



REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	-
Target Price (C\$)	\$3.60	-
Revenue F2021E (M)	\$245.0	-
EBITDA F2021E (M)	\$15.9	-
EPS F2021 (M)	\$0.02	-

MARKET DATA

Date:	Aug 16, 2021
Current Price (C\$):	\$1.14
Target Price (C\$):	\$3.60
52-Week Range:	\$0.21 / \$1.51
Shares O/S (M):	44.1
Mkt Cap (C\$M):	\$50.2
EV (C\$M):	\$131.5
Avg. Weekly Vol. (M):	0.18

Website: www.datacm.com

FINANCIALS

(\$M)	F2020A	F2021E	F2022E
Revenue	\$259.3	\$245.0	\$252.4
EBITDA	\$27.5	\$15.9	\$25.5
Adj. EBITDA	\$41.5	\$30.0	\$35.4
EPS (S)	\$0.27	\$0.02	\$0.20
Cash	\$0.6	\$1.1	\$6.6
Current Assets	\$75.9	\$68.1	\$75.0
Net Cash	-\$95.6	-\$71.7	-\$49.9
Total Assets	\$163.9	\$145.2	\$143.2
Debt	\$96.2	\$72.8	\$56.5
Total Liabilities	\$154.0	\$132.2	\$119.6
Fiscal Year End:	31-Dec		

Source: Company Reports, S&P Capital IQ, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.
Director of Equity Research

DATA Communications Management Corp.

(TSX:DCM | OTC:DGPIF | STU:18DN)

Digital-First Strategy and Tactical Consolidation Drives EBITDA Growth at DCM

COMPANY DESCRIPTION:

DATA Communications Management Corp. ("DCM" or "the Company") is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises. The Company serves the cannabis, energy, financial, governmental, healthcare, insurance, lottery and gaming, not-for-profit, and retail industries. Its services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management.

INVESTMENT HIGHLIGHTS:

- **"Digital-First" Strategy to Grow Sales & Improve Margins.** The Company is leveraging its existing DCM Flex and ASMBL platforms for direct-to-print applications, marketing and workflow management, and Digital Asset Management (DAM) solutions.
- **Strong Cost Controls.** Over the last five years, cost reductions and operational efficiency improvements have been a key focus for **DCM** to improve its margins and cash flow.
- **Diverse Customer Base.** **DCM** has a diversified customer base of over 2,500 clients that includes national retailers, banks, insurance companies, and government agencies. It serves over 70 of the 100 largest corporations in Canada and 3 of the 5 top government agencies.
- **Low Valuation Multiple when Compared to Peers.** **DCM** is currently trading at 0.5x 2021 EV/Revenue compared with US printer comps trading at an average of 1.0x EV/Revenue or Canadian printer comps trading at an average of 1.5x EV/Revenue, and well below the DAM & Tech-Enabled Workflow providers in the range of 3.1x to 6.6x EV/Revenue.

FINANCIAL ANALYSIS & VALUATION:

- We estimate **DCM's** revenue & EBITDA as follows:
 - 2021E: Revenue \$245.0 million; EBITDA \$15.9 million;
 - 2022E: Revenue \$252.4 million; EBITDA \$25.5 million.
- We estimate an equal-weighted price target of \$3.61 based on a DCF valuation (\$5.84/share), a Revenue Multiple valuation (\$3.10/share), and an EBITDA Multiple valuation (\$1.90/share).
- **We are Initiating Coverage on DCM with a Buy rating and a one-year price target of \$3.60/share.**

All figures in CAD unless otherwise stated.

eResearch Corporation

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INVESTMENT THESIS – Why Invest in DCM

“Print-First to Digital-First” Strategy to Grow Sales & Improve Margins

DCM is leveraging its existing DCM Flex and ASMBL platforms for direct-to-print applications, marketing and workflow management, and Digital Asset Management (DAM) solutions.

Strong Growth Potential in the Tech-Enabled Marketing Workflow and DAM Sectors

DCM believes it can garner increased revenue within the Tech-Enabled Marketing Workflow and DAM service offerings, as these sectors are forecasted to grow annually by 15% and 21%, respectively. The Company believes it is winning and retaining business due to the capabilities of its technology-enabled service model. In addition, DAM services generated only 1.3% of revenue in 2020 and, with the proliferation of video & digital content, the total DAM addressable market is forecasted to reach US\$6 billion by 2025, thus there is plenty of upside revenue potential.

Strong Cost Controls Improved Cash Flow to Reduce Debt

Over the last five years, cost reductions and operational efficiency improvements have been a key focus for **DCM** to improve its margins and cash flow. **DCM** announced plans to consolidate its Mississauga facility into its Brampton facility during 2021 and expects to recognize at least \$1 million in lease savings. **DCM** reported that it remains focused on achieving costs savings of at least \$8.5 million in 2021. Cash Flow from Operations has allowed it to reduce overall debt to \$39.1 million as of June 30, 2021, from \$48.2 million as of December 31, 2020, and down from \$77.1 million as of December 31, 2019.

Diverse Customer Base

DCM has a diversified customer base of over 2,500 clients that includes large national retailers, Canadian Schedule I banks, insurance companies, government (federal, provincial, and municipal) agencies, healthcare service providers, non-profit organizations, lottery and gaming providers, cannabis companies (licensed cultivators, processors, and retailers), and energy and utility companies. It serves over 70 of the 100 largest corporations in Canada and 3 of the 5 top government agencies.

Experienced Management Team

The Company continues to focus on digital innovation, growing revenue from key client relationships, and winning new customers from the capabilities of its technology-enabled service model. To achieve success, **DCM** has established a highly experienced team of professionals in the fields of the business communication, customer development, digital and direct marketing, marketing communications, outsourced marketing services, and printing.

Low Valuation Multiple when Compared to Peers.

DCM is currently trading at 0.5x our 2022 revenue estimate of \$252.4 million and 5.2x our 2022 EBITDA estimate of \$25.5 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples and highlight the potential for DCM's share appreciation.

Average valuation multiples in the various sectors are as follows:

- (1) Conventional Print Solutions: EV/Revenue of 1.0x-1.4x (2022E revenue) and EV/EBITDA of 7.2x-7.4x (2022E EBITDA).
- (2) Tech-Enabled Marketing Workflow: EV/Revenue of 4.2x (2022E revenue) and EV/EBITDA of 13.1x (2022E EBITDA).
- (3) DAM: EV/Revenue of 3.9x-7.2x (2022E revenue) and EV/EBITDA of 16.3x-22.2x (2022E EBITDA).

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7x EBITDA in the Discount Cash Flow (DFC) valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA multiple of 7x in the EBITDA Multiple valuation calculation. Growth in Non-Print Solutions revenue could cause a multiples' rerating and an increase in the valuation multiples.

COMPANY INFORMATION

Company Summary

DCM is a Canadian-based communications and marketing solutions provider that offers comprehensive online and offline communications and marketing solutions to businesses. Its technology-enabled content and workflow management capabilities solve the complex branding, communications, logistics, and regulatory requirements of Canada's leading enterprises.

The Company's services include custom loyalty programs, data and content management, location-specific marketing, labels and asset tracking, multimedia campaign management, and workflow management. It serves the cannabis, energy, financial, governmental, healthcare, insurance, lottery and gaming, not-for-profit, and retail industries.

Previously known as Data Group Ltd., the company rebranded itself as DATA Communications Management Corp. in March 2016. **DCM** trades on the Toronto Stock Exchange (TSX) under the ticker **DCM**, on the OTC under the ticker DGPIF, and on the Stuttgart Stock Exchange under the ticker 18DN.

Founded in 1959, the Company started in the printing industry and now operates in over 20 locations across North America. There are currently three companies in the **DCM** corporate family with approximately 950 employees. **DCM's** head office is located at 9195 Torbram Road, Brampton, Ontario, Canada, L6S 6H2.

DCM's manufacturing network extends across Canada and operates six centres of excellence in Canada, two smaller specialty facilities in Alberta and Illinois, and three on-demand digital print centres at customer locations in Canada.

Since 2015, **DCM** has been implementing changes to consolidate operations and improve Operating Margins. In February 2018, the Company closed its Granby, Quebec facility, and consolidated its Calgary operations in conjunction with the acquisition of a large format printing business in Calgary.

In March 2018, **DCM** closed its Multiple Pakfold facility in Mississauga, Ontario, and moved its operations to its Brampton, Ontario, facility. In March 2019, **DCM** closed its Brossard, Quebec, facility and outsourced much of the stationery production from that site to a third-party provider.

Earlier this year, **DCM** announced its intention to close its Mississauga, Ontario, facility and move the operations into the Brampton, Ontario, facility prior to the end of 2021. **The Company expects to achieve total annual savings from the closure of the Mississauga facility of approximately \$1 million in annual rent and related expenses of the site, commencing in Q1/2022.** In June 2021, the Company closed its Edmonton print-on-demand facility and relocated that production to Calgary.

We believe the Company has robust product and service offerings that will enable it to transition its clients from print to digital services, and thus should benefit from top-line growth and robust EBITDA margin expansion.



Solutions and Core Capabilities

DCM generally defines its offerings into three broader market areas (see Figure 1):

1. Conventional Print Solutions: comprised 68.5% of revenue in 2020;
2. Tech-Enabled Marketing Workflow: comprised 30.2% of revenue in 2020;
3. Digital Asset Management (DAM) Tech-Enabled Service: comprised 1.3% of revenue in 2020.

DCM believes it can garner increased revenue within the Tech-Enabled Marketing Workflow and DAM service offerings as, according to research from Mordor Intelligence and Grand View Research, these sectors are forecasted to grow annually by 15% and 21%, respectively. According to DCM from its recent Q2/2021 conference call, customer targeting has built a solid sales pipeline.

In addition, DAM services generated only 1.3% of revenue in 2020 and, with the proliferation of video & digital content, the total DAM addressable market is forecasted to reach US\$6 billion by 2025, thus there is plenty of upside potential.

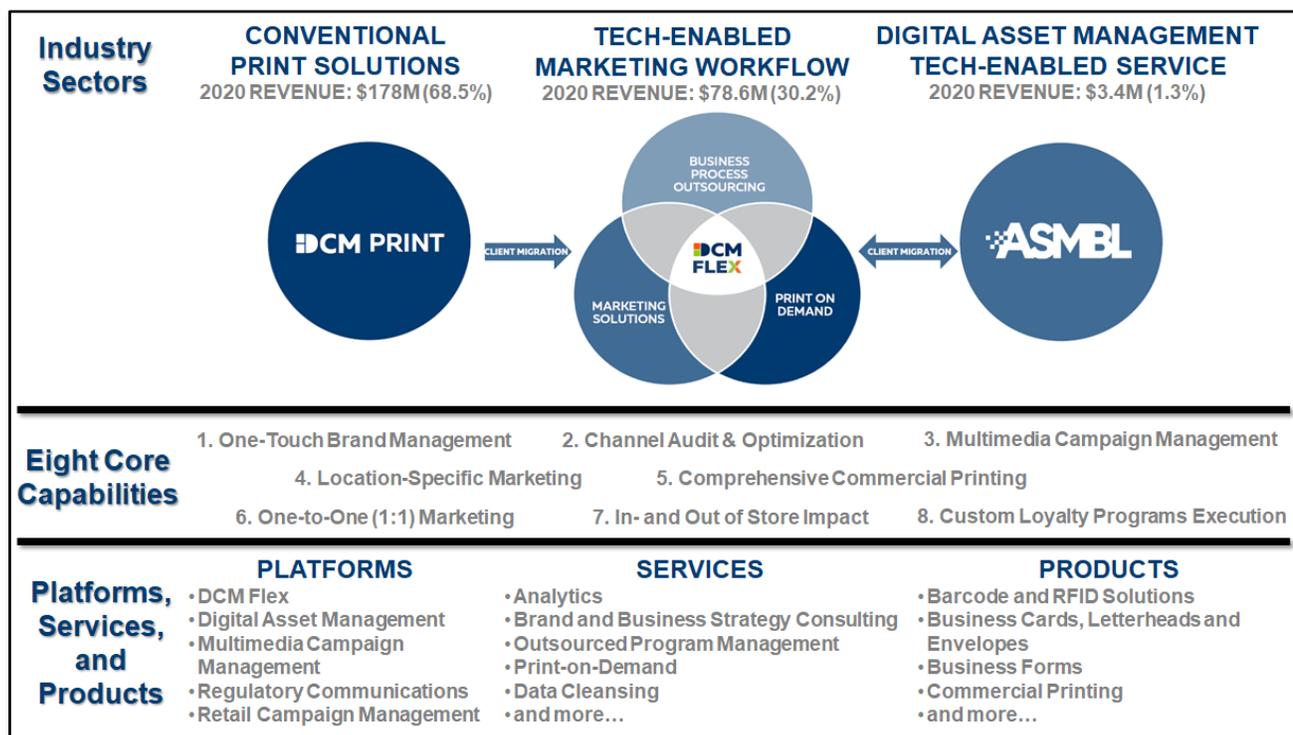
Within the three broader markets, DCM believes it has:

- “Eight Core Capabilities”;
- A variety of Platforms, Products, and Services to serve its clients and focuses primarily on those eight core capabilities.

In the Tech-Enabled Marketing Workflow and at the centre of its Print-to-Digital strategy, the DCM Flex platform is the core offering that overlays the Company’s platforms, products and services, and integration with third-party vendors and more than 70 software platforms. For more information about DCM Flex, see the [DCM Flex](#) section below.

The DCM Flex offering accounted for \$78.6 million in revenue in 2020 and the Company believes it can account for 75% of revenue by 2025, up from 30.2% of revenue in 2020.

Figure 1: DCM’s Industry Sectors, Core Capabilities, and Platform, Services and Products



Source: Company Presentation (2021); DCM’s AIF (2020); eResearch Corp.

Eight Core Capabilities

DCM's platforms, services, and products focus on eight core capabilities:(1) One-Touch Brand Management, (2) Channel Audit & Optimization, (3) Multimedia Campaign Management, (4) Location-Specific Marketing, (5) Comprehensive Commercial Printing, (6) 1:1 Marketing, (7) In and Out of Store Impact, and (8) Custom Loyalty Programs Execution. These capabilities are briefly explained below.

- 1. One-Touch Brand Management:** DCM provides a single point of contact to its customers to simplify complex communication challenges across large organizations. For companies with multiple locations, a large number of employees, or several brand touchpoints, this service helps to improve efficiency, better manage multiple lines of business, maintain consistency, and ensure regulatory compliance.
- 2. Channel Audit & Optimization:** DCM's channel audit & optimization solutions are targeted towards helping businesses perform a network-wide analysis of all of their digital and print touchpoints across the enterprise, allowing for actionable recommendations to maximize marketing return on investment.
- 3. Multimedia Campaign Management:** DCM's multimedia campaign management solution allows businesses to ensure pre-approved, on-demand implementation and fulfillment of multimedia campaign collateral by region. It improves communication at all stages, starting from the initial briefing stage to final procurement and execution, allowing for a smoother and more effective process.
- 4. Location-Specific Marketing:** DCM provides custom-designed, location-specific marketing materials to cater to the unique requirements of different retail locations across the customer's network. This service helps businesses maintain a holistic market overview while also leveraging local resources to convey regional messages.
- 5. Comprehensive Commercial Printing:** DCM has years of experience in industry-specific print management, from prepress to press, post-press, design, procurement, warehousing, and fulfillment. In addition, DCM's large production facilities provide businesses with economies of scale.
- 6. 1:1 Marketing:** DCM's 1:1 Marketing solutions include personalized, direct-to-customer marketing strategies that utilize data analytics to ensure the message is delivered to the right audience via the most appropriate channel. The Company also provides tools for businesses to analyze the impact of their digital and print communication touchpoints across all locations.
- 7. In and Out of Store Impact:** DCM analyzes all digital and print communication touchpoints in a physical retail space to quantify the customer impact.
- 8. Custom Loyalty Programs Execution:** DCM allows businesses to implement customized Loyalty Programs, handling, and direct delivery of all customer-facing touchpoints of loyalty and rewards programs.



Platforms, Products, and Services

Within its core capabilities, **DCM** offers a wide variety of modular platforms, products and services, which include some of the offerings below.

Platforms

DCM has a wide range of technology platforms that it offers in conjunction with its products and related services. The Company's main Content and Workflow Management Platforms include the following.

- **DCM Flex:** DCM Flex is the Company's Enterprise Digital Ecosystem platform that delivers complete enterprise marketing and business communications solutions, including features such as ordering, proofing, approvals, reporting, and compliance.
 - The platform allows customers to select from several templates, customize, and order material and other content. The templates are there to help users confirm that key content items are insured while the approval process is streamlined.
 - By using this platform, customers are able to track content delivery, usage, and expenses while also producing market-ready collateral.
 - At the centre of its Print-to-Digital strategy, the DCM Flex platform is the core offering that overlays the Company's other platforms, products and services, and provides integration with third-party vendors and more than 70 other software platforms.
 - For more information about the DCM Flex platform, see the [DCM Flex](#) section below.
- **ASMBL – Digital Asset Management (DAM):** ASMBL is **DCM's** secure DAM platform that allows customers to store, locate, and share digital brand assets quickly and easily while also helping companies maintain consistency.
 - The platform allows for dynamic access between **DCM's** proprietary DAM offering and third-party DAM applications so customers can choose the solution that fits its technology requirements.
 - For more information about the ASMBL, see the [ASMBL](#) section below.
- **Multimedia Campaign Management (MCM):** **DCM's** MCM allows companies to work in collaboration with agencies, vendors, and project managers for effective planning, budgeting, and execution of various marketing campaigns. Some of its most notable features include collaborative proofing, real-time information, cost control, and detailed reporting.
- **Regulatory Communications:** This platform has been specially designed for companies working in tightly regulated sectors like finance, cannabis, and utilities. It allows customers to quickly and accurately produce communications—even with complex, varied terms & conditions. Through this platform, users can automate various labour-intensive, error-prone processes to reduce business risk to a great extent and improve agility.
- **Retail Campaign Management (RCM):** The RCM software empowers retailers to expedite and optimize its in-store campaigns, from planning to creating, collaborating, producing, fulfillment, delivery, put-up/take-down, data analysis, and reporting. One robust unique feature of the application is store profiling, which allows customers to accurately produce materials to better meet individual location requirements.

Services

- **Analytics:** Streamlining business operations through data analytics: **DCM** collects data at different stages of business processes and uses it for multiple purposes; for example, to improve customer operations by streamlining workflows, cutting down costs by allowing frontline staff to eliminate bottlenecks, removing clutter by digitizing paper transactions, increasing inventory visibility by ensuring more transparency, and preventing stock-outs and improving distribution.
- **Brand and Business Strategy Consulting:** Brand and business strategy consulting is one of the primary services offered by **DCM** along with consumer experience advisory, in-store designing, and retail packaging solutions. These services are often provided in conjunction with **DCM's** extensive line of offerings.
- **Outsourced Program Management:** **DCM** provides comprehensive program management solutions to help customers meet complex business and marketing requirements. The Company leverages its unique capabilities in data management and analytics to deliver various offerings through its proprietary technology platforms.
- **Print-on-Demand (POD):** **DCM** offers a POD service through DCM Flex that allows customers to have its materials printed directly from a file—a major leap forward from the usual pre-production steps of film and plates. It also allows businesses to ensure faster turnarounds and smaller print runs. The Company eliminates the need for large preprinted inventories of items. **DCM** offers its POD service in a variety of formats and program platforms.
- **Other Services:** Other services offered by **DCM** include data cleansing, analysis, profiling, market segmentation, and modelling for better efficiency, customer satisfaction, and revenue.

Products

DCM has a variety of conventional print solutions for business that include:

- **Barcode and RFID Solutions:** **DCM** offers integrated forms, labels, barcoding, RFID, and RTLS solutions for businesses to ensure efficiency and safety in various areas, such as supply chain management, patient medication, etc.
- **Business Cards, Letterheads, and Envelopes:** **DCM** offers standard as well as custom business cards, letterheads, and a wide variety of envelopes, ranging from regular to fine-lined. Businesses have the option to customize stationery online using the templates in the Company's DCM Flex e-commerce platform. For larger organizations, the e-commerce platform allows regional users access to company compliant forms and customized print materials.
- **Business Forms:** **DCM** has a complete line of standard and custom business documents, such as forms, purchase orders, invoices, and statements. The product line also includes new account opening and employee enrollment kits.
- **Commercial Printing:** **DCM** provides end-to-end commercial printing solutions to businesses. Its products include brochures, annual reports, and many other business communication tools. **DCM** also offers creative and production consultation services for its various products.
- **Custom Point-of-Sale (POS) Transaction Rolls:** **DCM** offers POS rolls that contain customer logos and are often used for generating receipts, such as cash register or ATM receipts.
- **Direct Mail and E-marketing Solutions:** **DCM's** direct mail solutions include variable, full-colour digital prints, long-run addressed mails, Canada Post's Neighbourhood Mail™, and labels. E-marketing services include emailing, landing pages, and retention campaigns.

See [Appendix E: DCM Additional Products](#) for more product solutions.

DCM Flex

At the centre of its Print-to-Digital strategy is the DCM Flex platform that overlays **DCM’s** other platforms, products, and services to help create a Tech-Enabled Marketing Workflow solution (see [Figure 1](#)).

DCM Flex is **DCM’s** Enterprise Digital Ecosystem platform that delivers a complete enterprise marketing and business communications solution, including features such as ordering, proofing, approvals, reporting, and compliance.

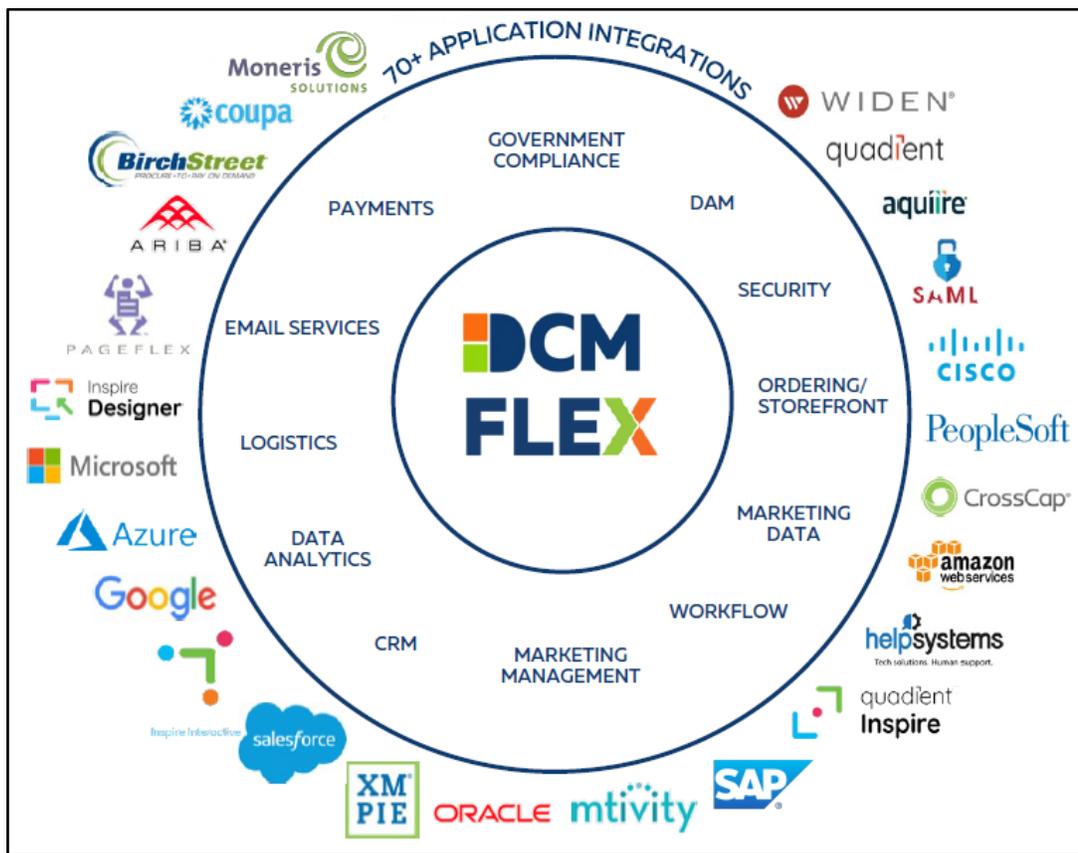
The platform allows customers to select from several templates, customize, and order material and other content. The templates are there to help users confirm that key content items are insured while the approval process is streamlined.

By using this platform, customers are able to track content delivery, usage, and expenses while also producing market-ready collateral. DCM Flex’s e-commerce option allows regional users of larger organizations access to company compliant forms and customized print materials.

The solution is customizable to clients’ ecosystems and also integrates with other third-party vendors and 70 other software platforms; see [Figure 2](#) below. According to **DCM**, over 300,000 orders were processed through this high-end software in 2020.

The DCM Flex offering accounted for \$78.6 million in revenue in 2020 with over 300 active clients and 230,000 active users. The Company believes it can account for 75% of revenue by 2025, up from 30.2% of revenue in 2020. As its Tech-Enabled Marketing Workflow revenue grows as a percent of its overall business, we believe that the Company’s multiples could increase to similar multiples for comparable companies, which are currently trading at 4.2x 2022E revenue and 13.1x 2022E EBITDA.

Figure 2: DCM Flex Digital Ecosystem



Source: Company Presentation (2021)

ASMBL

ASMBL is **DCM's** secure DAM platform that allows customers to upload, store, locate, manage, share, and distribute digital brand assets quickly and easily while also helping companies maintain brand consistency and compliance.

The platform allows for dynamic access between **DCM's** proprietary DAM offering and third-party DAM applications so customers can choose the solution that fits its technology requirements.

ASMBL is a key component of the Company's "Print First to Digital First" strategy.

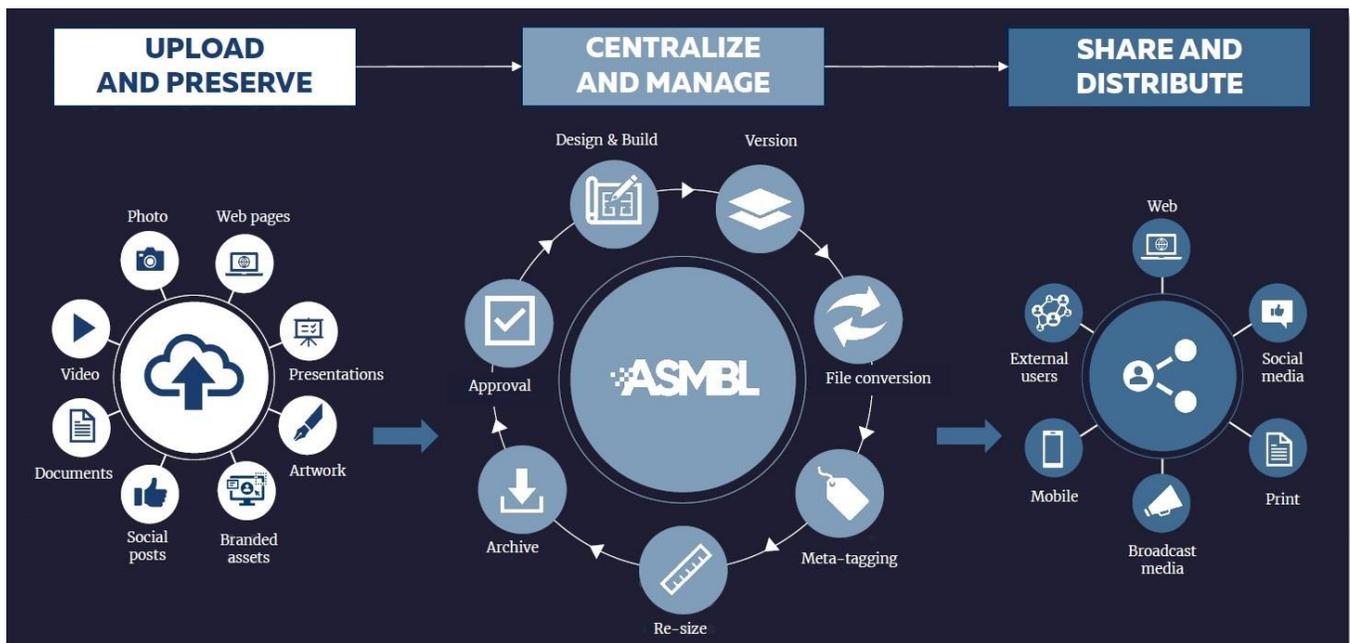
According to Mordor Intelligence Industry, the Global Digital Asset Management Market is expected to grow at an annual rate of 21.2% during the period of 2020 through 2025 and reach US\$7.6 billion in sales by 2025.

DCM believes it has an advantage in the DAM industry as it has over 40 years of practical DAM experience and already manages tens of thousands of digital assets for clients already.

In 2020, **DCM's** DAM revenue was only \$3.4 million or less than 2% of total sales thus there is an opportunity to grow the revenue from this service. The Company estimates that it can grow the DAM business to \$25-\$50 million in revenue by 2025.

As the Company's DAM software revenue grows as a percent of its overall business, we believe that the Company's multiples could increase to similar multiples for comparable companies, which are currently trading at 3.9x-7.2x 2022E EV/Revenue and 16.3x-22.2x 2022E EV/EBITDA.

Figure 3: DCM's DAM Functionality



Source: Company Presentation (2021)

Business Strategy

DCM helps leading brands better manage their online and offline marketing and communication needs as well as improve sales through targeted marketing. The Company provides its clients with tailored technological solutions based on their unique requirements, so they can present a powerful brand story to their customers and excel in the industry.

DCM primarily targets blue-chip companies, mid-sized businesses, and companies with major distribution networks and consumer-facing communication requirements. **DCM** targets organizations that have complex communication and marketing needs and offers solutions to improve workflow, reduce costs, and safeguard digital assets.

DCM's sales efforts target customers looking for multiple products and services bundled together in a comprehensive solution. The Company leverages its long-term relationships supported by service level agreements to better serve clients under multi-year, preferred-partner, or single-source agreements. These agreements are typically between one to five years, and include price adjustment clauses.

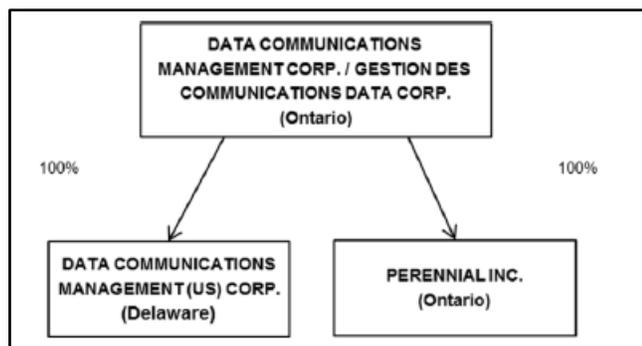
Over the last five years, cost reductions and operational efficiency improvements have been a key focus for **DCM** to improve its margins and cash flow as the Company transitions from a "print first" to a "digital first" company. **DCM** will continue to evaluate its operating costs as part of its commitment to making the business more agile, focused, optimized, and unified.

Corporate Structure

Founded in 1959, the Company started in the printing industry and now operates in over 20 locations across North America. There are currently three companies in the **DCM** corporate family with approximately 950 employees.

Figure 4 illustrates the organizational structure of **DCM** and its subsidiaries as at March 1, 2021, including the entities' jurisdiction of establishment or incorporation.

Figure 4: DCM's Organizational Structure



Source: DCM's AIF (2020)

Recent Key Acquisitions

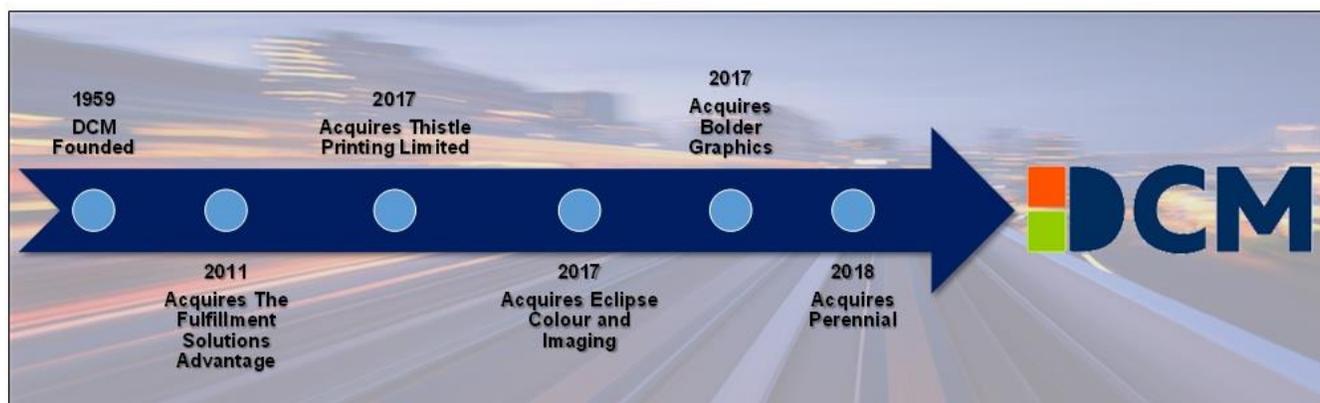
DCM has grown organically and through acquisitions. In 2018, **DCM** acquired Perennial Group of Companies Inc. along with the business of Perennial Inc. and The Finished Line Studios Inc. (TFL). The Perennial Group has been a supplier for many of the top American and Canadian retail brands and companies in financial services and consumer packaged goods. Perennial's suite of services included business and brand designing and strategy, environmental and graphic design, consumer insights, and communications and retail operations design.

DCM acquired Perennial for a total purchase price of approximately \$12 million – \$7 million in cash, \$2.5 million in over 1.39 million common shares of **DCM**, and \$2.5 million in the form of a subordinated, non-interest-bearing seller take-back note. Post-acquisition, TFL was merged into Perennial.

In 2017, **DCM** acquired Eclipse Colour & Imaging for \$12.7 million, Thistle Printing for \$7.5 million, and BOLDER Graphics for \$4.9 million. These acquisitions led to an expansion of services being offered by **DCM**, which included wide, large, and grand-format and commercial printing capabilities.

Recent Corporate M&A Timeline

Figure 5: Recent M&A Transactions



Source: Company News Releases; eResearch Corp.

Customers

DCM has a diversified customer base of over 2,500 clients that includes large national retailers, Canadian Schedule I banks, insurance companies, government (federal, provincial, and municipal) agencies, healthcare service providers, non-profit organizations, lottery and gaming providers, cannabis companies (licensed cultivators, processors, and retailers), and energy and utility companies.

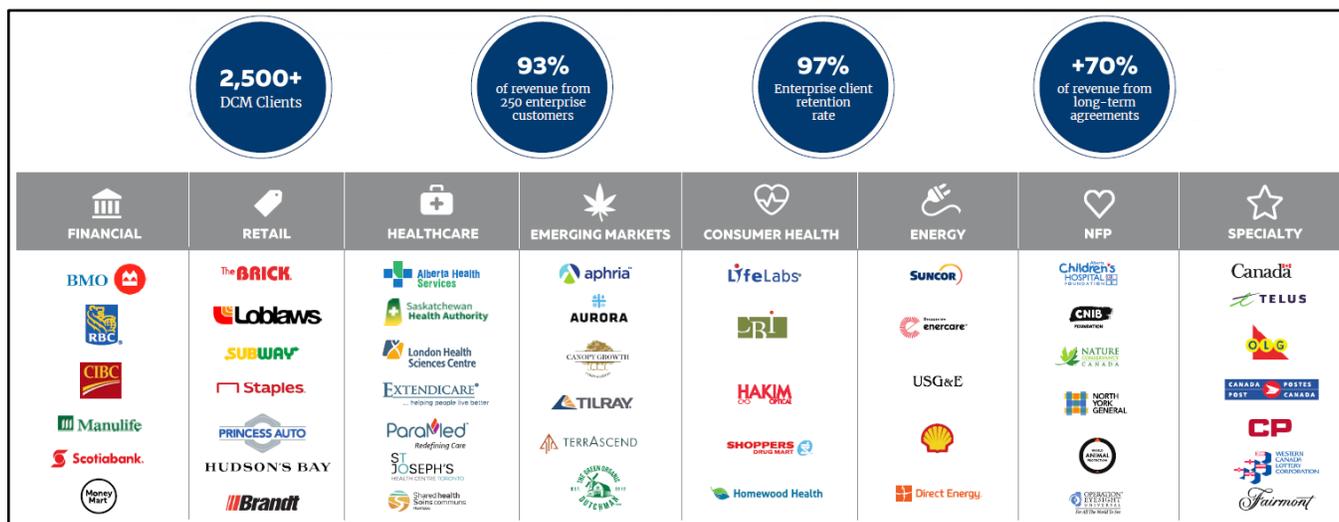
According to **DCM**, it serves over 70 of the 100 largest corporations in Canada and 3 of the 5 top government agencies. Below are some examples:

- **National Retailers:** Brandt, The Brick, Hudson’s Bay, Loblaws, Princess Auto, Staples, and Subway.
- **Schedule I Banks:** Bank of Montreal, Bank of Nova Scotia, National Bank of Canada, Royal Bank of Canada, and Toronto Dominion Bank.
- **Insurance & Financial Services Companies:** Manulife and Money Mart.
- **Healthcare:** Alberta Health Services, Extencicare, Health Authority, London Health Sciences Centre, ParaMed, Saskatchewan Health, St. Joseph’s, and Shared Health Manitoba.
- **Consumer Health:** CBI Health Group, Hakim Optical, Homewood Health, LifeLabs, and Shopper’s Drug Mart.
- **Cannabis Companies:** Aurora, Aphria, Canopy Growth, The Green Organic Dutchmen, Tilray, and TerrAscend.
- **Energy Companies:** Direct Energy, Enercare, Suncor, and Shell.

Because of its customizable print technology and compliance features in its DCM Flex platform, **DCM** has captured a large percentage of the Canadian cannabis printing industry. Currently, **DCM** has over 25 cannabis clients and manages more than 4,500 retail stock-keeping units (SKUs) and produces 80% of all cannabis labels nationally in Canada.

The Company is currently targeting similar services into the US cannabis industry and believes there is a US\$150 million market opportunity.

Figure 6: DCM’s Client Relationships



Source: Company Presentation (2021)

INDUSTRY COMPETITION

DCM's major competitors in the business are **CCL Industries Inc. (TSX:CCL.B)**, **Cimpress plc (NASDAQ:CMPR)**, **Deluxe Corporation (NYSE:DLX)**, **Ennis, Inc. (NYSE:EBF)**, **Quad/Graphics (NYSE:QUAD)**, **R.R. Donnelley & Sons Company (NYSE:RRD)**, **Transcontinental (TSX:TCL.A)**, **Xerox (NYSE:XRX)**, and other technology companies looking to provide complete document management and outsourcing solutions in North America. Although many of these competitors are primarily focused on the U.S. market.

In the commercial printing and direct mailing industry, **DCM's** main competitors include **Transcontinental**, and **St. Joseph's Printing**. Apart from these leading brands, the Company also has a number of regional and local competitors across Canada, such as **CGI Group (NYSE:GIB)** and Symcor in other product offerings.

See [Appendix D: Company Comparables by Industry](#) for a list of competitors by industry.

One valuation comparison provided by **DCM** was illustrated in its May 2021 Corporate Presentation and highlighted how it is undervalued when comparing solutions to **Cimpress** and valuation metrics including Enterprise Value to Revenue (EV/Revenue) and Enterprise Value to EBITDA (EV/EBITDA).

Figure 7: DCM Financial & Valuation Comparison with Cimpress



Source: Company Presentation (2021)

What differentiates DCM from its competitors?

DCM believes its key competitive differentiating factors include:

- An extensive product range with a wide variety of offerings;
- Integrated digital and physical printing capabilities along with innovative solutions;
- A wide network and years of marketing expertise;
- A cross-Canada network;
- The ability to maintain national branding while also allowing for regional variation and customization;

- Building brand strategy, performing customer research, and providing creative technological solutions;
- Integration of technologies and applications into the customers' internal systems;
- Reducing customers' costs and improving efficiency through high-quality and reliable products;
- More purchasing power due to **DCM's** scale of operations;
- Capability to integrate into clients' third-party applications through application programming interfaces (APIs).

As of March 2021, **DCM** operates in a total of 20 leased facilities that are strategically located across Canada, and in Illinois. These facilities include manufacturing centres, warehouses, on-demand digital printing units, and administrative offices.

DCM's facilities are fully equipped and maintained to support its day-to-day operations. The leases are in good standing in all material respects. **DCM's** integrated technology applications and workflow processes provide the Company with a real competitive edge to better serve customers and manage sourcing and procurement from third-party vendors.

DCM's proprietary integrated e-commerce application, DCM Flex is a leading web-to-digital, web-to-print, and web-to-fulfillment software, which provides businesses with a solid platform for on-demand designing, ordering and production, as well as real-time customer reporting and inventory management, and is typically highly integrated into the workflows of the Company's clients.

DCM has over 300 clients using DCM Flex to better manage their communications requirements, typically as a "white label" product. According to **DCM's** Annual Information Form, 300,000 orders were processed through this high-end software in 2020.

Additionally, **DCM**, through its marketing communications management platform, manages third-party vendor sourcing, like quoting, procurement of products and services, document handling, and reporting.

DCM also offers an integrated campaign management software, which provides customers with multi-platform collaboration tools to plan, budget, create, and execute campaigns across different channels.

In order to better manage confidential client data and coordinate variable on-demand print services, the Company uses a variety of workflow tools for marketing communications. In addition to its core applications, there is also third-party cloud-based software designed for financial planning, budgeting, and reporting.

DCM's technology equipment and backup systems are located principally in the cloud and also in its secure premises, and the Company also has a nationwide disaster recovery system in place for an unplanned event.

To help track costs, and improve efficiencies and profits, in June 2019, **DCM** implemented a new cloud-based enterprise-wide ERP software and integrated its core ERP software with a specialized third-party print production application and its proprietary DCM Flex application in most of its facilities.

MARKET OVERVIEW

DCM focuses on three markets: (1) Conventional Print Solutions, (2) Tech-Enabled Marketing Workflow, and (3) Digital Asset Management (DAM).

(1) Conventional Print Solutions

According to a report by [Allied Market Research](#) in June, the global digital printing market was valued at US\$25.7 billion in 2019 and estimated to grow to US\$35.7 billion by 2028, at an annual rate of 3.7%.

Growth is being driven by an increase in demand from the food & beverage industry. Also, sustainable and cost-efficient printing methods are becoming more important factors when choosing a solution or provider.

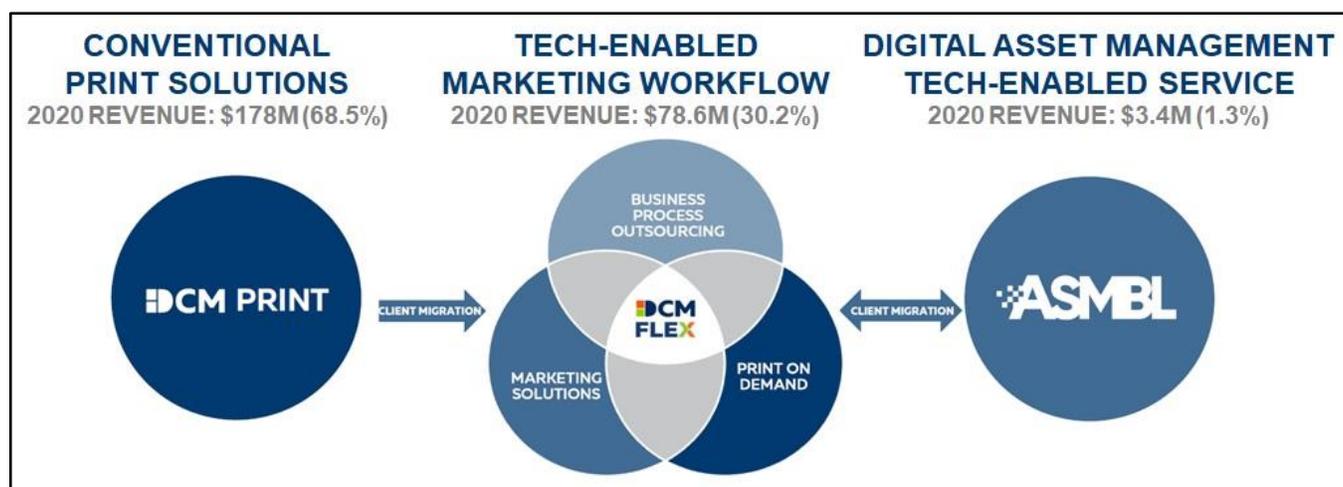
The COVID-19 pandemic negatively impacted the industry as facilities were closed temporarily, however, demand should increase as countries re-emerge from lockdowns.

The overall size of the market is echoed in a report by [Markets and Markets](#) released in April that estimated the market could reach US\$34.2 billion by 2026. The report suggests that the market would have a compound annual growth rate (CAGR) of 6.7% from 2021 to 2026.

According to the Markets and Markets report, the increasing demand for digital printers, as well as sustainable and cost-efficient printing methods in the packaging and textile industries, are also key factors driving the growth of the global digital printing market.

In North America, in particular, the increased use of digital printers in the packaging and textile industries is expected to drive the market in the coming years. This demand will be driven by a variety of factors, such as increasing demand for packaged foods, increasing consumer durable sales, and demographic changes.

Figure 8: DCM's Existing Markets



Source: Company Presentation (2021)

(2) Market Overview: Tech-Enabled Marketing Workflow

The global Marketing Resource Management (MRM) market was valued at US\$3.18 billion in 2020. According to Grand View Research, it is expected to increase at a CAGR of 11.7% from 2021 to 2027. The primary reasons behind the growth are the increasing need of businesses to ensure brand and regulatory compliance, reduce cycle time projections, and duplication.

Also, businesses are focusing on more sophisticated marketing processes and the increasing diversity in delivery channels worldwide has further increased the demand for MRM. By combining Artificial Intelligence (AI) and Machine Learning (ML) technologies with MRM, marketers can take complete control of their marketing initiatives and tasks.

Another report suggested that the global marketing automation software market was estimated at US\$3.60 billion in 2020. According to Mordor Intelligence, it is expected to reach US\$11.46 billion from 2021 to 2027, at a CAGR of 17.7%.

In recent years, a wealth of new marketing automation technologies has emerged to help marketers, both business-to-business (B2B) and business-to-consumer (B2C), better manage customer engagement. Owing to the growing importance of marketing in revenue generation and customer retention, businesses are utilizing marketing automation solutions to stay updated with the recent technological disruptions across the world.

(3) Market Overview: Digital Asset Management

DAM solutions are gaining rapid preference among consumers across the globe. In 2020, the market reached a value of US\$3.88 billion. According to a report published by [IMARC Group](#), the DAM market should continue growing from 2021 to 2026 driven by digitization and the increasing use of cloud-based services.

Other factors driving the growth of DAM include the integration of AI and extensive research and development (R&D) in the field of information technology (IT).

According to another report published by [Markets and Markets](#), the DAM market size is expected to grow from US\$3.4 billion in 2020 to US\$6.0 billion by 2025, at a CAGR of 12%.

In response to the growing demand for workflow collaboration and automation, companies are increasingly deploying DAM solutions to ensure more transparency of operations, improve digital content, and cut down overall operational costs. Because a large number of customers are spending more time on social media, companies are utilizing these solutions to reach the masses in order to improve customer engagement as well as integrate analytical tools to better understand consumer behaviour.

Additionally, enterprises are increasingly using cloud-based DAM solutions to get better access to digital assets, improve scalability, and enhance operational speed.

REVIEW OF RECENT FINANCIALS

Financial and Business Highlights

- 2020 Financial Summary
 - **Revenue:** Revenue was \$259.3 million, a decrease of 8.3% from \$282.9 million in 2019.
 - **Gross Margin:** Gross Margin was 28.1%, improved from 24.5% in 2019.
 - **Selling, General & Administrative Expenses (SG&A):** SG&A was \$58.9 million, a decrease of 12.2% from \$67.1 million in 2019.
 - **Net Income (NI):** NI was \$11.5 million compared with a net loss in 2019 of \$14.0 million.
 - **Adjusted EBITDA:** Adjusted EBITDA was \$41.5 million, an increase of 106.8% compared to \$20.1 million in 2019. Note: DCM's Adjusted EBITDA includes Lease Expenses and differs from eResearch EBITDA that does not include Lease Expenses.
 - **Debt:** Senior debt was reduced by \$31.0 million to \$46.1 million on December 31, 2020, compared with a balance of \$77.1 million on December 31, 2019.

Figure 9: Financial Summary

('000)	2019A	Q120A	Q220A	Q320A	Q420A	2020A	Q121A	Q221A	Q321E	Q421E	2021E
Total Revenue	\$282,876	\$77,415	\$63,936	\$57,374	\$60,589	\$259,314	\$62,361	\$55,207	\$61,964	\$65,436	\$244,968
Gross Margin	24.5%	28.0%	30.7%	29.0%	24.8%	28.1%	30.1%	28.7%	30.0%	30.0%	29.7%
Total Operating Expenses	\$74,579	\$17,928	\$15,706	\$14,347	\$13,724	\$61,705	\$18,912	\$15,842	\$18,283	\$19,162	\$72,198
Operating Income	(\$5,314)	\$3,713	\$3,924	\$2,316	\$1,284	\$11,237	(\$119)	\$0	\$307	\$469	\$657
EBITDA*	\$11,737	\$8,138	\$8,313	\$6,211	\$4,848	\$27,510	\$4,288	\$3,999	\$3,766	\$3,798	\$15,852
Adj. EBITDA**	\$20,056	\$10,479	\$13,459	\$10,151	\$7,387	\$41,476	\$9,300	\$7,292	\$6,763	\$6,630	\$29,986
Diluted EPS	(\$1)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$0)	(\$0)	\$0
Cash	\$0	\$0	\$0	\$1,517	\$578	\$578	\$599	\$163	\$88	\$1,078	\$1,078
Debt	\$6,474	\$7,021	\$8,104	\$8,205	\$8,301	\$8,301	\$8,188	\$6,385	\$6,257	\$6,132	\$6,132

* Valuation uses EBITDA that does not add back in Lease Expenses

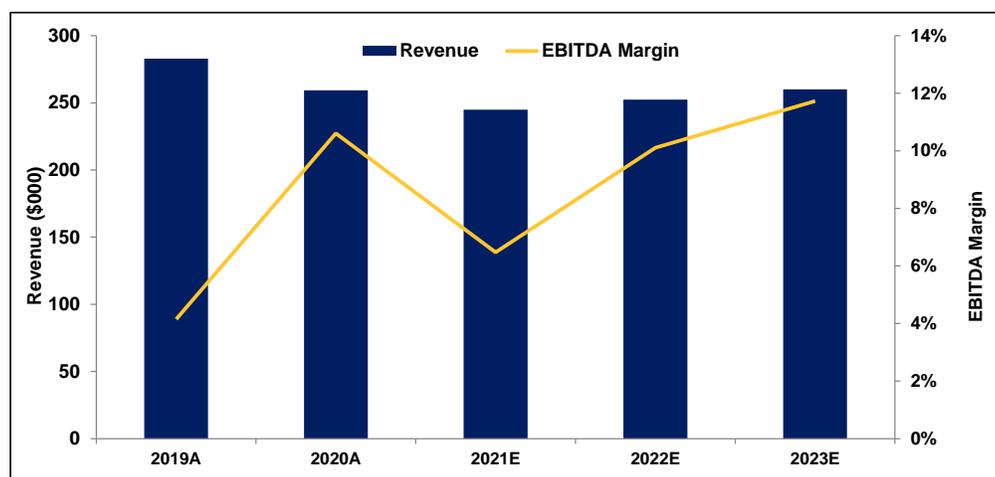
** Adj. EBITDA adds back in Lease Expenses

Source: Company Reports; eResearch Corp.

- Q1/2021 Financial Summary
 - **Revenue:** Revenue was \$62.4 million, down from \$77.4 million in Q1/2020. Q1/2021 was a "COVID" quarter when compared with the "non-COVID" quarter of Q1/2020.
 - **Gross Margin:** Gross Margin was 30.1%, up from 28.0% in Q1/2020, and benefited from cost-saving initiatives implemented during 2020 and in Q1/2021.
 - **SG&A:** SG&A was \$15.5 million or 24.9% of revenue, down from \$17.2 million or 22.2% of revenue in Q1/2020.
 - **Net Income:** NI was \$1.3 million compared with \$2.2 million in Q1/2020.
 - **Adjusted EBITDA:** Adjusted EBITDA was \$9.3 million or 14.9% of revenue in the quarter but down from \$10.5 million or 13.5% of revenue in Q1/2020.
 - **Restructuring Expenses:** Due to corporate consolidation and other headcount reductions, restructuring expenses were \$3.4 million in the quarter compared to \$0.7 million in Q1/2020.
- Q2/2021 Financial Summary
 - **Revenue:** Q2/2021 revenue was \$55.2 million, down from \$63.9 million in Q2/2020. Q2/2021 was still a "COVID" quarter when compared with Q2/2020 that was only starting to feel the impact of COVID-19 and also benefited from the sale of non-core COVID-related PPE products.

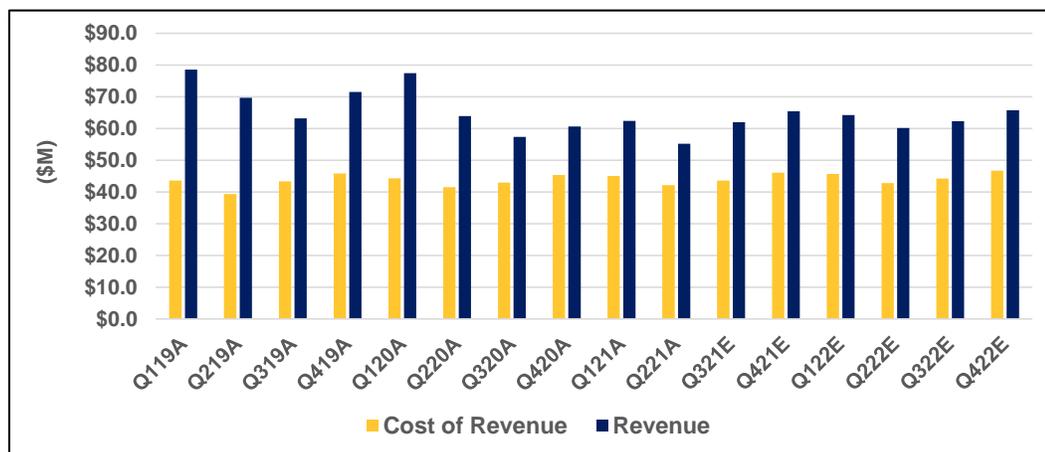
- **Gross Margin:** Gross Margin was 28.7%, down from 30.7% in Q2/2020, and was negatively affected by lower revenue as it relates to fixed costs.
- **SG&A:** SG&A was \$14.9 million or 27.0% of revenue, down from \$15.4 million or 24.2% of revenue in Q2/2020, and was adversely affected by a charge of approximately \$2.0 million for mark-to-market adjustments related to long-term incentive plan compensation.
- **Net Income:** NI was \$0.2 million compared with \$4.2 million in Q2/2020.
- **Adjusted EBITDA:** Adjusted EBITDA was \$7.3 million or 13.2% of revenue in the quarter but down from \$13.5 million or 21.1% of revenue in Q2/2020. Adjusted EBITDA in the quarter was negatively affected by the aforementioned mark-to-market adjustment as well as lower government grants.
- **Restructuring Expenses:** The Company continues to book Restructuring Expenses as it consolidates operations thus restructuring expenses were \$0.9 million in the quarter compared to \$0.3 million in Q2/2020.
- **Cash Flow and Debt Repayment:** Year-to-date Cash Flow from Operations was \$16.4 million, up 7% compared to \$15.3 million in H1/2020. Positive Cash Flow from Operations allowed it to reduce overall debt to \$39.1 million as of June 30, 2021, from \$48.2 million as of December 31, 2020.
- Business
 - **DCM** announced plans to consolidate its Mississauga facility into its Brampton facility during 2021 and expects to recognize at least \$1 million in lease and facility savings.
 - The Company continues to focus on growing revenue from key client relationships, reduce costs to improve margins, and pay down long-term debt.
 - It continued to migrate clients from its legacy “bill as released” invoicing to invoicing on production billing that helped reduce its accounts receivable balances and improve working capital and cash flow from operations.
 - **DCM** reported that it remains focused on achieving costs savings of \$8.5 million in 2021.
- COVID-19
 - Revenue during Q2 through Q4 in 2020 and Q1 and Q2 in 2021 was negatively impacted by a decrease in revenue from clients whose businesses, owing to COVID, were not operating normally. Government-mandated lockdowns closed many businesses and stay-at-home orders reduced customer interactions, reducing overall demand from clients.

Figure 10: Revenue and EBITDA Margins



Source: Company Reports; eResearch Corp.

Figure 11: Quarterly Revenue Comparison of Revenue to Cost of Revenue



Source: Company Reports; eResearch Corp.

Segment information

Previously **DCM** had separate operating segments for **DCM** and its previously acquired businesses. Since the operating units had similar characteristics and customers, the print businesses were aggregated into one reportable segment.

Perennial, acquired in 2018, is a design firm and considered a separate operating segment but is not disclosed separately as it did not meet the IFRS accounting thresholds.

The following are descriptions of the main activities from which **DCM** generates its revenue.

- (i) **Product sales:** **DCM** manufactures customized products based on customer specifications. Following the completion of production, **DCM's** customers take delivery or **DCM's** provides additional services including warehousing.
- (ii) **Warehousing services:** **DCM** provides safekeeping services to store customer's products in its warehouse.
- (iii) **Freight services:** **DCM** charges shipment fees when customer's products are transferred to the customer.
- (iv) **Marketing services:** **DCM** books revenue from providing marketing solutions to its customers which include business and brand strategy, consumer insights, design services, and strategic marketing.

Figure 12: Segment Information

('000)	Dec 31/18 2018A		Dec 31/19 2019A		Mar 31/20 Q1/20A	Jun 30/20 Q2/20A	Sep 30/20 Q3/20A	Dec 31/20 Q4/19A	Dec 31/20 2020A		Mar 31/20 Q1/20A	Jun 30/20 Q2/20A	YTD
Revenue Streams													
Product Sales	\$289,719	89.8%	\$253,146	89.5%	\$70,491	\$57,608	\$51,873	\$56,039	\$236,011	91.0%	\$56,726	\$49,096	90.0%
Warehousing Services	\$9,424	2.9%	\$9,350	3.3%	\$2,117	\$1,843	\$1,787	\$1,971	\$7,718	3.0%	\$1,991	\$1,878	3.3%
Freight Services	\$12,565	3.9%	\$10,822	3.8%	\$2,743	\$1,904	\$1,751	\$1,953	\$8,351	3.2%	\$1,758	\$1,730	3.0%
Marketing and Other Services	\$11,061	3.4%	\$9,558	3.4%	\$2,064	\$2,581	\$1,963	\$626	\$7,234	2.8%	\$1,886	\$2,503	3.7%
Total	\$322,769	100.0%	\$282,876	100.0%	\$77,415	\$63,936	\$57,374	\$60,589	\$259,314	100.0%	\$62,361	\$55,207	100.0%

Source: Company Reports; eResearch Corp.

Capital Structure, Cash and Debt

Common Shares Outstanding

DCM is authorized to issue an unlimited number of common shares.

The number of outstanding shares at the end of Q2/2016 (June 30, 2016) was 1.167 billion.

In May 2016, **DCM** announced that it intended to complete a non-brokered private placement of up to 198.75 million common shares and subsequently issued 167.87 million shares in May 2016 (before the end of Q2/2016) and another 30.90 million shares in July (after the end of Q2/2016).

On July 4, 2016, **DCM** consolidated its common shares on the basis of one post-consolidation common share for each 100 pre-consolidation common shares (1-for-100). After giving effect to the share consolidation, the 1.198 billion common shares then outstanding were consolidated into approximately 11.98 million common shares outstanding.

In June 2017, **DCM** completed an equity private placement of \$3.8 million and a debt financing of \$3.5 million. The Company issued 2.69 million units that consisted of one common share and one-half of a common share purchase warrant.

In January 2020, **DCM** closed a rights offering and raised \$4.95 million by issuing over 21.5 million shares. After closing the rights offering, the Company had over 43.0 million common shares outstanding.

As of June 30, 2021, the Company had over 43.95 million common shares outstanding, 1.97 million warrants at an average price of \$0.32, and 4.2 million options at an average price of \$1.08.

If exercised, options and warrants are valued at almost \$4.6 million of proceeds to the Company.

Figure 13: Share Capitalization (as of June 30, 2021)

	Avg. Strike Price	Jun 30/21
Share Outstanding at the Quarter End		43,953,831
Options Outstanding at the Quarter End	\$0.94	4,212,486
Warrants Outstanding at the Quarter End	\$0.32	1,972,607
TOTAL		50,138,924

Source: Company Reports; eResearch Corp.

Debt and Cash

DCM has both Term Loans and Revolving Credit Facilities and it has been aggressively repaying the debt, reducing the outstanding balance to \$39.1 million as of June 30, 2021 from \$77.1 million as of December 2019 (see [Figure 15](#)).

The Company has three amortizing Term Loans managed by Fiera Private Debt Fund GP Inc.: (1) Fiera Private Debt Fund III L.P., (2) Fiera Private Debt Fund IV L.P., and (3) Fiera Private Debt V L.P.

DCM also has a non-revolving Term Loan with Crown Capital Partner Funding, LP, a fund managed by Crown Capital LP Partner Funding Inc. The total amount under this facility is \$21.2 million and includes \$19.0 million in advances and \$2.2 million in capitalized interest. The amount is repayable on maturity in May 2023 and currently bears interest at 12% per year.

The Company established a Revolving Credit Facility (Revolver) with a Canadian chartered bank that matures in January 2023 and bears a floating interest rates based upon the Canadian prime rate plus an applicable margin of 0.6% for a current rate of 3.05% (as of June 30, 2021). Under the terms of the

agreement, the maximum principal amount available is \$35.0 million, subject to certain borrowing conditions. Under these conditions, as at June 30, 2021, **DCM** had access to \$12.7 million of credit but had drawn on \$1.4 million.

The scheduled repayments for the debt are as follows:

- June 30, 2021: \$3.36 million
- June 30, 2022: \$7.04 million
- June 30, 2023: \$28.69 million

The Revolver is a line of credit that is mostly used for operating purposes to support **DCM's** net working capital needs. The Revolver is structured with a cash sweep thus any excess free cash generated by the Company is used to pay down the outstanding debt on the Revolver. Therefore **DCM's** cash balance will remain close to zero as long as the Revolver has an outstanding balance.

In the model, we make quarterly payments on the credit facilities to pay down the debt. For the debt repayment due in June 2023, we expect the Company will either repay the debt with its available cash and/or re-finance the debt.

Figure 14: Major Shareholders (as of June 30, 2021)

Type	Number of Shares	%
Institutions	-	0.00%
Corporations (Private)	6,295,616	14.32%
- K S T Industries	5,149,596	11.72%
- 1967248 Ontario Inc.	1,072,720	2.44%
- Convergent Healthcare	54,100	0.12%
- Commsite Realty Corp.	19,200	0.04%
Individuals/Insiders	11,614,524	26.42%
- Michael G. Sifton	4,495,989	10.23%
- Gregory J. Cochrane	3,208,726	7.30%
- J. R. Kingsley Ward	2,314,756	5.27%
- Richard C. Kellam	690,500	1.57%
- Derek J. Watchorn	459,053	1.04%
- Other Individuals/Insiders	445,500	1.01%
Public and Other	26,043,691	59.25%
Total	43,953,831	100%

Source: S&P Capital IQ; eResearch Corp.

Figure 15: Term Loans and Revolving Credit Facility (as of June 30, 2021)

	Jun 30/21 ('000)	Dec 31/20 ('000)	Dec 31/19 ('000)
Term Loans			
- 6.10% term debt, maturing October 15, 2022, (FPD III Credit Facility)	\$2,259	\$2,760	\$3,404
- 6.95% term debt, maturing March 10, 2023, (FPD IV Credit Facility)	\$11,592	\$13,678	\$16,350
- 6.95% term debt, maturing May 15, 2023, (FPD V Credit Facility)	\$2,662	\$3,109	\$3,681
- 12.00% term debt, maturing May 7, 2023, (Crown Facility)	\$21,220	\$20,911	\$19,000
Revolving Credit Facility			
- Floating rate debt, maturing January 31, 2023, (Bank Credit Facility)	\$1,366	\$5,687	\$34,664
Credit Facilities	\$39,099	\$46,145	\$77,099
WACC of Credit Facilities	9.5%		

Source: S&P Capital IQ; eResearch Corp.

VALUATION

Comparing **DCM** to other public companies is complicated by the fact that it has many lines of business but is somewhat simplified as the Company only focuses on three core markets: (1) Conventional Print Solutions, (2) Tech-Enabled Marketing Workflow, and (3) DAM. See the [Market Overview](#) section above.

Average valuation multiples in the various sectors are as follows (see [Appendix D](#)).

- (1) Conventional Print Solutions: EV/Revenue of 1.0x-1.4x (2022E revenue) and EV/EBITDA of 7.2x-7.4x (2022E EBITDA).
- (2) Tech-Enabled Marketing Workflow: EV/Revenue of 4.2x (2022E revenue) and EV/EBITDA of 13.1x (2022E EBITDA).
- (3) DAM: EV/Revenue of 3.9x-7.2x (2022E revenue) and EV/EBITDA of 16.3x-22.2x (2022E EBITDA).

Currently, **DCM** is trading at 0.5x our 2022 revenue estimate of \$252.4 million and 5.2x our 2022 EBITDA estimate of \$25.5 million. These multiples are below the low end of the revenue and EBITDA multiples compared to the various industry multiples above and highlight the potential for **DCM's** share price appreciation.

Note: In our calculation of EBITDA, we do not add back in Lease Expenses. In our calculation of Adjusted EBITDA, we add back in Lease Expenses. **DCM** includes Lease Expenses in its calculation of EBITDA.

Figure 16: Valuation Multiples Comparing the Model to DCM and the Sector Averages (2022E)

	Model	DCM	Conventional Print Solutions	Tech-Enabled Marketing Workflow	DAM
Revenue	0.8x	0.5x	1.0x-1.4x	4.2x	3.9x-7.2x
EBITDA	7.0x	5.2x	7.2x-7.4x	13.1x	16.3x-22.2x

Source: See Appendix D; eResearch Corp.

For 2021 through 2026, we are estimating only a 3% revenue growth rate but improving gross margins and EBITDA through facility consolidation and the migration to higher-margin digital services. Below are the revenue growth and gross margin assumptions we use in our model to reach our estimates and we also included the Company guidance for reference.

Figure 17: Model Assumptions and Company Guidance

METRIC	RATE				
	2021E	2022E	2023E	2024E	2025-2026E
Revenue Growth	3%	3%	3%	3%	3%
- Company Guidance	CAGR 5%				
Gross Margins	30%	31%	32%	33%	34-35%
- Company Guidance	35-40%				
EBITDA Margins	10%	12%	13%	15%	15-16%
- Company Guidance	18-22%				

Source: Company Presentation (2021); eResearch Corp.

Note: **DCM's** guidance for EBITDA is "reported" EBITDA and includes Lease Expenses.

Target Price Calculation

Method 1: Discounted Cash Flow (see [Figure 19](#))

Using a Weighted Average Cost of Capital (WACC) of 10% and a Terminal Multiple of 7.0x EBITDA in 2026, the one-year target share price estimate is \$5.84.

Method 2: Revenue Multiple (see Figure 18)

Using a revenue multiple of 0.8x and a one-year forward Revenue estimate of \$251.8 million, the one-year target share price estimate is \$3.10.

Method 3: EBITDA Multiple (see Figure 18)

Using an EBITDA multiple of 7.0x and a one-year forward EBITDA estimate of \$20.3 million, the one-year target share price estimate is \$1.90.

The equal-weighted price per share is \$3.61 and we are setting the one-year price target at \$3.60.

We are Initiating Coverage on DCM with a Buy rating and one-year price target of \$3.60.

Figure 18: Target Price (1 Year) Calculation

						SHARES	TARGET
Method 1: DCF (5-year)	WACC:10%	Terminal Multiple: 7x EBITDA	See DCF calculation.			48.9M	\$5.84
			ENT. VALUE	NET DEBT Q2/2022	MARKET CAP	SHARES	TARGET
Method 2: Revenue Multiple	0.8x	1 Year Fwd Revenue (Est.): \$251.8M	\$201.4M	\$57.8M	\$143.7M	46.4M	\$3.10
Method 3: EBITDA Multiple	7.0x	1-Year Fwd EBITDA (Est.): \$20.3M	\$142.1M	\$57.8M	\$84.3M	46.4M	\$1.90
Equal-Weighted Target Price (1 year)							\$3.61

Source: eResearch Corp.

Valuation Multiples – What if the Revenue & EBITDA Multiples gets Re-Rated Higher?

For our valuation (see [Valuation](#) section), we use a Terminal Multiple of 7.0x EBITDA in the Discount Cash Flow (DFC) valuation calculation, a Revenue Multiple of 0.8x in the Revenue Multiple valuation calculation, and an EBITDA multiple of 7.0x in the EBITDA Multiple valuation calculation.

As the Company's shift to "digital first" accelerates, and it grows the share of Tech-Enabled Marketing Workflow and DAM revenue as a percent of total revenue, it could cause a multiples' re-rating and an increase in the valuation multiples in line with the Tech-Enabled Marketing Workflow and DAM comps.

If you calculated a revenue multiple by using the 2020 revenue associated with the three different sectors (1) Conventional Print Solutions: 68.5% of revenue; (2) Tech-Enabled Marketing Workflow: 30.2%, and (3) DAM: 1.3%, and assigned EV/Revenue multiples at the low end of the Comps range (see [Appendix D](#)), it would calculate to approximately 2.0x EV/Revenue and 13x EV/EBITDA.

A re-rating of DCM's multiple to 2.0x EV/Revenue and 13x EV/EBITDA would cause our valuation to increase to \$7.72 per share from \$3.61 per share.

Figure 19: DCF Analysis

DATA Communications Management Corp. FYE (December 31)							
DCF Analysis (C\$)	2020A	2021E	2022E	2023E	2024E	2025E	2026E
Revenue (\$)	259.3	245.0	252.4	260.0	267.8	275.9	284.1
Revenue Growth	-8.3%	-5.5%	3.1%	3.0%	3.0%	3.0%	3.0%
EBITDA (\$)	27.5	15.9	25.5	30.5	35.9	41.8	45.3
EBITDA Growth	134.4%	-42.4%	60.9%	19.6%	17.9%	16.4%	8.4%
EBITDA Margin	10.6%	6.5%	10.1%	11.7%	13.4%	15.2%	16.0%
Depreciation and Amortization	16.2	14.2	10.8	9.0	7.5	4.2	5.2
EBIT (\$)	11.3	1.6	14.8	21.5	28.5	37.6	40.2
NOPAT	14.3	1.1	15.9	23.8	31.9	40.3	45.6
Plus Amortization (\$)	16.2	14.2	10.8	9.0	7.5	4.2	5.2
Less Capital Expenditures (\$)	(0.8)	(2.7)	(1.8)	(1.5)	(1.2)	(1.0)	(0.8)
Net Working Capital Changes	9.4	3.2	0.4	(4.2)	(7.6)	(3.0)	(1.5)
EPS (Continuing)	0.27	0.02	0.20	0.34	0.47	0.61	0.69
Unlevered Free Cash Flow (\$)	39.0	15.9	25.2	27.1	30.6	40.5	48.4
PV of Unlevered FCFs (\$)	n/a	15.3	22.1	21.6	22.2	26.7	29.0

Valuation Assumptions:			
Discount Rate	10.0%		
Terminal Multiple	7.0x		
Valuation Analysis:			
	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	136.9	133.8	120.4
Terminal Value (\$M)	317.4	317.4	317.4
PV of Terminal Value (\$M)	190.1	209.1	230.0
Net (debt) cash position	(81.2)	(57.8)	(38.0)
Total Value (\$M)	245.8	285.1	312.4
DCF Value/Share (C\$)	C\$5.03	C\$5.84	C\$6.39
DCF Value/Share (US\$)	US\$4.00	US\$4.64	US\$5.08
FD Shares O/S (M)*	48.9	48.9	48.9

*Using the Treasury Method

Source: Company Reports; eResearch Corp.

Figure 20: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

		Terminal EV/EBITDA Multiplier						
		4.00	5.00	6.00	7.00	8.00	9.00	10.00
Discount Rate	6.0%	4.70	5.42	6.14	6.86	7.58	8.30	9.02
	8.0%	4.34	5.00	5.66	6.32	6.99	7.65	8.31
	10.0%	4.00	4.61	5.22	5.84	6.45	7.06	7.67
	12.0%	3.69	4.26	4.82	5.39	5.95	6.52	7.08
	14.0%	3.41	3.94	4.46	4.98	5.50	6.03	6.55
	16.0%	3.16	3.64	4.13	4.61	5.09	5.58	6.06

Source: Company Reports; eResearch Corp.

Appendix A: Financial Statements

Figure 21: Income Statement

DCM	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Income Statement - FYE (December 31); CAD ('000)									
Total Revenue	282,876	259,314	62,361	55,207	61,964	65,436	244,968	252,445	260,018
Total Cost of Sales	213,611	186,372	43,568	39,365	43,375	45,805	172,113	174,187	176,812
Gross Profit	69,265	72,942	18,793	15,842	18,589	19,631	72,855	78,258	83,206
Sales & Marketing	32,946	26,424	6,666	6,137	6,196	6,544	25,543	25,244	24,702
General and Administrative	34,144	32,460	8,839	8,787	8,675	9,161	35,462	32,818	32,502
Other operating costs	-	-	-	-	-	-	-	-	-
Restructuring Charges	7,489	2,821	3,407	918	1,500	1,600	7,425	-	-
Stock Based Compensation	-	-	-	-	310	327	637	1,262	1,300
Depreciation of Property & Equipment	-	-	-	-	661	627	1,287	2,226	1,837
Amortization	-	-	-	-	941	903	1,844	3,216	2,620
Total Operating Expenses	74,579	61,705	18,912	15,842	18,283	19,162	72,198	64,767	62,961
Operating Income	(5,314)	11,237	(119)	-	307	469	657	13,491	20,244
Other Income (Expenses):									
Interest Income	-	-	-	-	-	-	-	-	-
Foreign Exchange Gain (Loss)	-	-	-	-	-	-	-	-	-
Interest on Loan Payable	(5,307)	(2,819)	(718)	(1,088)	(772)	(730)	(3,308)	(2,493)	(1,884)
Government Grant Income	-	10,708	1,908	2,411	-	-	4,319	-	-
Other	(7,932)	(4,513)	613	(804)	-	-	(191)	-	-
Total Other Income	(13,239)	3,376	1,803	519	(772)	(730)	820	(2,493)	(1,884)
EBT	(18,553)	14,613	1,684	519	(465)	(261)	1,477	10,997	18,360
Income Taxes	4,566	(3,107)	(372)	(332)	70	39	(595)	(1,650)	(2,754)
Net Income (Loss)	(13,987)	11,506	1,312	187	(395)	(222)	882	9,348	15,606
EPS									
Basic EPS	(0.65)	0.27	0.03	0.00	(0.01)	(0.01)	0.02	0.21	0.35
Diluted EPS	(0.65)	0.27	0.03	0.00	(0.01)	(0.00)	0.02	0.20	0.34
Shares Outstanding									
Shares Outstanding, Basic (Weighted)	21,524	43,147	43,912	43,926	44,054	44,054	44,054	44,054	44,054
Shares Outstanding, Diluted (Weighted)	21,524	43,317	45,158	46,174	46,387	46,387	46,387	46,387	46,387
Shares Outstanding, Basic (End of Quarter)	43,047	43,867	43,938	43,954	-	-	-	-	-

Source: Company Reports; eResearch Corp.

Figure 22: Balance Sheet

DCM	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Balance Sheet - FYE (December 31); CAD ('000)									
Current Assets									
Cash	0	578	599	163	88	1,078	1,078	6,586	16,218
Account Receivables	86,451	65,290	59,366	55,257	54,966	54,463	54,463	55,455	59,345
Prepaid Expenses & Other Assets	2,611	1,521	1,665	1,419	1,616	1,681	1,681	2,197	2,823
Inventory	12,580	8,514	8,767	9,054	9,500	10,033	10,033	9,939	10,089
Income taxes receivable	0	0	792	870	870	870	870	870	870
Total Current Assets	101,642	75,903	71,189	66,763	67,039	68,125	68,125	75,046	89,344
Non-Current Assets									
Deferred Income Tax Assets	6,648	3,163	2,941	3,588	3,588	3,588	3,588	3,588	3,588
Restricted Cash	515	515	515	515	515	515	515	515	515
Property and Equipment	13,062	9,783	9,060	8,558	8,154	7,772	7,772	6,415	5,295
Pension Assets	156	203	893	1,284	1,284	1,284	1,284	1,284	1,284
Intangible Assets	18,167	14,459	13,527	13,439	12,901	12,385	12,385	10,088	8,217
Goodwill	16,973	16,973	16,973	16,973	16,973	16,973	16,973	16,973	16,973
Right-of Use and Other	57,209	42,922	39,857	37,573	36,024	34,552	34,552	29,243	24,749
Total Assets	214,372	163,921	154,955	148,693	146,479	145,195	145,195	143,152	149,965
Current Liabilities									
Accounts Payables/Accrued Liabilities	51,743	39,999	39,406	34,906	37,596	40,282	40,282	42,096	42,510
Lease Liability	8,252	8,032	8,029	7,178	6,850	6,474	6,474	8,549	8,806
Bank Overdraft/Line of Credit	1,093	0	0	0	0	0	0	0	0
Current Portion of Debt/Promissory Notes	4,379	7,326	7,250	6,385	6,257	6,132	6,132	5,656	5,217
Provisions	3,886	1,186	1,732	2,627	1,627	1,127	1,127	1,127	1,127
Deferred Revenue - Current	2,133	2,798	2,062	2,334	2,479	2,617	2,617	2,631	2,709
Taxes Payable	2,068	1,608	2,226	3,154	3,486	3,818	3,818	5,146	6,474
Total Current Liabilities	73,554	60,949	60,705	56,584	58,295	60,450	60,450	65,205	66,843
Non-Current Liabilities									
Term Loan/Promissory Notes	2,095	975	938	0	0	0	0	0	0
Credit Facilities	74,760	39,567	32,228	32,199	30,267	28,451	28,451	20,382	14,602
Lease Liability	53,514	40,321	37,144	35,637	33,610	31,761	31,761	21,943	15,512
Deferred Income Tax Liabilities	402	282	204	101	101	101	101	101	101
Provision/Loan Payable/Benefits Payable	11,088	11,868	11,154	11,224	11,344	11,464	11,464	11,944	12,424
Total Liabilities	215,413	153,962	142,373	135,745	133,617	132,228	132,228	119,575	109,481
Shareholders Equity									
Capital Stock	256,045	256,260	256,300	256,321	256,321	256,321	256,321	256,321	256,321
Warrants & Options	853	850	890	879	879	879	879	879	879
Accumulated OCI	254	192	169	141	141	141	141	141	141
Contributed Surplus	2,300	2,354	2,670	2,706	3,016	3,343	3,343	4,605	5,905
Deficit	(260,493)	(249,697)	(247,447)	(247,099)	(247,494)	(247,716)	(247,716)	(238,369)	(222,762)
Total Shareholders Equity	-1,041	9,959	12,582	12,948	12,863	12,968	12,968	23,578	40,484
Total Liabilities & Shareholders Equity	214,372	163,921	154,955	148,693	146,479	145,195	145,195	143,152	149,965

Source: Company Reports; eResearch Corp.

Figure 23: Cash Flow Statement

DCM	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Cash Flow Statement - FYE (December 31); CAD ('000)									
Cash Provided By Operating Activities									
Net Income (Loss)	(13,987)	11,506	1,312	187	(395)	(222)	882	9,348	15,606
Amortization of Intangibles	3,962	4,279	1,046	1,019	941	903	3,909	3,216	2,620
Depreciation of Property & Equipment	3,959	3,541	806	776	661	627	2,869	2,226	1,837
Depreciation of Right-of-Use Assets	8,940	8,399	2,239	2,168	1,549	1,472	7,428	5,309	4,494
Interest Expense on Lease Liabilities	3,609	3,257	694	628	642	607	2,571	2,112	1,684
Amortization of Deferred Lease Indicement	-	-	-	-	-	-	-	-	-
Stock Based Compensation Expense	190	54	316	36	310	327	989	1,262	1,300
Pension Expense	596	487	119	120	120	120	479	480	480
Loss on Disposal of Intangible Assets	-	-	8	(8)	-	-	-	-	-
Provisions	7,489	2,821	3,407	918	-	-	4,325	-	-
Income Tax Expense	(4,660)	3,107	372	332	332	332	1,368	1,328	1,328
Finance Cost	4,327	284	145	111	-	-	256	-	-
Other	289	514	(154)	224	-	-	70	-	-
Changes in Non-Cash Working Capital									
Account & Other Receivables	(13,436)	21,011	5,924	4,109	291	503	10,827	(993)	(3,889)
Inventory	(4,038)	4,066	(253)	(287)	(446)	(532)	(1,519)	94	(150)
Due from related parties	-	-	-	-	-	-	-	-	-
Investment/Income Tax Credits	(871)	-	(720)	(276)	-	-	(996)	-	-
Prepaid Expenses & Other Current Assets	945	1,627	(195)	248	(197)	(66)	(209)	(515)	(627)
Accounts Payable & Other Payables	8,751	(11,425)	(593)	(4,500)	2,690	2,687	283	1,814	414
Deposits	-	-	-	-	-	-	-	-	-
Other	(989)	(935)	(241)	(242)	-	-	(483)	-	-
Provisions	(6,543)	(5,623)	(2,924)	(50)	(1,000)	(500)	(4,474)	-	-
Deferred (Unbilled) Revenue	656	665	(736)	272	145	139	(181)	13	79
Total Cash Provided By Operating Activities	(811)	47,635	10,572	5,785	5,641	6,396	28,394	25,695	25,177
Investing Activities									
Purchase of Property & Equipment	(736)	(268)	(83)	(274)	(257)	(245)	(858)	(869)	(717)
Interest Income Received	-	-	-	-	-	-	-	-	-
Purchase of Intangibles	(3,878)	(571)	(122)	(923)	(403)	(387)	(1,835)	(919)	(749)
Business (Acquisition) Sale	675	4	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(3,939)	(835)	(205)	(1,197)	(660)	(632)	(2,694)	(1,788)	(1,466)
Financing Activities									
Proceeds from Loan/Promissory Notes	1,000	-	-	-	-	-	-	-	-
Repayment of Loan/Promissory Notes	(3,905)	(533)	(176)	(2,009)	(128)	(125)	(2,438)	(476)	(439)
Operating Line/Credit Facility (Repayment)	(8,495)	(32,865)	(7,191)	(164)	(1,932)	(1,816)	(11,103)	(8,069)	(5,781)
Repayment of Other Liabilities	(400)	(333)	-	-	-	-	-	-	-
Transaction Costs	(533)	(227)	-	-	-	-	-	-	-
Lease Payments	(10,904)	(11,336)	(2,993)	(2,875)	(2,997)	(2,832)	(11,697)	(9,854)	(7,859)
Proceeds from exercise of Stock Options and Warrants	26,099	-	-	10	-	-	10	-	-
Issue/Repurchase of Equity	4,798	173	-	-	-	-	-	-	-
Discontinued Ops	-	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	7,660	(45,121)	(10,360)	(5,038)	(5,057)	(4,773)	(25,228)	(18,399)	(14,078)
Effect of Exchange Rates on Cash	(4)	(8)	14	14	-	-	28	-	-
Net Increase in Cash	2,906	1,671	21	(436)	(75)	991	500	5,507	9,632
Beginning Cash	(3,999)	(1,093)	578	599	163	88	578	1,078	6,586
Ending Cash	(1,093)	578	599	163	88	1,078	1,078	6,586	16,218

Source: Company Reports; eResearch Corp.

Appendix B: Outstanding Shares, Options & Warrants

Figure 24: Shares Outstanding for Fully Diluted Share Count and Valuation

Shares Outstanding - Valuation using Multiples ('000)	
Shares Outstanding: Basic - End of the Previous Quarter (Mar 31/21)	43,938
Shares Issued in the Quarter	15
Shares Outstanding: Basic - End of the Current Quarter (Jun 30/21)	43,954
Shares Issued after the Quarter End	100
Updated Share Count for Next Quarter	44,054
- In the Money Options: Stock Price above Strike Price*	1,019
- In the Money Warrants: Stock Price above Strike Price*	1,314.52
Updated Shares Outstanding, Fully Diluted: After the Quarter End (Multiples)	46,387

* Number of shares has been adjusted by the Treasury Stock Method

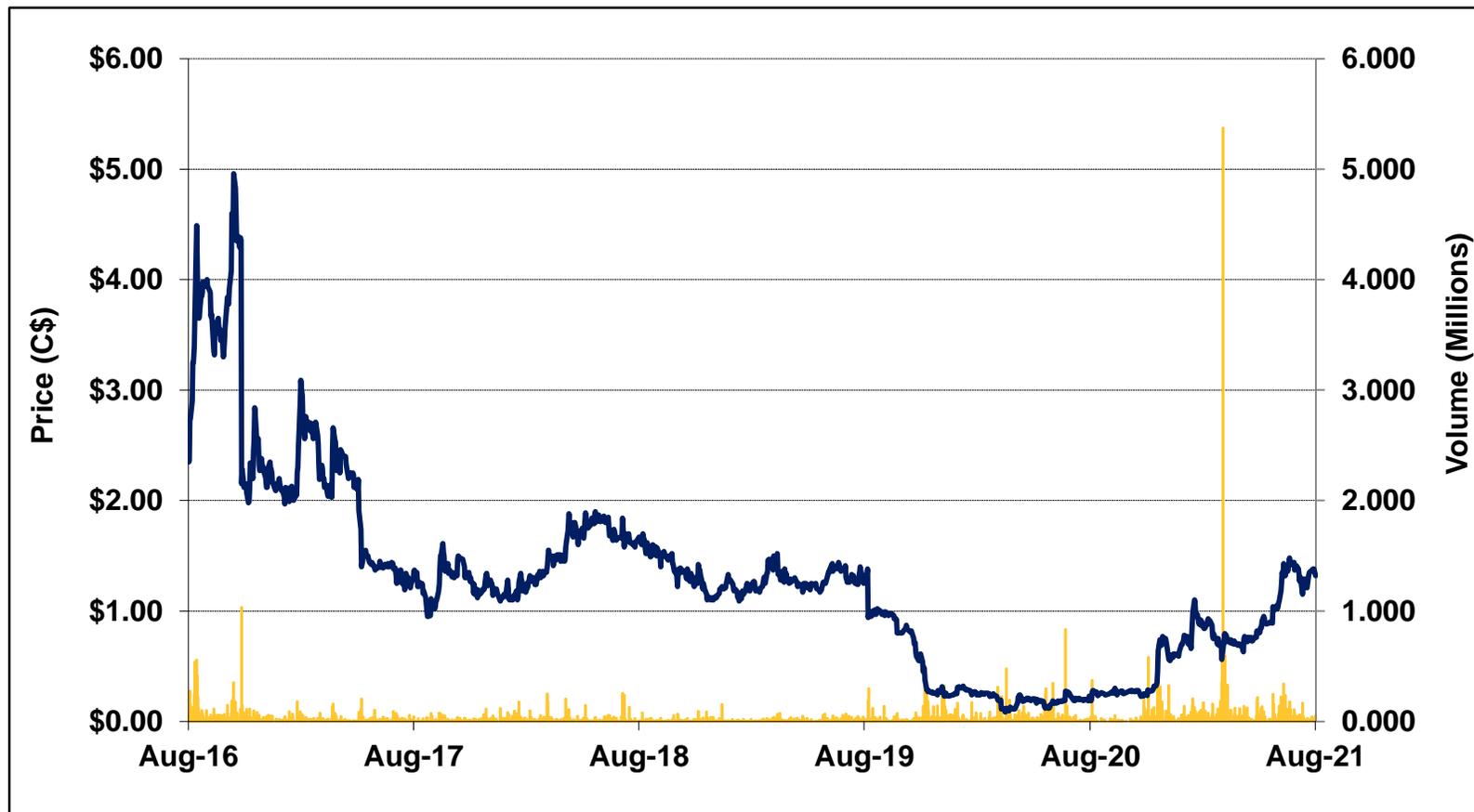
Shares Outstanding - DCF Valuation ('000)	
Shares Outstanding: Basic - End of the Current Quarter (Jun 30/21)	43,954
Shares Issued after the Quarter End	100
Updated Share Count for Next Quarter	44,054
- In the Money Options: Target Price above Strike Price*	3,118
- In the Money Warrants: Target Price above Strike Price*	1,695.88
Updated Shares Outstanding, Fully Diluted: After the Quarter End (DCF)	48,868

* Number of shares has been adjusted by the Treasury Stock Method

Source: Company Reports; eResearch Corp.

Appendix C: Five-Year Stock Chart

Figure 25: Stock Chart



Source: S&P Capital IQ, Company Reports; eResearch Corp.

Appendix D: Company Comparables by Industry

Figure 26: U.S. and Canadian Comparables – Conventional Print Solution Providers and DAM Solution Providers

Name	Aug 13 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
						2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
DATA Communications Management Corp.	\$1.14	\$50	\$0	\$81	\$131	\$259.3	\$245.0	\$252.4	\$27.5	\$15.9	\$25.5	0.5x	0.5x	0.5x	4.8x	8.3x	5.2x
US Comps - Conventional Print Solution Providers																	
ARC Document Solutions, Inc.	US\$2.64	US\$114.3	US\$52.4	US\$124.4	US\$192.8	US\$289.5	US\$0.0	US\$0.0	US\$41.9	US\$0.0	US\$0.0	0.7x			4.6x		
Canon Inc.	US\$24.03	US\$25,128.2	US\$4,718.7	US\$4,098.3	US\$26,453.5	US\$30,620.4	US\$32,319.0	US\$32,572.9	US\$3,409.5	US\$4,492.9	US\$4,340.1	0.9x	0.8x	0.8x	7.8x	5.9x	6.1x
Cimpress plc	US\$93.59	US\$2,344.8	US\$335.3	US\$1,886.0	US\$3,966.7	US\$2,481.4	US\$2,566.2	US\$2,800.8	US\$275.3	US\$330.6	US\$381.8	1.6x	1.5x	1.4x	14.4x	12.0x	10.4x
Ennis, Inc.	US\$20.30	US\$529.9	US\$81.3	US\$18.7	US\$467.3	US\$438.4	US\$356.1	US\$397.1	US\$53.7	US\$60.8	US\$0.0	1.1x	1.3x	1.2x	8.7x	7.7x	
Quad/Graphics, Inc.	US\$4.87	US\$266.0	US\$98.3	US\$943.3	US\$1,111.0	US\$2,929.6	US\$0.0	US\$0.0	US\$264.1	US\$0.0	US\$0.0	0.4x			4.2x		
R. R. Donnelley & Sons	US\$5.76	US\$419.3	US\$237.2	US\$1,761.2	US\$1,956.8	US\$4,766.3	US\$4,878.5	US\$5,000.6	US\$345.6	US\$384.8	US\$396.6	0.4x	0.4x	0.4x	5.7x	5.1x	4.9x
Xerox Holdings Corporation	US\$23.90	US\$4,265.8	US\$2,124.0	US\$4,541.0	US\$6,904.8	US\$6,796.0	US\$7,272.3	US\$7,150.5	US\$752.0	US\$865.5	US\$934.9	1.0x	0.9x	1.0x	9.2x	8.0x	7.4x
Mean (EV/Rev <20; EV/EBITDA <100)												0.9x	1.0x	1.0x	7.8x	7.7x	7.2x
Median												0.9x	0.9x	1.0x	7.8x	7.7x	6.7x
Cdn Comps - Conventional Print Solution Providers																	
CCL Industries Inc.	\$71.53	\$12,858.3	\$693.3	\$1,955.6	\$14,120.6	\$5,242.3	\$5,581.6	\$5,809.2	\$1,075.6	\$1,197.8	\$1,248.1	2.7x	2.5x	2.4x	13.1x	11.8x	11.3x
Supremex Inc.	\$2.47	\$67.8	\$2.3	\$76.8	\$142.4	\$204.6	\$211.2	\$215.7	\$26.6	\$34.5	\$33.2	0.7x	0.7x	0.7x	5.3x	4.1x	4.3x
Transcontinental Inc.	\$25.67	\$2,233.9	\$199.6	\$1,041.9	\$3,084.9	\$2,490.9	\$2,550.3	\$2,577.7	\$464.0	\$473.4	\$473.5	1.2x	1.2x	1.2x	6.6x	6.5x	6.5x
Mean (EV/Rev <20; EV/EBITDA <100)												1.5x	1.5x	1.4x	8.4x	7.5x	7.4x
Median												1.2x	1.2x	1.2x	7.8x	7.7x	6.7x
US Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																	
Adobe Inc.	US\$637.31	US\$303,614.5	US\$5,768.0	US\$4,693.0	US\$302,539.5	US\$12,868.0	US\$15,674.1	US\$17,972.5	US\$4,808.0	US\$7,829.2	US\$8,935.3	23.5x	19.3x	16.8x	62.9x	38.6x	33.9x
Box, Inc.	US\$26.38	US\$4,081.8	US\$611.5	US\$689.3	US\$4,159.6	US\$696.3	US\$768.4	US\$853.1	US\$28.3	US\$237.6	US\$259.7	6.0x	5.4x	4.9x	146.8x	17.5x	16.0x
Fluent, Inc.	US\$2.27	US\$177.9	US\$25.1	US\$57.6	US\$210.4	US\$310.7	US\$315.5	US\$342.8	US\$34.0	US\$18.1	US\$33.0	0.7x	0.7x	0.6x	6.2x	11.6x	6.4x
LiveRamp Holdings, Inc.	US\$45.57	US\$3,096.9	US\$548.5	US\$11.4	US\$2,559.8	US\$380.6	US\$440.3	US\$522.1	-US\$75.2	US\$22.8	US\$47.1	6.7x	5.8x	4.9x		112.4x	54.3x
Open Text Corporation	US\$53.56	US\$14,471.2	US\$1,610.3	US\$3,871.6	US\$16,734.0	US\$3,109.7	US\$3,331.4	US\$3,442.3	US\$1,001.6	US\$1,267.5	US\$1,332.4	5.4x	5.0x	4.9x	16.7x	13.2x	12.6x
QuinStreet, Inc.	US\$17.25	US\$924.9	US\$110.3	US\$14.9	US\$829.5	US\$490.3	US\$569.7	US\$643.3	US\$17.5	US\$55.5	US\$68.0	1.7x	1.5x	1.3x	47.5x	14.9x	12.2x
Smartsheet Inc.	US\$69.33	US\$8,674.0	US\$439.7	US\$86.1	US\$8,320.4	US\$270.9	US\$378.3	US\$514.1	-US\$105.8	-US\$31.1	-US\$11.9	30.7x	22.0x	16.2x			
TechTarget, Inc.	US\$77.98	US\$2,195.8	US\$109.1	US\$222.4	US\$2,309.2	US\$148.4	US\$261.5	US\$302.0	US\$34.8	US\$98.2	US\$114.1	15.6x	8.8x	7.6x	66.4x	23.5x	20.2x
Mean (EV/Rev <20; EV/EBITDA <100)												6.0x	6.6x	7.2x	39.9x	19.9x	22.2x
Median												6.4x	5.6x	4.9x	55.2x	17.5x	16.0x
CDN Comps - Digital Asset Management (DAM) Solution Providers (PaaS/SaaS)																	
Absolute Software Corporation	\$14.43	\$714.5	\$140.5	\$11.9	\$585.8	\$111.6	\$160.3	\$219.3	\$18.2	\$34.7	\$42.9	5.3x	3.7x	2.7x	32.2x	16.9x	13.7x
AcutyAds Holdings Inc.	\$10.70	\$646.8	\$93.4	\$13.2	\$566.6	\$104.9	\$133.6	\$162.6	\$9.4	\$23.6	\$29.9	5.4x	4.2x	3.5x	60.5x	24.0x	19.0x
Engagement Labs Inc.	\$0.08	\$3.5	\$1.1	\$1.2	\$3.6	\$2.6	\$0.0	\$0.0	-\$2.6	\$0.0	\$0.0	1.4x					
Fobi Ai Inc.	\$1.24	\$166.5	\$1.9	\$0.0	\$164.6	\$0.0	\$0.0	\$0.0	-\$7.6	\$0.0	\$0.0						
MediaValet Inc.	\$2.18	\$83.3	\$12.8	\$1.9	\$72.5	\$7.5	\$10.1	\$14.3	-\$3.6	-\$7.6	-\$6.3	9.7x	7.2x	5.1x			
ProntoForms Corporation	\$1.07	\$137.1	\$8.2	\$4.0	\$132.9	\$17.7	\$24.3	\$29.2	-\$0.8	-\$2.7	-\$1.0	7.5x	5.5x	4.6x			
Mean (EV/Rev <20; EV/EBITDA <100)												5.9x	5.1x	3.9x	46.3x	20.5x	16.3x
Median												5.4x	4.9x	4.0x	46.3x	20.5x	16.3x

Source: S&P Capital IQ; eResearch Corp.

Figure 27: U.S. and Canadian Comparables – Tech-Enabled Marketing Workflow Providers and Canadian Tech

Name	Aug 13 Close (\$)	Mkt Cap (\$M)	Cash (\$M)	Debt (\$M)	EV (\$M)	REVENUE (\$M)			EBITDA (\$M)			EV/Revenue			EV/EBITDA		
						2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
DATA Communications Management Corp.	\$1.14	\$50	\$0	\$81	\$131	\$259.3	\$245.0	\$252.4	\$27.5	\$15.9	\$25.5	0.5x	0.5x	0.5x	4.8x	8.3x	5.2x
Tech-Enabled Marketing Workflow Providers																	
Cimpress plc	US\$93.59	US\$2,344.8	US\$335.3	US\$1,886.0	US\$3,966.7	US\$2,481.4	US\$2,566.2	US\$2,800.8	US\$275.3	US\$330.6	US\$381.8	1.6x	1.5x	1.4x	14.4x	12.0x	10.4x
Deluxe Corporation	US\$42.07	US\$1,789.9	US\$163.3	US\$1,904.7	US\$3,531.4	US\$1,790.8	US\$1,982.8	US\$2,159.4	US\$296.6	US\$406.0	US\$449.9	2.0x	1.8x	1.6x	11.9x	8.7x	7.8x
dotdigital Group Plc	£2.57	£766.2	£27.6	£3.9	£742.5	£47.4	£57.9	£65.3	£14.2	£20.0	£22.2	15.7x	12.8x	11.4x	52.2x	37.1x	33.4x
Galaxy Digital Holdings Ltd.	\$24.00	\$2,352	\$57	\$0	\$2,296	\$0	\$1,457	\$640	\$0	\$779	\$108	1.6x	3.6x		2.9x	21.3x	
Harte Hanks, Inc.	US\$6.37	US\$44.3	US\$19.3	US\$54.8	US\$89.6	US\$176.9	US\$180.8	US\$177.3	-US\$1.2	US\$13.0	US\$15.1	0.5x	0.5x	0.5x		6.9x	6.0x
HubSpot, Inc.	US\$667.33	US\$31,368.1	US\$1,213.7	US\$729.7	US\$30,884.1	US\$883.0	US\$1,271.4	US\$1,624.4	-US\$29.8	US\$153.3	US\$211.3	35.0x	24.3x	19.0x		201.4x	146.1x
Publicis Groupe S.A.	€ 54.98	€ 13,845.71	€ 2,959.00	€ 6,448.00	€ 17,280.17	€ 1,788.00	€ 10,200.86	€ 10,540.73	€ 1,859.00	€ 2,303.72	€ 2,396.83	1.6x	1.7x	1.6x	9.3x	7.5x	7.2x
Quadient S.A.	€ 24.24	€ 832.19	€ 513.70	€ 1,026.10	€ 1,353.21	€ 1,142.70	€ 1,028.10	€ 1,035.61	€ 202.60	€ 248.86	€ 258.86	1.2x	1.3x	1.3x	6.7x	5.4x	5.2x
SharpSpring, Inc.	US\$17.02	US\$219.3	US\$25.2	US\$13.4	US\$207.6	US\$29.3	US\$34.4	US\$40.3	-US\$5.0	-US\$8.4	-US\$7.7	7.1x	6.0x	5.1x			
StarTek, Inc.	US\$5.87	US\$239.5	US\$47.0	US\$235.8	US\$482.4	US\$640.2	US\$696.4	US\$718.3	US\$55.7	US\$70.6	US\$73.3	0.8x	0.7x	0.7x	8.7x	6.8x	6.6x
Teleperformance SE	€ 362.10	€ 21,267.25	€ 874.00	€ 3,464.00	€ 23,857.25	€ 5,732.00	€ 6,827.62	€ 7,343.28	€ 903.00	€ 1,420.87	€ 1,551.74	4.2x	3.5x	3.2x	26.4x	16.8x	15.4x
TTEC Holdings, Inc.	US\$105.07	US\$4,936.7	US\$174.7	US\$968.3	US\$5,800.5	US\$1,949.2	US\$2,256.3	US\$2,480.6	US\$296.9	US\$353.1	US\$388.5	3.0x	2.6x	2.3x	19.5x	16.4x	14.9x
Zeta Global Holdings Corp.	US\$5.81	US\$1,104.8	US\$113.6	US\$185.3	US\$1,176.4	US\$368.1	US\$434.2	US\$503.0	US\$18.1	US\$56.5	US\$73.5	3.2x	2.7x	2.3x	65.1x	20.8x	16.0x
Mean (EV/Rev <20; EV/EBITDA <100)												3.7x	3.1x	4.2x	23.8x	12.9x	13.1x
Median												1.6x	1.6x	1.6x	11.9x	8.1x	9.1x
Canadian Advertising, Marketing & Technology Comps																	
Adcore Inc.	\$1.26	\$79.9	\$11.1	\$0.1	\$68.8	\$17.0	\$0.0	\$0.0	\$1.3	\$0.0	\$0.0	4.1x			53.9x		
Aquarius AI Inc.	\$0.10	\$8.0	\$1.1	\$0.0	\$6.8	\$0.0	\$0.0	\$0.0	-\$1.3	\$0.0	\$0.0				1.1x		
ARHT Media Inc.	\$0.18	\$0.0	\$4.4	\$0.5	-\$3.8	\$2.2	\$0.0	\$0.0	-\$3.5	\$0.0	\$0.0	-1.7x					
Datable Technology Corporation	\$0.07	\$9.7	\$2.8	\$1.5	\$8.3	\$2.0	\$0.0	\$0.0	-\$2.5	\$0.0	\$0.0	4.2x					
Engagement Labs Inc.	\$0.08	\$0.0	\$1.1	\$1.2	\$0.1	\$2.6	\$0.0	\$0.0	-\$2.6	\$0.0	\$0.0	0.0x					
EQ Inc.	\$1.40	\$95.5	\$13.4	\$0.3	\$82.5	\$10.4	\$14.4	\$21.6	-\$2.2	\$0.0	\$2.0	7.9x	5.7x	3.8x			41.2x
Gatekeeper Systems Inc.	\$0.78	\$0.1	\$4.4	\$0.8	-\$3.5	\$21.9	\$0.0	\$0.0	\$2.7	\$0.0	\$0.0	-0.2x					
Killi Ltd.	\$0.23	\$15.5	\$4.9	\$0.0	\$10.7	\$0.2	\$0.0	\$0.0	-\$4.5	\$0.0	\$0.0	60.0x					
YANGAROO Inc.	\$0.22	\$13.0	\$2.3	\$0.2	\$10.9	\$7.9	\$0.0	\$0.0	\$0.7	\$0.0	\$0.0	1.4x			16.7x		
Yellow Pages Limited	\$14.29	\$396.0	\$85.5	\$51.3	\$361.8	\$333.5	\$282.6	\$241.7	\$109.0	\$98.2	\$82.4	1.1x	1.3x	1.5x	3.3x	3.7x	4.4x
Zoomd Technologies Ltd.	\$0.49	\$46.6	\$1.4	\$0.6	\$45.8	\$25.4	\$0.0	\$0.0	-\$3.4	\$0.0	\$0.0	1.8x					
Mean (EV/Rev <20; EV/EBITDA <100)												2.1x	3.5x	2.7x	18.8x	3.7x	22.8x
Median												1.6x	3.5x	2.7x	10.0x	3.7x	22.8x

Source: S&P Capital IQ; eResearch Corp.

Appendix E: DCM Additional Products

DCM has a variety of conventional print solutions for business that also include:

- **E-forms and E-presentment:** DCM offers digital conversion of a wide variety of print-based documents, such as invoices, forms, etc. Also, to help businesses meet compliance requirements pertaining to web-based accessibility standards, DCM provides talking PDFs for visually impaired users.
- **Personalized Email:** DCM offers a complete suite of email marketing solutions that consists of digitally dynamic newsletters, personalized welcome emails, transactional emails, automated and triggered campaigns, and e-flyers. These digital solutions are available both as a standalone service as well as part of a larger multi-platform campaign including directing mailing and customized landing pages.
- **Event Tickets:** DCM provides tickets for some of North America's biggest events and also offers season-ticket, fan, parking passes, and printing packages.
- **Gift and Loyalty Cards:** DCM offers membership, reward, employee gift and custom loyalty cards for businesses. Services related to these products offered by the Company include creative development, custom printing, card fulfillment, and secure warehousing.
- **Kitting and Delivery:** DCM specializes in assembling packaged kits of documents and marketing materials and delivering them directly to end-users. Services are available on-demand (e.g., when a new bank account is opened and a welcome kit is to be mailed to the employee) or as a scheduled service (e.g. monthly statements, invoices, etc.)
- **Lottery Rolls and Selection Slips:** DCM is a major supplier of thermal paper rolls for printing lottery tickets and most of the Canadian provincial lotteries are customers. The lottery tickets are used at various point-of-purchase locations. DCM also sells lottery ticket selection slips, which are manufactured in its secure facilities, then stored in the warehouse, and later distributed to customers as required.
- **Order, Rebate, and Returns Processing:** These services include order fulfillment, shipment tracking on behalf of customers, detailed database documentation and reporting, rebate program management, and handling returns.
- **Primary/Marketing Labels:** DCM designs and prints custom labels for a wide variety of applications, ranging from direct mail packages to retail shelf pricing and product labelling of consumer-packaged goods.
- **Secure Print Products:** DCM also provides exclusive security paper for use with its printing processes in various production facilities, which allows for added protection against frauds in cases where sensitive documents are involved, such as money orders, cheques, etc.
- **Variable Print and Personalization:** DCM helps businesses better integrate their brand into direct marketing campaigns so they can make more relevant and timely communications with their target audience.
- **Wide/Large/Grand Format:** DCM provides wide, large, and grand format printing services for businesses, particularly companies in the retail and financial markets. Services include planning, creating, producing, packaging, shipping, and take-down.

Appendix F: Key Management & Board of Directors

Management

Richard Clarence Kellam, President, Chief Executive Officer (CEO) & Director

- Richard Kellam has been the President, CEO and Director of **DCM** since March 2021.
- He has over 35 years of experience working in large multinational businesses and brings expertise in general management, customer development, and marketing communications.
- Mr. Kellam served as the CEO of **The Advantage Group International** and was a Senior Vice President of Sales and Marketing Excellence at The **Goodyear Tire & Rubber Company (NASDAQ:GT)** and previously held senior management roles with Mars, Inc.
- Mr. Kellam holds a Bachelor of Arts degree from Western University.

James E. Lorimer, Chief Financial Officer (CFO) and Corporate Secretary

- James Lorimer has been the CFO and Corporate Secretary of **DCM** since August 2015.
- With over 20 years of experience as a finance professional in capital markets, he served as an investment banker at **Midland Walwyn Capital** (now **Bank of America Merrill Lynch (NYSE:BAC)**), and co-founded **Clarus Securities**, a leading Canadian institutional-focused investment dealer.
- Before joining **DCM** in 2015, he held a senior role with **Ludwig Wessel & Associates**, a boutique executive search firm specializing in the capital markets.
- Mr. Lorimer holds an MBA from the Ivey Business School at Western University.

Phil Hammond, Chief Revenue Officer (CRO)

- Phil Hammond has been the CRO of **DCM** since August 2020.
- With over 25 years of experience, he served as Senior Vice President (SVP) of Business Development at **DCM** since March 2020.
- Mr. Hammond guides the growth strategy of **DCM's** Advanced Enterprise relationships.

Shelly Anwyll, SVP of North America, Emerging Markets

- Shelly Anwyll has over 30 years of experience in outsourced marketing services, both on the client side and at agencies including working for **Mosaic Group, Match Marketing, and Consumer Impact Marketing**. She also served as VP of Corporate Partnerships at **SickKids Foundation**.
- Ms. Anwyll is especially active in positioning **DCM** as a leader in the cannabis space.
- Ms. Anwyll graduated with a Bachelor of Arts Degree in Economics from Laurentian University.

Sharad Verma, SVP of Strategy

- Sharad Verma has been the SVP of Strategy at **DCM** since 2020.
- With over 25 years of experience in digital marketing and management consulting, he has helped a diverse set of clients create value through innovative marketing and consumer solutions.

Barbara Franovic-Wilkins, VP of Marketing

- Barbara Franovic-Wilkins has been the VP of Marketing at **DCM** since May 2021.
- Ms. Franovic-Wilkins has over 20 years of experience in retail, brand, and packaging design management with various Fortune 50 clients.

Christine Custodio, Vice President (VP) of Operations

- Christine Custodio has been the VP of Operations at **DCM** since March 2021.
- Ms. Custodio has over 25 years of experience in customer service & operational leadership in direct marketing and business communication.

Board of Directors

Richard Clarence Kellam, President, CEO & Director

- See his biography in the Management section.

J. R. Kingsley Ward, Chairman of the Board

- J. R. Kingsley Ward joined **DCM's** Board of Directors (BoD) in 2014 and has served as Chairman since June 2016.
- He is also Chairman of **The Vimy Ridge Group** and a Managing Partner at **VRG Capital**. He also serves as Chairman of **Clarus Securities**, an institutional investment dealer and research firm, **Nucro-Technics**, a pharmaceutical contract support organization, and **Globalive Technology (TSXV:LIVE)**, a strategic fintech, communications, and telecom services investment firm.
- Mr. Ward holds a Bachelor of Commerce from the University of Windsor and a Bachelor of Arts from Queen's University.

Gregory J. Cochrane, Vice Chairman of the Board

- Gregory Cochrane joined **DCM's** BoD in 2021.
- Mr. Cochrane built and managed **Mariposa Communications and Promotions** and served as a Managing Partner with **Mosaic Group**.
- He currently serves as Managing Partner of **VRG Capital** and previously served as a Director at **Pareto Corporation** and **Wheels Group**.
- Mr. Cochrane has an MBA from the Smith School of Business at Queen's University, and a BBA from Bishop's University in Lennoxville, Quebec.

Derek John Watchorn, Independent Director

- Derek Watchorn joined **DCM's** BoD in 2016.
- Mr. Watchorn has extensive experience in the real estate industry through a variety of senior management and director positions. Mr. Watchorn also serves as Director of **Timbercreek Financial (TF:TO)** since June 2016.
- Mr. Watchorn was the President and CEO of **Revera** (formerly **Retirement Residences REIT**) and served in London, England, as Executive VP of **Canary Wharf** and as Executive Director of **TrizecHahn**.
- Mr. Watchorn holds a Bachelor of Laws degree from the University of Toronto.

James J. Murray, Independent Director

- James Murray joined **DCM's** BoD in 2016.
- He is a member of the Corporate Governance Committee of **DCM's** Board. With over 50 years in the commercial brokerage industry, he is currently a Principal and Senior Vice-President of **Lennard Commercial Realty**.
- He held several leadership roles at companies such as **Cushman & Wakefield (NYSE:CWK)** and **J.J. Barnicke**, and is a member of the **Society of Industrial & Office Realtors**.
- Mr. Murray was named "Business Person of the Year" by the **Mississauga Board of Trade** in 2009. He has also been awarded the Queen's Silver Jubilee and the Queen's Diamond Jubilee medals.

Merri L. Jones, Independent Director

- Merri Jones joined **DCM's** BoD in 2018.
- With over 40 years of experience in sales & marketing, finance, strategy, and human resources, she currently serves on the Audit Committee and the Human Resources & Compensation Committee of the Board.
- Ms. Jones served as President and CEO of **First Interstate Bancorp**, and currently sits on the BoD of **Canaccord Genuity Group (TSX:CF)** and is Chairman of **Starlight Capital's** Independent Review Committee.
- She previously held senior leadership roles including Executive VP at **Fiera Capital (TSX:FSZ)**; President of **GBC Asset Management**; President and CEO of **AGF Private Wealth Management**; President, Chief Operating Officer (COO) and Director of **TAL Private Management**; and as President and CEO of **CIBC Trust (TSX:CM)**.
- Ms. Jones was educated at the University of Toronto, the University of Western Ontario, and the Wharton School of Business. She has also received her ICD.D certification from the Institute of Corporate Directors.

Michael G. Sifton, Independent Director

- Michael Sifton joined **DCM's** BoD in 2015.
- Mr. Sifton served as CEO of **DCM** from April 2015 to June 2018 and is currently a Managing Partner of **Beringer Capital**.
- He also served as President and CEO of companies such as **Sun Media, Osprey (NYSE:SFTW)**, and the family-owned **Armada Communications**.
- Mr. Sifton holds a Bachelor of Commerce (Honours) degree from Queen's University.

Appendix G: Recent Key News Releases

DCM is Positioned to Grow its Retail Services Volumes while Accelerating Clients' Adoption of Tech-enabled Services

July 29, 2021

- **DCM** reported that it has been working collaboratively with its clients to deliver solutions to address the rapidly changing industry due to COVID-19.
- **DCM's** communications and technology-enabled workflow solutions are used by many of Canada's leading retail organizations, including name-brand retailers in the grocery, pharmacy, telecommunications, and department store categories.

DCM's Tech-enabled Solutions are Helping Canada's Largest Financial Institutions Drive Productivity Improvements

June 7, 2021

- **DCM's** financial services business comprises approximately 24% of its total revenue, with clients including the top five Schedule I Canadian banks.
- **DCM's** proprietary enterprise content and workflow digital management platform, DCM Flex, helps its financial services clients respond to rapidly changing consumer communication behaviours.

DCM is Helping Healthcare Providers Adapt to a Rapidly Changing Market; Proprietary Marketing and Operational Workflow Platform Improves Patient Journey

May 20, 2021

- The healthcare sector represented approximately 11% of the Company's \$260 million in total revenue in 2020. **DCM** has more than 50 years of expertise serving the healthcare industry.
- **DCM** manages more than 20,000 Stock Keeping Units (SKUs) within its healthcare portfolio, with applications ranging from clinical and operational support services, patient-facing communications, and laboratory and patient identification systems. The DCM Flex platform delivers critical clinical-compliant, on-demand, communications and patient-facing collateral, DAM, and logistics services.

DCM Announces First Quarter Financial Results for 2021 Gross Margin Reaches 30.1%

May 11, 2021

- **DCM** announced Q1/2021 financial results with quarterly Revenue of \$62.4 million compared with \$77.4 million in the first quarter of 2020, with declines attributed to COVID-19. Gross Profit was \$18.8 million and Gross Margin increased to 30.1% from 28.0% recorded in the same period a year ago.
- EBITDA Margin increased to 14.9% from 13.5% recorded in Q1/2020. Despite the impact of COVID-19, the Company benefited from cost-saving initiatives implemented in 2020 as well as a decrease in SG&A expenses.

DCM is Well-Positioned to Capitalize on Consolidation of the Canadian Cannabis Sector The Company Sees Growth Opportunities in the US Market

May 4, 2021

- **DCM** provides label, packaging, and marketing workflows to the Canadian cannabis market. The Company counts more than 25 of the leading Canadian Licensed Producers (LPs) as clients. Roughly 5% of **DCM's** \$260 million in total revenue in 2020 comes from the cannabis market.
- The Company helps clients maintain brand and regulatory compliance and its innovative digital platform supports leading producers in the Canadian market. **DCM** aims to further increase its market penetration as well as explore growth opportunities in the U.S. market as legislation continues to evolve.

DCM Announces 2020 and Fourth Quarter 2020 Results**March 18, 2021**

- **DCM** announced F2020 financial results with EBITDA at \$41.5 million representing an increase of 106.8% compared to \$20.1 million in 2019. The Company stated that this is due to cost-saving initiatives and the strong revenue shown in Q1/2020.
- Cost-saving measures in Q4/2020, to mitigate the impact of COVID-19 led to a decrease in SG&A to \$13.0 million from \$16.7 million in Q4/2019. The decline in SG&A also supported EBITDA improvement of 33.7% in Q4/2020 to \$7.4 million from \$5.5 million in the same period in 2019.

DCM Welcomes New President and CEO Richard Kellam**March 8, 2021**

- **DCM** is welcoming Richard Kellam as the new President and CEO. Mr. Kellam has over 15 years of experience in various leadership roles and was recently the CEO of Advantage Group International, a global consulting and business development organization. He replaces Gregory Cochrane who has been appointed Vice Chairman of **DCM**.

DCM Announces Preliminary Fourth Quarter and 2020 Results**March 3, 2021**

- **DCM** announced that Gross Profit increased by 4% to 6% reaching between \$72.2 million and \$73.3 million in 2020 with Gross Margin of 28% versus 24% in 2019. In Q4/2020, Gross Profit stayed between \$14.3 million and \$15.4 million, slightly below \$17.5 million in Q4/2019.
- Adjusted EBITDA in 2020 increased roughly 100% between \$41.1 million and \$41.7 million compared to 2019. In Q4/2019, Adjusted EBITDA improved by 25% to 35%, between \$7.0 million and \$7.6 million when compared to the fourth quarter of 2019. There was a reduction in the revolving line of credit balance to \$1.0 million as of February 2021, a substantial reduction from its peak of \$36.8 million in March 2020.

DCM Closes \$4.95 Million Capital Raise**January 6, 2020**

- The Rights offering was over-subscribed and each eligible securityholder was entitled to subscribe for one Common Share for every one Right at the subscription price of \$0.23 per Common Share. The issuance of over 21.5 million Common Shares under the Rights Offering will generate gross proceeds of approximately \$4.95 million.
- The net proceeds from the Rights Offering will be used to reduce outstanding indebtedness, by repaying the revolving credit facility and up to \$1.5 million of outstanding promissory notes.

Appendix H: Risks

DCM operates in the quickly changing technology industry, which inherently brings high levels of risk and uncertainty. **DCM** is in a very competitive landscape and primarily plans to leverage existing relationships to offer marketing and communications solutions to long-standing operations customers. Other risks include the following:

Business and Operating Risks:

- Due to the highly competitive environment in the printing industry, **DCM** has experienced and expects to have declines in certain product sales in its printed business documents compared to historical levels. The Company expects to increasingly shift its emphasis on marketing solutions and digital products with the use of its legacy print business revenues as a source of capital.
- **DCM** faces competition from alternative sources of communication and information transfer, such as electronic mail, digital and web-based forms, and other digital communication technologies. Due to technological advancements, the overall printed forms industry has shown a declining trend in the last few years. Additionally, general economic and industry cycles account for seasonal risks affecting print distributors and print manufacturers.
- **DCM's** principal strategy component is organic growth. This growth depends on the ability to successfully introduce new products and gain market acceptance for them; identify and develop new geographic markets; and establish and maintain favourable relationships with customers in new markets, among others. This growth entails successfully managing expansion and obtaining the required financing as well as adding new employees and increasing the scope of both operational and financial systems and the geographic area of operations.

Financial Risks:

- **DCM** will need to refinance its existing credit facilities or other debt obligations in the future and may require additional financing for future growth such as investments in digital innovation and potential acquisitions. Capital costs could increase and its availability could be negatively impacted by disruptions and high volatility in the capital markets. This event could have a material negative effect on its business and overall financial condition.
- **DCM** has all its Bank Credit Facility outstanding indebtedness subject to floating interest rates since March 1st, 2020. **DCM** has no control on interest rate fluctuations, and they might represent significant adverse effect on its financial performance. The Bank Credit Facility has a maximum available principal amount of \$35.0 million.

Currency Risks:

- **DCM** has grown in the U.S. with current customers who have U.S. operations. Over time, a larger portion of sales could be derived from its U.S. operations, thus raising currency concerns. If there is an appreciation of the Canadian dollar versus the U.S. dollar, its investments and earnings in the U.S. could be negatively affected, and vice versa.

Legal and Regulatory Risks:

- **DCM** can be involved in litigation matters, including lawsuits based on product liability, personal injury, breach of contract, indemnification claims, and lost profits or other consequential damage claims. The outcome of litigations is difficult to predict and raises the risk of an unfavourable impact to its business, results of operations, liquidity, and its financial condition.

Technology Risks:

- **DCM** relies on its proprietary products to maintain its reputation and competitive position. Segregation and protection of its information, including security over employee information, financial records and operational data, or Confidential Information are required. Any failure to do so could result in harm to the reputation or competitive advantage of **DCM**.
- Cyber threats might defeat **DCM's** security measures or those of its third-party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of security measures adopted by **DCM** or its third-party service providers, leading to a breach of Confidential Information.

Appendix I: eResearch Disclosure

eRESEARCH CORPORATION

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.com

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ANALYST ACCREDITATION

eResearch Analyst on this Report: Chris Thompson CFA, MBA, P.Eng.

Analyst Affirmation: I, Chris Thompson, hereby state that, at the time of issuance of this research report, I do not own common shares, share options or share warrants of DATA Communications Management Corp. (TSX:DCM).

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