

# Acquire, Integrate & Operate to Drive EBITDA



Management's Discussion and Analysis

For the three months and fiscal year ended June 30, 2021

**Dye & Durham**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "Dye & Durham", "we", "us" or "our" refer to Dye & Durham Limited together with our subsidiaries, on a consolidated basis as constituted on June 30, 2021.

This MD&A for the three months ended June 30, 2021 and 2020 and the years ended June 30, 2021 ("Fiscal 2021") and 2020 ("Fiscal 2020") should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes for the years ended June 30, 2021 and 2020 ("Financial Statements"). The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are in thousands of Canadian dollars and thousands of shares, except where otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Additional Information relating to Dye & Durham, including the Company's final long form prospectus dated July 13, 2020 (the "IPO Prospectus") and the Company's short form base shelf prospectus dated November 18, 2020 (the "Base Shelf Prospectus") together with any subsequently filed Annual Information Form (the "AIF"), can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A is dated as of August 23, 2021.

### Caution Regarding Forward-Looking Information

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risks and Uncertainties" in this MD&A and "Risk Factors" in the IPO Prospectus, the base Shelf Prospectus and the prospectus supplement hereto and, the AIF, which factors should not be considered exhaustive and should be read together with the other cautionary statements in this MD&A.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although the Company bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions readers that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this MD&A. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this MD&A, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that is made in this MD&A speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

### Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this MD&A may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS financial measures, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin" and "Basic Adjusted EBITDA per share" to provide investors with supplemental measures of its operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Specifically, the Company believes that Adjusted EBITDA, when viewed with the Company's results under IFRS and the accompanying reconciliations, provides useful information about the Company's business without regard to potential distortions. By eliminating potential differences in results of operations between periods caused by factors such as depreciation and amortization methods and restructuring, impairment and other charges, the Company believes that Adjusted EBITDA can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period.

**"EBITDA"** means net income (loss) before amortization and depreciation expenses, finance and interest costs including change in fair value of Convertible Debentures, and provision for income taxes.

**"Adjusted EBITDA"** adjusts EBITDA for stock-based compensation expense, asset impairment charges, loss on settlement of loans and borrowings, realized loss on derivatives, gains or losses from re-financing transactions, specific transaction-related expenses related to acquisitions, IPO and capital structure reorganization, and operational restructuring costs. Operational restructuring costs include the full year impact of cost synergies related to the reduction of employees for acquisitions.

**"Adjusted EBITDA Margin"** means Adjusted EBITDA divided by revenue.

**"Basic Adjusted EBITDA per share"** means Adjusted EBITDA divided by basic weighted average number of shares outstanding.

See “*Select Information and Reconciliation of Non-IFRS Measures*” for a reconciliation of each non-IFRS measure to its most directly comparable IFRS measure.

## Business Overview

Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The Company provides critical information services and workflow, which clients use to manage their process, information and regulatory requirements.

Dye & Durham’s products provide automated public record due diligence searches, associated document preparation, and electronic public record filings related to legal due diligence, corporate formation and maintenance, lien registration, litigation and real estate conveyancing.

The Company has operations in Canada, Australia, the United Kingdom (“U.K.”) and Ireland and serves a large customer base of over 50,000 legal firms, financial service institutions, and government organizations.

Over the last many years, Dye & Durham has broadened its customer base through accretive acquisitions and has built a software platform that customers use to process transactions.

Dye & Durham is focusing on executing its strategy of building the Company to a billion dollar Adjusted EBITDA business (“Build to a Billion”). Dye & Durham plans to significantly expand the value proposition of its software platform as it unites other key parts of the software ecosystem around its customers, which should open adjacent markets and expand its addressable market. To continue to grow its business and to achieve this goal, the Company has identified the following key strategic priorities:

- Acquire businesses in its ecosystem;
- Focus on necessary technology products that are required to process transactions;
- Provide a single platform that drives efficiency and improvements for customers; and
- Increase adoption with larger customer base.

On March 22, 2021, the Company’s shares were added to the S&P/TSX Composite Index. The S&P/TSX Composite Index is the primary gauge for Canadian-based, Toronto Stock Exchange listed companies. The S&P/TSX Composite Index serves the dual purpose of a benchmark and an investable index. The index is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices.

On July 17, 2020, the Company completed its initial public offering (the “IPO”) and its shares began trading on the Toronto Stock Exchange under the symbol “DND”.

Immediately prior to closing of the IPO, the Company entered into a share purchase agreement with the previous shareholders of Dye & Durham Corporation (“D&D Corp”), pursuant to which the Company acquired all of the issued and outstanding shares of D&D Corp in consideration for the issuance of 24.3 million common shares of the Company (the “Shares”). In addition, all existing stock options of D&D Corp were exchanged for stock options of the Company with the same terms and conditions. As the Company is a newly formed entity and the existing shareholders maintained common control over the Company and D&D Corp immediately prior to the closing of the IPO, this transaction has been accounted for as a reorganization using the continuity of interest method. Financial information for the pre-acquisition period, including the comparative period is presented based on the historical financial information and accounting policies of D&D Corp.



## Consolidated Highlights

### **Financial highlights**

- Adjusted EBITDA for the three months ended June 30, 2021 was \$49.1 million, an increase of \$40.3 million or 459% compared to the three months ended June 30, 2020. For Fiscal 2021 and Fiscal 2020, Adjusted EBITDA was \$116.4 and \$36.7 million, respectively, an increase of \$79.7 million or 217%.<sup>1</sup>
- Revenue for the three months ended June 30, 2021 was \$84.4 million, an increase of \$70.2 million or 494% compared to the three months ended June 30, 2020. For Fiscal 2021 and Fiscal 2020, revenue was \$208.9 and \$65.5 million, respectively, an increase of \$143.4 million or 219%.
- Net income was \$6.3 million and (\$40.8) million for the three months ended June 30, 2021 and Fiscal 2021, respectively, an increase from (\$3.8) million and a decrease from (\$11.2) million, respectively, compared to the equivalent periods in the prior year. The increase for the three months ended June 30, 2021 is primarily due to an increase in revenue and lower finance cost which is partially offset by an increase in non-cash stock-based compensation expense and depreciation and amortization. The decrease for Fiscal 2021 is primarily due to expenses incurred related to financings (including listing costs), costs related to acquisitions and non-cash stock-based compensation expense which is partially offset by an increase in revenue.

### **Significant Acquisitions**

- On July 7, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Limited (“TM Group”) for total cash consideration of approximately \$155.0 million. TM Group is a leading provider of technology-enabled real estate due diligence solutions used by law firms and conveyancers to complete both residential and commercial real estate transactions across England, Wales and Scotland.
- On July 1, 2021, the Company completed the acquisition of GlobalX Information Pty Ltd (“GlobalX”) for total consideration of approximately \$159.0 million. The acquisition of GlobalX further grows Dye & Durham’s platform in Australia, delivering value to Australian legal, property and business professionals.
- On May 17, 2021, the Company acquired Future Climate Info Limited and certain assets from CLS Property Insights Limited (together “FCI”) for approximately \$95.2 million. Through its cloud-based technology, FCI provides access to critical intelligence needed in assessing environmental risk in property transactions by analyzing proprietary data. This acquisition enhances Dye & Durham’s offerings to its U.K. based clients, providing seamless integration with a product that is already accessed through the Company’s workflow platform today and used on most real estate transactions in the U.K.
- On May 12, 2021, the Company acquired all issued and outstanding shares of Terrafirma IDC Ltd. (“Terrafirma”) for approximately \$20.0 million. Terrafirma’s proprietary workflow software and data insights have been critical at transforming how decisions are made in U.K. property transactions. This acquisition is a natural extension of the Company’s workflow platform and provides its legal and conveyancing client base with seamless access to these valuable insights.

<sup>1</sup> Adjusted EBITDA is not a recognized measure under IFRS. See “Cautionary Note Regarding Non-IFRS Measures” and “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of Net Income to Adjusted EBITDA.



- On January 8, 2021, the Company completed the acquisition of SAI Global's Property Division in Australia for total cash consideration of \$89.0 million. This acquisition provided Dye & Durham with a significant footprint in the Australian market and a platform on which to build a larger Australian business through future acquisitions.
- On December 10, 2020, the Company completed the acquisition of DoProcess LP ("DoProcess") for total consideration of \$541.7 million, including the issuance of approximately 0.9 million Shares to an affiliate of OMERS Infrastructure with a fair value of \$33.0 million. DoProcess is the number one provider of real estate practice management software in Canada, managing over 1.4 million transactions annually.
- On September 23, 2020, the Company acquired R-Squared Bidco Limited and certain related assets (collectively, "PIE") for total consideration of \$59.2 million. PIE is a leading U.K. cloud-based real estate due diligence platform.
- In 2021, the Company completed other acquisitions in the U.K. and Ireland for total consideration of \$38.1 million.

### **Financing**

- On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility (as defined herein) to \$700.0 million comprising (i) a \$455.0 million revolving loan facility (the "Revolving Credit Facility") and (ii) a \$245.0 million term loan facility (the "Amended Term A Credit Facility"). The Term B Credit Facility (as defined herein) of \$125.0 million was fully repaid in March 2021 and as at June 30, 2021, the Company had nil balance drawn under the Revolving Credit Facility and \$241.9 million under the Amended Term A Credit Facility.
- On February 23, 2021, the Company issued approximately 3.96 million Shares on a bought deal private placement basis, at a price of \$50.50 per Share for aggregate gross proceeds of \$200.0 million. In addition, the Company issued \$345,000 aggregate principal amount of 3.75% convertible senior unsecured debentures (the "Convertible Debentures"), at a price of \$1 thousand per Convertible Debenture for aggregate gross proceeds of \$345.0 million.
- On December 16, 2020, the Company issued approximately 6.5 million Shares on a bought deal private placement basis, at a price of \$34.65 per Share for aggregate gross proceeds of \$225.0 million.
- On December 10, 2020, the Company amended the FY 2021 Credit Facility and replaced it with the Company's current credit facility (the "FY2021 Amended Credit Facility"). The aggregate amount committed under the FY2021 Amended Credit Facility is \$570.0 million comprising of (a) a \$140.0 million revolving credit facility and (b) a \$430.0 million term loan facility.
- On November 25, 2020, the Company issued approximately 9.9 million Shares on a bought deal basis, at a price of \$20.35 per Share for aggregate gross proceeds of \$201.3 million.
- On September 30, 2020, the Company issued approximately 2.4 million Shares on a bought deal private placement basis, at a price of \$21.0 per Share for aggregate gross proceeds of \$50.0 million.
- On July 17, 2020, the Company closed its IPO, pursuant to which it raised total gross proceeds of \$150.0 million and issued 20.0 million Shares at a price of \$7.50 per Share.



## Factors Affecting the Company's Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the “Risk Factors” section of the IPO Prospectus, the Base Shelf Prospectus and the prospectus supplement hereto, and the AIF.

### Ability to integrate acquired companies

The Company has successfully acquired and integrated numerous companies over the last seven years. The Company is of the view that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

### Seasonality

A portion of the Company's revenue, derived from the real estate conveyancing product line, has experienced and is expected to continue experiencing moderate seasonality due to seasonal patterns in the real estate market from fluctuations in real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate revenue relative to other quarters.

### Foreign currency

The Company's functional and presentation currency is Canadian dollars. The functional currency for our subsidiaries is the local currency of the country in which the foreign operation is located. Our results of operations are converted into our functional currency using the average foreign exchange rates for each period presented. As a result, our results of operations may be adversely impacted by an increase in the value of the Canadian dollar relative to the Pound Sterling, Euro or Australian dollar.

### Economic Activity

General economic conditions may affect our results of operations and financial condition. Demand for our products depends in large part upon the level of capital and operating expenditures by many of our customers and their clients. Decreased capital and operational spending could have a material adverse effect on the demand for our products and our business, results of operations, cash flow and overall financial condition. Decreased capital and operational spending or disruptions in the financial markets could be caused by the outbreak of a contagious illness, such as the recent outbreak of COVID-19. Any of these conditions may reduce the ability of our customers, prospective customers, and their clients to commit funds to purchase our products and services, or their ability to pay for our products and services after purchase.

### Natural disasters

Natural disasters, such as earthquakes, hurricanes, tornadoes, floods, and other adverse weather and climate conditions; unforeseen public health crises such as the recent global outbreak of COVID-19 and other pandemics and epidemics; political crises, such as terrorist attacks, war, and other political instability; or other catastrophic events could disrupt our operations, or the operations of our customers or their clients. To the extent any of these events occur, our business and results of operations could be adversely affected.

## Select Information and Reconciliation of Non-IFRS Measures

The following table summarizes the Company's recent results of operations for the periods indicated below. This information should be read together with the Financial Statements. See also "Cautionary Note Regarding Non-IFRS Measures".

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Income for the period</b>	<b>6,309</b>	(3,763)	<b>(40,849)</b>	(11,237)
Amortization and depreciation	<b>19,347</b>	3,835	<b>49,411</b>	14,955
Finance costs	<b>5,563</b>	5,091	<b>45,627</b>	20,882
Income tax expense (recovery)	<b>5,461</b>	601	<b>(1,254)</b>	(2,866)
<b>EBITDA<sup>(1)</sup></b>	<b>36,680</b>	5,764	<b>52,935</b>	21,734
Stock-based compensation <sup>(2)</sup>	<b>3,352</b>	96	<b>26,008</b>	329
Loss on settlement of loans and borrowings <sup>(3)</sup>	—	—	<b>5,407</b>	1,944
Realized loss on derivatives <sup>(4)</sup>	—	—	<b>6,265</b>	2,123
Acquisition, restructuring and other costs <sup>(5)</sup>	<b>9,111</b>	2,264	<b>25,657</b>	8,720
Salaries synergies realized <sup>(6)</sup>	—	444	<b>84</b>	1,608
Non-recurring expense items <sup>(7)</sup>	—	227	—	227
<b>Adjusted EBITDA<sup>1</sup></b>	<b>49,143</b>	8,795	<b>116,356</b>	36,685

### Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".
- (2) Stock-based compensation represents non-cash expenditures recognized in connection with stock options issued to employees and directors.
- (3) Loss on settlement of loans and borrowings represents loss recognized on extinguishment of debt on re-financings in September 2020 and July 2019.
- (4) Realized loss on derivatives represents the realized loss on the Company's interest rate swaps on re-financings in September 2020 and July 2019.
- (5) Acquisition, restructuring and other costs relates to costs incurred in connection with acquisitions, IPO listing and reorganization of the Company's capital structure.
- (6) Salaries synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees in relation to acquisitions.
- (7) "Non-recurring expense" items are transactions or events which management believes will not re-occur within the foreseeable future.





## Consolidated Results of Operations

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Revenue</b>	<b>84,395</b>	14,197	<b>208,945</b>	65,510
<b>Expenses</b>				
Direct costs	(12,100)	(1,418)	(27,921)	(6,828)
Technology and operations	(16,547)	(2,592)	(41,311)	(15,547)
General and administrative	(3,641)	(1,572)	(16,953)	(6,031)
Sales and marketing	(2,964)	(491)	(6,488)	(2,254)
Stock-based compensation	(3,352)	(96)	(26,008)	(329)
<b>Income before the following</b>	<b>45,791</b>	8,028	<b>90,264</b>	34,521
Finance costs	(5,563)	(5,091)	(57,299)	(24,949)
Amortization and depreciation	(19,347)	(3,835)	(49,411)	(14,955)
Acquisition, restructuring and other costs	(9,111)	(2,264)	(25,657)	(8,720)
<b>Income before taxes</b>	<b>11,770</b>	(3,162)	<b>(42,103)</b>	(14,103)
Income tax (expense) recovery	(5,461)	(601)	1,254	2,866
<b>Net income</b>	<b>6,309</b>	(3,763)	<b>(40,849)</b>	(11,237)
<b>Net earnings per common share</b>	<b>0.09</b>	(0.18)	<b>(0.72)</b>	(0.55)
<b>Weighted average number of shares outstanding</b>				
Basic and diluted	<b>68,450</b>	20,493	<b>56,423</b>	20,493

## Discussion of Operations

Factors that caused period-over-period variations in the results set out above include:

### Revenue

Revenue for the three months ended June 30, 2021 was \$84.4 million, an increase of \$70.2 million or 494% compared to the three months ended June 30, 2020. Revenue for Fiscal 2021 was \$208.9 million, an increase of \$143.4 million or 219% from Fiscal 2020. In both periods, the significant revenue increase was primarily attributable to: (a) an increase in transactions during the period in connection with the economic recovery following the relaxation of restrictions related to COVID-19, (b) increased revenue related to recent acquisitions that closed in the previous twelve months, and (c) realization of synergies from price adjustments.

### Expenses

For the three months ended June 30, 2021 and 2020 and Fiscal 2021 and 2020, total expenses were:

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Expenses</b>				
Direct costs	(12,100)	(1,418)	(27,921)	(6,828)
Technology and operations	(16,547)	(2,592)	(41,311)	(15,547)
General and administrative	(3,641)	(1,572)	(16,953)	(6,031)
Sales and marketing	(2,964)	(491)	(6,488)	(2,254)
Stock-based compensation	(3,352)	(96)	(26,008)	(329)
Finance costs	(5,563)	(5,091)	(57,299)	(24,949)
Amortization and depreciation	(19,347)	(3,835)	(49,411)	(14,955)
Acquisition, restructuring and other costs	(9,111)	(2,264)	(25,657)	(8,720)
<b>Total</b>	<b>(72,625)</b>	<b>(17,359)</b>	<b>(251,048)</b>	<b>(79,613)</b>

The changes in expense accounts were primarily due to a combination of the following:

- Direct costs increased from \$1.4 million to \$12.1 million or 753% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$21.1 million to \$27.9 million or 309% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase in direct costs was closely related to the increase in revenue.
- Technology and operations expenses increased from \$2.6 million to \$16.5 million or 538% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$25.8 million to \$41.3 million or 166% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to additional expenses from acquisitions completed in the previous twelve months, partially offset by synergies realized.
- General and administrative expenses increased from \$1.6 million to \$3.6 million or 132% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$10.9 million to \$17.0 million or 181% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily attributable to the impact of acquisitions completed in the previous twelve months, along with higher salaries and benefits resulting from an increase in personnel required to support the Company's growing operations and higher professional fees as a public company.

- Sales and marketing expenses increased from \$0.5 million to \$3.0 million or 504% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$4.2 million to \$6.5 million or 188% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to additional expenses from acquisitions completed in the previous twelve months along with global branding costs.
- Stock-based compensation expense for the three months ended June 30, 2021 and Fiscal 2021 were \$3.4 million and \$26.0 million, respectively, an increase of \$3.3 million and \$25.7 million compared to the equivalent periods in the prior year. During Fiscal, 2021, the Company granted 4.2 million service-based stock options and 2.5 million market performance-based stock options to employees and directors of the Company. Service-based stock options typically vest over a four-year period in equal tranches annually with certain options vesting immediately on the date of grant. Performance-based stock options vest based on the Company achieving and maintaining certain share price targets. Due to the increase in the Company's share price during Fiscal 2021, all market performance-based stock options fully vested. IFRS 2 – *Share-based payments* requires acceleration of stock-based compensation for market performance-based stock options in the period the options are vested, resulting in the total value of the market performance-based stock options being expensed in December 2020.
- Finance costs for the three months ended June 30, 2021 and Fiscal 2021 were \$5.6 million and \$57.3 million, respectively, an increase of \$0.5 million and \$32.4 million compared to the equivalent periods in the prior year. The increase of \$0.5 million for the three months ended June 30, 2021 was primarily due to loss on change in fair value of convertible debentures and derivative liability. The increase of \$32.4 million for Fiscal 2021 was primarily due to the one-time Convertible Debenture issuance costs of \$11.1 million, loss on change in fair value of Convertible Debentures of \$6.7 million, change in fair value of contingent consideration of \$1.1 million, and higher credit facility borrowings throughout the period, partially offset by lower interest rates. During Fiscal 2021, the increase was also attributable to the re-financing completed in September 2020 as part of the Company's transition of its capitalization structure from a private company structure to that of a public company.
- Amortization and depreciation increased from \$3.8 million to \$19.3 million or 404% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$34.5 million to \$49.4 million or 230% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to the amortization of intangible assets from the acquisitions completed in the previous twelve months and depreciation of right-of-use assets from additional property leases acquired through acquisitions.
- Acquisition, restructuring and other costs increased from \$2.3 million to \$9.1 million or 302% for the three months ended June 30, 2021 compared to the equivalent period in the prior year and by \$16.9 million to \$25.7 million or 194% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase was primarily due to acquisition and integration costs related to acquisitions that closed during the period and the significant one-time costs incurred in connection with the listing of Shares.

## Net income

Net income increased by \$10.1 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The increase in net income for the three-month period is primarily due to the recent acquisitions that closed in the previous twelve months and price adjustments synergies which was partially offset by higher amortization of intangible assets, acquisition related expenses from acquisitions completed during the period and higher income tax expenses. Net income decreased by \$29.6 million for Fiscal 2021 compared to Fiscal 2020. The decrease in net income for Fiscal 2021 is primarily due to increased stock-based compensation expense by \$25.7 million, Convertible Debenture issuance costs of \$11.1 million, loss on change in fair value of Convertible Debentures of \$6.7 million, loss on settlement of loans and borrowings and realized loss on derivatives from re-financing of \$11.7 million and higher amortization of intangible assets and higher acquisition related expenses from acquisitions completed during the year, which was partially offset by increased revenue related to recent acquisitions that closed in the previous twelve months and price adjustments synergies.

## Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three months ended June 30, 2021 increased from \$8.8 million to \$49.1 million or 459% compared to the equivalent period in the prior year and by \$79.7 million to \$116.4 million or 217% for Fiscal 2021 compared to Fiscal 2020. In both periods, the increase in Adjusted EBITDA was primarily due to increased revenue from higher transaction volume, price adjustments during the period and acquisitions completed in the previous twelve months, along with synergies realized as a result of such acquisitions. Adjusted EBITDA Margin for the three months ended June 30, 2021 was 58% and for Fiscal 2021 was 56%, which is within the expected range of 50% - 60%.

Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Measures” and “Select Information and Reconciliation of Non-IFRS Measures” for a reconciliation of Net Income to Adjusted EBITDA.

## Selected Annual Information

	Fiscal 2021	Fiscal 2020	Fiscal 2019
(In thousands of Canadian dollars, except per share data)	\$	\$	\$
<b>Revenue</b> .....	208,945	65,510	43,845
<b>Net income</b> .....	(40,849)	(11,237)	710
<b>EBITDA<sup>(1)</sup></b> .....	52,935	21,734	18,856
<b>Adjusted EBITDA<sup>(1)</sup></b> .....	116,356	36,685	26,416
<b>Adjusted EBITDA Margin<sup>(1)</sup> (% of revenue)</b> .....	56%	56%	60%
<b>Basic and diluted EPS</b> .....	(0.72)	(0.55)	0.03
<b>Basic Adjusted EBITDA per share<sup>(1)</sup></b> .....	2.06	1.79	1.29
<b>Total assets</b> .....	1,558,366	166,961	161,666
<b>Total non-current liabilities</b> .....	700,829	204,237	142,434
<b>Total liabilities</b> .....	807,449	235,831	167,716

Note:

- (1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See “Cautionary Note Regarding Non-IFRS Financial Measures”.



## Revenue

Revenue for the fiscal years ended June 30, 2021, 2020 and 2019 was \$208.9 million, \$65.5 million and \$43.8 million, respectively. In each of the fiscal years, the significant increase in revenue was primarily attributable to: (a) revenue from acquisitions, (b) the compounded effect of upsells from businesses acquired, and (c) price adjustment synergies realized.

## Net Income

For the fiscal years ended June 30, 2021, 2020 and 2019, net (loss) income was (\$40.8) million, (\$11.2) million and \$0.7 million, respectively. Net loss in Fiscal 2021 was primarily due to: (a) non-cash stock-based compensation expense, (b) one-time convertible debenture issuance cost, (c) higher finance costs from re-financing and (d) higher amortization and depreciation expense from intangibles recognized from acquisitions.

## Total Assets

Total assets increased by \$1,391.4 million from Fiscal 2020 to Fiscal 2021 primarily due to the acquisitions completed in Fiscal 2021 with proceeds from equity and debt financings during the year.

## Total Non-Current Liabilities

Total non-current liabilities increased by \$496.6 million from Fiscal 2020 to Fiscal 2021 primarily due to the issuance of Convertible Debentures and additional loans and borrowings.

## Total Liabilities

Total liabilities increased by \$571.6 million from Fiscal 2020 to Fiscal 2021 primarily due to the issuance of Convertible Debenture and additional loans and borrowings, along with liabilities acquired from acquisitions.

## Summary of Quarterly Results

The following table sets out select unaudited quarterly results for the past eight quarters, prepared in accordance with IFRS. The Company's real estate conveyancing business product line experiences moderate seasonality. Typically, the Company's fourth quarter generates higher revenue than other quarters. The Company's business law solutions product line does not experience seasonality. Quarterly fluctuations in the results set out in the table below are attributed to transaction expenses among other factors.

### Quarterly Results

(In thousands of Canadian dollars, except per share data)	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	\$	\$	\$	\$
<b>Revenue</b> .....	84,395	68,926	33,723	21,901
<b>Net income</b> .....	6,309	(10,642)	(21,524)	(14,992)
<b>EBITDA<sup>(1)</sup></b> .....	36,680	29,599	(9,029)	(4,315)
<b>Adjusted EBITDA<sup>(1)</sup></b> .....	49,143	37,604	17,080	12,529
<b>Adjusted EBITDA Margin<sup>(1)</sup> (% of revenue)</b> .....	58%	55%	51%	57%
<b>Basic and diluted EPS</b> .....	0.09	(0.16)	(0.41)	(0.38)
<b>Basic Adjusted EBITDA per share<sup>(1)</sup></b> .....	0.72	0.57	0.33	0.32

Note:

(1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".

## Quarterly Results

(In thousands of Canadian dollars, except per share data)	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	\$	\$	\$	\$
<b>Revenue</b> .....	14,197	17,220	17,164	16,929
<b>Net income</b> .....	(3,763)	(1,270)	(1,540)	(4,664)
<b>EBITDA<sup>(1)</sup></b> .....	5,764	6,883	6,352	2,735
<b>Adjusted EBITDA<sup>(1)</sup></b> .....	8,795	10,255	8,720	8,915
<b>Adjusted EBITDA Margin<sup>(1)</sup> (% of revenue)</b> .....	62%	60%	51%	53%
<b>Basic and diluted EPS</b> .....	(0.18)	(0.06)	(0.08)	(0.23)
<b>Basic Adjusted EBITDA per share<sup>(1)</sup></b> .....	0.43	0.50	0.43	0.44

Note:

- (1) EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Basic Adjusted EBITDA per share are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".

## Revenue

Our total quarterly revenue increased sequentially for all periods presented, except for Q4 2020, primarily due to COVID-19. We cannot assure you that this pattern of sequential growth in revenue will continue.

## Expenses

Total operating expenses generally increased sequentially for each period presented to support the increase in revenue. The quarter-over-quarter variance in total expenses is primarily due to higher amortization expense from intangible assets acquired, the expenses incurred for acquisitions, restructuring and Share listing costs and costs related to the issuance of Convertible Debentures, which are expensed as incurred, along with additional finance costs in the periods of re-financing. In addition, there was a significant increase in expenses in Q2 2021 due to recognition of \$20.3 million stock-based compensation expense primarily related to market performance-based stock options. Total expenses will continue to fluctuate based on the timing of acquisitions and financing-related activities.

## Financial Condition

(In thousands of Canadian dollars)

As at	June 30, 2021	June 30, 2020
	\$	\$
<b>Cash and cash equivalents</b>	<b>429,335</b>	2,569
<b>Total assets</b>	<b>1,558,366</b>	166,961
<b>Total liabilities</b>	<b>807,449</b>	235,831

Cash and cash equivalents significantly increased from June 30, 2020 to June 30, 2021 as a result of net proceeds received from the IPO and additional equity financings including the issuance of Convertible Debentures and cash generated from operations during Fiscal 2021, partially offset by cash invested for acquisitions.

Total assets increased from June 30, 2020 to June 30, 2021 primarily as a result of assets acquired from acquisitions closed during Fiscal 2021 and net proceeds from the IPO, additional equity financings including the issuance of Convertible Debentures, partially offset by depreciation and amortization during the period.





Total liabilities increased from June 30, 2020 to June 30, 2021 primarily as a result of the issuance of Convertible Debentures, the FY2021 Amended Credit Facility, liabilities acquired from acquisitions and contingent consideration on acquisitions, partially offset by the paydown of the FY2020 Credit Facility and FY2021 Credit Facility.

## Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, the stock option component of its shareholders' equity as well as its borrowings. The Company intends to rely on positive cash flows from operations and, if required, additional financings to achieve its growth strategies.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments as at June 30, 2021:

(In thousands of Canadian dollars)	Year 1	Year 2	Year 3	Year 4	Year 5 and over	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	59,931	—	—	—	—	59,931
Convertible debentures <sup>(1)</sup>	13,141	12,938	12,973	12,938	357,938	409,928
Contingent consideration on acquisitions	18,057	5,942	2,170	—	—	26,169
Customer advances	10,249	—	—	—	—	10,249
Lease liabilities <sup>(1)</sup>	3,302	2,491	2,007	1,726	2,944	12,470
Loans and borrowings <sup>(1)</sup>	19,888	21,206	25,542	199,284	—	265,920
Derivative financial liability	2,065	2,065	2,059	2,076	492	8,757
	<b>126,633</b>	<b>44,642</b>	<b>44,751</b>	<b>216,024</b>	<b>361,374</b>	<b>793,424</b>

Note:

(1) Includes undiscounted principal and interest.

## Cash Flows

The primary source of cash flow is cash flows from operations. The Company's approach to liquidity is to always have sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net cash provided by operating activities	37,571	10,931	79,354	33,206
Net cash (used in) provided by financing activities	(5,866)	(8,079)	1,138,806	(22,979)
Net cash used in investing activities	(140,518)	(5,483)	(790,672)	(11,168)
Change in cash during the period	(108,813)	(2,631)	427,488	(941)
Cash and cash equivalents, beginning of year	538,697	5,190	2,569	3,506
Effect of foreign exchange on cash	(549)	10	(722)	4
<b>Cash and cash equivalents, end of year</b>	<b>429,335</b>	<b>2,569</b>	<b>429,335</b>	<b>2,569</b>

Cash flows provided by operating activities was \$37.6 million and \$79.4 million for the three months ended June 30, 2021 and Fiscal 2021, respectively, compared to \$10.9 million and \$33.2 million for the three months ended June 30, 2020 and Fiscal 2020, respectively. The increase in cash flows from operating activities was primarily due to an increase in net income less items not affecting cash by \$34.2 million for the three months ended June 30, 2021 and \$64.6 million for Fiscal 2021, partially offset by decrease in non-cash working capital balances of \$7.6 million and \$18.4 million during the three months ended June 30, 2021 and Fiscal 2021 compared to three months ended June 30, 2020 and Fiscal 2020.

Net cash used in financing activities for the three months ended June 30, 2021 was \$5.9 million which was mainly due to interest and dividend payments made. Net cash provided by financing activities for Fiscal 2021 was \$1,138.8 million primarily due to \$786.7 million aggregate net cash proceeds from the IPO and equity financings during the year, \$333.9 million net cash proceeds from the issuance of Convertible Debentures and \$39.9 million proceeds from loans and borrowings net of repayments. In comparison, net cash used in financing activities was \$8.1 million and \$23.0 million for the three months ended June 30, 2020 and Fiscal 2020, respectively. Net cash used in financing activities for the three months ended June 30, 2020 was primarily interest payments made and net cash used in financing activities for Fiscal 2020 was primarily comprised of \$49.2 million proceeds from loans and borrowings net of repayments, \$1.5 million of payments for lease obligations, \$7.9 million return of capital, \$19.8 million of interest paid and \$42.1 million dividends paid.

Net cash flow used in investing activities for the three months ended June 30, 2021 and Fiscal 2021 was \$140.5 million and \$790.7 million, respectively, compared to \$5.5 million and \$11.2 million for the three months ended June 30, 2020 and Fiscal 2020. The increase in cash outflows from investing activities of \$138.8 million for the three months ended June 30, 2021 and \$782.5 million for Fiscal 2021 was primarily due to consideration paid for acquisitions completed during the period and payment of holdbacks and contingent consideration on acquisitions.

### Capital Expenditures

Dye & Durham's capital expenditures comprised of additions to intangible assets and purchase of property and equipment for Fiscal 2021 were \$9.5 million compared to \$3.0 million for Fiscal 2020. The increase in capital expenditures is primarily from capitalization of internal labour and contractor costs from development of customer platforms.

### Credit Facilities

#### ***FY2020 Credit Facility***

On July 11, 2019, the Company settled its then-existing credit facility and replaced it with a new credit facility (the "FY2020 Credit Facility"). The aggregate amount committed under the FY2020 Credit Facility was \$200.0 million comprising: (a) a \$10.0 million revolving loan facility, and (b) a \$190.0 million term loan facility (the "Term Loan Commitment").

The Company received total gross cash proceeds of \$190.0 million under the Term Loan Commitment. The Term Loan Commitment bore an interest rate of the lower of: (a) Banker's Acceptance ("BA") rate + 6.5%, and (b) the prime rate of interest + 5.5% payable quarterly or monthly. Principal repayments of \$1.7 million were due on a quarterly basis on the Term Loan Commitment. The FY2020 Credit Facility had a maturity date of July 11, 2024. The FY2020 Credit Facility was repaid in full on September 25, 2020.

#### ***FY2021 Credit Facility***

On September 25, 2020, the Company settled the FY2020 Credit Facility and replaced it with a new credit facility (the "FY2021 Credit Facility"). The aggregate amount committed under the FY2021 Credit Facility was \$140.0 million. The FY2021 Credit Facility also included an additional uncommitted accordion of up to \$25.0 million, for an aggregate total availability of up to \$165.0 million.



The Company received total gross cash proceeds of \$131.7 million under the FY2021 Credit Facility. The FY2021 Credit Facility bore an interest rate based on a grid system at the lower of: (i) BA rate and (ii) the prime rate of interest payable quarterly or monthly at the option of the Company. Interest payments were due on a monthly or quarterly basis at the option of the Company. The FY2021 Credit Facility had a maturity date of September 25, 2022. On September 30, 2020, the Company completed an equity financing and repaid \$45.0 million of the FY2021 Credit Facility from the cash proceeds received.

On December 10, 2020, the balance outstanding under the FY2021 Credit facility of \$36.5 million was rolled over into the FY2021 Amended Credit Facility.

### ***FY2021 Amended Credit Facility***

On December 10, 2020, the Company amended the FY2021 Credit Facility and replaced it with the FY2021 Amended Credit Facility. The aggregate amount committed under the FY2021 Amended Credit Facility was \$570.0 million comprising of: (a) a \$140.0 million revolving loan facility, (b) a \$305.0 million term loan facility (the “Term A Credit Facility”), and (c) a \$125.0 million term loan facility (the “Term B Credit Facility”).

The Company received total gross cash proceeds of \$375.7 million under the FY2021 Amended Credit Facility. The FY2021 Amended Credit Facility bears an interest rate based on a grid system at the lower of: (a) BA rate and (b) the prime rate of interest payable monthly. The Term A Credit Facility matures on September 25, 2024, with fixed quarterly principal repayments of \$3.8 million in the years 2021 and 2022 and \$5.7 million thereafter until maturity. The Term B Credit Facility matures on July 31, 2022.

On March 22, 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700.0 million comprising of (i) a \$455.0 million Revolving Credit Facility and (ii) a \$245.0 million Amended Term A Credit Facility. The Term B Credit Facility was fully repaid in March 2021. As at June 30, 2021, the Company has nil balance drawn under the Revolving Credit Facility and \$241,937 under the Amended Term A Credit Facility.

The FY2021 Amended Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of general security agreement. The FY2021 Amended Credit Facility contains financial covenants based on a Total Net Leverage Ratio, defined as the ratio of total net debt to Adjusted EBITDA, and interest coverage, defined as the ratio of Adjusted EBITDA to interest expense. As at June 30, 2021, the Company was in compliance with its covenants.

The balance outstanding under the FY2021 Amended Credit Facility as at June 30, 2021 is as follows:

(In thousands of Canadian dollars)

	\$
<b>Principal balance outstanding, December 10, 2020</b>	<b>412,194</b>
Less	
Issuance costs	(8,891)
Interest and accretion expense	9,375
Interest paid	(7,402)
Principal repayments	(170,257)
<b>Balance, June 30, 2021</b>	<b>235,019</b>
Current	12,879
Non-current	222,140

## Use of Proceeds

The Company's use of proceeds from the IPO and the offerings completed under the Base Shelf Prospectus has not changed from the disclosure set forth in the "Use of Proceeds" section in the respective documents to the date of this MD&A.

## Off-Balance Sheet Arrangements

We have not entered into off-balance sheet financing arrangements. Except for short term leases and leases of low-value assets not recognized as right of use assets under IFRS 16 – Leases, all of our liabilities and commitments are reflected in our statement of financial position. From time to time, we may be contingently liable with respect to litigation and claims that arise in the normal course of operations.

## Related Party Transactions

The Company defines key management personnel as being the Company's Board of Directors, Chief Executive Officer and the executive leadership team. The remuneration of key management personnel during the years ended June 30, 2021 and 2020 was as follows:

(In thousands of Canadian dollars)	Three months ended June 30,		Fiscal years ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	568	183	2,674	1,327
Stock options	2,325	58	20,347	232
<b>Total</b>	<b>2,893</b>	<b>241</b>	<b>23,021</b>	<b>1,559</b>

On May 13, 2021, the Company granted 600 stock options to the board of directors of the Company at an exercise price of \$40.84 per share, with vesting over a three-year period in equal tranches annually, subject to ratification in the next annual shareholder meeting. In case of non-ratification, the stock options will be converted into restricted stock units.

## Financial Instruments and Other Instruments

On September 25, 2020, in connection with the FY2021 Credit Facility, the Company exchanged its existing \$150.0 million fixed interest rate swap for a new \$70.0 million interest rate swap with a fixed payment of 2.95% per annum (the "Amended Interest Rate Swap"). The Amended Interest Rate Swap has a five-year term ending September 25, 2025. The Company has designated the Amended Interest Rate Swap as a cash flow hedge for future variable interest payments. Any subsequent changes in fair value is recorded in other comprehensive income for the effective portion of the hedge and the ineffective portion is recognized directly through profit or loss as finance costs. The fair value of the derivative liability as at June 30, 2021 was \$4.2 million.

In February 2021, the Company issued \$345.0 million of Convertible Debentures bearing interest at a rate of 3.75% per annum payable semi-annually. The Convertible Debentures are convertible into Shares of the Company at a conversion price of \$73.2252 per Share. The Company determined that the Convertible Debentures did not meet the IFRS definition of equity due to the Company's ability to settle the Convertible Debentures in cash if the holders elect to exercise the conversion option in accordance with the terms of the Convertible Debentures. Changes in the fair value of Convertible Debentures is recognized through income in the period in which they occur except in cases where they result from changes in the Company's own credit risk, in which case the fair value changes are recorded in other comprehensive income. The fair value of the Convertible Debentures is classified as Level 2 in the fair value hierarchy. The fair value of the Convertible Debentures as at June 30, 2021 was \$350.0 million using a market approach based on underlying share price of \$47.63 per share, resulting in a loss on change in fair value of \$5.0 million for the year ended June 30, 2021.



## Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The Company bases its estimates on historical experience as well as on various other assumptions that are believed to be reasonable under the circumstances at the time. Under different assumptions or conditions, the actual results would differ, potentially materially, from those previously estimated. Many of the conditions impacting these assumptions and estimates are beyond the Company's control. Revisions to the accounting estimates are recognized in the period in which the estimates are revised and will be recorded with corresponding impact on net income.

Significant assumptions about the future and other sources of estimation uncertainty that management has made, relate to, but are not limited to the following:

### COVID-19

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. The COVID-19 pandemic, which first surfaced in Wuhan, China, has negatively impacted the global economy and economic outlook, disrupted global supply chains, lowered equity market valuations, lowered interest rates, created significant volatility and disruption in financial markets, increased unemployment levels and increased credit and market risk. In addition, governments and regulatory bodies have implemented several measures, including temporary closures of a number of businesses and the institution of social distancing and sheltering in place requirements in many of the jurisdictions in which we operate. Governments, monetary authorities and regulators have also taken actions to support individuals, the economy, capital markets, and the financial system, including taking fiscal and monetary measures to support incomes, businesses, liquidity, and regulatory actions in respect of financial institutions. The extent to which the COVID-19 pandemic impacts our business, results of operations, liquidity ratios, as well as its impact on our customers, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental and regulatory authorities, which could vary by country, and other third parties in response to the pandemic. The COVID-19 pandemic may also impact our ability to achieve, or the timing to achieve, certain previously announced targets, goals and objectives.

The full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the Canadian, Australian and U.K. economies is highly uncertain and difficult to predict at this time. By their very nature, the judgments and estimates we make for the purposes of preparing our financial statements relate to matters that are inherently uncertain. However, we have detailed policies and internal controls that are intended to ensure these judgments and estimates are well controlled, independently reviewed, and our policies are consistently applied from period to period. We believe that our estimates of the value of our assets and liabilities are appropriate as at June 30, 2021.

## Business Combinations

In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgement and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of contingent consideration, if applicable. In the event any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, the Company determines the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and the discount rate applied. The estimate of fair value of customer relationships includes the estimated revenue growth and attrition of acquired customer relationships. In determining the fair value of customer relationships, the Company estimates revenue growth including price adjustments based on a market participant model. A 10% change in revenue growth assumption of DoProcess LP would result in the change in value of customer relationships of approximately \$15.0 million. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.

## Goodwill and Indefinite-Lived Intangible Assets

The Company performs asset impairment assessments for indefinite-lived intangible assets and goodwill on an annual basis or on a more frequent basis when circumstances indicate impairment may have occurred.

Goodwill is allocated to a cash generating unit (“CGU”) or group of CGUs for the purposes of impairment testing based on the level at which senior management monitors it, which is not larger than an operating segment. The testing for impairment of either an intangible asset or goodwill compares the recoverable amount of the asset, CGU or group of CGUs to the carrying amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets, in which case the asset is assessed as part of the CGU or group of CGUs to which it belongs. The recoverable amount calculation uses a discounted cash flow model and is sensitive to the discount rate used as well as the expected future cash flows and the growth rate used for extrapolation purposes. Changes in certain assumptions could result in an impairment loss being charged in future periods.

## Impairment of Long-Lived Assets

Long-lived assets primarily include property and equipment and intangible assets. An impairment loss is recognized when the carrying value of the CGU, which is defined as the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups, exceeds the CGU’s recoverable amount, which is determined using a discounted cash flow method. The Company tests the recoverability of its long-lived assets when events or circumstances indicate that the carrying values may not be recoverable. While the Company believes that no impairment is required, management must make certain estimates regarding the Company’s cash flow projections that include assumptions about growth rates and other future events. Changes in certain assumptions could result in an impairment loss being charged in future period.

## Income Taxes

The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.





## Fair Value of Share-Based Compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them.

## Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, the fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## Changes to Accounting Standards

### New accounting pronouncements or policies adopted

In March 2021, the International Financial Reporting Interpretations Committee ("IFRIC") finalized an agenda decision which clarified the customer's accounting for configuration and customization in a cloud computing arrangement. As a result of this decision, the Company changed its accounting policy for costs incurred for cloud computing arrangements with retrospective application. As a result of the change, intangible assets of \$0.2 million were derecognized as of July 1, 2020 with the offset recorded as an increase to opening deficit. The impact of the change for the year ended June 30, 2021 was not significant.

The Company adopted the following new standards and amendments to standards, effective July 1, 2020. These changes did not have a material impact on the Company's consolidated financial statements for the year ended June 30, 2021.

- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)
- Amendments to References to Conceptual Framework in IFRS Standards
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

### Standards, amendments and interpretations issued as at June 30, 2021 but not yet effective

The following new and amended standards and interpretations will become effective in a future year. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and are not expected to have a significant impact on the Company's consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

## Risks and Uncertainties

In addition to the risks identified in this section and elsewhere in this MD&A, a number of factors that could cause actual results to vary significantly from the results discussed herein are noted in the IPO Prospectus, the Base Shelf Prospectus and the Supplements hereto and, the AIF, a copy of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The occurrence of any of such risks, or other risks not presently known to Dye & Durham or that Dye & Durham currently believes are immaterial, could materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial condition.

### COVID-19

In December 2019, COVID-19 surfaced in Wuhan, China. Since the outbreak has spread to over 200 countries and territories and infections have been reported around the world. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak then characterized it as a pandemic on March 11, 2020. In response to the outbreak, governmental authorities in Canada and internationally introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. While these effects are expected to be temporary, their duration and the related business disruptions and financial impact cannot be reasonably estimated at this time. To date, the disruptions have impacted the Company's litigation and conveyancing services, given the closure of courts and government offices in particular. Although management believes that, at this time, these disruptions will not have a long-term impact on the Company's results from operations, Dye & Durham cannot estimate the duration and severity of this outbreak and its financial impact. As such, the extent to which COVID-19 may have a sustained impact on our results is uncertain and it is possible that our future results may continue to be negatively impacted.

### Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in the event of non-performance by clients but does not anticipate any such non-performance which would be material. To the extent necessary, the Company takes steps to monitor the credit risk of clients.

### Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk for the credit facility for which the interest rate is adjusted with future fluctuations in prime rate or BA rate. To manage this, the Company enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Based on the amount owing as at June 30, 2021, a 1% change in the prime or BA rate, with all other variables held constant, would change finance costs and income before taxes by \$2.4 million on the loans not covered by the interest rate swap.

### Market Risk

The Company is exposed to market risk primarily in terms of revenue generation. The Company's revenue is driven by transaction volumes which have increased with the growth and strength of the Canadian economy. The Company monitors the market conditions in an effort to capture fluctuations that may affect the ongoing revenue. That said, historically the Company's business model has proven to be resilient in market downturns.



## Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as loans and borrowings, the Convertible Debentures, trade and other payables, accrued liabilities, customer advances, lease liabilities and contingent consideration are exposed to liquidity risk.

## Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities [when revenue or expense is denominated in a foreign currency] and the Company's net investments in foreign subsidiaries. If deemed necessary, the Company may from time to time enter into foreign currency derivative contracts to reduce its exposure to foreign currency risk. No foreign currency derivative contract has been entered into in 2021 or 2020.

As at June 30, 2021, the Company had a net financial asset position denominated in British pounds of \$0.8 million [£0.5 million] [2020 – net liabilities of \$4.4 million or £2.6 million]. As at June 30, 2021, the Company had a net financial liability position denominated in Australian dollars of \$0.3 million [A\$0.3 million] [2020 – nil]. A 10% change in the exchange rates of significant currencies to which the Company has exposure as at June 30, 2021 and 2020 would not result in a significant impact to the Company's consolidated statements of operations and comprehensive income.

## Ability to Integrate Acquired Companies

The Company has successfully acquired and integrated numerous companies over the last seven years. The Company believes that the ability to realize synergies and integrate these companies with its existing technology platforms and management teams is critical for the future success of the Company.

## Revenue

Dye & Durham earns the majority of its revenue on a recurring transactional-fee basis as clients perform various automated transactions including automated workflows, public record due diligence searches, associated document preparation, or electronic public records filings through the Company's cloud-based platforms. If transaction volumes decrease, the Company may be impacted, and revenue may therefore be adversely impacted.

## Outstanding Share Information

The Company is currently authorized to issue an unlimited number of Shares. As of the date of this MD&A, 68,640,134 Shares and 6,944,086 stock options are issued and outstanding.

## Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to the Company's management, including its CEO and CFO, in a timely manner.

In addition, the CEO and CFO have designed or caused to be designed under their supervision internal controls over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. The CEO and CFO have been advised that the control framework used to design the Company’s ICFR uses the framework and criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The CEO and the CFO have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the year ended June 30, 2021 that have materially affected or are reasonably likely to materially affect the Company’s ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our ICFR are effective in providing reasonable, not absolute, assurance that the objectives of our control systems have been met.