



**THIRD QUARTER REPORT**  
Ended September 30, 2018

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## ***Letter to shareholders***

Dear Shareholders,

The following provides an overview of:

- Third quarter 2018 and first nine months of 2018 financial results;
- Third quarter initiatives and drivers for our business;
- Management outlook for the balance of 2018.

### **Third quarter 2018 financial results**

Revenues for the quarter were \$74.9 million compared to \$70.2 million in the third quarter of 2017, an increase of \$4.7 million or 6.7%. Excluding the effects of adopting IFRS 15, for the quarter ended September 30, 2018, revenues were \$3.1 million, or 4.5%, higher than the same period last year. The quarter reflected a continued improvement in our core DCM business (excluding all acquisitions made since February 2017) with \$61.8 million of revenue recognized compared to \$59.4 million in the prior year's period.

Adjusted EBITDA was \$5.2 million versus \$3.3 million in the third quarter of 2017, an increase of \$1.9 million or a 59.1% improvement. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was \$4.8 million or 6.5% of revenues for the quarter ended September 30, 2018.

### **Nine month 2018 financial results**

Revenues for the first nine months of 2018 were \$241.6 million compared to \$213.4 million, an increase of \$28.2 million or 13.2%. Excluding the effects of adopting IFRS 15, for the nine months ended September 30, 2018, revenues were \$21.6 million, or 10.1%, higher than the same period last year. Our core DCM business (excluding all acquisitions made since February 2017) generated revenue of \$203.5 million compared to \$187.1 million last year, an increase of \$16.4 million or 8.8%.

Adjusted EBITDA was \$15.7 million compared to \$10.5 million in 2017, an increase of \$5.2 million or 49.9%. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was \$14.7 million or 6.2% of revenues for the nine months ended September 30, 2018.

### **Third quarter initiatives and drivers**

#### *Sales Performance*

Our core DCM business continued to improve through expanded wallet share from existing clients and successful wins from first time clients.

The third quarter also saw a specific focus on standing up our cannabis clients and preparing them for market. To date, more than 10 of the leading licensed cannabis producers are relying on your company to deliver their packaging labels. October 17<sup>th</sup>, 2018 was truly a historic date for this emerging market and your company was and is proud to be involved in our clients' success. While cannabis packaging label revenue was minimal in the third quarter, we expect the full realization of our efforts starting in the fourth quarter of 2018.

*The Perennial Joint Venture with Aphria*

I am pleased to report our JV agreement with Aphria has been executed and signed by both parties.

Perennial is working with the senior leadership team at Aphria finalizing the brand architecture road map for branded cannabis products and segmenting the areas and customer profiles we want to enter with products and services.

We will provide a more fulsome description of our plans as we roll out the branding strategy.

*Operations*

I am pleased to say that our new Gallus / Heidelberg hybrid digital label press is in advanced stages of production testing. This press will easily handle our current demand for cannabis labels and will provide us with a new opportunity in the wine and spirits markets, offering a completely new value proposition for these producers and distributors compared to their current offerings.

We have also recently secured a new Heidelberg six-colour press, which will be installed in our Thistle operation in the first quarter of 2019. This new piece of equipment will provide us with enhanced capabilities, allowing us to migrate more of our sheet fed volumes from tier two suppliers, and will also help us improve operating efficiencies and gross margins as it will replace an older five-colour press.

Lastly, we have advanced our ERP project implementation and testing. While we were highly confident we could execute on the initiative in the fourth quarter, I decided to defer the launch until the first quarter of 2019 to ensure we keep our focus on executing a busy fourth quarter of revenue for our clients.

*Margin & Cost Discipline*

As I indicated in my second quarter note, we expected to see our gross margin improve. Our gross margin for the quarter was 24.4% versus 23.7% a year ago. We continue to experience paper and other raw material increases and are working closely with our customers to manage pricing. We are also highly focused on our procurement approach with our strategic suppliers as well as refining our order entry and manufacturing processes.

We also made the decision to close our corporate engineering group, based in Drummondville Québec, which was completed in October. This is expected to reduce our operating overhead by approximately \$1.5 million on an annualized basis, and we expect to take a restructuring charge of approximately \$0.6 million in the fourth quarter related to this initiative. As a testament to the team's talent, we understand almost all of these dedicated professionals have found alternative employment.

Our SG&A expenses have shown an improvement over last year and accounted for 20.8% of revenue for the quarter versus 21.9% a year ago. While we have only begun tackling our sourcing and production efficiencies as well as our SG&A expenses, I am pleased we are seeing the gains of a more disciplined approach to cost control.

**Management outlook for balance of 2018**

- We expect our revenue for fiscal 2018 will come in at the high end of our previously announced guidance of \$295.0 million to \$310.0 million and expect to achieve the low end of our adjusted EBITDA guidance of \$22.0 million to \$25.0 million, both of which we set out at the start of the fiscal year.
- Our fourth quarter is expected to benefit from incremental revenues as we onboard our cannabis clients, as well as continued wins with new clients and expanded opportunities with existing clients. The reduction in the expected adjusted EBITDA is primarily due to increases in input costs we have experienced.

For a full description of our financial results for the third quarter and the year to date of 2018, please refer to our unaudited consolidated financial statements for the three and nine months ended September 30, 2018 and related management's discussion and analysis, copies of which are available at [www.sedar.com](http://www.sedar.com).

Yours truly,



Gregory J. Cochrane  
President and Chief Executive Officer

DATA Communications Management Corp.  
November 2018

**Management's discussion and analysis of financial condition and results of operations**

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies, performance and risk factors of DATA Communications Management Corp. (TSX: DCM) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three and nine month periods ended September 30, 2018 and 2017. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2017, the unaudited interim consolidated financial statements and accompanying notes of DCM for the three and nine month periods ended September 30, 2018 and 2017 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2017. Additional information about the Company, including its most recently filed unaudited interim and audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR ([www.sedar.com](http://www.sedar.com)). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

The Company's Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of November 12, 2018.

**Basis of presentation**

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

**Forward-looking statements**

Certain statements in this MD&A 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 MD&A, 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 MD&A. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long-term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater

economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration of such acquired businesses; increases in the costs of paper and other raw materials used by DCM; DCM's ability to maintain relationships with its customers; future legislative and regulatory developments involving the wellness, medical and adult-use marijuana markets; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms to fund the joint venture between Aphria Inc. and Perennial Inc.; risks related to the wellness, medical and adult-use marijuana industry in Canada and internationally generally; the ability of the Aphria Inc./Perennial Inc. joint venture to implement its business strategies; expectations regarding the anticipated benefits and synergies of the joint venture; and crop failure. Additional factors are discussed elsewhere in this MD&A under the headings "Risk Factors" and "Risks and Uncertainties" in DCM's publicly available disclosure documents, as filed by DCM 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 MD&A as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

### **Non-IFRS measures**

This MD&A includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this MD&A, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, acquisition costs and the tax effects of those items. Adjusted net income (loss) per share (basic and diluted) is calculated by dividing Adjusted net income (loss) for the period by the weighted average number of common shares of DCM (basic and diluted) outstanding during the period. In addition to net income (loss), DCM uses non-IFRS measures including Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA to provide investors with supplemental measures of DCM's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. DCM also believes that securities analysts, investors, rating agencies and other interested parties frequently use non-IFRS measures in the evaluation of issuers. DCM's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet future debt service, capital expenditure and working capital requirements. Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are not earnings measures recognized by IFRS and do not have any standardized meanings prescribed by IFRS. Therefore, Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA are unlikely to be comparable to similar measures presented by other issuers.

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator

of DCM's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 3 below. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 4 below.

## **Business of DCM**

### **OVERVIEW**

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

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

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

Customer agreements and terms typically include provisions consistent with industry practice, which allow DCM to pass along increases in the cost of paper and other raw materials used to manufacture products.

DCM's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

DCM has approximately 1,450 employees in Canada and the United States and had revenues of \$289.5 million in 2017. Website: [www.datacm.com](http://www.datacm.com).

## RECENT DEVELOPMENTS

### PERENNIAL JOINT VENTURE WITH APHRIA

On November 7, 2018, DCM announced that Perennial, a wholly owned subsidiary of DCM, and Aphria Inc. ("Aphria"), a leading global cannabis company, had entered into a joint venture agreement (the "JV") devoted to creating original, consumer-driven brands and products for the adult-use cannabis market. The JV will leverage Aphria's expertise as a leading global cannabis producer and Perennial's experience with international brand development and strategy to introduce new, cannabis-infused products to the Canadian and legal international markets. The JV will look beyond just edibles and beverages to a range of products designed to meet consumer demand in the cannabis and wellness space. Perennial has a successful track record of creating go-to-market strategies for major CPG and retail clients throughout North America and around the world. The JV was created for the purpose of the development, production, marketing and sale of non-Aphria branded new products, brands and product categories on the domestic and international adult-use cannabis markets. The JV will initially focus on cannabis-infused products for the wellness, medical and adult-use markets.

The JV is owned equally by Perennial and Aphria. It will select specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV agreement includes typical terms related to corporate governance, capital contributions, intellectual property, and other standard matters.

### RESTRUCTURING

Effective October 19, 2018, DCM closed its corporate engineering department in Drummondville, Québec, which was comprised of a staff of approximately 14 people. The group was primarily responsible for the service and maintenance of DCM's traditional rotary offset and label presses, which have now been consolidated in two facilities in Drummondville and Brampton, Ontario, and led the significant consolidation of DCM's facilities over the past several years. Internal maintenance departments in Drummondville and Brampton are expected to support DCM's forms and label presses going forward, while DCM's other equipment is typically serviced by original equipment manufacturers.

DCM expects to include restructuring costs related to the closing of this department of \$0.6 million in the fourth quarter of 2018, primarily relating to severances for terminated employees. Total annual savings from reduced labour and related overhead costs from the elimination of this group are estimated at \$1.5 million.

#### FINALIZATION OF PURCHASE PRICE FOR PERENNIAL ACQUISITION

On October 17, 2018, the vendors of Perennial and DCM finalized the purchase price related to the Perennial acquisition resulting in a \$59.0 thousand post-close working capital adjustment which will be paid in cash by DCM to the vendors of Perennial Inc. in the fourth quarter of 2018.

#### REVENUE RECOGNITION POLICY

DCM adopted IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018, which replaced IAS *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

Under IFRS 15, DCM recognizes revenue when control of the products or services it provides to its customers has been transferred. The following is a description of principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies under IFRS 15:

#### PRODUCT SALES

DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. DCM recognizes revenue upon the completion of production or when stock product is purchased from a third-party vendor and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with such customers, DCM has identified three key distinct performance obligations related to the sale of product: product, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable.

DCM uses significant judgment, which is inherent in its revenue generating activities, as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from

a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

#### WAREHOUSING SERVICES

DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period of time. Warehousing services represent a distinct performance obligation and accordingly, revenues are recognized over the period that warehousing services are provided to the customer.

#### FREIGHT SERVICES

DCM provides services to ship customer product from its warehouse to a location specified by the customer. This represents a distinct performance obligation and revenue is recognized when performance of the shipping service has occurred.

#### MARKETING SERVICES

DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. Most of DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct.

DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed. Revenue from contracts are recognized based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period.

#### IMPACT ON TRANSITION TO IFRS 15

The primary impact on adoption of IFRS 15 relates to the timing of when revenue is recognized for product sales. Previously, under IAS 18, DCM identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. Upon the adoption of IFRS 15, DCM has identified that product revenue should be recognized upon the completion of production or purchase and induction of product from third-party vendors into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment. Management believes this represents a more accurate reflection of the economics in how DCM conducts business with its customers, especially given all product orders are customized based on specifications pre-approved by the customer, the product is segregated and maintained solely for the customer who placed the order (i.e. cannot be used interchangeably to fill another customer's order), and DCM has a right to payment for the performance obligations it has satisfied.

See "Accounting Policies" for further discussion regarding DCM's revenue recognition policies and the impact of adopting IFRS 15 on DCM's consolidated financial statements as at January 1, 2018 and for the three and nine months ended September 30, 2018.

### **COST OF REVENUES AND EXPENSES**

DCM's cost of revenues primarily consists of raw materials, manufacturing salaries and benefits, occupancy, lease of equipment and depreciation. DCM's raw material costs consist primarily of paper, carbon and ink. Manufacturing salaries and benefits costs primarily consist of employee salaries and health benefits at DCM's printing and warehousing facilities. Occupancy costs consist primarily of lease payments at DCM's facilities, utilities, insurance and building maintenance. DCM's expenses consist of selling, depreciation and amortization, and general and administration expenses. Selling expenses consist primarily of employee salaries, health benefits and commissions, and include related costs for travel, corporate communications, trade shows, and marketing programs. Depreciation and amortization represent the allocation to income of the cost of property, plant and equipment, and intangible assets over their estimated useful lives. General and administration expenses consist primarily of employee salaries, health benefits, and other personnel related expenses for executive, financial and administrative personnel, as well as facility, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses in each of the last four fiscal years, which primarily consisted of severance costs associated with headcount reductions and costs related to facilities closures.

### **Selected Consolidated Financial Information**

The following tables set out the summary consolidated financial information and supplemental information for the periods indicated. The summary interim and financial information for fiscal 2018 and 2017 have been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with DCM's fiscal 2017 audited consolidated financial statements. Due to the adoption of new IFRS standards at January 1, 2018, these periods do not reflect consistent accounting policies, particularly in relation to revenue recognition and therefore are not directly comparable. In the opinion of management, such unaudited financial DCM reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for the fair presentation of the results for those periods.

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

<b>For the periods ended September 30, 2018 and 2017</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2018</b>	July 1 to September 30, 2017	<b>January 1 to September 30, 2018</b>	January 1 to September 30, 2017
Revenues <sup>(1)</sup>	\$ 74,925	\$ 70,212	\$ 241,617	\$ 213,404
Cost of revenues	56,664	53,539	183,292	162,367
Gross profit	18,261	16,673	58,325	51,037
Selling, general and administrative expenses	15,547	15,369	50,969	46,108
Restructuring expenses	9	1,383	809	5,004
Acquisition costs	6	18	319	987
	15,562	16,770	52,097	52,099
Income (loss) before finance costs and income taxes	2,699	(97)	6,228	(1,062)
Finance costs (income)				
Interest expense	1,257	1,135	3,669	3,266
Interest income	(1)	—	(5)	—
Amortization of transaction costs	168	141	469	377
	1,424	1,276	4,133	3,643
Income (loss) before income taxes	1,275	(1,373)	2,095	(4,705)
Income tax expense (recovery)				
Current	430	165	985	504
Deferred	7	(470)	(297)	(1,463)
	437	(305)	688	(959)
Net income (loss) for the period	\$ 838	\$ (1,068)	\$ 1,407	\$ (3,746)
Basic earnings (loss) per share	\$ 0.04	\$ (0.06)	\$ 0.07	\$ (0.25)
Diluted earnings (loss) per share	\$ 0.04	\$ (0.06)	\$ 0.07	\$ (0.25)
Weighted average number of common shares outstanding, basic	21,523,515	19,325,409	20,821,844	15,184,358
Weighted average number of common shares outstanding, diluted	21,759,414	19,325,409	20,931,490	15,184,358
<b>As at September 30, 2018 and December 31, 2017</b> <i>(in thousands of Canadian dollars, unaudited)</i>	<b>As at September 30, 2018</b>	As at December 31, 2017		
Current assets	\$ 84,935	\$ 82,804		
Current liabilities	62,949	68,648		
Total assets	143,270	131,859		
Total non-current liabilities	71,721	68,610		
Shareholders' equity (deficit)	\$ 8,600	\$ (5,399)		

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details on the impact of the adoption of new accounting standards.

**TABLE 2** The following table sets out selected historical consolidated financial information for the periods noted. See “Non-IFRS Measures” section above for more details.

<b>For the periods ended September 30, 2018 and 2017</b> <i>(in thousands of Canadian dollars, except percentage amounts, unaudited)</i>	<b>July 1 to September 30, 2018</b>	July 1 to September 30, 2017	<b>January 1 to September 30, 2018</b>	January 1 to September 30, 2017
<b>Revenues</b> <sup>(1)</sup>	\$ 74,925	\$ 70,212	\$ 241,617	\$ 213,404
<b>Gross profit</b>	\$ 18,261	\$ 16,673	\$ 58,325	\$ 51,037
<b>Gross profit, as a percentage of revenues</b>	24.4%	23.7 %	24.1%	23.9%
<b>Selling, general and administrative expenses</b>	\$ 15,547	\$ 15,369	\$ 50,969	\$ 46,108
As a percentage of revenues	20.8%	21.9 %	21.1%	21.6%
<b>Adjusted EBITDA</b> (see Table 3)	\$ 5,242	\$ 3,294	\$ 15,680	\$ 10,461
As a percentage of revenues	7.0%	4.7 %	6.5%	4.9%
<b>Net income (loss) for the period</b>	\$ 838	\$ (1,068)	\$ 1,407	\$ (3,746)
<b>Adjusted net income</b> (see Table 4)	\$ 964	\$ (28)	\$ 3,304	\$ 939
As a percentage of revenues	1.3%	0.0 %	1.4%	0.4%

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details on the impact of the adoption of new accounting standards.

**TABLE 3** The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures” section above for more details.

### EBITDA and Adjusted EBITDA reconciliation

For the periods ended September 30, 2018 and 2017 <i>(in thousands of Canadian dollars, unaudited)</i>	July 1 to September 30, 2018	July 1 to September 30, 2017	January 1 to September 30, 2018	January 1 to September 30, 2017
<b>Net income (loss) for the period</b>	<b>\$ 838</b>	<b>\$ (1,068)</b>	<b>\$ 1,407</b>	<b>\$ (3,746)</b>
Interest expense	1,257	1,135	3,669	3,266
Interest income	(1)	—	(5)	—
Amortization of transaction costs	168	141	469	377
Current income tax expense	430	165	985	504
Deferred income tax expense (recovery)	7	(470)	(297)	(1,463)
Depreciation of property, plant and equipment	1,162	1,084	3,486	3,027
Amortization of intangible assets	1,213	906	3,514	2,505
<b>EBITDA</b>	<b>\$ 5,074</b>	<b>\$ 1,893</b>	<b>\$ 13,228</b>	<b>\$ 4,470</b>
Restructuring expenses	9	1,383	809	5,004
One-time business reorganization costs	153	—	1,324	—
Acquisition costs	6	18	319	987
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$ 5,242</b>	<b>\$ 3,294</b>	<b>\$ 15,680</b>	<b>\$ 10,461</b>

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details on the impact of the adoption of new accounting standards.

**TABLE 4** The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See “Non-IFRS Measures” section above for more details.

### Adjusted net (loss) income reconciliation

<b>For the periods ended September 30, 2018 and 2017</b> <i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>	<b>July 1 to September 30, 2018</b>	July 1 to September 30, 2017	<b>January 1 to September 30, 2018</b>	January 1 to September 30, 2017
<b>Net income (loss) for the period</b>	<b>\$ 838</b>	<b>\$ (1,068)</b>	<b>\$ 1,407</b>	<b>\$ (3,746)</b>
Restructuring expenses	9	1,383	809	5,004
One-time business reorganization costs	153	—	1,324	—
Acquisition costs	6	18	319	987
Tax effect of the above adjustments	(42)	(361)	(555)	(1,306)
<b>Adjusted net income <sup>(1)</sup></b>	<b>\$ 964</b>	<b>\$ (28)</b>	<b>\$ 3,304</b>	<b>\$ 939</b>
<b>Adjusted net income per share, basic</b>	<b>\$ 0.04</b>	<b>\$ —</b>	<b>\$ 0.16</b>	<b>\$ 0.06</b>
<b>Adjusted net income per share, diluted</b>	<b>\$ 0.04</b>	<b>\$ —</b>	<b>\$ 0.16</b>	<b>\$ 0.06</b>
<b>Weighted average number of common shares outstanding, basic</b>	<b>21,523,515</b>	19,325,409	<b>20,821,844</b>	15,184,358
<b>Weighted average number of common shares outstanding, diluted</b>	<b>21,759,414</b>	19,325,409	<b>20,931,490</b>	15,380,159
<b>Number of common shares outstanding, basic</b>	<b>21,523,515</b>	19,334,735	<b>21,523,515</b>	19,334,735
<b>Number of common shares outstanding, diluted</b>	<b>21,759,414</b>	19,334,735	<b>21,633,161</b>	19,592,938

(1) 2018 revenues include the impact of the adoption of new accounting standard IFRS 15. Refer to note 3 of the unaudited consolidated interim financial statements for the three and nine months ended September 30, 2018 for further details on the impact of the adoption of new accounting standards.

## Results of operations

### REVENUES

For the quarter ended September 30, 2018, DCM recorded revenues of \$74.9 million, an increase of \$4.7 million or 6.7% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the quarter ended September 30, 2018, revenues were \$3.1 million, or 4.5%, higher than the same period last year. The increase in revenues for the quarter ended September 30, 2018 was primarily due to additional revenues from the acquisitions of BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017 and increased pricing for certain products. The increase in revenues was partially offset by the reduction in spend by certain customers, non-recurring work and the timing of orders.

For the nine months ended September 30, 2018, DCM recorded revenues of \$241.6 million, an increase of \$28.2 million or 13.2% compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the nine months ended September 30, 2018, revenues were \$21.6 million, or 10.1%, higher than the same period last year. The increase in revenues for the nine months ended September 30, 2018 was primarily due to additional revenues from the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for existing and new retailer customers,

increased pricing for certain products and a one-time increase in volume from a long-standing customer which generated \$8.9 million in higher revenues relative to the same period last year. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business, non-recurring work and the timing of orders. Overall, DCM continues to benefit from the growth initiatives it effected throughout 2017 and the first nine months of 2018 to help offset some of the secular declines experienced by the industry.

#### **COST OF REVENUES AND GROSS PROFIT**

For the quarter ended September 30, 2018, cost of revenues increased to \$56.7 million from \$53.5 million for the same period in 2017, resulting in a \$3.1 million or 5.8% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by \$2.0 million or 3.7% relative to the same period last year. For the nine months ended September 30, 2018, cost of revenues increased to \$183.3 million from \$162.4 million for the same period in 2017, resulting in a \$20.9 million or 12.9% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by \$15.5 million or 9.5% relative to the same period last year.

Gross profit for the quarter ended September 30, 2018 was \$18.3 million, which represented an increase of \$1.6 million or 9.5% from \$16.7 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by \$1.1 million or 6.8% relative to the same period last year. Gross profit as a percentage of revenues increased to 24.4% for the quarter ended September 30, 2018 compared to 23.7% for the same period in 2017, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.3% for the quarter ended September 30, 2018. The increase in gross profit as a percentage of revenues for the quarter ended September 30, 2018 was primarily due to higher revenues, increased pricing for certain products and favourable product mix, with lower levels of lower margin thermal products production than the comparable period replaced with higher margin products. Gross profit was also negatively impacted by increases in the cost of paper and the timing of passing through increases to customers, particularly certain recently contracted customers. Gross profit as a percentage of revenues was, however, positively impacted due to the refinement of DCM's pricing discipline and cost reductions realized from ongoing cost savings initiatives.

Gross profit for the nine months ended September 30, 2018 was \$58.3 million, which represented an increase of \$7.3 million or 14.3% from \$51.0 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by \$6.1 million or 12.0% relative to the same period last year. Gross profit as a percentage of revenues increased to 24.1% for the nine months ended September 30, 2018 compared to 23.9% for the same period in 2017, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.3% for the nine months ended September 30, 2018. The increase in gross profit as a percentage of revenues for the nine months ended September 30, 2018 was positively impacted by higher gross margins attributed to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative (“SG&A”) expenses for the quarter ended September 30, 2018 increased \$0.1 million or 1.2% to \$15.5 million compared to \$15.4 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were \$0.2 million higher for the quarter ended September 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 20.8% (or 21.2% before the effects of adopting IFRS 9 and 15) and 21.9% of revenues for the quarter ended September 30, 2018 and 2017, respectively. The increase in SG&A expenses for the quarter ended September 30, 2018 was primarily attributable to the acquisitions of BOLDER Graphics and Perennial and was partially offset by the benefits from the cost savings initiatives implemented in early 2018 and in 2017.

SG&A expenses for the nine months ended September 30, 2018 increased \$4.9 million or 10.5% to \$51.0 million compared to \$46.1 million for the same period of 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were \$4.7 million higher for the nine months ended September 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 21.1% (or 21.6% before the effects of adopting IFRS 9 and 15) and 21.6% of revenues for the nine months ended September 30, 2018 and 2017, respectively. The increase in SG&A expenses for the nine months ended September 30, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, one time business reorganization costs of \$1.3 million, additional professional fees and higher sales commission costs commensurate with the increase in revenues and gross margin and was partially offset by the benefits from the cost savings initiatives implemented in early 2018 and in 2017.

**RESTRUCTURING EXPENSES**

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM over the past four years in order to improve margins and better align costs with the declining revenues experienced by the Company in its traditional business, a trend being faced by the traditional printing industry for several years now.

For the quarter ended September 30, 2017, DCM incurred restructuring expenses of \$1.4 million primarily related to headcount reductions across the sales and customer service functions of the business.

For the nine months ended September 30, 2018, DCM incurred net restructuring expenses of \$0.8 million compared to \$5.0 million in the same period in 2017. DCM incurred \$1.9 million of restructuring costs related to 1) headcount reductions in indirect labour as a result of the plant consolidations completed during the nine month period, in addition to reductions of certain individuals within the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of the Multiple Pakfold, BOLDER Graphics and Granby, Québec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Québec facilities, respectively. Total restructuring costs were offset by a recovery of \$1.1 million related to the termination of DCM's lease agreement for its Granby, Québec facility

For the nine months ended September 30, 2017, DCM incurred restructuring expenses of \$5.0 million. \$5.0 million of restructuring costs in the first nine months of 2017 were incurred related to headcount reductions in DCM's indirect labour force across its operations, which were designed to streamline DCM's order-to-production process and across the sales and customer service functions of the business. These restructuring costs were offset by a recovery of \$0.3

million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of \$0.3 million.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to making its business more agile, focused, optimized and unified.

### **ADJUSTED EBITDA**

For the quarter ended September 30, 2018, Adjusted EBITDA was \$5.2 million, or 7.0% of revenues, after adjusting EBITDA for \$0.2 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was \$4.8 million or 6.5% of revenues for the quarter ended September 30, 2018 compared with an Adjusted EBITDA of \$3.3 million or 4.7% for the same period last year. Adjusted EBITDA for the three months ended September 30, 2018 increased \$1.9 million or 59.1% from the same period in the prior year which was 4.7% of revenues in 2017. The increase in Adjusted EBITDA for the three months ended September 30, 2018 was primarily attributable to higher gross profit as a result of higher revenues contributed by DCM's core business, BOLDER Graphics and Perennial acquisitions, favourable product mix and improved pricing discipline and costs savings from the restructuring and plant consolidations carried out in the second half of 2017 and early 2018.

For the nine months ended September 30, 2018, Adjusted EBITDA was \$15.7 million, or 6.5% of revenues, after adjusting EBITDA for the \$0.8 million in restructuring charges, \$0.3 million of acquisition costs and \$1.3 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was \$14.7 million or 6.2% of revenues for the nine months ended September 30, 2018 compared with an Adjusted EBITDA of \$10.5 million or 4.9% for the same period last year. The \$5.2 million increase in Adjusted EBITDA for the nine months ended September 30, 2018 over the nine months of 2017 was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions, improved pricing initiatives implemented part-way through the prior year, favourable product mix, and cost savings from the restructuring efforts carried out in the second half of 2017 and early 2018. This was partially offset by higher SG&A expenses.

### **INTEREST EXPENSE**

Interest expense, including interest on debt outstanding under DCM's credit facilities, on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was \$1.3 million for the three months ended September 30, 2018 compared to \$1.1 million for the same period in 2017, and was \$3.7 million for the nine months ended September 30, 2018 compared to \$3.3 million for the same period in 2017. Interest expense for the three and nine months ended September 30, 2018 was higher than the same period in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related costs incurred to complete the acquisitions of Eclipse, Thistle and BOLDER Graphics in 2017 and the acquisition of Perennial in 2018.

### **INCOME TAXES**

DCM reported income before income taxes of \$1.3 million and a net income tax expense of \$0.4 million for the quarter ended September 30, 2018 compared to a loss before income taxes of \$1.4 million and a net income tax recovery of

\$0.3 million for the quarter ended September 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was \$0.3 million for the quarter ended September 30, 2018. The current income tax recovery and expense were primarily related to the income taxes payable on DCM's estimated taxable income for the quarters ended September 30, 2018, and 2017, respectively. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the quarters ended September 30, 2018 and 2017, respectively.

DCM reported income before income taxes of \$2.1 million and a net income tax expense of \$0.7 million for the nine months ended September 30, 2018 compared to a loss before income taxes of \$4.7 million and a net income tax recovery of \$1.0 million for the nine months ended September 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was \$0.4 million for the nine months ended September 30, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the nine months ended September 30, 2018. The deferred income tax recovery for the nine months ended September 30, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose for the nine months ended September 30, 2018.

#### **NET INCOME**

Net income for the quarter ended September 30, 2018 was \$0.8 million compared to net loss of \$1.1 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the quarter ended September 30, 2018 was \$0.5 million. The increase in comparable profitability for the quarter ended September 30, 2018 was primarily due to higher gross profit as a percentage of revenue, due to higher revenues which included the post-acquisition financial results of BOLDER Graphics and Perennial, increased pricing for certain products, favourable product mix, cost savings and lower restructuring expenses in 2018.

Net income for the nine months ended September 30, 2018 was \$1.4 million compared to a net loss of \$3.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net income for the nine months ended September 30, 2018 was \$0.7 million. The increase in comparable profitability for the nine months ended September 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

#### **ADJUSTED NET INCOME (LOSS)**

Adjusted net income for the quarter ended September 30, 2018 was \$1.0 million compared to Adjusted net loss of \$28.0 thousand for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the quarter ended September 30, 2018 was \$0.6 million. The increase in comparable profitability for the quarter ended September 30, 2018 was primarily due to higher gross profit as a percentage of revenue, due to lower volumes of lower margin product, higher revenues and the refined discipline in DCM's pricing strategy and cost savings.

Adjusted net income for the nine months ended September 30, 2018 was \$3.3 million compared to Adjusted net income of \$0.9 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the nine months ended September 30, 2018 was \$2.6 million. The increase in comparable profitability for the nine months ended September 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

## Liquidity and capital resources

### LIQUIDITY

DCM has established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with Integrated Private Debt Fund IV LP ("IAM IV"), a fund managed by Integrated Asset Management Corp. ("IAM"), pursuant to separate amended and restated credit agreements, between DCM and the Bank (as amended, the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the "IAM III Credit Agreement") between Thistle and Integrated Private Debt Fund III LP ("IAM III"), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the "IAM III Credit Facility"). On November 10, 2017, DCM established a \$5.0 million secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a loan managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the "IAM Credit Agreements") to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for \$3.5 million ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand and bore interest at a rate equal to the prime rate of interest charged by DCM's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM's other senior lenders. As at September 30, 2018, DCM had no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released.

On May 8, 2018, DCM established a \$12.0 million non-revolving term loan facility with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which approximately \$8.2 million was used to fund the up-front cash component of the Perennial acquisition and \$3.5 million was used to repay in full the outstanding balance of the Bridging Credit Facility. The balance of the Crown Facility will be used for general working capital purposes. The Crown Facility was made available in one advance, with an effective date of May 7, 2018, and bears interest at a rate equal to 10% per annum, calculated daily and payable in arrears on a quarterly basis. The loan facility has a five (5) year term beginning on May 7, 2018 and can be repaid at any time after twenty-four (24) months, subject to prepayment

fee, upon ten (10) days prior written notice to Crown. The Crown Facility is subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and is secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of \$12.0 million was apportioned to the debt instrument and the warrant option based on their respective fair values of \$11.5 million and \$0.5 million, respectively. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from \$11.5 million to \$12.0 million over the term of the loan. As at September 30, 2018 the accreted debt instrument was valued at \$11.5 million including total accretion expense of \$32.0 thousand. The Crown Facility limits spending on capital expenditures by DCM to an aggregate amount not to exceed \$5.0 million during any fiscal year. DCM has capitalized transaction costs of \$0.6 million related to the Crown Facility and the related unamortized balance of these transaction cost was \$0.6 million as at September 30, 2018. The unamortized balance of the transaction costs of the Crown Facility is being amortized over the remaining term of the facility.

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately \$2.4 million ("Bank Lease Facility"). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the third quarter of 2018 was \$3 thousand. The Bank Lease Facility is expected to begin in the first quarter of 2019 and will have monthly payments of approximately \$37 thousand per month over a five-year term.

On July 31, 2018, the Bank Credit Agreement was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed \$3.0 million. The Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of \$35.0 million and has added a cross collateralization condition to include the equipment leased as collateral under Bank Credit Facility and Bank Lease Facility.

As at September 30, 2018, DCM had outstanding borrowings of \$21.6 million and letters of credit granted of \$0.9 million under the Bank Credit Facility, outstanding borrowings of \$4.2 million under the IAM III Credit Facility, outstanding borrowings of \$19.5 million under the IAM IV Credit Facility, borrowings of \$4.4 million under the IAM V Credit Facility, and outstanding borrowings of \$12.0 million under the Crown Facility. Under the Bank Credit Facility, DCM had access to \$8.7 million of available credit at September 30, 2018. The bank overdraft balance of \$2.3 million on the statement of consolidated position as at September 30, 2018, represents outstanding cheques, when cashed, would be a draw over the Bank Credit Facility.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$35.0 million and the Bank Credit Facility matures on March 31, 2020. Advances under the amended Bank Credit

Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. As at September 30, 2018, DCM has capitalized transaction costs of \$0.9 million related to the amended Bank Credit Facility. The unamortized transaction costs related to the credit facility as at September 30, 2018 was \$0.5 million. The unamortized balance of the transaction costs are being amortized over the remaining term of the amended Bank Credit Facility. As at September 30, 2018, all of DCM's indebtedness outstanding under the amended Bank Credit Facility was subject to a floating interest rate of 4.45% per annum.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding at any time under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility, calculated on a consolidated basis in accordance with IFRS ("Total Funded Debt"), is \$72.0 million (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest over a nine year term ending October 15, 2022. The principal amount of the amended IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest over a sixty six month term ending in May 15, 2023. As at September 30, 2018, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively. Under the terms of the amended IAM IV Credit Agreement and IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account to be used for repayments of principal and interest of indebtedness outstanding under the amended IAM IV Credit Facility and IAM V Credit Facility. As at September 30, 2018, there was a balance of \$0.5 million in the blocked account, which is recognized as restricted cash in DCM's consolidated statements of financial position.

As at September 30, 2018, the unamortized transaction costs related to the IAM III Credit Facility were \$26.0 thousand and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of \$0.9 million related to the amended IAM IV Credit Facility and the related unamortized balance of these transaction costs were \$0.5 million as at September 30, 2018. The unamortized balance of the transaction costs is being amortized over the remaining term of this facility. DCM has capitalized transaction costs of \$0.2 million related to the IAM V Credit Facility and the related unamortized balance of these transaction costs were \$0.2 million as at September 30, 2018. The unamortized balance of the transaction costs of the IAM V Credit Facility is being amortized over the term of this facility.

Each of the amended Bank Credit Agreement, the IAM III Credit Agreement, the amended IAM IV Credit Agreement, the IAM V Credit Agreement and the Crown Facility agreement contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable.

Under the terms of the amended Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio as follows: i) for the period commencing July 1, 2017 and ending December 31, 2017, the ratio would not be less than 0.9 to 1.0; ii) for the period commencing January 1, 2018 and ending March 31, 2018, the ratio would not be less than 1.0 to 1.0, and for the periods ending after March 31, 2018, the ratio must not be less than 1.1 to 1.0 at all times, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. The pro forma financial results for DCM's acquisitions are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations. As at September 30, 2018, the fixed charge coverage ratio was 1.38. As at September 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA of not greater than the following levels: from October 1 2017 to December 31, 2017 - 3.50 to 1; from January 1, 2018 up to March 31, 2018 - 3.25 to 1; and on and after April 1, 2018 - 3.00 to 1; (ii) a debt service coverage ratio of not less than 1.50 to 1; and (iii) a working capital current ratio of not less than 1.1:1. The pro forma financial results from DCM's acquisitions are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's covenant calculations. In addition, the IAM Credit Agreements permit cash payments in respect of the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as distributions in cash to shareholders and/or related parties for consulting fees, in an amount equal to the Excess Cash Flow (as defined below) provided the debt service coverage ratio for the four most recently completed fiscal quarter is greater than 2.00 to 1 and there is no default or event of default. The excess cash flow is calculated by taking EBITDA less payments for (i) cash taxes; (ii) capital expenditures; (iii) principal and interest on the Bank Credit Facility, IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed fiscal quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year (the "Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at September 30, 2018, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required to the VTB Noteholders (as defined below) for the next six months. As at September 30, 2018, the ratio of Total Funded Debt to EBITDA was 2.67, the debt service coverage ratio was 2.12 and the working capital current ratio was 1.35. On October 26, 2018, DCM received a waiver with regards to the IAM Credit Agreements, and for the purpose of determining DCM's Excess Cash Flow, the IAM Credit Agreements were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times as long as DCM maintains a debt service coverage ratio of at least 1.85 times for next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions. As at September 30, 2018, DCM was in compliance with these covenants and it expects to be compliant with these covenants going forward.

Under the terms of the Crown Facility agreement, DCM must maintain (i) a fixed charge ratio, at the end of each quarter, of no less than (a) 1.1 to 1.0 for the fiscal quarter ending June 30, 2018, (b) 1.25 to 1.0 for the fiscal quarter ending September 30, 2018 and (c) 1.4 to 1.0 for each fiscal quarter thereafter; and (ii) a net debt to EBITDA ratio, of not greater

than 4.0 to 1.0 for each quarter up until December 31, 2019 and 3.0 to 1.0 for each quarter thereafter. As at September 30, 2018, the fixed charge coverage ratio was 1.38 and the net debt to EBITDA ratio was 3.03. On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet a fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019. As at September 30, 2018, DCM was in compliance with this covenant and it expects to be compliant with this covenant going forward.

A failure by DCM to comply with its obligations under any of the amended Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility agreement, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM III, IAM IV and IAM V, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants over the next twelve months.

DCM's obligations under the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility and the IAM V Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates. On February 22, 2017, DCM entered into an amended inter-creditor agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement"). On June 28, 2017, a second inter-creditor agreement was entered into in order to include Bridging and to separately address the priority of its liens on certain specified equipment as a result of the Bridging Credit Facility. On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics. Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement (the "Second A&R ICA") between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

Market conditions and DCM's financial condition and capital structure could affect the availability and terms of any replacement credit facilities or other funding sought by DCM from time to time or upon the maturity of the amended Bank Credit Facility, the IAM III Credit Facility, the amended IAM IV Credit Facility, the IAM V Credit Facility, the Crown Facility, as amended, or other indebtedness of DCM.

In assessing DCM's liquidity requirements, DCM takes into account its level of cash and cash equivalents, together with currently projected cash to be provided by operating activities, cash available from its unused credit facilities, cash from investing activities such as sales of redundant assets, access to the capital markets and anticipated reductions in operating costs projected to result from existing restructuring activities, as well as its ongoing cash needs for its existing

operations, will be sufficient to fund its currently projected operating requirements including expenditures related to its growth strategy, payments associated with various restructuring and productivity improvement initiatives, contributions to its pension plans, payment of income tax liabilities and cash required to finance currently planned expenditures, and debt repayment obligations. Cash flows from operations have been, and could continue to be, negatively impacted by decreased demand for DCM's products and services and pricing pressures from its existing and new customers, which could result from factors such as reduced demand for traditional business forms and other print-related products, adverse economic conditions and competition from competitors supplying similar products and services, increases in DCM's operating costs (including interest expense on its outstanding indebtedness and restructuring expenses) and increased costs associated with the manufacturing and distribution of products or the provision of services. DCM's ability to conduct its operations could be negatively impacted in the future should these or other adverse conditions affect its primary sources of liquidity.

### **PENSION FUNDING OBLIGATIONS**

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017.

During the three months ended September 30, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the DATA Communications Management Pension Plan had improved since the previous valuation. Based upon the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 remained unchanged at \$0.6 million when compared to the actuarial report as at January 1, 2017. The annual minimum funding obligation will decrease from \$1.4 million based on the actuarial report as at January 1, 2017 to \$0.5 million for 2019 and 2020.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by \$0.2 million. During the nine months ended September 30, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan after applying \$0.2 million of the excess funding from 2017. The remaining excess funding from 2017 of \$11 thousand will be applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

### **CASH FLOW FROM OPERATIONS**

During the three months ended September 30, 2018, cash flows generated by operating activities were \$2.6 million compared to cash flows used for operating activities of \$0.8 million during the same period in 2017. \$4.2 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with \$3.7 million in 2017. Current period cash flows from operations were positively impacted by the increase in revenues, better gross margins from improved pricing discipline, by cost savings, by the acquisitions of BOLDER Graphics and Perennial, however this

was slightly offset by a \$0.2 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the three months ended September 30, 2018 used \$0.4 million in cash compared with \$2.3 million in the prior year. Given the increase in trade receivables as a result of higher sales in the current quarter, there was a corresponding increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as well as extending the payment terms to DCM's suppliers to better align the timing of payments with collections on outstanding receivables from DCM's customers.

In addition, \$0.9 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$1.7 million of payments in 2017. Contributions made to the Company's pension plans were \$0.2 million which decreased from \$0.4 million in the prior year while income tax payments increased by \$0.1 million for the three months ended September 30, 2018.

During the nine months ended September 30, 2018, cash flows generated by operating activities were \$14.5 million compared to cash flows generated by operating activities of \$1.5 million during the same period in 2017. A total of \$12.5 million of the current period cash flows resulted from operations, after adjusting for non-cash items, compared with \$8.4 million for the same period last year. Current period cash flows from operations were positively impacted by the increase in revenues, better gross margins from improved pricing discipline, by cost savings, by the acquisitions of BOLDER Graphics and Perennial, however this was slightly offset by a \$4.9 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the nine months ended September 30, 2018 generated \$8.7 million in cash compared with \$0.5 million of cash used in the prior year. There was an increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as a result of higher revenues during the nine months ended September 30, 2018 as well as extending the payment terms to DCM's suppliers to better align the timing of payments with collections on outstanding receivables from DCM's customers.

In addition, \$4.8 million of cash was used to make payments primarily related to severances and lease termination costs, compared with \$5.1 million of payments in 2017. Contributions made to the Company's pension plans were \$0.8 million, which decreased from \$1.3 million in the prior year while income tax payments increased by \$1.1 million for the nine months ended September 30, 2018.

#### **INVESTING ACTIVITIES**

During the three months ended September 30, 2018, \$2.2 million in cash flows were used for investing activities compared with \$1.7 million during the same period in 2017. In 2018, \$1.0 million of cash was used to invest in IT equipment to support the new ERP system and printing equipment. Furthermore, \$1.1 million of cash was used to further invest in DCM's ERP project.

During the nine months ended September 30, 2018, \$13.3 million in cash flows were used for investing activities compared with \$8.9 million during the same period in 2017. In 2018, \$2.3 million of cash was used to invest in IT equipment to support the new ERP system and printing equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Québec and Calgary, Alberta locations, respectively. Furthermore, \$3.7 million of

cash was used to further invest in DCM's ERP project. In 2018, \$7.5 million of net cash was used to acquire the business of Perennial.

### **FINANCING ACTIVITIES**

During the three months ended September 30, 2018, cash flow used for financing activities was \$0.6 million compared to cash flow generated by financing activities of \$1.7 million during the same period in 2017. DCM used a portion of cash generated from operations to pay a total of \$0.6 million related to the promissory notes issued in connection with the acquisitions of Thistle and BOLDER Graphics.

During the nine months ended September 30, 2018, cash flow used for financing activities was \$0.6 million compared to cash flow generated by financing activities of \$4.1 million during the same period in 2017. DCM used net cash received from the issuance of common shares and warrants of \$0.7 million and cash from advances under its credit facilities totaling \$13.0 million to repay \$9.1 million in outstanding principal amounts under its various credit facilities and paid a total of \$4.0 million related to the promissory notes issued in connection with the acquisitions of Eclipse, Thistle and BOLDER Graphics. DATA also incurred \$0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

### **Outstanding share data**

At November 12, 2018 and September 30, 2018, there were 21,523,515 common shares of DCM ("Common Shares") outstanding, respectively. At December 31, 2017, there were 20,039,159 Common Shares outstanding.

On June 11, 2018, a total of 89,500 Common Shares were issued pursuant to the exercise of 89,500 warrants.

On May 8, 2018, a total of 1,394,856 Common Shares were issued to one of the vendors as partial consideration for the purchase of the shares of Perennial. That vendor entered into a lock-up agreement with DCM, pursuant to which they have agreed not to sell the Common Shares issued to them pursuant to the Perennial transaction until May 8, 2019.

At November 12, 2018 and September 30, 2018, there were options outstanding to purchase up to 1,991,957 Common Shares, respectively and at December 31, 2017, there were options outstanding to purchase up to 804,961 Common Shares. During the nine months ended September 30, 2018, the Board approved awards of options to purchase up to 1,200,000 Common Shares. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.41 per share, representing the fair value of the Common Shares on March 13, 2018. A total of 40,000 options were awarded to DCM's CEO and a total of 1,160,000 options were awarded to the other members of DCM's executive management team and the Board. All options vest at a rate of 1/36th per month beginning on March 14, 2018. The fair value of the options issued was estimated to be \$0.8 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 1.88%, a weighted average life of seven years, a dividend yield of nil, an expected volatility of 40% and a forfeiture rate of 10%. During the nine months ended September 30, 2018, options to purchase 13,004 Common Shares were forfeited.

At November 12, 2018 and September 30, 2018, there were warrants outstanding to purchase up to 2,251,550 Common Shares. At December 31, 2017, there were warrants outstanding to purchase up to 1,381,050 Common Shares, respectively. On June 11, 2018, 89,500 warrants were exercised, and DCM received cash proceeds of \$157. On April 30, 2018, Crown was granted a total of 960,000 warrants in connection with the Crown Facility used to finance the acquisition of Perennial. Each warrant entitles the holder to acquire one Common Share of DCM at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be \$0.6 million using the Black-Scholes option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs. The total credit facility amount of \$12.0 million was then apportioned between the host debt and the warrant option based on relative fair values. The 960,000 warrants were recorded at a carrying value of \$0.5 million.

### Contractual obligations

DCM believes that it will have sufficient resources from its operating cash flow, existing cash resources and borrowing under available credit facilities to meet its contractual obligations as they become due. Contractual obligations have been defined as contractual commitments in existence but not paid for as at September 30, 2018. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition. Operating leases include payments to landlords for the rental of facilities and payments to vendors for the rental of equipment.

DCM believes that its existing cash resources and projected cash flows from operations will be sufficient to fund its currently projected operating requirements and that it will continue to remain compliant with its covenants and other obligations under its credit facilities.

### Summary of eight quarter results

**TABLE 5** The following table summarizes quarterly financial information for the past eight quarters.

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

	2018			2017				2016
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 74,925	\$ 78,176	\$ 88,516	\$ 76,125	\$ 70,212	\$ 73,066	\$ 70,126	\$ 68,191
Net income (loss) attributable to shareholders	838	(1,194)	1,763	(2,459)	(1,068)	(581)	(2,097)	(33,115)
Basic earnings (loss) per share	0.04	(0.06)	0.09	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)
Diluted earnings (loss) per share	0.04	(0.06)	0.09	(0.12)	(0.06)	(0.04)	(0.17)	(2.77)

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended September 30, 2018 can be attributed to several principal factors: the adoption of IFRS 9 and 15 on January 1, 2018, the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, revenue declines in DCM's traditional print business due to production volume declines largely related to technological change, price concessions and competitive activity, seasonal variations

in customer spending, restructuring expenses and business reorganization costs related to DCM's ongoing productivity improvement and cost reduction initiatives, profitability improvements resulting from cost savings initiatives which lowered direct and indirect labour costs and improved utilization rates at DCM's key plants, lower interest expense during 2016 as a result of the partial redemption of its outstanding 6.00% Convertible Debentures in 2015, non-cash goodwill impairment charges and business acquisition costs.

DCM's net income for the third quarter of 2018 included the impact on adoption of IFRS 9 and 15, and the operating results of Perennial for the full quarter of 2018. DCM's net loss for the third quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of \$1.4 million related to its cost reduction initiatives.

DCM's net income for the second quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of BOLDER Graphics for the full quarter of 2018, operating results of Perennial (after May 8, 2018), restructuring expenses of \$0.7 million related to its cost reduction initiatives, \$0.8 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of \$0.3 million. DCM's net loss for the second quarter of 2017 included operating results of Eclipse and Thistle and restructuring expenses of \$1.7 million related to its cost reduction initiatives.

DCM's net income for the first quarter of 2018 included the impact on adoption of IFRS 9 and 15, operating results of Eclipse, Thistle and BOLDER Graphics for the full quarter of 2018 and net restructuring expenses of \$0.1 million related to its cost reduction initiatives. DCM's net loss in the first quarter of 2017 included the operating results of Eclipse and Thistle post-acquisition (after February 22, 2017), restructuring expenses of \$1.9 million and business acquisition costs of \$1.0 million.

DCM's net loss for the fourth quarter of 2017 included operating results of Eclipse, Thistle and BOLDER Graphics, restructuring expenses of \$4.5 million, \$0.4 million of one-time business reorganization costs related to its cost reduction initiatives and business acquisition costs of \$0.4 million. DCM's net loss for the fourth quarter of 2016 included restructuring expenses of \$1.7 million and \$1.0 million in one-time business reorganization costs related to its cost reduction initiatives, and a non-cash impairment of goodwill of \$31.1 million related to its DCM North America cash generating unit.

## **Accounting policies**

### **CHANGES IN ACCOUNTING POLICIES**

The accounting policies and critical accounting estimates and judgments as disclosed in DCM's audited annual consolidated financial statements have been applied consistently in the preparation of its unaudited condensed interim consolidated financial statements, with the exception of the accounting standards implemented in 2018 which are outlined in notes 2 and 3 of the Notes to the condensed interim consolidated financial statements of DCM for the three and nine months ended September 30, 2018. On January 1, 2018, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM's condensed interim consolidated financial statements are described below.

**IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS**

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

<b>PRACTICAL EXPEDIENT (ON TRANSITION)</b>	<b>DESCRIPTION</b>
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

<b>PRACTICAL EXPEDIENTS (ONGOING)</b>	<b>DESCRIPTION</b>
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: <ol style="list-style-type: none"> <li>1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and</li> <li>2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.</li> </ol>
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: <ol style="list-style-type: none"> <li>1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date.</li> <li>2) Warehouse and marketing revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.</li> </ol>

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

*REVENUE RECOGNITION*

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

- a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with its customers related to product, DCM has identified three key distinct performance obligations: product sales, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from, its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when DCM completes production of product or upon receipt of third-party product into its warehouses.

- b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance. When DCM receives advance payments or issues billings in excess of revenue, these are recognized as deferred revenue in the statement of financial position. Deferred revenue is recognized as revenue when or as DCM provides custodial services over the agreed upon warehouse term.
- c. Freight services - Under IFRS 15, DCM has identified it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.
- d. Marketing services - DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct. DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed. Revenue from customer contracts are recognized based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue.

While providing services, DCM incurs certain direct costs for subcontractors and other expenses that are recoverable directly from its customers. The recoverable amounts of these direct costs are included in DCM's gross revenue as it obtains control of these services before they are provided to the customer and therefore, acts as a principal in these arrangements.

The timing of revenue recognition, billings, and cash collections results in trade receivables, unbilled receivables, and deferred revenue in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual milestones are achieved. Receivables represent amounts currently due from customers and unbilled receivables consist of work in progress that has not yet been invoiced to the customer however DCM has a right to payment for the services provided ahead of agreed upon contractual milestones. Unbilled receivables are transferred to receivables when billings are issued to the customer. Deferred revenue represents amounts that have been invoiced

to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when or as DCM performs under the contract.

#### *VARIABLE CONSIDERATION*

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers and records these as a reduction to revenue in the consolidated statement of operation.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

#### *CONTRACT COSTS*

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

#### *PRESENTATION OF DISAGGREGATED REVENUE*

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight services, and marketing and other services. Marketing and other services includes other ancillary services such as fees related to administrative functions that DCM provides to its customers and financing charges associated with customers where DCM stores customer product in the warehouse over a period of time and invoices the customer when the product is dispatched from DCM's warehouse. Revenue for other ancillary services are recognized upon completion of the performance obligations to its customers. Financing income is recognized as DCM provides custodial services to its customers over the agreed upon warehouse term.

*USE OF SIGNIFICANT JUDGMENT*

## Revenue Recognition

## a. Product sales

DCM uses significant judgment, which is inherent in its revenue generating activities, as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

## b. Marketing services

DCM accounts for its revenue from fixed-fee contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues. Contract costs include direct labor, direct costs for subcontractors and other expenditures that are recoverable directly from its customers. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract costs estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another, including labor productivity and availability, the complexity of the work to be performed and the performance of subcontractors. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known.

**IFRS 9 - FINANCIAL INSTRUMENTS**

In 2014, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

*CLASSIFICATION AND MEASUREMENT*

IFRS 9 contains a new classification and measurement approach for financial assets reflecting the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on

these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss (“FVTPL”).

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

<b>Asset/Liability</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
<i>Financial assets</i>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
<i>Financial liabilities</i>		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities <sup>(1)</sup>	Other liabilities	Amortized cost
Other non-current liabilities <sup>(2)</sup>	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities. RSUs and DSUs payables are also excluded as they are measured at fair value through profit and loss.)

(2) Includes bonuses payables

#### IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

*THE PROVISION MATRIX*

The following default rates are used to calculate the ECLs on trade receivables. These rates are re-assessed at each reporting period and therefore, are subject to change.

<i>Aging buckets</i>	<b>Current period</b>	<b>Over 30 days</b>	<b>Over 60 days</b>	<b>Over 90 days</b>	<b>Over 120 days</b>
September 30, 2018	0.06%	0.13%	0.40%	0.80%	1.06%

**IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15**

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

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>	<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>January 1, 2018 after the adoption of IFRS 9 and IFRS 15</b>
Trade receivables	\$ 41,193	(505)	\$ 28,671	\$ 69,359
Inventories	36,519	—	(25,639)	10,880
Deferred income tax assets	6,108	132	(3,006)	3,234
Trade payables and accrued liabilities	34,306	—	600	34,906
Deferred revenue	11,237	—	(9,395)	1,842
Deferred income tax liabilities	1,295	—	83	1,378
Deficit	(256,233)	(373)	8,738	(247,868)

- a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

An adjustment of \$8,320, net of tax, was made to recognize product revenue, net of costs, upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of \$27,754, a decrease in finished goods inventory of \$25,639 and a decrease to deferred revenue of \$9,147.

- b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of \$861, to the opening deficit, net of tax, was made to recognize revenue, net of costs, related to warehousing services completed bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of \$917 and a decrease to deferred revenue of \$248.

- c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of \$373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding decrease to the unbilled portion of trade receivables of \$505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

<i>(in thousands of Canadian dollars, unaudited)</i>	TRADE RECEIVABLES	UNBILLED RECEIVABLES	Total
	Lifetime expected credit losses	Lifetime expected credit losses	
Allowances as at December 31, 2017	\$ (206)	N/A <sup>(1)</sup>	\$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	\$ (206)	\$ (505)	\$ (711)

(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018

- d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of \$259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of \$350 in the consolidated statement of financial position as at January 1, 2018.

- e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of \$184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of \$250 in the consolidated statement of financial position as at January 1, 2018.

- f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of \$2,874 and increase to deferred income tax liabilities of \$83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and nine months ended September 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three and nine months ended September 30, 2018:

- g) As noted in the accounting policies, DCM serves as a principal when contracting freight services it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs, in cost of revenues. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and nine months ended September 30, 2018, DCM recognized \$1,798 and \$6,164 of freight revenue, respectively in the consolidated statement of operations

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and nine months ended September 30, 2018:

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>		<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>For the three months ended September 30, 2018 as reported</b>
Revenues	\$	73,347	\$ —	\$ 1,578	\$ 74,925
Cost of Revenues		55,541	—	1,123	56,664
Gross profit		17,806	—	455	18,261
Selling, commissions and expenses		8,262	—	(27)	8,235
General and administration expenses		7,277	35	—	7,312
Current income tax expense		246	(9)	193	430
Deferred income tax expense (recovery)		71	—	(64)	7
Net income		511	(26)	353	838

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the nine months ended September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>		<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>For the nine months ended September 30, 2018 as reported</b>
Revenues	\$	235,019	\$ —	\$ 6,598	\$ 241,617
Cost of Revenues		177,868	—	5,424	183,292
Gross profit		57,151	—	1,174	58,325
Selling, commissions and expenses		27,760	—	136	27,896
General and administration expenses		23,039	34	—	23,073
Current income tax expense		699	(140)	426	985
Deferred income tax expense (recovery)		(281)	131	(147)	(297)
Net income		673	(25)	759	1,407

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>	<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>September 30, 2018 as reported</b>
Trade receivables	\$ 42,695	\$ (586)	\$ 29,904	\$ 72,013
Inventories	34,788	—	(24,721)	10,067
Deferred income tax assets	5,634	—	(2,940)	2,694
Trade payables and accrued liabilities	43,014	—	734	43,748
Income taxes payable	2,610	(153)	439	2,896
Deferred revenue	9,876	—	(8,465)	1,411
Deficit	(254,485)	(433)	9,535	(245,383)

The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and nine months ended September 30, 2018.

- h) As at September 30, 2018, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended September 30, 2018</b>		<b>For the nine months ended September 30, 2018</b>	
Product sales	\$	67,765	\$	220,865
Warehousing revenue		1,910		5,985
Freight services		1,798		6,167
Marketing and other services		3,452		8,600
	\$	74,925	\$	241,617

#### **IFRS 2 - SHARE-BASED PAYMENT**

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification

of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

#### **IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION**

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

#### **FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED**

DCM has not yet determined the impact of adopting the changes in accounting standards listed below. The assessment of the impact on our consolidated financial statements of these new standards or the amendments to these standards is ongoing.

#### **IFRS 16 - LEASES**

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM anticipates the adoption of this standard will have a material impact on the consolidated statement of financial position. DCM has identified lease contracts that are currently accounted for as operating leases, primarily for building and equipment rentals, for which recognition will change under IFRS 16. This will result in the recognition of the present value of unavoidable future lease payments as leased assets and lease

liabilities on the statement of financial position, with a corresponding increase to income from operations. Depreciation expense and finance costs will be charged to the consolidated statement of operations related to the leased assets and lease liabilities recognized post adoption of IFRS 16.

DCM is nearing the completion of (a) completing an inventory of all leases to be considered under this new standard and (b) reviewing contract details to capture all necessary information. In addition, DCM is currently in the process of configuring a SaaS based solution it has identified to manage the accounting of its leases more effectively, including uploading lease data compiled to date and testing the integrity of the output generated from the system. Implementation of the SaaS based solution and DCM's analysis of the accounting implications against IFRS 16 are expected to be substantially complete in the fourth quarter of 2018, with finalization of documentation and evaluation of financial reporting implications to be completed in the first quarter of 2019. In addition, before the completion of DCM's fiscal 2018 audited financial statements, management plans to review the impact that IFRS 16 will have on all of its financial covenants with its lenders and amend its credit agreements, as appropriate, for any changes required to its respective covenant ratios that will be applicable for 2019 and forward. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

#### **IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS**

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

#### **IAS 19 EMPLOYEE BENEFITS (AMENDMENT)**

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DCM.

## Management's report on internal controls over financial reporting

DCM's management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements of DCM for external purposes in accordance with IFRS.

DCM's management has determined there have been no changes in the internal controls over financial reporting of DCM during the period beginning on July 1, 2018 and ending on September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of DCM.

## Outlook

In the third quarter of 2018, DCM continued to experience higher revenues over the prior year as a result of continued growth and wallet share gains in its core business, combined with incremental revenue from the acquisitions made in 2017 and the first half of 2018.

### Revenues

DCM expects total revenues for fiscal 2018 to come in at the high end of its previously announced guidance of between \$295.0 million and \$310.0 million, compared to total revenues of \$289.5 million in fiscal 2017.

### Adjusted EBITDA

DCM expects to achieve the low end of its previously announced guidance of Adjusted EBITDA for fiscal 2018 of between \$22.0 million and \$25.0 million, compared to Adjusted EBITDA in fiscal 2017 of \$16.1 million.

### Capital Expenditures

For fiscal 2018, DCM presently expects to spend approximately \$2.5 million on capital expenditures, including additional investments for infrastructure for the new ERP project. DCM expects to incur approximately \$4.0 million of intangible asset purchases in 2018, mostly relating to the ERP project.

As part of establishing the above guidance, DCM made the following assumptions:

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including capitalizing on its technology-enabled value-added services provided to customers, together with increased on-boarding and continued growth of label solutions for licensed cannabis producer customers, will offset continued expected declines in the Company's traditional business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year, and DCM will benefit from the partial year results from the acquisition of Perennial, commencing May 8, 2018;
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company in 2018, as will the acquisition of Perennial in May 2018;

- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through ongoing strategic initiatives relating to productivity improvements and continuing efforts by management to drive improved profitability while continuing to experience higher input costs;
- DCM will be able to effect increases in the prices of products sold to customers to mitigate increases in the costs of paper, and consumables, CPI and freight charges being experienced industry-wide and longer-term realize higher margins with these customers, while experiencing nominal if any volume loss;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate;
- The above guidance is based on the accounting policies applied in the unaudited interim consolidated financial statements and accompanying notes of DCM for the third quarter of 2018 and IFRS in effect for the period ended September 30, 2018.

DCM cautions the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate. Accordingly, actual results may differ materially from expectations as set forth above. The guidance provided above should be read in conjunction with, and is qualified by, the section Forward-looking Statements beginning on page 1 of the November 12, 2018 MD&A.

### **Risks and uncertainties**

An investment in DCM's securities involves risks. In addition to the other information contained in this report, investors should carefully consider the risks described in DCM's most recent Annual Information Form and other continuous disclosure filings made by DCM with Canadian securities regulatory authorities before investing in securities of DCM. The risks described in this report, the Annual Information Form and those other filings are not the only ones facing DCM. Additional risks not currently known to DCM, or that DCM currently believes are immaterial, may also impair the business, results of operations, financial condition and liquidity of DCM.

**Consolidated statements of financial position**

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>September 30, 2018</b>	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Trade receivables (note 5)	72,013	41,193
Inventories (note 6)	10,067	36,519
Prepaid expenses and other current assets	2,855	5,092
	<b>84,935</b>	82,804
<b>NON-CURRENT ASSETS</b>		
Other non-current assets	818	—
Deferred income tax assets (note 10)	2,694	6,108
Restricted cash (note 8)	515	515
Property, plant and equipment	17,762	18,831
Pension assets	2,145	760
Intangible assets	17,486	14,473
Goodwill (note 4)	16,915	8,368
	<b>\$ 143,270</b>	<b>\$ 131,859</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ 2,283	\$ 2,868
Trade payables and accrued liabilities	43,748	34,306
Current portion of credit facilities (note 8)	5,574	8,725
Current portion of promissory notes (note 9)	4,510	4,374
Provisions (note 7)	2,527	3,950
Income taxes payable	2,896	3,188
Deferred revenue	1,411	11,237
	<b>62,949</b>	68,648
<b>NON-CURRENT LIABILITIES</b>		
Provisions (note 7)	265	2,702
Credit facilities (note 8)	53,827	47,207
Promissory notes (note 9)	1,342	2,829
Deferred income tax liabilities (note 10)	1,851	1,295
Other non-current liabilities (note 11)	3,557	3,413
Pension obligations	7,646	8,133
Other post-employment benefit plans	3,233	3,031
	<b>\$ 134,670</b>	<b>\$ 137,258</b>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY / (DEFICIT)</b>		
Shares (note 12)	\$ 251,217	\$ 248,996
Warrants (note 12)	806	287
Contributed surplus (note 12)	1,751	1,368
Translation reserve	209	183
Deficit	(245,383)	(256,233)
	<b>\$ 8,600</b>	<b>\$ (5,399)</b>
	<b>\$ 143,270</b>	<b>\$ 131,859</b>

**Approved by Board of Directors**

  
Director

  
Director

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

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

	<b>For the three months ended September 30, 2018</b>		For the three months ended September 30, 2017	
<b>REVENUES (note 3)</b>	<b>\$</b>	<b>74,925</b>	<b>\$</b>	<b>70,212</b>
<b>COST OF REVENUES</b>		<b>56,664</b>		<b>53,539</b>
<b>GROSS PROFIT</b>		<b>18,261</b>		<b>16,673</b>
<b>EXPENSES</b>				
Selling, commissions and expenses		<b>8,235</b>		8,766
General and administration expenses		<b>7,312</b>		6,603
Restructuring expenses (note 7)		<b>9</b>		1,383
Acquisition costs (note 4)		<b>6</b>		18
		<b>15,562</b>		<b>16,770</b>
<b>INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES</b>		<b>2,699</b>		<b>(97)</b>
<b>FINANCE COSTS (INCOME)</b>				
Interest expense		<b>1,257</b>		1,135
Interest income		<b>(1)</b>		—
Amortization of transaction costs		<b>168</b>		141
		<b>1,424</b>		<b>1,276</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>1,275</b>		<b>(1,373)</b>
<b>INCOME TAX EXPENSE (RECOVERY)</b>				
Current		<b>430</b>		165
Deferred		<b>7</b>		(470)
		<b>437</b>		<b>(305)</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$</b>	<b>838</b>	<b>\$</b>	<b>(1,068)</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (note 13)</b>	<b>\$</b>	<b>0.04</b>	<b>\$</b>	<b>(0.06)</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE (note 13)</b>	<b>\$</b>	<b>0.04</b>	<b>\$</b>	<b>(0.06)</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## Consolidated statements of operations

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

	For the nine months ended September 30, 2018	For the nine months ended September 30, 2017
<b>REVENUES (note 3)</b>	<b>\$ 241,617</b>	<b>\$ 213,404</b>
<b>COST OF REVENUES</b>	<b>183,292</b>	<b>162,367</b>
<b>GROSS PROFIT</b>	<b>58,325</b>	<b>51,037</b>
<b>EXPENSES</b>		
Selling, commissions and expenses	27,896	25,974
General and administration expenses	23,073	20,134
Restructuring expenses (note 7)	809	5,004
Acquisition costs (note 4)	319	987
	<b>52,097</b>	<b>52,099</b>
<b>INCOME (LOSS) BEFORE FINANCE COSTS AND INCOME TAXES</b>	<b>6,228</b>	<b>(1,062)</b>
<b>FINANCE COSTS (INCOME)</b>		
Interest expense	3,669	3,266
Interest income	(5)	—
Amortization of transaction costs	469	377
	<b>4,133</b>	<b>3,643</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>2,095</b>	<b>(4,705)</b>
<b>INCOME TAX EXPENSE (RECOVERY)</b>		
Current	985	504
Deferred	(297)	(1,463)
	<b>688</b>	<b>(959)</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 1,407</b>	<b>\$ (3,746)</b>
<b>BASIC EARNINGS (LOSS) PER SHARE (note 13)</b>	<b>\$ 0.07</b>	<b>\$ (0.25)</b>
<b>DILUTED EARNINGS (LOSS) PER SHARE (note 13)</b>	<b>\$ 0.07</b>	<b>\$ (0.25)</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**Consolidated statements of comprehensive income***(in thousands of Canadian dollars, unaudited)*

	<b>For the three months ended September 30, 2018</b>	<b>For the three months ended September 30, 2017</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 838</b>	<b>\$ (1,068)</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)</b>		
Foreign currency translation	(11)	(89)
	<b>(11)</b>	<b>(89)</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)</b>		
Re-measurements of pension and other post-employment benefit obligations	243	2,230
Taxes related to pension and other post-employment benefit adjustment above	(63)	(581)
	<b>180</b>	<b>1,649</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>\$ 169</b>	<b>\$ 1,560</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>\$ 1,007</b>	<b>\$ 492</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Consolidated statements of comprehensive income (loss)***(in thousands of Canadian dollars, unaudited)*

	<b>For the nine months ended September 30, 2018</b>	<b>For the nine months ended September 30, 2017</b>
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 1,407</b>	<b>\$ (3,746)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>		
<b>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME (LOSS)</b>		
Foreign currency translation	26	(163)
	<b>26</b>	<b>(163)</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME (LOSS)</b>		
Re-measurements of pension and other post-employment benefit obligations	1,457	127
Taxes related to pension and other post-employment benefit adjustment above	(379)	(34)
	<b>1,078</b>	<b>93</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX</b>	<b>\$ 1,104</b>	<b>\$ (70)</b>
<b>COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 2,511</b>	<b>\$ (3,816)</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Consolidated statements of changes in shareholders' equity (deficit)**

<i>(in thousands of Canadian dollars, unaudited)</i>	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity (deficit)
Balance as at December 31, 2016	\$ 237,432	\$ —	\$ 128	\$ 1,164	\$ 258	\$ (248,917)	\$ (9,935)
Net loss for the period	—	—	—	—	—	(3,746)	(3,746)
Other comprehensive loss for the period	—	—	—	—	(163)	93	(70)
Total comprehensive loss for the period	—	—	—	—	(163)	(3,653)	(3,816)
Shares issued on the redemption of convertible debentures (note 12)	—	—	(128)	128	—	—	—
Issuance of common shares (note 12)	10,723	287	—	(15)	—	—	10,995
Share-based compensation expense	—	—	—	25	—	—	25
Balance as at September 30, 2017	\$ 248,155	\$ 287	\$ —	\$ 1,302	\$ 95	\$ (252,570)	\$ (2,731)
<b>BALANCE AS AT DECEMBER 31, 2017</b>	<b>\$ 248,996</b>	<b>\$ 287</b>	<b>\$ —</b>	<b>\$ 1,368</b>	<b>\$ 183</b>	<b>\$ (256,233)</b>	<b>\$ (5,399)</b>
Impact of change in accounting policy (note 3)	—	—	—	—	—	8,365	8,365
	<b>\$ 248,996</b>	<b>\$ 287</b>	<b>\$ —</b>	<b>\$ 1,368</b>	<b>\$ 183</b>	<b>\$ (247,868)</b>	<b>\$ 2,966</b>
Net income for the period	—	—	—	—	—	1,407	1,407
Other comprehensive income for the period	—	—	—	—	26	1,078	1,104
Total comprehensive income for the period	—	—	—	—	26	2,485	2,511
Issuance of common shares and warrants, net (note 12)	2,221	519	—	—	—	—	2,740
Share-based compensation expense	—	—	—	383	—	—	383
<b>BALANCE AS AT SEPTEMBER 30, 2018</b>	<b>\$ 251,217</b>	<b>\$ 806</b>	<b>\$ —</b>	<b>\$ 1,751</b>	<b>\$ 209</b>	<b>\$ (245,383)</b>	<b>\$ 8,600</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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

	<b>For the three months ended September 30, 2018</b>	For the three months ended September 30, 2017
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 838	\$ (1,068)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	1,162	1,084
Amortization of intangible assets	1,213	906
Share-based compensation expense	118	(34)
Pension expense (note 16)	134	135
(Gain) loss on disposal of property, plant and equipment	(15)	134
Write-off of intangible assets	—	57
Provisions (note 7)	9	1,383
Amortization of transaction costs (note 8)	168	141
Accretion of non-current liabilities and related interest expense	160	197
Other non-current liabilities	(43)	1,118
Other post-employment benefit plans, net	68	49
Tax credits recognized	—	(125)
Income tax expense (recovery)	437	(305)
	<b>4,249</b>	<b>3,672</b>
Changes in working capital (note 14)	(384)	(2,315)
Contributions made to pension plans	(230)	(359)
Provisions paid (note 7)	(880)	(1,745)
Income taxes paid	(162)	(64)
	<b>2,593</b>	<b>(811)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,033)	(530)
Purchase of intangible assets	(1,146)	(1,131)
Proceeds on disposal of property, plant and equipment	22	—
	<b>(2,157)</b>	<b>(1,661)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants, net (note 12)	—	68
Proceeds from credit facilities (note 8)	1,493	4,145
Repayment of credit facilities (note 8)	(1,335)	(1,830)
Repayment of other liabilities	(100)	(145)
Repayment of promissory notes (note 9)	(585)	(496)
Transaction costs (note 8)	(22)	(17)
Finance lease payments	(7)	(16)
	<b>(556)</b>	<b>1,709</b>
<b>INCREASE IN BANK OVERDRAFT DURING THE PERIOD</b>	<b>(120)</b>	<b>(763)</b>
<b>BANK OVERDRAFT – BEGINNING OF PERIOD</b>	<b>\$ (2,164)</b>	<b>\$ (989)</b>
<b>EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES</b>	<b>1</b>	<b>(91)</b>
<b>BANK OVERDRAFT – END OF PERIOD</b>	<b>\$ (2,283)</b>	<b>\$ (1,843)</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

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

	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
<b>CASH PROVIDED BY (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 1,407	\$ (3,746)
Adjustments to net income (loss)		
Depreciation of property, plant and equipment	3,486	3,027
Amortization of intangible assets	3,514	2,505
Share-based compensation expense	383	25
Pension expense (note 16)	403	405
(Gain) loss on disposal of property, plant and equipment	(144)	156
Write-off of intangible assets	242	57
Provisions (note 7)	943	5,004
Amortization of transaction costs (note 8)	469	377
Accretion of non-current liabilities and related interest expense	471	514
Other non-current liabilities	403	1,000
Other post-employment benefit plans, net	202	159
Tax credits recognized	—	(125)
Income tax expense (recovery)	688	(959)
	<b>12,467</b>	<b>8,399</b>
Changes in working capital (note 14)	8,723	(479)
Contributions made to pension plans (note 16)	(818)	(1,271)
Provisions paid (note 7)	(4,803)	(5,085)
Income taxes paid	(1,056)	(69)
	<b>14,513</b>	<b>1,495</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,319)	(1,478)
Purchase of intangible assets	(3,664)	(2,210)
Proceeds on disposal of property, plant and equipment	172	22
Net cash consideration for acquisition of businesses (note 4)	(7,505)	(5,188)
	<b>(13,316)</b>	<b>(8,854)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants, net (note 12)	685	8,137
Proceeds from credit facilities (note 8)	12,951	21,234
Repayment of credit facilities (note 8)	(9,093)	(9,431)
Repayment of convertible debentures	—	(11,175)
Repayment of other liabilities	(301)	(600)
Repayment of promissory notes (note 9)	(3,978)	(1,010)
Transaction costs (note 8)	(890)	(622)
Finance lease payments	(20)	(2,416)
	<b>(646)</b>	<b>4,117</b>
<b>DECREASE IN (BANK OVERDRAFT) / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<b>551</b>	<b>(3,242)</b>
<b>(BANK OVERDRAFT) CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD</b>	<b>\$ (2,868)</b>	<b>\$ 1,544</b>
<b>EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES</b>	<b>34</b>	<b>(145)</b>
<b>BANK OVERDRAFT – END OF PERIOD</b>	<b>\$ (2,283)</b>	<b>\$ (1,843)</b>

*The accompanying notes are an integral part of these condensed interim consolidated financial statements.*

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***1 General Information**

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

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

On February 22, 2017, DCM acquired substantially all of the assets of Eclipse Colour and Imaging Corp. ("Eclipse"), a Canadian large-format and point-of-purchase printing and packaging company. On February 22, 2017, DCM acquired 100% of the outstanding common shares of Thistle Printing Limited ("Thistle"), a full service commercial printing company. On November 10, 2017, DCM acquired 100% of the outstanding common shares of BGI Holdings Inc. and 1416395 Alberta Limited (collectively "BOLDER Graphics"), a privately-held company that specializes in large-format digital printing, point of sale signage, corporate packaging, outdoor signage and vehicle graphics. It also specializes in loose-leaf bindery, stationery and other commercial print capabilities. On January 1, 2018, BOLDER Graphics was amalgamated into DCM.

On May 8, 2018, DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial"). Perennial's suite of services includes business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy.

DCM's revenue is subject to the seasonal advertising and mailing patterns of certain customers. Typically, higher revenues and profit are generated in the fourth quarter relative to the other three quarters, however this can vary from time to time by changes in customers' purchasing decisions throughout the year. As a result, DCM's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year.

The common shares of DCM are listed on the Toronto Stock Exchange ("TSX") under the symbol "DCM". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario.

**2 Basis of presentation and significant accounting policies**

DCM prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial reports, including International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*". The accounting policies followed in these condensed interim consolidated financial statements are the same as those applied in DCM's consolidated financial statements for the year ended December 31, 2017, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2018 and disclosed in note 3. Where applicable, DCM has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2018, as issued and outstanding as of November 12, 2018, the date the Board of Directors approved these financial statements.

The condensed interim consolidated financial statements should be read in conjunction with DCM's consolidated annual financial statements for the year ended December 31, 2017 which have been prepared in accordance with IFRS, as issued by the IASB.

**3 Change in accounting policies***(a) New and amended standards adopted*

On January 1, 2018, DCM implemented the following new and revised standards, along with any consequential amendments, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the implementation of these standards on DCM's condensed interim consolidated financial statements are described below.

**IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS**

In 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"), replacing IAS 18 *Revenue* ("IAS 18"), IAS 11 *Construction Contracts*, and related interpretations. IFRS 15 establishes a single comprehensive framework for revenue recognition based on a five-step model where entities are required to 1) identify the contract with a customer; 2) identify the performance obligations related to the contract; 3) determine the transaction price of the contract; 4) allocate such transaction price between the performance obligations in the contract; and 5) recognize revenue when (or as) performance obligations are satisfied. In addition to recognition and measurement, IFRS 15 also includes new requirements on presentation and disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

DCM elected to adopt IFRS 15 using the modified retrospective method, with recognition of transitional adjustments in opening deficit on the date of initial application (January 1, 2018), without restatement of comparative figures.

IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. DCM applied the following practical expedients upon adoption of IFRS 15:

<b>PRACTICAL EXPEDIENT (ON TRANSITION)</b>	<b>DESCRIPTION</b>
Completed contracts	DCM did not restate contracts that began and were completed in the same annual reporting period or were completed by delivering all product and services prior to or on January 1, 2018.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

<b>PRACTICAL EXPEDIENTS (ONGOING)</b>	<b>DESCRIPTION</b>
Assessment against a portfolio of contracts versus individual contracts	DCM grouped customer contracts that were individually less significant in nature where they had similar characteristics and applied IFRS 15 to the portfolio of contracts (or performance obligations) on the basis that DCM reasonably expects that the effects on the financial statements of applying this standard to the portfolio would not differ materially from applying this standard to the individual contracts (or performance obligations) within that portfolio.
Consideration of potential existence of a significant financing component in a contract	DCM applied the practical expedient in IFRS 15 to not assess whether there is a significant financing component in its contracts on the basis that: <ol style="list-style-type: none"> <li>1) The period between when DCM transfers a promised good or service to a customer and when the customer pays for that good or service is generally one year or less; and</li> <li>2) Where invoicing takes place when the product is dispatched from the warehouse, DCM charges its customers a financing charge for the duration of the time that customer product is stored in its warehouses at a rate that is reasonably comparable with market interest rates.</li> </ol>
Transaction price allocated to the remaining performance obligations unsatisfied at the end of a reporting period	DCM elected not to disclose the aggregate amount of the transaction price allocated to the unsatisfied portion of the performance obligations at the end of the reporting period, in addition to when it expects to recognize this as revenue based on the following reasons: <ol style="list-style-type: none"> <li>1) Product and freight revenue - DCM has a right to consideration from a customer in an amount that corresponds directly with the value to the customer for the performance obligation completed to date.</li> <li>2) Warehouse and marketing revenue - generally this performance obligation is part of a contract that has an original expected duration of one year or less.</li> </ol>

The details of the new significant accounting policies and the impact of the changes from previous significant accounting policies in relation to DCM's sale of products and services are set out below.

**REVENUE RECOGNITION**

Under IFRS 15, DCM recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which DCM expects to be entitled to, net of incentives given to its customers including volume-based incentives and cash discounts.

The following is a description of the principal activities from which DCM generates its revenue, along with the corresponding revenue recognition accounting policies applied under IFRS 15:

- a. Product sales - DCM manufactures customized products based on specifications pre-approved by its customers. At its customers' request, DCM will also purchase stock product from third-party vendors and resell that to its customers. For products that DCM purchases and resells to its customers, DCM is typically a principal in these arrangements as it is responsible for making key decisions over the purchasing of product and has the economic risks and rewards that are customary with control. Accordingly, third party stock product revenue is typically presented on a gross basis in revenue with the corresponding product purchase cost and associated costs recognized in costs of revenue. Under IFRS 15, DCM recognizes revenue when control over the product transfers to the customer, which is effectively transferred upon the completion of production or when resale product is purchased and inducted into DCM's warehouses. Given manufactured products are customized or purchased specifically at the customer's request, product returns are insignificant.

In some instances, DCM customers obtain the product directly from DCM following the completion of production. In other instances, DCM's contracts involve the provision of warehousing and shipment services, in addition to manufacturing or purchasing of third-party products. Based on DCM's contractual arrangements with its customers related to product, DCM has identified three key distinct performance obligations: product sales, warehousing services and shipment services. DCM stores customized or purchased product at the request of the customer; the

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

product is identifiable as the customer's product; the product is ready for transfer to the customer upon the customer's request; and DCM cannot re-direct the product nor use the product to fulfill another customer's product order under the contract. Where control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses, DCM recognizes revenue for product and allocates an amount of the consideration received or receivable from the customer for the remaining warehousing and shipping performance obligations based on their relative stand-alone selling prices, where applicable. Based on the contractual terms with its customers, DCM either issues an invoice when product that is manufactured by DCM or purchased from third-party vendors is inducted into DCM's warehouse, or alternatively the invoice is issued for some customers when product is dispatched from its warehouses. In instances where DCM issues an invoice on dispatch of product from its warehouses, rather than at the date of transfer of control, DCM is still entitled to payment for the purchased or manufactured product. Accordingly, revenue is recognized for the product manufactured by DCM or third-party stock product and a corresponding "unbilled receivable" is also recognized as a trade receivable in the consolidated statement of financial position. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when DCM completes production of product or upon receipt of third-party product into its warehouses.

- b. Warehousing services - DCM provides custodial services to store customer product in its warehouse over a specified agreed upon period. For non-bundled pricing arrangements, warehousing revenues are recognized over the period that warehousing services are provided to the customer based on the balance of customer product remaining in the warehouse at the time an invoice is issued. For bundled pricing arrangements, DCM allocates a portion of the initial transaction price for warehousing services and recognizes revenue on a straight-line basis over the period of the warehousing as it best represents the pattern of performance. When DCM receives advance payments or issues billings in excess of revenue, these are recognized as deferred revenue in the statement of financial position. Deferred revenue is recognized as revenue when or as DCM provides custodial services over the agreed upon warehouse term.
- c. Freight services - Under IFRS 15, DCM has identified it has a distinct performance obligation for shipment of product for certain contracts where it has an obligation to arrange shipment services where control of the product has been transferred to the customer prior to shipment. DCM frequently contracts with third parties to deliver product. Under IFRS 15, DCM is typically a principal for such shipment services as it is responsible for making key decisions over the shipment arrangements and has the economic risks and rewards associated with such control. As a principal DCM recognizes shipment revenues when performance of the shipping service has occurred.
- d. Marketing services - DCM generates revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, strategic marketing and design services. Typically, these services are contracted with fixed-fees and are provided over a period of time equal to one year or less. Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services. DCM's marketing contracts include a single performance obligation because the promise to transfer the individual services are not separately identifiable from other promises in the contract and therefore are not distinct. DCM transfers control of the services it provides to its customers over time and therefore recognizes revenue progressively as the services are performed. Revenue from customer contracts are recognized based on the percentage of completion method. Under this method, the stage of completion is measured using costs incurred to date as a percentage of total estimated costs for each contract and the percentage of completion is applied to the total estimated revenue.

While providing services, DCM incurs certain direct costs for subcontractors and other expenses that are recoverable directly from its customers. The recoverable amounts of these direct costs are included in DCM's gross revenue as it obtains control of these services before they are provided to the customer and therefore, acts as a principal in these arrangements.

The timing of revenue recognition, billings, and cash collections results in trade receivables, unbilled receivables, and deferred revenue in the consolidated statements of financial position. Amounts are typically invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or when contractual

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

milestones are achieved. Receivables represent amounts currently due from customers and unbilled receivables consist of work in progress that has not yet been invoiced to the customer however DCM has a right to payment for the services provided ahead of agreed upon contractual milestones. Unbilled receivables are transferred to receivables when billings are issued to the customer. Deferred revenue represents amounts that have been invoiced to the customer but not yet recognized as revenue, including advance payments and billings in excess of revenue. Deferred revenue is recognized as revenue when or as DCM performs under the contract.

**VARIABLE CONSIDERATION**

Some contracts with customers provide volume-based incentives specific to product sales. Previously, under IAS 18, DCM recognized revenue from the sale of products measured at the fair value of the consideration received or receivable, net of provisions for customer incentives. Such incentive offerings give rise to variable consideration under IFRS 15 and are required to be estimated at contract inception by using either the expected value or the most likely amount, depending on which method better predicts the amount of consideration to which the customer will be entitled. The estimates are based on various assumptions including past experience with customers and other relevant factors. DCM uses the most likely amount when determining the expected amount of volume-based incentives it will give to its customers and records these as a reduction to revenue in the consolidated statement of operation.

Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize volume-based incentives has also changed to correspond with the related timing of recognition of product sales and warehouse revenue.

**CONTRACT COSTS**

DCM rewards its employees with sales commissions for sales made to certain customers. Previously, under IAS 18, DCM would recognize an expense for commission costs payable to its employees within selling, commissions and expenses in the consolidated statement of operations based on when the customer was invoiced. Given the timing of revenue recognition has changed for product sales and warehousing services with a bundled pricing arrangement upon the adoption of IFRS 15, the timing to recognize commission costs also changed to correspond with the related recognition of revenue.

**PRESENTATION OF DISAGGREGATED REVENUE**

In accordance with IFRS 15, DCM has disclosed revenue on a disaggregated basis in the "Impact of Adoption of IFRS 9 and IFRS 15" section below. Revenue is disaggregated based on the nature of the major products and services it provides to its customers which comprise of product sales, warehousing services, freight services, and marketing and other services. Marketing and other services includes other ancillary services such as fees related to administrative functions that DCM provides to its customers and financing charges associated with customers where DCM stores customer product in the warehouse over a period of time and invoices the customer when the product is dispatched from DCM's warehouse. Revenue for other ancillary services are recognized upon completion of the performance obligations to its customers. Financing income is recognized as DCM provides custodial services to its customers over the agreed upon warehouse term.

**USE OF SIGNIFICANT JUDGMENT***Revenue Recognition*

## a. Product sales

DCM uses significant judgment, which is inherent in its revenue generating activities, as to when control is transferred to its customers on the completion of the manufacture or purchase and induction of third-party product into DCM's warehouses. As an integral part of the judgment on the transfer of control of product, DCM typically has a right of payment for all customized product produced or purchased from third-party vendors notwithstanding that invoicing of the product for some contracts does not occur until the product is dispatched from the warehouse at the customers' request. Due to the custom nature of the product, it does not have an alternative use to DCM, such that DCM is practically entitled to payment once the quantity of product pursuant to an individual purchase order is produced or

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purchased from a third-party vendor and inducted into its warehouses. Where a customer has an arrangement to be invoiced on dispatch from one of DCM's warehouses, DCM closely monitors the customer's product and the agreed upon term of warehousing to manage any related business risks.

**b. Marketing services**

DCM accounts for its revenue from fixed-fee contracts using the percentage of completion method, which requires estimates to be made for contract costs and revenues. Contract costs include direct labor, direct costs for subcontractors and other expenditures that are recoverable directly from its customers. Progress on jobs is regularly reviewed by management and estimated costs to complete are revised based on the information available at the end of each reporting period. Contract costs estimates are based on various assumptions that can result in a change to contract profitability from one financial reporting period to another, including labor productivity and availability, the complexity of the work to be performed and the performance of subcontractors. Estimating total costs is subjective and requires management's best judgments based on the information available at that time.

Changes in estimates are reflected in the period in which the circumstances that gave rise to the change became known.

**IFRS 9 - FINANCIAL INSTRUMENTS**

In 2014, the IASB issued IFRS 9 *Financial Instruments* ("IFRS 9") replacing IAS 39 *Financial Instruments: Recognition and Measurement* and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. DCM implemented IFRS 9 as at January 1, 2018 by applying the requirements for classification and measurement, including impairment, retrospectively, with the cumulative effects of initial application recorded in the opening deficit balance as at January 1, 2018 with no restatement of comparative periods. IFRS 9 was not applied to financial assets and financial liabilities that were derecognized at the date of initial application (i.e. January 1, 2018). DCM also applied related amendments to IFRS 7 *Financial Instruments: Disclosures*.

**CLASSIFICATION AND MEASUREMENT**

IFRS 9 contains a new classification and measurement approach for financial assets reflecting the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL").

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

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The following table summarizes the classification impact of DCM's financial assets and financial liabilities upon the adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in any significant changes in measurement or the carrying amount of DCM's financial assets and liabilities.

<b>Asset/Liability</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
<i>Financial assets</i>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
<i>Financial liabilities</i>		
Bank overdraft	Other liabilities	Amortized cost
Trade payables and accrued liabilities <sup>(1)</sup>	Other liabilities	Amortized cost
Other non-current liabilities <sup>(2)</sup>	Other liabilities	Amortized cost
Credit facilities	Other liabilities	Amortized cost
Promissory notes	Other liabilities	Amortized cost

(1) *Includes trade payables and accrued liabilities (excluding financial liabilities related to commodity taxes that are not contractual and that arise as a result of statutory requirements imposed by governments and therefore do not meet the definition of financial assets or financial liabilities. RSUs and DSUs payables are also excluded as they are measured at fair value through profit and loss.)*

(2) *Includes bonuses payable*

**IMPAIRMENT OF FINANCIAL ASSETS**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses.

DCM applies the ECL model to assess the impairment of its financial assets at each balance sheet date. DCM adopted the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables are written off when there is no reasonable expectation of recovering the asset or a portion, thereof.

Impairment losses are recorded in general and administration expenses in the consolidated statements of operations. Where there is a change that will cause a significant reduction in the loss, the impairment loss previously recognized is reversed through the consolidated statements of operations.

**THE PROVISION MATRIX**

The following default rates are used to calculate the ECLs on trade receivables. These rates are re-assessed at each reporting period and therefore, are subject to change.

<i>Aging buckets</i>	<b>Current period</b>	<b>Over 30 days</b>	<b>Over 60 days</b>	<b>Over 90 days</b>	<b>Over 120 days</b>
September 30, 2018	0.06%	0.13%	0.40%	0.80%	1.06%

## Notes to The Condensed Interim Consolidated Financial Statements

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***IMPACT OF ADOPTION OF IFRS 9 AND IFRS 15**

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

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>January 1, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>		<b>Impact of adopting IFRS 9</b>		<b>Impact of adopting IFRS 15</b>		<b>January 1, 2018 after the adoption of IFRS 9 and IFRS 15</b>	
Trade receivables	\$	41,193	\$	(505)	\$	28,671	\$	69,359
Inventories		36,519		—		(25,639)		10,880
Deferred income tax assets		6,108		132		(3,006)		3,234
Trade payables and accrued liabilities		34,306		—		600		34,906
Deferred revenue		11,237		—		(9,395)		1,842
Deferred income tax liabilities		1,295		—		83		1,378
Deficit		(256,233)		(373)		8,738		(247,868)

- a) Under IAS 18, DCM previously identified that the risks and rewards of ownership related to product that was manufactured by DCM or purchased from a third-party vendor at the customer's request and stored on the customer's behalf in DCM's warehouse did not transfer until such time as the product was dispatched from the warehouse. As noted under changes in accounting policies, DCM has identified that on adoption of IFRS 15 product revenue should be recognized upon the completion of production of manufactured product or purchase and induction of third-party product into DCM's warehouses as that is when control of the product is transferred to the customer and DCM has a right to payment.

An adjustment of \$8,320, net of tax, was made to recognize product revenue, net of costs, upon the completion of production or upon the purchase and induction of third-party product into DCM's warehouses resulting in a decrease to the deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of \$27,754, a decrease in finished goods inventory of \$25,639 and a decrease to deferred revenue of \$9,147.

- b) Under IFRS 15, revenue is recognized over the period that warehousing services are provided to the customer. Previously, under IAS 18, revenue related to warehousing services bundled with the overall selling price of the product, were recognized upon shipment of the product to the customer and non-bundled warehousing services were recognized over the service period.

An adjustment of \$861, to the opening deficit, net of tax, was made to recognize revenue, net of costs, related to warehousing services completed bundled with the overall transaction price of the product, and therefore had not been recognized previously under IAS 18 until the product was invoiced upon shipment of the product from the warehouse. The adjustment decreased the deficit balance in the consolidated statement of financial position as of January 1, 2018. There was a corresponding increase to the unbilled portion of trade receivables of \$917 and a decrease to deferred revenue of \$248.

- c) DCM has recognized revenue as noted in (a) and (b) above for unbilled receivables representing receivables where DCM has a right to payment for product manufactured or purchased from a third-party vendor and inducted into its warehouses, and warehousing services, yet DCM has agreed not to issue an invoice until the product is shipped from the warehouse. Such amounts related to product sales under IFRS 15 were previously recorded as inventories under IAS 2 *Inventories*, until such time as the product was dispatched from the warehouse.

Upon transition to IFRS 9, DCM assessed trade receivables, which includes unbilled receivables for impairment by applying the provision matrix as at January 1, 2018. An impairment loss of \$373, net of tax, was recorded as an increase to the deficit balance in the consolidated statement of financial position. There was a corresponding

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decrease to the unbilled portion of trade receivables of \$505 in the consolidated statement of financial position as at January 1, 2018.

The following table presents the reconciliation of the ending allowances as at December 31, 2017 to the opening loss allowances determined in accordance with IFRS 9 at the date of initial application:

<i>(in thousands of Canadian dollars, unaudited)</i>	TRADE RECEIVABLES	UNBILLED RECEIVABLES	Total
	Lifetime expected credit losses	Lifetime expected credit losses	
Allowances as at December 31, 2017	\$ (206)	N/A <sup>(1)</sup>	\$ (206)
Additional loss allowance recognized on January 1, 2018	—	(505)	(505)
Impairment allowance under IFRS 9 as at January 1, 2018	\$ (206)	\$ (505)	\$ (711)

*(1) Unbilled receivables, classified in Trade receivables were recognized upon the adoption of IFRS 15 as at January 1, 2018*

- d) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize volume-based incentives was also changed to correspond with the related recognition of revenue.

An adjustment of \$259, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of \$350 in the consolidated statement of financial position as at January 1, 2018.

- e) As a result of the change in the timing of revenue recognition upon the adoption of IFRS 15, the timing to recognize sales commission costs was also changed to correspond with the related recognition of revenue.

An adjustment of \$184, net of tax, was made to increase the opening deficit balance in the consolidated statement of financial position as at January 1, 2018. There was a corresponding increase to trade payables and accrued liabilities of \$250 in the consolidated statement of financial position as at January 1, 2018.

- f) The combined tax impact of the above adjustments in (a) to (e) was a decrease to deferred income tax assets of \$2,874 and increase to deferred income tax liabilities of \$83 in the consolidated statement of financial position as at January 1, 2018.

There were adjustments made for the three and nine months ended September 30, 2018 similar in nature to those noted in (a) to (f) above. In addition, the following adjustments were also made for the three and nine months ended September 30, 2018:

- g) As noted in the accounting policies, DCM serves as a principal when contracting freight services it provides to its customers as it represents the primary obligor in these arrangements. Previously, under IAS 18, DCM had recorded freight revenue, net of related costs, in cost of revenues. Under IFRS 15, an adjustment was made to present freight revenue on a gross basis. For the three and nine months ended September 30, 2018, DCM recognized \$1,798 and \$6,164 of freight revenue, respectively in the consolidated statement of operations.

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For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

The following table summarizes the impact of adopting IFRS 9 and IFRS 15 on DCM's consolidated financial statements for the three and nine months ended September 30, 2018:

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>	<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>For the three months ended September 30, 2018 as reported</b>
Revenues	\$ 73,347	\$ —	\$ 1,578	\$ 74,925
Cost of Revenues	55,541	—	1,123	56,664
Gross profit	17,806	—	455	18,261
Selling, commissions and expenses	8,262	—	(27)	8,235
General and administration expenses	7,277	35	—	7,312
Current income tax expense	246	(9)	193	430
Deferred income tax expense (recovery)	71	—	(64)	7
Net income	511	(26)	353	838

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the nine months ended September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>	<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>For the nine months ended September 30, 2018 as reported</b>
Revenues	\$ 235,019	\$ —	\$ 6,598	\$ 241,617
Cost of Revenues	177,868	—	5,424	183,292
Gross profit	57,151	—	1,174	58,325
Selling, commissions and expenses	27,760	—	136	27,896
General and administration expenses	23,039	34	—	23,073
Current income tax expense	699	(140)	426	985
Deferred income tax expense (recovery)	(281)	131	(147)	(297)
Net income	673	(25)	759	1,407

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>September 30, 2018 prior to the adoption of IFRS 9 and IFRS 15</b>	<b>Impact of adopting IFRS 9</b>	<b>Impact of adopting IFRS 15</b>	<b>September 30, 2018 as reported</b>
Trade receivables	\$ 42,695	(586)	\$ 29,904	\$ 72,013
Inventories	34,788	—	(24,721)	10,067
Deferred income tax assets	5,634	—	(2,940)	2,694
Trade payables and accrued liabilities	43,014	—	734	43,748
Income taxes payable	2,610	(153)	439	2,896
Deferred revenue	9,876	—	(8,465)	1,411
Deficit	(254,485)	(433)	9,535	(245,383)

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The adoption of IFRS 9 and IFRS 15 did not have a material impact on DCM's consolidated statement of cash flows for the three and nine months ended September 30, 2018.

- h) As at September 30, 2018, DCM has disclosed revenue on a disaggregated basis based on the nature of the major products and services it provides to its customers as follows:

<i>(in thousands of Canadian dollars, unaudited)</i>	<b>For the three months ended September 30, 2018</b>	<b>For the nine months ended September 30, 2018</b>
Product sales	\$ 67,765	\$ 220,865
Warehousing revenue	1,910	5,985
Freight services	1,798	6,167
Marketing and other services	3,452	8,600
	<b>\$ 74,925</b>	<b>\$ 241,617</b>

**IFRS 2 - SHARE-BASED PAYMENT**

An amendment to IFRS 2 *Share-based Payment* was issued in June 2016 to clarify the accounting for certain types of share-based payment transactions. The amendments provide requirements on accounting for the effects of vesting and non-vesting conditions of cash-settled share-based payments, withholding tax obligations for share-based payments with a net settlement feature, and when a modification to the terms of a share-based payment changes the classification of the transaction from cash-settled to equity-settled. The amendments are effective for the year beginning on or after January 1, 2018. This amendment did not have an impact on the interim consolidated financial statements of DCM.

**IFRIC 22 - FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION**

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is an interpretation paper issued by the IASB in December 2016. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognizes the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply any of the following interpretations: (a) retrospectively for each period presented, (b) prospectively to items in scope that are initially recognized on or after the beginning of the reporting period in which the interpretation is first applied, or (c) prospectively from the beginning of a prior reporting period presented as comparative information. IFRIC 22 did not have an impact on the interim consolidated financial statements of DCM.

*(b) Future accounting standards not yet adopted.*

**IFRS 16 - LEASES**

IFRS 16 *Leases* was issued in January 2016. It supersedes the IASB's current lease standard, IAS 17 *Leases*, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease

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liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Based on management's preliminary assessment, DCM anticipates the adoption of this standard will have a material impact on the consolidated statement of financial position. DCM has identified lease contracts that are currently accounted for as operating leases, primarily for building and equipment rentals, for which recognition will change under IFRS 16. This will result in the recognition of the present value of unavoidable future lease payments as leased assets and lease liabilities on the statement of financial position, with a corresponding increase to income from operations. Depreciation expense and finance costs will be charged to the consolidated statement of operations related to the leased assets and lease liabilities recognized post adoption of IFRS 16.

DCM is nearing the completion of (a) completing an inventory of all leases to be considered under this new standard and (b) reviewing contract details to capture all necessary information. In addition, DCM is currently in the process of configuring a SaaS based solution it has identified to manage the accounting of its leases more effectively, including uploading lease data compiled to date and testing the integrity of the output generated from the system. Implementation of the SaaS based solution and DCM's analysis of the accounting implications against IFRS 16 are expected to be substantially complete in the fourth quarter of 2018, with finalization of documentation and evaluation of financial reporting implications to be completed in the first quarter of 2019. In addition, before the completion of DCM's fiscal 2018 audited financial statements, management plans to review the impact that IFRS 16 will have on all of its financial covenants with its lenders and amend its credit agreements, as appropriate, for any changes required to its respective covenant ratios that will be applicable for 2019 and forward. DCM will adopt IFRS 16 for the annual period beginning January 1, 2019.

**IFRIC 23 - UNCERTAINTY OVER INCOME TAX TREATMENTS**

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation clarifies the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If the entity considers it to be not probable that a taxation authority will accept an uncertain tax provision the interpretation requires the entity to use the most likely amount or the expected value. The amendments are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

**IAS 19 EMPLOYEE BENEFITS (AMENDMENT)**

In February 2018, the IASB issued amendments to IAS 19 *Employee Benefits* with a mandatory effective date of January 1, 2019. The amendment clarifies the effect of a plan amendment, curtailment and settlement on the requirements regarding the asset ceiling. In addition, if a plan amendment, curtailment or settlement occurs, it is mandatory under the amended standard that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. This amendment is to be applied prospectively. DCM intends to adopt the amendments to IAS 19 in its consolidated financial statements for the annual period beginning January 1, 2019. The adoption of this amendment is not expected to have a significant impact on the DCM's consolidated financial statements.

There are no other IFRS or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are not yet effective that would be expected to have a material impact on DCM.

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***4 Business acquisitions****ACQUISITION OF PERENNIAL GROUP OF COMPANIES**

On May 8, 2018 (the "Closing Date"), DCM acquired 100% of the outstanding common shares of Perennial Group of Companies Inc., a privately held holding company, Perennial Inc., one of Canada's leading design firms focused on creating and delivering design strategies for major retail brands in Canada and around the world, and The Finished Line Studios Inc., an independent, multi-function creative, execution and production art studio (collectively, Perennial Group of Companies Inc., Perennial Inc. and The Finished Line Studios Inc. being "Perennial Group"). Perennial Group has approximately 45 employees operating from an 18,000 square foot office located in Etobicoke, Ontario and a 5,000 square foot office in Bolton, Ontario. The acquisition of Perennial has added a new suite of services which include business and brand strategy, consumer insights, environmental and graphic design, and communications and retail operations design and strategy. On closing, Perennial Group was amalgamated as Perennial Inc. ("Perennial").

DCM acquired Perennial for a total purchase price of approximately \$12,470, comprised of \$8,166 in cash paid on closing (after giving effect to the preliminary working capital adjustment of \$1,166), \$2,051 through the issuance of common shares of DCM, and \$2,253 in the form of a subordinated, unsecured non-interest bearing vendor take back note (the "VTB"). The VTB is repayable as follows: \$1,000 payable on the first anniversary of closing, \$1,000 on the second anniversary of closing and \$500 on the third anniversary of closing.

A total of 1,394,856 common shares of DCM have been issued to one of the vendors of Perennial and the number of DCM's issued and outstanding common shares increased from 20,039,159 to 21,434,015 common shares outstanding on closing of the acquisition.

The fair value of the Common Shares attributed to the acquisition consideration was estimated based on the market price of the Common Shares on the Closing Date of \$1.73 per Common Share, discounted by 15% for the effect of the contractual restrictions on selling those Common Shares for a twelve month period from the Closing Date. The fair value of the vendor take-back promissory note was determined by present valuing the future cash flows using a discount rate of 6% which represents management's best estimate based on financial instruments with a similar term and risk profile in the market.

The consideration paid and the allocation of the consideration to the fair values of the assets acquired and liabilities assumed in the acquisition as of the Closing Date were as follows:

<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	<b>Amount</b>
Cash and cash equivalents	\$ 661
Trade receivables	1,085
Prepaid expenses and other assets	252
Property, plant and equipment	123
Intangible assets	3,105
Trade payables and accrued liabilities	(224)
Income taxes payable	(28)
Deferred revenue	(115)
Deferred income tax liabilities	(936)
<b>Total identifiable net assets</b>	<b>3,923</b>
<b>Goodwill</b>	<b>8,547</b>
<b>Total</b>	<b>\$ 12,470</b>

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

<b>Purchase price consideration</b>	<b>Amount</b>
Cash	\$ 8,166
Common shares	2,051
Promissory note (note 9)	2,253
<b>Total</b>	<b>\$ 12,470</b>

The fair value of trade receivables was \$1,085. The gross contractual amount of trade receivables due was \$832 of which \$4 was deemed to be uncollectible. The remaining balance of \$257 relates to unbilled receivables for the pre-closing period.

The identifiable intangible assets acquired of \$3,105 which relate to customer relationships of \$1,615, trade names of \$665 and customer backlog intangible of \$825. The customer relationships are being amortized over an expected useful life of 4.5 years while the trade name and the customer backlog are being amortized over estimated useful lives of 10 years and 19 months, respectively.

Goodwill of \$8,547 arising from the acquisition is mainly attributable to expected future growth in sales from existing and new customers through cross selling opportunities, in addition to the company's skilled workforce. The goodwill is not tax deductible.

Total acquisition costs incurred and charged to the consolidated statement of operations for the nine months ended September 30, 2018 were \$278 related to the Perennial acquisition.

The revenues and net loss contributed by Perennial and included in the consolidated statement of operations for the period between the Closing Date and September 30, 2018 were \$1,928 and \$56, respectively. The revenues and the net profit contributed by Perennial and included in the consolidated statement of operations for the three months ended September 30, 2018 was \$1,325 and \$50, respectively. Net profit (loss) have however been adjusted for additional amortization and depreciation expense related to the fair value adjustments made to tangible and intangible assets on acquisition. If the acquisition had occurred on January 1, 2018, the estimated revenues and net loss contributed by Perennial to DCM's operating results for the nine months ended September 30, 2018 would have been approximately \$4,328 and \$541, respectively, after adjusting net loss for additional amortization and depreciation expense that would have been charged assuming the fair value adjustments to tangible and intangible assets had applied from January 1, 2018.

As the acquisition occurred during the nine months ended September 30, 2018, the valuation report and the finalization of post-closing adjustments were still in progress, and therefore, the purchase price allocations were preliminary.

On October 17, 2018, the vendors of Perennial and DCM finalized the purchase price related to the Perennial acquisition (See note 17).

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***5 Trade receivables**

	<b>September 30, 2018</b>	December 31, 2017
Trade receivables	\$ 72,836	\$ 41,399
Provision for doubtful accounts <sup>(1)</sup>	(823)	(206)
	<b>\$ 72,013</b>	<b>\$ 41,193</b>

(1) Under IAS 39 DCM had a provision for doubtful accounts for the year ended December 31, 2017. Under IFRS 9 DCM has an expected credit loss allowance for lifetime credit losses, which is a simplified approach that is permissible for trade receivables which do not have a significant financing component.

As at September 30, 2018, trade receivables include unbilled receivables of \$26,850, net of an expected credit loss allowance of \$539. Unbilled receivables and the related expected credit loss allowance were recognized upon the adoption of IFRS 9 and IFRS 15 (see note 3 for further discussion related to the impact on adoption of these standards).

**6 Inventories**

	<b>September 30, 2018</b>	December 31, 2017
Raw materials	\$ 5,859	\$ 6,235
Work-in-progress	3,124	4,164
Finished goods	1,084	26,120
	<b>\$ 10,067</b>	<b>\$ 36,519</b>

Raw materials inventory amount is net of obsolescence reserves of \$268 (2017 – Raw materials and finished goods inventory amounts are net of obsolescence reserves of \$586). Finished goods at September 30, 2018 consist of base stock items. See note 3 for impact of change on adoption of IFRS 15.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***7 Provisions**

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	\$ 2,654	\$ 687	\$ 322	\$ 3,663
Additional charge during the three month period	9	—	—	9
Utilized during three month period	(806)	(16)	(58)	(880)
Balance – End of period	\$ 1,857	\$ 671	\$ 264	\$ 2,792
Less: Current portion of provisions	(1,853)	(577)	(97)	(2,527)
As at September 30, 2018	\$ 4	\$ 94	\$ 167	\$ 265

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of period	\$ 3,468	\$ 2,988	\$ 196	\$ 6,652
Additional charge during the nine month period	1,932	—	134	2,066
Recovery during the nine month period	—	(1,123)	—	(1,123)
Utilized during the nine month period	(3,543)	(1,194)	(66)	(4,803)
Balance – End of period	\$ 1,857	\$ 671	\$ 264	\$ 2,792
Less: Current portion of provisions	(1,853)	(577)	(97)	(2,527)
As at September 30, 2018	\$ 4	\$ 94	\$ 167	\$ 265

	Termination provisions	Onerous contracts	Other	Total
Balance – Beginning of year	\$ 2,773	\$ 1,207	\$ —	\$ 3,980
Additional charge during the year	6,778	2,679	—	9,457
Charge related to an acquisition	—	—	210	210
Utilized during the year	(6,083)	(898)	(14)	(6,995)
Balance – End of year	\$ 3,468	\$ 2,988	\$ 196	\$ 6,652
Less: Current portion of provisions	(2,856)	(1,078)	(16)	(3,950)
As at December 31, 2017	\$ 612	\$ 1,910	\$ 180	\$ 2,702

**TERMINATION PROVISIONS**

During the three and nine months ended September 30, 2018, DCM continued its restructuring and ongoing productivity improvement initiatives to reduce its cost of operations. Additional termination expenses in the consolidated statement of operations were due to headcount reductions across DCM's operations and the closure of certain manufacturing and warehouse locations in the consolidated statement of operations and comprehensive income.

During the three and nine month periods ended September 30, 2018, total restructuring initiatives resulted in costs incurred of \$9 and \$1,932, respectively. During the three and nine months ended September 30, 2017, these initiatives resulted in restructuring costs incurred of \$1,383 and \$5,035, respectively, due to headcount reductions in the consolidated statement of operations and comprehensive income.

For the three months ended September 30, 2018, cash payments of \$806 (2017 - \$1,544) and for the nine months ended September 30, 2018, cash payments of \$3,543 (2017 - \$4,519) were made to former employees for severances and for other restructuring costs. The remaining severance and restructuring accruals of \$1,857 at September 30, 2018 are expected to be paid in the balance of year 2018 and in 2019.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***ONEROUS CONTRACTS**

During the year ended December 31, 2017, DCM closed a Granby, Québec facility. A lease exit charge of \$2,393 representing the liability, at present value, for remaining lease costs under the lease agreement and building maintenance costs, was recorded and will be paid over the remaining term of the lease, expiring in 2021. During the nine months ended September 30, 2018, DCM entered into an agreement with the landlord of this property to terminate this lease. DCM has agreed to make payments of approximately \$1,116 to the landlord. During the nine months ended September 30, 2018, DCM has recorded a recovery of \$1,123 related to this lease exit charge recorded as at December 31, 2017.

The total restructuring expense that is reported in the consolidated statement of operations and comprehensive income includes termination expenses (recoveries) and onerous contract expenses (recoveries). The total restructuring expense incurred for the three and nine month periods ended September 30, 2018 was \$9 (2017 - \$1,383) and \$809 (2017 - \$5,004), respectively.

**OTHER**

In connection with the acquisition of Eclipse, on February 22, 2017, DCM assumed the lease for its Burlington, Ontario facility with rent payments that exceeded the fair market value and as a result an unfavourable lease obligation for \$210 was recorded based on discounting the rent payments in excess of the fair market value lease rates using a discount rate of 7%. The unfavourable lease obligation is being amortized as a reduction of rent expense in the consolidated statement of operations over the lease term, expiring in 2026.

During the nine months ended September 30, 2018, DCM determined that an additional charge of \$134 (2017 - \$nil) was required in connection with a contract with a former employee.

**8 Credit facilities**

	September 30, 2018	December 31, 2017
Term loans		
- floating rate debt, maturing June 28, 2018, (Bridging Facility)	—	3,500
- 6.10% term debt, maturing October 15, 2022, (IAM III Credit Facility)	4,174	4,834
- 6.95% term debt, maturing March 10, 2023, (IAM IV Credit Facility)	19,520	22,220
- 6.95% term debt, maturing May 15, 2023, (IAM V Credit Facility)	4,359	4,938
- 10.00% term debt, maturing May 7, 2023, (Crown Facility)	11,490	—
Revolving facilities		
- floating rate debt, maturing March 31, 2020, (Bank Credit Facility)	21,587	21,747
Credit facilities	61,130	57,239
Unamortized transaction costs	(1,729)	(1,307)
	<b>\$ 59,401</b>	<b>\$ 55,932</b>
Less: Current portion of Credit facilities	(5,574)	(8,725)
Credit facilities	<b>\$ 53,827</b>	<b>\$ 47,207</b>

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***CREDIT AGREEMENTS****BANK AND IAM FACILITIES**

DCM has established a revolving credit facility (the "Bank Credit Facility") with a Canadian chartered bank (the "Bank") and an amortizing term loan facility (the "IAM IV Credit Facility") with Integrated Private Debt Fund IV LP ("IAM IV") a fund managed by Integrated Asset Management Corp. ("IAM") pursuant to separate amended and restated credit agreements between DCM and the Bank (as amended, the "Bank Credit Agreement") and IAM (as amended, the "IAM IV Credit Agreement"), respectively. Upon closing of the Thistle acquisition in 2017, DCM became a co-borrower with Thistle under an existing credit agreement (the "IAM III Credit Agreement") between Thistle and Integrated Private Debt Fund III LP ("IAM III"), another fund managed by IAM, pursuant to which IAM III has advanced to Thistle a term loan facility (the "IAM III Credit Facility"). On November 10, 2017, DCM established a \$5,000 secured, non-revolving senior credit facility (the "IAM V Credit Facility") with Integrated Private Debt Fund V LP ("IAM V"), a fund managed by IAM (the "IAM V Credit Agreement" and, together with the IAM III Credit Agreement and the IAM IV Credit Agreement, the "IAM Credit Agreements") to fund the acquisition of BOLDER Graphics and to repay a portion of DCM's outstanding principal under the Bank Credit Facility. The IAM III Credit Facility and the IAM V Credit Facility are subject to the same covenants stipulated under the IAM IV Credit Agreement and are reported on a consolidated basis.

Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is \$35,000 and the Bank Credit Facility matures on March 31, 2020. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of \$35,000 and a fixed percentage of DCM's aggregate accounts receivable and inventory (less certain amounts). Advances under the amended Bank Credit Facility are subject to floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.75%. DCM has capitalized transaction costs of \$932 related to the Bank Credit Facility. For the three and nine months ended September 30, 2018, DCM capitalized additional transaction costs of \$9 and \$162, respectively. The unamortized balance of the transaction costs are being amortized over the remaining term of the Bank Credit Facility. As at September 30, 2018, the unamortized transaction costs related to the Bank Credit Facility was \$455. As at September 30, 2018 there were outstanding borrowings of \$21,587 under the revolving facilities portion of the Bank Credit Facility and letters of credit granted of \$861. As at September 30, 2018, all of DCM's indebtedness outstanding under the Bank Credit Facility was subject to a floating interest rate of 4.45% per annum. As at September 30, 2018, DCM had access to \$8,690 of available credit under the Bank Credit Facility. The bank overdraft of \$2,283 on the statement of consolidated financial position as at September 30, 2018 represents outstanding cheques which when cashed, would be a draw on the Bank Credit Facility.

Under the terms of the IAM Credit Agreements, the maximum aggregate principal amount which may be outstanding under the IAM III Credit Facility, IAM IV Credit Facility, the IAM V Credit Facility, the Bank Credit Facility and Crown Facility (as defined below), calculated on a consolidated basis in accordance with generally accepted accounting principles ("Total Funded Debt"), cannot exceed \$72,000 (after giving effect to the provisions of the inter-creditor agreement described below).

The principal amount of the amended IAM III Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$96 over a nine year term ending October 15, 2022. The principal amount of the IAM IV Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$422 over a seven year term ending in March 10, 2023. The principal amount of the IAM V Credit Facility amortizes in blended equal monthly repayments of principal and interest of \$91 over a sixty six month term ending in May 15, 2023. As at September 30, 2018, all of DCM's indebtedness outstanding under the IAM III Credit Facility was subject to a fixed interest rate equal to 6.10% per annum and all of DCM's indebtedness outstanding under the amended IAM IV Credit Facility and under the IAM V Credit Facility were subject to a fixed interest rate equal to 6.95% per annum, respectively.

As at September 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM III Credit Facility were \$26 and \$4,174, respectively. DCM incurred no additional capitalized transaction costs during the three and nine months ended September 30, 2018 for IAM III Credit Facility. As at September 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM IV Credit Facility were \$472 and \$19,520, respectively. For the three and nine months ended September 30, 2018, DCM capitalized transaction costs of \$Nil and \$29 related to the IAM IV Credit Facility. As at September 30, 2018, the unamortized transaction costs and outstanding borrowings related to the IAM V Credit Facility were \$168 and \$4,359, respectively. For the three and nine months ended September

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

30, 2018, DCM capitalized additional transaction costs of \$Nil and \$52, respectively related to the IAM V Credit Facility. The unamortized balance of the transaction costs for IAM III Credit Facility, IAM IV Credit Facility and the IAM V Credit Facility are being amortized over the remaining term of each respective facility.

**BRIDGING CREDIT FACILITY**

On June 28, 2017, DCM established a subordinated debt facility with Bridging Finance Inc. for \$3,500 ("Bridging Credit Facility"). Advances under the Bridging Credit Facility were repayable on demand with interest at a rate equal to the prime rate of interest charged by DCM's Bank lender from time to time plus 10.3% per annum, calculated and payable monthly. The Bridging Credit Facility had a term of one year and could be repaid at any time without any prepayment fee upon sixty days prior written notice to Bridging, subject to the prior written consent of DCM's other senior lenders. The Bridging Credit Facility was subordinated in right of payment to the prior payment in full of DCM's indebtedness under the Bank Credit Agreement and the IAM Credit Agreements and was secured by certain specified equipment together with certain other conventional security. DCM has no outstanding borrowings under the Bridging Credit Facility as the facility was fully repaid on May 8, 2018, including accrued and unpaid interest and the security for this facility was released. Additionally, transaction costs of \$146 were previously capitalized. A total of \$125 of these transaction cost were amortized as May 8, 2018 and the remaining balance of \$21 was written off due to the early repayment.

**CROWN FACILITY**

On May 8, 2018, DCM established a \$12,000 non-revolving term loan facility with Crown Capital Partner Funding, LP (previously Crown Capital Fund IV, LP) (the "Crown Facility"), a fund managed by Crown Capital LP Partner Funding Inc. (previously Crown Capital Fund IV Management Inc.) ("Crown"), of which approximately \$8,166 was used to fund the up-front cash component of the Perennial acquisition and \$3,500 was used to repay in full the outstanding balance of Bridging Facility. The balance of the Crown Facility was used for general working capital purposes.

The Crown Facility was made available in one advance on the funding date of May 8, 2018 and bears interest at a fixed rate of 10% per annum, payable quarterly, and the principal amount of the loan is due at maturity, which is 60 months from closing. DCM's obligations under the Crown Facility are subordinated to its other senior credit facilities and is secured by a conventional security on all of the assets of DCM and its subsidiaries. In addition, a total of 960,000 warrants have been issued to Crown in connection with the Crown Facility. Each warrant entitles the holder to acquire one DCM common share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The Crown Facility of \$12,000 was apportioned to the debt instrument and the warrant option based on their respective fair values of \$11,458 and \$542 (note 12), respectively. The fair value of the warrant option was then bifurcated and recorded separately within equity while the fair value of the debt host will be accreted from \$11,458 to \$12,000 over the term of the loan. As at September 30, 2018 the accreted debt instrument was valued at \$11,490 including total accretion expense of \$32.

The Crown Facility can be prepaid in full at any time after twenty-four (24) months from the date of the funding anniversary. The penalties attached to each option are: (a) 3% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 24th month but before the 36th month following the date of the funding anniversary, (b) 2% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 36th month but before the 48th month following the date of the funding anniversary, or (c) 1% prepayment penalty fee on the principal loan outstanding if the prepayment option is exercised during or after the 48th month but before the 60th month following the date of the funding anniversary.

For the three and nine months ended September 30, 2018, DCM capitalized transaction costs of \$13 and \$646, respectively related to the Crown Facility. The unamortized transaction costs and outstanding borrowings related to the Crown Facility were \$608 and \$11,490, respectively and the unamortized balance of the transaction costs is being amortized over the remaining term of this facility.

**BANK LEASE FACILITY**

On July 31, 2018, DCM entered into a commitment with the Bank to lease equipment by way of a demand, non-revolving lease facility for approximately \$2,400 ("Bank Lease Facility"). As part of this arrangement, DCM initially entered into an agreement to purchase the equipment from a third-party supplier. All of DCM's rights, title and interest in the equipment

**Notes to The Condensed Interim Consolidated Financial Statements**

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were subsequently assigned to the Bank by way of an agreement dated July 31, 2018. The Bank advanced funds pursuant to an interim funding agreement dated July 31, 2018 (the "Interim Funding Agreement") to pay for the upfront amounts required by the third-party supplier in exchange for a monthly fee payable by DCM which is calculated by multiplying the annual prime rate plus 0.75% by the total value of funds advanced and pro-rated for the days the funds remain outstanding. Total interest expense for the third quarter of 2018 was \$3. The Bank Lease Facility is expected to begin in the first quarter of 2019, and will have monthly payments of approximately \$37 per month over a five year term.

**AMENDMENTS TO CREDIT FACILITIES**

Effective May 7, 2018, DCM entered into an amended and restated bank credit agreement (the "A&R Bank Credit Facility") with regards to its Bank Credit Facility, as amended, which incorporated conforming updates to the original Bank Credit Facility dated March 16, 2016 to consolidate the subsequent series of amendments previously made to that facility, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Agreement into the A&R Bank Credit Facility and the acquisition of Perennial. No material changes were otherwise incorporated into the A&R Bank Credit Facility.

Effective May 7, 2018, DCM also entered into amended and restated credit agreements with regards to its IAM III Credit Facility (the "IAM III A&R Credit Facility"), its IAM IV Credit Facility (the "IAM IV A&R Credit Facility") and its IAM V Credit Facility (the "IAM V A&R Credit Facility"), each managed by IAM, which, among other things incorporated conforming updates to each of those respective original credit agreements, to consolidate the subsequent series of amendments previously made to those agreements, including to provide for the addition of the Crown Facility together with the repayment of the Bridging Credit Agreement and the acquisition of Perennial. No material changes were otherwise incorporated into the various credit facilities managed by IAM.

On July 31, 2018, the A&R Bank Credit Facility was amended to allow DCM to enter into the Bank Lease Facility for an amount not to exceed \$3,000. The A&R Bank Credit Facility excludes the Bank Lease Facility from the maximum principal amount of debt available of \$35,000 and has added a cross collateralization condition to include the equipment leased as collateral under A&R Bank Credit Facility and Bank Lease Facility.

On September 30, 2018, DCM received a waiver on the Crown Facility regarding the requirement to meet a fixed charge coverage ratio of 1.4 to 1.0 for the quarters ending December 31, 2018 and March 31, 2019.

On October 26, 2018, DCM received a waiver with regards to the IAM Credit Agreements, and for the purposes of determining DCM's Excess Cash Flow (as defined under "Covenant Requirements" below), the IAM Credit Agreements were waived to reduce the requirement to maintain a debt service coverage ratio of 2.0 times so long as DCM maintains a debt service coverage ratio of at least 1.85 times for the next four fiscal quarters beginning October 1, 2018 and ending on September 30, 2019. DCM is required to maintain the requirement in order to make payments in respect to the vendor take-back promissory notes issued in connection with the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions.

**COVENANT REQUIREMENTS**

Each of the Bank Credit Agreement, the IAM Credit Agreements and the Crown Facility contain customary representations and warranties, as well as restrictive covenants which limit the discretion of the Board and management with respect to certain business matters including the declaration or payment of dividends on the common shares of DCM without the consent of the Bank, IAM III, IAM IV, IAM V and Crown, as applicable. Under the terms of the IAM Credit Agreements, DCM has agreed that it will not, without the prior written consent of IAM III, IAM IV and IAM V, change (or permit any change) in its Chief Executive Officer, President or Chief Financial Officer, provided that, if he or she voluntarily resigns as an officer of DCM, or if any such person has either died or is disabled and can therefore no longer carry on his or her duties of such office, DCM will have 60 days to replace such officer, such replacement officer to be satisfactory to IAM III, IAM IV and IAM V, acting reasonably. The Bank Credit Facility, IAM Credit Agreements and the Crown Facility limit spending on capital expenditures by DCM to an aggregate amount not to exceed \$5,500, \$5,000 and \$5,000, respectively during any fiscal year.

Under the terms of the Bank Credit Agreement, DCM is required to maintain a fixed charge coverage ratio of no less than the following levels: 0.90 to 1 from July 1, 2017 to December 31, 2017; 1.00 to 1 from January 1, 2018 to March

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For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

31, 2018 and 1.10 to 1 on and after March 31, 2018, calculated on a consolidated basis, in respect of any particular trailing 12 month period, as EBITDA for such period less cash taxes, cash distributions (including dividends paid) and non-financed capital expenditures paid in such period, divided by the total amount required by DCM to service its outstanding debt for such period. Each covenant is calculated and reported on a quarterly basis. As at September 30, 2018, DCM was in compliance with this covenant.

Under the terms of the IAM Credit Agreements, DCM is required to maintain (i) a ratio of Total Funded Debt to EBITDA no greater than the following levels: 3.50 to 1 from October 1, 2017 up to December 31, 2017; 3.25 to 1 from January 1, 2018 up to March 31, 2018 and 3.00 to 1 on and after April 1, 2018; (ii) a debt service coverage ratio of not less than 1.50 to 1 and (iii) a working capital current ratio of not less than 1.10 to 1. Each covenant is calculated and reported on a quarterly basis. As at September 30, 2018, DCM was in compliance with these covenants.

In addition, the IAM Credit Agreements permit cash payments in respect to the vendor take-back promissory notes issued in connection with DCM's acquisitions, as well as distributions in cash to shareholders and/or related parties for consulting fees, in an amount equal to the Excess Cash Flow (as defined below), provided that the debt service coverage ratio for the four most recently completed quarters is greater than 2.00 to 1 and provided that there is no default or event of default. The excess cash flow is calculated by taking the EBITDA less payments for (i) cash taxes, (ii) capital expenditures, (iii) principal and interest payments on the Bank Credit Facility, the IAM Credit Agreements and the Crown Facility and (iv) interest on capital leases for the two most recently completed quarters ("Excess Cash Flow"). The Excess Cash Flow is required to be calculated as at March 31 and September 30 of each calendar year ("The Excess Cash Flow Determination Date") which determines the quantum of payments that can be made for the following six-month period until the next Excess Cash Flow Determination Date. As at September 30, 2018, the conditions required to permit excess cash flow payments were met and the Excess Cash Flow was sufficient to cover the payments required in respect of the vendor take-back promissory notes for six months.

Under the terms of the Crown Facility agreement, DCM is required to maintain (i) Net Debt to EBITDA of no greater than 4.0 to 1.0 from June 30, 2018 to December 31, 2018 and 3.00 to 1 thereafter; (ii) a fixed charge coverage ratio no less than the following levels: 1.10 to 1 as at June 30, 2018, 1.25 to 1 from July 1, 2018 to September 30, 2018 and 1.40 to 1 for each quarter thereafter, for which a waiver for the quarters ending December 31, 2018 and March 31, 2019 has been obtained as noted above. Each covenant is calculated and reported on a quarterly basis. As at September 30, 2018, DCM was in compliance with these covenants.

For purposes of the Bank Credit Agreement, the IAM Credit Agreements and Crown Facility agreement, "EBITDA" means net income or net loss for the relevant period, calculated on a consolidated basis in accordance with generally accepted accounting principles, plus amounts deducted, or minus amounts added, in calculating net income or net loss in respect of: the aggregate expense incurred for interest on debt and other costs of obtaining credit; income taxes, whether or not deferred; depreciation and amortization; non-cash expenses resulting from employee or management compensation, including the grant of stock options or restricted options to employees; any gain or loss attributable to the sale, conversion or other disposition of property out of the ordinary course of business; interest or dividend income; foreign exchange gain or loss; gains resulting from the write-up of property and losses resulting from the write-down of property (except allowances for doubtful accounts receivable and non-cash reserves for obsolete inventory); any gain or loss on the repurchase or redemption of any securities (including in connection with the early retirement or defeasance of any debt); goodwill and other intangible asset write-downs; and any other extraordinary, non-recurring or unusual items as agreed to by the lender. The pro forma financial results from DCM's acquisitions completed during the year are included on a trailing twelve month basis effective as of the closing date of the acquisitions for the purposes of DCM's calculations.

A failure by DCM to comply with its obligations under the Bank Credit Agreement, the IAM Credit Agreements or the Crown Facility, together with certain other events, including a change of control of DCM and a change in DCM's chief executive officer, president or chief financial officer (unless a replacement officer acceptable to IAM, acting reasonably, is appointed within 60 days of the effective date of such officer's resignation), could result in an event of default which, if not cured or waived, could permit acceleration of the indebtedness outstanding under each of those agreements. DCM anticipates it will be in compliance with the covenants in its credit facilities for the next twelve months; however there

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can be no assurance that DCM will be successful in achieving the results targeted in its operating plans or in complying with its covenants over the next twelve months.

In addition, under the terms of the IAM IV Credit Agreement and the IAM V Credit Agreement, DCM is required to deposit and hold cash in a blocked account of \$425 and of \$90 to be used for repayments of principal and interest of indebtedness outstanding under the IAM IV Credit Facility and indebtedness outstanding under the IAM V Credit Facility, respectively. As at September 30, 2018, there was a balance of \$515 in the blocked account related to the IAM IV Credit Facility and IAM V Credit Facility which is recognized as restricted cash on the consolidated statement of financial position.

**INTER-CREDITOR AGREEMENT**

DCM's obligations under the Bank Credit Facility, the IAM V Credit facility, the IAM IV Credit Facility and the IAM III Credit Facility are secured by conventional security charging all of the property and assets of DCM and its affiliates (the "Inter-creditor Agreement"). On February 22, 2017, DCM entered into an amended Inter-creditor Agreement between the Bank, IAM III, IAM IV, and the parties to the vendor take-back promissory notes (the "VTB Noteholders") issued in connection with the acquisitions of Eclipse and Thistle, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV and the VTB Noteholders on the present and after-acquired property of DCM, Eclipse and Thistle (the "Original Inter-Creditor Agreement").

On November 10, 2017, the Original Inter-Creditor Agreement was amended in connection with the BOLDER Graphics acquisition to include IAM V as a party to the agreement and to establish the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V and the VTB Noteholders on the present and after-acquired property of BOLDER Graphics.

Effective May 7, 2018, DCM entered into a second amended and restated inter-creditor agreement between the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, IAM III, IAM IV, IAM V, Crown and the VTB Noteholders on the present and after-acquired property of DCM and Perennial.

The movement in credit facilities during the period or year are as follows:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Balance - Beginning of period/year, net of transaction costs	\$ 55,932	\$ 35,042
<b>Changes from financing cash flows</b>		
Proceeds from credit facilities	12,951	27,393
Repayment of credit facilities	(9,093)	(14,709)
Finance costs	(890)	(925)
Total change from financing cash flows	58,900	46,801
<b>Non-cash movements</b>		
Acquisitions	—	8,476
Amortization of transaction costs	469	655
Accretion of discount	32	—
Balance - End of period/year	\$ 59,401	\$ 55,932

**Notes to The Condensed Interim Consolidated Financial Statements**

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*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

The scheduled principal repayments on the long-term debt are as follows:

	<b>September 30, 2018</b>
2018	<b>\$ 1,359</b>
2019	<b>5,671</b>
2020	<b>27,655</b>
2021	<b>6,494</b>
2022	<b>6,757</b>
2023 and thereafter	<b>13,704</b>
	<b>\$ 61,640</b>

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***9 Promissory notes**

<b>2018</b>	<b>Eclipse acquisition</b>	<b>Thistle acquisition</b>	<b>BOLDER Graphics acquisition</b>	<b>Perennial acquisition</b>	<b>Total</b>
Balance – Beginning of period	\$ 2,154	\$ 1,054	\$ 836	\$ 2,273	\$ 6,317
Unwinding of discount	50	23	—	35	108
Interest expense	—	—	12	—	12
Payments during the three month period	—	(410)	(175)	—	(585)
Balance – End of period	\$ 2,204	\$ 667	\$ 673	\$ 2,308	\$ 5,852
Less: Current portion of promissory notes	(2,204)	(667)	(673)	(966)	(4,510)
As at September 30, 2018	\$ —	\$ —	\$ —	\$ 1,342	\$ 1,342

<b>2018</b>	<b>Eclipse acquisition</b>	<b>Thistle acquisition</b>	<b>BOLDER Graphics acquisition</b>	<b>Perennial acquisition</b>	<b>Total</b>
Balance – Beginning of period	\$ 4,309	\$ 1,799	\$ 1,095	\$ —	\$ 7,203
Addition - May 8, 2018 (note 4)	—	—	—	2,253	2,253
Unwinding of discount	178	98	—	55	331
Interest expense	—	—	43	—	43
Payments during the nine month period	(2,283)	(1,230)	(465)	—	(3,978)
Balance – End of period	\$ 2,204	\$ 667	\$ 673	\$ 2,308	\$ 5,852
Less: Current portion of promissory notes	(2,204)	(667)	\$ (673)	(966)	(4,510)
As at September 30, 2018	\$ —	\$ —	\$ —	\$ 1,342	\$ 1,342

<b>2017</b>	<b>Eclipse acquisition</b>	<b>Thistle acquisition</b>	<b>BOLDER Graphics acquisition</b>	<b>Perennial acquisition</b>	<b>Total</b>
Balance - February 22, 2017 (Preliminary)	\$ 3,962	\$ 2,783	\$ —	\$ —	\$ 6,745
Post-closing adjustment	—	231	—	—	231
Balance - February 22, 2017 (Final)	3,962	3,014	—	—	6,976
Addition on November 10, 2017	—	—	1,086	—	1,086
Unwinding of discount	347	206	—	—	553
Interest expense	—	—	9	—	9
Payments during the year	—	(1,421)	—	—	(1,421)
Balance – End of year	\$ 4,309	\$ 1,799	\$ 1,095	\$ —	\$ 7,203
Less: Current portion of promissory notes	(2,253)	(1,529)	(592)	—	(4,374)
As at December 31, 2017	\$ 2,056	\$ 270	\$ 503	\$ —	\$ 2,829

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***10 Income taxes**

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred income tax assets and liabilities have been measured using an expected average combined statutory income tax rate of 26.00% (2017 – 26.21%) based on the tax rates in years when the temporary differences are expected to reverse. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at September 30, 2018, DCM has non-capital loss carry-forwards of \$Nil (2017 – \$8,404).

Reflected in the consolidated statement of financial position as follows:	September 30, 2018	December 31, 2017
Deferred income tax assets	\$ 2,694	\$ 6,108
Deferred income tax liabilities	(1,851)	(1,295)
Net deferred income tax assets	\$ 843	\$ 4,813

**11 Other non-current liabilities**

	September 30, 2018	December 31, 2017
Deferred lease inducement	\$ 953	\$ 1,082
Lease escalation liabilities	2,404	1,888
Bonuses payable	749	983
	\$ 4,106	\$ 3,953
Less: Current portion of other non-current liabilities	(549)	(540)
	\$ 3,557	\$ 3,413

The current portion of other non-current liabilities is included in trade payables and accrued liabilities.

In connection with the acquisition on February 22, 2017 of Thistle, DCM assumed certain liabilities related to bonuses payable to former employees of the company which will be paid in equal monthly payments until the end of October 2020. The liability was recorded at fair value based on discounting using a discount rate of 10%. The fair value of the future payments of \$33 per month as of the closing date was \$1,226 of which \$293 was classified as current liabilities in trade payables and accrued liabilities.

DCM's operations are conducted in leased properties. DCM's leases generally provide for minimum rent and may also include escalation clauses, guarantees and certain other restrictions, and generally require it to pay a portion of the real estate taxes and other property operating expense. Payments made under operating leases are recognized in the consolidated statements of operations on a straight-line basis over the term of the lease, expiring in 2018 to 2028.

**12 Shares and warrants**

DCM is authorized to issue an unlimited number of common shares. The common shares have a stated capital of one dollar. Each common share is entitled to one vote at any meeting of shareholders. Each holder of the common shares will be entitled to receive dividends if, as and when declared by the Board. In the event of the liquidation, dissolution, winding up of DCM or other distribution of assets of DCM among its shareholders for the purpose of winding up its affairs, the holders of the common shares will, subject to the rights of the holders of any other class of shares of DCM entitled to receive assets of DCM upon such a distribution in priority to or concurrently with the holders of the common shares,

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

be entitled to participate in the distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

The following summarizes the change in number of issued and outstanding common shares during the periods below:

	<b>Number of Common shares</b>		<b>Amount</b>
Balance – January 1, 2018	<b>20,039,159</b>	<b>\$</b>	<b>248,996</b>
Shares issued - May 8, 2018 (note 4)	<b>1,394,856</b>		<b>2,046</b>
Shares issued - June 11, 2018	<b>89,500</b>		<b>175</b>
Balance – September 30, 2018	<b>21,523,515</b>	<b>\$</b>	<b>251,217</b>

	<b>Number of Common shares</b>		<b>Amount</b>
Balance – January 1, 2017	11,975,053	<b>\$</b>	237,432
Shares issued - February 22, 2017	1,278,708		2,847
Shares issued - May 5, 2017	6,502		15
Shares issued - June 23, 2017	3,312,368		4,391
Shares issued - June 28, 2017	2,690,604		3,398
Shares issued - July 13, 2017	71,500		72
Balance – September 30, 2017	19,334,735	<b>\$</b>	248,155

In connection with the acquisition of Perennial on May 8, 2018, DCM issued a total of 1,394,856 Common Shares to the vendors of the companies as partial consideration for the fair value of the net assets acquired on the Closing Date for \$2,051, net of \$8 in issuance costs and increased by a deferred income tax asset of \$3.

On June 11, 2018, DCM issued a total of 89,500 Common Shares were issued pursuant to the exercise of warrants. The additional share issue caused an increase in common shares by \$175. The increase consisted of cash proceeds of \$157 as well as the transfer of share options from the warrant reserves to common shares at the recognized fair value of \$18.

**WARRANTS**

A summary of warrant activities for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Number of Warrants	Weighted average Exercise Price	Number of Warrants	Weighted average Exercise Price
Warrants outstanding - beginning of period / year	1,381,050	\$ 1.75	1,381,050	\$ 1.75
Granted	960,000	1.75	—	—
Exercised	(89,500)	1.75	—	—
Warrants outstanding - end of period / year	2,251,550	\$ 1.75	1,381,050	\$ 1.75

On May 8, 2017, DCM established the \$12,000 Crown Facility and issued 960,000 warrants as part of this financing. Each warrant entitles the holder to acquire one Common Share at an exercise price of \$1.75 for a period of five years, commencing on May 8, 2018. The fair value of the warrants issued was estimated to be \$565 using the Black-Scholes

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

option-pricing model, assuming a risk-free interest of 2.16%, a weighted average life of five years, a dividend yield of nil and an expected volatility of 40%. This was adjusted using a discount rate of 5% for the statutory hold period and net of transaction costs totaling \$6. The total credit facility amount of \$12,000 was then apportioned between the host debt and the warrant option based on relative fair values. As at September 30, 2018, the apportioned carrying value of the warrant option was \$542.

**SHARE-BASED COMPENSATION**

DCM has adopted a Long-Term Incentive Plan ("LTIP") to: recruit and retain highly qualified directors, officers, employees and consultants (the "Participants"); provide Participants with an incentive for productivity and an opportunity to share in the growth and the value of DCM; and, align the interests of Participants with those of the shareholders of DCM. Awards to Participants are primarily based on the financial results of DCM and services provided. The aggregate maximum number of common shares available for issuance from DCM's treasury under the LTIP is 2,152,352 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

DCM's share-based compensation plan consists of five types of awards: restricted share unit ("RSUs"), options, deferred share unit ("DSUs"), restricted shares or stock appreciation right ("SARs") awards. No restricted shares or SARs have been granted to date.

*(a) Restricted share unit ("RSU")*

Under the RSU portion of the LTIP, selected employees are granted RSUs where each RSU represents the right to receive a distribution from the company in an amount equal to the fair value of one DCM common share. RSUs generally vest within three years and settle in cash upon final vesting.

A liability for RSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The liability is recognized on a graded vesting basis over the vesting period, with a corresponding charge to compensation expense, as a component of costs of revenues, selling, commissions and expenses, and general and administration expenses. The RSUs payable is included in trade payables and accrued liabilities. Compensation expenses for RSUs incorporate an estimate for expected forfeiture rates based on which the fair value is adjusted.

	<b>September 30, 2018</b>	December 31, 2017
	<b>Number of RSUs</b>	Number of RSUs
Balance - beginning of period/year	<b>177,869</b>	29,538
Units granted	<b>740,432</b>	150,192
Units forfeited	<b>(13,071)</b>	(1,514)
Units paid	<b>(505)</b>	(347)
Balance - end of period/year	<b>904,725</b>	177,869

During the nine months ended September 30, 2018, the chief executive officer ("CEO") of DCM and President of DCM were granted 299,021 RSUs (2017 – 104,548 RSUs) and a total of 441,411 RSUs (2017 – 45,644 RSUs) were awarded to other key members of DCM's management.

Of the total outstanding RSUs at September 30, 2018, Nil (2017 – Nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at September 30, 2018 was \$419 (2017 – \$80).

During the nine months ended September 30, 2018, compensation expense of \$330 (2017 – \$64) was recognized in the consolidated statement of operations related to RSUs granted.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)**(b) Options ("Options")*

A summary of Options activities for the nine months ended September 30, 2018 and the year ended December 31, 2017 is as follows:

	2018		2017	
	Number of Options	Weighted average Exercise Price	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period / year	804,961	\$ 1.50	959,745	\$ 2.41
Granted	1,200,000	1.41	—	—
Forfeited	(13,004)	1.50	(135,279)	7.88
Exercised	—	—	(19,505)	1.50
Options outstanding - end of period / year	1,991,957	\$ 1.45	804,961	\$ 1.50
Exercisable	1,025,288	\$ 1.50	744,006	\$ 1.50

The outstanding Options had an exercise price range as follows:

	September 30, 2018 Number of Options	December 31, 2017 Number of Options
\$1.41	1,200,000	—
\$1.50	791,957	804,961
Options outstanding	1,991,957	804,961

The Black-Scholes option-pricing model inputs used to compute compensation expense under the fair value-based method are as follows:

	September 30, 2018
Expected life (years)	7
Expected volatility	40%
Dividend yield	0%
Risk free rate of return	1.88%
Weighted average fair value of options granted	\$ 0.68
Forfeiture rate	10%

During the nine months ended September 30, 2018, options to purchase up to 1,200,000 common shares were awarded to DCM's Board of Directors and executive management team, including a total of 240,000 options awarded to the CEO and President. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of \$1.41 per share, representing the fair value of the common shares on the date of grant. These options vest at a rate of 1/36th per month beginning on March 14, 2018. During the nine months ended September 30, 2018, a total of 13,004 options awarded were forfeited.

During the nine months ended September 30, 2018, compensation expense of \$383 (2017 – \$25) was recognized in the consolidated statement of operations related to options granted.

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)**(c) Deferred share unit ("DSU")*

On March 14, 2018, each director was given the option to elect to receive all or part of his or her compensation (the "Director Fees") in DSUs.

Each DSU represents the right to receive a distribution from the company in an amount equal to the fair value of one DCM common share on the date of the termination of service of the respective director. The number of DSUs payable to each director is determined by multiplying the total Director Fees payable by percent elected to be paid in DSUs and dividing the product by the Fair Value of one DCM common share on the grant date. A liability for DSUs is measured at fair value on the grant date and is subsequently adjusted for changes in fair value. The DSUs payable is included in trade payables and accrued liabilities.

During the nine months ended September 30, 2018, 54,579 DSUs (2017 – Nil DSUs) were granted. The carrying amount of the liability relating to the DSUs at September 30, 2018 was \$81 (2017 – \$Nil).

During the nine months ended September 30, 2018, an expense of \$81 (2017 – \$Nil) was recognized in the consolidated statement of operations related to DSUs granted.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***13 Earnings (loss) per share**

	<b>For the three months ended September 30, 2018</b>	For the three months ended September 30, 2017
<b>BASIC EARNINGS (LOSS) PER SHARE</b>		
Net income (loss) for the period attributable to common shareholders	\$ 838	\$ (1,068)
Weighted average number of shares	21,523,515	19,325,409
Basic earnings (loss) per share	\$ 0.04	\$ (0.06)

<b>DILUTED EARNINGS (LOSS) PER SHARE</b>		
Net income (loss) for the period attributable to common shareholders	\$ 838	\$ (1,068)
Weighted average number of shares	21,759,414	19,325,409
Diluted earnings (loss) per share	\$ 0.04	\$ (0.06)

	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
<b>BASIC EARNINGS (LOSS) PER SHARE</b>		
Net income (loss) for the period attributable to common shareholders	\$ 1,407	\$ (3,746)
Weighted average number of shares	20,821,844	15,184,358
Basic earnings (loss) per share	\$ 0.07	\$ (0.25)

<b>DILUTED EARNINGS (LOSS) PER SHARE</b>		
Net income (loss) for the period attributable to common shareholders	\$ 1,407	\$ (3,746)
Weighted average number of shares	20,931,490	15,184,358
Diluted earnings (loss) per share	\$ 0.07	\$ (0.25)

During the three and nine months ended September 30, 2018, options to purchase up to 1,991,957 common shares where the average market price of the common shares was greater than the exercise price were included in the computation of diluted earnings per share as their effect would have been dilutive. Warrants to purchase up to 2,251,550 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of September 30, 2018, respectively.

During the three and nine months ended September 30, 2017, DCM's 6.00% Convertible Unsecured Subordinated Debentures were settled by a cash payment. The cash payment was made on June 30, 2017 and as such, the debentures were excluded from the computation of diluted earnings per share. Options to purchase up to 811,463 common shares and warrants to purchase up to 1,381,050 common shares where the average market price of the common shares was higher than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

## Notes to The Condensed Interim Consolidated Financial Statements

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)***14 Changes in working capital**

	<b>For the three months ended September 30, 2018</b>	For the three months ended September 30, 2017
Trade receivables	\$ (1,966)	\$ (984)
Inventories	(16)	2,162
Prepaid expenses and other current assets	64	(130)
Trade payables and accrued liabilities	2,252	(2,763)
Deferred revenue	(718)	(600)
	<b>\$ (384)</b>	<b>\$ (2,315)</b>

	<b>For the nine months ended September 30, 2018</b>	For the nine months ended September 30, 2017
Trade receivables	\$ (1,542)	\$ 462
Inventories	814	(675)
Prepaid expenses and other current assets	1,422	561
Trade and accrued liabilities	8,576	80
Deferred revenue	(547)	(907)
	<b>\$ 8,723</b>	<b>\$ (479)</b>

**15 Commitments and Contingencies**

DCM and its subsidiaries are subject to various claims, potential claims and lawsuits. While the outcome of these matters is not determinable, DCM's management does not believe that the ultimate resolution of such matters will have a material adverse impact on DCM's financial position.

**16 Employee benefit plans**

DCM maintains a defined benefit and defined contribution pension plan (the "DATA Communications Management Pension Plan") for some of its employees. In May 2017 the Ontario Ministry of Finance announced major reforms to the funding framework for defined benefit pension plans. The proposed new framework is based on an enhanced going-concern approach, whereby solvency funding requirements would be eliminated except for plans that are less than 85% funded. The regulations supporting the transitional measures which assist plan sponsors prior to the full reforms being implemented were enacted into legislation in June 2017.

During the three months ended September 30, 2018, DCM engaged actuaries to complete an updated actuarial valuation of the DATA Communications Management Pension Plan, which confirmed that, as at January 1, 2018, the solvency position of the DATA Communications Management Pension Plan had improved since the previous valuation. Based on the January 1, 2018 actuarial report, DCM's annual minimum funding obligation for the defined benefit provision of the DATA Communications Management Pension Plan for 2018 remained unchanged at \$647 when compared to the actuarial report as at January 1, 2017. The annual minimum funding obligation will decrease from \$1,353 based on the actuarial report as at January 1, 2017 to \$527 for 2019 and 2020.

As of December 31, 2017, DCM had exceeded its minimum required funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan for 2017 by \$227. During the nine months ended September 30, 2018, DCM made all the required payments related to its 2018 funding requirements for the defined benefit provision

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

of the DATA Communications Management Pension Plan after applying \$216 of the excess funding from 2017. The remaining excess funding from 2017 of \$11 will be applied to DCM's 2019 minimum funding requirements for the defined benefit provision of the DATA Communications Management Pension Plan.

Pension expense

DCM's pension expense related to its defined benefit and defined contributions plans is as follows:

	<b>For the three months ended September 30, 2018</b>		For the three months ended September 30, 2017		<b>For the nine months ended September 30, 2018</b>		For the nine months ended September 30, 2017
Net cost recognized in general and administration expenses	\$ 75	\$	81	\$	225	\$	243
Interest costs in finance expense	59		54		178		162
Defined benefit plans	\$ 134	\$	135	\$	403	\$	405
Defined contribution plans	\$ 318	\$	369	\$	1,032	\$	1,134
Defined benefit multi-employer plans	\$ 135	\$	153	\$	447	\$	503

Other post-employment benefit plans expense

DCM's other post-employment benefit plans expense is as follows:

	<b>For the three months ended September 30, 2018</b>		For the three months ended September 30, 2017		<b>For the nine months ended September 30, 2018</b>		For the nine months ended September 30, 2017
Net cost recognized in general and administration expenses	\$ 73	\$	62	\$	219	\$	186
Interest costs in finance expense	28		26		84		78
Other post-employment benefit plans	\$ 101	\$	88	\$	303	\$	264

**17 Subsequent events****FINALIZATION OF PURCHASE PRICE FOR PERENNIAL ACQUISITION**

On October 17, 2018, the vendors of Perennial and DCM finalized the purchase price related to the Perennial acquisition resulting in a \$59 post-close working capital adjustment which will be paid in cash by DCM to the vendors of Perennial Inc. in the fourth quarter of 2018.

**RESTRUCTURING**

Effective October 19, 2018, DCM closed its corporate engineering department in Drummondville, Québec, which was comprised of a staff of approximately 14 people. The group was primarily responsible for the service and maintenance of DCM's traditional rotary offset and label presses, which have now been consolidated in two facilities in Drummondville and Brampton, Ontario, and led the significant consolidation of DCM's facilities over the past several years. Internal

**Notes to The Condensed Interim Consolidated Financial Statements**

For the periods ended September 30, 2018 and 2017

*(in thousands of Canadian dollars, except percentages, shares and per share amounts, unaudited)*

maintenance departments in Drummondville and Brampton are expected to support DCM's forms and label presses going forward, while DCM's other equipment is typically serviced by original equipment manufacturers.

DCM expects to include restructuring costs related to the closing of this department of \$565, in the fourth quarter of 2018, primarily relating to severances for terminated employees. DCM expects to benefit from savings from this initiative, primarily related to reduced labour and related overhead costs, beginning in 2019.

**PERENNIAL JOINT VENTURE WITH APHRIA**

On November 7, 2018, DCM announced that Perennial, a wholly owned subsidiary of DCM, and Aphria Inc. ("Aphria"), a leading global cannabis company, had entered into a joint venture agreement (the "JV") devoted to creating original, consumer-driven brands and products for the adult-use cannabis market. The JV will leverage Aphria's expertise as a leading global cannabis producer and Perennial's experience with international brand development and strategy to introduce new, cannabis-infused products to the Canadian and legal international markets. The JV will look beyond just edibles and beverages to a range of products designed to meet consumer demand in the cannabis and wellness space. Perennial has a successful track record of creating go-to-market strategies for major CPG and retail clients throughout North America and around the world. The JV was created for the purpose of the development, production, marketing and sale of non-Aphria branded new products, brands and product categories on the domestic and international adult-use cannabis markets. The JV will initially focus on cannabis-infused products for the wellness, medical and adult-use markets.

The JV is owned equally by Perennial and Aphria. It will select specific projects to collaborate on and seek to leverage the respective capabilities of Perennial, DCM and Aphria. The JV agreement includes typical terms related to corporate governance, capital contributions, intellectual property, and other standard matters.

# CORPORATE INFORMATION

## DIRECTORS AND OFFICERS

**J.R. Kingsley Ward**<sup>3</sup>  
Chairman, Director

**William Albino**<sup>1,2,3</sup>  
Director

**James J. Murray** O.Ont., SIOR<sup>1,2</sup>  
Director

**Derek J. Watchorn**<sup>1,2,3</sup>  
Director

**Michael G. Sifton**  
Director & Officer  
Chief Executive Officer

**Merri L. Jones**  
Director

**Gregory J. Cochrane**  
Director & Officer

**James E. Lorimer**  
Officer  
Chief Financial Officer &  
Corporate Secretary

## EXECUTIVE TEAM

**Gregory J. Cochrane**  
President

**James E. Lorimer**  
Chief Financial Officer

**Alan Roberts**  
Senior Vice-President,  
Operations

**Michael Coté**  
Senior Vice-President,  
Chief Commercial Officer

**Judy Holcomb-Williams**  
Senior Vice President,  
Chief Culture Officer

## CORPORATE INFORMATION

**Auditors**  
PricewaterhouseCoopers LLP

**Transfer Agent**  
Computershare Investor  
Services Inc.

**Corporate Counsel**  
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**Toronto Stock  
Exchange Symbols**  
DCM

<sup>1</sup> Member, Audit Committee  
(chairperson is William Albino)

<sup>2</sup> Member, Corporate Governance Committee  
(Chairperson is Derek J. Watchorn)

<sup>3</sup> Member, Human Resources & Compensation Committee  
(Chairperson is J.R. Kingsley Ward)

**DATA CM.COM**

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