For Immediate Release

# DATA COMMUNICATIONS MANAGEMENT CORP. ANNOUNCES SECOND QUARTER FINANCIAL RESULTS FOR 2018

## HIGHLIGHTS

### SECOND QUARTER 2018

- Revenues increased 7.0% year over year to $78.2 million compared with $73.1 million in the prior year, fuelled by a 5.1% increase in our core DCM business
- Adjusted EBITDA of $4.1 million, compared to $4.3 million in the prior year (See Table 2 and "Non-IFRS Measures" below)
- Net Loss 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 compared to Net Loss of $0.6 million, including restructuring expenses of $1.7 million in the prior comparative period
- Adjusted net income of $0.2 million, compared to $0.7 million in the prior comparative period (See Table 3 and "Non-IFRS Measures" below)

### YEAR TO DATE

- Revenues increased 16.4% year over year to $166.7 million compared with $143.2 million in the prior year, enhanced by a 10.9% increase in our core DCM business
- Adjusted EBITDA of $10.4 million, an increase of 45.6% year over year (See Table 2 and "Non-IFRS Measures" below)
- Net Income of $0.6 million, including restructuring expenses of $0.8 million, acquisition costs of $0.3 million and one-time business reorganization costs of $1.2 million compared to Net Loss of $2.7 million, including restructuring expenses of $3.6 million and acquisition costs of $1.0 million in the prior comparative period
- Adjusted Net Income of $2.3 million, compared to $1.0 million in the prior comparative period (See Table 3 and "Non-IFRS Measures" below)
- Adopts new accounting standards IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") effective January 1, 2018

## RECENT EVENTS

- Announces new hybrid digital label press to support customer wins in emerging Canadian cannabis packaging label market and other growth opportunities in label markets
- Reconfirms financial outlook for fiscal 2018

**Brampton, Ontario – August 13, 2018 –** DATA Communications Management Corp. (TSX: DCM) ("DCM" or the "Company"), a leading provider of business communication solutions to companies across North America, announced its consolidated financial results for three and six months ended June 30, 2018.

“Our revenue continued to demonstrate year over year growth, thanks to contributions from our recent acquisitions and a second consecutive quarter of growth in our core DCM business.  Our sales pipeline continues to be robust, strengthened by recent wins in the licensed cannabis industry in which we have recently been awarded multi-year contracts with several leading licensed producers to provide Health Canada compliant packaging labels for a variety of cannabis products.  We expect to see incremental revenue in this emerging market in the third and fourth quarters as these producers come to market,” said Gregory J. Cochrane, President & CEO.

"I am disappointed with our gross margin in the second quarter, which was largely attributed to higher volumes of lower margin product mix compared to last year, and to a lesser extent the impact of paper and other raw materials price increases that are being experienced industry-wide. Nonetheless, we plan to effect price increases as contract terms allow us, and longer-term we expect to achieve higher margins with these customers. On the positive side, we continue to see gross margin improvements on non-contracted business and we expect significantly improved margins in our packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event," he continued.

To support anticipated growth in the cannabis market and other growth opportunities in the label market, DCM announces it has secured the first Gallus Heidelberg Labelfire 340 hybrid digital ink-jet / flexographic label press in the Canadian market.

"DCM has been successful in applying its expertise in managing highly complex, regulatory compliant, variable content for web to print-on-demand production and has developed innovative solutions for the cannabis market. This press is expected to further differentiate DCM's capabilities in the market," Mr. Cochrane concluded.

## 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, 2018 and 2017** *(in thousands of Canadian dollars, except share and per share amounts, unaudited)* | **Apr. 1 to June 30, 2018 $** | **Apr. 1 to June 30, 2017 $** | **Jan. 1 to June 30, 2018 $** | **Jan. 1 to June 30, 2017 $** |
|---|---|---|---|---|
| Revenues [(1)] | 78,176 | 73,066 | 166,692 | 143,192 |
| Cost of revenues | 59,587 | 55,062 | 126,628 | 108,828 |
| Gross profit | 18,589 | 18,004 | 40,064 | 34,364 |
| Selling, general and administrative expenses | 17,750 | 15,715 | 35,422 | 30,739 |
| Restructuring expenses | 736 | 1,735 | 800 | 3,621 |
| Acquisition costs | 270 | 13 | 313 | 969 |
| (Loss) income before finance costs and income taxes | (167) | 541 | 3,529 | (965) |
| Finance costs (income) | | | | |
| Interest expense | 1,273 | 1,181 | 2,412 | 2,131 |
| Interest income | (2) | — | (4) | 0 |
| Amortization of transaction costs | 158 | 121 | 301 | 236 |
| | 1,429 | 1,302 | 2,709 | 2,367 |
| (Loss) income before income taxes | (1,596) | (761) | 820 | (3,332) |
| Income tax (recovery) expense | | | | |
| Current | (288) | 288 | 555 | 339 |
| Deferred | (114) | (468) | (304) | (993) |
| | (402) | (180) | 251 | (654) |
| Net (loss) income for the period | (1,194) | (581) | 569 | (2,678) |
| Basic (loss) earnings per share | (0.06) | (0.04) | 0.03 | (0.20) |
| Diluted (loss) earnings per share | (0.06) | (0.04) | 0.03 | (0.20) |
| Weighted average number of common shares outstanding, basic | 20,870,234 | 13,637,875 | 20,456,993 | 13,079,515 |
| Weighted average number of common shares outstanding, diluted | 20,870,234 | 13,637,875 | 20,495,793 | 13,079,515 |

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

| **As at June 30, 2018 and December 31, 2017** *(in thousands of Canadian dollars, unaudited)* | **As at June 30, 2018 $** | **As at Dec. 31, 2017 $** |
|---|---|---|
| Current assets | 83,402 | 82,804 |
| Current liabilities | 61,919 | 68,648 |
| Total assets | 141,648 | 131,859 |
| Total non-current liabilities | 72,254 | 68,610 |
| Shareholders' equity / (deficit) | 7,475 | (5,399) |

***Table 2*** 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".

## EBITDA and Adjusted EBITDA Reconciliation

| **For the periods ended June 30, 2018 and 2017**<br>*(in thousands of Canadian dollars, unaudited)* | **Apr. 1 to June 30, 2018**<br>**$** | **Apr. 1 to June 30, 2017**<br>**$** | **Jan. 1 to June 30, 2018**<br>**$** | **Jan. 1 to June 30, 2017**<br>**$** |
|---|---|---|---|---|
| Net (loss) income for the period | (1,194) | (581) | 569 | (2,678) |
| Interest expense | 1,273 | 1,181 | 2,412 | 2,131 |
| Interest income | (2) | — | (4) | — |
| Amortization of transaction costs | 158 | 121 | 301 | 236 |
| Current income tax (recovery) expense | (288) | 288 | 555 | 339 |
| Deferred income tax recovery | (114) | (468) | (304) | (993) |
| Depreciation of property, plant and equipment | 1,176 | 1,058 | 2,324 | 1,943 |
| Amortization of intangible assets | 1,232 | 906 | 2,301 | 1,599 |
| EBITDA | 2,241 | 2,505 | 8,154 | 2,577 |
| Restructuring expenses | 736 | 1,735 | 800 | 3,621 |
| One-time business reorganization costs | 839 | — | 1,171 | — |
| Acquisition costs | 270 | 13 | 313 | 969 |
| Adjusted EBITDA (1) | 4,086 | 4,253 | 10,438 | 7,167 |

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

***Table 3*** The following table provides reconciliations of net (loss) income to Adjusted net (loss) income and a presentation of Adjusted net (loss) income per share for the periods noted. See "Non-IFRS Measures".

## Adjusted Net (Loss) Income Reconciliation

| **For the periods ended June 30, 2018 and 2017**<br>*(in thousands of Canadian dollars, except share and per share* | **Apr. 1 to June 30, 2018**<br>**$** | **Apr. 1 to June 30, 2017**<br>**$** | **Jan. 1 to June 30, 2018**<br>**$** | **Jan. 1 to June 30, 2017**<br>**$** |
|---|---|---|---|---|
| Net (loss) income for the period | (1,194) | (581) | 569 | (2,678) |
| Restructuring expenses | 736 | 1,735 | 800 | 3,621 |
| One-time business reorganization costs | 839 | — | 1,171 | — |
| Acquisition costs | 270 | 13 | 313 | 969 |
| Tax effect of the above adjustments | (410) | (453) | (513) | (945) |
| Adjusted net (loss) income (1) | 241 | 714 | 2,340 | 967 |
| Adjusted net (loss) income per share, basic | 0.01 | 0.05 | 0.11 | 0.07 |
| Adjusted net (loss) income per share, diluted | 0.01 | 0.05 | 0.11 | 0.07 |
| Weighted average number of common shares outstanding, basic | 20,870,234 | 13,637,875 | 20,456,993 | 13,079,515 |
| Weighted average number of common shares outstanding, diluted | 21,742,477 | 13,637,875 | 20,495,793 | 13,079,515 |
| Number of common shares outstanding, basic | 21,523,515 | 19,263,235 | 21,523,515 | 19,263,235 |
| Number of common shares outstanding, diluted | 22,395,758 | 19,263,235 | 21,587,945 | 19,263,235 |

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

***Revenues***

For the quarter ended June 30, 2018, DCM recorded revenues of $78.2 million, an increase of 7.0% or $5.1 million compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the quarter ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. The increase in revenues for the quarter ended June 30, 2018 was primarily due to additional revenues from the acquisitions of BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017 and increased volumes in labels and thermal paper work for customers. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business.

For the six months ended June 30, 2018, DCM recorded revenues of $166.7 million, an increase of 16.4% or $23.5 million compared with the same period in 2017. Excluding the effects of adopting IFRS 15, for the six months ended June 30, 2018, revenues were $3.9 million, or 5.3%, higher than the same period last year. The increase in revenues for the six months ended June 30, 2018 was primarily due to additional revenues from the acquisitions of Eclipse, Thistle BOLDER Graphics and Perennial, new revenues contributed by a major Canadian Schedule I bank which DCM won late in the third quarter of 2017, increased volumes in labels work for existing and new retailer customers, and a one-time increase in volume from a long-standing customer which generated $8.9 million in higher revenues relative to the same period last year. The increase in revenues was partially offset by the reduction in spend by certain customers, particularly in the financial institutions sector due to a technological shift in the way they conduct business. Overall, DCM continues to benefit from the growth initiatives it effected throughout 2017 and the first half of 2018 to help offset some of the secular declines experienced by the industry.

***Cost of Revenues and Gross Profit***

For the quarter ended June 30, 2018, cost of revenues increased to $59.6 million from $55.1 million for the same period in 2017, resulting in a $4.5 million or 8.2% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues $2.8 million or 5.0% relative to the same period last year. For the six months ended June 30, 2018, cost of revenues increased to $126.6 million from $108.8 million for the same period in 2017, resulting in a $17.8 million or 16.4% increase over the same period last year. Excluding the effects of the adjustments upon adoption of IFRS 15, cost of revenues increased by $13.5 million or 12.4% relative to the same period last year.

Gross profit for the quarter ended June 30, 2018 was $18.6 million, which represented an increase of $0.6 million or 3.2% from $18.0 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit $1.1 million or 6.3% relative to the same period last year. Gross profit as a percentage of revenues decreased to 23.8% for the quarter ended June 30, 2018 compared to 24.6% for the same period in 2017 however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.9% for the quarter ended June 30, 2018. The decrease in gross profit as a percentage of revenues for the quarter ended June 30, 2018 was positively impacted by higher gross margins attribtued to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

Gross profit for the six months ended June 30, 2018 was $40.1 million, which represented an increase of $5.7 million or 16.6% from $34.4 million for the same period in 2017. Excluding the effects of adopting IFRS 15, gross profit increased by $5.0 million or 14.5% relative to the same period last year. Gross profit as a percentage of revenues for the six months ended June 30, 2018 remained largely unchanged from the prior year at 24.0%, however, excluding the effects of adopting IFRS 15, gross profit as a percentage of revenues was 24.3% for the six months ended June 30, 2018. The increase in gross profit as a percentage of revenues for the six months ended June 30, 2018 was positively impacted by higher gross margins attribtued to Eclipse, Thistle, BOLDER Graphics and Perennial, and due to the refinement of DCM's pricing discipline and cost reductions realized from prior cost savings initiatives. The increase in gross profit as a percentage of revenues was, however, partially offset by changes in product mix, the impact of paper and other raw materials price increases and compressed margins on contracts with certain existing customers.

***Selling, General and Administrative Expenses***

Selling, general and administrative (“SG&A”) expenses for the quarter ended June 30, 2018 increased $2.0 million or 12.9% to $17.8 million compared to $15.7 million in the same period in 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $2.1 million higher for the quarter ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 22.7% (or 23.1% before the affects of adopting IFRS 9 and 15) of revenues for the six months ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the quarter ended June 30, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million, additional professional fees and higher sales commission costs commensurate with the increase in revenues.

SG&A expenses for the six months ended June 30, 2018 increased $4.7 million or 15.2% to $35.4 million compared to $30.7 million for the same period of 2017. Excluding the effects of adopting IFRS 9 and 15, SG&A expenses were $4.5 million higher for the six months ended June 30, 2018 when compared to the same period last year. As a percentage of revenues, these costs were 21.2% (or 21.8% before the effects of adopting IFRS 9 and 15) and 21.5% of revenues for the six months ended June 30, 2018 and 2017, respectively. The increase in SG&A expenses for the six months ended June 30, 2018 was primarily attributable to the acquisitions of Eclipse, Thistle, BOLDER Graphics and Perennial, one time business reorganization costs of $0.8 million, additional professional fees and higher sales commission costs commensurate with the increase in revenues.

***Restructuring Expenses***

For the quarter ended June 30, 2018, DCM incurred restructuring expenses of $0.7 million compared to $1.7 million in the same period in 2017. The restructuring expenses of $0.7 million during the quarter ended June 30, 2018 primarily related to headcount reductions across the operational, sales and administration functions of the business. For the quarter ended June 30, 2017, DCM incurred restructuring expenses of $1.7 million of which $1.5 million primarily related to headcount reductions across the sales and customer service functions of the business and a lease exit charge of $0.3 million associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan.

For the six months ended June 30, 2018, DCM incurred net restructuring expenses $0.8 million compared to $3.6 million in the same period in 2017. DCM incurred $1.9 million of restructuring costs related to 1) headcount reductions in indirect labour as a result of the plant consolidations completed during the current quarter, in addition to reductions of certain individuals within the sales and administrative functions, and 2) costs incurred to facilitate the closure and consolidation of the Multiple Pakfold, BOLDER Graphics and Granby, Quebec facilities into DCM's Brampton, Ontario, Calgary, Alberta and Drummondville, Quebec facilities, respectively. Total restructuring costs were offset by a recovery of $1.1 million related to the termination of DCM's lease agreement for its Granby, Quebec facility

For the six months ended June 30, 2017, DCM incurred restructuring expenses of $3.6 million. $3.7 million of restructuring costs were incurred related to headcount reductions in DCM's indirect labour force across its operations, which were designed to streamline DCM's order-to-production process and across the sales and customer service functions of the business. These restructuring costs were offset by a recovery of $0.3 million related to a sub-lease of a closed facility in Richmond Hill, Ontario and DCM also incurred a lease exit charge associated with the closure of its manufacturing and warehouse facility in Regina, Saskatchewan of $0.3 million.

***Adjusted EBITDA***

For the quarter ended June 30, 2018, Adjusted EBITDA was $4.1 million, or 5.2% of revenues, after adjusting EBITDA for the $0.7 million in restructuring charges, $0.3 million of acquisition costs and $0.8 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $4.6 million or 6.0% of revenues for the quarter ended June 30, 2018 compared with an Adjusted EBITDA of $4.3 million or 5.8% for the same period last year. Adjusted EBITDA for the three months ended June 30, 2018 decreased $0.2 million or 3.9% from the same period in the prior year which was 5.8% of revenues in 2017. The decrease in Adjusted EBITDA for the three months ended June 30, 2018 was primarily attributable to lower gross profit as a result of product mix and higher SG&A expenses. This was partially offset by improved pricing discipline and cost savings from restructuring efforts carried out in the second half of 2017.

For the six months ended June 30, 2018, Adjusted EBITDA was $10.4 million, or 6.3% of revenues, after adjusting EBITDA for the $0.8 million in restructuring charges, $0.3 million of acquisition costs and $1.2 million of one-time business reorganization costs. Excluding the effects of adopting IFRS 9 and 15, Adjusted EBITDA was $9.9 million or 6.1% of revenues for the six months ended June 30, 2018 compared with an Adjusted EBITDA of $7.2 million or 5.0% for the same period last year. The

$3.3 million increase in Adjusted EBITDA for the six months ended June 30, 2018 over the six months of 2017 was attributable to higher gross profit as a result of revenues contributed by DCM's core business, in addition to the Eclipse, Thistle, BOLDER Graphics and Perennial acquisitions, improved pricing initiatives implemented part-way through the prior year, and cost savings from the restructuring efforts carried out in the second half of 2017. This was partially offset by higher SG&A expenses.

***Interest Expense***

Interest expense, including interest on debt outstanding under DCM's credit facilities, on certain unfavourable lease obligations related to closed facilities, and on DCM's employee benefit plans and including interest accretion expense related to certain debt obligations recorded at fair value, was $1.3 million for the three months ended June 30, 2018 compared to $1.2 million for the same period in 2017, and was $2.4 million for the six months ended June 30, 2018 compared to $2.1 million for the same period in 2017. Interest expense for the three and six months ended June 30, 2018 was higher than the same periods in the prior year primarily due to the increase in the debt outstanding under DCM's credit facilities in order to fund a portion of the upfront cash components of the purchase price, settle certain debt assumed and pay for related costs incurred to complete the acquisitions of Eclipse, Thistle and BOLDER Graphics in 2017 and the acquistion of Perennial in 2018.

***Income Taxes***

DCM reported a loss before income taxes of $1.6 million and a net income tax recovery of $0.4 million for the quarter ended June 30, 2018 compared to a loss before income taxes of $2.6 million and a net income tax recovery of $0.2 million for the quarter ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax recovery was $0.3 million for the quarter ended June 30, 2017. The current income tax recovery and expense were primarily related to the income taxes payable on DCM's estimated taxable income for the quarters ended June 30, 2018, and 2017, respectively. The deferred income tax recoveries primarily related to changes in estimates of future reversals of temporary differences and new temporary differences that arose during the quarters ended June 30, 2018 and 2017, respectively.

DCM reported 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 compared to a loss before income taxes of $3.3 million and a net income tax recovery of $0.7 million for the six months ended June 30, 2017. Excluding the impacts of adopting IFRS 9 and 15, the net income tax expense was $0.1 million for the six months ended June 30, 2018. The current income tax expense was due to the taxes payable on DCM's estimated taxable income for the six months ended June 30, 2018. The deferred income tax recovery for the six months ended June 30, 2018 primarily relates to changes in estimates of future reversals of temporary differences, primarily representing adjustments due to the adoption of IFRS 15 including the full utilization of loss carryforwards and new temporary differences that arose during the six month period ended June 30, 2018.

**Net Income**

Net loss for the quarter ended June 30, 2018 was $1.2 million compared to net loss of $2.1 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, net loss for the quarter ended June 30, 2018 was $0.8 million. The decrease in comparable profitability for the quarter ended June 30, 2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Net income for the six months ended June 30, 2018 was $0.6 million compared to a net loss of $2.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, for the six months ended June 30, 2018 was $0.2 million. The decrease in comparable profitability the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

***Adjusted Net Income***

Adjusted net income for the quarter ended June 30, 2018 was $0.2 million compared to Adjusted net income of $0.7 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, Adjusted net income for the quarter ended June 30, 2018 was $0.6 million. The decrease in comparable profitability for the quarter ended June 30, 2018 was primarily due to lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, and was partially offset by refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts.

Adjusted net income for the six months ended June 30, 2018 was $2.3 million compared to Adjusted net income of $1.0 million for the same period in 2017. Excluding the impacts of adopting IFRS 9 and 15, for the six months ended June 30, 2018 was $1.9 million. The increase in comparable profitability for the six months ended June 30, 2018 was primarily due to the increase in revenues which included the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial, in addition to a refined discipline in DCM's pricing strategy and cost reductions as a result of the restructuring efforts. This increase was partially offset by lower gross profit as a percentage of revenue, due to higher volumes of lower margin product and higher levels of SG&A including the post-acquisition financial results of Eclipse, Thistle, BOLDER Graphics and Perennial.

## CASH FLOW FROM OPERATIONS

During the three months ended June 30, 2018, cash flows generated by operating activities were $5.8 million compared to cash flows generated by operating activities of $3.9 million during the same period in 2017. $2.7 million of current year cash flows resulted from operations, after adjusting for non-cash items, compared with $3.3 million in 2017. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $2.0 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the three months ended June 30, 2018 generated $5.4 million in cash compared with $2.7 million in the prior year. Given the increase in trade receivables as a result of higher sales in the current quarter, there was a corresponding increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs. Timing of payments to suppliers are fairly commensurate with collections on outstanding receivables from DCM's customers.

In addition, $1.8 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $1.7 million of payments in 2017. Contributions made to the Company's pension plans were $0.3 million which decreased from $0.5 million in the prior year while income tax payments increased by $0.3 million for the three months ended June 30, 2018.

During the six months ended June 30, 2018, cash flows generated by operating activities were $11.9 million compared to cash flows generated by operating activities of $2.3 million during the same period in 2017. A total of $8.2 million of the current period cash flows resulted from operations, after adjusting for non-cash items, compared with $4.7 million for the same period last year. Current period cash flows from operations were positively impacted by the increase in revenues and better gross margins from improved pricing discipline however this was slightly offset by a $4.7 million increase in SG&A expense over the prior year comparative period. Changes in working capital during the six months ended June 30, 2018 generated $9.1 million in cash compared with $1.8 million of cash generated in the prior year. There was an increase in accounts payable for higher volumes in inventory purchases and related manufacturing costs as a result of higher revenues during the six month period ended June 30, 2018.

In addition, $3.9 million of cash was used to make payments primarily related to severances and lease termination costs, compared with $3.3 million of payments in 2017. Contributions made to the Company's pension plans were $0.6 million, which decreased from $0.9 million in the prior year while income tax payments increased by $0.9 million for the six months ended June 30, 2018.

## INVESTING ACTIVITIES

During the three months ended June 30, 2018, $9.8 million in cash flows were used for investing activities compared with $1.7 million during the same period in 2017. In 2018, $0.7 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Granby, Québec and BOLDER Graphics facilities into DCM's Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $1.6 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

During the six months ended June 30, 2018, $11.2 million in cash flows were used for investing activities compared with $6.6 million during the same period in 2017. In 2018, $1.3 million of cash was used to invest in IT equipment, in addition to incurring certain costs for leasehold improvements to facilitate the consolidation of the Multiple Pakfold, Granby, Québec and BOLDER Graphics facilities into DCM's Brampton, Ontario, Drummondville, Quebec and Calgary, Alberta locations, respectively. Furthermore, $2.5 million of cash was used to further invest in DCM's ERP project. In 2018, $7.5 million of net cash was used to acquire the business of Perennial.

## FINANCING ACTIVITIES

During the three months ended June 30, 2018, cash flow generated by financing activities was $4.7 million compared to cash flow used for financing activities of $5.0 million during the same period in 2017. DCM used net cash received from the issuance of common shares and warrants of $0.7 million and cash from advances under its credit facilities totaling $10.4 million to repay $4.8 million in outstanding principal amounts under its credit facilities. DCM also paid a total of $0.6 million related to the promissory notes issued in connection with the acquisitions of Thistle Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

During the six months ended June 30, 2018, cash flow used for financing activities was $0.1 million compared to cash flow generated by financing activities of $1.9 million during the same period in 2017. DCM used a portion of cash generated from its operations to repay $6.7 million in outstanding principal amounts under its various credit facilities and paid a total of $3.4 million related to the promissory notes issued in connection with the acquisitions of Thistle, Eclipse and BOLDER. DATA also incurred $0.9 million of transaction costs related to the amendments to its senior credit facilities and the establishment of a new credit facility.

## OUTLOOK

In the second quarter of 2018, DCM continued to experience higher revenues over the prior year as a result of modest growth in its core business, combined with incremental revenue from the acquisitions made in 2017 and the first half of 2018. DCM maintains the 2018 financial outlook it issued in February 2018, buoyed by continued revenue growth trends, expanding opportunities within its existing customer base and new customer wins, particularly as a leading supplier in the emerging market for Health Canada compliant packaging labels in the licensed cannabis market.

Despite lower margins experienced in the second quarter compared to the first quarter, and price and inflationary pressures the Company is experiencing, DCM continues to realize gross margin improvements on non-contracted business and expects significantly improved margins in the packaging label business and other newly contracted business in the second half of the year, which is typically seasonally stronger in any event.

<u>Revenues</u>

DCM anticipates total revenues of between $295.0 million and $310.0 million for fiscal 2018, representing growth of approximately 2% to 7% compared to revenues of $289.5 million in fiscal 2017.

<u>Adjusted EBITDA</u>

Adjusted EBITDA for fiscal 2018 is estimated to be between $22.0 million and $25.0 million compared to Adjusted EBITDA in fiscal 2017 of $16.1 million.

Capital Expenditures

For fiscal 2018, DCM presently expects to spend approximately $1.5 million on capital expenditures.  DCM expects to incur approximately $3.0 million mostly relating to the ERP project which will be incurred primarily through the first three quarters of 2018.

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

- New customer wins and sales initiatives focused on capturing greater wallet share from DCM's existing customer base, including increasingly capitalizing on its technology-enabled value-added services provided to customers, will offset continued expected declines in the Company's traditional business communications market;
- DCM will benefit from the full-year results of the acquisitions of Eclipse, Thistle and BOLDER Graphics and continue to experience growth rates in each of those businesses consistent with the past year, and DCM will benefit from the partial year of results from the acquisition of Perennial, commencing May 8, 2018.
- The three acquisitions DCM completed in 2017 will continue to generate incremental cross-selling opportunities and cost synergies across the entire business of the Company in 2018, as will the acquisition of Perennial in May 2018;
- DCM will be able to translate its sales pipeline into new customer acquisitions;
- Improved year over year margins will be achieved through ongoing strategic initiatives relating to productivity improvements and continuing efforts by management to drive improved profitability;
- DCM will be able to effect increases in the prices of products sold to customers to mitigate  increases in the costs of paper, and consumables, CPI and freight charges that are being experienced industry-wide and longer-term realize higher margins with these customers, while experiencing nominal if any volume loss;
- The Company continues to explore additional strategic acquisition opportunities, and, while there can be no certainty that any such opportunities will be completed, such acquisitions could impact the outlook provided;
- Economic conditions in North America will not deteriorate; and
- The above guidance is based on the accounting policies applied in the unaudited interim consolidated financial statements and accompanying notes of DCM for the second quarter of 2018 and IFRS in effect for the period ended June 30, 2018.

DCM cautions that the assumptions used to prepare the guidance provided above, although currently reasonable, may prove to be incorrect or inaccurate.  Accordingly, actual results may differ materially from expectations as set forth above.  The guidance provided above should be read in conjunction with, and is qualified by, the section Forward-looking Statements contained in this press release.

## 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.  We pair customer insights and thought leadership with cutting-edge products, modular enabling technology and services to power our clients' go-to market strategies.  We help our clients manage how their brands come to life, determine which channels are right for them, manage multimedia campaigns, deploy location-specific and 1:1 marketing, execute custom loyalty programs, and fulfill their commercial printing needs all in one place.

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

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 by DCM; the failure to realize the expected benefits from the acquisitions of Thistle Printing, Eclipse Colour & Imaging, BOLDER Graphics and Perennial Group of Companies and risks associated with the integration of such acquired businesses; risks related to the disruption of management time from ongoing business operations due to the acquisition of the Perennial Group of Companies; increases in the costs of paper and other raw materials used by DCM; and DCM's ability to maintain relationships with its customers. Additional factors are discussed elsewhere in this press release and under the headings "Risk Factors" and "Risks and Uncertainties" in DCM's management's discussion and analysis and in DCM's other publicly available disclosure documents, as filed by DCM on SEDAR (www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this press release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, DCM does not intend and does not assume any obligation to update these forward-looking statements.

## NON-IFRS MEASURES

This press release includes certain non-IFRS measures as supplementary information. Except as otherwise noted, when used in this press release, EBITDA means earnings before interest and finance costs, taxes, depreciation and amortization and Adjusted net income (loss) means net income (loss) adjusted for the impact of certain non-cash items and certain items of note on an after-tax basis. Adjusted EBITDA means EBITDA adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, and acquisition costs. Adjusted net income (loss) means net income (loss) adjusted for restructuring expenses, one-time business reorganization costs, goodwill impairment charges, gain on redemption of convertible debentures, 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 (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 2 above. For a reconciliation of net income (loss) to Adjusted net income (loss) and a presentation of Adjusted net income (loss) per share, see Table 3 above.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| *(in thousands of Canadian dollars, unaudited)* | **June 30, 2018** | **December 31, 2017** |
|---|---|---|
| | **$** | **$** |
| **Assets** | | |
| Current assets | | |
| Trade receivables | 70,067 | 41,193 |
| Inventories | 10,052 | 36,519 |
| Prepaid expenses and other current assets | 3,283 | 5,092 |
| | 83,402 | 82,804 |
| Non-current assets | | |
| Other non-current assets | 454 | — |
| Deferred income tax assets | 2,899 | 6,108 |
| Restricted cash | 515 | 515 |
| Property, plant and equipment | 17,900 | 18,831 |
| Pension assets | 2,010 | 760 |
| Intangible assets | 17,553 | 14,473 |
| Goodwill | 16,915 | 8,368 |
| | 141,648 | 131,859 |
| **Liabilities** | | |
| Current liabilities | | |
| Bank overdraft | 2,164 | 2,868 |
| Trade payables and accrued liabilities | 41,508 | 34,306 |
| Current portion of credit facilities | 5,480 | 8,725 |
| Current portion of promissory notes | 4,823 | 4,374 |
| Provisions | 3,188 | 3,950 |
| Income taxes payable | 2,627 | 3,188 |
| Deferred revenue | 2,129 | 11,237 |
| | 61,919 | 68,648 |
| Non-current liabilities | | |
| Provisions | 475 | 2,702 |
| Credit facilities | 53,597 | 47,207 |
| Promissory notes | 1,494 | 2,829 |
| Deferred income tax liabilities | 1,985 | 1,295 |
| Other non-current liabilities | 3,688 | 3,413 |
| Pension obligations | 7,850 | 8,133 |
| Other post-employment benefit plans | 3,165 | 3,031 |
| | 134,173 | 137,258 |
| **Equity** | | |
| Shareholders' equity/(deficit) | | |
| Shares | 251,217 | 248,996 |
| Warrants | 806 | 287 |
| Contributed surplus | 1,633 | 1,368 |
| Translation reserve | 220 | 183 |
| Deficit | (246,401) | (256,233) |
| | 7,475 | (5,399) |
| | 141,648 | 131,859 |

## CONSOLIDATED STATEMENTS OF OPERATIONS

| *(in thousands of Canadian dollars, except per share amounts, unaudited)* | **For the three months ended June 30, 2018 $** | **For the three months ended June 30, 2017 $** |
|---|---|---|
| **Revenues** | 78,176 | 73,066 |
| **Cost of revenues** | 59,587 | 55,062 |
| **Gross profit** | 18,589 | 18,004 |
| **Expenses** | | |
| Selling, commissions and expenses | 9,200 | 8,690 |
| General and administration expenses | 8,550 | 7,025 |
| Restructuring expenses | 736 | 1,735 |
| Acquisition costs | 270 | 13 |
| | 18,756 | 17,463 |
| **(Loss) income before finance costs and income taxes** | (167) | 541 |
| **Finance costs (income)** | | |
| Interest expense | 1,273 | 1,181 |
| Interest income | (2) | — |
| Amortization of transaction costs | 158 | 121 |
| | 1,429 | 1,302 |
| **Loss before income taxes** | (1,596) | (761) |
| **Income tax (recovery) expense** | | |
| Current | (288) | 288 |
| Deferred | (114) | (468) |
| | (402) | (180) |
| **Net loss for the period** | (1,194) | (581) |
| **Basic loss per share** | (0.06) | (0.04) |
| **Diluted loss per share** | (0.06) | (0.04) |

## CONSOLIDATED STATEMENTS OF OPERATIONS

| *(in thousands of Canadian dollars, except per share amounts, unaudited)* | **For the six months ended June 30, 2018 $** | **For the six months ended June 30, 2017 $** |
|---|---|---|
| **Revenues** | 166,692 | 143,192 |
| **Cost of revenues** | 126,628 | 108,828 |
| **Gross profit** | 40,064 | 34,364 |
| **Expenses** | | |
| Selling, commissions and expenses | 19,661 | 17,208 |
| General and administration expenses | 15,761 | 13,531 |
| Restructuring expenses | 800 | 3,621 |
| Acquisition costs | 313 | 969 |
| | 36,535 | 35,329 |
| **Income (loss) before finance costs and income taxes** | 3,529 | (965) |
| **Finance costs (income)** | | |
| Interest expense | 2,412 | 2,131 |
| Interest income | (4) | — |
| Amortization of transaction costs | 301 | 236 |
| | 2,709 | 2,367 |
| **Income (loss) before income taxes** | 820 | (3,332) |
| **Income tax (recovery) expense** | | |
| Current | 555 | 339 |
| Deferred | (304) | (993) |
| | 251 | (654) |
| **Net income (loss) for the period** | 569 | (2,678) |
| **Basic earnings (loss) per share** | 0.03 | (0.20) |
| **Diluted earnings (loss) per share** | 0.03 | (0.20) |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| *(in thousands of Canadian dollars, unaudited)* | **For the three months ended June 30, 2018 $** | **For the three months ended June 30, 2017 $** |
|---|---|---|
| **Net loss for the period** | (1,194) | (581) |
| **Other comprehensive income (loss):** | | |
| **Items that may be reclassified subsequently to net loss** | | |
| Foreign currency translation | 15 | (56) |
| | 15 | (56) |
| **Items that will not be reclassified to net loss** | | |
| Re-measurements of pension and other post-employment benefit obligations | 891 | (758) |
| Taxes related to pension and other post-employment benefit adjustment above | (232) | 197 |
| | 659 | (561) |
| **Other comprehensive income (loss) for the period, net of tax** | 674 | (617) |
| **Comprehensive loss for the period** | (520) | (1,198) |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| *(in thousands of Canadian dollars, unaudited)* | **For the six months ended June 30, 2018 $** | **For the six months ended June 30, 2017 $** |
|---|---|---|
| **Net income (loss) for the period** | 569 | (2,678) |
| **Other comprehensive loss:** | | |
| **Items that may be reclassified subsequently to net income (loss)** | | |
| Foreign currency translation | 37 | (74) |
| | 37 | (74) |
| **Items that will not be reclassified to net income (loss)** | | |
| Re-measurements of pension and other post-employment benefit obligations | 1,214 | (2,103) |
| Taxes related to pension and other post-employment benefit adjustment above | (316) | 547 |
| | 898 | (1,556) |
| **Other comprehensive income (loss) for the period, net of tax** | 935 | (1,630) |
| **Comprehensive income (loss) for the period** | 1,504 | (4,308) |

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

| *(in thousands of Canadian dollars, unaudited)* | **Shares** | **Warrants** | **Conversion options** | **Contributed surplus** | **Translation reserve** | **Deficit** | **Total equity (deficit)** |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | | **$** | **$** | **$** |
| **Balance as at December 31, 2016** | 237,432 | — | 128 | 1,164 | 258 | (248,917) | (9,935) |
| Net loss for the period | — | — | — | — | — | (2,678) | (2,678) |
| Other comprehensive loss for the period | — | — | — | — | (74) | (1,556) | (1,630) |
| Total comprehensive loss for the period | — | — | — | — | (74) | (4,234) | (4,308) |
| Shares issued on the redemption of convertible debentures | — | — | (128) | 128 | — | — | — |
| Cancellation of convertible debentures | — | — | — | — | — | — | — |
| Issuance of common shares | 10,662 | 280 | — | (15) | — | — | 10,927 |
| Share-based compensation expense | — | — | — | 59 | — | — | 59 |
| **Balance as at June 30, 2017** | 237,432 | — | — | 1,292 | 184 | (253,151) | (14,243) |
| **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 income for the period | — | — | — | — | 37 | 1,467 | 1,504 |
| Issuance of common shares and warrants, net | 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 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in thousands of Canadian dollars, unaudited)* | **For the three months ended June 30, 2018 $** | **For the three months ended June 30, 2017 $** |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net loss for the period | (1,194) | (581) |
| Adjustments to net loss | | |
| Depreciation of property, plant and equipment | 1,176 | 1,058 |
| Amortization of intangible assets | 1,232 | 906 |
| Share-based compensation expense | 171 | 7 |
| Pension expense | 135 | 135 |
| (Gain) loss on disposal of property, plant and equipment | (5) | 42 |
| Write-off of intangible assets | 242 | — |
| Provisions | 870 | 1,735 |
| Amortization of transaction costs | 158 | 121 |
| Accretion of non-current liabilities and related interest expense | 150 | 219 |
| Other non-current liabilities | 120 | (248) |
| Other post-employment benefit plans, net | 67 | 55 |
| Income taxes recovery | (402) | (180) |
| | 2,720 | 3,269 |
| Changes in working capital | 5,418 | 2,721 |
| Contributions made to pension plans | (304) | (453) |
| Provisions paid | (1,769) | (1,653) |
| Income taxes paid | (278) | (5) |
| | 5,787 | 3,879 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (665) | (811) |
| Purchase of intangible assets | (1,616) | (846) |
| Proceeds on disposal of property, plant and equipment | 26 | 2 |
| Net cash consideration for acquisition of businesses | (7,505) | — |
| | (9,760) | (1,655) |
| **Financing activities** | | |
| Issuance of common shares and warrants, net | 685 | 8,080 |
| Proceeds from credit facilities | 10,395 | 3,500 |
| Repayment of credit facilities | (4,816) | (4,003) |
| Repayment of convertible debentures | — | (11,175) |
| Repayment of other liabilities | (100) | (166) |
| Repayment of promissory notes | (585) | (935) |
| Transaction costs | (863) | (288) |
| Finance lease payments | (6) | (18) |
| | 4,710 | (5,005) |
| **Decrease in (bank overdraft) / (decrease) in cash and cash equivalents during the period** | 737 | (2,781) |
| **(Bank overdraft) cash and cash equivalents – beginning of period** | (2,916) | 1,838 |
| **Effects of foreign exchange on cash balances** | 15 | (46) |
| **Bank overdraft – end of period** | (2,164) | (989) |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| *(in thousands of Canadian dollars, unaudited)* | **For the six months ended June 30, 2018** **$** | **For the six months ended June 30, 2017** **$** |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net income (loss) for the period | 569 | (2,678) |
| Adjustments to net income (loss) | | |
| Depreciation of property, plant and equipment | 2,324 | 1,943 |
| Amortization of intangible assets | 2,301 | 1,599 |
| Share-based compensation expense | 265 | 59 |
| Pension expense | 269 | 270 |
| (Gain) loss on disposal of property, plant and equipment | (129) | 22 |
| Write-off of intangible assets | 242 | — |
| Provisions | 934 | 3,621 |
| Amortization of transaction costs | 301 | 236 |
| Accretion of non-current liabilities and related interest expense | 311 | 317 |
| Other non-current liabilities | 446 | (118) |
| Other post-employment benefit plans, net | 134 | 110 |
| Income tax expense (recovery) | 251 | (654) |
| | 8,218 | 4,727 |
| Changes in working capital | 9,107 | 1,836 |
| Contributions made to pension plans | (588) | (912) |
| Provisions paid | (3,923) | (3,340) |
| Income taxes paid | (894) | (5) |
| | 11,920 | 2,306 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | (1,286) | (948) |
| Purchase of intangible assets | (2,518) | (1,079) |
| Proceeds on disposal of property, plant and equipment | 150 | 22 |
| Net cash consideration for acquisition of businesses | (7,505) | (4,638) |
| | (11,159) | (6,643) |
| **Financing activities** | | |
| Issuance of common shares and warrants, net | 685 | 8,069 |
| Proceeds from credit facilities | 10,395 | 17,089 |
| Repayment of credit facilities | (6,695) | (7,601) |
| Repayment of convertible debentures | — | (11,175) |
| Repayment of other liabilities | (201) | (455) |
| Repayment of promissory notes | (3,393) | (1,064) |
| Transaction costs | (868) | (605) |
| Finance lease payments | (13) | (2,400) |
| | (90) | 1,858 |
| **Decrease in (bank overdraft) / (decrease) in cash and cash equivalents during the period** | 671 | (2,479) |
| **(Bank overdraft) cash and cash equivalents – beginning of period** | (2,868) | 1,544 |
| **Effects of foreign exchange on cash balances** | 33 | (54) |
| **Bank overdraft – end of period** | (2,164) | (989) |