

Acquire, Integrate & Operate to Drive EBITDA



Management's Discussion and Analysis
for the year ended June 30, 2020

September 21, 2020

Dye & Durham

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

Introduction

On July 17, 2020, Dye & Durham Limited ("D&D Pubco") acquired a 100% ownership interest in Dye & Durham Corporation (the "Company" or "Dye & Durham") as part of a pre-closing reorganization (the "Reorganization") before D&D Pubco's initial public offering ("IPO"). Prior to the Reorganization, D&D Pubco had no operations. As such, the information presented below relates to Dye & Durham for the year ended June 30, 2020. Dye & Durham is now a wholly-owned subsidiary of D&D Pubco.

Basis of Presentation

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Annual Consolidated Financial Statements (the "Financial Statements") of each of D&D Pubco for the five days ended June 30, 2020, and Dye & Durham for the year ended June 30, 2020, and the notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company presents its Financial Statements in Canadian dollars and in this MD&A all references to "\$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated. All figures are presented in thousands of dollars unless otherwise indicated. Due to rounding, certain totals and subtotals may not foot and certain percentages may not reconcile.

Information contained in this MD&A is based on information available to management as of September 21, 2020.

Additional information about D&D Pubco and the Company, including the final long-form prospectus of D&D Pubco dated July 13, 2020 (the "IPO Prospectus") is available on SEDAR at www.sedar.com.

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, 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" and "Adjusted EBITDA Margin" 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, and provision for income taxes.

"Adjusted EBITDA" adjusts EBITDA for stock-based compensation expense, transactional gains or losses on assets, asset impairment charges, interest income, net foreign exchange gains or losses, gains or losses from changes in fair value of derivative financial instruments and contingent consideration liabilities measured at fair value through profit or loss, gains or losses from disposals of equipment, net income or loss from equity accounted investees and income tax expense or recovery, operational restructuring costs, recurring and non-recurring expense items, restructuring costs and includes impact to the full year of cost synergies related to the reduction of employees in relation to acquisitions.

Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future, and include: a one-time income tax credit, transaction expenses related to potential ownership changes, contract termination (recovery) provisions, royalties which will no longer be required to be paid and others, which include provisions for write-down on investments, and gains on divestiture of an investment.

“**Adjusted EBITDA Margin**” means Adjusted EBITDA divided by revenue.

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.

With a commitment to innovation, the Company has operations in Canada and the United Kingdom (“U.K.”) and serves a large customer base of over 25,000 legal firms, financial service institutions, and government organizations.

Dye & Durham’s vision is to be the world’s leading provider of public records registry data and the workflows this information powers. To continue to grow its business and to achieve this goal, the Company has identified the following key strategic priorities:

- Continue accretive acquisitions;
- Broaden customer base;
- Continue to innovate and extend its platforms; and
- Expand within existing customer base.

Consolidated Highlights

- Subsequent to the twelve months ended June 30, 2020, on July 17, 2020 D&D Pubco completed its IPO and raised \$150 million of gross proceeds, and on July 23, 2020 raised an additional 22.5 million, for total gross proceeds of \$172.5 million.
- In connection with the closing of D&D Pubco’s initial public offering, D&D Pubco’s common shares began trading on the Toronto Stock Exchange on July 17, 2020, under the symbol “DND”. Since D&D Pubco’s common shares began trading they have increased in value by 213% - as of September 18, 2020.
- Since July 1, 2019 the Company has acquired four cloud-based businesses in Canada, the U.K. and Ireland for consideration of \$18,819.
- Adjusted EBITDA for the three and twelve months ended June 30, 2020 was \$8,795 and \$36,685, respectively, an increase of \$287 or 3% and \$10,269 or 39%, respectively, compared to the three and twelve months ended June 30, 2019, primarily due to (a) Adjusted EBITDA from acquisitions,



(b) an incrementally larger contribution to the Company's Adjusted EBITDA compared to each incremental dollar of revenue earned, (c) synergies realised from recent acquisitions, (d) the compounded effect of upsells from businesses acquired in the twelve months ended June 30, 2019, and (e) in mid March 2020, in response to the unknown effect, at the time, of the recent outbreak of a novel coronavirus ("COVID-19"), management reduced costs through both permanent and temporary measures that resulted in an estimated \$4.1 million of cost reductions in the three months ended June 30, 2020 compared to the three months ended March 31, 2020.

- Revenue for the three and twelve months ended June 30, 2020 was \$14,197 and \$65,510, respectively, a decrease of \$945 or 6% and an increase of \$21,665 or 49%, respectively, compared to the three and twelve months ended June 30, 2019. The factors contributing to the increased revenue for the twelve months period were primarily: (a) revenue from acquisitions, and (b) the compounded effect of upsells from businesses acquired in the twelve months ended June 30, 2019. The factors contributing to the 6% decrease in revenue for the three months ended June 30, 2020 were: (a) a decrease in transactions because of less economic activity resulting COVID-19, and (b) the temporary closure of many courthouses in Canada which caused an impact on the Company's litigation solutions product line, which is the smallest of the Company's three product lines.
- Net Income was (\$11,237) for the year ended June 30, 2020, a decrease from \$710 compared to the year ended June 30, 2019, which is primarily due to additional finance costs from higher loans and borrowings incurred in the settlement of the Prior Credit Facilities (as defined below) and implementation of the 2019 Credit Facilities (as defined below).

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.

Ability to integrate acquired companies

The Company has successfully acquired and integrated numerous companies over the last six 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 to experience moderate seasonality due to seasonal patterns in the real estate market. This is due to real estate revenue fluctuating in line with real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate-related revenue relative to other quarters, as the fourth quarter is typically when real estate activity peaks for the year.

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 the foreign operation is located in. 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 or Euro.

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. For the three months ended June 30, 2020, the effects of COVID-19 resulted in a decrease in transactions because of less economic activity. However, the impact of COVID-19, with its combined health toll and sharp decline in global economic output, is unprecedented and the full extent of the impact will depend on future developments. These developments are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning its severity, its duration and actions by government authorities to contain the outbreak or manage its impact. The extent of the impact of COVID-19 and measures taken to contain the virus on our results of operations and overall financial performance remains uncertain.



Select Information and Reconciliation of Non-IFRS Measures

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

EBITDA	Three months ended June 30,		Years ended June 30,	
	2020	2019	2020	2019
Income for the period	(3,763)	1,730	(11,237)	710
Amortization and depreciation	3,835	3,711	14,955	10,231
Finance costs	5,091	2,783	20,882	7,699
Current and deferred tax recovery (expense)	601	54	(2,866)	216
EBITDA¹	5,764	8,278	21,734	18,856
Stock-based compensation ²	96	68	329	223
Loss on settlement of loans and borrowings ³	—	(918)	1,944	—
Change in fair value of derivative liabilities ⁴	—	—	2,123	—
Acquisition, restructuring and other costs ⁵	2,264	1,080	8,720	6,107
Salaries Synergies Realized ⁶	444	—	1,608	1,230
Non-recurring expense items ⁷	227	—	227	—
Adjusted EBITDA¹	8,795	8,508	36,685	26,416

Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Measures".
- (2) "Share-based compensation" relates to employee stock options issued during the year.
- (3) "Loss on settlement of loans and borrowings" represents loss recognized on extinguishment of previous debt on re-financing in July 2019.
- (4) "Change in fair value of derivative liabilities" represents the realized loss on settlement of interest rate swap related to re-financing in July 2019.
- (5) "Acquisition and restructuring expenses" relates to costs incurred in connection with business combinations, reorganization of the Company's capital structure and legal, advisory, and banking (credit) expenses.
- (6) "Salaries synergies realized" relates to the impact of the full period of cost synergies related to the reduction of employees in relation to the Acquisitions.
- (7) "Non-recurring expense" items are transactions or events which management believes will not re-occur within the foreseeable future

Due to rounding, certain totals may not foot

Consolidated Results of Operations

	Three months ended June 30,		Years ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues	14,197	15,142	65,510	43,845
Expenses				
Technology and operations	(2,659)	(3,844)	(15,614)	(8,971)
Direct costs	(1,418)	(897)	(6,828)	(2,536)
General and administrative	(1,588)	(1,279)	(6,280)	(4,123)
Sales and marketing	(504)	(500)	(2,267)	(2,022)
Income before the following	8,028	8,622	34,521	26,193
Finance costs	(5,091)	(2,783)	(20,882)	(7,699)
Amortization and depreciation	(3,835)	(3,711)	(14,955)	(10,231)
Acquisition, restructuring and other costs	(2,264)	(1,262)	(8,720)	(6,107)
Loss on settlement of loans and borrowings	—	918	(1,944)	—
Loss on settlement of derivative	—	—	(2,123)	—
Impairment of software technologies	—	—	—	(1,230)
Income before taxes	(3,162)	1,784	(14,103)	926
Current and deferred tax recovery (expense)	(601)	(54)	2,866	(216)
Net Income for the period	(3,763)	1,730	(11,237)	710
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	(1,623)	36	(725)	13
Settlement of derivative designated as cash flow hedge	—	—	2,123	—
Net change in fair value of derivative designated as cash flow hedge during the period, net of income taxes	(421)	(177)	(3,327)	(829)
Net other comprehensive income (loss) for the period	(2,044)	(141)	(1,929)	(816)
Total comprehensive income for the period	(5,807)	1,589	(13,166)	(106)
Net loss per common share				
Basic and diluted	(0.18)	0.08	(0.55)	0.03
Weighted average number of shares outstanding				
Basic and diluted	20,493	20,465	20,493	20,465

Due to rounding, certain totals may not foot



Discussion of Operations

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

Revenue

Revenue for the three and twelve months ended June 30, 2020 was \$14,197 and \$65,510, respectively, a decrease of \$945 or 6% and an increase of \$21,665 or 49%, respectively, compared to the three and twelve months ended June 30, 2019. The factors contributing to the increased revenue for the twelve months period were primarily: (a) revenue from acquisitions, and (b) the compounded effect of upsells from businesses acquired in the twelve months ended June 30, 2019. The factors contributing to the 6% decrease in revenue for the three months ended June 30, 2020 were: (a) a decrease in transactions because of less economic activity resulting from the recent outbreak of COVID-19, and (b) the temporary closure of many courthouses in Canada which caused an impact on the Company's Litigation Solutions product line.

Expenses

For the three and twelve months ended June 30, 2020 and 2019, total expenses were:

	Three months ended June 30,		Years ended June 30,	
	2020	2019	2020	2019
Expenses				
Technology and operations	(2,659)	(3,844)	(15,614)	(8,971)
Direct costs	(1,418)	(897)	(6,828)	(2,536)
General and administrative	(1,588)	(1,279)	(6,280)	(4,123)
Sales and marketing	(504)	(500)	(2,267)	(2,022)
Finance costs	(5,091)	(1,865)	(24,949)	(7,699)
Acquisition, restructuring and other costs	(2,264)	(1,262)	(8,720)	(6,107)
Other	(4,436)	(3,765)	(12,089)	(11,677)
Total	(17,960)	(13,412)	(76,747)	(43,135)

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

- Technology and operations expenses decreased by \$1,185 and increased by \$6,643 respectively for the three and twelve months ended June 30, 2020 when compared to the three and twelve months ended June 30, 2019. The decrease in the three-month period is primarily due to expense reductions taken by the Company in mid March 2020, in response to the unknown effect of COVID-19 at the time. The increase in the twelve months ended June 30, 2020 is primarily due to expenses related to the operation of acquired businesses.
- Direct costs increased by \$521 and \$4,292 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The increase for the three months ended June 30, 2020 was primarily due to new enhancements to our real estate product offering, which led to additional revenue and direct costs compared to the three months ended June 30, 2019. The increase for the twelve months ended June 30, 2020 was due to higher overall revenue.
- General and administrative expenses increased by \$309 and \$2,157 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The increase is primarily due to the impact of acquisitions completed in fiscal 2020 along with increased salaries, wages and travel expenses related to growth initiatives.

- Sales and marketing expenses increased by \$4 and \$245 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The relatively flat spending during the twelve month period is due to the rationalization of resources obtained through acquisitions, which have enabled the Company realize cost synergies and in effect to do more with more or less the same overall spend.
- Finance costs increased by \$3,226 and \$17,250 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The increase is primarily due to the higher loans and borrowing during the periods.
- Acquisition, restructuring and other costs increased by \$1,002 and \$2,613 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The increase is mostly due to the large one-time costs incurred as a part of the IPO of D&D Pubco in July 2020.
- Other expense increased by \$671 and \$412 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The increase is primarily due to the amortization of intangible assets from the acquisitions completed in fiscal 2020 along with the amortization of right-of-use assets from additional building leases.

Net income

Net income decreased by \$5,493 and \$11,947 for the three and twelve months ended June 30, 2020 respectively when compared to the three and twelve months ended June 30, 2019. The decrease in income for the three month period is primarily due to the large one-time costs incurred as a part of the IPO of D&D Pubco in July 2020. The decrease in income for the twelve month period is primarily due to: (a) the large one-time costs incurred as a part of the initial public offering of D&D Pubco in July 2020, (b) additional finance costs from higher loans and borrowings incurred in the settlement of the Prior Credit Facilities (as defined below) and implementation of the 2019 Credit Facilities (as defined below), and (c) higher amortization and depreciation expense from intangibles recognized from acquisitions.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three and twelve months ended June 30, 2020 was \$8,795 and \$36,685 respectively, an increase of \$287 and \$10,269 compared to the three and twelve months ended June 30, 2019. The increase in Adjusted EBITDA in was primarily due to the acquisitions completed in fiscal 2019 along with costs synergies realized as a result of such acquisitions. Adjusted EBITDA Margin increased to 62% and decreased to 56% for the three and twelve months ended June 30, 2020 respectively compared to 56% and 60% for the three and twelve months ended June 30, 2019.

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.

Summary of Quarterly Results

The following table sets out select unaudited quarterly results for the past eight quarters. The Company’s real estate conveyancing business product line experiences moderate seasonality, primarily because land titles revenue fluctuates with real estate transaction activity in Canada. Typically, the Company’s fourth quarter generates higher revenue during the fiscal year when real estate activity is traditionally highest. 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.

Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities.



Quarterly Results

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

Quarterly Results

(Thousands)	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue.....	\$15,142	\$10,227	\$9,176	\$9,300
Net income (loss).....	\$1,730	\$(1,457)	\$(424)	\$861
EBITDA ⁽¹⁾	\$8,278	\$3,199	\$3,143	\$4,236
Adjusted EBITDA ⁽¹⁾	\$8,508	\$6,555	\$5,517	\$5,836
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue).....	56%	64%	60%	63%
Basic and diluted EPS.....	0.08	(0.07)	(0.02)	0.04
Basic Adjusted EBITDA per share ⁽¹⁾	0.42	0.32	0.27	0.29

Note:

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Cautionary Note Regarding Non-IFRS Financial Measures".

Financial Condition

(Thousands \$)

Balance Sheet Information

As at June 30,

	2020	2019
Current and cash equivalents	2,569	3,506
Total assets	166,961	161,666
Total liabilities	235,831	167,716

The addition of recent acquisitions increased accounts receivable and payables.

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.

Cash Flows

The primary source of cash flow is revenue collected from transactions completed for clients. 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.

Cash Flows (Thousands)	Fiscal 2020 (\$)	Fiscal 2019 (\$)
Net cash provided by operating activities	13,365	10,196
Net cash provided by (used) financing activities	(3,138)	60,390
Net cash used in investing activities	(11,168)	(67,116)
Change in cash during the period	(941)	3,470
Cash and cash equivalents, beginning of period	3,506	25
Effect of foreign exchange on cash	4	11
Cash and cash equivalents, end of period	2,569	3,506

During the twelve months ended June 30, 2020 the Company had a net cash decrease of \$937 compared to an increase of \$3,481 during the twelve months ended June 30, 2019. Net cash from operations was \$13,365 for the twelve months ended June 30, 2020 compared to \$10,196 for the twelve months ended June 30, 2019. Net cash flow from financing activities for the twelve months ended June 30, 2020 was \$(3,138) in comparison to \$60,390 from the twelve months ended June 30, 2019. During the twelve months ended June 30, 2019, the Company received net cash in the amount of \$3,568 and \$58,124 from issuance of shares and net proceeds from loans and borrowing, respectively. During the twelve months ended June 30, 2020, the Company refinanced its loans and borrowings and paid cash dividends of \$42,110 and returned capital of \$7,892 which was offset by proceeds from loans and borrowings.

The increase in operating cash flow is due to changes in working capital for June 30, 2020 compared to June 30, 2019 which can be attributed to accruals for IPO related costs, and the deferral of sales taxes which have both subsequently been paid.

Capital Expenditures

Dye & Durham's capital expenditures for the twelve months ended June 30, 2020 were \$3,032 compared to \$4,188 for the twelve months ended June 30, 2019. Capital expenditures are primarily related to leasehold improvements, the purchase of computer equipment, and the development of intangible assets.

Credit Facilities

On July 11, 2019, the Company settled its then-existing term credit and revolving credit facilities (collectively, the "Prior Credit Facilities") and a loan obtained from Manulife (the "Shareholder Loan") and replaced these with the 2019 Credit Facilities (as defined below). The aggregate amount committed under the 2019 Credit Facilities is \$200,000 comprising (i) a \$10,000 revolving term loan (the "Revolver") to be used for working capital and general corporate purposes; and (ii) a \$190,000 term loan (the "Term Loan" and together with the Revolver, the "2019 Credit Facilities").

The Term Loan bears an interest rate of Banker's Acceptance rate + 6.5% or the prime rate of interest + 5.5% payable quarterly and maturing on July 11, 2024. The Term Loan is classified as a financial liability at amortized cost and accounted for using the effective interest rate method.



The Term Loan contains a financial covenant based on total net leverage ratio. Total net leverage ratio is defined as the ratio of total net debt to adjusted earnings before interest, tax, depreciation and amortization. The Company was in compliance with the total net leverage ratio covenant at June 30, 2020.

The balance outstanding under the 2019 Credit Facilities as at June 30, 2020 is as follows:

	\$
Principal balance	199,000
Less	
Principal payments	(5,700)
Issuance cost less accretion expense of 1,194	(5,789)
Balance, June 30, 2020	187,511
Current	6,650
Non-current	180,861

Contractual Obligations

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	2020-06-30					Total
	Year 1	Year 2	Year 3	Year 4	Year 5 and over	
	\$	\$	\$	\$	\$	
Accounts payable and accrued liabilities	14,453	—	—	—	—	14,453
Holdbacks on acquisitions	4,818	1,764	1,494	—	—	8,076
Customer advances	3,549	—	—	—	—	3,549
Lease liabilities	2,219	1,869	1,685	1,365	2,776	9,914
Loans and borrowings	6,650	4,750	4,750	4,750	172,400	193,300
Derivative financial liability	—	—	—	—	5,466	5,466
	31,689	8,383	7,929	6,115	180,642	234,758

Financial Instruments and Other Instruments

As at June 30, 2019, the fair value of the Company's then outstanding interest rate swap resulted in a liability to the Company in the amount of \$2,089 (2018 – \$703). The net change in fair value of the interest rate swap, designated as a cash flow hedge, during the year ended June 30, 2019 was recorded in other comprehensive income (loss).

On July 11, 2019, in connection with the refinance of the Company's then outstanding indebtedness, the Company settled its then outstanding interest rate swap. On August 29, 2019, the Company entered into a new interest rate swap with one of the two new lenders under the 2019 Credit Facilities (the "Swap Agreement"), thereby exchanging its floating interest rate obligation on a notional \$150,000 of the Term Loan commitment for a fixed interest rate payment of 1.88% per annum on the notional amount. The Swap Agreement has a five-year term ending July 11, 2024. The Swap Agreement was entered into to mitigate the risk of rising interest rates and reduce overall interest rate risk.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of the date of this report.

Related-Party Transactions

The Company defines key management personnel as being the Company's board of directors, Chief Executive Officer and executive leadership team. The remuneration of key management personnel during the year were as follows:

	2020	2019
	\$	\$
Salaries and benefits	1,327	1,753
Stock options	232	208
	1,559	1,961

As at June 30, 2020, \$92 [2019 – \$520] was included in accounts payable and accrued liabilities for consulting fees, bonus, directors fees and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

As of March 16, 2020, in response to the unknown impacts of the COVID-19 pandemic, the Company's Chief Executive Officer agreed to forego all remuneration until September 30, 2020.

Outstanding Share Information

D&D Pubco is currently authorized to issue an unlimited number of common shares. As of the date of this MD&A, 44.3 million common shares and 1.2 million stock options are issued and outstanding.

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 revenues, 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.

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 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, 2020.

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

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. 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 is to compare 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 calculations use a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the model 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. The key assumptions used to determine the recoverable amount for the different CGUs or groups of CGUs are disclosed and further explained in note 9 of the Financial Statements.

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. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in note 16 of the Financial Statements.

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.

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, a copy of which is available on SEDAR at 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 have 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 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 was exposed to interest rate risk under the Prior Credit Facilities and the 2019 Credit Facilities and is exposed to such risk under the New Credit Facility, of which interest rate is adjusted with future fluctuations in prime rate or LIBOR. 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 at June 30, 2020 and if all other variables remain constant, a 1% change in the prime or LIBOR would result in an increase (decrease) of \$375 in the interest expense 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 debt, trade and other payables, accrued liabilities and dividends payable are exposed to liquidity risk.

Foreign Exchange Risk

Foreign exchange risk is the risk that 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 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 in fiscal year 2020.

Interest Expense

The Company has the following principal debt outstanding as at, June 30, 2020, and 2019:

<u>(Thousands)</u>	<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
Revolving credit facility	9,000	8,000
Term loan facility	178,511	127,398
	<u>187,511</u>	<u>135,398</u>

Fluctuations in interest rates will impact the carrying cost of the Company's indebtedness and thereby affect its overall performance.

Ability to integrate acquired companies

The Company has successfully acquired and integrated numerous companies over the last six 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.

Revenue

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

In accordance with Item 4.3 of National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Company has filed an annual certificate in the Form 52-109F1 - IPO/RTO relating to its annual information form, annual financial statements and the accompanying notes and the MD&A for the year ended June 30, 2020 because it is the first financial year that has ended after the Company became a reporting issuer.

In particular, the certifying officers filing the certificate in the Form 52-109F1 - IPO/RTO required under NI 52-109 are not making any representations relating to the establishment and maintenance of:

- controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's IFRS.

Outlook

The Company has maintained consistent growth historically through acquiring and effectively integrating legal technology businesses into its cloud-based platform in order to scale, deliver better performance and drive significant synergies.

Going forward, Dye & Durham intends to continue to execute on the following priorities to drive growth:

Continue accretive acquisitions

Dye & Durham acquires and effectively integrates legal technology businesses into its platform in order to scale, deliver better performance, and drive significant synergies.

The Company believes it has the opportunity to further expand its share of its total addressable market through accretive acquisitions of legal technology businesses.

Broaden customer base

Dye & Durham believes that the market for a comprehensive, all-in-one legal software solution is large and underserved. The Company intends to increase penetration by investing in sales and marketing efforts to expand into new markets and grow its customer base.



Continue to innovate and extend its platform

Dye & Durham has a well-defined technology roadmap to introduce new features and functionality to its platform that management believes will enhance its ability to generate revenue.

These new features will expand the use of the platform by existing clients and broaden its appeal to potential new clients. The ability to deliver product enhancements is a result of a dedicated product and software development team which is responsible for new products and product enhancements.

This team continually works to improve the platform and add additional services which become entrenched in the daily workflow of the Company's clients.

Expand within existing customer base

Dye & Durham intends to increase client penetration by cross-selling existing offerings and developing additional products for its clients. As clients realize the benefits of the Company's platform, they often increase the number of users who access the platform, increase their use of the Company's products, and begin using additional Dye & Durham product offerings.

Additional Information

Additional information about Dye & Durham, including the "IPO Prospectus" is available on SEDAR at www.sedar.com.

