

Decisive Dividend Corporation
Third Quarter 2024 Results Conference Call

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CORPORATE PARTICIPANTS

Jeff Schellenberg

Decisive Dividend Corporation — Chief Executive Officer

Rick Torriero

Decisive Dividend Corporation — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Kyle McPhee

Cormark Securities — Analyst

Russell Stanley

Beacon Securities — Analyst

Steve Hansen

Raymond James — Analyst

Yuri Lynk

Canaccord Genuity — Analyst

Thomas Burke

Canaccord Genuity — Analyst

Brennan Eatough

Private Investor

PRESENTATION

Operator

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

We remind you that today's remarks may include forward-looking statements and non-IFRS financial measures that are subject to important risks and uncertainties. For more information on these risks and uncertainties, please see the applicable sections of Decisive Dividend's news release and MD&A, which are on their website and have been filed under 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 Q3 2024 earnings conference call.

In advance of our Q3 2024 results release, we provided a corporate update on October 9, 2024 that outlined four key points that, as we messaged in our Q2 2024 earnings release, Q3 2024 operating

performance would be sequentially stronger than both Q1 2024 and Q2 2024, driven by several third quarter operational wins, cost control initiatives, and improved performance from Decisive's diversified portfolio of manufacturing businesses combined with the move into stronger seasonal periods. The second point was that operating performance is expected to continue improving into Q4 2024 based on enhanced order activity across each of the portfolio businesses, including carryover of orders received in Q3 2024 to be fulfilled in the fourth quarter and commencement of work under Northside's new contract with a new commercial vehicle customer. The third point was that further operational wins were materializing that will positively impact the first half of 2025, including significant confirmed orders for Capital I, Hawk, and Unicast on a joint award with an oil and gas customer, confirmed orders for Slimline's larger-scale wastewater evaporator, renewed EPA compliance certificate for Blaze King's existing product lineup, as well as continued progress on regulatory approval of a new product design that utilizes Blaze King's combustion technology styled and sized for sale into the United Kingdom and Europe. And finally, that the Corporation's strong acquisition pipeline continues to grow and Decisive will continue to selectively pursue acquisitions. On today's call, I'd like to discuss each of these points in some more detail before opening up the call to questions.

So the first point is sequential improvement in results in Q3 2024. Consolidated sales in Q3 2024 were 12% higher than in Q2 2024 and 10% higher than Q1 2024 while overall adjusted EBITDA in Q3 2024 was 65% higher than in Q2 2024 and 42% higher than in Q1 2024 while being down 14% and 28%, respectively, relative to the record Q3 2023. The sequential quarterly improvement from Q2 and Q3 2024 was driven primarily by the hearth businesses, Blaze King and ACR, as they moved into stronger seasonal periods, while the industrial products businesses, namely Northside, Slimline's evaporator

product, and Capital I, and our wear-parts businesses, namely Unicast, Micon, Procore, and Techbelt, as groups also made important contributions to the sequential improvement in performance in Q3 2024.

Steps taken to control costs and enhance efficiency resulted in gross margin expansion over 2% relative to Q2 2024. As a result of reduced labour and material expenditure, the margins were down 1% relative to Q1 2024 and over 6% relative to the record Q3 2023. Significant steps were taken to reduce non-variable operating expenses, which, at \$10.9 million in Q3 2024, were down by over 2% and 3%, respectively, relative to Q2 and Q1 2024 and down 13% relative to the \$12.5 million in Q3 2023 on the back of decreases in salaries, wages and benefits, and other operating expenses.

The expansion in sales and control of costs resulting in the sequential adjusted EBITDA improvement we've highlighted in Q3 2024 also resulted in significant expansion in EBITDA margin percentage, improving by over 5% relative to Q2 2024 and almost 4% improvement from Q1 2024, though still down over 3% from the record levels seen in Q3 2023.

Finally, the improvement in these operational metrics resulted in an improvement in free cash flow less maintenance CapEx, which is the key metric we measure dividend payout ratios, which increased by 163% and 106% relative to Q2 2024 and Q1 2024, though down 29% from the record levels seen in Q3 2023. On a TTM basis, the payout ratio increased to 95% in Q3 2024, which remains above our target payout ratio. Continued sequential improvement in our results in Q4 2024 and into 2025, which were the next two points in our operational update press release and which I'll discuss next, should drive the payout ratio lower in the coming quarters.

So, in terms of Q4 2024 and 2025 outlook, the improvement in sales, EBITDA, and free cash flow less maintenance CapEx seen in Q3 2024 are expected to continue into Q4 2024 and 2025, which illustrates the inflection point we are seeing across our businesses as we move into Q4 2024. This inflection is being seen in order activity, which, to date in Q4 2024, is up over 65% relative to the levels seen in the same period in Q4 2023 and which is spread across the majority of our businesses, with eight of our twelve businesses reporting improvements in Q4 2024 order levels relative to the same period in 2023. Based on this activity, we expect further sequential improvements in revenue, adjusted EBITDA, and free cash flow less maintenance CapEx in Q4 2024 and into 2025.

Some key highlights we've seen across our group of businesses include the following: in our hearth businesses, Blaze King began the process of renewing its wood stove compliance certificates under new testing methodologies enacted by the EPA and the results of those position Blaze King with a potential competitive advantage in Q4 2024 and beyond with them having the top-three most efficient wood stoves as listed by the EPA. In addition, Blaze King and ACR received all the required regulatory approvals for their new product design that incorporates Blaze King combustion technology styled and sized for sale in the UK and European market, paving the way for final design and launch of the product in the UK in 2025.

In terms of our industrial businesses, sales under Northside's contract with its new commercial vehicle customer are expected to commence in the coming weeks. Slimline has worked to enhance the performance and design of its large-scale wastewater evaporator product, which is the largest available in the market today, which has resulted in additional confirmed orders for this product for delivery in Q4 2024 and early 2025 and positions Slimline for increased activity in this product line in 2025 and beyond.

Capital I secured a significant purchase order for delivery in Q4 2024 from a longstanding oil and gas customer, sales from which were muted in the first nine months of 2024. And additional significant confirmed orders from the same customer received on a joint award with Unicast and Hawk that will positively impact the first half of 2025 with opportunity for material contribution from this work in the back half of 2025 and beyond as well.

In terms of the wear-parts businesses, Unicast orders over the last several months have trended higher than the same periods in 2023, which will positively impact Unicast's results in Q4 2024 and early 2025. Micon and Procore are successfully working with their existing customers to support their expansion into new geographic markets while actively pursuing expansion of their customer base, which will positively impact results in Q4 2024 and 2025. Techbelt is utilizing facilities of other group businesses in North America to support increased access to the North American market while seeing continued strong order activity in its home market as economic activity stabilizes there.

In terms of our agriculture businesses, Slimline completed Turbo-Mist sprayer product demonstrations for potential new customers who own over 150,000 acres of orchards and vineyards across North America in the summer of 2024. These demonstrations illustrated the fuel, chemical, and labour efficiency of its sprayer product relative to competitor products and order activity has increased as a result, which should be positive for Q4 2024 and into 2025. IHT order activity has increased in Q3 and into Q4 2024, resulting from its ongoing customer trials and new customer opportunities. These trials have historically had a very high probability of converting to future product sales and the fact that pork industry conditions and farmer profitability levels are improving is supporting these conversion and purchase decisions, which should support positive results for Q4 2024 and into 2025.

Finally, merchandising. Marketing Impact order levels and operational productivity have steadily improved since Q1 2024, which has resulted in an improvement in results with the operational efficiency improvements supported by strong customer relationships with large North American retail customers, positioning Marketing Impact for a ramp-up in growth in 2025, including in the US, where efforts to expand the business into are underway.

From a macroeconomic perspective, central bank response to the challenges that are evident in economies and the marketplaces our businesses operate in, as evidenced by interest rate cuts in the US, Canada, and the UK, support reduced economic uncertainty and growth in demand for the products manufactured by our subsidiaries. While there are plenty of unanswered questions, we are encouraged by the work our subsidiary leaders and their teams have done to improve the positioning of their subsidiaries to access demand and to deliver on demand with an increased level of efficiency, all of which positions us well heading into Q4 2024, 2025, and beyond.

Finally, we continue to invest in replicable systems and processes that can help our subsidiaries reduce the amplitude in the variance in 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. All of this is part of the long-term strategy of driving both organic growth and growth via acquisition resulting from the macro trend of aging owners who value our long-term, legacy-minded approach, which supports growth in our per-share financial metrics and which further supports growing in sustainable dividends.

This brings me to the final point highlighted in the October 9th operational update around our acquisition pipeline. After a two-year period from April 2022 to April 2024, where we completed eight

acquisitions, it has now been over six months since we completed the acquisition of Techbelt in April 2024. We have been investing time and effort into working with our subsidiaries and their leadership teams to address some of the operational challenges being experienced in their businesses during this time, the effectiveness of which we are seeing and will be seen and measured over the next few quarters. These steps are being taken to drive organic profitability growth and improvement in our overall per-share financial metrics, which can have a compounding effect for shareholders from both a share value and a dividend perspective while also positively impacting our availability and cost of capital to fund acquisitions. While operational result enhancement has been our recent focus, we have continued to pursue deals in a highly selective fashion with a focus on time lines to close as we look at a more restrictive environment from an availability and cost of capital perspective. That being said, over this time we have continued to see strong deal opportunity inflow, as the message around our buy, build, and hold model continues to resonate with exiting legacy-minded business owners. As we proceed through Q4 2024 and into 2025, continued improvement in results will support access to capital and our cost of capital, which will support execution around opportunities in our strong M&A pipeline.

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

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press the star followed by the number one on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from the polling process,

please press the star followed by the number two. If you are using a speakerphone, please lift the handset before pressing any keys. One moment please for your first question.

Your first question is from Kyle McPhee from Cormark Securities. Please go ahead.

Kyle McPhee — Analyst, Cormark Securities

Hi, everyone. [Inaudible]

Operator

Kyle, your audio is coming in quite choppy. Are you able to requeue for questioning? Thank you.

Next question is from Russell Stanley from Beacon Securities. Please go ahead.

Russell Stanley — Analyst, Beacon Securities

Good morning and congrats on the sequential improvement. Just wanted to dive into your latest views around Q4. You've been pretty clear in reiterating expected sequential improvement. Just wondering, since the operational announcement you issued about a month ago, has any surprises come up in the quarter, positive or negative, that are worth calling out or is the quarter more or less proceeding as you'd expected?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I think the points we highlighted in the prepared remarks here this morning, Russell, around, you know, we're really pleased to see the level of order activity and the fact that it's spread

across a variety of businesses. That's a really encouraging signal for us as we're into Q4 at this point in time. I think we're really well positioned around the new contract kickoff at Northside, which was expected but obviously still positive. And the traction we're seeing across a number of our other businesses like Slimline with its wastewater evaporator product, a really higher price point and a really strong margin product, is encouraging for us to see as well. So, like we said, we're seeing order levels up across eight of our twelve subsidiaries and, to me, that's just a very positive signal. I think the message here is we continue to expect continued sequential improvement in results and our subsidiaries are working hard to fulfill demand and continue to pursue opportunity in light of what seem to be improving conditions in the marketplace. And we see it across a variety of sectors. Agriculture had a really tough year and to see some of the demand coming through from some of the customers in that space is really encouraging. We have great products in that space that support what we call precision agriculture, you know, that help improve the profitability of the farmers that use these products, and so we've got a great business case for those farmers looking to make purchase decisions around the type of products and implements that they're investing in and I think, as they feel more positive about their profitability levels, that's where we're seeing some of those order flows coming in. And including from dealers that distribute Slimline products, as an example, that are driving some of that. So, yeah, it's nicely spread out and kind of steadily improving, which is really encouraging.

Russell Stanley — Analyst, Beacon Securities

That's helpful colour. Maybe if I could, we now have most of the US election results in, I think a bit better than half of your revenue came from the US over an LTM basis, and given Trump's talk around

tariffs, just wondering how you're positioned there, what your risk level is, and how this might inform your strategy going forward.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, for sure. I think, obviously, there's been a lot of discussion about further potential tariffs coming on board. We obviously, especially in our Unicast business, we've been living with tariffs in their world since really 2018 and so have had a period to kind of enhance our playbook around how we address these types of things. And they've done a tremendous amount of work to diversify their supply base to be able to bring in products and materials that reduce our tariff exposure and even just to put the right processes in place to manage that as well.

I think we obviously have, you know, Blaze King has a US-based facility that we do a lot of assembly and manufacturing work out of as well and so that's obviously something that we've been looking to address and we've leveraged off of the facility that we have down there, for an example, with Techbelt to take advantage of that location as well. And so there's going to be a few of those types of things.

Obviously, this is part of the unanswered questions at this point in time, exactly how things will unfold, but whether it be through managing our supply chain or changing some processes and taking advantage of some of the locations we have in the US, you know, this is an important thing for us to dig into as we, just like you said, 52% of our sales in Q3 2024 were out of the US, so definitely something that we'll be looking at as we get more clarity around exactly what's going to be happening there.

Russell Stanley — Analyst, Beacon Securities

That's great. If I can sneak in one last question just around working capital, I saw some quarter-over-quarter improvement in several line items there supportive of cash flow. Just wondering how much of a concerted effort you're making on the working capital front, if that's what we saw, and how much of a priority that is in subsequent quarters. Thanks.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

For sure, Russ, working capital is a definite priority. It's a big investment in the manufacturing businesses that we own and we saw some positive developments in Q3. And so far in Q4 those have continued and I think it's going to be a priority. It'll always be a priority for us, maintaining the right levels. I think, as we see activity ramp up, we may see inventory levels increase to fulfill contracts, but that investment is going to lead to future sales. So definitely a focus and definitely something we're working with our businesses to manage.

Russell Stanley — Analyst, Beacon Securities

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

Operator

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

Steve Hansen — Analyst, Raymond James

Good morning, guys. A couple questions. I think that I was struck, Jeff, going through your commentary on recovery in several of your businesses, I mean it sounds to me like a lot of these businesses or a lot of these sort of incremental improvements are internally-developed initiatives in many respects. It sounds like there might be a little bit of macro helping perhaps in the pork industry, for example, but a lot of it is sort of your own efforts internally. How would you rank order sort of the future developments that you've got in play across the portfolio? I mean is it just more of the same? These are going to have an impact, it sounds like, that will carry into next year. I'm just trying to understand, again, the difference between the internal strategy benefits relative to a still pretty soft macro.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. I mean I think, from a macro perspective, ag is where we've seen the biggest positive impact, right? Farmer profitability, especially in the pork industry, coming off of two really tough years, 2022 and 2023, and the business performed really well, IHT performed really well in 2023 in spite of the challenging period, but then into 2024 as they were, pork farmers were experiencing ongoing challenges in that space, we saw order activity dial back pretty significantly. Now, as their profitability is improving, we're seeing that pick up. And it's the same thing on the orchards and vineyards side of the equation, high-value cash crops. We're seeing a strong apple year and things like that that are driving some of the order activity in ag. So that'll be an area I'd definitely highlight.

I mean I think order activity in the hearth industry is picking up. That would be probably less, let's call it, cyclical macro and more seasonal. Right? So you see, as we talked about kind of in our Q2 results,

you see people entering the heating season and looking at their energy sources and heating sources and making the decision to invest in product. And again, encouraging, because it's a product of sell-through through dealers. Obviously, oversupply in that industry in that space at the dealer level was pretty evident with high levels of inventory there, which have sold off, which is now resulting in a fairly quick transition from the point where we ship to a supplier or to a dealer to when we're seeing warranty cards registered, as an example, and so you're seeing that flow-through through dealers, but I would identify that more as seasonal.

And then we have a bunch of opportunities that are a direct result of the work we're doing to enhance our products, our customer relationships, whether that be the evaporator product at Slimline where we've done a huge amount of work in developing but also then enhancing and improving, getting some trials in place, which allowed us to identify and then address some of the operating challenges we had with that product, which is leading to some really nice order activity, which we expect to continue to see into 2025 because wastewater management is a huge deal, especially with respect to the large tailings ponds that this product addresses. Like I said, this is the largest wastewater evaporator available in the marketplace right now and we're really encouraged about kind of what we're seeing and the ability for us to kind of measure the results and demonstrate these to our clients given the work we're doing is really positive. And likewise, kind of the oil and gas customer we referenced across three of our subsidiaries was a product of the work we did before, but also a lot of hard work to position us to win that order from a relationship perspective.

So, to your point, there's a mixed bag of things where, I mean and then Marketing Impact, I think, is a product of really a lot of work being done by leadership there to drive margin enhancement

and create capacity, which is allowing them to pursue a greater level of order activity, including looking at some US opportunities, which will position that business well. So, yeah, it's definitely a combo of things and I think, you know, the macro will continue to be some level of uncertainty here, especially in the near term in light of the election results and all that kind of stuff, but our subs are doing really good work to be able to address product issues, build their customer base, and the product features are really allowing them to support pricing levels, which are supportive of margins as well, and then go out and win new customers. So yeah, no, I think it's a mix for sure.

Steve Hansen — Analyst, Raymond James

That's great. That's helpful. And if you think through the last nine months, given some of the volatility that's been out there, how does that shape, if at all, your new thoughts around the target acquisitions as you look at sort of adding new companies to the portfolio? I know you want to extend or add to the existing silos, but how do you think about, again, rank ordering the priorities in terms of where you want to add just given the recent volatility? Thanks.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. I mean I think, like you said, we'd like to add within segments we already have to leverage off the knowledge and understanding of those industries that we've built over time here. I think where we're seeing success and where we're seeing some level of operational success and strength in leadership in those sectors is where we'd like to give those folks more opportunities, right, and more at bat, so to speak, to apply the skills and capabilities and knowledge they have to a new business that's entering that space.

But I think, for us, we'll continue to look at low CapEx kind of reoccurring cash flow streams, manufacturing businesses that can help support the dividend, and we hope to find businesses that support the reduction in volatility. So, some level of diversification relative to cash flow streams or geography or whatever that may look like, but within those kind of five areas of hearth, industrial, wear parts, merchandising, and ag, you know, are where we have some competence and we'll look to invest in. So, yeah, that's what my thoughts would be on that.

Steve Hansen — Analyst, Raymond James

Very helpful, guys. Thanks.

Operator

The next question comes from Yuri Lynk from Canaccord. Please go ahead.

Yuri Lynk — Analyst, Canaccord Genuity

Good morning, guys.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Good morning, Yuri.

Yuri Lynk — Analyst, Canaccord Genuity

Just with regards to your commentary on Q4 and 2025, are you feeling a little bit more upbeat on this quarter and next year than when you last updated the market back in August?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I would think, you know, we definitely feel and we see signs of continued improvement in performance, which is, as you get closer to it, it is definitely encouraging to see what we were hoping to see, we thought we were doing the work to position ourselves to see, but now, as we're in the middle of it, we definitely see those signs coming in, like that order activity number that I talked about earlier.

I think there's still different challenges we're facing for sure, but our level of kind of the confirmation or optimism around the things that we thought we were seeing is something we've definitely, you know, continued to see those things unfold. And I think the work we've done kind of I'll call it structurally to address different types of, you know, whether it be product concerns in terms of new products coming to market, the regulatory approvals we talked about in the hearth industry positions us really well for 2025, the evaporator work I talked about already.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

And a new customer for Northside kicking off in a few weeks here.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, the new customer for Northside. All of those things are definitely encouraging us and that's why we continue to, you know, the message being we're going to continue to see that sequential improvement kind of on a quarter-over-quarter basis here building into 2025.

Yuri Lynk — Analyst, Canaccord Genuity

Should we expect revenue growth in the fourth quarter?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, I think definitely relative to Q3 this quarter, yeah, I think that's something that, both from revenue, EBITDA and cash flow perspective, our expectation is we're going to see continued improvement across those metrics. And I think that's...

On the cost side of the equation, our subs have done some really significant work to right-size their organizations and position the businesses to be really efficient kind of heading into these periods where you know, now we're seeing the benefit of, we can see the benefit of some operating leverage as demand picks up and orders continue to increase and turn into sales. Right? So that would be our expectation for sure.

Yuri Lynk — Analyst, Canaccord Genuity

Yeah. Okay. So sequential pickup in Q4.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

You bet. Yeah.

Yuri Lynk — Analyst, Canaccord Genuity

Okay. And then you said quarter over quarter going forward. I mean is the first quarter, is there some seasonality there that would...? Like should we be looking at year-on-year comps starting in 2025 or are we still...? Do you think you can sequentially improve in the first quarter versus Q4?

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

I think into 2025 it's probably more of a comparison to Q1 of 2024 for sure, because of the seasonality in the hearth business, in particular, that starts to kind of ramp down in Q1 and definitely into Q2 as the heating season reduces. So, I think there definitely is some seasonality to our business there for sure, but yeah, definitely going to see improvement relative to Q1 of last year based on the orders that are in the system as of now.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah. And I think we have some of that additional work, you know, we talked about the large oil and gas customer. That work kicks off in 2025 and that would be something that's definitely different than we saw coming into 2024 last year. So we're going to be, in 2025 we're definitely entering into an improved comparable period, right? As you look at a year-over-year basis, 2025 has a definitely softer comparative period and so, yeah, I think you'll see more discussion on a year-over-year basis again kind of as we head into 2025.

Yuri Lynk — Analyst, Canaccord Genuity

Okay. Okay, guys. Nice job on the quarter. I'll get back in the queue.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Yuri.

Operator

Ladies and gentlemen, as a reminder, should you have any questions, please press the star key followed by the number one.

There are no further questions at this time. Please proceed with closing remarks.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, everybody. Oh, it looks like there's one more—

Operator

Apologies, yes, I do see more questions here, so the next question is Thomas Burke from Canaccord Genuity. Please go ahead.

Thomas Burke — Analyst, Canaccord Genuity

Hey, guys. Congrats on starting to get Decisive's portfolio great again, so congrats on that.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Tom.

Thomas Burke — Analyst, Canaccord Genuity

Just a little comment on the new Techbelt acquisition. Obviously, we haven't heard too much about that, but you seem to be very satisfied with how that business is ramping up. And knowing that you've put together some interesting initiatives where some of the portfolio companies are helping out other portfolio companies in winning contracts and stuff, can you talk about how Techbelt can play into that dynamic as well and what type of sort of new, fresh growth opportunities you see with that acquisition?

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Yeah, for sure, Tom. I think one of the key elements of that deal that excited both the vendor... I mean this is a situation where we bought a business from a family, a father, mother, and son, and the son was keen to continue to run the business under our ownership and he continues to, Simon Sparkes. And Simon's commentary to us as we were looking at the deal, as they were determining who they wanted to sell the business to, was that he was very keen to grow in North America and thought that our position in North America would help support his efforts in entering the marketplace. And that's exactly what's unfolded. And what he's been able to leverage off of is, for instance, our facilities as depots for his product and the ability to respond more quickly to orders in the North American marketplace and be able to communicate to his customers that we do have a North American position.

Simon really pursued that very quickly and established kind of our position in this marketplace and through that, and through a lot of kind of the e-commerce customer, the manner in which they generate customer order activities, they were able to focus kind of efforts on communicating that in the North American market, and through that we're seeing some really encouraging early results while obviously they're still really focused on kind of the UK and European market where the majority of their presence is.

But I think that's, you know, it's a great example and that business continues to perform really well with order levels kind of well ahead of where they were last year on a comparative basis in Q3 and heading into the back half of the year. Simon is a terrific operator and we're really pleased with everything he's done and his ongoing kind of commitment to the program and so that's something we're expecting to see more of as we continue to invest to build the North American market, and it's just a small example of how we can do that without, you know, he doesn't have to go out and find real estate, it's something that we can support him with because we have local market presence here, obviously. So yeah, definitely a positive story for sure.

Thomas Burke — Analyst, Canaccord Genuity

Okay, great, and congrats again on everything, guys.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Tom. Appreciate it.

Operator

Ladies and gentlemen, as a reminder, should you have any questions, please press the star key followed by the number one.

Your next question is from Brennan Eatough, who is a private investor. Please go ahead.

Brennan Eatough — Private Investor

Hi. I hope you can hear me. Congrats on the results and it was really nice to see the year-over-year change in CFFO. I was really curious to ask about specifically the NCIB. How should we be thinking about how you're going to leverage that moving forward, since it looks like, perhaps, given where the share price is now and the dividend rate that's paid out, maybe it's underutilized.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, I think we'll continue to utilize it as we have, which is strategically based on where our share price is relative to things like our warrants that are outstanding and other items like that. So we'll definitely want to continue to strategically use the NCIB, but it's not a core focus of Decisive at this time.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

I think, as we think about our capital allocation strategy, obviously, what we've committed to with our shareholders is our dividend program and that's something that kind of remains a core focus. Obviously, like Rick mentioned, be a bit opportunistic to take advantage of share repurchase opportunities when they're measured appropriately relative to some of the items Rick mentioned, but

yeah, our core focus on capital allocation obviously remains. It's a mix between reinvesting in our business, obviously supporting investment to help maintain and grow the assets of our businesses, we have the benefit of being in a fairly capital-light business model overall, but we need to continue to support activities and investment in those areas while directing cash to our shareholders and our lenders to manage our leverage levels as well. So it's a mix of those things and the dividend program being a key focus.

Brennan Eatough — Private Investor

That's great. If I can just sneak in one really quick one here. You released a really informative presentation, which had a geographic outline of the businesses and their exposure. I was just really curious, which wear-parts business has exposure in the Middle East? And if you could just touch on one last thing about the M&A pipeline. Did you ever find a replacement or are you working on a replacement for the previous business development professional? Thank you. Those are the last two.

Rick Torriero — Chief Financial Officer, Decisive Dividend Corporation

Yeah, the first one in terms of the geographic slide that you referenced, the sales into the Middle East would be Unicast and Techbelt at this time.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

And then from the M&A professional perspective, yeah, we had hired Gavin Fretwell in July of last year, 2023, who's taken over the M&A portion of our business, and so he's actively managing our pipeline and pursuing activities and opportunities, which is similar to his previous background having

worked across some large corporate development roles as well as in the private equity space as well. So, yeah, we completed that in July of last year.

Brennan Eatough — Private Investor

Okay. Fair enough. That's really good. I really appreciate you touching on those things. I look forward to seeing what happens next quarter. I'll probably have more questions. Thanks.

Operator

There are no further questions at this time. Please proceed with closing remarks.

Jeff Schellenberg — Chief Executive Officer, Decisive Dividend Corporation

All right. Thanks, everyone, for attending our Q3 2024 conference call. We look forward to updating you on our progress continuing into the next quarter and beyond. Thanks very much.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.