Management's Discussion and Analysis of

# Decisive Dividend Corporation

For the three months ended March 31, 2024

## Corporate Overview

Decisive Dividend Corporation ("Decisive" or the "Company") is an acquisition-oriented company focused on opportunities in manufacturing.

Decisive's purpose statement is:

- To be the sought-out choice for exiting legacy-minded business owners, who will be provided the opportunity to stay involved in Decisive;
- To support the long-term success of the businesses acquired, including through sharing resources with other Decisive companies; and
- To create sustainable and growing shareholder returns.

The Company intends to meet these objectives by:

- acquiring already profitable, well-established, high quality manufacturing companies that have a sustainable competitive advantage, a focus on non-discretionary products, steady cash flows, growth potential and established, strong leadership;
- continuing the business legacies of the vendors of companies acquired by Decisive and remaining committed to the communities our businesses are located in;
- providing resources, support and oversight to ensure sound business operations through on-going active collaboration and monitoring while recognizing that the people running the business know it best; and
- implementing appropriate expansion strategies to pursue active organic growth of its operating subsidiaries.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on October 2, 2012 and is listed on the TSX Venture Exchange, trading under the symbol "DE". The head office of the Company is located in Kelowna, British Columbia.

The principal wholly-owned operating subsidiaries of the Company are managed through two reportable segments and were acquired as follows:

*Finished Product Segment*

- Valley Comfort Systems Inc. and its wholly-owned subsidiary Blaze King Industries Inc.; collectively referred to herein as "Blaze King"; acquired in February 2015.
- Slimline Manufacturing Ltd. ("Slimline"); acquired in May 2018.
- Marketing Impact Limited ("Marketing Impact"); acquired in April 2022.
- ACR Heat Products Limited ("ACR"); acquired in October 2022.
- Capital I Industries Inc. and its sister company, Irving Machine Inc.; collectively referred to herein as "Capital I"; acquired in April 2023.
- Innovative Heating Technologies Inc. ("IHT"); acquired in July 2023.

*Component Manufacturing Segment*

- Unicast Inc. ("Unicast"); acquired in June 2016.
- Hawk Machine Works Ltd. ("Hawk"); acquired in June 2018.
- Northside Industries Inc. ("Northside"); acquired in August 2019.
- Micon Industries Ltd. ("Micon"); acquired in April 2023.
- Procore International Radiators Ltd. ("Procore"); acquired in April 2023.
- Techbelt Limited ("Techbelt"); acquired in April 2024.

## Preface

This Management's Discussion and Analysis ("MD&A") focuses on key items from the unaudited interim condensed consolidated financial statements of Decisive for the three months ended March 31, 2024 and 2023. The condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. All amounts are expressed in Canadian dollars unless otherwise noted. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the Company in the future.

This MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the related notes for the period ended March 31, 2024, the annual audited consolidated financial statements and the related notes for the year ended December 31, 2023, the annual MD&A for the year ended December 31, 2023, and the unaudited interim condensed consolidated financial statements for the period ended March 31, 2023. This MD&A covers the three months ended March 31, 2024 and the subsequent period up to the date of filing. In this MD&A, the Company and its subsidiaries, collectively, are referred to as the "Group".

This MD&A was prepared effective May 8, 2024.

Certain statements in this MD&A constitute forward-looking information and forward-looking statements, as such this MD&A should be read in conjunction with the Cautionary Statement Regarding Forward-Looking Information and Statements included later in this MD&A.

In this MD&A, reference is made to "Adjusted EBITDA", "Free Cash Flow", "Growth Capital Expenditures", "Maintenance Capital Expenditures", "Dividend Payout Ratio" and "Return on Invested Capital", which are financial measures that are not recognized financial measures under International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards") but are believed to be meaningful in the assessment of the Group's performance. The Company's method of calculating Non-IFRS financial measures may differ from that of other corporations or entities and therefore may not be directly comparable to measures utilized by other corporations or entities. A reader should not place undue reliance on any Non-IFRS financial measures. Detailed descriptions of these financial measures are included later in this MD&A under the heading "Non-IFRS Financial Measures" and reconciliations to their most comparable IFRS Accounting Standards measure are included throughout the MD&A where applicable.

Additional information regarding the Company, including the Company's Annual Information Form, is available on SEDAR+ at www.sedarplus.ca, or on the Company's website at www.decisivedividend.com.

## Overall Performance

### *Financial Highlights*

The financial results of the Group for the periods indicated below are, as follows:

**FINANCIAL PERFORMANCE**
*(Stated in thousands of dollars, except per share amounts)*

| For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| Sales | **$ 29,350** | $ 30,854 |
| Gross profit | **11,235** | 11,122 |
| Gross profit % | **38%** | 36% |
| Adjusted EBITDA [1] | **3,965** | 4,894 |
| Per share basic | **0.21** | 0.33 |
| Profit before tax | **346** | 2,684 |
| Profit | **187** | 1,966 |
| Per share basic | **0.01** | 0.13 |
| Per share diluted | **0.01** | 0.12 |
| Free cash flow [1] | **1,898** | 2,979 |
| Per share basic | **0.10** | 0.20 |
| Free cash flow less maintenance capital [1] | **1,565** | 2,490 |
| Per share basic | **0.08** | 0.17 |
| Dividends declared | **2,482** | 1,426 |
| Per share basic | **0.13** | 0.10 |
| Dividend payout ratio [1] | **66%** | 58% |

[1] – As defined under the heading "Non-IFRS Financial Measures" later in this MD&A.

The non-IFRS measures referenced in the table above reconcile to the IFRS Accounting Standards measures reported in the Company's consolidated financial statements as follows, except for dividend payout ratio which is analyzed on a trailing twelve-month basis to reduce the impact of seasonality on the analysis, the reconciliation of which is included later in this MD&A under the heading "Dividends and Dividend Payout Ratios":

*Adjusted EBITDA*

*(Stated in thousands of dollars)*

| For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| **Profit for the period** | **$ 187** | $ 1,966 |
| Add (deduct): | | |
| Financing costs | **1,217** | 755 |
| Income tax expense | **159** | 718 |
| Amortization and depreciation | **2,157** | 1,320 |
| Acquisition and restructuring costs | **187** | 25 |
| Inventory fair value adjustments and write downs | **-** | - |
| Share-based compensation expense | **310** | 239 |
| Foreign exchange gains | **(232)** | (42) |
| Interest and other income | **(17)** | (18) |
| Gain on sale of equipment | **(3)** | (69) |
| **Adjusted EBITDA** | **3,965** | 4,894 |

*Free Cash Flow and Free Cash Flow Less Maintenance Capital*

| *(Stated in thousands of dollars)* | | |
|---|---|---|
| For the three months ended March 31, | **2024** | 2023 |
| Cash provided by operating activities | $ **(440)** | $ (33) |
| Add (deduct): | | |
| Changes in non-cash working capital | **3,513** | 3,598 |
| Income taxes paid | **722** | 1,322 |
| Current income tax expense | **(401)** | (906) |
| Acquisition and restructuring costs | **187** | 25 |
| Interest paid | **(1,192)** | (711) |
| Lease payments | **(435)** | (316) |
| Required principal repayments on debt | **(56)** | - |
| **Free cash flow** | **1,898** | 2,979 |
| Maintenance capital expenditures | **(333)** | (489) |
| **Free cash flow less maintenance capital** | **1,565** | 2,490 |

The financial position of the Group for the periods indicated below is, as follows:

| **FINANCIAL POSITION**<br>*(Stated in thousands of dollars)* | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Working capital | **$ 25,595** | $ 21,686 |
| Property and equipment | **27,406** | 23,776 |
| Total assets | **156,318** | 152,567 |
| Long-term debt, excluding debt issuance costs | **51,337** | 45,282 |
| Equity | **58,479** | 57,751 |
| **Share Information (000s)** | | |
| Common shares issued and outstanding | **19,270** | 18,911 |

### *Discussion of Overall Performance*

*Q1 Consolidated Financial Highlights*

Sales for the first quarter decreased by 5% to $29.4 million from $30.9 million in Q1 2023, driven primarily by a decrease in hearth product sales. Blaze King and ACR entered 2024 with 90% lower order backlogs than existed in 2023. Although these large backlogs positively impacted 2023 results, the lower aggregate demand backlog, coupled with lower energy prices during Q1 2024 relative to Q1 2023 and warmer weather that occurred in late Q1, during the start of the traditional slower seasonal demand periods for these businesses, resulted in a 43% decline in hearth product sales in Q1 2024 compared to Q1 2023. Conversely, demand levels in the commercial vehicle industry have continued to be strong and Northside sales increased 19% in Q1 2024 compared to Q1 2023. The sales generated by the four businesses acquired in 2023 (Capital I, Micon, Procore and IHT) partially offset the aggregate 24% revenue decline experienced in the seven businesses owned prior to 2023, 66% of which relates to the hearth products businesses. Q1 2024 sales for Micon and Procore were consistent with pre-acquisition averages. Capital I sales levels in Q1 2024 were lower than pre-acquisition averages due to a decrease in project work that was previously being completed for an oil and gas customer, unrelated to its core business. IHT sales were also below pre-acquisition averages during the quarter as a result of customers electing to delay capital projects in light of challenging pork industry conditions and overall economic uncertainty.

Despite the decrease in overall sales, consolidated gross profit increased by $0.1 million, or 1%, to $11.2 million in Q1 2024, compared to Q1 ##D<PriorYear. The increase was driven by the increase in gross profit percentages, which improved by 2 percentage points to 38% compared to 36% in Q1 2023. Both segments contributed to the margin increase that were a result of product mix changes, pricing increases, and other margin enhancing activities, as well as the contribution from the four high margin businesses acquired in 2023.

Overall operating expenses increased from $8.6 million in Q1 2023 to $11.1 million in Q1 2024. The increase was primarily a result of the overall increase in scale due to the four acquisitions completed in 2023, as well as increased financing costs related to the debt funded portion of those acquisitions.

Adjusted EBITDA for the first quarter of 2024 was $4.0 million, a $0.9 million, or 19%, decrease compared to Q1 2023. Consolidated net profit in the quarter was $0.2 million, or $0.01 per share, a decrease of $1.8 million, $0.12 lower on a per share basis, compared to Q1 2023. The overall decreases in Adjusted EBITDA and net profit were primarily driven by the decrease in sales described above and the increase in the scale of the organization and the associated operating expenses relative to Q1 2023.

Notwithstanding the challenges faced in the quarter relative to Q1 2023, as described later in this MD&A under the heading "Outlook", Decisive and its subsidiaries are taking a number of steps to position themselves to continue to deliver long term organic growth as well as further growth through acquisitions.

## 2024 Acquisitions

On March 14, 2024, the Company acquired, through Hawk, the assets of Alberta Production Machining Ltd. ("APM"). The assets of APM are operated out of a leased facility in Edmonton, Alberta, and provides Hawk with increased machining capabilities and access to additional equipment and people to service the strong demand from its growing customer base.

On April 10, 2024, the Company acquired 100% ownership of Techbelt, a manufacturer of polytetrafluoroethylene ("PTFE") conveyor belts, PTFE tapes, and PTFE materials. Techbelt was founded in 2002, is located in Huddersfield in the United Kingdom, and adds to Decisive's growing wear-parts businesses while introducing customers in the food and beverage, textiles, packaging, agriculture, and fast-moving consumer goods markets.

The acquisitions of APM and Techbelt are anticipated to have a positive financial impact on Decisive as they are expected to result in an increase in sales, gross profit, profit, and Adjusted EBITDA. The table below sets forth the pro forma combined financial information of Decisive and the applicable pre-acquisition periods for the acquisitions completed in 2023 and 2024:

| *(Stated in thousands of dollars, except per share amounts)*<br>For the trailing twelve month period ended March 31, 2024 | Decisive* | Add pre-acquisition periods for acquired businesses** | Pro forma |
|---|---|---|---|
| Sales | $ 133,378 | $ 10,655 | $ 144,033 |
| Gross profit | 52,876 | 4,864 | 57,740 |
| Gross profit % | 40% | 46% | 40% |
| Profit | 6,553 | 1,450 | 8,003 |
| Per share basic | 0.36 | | 0.42 |
| Adjusted EBITDA [1] | 24,275 | 2,443 | 26,718 |
| Per share basic | 1.32 | | 1.42 |

[1] – see IFRS measurement to non-IFRS measurement reconciliation table below.

* – based on Decisive's unaudited financial information reported for the trailing twelve-month period ended March 31, 2024.

** – based on the unaudited financial information of Techbelt for the pre-acquisition period from April 1, 2023 to March 31, 2024, the unaudited financial information for the pre-acquisition period from April 1, 2023 to April 4, 2023 for each of Capital I, Micon, and Procore, and the unaudited financial information of IHT for the pre-acquisition period from April 1, 2023 to July 18, 2023.

| *(Stated in thousands of dollars)*<br>For the trailing twelve month period ended March 31, 2024 | Decisive* | Add pre-acquisition periods for acquired businesses** | Pro forma |
|---|---|---|---|
| **Profit** | $ 6,553 | $ 1,450 | $ 8,003 |
| Add (deduct): | | | |
| Financing costs | 4,257 | 44 | 4,301 |
| Income tax expense | 2,858 | 599 | 3,457 |
| Amortization and depreciation | 8,733 | 151 | 8,884 |
| Acquisition and restructuring costs | 1,163 | - | 1,163 |
| Inventory fair value adjustments and write downs | 28 | - | 28 |
| Share-based compensation expense | 816 | - | 816 |
| Foreign exchange gains | (94) | 194 | 100 |
| Interest and other income | (9) | (1) | (10) |
| Gain on sale of equipment | (30) | 6 | (24) |
| **Adjusted EBITDA** | 24,275 | 2,443 | 26,718 |

The components of the consideration paid to acquire these businesses are as follows:

| *(stated in thousands of dollars)* | APM | Techbelt | Total |
|---|---|---|---|
| Cash (net of cash acquired) | $ 2,789 | $ 5,678 | $ 8,467 |
| Common shares | - | 603 | 603 |
| | $ 2,789 | $ 6,281 | $ 9,070 |

The cash portion of the consideration in each of these acquisitions was funded using the Company's syndicated credit facility. The share portion of the consideration was funded through the issuance of 57,879 common shares of Decisive to the vendors of Techbelt.

Additionally, the vendors of Techbelt can be paid up to an additional £2.2 million contingent on Techbelt meeting certain earnings targets over the three following the acquisition date.

Upon completion of these acquisitions, and the receipt of outstanding in-the-money warrant proceeds expected in the next 12-months before their respective expiries (as described later in this MD&A under the heading "Disclosure of Outstanding Share Data"), Decisive's cumulative acquisition funding mix for the 13 acquisitions it has completed to date will be 47% debt and 53% equity.

The acquisition date fair value of the assets acquired, and liabilities assumed on the acquisition of Techbelt is currently being determined. The preliminary allocation of the purchase price to the acquisition date fair value of the assets acquired, and liabilities assumed on the acquisition of APM is as follows:

| *(stated in thousands of dollars)* | APM |
|---|---|
| Working capital, excluding cash | $ 11 |
| Property and equipment | 3,289 |
| Lease obligation | (511) |
| | $ 2,789 |

Further particulars regarding Techbelt, including certain (unaudited) historical financial information, are set forth in Decisive's material change report dated April 11, 2024, a copy of which is available on SEDAR+ at www.sedarplus.ca.

## Outlook

The Company has significantly advanced its growth strategy with eight acquisitions completed in a 24-month span. Marketing Impact was a platform acquisition into a new industry for the Group. ACR was Decisive's first add-on acquisition into an industry in which it had previously invested, with the second being the acquisition of the assets of APM by Hawk, providing Hawk with increased capabilities and access to additional equipment and people to service the demand from its growing customer base. The acquisitions of Capital I, Micon, Procore, IHT, and Techbelt diversified the Group's industrial, wear-parts, and agricultural product offering while creating potential synergistic opportunities including cross-selling through leveraging customer relationships in similar industries and complementary geographic regions, as well as operationally through sharing of operational capacity and best practices while enhancing the scale of the organization in its target industries. Decisive is executing on its buy, build, and hold business model and completing eight acquisitions in a 24-month period demonstrates the Company's ongoing commitment to its shareholders to continue to grow the business through acquisition.

In a challenging quarter, the importance of scaling the organization to reduce the impact of volatility in the performance of an individual subsidiary on the overall financial performance of the business is highlighted. This, along with pursuing the acquisition of businesses that operate within the sectors Decisive already operates in, is the focus of Decisive's acquisition activity.

In pursuit of this, Decisive is continuing to build and execute on a strong pipeline of acquisition opportunities, and new opportunities are consistently being added to the Company's acquisition prospect pipeline. This reflects the fact that the western world is in the middle of the largest period of inter-generational transfer of wealth in history, where many businesses are assessing alternatives as to how the business can be carried forward into the future, including seeking out new owners. This trend is and will continue to provide opportunities for Decisive, with its legacy-maintaining business model and access to capital being key differentiators in a competitive acquisition marketplace.

The first quarter of 2024 was challenging from an operational perspective, after a year of record operating performance for Decisive in 2023. Softening economic activity, as a result of the high interest rate environment, increased geopolitical instability, and ongoing inflation, though at a declining rate, has impacted demand for certain businesses, relative to what was experienced over the previous two years. Certain of Decisive's subsidiaries, specifically Hawk, Northside and Marketing Impact, are experiencing robust demand characteristics, with order levels well ahead of 2023. Others, specifically Unicast, Capital I and IHT, are seeing order levels trailing last year's orders. Blaze King and ACR entered 2024 with significantly lower backlogs relative to the start of 2023, which will have an impact on H1 2024 sales levels. While order levels for hearth products ramped up to levels ahead of 2023 during the traditional Q1 promotional period, lower energy prices during Q1 2024 relative to Q1 2023 and warmer weather that occurred in late Q1, during the start of the traditional slower seasonal demand periods for these businesses, slowed the pace of 2024 order levels, which now trail 2023 order levels.

The work being done by Decisive's subsidiary leaders, a group which has been significantly strengthened over the past few years, to upgrade teams, strategies and processes to support longer term growth objectives in the businesses, has been proven to generate positive operational results in businesses that are further down the path of working through these types of change. However, for the subsidiaries that are at earlier stages of this realignment process, short-term results can be challenged while these changes are taking effect, all of which is part of the process of positioning these businesses for long-term success. The quality of the leaders that have been brought in to run subsidiary businesses and head office personnel to provide support to these businesses, along with the steps those leaders are taking at each of the subsidiaries to pursue margin and market share enhancing activities, gives Decisive management confidence that each of Decisive's portfolio businesses is being positioned for long-term success in a manner that will continue to support long-term per share financial metric enhancement and growing and sustainable dividends.

Management of Decisive and its subsidiaries are taking steps to work through current challenges and to position each of the businesses to deliver long term organic growth including through developing new markets, securing new customers, product development, university backed research studies, customer product trials, facility expansions, organizational right-sizing, and/or organizational structure realignment for growth. Further commentary surrounding the above initiatives and the outlook for each of the businesses in the Group is provided in the MD&A under the headings “Finished Product Segment Industry Trends and Outlook” and “Component Manufacturing Segment Industry Trends and Outlook”.

Decisive’s ability to access both debt and equity financing through its relationships with its lenders, shareholders, and various investment banks, as demonstrated by the completion of eight acquisitions in 24-months funded through its debt facilities and two successful equity raises, is a key differentiating advantage of the business. In March 2024, the Company syndicated its credit facility with four top tier lending partners, increasing its total available debt by $107 million to $175 million. The significant increase to the Company’s credit facilities, coupled with a 2.1 times debt to Adjusted EBITDA ratio after debt funding two acquisitions in 2024, leaves the Company with significant capacity to pursue its strategic objectives and weather near-term operational challenges. Management believes that the balance sheet strength and flexibility gained over the last year as well as the long-term aggregation opportunity driven by the catalyst of an aging demographic of business owners examining their intergenerational wealth transfer options, including sale of the business, supports the Company’s story of growth and yield which has generated significant total shareholder return for its investors. These factors have the Company well positioned to take advantage of potential opportunities for further growth, both through long term organic growth as well as further acquisitions, as they arise.

Based on operating results in 2023, Decisive’s dividend payout ratio was 54%. This low payout ratio level, combined with the earnings contribution of the businesses acquired by the company in 2023, the strength of its acquisition pipeline, as demonstrated by the two acquisitions completed in 2024, as well as the diversification of the cashflows of its group of subsidiaries provided confidence for the Company to increase its monthly dividend to $0.045 effective March 2024, consistent with Decisive’s objective of providing shareholders with long-term, sustainable, and growing dividends. The payout ratio increased to 66% for the trailing twelve-month period ended March 31, 2024, well within historical ranges for the Company.

As a result of all of these factors, management remains confident in the long-term fundamentals of Decisive’s business model.

## Summary of Quarterly Results

The Group’s interim results are impacted by seasonality factors primarily driven by weather patterns, including the impact thereof on heating, planting and harvesting seasons, as well as the timing of ground freeze and thaw in Western Canada and the effect thereof on the oil and gas industry, including the cost of energy. Blaze King and ACR’s businesses historically experience lower demand in the first and second quarters of the calendar year, Slimline’s business historically experiences lower demand in the third and fourth quarters, and Hawk’s business historically experiences lower demand in the second quarter. Seasonality does not have a significant impact on the businesses of Decisive’s other subsidiaries. In each subsidiary, there are substantial fixed costs that do not meaningfully fluctuate with product demand in the short-term.

**QUARTERLY PERFORMANCE**
*(Stated in thousands of dollars, except per share amounts)*

| | **Q1 2024** | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|
| Sales | $ **29,350** | $ 35,668 | $ 37,654 | $ 30,706 |
| Gross profit | **11,235** | 13,796 | 16,346 | 11,499 |
| Gross profit % | **38%** | 39% | 43% | 37% |
| Adjusted EBITDA [1] | **3,965** | 7,181 | 7,863 | 5,266 |
| Per share basic | **0.21** | 0.38 | 0.43 | 0.31 |
| Profit before tax | **346** | 3,160 | 3,995 | 1,911 |
| Profit | **187** | 2,424 | 2,741 | 1,201 |
| Per share basic | **0.01** | 0.13 | 0.15 | 0.07 |
| Per share diluted | **0.01** | 0.12 | 0.14 | 0.06 |

| | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 |
|---|---|---|---|---|
| Sales | 30,854 | 30,778 | 25,932 | 23,189 |
| Gross profit | 11,122 | 9,988 | 8,912 | 7,756 |
| Gross profit % | 36% | 32% | 34% | 33% |
| Adjusted EBITDA [1] | 4,894 | 4,018 | 3,999 | 3,344 |
| Per share basic | 0.33 | 0.27 | 0.32 | 0.27 |
| Profit before tax | 2,684 | 983 | 2,644 | 1,245 |
| Profit | 1,966 | 659 | 2,029 | 884 |
| Per share basic | 0.13 | 0.04 | 0.16 | 0.07 |
| Per share diluted | 0.12 | 0.04 | 0.15 | 0.07 |

[1] – see IFRS measurement to non-IFRS measurement reconciliation table below.

The non-IFRS measures referenced in the table above reconcile to the IFRS Accounting Standards measures reported in the Company's consolidated financial statements as follows:

*(Stated in thousands of dollars)*

| | **Q1 2024** | Q4 2023 | Q3 2023 | Q2 2023 |
|---|---|---|---|---|
| **Profit for the period** | $ **187** | $ 2,424 | $ 2,741 | $ 1,201 |
| Add (deduct): | | | | |
| Financing costs | **1,217** | 1,083 | 1,076 | 881 |
| Income tax expense | **159** | 736 | 1,253 | 710 |
| Amortization and depreciation | **2,157** | 2,574 | 2,231 | 1,771 |
| Acquisition and restructuring costs | **187** | 1 | 397 | 578 |
| Inventory fair value adjustments and write downs | **-** | 28 | - | - |
| Share-based compensation expense | **310** | 108 | 283 | 115 |
| Foreign exchange losses (gains) | **(232)** | 220 | (100) | 18 |
| Interest and other expense (income) | **(17)** | (5) | 21 | (8) |
| Gain on sale of equipment | **(3)** | 12 | (39) | - |
| **Adjusted EBITDA** | **3,965** | 7,181 | 7,863 | 5,266 |

*(Stated in thousands of dollars)*

| | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 |
|---|---|---|---|---|
| **Profit for the period** | $ 1,966 | $ 659 | $ 2,029 | $ 884 |
| Add (deduct): | | | | |
| Financing costs | 755 | 740 | 672 | 657 |
| Income tax expense | 718 | 324 | 615 | 361 |
| Amortization and depreciation | 1,320 | 1,663 | 1,204 | 1,140 |
| Acquisition and restructuring costs | 25 | 440 | 61 | 578 |
| Inventory fair value adjustments and write downs | - | 22 | - | - |
| Share-based compensation expense | 239 | 19 | 26 | 28 |
| Foreign exchange losses (gains) | (42) | 176 | (598) | (291) |
| Interest and other income | (18) | (7) | (5) | (4) |
| Gain on sale of equipment | (69) | (18) | (5) | (9) |
| **Adjusted EBITDA** | 4,894 | 4,018 | 3,999 | 3,344 |

### *Discussion of Quarterly Performance*

In addition to the effects of seasonality as described above, the variation in the Group's results on a quarterly basis are as follows:

*Q1 2024 Consolidated Financial Highlights*
For the discussion of Q1 results see "Overall Performance" earlier in this MD&A.

*Q4 2023 Consolidated Financial Highlights*
Sales for the fourth quarter increased by 16% to $35.7 million from $30.8 million in Q4 2022. The overall increase was driven by a 17% increase in the finished product segment and a 22% increase in the component manufacturing segment. Hawk and Northside were the key drivers of this growth as Hawk sales increased 30% compared to Q4 2022 and Northside sales increased 20% relative to Q4 2022 with both businesses facing robust demand. Blaze King and ACR worked through order backlogs during the quarter, although warm weather in the United Kingdom and a delay in receiving regulatory approval for the launch of a new product line impacted ACR's seasonal increase in sales of its wood stove products. As a result, overall hearth product sales declined in Q4 2023 compared to Q4 2022. Fourth quarter sales for Unicast, Slimline, and Marketing Impact declined relative to Q4 2022, as lower demand resulting from economic uncertainty impacted Unicast product sales and Slimline sprayer sales. For Marketing Impact, however, Q4 2023 sales were higher than any other quarter in 2023. The sales generated by the four businesses acquired in 2023 (Capital I, Micon, Procore and IHT) contributed meaningfully to the consolidated sales increases. Q4 2023 sales for Capital I, Micon and Procore were consistent with pre-acquisition averages. IHT sales moved below pre-acquisition averages during the quarter as a result of a facility move and customers electing to delay capital projects in light of economic uncertainty.

Overall gross profit was $13.8 million in Q4 2023, an increase of $3.8 million, or 38%, relative to Q4 2022, driven by the increase in overall sales. Gross profit percentages in Q4 2023 increased by 7 percentage points to 39% compared to 32% in Q4 2022. Both segments contributed to the margin increase that were a result of product mix changes, pricing increases and other margin enhancing activities, as well as the contribution from the four high margin business acquired in 2023.

Overall operating expenses increased from $8.9 million in Q4 2022 to $10.4 million in Q4 2023. The increase was primarily a result of the overall increase in scale due to the four acquisitions completed in 2023 and the associated acquisition costs, as well as increased financing costs. The three roles added to the head office team in Q3 2023 (VP Manufacturing, VP People & Culture, and AVP Finance) also impacted overall operating expenses in the quarter.

The above noted increases in sales and gross profit, were the primary drivers of the $3.2 million, or 79%, increase in Adjusted EBITDA and $1.8 million increase in net profit relative to Q4 2022.

*Q3 2023 Consolidated Financial Highlights*
Sales for the third quarter increased by 45% to $37.7 million from $25.9 million in Q3 2022. The overall increase was driven by a 58% increase in the finished product segment and a 37% increase in the component manufacturing segment. The sales generated by ACR, which was acquired in October 2022, as well as the sales generated in the three businesses acquired in April 2023 (Capital I, Micon and Procore) and the first sales reported for IHT, which was acquired in July 2023, contributed meaningfully to the consolidated sales increases. Blaze King and Unicast both achieved strong sales during the quarter, consistent with sales levels in Q3 2022. Marketing Impact sales decreased 19% relative to the higher sales realized in Q3 2022, however quarterly sales levels remained in-line with pre-acquisition averages. Slimline sales increased 22% on the back of a significant sale within its wastewater evaporator business that contributed $3.5 million in sales in the quarter. Hawk sales increased 25% compared to Q3 2022 and Northside sales increased 55% relative to Q3 2022 with both businesses facing robust demand.

Overall gross profit was $16.3 million in Q3 2023, an increase of $7.4 million, or 83%, relative to Q3 2022, driven by the increase in overall sales. Gross profit percentages in Q3 2023 increased by 9 percentage points compared to Q3 2022. Both segments contributed to the margin increase that were a result of product mix changes, including the high margin wastewater evaporator sales in Slimline in Q3 2023, pricing increases and other margin enhancing activities, as well as the contribution from the five high margin business acquired since Q3 2022.

Overall operating expenses increased from $6.9 million in Q3 2022 to $12.5 million in Q3 2023. The increase was primarily a result of the overall increase in scale due to the five acquisitions completed between September 30, 2022 and September 30, 2023 and the associated acquisition costs, as well as increased financing costs. The head office team also increased in the quarter with the addition of three roles (VP Manufacturing, VP People & Culture, and AVP Finance), each of which augment the ability of Decisive to support existing subsidiaries in achieving organic growth and complete acquisitions.

The above noted increases in sales and gross profit, were the primary drivers of the $3.9 million, or 97%, increase in Adjusted EBITDA and $0.7 million increase in net profit compared to Q3 2022.

*Q2 2023 Consolidated Financial Highlights*
Sales for the second quarter increased by 32% to $30.7 million from $23.2 million in Q2 2022. The overall increase was driven by a 37% increase in the finished product segment and a 26% increase in the component manufacturing segment. The sales generated by ACR, which was acquired in October 2022, as well as the sales generated in the three businesses acquired in April 2023 (Capital I, Micon and Procore), contributed meaningfully to the consolidated sales increases. Traditional seasonality negatively impacted sales for Blaze King and Hawk during the quarter. Blaze King sales were also affected by reduced productivity in the quarter and Slimline sales continued to be negatively impacted by leadership and sales personnel transitions. These decreases were more than offset by increased sales at Northside and Unicast, which highlights the benefit of diversification in the portfolio.

Overall gross profit was $11.5 million in Q2 2023, an increase of $3.7 million, or 48%, relative to Q2 2022, driven by the increase in overall sales. Gross profit percentages in Q2 2023 increased by 4 percentage points compared to Q2 2022, which was driven by the component manufacturing segment where product mix changes, pricing increases and other margin enhancing activities led to increased segment margins.

Overall operating expenses increased from $6.8 million in Q2 2022 to $9.6 million in Q2 2023. The increase was primarily a result of the overall increase in scale due to the four acquisitions completed between June 30, 2022 and June 30, 2023, and the associated acquisition costs, as well as increased financing costs.

The above noted increases in sales and gross profit, were the primary drivers of the $1.9 million, or 57%, increase in Adjusted EBITDA and $0.3 million increase in net profit relative to Q2 2022.

## Segment Overview and Performance

Decisive's overall business is conducted through three operating segments comprised of finished product; component manufacturing; and head office. An overview of these segments and the businesses within each segment is set forth below.

### *Finished Product Segment Overview*

The finished product segment manufactures and sells products that are purchased and used by end customers as designed. Within the finished product segment, there are six separate businesses: Blaze King, Slimline, Marketing Impact, ACR, Capital I and IHT.

*Blaze King*
The business of Blaze King is producing and selling high-quality, high-efficiency wood burning stoves, wood burning fireplace inserts, gas stoves, gas fireplaces, and gas fireplace inserts. All of its products are manufactured in its premises in Penticton, British Columbia and Walla Walla, Washington. Blaze King has been operating since 1977, and its hearth products are sold worldwide. Blaze King's wood burning stoves and inserts are recognized as some of the longest-burning and most efficient in the hearth market. Blaze King management believes that its products have developed a strong reputation for quality. These factors have helped build the Blaze King brand and reputation, which drives sales through dealer and customer loyalty. Blaze King has a growing distribution base that includes a large network of retailers and distributors across Canada, the United States and New Zealand.

*ACR*
ACR produces and sells woodburning, multifuel, and gas stoves and sells them primarily in the United Kingdom. It also produces electric stoves, electric fireplaces and outdoor pizza ovens. ACR was founded in 2004, has a well-established brand in the United Kingdom marketplace and is known for its high-quality and attractively designed products. ACR utilizes third party partners to manufacture its products making ACR scalable and versatile. It then distributes these products at accessible price points that drive a strong value proposition for its customers. Further, with its Eco-design Ready models, ACR is compliant with the emissions standards in place in the United Kingdom and across Europe.

*Slimline*
Slimline and predecessor companies have been manufacturing and selling air blast sprayers since 1948. The air blast sprayers are used primarily in the agricultural industry to apply treatments to crops such as apples, cherries, grapes, almonds, walnuts, oranges, and peaches. Slimline also designs, manufactures, and sells EcoMister evaporator systems primarily used in the mining, oil and gas, and waste management industries. In addition to its two main product lines, Slimline manufactures custom products and sells various sprayer, evaporator, and other industrial parts. Slimline's sprayers and evaporators utilize common technology including pumps and fan assemblies. Slimline sells its sprayers under the name "Turbo Mist" which includes a heavy-duty series, a standard series, a cherry blower, and multiple attachments for different crop types. Slimline's sprayers are primarily sold through its dealer network throughout Canada and the United States. Slimline's EcoMister evaporator division has been in operation since 1996. It produces an environmental and economical solution that meets specific customer needs in the elimination of wastewater. Slimline's evaporators are sold into markets throughout the world.

*Marketing Impact*
Marketing Impact designs, manufactures, and distributes a comprehensive range of merchandising products, systems and solutions for retail customers including grocery stores, convenience stores, and pharmacies. Its catalogue of over 4,000 products includes: product pusher systems, loss prevention solutions, merchandising bins and accessories, shelf management systems, and sign holder systems, among others. Marketing Impact also designs and manufactures displays for consumer-packaged goods customers. Since commencing operations in 1986, Marketing Impact has had a strong reputation for customer service, responsiveness, and innovation amongst its robust list of blue-chip, well-diversified retail customers across North America. Its design team is a leading innovator of merchandising systems

and consumer-packaged goods displays as evidenced by the more than 15 patents issued or pending in Marketing Impact's portfolio.

*Capital I*
Capital I, located in Tisdale, Saskatchewan, has been designing, manufacturing and distributing high-quality road maintenance and construction equipment since 1993. Capital I's innovative products include dozer blades, snow blades and wings, gravel reclaimers, road groomers, quick attach lifts, road mulchers and mowers, that are used in the construction and maintenance of gravel roads. Capital I's products are tailored to fit numerous makes and models of heavy equipment used in road maintenance which allows them to service a diverse customer base ranging from OEMs, dealers and municipalities. In addition, Capital I fabricates and/or distributes mining equipment, oil and gas parts, agricultural parts and hydraulic cylinders.

*IHT*
IHT, located outside of Winnipeg, Manitoba, is a well-established manufacturer and developer of high efficiency heating mats and lighting solutions for hog production. IHT was founded in 1995 and offers a diverse range of reliable and energy-efficient equipment, with a strong emphasis on research and development of new innovative technologies. The current focus of the business is centered on heat mats, lighting products and related equipment for hog producers. Management believes that the key competitive advantages for these products are durability, anti-microbial characteristics, energy efficiency, optimal heat distribution, and safety and hazard prevention, all of which promote animal welfare and cost savings for their customers. IHT's products are sold around the world both directly and through strategic distributors.

### *Finished Product Segment Performance*

| *(Stated in thousands of dollars)* | | |
|---|---|---|
| For the three months ended March 31, | **2024** | 2023 |
| Sales | $ **16,346** | $ 17,394 |
| Gross profit | **6,395** | 6,695 |
| Gross profit % | **39%** | 38% |
| Profit | **772** | 2,153 |
| Add (deduct): | | |
| Financing costs | **163** | 92 |
| Income tax expense (recovery) | **(137)** | 308 |
| Amortization and depreciation | **1,332** | 706 |
| Foreign exchange income | **(86)** | (5) |
| Interest and other income | **(13)** | (16) |
| Gain on sale of equipment | **(3)** | - |
| Adjusted EBITDA | **2,028** | 3,238 |

IFRS measurement to non-IFRS measurement reconciliation presented in the table above.

*Three Months Ended March 31, 2024*
Overall sales for the segment in Q1 2024, decreased by $1.0 million, or 6%, relative to Q1 2023. The decrease was driven primarily by decreased sales in Blaze King and ACR, partially offset by the sales generated in the two businesses acquired in 2023: Capital I and IHT. Capital I sales levels in the quarter were lower than pre-acquisition averages due to a decrease in project work that was previously being completed for an oil and gas customer, unrelated to its core business. IHT sales were also below pre-acquisition averages during the quarter as a result of customers electing to delay capital projects in light of challenging pork industry conditions and overall economic uncertainty. Blaze King and ACR worked through their high order backlogs in 2023, ensuring products required by their customers for the heating season were delivered. Although that positively impacted 2023 results, the hearth businesses entered 2024 with over 90% fewer stoves in their aggregate demand backlogs, which, when coupled with lower energy prices during Q1 2024 relative to Q1 2023 and warmer weather that occurred in late Q1 during the start of the traditional slower seasonal demand periods for these businesses, resulted in a 43% decrease

in hearth product sales in Q1 2024 compared to Q1 2023. Q1 2024 sales at Marketing Impact and Slimline also decreased in Q1 2024, compared to Q1 2023, however the positive momentum being affected by the leadership transitions in both of these businesses in recent quarters has continued.

The decrease in overall sales resulted in a $0.3 million, or 5%, decrease in gross profit in Q1 2024 compared to Q1 2023. The margin enhancing activities undertaken over the last year as well as the contribution from the two high margin business acquired in 2023, resulted in an increase in segment gross profit percentage to 39% in Q1 2024 compared to 38% in Q1 2023 despite the decrease in overall sales.

Overall segment Adjusted EBITDA was $2.0 million in Q1 2024; a decrease of $1.2 million, or 37%, compared to Q1 2023, driven primarily by the decrease in Blaze King and ACR sales described above, and the impact of decreased sales on the fixed costs that do not meaningfully fluctuate with product demand in those businesses.

### *Finished Product Segment Industry Trends and Outlook*

<u>Blaze King and ACR</u>

- All Blaze King products meet stringent EPA 2020 regulations in effect for wood burning appliances in North America. Blaze King's top selling King and Princess model woodstoves are listed first and second in North America in terms of efficiency by the EPA. Similarly, all of ACR's products meet the environmental standards in effect in the United Kingdom and Europe.

- Investments made with respect to EPA 2020 readiness positioned Blaze King to increase its market share. Blaze King and ACR are continuing their efforts to position themselves as regulatory compliance leaders in current and prospective markets.

- United States government's tax credit program, effective until 2032, should continue to drive outsized demand relative to the market as Blaze King products make up 9% of eligible wood stoves. Consumers can apply for a tax credit of up to $2,000 to replace older non-efficient wood stoves and fireplaces.

- A warm winter, the stabilization in the availability and costs of heating alternatives such as natural gas, timelines for receiving regulatory approval for new product line launches, the high interest rate environment, and near-term geopolitical and economic uncertainty may negatively impact near-term demand for wood stoves and fireplaces in North America, the United Kingdom and Europe.

- Both Blaze King and ACR are actively pursuing market share increases through their respective distribution channels and the introduction of new product designs. Blaze King management is focused on building appropriate levels of inventory to satisfy demand witnessed in its early-buy program and to capitalize on future market expansion opportunities. Investments in growth capital were made over the last three years to increase production capacity and efficiency with additional investments underway and planned in the coming months. Blaze King management has reduced its labour force and will continue to maintain the levels required based on customer demand. The use of different third-party manufacturers (including Northside for Blaze King products) are utilized to scale production according to demand and, in some cases, to enhance product margins.

- Blaze King and ACR are in pursuit of regulatory approval of a new product design that utilizes Blaze King's combustion technology styled and sized for sale into the United Kingdom and European market, which also could be sold in the North American market, supported by the extensive dealer networks both businesses have in their respective markets. Both companies are pursuing new product designs as well to broaden the range of products they offer.

*Slimline*

- Slimline's agriculture sprayers have strong brand equity and market penetration in British Columbia and in the Pacific Northwest and is aiming to capitalize on the wider industry movement toward precision agriculture through continued product development.
- Leadership is focused on improving service to the existing customer base in the Pacific Northwest while also pursuing expansion in other large agricultural markets in North America, such as California, Florida, Georgia, South Carolina and New York. This renewed focus is expected to have Slimline better positioned for the 2025 agricultural sprayer buying season, as agricultural sprayer orders were considerably lower to date in 2024 and in 2023 relative to 2022.
- The current high interest rate environment and general economic uncertainty has negatively impacted 2024 sprayer sales and may continue to have a negative effect through the remainder of the year.
- Other worldwide markets are being explored as potential expansion opportunities to augment its North American sprayer business.
- Opportunities for Slimline's wastewater evaporator products to provide alternative wastewater remediation solutions in the mining, oil and gas and waste management industries.
- The development of a larger scale evaporator for use in larger scale tailings ponds led to a substantial order that was fulfilled in Q3 2023. Further opportunities for the larger scale evaporator are being pursued, and Slimline is positioning itself to work with a well-known university to provide research that helps support the benefits of its evaporative technology.
- The benefits of its evaporative technology are also being demonstrated through potential customer product trials. However, the current high interest rate environment and general economic uncertainty may cause customers to defer capital projects of this nature in the near-term.
- In February 2023, Daryll Lowry was named the new president of Slimline. Leadership transition has progressed considerably over the last year.

*Marketing Impact*

- Services a wide range of top-tier retail and consumer packaged goods customers that are in non-cyclical industries selling non-discretionary products. Grocery stores, convenience stores, and pharmacies, as well as the consumer-packaged goods that are shelved by these outlets, have all experienced strong demand trends over the last few years and that is expected to continue in the long-term.
- Demand from these customers softened in 2023 and to date in 2024. However, Marketing Impact is uniquely positioned as a domestic supplier of merchandising products, systems, solutions and displays for these customer groups. Its product pusher and anti-theft systems can demonstrate a strong return on investment to its customer base as they support labour savings and reduced shrinkage for its customers.
- Well established with its customer base in Eastern Canada. Given its market position and the quality of its products, management believes there are opportunities for growth in Western Canada, Quebec and the United States. In the United States, the grocery and pharmacy industries are more fragmented than in Canada, which provides for a wider potential customer sales base.

- Transition of leadership from the founders limited growth in the business in 2023. Marc Gosselin was hired as the President of Marketing Impact in March 2024, marking a major advancement in the leadership transition process, positioning the business to pursue growth in a methodical fashion while improving operational efficiency.

*Capital I*

- Innovative products designed for optimizing maintenance of gravel roads that can demonstrate a strong return on investment for its customers through reduced use of consumables, improved visibility and safety of drivers given the proprietary method of product attachment to grader units, and improved performance as a result of the unique design attributes of its products relative to its competitors.
- Vernon Snidal hired as President in November 2023, supporting leadership transition from the exiting founders of this business, while also pursuing operational efficiency enhancements, including through operational capacity enhancement, automation, and customer acquisition process improvement, including through expansion of the sales team at Capital I.
- Significant opportunities for growth in adjacent markets in British Columbia, Alberta, Ontario and the United States. Sales team being expanded to target these markets.
- The current high interest rate environment and general economic uncertainty may cause its customers to defer capital expenditures and instead focus on maintenance which could reduce demand for Capital I products in the near-term.

*IHT*

- The energy efficiency of IHT's products results in significant cost savings for pork producers relative to other technologies used in the industry.
- Similarly, its products optimize heating conditions, and improve safety and hazard prevention, all of which enhance animal welfare and additional cost savings for its customers.
- The North American pork market has faced high feed costs and low market pricing over the last year. Despite these industry headwinds, IHT's products can help pork producers realize cost savings and it currently has a large number of trials out with potential customers to demonstrate that. However, the current high interest rate environment and general economic uncertainty may impact timing of when these trials turn into larger scale sales. Pork prices have been rebounding recently and management of IHT believes a more buoyant market will support conversion of trials to sales, boosting revenue potential at IHT.
- IHT management has reduced its labour force and will continue to maintain the levels required based on customer demand.
- Opportunities to expand product offering with near term launch of cooling mats and expanded use of fiberglass reinforced plastics into additional product lines. The additional capacity afforded to IHT by the move to a new larger facility, with new more efficient equipment will allow IHT to meet its expected demand levels over the coming years while also expanding its product offering.
- Opportunities for growth in other pork producing countries in South and Central America, Asia and Europe.

### *Component Manufacturing Segment Overview*

The component manufacturing segment manufactures and sells products based on specifications determined by its customers for use in its customers' processes. Within the component manufacturing segment, there are five separate businesses: Unicast, Hawk, Northside, Micon and Procore. Beginning in Q2 2024, Techbelt will also form part of this segment.

*Unicast*
The business of Unicast is producing and distributing wear parts and valves for the mining, aggregate and cement industries. Wear parts are consumable parts for machinery that wear out when crushing rock, which is done extensively in the mining, aggregate and cement industries. Unicast has been in operation since 1994. Unicast is focused on providing quality wear parts that are more durable and last longer than the products of its competitors. Unicast's products are designed to have fewer issues regarding installation and maintenance by using novel alloys, precision engineering, three-dimensional scanning technology, robust quality control processes, and comprehensive collaboration agreements involving academia and industry partners. Unicast management believes that these are Unicast's primary competitive advantages over its competitors. Unicast has a growing dealer distribution base that includes distributors across Canada and the United States, with continuing growth in Latin America, the Middle East, Asia, and Europe.

*Hawk*
Hawk was founded in 1998 and is positioned in the computer numerical control (CNC) machining/fabrication market as a complete turnkey solution for customized machining products. Over the last five years, customers of Hawk have primarily been market participants in the down hole tool sector of the oil and gas industry, power utility generation, appliance, and other original equipment manufacturers. Products and services include: general machining; hydraulic fracturing tools; ground and subsurface tools; rods and couplings; reconditioning services; and resale parts. Hawk routinely delivers product direct to end-users rather than customers' facilities for inspection as a result of its low historical failure rates.

*Northside*
Northside was founded in 1967 and is a full-service provider of welding and fabrication solutions for a diverse number of industries. The primary focus of Northside is supplying products for the commercial vehicle and forestry sectors; however, Northside also has exposure to the agriculture, environmental, mining and oil and gas sectors, among others. Northside has produced an expansive range of products for its customers over the years including: truck and automotive components, fuel-hydraulic fluid tanks, j-brackets and straps, bumpers, truck chassis components, cab panels, tanks, tool and battery boxes, steel under-decking and much more.

*Micon*
Micon, located in Merritt, British Columbia, designs, manufactures and distributes high-quality radiator seals and grommets for heavy duty equipment. Its products are designed to help reduce downtime associated with cooling system failures of the equipment used in the demanding mining and road construction industries. Micon utilizes strategic distribution hubs and distribution partners to reduce time to fulfill orders to its worldwide base of customers.

*Procore*
Procore, located in Merritt, British Columbia, designs, manufactures and distributes high-performance radiators for heavy duty equipment. Procore radiators are designed for the cooling systems found in the heavy-duty equipment used in the mining, oil and gas and road construction industries. Procore manufactures a full line of folded core radiators as well as a growing list of AMOCS Radiators to fit into Caterpillar™ type equipment. Procore's innovative designs reduce expensive downtime for its customers, and it utilizes strategic distribution hubs and distribution partners to reduce time to fulfill orders to its worldwide base of customers.

### *Component Manufacturing Segment Performance*

| *(Stated in thousands of dollars)* For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| Sales | $ **13,629** | $ 13,528 |
| Gross profit | **4,840** | 4,427 |
| Gross profit % | **36%** | 33% |
| Profit | **1,995** | 1,694 |
| Add (deduct): | | |
| Financing costs | **34** | 27 |
| Income tax expense | **269** | 432 |
| Amortization and depreciation | **804** | 600 |
| Acquisition and restructuring costs | **74** | - |
| Foreign exchange income | **(146)** | (37) |
| Interest and other income | **(4)** | (2) |
| Gain on sale of equipment | **-** | (69) |
| Adjusted EBITDA | **3,026** | 2,645 |

IFRS measurement to non-IFRS measurement reconciliation presented in the table above.

<u>*Three Months Ended March 31, 2024*</u>
Overall segment sales in Q1 2024 were consistent with Q1 2023, as sales decreases in Unicast were offset by sales increases in Northside as well as the sales generated in the two businesses acquired in April 2023: Micon and Procore. The sales generated by Micon and Procore in Q1 2024 were consistent with pre-acquisition averages and Hawk sales were consistent with Q1 2023. Unicast sales decreased as economic and geopolitical uncertainty resulted in reduced order activity leading into Q1 2024. Northside sales increased 19% relative to Q1 2023 as demand levels in the commercial vehicle industry has continued to be strong.

Segment gross profit increased by $0.4 million, or 9%, for the three-month period ended March 31, 2024, compared to the same period in 2023. The increase was driven by the increase in segment gross profit percentages, which improved by 3 percentage points to 36% in Q1 2024 compared to 33% in Q1 2023. The increase in gross profit percentage was a result of product mix changes, pricing increases, the impact of Northside moving production of certain lower margin products to a strategic partner in a lower cost jurisdiction and the two high margin businesses acquired in 2023.

Segment Adjusted EBITDA was $3.0 million in Q1 2024; an increase of $0.4 million, or 14%, compared to Q1 2023. The increase in segment Adjusted EBITDA was driven by the increased gross profit generated in the quarter.

### *Component Manufacturing Segment Industry Trends and Outlook*

<u>*Unicast, Micon and Procore*</u>

- Long-term demand expectations for cement and aggregate industries continue to be strong based on infrastructure spending initiatives that have been introduced by governments globally and strong construction activity outlook. Recent investment in new equipment which is still under warranty can impact the after-market wear-parts businesses as OEM replacement parts are purchased to maintain warranty coverage. In addition, some customers are electing to defer maintenance on machinery or delay capital projects due to some near-term geopolitical uncertainty which has also impacted order activity at Unicast. The impact of this demand shift resulted in lower sales in Q4 2023 and Q1 2024 and is expected to negatively impact Q2 2024 results as well.

- Unicast is working with a well-known university to provide research into technology aimed at extending the wear life of certain of its products which should give Unicast a competitive advantage with respect to these wear products.
- Unicast has entered into a lease on a new expanded facility to improve operational efficiency and allow it to carry more inventory of key products to reduce lead-time and stimulate real-time orders from its customers.
- Unicast continues to diversify its supply chain with over 30% of the products delivered in 2023 coming from suppliers outside of China. Unicast can produce over 90% of its wear parts from suppliers outside of China, which greatly mitigates geopolitical and supply chain risk for its business.
- Opportunity for market share increases through cross selling amongst complementary customer bases and geographies served between Unicast, Micon and Procore. Further geographic expansion opportunities in Latin America, Australia, Africa, Asia, Europe, and the Middle East.
- Mark Watson named President of Unicast in May 2022 with a focus on highlighting Unicast's product differentiators to support sales growth, focusing on higher margin products and expanding Unicast's sales team and distribution networks while diversifying suppliers.
- Brian McDonald hired as the General Manager of Micon and Procore in August 2023, supporting leadership transition from the exiting founders of these businesses along with operational efficiency enhancement and customer acquisition activity.

*Hawk*

- Customer base currently tied closely to the North American oil and gas industry. Over the last year, customer base has diversified which has lessened the reliance on its main customer considerably.
- Current oil price levels continue to be supportive of strong activity levels in the oil and gas industry, which should be positive with respect to demand for Hawk's products , though Canadian drilling activity is highly seasonal.
- Investments in growth capital in its Linden, Alberta location were made over the last two years to expand its machining capabilities and improve automation and efficiency.
- In March 2024, Hawk acquired the assets of APM, providing it with increased machining capabilities and access to additional equipment and people to service the strong demand from its growing customer base. Hawk management is working at improving operational efficiency in this new Edmonton, Alberta location, including exploring automation opportunities.
- Tim Stewart named President of Hawk in January 2022, with a focus on pursuing sales growth from a broad range of customers, supporting the ongoing diversification of Hawk's revenue mix while continuing to provide turnkey services to its main customers.

*Northside*

- Northside's increased sales through 2023 and into 2024 have been primarily driven by demand in the commercial vehicle sector. Demand for commercial vehicle products increased significantly through 2023 and into 2024, and based on current production forecasts, the provision of these products is expected to continue to support strong demand levels for commercial vehicle products for the remainder of the year.
- In Q4 2023, Northside extended the term of its long-term contract with a major commercial vehicle customer through to the end of 2026 and also entered into a new contract with another major commercial vehicle customer. The new contract diversifies Northside's customer base and includes shared investment in property and equipment with this customer to produce specific

products for them. This new facility is expected to be fully operational by the start of Q4 2024, when sales of the key products under this new contract are expected to commence, however sales of ancillary products within Northside's key competencies may commence sooner.

- North American lumber prices declined in the last several quarters, as rising interest rates reduced demand for lumber. Demand for forestry equipment has moderated as a result and limited demand for Northside's products connected to this sector in 2023 and to date in 2024. Any improvements in the forestry industry could lead to increased sales of forestry related products in the future.

- Northside is committed to improving production capacity and efficiency and successfully entered into a strategic partnership to produce certain lower margin products in a lower cost jurisdiction in 2023 to help mitigate the effect of cost increases over the previous few years and meet the expected future demand levels of its customers while also increasing production capacity.

- Production capacity improvements were used to produce fireboxes for Blaze King in the second half of 2023, as Blaze King worked through its large backlog. Although production of Blaze King fireboxes at Northside has been suspended at this time, Northside now has the capability to provide Blaze King with surge production when needed. These efficiencies are also allowing Northside to pursue other value-add manufacturing opportunities for different customers and into new markets.

- Additional capacity and efficiency enhancing investments, including through improved automation, are targeted for 2024, with initial deposits on a new laser and brake press made in Q4 2023.

***Head Office Segment Overview***

The Canadian public company parent, Decisive Dividend Corporation, is considered a third and separate segment, as its function is as an investment holding and management company.

| *(Stated in thousands of dollars)*<br>For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| Loss | $ **(2,580)** | $ (1,881) |
| Add (deduct): | | |
| Financing costs | **1,020** | 636 |
| Income tax expense (recovery) | **27** | (22) |
| Amortization and depreciation | **21** | 14 |
| Acquisition and restructuring costs | **113** | 25 |
| Share-based compensation expense | **310** | 239 |
| Adjusted EBITDA | **(1,089)** | (989) |

IFRS measurement to non-IFRS measurement reconciliation presented in the table above.

<u>Three Months Ended March 31, 2024</u>
During the three-month period ended March 31, 2024, Head Office expended $2.6 million on corporate activities, an increase of $0.7 million relative to Q1 2023. The increase was primarily a result of the $0.4 increase in financing costs in the quarter due to the increase in long-term debt used to fund the four acquisitions completed post-Q1 in 2023. In addition, salaries, wages and benefits increased due to three head office team members added in 2023. Share-based compensation and acquisition and restructuring costs were also each $0.1 million higher in Q1 2024, versus Q1 2023.

## Liquidity and Capital Resources

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group currently consists of equity and debt. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to a normal course issuer bid ("NCIB"), adjust the amount of dividends paid to align the dividend policy with shareholder expectations, place new debt, refinance existing debt, or sell assets. Management reviews its capital management approach on a regular basis.

The Company is continuing to manage its financial position in accordance with its capital management objectives and considering its current operating environment.

The industry trends outlined in the "Finished Product Segment Industry Trends and Outlook" and "Component Manufacturing Segment Industry Trends and Outlook", as well as the market risks described under "Risk Factors" in the Company's Annual Information Form and its Annual MD&A can significantly affect the financial condition and liquidity of the Company.

### *Cash and Working Capital*

As of the date of this MD&A, the Company had cash of $4.1 million, compared to cash of $4.2 million at March 31, 2024, and cash of $4.1 million at December 31, 2023.

As at March 31, 2024, the Company had net working capital of $25.6 million (December 31, 2023 - $21.7 million) as follows:

| *(Stated in thousands of dollars)* | **March 31, 2024** | December 31, 2023 |
|---|---|---|
| Cash | $ **4,211** | $ 4,050 |
| Accounts receivable | **21,457** | 22,647 |
| Inventory | **25,758** | 24,351 |
| Prepaid expenses and deposits | **1,682** | 1,399 |
| Accounts payable and accrued liabilities | **(23,029)** | (26,107) |
| Dividends payable | **(865)** | (756) |
| Warranty provision | **(690)** | (700) |
| Customer deposits | **(750)** | (1,281) |
| Current portion of lease obligations | **(1,949)** | (1,693) |
| Current portion of long-term debt | **(230)** | (224) |
| Net working capital | $ **25,595** | $ 21,686 |

### *Capital Expenditures*

| *(Stated in thousands of dollars)*<br>For the three months ended March 31, | **2024** | 2023 |
|---|---|---|
| Purchase of property and equipment | $ **558** | $ 721 |
| Proceeds from sale of property and equipment | **(20)** | (81) |
| | **538** | 640 |
| Growth capital expenditures | **205** | 151 |
| Maintenance capital expenditures | **333** | 489 |
| | $ **538** | $ 640 |

Growth capital expenditures in 2024 were primarily directed toward product development expenditures at Blaze King and IHT.

***Free Cash Flow***

| *(Stated in thousands of dollars)* | | | | |
|---|---|---|---|---|
| For the three months ended March 31, | | **2024** | | 2023 |
| Cash provided by operating activities | $ | **(440)** | $ | (33) |
| Add (deduct): | | | | |
| Changes in non-cash working capital | | **3,513** | | 3,598 |
| Income taxes paid | | **722** | | 1,322 |
| Current income tax expense | | **(401)** | | (906) |
| Acquisition and restructuring costs | | **187** | | 25 |
| Interest paid | | **(1,192)** | | (711) |
| Lease payments | | **(435)** | | (316) |
| Required principal repayments on debt | | **(56)** | | - |
| **Free cash flow** | | **1,898** | | 2,979 |

The decrease in Free Cash Flow in 2024, was primarily a result of the decrease in Adjusted EBITDA and increase in interest paid relative to 2023.

***Dividends and Dividend Payout Ratios***

The Company's Board of Directors regularly examines the dividends paid to shareholders. The following dividends were declared during the three months ended March 31, 2024, and throughout 2023:

*(Stated in thousands of dollars, except per share amounts)*

| | **2024** | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| **Month** | | **Per share ($)** | | **Dividend Amount ($)** | | Per share ($) | | Dividend Amount ($) |
| January | $ | **0.040** | $ | **758** | $ | 0.030 | $ | 448 |
| February | | **0.045** | | **860** | | 0.030 | | 450 |
| March | | **0.045** | | **864** | | 0.035 | | 528 |
| April | | **-** | | **-** | | 0.035 | | 608 |
| May | | **-** | | **-** | | 0.035 | | 610 |
| June | | **-** | | **-** | | 0.035 | | 611 |
| July | | **-** | | **-** | | 0.040 | | 712 |
| August | | **-** | | **-** | | 0.040 | | 746 |
| September | | **-** | | **-** | | 0.040 | | 752 |
| October | | **-** | | **-** | | 0.040 | | 755 |
| November | | **-** | | **-** | | 0.040 | | 755 |
| December | | **-** | | **-** | | 0.040 | | 757 |
| **Total** | $ | **0.130** | $ | **2,482** | $ | 0.440 | $ | 7,732 |

The above dividends were paid on or about the 15th of the month following their declaration. Of the dividends paid in 2024, $1.7 million were settled in cash and $0.7 million were reinvested in additional common shares of the Company, pursuant to the dividend reinvestment and cash purchase plan "the DRIP".

On February 15, 2024, the Company announced an increase in its monthly dividend to $0.045 per share effective for the March 2024 dividend payment, which represents annualized dividends of $0.54 per common share.

The Company utilizes Free Cash Flow Less Maintenance Capital to analyze the percentage of cash generated from operations returned to shareholders as dividends. This is analyzed on a trailing twelve-month basis in order to reduce the impact of seasonality on the analysis. Cash outflows associated with acquisitions, including acquisition costs, and growth capital expenditures are not included in this payout ratio as they are expected to generate incremental cash inflows in the future. The Company's dividend payout ratio increased in the trailing twelve-month period ended March 31, 2024 compared to the same period in 2023, primarily as a result of the increase in dividends declared in the respective periods.

| *(Stated in thousands of dollars)*<br>For the trailing twelve month period ended March 31, | **2024** | 2023 |
|---|---|---|
| **Cash provided by operating activities** | $ **15,382** | $ 8,597 |
| Add (deduct): | | |
| Changes in non-cash working capital | **4,032** | 5,318 |
| Income taxes paid | **3,707** | 1,271 |
| Current income tax expense | **(3,768)** | (2,326) |
| Acquisition and restructuring costs | **1,163** | 1,102 |
| Interest paid | **(4,131)** | (2,651) |
| Lease payments | **(1,610)** | (1,255) |
| Required principal repayments on debt | **(228)** | - |
| **Free cash flow** | **14,547** | 10,056 |
| Maintenance capital expenditures | **(1,188)** | (1,216) |
| **Free cash flow less maintenance capital** | **13,359** | 8,840 |
| Dividends declared | **8,788** | 5,083 |
| **Dividend payout ratio** | **66%** | 58% |

Cumulative dividends, paid since Decisive's inception, for the three months ended March 31, 2024, are as follows:

| (Stated in thousands of dollars) | **March 31, 2024** |
|---|---|
| Cumulative dividends, beginning of period | $ **27,418** |
| Dividends declared during the period | **2,482** |
| Cumulative dividends, end of period | $ **29,900** |

Subsequent to March 31, 2024, to the date of this MD&A, the Company undertook the following dividend actions:

- A dividend of $0.045 per share was declared on April 15, 2024, for shareholders of record on April 30, 2024, which is payable on May 15, 2024.

### *Long-Term Debt*

| *(Stated in thousands of dollars)* | | Authorized and Available | | **May 8, 2024 Outstanding** | | **March 31, 2024 Outstanding** | | December 31, 2023 Outstanding |
|---|---|---|---|---|---|---|---|---|
| Syndicated credit facility | $ | 100,000 | $ | **56,819** | $ | **51,200** | $ | - |
| Previous credit agreement | | - | | **-** | | **-** | | 45,091 |
| Equipment loans | | 351 | | **351** | | **367** | | 415 |
| Total debt | $ | 100,351 | $ | **57,170** | $ | **51,567** | $ | 45,506 |
| Less: cash | | | | **(4,140)** | | **(4,211)** | | (4,050) |
| Total debt, net of cash | | | $ | **53,030** | $ | **47,356** | $ | 41,456 |

In March 2024, the Company entered into a syndicated credit facility providing for a committed $100 million senior secured revolving term loan and a $75 million accordion, which the Company can request as an increase, in whole or in part, to the total amount available under the syndicated credit facility. The syndicate lenders include National Bank of Canada, CWB Maxium Financial (a wholly owned division of Canadian Western Bank), Royal Bank of Canada and Fédération des caisses Desjardins du Québec, with National Bank of Canada acting as administrative agent on behalf of the syndicate.

The syndicated credit facility increased the Company's overall debt capacity from $68 million to $175 million, providing Decisive with considerable additional liquidity to fund growth in its existing operations as well as through acquisition opportunities, at borrowing costs currently lower than the effective interest rates under its previous credit agreement.

Both of the acquisitions described in this MD&A under the heading "2024 Acquisitions", were completed utilizing the syndicated credit facility.

Comparative details of the syndicated credit facility and the previous credit agreement with Canadian Western Bank and CWB Maxium Financial are as follows:

Syndicated Credit Facility

| *(Stated in thousands of dollars)* | Interest Rate | Effective Interest Rate | | Revised Authorized Debt |
|---|---|---|---|---|
| Senior secured revolving term loan | see below | 7.8% | $ | 100,000 |
| Accordion facility | see below | - | | 75,000 |
| Total senior debt | | | $ | 175,000 |

Previous Credit Agreement

| *(Stated in thousands of dollars)* | Interest Rate | Effective Interest Rate | | Previous Authorized Debt |
|---|---|---|---|---|
| Revolving term acquisition facility | P+2.5% | 9.7% | $ | 25,000 |
| Revolving term operating facility | P+1.0% | 8.2% | | 15,000 |
| Non-amortizing term facility | 6.9% | 6.9% | | 28,000 |
| Total senior debt | | 8.2% | $ | 68,000 |

*"P" in the table above denotes prime rate*

The syndicated credit facility consists of a single senior secured revolving term loan, compared to the three separate loan tranches outlined in the table above. There are no required principal payments for the committed three-year term of the syndicated credit facility, which also provides for annual extension provisions, and all drawn amounts will mature in March 2027.

Borrowings under the syndicated credit facility may be made by way of Canadian prime rate, U.S. base rate, Canadian overnight repo rate average ("CORRA") or U.S. Federal reserve secured overnight financing rate ("SOFR") advances. The syndicated credit facility bears interest at the Canadian prime rate or U.S. base rate plus 0.75% to 2.25%, or at CORRA or SOFR plus 2.00% to 3.50%. These interest rate ranges are dependent on certain financial ratios of the Company. In addition, standby fees ranging from 0.40% to 0.70% per annum are paid quarterly on the unused portion of the syndicated credit facility depending on certain financial ratios of the Company. There are no fees paid on the accordion until amounts are made available.

The syndicated credit facility is secured by a general security agreement, assignment of insurance, and unlimited corporate cross guarantees. In addition, the Company and its subsidiaries have agreed to maintain the following ratios (as defined in the credit agreement) as a group on a trailing twelve-month basis:

- Maximum total debt to Adjusted EBITDA of 3.25:1
- Minimum fixed charge coverage ratio of 1.50:1

As at March 31, 2024, the Group was in compliance with these ratios.

***Off-Balance Sheet Arrangements***

The Group does not have any off-balance sheet arrangements.

***Disclosure of Outstanding Share Data***

The following table sets forth the Company's share capital data as at May 8, 2023, March 31, 2024, and December 31, 2023. Each deferred share unit and restricted share unit entitled the holder thereof to one common share of the Company pending the satisfaction of certain vesting, settlement and/or redemption criteria. Each warrant and stock option entitled the holder thereof to purchase one common share of the Company pending the satisfaction of certain vesting criteria.

| | **May 8, 2024** | **March 31, 2024** | December 31, 2023 |
|---|---|---|---|
| Common shares, basic | **19,378,757** | **19,269,817** | 18,910,603 |
| Warrants outstanding | **860,728** | **860,728** | 968,082 |
| Deferred share units outstanding | **96,357** | **96,357** | 44,440 |
| Restricted share units outstanding | **129,188** | **152,757** | 69,789 |
| Stock options outstanding | **258,669** | **262,836** | 400,002 |
| Common shares, fully diluted | **20,723,699** | **20,642,495** | 20,392,916 |

An aggregate of 251,860 common shares were issued during the three months ended March 31, 2024, through Decisive's employee share purchase plan, DRIP and the exercise of stock options. These share issuances generated cash proceeds of $0.9 million and reduced the amount of cash dividends paid by $0.7 million.

In addition, 107,354 common shares were issued during the three months ended March 31, 2024 on the exercise of warrants which generated $0.8 million in cash proceeds. Of the warrants that remain outstanding as of the date of this MD&A, 77,203 exercisable at a price of $4.94 per warrant expire in September 2024, and 783,525 exercisable at a price of $7.09 per warrant expire in April 2025. These outstanding warrants represent total cash proceeds of $5.9 million to the Company within the next twelve months, if exercised.

Subsequent to March 31, 2024, to the date of this MD&A,, as part of the consideration paid for the acquisitions described earlier in this MD&A under the heading "2024 Acquisitions", the Company issued 57,879 common shares to the vendors of Techbelt at a price of $10.41 per share.

As at May 8, 2024, there were 741,169 shares in escrow relating to the Company's completed acquisitions, as follows:

- Marketing Impact – 78,431 to be released in April 2025.
- ACR – 111,193 to be released half per year in October 2024 and 2025 respectively.
- Capital I – 82,641 to be released half per year in April 2025 and 2026 respectively.
- Micon – 36,956 to be released half per year in April 2025 and 2026 respectively.
- Procore – 59,454 to be released half per year in April 2025 and 2026 respectively
- IHT – 314,614 to be released one-third per year in July 2024, 2025, and 2026 respectively.
- Techbelt – 57,879 to be released one-third per year in April 2025, 2026, and 2027 respectively.

## Related Party Transactions

The Group's related parties consist of directors, officers and key management or companies associated with them. Key management, including directors and officers of the Group, are those personnel having the authority and responsibility for planning, directing, and controlling the Group.

Key management compensation for the three months ended March 31, 2024, included $0.4 million of salaries, benefits and director fees (2023 - $0.4 million) and $0.2 million of share-based compensation (2023 - $0.2 million).

## Accounting Policies

The Company's material accounting policies are disclosed in Note 3 of Decisive's audited consolidated financial statements for the year ended December 31, 2023. During 2024, there have not been any changes in the accounting policies or methods of computation used.

## Critical Accounting Estimates

This MD&A is based on the Company's consolidated financial statements. The preparation of the consolidated financial statements requires that certain estimates and judgements be made with respect to the reported amounts of revenues and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgement. Anticipating future events involves uncertainty and consequently the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional experience is acquired or the Company's operating environment changes. The estimates and judgements considered to be the most significant in the preparation of the consolidated financial statements were described in the Company's 2023 Annual MD&A under the heading "Critical Accounting Estimates". There were no significant changes to the methodologies employed in applying these estimates and judgements in the first three months of 2024.

## Financial Instruments and Financial Risk Management

### *Fair Value Measurement and Disclosures*

The basis for fair value measurements and/or disclosures were described in the Company's 2023 Annual MD&A under the heading "Financial Instruments". There were no changes in the classification or in the fair value measurement basis of the Group's financial instruments since December 31, 2023.

At March 31, 2024, the carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities, and dividends payable, approximate their fair value due to their short-term nature.

Management determined that the fair value of the Company's long-term debt was not materially different than their carrying amounts as they are based on market interest rates.

### *Financial Risk Management*

The Company's primary business activities consist of the acquisition of businesses in the manufacturing sector. The Company examines the various financial risks to which the Group is exposed and assesses the impact and likelihood of occurrence. These risks may include liquidity risk, credit risk, currency risk, and interest rate risk. The Company's risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Group's financial performance, where financially feasible to do so. When deemed material, these risks may be monitored by the Group's corporate finance group and they are regularly discussed with the Company's board of directors or one of its committees. There were no changes in the Company's assessment of risks from the use of financial instruments or in the financial risk management policies of the Company since December 31, 2023.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. To mitigate this risk, the Group has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Group's cash is held in business accounts which are available on demand for the Group's programs. The contractual maturities of financial instruments are as follows:

*(Stated in thousands of dollars)*

| March 31, 2024 | Carrying value | Total contractual cash flows | Within one year | Two to five years | More than five years |
|---|---|---|---|---|---|
| **Accounts payable** | **$ 23,029** | $ 23,029 | $ 16,508 | $ 6,521 | $ - |
| **Dividends payable** | **865** | 865 | 865 | - | - |
| **Long-term debt** | **50,785** | 64,170 | 4,435 | 59,735 | - |
| **Lease obligations** | **11,946** | 14,220 | 2,460 | 7,747 | 4,013 |
| | **$ 86,625** | $ 102,284 | $ 24,268 | $ 74,003 | $ 4,013 |

Liquidity risk management involves maintaining sufficient cash or cash equivalents and availability of funding through an adequate amount of committed credit facilities. The Group's cash is held in business accounts which are available on demand for the Group's programs. The Company also attempts to maintain flexibility in funding by securing committed and available credit facilities. The Company has a credit facility in place with its senior lenders that provides the Group access to a revolving term loan and an available accordion facility, as described under the heading "Long-term Debt" earlier in this MD&A. The Group continues to manage its financial position in accordance with its capital management objectives and in light of its current operating environment.

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements.

The Group's credit risk is predominantly limited to cash balances held in financial institutions, and the recovery of the Group's accounts receivable. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At March 31, 2024, the Company expects to recover the full amount of such assets, less any expected credit losses.

Cash and cash equivalents are only deposited with or held by major financial institutions where the Group conducts its business.

The following details the aging of the Group's trade accounts receivable and expected credit losses:

*(Stated in thousands of dollars)*

| | March 31, 2024 | |
|---|---|---|
| Not yet due | **$ 12,641** | **60%** |
| 31-60 days overdue | **4,506** | **22%** |
| 61-90 days overdue | **1,142** | **5%** |
| >90 days overdue | **2,633** | **13%** |
| Trade accounts receivable | **20,922** | **100%** |
| Less: expected credit losses | **(185)** | |
| Net trade accounts receivable | **$ 20,737** | |

The Company expects to recover the full amount of its trade receivables, less any expected credit losses. The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Group assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past performance and other factors. In certain cases, the Group obtains insurance to assist in managing its credit risk.

The functional currency for Blaze King Industries Inc. and Unicast is the US dollar ("USD"), the functional currency for ACR is the British pound sterling ("GBP"), while all other entities in the group have a Canadian dollar ("CAD") functional currency. The Company's reporting currency is the Canadian dollar. As a result, the Group's profit or loss and total comprehensive income are in part impacted by fluctuations in the value of each foreign currency ("FC") in which it transacts in relation to the CAD.

The table below summarizes the quantitative data about the Group's exposure to currency risk:

*(Stated in thousands of dollars)*

| | Entities with a CAD functional currency | | Entities with a USD functional currency | | Entities with a GBP functional currency | | |
|---|---|---|---|---|---|---|---|
| **As at March 31, 2024** | **CAD** | **USD** | **CAD** | **USD** | **CAD** | **GBP** | **Total** |
| Cash | $ 2,459 | $ 483 | $ 142 | $ 151 | $ - | $ 976 | **$ 4,211** |
| Accounts receivable | 13,722 | 5,051 | 275 | 1,667 | - | 742 | **21,457** |
| Accounts payable | (20,968) | (700) | (72) | (587) | - | (702) | **(23,029)** |
| Dividend payable | (865) | - | - | - | - | - | **(865)** |
| Inter-company amounts | 2,041 | - | (6,239) | 3,069 | 1,129 | - | **-** |
| Long-term debt | (50,493) | (292) | - | - | - | - | **(50,785)** |
| Net exposure | (54,104) | 4,542 | (5,894) | 4,300 | 1,129 | 1,016 | **(49,011)** |
| Effect of 5% strengthening of FC versus CAD: | | | | | | | |
| Profit (loss) | - | 227 | 295 | - | (56) | - | **466** |
| OCI | $ - | $ - | $ - | $ (215) | $ - | $ (51) | **$ (266)** |

The Company is at times exposed to interest rate risk on its long-term debt, as described under the heading "Long-term Debt" earlier in this MD&A, due to the interest rate on certain of its credit facilities being variable. Of the Company's interest-bearing debt outstanding at March 31, 2024, 99% was variable rate. The Company does not enter into derivative contracts to manage this risk.

The table below summarizes the quantitative data about the Company's exposure to interest rate risk:

*(Stated in thousands of dollars)*

| **Interest rate risk** | **March 31, 2024** |
|---|---|
| Floating instruments | **$ 51,200** |
| Average balance | **21,732** |
| Impact on profit (loss) of a change in interest rates: | |
| -1% | **217** |
| +1% | **$ (217)** |

## Risk Factors

The Company and its subsidiaries are subject to a number of risk factors. These risk factors relate to the organizational structure of the Company and to the operations of its subsidiaries. There were no changes to the principal risk factors from those reported in the Company's Annual MD&A for the year ended December 31, 2023.

## Non-IFRS Financial Measures

"Adjusted EBITDA", "Free Cash Flow", "Growth Capital Expenditures", "Maintenance Capital Expenditures", "Dividend Payout Ratio" and "Return on Invested Capital" are not recognized financial measures under IFRS Accounting Standards but are believed to be meaningful in the assessment of the Group's performance as defined below.

"**Adjusted EBITDA**" is defined as earnings before finance costs, income taxes, depreciation, amortization, foreign exchange gains or losses, other non-cash items such as gains or losses recognized on the fair value of contingent consideration items, asset impairment, share-based compensation, and restructuring costs, and other non-operating items such as acquisition costs.

Adjusted EBITDA is a financial performance measure that management believes is useful for investors to analyze the results of the Group's operating activities prior to consideration of how those activities are financed and the impact of non-operating charges related to planned or completed acquisitions, foreign exchange, taxation, depreciation, amortization, and impairment charges.

The most directly comparable financial measure is profit or loss. Set forth below are descriptions of the financial items that have been excluded from profit or loss to calculate Adjusted EBITDA and the material limitations associated with using these Non-IFRS financial measures as compared to profit or loss:

- The amount of interest expense incurred, or interest income generated, may be useful for investors to consider and may result in current cash inflows or outflows. However, management does not consider the amount of interest expense or interest income to be a representative component of the day-to-day operating performance of the Group.
- Depreciation and amortization expense may be useful for investors to consider because it generally represents the wear and tear on the property and equipment used in the Group's operations. However, management does not believe these charges necessarily reflect the current and ongoing cash charges related to the Group's operating costs as they also include expenses related to the amortization of the fair value of intangible assets acquired in business combinations.

- Acquisition costs are non-operating expenses that can affect costs with respect to planned and completed acquisitions. While a necessary expense as part of an acquisition, the magnitude and timing of these items may vary significantly depending upon the acquisition. As such, management does not consider acquisition costs incurred to be a representative component of the day-to-day operating performance of the Group.
- Additionally, management does not consider foreign exchange gains or losses to be a representative component of the day-to-day operating performance of the Group.
- Manufacturing costs include non-cash charges to expense the fair value increment of acquired inventories sold in the period that were originally valued as part of the initial purchase in a business acquisition, inventory write downs, and allowances for inventory obsolescence. Management does not consider these non-cash charges to be a representative component of the day-to-day operating performance of the Group.
- Similarly, goodwill impairment losses and gains or losses recognized on fair value adjustments of contingent consideration liabilities are non-cash items that management does not consider to be a representative component of the day-to-day operating performance of the Group.
- Share-based compensation may be useful for investors to consider because it is an estimate of the non-cash component of compensation received by the Group's directors, officers and employees. Management does not consider these non-cash charges to be a representative component of the day-to-day operating performance of the Group as the decisions that gave rise to these expenses were not made to increase revenue in a particular period, but were made for the Group's long-term benefit over multiple periods.

Adjusted EBITDA per share is also presented, which is calculated by dividing Adjusted EBITDA, as defined above, by the weighted average number of shares outstanding during the period.

"**Free Cash Flow**" is defined as cash provided by operating activities, as defined by IFRS Accounting Standards, adjusted for changes in non-cash working capital, timing considerations between current income tax expense and income taxes paid, interest payments, required principal payments on long-term debt and right of use lease liabilities, and any unusual non-operating one-time items such as acquisition and restructuring costs (as described above).

Free Cash Flow is a financial performance measure used by management to analyze the cash generated from operations before the impact of changes in working capital items or other unusual items and after giving effect to expected income taxes thereon, as well as required interest and principal payments on long-term debt and right of use lease liabilities.

The most directly comparable financial measure is cash provided by operating activities. Adjustments made to cash provided by operating activities in the calculation of Free Cash Flow include other IFRS Accounting Standards measures, including changes in non-cash working capital, current income tax expense, income taxes paid, interest paid, and principal payments on long-term debt and right of use lease liabilities.

Free Cash Flow per share is also presented, which is calculated by dividing Free Cash Flow, as defined above, by the weighted average number of shares outstanding during the period.

"**Free Cash Flow Less Maintenance Capital**" is defined as Free Cash Flow, as defined above, less Maintenance Capital Expenditures, as defined below. Free Cash Flow Less Maintenance Capital is a financial performance measure used by management to analyze the cash generated from operations before the impact of changes in working capital items or other unusual items and after giving effect to expected income taxes thereon, as well as required interest and principal payments on long-term debt and right of use lease liabilities, and capital expenditures required to sustain the current operations of the Company.

The Company presents Free Cash Flow Less Maintenance Capital Expenditures per share, which is calculated by dividing Free Cash Flow Less Maintenance Capital, as defined above, by the weighted average number of shares outstanding during the period.

"**Growth and Maintenance Capital Expenditures**" maintenance capital expenditures are defined as capital expenditures required to maintain the operations of the Group at the current level and are net of proceeds from the sale of property and equipment. Growth capital expenditures are defined as capital expenditures that are expected to generate incremental cash inflows and are not considered by management in determining the cash flows required to sustain the current operations of the Company. While there are no comparable IFRS Accounting Standards measures for Maintenance Capital Expenditures or Growth Capital Expenditures, the total of Maintenance Capital Expenditures and Growth Capital Expenditures is equivalent to the total purchases of property and equipment, net of proceeds from the sale of property and equipment, on the Company's statement of cash flows.

"**Dividend Payout Ratio**" the Company presents a dividend payout ratio, which is calculated by dividing dividends declared by the Company by Free Cash Flow Less Maintenance Capital, as defined above. The Dividend Payout Ratio is a financial ratio used by management to analyze the percentage of cash generated from operations, before the impact of changes in working capital items or other unusual items and after giving effect to expected income taxes thereon, as well as required interest and principal payments on long-term debt and right of use lease liabilities, and capital expenditures required to sustain the current operations of the Company, returned to shareholders as dividends.

"**Return on Invested Capital**" the Company references a return on invested capital ratio, which is calculated by dividing Free Cash Flow Less Maintenance Capital, as defined above, by the associated capital cost of the applicable investment. Specifically, the Return on Invested Capital for the aggregate investments completed by the Company to the end of a given period would be measured as follows: cumulative Free Cash Flow Less Maintenance Capital (as defined above) divided by the sum of: 1) the aggregate consideration paid for completed acquisitions (net of cash acquired); 2) aggregate acquisition costs (as described above); and 3) aggregate Growth Capital Expenditures (as defined above). The Return on Invested Capital Ratio is a financial ratio used by management to analyze the returns of competing investment opportunities.

While the above Non-IFRS financial measures are used by management of the Company to assess the historical financial performance of the Group, as applicable, readers are cautioned that:

- Non-IFRS financial measures, such as Adjusted EBITDA, Free Cash Flow, Growth Capital Expenditures, Maintenance Capital Expenditures and Dividend Payout Ratio, are not recognized financial measures under IFRS Accounting Standards;
- The Company's method of calculating Non-IFRS financial measures may differ from that of other corporations or entities and therefore may not be directly comparable to measures utilized by other corporations or entities;
- In the future, the Company may disclose different Non-IFRS financial measures in order to help its investors more meaningfully evaluate and compare future results of operations to previously reported results of operations.
- Non-IFRS financial measures should not be viewed as an alternative to measures that are recognized under IFRS Accounting Standards such as profit or loss or cash provided by operating activities; and
- A reader should not place undue reliance on any Non-IFRS financial measures.

Reconciliations of Non-IFRS financial measures to their most relevant IFRS Accounting Standards measures, are included in this MD&A under "Overall Performance – Financial Highlights", "Summary of Quarterly Results", and "Segment Overview and Performance".

## Cautionary Statement Regarding Forward Looking Information and Statements

Certain statements in this MD&A constitute forward-looking information and forward-looking statements. All statements other than statements of historical fact contained in this report are forward-looking statements, including, without limitation, statements regarding the future financial position, operations, business strategy, future acquisitions, and the potential impact of completed acquisitions on the operations, financial condition, capital resources and business of the Company and its subsidiaries, the Company's policy with respect to the amount and/or frequency of dividends, if any, budgets, forecasts, litigation, projected costs and plans and objectives of or involving the Company and/or its subsidiaries. Readers can identify many of these forward-looking statements by looking for words such as "believes", "expects", "will", "may", "intends", "projects", "anticipates", "plans", "estimates", "continues" and similar words or the negative and grammatical variations thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies, many of which are beyond the Company's control and many of which are subject to change. Readers are cautioned to not place undue reliance on forward-looking statements which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable, there can be no assurance that such expectations or assumptions will prove to be correct. A number of factors could cause actual future results, performance, achievements and developments of the Company to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to risks relating to: general economic conditions; pandemics; competition; government regulation; environmental regulation; access to capital; market trends and innovation; climate risk; general uninsured losses; risk related to acquisitions; dependence on customers, distributors and strategic relationships; supply and cost of raw materials and purchased parts; operational performance and growth; implementation of the growth strategy; product liability and warranty claims; litigation; reliance on technology, intellectual property, and information systems; availability of future financing; interest rates and debt financing; income tax matters; foreign exchange; dividends; trading volatility of common shares; dilution risk; reliance on management and key personnel; employee and labour relations; and conflicts of interest.

Assumptions about the performance of the businesses of the Company are considered in setting the business plan and financial targets for the Company and its businesses. Key assumptions include assumptions relating to the demand for products and services of the businesses of the Company and relating to the Canadian and other markets in which the businesses are active. **Should one or more of the risks materialize or the assumptions prove incorrect, actual results, performance or achievements of the Group may vary materially from those described in forward-looking statements.**

All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company disclaims any obligation to update any forward-looking information or forward-looking statements to reflect future events or results or otherwise.

## Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the most recent interim financial report and this MD&A (the "Interim Filings") of the Company and that, based on their knowledge having exercised reasonable diligence: (a) the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the Interim Filings; and (b) the interim financial report together with the other financial information included in the Interim Filings fairly present in all material respects the financial condition, financial performance and cash flows of the Company as of the date of and for the periods presented in the Interim Filings.

Investors should be aware that there are inherent limitations on the ability of the certifying officers to cost effectively design and implement Disclosure Controls and Procedures and Internal Controls over Financial Reporting (as those terms are used in NI 52-109). This may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.