

EVENT: THE DATA GROUP INCOME FUND Q2 RESULTS  
CONFERENCE CALL  
TIME: 11:00 E.T.  
REFERENCE: DATA GROUP INCOME FUND-CC-080911  
LENGTH: 28 MINUTES  
DATE: AUGUST 9, 2011

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OPERATOR: Good morning. My name is Chrissie and I will be your conference operator today. At this time I would like to welcome everyone to the DATA Group Income Fund 2011 second quarter results conference call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks there'll be a question-and-answer session. If you would like to ask a question during this time, simply press \* then the number 1 on your telephone keypad. If you would like to withdraw your question, press the # key.

I would now like to turn the call over to Mr. Michael Suksi, President and CEO. Please go ahead, sir.

MICHAEL SUKSI (President and Chief Executive Officer, The DATA Group Income Fund): Thanks, Chrissie.

Good morning, everyone, and thank you for joining us to review the DATA Group Income Fund's financial results for our second quarter of 2011 and year to date ended June 30th of 2011. Paul O'Shea, our CFO, is with me, and Paul will be discussing the Fund's performance by division, as well as with me to answer any questions you may have.

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Before we begin I'll remind you, of course, that our remarks and our answers to your questions today may contain forward-looking information. This information, by its nature, is subject to risks and uncertainties that may cause actual events or results to differ materially from any conclusion, forecast or projection contained in our remarks or answers. Certain material factors or assumptions were applied in drawing the conclusions, forecasts or projections included in our remarks and answers, and additional information about the applicable risk factors and assumptions are contained in the Fund's annual and quarterly continuous disclosure filings, which are available on SEDAR.

Also in today's conference call all references to the DATA Group will mean the Fund, together with its various business divisions and affiliated entities.

So let's get on with it. It's a pleasure to be talking to you about our results today. In the second quarter of 2011 the DATA Group continued to do what we say we will do. We are continuing to execute on our plans to position the DATA Group for long-term growth while also maintaining a healthy balance sheet, stabilizing our financial results in 2011, and most importantly, maintaining our annual distributions to unitholders at \$0.65 per unit.

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During the quarter we continued to make progress on our three key initiatives, which are: one, focusing our strategic priorities on an aggressive sales effort in our core market of document management services and marketing-related print to generate new business; two, accelerating the development of new products and services to provide enhanced value to our customers and new revenue streams for the DATA Group; and third, implementing cost savings initiatives. So I'll give you a quick update on each of those three initiatives.

In the second quarter of 2011 we again won a number of new, large accounts without any material client losses. 2011 year-to-date revenue from new business development is approximately \$10 million. It's interesting and important to note that these wins have contributed to our improved gross profit because most are in relatively high-margin categories, such as document management, direct mail, digital print, and labels. In addition, during the second quarter of 2011, we expanded our capability in the growing areas of short run on-demand marketing print and gift card and retail loyalty card production. We also hired new sales personnel and continued with our new sales training program that I've talked about in previous calls.

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In the third quarter of 2011 we will commence direct marketing to existing and potential clients in order to increase awareness of our products and services.

In the area of new product development, the DATA Group is now entering the digital photo book market, which is a category that is experiencing double-digit annual growth rates with our launch of an innovative new product offering in this space.

In the third quarter of 2011 we are now launching another new offering in a rapidly growing market, which is electronic direct marketing solutions. These will augment DATA Group's existing printed direct mail services with additional marketing related email, mobile message, promotional webpages, and associated professional consulting services.

We are also actively researching additional new products and services for future launch. We do not expect these initiatives to have a material impact on our results of operations until later in the fourth quarter of 2011 or into 2012. And finally on this note, we continue to explore acquisition opportunities that are consistent with our new product development strategy.

On the topic of cost savings, in the second quarter of 2011, our cost savings contributed to our improved gross profit. They also met our

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planned expectations and were consistent with our previous year as we realized incremental savings from equipment and real estate lease cost reduction and process improvements in our business.

In the second quarter of 2011 we also created a strategic sourcing department to initiate additional savings programs, which will benefit us in the future. Offsetting these cost savings, the DATA Group had increases in costs, as we had planned, associated with new business and new product development. So now I'll talk about the results for the quarter and year-to-date financially.

Revenues for the quarter ended June 30, 2011 were \$80 million, a decrease of 1.2 per cent compared to the same period in 2010. Net income for the second quarter of 2011 was \$1.4 million or \$0.06 per basic unit compared to a net income of \$2.3 million or \$0.10 per basic unit for the same period in 2010. Revenues for the six months ended June 30 were \$164.3 million, a decrease of 1.4 per cent compared to the same period in 2010. Net income for the six months ended June 30, 2011 was \$3.2 million or \$0.13 per basic unit compared to a net income of \$5.6 million or \$0.24 per basic unit for the same period in 2010. The main reason for the decrease in net income from the prior period is the fact that the DATA Group Income Fund became subject to income tax on January 1, 2011.

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Gross profit for the second quarter of 2011 improved to \$20.2 million or 25.2 per cent of revenues compared to a gross profit of \$19.5 million or 24 per cent of revenue in the same period in 2010. For the six months ended June 30 gross profit improved to \$41.6 million or 25.3 per cent of revenue compared to gross profit of \$40.4 million or 24 per cent of revenue for the same period in 2010.

Adjusted EBITDA for the second quarter of 2011 was \$6.9 million or 8.6 per cent of revenue compared to adjusted EBITDA of \$7.4 million or 9.1 per cent of revenue for the same period in 2010. Adjusted EBITDA for the six months ended June 30 was \$14.9 million or 9.1 per cent of revenue compared to adjusted EBITDA of \$15.5 million or 9.3 per cent of revenue in the same period in 2010.

The main reason for the decrease in adjusted EBITDA from the prior period was the cost of our investment in the development of new products and services.

The Fund had total cash available for distribution of \$4.3 million or \$0.183 per unit for the second quarter of 2011. Our total distributions to unitholders during the quarter were \$3.8 million or \$0.163 per unit for a pay-out ratio of 88.7 per cent. In the first six months of 2011 the Fund had total cash available for distribution of \$9.3 million or \$0.397 per unit. Our

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total distributions to unitholders during the first six months were \$7.6 million or \$0.326 per unit for a pay-out ratio of 81.9 per cent. Both of those numbers are a substantial improvement over last year's pay-out ratios.

All of our distributions in the second quarter and the first six months of 2011 were funded from cash generated by the DATA Group's operations.

I'll now ask Paul to provide further details on the Fund's financial performance by segment.

PAUL O'SHEA (Chief Financial Officer, The DATA Group Income Fund): Thanks, Michael.

I'll start with the DATA East and West segment. Revenue at the DATA Group's DATA East and West segment for the quarter ended June 30, 2011 decreased \$1 million or 1.3 per cent to \$77.1 million from \$78.1 million for the same period in the prior year. Revenues for the six months ended June 30, 2011 decreased \$2.3 million or 1.4 per cent to \$158.7 million from \$161 million for the same period in the prior year.

Revenues for the three months ended June 30, 2011 decreased at a slower rate than experienced in previous quarters. During the three months ended June 30, 2011 the segment experienced strong sales in May and June after weaker sales in April.

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In addition, revenue from the sale of lottery rolls during the second quarter of 2011 were consistent with the same period in 2010, and during the first six months of 2011 sale of lottery rolls were higher than the same period in 2010.

During the second quarter of 2011, in the first six months of 2011 the segment experienced revenue gains from new business, which partially offset declines in revenues from existing customers. During the first quarter of 2011 revenues from commercial printing in Alberta were higher due to the completion of several large projects for major customers.

For the quarter ended June 30, 2011 gross profit increased \$600,000 to \$19.4 million from \$18.8 million for the same period in 2010. Gross profit as a percentage of revenues for the quarter increased to 25.2 per cent from 24.1 per cent for the same period in 2010. For the six months ended June 30, 2011 gross profit increased \$1.1 million to \$40.2 million from \$39.1 million in the same period in 2010.

Gross profit as a percentage of revenues for the six months ended June 30 increased to 25.3 per cent from 24.3 per cent for the same period in 2010. The increase in gross profit as a percentage of revenues during the three and six months ended June 30, 2011 was due to cost savings realized from ongoing productivity improvement and cost reduction

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initiatives and better capacity utilization as a result of those measures. Revenues from new business also increased gross profit as most of the new business was in relatively high-margin categories.

In addition, the segment continued development on its new products and services initiative, which is expected to positively impact revenues and gross margins in late 2011 and in 2012.

Revenues at the DATA Group's Multiple Pakfold segment for the quarter ended June 30, 2011 increased \$100,000 or 1.1 per cent to \$3.8 million from \$3.7 million for the same period in the prior year. Revenues for the six months ended June 30, 2011 decreased \$200,000 or 2.7 per cent to \$7.3 million from \$7.5 million for the same period in the prior year. The slight increase in revenues for the three months ended June 30, 2011 was due to higher quoting activity. The decrease in revenues for the six months ended June 30, 2011 was attributable to aggressive pricing by competitors, a change in reorder cycles, and was partially offset by the higher quoting activity.

For the quarter ended June 30, 2011 gross profit increased \$100,000 to \$800,000 from \$700,000 for the same period in the prior year. Gross profit as a percentage of revenues for the quarter increased to 20.8 per cent from 17.6 per cent. For the six months ended June 30, 2011 gross

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profit increased \$100,000 to \$1.4 million from \$1.3 million for the same period in 2010. Gross profit as a percentage of revenues for the six months increased to 19.8 per cent from 17.6 per cent. The improvement in gross profit as a percentage of revenues for the three and six months was due to cost savings realized from cost reduction initiatives undertaken in prior periods.

I'll now turn it back to Michael for some closing remarks.

MICHAEL SUKSI: Thank you, Paul.

I started off today's call by saying we are continuing to do what we said we would do in 2011. Let me summarize why I said this. First of all, our strategic plan for long-term growth is on target. Three things about that: we said we would gain market share through new business wins, and we have in a material way. Secondly, we said we would launch new products and services in high-growth, high-margin categories. We are doing that now, and we're getting positive feedback from our customers. Third, we said we would continue to reduce our costs, and again, we have in a material way. So our strategic plan is on target.

Second, we said we would stabilize our financial results in 2011. While there's still room for improvement, we have made great progress on

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this front. Let's consider our year-to-date results that we just talked about in the context of our overall 2010 results.

Our year-to-date revenue in 2011 is down 1.4 per cent. In 2010 we experienced a 5-per-cent decline. Our year-to-date gross profit in 2011 is up 3 per cent whereas in 2010 we had a decline of 9 per cent. In 2011 our year-to-date EBITDA is down 3.9 per cent. In 2010, overall it was down 10 per cent. So all those numbers represent an improvement, and it's also important to note as I said earlier that the main reason for our decline in 2011 adjusted EBITDA is that we have chosen to invest in our future. This has positive implications for our business, our customers and our investors in the longer term.

Third, we said we anticipated maintaining our distributions through our investors at the current level, and we have.

Finally, I'd like to make a comment regarding our unitholder distribution policy going forward. Obviously investors want to understand our intention and our ability to sustain our distribution. Apart from everything we've already talked about today, there's one other point I want to make. So that point has to do with our 2010 annual general meeting last May. During that meeting our unitholders voted to approve our plan to convert the Fund to a corporation at the end of 2011. And this upcoming

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conversion may be creating some confusion regarding how it will impact our distributions. So I want to clarify this point.

We already reduced our distributions in January of 2011, and that was as a result of our becoming taxable at the beginning of 2011. Also it was a result of our anticipated financial performance and our intent to invest in our strategic plan. Therefore since we have already done that in January of 2011, we do not expect the conversion to a corporation at the end of 2011 to have any further impact on our distribution policy. Our intention is to maintain our annual distributions at the current level of \$0.65 per unit as long as our financial performance continues to justify it as it has in the first half of 2011. Our strategic plan, which we are executing on, will be the driver of the sustainability in the long term.

Thank you for joining us today. I'll now turn it back to the operator to open it up for any questions.

OPERATOR: As a reminder, ladies and gentlemen, if you would like to ask a question during this time, simply press \* then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Peter de Auer, Cluster Asset Management. Your line is open.

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PETER DE AUER: Thank you. Good morning.

MICHAEL SUKSI: Good morning, Peter.

PETER DE AUER: Just a quick question on strategy and orientation. I had understood that in the past you were essentially using the direction towards electronics on the basis of supporting the print business, and facilitating your clients' business on the print side. Has that actually changed? That seems to be the direction that you're implying in the comments. But perhaps you can comment on the general strategy, first of all if that's correct, and secondly, whether that indeed has changed, and you're now looking at this in a broader sense?

MICHAEL SUKSI: One clarifying question for you, Peter. You said in the past. So when you say in the past, you mean earlier quarterly conference calls that we've had in the last few months or last few quarters rather or do you mean further back in time than that?

PETER DE AUER: Maybe further back in time. Just in terms... we actually visited the company, as Paul knows.

MICHAEL SUKSI: Yeah.

PETER DE AUER: And that seems to be the orientation. We simply said the new world appears to be going significantly towards electronic communication and business. And the thought at the time was that yes,

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you were in that space. But that was overwhelmingly to support the print business...

MICHAEL SUKSI: Correct.

PETER DE AUER: ... to make it easier for clients to do business with you, order new products and that kind of thing.

MICHAEL SUKSI: Sure. Yeah, I understand your question. Thanks. I just wanted to clarify the timing.

PETER DE AUER: Yeah.

MICHAEL SUKSI: So yeah, you're right. In the past the biggest part of our e-service had to do with our price sophisticated e-commerce capabilities that allowed clients to do business with us more easily. I'm agreeing with what you just said.

And yeah, there has been a change. We started talking in Q4 of 2010 about a new strategic direction that DATA is going in that will augment the traditional print business that we've been in. We certainly aren't abandoning that by any stretch of the imagination, but we've said to investors in the last few conference calls that our plan is to augment that business by launching new products and services. We believe that'll be an important part of our future growth. And those new products and services will focus on types of things that have positive compound annual growth

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rates associated with them. We want to get into businesses that are growing. That's, I think, self-evident as good decision-making.

And furthermore, those new products and services may well – they won't exclusively – but they may well have e... electronic elements to them. So for example, what I talked about in the written script that we just went through with regards to electronic direct marketing services, that complements our direct mail and our gift card and our other marketing print services that we already offer. And when we're going to see clients, the broader range of solutions that includes printed marketing, direct marketing-related capabilities, as well as electronic means that we're creating more value for them. They certainly are responding well to it.

And ultimately we think that means we're going to win more clients, and through that win we will gain not only electronic revenue, the kind that I described already, but we'll also gain more print revenue because it's usually a case of the client saying we want that one vendor to handle the complete category.

So yes, in answer to your question, we are launching new additional products and services that complement the print business, but will represent independent, additional new revenue streams, and there will be an electronic element to them.

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PETER DE AUER: Thanks. Just as a quick follow up, a number of companies have experienced difficulties in generating significant profit margins out of the electronic space. Do you foresee that that is going to be the same with DATA Group or have you been able to overcome that so that this becomes a truly profitable line as far as the future goes?

MICHAEL SUKSI: We don't have a whole bunch of results to speak to in this regard because, as I said, we are launching now. So I can't talk to you about actual results that we've generated. However, what I can say is that the research that we did quite carefully and thoroughly before deciding on what categories to launch into has indicated to us that there are healthy margins, probably on average healthier than what we see in our print business, to be garnered in these categories. And early indications of client responsiveness to our talking to them and proposing these types of services are certainly confirming that.

So we are not seeing, in our categories that we're focusing on, low margin expectations. And clearly as part of our criteria around launching into any particular category, the margin enhancement is an important part of what we're looking at.

PETER DE AUER: Thank you.

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OPERATOR: Your next question comes from the line of Bill Chisholm from MacDougall, MacDougall and MacTier. Your line is open.

BILL CHISHOLM: Yes, good morning, everyone. One thing I continue to be impressed by is your ability to win new contracts, which apparently was quite successful in the second quarter. You threw out a number of \$10 million in revenue. And did I pick that up properly that that is the annualized revenue of the new contracts signed in the second quarter?

MICHAEL SUKSI: Not exactly, but close. The \$10 million is the amount of revenue in new business that we've won year to date in the first six months of the year. So that would come from clients that we've won or new significant chunks of business that we've won this year or that may have come on board in Q4 of last year in terms of when the client agreed to start new business with us. But they don't actually start generating revenue into Q1 of this year. So it's the first six months of this year actual sales results.

BILL CHISHOLM: Okay. And you indicated these were in high-margin categories. Is there normally a ramp up period when you start these new businesses or new contracts before they actually truly contribute to the bottom line?

MICHAEL SUKSI: Yes.

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BILL CHISHOLM: Is it in a matter of months or years?

MICHAEL SUKSI: Months.

BILL CHISHOLM: Months.

MICHAEL SUKSI: Sometimes it's weeks. Typically it's months. Most of the time it's months.

BILL CHISHOLM: Okay. So the true benefits probably are not going to start showing up until the fourth quarter or the first part of 2012?

MICHAEL SUKSI: Well... sorry, I just want to be clear with you, Bill on this because I don't want to mislead you. So let me give you an example of what I'm talking about because I think the answer is we continue to see this kind of trend in terms of new businesses being fairly consistent. So I'll just elaborate for the sake of clarity.

BILL CHISHOLM: Okay.

MICHAEL SUKSI: If we won a new piece of business in November of 2010, to the point that we just talked about, it might not really get up and running till January or February of 2011. Once that happens we start... obviously we're measuring and counting that revenue so that we know how we're doing. And what we're saying is that in the first six months of 2011 those types of revenues actually have come in at \$10 million in actual billing.

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That's different than saying we won a new customer in May of 2011. It's \$1 million a year worth of business. We haven't seen any revenue from it yet because it won't even get started till July or August. That will be a different kind of measure, and that's not what I'm talking about. The reason I don't talk about that as much is because it's a little bit more, I think, soft. I don't have any hard numbers I can report. When I tell you there's \$10 million in revenue we've generated, we've billed that revenue and collected it.

BILL CHISHOLM: Okay. Very good.

MICHAEL SUKSI: Does that help?

BILL CHISHOLM: That helps a lot, yes.

Now on the electronic side you launched the photo book in the third quarter or you intend to in the third quarter. We're about halfway through the third quarter now. Has it actually been launched yet?

MICHAEL SUKSI: Yes. Yeah, we've launched the photo book product, and we've launched the other product that's the multi-channel one. We are deliberately not launching it in a way where we're going out to all of our customers through all of our sales reps – approximately 100 sales reps across the country – because we want to make sure we do it right and we don't let any clients down. So we're going to selected clients

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at this stage through a number of our sales people and initiating conversations with those clients for both of the products.

BILL CHISHOLM: And then you stated you're going to launch the electronic direct marketing solutions.

MICHAEL SUKSI: Yeah, that's the other one I...

BILL CHISHOLM: That's the other one. Okay.

MICHAEL SUKSI: Yeah. We're doing that now.

BILL CHISHOLM: Yeah. Okay.

MICHAEL SUKSI: We're on schedule with both of them.

BILL CHISHOLM: Okay. Very good. The only other question I have is on the conversion cost from an income trust to a corporation. You've expensed, I guess, \$414,000 so far, and conversion takes place at the end of the year. Is this pretty well the whole cost or is there more to come in the second half?

PAUL O'SHEA: There's more to come. In our proxy we said it would be about \$560,000. So we're on track. It'll be around that, \$560,000.

BILL CHISHOLM: Yeah. Okay, that's fine. Thank you.

MICHAEL SUKSI: Thanks, Bill.

OPERATOR: Again, if you'd like to ask a question, please press \* then the number 1 on your telephone keypad.

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And there are no further questions in the queue at this time.

MICHAEL SUKSI: All right. Thanks again. We look forward to reporting on our progress to you after our next quarter. Have a good day.

OPERATOR: This concludes today's conference call. You may now disconnect.

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