FINAL TRANSCRIPT

Decisive Dividend Corporation

Second Quarter 2024 Results Conference Call

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PRESENTATION

Operator

Good morning. My name is Chantal and I'll be your conference operator today. At this time, I would like to welcome everyone to the Decisive Dividend Corporation Second Quarter 2024 Results Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, please press star two.

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

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

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thank you, operator. Hello and good morning, everyone. It's Jeff Schellenberg. I want to welcome everyone here to our Q2 2024 earnings conference call.

Details regarding our financial results are in our Q2 2024 financial statements and MD&A released yesterday post market close. Instead of walking through the results you can read about, I'm going to focus my comments on our outlook, both with respect to operations and M&A, and how this impacts our capital allocation approach.

After multiple years of growth driven through both acquisitions and organic growth, the shift we have seen in results, driven by various factors we have previously discussed, including market conditions, has been significant; however, the path through these challenges is supported by the diversified nature of the portfolio of businesses we own, the differentiated products these businesses produce, the size of the addressable markets these products are sold into, and the decisions and investments being made by our leadership to build teams, strategies, and processes that support longer-term growth objectives. While immediate market conditions are challenging and will likely continue to be as consumers re-calibrate and central banks move into more a cycle of rate easing, sparking consumer confidence and spending, I want to walk through the reasons that we are confident in both the near term and for the long term that we can continue to support the commitments we have made to our stakeholders and that will return us to a path of growth in our business.

Our organization's purpose statement, which includes a commitment that we exist to create sustainable and growing shareholder returns, captures both the importance of discipline as we seek to establish sustainable dividend payout levels and continuous improvement as we seek to grow shareholder return. In the immediate term, the challenges our businesses have experienced has required that we'd be very deliberate to focus on near-term revenue-generating and cost-saving opportunities that ensure that the dividend payout levels we have set are sustainable while also positioning our businesses with a platform to return to growth. In terms of near-term efforts, I'd like to walk through some specifics on how we see them impacting results in Q3 and Q4, 2024.

From a revenue-generating perspective, several factors impact our outlook for Q3 and Q4 2024. We have seen a number of recent material wins that will fall into the back half of 2024, including a couple of million dollar project wins, specifically a large evaporator order at Slimline and a large contract win at Capital I. Order flow in Q2, 2024 at Marketing Impact exceeded Q2 2023 order flow by nearly 50% and improved margins resulting from the work being done to enhance operational efficiency is taking hold there. Further order strength and margin enhancement is expected in the back half of 2024 there. Northside’s new OEM multimillion dollar contract will launch in Q4 2024, which includes earlier opportunities to take on some additional work in advance of the contract launch date, and that’ll be beneficial in the back half of the year as well.

Given the differentiated nature of the products our subsidiaries manufacturer, we are using product demonstrations to illustrate the benefit of our products to potential customers. Slimline is hosting demonstration days with farmers across North America who are not currently Turbo-Mist customers. We have completed demos to farmers with over 60,000 acres of orchards and vineyards, with a target to demonstrate our product to owners of greater than 150,000 acres this summer. These demos are illustrating the fuel, chemical, and labour efficiency of the Turbo-Mist Sprayer with a program in place to incentivize product purchases post demo.

At IHT, we have demonstrations in place with farms that own over 2.5 million sows, which represents more than 40% of the sow inventories in the US. As mentioned in our MD&A, pork industry profitability has delayed decision to convert these trials into larger-scale sales, but IHT is in a very strong position given the energy efficiency and animal welfare benefits of their product, along with the support of grant and rebate programs that exist for products of this nature in the US, which is IHT’s core market.

With the acquisition of APM, Hawk has increased its capacity significantly, which resulted in an increase in Hawk sales of 31% in Q2 2024 relative to Q2 2023 despite the seasonal slowdown oilfield manufacturing businesses experienced in Q2 during breakup in the Western Canadian Sedimentary Basin. This increased capacity positions Hawk extremely well for increased revenue in Q3 and Q4 in what are typically more active oilfield manufacturing quarters. Combined with relatively strong commodity prices and weak Canadian dollar, Hawk is positioned well for an increase in activity in the back of 2024.

Unicast is also expanding its capacity with its move into its new larger facility, which will allow it to maintain additional inventory indoors, addressing lead time concerns of its customers and improving the conditions in which inventory is stored while also increasing its assembly capacity for its core diverter valve product.

Techbelt, Micon, Procore, and Unicast are pursuing sales activities in new markets with Techbelt utilizing Decisive's subsidiary facilities in North America to support access to this new market. Micon and Procore are actively pursuing more US business, which has historically been a small part of their business, leveraging relationships it has with its existing non-North American customers, and Unicast pursuing growth in other countries who are in the top 10 of cement use globally, which is the largest industry Unicast products are sold into.

In Q3, 2024, ACR will be testing its new product design that utilizes Blaze King's combustion technology style and size for sale into the UK and European market, which also could be sold in the North American market. Supported by the extensive dealer network, both businesses ACR and Blaze King have in their respective markets in an effort to be in market with the product around year end.

Both ACR and Blaze King are also working toward near-term product launches that will better position them to access additional market segments, including new home construction. Slimline will also complete testing of modifications to its large capacity evaporator product in Q3 2024 that will significantly enhance evaporation rates for its customers.

Slimline, for its Turbo-Mist Sprayers, Blaze King, and ACR utilized dealer distribution models for sales and support to end-use customers. Typically, these dealers acquire inventory for sale to their customers. As a result, understanding inventory levels these dealers hold is critical for forecasting dealer inventory re-orders. Dealer inventory for Slimline sprayers has declined by around 70% since the start of 2024, a positive sign of sell-through of units at the dealer level, meaning that future customer orders will require new manufactured product from Slimline, while Blaze King and ACR dealers are focused on clearing inventory with the expectation that manufacturers will be carrying stock to support customer demand as we enter heating season. As a result, Blaze King and ACR have built inventory of around 2,500 and 3,700 units, respectively, to be able to respond quickly to demand as heating season begins. IHT has also built inventory of its mats to be able to respond quickly to customer orders coming out of their substantial trial backlog.

We are moving into more seasonably favourable quarters for our business, where Hawk moves out of the quarter impacted by breakup and Blaze King and ACR enter into quarters that can be considered heating season as consumers face the prospect of the need to heat their homes.

Finally, with respect to item impact revenue, Central Bank response to the challenges that are evident in economies in the marketplaces our businesses operate in, as evidenced by recentlyannounced rate cuts in both Canada and the UK with the expectation that the US will soon follow, provide evidence of monetary policy moving in a way that is supportive of economic growth, which will support results at our subsidiaries.

While driving revenue growth is a focus across the group, cost control, considering lower year-to-date sales activity, is also a necessity. As a result, staffing levels have been right-sized, hiring activities and overtime expenditure has been reduced or paused, and operating and capital expenditures have been deferred or, where appropriate, reduced. Based on these factors, while we expect our near-term trailing 12-month payout ratios to be in excess of our target range of free cash flow minus maintenance CapEx, as they were in Q2, we are positioned to sustain current dividend levels while driving revenue and controlling costs to, first, return earnings to the level where the current dividend falls within our target payout ratio and then return to growth in our per-share financial metrics supporting dividend growth. Profitability growth of our subsidiaries and enhanced per-share financial metrics are the standard of performance and profitability growth in our subsidiaries will be a condition precedent to any future dividend growth to ensure we achieve the balance of dividend growth and dividend sustainability, which is a priority for all investors.

From an M&A perspective, we have been extremely pleased with the acquisition of Techbelt completed in Q2 2024, which has continued its pre-acquisition run rate and executed on a number of initiatives mentioned earlier, including ramping up marketing initiatives in North America and establishing distribution locations in North America to support the opportunities it has effectively been generating in this growth market while also seeing strength in its core markets. Our deal pipeline not only remains strong, but continues to grow, as many legacy-mined business owners seek to exit the businesses that they have built and operated. The M&A landscape continues to be full of opportunities that we are examining while being extremely selective in the deals we pursue. Conviction around the pathway to near- and long-term success of our acquisitions through our diligence processes and post-acquisition execution around the integration of the acquired businesses into our portfolio in a way that sees earnings maintained while shortening the pathway from acquisitions to earnings growth is of heightened importance in a market experiencing the type of challenges we're seeing. Comfort around the factors that drive this will be critical for us to proceed with an acquisition as we move through the demand challenges we are facing in our current portfolio on the path to return to accelerated growth. Demonstrated progress around the operational initiatives we are pursuing supports capital availability in both our credit facilities and the equity markets as well as the cost of capital, which will allow us to take advantage of the opportunities that are the right fit for our portfolio that can be highly accretive to our per-share financial metric.

This point leads to the final two items I want to mention today, our path to long-term ongoing growth at our existing subsidiaries and any future subsidiaries we acquire is to establish replicable systems and processes that help the businesses reduce the amplitude in the variance and performance we have seen and shorten the time line from when we acquire a business to when we see it move into an accelerated growth mode. We have begun to aggregate the approaches, systems, and processes, which we're calling the Decisive Operating Playbook, that are integral to all elements of our future business growth, whether it be organic growth or growth through acquisition. The elements of this playbook are applicable across our portfolio of businesses and will support diligence processes to determine our conviction around an acquisition opportunity and provide the roadmap for operational enhancements through integration into ongoing operations. All of this is part of the long-term strategy of driving both organic growth and growth via acquisitions, supported by the macro-trend of aging owners who value our long-term legacy mindset approach, which supports growth in our per-share financial metrics, which further supports growing and sustainable dividends. The development and integration of this playbook will be supported by both head office and subsidiary leaders.

In terms of our head office team, I want to communicate that our current COO, Terry Edwards, will be retiring at the end of the year. Terry is part of the founding group of individuals at Decisive Dividend and one of the first full-time head office employees of the business. He has been instrumental in all areas of this business from its founding to the current date and will continue to be as a board member of posters retirement from his operational role. Terry will be heavily involved in identifying and integrating a new COO, which we are currently in the market for and hope to have in place before year end. This new COO will be instrumental in helping us build out and execute on our operating playbook, which will be constantly evolving, and we look forward to further communications to the market on developments in regards to this. We are very grateful for all the years of Terry service and the opportunity we will have to continue to leverage off his insight and experience as he shifts into a board role.

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

Q & A

Operator

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

Your first question comes from Kyle McPhee with Cormark Securities. Your line is open.

Kyle McPhee — Analyst, Cormark Securities

Hi, everyone. First for me, on your Blaze King and ACR business, it's facing headwinds. It looks worse in your year-over-year results than it really is because you're lapping that abnormally strong period last year when seasonal trends were not normal, but I'm wondering how this dynamic plays out near term. Do you expect the Blaze King and ACR year-over-year trends still going to be negative but at a drastically improved rate of negativity? Is that the right way to think about it?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. I think that's an important point, Kyle, that you made with respect to the results that we're lapping. Obviously, we're lapping extremely strong results, so we're in a tough comparative period for those businesses, but I think there are a couple things that are really encouraging that we're seeing in the hearth industry businesses. The sell-through point, I think, is a really huge point, because not only were our businesses having the level of activity that they were but so are the dealers that sell these products, and with that they were over-positioned with respect to the amount of inventory they had on their shelves to fulfill the type of demand they were seeing. As those inventories come down, that provides the next set of opportunities for our inventory to be placed on shelves. Now there's a level of reluctance on their part to make commitments at this point to increase their inventory, which I obviously understand given the dynamics that have played out recently, but that actually gives us a really, ah, it's a compelling opportunity for us and part of the reason is that we positioned ourselves with inventory to be able to respond to that.

So yeah, tough comparative period given the strength of the performance in the comparative period and declining inventories that we're seeing, I think, positions us well that, as we enter heating season, that if we can get some supportive dynamics of a decently, weather wise, that support demand for the product and any support on the cost of energy side, we're pretty well positioned to have a decent back half of the year on that product into Q1 2025.

Kyle McPhee — Analyst, Cormark Securities

Got it. Okay. Is the inventory unwind dynamic done or close to done? Can you comment on that? And then can you comment, if possible, just on the backlog position for this side of your business?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yes. So I would say it's not done. I think in different regions, different regions are at different stages of that unwind, so it's not fully done. I would say, I think, on the Slimline side you see much more of that kind of across the scale, that 70% decline I referenced in dealer sell-through, so broad-based as well. And we probably have slightly better statistics on that.

But then with respect to backlog, I'll let Rick touch on that one.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, backlog for those businesses aren't at the levels they were last year. Obviously, at that point there was a backlog that had been built up through 2022 and 2023 and those businesses worked through that with the help of actually some surge capacity at Northside. So backlog levels are considerably lower than last year, but more typical in terms of historic levels at this period.

Kyle McPhee — Analyst, Cormark Securities

Okay. Thanks for all that colour. And then I just wanted to talk about the cost control efforts that are underway, you know, at the cost of goods sold level and the OpEx level. Can you kind of help us understand and quantify the benefits of that on these COGS and OpEx lines? Like will gross margin percentage, that rate of year-over-year decline we're seeing now, will that improve drastically into the back half of the year because of cost controls?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. I mean I think, on the variable cost side of the equation, we're really trying to match the size of the businesses in terms of the revenue that they're producing with the scale of the teams that are in place to execute on that, right? So it's really in an effort to kind of continue just to support the gross margin levels that we have. That's really the dynamic we're doing on that. Obviously, you're seeing some of the same dynamic with respect to just overall staffing levels as an example of cost control. But the other element that we're looking at is, you know, with reduced activity comes reduced maintenance CapEx needs, so that's a big part of that maintenance expenditure, which obviously doesn't impact your gross or EBITDA margins, but there's some significant moves we've been able to make around that. And, yeah.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah. And then there'd be on the operating side as well I think in the same vein as the variable costs and that's making sure we're sized for the level of activity in certain of these businesses.

Kyle McPhee — Analyst, Cormark Securities

Got it. Okay. And then some of these changes you made within a kind of full quarter, like will we see a full quarter benefit in Q3?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, we should see more of that in Q3, obviously, as we had greater insight into and the teams had greater insight into their order levels and activity levels. A lot of those changes were underway early to late Q2.

Kyle McPhee — Analyst, Cormark Securities

Got it. Okay. And last quick one for me, you mentioned maintenance CapEx. I mean it's always been [inaudible] and it's actually going lower. What about your growth CapEx budget? I suspect it's going to be pretty close to nothing now, but can you confirm what you plan to spend on that side?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, we'll still have some growth CapEx for commitments made on projects, particularly at Northside where we had put on deposits for a number of efficiency improving equipment back in the early part of the year and those deliveries are going to take place here into Q3. So there will be some spend on the growth CapEx side, but no new initiatives. These would just be commitments that we had made earlier in the year.

Kyle McPhee — Analyst, Cormark Securities

Total CapEx as a percentage of sales should be drastically lower than what we've been used to over the last 10, 12 quarters?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah. I think, especially on the maintenance CapEx side, for sure it will be a lot lower. Again, there's some larger growth CapEx, particularly at Northside, where they're seeing really strong activity and are working towards improving efficiency, including the new contract they have underway or that will get underway in Q4 with a new OEM commercial dealer with customers. So there still will be some there. It'll probably trend lower than what we have in the last number of quarters, just because of the decrease in maintenance CapEx.

Kyle McPhee — Analyst, Cormark Securities

Got it. Okay. I'll pass the line. Thanks for the details.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Kyle.

Operator

Your next question comes from Russell Stanley with Beacon Securities. Your line is open.

Russell Stanley — Analyst, Beacon Securities

Good morning and thank you for taking my question. Maybe first, and I understand you don't provide guidance, but I'm wondering, in your mind's eye, based on the outlook and the cost-cutting efforts you've taken, when do you envision the payout ratio coming back under the 75% level, understanding that it's measured on an [inaudible] versus [inaudible].

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Russ. I think what we see in the back half of the year, and I think that's kind of the area that we're focused on right now, especially with respect to the outlook that we provided, we see an opportunity to kind of return to, we'll call it like, on average, something similar to what we saw in Q4 2023. I think that's the type of level that we can see kind of spread across the quarters. We do believe it is going to be more weighted to the back half of the year. But that type of activity level is obviously significantly better than we've seen throughout the year. But I think the message here is that we see us as being through the worst. Right? Like it was a very challenging season in Q1 and Q2 that we went through and saw a demand drop off pretty significantly, but because of the quality of the opportunities that we're seeing, we're encouraged about what we're doing. So the time line of exactly when that will occur, I think that's something that I'm sure you'll do some math around as well, but that's the type of activity level we see heading into the back half of the year that kind of can guide you around some of those calculations.

Russell Stanley — Analyst, Beacon Securities

Thanks. And I guess my last question, just around your efforts to right size and staffing and understanding some of that is, as you know, I guess, matching some of activity levels to, ah, or matching headcount to activity levels. I'm just wondering, can you elaborate on where those efforts are focused, especially the corporate end, if any? Whenever you see right-sized staffing in a press release you wonder about the risk of cutting muscle rather than, you know, truly reducing costs, you might be giving up something down the line. So I'd just love some colour as to where those cuts are focused and how you're thinking about who's staying and who goes. Thanks.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Most of those, I mean, as you know, we've got a pretty small team here at head office. We had Tyler Senft depart into a new opportunity in Q2. I think you'll see us hold off on replacing that position. We have Gavin Fretwell, who's done a great job in terms of the M&A activity, including running the entire Techbelt process, so we feel comfortable there that's not something we need to replace right away. And really where the staffing levels with respect to activity is more at the subsidiary level. So, where we're seeing larger drop-offs in activity, we're really looking at those businesses to make sure that they are sized appropriately for the opportunity in front of them.

Russell Stanley — Analyst, Beacon Securities

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

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Russ.

Operator

Your next question comes from Steve Hansen with Raymond James. Your line is open.

Steve Hansen — Analyst, Raymond James

Good morning, guys. Thanks for the time. I just wanted to go back to the Marketing Impact, one of the areas where you've had some new order flow. Can you maybe just describe in better detail what's driving the churn in that business? I think there's a new leader there, but just maybe some help on understanding how that business has been churning and where the work flow is coming from and whether you see that continuing.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. So I the challenges that we had in that business, especially through 2023, were actually less about opportunity and more about execution, the challenge of dropping top-line opportunity into bottom-line results. And we did, we had a new leader start in that business in March of this year, who's very proactively taken on a top-to-bottom review of what's going on in that organization to drive enhanced efficiency, which has then allowed some of their sales folks to spend less time ensuring their projects are rolling through the shop appropriately and getting out to their customers and more time just going out and winning work, and so that's driving positives on the top line, while also the changes affected enhancing capacity which supports that activity moving through on a timely basis. But what we've also seen is how it's driving improved profitability. And there are very specific metrics around enhanced EBITDA margin targets on a quarter-by-quarter basis that we've seen been implemented and are seeing being hit, which is pretty encouraging for us to see to drive that business into being a really strong profitability contributor that it has been and what it was when we acquired it.

Further, the opportunity we see there and what we see Mark doing, who's the president of that business, is opening up doors into the US market, reactivating some sales agency relationships that have been more active in the past and developing, adding some resources to oversee and drive more activity into that marketplace. Because that, for us, is a huge focus. This business has some leading kind of cutting-edge products in areas that are of real need for its customers that have a very easily demonstrable ROIC and I think Mark has kind of picked up the torch on that and is carrying it forward and is very active and has a bunch of experience in the US as well and focused on driving a focused growth approach into US marketplaces.

So that kind of captures some of the key elements we're working on. And obviously, it's still in early days, but we've seen some really great results in a very short period of time, which we're encouraged about, which we expect to continue to see and will drive results going forward as well.

Steve Hansen — Analyst, Raymond James

Okay. That's helpful. And just turning to the hearth side for a minute, you described the inventory prep [inaudible] in advance of the season. Is there a timeframe at which that typically starts to…? I'm trying to get a sense for when we'll know on how that demand profile is shaping up. I mean do we have to wait until the [inaudible] here or is it [inaudible] in advance to some format?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, it's a question that we ask as well, Steve. Sometimes it starts towards the end of summer. Other times it's into September. So typically you'd see kind of that heating season into September. So it is more weighted to Q4 for sure that you'll see it take effect just, obviously, given the nature of the climate and when people begin to focus on that.

Steve Hansen — Analyst, Raymond James

Okay. Helpful. And just last one for me is just if you're thinking about the M&A pipeline and the opportunities that are there, I think we've often talked about trying to build on your existing capability sets or core pillars of strength, however you want to describe it. How do you think about that in the context of today's weakness in a few of the different pockets? I mean do you shy away from adding to certain verticals right now? Do you look to augment something that's more broadly diversified? And how do you think about the targets that you're looking at today relative to sort of the fit and just the broader weakness today?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. I think, I mean, obviously, looking to add from a position of strength would be priority number one. Right? Like that would be obvious. If we're having great success and opportunity in one area, that would be a top priority. But we look at what comes across our plate and we kind of filter through this assessment of how might this help in another area. Right? So I think we would have a look at opportunities to think about could they help different areas of our business and support them, whether it be through type of products or type of equipment or manufacturing capabilities, type of leadership, all those things that we could assess on that kind of the second aspect. But I think the first would be the priority.

Steve Hansen — Analyst, Raymond James

Understood. Thanks for the time. Appreciate it.

Operator

As a reminder, if you wish to ask a question, please press star one. Your next question comes from Ty Collin with Eight Capital. Your line is open.

Ty Collin — Analyst, Eight Capital

Good morning, guys. Thanks for taking the question. And I apologize if any of these have been spoken to already; I had some technical difficulties earlier in the call. Maybe just for my first one, you know, your big cousin from Winnipeg on their call this morning talked about how they're starting to see some more customers kind of coming off the sidelines and putting in orders now that the future is getting a little bit clearer on rates and inflation. Is that something you're noticing in your business as well, particularly in some of your more CapEx-heavy markets, and do you anticipate that being a tailwind later in this year with rates hopefully continuing to come down and maybe some of the US election uncertainty fading away eventually as well?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I think there were a couple points we highlighted in the comments earlier. We had a pretty large Slimline evaporator order that came across post Q2 end and then a large order at Capital I for a large energy customer of theirs that are just exactly what you talked about, indicators of kind of more clarity with respect to orders coming across the pipe. And we're seeing more of those types of discussions happening across the group. I think that's absolutely an encouraging sign for us as we head into the back half of the year and I think that sentiment that you heard on that call is something we can echo here. We're seeing more of those types of opportunities, which we have to execute around, but which is a positive for the business.

Ty Collin — Analyst, Eight Capital

Okay, great. Yeah, I mean I caught those comments on some of those encouraging signs that you're seeing at some of your subs for sure, and maybe actually just to pull on that thread a little bit, can you maybe just help us quantify a little bit the impact of some of those wins that you've pointed out and maybe the impact on the P&L and the timing of when those hit Q3 versus Q4 this year? I'm just thinking some of those numbers you put out, like Unicast coming out 80% ahead year over year on orders, how do we kind of interpret that in terms of how that translates to growth in the second half?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, I think, like Jeff mentioned a little earlier on another question, what it's looking like is a return more to an average of what we saw in Q4 2023 from an EBITDA generation perspective. But that will be more weighted to Q4 just based on the timing of some of these opportunities, specifically with respect to the hearth division, which typically picks up in September and then rolls through into Q4.

Ty Collin — Analyst, Eight Capital

Okay. That's great. And then last one for me, I know there have been a couple of questions already asked around M&A, but just curious where your thoughts are at on M&A in the context of where the payout ratio and leverage ratios are sitting today. Does it make sense to kind of wait things out a little bit or is it about being a little more selective in this sort of situation? Just curious on your thoughts in relation to those two pieces.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I think the wording we used in some of our commentary that came out this quarter is selective. M&A is part of who we are, right, and so we are constantly looking at opportunities and searching for opportunities and we just want to, you know, our focus is on making sure that the next one we acquire is a great one for the portfolio. So yeah, we're going to be selective, we know we have to be disciplined, but this growth part of our business is core to who we are and doing it well is critical. And that's why we talk about things like our operating playbook, right, to ensure that, as we move through these things, that we very quickly effect some of the changes that we need to effect to position these businesses to work through some of the different elements that we've seen challenges in the past. So that drives the selective commentary that we've chosen and so, yeah, that's what I'd say about that, Ty.

Ty Collin — Analyst, Eight Capital

Great. And sorry, if I could just follow up with one quick other one, I mean is there any change in the way you're thinking about funding for the next deal or two or kind of just sticking with the longer-term funding targets there?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I don't think we have anything specific to comment on on that. I think we have our overall long-term funding targets. Any deal we'd look at, we'd look at it on a deal-by-deal basis and then make a call as to how we're going to go about executing around that. But yeah, nothing specific other than that.

Ty Collin — Analyst, Eight Capital

Okay. Thanks for the colour, guys.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Ty.

Operator

Your next question comes from Kyle McPhee with Cormark Securities. Your line is open.

Kyle McPhee — Analyst, Cormark Securities

Just a quick one on working capital. Can you comment on inventory levels? It's been a use of cash over the last couple of quarters, day sale inventory is shooting up. Are we going to see you start monetizing inventory going forward and [inaudible] source of capital?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah. For sure. I mean that's why we're building inventory in select areas, particularly within the hearth sector, where we want to be in a position to execute quickly on demand into the heating season. So they've built up 2,500 units and 3,700 units, respectively, between Blaze King and ACR, as Jeff mentioned. So that's been a big driver there. And also, in terms of IHT, they've been building mats there to be in a position to deliver on what they expect sales to start shaking loose here just like Ty's comments were in terms of overall macroeconomic and economic sentiment and interest rates and election uncertainties start to dissipate.

Kyle McPhee — Analyst, Cormark Securities

Okay. So these pockets of inventory build are kind of behind you now and it should put the monetization in the back half of the year? I'm drilling you on this just because of the capital and the payout ratio dynamics given the macro right now.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah. There was less of a build in Q2 in terms of inventory and so continue to probably see that trend through Q3.

Kyle McPhee — Analyst, Cormark Securities

Okay. Thanks, guys.

Operator

There are no further questions at this time. Please continue, Jeff.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

All right. Well, thank you to all of you for attending our Q2 2024 conference call. We look forward to updating you further on our progress continuing into the next quarter and beyond. Thanks.

Operator

This concludes today's call. Thank you for your participation. You may now disconnect.