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For Immediate Release

DATA COMMUNICATIONS MANAGEMENT CORP. ANNOUNCES SECOND QUARTER FINANCIAL RESULTS FOR 2019

HIGHLIGHTS

RECENT EVENTS

- Launch of new ERP system across our core DCM business
- Amendments to senior credit agreements, including addition of incremental credit availability
- Annualized savings of approximately $10 million from actions taken to reduce headcount, including significant restructuring initiatives completed in June and July, and elimination of voluntarily vacated positions
- Employee Share Ownership Plan launched during the quarter

SECOND QUARTER 2019

- Revenues of $69.6 million compared with $78.2 million in the prior year
- Gross margin as a percentage of revenue decreased to 22.6% from 23.8% in the prior year comparative period
- Reduction in selling, general & administrative expenses by $2.2 million versus the same quarter last year
- Adjusted EBITDA of $4.4 million, compared to $4.1 million in the prior year (See Table 6 and Table 7 and "Non-IFRS Measures" below). Excluding the effects of adopting IFRS 16 *Leases* ("IFRS 16"), Adjusted EBITDA was $1.7 million
- Net loss of $3.8 million, including restructuring expenses of $3.2 million and one-time business reorganization costs of $0.5 million compared to net income of $1.2 million, including restructuring expenses of $0.7 million, acquisition costs of $0.3 million and one-time business reorganization costs of $0.8 million in the prior comparative period
- Adjusted net income of $1.1 million, compared to $0.2 million in the prior comparative period (See Table 8 and Table 9 and "Non-IFRS Measures" below). Excluding the effects of adopting IFRS 16, Adjusted net income was $0.7 million

Brampton, Ontario – August 14, 2019 – DATA Communications Management Corp. (TSX: DCM) ("DCM" or the "Company"), a leading provider of marketing and business communication solutions to companies across North America, announces its consolidated financial results for the three and six months ended June 30, 2019.

"Your company's second quarter was a challenging one as we march towards the transformation of a print/production business to become a more agile marketing and business services enterprise," said Gregory J. Cochrane, CEO. "While we work through start-up issues with our new ERP system, we are staying the course. We remained firmly focused on building sustainable revenue with our core customer base, improving our gross margins, lowering our SG&A, paying down debt and making strategic investments in technology."

LAUNCH OF NEW ERP SYSTEM

On June 3, 2019, DCM launched its new ERP system across its core DCM business, excluding Eclipse, Thistle and Perennial. DCM experienced numerous operational challenges in connection with the implementation of the ERP system, which led to a decline in production levels (and, as a result, lower revenue recognized during the month) and shipments, and negatively impacted the processing of accurate and timely billings to customers. DCM believes that it has addressed the material challenges encountered with the launch of the ERP system. However, the temporary lag in the issuance of invoices resulted in what management believes will be short term constraints on DCM's working capital and financial liquidity. These challenges also required DCM to obtain from its senior lenders a number of waivers, amendments and related consents under the terms of its existing credit facilities.

Having worked through the initial launch period challenges, management's focus is on cleaning up a back log of orders and billings which were to occur in June. DCM's open order production backlog was approximately $6 million higher than normal at the end of July. DCM expects to process this backlog in August and September. Production revenues, billings and working capital are expected to return to normalized levels in the third quarter of 2019.

AMENDMENT TO FPD A&R CREDIT FACILITIES

On July 25, 2019, Fiera Private Debt Fund III L.P ("FPD III"), Fiera Private Debt Fund IV L.P ("FPD IV") and Fiera Private Debt Fund V L.P ("FPD V") agreed to amend the credit agreements between DCM and FPD III, FPD IV and FPD V ("Amended FPD A&R Credit Facilities"). For each of the FPD A&R Credit Facilities, principal payments for the months of August 15, 2019 through December 15, 2019 will be deferred and paid out as bullet payments on each FPD A&R Credit Facility's respective maturity date. During this period, the interest rate on each of the FPD III, FPD IV and FPD V A&R Credit Facilities will be increased to 7.25% per annum. The increase in the interest rates will be treated as a payment in kind ("PIK") with the interest premium calculated and accrued on a monthly basis for each of the three credit facilities. The PIK is required to be repaid in cash prior to January 15, 2020 when the regularly scheduled principal and interest payments on each credit facility resume.

As a condition to those amendments, DCM has agreed to defer any payments on its vendor take-back promissory notes effective as of the date of the Amended FPD A&R Credit Facilities. In addition, the waiver obtained on October 26, 2018 to reduce the requirement to maintain a debt service coverage ratio from 2.0 to 1.85 times for the purposes of determining its Excess Cash Flow, and permit payments on its vendor take-back promissory notes, was revoked. Resumption of payments on vendor take-back promissory notes will require prior approval by Fiera Private Debt Fund GP Inc ("FPD").

In addition, DCM is also required to secure additional financial support from its bank lender (the "Bank"), Crown Capital LP Partner Funding Inc. ("Crown") and/or related parties of at least $7 million (see "Amendment to Bank A&R Credit Facility", "Related Party Promissory Notes" and "Amendment to Crown Facility" below for further details) on or before August 16, 2019.

AMENDMENT TO BANK A&R CREDIT FACILITY

On July 31, 2019, DCM entered into a third amendment to increase the revolving commitment on its revolving credit facility (the “Bank A&R Credit Facility”) with a Canadian chartered bank from an aggregate outstanding principal amount of up to $35 million to up to $42 million between July 31 and December 31, 2019. In addition, the amendment includes the Bank’s consent to the amendments made to the FPD A&R Credit Facilities on July 25, 2019.

Given the borrowing base under the terms of the Bank A&R Credit Facility did not reach the new maximum limit of $42 million, the shortfall in additional financing required by FPD and the Bank totaling $7 million was secured through new promissory notes issued to certain parties, including related parties of DCM, in conjunction with an increase in the principal amount payable under its existing non-revolving term loan facility with Crown Capital Partner Funding LP (the" Crown Facility") (see “Related Party Promissory Notes” and “Amendment to Crown Facility” below for further details). Under the provisions of the third amendment to the Bank A&R Credit Facility, DCM is only permitted to make regular scheduled payments of interest during the term of the Related Party Promissory Notes and cannot repay any portion of principal prior to the end of the term, and on maturity, without written consent of the Bank.

RELATED PARTY PROMISSORY NOTES

On July 31, 2019, DCM issued promissory notes (the "Related Party Promissory Notes") to certain parties, including related parties of DCM, in the aggregate principal amount of $1.0 million. The Related Party Promissory Notes bear interest at the rate of 10% per annum, payable quarterly on the first business day of each fiscal quarter beginning September 3, 2019, with principal repayable on or before the July 31, 2020 maturity date. The Related Party Promissory Notes are subordinated to DCM's obligations under the Bank A&R Credit Facility, the FPD A&R Credit Facilities and the Crown Facility on the same basis as the parties to the vendor take-back promissory notes issued in connection with DCM's recent acquisitions (the "VTB Noteholders") as provided for in the amended and restated inter-creditor agreement dated May 7, 2018.

AMENDMENT TO CROWN CREDIT FACILITY

On August 7, 2019, DCM received confirmation from Crown that it intends to provide an increase in the principal amount outstanding on its existing Crown Facility by $7 million. All terms of the incremental funding are consistent with the provisions under the original Crown Facility. As part of this amendment, it is intended that the Related Party Promissory Notes will convert into a facility on substantially the same basis as, and ranking pari passu with, Crown. DCM is currently in the process of finalizing the amendment with Crown and expects to close this amendment and additional funding on or before August 16, 2019.

PIVOT TO MARKETING SERVICES AND RELATED RESTRUCTURING INITIATIVES

Management continues to critically review each part of DCM’s business with the objective of becoming a premier marketing and business services company serving major organizations in North America.

During the quarter, DCM sold its loose-leaf binders and index tab business to Southwest Business Products Ltd. ("Southwest") for cash proceeds of $0.6 million. The proceeds were used for general working capital requirements. DCM also entered into a long-term supply agreement with Southwest as a preferred vendor to DCM for the supply of binders, index tabs and related products. This transaction aligns with DCM's strategy to focus on products and solutions that are critical to its top customers, and to source non-core offerings from other leading providers where it makes strategic sense.

As part of DCM's commitment to improving gross margins, and reducing selling, general and administration expenses ("SG&A"), DCM initiated a series of staff reductions across its various production facilities. During the quarter, headcount was reduced by approximately 75 individuals, and total restructuring expenses of $3.2 million were incurred. We expect to see an annualized savings of approximately $4.8 million related to these changes.

Further, in July 2019, DCM incurred additional restructuring costs of approximately $2.1 million in connection with further reductions in labour across its various manufacturing facilities and in SG&A staff and headcount was reduced by approximately another 30 individuals. We expect to see an annualized savings of approximately $2.7 million related to these changes.

In aggregate, approximately $10 million in annualized savings are expected to be realized, of which $7.5 million relates to headcount reductions for restructuring initiatives related to the second quarter and July 2019, and $2.5 million relates to 30 voluntarily vacated positions which will not be replaced. These changes are expected to immediately contribute to stronger margins in the second half of 2019.

Following the completion of DCM's transition to its new ERP system, further annualized cost savings in improved processes and lower overhead are expected in the range of $3 to $4 million.

EMPLOYEE SHARE OWNERSHIP PLAN AND SENIOR EXECUTIVE SHARE PURCHASES

During the second quarter, DCM launched an employee share ownership plan ("ESOP" or the "Plan"), which is available to all full-time employees of the Company and its subsidiaries. To date, more than 100 employees have enrolled in the Plan. Under the Plan, full-time employees of DCM may contribute up to a maximum of ten per cent of their base salary through regular, automatic payroll deductions. For each $1.00 contributed to the ESOP by an employee, DCM makes a matching contribution of $0.25, up to an annual company contribution of $750 per employee per fiscal year. Employee and matching contributions are used to acquire common shares of the Company ("Common Shares") on behalf of employees through open market purchases through the facilities of the Toronto Stock Exchange ("TSX"). Common Shares will not be issued from treasury under the Plan.

In addition, during the second quarter, senior executives and directors as a group purchased more than 235,000 shares on the TSX. Insider reporting details are available on www.SEDI.ca.

PERENNIAL JOINT VENTURE WITH APHRIA WOUND DOWN

In June 2019, it was mutually agreed to terminate the joint venture (the "JV") initiative between Perennial and Aphria Inc. ("Aphria"). Both parties determined the relationship had developed to a point where further progress would be dependent on government legislation and regulatory approvals. Given both parties had more pressing priorities in the near term, the JV was wound up on positive terms. DCM's net financial investment in the JV was nominal. Aphria continues to be a significant client of DCM as it pertains to our labels and packaging solutions.

RESULTS OF OPERATIONS

All financial information in this press release is presented in Canadian dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to June 30, 2019**			January 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 148,172**	**$ —**	**$ 148,172**	$ 166,692
Cost of revenues	**112,619**	**(930)**	**111,689**	126,628
Gross profit	**35,553**	**930**	**36,483**	40,064
Selling, general and administrative expenses	**32,821**	**(133)**	**32,688**	35,422
Restructuring expenses	**4,871**	**—**	**4,871**	800
Acquisition costs	**—**	**—**	**—**	313
	37,692	**(133)**	**37,559**	36,535
(Loss) income before finance costs and income taxes	**(2,139)**	**1,063**	**(1,076)**	3,529
Finance costs				
Interest expense, net	**2,404**	**1,803**	**4,207**	2,408
Amortization of transaction costs	**223**	**—**	**223**	301
	2,627	**1,803**	**4,430**	2,709
(Loss) income before income taxes	**(4,766)**	**(740)**	**(5,506)**	820
Income tax (recovery) expense				
Current	**(474)**	**—**	**(474)**	555
Deferred	**(955)**	**—**	**(955)**	(304)
	(1,429)	**—**	**(1,429)**	251
Net (loss) income for the period	**$ (3,337)**	**$ (740)**	**$ (4,077)**	$ 569
Basic (loss) earnings per share	**$ (0.16)**	**$ (0.03)**	**$ (0.19)**	$ 0.03
Diluted (loss) earnings per share	**$ (0.16)**	**$ (0.03)**	**$ (0.19)**	$ 0.03
Weighted average number of common shares outstanding, basic	**21,523,515**	**21,523,515**	**21,523,515**	20,456,993
Weighted average number of common shares outstanding, diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,495,793

The adoption of IFRS 16 resulted in a lower net income by $0.7 million for the six months ended June 30, 2019 versus on a pre IFRS 16 basis. Lease payments were previously expensed directly through the statement of operations as cost of sales or SG&A expenses for a total of $5.3 million. Under IFRS 16, (i) the $5.3 million lease payments are recognized as a reduction of lease liabilities which are presented as finance lease payments on the condensed interim consolidated statement of cash flow, (ii) a depreciation expense of the ROU Asset is recognized in cost of sales and SG&A for an aggregate amount of $4.2 million, and (iii) finance charges on the lease liability were recognized as interest expense of $1.8 million.

TABLE 2 The following table sets out selected historical consolidated financial information for the periods noted.

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2019**			April 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 69,623**	**$ —**	**$ 69,623**	$ 78,176
Cost of revenues	**54,421**	**(519)**	**53,902**	59,587
Gross profit	**15,202**	**519**	**15,721**	18,589
Selling, general and administrative expenses	**15,604**	**(74)**	**15,530**	17,750
Restructuring expenses	**3,189**	**—**	**3,189**	736
Acquisition costs	**—**	**—**	**—**	270
	18,793	**(74)**	**18,719**	18,756
(Loss) income before finance costs and income taxes	**(3,591)**	**593**	**(2,998)**	(167)
Finance costs	**—**			
Interest expense, net	**1,155**	**920**	**2,075**	1,271
Amortization of transaction costs	**86**	**—**	**86**	158
	1,241	**920**	**2,161**	1,429
(Loss) income before income taxes	**(4,832)**	**(327)**	**(5,159)**	(1,596)
Income tax (recovery) expense				
Current	**(506)**	**—**	**(506)**	(288)
Deferred	**(899)**	**—**	**(899)**	(114)
	(1,405)	**—**	**(1,405)**	(402)
Net (loss) income for the period	**$ (3,427)**	**$ (327)**	**$ (3,754)**	$ (1,194)
Basic (loss) earnings per share	**$ (0.16)**	**$ (0.02)**	**$ (0.17)**	(0.06)
Diluted (loss) earnings per share	**$ (0.16)**	**$ (0.02)**	**$ (0.17)**	(0.06)
Weighted average number of common shares outstanding, basic	**21,523,515**	**21,523,515**	**21,523,515**	20,870,234
Weighted average number of common shares outstanding, diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,870,234

The adoption of IFRS 16 resulted in a lower net income by $0.3 million for the three months ended June 30, 2019 versus on a pre IFRS 16 basis. Lease payments were previously expensed directly through the statement of operations as cost of sales or SG&A expenses for a total of $2.7 million. Under IFRS 16, (i) the $2.7 million lease payments are recognized as a reduction of lease liabilities which are presented as finance lease payments on the condensed interim consolidated statement of cash flow, (ii) a depreciation expense of the ROU Asset is recognized in cost of sales and SG&A for an aggregate amount of $2.2 million, and (iii) finance charges on the lease liability were recognized as interest expense of $0.9 million.

TABLE 3 The following table sets out selected historical consolidated financial information for the periods noted.

As at June 30, 2019 and December 31, 2018								
(in thousands of Canadian dollars, unaudited)	**As at June 30, 2019**						As at December 31, 2018	
	Proforma without IFRS 16 adjustment		**IFRS 16 adjustments**		**As reported**		As reported	
Current assets	**$**	**81,446**	**$**	**(235)**	**$**	**81,211**	$	85,455
Current liabilities		**63,041**		**7,770**		**70,811**		64,716
Total assets		**137,583**		**61,018**		**198,601**		142,231
Total non-current liabilities		**70,675**		**54,072**		**124,747**		70,003
Shareholders' equity	**$**	**3,782**	**$**	**(739)**	**$**	**3,043**	$	7,512

Table 3 highlights the changes to the condensed interim consolidated statement of financial position as at June 30, 2019 as a result of the adoption of IFRS 16 as at January 1, 2019. The significant changes relate to the following:

- DCM recognized a ROU Asset and a lease liability at the lease commencement date for substantially all of its leases which increased total assets and total liabilities (current and long-term portion);
- The ROU Asset was adjusted for any lease payments made at or before the lease commencement date, less any lease incentives and onerous lease liabilities, which were previously classified within current assets and total liabilities (current and long-term portion), respectively; and
- With respect to subleases where DCM is the lessor, DCM has reclassified the finance lease receivable from total liabilities to total assets, with the short-term portion allocated to current assets.

TABLE 4 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**January 1 to June 30, 2019**			January 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 148,172**	**$ —**	**$ 148,172**	$ 166,692
Gross profit	**$ 35,553**	**$ 930**	**$ 36,483**	$ 40,064
Gross profit, as a percentage of revenues	**24.0%**		**24.6%**	24.0%
Selling, general and administrative expenses	**$ 32,821**	**$ (133)**	**$ 32,688**	$ 35,422
As a percentage of revenues	**22.2%**		**22.1%**	21.2%
Adjusted EBITDA (see Table 6)	**$ 6,998**	**$ 5,297**	**$ 12,295**	$ 10,438
As a percentage of revenues	**4.7%**		**8.3%**	6.3%
Net (loss) income for the period	**$ (3,337)**	**$ (740)**	**$ (4,077)**	$ 569
Adjusted net income (see Table 8)	**$ 907**	**$ (740)**	**$ 167**	$ 2,340
As a percentage of revenues	**0.6%**		**0.1%**	1.4%

TABLE 5 The following table sets out selected historical consolidated financial information for the periods noted. See "Non-IFRS Measures" section above for more details.

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except percentage amounts, unaudited)*	**April 1 to June 30, 2019**			April 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Revenues	**$ 69,623**	**$ —**	**$ 69,623**	$ 78,176
Gross profit	**$ 15,202**	**$ 519**	**$ 15,721**	$ 18,589
Gross profit, as a percentage of revenues	**21.8%**		**22.6%**	23.8%
Selling, general and administrative expenses	**$ 15,604**	**$ (74)**	**$ 15,530**	$ 17,750
As a percentage of revenues	**22.4%**		**22.3%**	22.7%
Adjusted EBITDA (see Table 7)	**$ 1,686**	**$ 2,750**	**$ 4,436**	$ 4,086
As a percentage of revenues	**2.4%**		**6.4%**	5.2%
Net (loss) income for the period	**$ (3,427)**	**$ (327)**	**$ (3,754)**	$ (1,194)
Adjusted net income (loss) (see Table 9)	**$ (730)**	**$ (327)**	**$ (1,057)**	$ 241
As a percentage of revenues	**-1.0%**		**-1.5%**	0.3%

TABLE 6 The following table provides reconciliations of net (loss) income to EBITDA and of net loss 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 June 30, 2019 and 2018 *(in thousands of Canadian dollars, unaudited)*	**January 1 to June 30, 2019**			January 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net (loss) income for the period [(1)]	**$ (3,337)**	**$ (740)**	**$ (4,077)**	$ 569
Interest expense, net [(1)]	**2,404**	**1,803**	**4,207**	2,408
Amortization of transaction costs	**223**	**—**	**223**	301
Current income tax expense (recovery)	**(474)**	**—**	**(474)**	555
Deferred income tax recovery	**(955)**	**—**	**(955)**	(304)
Depreciation of property, plant and equipment	**2,150**	**—**	**2,150**	2,324
Amortization of intangible assets	**1,244**	**—**	**1,244**	2,301
Depreciation of the ROU Asset [(1)]	**—**	**4,234**	**4,234**	—
EBITDA	**$ 1,255**	**$ 5,297**	**$ 6,552**	$ 8,154
Restructuring expenses	**4,871**	**—**	**4,871**	800
One-time business reorganization costs [(2)]	**872**	**—**	**872**	1,171
Acquisition costs	—	—	**—**	313
Adjusted EBITDA	**$ 6,998**	**$ 5,297**	**$ 12,295**	$ 10,438

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

TABLE 7 The following table provides reconciliations of net (loss) income to EBITDA and of net (loss) income to Adjusted EBITDA for the periods noted. See “Non-IFRS Measures” section above for more details.

EBITDA and Adjusted EBITDA reconciliation

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, unaudited)*	**April 1 to June 30, 2019**			April 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net loss for the period [1]	**$ (3,427)**	**$ (327)**	**$ (3,754)**	$ (1,194)
Interest expense, net [1]	**1,155**	**920**	**2,075**	1,271
Amortization of transaction costs	**86**	**—**	**86**	158
Current income tax recovery	**(506)**	**—**	**(506)**	(288)
Deferred income tax recovery	**(899)**	**—**	**(899)**	(114)
Depreciation of property, plant and equipment	**1,031**	**—**	**1,031**	1,176
Amortization of intangible assets	**597**	**—**	**597**	1,232
Depreciation of the ROU Asset [1]	**—**	**2,157**	**2,157**	—
EBITDA	**$ (1,963)**	**$ 2,750**	**$ 787**	$ 2,241
Restructuring expenses	**3,189**	**—**	**3,189**	736
One-time business reorganization costs [2]	**460**	**—**	**460**	839
Acquisition costs	—	—	—	270
Adjusted EBITDA	**$ 1,686**	**$ 2,750**	**$ 4,436**	$ 4,086

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

TABLE 8 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See "Non-IFRS Measures" section above for more details.

Adjusted net (loss) income reconciliation

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**January 1 to June 30, 2019**			January 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net (loss) income for the period [1]	**$ (3,337)**	**$ (740)**	**$ (4,077)**	$ 569
Restructuring expenses	**4,871**	**—**	**4,871**	800
One-time business reorganization costs [2]	**872**	**—**	**872**	1,171
Acquisition costs	**—**	**—**	—	313
Tax effect of the above adjustments	**(1,499)**	**—**	**(1,499)**	(513)
Adjusted net income	**$ 907**	**$ (740)**	**$ 167**	$ 2,340
Adjusted net income per share, basic and diluted	**$ 0.04**	**$ (0.03)**	**$ 0.01**	$ 0.11
Weighted average number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,456,993
Weighted average number of common shares outstanding, diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,495,793
Number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	21,523,515
Number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,456,993

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

TABLE 9 The following table provides reconciliations of net (loss) income to Adjusted net income and a presentation of Adjusted net income per share for the periods noted. See “Non-IFRS Measures” section above for more details.

Adjusted net (loss) income reconciliation

For the periods ended June 30, 2019 and 2018 *(in thousands of Canadian dollars, except share and per share amounts, unaudited)*	**April 1 to June 30, 2019**			April 1 to June 30, 2018
	Proforma without IFRS 16 adjustment	**IFRS 16 adjustments**	**As reported**	As reported
Net loss for the period [(1)]	**$ (3,427)**	**$ (327)**	**$ (3,754)**	$ (1,194)
Restructuring expenses	**3,189**	**—**	**3,189**	736
One-time business reorganization costs [(2)]	**460**	**—**	**460**	839
Acquisition costs	**—**	**—**	—	270
Tax effect of the above adjustments	**(994)**	**—**	**(994)**	(410)
Adjusted net (loss) income	**$ (730)**	**$ (327)**	**$ (1,057)**	$ 241
Adjusted net income per share, basic and diluted	**$ (0.03)**	**$ (0.02)**	**$ (0.05)**	$ 0.01
Weighted average number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	20,870,234
Weighted average number of common shares outstanding, diluted	**21,523,515**	**21,523,515**	**21,523,515**	21,742,477
Number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	21,523,515
Number of common shares outstanding, basic and diluted	**21,523,515**	**21,523,515**	**21,523,515**	22,395,758

(1) 2019 results include the impact of the adoption of new accounting standard IFRS 16. Refer to note 3 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2019 and related management's discussion & analysis for further details of the impact of the adoption of new accounting standards.

(2) One-time business reorganization costs include non-recurring headcount reduction expenses for employees that did not qualify as restructuring costs. This also includes one-time expenses for the JV that was dissolved on July 12, 2019.

REVENUES

For the three months ended June 30, 2019, DCM recorded revenues of $69.6 million, a decrease of $8.6 million or 10.9% compared with the same period in 2018. The decrease in revenues for the three months ended June 30, 2019 was primarily due to the following: (i) a disruption of production and shipments to customers caused by DCM’s transition to a new ERP system in June 2019 of approximately $6 million (ii) a reduction in spend by certain retailers to better manage their inventory levels and/or move to other solutions not offered by DCM of $1.9 million (iii) deferral of work for certain other customers who procure a limited product offering from DCM of $0.5 million (iv) the loss of a lower margin, limited product line customer which was expected of $2.7 million and (iv) deferral of certain direct marketing campaigns until later in the year. Sales from DCM’s larger financial institutions customers continue to be strong, and in particular, are notably higher for one of DCM’s larger wins which was onboarded in late 2017 and has progressively increased in sales since that time as DCM continues to expand its portfolio of products and services to this customer. In addition, DCM benefited from the onboarding of its new offering to a large provincial healthcare services customer which began to ramp up in the second quarter for $1.4 million and is expected to contribute to continued sales growth over the multi-year term of the agreement. New wins were mitigated by lower than expected growth in the Cannabis sector given delays in regulatory approvals pertaining to retail launches, and related regulatory matters specific to this industry.

For the six months ended June 30, 2019, DCM recorded revenues of $148.2 million, a decrease of $18.5 million or 11.1% compared with the same period in 2018. In the first quarter of 2019, we experienced a planned reduction in the scope of work versus the prior year by approximately $4.9 million for a specific customer, which was a one-time non-recurring win in 2018. We are pleased to announce that we recently negotiated an extension to the term of our agreement with this long-standing customer. The remaining decrease in revenue year over year is attributable to similar reasons noted above for an aggregate amount of $9.2 million for the three months ended June 30, 2019, and an additional $4 million due to softness in spend and deferral of work from certain customers. This was partially offset by new sales from customers in the Cannabis sector of $3.5 million, increased wallet share from certain customers, including a large customer in the financial services industry which DCM won late 2017, other new client wins, and a full six months of revenue from Perennial this year given it was acquired in May 2018 resulting in an additional $1.4 million.

As noted above, recent large client wins are representative of the broad service and product offering with large enterprise customers which DCM continues to target. A number of enhanced relationships are particularly attributed to the strategic ideation and marketing expertise contributed by Perennial.

COST OF REVENUES AND GROSS PROFIT

For the three months ended June 30, 2019, cost of revenues decreased to $53.9 million from $59.6 million for the same period in 2018, resulting in a $5.7 million or 9.5% decrease over the same period last year. Excluding the effects of adopting IFRS 16, cost of revenues decreased by $5.2 million or 8.7% relative to the same period last year.

Gross profit for the three months ended June 30, 2019 was $15.7 million, which represented a decrease of $2.9 million or 15.4% from $18.6 million for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit decreased by $3.4 million or 18.2% relative to the same period last year. Gross profit as a percentage of revenues decreased to 22.6% for the three months ended June 30, 2019 compared to 23.8% for the same period in 2018, however, excluding the effects of adopting IFRS 16, gross profit as a percentage of revenues was 21.8% for the three months ended June 30, 2019. The decrease in gross profit as a percentage of revenues for the three months ended June 30, 2019 was primarily due to (i) production inefficiencies caused by disruptions in operational activity due to DCM's transition to a new ERP system in June 2019, (ii) softness in sales thereby resulting in weaker absorption of fixed overhead costs (iii) changes in product mix, and (iv) impact of paper and other raw material price increases leading to somewhat compressed margins on contracts with certain customers. Gross profit as a percentage of revenues was, however, positively impacted due to continued discipline to improve pricing with customers, cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018, and higher margins attributed to the acquisition of Perennial which was partially reflected in the comparative period as the acquisition was completed in May 2018.

For the six months ended June 30, 2019, cost of revenues decreased to $111.7 million from $126.6 million for the same period in 2018, resulting in a $14.9 million or 11.8% decrease over the same period last year. Excluding the effects of adopting IFRS 16, cost of revenues decreased by $14.1 million or 11.1% relative to the same period last year.

Gross profit for the six months ended June 30, 2019 was $36.5 million, which represented a decrease of $3.6 million or 8.9% from $40.1 million for the same period in 2018. Gross profit as a percentage of revenues increased to 24.6% for the six months ended June 30, 2019, compared to 24.0% for the same period in 2018. Excluding the effects of adopting IFRS 16, gross profit for the six months ended June 30, 2019 was $35.6 million or 24.0% as a percentage of revenues. Gross profit as a percentage of revenues for the six months ended June 30, 2019 was positively impacted by (i) higher margins attributed to the acquisition of Perennial which was partially reflected in the comparative period as the acquisition was completed in May 2018 (ii) continued improvement in DCM's pricing discipline, (iii) cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018, and (iv) improvements in product mix compared to last year. The increase in gross profit as a percentage of revenues was, however, partially offset by the impact of paper and other raw materials price increases leading to somewhat compressed margins on contracts with certain existing customers, and softness in spend by certain high margin customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2019 decreased $2.2 million or 12.5% to $15.5 million, or 22.3% of total revenues, compared to $17.8 million, or 22.7% of total revenues, in the same period in 2018. The decrease in SG&A expenses for the three months ended June 30, 2019 was primarily attributable to (i) lower sales commission costs commensurate with the decrease in revenues, (ii) benefits from the cost saving initiatives implemented in 2019 and the last quarter of 2018, (iii) a reduction of amortization expense of intangible assets that were fully amortized in the fourth quarter of 2018, and (iv) other one-time, non-recurring costs. The decrease was partially offset by an increase in SG&A expenses from the acquisition of Perennial which was partially reflected in the comparative period as the acquisition was completed in May 2018.

SG&A expenses for the six months ended June 30, 2019 decreased $2.7 million or 7.7% to $32.7 million, or 22.1% of total revenues, compared to $35.4 million, or 21.2% of total revenues, for the same period of 2018. After deducting one-time business reorganization costs, SG&A expenses were $31.8 million, or 21.5% of total revenues compared to $34.3 million or 20.5% of revenues in the prior period. The decrease in SG&A expenses for the six months ended June 30, 2019 was primarily attributable to the same reasons noted for the three months ended June 30, 2019.

RESTRUCTURING EXPENSES

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

For the three months ended June 30, 2019, DCM incurred restructuring expenses of $3.2 million compared to $0.7 million in the same period in 2018. The restructuring expenses of $3.2 million during for the three months ended June 30, 2019 related to headcount reductions predominately for direct and indirect labour across DCM's various manufacturing facilities, including those employees impacted by the sale of its loose-leaf binders and index tab business in May 2019, in addition to certain SG&A functions. Improved efficiencies, enhanced gross margins and lower SG&A costs are a high business priority for DCM, as highlighted previously and at the outset of this year. For the quarter ended June 30, 2018, DCM incurred restructuring expenses of $0.7 million which primarily related to headcount reductions across the operational, sales and administration functions of the business.

For the six months ended June 30, 2019, DCM incurred restructuring expenses of $4.9 million compared to $0.8 million in the same period in 2018. In 2019, the restructuring costs related to headcount reductions from (i) the closure of its Brossard, Quebec facility which was announced in March 2019, (ii) the sale of its loose-leaf binders and index tab business in May 2019, (iii) process improvements in manufacturing to improve efficiencies and gross margins, and (iv) process improvements in its SG&A functions to reduce costs and enhance productivity.

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.

ADJUSTED EBITDA

For the quarter ended June 30, 2019, Adjusted EBITDA was $4.4 million, or 6.4% of revenues, after adjusting EBITDA for the $3.2 million in restructuring charges and $0.5 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 16, Adjusted EBITDA was $1.7 million or 2.4% of revenues for the quarter ended June 30, 2019 compared with an Adjusted EBITDA of $4.1 million or 5.2% of revenues of revenues for the same period last year.

For the six months ended June 30, 2019, Adjusted EBITDA was $12.3 million or 8.3% of revenues, after adjusting EBITDA for the $4.9 million in restructuring charges and $0.9 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 16, Adjusted EBITDA for the six months ended June 30, 2019 was $7.0 million, or 4.7% of revenues compared with an Adjusted EBITDA of $10.4 million or 6.3% of revenues.

The decrease in Adjusted EBITDA, excluding the effect of IFRS 16, for the three and six months ended June 30, 2019 over the prior year comparative periods was attributable to a decrease in revenues, along other fluctuations noted earlier in gross margins and SG&A expenses.

INTEREST EXPENSE

Interest expense including interest on debt outstanding under DCM’s credit facilities, interest accretion expense related to certain debt obligations recorded at fair value, and interest expense on lease liabilities under IFRS 16 was $2.1 million for the three months ended June 30, 2019 compared to $1.3 million for the same period in 2018, and was $4.2 million for the six months ended June 30, 2019 compared to $2.4 million for the same period in 2018. Excluding the effects of adopting IFRS 16, interest expense the three months ended June 30, 2019 was $1.2 million and for the six months ended June 30, 2019 was $2.4 million. Interest expense for the three and six months ended June 30, 2019 was relatively consistent with the same period in the prior year excluding IFRS 16. The slight change was primarily due to the Crown facility, secured in 2018 to fund the acquisition of Perennial and to repay the outstanding balance on its subordinated debt facility with Bridging Finance Inc. ("Bridging Credit Facility"), which was partially reflected in the comparative period as the facility was obtained in May 2018. The increase was offset by a reduction in the unwinding of discount which was included in interest expense of the Eclipse and Thistle VTBs that were repaid during the first quarter of 2019.

INCOME TAXES

DCM reported a loss before income taxes of $5.2 million and a net income tax recovery of $1.4 million the three months ended June 30, 2019 compared to a loss before income taxes of $1.6 million and a net income tax recovery of $0.4 million for the three months ended June 30, 2018. The increase in the net income tax recovery was primarily related to the increase in DCM's estimated taxable loss the three months ended June 30, 2019, adjusted for any changes in estimates of future reversals of temporary differences and new temporary differences.

DCM reported a loss before income taxes of $5.5 million and a net income tax recovery of $1.4 million for the six months ended June 30, 2019 compared to income before income taxes of $0.8 million and a net income tax expense of $0.3 million for the six months ended June 30, 2018. The change from a net income tax expense to a recovery position was due to the reduction of DCM's estimated taxable income to a taxable loss for the six months ended June 30, 2019. The deferred income tax recovery for the six months ended June 30, 2019 was adjusted for any changes in estimates of future reversals of temporary differences.

NET LOSS

Net loss the three months ended June 30, 2019 was $3.8 million compared to net loss of $1.2 million for the same period in 2018. Excluding the effects of adopting IFRS 16, net loss for the three months ended June 30, 2019 was $3.4 million.

Net loss for the six months ended June 30, 2019 was $4.1 million compared to a net income of $0.6 million for the same period in 2018. Excluding the effects of adopting IFRS 16, net loss for the six months ended June 30, 2019 was $3.3 million.

The decrease in comparable profitability for the three and six months ended June 30, 2019 was primarily due to (i) the decrease in revenues and (ii) an increase in restructuring expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in 2019 and the last quarter of 2018, and a reduction in SG&A expenses.

ADJUSTED NET LOSS

Adjusted net loss the three months ended June 30, 2019 was $1.1 million compared to Adjusted net income of $0.2 million for the same period in 2018. Excluding the effects of adopting IFRS 16, Adjusted net loss the three months ended June 30, 2019 was $0.7 million.

Adjusted net loss for the six months ended June 30, 2019 was $0.2 million compared to Adjusted net income of $2.3 million for the same period in 2018. Excluding the effects of adopting IFRS 16, Adjusted net income for the six months ended June 30, 2019 was $0.9 million.

The decrease in comparable profitability for the three and six months ended June 30, 2019 was primarily due to (i) the decrease in revenues and (ii) an increase in restructuring expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in 2019 and the last quarter of 2018, and a reduction in SG&A expenses.

CASH FLOW FROM OPERATIONS

During the six months ended June 30, 2019, cash flows generated by operating activities were $13.5 million compared to cash flows generated by operating activities of $11.9 million during the same period in 2018. Current period cash flow from operations, before adjusting for changes in working capital, generated a total of $5.3 million compared with $2.8 million for the same period last year. As a result of the adoption of IFRS 16, $5.3 million in lease payments are now presented as cash used for financing activities in the condensed interim consolidated statement of cash flow whereby in the prior year comparative period, this was classified as a reduction of operating activities. Excluding the effects of IFRS 16, cash flow from operations, before adjusting for changes in working capital, was $nil, a decrease of $2.8 million over the same period last year. Current period cash flows from operations were negatively impacted by the decrease in revenues particularly in the second quarter this year due to (i) a disruption of production and shipments to customers caused by DCM’s transition to a new ERP system in June 2019 (ii) timing of work and iii) a reduction in customer spend. This was offset by an improvement in gross margin as a percent of revenue and a reduction in SG&A expenses due to the further improvements in DCM's pricing discipline, and cost reductions realized from ongoing cost savings initiatives implemented in 2019 and the last quarter of 2018. Lastly, payments for severances and lease terminations related to DCM’s restructuring initiatives were $2.7 million during the current period compared with $3.9 million for the same period last year.

Changes in working capital during the six months ended June 30, 2019 generated $8.2 million in cash compared with $9.1 million of cash generated in the prior year. In the prior year equivalent period DCM’s focus was to better align payments to its vendors with cash receipts from its customers given many of its customers opt to store their product in DCM’s warehouses and pay upon taking shipment of product which extends the time to collection. In the current year, DCM continues to better manage its cash flow. The current period decrease over the prior year comparative period is primarily due to timing of payments to certain vendors and a slight reduction in purchases, hence the decrease in trade and accrued liabilities by $1.7 million, inventory by $0.5 million and prepaid expenses by $0.4 million. This was partially offset by an increase in trade receivables by $2.0 million given the challenges encountered with issuing accurate and timely billings as a result of the ERP transition in June 2019.

INVESTING ACTIVITIES

For the six months ended June 30, 2019, $2.7 million in cash flows were used for investing activities compared with $11.2 million during the same period in 2018. This represents a reduction of $8.5 million over the same period last year, of which $7.5 million was used in the comparable period for the acquisition of Perennial. In the current period, $0.6 million of cash was primarily used to invest in IT equipment related to the implementation of the new ERP system and costs related to leasehold improvements to set up new production equipment, including the Gallus/Heidelberg hybrid digital label press at its Brampton, Ontario facility and the Heidelberg six-colour press at its Toronto, Ontario facility, compared with $1.3 million of capital expenditures incurred in the first quarter of 2018 related to investments in IT equipment and costs related to leasehold improvements, which were incurred as part of DCM's consolidation of certain facilities. Furthermore, $3.0 million of cash was used to further invest in the development of DCM's new ERP system compared with $2.5 million for the same period last year. $0.7 million in cash proceeds were received upon the sale of its loose-leaf and index tab business in May 2019.

FINANCING ACTIVITIES

For the six months ended June 30, 2019, cash flow used for financing activities was $7.6 million compared with $0.1 million during the same period in 2018. As noted under "Cash Flow From Operations", as a result of the adoption of IFRS 16, $5.3 million in lease payments are now presented as cash used for financing activities whereas this is presented as a reduction of cash from operations in the prior year comparative period, thereby contributing to the overall variance in cash used for financing activities. Excluding the effects of IFRS 16, cash flow used for financing activities was $2.3 million, an increase of $2.2 million over the same period last year. A total of $2.8 million in outstanding principal amounts under its various credit facilities were repaid during the current period compared with $6.7 million during the same period last year. In addition, $3.9 million was repaid during the period related to the vendor take-back promissory notes issued in connection with the acquisitions of Eclipse, Thistle and BOLDER Graphics compared with $3.4 million in the prior year comparative period. The Eclipse and Thistle VTBs were fully repaid in the first quarter of 2019, and $1.0 million was paid for the Perennial VTB. Lastly, proceeds of $4.7 million was received in the current period by way of a draw on DCM's revolving credit facility with the Bank compared with $10.4 million during the same period last year to fund its working capital requirements and pay down debt on its fixed-term credit facilities and VTBs.

OUTLOOK

At the outset of 2019, DCM set out five business priorities:

- Focus on our core customers
- Continue to improve gross margins
- Reduce our selling, general and administrative expenses
- Pay down debt
- Make strategic investments in technologies that clients request and value to support our future growth

During the second quarter, DCM continued its focus on providing additional products and services to its core client base, including a number of contracts won or in advanced stages of negotiation, through its collaboration with the Perennial ideation and sales enablement teams for strategic services. The company has successfully secured a number of notable wins with new and existing customers, and the pipeline remains robust for the balance of 2019.

The results for the first two quarters of 2019 show improved gross margin from 24.0% to 24.6% as a percent of revenue, despite the business challenges experienced in the second quarter, along with a reduction in SG&A on a year over year basis of approximately $2.2 million. A focus on improving gross margin and reducing SG&A expenses will continue with the refinement of the new ERP system and further cost saving benefits are expected from the reduction of direct and indirect labour later in 2019.

Approximately $10 million in annualized savings are expected to be realized from recent actions to reduce headcount and the elimination of voluntarily vacated positions in recent months which are expected to contribute to stronger margins in the second half of 2019.

DCM reduced its fixed-term debt and promissory notes obligations by approximately $6.7 million in the first two quarters of 2019. As DCM continues to work through its transition to the new ERP system, management secured a number of waivers, amendments and related consents with its lenders to provide additional financial support. A number of initiatives were completed to provide additional financial flexibility through the balance of 2019, and particularly through the third quarter, to accommodate what is believed to be short term constraints on DCM's working capital and financial liquidity.

Despite the unusually weak second quarter of 2019 due to the challenges experienced with the launch of its ERP system, management remains optimistic on its path to transition DCM to become a leading marketing services provider, make strategic investments in client facing technology and operational enhancements, in addition to continuing to focus on its top five business priorities.

About DATA Communications Management Corp.

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

DCM's extensive experience has positioned it as an expert at providing communication solutions across many verticals, including the financial, retail, healthcare, consumer health, energy, and not-for-profit sectors. As a result of its locations throughout Canada and in the United States (Chicago, Illinois and New York, New York), it is able to meet its clients' varying needs with scale, speed, and efficiency - no matter how large or complex the ask. DCM is able to deliver advanced data security, regulatory compliance, and bilingual communications, both in print and/or digital formats.

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

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FORWARD-LOOKING STATEMENTS

Certain statements in this press release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of DCM, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. When used in this press release, words such as "may", "would", "could", "will", "expect", "anticipate", "estimate", "believe", "intend", "plan", and other similar expressions are intended to identify forward-looking statements. These statements reflect DCM's current views regarding future events and operating performance, are based on information currently available to DCM, and speak only as of the date of this press release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Many factors could cause the actual results, performance, objectives or achievements of DCM to be materially different from any future results, performance, objectives or achievements that may be expressed or implied by such forward-looking statements. The principal factors, assumptions and risks that DCM made or took into account in the preparation of these forward-looking statements include: the limited growth in the traditional printing industry and the potential for further declines in sales of DCM's printed business documents relative to historical sales levels for those products; the risk that changes in the mix of products and services sold by DCM will adversely affect DCM's financial results; the risk that DCM may not be successful in reducing the size of its legacy print business, realizing the benefits expected from restructuring and business reorganization initiatives, reducing costs, reducing and repaying its long term debt, and growing its digital and marketing communications businesses; the risk that DCM may not be successful in managing its organic growth; DCM's ability to invest in, develop and successfully market new digital and other products and services; competition from competitors supplying similar products and services, some of whom have greater economic resources than DCM and are well-established suppliers; DCM's ability to grow its sales or even maintain historical levels of its sales of printed business documents; the impact of economic conditions on DCM's businesses; risks associated with acquisitions and/or investments in joint ventures by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration and growth of such businesses; increases in the costs of paper and other raw materials used by DCM; DCM's ability to maintain relationships with its customers; risks relating to future legislative and regulatory developments and other business risks involving the wellness, medical and adult-use marijuana markets in Canada and internationally generally; DCM's new enterprise resource planning ("ERP") system may fail to perform as planned and interrupt operational transactions during and following the implementation, which could materially and adversely affect DCM's liquidity and operations and results of operations; and risks relating to DCM's ability to access sufficient capital on favourable terms to fund its business plans from internal and external sources. Additional factors are discussed elsewhere in this press release and under the headings "Liquidity and capital resources" and "Risks and Uncertainties" in DCM's management's discussion and analysis and in DCM's other publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

NON-IFRS MEASURES

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

Investors are cautioned that Adjusted net income (loss), Adjusted net income (loss) per share, EBITDA and Adjusted EBITDA should not be construed as alternatives to net income (loss) determined in accordance with IFRS as an indicator of DCM's performance. For a reconciliation of net income (loss) to EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA, see Table 6 and Table 7. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 8 and Table 9 above.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars, unaudited)	**June 30, 2019** **$**	**December 31, 2018** **$**
Assets		
Current assets		
Trade receivables	70,548	73,124
Inventories	8,208	8,812
Prepaid expenses and other current assets	2,455	3,519
	81,211	85,455
Non-current assets		
Other non-current assets	953	827
Deferred income tax assets	3,332	3,428
Restricted cash	515	515
Property, plant and equipment	14,650	16,804
Right-of-use assets	61,110	—
Intangible assets	19,857	18,164
Goodwill	16,973	17,038
	198,601	142,231
Liabilities		
Current liabilities		
Bank overdraft	747	3,999
Trade payables and accrued liabilities	47,928	43,497
Current portion of credit facilities	5,866	5,670
Current portion of promissory notes	1,125	4,013
Current portion of lease liabilities	8,009	—
Provisions	4,658	2,908
Income taxes payable	1,207	3,152
Deferred revenue	1,271	1,477
	70,811	64,716
Non-current liabilities		
Provisions	691	540
Credit facilities	53,663	51,751
Promissory notes	450	1,363
Lease liabilities	57,340	—
Deferred income tax liabilities	514	1,753
Other non-current liabilities	130	3,272
Pension obligations	8,853	8,346
Other post-employment benefit plans	3,106	2,978
	195,558	134,719
Equity		
Shareholders' equity		
Shares	251,217	251,217
Warrants	537	806
Contributed surplus	2,242	1,841
Translation reserve	254	242
Deficit	(251,207)	(246,594)
	3,043	7,512
	198,601	142,231

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts, unaudited)	**For the three months ended June 30, 2019**	**For the three months ended June 30, 2018**
	$	**$**
Revenues	69,623	78,176
Cost of revenues	53,902	59,587
Gross profit	15,721	18,589
Expenses		
Selling, commissions and expenses	7,677	9,200
General and administration expenses	7,853	8,550
Restructuring expenses	3,189	736
Acquisition costs	—	270
	18,719	18,756
Loss before finance costs and income taxes	(2,998)	(167)
Finance costs		
Interest expense, net	2,075	1,271
Amortization of transaction costs	86	158
	2,161	1,429
(Loss) Income before income taxes	(5,159)	(1,596)
Income tax (recovery) expense		
Current	(506)	(288)
Deferred	(899)	(114)
	(1,405)	(402)
Net (loss) income for the period	(3,754)	(1,194)
Basic (loss) earnings per share	(0.17)	(0.06)
Diluted (loss) earnings per share	(0.17)	(0.06)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts, unaudited)	**For the six months ended June 30, 2019**	**For the six months ended June 30, 2018**
	$	**$**
Revenues	148,172	166,692
Cost of revenues	111,689	126,628
Gross profit	36,483	40,064
Expenses		
Selling, commissions and expenses	16,982	19,661
General and administration expenses	15,706	15,761
Restructuring expenses	4,871	800
Acquisition costs	—	313
	37,559	36,535
(Loss) income before finance costs and income taxes	(1,076)	3,529
Finance costs (income)		
Interest expense	4,207	2,408
Amortization of transaction costs	223	301
	4,430	2,709
(Loss) income before income taxes	(5,506)	820
Income tax expense (recovery)		
Current	(474)	555
Deferred	(955)	(304)
	(1,429)	251
Net (loss) income for the period	(4,077)	569
Basic (loss) earnings per share	(0.19)	0.03
Diluted (loss) earnings per share	(0.19)	0.03

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars, unaudited)	**For the three months ended June 30, 2019**	**For the three months ended June 30, 2018**
	$	**$**
Net loss for the period	(3,754)	(1,194)
Other comprehensive (loss) income:		
Items that may be reclassified subsequently to net loss		
Foreign currency translation	(19)	15
	(19)	15
Items that will not be reclassified to net loss		
Re-measurements of pension and other post-employment benefit obligations	(474)	891
Taxes related to pension and other post-employment benefit adjustment above	123	(232)
	(351)	659
Other comprehensive (loss) income for the period, net of tax	(370)	674
Comprehensive loss for the period	(4,124)	(520)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2019**	**For the six months ended June 30, 2018**
	$	**$**
Net (loss) income for the period	(4,077)	569
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net (loss) income		
Foreign currency translation	12	37
	12	37
Items that will not be reclassified to net (loss) income		
Re-measurements of pension and other post-employment benefit obligations	(724)	1,214
Taxes related to pension and other post-employment benefit adjustment above	188	(316)
	(536)	898
Other comprehensive (loss) income for the period, net of tax	(524)	935
Comprehensive (loss) income for the period	(4,601)	1,504

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars, unaudited)	Shares	Warrants	Conversion options	Contributed surplus	Translation reserve	Deficit	Total equity
	$	$	$		$	$	$
Balance as at December 31, 2017	248,996	287	—	1,368	183	(256,233)	(5,399)
Impact of change in accounting policy	—	—	—	—	—	8,365	8,365
	248,996	287	—	1,368	183	(247,868)	2,966
Net income for the period	—	—	—	—	—	569	569
Other comprehensive income for the period	—	—	—	—	37	898	935
Total comprehensive loss for the period	—	—	—	—	37	1,467	1,504
Issuance of common shares	2,221	519	—	—	—	—	2,740
Share-based compensation expense	—	—	—	265	—	—	265
Balance as at June 30, 2018	251,217	806	—	1,633	220	(246,401)	7,475

Balance as at December 31, 2018	251,217	806	—	1,841	242	(246,594)	7,512
Net loss for the period	—	—	—	—	—	(4,077)	(4,077)
Other comprehensive loss for the period	—	—	—	—	12	(536)	(524)
Total comprehensive loss for the period	—	—	—	—	12	(4,613)	(4,601)
Expiration of warrants	—	(269)	—	269	—	—	—
Share-based compensation expense	—	—	—	132	—	—	132
Balance as at June 30, 2019	251,217	537	—	2,242	254	(251,207)	3,043

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars, unaudited)	**For the six months ended June 30, 2019 $**	**For the six months ended June 30, 2018 $**
Cash provided by (used in)		
Operating activities		
Net (loss) income for the period	(4,077)	569
Adjustments to net (loss) income		
Depreciation of property, plant and equipment	2,150	2,324
Amortization of intangible assets	1,244	2,301
Depreciation of right-of-use-assets	4,234	—
Interest expense on lease liability	1,803	—
Share-based compensation expense	132	265
Pension expense	297	269
Loss (gain) on disposal of property, plant and equipment	84	(129)
Write-off of intangible assets	—	242
Provisions	4,871	934
Amortization of transaction costs	223	301
Accretion of non-current liabilities and related interest expense	178	311
Other non-current liabilities	—	446
Other post-employment benefit plans, net	128	134
Income tax (recovery) expense	(1,429)	251
	9,838	8,218
Changes in working capital	8,207	9,107
Contributions made to pension plans	(514)	(588)
Provisions paid	(2,654)	(3,923)
Income taxes paid	(1,362)	(894)
	13,515	11,920
Investing activities		
Purchase of property, plant and equipment	(645)	(1,286)
Addition to intangible assets	(2,986)	(2,518)
Proceeds on disposal of property, plant and equipment	254	150
Proceeds on sale of business	675	—
Net cash consideration for acquisition of businesses	—	(7,505)
	(2,702)	(11,159)
Financing activities		
Issuance of common shares and warrants, net	—	685
Proceeds from credit facilities	4,741	10,395
Repayment of credit facilities	(2,788)	(6,695)
Repayment of other liabilities	(200)	(201)
Repayment of promissory notes	(3,905)	(3,393)
Transaction costs	(112)	(868)
Lease payments	(5,298)	(13)
	(7,562)	(90)
Decrease (increase) in bank overdraft during the period	3,251	671
Bank overdraft – beginning of period	(3,999)	(2,868)
Effects of foreign exchange on cash balances	1	33
Bank overdraft – end of period	(747)	(2,164)