

Acquire, Integrate & Operate to Drive EBITDA



Management's Discussion and Analysis
For the three and nine months ended March 31, 2022

Dye & Durham

DYE & DURHAM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2022

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 March 31, 2022.

This MD&A for the three and nine months ended March 31, 2022 and 2021 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended March 31, 2022 and 2021 ("Financial Statements") as well as with the Company's audited annual consolidated financial statements and the related notes thereto for the year ended June 30, 2021. 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. 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 our most recent Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com.

This MD&A is dated as of May 12, 2022 and was prepared with information available at that date.

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 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 Company's convertible debentures ("Convertible Debentures"), loss on settlement of loans and borrowings, realized loss on derivatives, gains or losses from re-financing transactions and provision for income taxes.

"Adjusted EBITDA" adjusts EBITDA for stock-based compensation expense, asset impairment charges, 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 workflow software and information services, which clients use to manage their process, information and regulatory requirements.

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.



Consolidated Highlights

Financial highlights for the three and nine months ended March 31, 2022

- Adjusted EBITDA for the three months ended March 31, 2022 was \$66.8 million, an increase of \$29.2 million or 78% compared to the three months ended March 31, 2021. For the nine months ended March 31, 2022 and 2021, Adjusted EBITDA was \$191.8 million and \$67.2 million, respectively, an increase of \$124.5 million or 185%.¹
- Revenue for the three months ended March 31, 2022 was \$122.9 million, an increase of \$54.0 million or 78%, compared to the three months ended March 31, 2021. For the nine months ended March 31, 2022 and 2021, revenue was \$345.1 million and \$124.6 million, respectively, an increase of \$220.6 million or 177%.
- Net income was (\$7.0) million and \$11.1 million for the three and nine months ended March 31, 2022, respectively, an increase of \$3.6 million and \$58.3 million, respectively, compared to the equivalent periods in the prior year. The increase in net income is primarily due to increased operational income as a result of an increase in revenue.

Acquisitions

- On December 21, 2021, the Company entered into an agreement to acquire all issued and outstanding shares of Link Administration Holdings Limited (“Link”) for cash consideration of approximately \$3,200 million or AUD\$5.50 per Link common share. The closing of the transaction is subject to customary conditions, including Link shareholder approval, Australian antitrust and foreign investment approval and other regulatory approvals. The Link shareholder meeting is expected to be held in the second quarter of calendar year 2022 and the acquisition is expected to be closed in the third quarter of calendar year 2022.

The acquisition will be funded through a combination of debt and equity financing. The debt financing will consist of a U.S. dollar denominated term loan equal to AUD\$3,500 million which has been committed by a group of financial institutions with Goldman Sachs Bank USA, J.P. Morgan Chase Bank, N.A, and ARES Capital Corporation (“Ares”) acting as joint lead arrangers. The term loan will be available on closing of the Link acquisition in a single borrowing and has a maturity date of seven years. The term loan will be secured by substantially all of the assets of the Company. This financing also includes an additional \$150 million revolving credit facility.

In connection with the equity financing, the Company entered into an equity commitment letter with Ares, pursuant to which Ares has agreed to acquire up to \$841 million of non-voting exchangeable preferred shares (the “Exchangeable Shares”) of the Company at a price of \$1,000 per Exchangeable Share and up to \$109 million of common shares of the Company (the “Common Share”) at a price of \$53.00 per Common Share. The Exchangeable Shares will accrue interest at an annual rate of 6.5% for the first five years which rate shall increase by 1% annually following the fifth anniversary to a maximum of 12%.

- On December 6, 2021, the Company acquired TELUS’ Financial Solutions Business (“TFSB”) and certain assets from TELUS Corporation for total cash consideration of \$500 million and deferred consideration of \$1.6 million. TFSB provides digital infrastructure and technology solutions to the financial community across Canada.

¹ 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 July 8, 2021, the Company acquired all issued and outstanding shares of TM Group (UK) Limited (“TM Group”) for total cash consideration of \$155.4 million. TM Group is a 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 \$163.6 million comprised of an upfront cash payment of \$154.9 million, issuance of 106 common shares with total fair value of \$5 million and deferred consideration of \$3.7 million. The acquisition of GlobalX further grew Dye & Durham’s platform in Australia, delivering value to Australian legal, property and business professionals.

Other

- On December 3, 2021, the Company settled the FY2021 Amended Credit Facility (as defined herein) and replaced it with a new credit facility (“Ares Credit Facility”). The aggregate amount committed under the Ares Credit Facility is \$1,795 million comprising of (i) a \$1,520 million initial term loan facility (“Initial Term Loan”), (ii) a \$200 million delayed draw term loan facility (“DDTL Facility”) and (iii) a \$75 million revolving credit facility (“Revolving Facility”). On closing of the Ares Credit Facility in December 2021, the Company received total gross cash proceeds of \$1,520 million from the Initial Term Loan and incurred financing fees of \$52.4 million. On February 16, 2022, the Company made a partial repayment of \$615 million on the Initial Term Loan.
- On August 27, 2021, the Company received an initial enforcement order (the “Order”) from the United Kingdom’s Competition and Market Authority (“CMA”) in respect of the Company’s acquisition of TM Group. In connection with the issuance of the Order, the CMA is assessing whether the acquisition of TM Group gives rise to a relevant merger situation for the purposes of Part 3 of the Enterprise Act 2002 (the “Act”) and, if so, whether its statutory duty to refer the acquisition to a Phase 2 assessment as set out in section 22 of the Act is triggered.

On October 28, 2021, the CMA agreed to limit the scope of the Order so that it applies only to Dye & Durham’s U.K. businesses and to TM Group. By releasing Dye & Durham’s non-U.K. business from the Order, the Company is able to continue all non-U.K. activities that do not compromise the CMA’s ongoing review.

On December 9, 2021, the CMA has announced a Phase 1 decision to refer the acquisition of TM Group for an in-depth Phase 2 merger investigation. The Phase 2 review process is expected to conclude by June 2022.

- On October 8, 2021, the Company announced that the special committee of the Board of Directors (“Board”) provided its final report to the Board wherein it recommended that the Company continue to pursue its existing business strategy, which contemplates further growth through acquisitions under the leadership of Mr. Mathew Proud, the Company’s Chief Executive Officer. The special committee’s recommendation was accepted and endorsed by the Board. Accordingly, the work of the special committee was completed and the committee was dissolved.



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 present significant opportunities for our business, they also pose important challenges, some of which are discussed below and in the "Risk Factors" section of our AIF.

Ability to integrate acquired companies

The Company is of the view that the ability to realize synergies and integrate acquired companies with its existing technology platforms and management teams is critical for the future success of the Company. The Company has successfully acquired and integrated numerous companies over the years, and must undertake such integration activities with each new company that it acquires. Our inability to effectively integrate companies we acquire in the future could have adverse effects on our business and results of operations.

Seasonality

A significant portion of the Company's revenue, derived from the real estate market, 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, without limitation, the outbreak of a contagious illness, such as the recent outbreak of COVID-19, acts of war, terrorism and catastrophes. 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 March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Income for the period	(7,026)	(10,642)	11,096	(47,158)
Amortization and depreciation	36,204	17,038	94,078	30,064
Finance costs, net	18,259	26,011	27,971	51,736
Income tax expense (recovery)	1,215	(2,808)	7,940	(6,715)
EBITDA⁽¹⁾	48,652	29,599	141,085	27,927
Stock-based compensation ⁽²⁾	5,416	2,125	17,546	22,656
Acquisition, restructuring and other costs ⁽³⁾	12,722	5,880	33,127	16,546
Salaries synergies realized ⁽⁴⁾	—	—	—	84
Adjusted EBITDA¹	66,790	37,604	191,758	67,213

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 and cash settled share appreciation rights issued to directors.
- (3) Acquisition, restructuring and other costs relates to costs incurred in connection with acquisitions, IPO listing and reorganization of the Company's capital structure.
- (4) Salaries synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees in relation to acquisitions.



Consolidated Results of Operations

(In thousands of Canadian dollars)	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue	122,880	68,926	345,136	124,550
Expenses				
Direct costs	(14,170)	(9,352)	(43,311)	(15,821)
Technology and operations	(22,612)	(12,579)	(62,829)	(24,764)
General and administrative	(13,567)	(7,531)	(30,432)	(13,312)
Sales and marketing	(5,741)	(1,860)	(16,806)	(3,524)
Stock-based compensation	(5,416)	(2,125)	(17,546)	(22,656)
Income before the following	61,374	35,479	174,212	44,473
Finance costs, net	(18,259)	(26,011)	(27,971)	(51,736)
Amortization and depreciation	(36,204)	(17,038)	(94,078)	(30,064)
Acquisition, restructuring and other costs	(12,722)	(5,880)	(33,127)	(16,546)
Income before taxes	(5,811)	(13,450)	19,036	(53,873)
Income tax (expense) recovery	(1,215)	2,808	(7,940)	6,715
Net income for the period	(7,026)	(10,642)	11,096	(47,158)
Net earnings per common share	(0.10)	(0.16)	0.16	(0.90)
Net earnings per diluted share	(0.45)	(0.16)	(0.25)	(0.90)
Weighted average number of shares outstanding				
Basic	69,145	65,965	68,832	52,429
Diluted	73,856	65,965	73,543	52,429

Discussion of Operations

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

Revenue

Revenue for the three months ended March 31, 2022 was \$122.9 million, an increase of \$54.0 million or 78% compared to the three months ended March 31, 2021. Revenue for the nine months ended March 31, 2022 was \$345.1 million, an increase of \$220.6 million or 177%. In both periods, the significant revenue increase was primarily attributable to: (a) increased revenue related to recent acquisitions that closed in the previous twelve months and (b) realization of synergies from price adjustments.

Expenses

For the three and nine months ended March 31, 2022 and 2021, total expenses were:

(In thousands of Canadian dollars)	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Expenses				
Direct costs	14,170	9,352	43,311	15,821
Technology and operations	22,612	12,579	62,829	24,764
General and administrative	13,567	7,531	30,432	13,312
Sales and marketing	5,741	1,860	16,806	3,524
Stock-based compensation	5,416	2,125	17,546	22,656
Finance costs, net	18,259	26,011	27,971	51,736
Amortization and depreciation	36,204	17,038	94,078	30,064
Acquisition, restructuring and other costs	12,722	5,880	33,127	16,546
Total	128,691	82,376	326,100	178,423

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

- Direct costs increased from \$9.4 million to \$14.2 million or 52% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$27.5 million to \$43.3 million or 174% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. In both periods, the increase in direct costs was closely related to the increase in revenue.
- Technology and operations expenses increased from \$12.6 million to \$22.6 million or 80% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$38.1 million to \$62.8 million or 154% for the nine months ended March 31, 2022. 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 \$7.5 million to \$13.6 million or 80% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$17.1 million to \$30.4 million or 129% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. 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.
- Sales and marketing expenses increased from \$1.9 million to \$5.7 million or 209% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$13.3 million to \$16.8 million or 377% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. In both periods, the increase was primarily due to additional expenses from acquisitions completed in the previous twelve months and expenses related to global branding initiatives.

- Stock-based compensation expenses for the three and nine months ended March 31, 2022 was \$5.4 million and \$17.5 million, respectively, an increase (decrease) of \$3.3 million and \$(5.1) million compared to the equivalent periods in the prior year. The increase for the three months ended March 31, 2022 is primarily attributable to the increased number of stock options and share appreciation rights granted during the previous twelve months. The decrease for the nine months ended March 31, 2022 is primarily attributable to immediate expense recognition of market performance-based stock options issued in November 2020 for the nine months ended March 31, 2021. This was partially offset by stock-based compensation expenses recognized on stock options and share appreciation rights issued during the previous twelve months including the issuance of 4.8 million market performance-based stock options and 2.1 million non-market performance-based stock options to the CEO of the Company at an exercise price of \$39.38 in October 2021.
- Finance costs decreased from \$26.0 million to \$18.3 million or 30% for the three months ended March 31, 2022 compared to the equivalent period in the prior year. The decrease was primarily due to recognition of non-cash gain on change in fair value of Convertible Debentures of \$38.4 million, partially offset by (i) non-cash loss on settlement of loans and borrowings of \$18.3 million due to the write down of unamortized portion of issuance costs on partial repayment of the Ares Credit Facility; and (ii) increase in interest and accretion expense from higher loans and borrowings balance outstanding during the period and \$12.3 million of additional interest paid on partial prepayment of the Ares Credit Facility. Finance costs decreased by \$23.8 million to \$28 million or (46%) for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. The decrease for the nine month period was primarily due to recognition of non-cash gain on change in fair value of Convertible Debentures of \$49.3 million, partially offset by increased non-cash loss on settlement of loans and borrowings of \$18.3 million due to the write down of unamortized portion of issuance costs on partial repayment of the Ares Credit Facility and higher interest and accretion costs from higher loans and borrowings balance outstanding during the period and \$12.3 million of additional interest paid on partial prepayment of the Ares Credit Facility.
- Amortization and depreciation increased from \$17.0 million to \$36.2 million or 112% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$64.0 million to \$94.1 million or 213% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. In both periods, the increase was primarily due to the amortization of intangible assets and depreciation of right-of-use assets acquired from the acquisitions completed in the previous twelve months.
- Acquisition, restructuring and other costs increased from \$5.9 million to \$12.7 million or 116% for the three months ended March 31, 2022 compared to the equivalent period in the prior year and by \$16.6 million to \$33.1 million or 100% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. In both periods, the increase was primarily due to acquisition costs comprised of professional fees, integration expenses related to acquisitions completed in the previous twelve months and costs incurred relating to the special committee activities that completed in October 2021.

Net income

Net income increased by \$3.6 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 and increased by \$58.3 million for the nine months ended March 31, 2022 compared to the nine months ended March 31, 2021. In both periods, the increase in net income was primarily due to increased revenue from acquisitions that closed in the previous twelve months along with realization of synergies from price adjustments. This was partially offset by higher depreciation and amortization expense and higher operating expenses from acquisitions completed during the previous twelve months.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA for the three months ended March 31, 2022 increased from \$37.6 million to \$66.8 million or 78% compared to the equivalent period in the prior year and by \$124.5 million to 191.8 million or 185% for the nine months ended March 31, 2022 compared to the equivalent period in the prior year. In both periods, the increase in Adjusted EBITDA was primarily due to increased revenue from price adjustment synergies and acquisitions completed in the previous twelve months. Adjusted EBITDA Margin for the three and nine months ended March 31, 2022 was 54% and 56%, respectively, which are 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.

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, primarily because land titles revenue fluctuates with real estate transaction activity in Canada. 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

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
(In thousands of Canadian dollars, except per share data)	\$	\$	\$	\$
Revenue	122,880	109,634	112,622	84,395
Net income	(7,026)	(3,976)	22,098	6,309
EBITDA ⁽¹⁾	48,652	44,324	48,109	36,680
Adjusted EBITDA ⁽¹⁾	66,790	62,611	62,357	49,143
Adjusted EBITDA Margin ⁽¹⁾ (% of revenue)	54%	57%	55%	58%
Basic EPS	(0.10)	(0.06)	0.32	0.09
Diluted EPS	(0.45)	(0.06)	0.18	0.09
Basic Adjusted EBITDA per share ⁽¹⁾	0.97	0.91	0.91	0.72

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)

	Q3 2021	Q2 2021	Q1 2021	Q4 2020
	\$	\$	\$	\$
Revenue	68,926	33,723	21,901	14,197
Net income	(10,642)	(21,524)	(14,992)	(3,763)
EBITDA⁽¹⁾	29,599	(9,029)	7,357	5,764
Adjusted EBITDA⁽¹⁾	37,604	17,080	12,529	8,795
Adjusted EBITDA Margin⁽¹⁾ (% of revenue)	55%	51%	57%	62%
Basic and diluted EPS	(0.16)	(0.41)	(0.38)	(0.18)
Basic Adjusted EBITDA per share⁽¹⁾	0.57	0.33	0.32	0.43

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 Q2 2022. The decrease in sequential Q2 2022 revenue is primarily due to lower real estate market transactions during the period resulting from ordinary seasonality.

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, integrations, restructuring and share listing costs and costs related to the issuance of Convertible Debentures, which were expensed as incurred, along with additional finance costs in the periods of re-financing. In addition, there was a decrease in finance costs in Q3 2022 and Q1 2022 due to a gain of \$38.4 million and \$15.3 million, respectively, resulting from the change in fair value of Convertible Debentures. In Q2 2021, there was a significant increase in expenses 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)

	March 31, 2022	June 30, 2021
	\$	\$
Cash and cash equivalents	218,385	429,335
Total assets	2,295,364	1,558,366
Total liabilities	1,512,578	807,449

Cash and cash equivalents decreased from June 30, 2021 to March 31, 2022 as a result of \$871.6 million cash payment for acquisitions, partial repayment on the Initial Term Loan (as defined below) of \$615.0 million and repayment of the FY2021 Amended Credit Facility (as defined below) of \$242.0 million, partially offset by net cash proceeds of \$1,468.0 million from the Ares Credit Facility and cash generated from operations.

Total assets increased from June 30, 2021 to March 31, 2022 primarily as a result of assets acquired from acquisitions closed during the nine months ended March 31, 2022.

Total liabilities increased from June 30, 2021 to March 31, 2022 primarily as a result of the Initial Term Loan from the Ares Credit Facility and the incremental deferred tax liability recognized on intangible assets acquired, partially offset by decrease in the fair value of the Convertible Debentures.

Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to it in order to support the continuation 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 from operations and from financing activities for acquisitions. 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 March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Net cash provided by operating activities	54,193	27,279	126,483	41,783
Net cash provided (used in) by financing activities	(640,685)	353,541	569,941	1,144,672
Net cash used in investing activities	(87,723)	(92,449)	(906,695)	(650,154)
Change in cash during the period	(674,215)	288,371	(210,271)	536,301
Cash and cash equivalents, beginning of period	893,208	250,716	429,335	2,569
Effect of foreign exchange on cash	(608)	(390)	(679)	(173)
Cash and cash equivalents, end of period	218,385	538,697	218,385	538,697

Cash flows provided by operating activities was \$54.2 million for the three months ended March 31, 2022 compared to \$27.3 million for the three months ended March 31, 2021. The increase in cash flows from operating activities was primarily due to increase in net income less items not affecting cash by \$22.3 million and an increase in non-cash working capital balances of \$9.0 million during the three months ended March 31, 2022 compared to three months ended March 31, 2021. Cash flows provided by operating activities was \$126.5 million for the nine months ended March 31, 2022 compared to \$41.8 million for the nine months ended March 31, 2021. The increase in cash flows from operating activities was primarily due to an increase in net income less items not affecting cash by \$108.0 million, partially offset by an increase in taxes paid of \$15.3 million and an increase in non-cash working capital balances of \$8.0 million during the nine months ended March 31, 2022 compared to nine months ended March 31, 2021.

Net cash used in by financing activities for the three months ended March 31, 2022 was \$640.7 million, primarily due to payment for loans and borrowings of \$615.0 million. In comparison, net cash provided by financing activities was \$353.5 million for the three months ended March 31, 2021, primarily due to \$333.9 million proceeds from the issuance of convertible bonds and \$191.6 million net cash proceeds from equity financings during the period. Net cash provided by financing activities for the nine months ended March 31, 2022 was \$569.9 million, primarily due to \$607.6 million of net proceeds from loans and borrowings net of repayments. In comparison, net cash provided by financing activities was \$1,144.7 million for the nine months ended March 31, 2021, primarily due to \$786.7 million aggregate net cash proceeds from the IPO



and equity financings during the period, \$333.9 million net cash proceeds from the issuance of Convertible Debentures and \$43.0 million proceeds from loans and borrowings net of repayments.

Net cash flows used in investing activities for the three months ended March 31, 2022 was \$87.7 million compared to \$92.4 million for the three months ended March 31, 2021. The decrease in cash outflows from investing activities of \$4.7 million was primarily due to a decrease in acquisition, holdback and contingent consideration paid, partially offset by additions of intangible assets. Net cash flow used in investing activities for the nine months ended March 31, 2022 was \$906.7 million compared to \$650.2 million for the nine months ended March 31, 2021. The increase in cash outflows from investing activities of \$256.5 million was primarily due to higher consideration paid for acquisitions completed during the nine months ended March 31, 2022.

Capital Expenditures

Capital expenditures for the three and nine months ended March 31, 2022 were \$6.9 million and \$20.4 million, respectively, compared to \$3.7 million and \$5.3 million for the comparative periods in the prior year. The increase in capital expenditures is primarily due to our continued investment to enhance and further develop our existing platforms and purchase of software.

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 of: (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 (as defined below).

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.

In March 2021, the Company increased the borrowing capacity under the FY2021 Amended Credit Facility to \$700 million comprising of (i) a \$455 million revolving loan facility and [ii] a \$245 million (“Amended Term A Credit Facility”). The Term B Credit Facility of \$125 million was fully repaid in March 2021.

In December 2021, the Company terminated and fully repaid all outstanding balances under the FY2021 Amended Credit Facility in the amount of \$238.9 million. As a result, the remaining unamortized portion of loan fees of \$6.5 million was expensed immediately as finance cost in the condensed consolidated interim statements of operations.

Ares Credit Facility

On December 3, 2021, the Company settled the FY2021 Amended Credit Facility and replaced it with a new credit facility (“Ares Credit Facility”). The aggregate amount committed under the Ares Credit Facility is \$1,795 million comprising of (i) a \$1,520 million initial term loan facility (“Initial Term Loan”), (ii) a \$200 million delayed draw term loan facility (“DDTL Facility”) and (iii) a \$75 million revolving credit facility (“Revolving Facility”).

On closing of the Ares Credit Facility in December 2021, the Company received total gross cash proceeds of \$1,520 million from the Initial Term Loan and incurred financing fees of \$52.4 million. The Ares Credit Facility bears an interest rate based on a grid system at the lower of (i) the Canadian dollar offered rate (“CDOR”) + 5.75%; (ii) Eurocurrency rate + 5.75%, (iii) Canadian prime rate + 4.75% and (iv) base rate + 4.75% of interest payable quarterly or monthly at the option of the Company. Principal repayments of \$3.8 million are due on a quarterly basis on the Initial Term Loan beginning from June 30, 2022. The Initial Term Loan and DDTL Facility have a maturity date of December 3, 2027, and the Revolving Facility has a maturity date of December 3, 2026. On February 16, 2022, the Company made a partial repayment of \$615.0 million on the Initial Term Loan. As a result, the Company recorded a loss on settlement of loan from its proportionate unamortized portion of issuance costs of \$18.3 million and paid prepayment premium of \$12.3 million, which were recognized as finance costs in the condensed consolidated interim statements of operations.

As at March 31, 2022, nil amount was withdrawn under the DDTL Facility and the Revolving Facility. The Ares Credit Facility is classified as a financial liability at amortized cost and is accounted for using the effective interest rate method.

The Ares Credit Facility is secured by a first ranking security over all present and after-acquired properties in the form of a general security agreement. As at March 31, 2022, the Company was in compliance with its covenants.



The balance outstanding under the Ares Credit Facility as at March 31, 2022 is as follows:

(In thousands of Canadian dollars)

	\$
Principal balance	1,520,000
Less	
Issuance cost	(52,394)
Principal repayment	(615,000)
Interest and accretion expense	31,943
Issuance costs written-off	18,320
Interest paid	(14,182)
Balance, March 31, 2022	888,687
Current	29,456
Non-current	859,231

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 periods ended March 31, 2022 and 2021 was as follows:

(In thousands of Canadian dollars)	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	1,075	541	4,618	2,106
Stock-based compensation	3,712	799	12,583	18,821
Total	4,787	1,340	17,201	20,927

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. On November 16, 2021, hedge accounting was discontinued as a result of settlement of the interest rate swap with cash payment of \$3.1 million. The unrealized gain attributable to the effective portion of the hedge of \$1.9 million and the related income tax impact of (\$0.3) million was reclassified from accumulated other comprehensive income to profit or loss, resulting in realized gain on derivative of \$1.9 million recognized in finance cost and income tax recovery of (\$0.3) million for the nine months ended March 31, 2022.

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 March 31, 2022 was \$298.4 million, using a market approach based on underlying share price of \$25.69 per share, resulting in a gain on change in fair value of \$43.1 million and \$51.6 million for the three and nine months ended March 31, 2022, respectively.

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

Concerns related to the spread of COVID-19 and the related containment measures intended to mitigate its impact have created substantial disruption in the global economy. The uncertainties around the COVID-19 pandemic, continuing resurgences of COVID-19, and related restrictions to contain its spread required the use of judgments and estimates which resulted in no material accounting impacts for the three and nine months ended March 31, 2022. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

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. 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 Stock-Based Compensation

The Company measures the cost of stock-based transactions with employees and directors 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.

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 AIF 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

COVID-19 has had, and continues to have, a material adverse impact on a global scale as governmental authorities in Canada and internationally continue to take measures in response to the pandemic. While the impact of COVID-19 on the Company has been minimal to date, there is uncertainty around its duration and future business conditions. If the outbreak were to cause disruption to the Company's supply chain or its service capabilities in the future, it would have a negative impact on revenue, which could be material. In addition, any material negative impact on revenue would impact profitability, as well as liquidity and capital resources.

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 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 CDOR. To manage this, the Company periodically 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.

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 for the three and nine months ended March 31, 2022.

Ability to Integrate Acquired Companies

The Company is of the view that the ability to realize synergies and integrate acquired companies with its existing technology platforms and management teams is critical for the future success of the Company. The Company has successfully acquired and integrated numerous companies over the years and must undertake such integration activities with each new company that it acquires. Our inability to effectively integrate companies we acquire in the future could have adverse effect on our business and the results of operations.

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.

Contingencies

In the ordinary course of business, from time to time, the Company is involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these financial statements.

The Company has been served with a Statement of Claim (the "Claim") dated February 24, 2022, in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two Ontario based law firms representing approximately 0.03% of Ontario Unity transactions. The Claim alleges, among other things, breach of contract and negligent misrepresentation by the Company in connection with price increases to its industry leading Unity software. The Claim has not been certified by the Superior Court and there are significant reasons to believe that the Claim is incapable of being certified. The Company believes that this Claim is entirely without merit and intends to vigorously defend against it, if it is certified.

Outstanding Share Information

The Company is currently authorized to issue an unlimited number of Shares. As of the date of this MD&A, 69.1 million Shares, 13.1 million stock options and 0.5 million share appreciation rights 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 period ended March 31, 2022 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.

Limitation on Scope of Design

The scope of design of internal controls over financial reporting and disclosure controls and procedures excluded the controls, policies, and procedures of TFSB, which was acquired on December 6, 2021, TM Group, which was acquired on July 8, 2021, GlobalX, which was acquired on July 1, 2021 and Future Climate Info Limited and certain assets from CLS Property Insights Limited (together “FCI”), which was acquired on May 17, 2021.

TFSB’s contribution to our consolidated statements of operations for the three and nine months ended March 31, 2022, excluding the amortization of intangible assets, was less than 10% and 5% of total revenue, respectively and less than 31% and 10% of total net income, respectively. Additionally, as at March 31, 2022, TFSB’s current assets and current liabilities were below 9% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

TM Group’s contribution to our consolidated statements of operations for the three and nine months ended March 31, 2022, excluding the amortization of intangible assets, was less than 14% of total revenues for both periods and less than 10% and 8% of total net income, respectively. Additionally, as at March 31, 2022, TM Group’s current assets and current liabilities were below 7% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

GlobalX’s contribution to our consolidated statements of operations for the three and nine months ended March 31, 2022, excluding the amortization of intangible assets, was less than 7.5% of total revenues for both periods and less than 10% and 8% of total net income, respectively. Additionally, as at March 31, 2022, GlobalX’s current assets and current liabilities were below 5% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

FCI’s contribution to our consolidated statements of operations for the three and nine months ended March 31, 2022, excluding the amortization of intangible assets, was less than 3% of total revenues for both



periods and less than 7% and 5% of total net income, respectively. Additionally, as at March 31, 2022, FCI's current assets and current liabilities were below 1% of consolidated current assets and current liabilities, and its non-current assets and non-current liabilities were below 1% of consolidated non-current assets and non-current liabilities, respectively.

The amounts recognized for the assets acquired and liabilities assumed at the date of acquisition for TFSB, TM Group, GlobalX and FCI are described in note 5 of the condensed consolidated interim financial statements for the three and nine months ended March 31, 2022.