FINAL TRANSCRIPT

**Decisive Dividend Corporation**

**Fourth Quarter 2024 Results Conference Call**

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## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Yuri Lynk**
*Canaccord Genuity — Analyst*

**Russell Stanley**
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**Grant Macdonald**
*Private Investor*

**Tom Burke**
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**Christian Nelson**
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## PRESENTATION

**Operator**

Good morning. My name is Chloe, and I will be your Conference Operator today. At this time, I would like to welcome everyone to the Decisive Dividend Corporation Fourth Quarter 2024 Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speaker's 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 will include forward-looking statements and non-IFRS financial measures that are subject to important risk 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 Q4 2024 earnings conference call.

In advance of our Q4 2024 results release, we provided a corporate update on March 6, 2025, that outlined four key points.

Firstly, that Q4 2024 operating performance was not just sequentially stronger than Q3 2024; it was, in fact, slightly stronger than the comparative quarter of Q4 2023, which was previously Decisive's strongest Q4 performance to date.

Second, we outlined that this operational momentum is expected to continue into Q1 2025 based on overall enhanced order activity and higher backlogs relative to the first two months of 2024 and commencement of work under Northside's new contract with a new commercial vehicle customer in mid-February 2025.

Third, we highlighted that the work done to position Decisive and its subsidiaries for improved performance in 2025 has been overshadowed by the significant uncertainty surrounding U.S. tariffs on Canadian goods. While Decisive and its subsidiaries will be impacted if significant, long-term, blanket tariffs are imposed on Canadian bids with respect to its U.S.-destined sales, which accounted for 48 percent of 2024 sales, there are factors that should mitigate or insulate certain subsidiaries from the impact of tariffs. Subsidiary management teams have been assessing strategies and exploring numerous alternatives to minimize the impact of tariffs.

Finally, we highlighted 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.

Firstly, with respect to year-over-year sequential improvement in results in Q4 2024, consolidated sales in Q4 2024 were 5 percent higher than Q4 2023 and 17 percent higher than in Q3 2024. Overall, Adjusted EBITDA in Q4 2024 was 2 percent higher than in Q4 2023 and 30 percent higher than in Q3 2024.

The Q4 2024 improvement relative to Q4 2023 was primarily driven by the industrial products businesses; namely Northside, Slimline's evaporators, and Capital I; and the addition of Techbelt, our fourth wear parts business. Though the hearth businesses, specifically Blaze King and ACR, contributed less in Q4 2024 than in Q4 2023, we were encouraged by the level of order activity in Q4 2024 which surpassed Q4 2023 hearth order levels. This, combined with the effects of improving—improved pricing and foreign exchange rates, limited hearth sales declines to 27 percent despite entering Q4 2024 with 89 percent lower backlogs than in Q4 2023, though the higher order backlogs in Q4 2023 introduced order cancellation risk due to extended delivery times.

The sequential quarterly improvements from Q3 2024 to Q4 2024 were driven primarily by a couple of the industrial products businesses; namely Slimline's evaporator product and Capital I; the agricultural businesses, which is Slimline's orchard and vineyard product—sprayer product and IHT; and one of the wear parts businesses, specifically Unicast. The change in product mix in the quarter resulted in gross margin and EBITDA margin expansion of over 2 percent relative to Q3 2024.

The improvement in these operational metrics resulted in an improvement in free cash flow less maintenance capital expenditures, which is the key metric we measure dividend payout ratios with, which increased by 8 percent compared to Q4 2023 and 50 percent relative to Q3 2024. These improvements demonstrate the strength and the free cash flow generation capabilities of our business and our ability to support the current dividend level, with our three-month dividend payout ratio being 55 percent in Q4 2024.

On a full year basis, our payout ratio remained approximately the same as our Q3 TTM payout ratio at 96 percent. Based on the expected continued improvement in our results in Q1 2025, which was the next point in our operational update press release and which I'll update—I'll discuss next, should drive the payout ratio lower in the coming quarters.

In terms of Q1 2025 outlook, the improvement in demand for our products that we saw in Q4 2024 has also continued in the first part of Q1 2025, as order levels have outpaced both 2023 and 2024 levels of orders seen at a similar time in those years. There were sales outpacing 2024 and approaching 2023 levels, with strong contributions from across the group to these performance levels. While the hearth industry businesses are performing more in line with levels seen in 2024, the strength in the performance of the other businesses is driving the cost of comparison relative to 2023.

The subsidiary performance improvement in the second half of 2024 and early 2025 is based on deliberate steps and actions taken to strengthen sales teams, improve internal processes to allow sales teams to focus on business development rather than project management, product quality and performance improvements, improved communication around product differentiators, and the on-boarding of new clients we are manufacturing components for. These steps, along with improved outlook for our customers, especially in agricultural, are resulting in the improved order levels and sales that we are seeing.

Further, there are several new products that we'll be introducing across our portfolio in 2025 that we believe will support improved performance in our businesses. Specifically, in our hearth businesses, we are launching seven new products; two in North America and five in the U.K. and Europe, that include a smaller Blaze King unit for North America in the E16 and the overnight burn stove in the U.K. that incorporates Blaze King's combustion technology named The Tempest that we believe will have a positive impact on the results in the second half of 2025.

I'll now turn to a discussion on tariff uncertainties. While Decisive and its subsidiaries will be impacted if significant, long-term, blanket tariffs are imposed on Canadian goods with respect to its U.S.-destined sales, which accounted for 48 percent of 2024 sales, the following factors should mitigate or insulate certain subsidiaries from the impact of tariffs.

First, certain subsidiaries have contracts with customers that have pricing mechanisms to mitigate the impact of tariffs, and a large percentage of Decisive's overall U.S.-destined sales fall into this category.

Second, Decisive has a history of managing U.S. tariffs that have been in place for several years now through its Unicast subsidiary and has employed strategies that have considerably lowered the impact of tariffs on Unicast margins.

Third, Blaze King has manufacturing capabilities in the U.S. already, and, as part of the expansion plans of various subsidiaries, Management has been exploring alternatives for expanding manufacturing and distribution capacity in the U.S. for other portfolio businesses as well.

Fourth, overall, it takes time for U.S. customers to reposition their supply chains in response to tariffs if they can even do so. Decisive's subsidiaries produce, in many cases, proprietary, specialized, and/or industry-leading products using advanced and proven production methods which are not easily replicated without considerable time, effort, and investment.

Finally, if significant, long-term, blanket tariffs are imposed, the general consensus is that the value of the Canadian dollar could further depreciate relative to the U.S. dollar, which would insulate the impact of tariffs on margins on U.S.—Decisive's U.S. dollar sales.

I'll wrap up my comments with an acquisition pipeline update as well.

As discussed in my letter to shareholders in our 2024 annual report, operational result enhancement has been our recent focus, which is justified, as it has been critical for us to rebuild the strength of our earnings base to increase the available capacity we have under our existing financing facilities and improve our cost of capital to support future M&A. While operations have been our focus, we have not stopped looking at acquisition opportunities and continue to see a strong flow of opportunities that fit well within the parameters of the types of businesses we are looking for. As a result, we fully expect to complete additional acquisitions in 2025 and look forward to providing further updates on that to our shareholders as our M&A program unfolds.

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

## Q & A

**Operator**

Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you have a question, please press star key, followed by one on your touchtone phone. You will hear a one-tone prompt acknowledging your request. Your questions will be polled in order they are received. If you would like to decline from the polling process, please press the pound key. Please ensure you lift the handset if you are using a speakerphone before pressing any keys. One moment for your first question.

Your first question comes from the line of Yuri Lynk from Canaccord. Your line is open.

**Yuri Lynk** – Analyst, Canaccord Genuity

Hey. Good morning, guys.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Morning, Yuri.

**Yuri Lynk** – Analyst, Canaccord Genuity

Morning. Jeff, just picking up on your comments on M&A, how do you stick handle that—wanting to do more deals with the payout ratio still really elevated? I know it's going to come down in 2025, but does it need to get back into that 60 percent to 75 percent range before you move on something, or are you willing to do something with a higher payout ratio in place?

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes. I think the—I would frame that more in the context of our operational performance being the real driver of improvement in our payout ratio. We're expending a lot of efforts to drive decisions that improve cash flows, including with respect to various efficiency initiatives that we've taken on the—really more so on the customer side, driving demand, which our subsidiaries have done really effectively. I think that as we lap some really challenging quarters that were Q1 and Q2 2024, we can see some really nice improvement in our payout ratio on that basis.

I think the M&A challenge more so for us is around having that earnings support, our capacity to complete acquisitions, whether it be our availability in our credit facilities or cost of capital with respect to our share price effectively, which is, obviously, an important factor in looking at acquisition opportunities. I think those are bigger factors in looking at how we manage our M&A program more so than the dividend payout ratio, which we view as really a function of operational—improvement in our operating performance of our existing subsidiaries.

**Yuri Lynk** – Analyst, Canaccord Genuity

Okay. There’s some comments in the press release about quarter-to-date order levels and sales. I think Q1 of ‘24 and ’23, if you round, it’s kind of the same sales level. What exactly is the messaging there, and if you could extend that to EBITDA as well to see if you’re trending more towards the ‘23 level or what the case is?

**Richard Torriero** — Chief Financial Officer, Decisive Dividend Corporation

Yes, so those metrics that we quoted in our press release were actually related to pro forma, so looking at all of the companies that we own today and their relative to performance to 2024 and 2023, so wasn’t just looking at the reported results. Really seeing improved performance across all of the subsidiaries, not just the ones that we owned at the time and not just the growth in the Company versus what we were in Q1 of 2023, which was five acquisitions less than we are today. Definitely seeing very good strength there, and, as a result, expect to see improved EBITDA performance relative to Q1 2025. Whether we get to Q1 2023 levels, I think that that’s probably an area where we’re expecting to be higher than that, but we’re still—still a little ways to go here in the quarter.

**Yuri Lynk** – Analyst, Canaccord Genuity

Okay. I’ll turn it over. Thanks.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Yuri.

**Operator**

Again, if you would like to ask a question, please press star, one. Your next question comes from the line of Russell Stanley from Beacon Securities. Your line is open.

**Russell Stanley** – Analyst, Beacon Securities

No, good morning, and congrats on the quarter. Thanks for your comments around tariff exposure and options for mitigation there. Understanding your comments around strong orders in Q1, I'm just wondering if you can elaborate with what customers are saying with respect to tariffs. Any colour there would be really helpful.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

For sure, yes, we can touch on that. I think we have four—I'll call it four major buckets of U.S. dollar revenue. We have component parts, manufacturing capability that really relates to a couple of our segments that are based on contracts, so that's the first bucket and the largest bucket. Even within that bucket, what we have is—as an example, our largest customer that we disclose in our financial statements, their percentage of our revenue is a U.S-based customer that prices under a contract their goods in Canadian dollars. That's what our pricing is based on to them. That's a significant mitigant to the risk around tariffs, and that customer, for us, has not—is in a favourable position to have, even if there are tariffs, offset by the weakness of the CAT.

In addition to that, they're an auto part manufacturer, heavy commercial vehicle operator, and as you saw in one of the earlier rounds of negotiations, auto parts' companies were exempt from tariffs at one point in time. Obviously, it's a shifting ecosystem around that, that the rules change on a daily basis, but that illustrates what their perspective is around seeking exemption even if tariffs are to be imposed as part of that, so that's part of the largest bucket and kind of the largest exposure.

On the hearth industry, Blaze King specifically would be kind of the second—in the second tier, the next largest bucket of U.S. dollar revenue, and we do have some mitigants in place. As we said, U.S.-based manufacturing capabilities, but also, we've been shipping inventory across the border given that that market's the largest market we have for that business to get product across the border. I think consumers there—I think that's almost a little bit of a consumer sentiment story maybe more than it is necessarily a tariff story. I think will the consumer continue to spend in the U.S. in the face of some certainty around the economic situation? I think that's the question we're facing around that. I can tell you at this point in time, their performance is basically flat on a year-over-year basis, and typically, these businesses perform better coming out of election years as well, the hearth industry businesses. That will play out over time, but seems to be more of a consumer sentiment story.

I think from an agricultural customer perspective, which would be the next biggest bucket, we're seeing some—a really nice rebound, especially in the pork industry, as pork pricing has improved and some of the feed costs and the other input cost elements are less expensive and providing less compression to farmer profitability in that sector. We're really pleased with the performance of IHT, whose order flow remains really strong and who helps increase farmer profitability due to the energy efficiency of that product. There's been a bit of a lack of investment in that sector for a period of time, and we're working closely with those customers who are in the ag sector. We'll have to see what ends up happening with tariffs around that, if it is blanket tariffs or if the ag industry might be exempt from them or how that all plays out over time. But I think that—and there's views from the customers there that they believe they may be exempt from some of these things going forward. All of that is, obviously, speculative, so hard to hang your hat on, but these are the types of views of the customer that we're seeing as we're having conversations with our subsidiaries and the customers as well.

**Russell Stanley** – Analyst, Beacon Securities

That's great colour. Thank you for that, and maybe my last question just around CapEx, wondering how you're thinking about it this year in terms of dollars spend and which operating companies are priorities, particularly given you're still working to take the payout ratio down? Thanks.

**Richard Torriero** — Chief Financial Officer, Decisive Dividend Corporation

Yes, I think, obviously, 2024 was a record CapEx year for us, and much of that really growth CapEx. I think it was important, or we felt it was important to continue on with those investments to position us for the fourth quarter that we had and the start to Q1 2025 that we're having. Those investments were in some of our most active businesses and are paying off as of now. In terms of maintenance CapEx, we did pull back on that last year with the decrease in activity and expect this year to be in line with our historical maintenance CapEx spend of 1 percent to 2 percent of revenue.

**Russell Stanley** – Analyst, Beacon Securities

Understood. That's all for me. Congrats again. I'll get back in the queue.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Russ.

**Operator**

Our next question comes from the line of Grant Macdonald. Your line is open.

**Grant Macdonald** – Private Investor

Good morning, Jeff and Rick. A little bit towards the upcoming warrant expiry within the next 30 days. How important or unimportant is it that those warrants be exercised or how disappointing would it be for the Company if those warrants weren't exercised and how would that play into future acquisitions? If the warrants, the price hasn't increased to get the warrants into the money, then your cost of capital hasn't improved because the share price hasn't increased? How would that all play into the acquisitions?

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes. I think that the upcoming April warrant expirees, obviously, something that we've been focused on. I think what's a bit of a disappointment for us is obviously we're seeing significantly improved operating results, and both in Q4 and what we articulated with respect to our expectation for Q1 and into the rest of the year as well. I think that's a bit of a function of some of the macro uncertainty that's putting some downward pressure on our stock—the stock price, obviously. I think as we look at our acquisition strategy with respect to what our next steps are around that, obviously, the warrants are an existing fee paid option that could provide some capital for us to definitely support that program.

I think as we look at—into the medium and longer term, those are just one tool in the tool chest, so to speak, to how we can think about financing deals. Though we would absolutely love to take advantage of those and think our operating results, especially with respect to our level of yield that we're trading at right now, which is quite high and obviously illustrates in some investors' minds some level of risk around the sustainability of our dividend, I think that—we would view that as a bit disappointing, actually, in terms of what we trade at relative to where we think the business is performing at. We're hopeful people read through the information that we provided and get—are able to wrap their heads around where they think the business is at that maybe can support some share price improvement to move those warrants into the money. But like I said, they're one of the tools we're looking at to help support our future acquisition capability, and we'll continue to look at all of our options around that as we move forward.

**Grant Macdonald** – Private Investor

Okay. Thanks for that. Obviously, as I mentioned and has been indicated in what you guys released to the market is that a higher share price reduces your cost of capital, which lends to the acquisition. Not just to get, say, the warrants into the money where they would be a tool that could be used, but just in general, moving the share price higher, what—other than the good performance that you're seeing from the business and communicating that, what other strategies may be employed to get the story out that would drive the share price higher? Because people will see it as an attractive investment at increasingly higher prices?

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes. I think we have an active, ongoing engagement with a group that helps support investor outreach that we are regularly talking to investors and participating in some marketing activities coming up here to tell our story on the street. Those types of activities and communications are important for us to be in front of investors telling our story to communicate some of the positive things that we're doing.

I think a key factor in—that should help support—release some value in our share price is some more macro certainty around the tariff equation. I think that is a question lots of people are asking, and in spite of what we're communicating around that, I think that's definitely an overhang on anything manufacturing related in Canada selling into the U.S., which obviously is a big portion of our business. But we'll be out there telling our story and communicating with investors and answering their questions, and hopefully, that will provide some more support for the share price.

**Grant Macdonald** – Private Investor

Okay. Thanks for those thoughts. Again, congratulations on a record Q4.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes. Thanks, Grant.

**Richard Torriero** — Chief Financial Officer, Decisive Dividend Corporation

Thanks, Grant.

**Operator**

There are no questions at this time. Please continue.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Oh, it looks like a question popped up, Chloe.

**Operator**

Yes, I can see that the line of Tom Burke has a question from Canaccord Genuity. Your line is open.

**Tom Burke** – Analyst, Canaccord Genuity

Hey, guys. Congrats on the quarter, and just following up, thinking about following up on Grant's question, maybe—you may have some time in early April in a few weeks if you do have more colour on how the quarter is going. Corporate updates, nobody dislikes corporate updates, that's for sure, and you seem to get some lift and a bit more stock buying activity that comes in in the wake of your corporate updates, so maybe an idea to throw out there. I know we're getting—time is of the essence, but something around that, and obviously, some good one-on-one follow-ups. You do have a lot of analysts that cover the Company, so they have a system that—where they—you can market the Company through Zoom calls and stuff like that. I guess it's time to pound the pavement in that regard, right?

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes, you bet. Yes, we're going to be engaging in those types of conversations and working with those groups, and folks like Oak Hill that are part of our program as well to really be pushing to get the story out, for sure, Tom, and appreciate those faults.

**Tom Burke** – Analyst, Canaccord Genuity

Yes, okay. Congrats, guys.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes. Thanks, Tom.

**Operator**

Our next question comes from the line of Christian Nelson. Your line is open.

**Christian Nelson** – Private Investor

Hello. Congratulations again on the continued turnaround. My question relates to the balance sheet and cash position of DE. Moving forward with increased operating revenue, is there a plan to build more cash held on the balance sheet just to help wherever any uncertainty or storms moving forward with regard to tariffs just to keep health of the dividend and general health of the Company?

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Yes, I can take that question. I think if you read my—the letter I wrote to shareholders, I think what we talked about in there is obviously the volatility in earnings that we saw across our portfolio, especially in the first half of 2024, illustrates how key financial covenants and payout ratios can be impacted by periods of earning volatility even if that volatility is temporary. We entered 2024 with a very strong balance sheet both with respect to our leverage ratios and our payout ratios, and—but saw the earnings compression impact that through the first half of the year. As we moved into the second half of the year, as our performance improves, I think the value of that flexibility of having a strong balance sheet is really critical. I think the comment that we make in—I make in the letter is that operating with a payout ratio that is more in line with where we entered 2024 and where the Company ended up in the fourth quarter will also provide that type of flexibility.

What we're committed to with our shareholders is to provide sustainable and growing dividends, and our business leaders have worked extremely hard to drive the improvement in earnings that demonstrate—did in Q4 2024 that our dividend is sustainable and at a level that we can support some of that billing, some of that financial balance sheet flexibility. That—I think maintaining this flexibility is going to be critical as we make our future dividend decisions, but that as we're—as I mentioned in that letter, operating at the level that we're at currently is where our focus is at right now, to build the flexibility in the face of what remains a volatile environment.

**Christian Nelson** – Private Investor

Okay. Thank you very much. Excited to see the continuing improvement. Thank you.

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

Thanks, Christian.

**Operator**

Again, if you would like to ask a question, please press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

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

**Jeff Schellenberg** — Chief Executive Officer, Decisive Dividend Corporation

All right, everyone. I want to thank everybody for attending our Q4 2024 conference call, and 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 the conference call for today. Thank you for participating. Please disconnect your lines.