offset by a \$0.3 million increase in the Multiple Pakfold segment. The decrease in revenues in the DATA segment was primarily due to a reduction in orders from existing customers for print-related products and services, aggressive pricing by DATA Group's competitors supplying similar products and services, reduced demand for printed products due to technological change and a change in product mix. The increase in revenues in the Multiple Pakfold segment was primarily due to new business which arose as a result of the bankruptcy of a competitor.

### Cost of Revenues and Gross Profit

For the quarter ended March 31, 2015, cost of revenues decreased to \$58.7 million from \$59.1 million for the same period in 2014. Gross profit for the quarter ended March 31, 2015 was \$17.3 million, which represented a decrease of \$1.5 million or 8.1% from \$18.8 million for the same period in 2014. The decrease in gross profit for the quarter ended March 31, 2015 was attributable to a gross profit decrease of \$1.6 million in the DATA segment and was partially offset by a \$0.1 million increase in the Multiple Pakfold segment. Gross profit as a percentage of revenues decreased to 22.7% for the quarter ended March 31, 2015 compared to 24.1% for the same period in 2014. The decrease in gross profit was attributable to lower revenues and the impact of competitive pricing and changes in product mix in the DATA segment. The decrease in gross profit was partially offset by higher revenues in the Multiple Pakfold segment and by cost savings in each segment. These cost savings included headcount reductions, the closure of certain manufacturing locations, and the renegotiation of agreements for a number of raw material input costs.

### ***Selling, General and Administrative Expenses and Restructuring Expenses***

Selling, general and administrative ("SG&A") expenses, excluding amortization of intangible assets, for the quarter ended March 31, 2015 increased \$0.3 million or 1.7% to \$14.9 million compared to \$14.7 million in the same period in 2014. As a percentage of revenues, these costs were 19.7% of revenues for the quarter ended March 31, 2015 compared to 18.8% of revenues for the same period in 2014. The increase in SG&A expenses for the quarter ended March 31, 2015 was primarily attributable to the write off of leasehold improvements at closed facilities. For the quarter ended March 31, 2015, DATA Group incurred restructuring expenses related to headcount reductions, the closure of certain manufacturing locations and a lease exit charge of \$2.1 million as part of its 2015 restructuring initiatives. For the quarter ended March 31, 2014, DATA Group incurred restructuring expenses related to headcount reductions of \$0.9 million as part of its 2014 restructuring initiatives.

### ***Adjusted EBITDA***

For the quarter ended March 31, 2015, Adjusted EBITDA was \$3.5 million, or 4.6% of revenues. Adjusted EBITDA for the quarter ended March 31, 2015 decreased \$1.9 million or 35.6% from the same period in the prior year and the Adjusted EBITDA margin for the quarter, as a percentage of revenues, decreased from 7.0% of revenues in 2014 to 4.6% of revenues in 2015. The decrease in Adjusted EBITDA for the quarter ended March 31, 2015 was attributable to the continued investment in new products and services, a decline in revenues due to pricing concessions and changes in product mix, and was partially offset by cost savings realized as a result of prior restructuring initiatives.

### ***Interest Expense***

Interest expense on long-term debt outstanding under DATA Group's credit facilities, its outstanding 6.00% Convertible Unsecured Subordinated Debentures (the "6.00% Convertible Debentures"), certain unfavourable lease obligations related to closed facilities and DATA Group's employee benefit plans was \$1.3 million for the quarter ended March 31, 2015 compared to \$1.5 million for the same period in 2014. Interest expense for the quarter ended March 31, 2015 was lower than the same period in the prior year primarily as a result of a reduction in long-term debt outstanding under DATA Group's credit facilities.

### ***Income Taxes***

DATA Group reported a loss before income taxes of \$1.5 million and a deferred income tax recovery of \$0.4 million for the quarter ended March 31, 2015 compared to income before income taxes of \$1.1 million and a deferred income tax expense of \$0.3 million for the quarter ended March 31, 2014. The deferred income tax expense and deferred income tax recovery were due to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the three month periods ended March 31, 2015 and 2014.

### ***Net (Loss) Income***

Net loss for the quarter ended March 31, 2015 was \$1.1 million compared to a net income of \$0.8 million for the quarter ended March 31, 2014. The decrease in comparable profitability for the quarter ended March 31, 2015 was substantially due to lower gross profit as a result of lower revenues, higher restructuring expenses and an increase in SG&A expenses during the quarter

ended March 31, 2015. The decrease in comparable profitability was partially offset by lower interest expense and a deferred income tax recovery during the quarter ended March 31, 2015.

## **INVESTING ACTIVITIES**

Capital expenditures for the three months ended March 31, 2015 of \$2.6 million related primarily to maintenance capital expenditures and the consolidation of manufacturing facilities. These capital expenditures were financed by cash flow from operations.

## **FINANCING ACTIVITIES**

During the three months ended March 31, 2015, DATA Group repaid \$1.0 million of the principal amount outstanding under its credit facilities.

## **About DATA Group Ltd.**

DATA Group Ltd. is a managed business communications services company specializing in customized document management and marketing solutions. DATA Group develops, manufactures, markets and supports integrated web and print-based communications, information management and direct marketing products and services that help its customers reduce costs, increase revenues, maintain brand consistency and simplify their business processes. DATA Group's expertise and resources enable it to address any document requirement of its customers, from a simple mail-out to an enterprise-wide document management or direct marketing initiative. We have approximately 1,585 employees working from 34 locations across Canada and the United States to accomplish this.

Additional information relating to DATA Group Ltd. is available on [www.datagroup.ca](http://www.datagroup.ca), and in the disclosure documents filed by DATA Group Ltd. on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

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## **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 DATA Group, 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 DATA Group's current views regarding future events and operating performance, are based on information currently available to DATA Group, 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 DATA Group 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 DATA Group made or took into account in the preparation of these forward-looking statements include the risk that DATA Group may not be successful reducing the size of its legacy print business, reducing costs, reducing or refinancing its long-term debt and growing its digital communications business; the risk that DATA Group may not be successful in managing its organic growth; DATA Group's ability to invest in, develop and successfully market new products and services; competition from competitors supplying similar products and services; DATA Group's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DATA Group's businesses; risks associated with acquisitions by DATA Group; increases in the costs of paper and other raw materials used by DATA Group; and DATA Group's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this press release and under the heading "Risks and Uncertainties" in DATA Group's management's discussion and analysis and in DATA Group's other publicly available disclosure documents, as filed by DATA Group on SEDAR ([www.sedar.com](http://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, DATA Group does not intend and does not assume any obligation to update these forward-looking statements.

## **NON-GAAP MEASURES**

This press release includes certain non-GAAP measures as supplementary information. When used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization. Adjusted EBITDA for the three month periods ended March 31, 2015 and 2014 means EBITDA adjusted for restructuring expenses. DATA Group believes that, in addition to net income (loss), EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating the performance of DATA Group and its predecessors. EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that neither EBITDA nor Adjusted EBITDA should be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of DATA Group's performance. For a reconciliation of net income (loss) to Adjusted EBITDA, see Table 2 above.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,993	812
Trade receivables	32,922	37,175
Inventories	41,452	40,045
Prepaid expenses and other current assets	4,537	5,587
	<u>80,904</u>	<u>83,619</u>
Non-current assets		
Deferred income tax assets	1,840	1,508
Property, plant and equipment	16,798	15,523
Pension asset	374	—
Intangible assets	6,782	7,261
Goodwill	57,066	57,066
	<u>163,764</u>	<u>164,977</u>
<b>Liabilities</b>		
Current liabilities		
Current portion of Credit facilities	4,000	3,500
Trade payables	27,687	29,061
Provisions	3,282	2,042
Income taxes payable	90	154
Deferred revenue	12,554	11,419
	<u>47,613</u>	<u>46,176</u>
Non-current liabilities		
Provisions	1,105	1,361
Credit facilities	41,937	43,382
Convertible debentures	43,185	43,222
Deferred income tax liabilities	53	50
Other non-current liabilities	586	548
Pension obligations	8,851	8,949
Other post-employment benefit plans	2,943	2,876
	<u>146,273</u>	<u>146,564</u>
<b>Equity</b>		
Shareholders' equity		
Shares	215,336	215,336
Conversion options	513	513
Accumulated other comprehensive income	178	92
Deficit	(198,536)	(197,528)
	<u>17,491</u>	<u>18,413</u>
	<u>163,764</u>	<u>164,977</u>

## CONSOLIDATED STATEMENTS OF (LOSS) INCOME

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	<b>For the three months ended March 31, 2015</b>	<b>For the three months ended March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	76,002	77,903
<b>Cost of revenues</b>	58,717	59,100
<b>Gross profit</b>	17,285	18,803
<b>Expenses</b>		
Selling, commissions and expenses	9,112	8,922
General and administration expenses excluding amortization of intangible assets	5,823	5,758
Restructuring expenses	2,054	865
Amortization of intangible assets	479	479
	17,468	16,024
<b>(Loss) income before finance costs and income taxes</b>	(183)	2,779
<b>Finance costs</b>		
Interest expense	1,284	1,549
Interest income	(4)	(5)
Amortization of transaction costs	36	139
	1,316	1,683
<b>(Loss) income before income taxes</b>	(1,499)	1,096
<b>Income tax expense (recovery)</b>		
Current	7	—
Deferred	(375)	300
	(368)	300
<b>Net (loss) income for the period</b>	(1,131)	796
<b>Basic (loss) earnings per share</b>	(0.05)	0.03
<b>Diluted (loss) earnings per share</b>	(0.05)	0.03



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

*(in thousands of Canadian dollars, unaudited)*

	<b>For the three months ended March 31, 2015</b>	<b>For the three months ended March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Net (loss) income for the period</b>	<u>(1,131)</u>	<u>796</u>
<b>Other comprehensive income (loss):</b>		
<b>Items that may be reclassified subsequently to net (loss) income</b>		
Foreign currency translation	<u>86</u>	<u>20</u>
	<u>86</u>	<u>20</u>
<b>Items that will not be reclassified to net (loss) income</b>		
Re-measurements of post-employment benefit obligations	165	(2,423)
Taxes related to post-employment adjustment above	<u>(42)</u>	<u>636</u>
	<u>123</u>	<u>(1,787)</u>
<b>Other comprehensive income (loss) for the period, net of tax</b>	<u>209</u>	<u>(1,767)</u>
<b>Comprehensive loss for the period</b>	<u>(922)</u>	<u>(971)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*(in thousands of Canadian dollars, unaudited)*

	Shares	Conversion options	Accumulated other comprehensive income	Deficit	Total Equity
	\$	\$	\$	\$	\$
<b>Balance as at December 31, 2013</b>	215,336	516	30	(197,807)	18,075
Net loss for the period	—	—	—	796	796
Other comprehensive income (loss) for the period	—	—	20	(1,787)	(1,767)
Total comprehensive (loss) income for the period	—	—	20	(991)	(971)
<b>Balance as at March 31, 2014</b>	215,336	516	50	(198,798)	17,104
<b>Balance as at December 31, 2014</b>	215,336	513	92	(197,528)	18,413
Net loss for the period	—	—	—	(1,131)	(1,131)
Other comprehensive income for the period	—	—	86	123	209
Total comprehensive (loss) income for the period	—	—	86	(1,008)	(922)
<b>Balance as at March 31, 2015</b>	215,336	513	178	(198,536)	17,491

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended March 31, 2015 \$</b>	<b>For the three months ended March 31, 2014 \$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net (loss) income for the period	(1,131)	796
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	1,150	1,308
Amortization of intangible assets	479	479
Pension expense	152	121
Loss (gain) on disposal of property, plant and equipment	167	(13)
Provisions	2,054	865
Amortization of transaction costs	36	139
Accretion of convertible debentures	(18)	73
Other non-current liabilities	49	(82)
Other post-employment benefit plans, net	67	57
Income tax (recovery) expense	(368)	300
	<u>2,637</u>	<u>4,043</u>
Changes in working capital	3,663	(1,255)
Contributions made to pension plans	(459)	(869)
Provisions paid	(1,070)	(1,072)
Income taxes paid	(71)	(12)
	<u>4,700</u>	<u>835</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,590)	(603)
Proceeds on disposal of property, plant and equipment	28	19
	<u>(2,562)</u>	<u>(584)</u>
<b>Financing activities</b>		
Repayment of credit facilities	(1,000)	(2,000)
Finance costs	—	(38)
Finance lease payments	(9)	(6)
	<u>(1,009)</u>	<u>(2,044)</u>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<u>1,129</u>	<u>(1,793)</u>
<b>Cash and cash equivalents – beginning of period</b>	<u>812</u>	<u>478</u>
<b>Effects of foreign exchange on cash balances</b>	<u>52</u>	<u>7</u>
<b>Cash and cash equivalents (bank overdraft) – end of period</b>	<u>1,993</u>	<u>(1,308)</u>

