



For Immediate Release

DATA COMMUNICATIONS MANAGEMENT CORP. ANNOUNCES FIRST QUARTER FINANCIAL RESULTS FOR 2021

Brampton, Ontario – May 11, 2021 – DATA Communications Management Corp. (TSX: DCM) (“DCM” or the “Company”), a leading provider of marketing and business communication solutions to companies across North America, announces its consolidated financial results for the three months ended March 31, 2021.

FIRST QUARTER HIGHLIGHTS

- Revenues for the quarter were \$62.4 million compared with \$77.4 million in the first quarter of 2020. Despite declines versus the year ago “non-covid” quarter, first quarter 2021 revenues were slightly ahead (+3%) of the average prior three “in-covid” quarters.
- Gross profit was \$18.8 million, the strongest since Q2 2020 and gross margin was 30.1%, an increase from the first quarter of 2020 of 28.0%. Gross margin was positively impacted by the full benefits from the cost saving initiatives implemented throughout 2020 and in the first quarter of 2021, including measures in reaction to the impact of COVID-19 on the business, mitigated by COVID related softness in sales.
- SG&A expenses declined 9.8% to \$15.5 million compared to \$17.2 million and were 24.9% of total revenues compared to 22.2% in the first quarter of 2020.
- Restructuring expenses incurred of \$3.4 million compared to \$0.7 million in the first quarter of 2020, including the departure of certain senior executive team members.
- Net income was \$1.3 million compared with a net income of \$2.2 million in the first quarter of 2020.
- Adjusted EBITDA was \$9.3 million or 14.9% of revenue, up from 13.5% in the first quarter of 2020. Adjusted EBITDA as a percentage of revenues was positively impacted by improved gross margins, lower SG&A expenses, and \$1.9 million received from the CEWS program. A one-time gain of \$1.5 million from proceeds of litigation and termination of an option agreement was deducted from EBITDA in calculating Adjusted EBITDA.
- Basic and diluted EPS of \$0.03 compared with \$0.05; basic and diluted adjusted EPS of \$0.06 compared with \$0.06.
- Total debt at the end of March 31, 2021 was \$41.1 million, down 14.9% from December 31, 2020.

MANAGEMENT COMMENTARY

"We are generally pleased with our performance in the first quarter of 2021, which was a tough comparative to last year," said Richard Kellam, President and CEO. "COVID-19 had little impact to the market and our business up until late March 2020. Q1 2021 of course was a very different environment versus last year, with extended lockdowns and stay at home orders in effect. Despite the headwind these lockdowns created in revenue flows, we continued to deliver improved mix and operational excellence, positively impacting our gross margin and overall financial performance. Given our continued strength and

partnerships with enterprise clients, we are well positioned for revenue recovery as vaccinations roll out and consumer movements return to some level of normalcy."

Under the new leadership of Mr. Kellam, DCM has highlighted five new themes revolving around our people and capabilities, and how your leadership team is preparing for the future, which includes: talent, client engagement, operational excellence, business intelligence and digital proficiency.

"The DCM team has deep experience delivering innovative solutions to our clients. Our content and workflow management capabilities solve the complex branding, communications, logistics and regulatory requirements of Canada's leading enterprises. The capabilities of our technology-enabled service model is why we are winning and retaining business. Expect to hear more about this as we accelerate our commercial strategies around this key platform," added Mr. Kellam.

FIRST QUARTER EARNINGS CALL

The Company will host a conference call on Wednesday, May 12, 2021 at 9.00 a.m. Eastern time. Participants may dial into the conference call using: Toll free: (833) 670-0708 or: (236) 714-2923, followed by Conference ID# 6939526. The operator will ask for participant's registration information. The conference call will also be accessible at: <https://onlinexperiences.com/Launch/QReg/ShowUUID=AB66DD24-814F-49F0-866F-D98539C59509>. A replay of the call will be available from 12:00 p.m. Eastern time May 12, 2021 until midnight Eastern time May 19, 2021 by calling: Toll-free: (800) 585-8367 or: (416) 621-4642, followed by Conference ID#: 6939526.

For the periods ended March 31, 2021 and 2020	January 1 to March 31, 2021	January 1 to March 31, 2020
<i>(in thousands of Canadian dollars, except share and per share amounts, unaudited)</i>		
Revenues	\$ 62,361	\$ 77,415
Gross profit	18,793	21,641
Gross profit, as a percentage of revenues	30.1 %	28.0 %
Selling, general and administrative expenses	15,505	17,185
As a percentage of revenues	24.9 %	22.2 %
Adjusted EBITDA	9,288	10,479
As a percentage of revenues	14.9 %	13.5 %
Net income for the period	1,312	2,210
Adjusted net income	2,768	2,764
As a percentage of revenues	4.4 %	3.6 %
Basic and diluted earnings per share	\$ 0.03	\$ 0.05
Adjusted net income per share, basic and diluted	\$ 0.06	\$ 0.06
Weighted average number of common shares outstanding, basic	43,911,885	43,047,030
Weighted average number of common shares outstanding, diluted	45,157,904	43,047,030

About DATA Communications Management Corp.

DCM is a communication solutions partner that adds value for large enterprises by creating more meaningful connections with their customers. Our technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics and regulatory requirements of Canada's leading enterprises. 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, cannabis, energy, and public sectors. Thanks to our locations throughout Canada and in the United States, we meet our clients' varying needs with scale, speed, and efficiency – no matter how large or complex the ask - delivered through our technology-enabled service model.

Additional information relating to DATA Communications Management Corp. is available on www.datacm.com, and in the disclosure documents filed by DATA Communications Management Corp. on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this press release, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-

looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: risks relating to the continuing impact of the COVID-19 pandemic, the impact of which could be material on DCM's business, liquidity and results of operations; DCM's ability to continue as a going concern is dependent upon its ability to comply with its financial covenants for at least the next twelve months which is contingent on management's ability to meet forecast revenue, profitability and cash collection targets; risks relating to DCM's ability to access sufficient capital, including, without limitation, under its existing revolving credit facility, on favourable terms to fund its liquidity and business plans from internal and external sources; the risk that DCM will not be successful in negotiating amendments to the terms of its existing credit facilities including, without limitation, the financial covenants of DCM under these facilities; 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 it has made and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers and suppliers. Additional factors are discussed elsewhere in this press release and under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's management's discussion and analysis and in DCM's other publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

NON-IFRS MEASURES

This press release includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted EBITDA means EBITDA adjusted for restructuring expenses, other income, and one-time business reorganization costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, other income, one-time business reorganization 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 in the most recent Management's Discussion & Analysis filed on www.sedar.com. 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 in the most recent Management's Discussion & Analysis filed on www.sedar.com.

Condensed interim consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)

	March 31, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	599	578
Trade receivables	59,366	65,290
Inventories	8,767	8,514
Prepaid expenses and other current assets	1,665	1,521
Income taxes receivable	792	—
	<u>71,189</u>	<u>75,903</u>
Non-current assets		
Other non-current assets	570	581
Deferred income tax assets	2,941	3,163
Restricted cash	515	515
Property, plant and equipment	9,060	9,783
Right-of-use assets	39,287	42,341
Pension assets	893	203
Intangible assets	13,527	14,459
Goodwill	16,973	16,973
	<u>154,955</u>	<u>163,921</u>
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	39,406	39,999
Current portion of credit facilities	6,278	6,172
Current portion of promissory notes	972	1,154
Current portion of lease liabilities	8,029	8,032
Provisions	1,732	1,186
Income taxes payable	2,226	1,608
Deferred revenue	2,062	2,798
	<u>60,705</u>	<u>60,949</u>
Non-current liabilities		
Provisions	27	90
Credit facilities	32,228	39,567
Promissory notes	938	975
Lease liabilities	37,144	40,321
Deferred income tax liabilities	204	282
Pension obligations	7,584	8,271
Other post-employment benefit plans	3,543	3,507
	<u>142,373</u>	<u>153,962</u>
Equity		
Shareholders' equity / (Deficit)		
Shares	256,300	256,260
Warrants	890	850
Contributed surplus	2,670	2,354
Translation reserve	169	192
Deficit	(247,447)	(249,697)
	<u>12,582</u>	<u>9,959</u>
	<u>154,955</u>	<u>163,921</u>

Condensed interim consolidated statements of operations

<i>(in thousands of Canadian dollars, except per share amounts, unaudited)</i>	For the three months ended March 31, 2021	For the three months ended March 31, 2020
	\$	\$
Revenues	62,361	77,415
Cost of revenues	43,568	55,774
Gross profit	18,793	21,641
Expenses		
Selling, commissions and expenses	6,666	7,615
General and administration expenses	8,839	9,570
Restructuring expenses	3,407	743
	18,912	17,928
(Loss) income before finance costs, other income and income taxes	(119)	3,713
Finance costs		
Interest expense on long term debt and pensions, net	718	1,211
Interest expense on lease liabilities	694	890
Debt modification losses	—	(4)
Amortization of transaction costs	145	110
	1,557	2,207
Other income		
Other income	1,452	—
Government grant income	1,908	1,622
Income before income taxes	1,684	3,128
Income tax expense		
Current	546	—
Deferred	(174)	918
	372	918
Net Income for the period	1,312	2,210
Other comprehensive income:		
Items that may be reclassified subsequently to net income		
Foreign currency translation	(23)	22
	(23)	22
Items that will not be reclassified to net income		
Re-measurements of pension and other post-employment benefit obligations	1,256	4,507
Taxes related to pension and other post-employment benefit adjustment above	(318)	(1,138)
	938	3,369
Other comprehensive income for the period, net of tax	915	3,391
Comprehensive income for the period	2,227	5,601
Basic earnings per share	0.03	0.05
Diluted earnings per share	0.03	0.05

Condensed interim consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)

For the three months
ended March 31, 2021

For the three months
ended March 31, 2020

	\$	\$
Cash provided by (used in)		
Operating activities		
Net income for the period	1,312	2,210
Items not affecting cash		
Depreciation of property, plant and equipment	806	942
Amortization of intangible assets	1,046	1,076
Depreciation of right-of-use-assets	2,239	2,383
Interest expense on lease liabilities	694	864
Share-based compensation expense	316	24
Pension expense	119	130
Loss on disposal of intangible assets	8	—
Provisions	3,407	743
Amortization of transaction costs and debt modification losses	145	105
Accretion of non-current liabilities and capitalized interest expense	(190)	200
Other post-employment benefit plans, net	36	36
Income tax expense	372	918
	10,310	9,631
Changes in working capital	4,147	(5,958)
Contributions made to pension plans, net	(241)	(248)
Provisions paid	(2,924)	(1,247)
Income taxes paid	(720)	(151)
	10,572	2,027
Investing activities		
Purchase of property, plant and equipment	(83)	(49)
Purchase of intangible assets	(122)	—
	(205)	(49)
Financing activities		
Proceeds from credit facilities	—	2,185
Repayment of credit facilities	(7,191)	(476)
Repayment of other liabilities	—	(100)
Repayment of promissory notes	(176)	(505)
Transaction costs	—	(223)
Lease payments	(2,993)	(2,798)
	(10,360)	(1,917)
Change in Cash (Bank overdraft) during the period	7	61
Cash and cash equivalents (Bank overdraft) – beginning of period	578	(1,093)
Effects of foreign exchange on cash balances	14	19
Cash and cash equivalents (Bank overdraft) – end of period	599	(1,013)