



DCM Q1 2022 Shareholders Call Transcript

Wednesday, May 11, 2022

James Lorimer:

Good morning, ladies and gentlemen. Thank you for standing by and welcome to the Data Communications Management Corporation. First quarter 2022 financial results conference call. My Name is James Lorimer, the CFO of DCM, and I'm pleased to be hosting today's call. Joining me on the call today is Richard Kellam, our President and CEO. Following our prepared remarks, we'll be moderating a Q&A session as a reminder of this conference call is being broadcast live and recorded. We would also like to remind everyone that Richard and I can be available after the call for any follow up questions that you may have. Before we begin, I'll remind everyone that we will be referring to forward looking information on today's call. This information is subject to certain risks and uncertainties as outlined in the forward looking information disclosure in our press release and more fully within our public disclosure filings on SEDAR. We have posted a brief message from Richard along with a summary of our results and key initiatives for the quarter on our website in the form of an infographic. Our detailed information is also available on our website and SEDAR. You can also follow us on LinkedIn to keep up to date with some of our business insights on relevant market trends and customer case studies. While now during the call over to Richard.

Richard Kellam:

Thank you, James and good morning, and I know we've got some international folks on the call today. So good afternoon and good evening. I wanna start off our our presentation today on quarter one with this this theme that you've heard me referred to before, which is our relentless focus to build both a better and a bigger business and you'll see that coming through clearly in our quarter one results. So again, you know it's a journey we started just over a year ago I joined May 8th of 2021 and then we put this team in place and again you'll see the results on that better and bigger business through the quarter.

I also want to remind all of our shareholders that we put a clear five year plan in place so worked hard on that in in the first quarter of me joining the company and that called for a revenue growth of 5% to get us back north of 300,000,000 in revenue gross margin of 35 to 40% SG&A between 18 and 20 which would spin out an adjusted EBITDA of 18 and 22%. So clear five years.

Strategy we've got 14,15 change management projects that lead us to delivery against the strategy over the next four to five years. And we'll see how we're performing against that in our first quarter of 2022.

I want to start with this word, which I think is a really important one, which is a word we say called momentum, and then I refer to this at our year end that we had very good momentum in the second half of 2021 and momentum builds momentum. So, we fully



expected that momentum to carry into quarter one and into 2022 performance. And you're going to see that in the results today. So we've got very good momentum in our business right now and I'll talk to that as I flip through the slide deck today.

So I'm going to first talk about bigger business. Then I'll talk about what we're doing to build a Better Business than some of the results around. Better Business. So, I'm very pleased to say very happy to report that our revenue you continue that solid momentum and we achieved 11.1% growth in quarter one 2021. In fact, it's the best growth rate we've had in 17 quarters. So you know, Congrats to the DCM team for working hard to deliver this accelerated growth. We've got as you'll see later in the deck, some very solid client momentum right now. On the on the Rev side, you know, just shy of 70 million in revenue, which is our highest quarter since Q1 2021. And that of course is a pre pandemic quarter guys. So we're kind of back to those pre pandemic levels on the quarter. So really solid growth at 11.1%.

Our gross profit also was very, very solid at an 8.1 percent growth just over 20 million in gross profit versus close to 19 million year ago, 18.8 million year ago, and the highest gross profit we've had since quarter 2020 since that pre pandemic quarter. So very solid gross profit delivery as well. And we'll talk a little bit more detail on that later, so very pleased with the revenue growth as well as continuing to drive profitability of our business.

Our net income, which we haven't necessarily reported on a lot in the past, but I do want to draw this out because it's an important line item. And as James knows, I'm a net income fan.

We had a very incredible growth on net income this quarter at 111% growth versus the same quarter a year ago, and we put 3.7 million of net income onto the, you know, onto the books versus 1.8 million year ago, and it is our first quarter in the last eight quarters where we didn't have any government subsidies. I don't want to get into a ton of details. James will talk it later, but we had some government subsidies in quarter one last year in that comparable quarter, about 1.9 million in government subsidies. So you know a 3.7 million net income 111% growth, including or comparing against the subsidies who had year ago is a is a very very significant delivery.

So really pleased with the net income delivery we've had this quarter. Moving down to EBITDA, you can see our EBITDA is up 28.9% so very positive delivery on EBITDA and that's a 9.4 million versus 7 three year ago. Remember the year ago number also has 1.9 million in wage subsidy, so considerably higher if we netted out that wage subsidy and James will share those numbers with you later. And it's the best clean we call it clean non adjusted results in 10 years.

So this is an important one for all of us at DCM, you know we've gone through a pretty heavy lift on restructuring our last couple of years. We'll talk to that later in the deck and now it's time to deliver momentum against that restructuring we put in place. And you've seen that in our in our clean EBITDA results here at 9.4 mil or 28.9%. So very pleased with the EBITDA delivery this quarter.

And from a new business perspective, we delivered over \$12 million in new business. Not all of that in the quarter, a lot of it will carry through the subsequent quarters, and we've got new business through basically every vertical. So a lot of diversification in the new business, and 100% of that new business is what we call tech enabled. So clients that are using our DCM Flex platform to enable their workflow so very on strategy new business



delivery. A lot more new business in the top of the funnel that will flow through this year as well. So very solid new business delivery and you know we've got a fantastic commercial team of just over 60 people out in the field that are out, you know, supporting our clients out there and we've got very good momentum from a new client perspective.

Looking at our looking at our DCM Flex platform which is our workflow optimization platform. We have 32% of that revenue of that 69 or \$70 million in revenue that's flowing through and our DCM Flex platform. So that's optimized by our workflow platform and we'll see that number change considerably as we progress through the year. We've got a lot of opportunities with clients to move them onto our flex platform to automate that workflow. So again, we'll see that that revenue continues to increase through DCM Flex. I've said this many times, there are more clients that are unaware of our digital capabilities that are aware of our capabilities and our commercial team, our sales team is out there actively communicating the benefits of workflow optimization using flex and we'll see that number continue to increase. The benefit, obviously of a client using Flex is the simplification right, simplifying complexity and they get great value in that in that complexity simplification the benefit to us at DCM is the retention the stickiness, the loyalty when we're embedded in our clients digital stack.

I'm also happy to report that we have over \$10 million in pipeline opportunities for our digital asset management solution called ASMBL and, and we're working those pipeline opportunities through the funnel. For investors that were paying attention to a news release that we put out to about three or four weeks ago, we actually hired a senior vice president of digital. His name is Steve Livingstone, and he's got 25 years of software sales experience, so it was a buy if you will. We bought the talent to help us continue to move these opportunities through our funnel and continue to work with our excellent commercial team. Those 60 commercial leaders' wave across the business to continue to identify new opportunities and move those opportunities through our sales funnel. So, some really good progress on our on our pace to digital asset management solutioning with clients.

So now when I flip over to what we're doing and the results that we've delivered on a Better Business. So having a look first at our SG&A was down 8.5% we are operating at NAG negative overhead growth. Our plan was ZOG Zero overhead growth so we've actually over delivered on the quarter that's about \$1.3 million in savings, and you can see that we're in the range of that five year plan so we're in the range for revenue and we're in the range for SG&A at 19.7% of revenue and we will continue our cost control for focus. You know we did a heavy lift last year and we'll continue to ensure that we're operating in that ZOG that zero overhead growth through 2022.

This is a pretty a pretty cool chart that I like to present. You know often and you saw it in if you were attending our year end results. So I've just repurposed it and I've added Q2 you can see that our head count is 916 and Q2 down from 922, but if you look back historically we're at a peak of 1433, so a significant reduction in headcount. We really feel that we're at the right level right now. Of course, with the great resignation. You know we'll continue to take advantage of of attrition, but but we'll level out in that kind of 909 hundred level.

Which I think is the perfect, fully optimized level for us here. Given the workflow and given the given the business we run. But more importantly, if you look at the productivity per employee as we grow revenue and and operate at ZOG, you'll see that productivity per



employee increase and we're up to 264,000 per employee. In fact the highest we've had you know, I think since we went public back in early 2000. So pleased with the productivity per employee and pre pleased with the zero overhead growth that we're delivering as well.

A very important one for us and and a commitment we've made to the street is is that we will keep our restructuring at 0. And you can see that in the quarter we actually delivered 0 restructuring versus 3.4 million year ago and again, we did a heavy lift last year just to see in the next slide and we don't anticipate any restructuring for the balance of the year. As I said, we're optimized from a people standpoint and we're fully optimized from a factory footprint, so we're holding to that commitment of 0 restructuring so that that that clean EBITDA right and clean net income.

So having a look at our debt, our debt was down 7.7% in the quarter. So good progress. It's about \$2.9 million reduction and we're down to 34.2 million on a ruling TTM trailing 12 months.

And we will continuously be relentlessly focused on paying down debt, as you see in the next slide our path our glide path is to pay down 12 to 13 million this year and you can see that we're on track to be 0 debt by 2026. So great progress. You know over the last couple of years, we'll continue to accelerate that progress with our free cash flow working to pay down that debt to be to be debt free by 2026. OK, so some very good progress on a debt repayment perspective.

I'm also happy to report that we we've got a very clear environmental, social and governance strategy. I'm not going to talk the social and governance side today. I'm happy to take any questions on that and I can certainly talk that in our next quarterly, but from an environmental standpoint, we made a commitment back in the end of October last year to reforest, 100% of our paper use with a partnership at a company called PrintReleaf, and you can see on this slide that we used 17,200,000 pounds of paper between October and the end of March the end of Q1, and we have reforested 100% of that usage. It's the equivalent of 207,334 trees.

So our clients love this by the way, we've got many clients that have direct identification to the amount of paper they're using and the amount of paper we are replanting on their behalf. So we drill this right down to individual clients. It's not just at a macro-DCM level and we've got great momentum with our clients on this specifically sustainability, or environmental strategy, so you know more to more to report on this as we continue to reforest.

From a productivity standpoint, as I talked earlier, you know the restructuring we did we're very happy with the footprint we have now. You know, we put on the board that we would commit to 14 million in annualized savings. We continue to deliver against that commitment, and you see that in a result this quarter, you'll see that as we progress of the year, you know it was a heavy lift. Last year we took our Mississauga plant we put it into our Brenton plant we took our Edmonton plant we consolidated into our Calgary.

One we took 26,000 square feet of office space at our Wellington and Etobicoke facility and we moved it into the facility I'm sitting in right now. In Adelaide, which is just around 8000 square feet. We get a lot of consolidation on some older digital printing equipment into some new, highly productive, very effective new technology. New digital and we've



gone from what I call a multi-layer so several layers and organization and fewer spans. So, few reports per layer to a principle of fewer layers and larger spans, and I'll give you an example of myself. You know there used to be in shareholders, know this used to be a couple of layers we optimized that to one. We had an average span of control of 3 1/2 or four across those two layers, and I now have 19 reports, so we've carried that through the entire organization pushing accountability and responsibility into the teams. And it's working very well we're making decisions a lot smarter and a lot quicker. And as I said earlier, you know our footprint is fully optimized for the future. We've got the perfect footprint, so hence the fact that we do not need to do any any restructuring, OK? So I'm not going to take her, turn it over to James for a little bit more color, a little bit more detail on the financials.



James Lorimer:

Thanks, Richard. We've got a summary of our financial results here, and as Richard has talked about some of the some of the percentage changes, I'll just talk a little bit about the dollar changes. Revenues in the quarter were up \$6.9 million compared to last year, and we're really seeing strength across our whole business. And we're really seeing a nice recovery as we kind of exit the kind of COVID world. And, you know, retail is now open, and I'd say, particularly from a vertical market we're seeing good strength and health care financial services retail as those are some of the markets that are really, really gotten more activity. Gross profit was up a million and a half dollars compared to last year and gross margin was a little lighter compared to last year's really the key reasons there a little bit of mix and I'd say we had more higher paper content or kind of longer run jobs this quarter compared to last year and so the mix was a little bit different.

And we also started to see some price increases in our in our on the cost side in February and March we expect to get those margin back as we get through the year and as we pass those prices on to our clients. So in line with last year but we think there's certainly opportunity to recover that through the balance of the year.

SG&A was down a million three compared to last year, and again, that's really just kind of the relentless focus on overhead and in cost productions wherever we can. Restructuring, you know I think we're really pleased with this number. We had a we had a big number, you know, an aggregate last year, but certainly in the first quarter last year, \$3.4 million. So we're pleased to report a nice clean EBITDA of \$9.4 million also included last year in EBITDA were a million nine of grant income from related to wage subsidy and rent subsidy programs. So if you back that out, you know it's even a better achievement.

If we look at Adjusted EBITDA, you know in line with last year about \$200,000 ahead of last year. But really again two things that are impacting that we had a million five of other income which actually was in EBITDA last year but not in Adjusted EBITDA and that million five was kind of one time income from the exit of an option we had to buy a business and a couple \$100,000 from settlement litigation. So in that Adjusted EBITDA last year, there were \$1.9 million of wage subsidy income. So, we had our last kind of little bit of income that we received from that program in Q4. We didn't have any this year and that program is essentially done from our perspective, but it's certainly was, you know, beneficial to get us through last year and the and the prior year.

If we go on to the next slide, got a summary here of quarterly revenue and the first quarter is typically our strongest quarter, but you can see the momentum that was really starting to build really in kind of Q3 and then through Q4 and into the first quarter we are seeing, you know, continued strength in our business, so we expect that you know we should be able to exceed Q2 nicely when that comes out.

Gross profit you can also see the momentum carried through there, again starting in Q3 through Q4 and then into Q1. We expect to get those margins back as we get through the year and we do expect to exit the year in the kind of 31% gross margin range.

You know, Richard talked earlier about our commitment to cleaning EBITDA, you can see



that bounced around a little bit last year, but you know, we think we're we're on a good path here and with no restructuring and no other kind of one time charges expected this year, you know, we expect to be focusing more on cleanly, but and it should equal Adjusted EBITDA for us for the balance of the year.

Here's a summary of our Adjusted EBITDA and you can see on a trailing basis we're still kind of in line with what we did last year, but there were some anomalies in our business last year. We certainly had some kind of government grant income that we won't be seeing this year and that helped bolster our EBITDA \$ or our true Adjusted EBITDA. Going forward, you know, we've got good confidence in the direction that's heading.

Richard Kellam:

OK, thank you James and you know a couple of minutes. We'll turn it over for questions back to the theme. Got a couple slides I wanna close off with a theme of momentum so hopefully you can see that we've got great momentum so coming out of last year and into this year.

And a couple slides I want to leave you with one is this and the progress we're making as I said on assemble that that \$10 million of opportunities we have in our funnel right now. The best way to think of us here at DCM is a digital Startup with clients you know we've got 250 enterprise clients, some incredible enterprise client relationships we actually have and we don't talk this much, but we actually have over 2000 small and medium sized enterprise clients as well.

We've got high diversification across verticals, and we've got over, you know, 60. I've mentioned this over 60 commercial sales reps out there that are that are managing those relationships so you know as we go out and build our pipeline and build our assembled business, we don't have to invest in commercial capabilities. We don't have to invest in client penetration because we've already built that over the years. The second is, we've got, you know, pretty outstanding capabilities we've been managing digital assets for over 40 years we know how to manage workflow through our flex platform we know how to work API architecture, so we've got some great technical capabilities.

And finally, as you saw in the presentation, we've got a real business that spins out cash that allows us to invest in this digital journey and a very strong and improving balance sheet. So we've got a very great core based business that you can see is growing and will continue to grow and lots of opportunities for growth in the marketplace that will allow us to continue to accelerate this journey into digital asset management solutioning. So it's a real business with great, you know, client, technical and cash flow that supports that acceleration so pleased with the progress. And we're going to see this ramp you know as we progress to the year.

This is my final slide here. And I think it's a really important one. You know, as James referenced earlier, this just looks at each quarter over the last kind of eight or nine quarters.

And I use the words that momentum builds momentum. You know, if you look at when COVID restrictions came into the Canadian marketplace, it was right around the end of quarter one 2020 and you can see the impact to our business. Remember, our business follows consumer movements in the economy. You know, bank branches shut down, retail shuts down and consumer movements shut down obviously there's an impact to our clients budgets. There's an impact to our workflow and you can see that impact. You know



we started seeing you know more significant lifting of some of these restrictions at the end of Q2 2021, and you see that how that how we, you know, sort of advantage of some of those, some of those tailwinds you know business getting basically flat year ago, slightly positive in the final quarter of the year, and now a very solid quarter in Q1 2022 you know a lot of that coming from. Obviously, the momentum we're getting in the marketplace with a return to normal and a lot of it coming from the experienced commercial team that we've got out there. That has continued to build, you know, new business opportunities for us, OK? A very good momentum as we've you know, moved through the second half of last year and into the first quarter of this year.

So hopefully it's clear that you know our strategy of building a better and bigger businesses is delivering results. We are very pleased with the performance we've had in the quarter. You know, we're anticipating strong, you know, and solid progress this year and before I close, I just want to thank the entire DCM team it's been busy this quarter. Lots of lots of opportunities, lots of challenges as well with some paper shortages that we managed to overcome and deliver against our client. Our client needs and you know you saw a lot of changes that we did last year that are carrying through to this year. So I just wanted to thank the entire DCM team. I can't be more pleased with the performance and the skill and capability and the engagement of the DCM team, so I want to sort of close there and thank the team and thank everyone on the call today.

James Lorimer:

We will now turn it over to.

Any calls that we have in James you want talked about instructions to. For callers to yeah, sure if anyone has a question and you are accessing the call directly through teams, you can use the raise your hand feature in teams and we'll queue up questions. Alternatively, you can also use the chat feature in teams, and we will respond to chat questions as well if you have dialed in the old-fashioned way, you may press star 5 to raise or lower your hand and pressing Star 6 will mute or unmute your microphone. Please introduce yourself once you're introduced to the session.

Guest:

Yeah, hi, it's Chris Thompson from the eresearch.

I just wanted to ask a couple of questions on that. I noticed in your financials there was a large sort of jump in inventory in Q1 as well as you know, sort of increases in you know AR and AP that were, you know, sort of anomalous to the last. You know, few quarters. Wonder if you could just comment on those changes. Is that a conscious decision on your part or is that some changes in the marketplace due to sort of?

Richard Kellam:

Yeah, sure Chris, thank you. Good question.

Yeah it really kind of strategic on our part. You know our higher levels of accounts receivable and accounts payable are directly related to our higher levels of business in the quarter. Higher levels of inventory. I'd say there's a couple key reasons there. One, just continued momentum in our pipeline and our work in progress. You know, we're about three and a half \$1,000,000 at the end of the year? Uh, we're kind of in that range a little less than that right now in terms of our kind of production pipeline. So, you know, continued strong kind of momentum through the business as well, as you know, kind of the reported results. You know, we're also being strategic about paper. We're in pretty, you know, dynamic markets right now pricing increases supply limitations, so we're being



proactive to ensure that we've got paper and we know we are seeing some customers pull their orders up earlier in the year. So that they have confidence that they can get paper for when they need it and have finished products. We also have a little bit of a longer lead time, so we're being strategic on that, and I'd say we're in a very good position we are, we think well positioned with the big paper vendors we're one of the largest providers in the market, so we've got certainty of supply and a lot of our smaller competitors don't have certainty of supply, and so you know we're certainly seeing some business come from others that don't have access to paper.

Guest:

Yeah, great and just to end. Can you just go over the two of the things that was curious about was just go. Over again I was expecting gross margins to be a little bit higher from what the plant consolidation, as well as just to discuss about, you know your current portion of your long term debt, I think is about 16 million. But you talked about paying back 12 to 13 of that. Is that some of it is just going to roll over into next year? As you know, part of your you know your short-term facilities.



Richard Kellam:

Sure, I'll talk to Margin, and you could talk to debt. Thanks for the question. Great question. So we've obviously had raw material pricing inflation, so we've had raw material headwinds. And you know, to James's point, you know we've got. There's also a lot of raw material shortages out there. Paper shortages, so we've made sure that we've scoured the world to make sure that we've got the inventory to be able to produce, you know, a growing client demand on the pricing side. Yeah, we're experiencing pricing this increases raw material and pricing kind of lags raw material, even where we've got it built into our raw material indexes with contract clients and a majority have that built in, so we're seeing that kind of, you know that that that minor kind of decrease in margin as a result of the raw material pricing that we've experienced, but we'll see that recover as we recover pricing against Ras. OK, and we took a 9% price increase and we've successfully been putting that through to our clients again. A majority of those clients have raw material index built in, so it's kind of a lag on recovery.

James Lorimer:

Yeah on the debt. Chris Richard talked earlier about, you know in 22, we'll repay between 12 and \$13 million of debt and then in 2023 it will be a similar number. And So, what you see in current is not only what's going to be paid in in paid down in in 22, but also the first quarter of 2023 in the fourth quarter of this year, we have about a \$900,000 kind of final payment on one of our FPD facilities and so that facility FPD 3 will be fully repaid at the end of this year and then in the first quarter I think it's our FPD for facility is due and that's about a \$4 million payment. At that point we may in the short term use our revolver to refinance those, but you know the focus is using our cash flow to continue to pay down debt.

Guest:

Great, that's all for me. I thank appreciate it. Congrats on a great quarter as well.

Richard Kellam:

Thanks a lot Chris. Thanks Chris.

Guest:

Hi guys, good morning this is George from Cleary Securities deadline on behalf of Noel. Just a few questions here with regards to the announced 12 millions of new contract wins in Q1. Is that value expected to be realized over the next 12 months? And how much of that was recognized in Q1?

Richard Kellam:

Yeah, I'll turn over how much she was recognized in Q1, but those are contracts that will carry through this year, and in fact some of them are longer term contracts. We will get we get the benefit above 12 million as we get into the next, you know, into the out years, but that's a 12 million realized opportunity through the four quarters of this year and it said those are those are current gains that we secured in core one. We've got a lot of new business opportunities that we're talking right now that will see materialize in core two through quarter 4. James, how much of the 12 did we realize in quarter one?



James Lorimer:

I don't have an exact number, but it would be One ish million and that would kind of ramp up through the balance of the year, so we typically do have a little bit of churn in our business, but this is that \$12 million is, I think importantly, it's a combination of new logos and expansion revenue, or you know, kind of new opportunities within existing client. So I'd say just generally, we've seen a really strong kind of response in the last few months from clients getting back to getting back to business.

Guest:

OK OK got it. Thank you guys and one last question, are there any specific customer verticals driving strength in order to manage for you guys?

Richard Kellam:

We're seeing we're seeing pretty consistent growth across all verticals. You know. Obviously, FI is one of our larger verticals just north of 20% of revenue, and you know, with branches opening and consumer movements kind of improving, we're seeing an uptick there. But, you know, we're seeing the same thing in retail. We're seeing the same thing in energy. We're seeing the same thing in even not for profit for an example. So we're getting good. We've got good kind of positive momentum across all of our verticals that healthcare as well, by the way, which is an important vertical for us. We're seeing some good positive delivery there, so the nice thing about our George is, you know. You know, nice thing about our businesses where we work across so many verticals and so many clients right? 250 enterprise clients, there's not a single client that's more than kind of 6% or 7% of revenue, so the diversification just allows us to you know, to deliver that performance across vertical cross client. So short answer your question. Yeah, good performance across all the verticals that we operate in.

Guest:

Great, that's it for me. Thank you guys.

Guest:

And we have a question from Pats. Good morning guys. Out here shareholder for the past year or so, yeah. Great quarter. You've you seem to have answered my one question about materials and sourcing paper because in this environment it's. It promises to be pretty challenging. But one thing that you guys have mentioned as I've been on these calls over the last year or so is your transition to digital and the digital asset management of for your clients, as opposed to focusing on the paper deliverables. And I'm just wondering I mean, everybody seems to be going down that same road and with all the competitors out there. How are you guys differentiating yourselves from them? And what percentage? I don't believe I heard today on what percentage your expectations are of that being part of your entire business over the next year or two.

Richard Kellam:

Yeah thanks, but thanks for the call. Good question. Hey listen before I get in to answer that question, I just want to give a shout out to our purchasing team. They the team that



actually, you know, procures all those raw materials you know. Certainly, the best purchasing it team I've worked with in 37 years just to be in a position we're in today to be able to satisfy client needs in this highly dynamic market. The team has done a fantastic job so. Back to your question. So our digital asset management. You're right, it's a big market, but it's a. It's a 5. The Digital asset management market is a \$5.2 billion market and it's growing. Depending on what dot you look at anywhere from 20 to 30% and there's only one in 10, you know, large enterprise companies that have anything that resembles a digital asset management solution. Today, many companies still using SharePoint and we know that SharePoint is not optimized to effectively manage assets, so.

So big market and Big Market generally attracts a lot of players. So you're right. I mean, there's players out there, but what's unique about our position in the marketplace, Pat. Is that we've been doing this for 40 years. I mean, we wouldn't have a print business. We wouldn't have an optimized print business unless we knew how to manage digital assets every single day across our entire, you know, factory network. We're touching thousands of assets for clients. Everything's digital before it converts to physical, so we actually have that practical experience that we built over 40 years. The second thing we have is we've got the technical experience because we've been managing workflow with a digital platform Flex for many clients. In fact, we started developing Flex 18 to 20 years ago and really kind of optimized the experience the user experience and the client experience last five or six years, but we've got the technical experience as well. You know, we've got many people that work on our technical side that are, you know, building, you know, building the platform for workflow optimization.

So the combination of the practical experience and the technical experience, and then as you saw in the chart, one of the charts I had earlier. You know, we've already got the sales force. You know we've got the clients. We got the sales force that puts us in a very envious position relative to other companies that are kind of pure software plays out there. They don't have the sales force, they don't have the clients, they have to build the clients using kind of lead Gen. They have to start from scratch. They have to invest in sales people and you know many of them don't have the OR didn't have the start point that we have. We've already got the technical capabilities and the technical team to build off of as well. So we're we feel that we're very advanced. It's a unique selling proposition to our ASMBL solution and to our company.

And it's starting to resonate well. Hence the you know \$10 million in pipeline opportunities that we that we see that we already have on our in our CRM. And I guess your final question because you had a bunch of questions built in there is what do we see this? What do we see the size of the opportunity? We put a five-year plan in place we said we want to be kind of north of 25 million in in in pure ASMBL digital asset management ARR Annual recurring revenue in the next kind of four or five years. We also said the next, you know, one or two years, we'll define the future for us. I think we're still confident in that in that glide path. In that plan, I will say that.

We already have about 5,000,000 in in ARR today in pure kind of software ARR and and program management fees for the for the workflow optimization platform called Flex, so we know how to do it and now it's a matter of delivering it with our ASMBL platform, so hopefully that answers your question PAT or whether your questions and how do you take anymore.

Guest:

Thanks very much guys. Good job.



James Lorimer:

Thanks, and we have a. We have a text message. The question is are there any growing market share opportunities in the US market? For example, cannabis or otherwise? Richard, do you want to comment on the US market opportunities? Yeah on the cannabis side for sure and we've seen some good clients. Some new good solid new client wins. I'm not going to give you the number on it. We can let Shelly report on that, but some good solid wins in the US.

Richard Kellam:

You know, obviously the US market is highly fragmented cause it's a multi state. You know it's not national, it's multi state operation and we've got the perfect platform to simplify the complexity for clients that have multi state you know multi state operators because there's you know different regulatory requirements and labeling requirements across the multiple number of states that are that.

That are already that are already regulated and we're getting great trust in terms of bringing that value to clients. So good progress. We've got a team down there that's supporting our efforts and we'll see that momentum continue to grow. We're also we're also offering our solution. Being somewhat. I'll call it print agnostic to some clients as well, where we're offering the digital solution to be able to enable that workflow, so that's kind of a new path for us, and we're getting good productivity against that path.

OK, we're already. You know, the second part of your question is you know there's other businesses that we support in the US and outside of cannabis, and those are generally clients that we have in Canada that have US operations. So, and those are some opportunities to continue to expand that revenue as well.

Listen, thank you everybody for dialing in today. Really appreciate the time and attention. As I said, we've got great momentum in our business right now. Very pleased with the progress. We've made exiting last year and entering this year. We expect that continued to continue through 2022. Got a clear strategy and now it's about executing with excellence against that strategy. And as I said earlier, I couldn't be happier with the team that I have, and that team includes all DCM associates, so we'll keep doing what we're doing and we will keep focused on building that a bigger and Better Business over the next over the course of next year, and more importantly, over the course of a long term. Thank you.