DCM
SURPRISINGLY SIMPLE

First Quarter Report

For the period ended March 31, 2022

Letter to Shareholders

Dear Fellow shareholders,

Since I joined DCM last year, we have continued our relentless focus on building both a better and a bigger business. In my March 2022 report to shareholders discussing fiscal 2021, I noted that, in my 36 years of business experience, I've found that momentum builds momentum.

On that note, the momentum we carried out of 2021 set us up to deliver one of our best comparable quarters since 2018, with first quarter 2022 revenue of $69.3 million up +11.1% compared to $62.4 million one year ago. On a sequential basis, revenue was up 13.8% compared to the fourth quarter of 2021.

Gross profit momentum also continued in the first quarter and at $20.3 million was up 8.1% (a full $1.5 million) compared to $18.8 million in the first quarter last year; gross profit was also up 14.7% compared to the fourth quarter of 2021.

We expect this positive momentum in our business to continue through the balance of 2022.

Despite some significant raw material price increases in the quarter, our gross margin (gross profit as a percentage of revenues) came in at a healthy 29.3% in the first quarter of 2022; generally in line with our expectations, but a bit lower than last year at 30.1%. As we recover these raw material increases with our pricing power throughout the year, we expect to see gross margin percentage improve, and we continue to strive for gross profit margin of between 35% and 40% of revenue over the next four to five years.

Our operational initiatives and relentless focus on cost controls are paying off and contributing to a better business. A great example of this is our favourable selling, general and administrative expenses trend; SG&A expenses of $13.6 million in the first quarter of 2022 were down 8.5% or $1.3 million, compared to $14.9 million in the first quarter of 2021, and were 19.7% of revenue, a full 4.2 percentage points lower than last year's comparable period.

I am also happy to report our EBITDA of $9.4 million was up 28.6% compared to the first quarter last year of $7.3 million. While "EBITDA" is a non-GAAP measure (please see our disclosures and reconciliations to GAAP measures in the following pages), I am purposefully calling out EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization, rather than "adjusted EBITDA".

We had ZERO restructuring expenses this quarter, and no other one-time, non-recurring costs or adjustments. Our current outlook calls for ZERO restructuring expenses throughout the balance of the year.

In fact, this is the highest "clean" quarterly EBITDA we've reported for MANY years, if we exclude the benefits from government grant income which we received in the first two quarters of 2020.

We continue to focus on our strategic shift from a "print first" to a "digital first" company. Notably, in the quarter we hired Steve Livingstone to lead our Digital Asset Management business. Steve brings an impressive 25 years of experience selling complex enterprise software. Steve's main focus is moving our +$10 million in ASMBL opportunities through the sales funnel.

Meanwhile, our expert commercial team remained laser focused on growing our business, with over $12 million worth of new client wins and expansion revenue this quarter; and most of those opportunities are what we call "tech-enabled", with clients using our Flex Platform to manage their workflows.

We also pushed forward on ESG initiatives. As an example, since recently partnering with PrintReleaf in October 2021, we have already reforested over 207,000 trees, representing 100% of our clients' paper usage.

We are excited with our positive progress. I am very pleased with the accelerated momentum the DCM team is delivering, as witnessed by the first quarter of 2022. As we have discussed on every earnings call since I joined, we remain relentlessly focused on continuing to build both a better and a bigger business.

For a full description of our financial results for the first quarter of fiscal 2022, please refer to our unaudited, condensed interim consolidated financial statements for the three month period ended March 31, 2022 and management's related discussion and analysis, copies of which are available at www.sedar.com.

Yours truly,

(Signed) *"Richard Kellam"*

Richard C. Kellam
President & CEO
DATA Communications Management Corp.
May 2022

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; OTCQX: DCMDF) and its subsidiaries (referred to herein as "DCM" or the "Company") for the three months ended March 31, 2022. This MD&A should be read in conjunction with the MD&A of DCM for the year ended December 31, 2021, the unaudited condensed interim consolidated financial statements and accompanying notes of DCM for the three months ended March 31, 2022 and the audited consolidated financial statements and accompanying notes of DCM for the year ended December 31, 2021. Additional information about the Company, including its most recently filed audited consolidated financial statements, Annual Information Form and Management Information Circular may also be obtained on SEDAR (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 on May 10, 2022. This MD&A reflects information as of May 10, 2022.

Basis of presentation

DCM prepares its consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). 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, 2021, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2022 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.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2022, as issued and outstanding as of May 10, 2022, the date the Board of Directors ("Board") approved these financial statements.

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 COVID-19 Pandemic has adversely affected, and may continue to adversely effect, our business, operating results and financial condition and this continuing adverse affect could be material; there is limited growth in the traditional printing business, which may impact our ability to grow our sales or even maintain historical levels of sales of printed business communications documents; increases in the cost of, and supply constraints related to, paper, ink and other raw material inputs used by DCM, as well as increases in freight costs, may adversely impact the availability of raw materials and our production, revenues and profitability; our ability to continue as a going concern is dependent upon management's ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with our financial covenants under its credit facilities or to obtain financial covenant waivers from our lenders if necessary; we may not be successful in obtaining capital to fund our business plans on satisfactory terms (or at all), including, without, limitation, with respect to investments in digital innovation (such as the development and successful marketing and sale of new digital capabilities), capital expenditures, and potential acquisitions; all of our outstanding indebtedness under our bank credit facility is subject to floating interest rates, and therefore is subject to fluctuations in interest rates; our credit agreements governing our senior indebtedness contain numerous restrictive covenants that limit us with respect to certain business matters, including, without limitation, our ability to incur additional indebtedness, re-pay certain indebtedness, pay dividends, make investments, sell or otherwise dispose of assets and merge or consolidate with another entity; we may not be able to successfully implement our digital growth strategy on a timely basis or at all; competition from competitors supplying similar products and services, some of whom have greater economic resources than us and are well-established suppliers; and our operating results are sensitive to economic conditions, which can have a significant impact on us, and uncertain economic conditions may have a material adverse effect on our business, results of operations and financial condition, including, without limitation, our ability to realize the benefits expected from restructuring and business reorganization initiatives, reducing costs, and reducing and paying our long-term debt.

Additional factors are discussed elsewhere in this MD&A under the headings "Liquidity and capital resources" and "Risks and Uncertainties" and in DCM's 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 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 and ratios 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, and one-time business reorganization costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, onetime 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. Adjusted EBITDA as a percentage of revenues means Adjusted EBITDA divided by revenues and Adjusted net income (loss) as a percentage of revenues means adjusted net income (loss) divided by revenue, in each case for the same period. In addition to net income (loss), DCM uses non-IFRS measures and ratios, including Adjusted net income (loss), Adjusted net income (loss) per share, Adjusted net income (loss) as a percentage of revenues, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of revenues 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 marketing and business communications partner that helps companies simplify the complex ways they communicate and operate, so they can accomplish more with fewer steps and less effort. For over 60 years, DCM has been serving major brands in vertical markets including financial services, retail, healthcare, energy, other regulated industries, and the public sector. We integrate seamlessly into our clients' businesses thanks to our deep understanding of their needs, transformative tech-enabled solutions, and end-to-end service offering. Whether we're running technology platforms, sending marketing messages, or managing print workflows, our goal is to make everything surprisingly simple.

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 mailing patterns of certain customers. Typically, higher revenues and profit are generated in the first 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 925 employees in Canada and the United States and had revenues of $235.3 million in 2021. Website: www.datacm.com.

RECENT DEVELOPMENTS

SENIOR MANAGEMENT

We hired Steve Livingstone to lead our Digital Asset Management business. Steve brings an impressive 25 years of experience selling complex enterprise software. Steve's main focus is moving our +$10 million in ASMBL opportunities through the sales funnel while we continue to focus on our strategic shift from a "print first" to a "digital first" company.

TRADING ON OTCQX UNDER SYMBOL "DCMDF"

On April 25, 2022, DCM began trading on OTCQX under the symbol "DCMDF." U.S. investors can find current financial disclosure and Real-Time Level 2 quotes for the company on www.otcmarkets.com. "We are pleased to now trade on the OTCQX Market, in addition to the Toronto Stock Exchange," said Richard Kellam, President & Chief Executive Officer of DCM. "We believe that trading on the OTCQX Market will provide enhanced visibility for us in the U.S. public markets as well as improved liquidity for our shareholders."

COVID-19 GLOBAL PANDEMIC

Management of DCM continues to closely monitor and respond to developments related to COVID-19, including the current and potential impact on global and local economies in the jurisdictions where DCM operates. While safeguarding the well-being of individuals is the Company's principal concern, it remains focused on continuity plans and preparedness measures at each of its locations. Several measures designed to mitigate the financial impact on our business were implemented throughout 2020 and the first half of 2021, including temporary layoffs, shift reductions, reductions in nonessential spending and deferral of other expenses and payments where practical. These measures have been discontinued, however the Company continues to evaluate and assess further actions that may be required.

DCM has recently been experiencing more pronounced supply chain disruptions due to COVID-19. As the North American economy is recovering, increased demand in the face of previous capacity reductions by suppliers and labour shortages, is resulting in price increases, supply shortages and shipping delays. Pricing increases from key suppliers have been experienced on most of the Company's input costs, including paper, ink, other raw materials and freight. DCM has not experienced any material credit collection delinquencies related to COVID-19, although certain customers have stretched their payment terms.

REVENUE RECOGNITION POLICY

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.

PRODUCT SALES

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

In some instances, DCM's 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 its customers, 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. DCM recognizes product revenues when control has transferred over the product upon product manufacture by DCM or upon receipt of third-party product into DCM's warehouses. For bundled pricing arrangements, DCM allocates the transaction price to each performance obligation based on their relative stand alone selling prices. Management applied significant judgment in determining the stand-alone selling prices in allocating revenue between the various performance obligations.

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 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.

COST OF REVENUES AND OTHER EXPENSES

DCM’s cost of revenues primarily consists of raw materials, manufacturing salaries and benefits, occupancy costs, depreciation of owned equipment, and depreciation of the right-of-use asset ("ROU Asset") for property leases and equipment leases. 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 depreciation of the ROU Asset for property leases, and costs related to 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, the ROU Asset, 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 depreciation of the ROU Asset for property leases, telecommunications, pension plan expenses and professional service fees.

DCM has incurred restructuring expenses which primarily consisted of severance costs associated with headcount reductions and costs related to the closure of certain facilities.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary condensed interim and financial information for each of fiscal 2022 and 2021 has been derived from consolidated financial statements, prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements. In the opinion of management, such unaudited financial data reflects all adjustments, consisting of normal and non-recurring adjustments, necessary for a fair presentation of the results for those periods.

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

For the periods ended March 31, 2022 and 2021 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to March 31, 2022**	January 1 to March 31, 2021
Revenues	**$ 69,257**	$ 62,361
Cost of revenues	**48,933**	43,568
Gross profit	**20,324**	18,793
Selling, general and administrative expenses (1)	**13,644**	14,904
Restructuring expenses	**—**	3,407
	13,644	18,311
Income before finance costs, other income, and income taxes	**6,680**	482
Finance costs		
Interest expense, net	**1,255**	1,412
Amortization of transaction costs	**87**	145
	1,342	1,557
Other Income		
Other income	**—**	1,452
Government grant income	**—**	1,908
Income before income taxes	**5,338**	2,285
Income tax expense		
Current	**1,138**	546
Deferred	**487**	(21)
	1,625	525
Net income for the period	**$ 3,713**	$ 1,760
Basic earnings per share	**$ 0.08**	$ 0.04
Diluted earnings per share	**$ 0.08**	$ 0.04
Weighted average number of common shares outstanding, basic	**44,062,831**	43,911,885
Weighted average number of common shares outstanding, diluted	**46,748,077**	45,157,904

(1) Selling, general and administrative expenses ("SG&A") and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2022 for further details on the impact of the amended accounting standard.

As at March 31, 2022 and December 31, 2021 *(in thousands of Canadian dollars, unaudited)*	**As at March 31, 2022**	As at December 31, 2021
Current assets	**$ 72,854**	$ 68,041
Current liabilities	**69,330**	62,845
Total assets	**142,311**	140,084
Total non-current liabilities	**60,823**	69,198
Shareholders' equity	**12,158**	8,041

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. See the "Non-IFRS Measures" section above for more details and Tables 3 and 4 below for reconciliations of net income (loss) to Adjusted EBITDA and net income (loss) to Adjusted net income.

For the periods ended March 31, 2022 and 2021 *(in thousands of Canadian dollars, unaudited)*	**January 1 to March 31, 2022**	January 1 to March 31, 2021
		(Restated)
Revenues	**$ 69,257**	$ 62,361
Gross profit	**20,324**	18,793
Gross profit, as a percentage of revenues	**29.3 %**	30.1 %
Selling, general and administrative expenses (1)	**13,644**	14,904
As a percentage of revenues	**19.7 %**	23.9 %
Adjusted EBITDA (see Table 3)	**9,448**	9,288
As a percentage of revenues	**13.6 %**	14.9 %
Net income for the period	**3,713**	1,760
Adjusted net income (see Table 4)	**3,713**	3,216
As a percentage of revenues	**5.4 %**	5.2 %

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee's agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2022 for further details on the impact of the amended accounting standard.

TABLE 3 The following table provides reconciliations of net income to EBITDA and of net 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 March 31, 2022 and 2021 *(in thousands of Canadian dollars, unaudited)*	**January 1 to March 31, 2022**	January 1 to March 31, 2021
		(Restated)
Net income for the period [(1)]	**$ 3,713**	$ 1,760
Interest expense, net	**1,255**	1,412
Amortization of transaction costs	**87**	145
Current income tax expense	**1,138**	546
Deferred income tax expense (recovery) [(1)]	**487**	(21)
Depreciation of property, plant and equipment	**780**	806
Amortization of intangible assets [(1)]	**408**	445
Depreciation of the ROU Asset	**1,580**	2,239
EBITDA	**$ 9,448**	$ 7,332
Restructuring expenses	**—**	3,407
Other income	**—**	(1,451)
Adjusted EBITDA	**$ 9,448**	$ 9,288

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2022 for further details on the impact of the amended accounting standard.

TABLE 4 The following table provides reconciliations of net 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 income reconciliation

For the periods ended March 31, 2022 and 2021 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to March 31, 2022**	January 1 to March 31, 2021
		(Restated)
Net income for the period [(1)]	**3,713**	$ 1,760
Restructuring expenses	**—**	3,407
Other income	**—**	(1,451)
Tax effect of the above adjustments	**—**	(500)
Adjusted net income	**3,713**	3,216
Adjusted net income per share, basic and diluted	**0.08**	0.06
Weighted average number of common shares outstanding, basic	**44,062,831**	43,911,885
Weighted average number of common shares outstanding, diluted	**46,748,077**	45,157,904
Number of common shares outstanding, basic	**44,062,831**	43,938,480
Number of common shares outstanding, diluted	**46,748,077**	45,184,499

(1) SG&A and deferred income tax expense include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Prior periods have been retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Refer to note 3 of the condensed interim consolidated financial statements for the period ended March 31, 2022 for further details on the impact of the amended accounting standard.

Results of operations

REVENUES

For the three months ended March 31, 2022, DCM recorded revenues of $69.3 million, an increase of $6.9 million or 11.1% compared with the same period in 2021. As we emerge from the COVID-19 pandemic, business momentum we experienced in the fourth quarter of 2021 carried into the first quarter of 2022, resulting in an increase in revenues. Furthermore, given concerns related to potential supply chain constraints, certain customers commenced purchasing products earlier in the year than planned, resulting in a favourable first quarter of 2022. While the first quarter of the year is typically our seasonally strongest, we expect the positive momentum in our business to continue through the balance of 2022.

COST OF REVENUES AND GROSS PROFIT

For the three months ended March 31, 2022, cost of revenues increased to $48.9 million from $43.6 million for the same period in 2021, resulting in a $5.4 million or 12.3% increase over the same period in 2021. Gross profit for the three months ended March 31, 2022 was $20.3 million, resulting in an increase of $1.5 million or 8.1% from $18.8 million for the same period in 2021. Gross profit as a percentage of revenues decreased to 29.3% for the three months ended March 31, 2022, compared to 30.1% for the same period in 2021.

Gross profit as a percentage of revenues for the three months ended March 31, 2022 decreased from the prior year due to the sales product mix and certain supply chain challenges such as raw material price increases and availability constraints. However, gross margin, while lower than the prior comparable period, came in at a healthy 29.3%, generally in-line with the last full year and fourth quarter of 2021. We expect to recover those price increases through purchasing power over the balance of the year as we pass those along to our clients.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses decreased $1.3 million or 8.5% to $13.6 million, or 19.7% of total revenues, for the three months ended March 31, 2022 compared to $14.9 million, or 23.9% of total revenues for the same period in 2021.

The decrease in SG&A for the three months ended March 31, 2022 was attributable to continued reduction in salaries and wages realized from the full benefits from the cost saving initiatives implemented throughout 2021, including the departure of senior executive team members, and other lay-offs. Furthermore, in the first quarter of 2021, there was a one-time expense for immediate vesting of stock options resulting in SG&A being higher by $0.3 million in the prior period, which was not applicable in the current period.

RESTRUCTURING EXPENSES

Cost reductions and enhancement of operating efficiencies have been an area of focus for DCM in order to improve margins and better align costs with the declining revenues experienced by the Company in its business, a trend being faced by the traditional printing industry for several years now. Notably, we did not incur any restructuring expenses in the first quarter of 2022; nor any other "adjustments" or one-time costs.

Restructuring costs of $3.4 million for the three months ended March 31, 2021 related primarily to the departure of senior executive team members, and included other headcount reductions to direct and indirect labour from various facilities across DCM as cost savings initiatives to improve gross margin.

DCM will continue to evaluate its operating costs for further efficiencies as part of its commitment to improving its gross margins and lowering its selling, general and administration expenses. Given our current outlook, we look forward to keeping restructuring to negligible, if any, amounts, throughout the year.

OTHER INCOME

Other income included government grant income received from the CEWS and CERS. For the three months ended March 31, 2022, DCM did not qualify for government grant income, compared to $1.9 million in 2021. Other income also included a one-time gain of $1.5 million in the first quarter of 2021, of which $1.2 million related to the termination of an option agreement with an arms' length third party and a former subsidiary, and $0.3 million related to settlement of an outstanding litigation.

EBITDA AND ADJUSTED EBITDA

For the three months ended March 31, 2022, EBITDA was $9.4 million or 13.6% of revenues, compared to $7.3 million or 11.8% of revenues in the same period in 2021.

For the three months ended March 31, 2022, Adjusted EBITDA was $9.4 million or 13.6% of revenues, compared to $9.3 million or 14.9% of revenues in the same period in 2021, after adjusting EBITDA for $3.4 million in restructuring charges. The one-time gain of $1.5 million noted above in the first quarter of 2021 was deducted from EBITDA. Excluding government grant income of $1.9 million in the first quarter of 2021, Adjusted EBITDA would be $7.4 million; on this basis, Adjusted EBITDA for the first quarter of 2022 was $2.1 million higher than the prior period. For a reconciliation of net income (loss) to EBITDA and of net income (loss) to Adjusted EBITDA for the periods noted, see Table 3 above.

The increase in EBITDA and Adjusted EBITDA for the three months ended March 31, 2022, excluding the adjustments stated above, over the prior year comparable period was due to the increase in overall revenues and gross margin (in dollars), and improvement in SG&A related to cost saving initiatives implemented throughout 2021.

FINANCE COSTS

Finance costs include interest on debt outstanding under DCM's credit facilities, interest accretion expense related to certain debt obligations discounts / premiums, interest on pension obligations, debt modification losses, amortization of debt transaction costs and interest expense on lease liabilities under IFRS 16. For the three months ended March 31, 2022, DCM incurred $1.3 million of finance costs compared to $1.6 million for the same period in 2021, however there was accretion income recorded in the first quarter of 2021 (due to accelerated repayment of the Company's revolving credit facility). Total accretion income recorded for the three months ended March 31, 2022 was $30.0 thousand compared to $0.3 million in the same period in 2021. Excluding the accretion income, interest expense declined by $0.4 million in the current period. Interest expense for the three months ended March 31, 2022 decreased due to the refinancing of the Crown Facility with the Bank and FPD at lower interest rates in the fourth quarter of 2021, resulting in a lower interest expense in the first quarter of 2022. There were also further reductions in interest expense due to termination/exiting of leases and repayment of all promissory notes throughout 2021.

INCOME TAXES

DCM reported income before income taxes of $5.3 million and a net income tax expense of $1.6 million for the three months ended March 31, 2022 compared to income before income taxes of $2.3 million and a net income tax expense of $0.5 million for the same period in 2021.

The deferred income tax expense was adjusted for any changes in estimates of future reversals of temporary differences, including estimated changes in tax loss carryforwards.

NET INCOME

Net income for the three months ended March 31, 2022 was $3.7 million compared to a net income of $1.8 million for the same period in 2021. Excluding government grant income and other income of $2.3 million in the prior period, net income increased from the prior period by $5.3 million.

The increase in comparable profitability for the three months ended March 31, 2022 was due to the increase in overall revenues and gross margin (in dollars), improvement in SG&A related to cost saving initiatives implemented throughout 2021, and reduction in restructuring expenses down to nil (compared to $3.4 million in the comparable period).

ADJUSTED NET INCOME

Adjusted net income for the three months ended March 31, 2022 was $3.7 million compared to adjusted net income of $3.2 million for the same period in 2021. Excluding government grant income of $1.9 million in the prior period, adjusted net income increased by $2.4 million.

The increase in Adjusted net income for the three months ended March 31, 2022 was due to the increase in overall revenues and gross margin (in dollars) and improvement in SG&A related to cost saving initiatives implemented throughout 2021.

Liquidity and capital resources

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) pursuant to an agreement ("the Bank Credit Agreement") with a Canadian chartered bank (the “Bank”). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $15.0 million and the Bank Credit Facility matures on November 8, 2024. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $15.0 million 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 0.5% for a rate of 3.20% as at March 31, 2022. On November 8, 2021, DCM established a term loan ("Bank Term Loan") with the Bank for $10.0 million to in part refinance the Crown Facility. The Bank Term Loan matures on May 8, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50% for a rate of 6.20% as at March 31, 2022. The amended facility also includes an “accordion” feature which can provide of up to $10.0 million of additional capacity under the revolving facility. As at March 31, 2022, DCM had access to $11.4 million of available credit under the Bank Credit Facility. The cash and cash equivalents of $1.0 million shown on the condensed interim consolidated statement of financial position as at March 31, 2022 represents outstanding deposits which when cashed would reduce the borrowing under the Bank Credit Facility.

FPD FACILITIES

DCM has four amortizing term loan facilities (the "FPD Credit Facilities" and, collectively with the Bank Credit Facility, the "Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., Fiera Private Debt V L.P., and Fiera Private Debt VI L.P., all of which are funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contains customary representations and warranties, certain financial covenant requirements, as well as certain 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, FPD III, FPD IV, FPD V and FPD VI, as applicable. As of March 31, 2022, DCM was in compliance with all of its financial covenants.

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, and FPD VI, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, and FPD VI on the present and after-acquired property of DCM and its subsidiaries.

CASH FLOW FROM OPERATIONS

During the three months ended March 31, 2022, cash flows generated by operating activities were $4.7 million compared to cash flows generated by operating activities of $10.6 million during the same period in 2021. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of $6.6 million compared with $6.4 million for the same period in 2021. Current period cash flows from operations before adjusting for changes in working capital were consistent with the prior period.

Changes in working capital during the three months ended March 31, 2022 used $1.9 million in cash compared with $4.1 million of cash generated in the prior period. During the three months ended March 31, 2022, DCM had a cash outflow of $2.2 million from trade receivables compared to an inflow of $5.9 million for the same period in 2021. The outflow in the first quarter of 2022 was a direct result of higher revenues in the period, thereby increasing the trade receivables balance as of March 31, 2022 when compared to December 31, 2021. This was offset by a cash inflow of $4.2 million from trade and accrued liabilities compared with an outflow $0.6 million for the same period in 2021. With the continued reduction in its outstanding debt (thereby reducing payments on its credit facilities), DCM was able to increase payments to vendors in the normal course of operations. Lastly, to offset anticipated supply chain constraints and support higher levels of near-term production revenue, DCM built up raw materials inventory to ensure sufficient stock is on-hand to meet customer demands, resulting in an outflow of $3.2 million.

INVESTING ACTIVITIES

For the three months ended March 31, 2022, $0.2 million in cash flows were used for investing activities compared with $0.2 million during the same period in 2021. The low level of capital expenditures for property, plant and equipment is consistent with DCM's initiative to reduce spend.

FINANCING ACTIVITIES

For the three months ended March 31, 2022, cash flow used in financing activities was $4.5 million compared with $10.4 million used during the same period in 2021. A total of $2.9 million was repaid in the three months ended March 31, 2022 on DCM's credit facilities compared to repayment of $7.2 million during the same period in 2021, which is consistent with the lower levels of debt as of March 31, 2022. Lease payments also declined from $3.0 million to $2.1 million in the current period as a result of lease terminations throughout 2021. Lastly, the restricted cash balance of $0.5 million was no longer required to be held as part of the terms of the refinancing of debt in the fourth quarter of 2021.

Outstanding share data

At May 10, 2022 and March 31, 2022, there were 44,062,831 common shares of DCM ("Common Shares") outstanding. At December 31, 2021, there were 44,062,831 Common Shares outstanding.

At May 10, 2022 and March 31, 2022, there were options outstanding to purchase up to 4,700,886 and 3,950,886, respectively, Common Shares. At December 31, 2021, there were options outstanding to purchase up to 3,950,886 Common Shares.

At May 10, 2022 and March 31, 2022, there were warrants outstanding to purchase up to 1,863,607 Common Shares. At December 31, 2021, there were warrants outstanding to purchase up to 1,863,607 Common Shares.

Contractual obligations

DCM believes 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 March 31, 2022. Short-term commitments such as month-to-month office leases, which are easily cancelled, are excluded from this definition.

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 6 The following table summarizes quarterly financial information for the past eight quarters.

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

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*
Revenues	**$ 69,257**	**$ 60,871**	**$ 56,892**	**$ 55,207**	**$ 62,361**	**$ 60,589**	**$ 57,374**	**$ 63,936**
Net income (loss) attributable to shareholders	**3,713**	**(1,857)**	**1,023**	**639**	**1,760**	**3,374**	**2,583**	**4,682**
Basic earnings (loss) per share	**0.08**	**(0.04)**	**0.02**	**0.01**	**0.04**	**0.08**	**0.06**	**0.11**
Diluted earnings (loss) per share	**0.08**	**(0.04)**	**0.02**	**0.01**	**0.04**	**0.08**	**0.06**	**0.11**

The variations in DCM's quarterly revenues and net income (loss) over the eight quarters ended March 31, 2022 can be attributed to several principal factors: the impact of COVID-19 which commenced in the second quarter of 2020, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations; 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, refinement of DCM's pricing discipline, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers, debt modification losses, and restructuring expenses and business reorganization costs related to DCM’s ongoing productivity improvement and cost reduction initiatives. All figures above have been restated to include the impact of the IFRS Interpretations Committee’s agenda decision regarding configuration or customization costs in a cloud computing arrangement. Refer to note 3 of the consolidated financial statements for the year ended December 31, 2021 for further details on the impact of the amended accounting standard.

DCM’s net income for the first quarter of 2022 included improved revenues and margins, and no restructuring expenses. DCM’s net income for the first quarter of 2021 included reduction in revenues due to COVID-19, improved margins due to cost saving initiatives implemented throughout 2020 and the first quarter of 2021, receipt of CEWS and CERS of $1.9 million, restructuring expenses of $3.4 million, and $1.5 million of other income.

DCM’s net income for the fourth quarter of 2021 included improved margins due to cost saving initiatives, increases in the costs of freight, paper, ink, and other raw material inputs used by DCM in the conduct of its business; supply chain disruptions which impacted operations, receipt of CEWS of $0.1 million, and restructuring expenses of $2.3 million. DCM’s net income for the fourth quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of $1.8 million, and restructuring expenses of $0.7 million.

DCM’s net income for the third quarter of 2021 included reduction in revenues and margins due to COVID-19, receipt of CERS of $0.2 million, and restructuring expenses of $3.1 million. DCM’s net income for the third quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS of $2.8 million, restructuring expenses of $1.1 million, and $0.1 million of one-time business reorganization costs that did not qualify as a restructuring expense.

DCM’s net income for the second quarter of 2021 included reduction in revenues and margins due to COVID-19, one time fair market value adjustment of RSUs and DSUs of approximately $2.0 million included in cost of sales and SG&A, receipt of CEWS and CERS of $2.4 million, and restructuring expenses of $0.9 million. DCM’s net income for the second quarter of 2020 included reduction in revenues due to COVID-19, improved margins due to COVID-19 related cost saving initiatives and restructuring initiatives from the third and fourth quarter of 2019, receipt of CEWS and CERS of $4.5 million, restructuring expenses of $0.3 million, and $0.3 million of one-time business reorganization costs that did not qualify as a restructuring expense.

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 2022 which are outlined in note 3 of the Notes to the condensed interim consolidated financial statements of DCM for March 31, 2022.

NEW AND AMENDED STANDARDS ADOPTED

CONFIGURATION OR CUSTOMIZATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38)

In April 2021 the IFRS Interpretations Committee published an agenda decision clarifying how configuration and customization costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where the company controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are to be expensed as incurred as an operating expense.

Where a change in accounting policy is required, comparative financial information is to be retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The company previously capitalized $12.0 million of costs as an intangible asset relating to the 2019 implementation of its cloud-based ERP system which was being amortized over its estimated useful life of 5 years. In the fourth quarter of 2021, management completed its analysis and determined that none of these costs would qualify to be capitalized and amortized in accordance with the IFRS Interpretations Committee's agenda decision and would be required to be expensed in the period the costs were incurred. The adoption of the interpretation was implemented retrospectively. The following table summarizes the impact on DCM's condensed interim consolidated statement of operations for the period ended March 31, 2021:

	Period ended March 31, 2021 prior to the adoption	Impact	Period ended March 31, 2021 after the adoption
General and administration expense	$ 8,839	$ (601)	$ 8,238
Deferred tax expense	(174)	153	(21)

The following table summarizes the impact on DCM's condensed interim consolidated statement of cash flows for the period ended March 31, 2021:

	Period ended March 31, 2021 prior to the adoption	Impact	Period ended March 31, 2021 after the adoption
Net income for the period	$ 1,312	$ 448	$ 1,760
Amortization of intangible assets	1,046	(601)	445
Income tax expense	372	153	525

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the condensed interim consolidated financial statements.

IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The mandatory effective date would be for annual periods beginning on or after January 1, 2022 with early application permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

FUTURE ACCOUNTING STANDARDS NOT YET ADOPTED

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 significant impact on DCM.

Management’s report on internal controls over financial reporting

DISCLOSURE CONTROLS AND PROCEDURES

DCM maintains a set of disclosure controls and procedures (as defined in Multilateral Instrument 52-109) designed to provide reasonable assurance that information required to be disclosed in its public filings or otherwise under securities legislation is recorded, processed, summarized and reported on a timely basis and that such controls and procedures are designed to ensure that information required to be so disclosed is accumulated and communicated to its management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. With the supervision and participation of DCM's senior management team, the Chief Executive Officer of DCM and the Chief Financial Officer ("CFO") of DCM are responsible for designing disclosure controls and procedures of DCM to provide reasonable assurance that (i) material information relating to DCM was made known to management and (ii) information required to be disclosed by DCM in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Multilateral Instrument 52-109 requires the CEO and CFO to certify they are responsible for establishing and maintaining internal control over financial reporting ("ICFR") for the Company and that ICFR has been designed and is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The CEO and CFO are also responsible for disclosing any changes to the Company's internal controls during the most recent period that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting. DCM's internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO, or persons performing similar functions, and effected by DCM's Board of Directors, management and other personnel. DCM's internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of DCM's annual or interim financial statements will not be prevented or detected on a timely basis.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As at March 31, 2022, there were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, DCM's internal control over financial reporting.

Outlook

"I am also happy to report our EBITDA of $9.4 million was up 28.6% compared to the first quarter last year of $7.3 million," says Richard Kellam, CEO and President of DCM. "We had ZERO restructuring expenses this quarter, and no other one-time, non-recurring costs or adjustments. Our current outlook calls for ZERO restructuring expenses throughout the balance of the year. In fact, this is the highest "clean" quarterly EBITDA we've reported for many years, if we exclude the benefits from government grant income which we received in the first two quarters of 2020."

"We are excited with our positive progress. I am very pleased with the accelerated momentum the DCM team is delivering, as witnessed by the first quarter of 2022. As we have discussed on every earnings call since I joined, we remain relentlessly focused on continuing to build both a better and a bigger business."

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.

Condensed interim consolidated statements of financial position

(in thousands of Canadian dollars, unaudited)	**March 31, 2022**	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 985**	$ 901
Trade receivables (note 4)	**53,762**	51,567
Inventories	**15,335**	12,133
Prepaid expenses and other current assets	**2,463**	2,580
Income taxes receivable	**309**	860
	72,854	68,041
NON-CURRENT ASSETS		
Other non-current assets	**600**	625
Deferred income tax assets	**4,860**	5,465
Restricted cash	**—**	515
Property, plant and equipment	**7,807**	8,416
Right-of-use assets (note 5)	**33,198**	33,476
Pension assets	**2,385**	2,531
Intangible assets	**3,634**	4,042
Goodwill (note 6)	**16,973**	16,973
	$ 142,311	$ 140,084
LIABILITIES		
CURRENT LIABILITIES		
Trade payables and accrued liabilities	**$ 41,763**	$ 37,589
Current portion of credit facilities (notes 1 and 9)	**16,265**	11,743
Current portion of lease liabilities (note 8)	**6,121**	6,123
Provisions (note 7)	**1,272**	3,280
Income taxes payable	**1,444**	841
Deferred revenue	**2,465**	3,269
	69,330	62,845
NON-CURRENT LIABILITIES		
Provisions (note 7)	**1,110**	1,196
Credit facilities (notes 1 and 9)	**17,246**	24,556
Lease liabilities (note 8)	**32,728**	32,976
Pension obligations	**6,743**	7,499
Other post-employment benefit plans	**2,996**	2,971
	$ 130,153	$ 132,043
EQUITY		
SHAREHOLDERS' EQUITY		
Shares (note 10)	**$ 256,478**	$ 256,478
Warrants (note 10)	**881**	881
Contributed surplus	**2,847**	2,791
Translation Reserve	**160**	173
Deficit	**(248,208)**	(252,282)
	$ 12,158	$ 8,041
	$ 142,311	$ 140,084

Commitments and contingencies (note 13); Subsequent event (note 16)

Approved by Board of Directors

(Signed) "J.R. Kingsley Ward" Director (Signed) "Richard Kellam" Director

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

Condensed interim consolidated statements of operations

(in thousands of Canadian dollars, except per share amounts, unaudited)	**For the three months ended March 31, 2022**	For the three months ended March 31, 2021
		(Restated - Note 3)
REVENUES (note 15)	**$ 69,257**	$ 62,361
COST OF REVENUES	**48,933**	43,568
GROSS PROFIT	**20,324**	18,793
EXPENSES		
Selling, commissions and expenses	**7,048**	6,666
General and administration expenses	**6,596**	8,238
Restructuring expenses (note 7)	**—**	3,407
	13,644	18,311
INCOME BEFORE FINANCE COSTS, OTHER INCOME, AND INCOME TAXES	**6,680**	482
FINANCE COSTS		
Interest expense on long term debt and pensions, net	**691**	718
Interest expense on lease liabilities (note 8)	**564**	694
Amortization of transaction costs	**87**	145
	1,342	1,557
OTHER INCOME		
Other income	**—**	1,452
Government grant income	**—**	1,908
INCOME BEFORE INCOME TAXES	**5,338**	2,285
INCOME TAX EXPENSE		
Current	**1,138**	546
Deferred	**487**	(21)
	1,625	525
NET INCOME FOR THE PERIOD	**$ 3,713**	$ 1,760
BASIC EARNINGS PER SHARE (note 11)	**$ 0.08**	$ 0.04
DILUTED EARNINGS PER SHARE (note 11)	**$ 0.08**	$ 0.04

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

Condensed interim consolidated statements of comprehensive income

(in thousands of Canadian dollars, unaudited)	**For the three months ended March 31, 2022**	For the three months ended March 31, 2021
		(Restated - Note 3)
NET INCOME FOR THE PERIOD	**$ 3,713**	$ 1,760
OTHER COMPREHENSIVE INCOME (LOSS):		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME		
Foreign currency translation	**(13)**	(23)
	(13)	(23)
ITEMS THAT WILL NOT BE RECLASSIFIED TO NET INCOME		
Re-measurements of pension and other post-employment benefit obligations	**479**	1,256
Taxes related to pension and other post-employment benefit adjustment above	**(118)**	(318)
	361	938
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**$ 348**	$ 915
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 4,061**	$ 2,675

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

Condensed interim consolidated statements of changes in shareholders' equity

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Contributed surplus	Translation reserve	Deficit *(Restated - Note 3)*	Total equity
Balance as at December 31, 2020	$ 256,260	$ 850	$ 2,354	$ 192	$ (255,842)	$ 3,814
Net income for the period	—	—	—	—	1,760	1,760
Other comprehensive income (loss) for the period	—	—	—	(23)	938	915
Total comprehensive income for the period	—	—	—	(23)	2,698	2,675
Issuance of common shares (note 10)	40	—	—	—	—	40
Issuance of warrants, net (note 10)	—	40	—	—	—	40
Share-based compensation expense (note 10)	—	—	316	—	—	316
BALANCE AS AT MARCH 31, 2021	$ 256,300	$ 890	$ 2,670	$ 169	$ (253,144)	$ 6,885
BALANCE AS AT DECEMBER 31, 2021	**$ 256,478**	**$ 881**	**$ 2,791**	**$ 173**	**$ (252,282)**	**$ 8,041**
Net income for the period	**—**	**—**	**—**	**—**	**3,713**	**3,713**
Other comprehensive income (loss) for the period	**—**	**—**	**—**	**(13)**	**361**	**348**
Total comprehensive income for the period	**—**	**—**	**—**	**(13)**	**4,074**	**4,061**
Share-based compensation expense (note 10)	**—**	**—**	**56**	**—**	**—**	**56**
BALANCE AS AT MARCH 31, 2022	**$ 256,478**	**$ 881**	**$ 2,847**	**$ 160**	**$ (248,208)**	**$ 12,158**

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

Condensed interim consolidated statements of cash flows

(in thousands of Canadian dollars, unaudited)	**For the three months ended March 31, 2022**	For the three months ended March 31, 2021
CASH PROVIDED BY		*(Restated - Note 3)*
OPERATING ACTIVITIES		
Net income for the period	**$ 3,713**	$ 1,760
Items not affecting cash		
Depreciation of property, plant and equipment	**780**	806
Amortization of intangible assets	**408**	445
Depreciation of right-of-use-assets (note 5)	**1,580**	2,239
Interest expense on lease liabilities (note 8)	**564**	694
Share-based compensation expense	**56**	316
Pension expense	**109**	119
Loss on disposal of intangible assets	**—**	8
Loss on disposal of property, plant and equipment	**11**	—
Provisions (note 7)	**—**	3,407
Amortization of transaction costs and debt modification losses (note 9)	**87**	145
Accretion of non-current liabilities and capitalized interest expense	**(33)**	(190)
Other post-employment benefit plan expense	**68**	59
Income tax expense	**1,625**	525
	8,968	10,333
Changes in working capital (note 12)	**(1,885)**	4,147
Contributions made to pension plans	**(240)**	(241)
Contributions made to other post-employment benefit plans	**(43)**	(23)
Provisions paid (note 7)	**(2,094)**	(2,924)
Income taxes refund (paid)	**16**	(720)
	4,722	10,572
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(213)**	(83)
Purchase of intangible assets	**—**	(122)
Proceeds on disposal of property, plant and equipment	**31**	—
	(182)	(205)
FINANCING ACTIVITIES		
Decrease in restricted cash	**515**	—
Proceeds from credit facilities (note 9)	**101**	—
Repayment of credit facilities (note 9)	**(2,943)**	(7,191)
Repayment of promissory notes	**—**	(176)
Lease payments (note 8)	**(2,129)**	(2,993)
	(4,456)	(10,360)
CHANGE IN CASH DURING THE PERIOD	**84**	7
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	**$ 901**	$ 578
EFFECTS OF FOREIGN EXCHANGE ON CASH BALANCES	**—**	14
CASH AND CASH EQUIVALENTS – END OF PERIOD	**$ 985**	$ 599

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

1 General information and basis of preparation

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

DCM’s revenue is subject to mailing patterns of certain customers. Typically, higher revenues and profit are generated in the first 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.

These financial statements have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company's ability to continue as a going concern is dependent upon management’s ability to meet forecast revenue and profitability targets for at least the next twelve months in order to comply with its financial covenants on its credit facilities or to obtain financial covenant waivers from its lenders if necessary. The estimate of future cash flows in the Company’s forecasts took into consideration the uncertainty of the continued impact of the COVID-19 pandemic, coupled with other inflationary pressures on both the wider macro-economic environment and the ongoing demand for the Company’s services. Management are satisfied that the Company’s forecasts and projections, taking account of reasonably possible changes in results and other uncertainties will not result in any breach of the financial covenants on its credit facilities. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements. The Company’s cash flow forecasts for the period to June 30, 2023, to support the assessment of financial covenant compliance and the related liquidity risk, includes considerable judgment applied by management in the determination of key assumptions related to forecast revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). The estimates of forecasted compliance with financial covenants are sensitive to those assumptions including the ongoing impact of the COVID-19 pandemic, and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company’s business and financial results.

COVID-19

While the Company is anticipating sales to start to recover in 2022 as customer demand improves as the economy recovers from the effects of the pandemic, it is not currently possible to accurately quantify the long-term impact of the pandemic on the Company’s operations or financial results.

During the three months ended March 31, 2022, DCM has begun to experience delays, extended lead times and price increases in certain raw materials in its supply chain and increases in freight input costs due to shortages in supply (relative to demand) resulting from the post COVID-19 return of consumer movements.

During the first quarter of 2022, DCM did not qualify for the Canada Emergency Wage Subsidy ("the CEWS") or Canada Emergency Rent Subsidy ("the CERS") (2021 - $1,908) of income. DCM does not expect any subsidies going forward.

The common shares of DCM are listed on the Toronto Stock Exchange (“TSX”) under the symbol “DCM” and trade on OTCQX under the symbol "DCMDF". The address of the registered office of DCM is 9195 Torbram Road, Brampton, Ontario. These condensed interim consolidated financial statements were approved by the Board of Directors ("Board") of DCM, on May 10, 2022.

2 Significant accounting policies

DCM prepares its condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS"). 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, 2021, except for certain new accounting pronouncements which have been adopted by DCM on January 1, 2022 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.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ending December 31, 2022, as issued and outstanding as of May 10, 2022, the date the Board of Directors ("Board") approved these condensed interim consolidated 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, 2021 which have been prepared in accordance with IFRS.

3 Change in accounting policies

a) New and amended standards adopted

CONFIGURATION OR CUSTOMIZATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38)

In April 2021 the IFRS Interpretations Committee published an agenda decision clarifying how configuration and customization costs incurred in implementing a cloud computing arrangement should be accounted for. In that agenda decision certain configuration and customization activities undertaken in implementing such arrangements may give rise to a separate asset in limited circumstances where the company controls the intellectual property of the underlying software code (e.g. the development of bridging modules to existing on-premise systems or bespoke additional software capability). In all other instances, configuration and customization costs are to be expensed as incurred as an operating expense.

Where a change in accounting policy is required, comparative financial information is to be retrospectively restated to derecognize previously capitalized costs in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The company previously capitalized $12,037 of costs as an intangible asset relating to the 2019 implementation of its cloud-based ERP system which was being amortized over its estimated useful life of 5 years. In the fourth quarter of 2021, management completed its analysis and determined that none of these costs would qualify to be capitalized and amortized in accordance with the IFRS Interpretations Committee’s agenda decision and would be required to be expensed in the period the costs were incurred. The adoption of the interpretation was implemented retrospectively. The following table summarizes the impact on DCM’s condensed interim consolidated statement of operations for the period ended March 31, 2021:

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

	Period ended March 31, 2021 prior to the adoption	Impact	Period ended March 31, 2021 after the adoption
General and administration expense	$ 8,839	$ (601)	$ 8,238
Deferred tax recovery	(174)	153	(21)

The following table summarizes the impact on DCM's condensed interim consolidated statement of cash flows for the period ended March 31, 2021:

	Period ended March 31, 2021 prior to the adoption	Impact	Period ended March 31, 2021 after the adoption
Net income for the period	$ 1,312	$ 448	$ 1,760
Amortization of intangible assets	1,046	(601)	445
Income tax expense	372	153	525

IFRS 3 REFERENCE TO CONCEPTUAL FRAMEWORK

In May 2020, the IASB issued an amendment to IFRS 3 to (i) clarify references to the 2018 Conceptual Framework in order to determine what constitutes an asset or liability in a business combination, (ii) add an exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

IAS 37 ONEROUS CONTRACTS: COST OF FULFILLING A CONTRACT

In May 2020, the IASB issued an amendment to IAS 37 to clarify which costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The mandatory effective date would be annual periods beginning on or after January 1, 2022, with early adoption permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS: FEES IN THE '10 PER-CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018 - 2020. This amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The mandatory effective date would be for annual periods beginning on or after January 1, 2022 with early application permitted. This amended standard was adopted effective January 1, 2022 and did not have an impact on the condensed interim consolidated financial statements.

b) Future accounting standards not yet adopted

AMENDMENTS TO IAS 1, PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8, ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

These standards were amended to introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. DCM is currently evaluating the impact on the condensed interim consolidated financial statements.

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

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 significant impact on DCM.

4 Trade receivables

		March 31, 2022		December 31, 2021
Trade receivables	**$**	**55,613**	$	52,850
Provision for expected credit losses		**(1,851)**		(1,283)
	$	**53,762**	$	51,567

As at March 31, 2022, trade receivables include unbilled receivables of $16,308 (2021 – $16,457), net of an expected credit loss allowance of $1,150 (2021 – $750).

5 Right-of-use asset

The following tables present changes in the right-of-use ("ROU") assets for the three months ended March 31, 2022:

		Property		**Office Equipment**		**Production Equipment**		**Total**
Balance - Beginning of period	**$**	**28,308**	**$**	**141**	**$**	**5,027**	**$**	**33,476**
Additions for the period		**—**		**163**		**—**		**163**
Modifications for the period		**492**		**434**		**220**		**1,146**
Depreciation for the period		**(877)**		**(80)**		**(623)**		**(1,580)**
Effect of movement in exchange rates		**(4)**		**—**		**(3)**		**(7)**
Closing net book value	**$**	**27,919**	**$**	**658**	**$**	**4,621**	**$**	**33,198**
As at March 31, 2022								
Cost	**$**	**41,239**	**$**	**3,404**	**$**	**15,862**	**$**	**60,505**
Accumulated depreciation		**(13,320)**		**(2,746)**		**(11,241)**		**(27,307)**
Net book value	**$**	**27,919**	**$**	**658**	**$**	**4,621**	**$**	**33,198**

During the three months ended March 31, 2022, DCM modified certain leases by entering into renewal and/or amending agreements to extend a lease term and/or increase/reduce the lease payments.

6 Goodwill

DCM performs an annual impairment analysis of goodwill at the end of each fiscal year, or more frequently if events or changes in circumstances indicate that the cash generating units ("CGU") to which goodwill has been allocated may be impaired. The goodwill CGU recoverable amounts in the Company's previous annual impairment test, significantly exceeded the carrying amounts and in managements assessment, no events have occurred during the period that would eliminate those differences and require the recoverable amounts to be re-estimated.

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

7 Provisions

	Termination provisions	Plant Closure	Total
Balance – December 31, 2021	**$ 3,926**	**$ 550**	**$ 4,476**
Additional charge during the period	**—**	**—**	**—**
Utilized during the period	**(1,544)**	**(550)**	**(2,094)**
Balance - March 31, 2022	**$ 2,382**	**$ —**	**$ 2,382**
Less: Current portion of provisions	**(1,272)**	**—**	**(1,272)**
Balance - Long-term portion of provisions	**$ 1,110**	**$ —**	**$ 1,110**

	Termination provisions	Plant Closure	Total
Balance – December 31, 2020	$ 1,276	$ —	$ 1,276
Additional charge during the period	3,407	—	3,407
Utilized during the period	(2,924)	—	(2,924)
Balance - March 31, 2021	$ 1,759	$ —	$ 1,759
Less: Current portion of provisions	(1,732)	—	(1,732)
Balance - Long-term portion of provisions	$ 27	$ —	$ 27

TERMINATION PROVISIONS

During the three months ended March 31, 2021, DCM incurred restructuring initiatives which resulted in $3,407 of provisions due to headcount reduction across DCM's operations including senior executive management in the condensed interim consolidated statement of operations.

During the three months ended March 31, 2022, cash payments of $2,094 (2021 - $2,924) were made to former employees for severances, to a landlord for closure of a manufacturing location and for other restructuring costs. The remaining severance and restructuring accruals of $2,382 at March 31, 2022 are expected to be paid in 2022 and 2023.

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

8 Lease liabilities

DCM currently leases office space, office equipment and production equipment. A lease liability has been recognized equal to the present value of remaining lease payments discounted at the interest rate implicit in the lease, or if that rate cannot be readily determined, DCM's weighted average incremental borrowing rate.

		Property		Office Equipment		Production Equipment		Total
Balance - Beginning of period	$	34,359	$	116	$	4,624	$	39,099
Additions during the period		—		163		—		163
Modifications during the period		492		434		220		1,146
Payments during the period		(1,338)		(86)		(705)		(2,129)
Interest charge for the period		478		10		76		564
Effect of movement in exchange rates		4		—		2		6
As at March 31, 2022	$	33,995	$	637	$	4,217	$	38,849

The contractual undiscounted cash flows of DCM's lease liabilities are as follows:

		Contractual Cash Flows		Extension Options		Total as at March 31, 2022
Not later than one year	$	8,277	$	—	$	8,277
Later than one and not later than five years		20,438		2,517		22,955
Later than five years		288		24,656		24,944
Total undiscounted lease liabilities	$	29,003	$	27,173	$	56,176
Undiscounted cash flows for lease commitments related to leases not yet commenced						(1,565)
Discounted using the incremental borrowing rate						(15,762)
Lease liabilities					$	38,849
Current					$	6,121
Non-current					$	32,728

All extension options that are reasonably certain to be exercised have been included in the measurement of the lease obligation. The Company reassesses the likelihood of extension option to be exercised when there was a significant event or change in circumstances. During the three months ended March 31, 2022, extension options that are not reflected in the measurement of the lease liability total $739 (December 31, 2021 - $1,063).

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

9 Credit facilities

		March 31, 2022		December 31, 2021
Term loans				
- 6.10% term debt, maturing October 15, 2022 (FPD III Credit Facility)	**$**	**1,478**	$	1,743
- 6.95% term debt, maturing March 10, 2023 (FPD IV Credit Facility)		**8,324**		9,432
- 6.95% term debt, maturing May 15, 2023 (FPD V Credit Facility)		**1,962**		2,200
- 5.95% term debt, maturing December 15, 2026 (FPD VI Credit facility)		**10,607**		11,000
- floating rate debt, maturing May 8, 2024 (Bank Term Loan)		**8,751**		9,690
Revolving facilities				
- floating rate debt, maturing November 8, 2024 (Bank Credit Facility)		**3,070**		2,969
Credit facilities	**$**	**34,192**	$	37,034
Unamortized debt premiums and discount		**107**		140
Unamortized transaction costs		**(788)**		(875)
	$	**33,511**	$	36,299
Less: Current portion of Credit facilities		**(16,265)**		(11,743)
Credit facilities	**$**	**17,246**	$	24,556

CREDIT AGREEMENTS

BANK FACILITIES

DCM has established a revolving credit facility (as amended, the “Bank Credit Facility”) pursuant to an agreement ("the Bank Credit Agreement") with a Canadian chartered bank (the “Bank”). Under the terms of the Bank Credit Agreement, the maximum principal amount available under the Bank Credit Facility is $15,000 and the Bank Credit Facility matures on November 8, 2024. Advances under the Bank Credit Facility may not, at any time, exceed the lesser of $15,000 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 0.5% for a rate of 3.20% as at March 31, 2022. On November 8, 2021, DCM established a term loan ("Bank Term Loan") with the Bank for $10,000 to in part refinance the Crown Facility. The Bank Term Loan matures on May 8, 2024 and is subject to a floating interest rate based upon the Canadian prime rate plus an applicable margin of 3.50% for a rate of 6.20% as at March 31, 2022. The amended facility also includes an “accordion” feature which can provide of up to $10,000 of additional capacity under the revolving facility. As at March 31, 2022, DCM had access to $11,363 of available credit under the Bank Credit Facility. The cash and cash equivalents of $985 shown on the condensed interim consolidated statement of financial position as at March 31, 2022 represents outstanding deposits which when cashed would reduce the borrowing under the Bank Credit Facility.

FPD FACILITIES

DCM has four amortizing term loan facilities (the "FPD Credit Facilities" and, collectively with the Bank Credit Facility, the "Credit Facilities") with Fiera Private Debt Fund III L.P., Fiera Private Debt Fund IV L.P., Fiera Private Debt V L.P., and Fiera Private Debt VI L.P., all of which are funds managed by Fiera Private Debt Fund GP Inc. ("FPD").

COVENANT REQUIREMENTS

Each of the Bank Credit Agreement and the FPD Credit Agreements contains customary representations and warranties, certain financial covenant requirements, as well as certain 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, FPD III, FPD IV, FPD V and FPD VI, as applicable. As of March 31, 2022, DCM was in compliance with all of its financial covenants.

The continued ability to comply with financial covenants on the Company's credit facilities for at least the next twelve months is contingent on management's ability to meet budgeted revenue, profitability and working capital targets. The estimate of future cash flows in the Company's forecasts include a number of key assumptions to support the financial covenant calculations, specifically related to forecast revenues and gross margins (which in turn impact earnings before interest, income taxes, depreciation and amortization (EBITDA)). The estimates of forecasted compliance with financial covenants (particularly for the fixed charge coverage ratio) are sensitive to those assumptions including the ongoing impact of the COVID-19 pandemic and other inflationary pressures, the effects and duration of which are difficult to project with respect to the Company's business and financial results. For example a shortfall in our budgeted EBITDA of 5% for the next twelve months could result in the breach of our fixed charge coverage ratio covenant in April 2023.

A failure by DCM to comply with its obligations under the Bank Credit Agreement or the FPD Credit Agreements, 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 FPD, 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 or that it shall be able to receive waivers from its lenders to the extent required; 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, or obtaining waivers from its lenders over the next twelve months (see note 1).

INTER-CREDITOR AGREEMENT

DCM's obligations under its Credit Facilities are secured by conventional security charging all of the property and assets of DCM and its subsidiaries. DCM entered into an inter-creditor agreement between the Bank, FPD III, FPD IV, FPD V, and FPD VI, respectively, which, among other things, establishes the rights and priorities of the respective liens of the Bank, FPD III, FPD IV, FPD V, and FPD VI on the present and after-acquired property of DCM and its subsidiaries.

The movement in credit facilities during the three months ended March 31, 2022 and for the year ended December 31, 2021 are as follows:

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

		March 31, 2022		December 31, 2021
Balance - Beginning of period / year, net of transaction costs and debt premiums and discounts	**$**	**36,299**	$	45,739
Changes from financing cash flows				
Proceeds from credit facilities		**101**		21,000
Repayment of credit facilities		**(2,943)**		(30,696)
Transaction costs		**—**		(489)
Balance after the changes in financing cash flows		**33,457**		35,554
Non-cash movements				
Amortization of transaction costs		**87**		941
Debt modification losses		**—**		260
Capitalized interest on Crown advances		**—**		585
Accretion of premium and discount		**(33)**		(1,041)
Balance - End of period / year, net of transaction costs and debt premiums and discounts	**$**	**33,511**	$	36,299

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

		March 31, 2022
2022	**$**	**9,737**
2023		**11,756**
2024		**6,412**
2025		**1,571**
2026		**4,716**
		$34,192

10 Shares and warrants

SHARES

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 be entitled to receive assets of DCM upon such a distribution. Such distribution will be made in equal amounts per share on all the common shares at the time outstanding without preference or distinction.

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

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

	Number of Common shares		Amount
Balance – January 1, 2022 and March 31, 2022	**44,062,831**	**$**	**256,478**

	Number of Common shares		Amount
Balance – January 1, 2021	43,867,030	$	256,260
Shares issued - January 18, 2021	35,725		20
Shares issued - February 18, 2021	35,725		20
Balance – March 31, 2021	43,938,480	$	256,300

WARRANTS

A summary of warrant activities for the three months ended March 31, 2022 and the year ended December 31, 2021 is as follows:

	Three Months Ended March 31, 2022			Year ended December 31, 2021		
	Number of Warrants		**Weighted average Exercise Price**	Number of Warrants		Weighted average Exercise Price
Warrants outstanding - beginning of period / year	**1,863,607**	**$**	**0.28**	1,920,092	$	0.33
Granted	—		—	67,866		0.32
Exercised	—		—	(124,351)		(0.95)
Warrants outstanding - end of period / year	**1,863,607**	**$**	**0.28**	1,863,607	$	0.28

The outstanding warrants had an exercise price range as follows:

	March 31, 2022	December 31, 2021
	Number of Warrants	Number of Warrants
$0.99	**77,078**	77,078
$0.32	**61,079**	61,079
$0.26	**1,510,000**	1,510,000
$0.185	**215,450**	215,450
Warrants outstanding	**1,863,607**	1,863,607

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 4,406,283 common shares or 10% of the issued and outstanding common shares of DCM. The shares to be awarded will be authorized and unissued shares.

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

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 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 DCM in an amount equal to the fair value of one DCM common share. RSUs granted are performance and non-performance based. The performance component is based on Company specific financial targets approved by the Board and the non-performance component is based on continued employment. RSUs generally vest over three years, require continued employment with DCM for the duration of the vesting period 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 are 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.

	March 31, 2022	December 31, 2021
	Number of RSUs	Number of RSUs
Balance - beginning of period/year	**2,400,715**	2,662,561
Units granted	**536,778**	1,480,637
Units forfeited	**—**	(740,701)
Units paid out	**(150,617)**	(1,001,782)
Balance - end of period/year	**2,786,876**	2,400,715

During the three months ended March 31, 2022, the Chief Executive Officer ("CEO") of DCM was granted 224,652 RSUs (three months ended March 31, 2021 – 150,597 RSUs) and 312,126 RSUs (three months ended March 31, 2021 – 391,450 RSUs) were awarded to other members of DCM's management.

Of the total outstanding RSUs at March 31, 2022, nil (December 31, 2021 – nil) have vested and are payable. The carrying amount of the liability relating to the RSUs at March 31, 2022 was $2,089 (December 31, 2021 – $1,962).

During the three months ended March 31, 2022, compensation expense of $327 (three months ended March 31, 2021 – $236) was recognized in the condensed interim consolidated statement of operations related to vesting of RSUs granted, and fair value adjustments. RSUs and DSUs are categorized as level 2 inputs in the fair value hierarchy given their valuations include inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. There were no transfers between levels 1, 2 or 3 during the period.

(b) Options ("Options")

A summary of Options activities for the three months ended March 31, 2022 and the year ended December 31, 2021 is as follows:

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

	Three Months Ended March 31, 2022		Year ended December 31, 2021	
	Number of Options	**Weighted average Exercise Price**	Number of Options	Weighted average Exercise Price
Options outstanding - beginning of period/year	**3,950,886**	**$ 0.91**	1,587,486	$ 1.33
Granted	**—**	**—**	2,625,000	0.70
Expired/forfeited	**—**	**—**	(261,600)	(1.29)
Options outstanding - end of period/year	**3,950,886**	**$ 0.91**	3,950,886	$ 0.91
Exercisable	**2,825,886**	**$ 0.99**	2,322,253	$ 1.06

The outstanding Options had an exercise price range as follows:

	March 31, 2022	December 31, 2021
	Number of Options	Number of Options
$0.69	**2,500,000**	2,500,000
$0.85	**125,000**	125,000
$1.38	**671,886**	671,886
$1.29	**654,000**	654,000
Options outstanding	**3,950,886**	3,950,886

During the three months ended March 31, 2022, compensation expense of $56 (three months ended March 31, 2021 – $316) was recognized in the condensed interim consolidated statement of operations related to the vesting of options granted.

(c) Deferred share unit ("DSU")

Each director is required to receive at least half of his or her annual retainer in DSUs and has the option to elect to receive all or part of his or her other compensation in DSUs.

Each DSU represents the right to receive a distribution from DCM 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 the 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 three months ended March 31, 2022, 84,719 (three months ended March 31, 2021 - 91,762) DSUs were granted and nil were paid out (2021 - nil). The carrying amount of the liability relating to the 2,159,840 DSUs outstanding at March 31, 2022 was $2,766 (December 31, 2021 – $2,656 and 2,075,121 DSUs outstanding).

During the three months ended March 31, 2022, an expense of $128 (three months ended March 31, 2021 – $242) was recognized in the condensed interim consolidated statement of operations related to DSUs granted, and fair value adjustments.

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

11 Earnings per share

		For the three months ended March 31, 2022		For the three months ended March 31, 2021
				(Restated - Note 3)
BASIC EARNINGS PER SHARE				
Net income for the period attributable to common shareholders	**$**	**3,713**	$	1,760
Weighted average shares		**44,062,831**		43,911,885
Basic earnings per share	**$**	**0.08**	$	0.04
DILUTED EARNINGS PER SHARE				
Net income for the period attributable to common shareholders	**$**	**3,713**	$	1,760
Weighted average shares		**46,748,077**		45,157,904
Diluted earnings per share	**$**	**0.08**	$	0.04

For the three months ended March 31, 2022, options to purchase up to 671,886 common shares where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. For three months ended March 31, 2022, warrants to purchase up to nil common shares, respectively, were excluded from the computation of diluted earnings per share as they were out-of-the-money as of March 31, 2022.

For the three months ended March 31, 2021, options to purchase up to 1,587,486 common shares where the average market price of the common shares was less than the exercise price were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive. Warrants to purchase up to 194,642 common shares were excluded from the computation of diluted earnings per share as they were out-of-the-money as of March 31, 2021.

12 Changes in working capital

		For the three months ended March 31, 2022		For the three months ended March 31, 2021
Trade receivables	**$**	**(2,195)**	$	5,924
Inventories		**(3,202)**		(253)
Prepaid expenses and other current and non current assets		**142**		(195)
Trade and accrued liabilities		**4,174**		(593)
Deferred revenue		**(804)**		(736)
	$	**(1,885)**	$	4,147

13 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.

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

Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. DCM has purchased directors' and officers' liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

In the normal course of business, DCM has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and license agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at March 31, 2022 with respect to these agreements.

Executive employment agreements allow for additional payments of approximately $1,785 if the individuals are terminated without cause, and approximately $1,785 in the event of a change in control.

14 Related party transactions

COMPENSATION OF KEY MANAGEMENT

Key management personnel are deemed to be Directors on DCM's Board, the CEO, the President, the Chief Financial Officer and other members of the senior executive team. Compensation awarded to key management personnel, excluding compensation awarded to Directors which are described below, included:

		For the three months ended March 31, 2022		For the three months ended March 31, 2021
Salaries and other short-term employee benefits	**$**	**476**	$	1,155
Termination and retirement benefits		**—**		2,726
Post-employment benefits		**4**		11
Share-based compensation expense		**216**		314
Total	**$**	**696**	$	4,206

During the three months ended March 31, 2022, key management personnel (excluding compensation awarded to Directors) were granted 424,279 RSUs (2021 – 150,597 RSUs), and nil RSUs (2021 – nil RSUs) were forfeited. During the three months ended March 31, 2021, key management personnel (excluding compensation awarded to Directors) were also granted options to purchase up to 2,500,000 Common Shares. During the three months ended March 31, 2022, DCM's general and administration expenses include a charge of $56 (2021 – $278) for these past share-based compensation awards related to options.

During the three months ended March 31, 2022, DCM's general and administration expenses include a charge of $128 (2021 – $262) for the duties performed by DCM's Board, of which a recovery of $6 (2021 – expense of $149) relates to DSU expense (note 10). Directors were also granted options to purchase up to nil Common Shares (2021 - nil Common Shares). During the three months ended March 31, 2022, DCM's general and administration expenses include a charge of nil (2021 – $38) for these share-based compensation awards.

15 Segmented information

The CEO of DCM is the chief operating decision maker ("CODM").

DCM has a single operating segment, being the Company as a whole, reflecting the manner in which the operating results are being reviewed by the CODM to make decisions about resources to be allocated and to assess the Company's performance.

Management evaluates the performance of its reportable segment based on income before finance costs, other income and income taxes. Certain corporate expenses, certain non-recurring expenses, interest expense, finance costs and income taxes are not taken into account in the evaluation of the performance of the reporting segment.

All significant external sales are to customers located in Canada. DCM established operations in Chicago, Illinois in order to service the U.S. operations of a large customer and is seeking to grow its U.S. sales, however at March 31, 2022, U.S. sales were not significant to disclose separately.

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:

(in thousands of Canadian dollars, unaudited)		**For the three months ended March 31, 2022**		For the three months ended March 31, 2021
Product sales	**$**	**61,248**	$	54,449
Technology-enabled hardware solutions	**$**	**2,542**	$	2,425
Warehousing services		**1,993**		2,022
Freight services		**2,064**		1,785
Marketing and other services		**266**		662
Technology-enabled subscription services and fees		**1,144**		1,018
	$	**69,257**	$	62,361

TECHNOLOGY-ENABLED HARDWARE SOLUTIONS

We procure certain products and services from third party providers to ensure that our clients' complete business and marketing communications needs are met and provide comprehensive vendor management strategies. Technology-enabled hardware solutions include scanners, printers, tablets, and other technology applications, often with barcoding and RFID functionality, and combined with our print consumables, creating an integrated ecosystem.

Tech-enabled hardware solutions represent a distinct performance obligation and revenue is recognized when the product is shipped.

TECHNOLOGY-ENABLED SUBSCRIPTION SERVICES AND FEES

Our tech-enabled subscription services and fees include the provision of marketing technology workflow applications and digital asset management, or DAM, software subscription fees, managed technology services, professional services fees, and implementation and development fees. Typically, these services and fees are contracted on either a project basis in the case of professional services, implementation, and development services fees, or for periods of three to five-year terms, with one to two-year renewal options, in the case of software subscription fees and managed technology services.

Revenue is measured based on the consideration DCM expects to be entitled to in exchange for providing services as they are delivered, or rateably over the term of the contract, and represent a distinct performance obligation.

16 Subsequent event

On April 4, 2022, options to purchase up to 750,000 common shares were awarded to a member of management. Once vested, the options are exercisable for a period of seven years from the grant date at an exercise price of $1.30 per share, representing the fair value of the Common Shares on the date of grant. The 750,000 options vest at a rate of 1/3 each year beginning on April 4, 2023.

Corporate Information

Directors and Officers

J.R. Kingsley Ward [3]
Chairman, Director

Gregory J. Cochrane [3]
Vice Chairman, Director

Merri L. Jones [1,3]
Director

James J. Murray O.Ont., SIOR [2]
Director

Michael G. Sifton [1,2]
Director

Derek J. Watchorn [1,2]
Director

Richard Kellam
Director & Officer

James E. Lorimer
Officer
Chief Financial Officer &
Corporate Secretary

[1] Member, Audit Committee
(Chairperson is Michael G. Sifton)

[2] Member, Corporate
Governance Committee
(Chairperson is Derek J.Watchorn)

[3] Member, Human Resources &
Compensation Committee
(Chairperson is J.R. Kingsley Ward)

DCM Leadership Team

Richard Kellam
President & Chief
Executive Officer

James E. Lorimer
Chief Financial Officer

Shelly Anwyll
Senior Vice President,
North America, Retail &
Emerging Markets

Sharad Verma
Senior Vice President, Strategy

Steve Livingstone
Senior Vice President, Digital

Patrick Aussant
Vice President, IT Operations

Christine Custodio
Vice President, Operations

Geneviève Gravel
Vice President,
People Experience

Barbara Franovic-Wilkins
Vice President, Marketing

Asem Moqbel
Vice President, Procurement

Karen Redfern
Vice President,
Customer Technology Solutions

Jason Sharpe
Vice President,
Commercial Acceleration

Corporate Information

Auditors
PricewaterhouseCoopers LLP

Transfer Agent
Computershare Investor
Services Inc.

Corporate Counsel
McCarthy Tétrault LLP

Corporate Office
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Brampton, Ontario L6S 6H2
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**Toronto Stock
Exchange Symbol**
DCM

OTCQX Symbol
DCMDF

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