

Decisive Dividend Corporation

Second Quarter 2025 Results Conference Call

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CONFERENCE CALL PARTICIPANTS

Russell Stanley

Beacon Securities — Analyst

Steve Hansen

Raymond James — Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen. My name is Sergio and I will be your conference operator today.

At this time, I would like to welcome everyone to the Decisive Dividend Corporation Second Quarter 2025 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, please press star, then the number two.

We remind you that today's remarks may include forward-looking statements and non-IFRS financial measures that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the applicable sections of Decisive Dividend's news release and MD&A which are on their website and have been filed on SEDAR.

I would now like to turn the conference over to Jeff Schellenberg, Chief Financial Officer, and Rick Torriero, Chief Financial Officer. Please go ahead.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thank you, Operator. Hello and good morning everyone. This is Jeff Schellenberg. I want to welcome everyone to our Q2 2025 earnings conference call.

We are very pleased with the operating results in Q2 2025, which was the strongest second quarter in Decisive's history and marked the third consecutive quarter in which a quarterly record for both revenue and Adjusted EBITDA was achieved. The \$36.3 million in consolidated sales in Q1 2 25 were 26 percent higher than Q2 2024 and generated \$5.3 million in Adjusted EBITDA, which was 56 percent higher than in Q2 of last year. That brought first half 2025 sales to \$75.4 million, which was 30 percent higher than the first half of 2024 and drove a 67 percent increase in Adjusted EBITDA to \$12.3 million for the first half of the year.

These increases in the first half of the year came from across the portfolio with each business vertical realizing sales and Adjusted EBITDA increases versus the same period last year. The Hearth businesses Blaze King and ACR realized an 11 percent increase in sales compared to the first half of 2024 on stronger order levels despite the first half of the year capturing the majority of their typically lower seasonal period.

The Agricultural businesses – Slimline's Orchard and Vineyard Sprayer product and IHT – generated 59% higher sales in the first half of the year, driven by strong order activity at IHT.

The Industrial Products businesses, which includes Northside, Hawk, Capital I and Slimline's evaporators, had an aggregate 28 percent increase in sales over the first half of 2024, while our merchandising business, Marketing Impact, realized a 10 percent increase in sales compared to the first half of 2024.

Lastly, our group of Wear-parts businesses – Unicast, Procore, Techbelt – achieved a 61 percent increase in wear-parts sales over the first half of 2024.

The improvement in sales and Adjusted EBITDA in the first half of the year resulted in a 129 percent improvement in free cash flow less maintenance CapEx expenditures compared to the first half of 2024, which is our key metric in measuring our dividend payout ratio. This significant improvement drove the trailing 12-month dividend payout ratio down to 74 percent from 96 percent at the end of 2024 and demonstrates the strength in the free cash flow generation capabilities of our business and the sustainability of the current dividend level.

The strong first half operating metrics also greatly improved our leverage ratio from 3.1 times at December 31 to 2.6 times at June 30, which, combined with the increase in the maximum debt-to-EBITDA ratio to 3.5 times bolsters our capacity under our credit facilities.

Strong demand levels for the group's Hearth, Agricultural, Wear-part, Merchandising and certain Industrial Products has current overall order backlogs 40 percent higher compared to this time last year. That, combined with the new products that will be introduced this year, is expected to drive results in the remainder of 2025. However, as we noted on our May conference call, with over 50 percent of our overall sales being made into the U.S., the impact of U.S. trade policy on the U.S. economy and our U.S. customers is important to our outlook. Recently, certain commercial vehicle and oil and gas customers have signalled demand declines for the second half of 2025 as U.S. economic conditions have negatively impacted their businesses directly. These same customers have noted that they expect to see a rebound in activity levels in 2026, and the 2025 demand declines should be mitigated by the previously noted strength in performance across the other parts of our business, but depending on actual U.S. economic activity levels in the remainder of 2025, they may impact sales and profitability over the next two quarters.

We have an excellent group of subsidiary presidents that remain keenly focused on their activity levels, customer sentiment and cost structures, and they are all working to make their businesses stronger even through uncertainty. Chris Goodchild, who recently joined as COO of Decisive, is working closely with our subsidiary management to provide another layer of support and expertise in these business growth efforts.

On the acquisition front, the two small tuck-in acquisitions for Techbelt we announced last month will add additional capabilities to Techbelt's product and service offerings and support future operating results for that business.

Further, the acquisition of Venger Group by Marketing Impact announced this morning will add a U.S.-based business into our Merchandising vertical, expanding this vertical's reach to a loyal U.S. customer base that currently utilizes Venger services. This business will be overseen by the President of Marketing Impact, Mark Gosselin, who will be focused on expanding Venger's business in the U.S., selling Marketing Impact's products into these U.S.-based customers, and opening the door for provision of similar services of Venger to Marketing Impact's customers in Canada.

These acquisitions are aligned with our focus of acquiring within the industry verticals we have already invested in, which should accelerate integration and enhance post-acquisition performance. We are encouraged by the record financial performance over the last three quarters supporting strengthening of our balance sheet, along with the continued strong flow of deal opportunities we see within our existing five focused business verticals and within the parameters of the types of businesses we are looking for.

These factors support further M&A activity, and we look forward to providing further update on that to our shareholders as our M&A program unfolds.

With that, I'll now open up the call for questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star, followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process, please press the star, followed by the number two. If you're using a speakerphone, please lift the headset before pressing any keys. One moment, please, for your first question.

Your first question comes from Russell Stanley from Beacon Securities. Please go ahead.

Russell Stanley — Analyst, Beacon Securities

Good morning and congrats on an excellent quarter. Maybe just following up first on the signalling you're getting from the commercial vehicle and oil and gas customers around some caution there. Maybe can you elaborate, I guess, on what might be underlying their expectations for recovery in fiscal '26?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yes. Yes, I think what we're seeing, there's kind of a few different stories in that front. I think on the heavy commercial vehicle front I think they see dynamics that are causing them to pull back on production levels with some increases in inventory levels driving what their communication is to us around demand levels for our products. I think what they've also signalled though is an expectation of strength in the U.S. economy on the back of some of the policy initiatives that have been undertaken, which drives their expectation of stronger performance in 2026.

With respect to the oil and gas customers and the impact on them, I think there's a bit of a different story on both of those fronts, too, actually, because I think what we see from the one customer is we've been supporting them on a fairly new product development initiative that we've been building components and assemblies for. And that, as they've rolled some of this out, there's been some tweaking to the product, which then has paused initial demand with order levels expected to take off again in 2026 at levels that are still undetermined, but they've been pretty clear about the type of program they're looking to unfold in 2026 around that and getting back to building new product there.

Otherwise, I think it's a question of operating activity levels across the various basins that the other customer relates to. So that's maybe a little less clear and shifting some products around in terms of where they're manufacturing them. What we're seeing and encouraged about on that front is that there are other opportunities to work for that customer as well, to do other work for them, which we're kind of leaning into.

So, kind of a few different stories around that front, but that gives us some encouragement around what we're seeing that there could be more of a deferral than kind of lost revenue. It's just a matter of timing.

Russell Stanley — Analyst, Beacon Securities

That's helpful. Then maybe gross margins, it looks like some nice improvement there year-over-year coming from both segments and primarily around product mix. I'm wondering if you can elaborate on what you're seeing there, where that improvement is really coming from and whether this trend should continue in H2. Thanks.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yes. I mean in terms of product mix, we see a business like IHT contributing considerably more than they did last year, and that's a higher-margin product than some of the other ones in that segment, the finished products segment. You also have a business like Unicast that's seeing strong performance and has really strong margins in that business. Really that, again, is part of that product mix change versus last year.

If you look at it really on a sequential quarter basis, pretty similar. We've kind of had that 38 percent, 37 percent range in margins over the last few quarters here and so encouraged by the—despite some changes, ups and downs between the businesses, a strong margin profile this quarter.

Russell Stanley — Analyst, Beacon Securities

Great. Maybe one more for me, and I'll get back in the queue, just around this morning's acquisition. Can you elaborate, I guess, on what the strategy is for monetizing that cross-selling opportunity? It seems like there's a lot to do on both sides of the border. I just want to clarify, is there no customer overlap? Is this greenfield territory on both sides? Thanks.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yes. I think great question, Russell. For the most part it is a greenfield opportunity. We do some work for some of the U.S.-based clients that are in the portfolio of Venger's client list, but they operate at much greater scale with those customers than we do currently and so we see tremendous opportunity.

I think consistent with what we're doing, Marketing Impact has products that solve certain challenges for our customers. Specifically in our Merchandising part of that business, it's around labour challenges. We have pusher products and other types of shelf management systems that reduce the need for labor to walk around the store and front product as an example, that manages inventory control to ensure that its items are loaded into these merchandising systems in a first in/first out basis, so that there's less aged inventory and waste. All of that supports one of the biggest challenges for the grocer customer is a labour challenge, and Venger does the same thing. It does contract refurbishment services or provides contract refurbishment services in stores – grocers specifically – and dealing with the challenges they have in finding labour to do that type of work. We're able to take that off their hands, but also to refurbish the store and improve the look and feel of the store in a way that significantly reduces the cost of having to replace assets; we can refurbish them.

I think that labour challenge is consistent across the group. What we have now is a group that provides products that do that and labour that provides it and with a lack of overlap in terms of us providing the products to vendors' customers or the services to Marketing Impact's customers.

We also think there's tremendous growth for Venger in terms of just the existing services it offers in the U.S. and so we're excited to lean in and build the group of salespeople that are driving that business going forward. We're really excited about the organic growth opportunities that business provides for us as well, plus the cross-selling opportunities.

We think it's a great fit. We're very aisle focused in terms of what Marketing Impact provides currently. This broadens it to a much broader base across the store which we think is important as we look at that merchandising segment and the opportunities that are in there.

Russell Stanley – Analyst, Beacon Securities

That's great. Thanks for the colour. I'll get back in the queue. Congrats again.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Thanks, Russ.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Russ.

Operator

Thank you. Ladies and gentlemen, as a reminder, should you have a question, please press star, one.

Your next question comes from Steve Hansen from Raymond James. Please go ahead.

Steve Hansen — Analyst, Raymond James

Yes. Good morning, guys. Thanks for the time. Just wanted to ask on the origination of some of your recent deals. I think both the Venger Group that you talked about today and the recent Techbelt tuck-ins, they're very close to the verticals or the companies you've already got in the portfolio. Are these originating out of ideas from your existing presidents? Are you sourcing them from traditional channels? I'm just trying to get a sense for how some of these deals are coming in because they do seem to be quite complementary.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yes. No, that's great, Steve. I think the answer to that is it's a mix of both. For the Techbelt acquisitions, those were directly sourced by the leader of that business, Simon Sparkes, who had worked with both of the groups that we ended up acquiring. One was an asset acquisition, obviously, and one was the purchase of a business. Both of those situations came from commercial relationships that we were already in. We are already working with customers for both belt-fitting and some system fabrication opportunities that our sales team at Techbelt had sourced based on some of their previous history and experience. We used the Blackburn folks to execute on those opportunities, which opened up the door to a conversation about another situation with a legacy mine and exiting business owner, a guy that was

looking to retire and didn't have a succession plan. So he was keen to hear the story about how Techbelt was acquired by Decisive and that opened up the door to the acquisition that happened in a very complementary service line that helps expand the breadth of offering that Techbelt provides to its existing customer base, too.

NK was something similar where there was an opportunity that came across Simon's plate in an area of the business he was trying to grow anyways, which is the polyurethane and PVC belting products that are also a lot of that type of product in the Techbelt customer base facilities as well. And especially since actually Blackburn manufactures more UPVC systems for those types of belts than other types of belts as well. That was just kind of a clear overlap between those two businesses and a huge complement to Techbelt. That was really Simon that drove those opportunities and we were able to help get those across the finish line.

We did source the Venger group through a referral relationship and so that was very, very positive. Someone who knew about our business and was aware of what we had invested in terms of the merchandising segment and made an intro to Garvin Weber, who is the vendor of that business, and we took it from there. S

I think it's kind of consistent with exactly what we're trying to do, which is invest within segment. We think there's much greater opportunities to reduce the S-curve elements of integration and the timeline to really drive these businesses to accelerated growth when we have leaders and organizations in place that help support the rapid integration and growth-oriented focus of kind of getting on the throttle to drive the sales of these businesses and not worried about system integration and all those

types of things because a lot of that stuff is already in place in both Techbelt and Marketing Impact that we're able to leverage off of.

So, all really, really positive. We're keen about both these deals and especially given the teams that they're getting plugged into and the great work that they're doing to drive results in their businesses already. So yes, that's all very positive, Steve.

Steve Hansen – Analyst, Raymond James

That's great. That's good colour. Appreciate that. Just maybe one follow-up, just on IHT just because it sounds like it's been a standout performer here recently. I understand the commodity backdrop there has changed to the positive. Just typically from your experience, can you start to get visibility six months out? A year out? A year and a half out? How does the backlog evolve in a business like that typically? I know they went through a rougher period initially, but just trying to get a sense for how visibility is looking as it starts to really stand out again.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yes. I think what we can see is strength in the differential between pork prices and feed and energy costs, which drives a lot of positive activity in that sector, or positive sentiment in that sector, which then in turn we're seeing in our order levels which obviously have kind of outpaced our capacity to manufacture that at this point, which builds our backlog. That backlog is something we're really focused on working through, but it provides a really nice kind of, call it, safety blanket to have visibility for a forward-looking

basis, about six-month type of basis to see where the opportunity or what the opportunity can look like over the next six months.

I think what we're encouraged about is that order levels are continuing to be strong as well. So on top of the strong backlog, we're seeing good order levels and from some large customers that we've been targeting for an extended period of time who kind of, I guess I would call it have seen the light and the quality of our product but also the differentiating advantage relative to some of the current technology that they're using and the energy efficiency opportunity with that, and have in some cases, moved away from other products, so we're grabbing share, but also working with folks who have not invested previously in mats, but recognize the profitability benefits of that product. So yes, we're really encouraged about that.

We brought in a new general manager in that business at the beginning of July, who started there, who has extensive manufacturing backlog and we're really working closely with him to drive output increases in that business as well to work through the existing demand in the backlog and drive growth in production to support the order levels that we're seeing in that business.

Steve Hansen – Analyst, Raymond James

That's great. Appreciate the colour.

Operator

Thank you.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Steve.

Operator

There are no further questions at this time. I would now like to turn the call over to management for closing remarks. Please go ahead.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks very much everyone for joining our Q2 conference call. We look forward to further updates in the future and our progress in the next quarter and beyond. Thanks for your participation.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.