Q 2024 Earnings Call Transcript

Tuesday, May 14, 2024

James Lorimer:

Good morning, ladies and gentlemen.

Thank you for standing by, and welcome to the DATA Communications Management Corp First Quarter 2024 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 beside me is Richard Kellam, our President and Chief Executive Officer. Following our prepared remarks, we will be holding a Q&A session.

As a reminder, this call is being broadcast live and recorded. We'd 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 video message from Richard along with a summary of our results and highlights for the quarter on our website in the form of an infographic. Our detailed information is also available on our website and SEDAR+.

Please also follow us on LinkedIn to keep up to date with other business developments, and I'll now turn the call over to Richard.

Richard Kellam:

Thank you, James, and good morning, good afternoon, good evening for folks that are joining us from different time zones. Here's what we want to accomplish today: Quick look at our results of some of the highlights on the quarter; talk about the balance of year priorities. and then we'll turn it over to Q&A.

Alright, so starting off with the highlights of the quarter. To remind shareholders, this is our third full quarter of DCM and MCC results. I'd say we're making fantastic progress with the overall integration; we're really on track to deliver on what we told shareholders several months ago.

Great progress on net debt reduction. You know, you'll see in the deck here that we're down 46.1% since we closed the acquisition. Positive outlook for the balance of 2024 based on what we're seeing around order trends and timing, and some of the new logo wins that we secured, which we'll talk about in a minute. And some of the operating performance that we're delivering across the organization.

We've also done a pretty extensive effort on strategic revenue management to drive margin improvement. We'll talk that in a couple of minutes as well.

We completed the sale and leaseback of the MCC facility in Trenton, Ontario and that generated gross proceeds of $9 million. Happy to get that behind us.

We've also advanced the consolidation of our plant integration and systems migration. So good progress on ERP integration as well.

And then we've accelerated some capital investments. So some very good progress on the quarter and we'll talk a little bit more detail in each of these as we go through the deck here.

First of all, turning over to revenue, our revenue growth was just under 70%—69.9% for the quarter, delivering just under $130 million in revenue. Overall, you know, solid growth, but despite this great growth, we would say that the quarter came in slightly lower than we expected. And that was due to some shifting of large client projects into further quarters, which I'll talk about on the next slide here.

Little detail for shareholders. So we can point to seven clients where there was just a shifting in timing of six of them, and one that was—I'll call it a bit of a material loss.

I'll take you through the details here. We had a large healthcare client, that $3 million came out of quarter one that will show up in quarters two through four. A lot of that is in what we call PPI—positive patient ID. Technology hardware that we buy and resell to this client, and you'll see that hardware being refreshed in future quarters.

We had a financial client that moved some direct mail programs specifically into future quarters. You see the red bar for people looking at the slide. Here we call it government one. I can't tell you who that is—what the government contract is—but that was a loss of $1.5

million. That's not coming back because that was just a reduction in programming this year versus a year ago. Although I will say we have some very good active government work that we're securing or working to secure right now that will offset that with this client. But that particular work will not flow back into future quarters.

We had a QSR client that shifted some work into future quarters—$1.2 million. One of our lottery clients did not order in quarter one, but will be ordering quarter two through four. We had another government contract that obviously is moving through to other quarters as well, just timing, and we had another retail client.

So no material losses in our business in quarter one. Some good solid growth, a little less than we expected as a result of the shifting in timing here of a few of these clients. Also want to remind shareholders that quarter one was a record quarter for DCM—Quarter One, 2023—a record quarter for DCM, as well as a record quarter for MCC, as MCC was working to close their quarter prior to acquisition.

We already planned a pretty sizable headwind in the quarter versus a year ago, and again, we had a few clients that had some work that shifted. But we're very confident in delivering our plan for the year.

And on that, if we look at strong business momentum, this is just a—we use what's called a Microsoft Dynamics 365 CRM. This is just a lift straight out of our CRM platform. This is all work that we have booked for future quarters.

We actually won ten new clients in quarter one, and again, that revenue will flow into future quarters—about $2 million. And we've had some good success in what we call wallet share or expansion revenue within existing clients—about 30 clients where we've expanded and one share-in. And that'll add about $12 million to revenue as we move forward in quarters two through four.

Some very good momentum with new business development, and certainly it's a growth muscle that we've been building solidly over the last couple of years.

And looking at revenue by reported segment, 88% of our revenue comes from product sales. You can see that's up close to 70%. Our technology services at $7.7 million are up 427%. A lot of that obviously came from the acquisition of MCC and it's a busy time for programming with tax season in our BCS—our business communication services sector.

But some came from other digital services as well. I'm going to talk in a little bit more detail as we progress through the deck here today.

Freight: We're picking up a lot of kitting and fulfillment business, so that's obviously helping our freight and warehousing revenues.

If you look at the tech-enabled hardware that $1.6M, down 51%, that's what I was referring to—that particular healthcare client where we buy and resell hardware solutions as part of that positive patient ID ecosystem. So that's kind of understandable; that will come back in quarters two through four.

And then marketing and other creative services that we provide to clients is up a little bit over a year ago. So solid year, other than that tech-enabled hardware, solid core.

Okay, having a quick look at gross profit: gross profit up close to 60% at $37.3 million and gross margin at 28.9%.

As you know, we're actively focused on returning our combined business to pre-acquisition margins. And let's just look at that on the next page here, James. And you can see that we're on a path to 30% gross margin improvement. What I did here in this deck, or what we did, is we pulled quarter one, 2023 as if we were one company.

Obviously we didn't have MCC at the time, but on a pro forma basis, and you can see that was a 28.3% margin. Again, it was the highest quarter for MCC and a very high quarter for DCM legacy in terms of revenue and in terms of margin. So it was a high watermark, and you can see we even exceeded that watermark in quarter one, picking up 6/10 of a point to 28.9%.

So I'm really pleased with the progress we're making on gross margin improvements here. And this is kind of throughout the enterprise—commercial focus and operational excellence that's driving this as well as our strategic revenue management program that's driving this improvement. So we fully expect to see that continue to improve in future quarters.

And then Adjusted EBITDA at $18.7 million—James went a little too fast on the deck there. $18.7 million and right in range with what we what we forecasted and what we projected and presented to the street. We said we'd be north of 14%. So we're at 14.4%. So we're happy with the progress that we're making on EBITDA as well.

And then over to James to talk about restructuring and one-time costs.

James Lorimer:

Thanks Richard.

We had $1.1 million of restructuring expenses in the quarter and about $300,000 of acquisition and integration expenses. We will continue to see similar levels of these expenses on a kind of combined basis going through the balance of this year.

But as we've talked about previously, our objective is to have most of the restructuring charges behind us by the end of 2024, and certainly the significant amount of restructuring expenses that we booked in 2023 were largely behind us.

In terms of synergies, we're well on track towards our synergy targets of $30 to $35 million on an annualized basis.

And we've talked about previously the four main categories where we'll really benefit this year is going to be more on the operational side, over the next 12 months as we continue to close facilities—we have 3 facilities that are on track to be closed within the next 12 months.

And that'll drive the significant balance of remaining synergy targets that we have.

We're very pleased that net debt continues to decline. We ended the quarter at about $78.3 million; that's down $67 million or about 46% from the acquisition which closed in April of 2023.

SG&A expenses are also down nicely on a pro forma basis. We're down about $2.5 million compared to where we were pre-acquisition. And if we look back at that synergy slide, a lot of these savings are in that organizational bucket. So pleased that we're holding those.

We did have a one-time charge in the quarter, so we will expect to see SG&A come down a little bit as we get into quarter two, three, and four.

Revenue per associate—as everyone knows this has been a focus of us for kind of a quick snap shot on productivity.

We're currently sitting around $300,000 per employee, or associate as we like to call our employees. We expect to see this grow as we get through the balance of our synergyactivities through the next 12 months, and also as we have a real focus on revenue growth, which Richard can talk about in a little bit.

From a capital investment perspective, we really started to accelerate our investments to drive our gross margin improvements. So you'll see $2.8 million in PP&E investment in the quarter. We are up significantly from where we were the first quarter, but that was before the acquisition. This investment is largely related to facility preparation in advance of facility closures that we're planning over the next 12 months.

In terms of our 2024 outlook, we are looking to invest in new equipment which will help further our goals of driving our gross margin improvement. From an ESG perspective, we're pleased to report in the quarter that we were responsible for replanting about 265,000 trees through our partnership with PrintReleaf.

We're now over 1.7 million trees reforested since we began this program, and as of last October, all the MCC plants are now contributing to this initiative. So we're really proud of this program.

Richard Kellam:

Okay. Thank you, James. We'll now have a look at some of the balance of the year priorities. I'm going to dig a little deeper into digital as well.

So obviously a main priority for us is just completing the integration of MCC—the plant consolidation and all the back office synergies as well as systems integration. We are relentlessly focused on improving gross margin. As I mentioned earlier, we've done a very detailed strategic revenue management exercise and we've got a very good plan, and we know where to go after and what to go after. Managing overheads and improving operating costs—some of the investment that James referenced earlier in capital is all designed to improve that gross margin.

And then, of course, all the operational efficiencies that we have planned into our workflow for this year—the consolidation, etcetera. Sure, we are even focused on growing our business and that's expanding our product and service offering, leveraging our combined capabilities. Our commercial teams are now together now and they're off to an incredible start, because we kind of started working together right away in April 2023. But they're really running on all cylinders right now… we a shouldn't—that doesn't work for electric though, right?

But they're off to an incredible start working together, and lots of opportunities they discovered in the marketplace. So I'm really pleased with the with that team and how they've come together. Lots of opportunities for us across the verticals in our enterprise clients that we service, and I'm going to talk a little bit more detail on what we're doing on digital acceleration in a minute.

And then finally, a priority for us is to continue to generate high levels of free cash flow, focusing on margin improvement. And then really prudent capital allocation.

So I want to give shareholders a little bit more detail on digital acceleration, as we haven't talked this in the last couple of quarters, but I can tell you, as a company, we're very focused on continuing to drive technology services into our enterprise clients.

As I mentioned earlier, we generated $7.7 million in revenue—428% growth in the quarter. I'm going to talk in detail about—you can see on the slide here, there are six key offerings we have. I'm going to talk in detail about three of them.

First is the progress we're making on digital signage. I gave a little review of this to shareholders last quarter. We entered into this service in August of last year in what I call a sort of crawl, walk, run. We wanted to understand the market and the value we could bring to clients. And we've had some very good early success with this new offering across multiple verticals.

You can see on this slide we've got five key verticals that we've referenced here: cannabis retail, healthcare, automotive, and not for profit. So we've had some really good success. We have a large project that we are implementing in automotive in quarter two. And then we've got a very good pipeline through quarter two to quarter four as we continue to expand.

So I'd say we're beyond the crawl; we're into the walk phase and we're getting ready to run at some point. It'll be fun—kind of a unique position in the marketplace with the technology that we've that we've secured. Okay, so lots more detail on that as we progress in future quarters.

And the other technology we're bringing to clients using our DCM Flex platform—and this is a platform that we've built many years ago, but we've really kind of tuned what we call the customer communication management functionality of this platform. So think of highly personalized communication that you can do at scale.

And this quarter we won—as a result of tuning the platform and really getting intentional in the CCM space—we actually picked up four new client wins: one in automotive, one in FI, one is an alternative lender, and one is in loyalty.

So think of how the world is moving to much more direct, personalized communication, and being able to automate and do that at scale. That's exactly what our platform has been designed to do.

And then finally, we're really excited: We've talked to shareholders a lot about our entry into digital asset management solutioning.

We're very happy to report that we will be launching our fully AI-enabled DAM solution in July of this year. We've been working on developing this for the last year now.

It will have advanced AI keywords, AI, smart search, AI smart summaries, AI transcriptions, and AI share. So it's fully AI-enabled.

So it's arguably the first fully AI-enabled DAM in the marketplace and it's out of the box AI—these are not functions that we add in for clients. It's straight out of the box.

To remind shareholders, we're playing in a $6 billion DAM market. And that market is growing—depending what data you look at—growing anywhere from 13% to 20%. And we will be targeting our 400 enterprise clients with this solution that we have created. So we're quite excited to get this to market in July of this year. And a report on progress for that in our shareholder meeting in August, okay?

So that's a little deeper dive on what we're doing in digital and a good review of the quarter and we'll turn it over to Q&A now.

James Lorimer:

Thanks, Richard.

We'd now like to take questions from the audience.

If you have a question in our accessing the call directly through Teams, you can use the raise-your-hand feature in Teams and we will 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, you may press star 5 to raise or lower your hand and pressing Star 6 will mute or unmute your microphone.

Please introduce one yourself once you are introduced to the session.
Uh, have a hand up here from Nick Corcoran. Go ahead, Nick.
Nick, are you able to connect?

Nick Corcoran:

Morning guys. Can you hear me?

James Lorimer:

Yeah, there we go.

Nick Corcoran:

Congrats on the strong margin improvement in the quarter.

Just a question on revenue: You gave that revenue bridge in your presentation; just wondering how much visibility you have for timing of those orders through the remainder of the year?

James Lorimer:

Yeah, I'd say we've got pretty good visibility. We just closed April and we see a little bit of that catching up already in the month.

So overall, you know quite good visibility, Nick.

Nick Corcoran:

Great. And then you mentioned in your prepared remarks the launch of ASMBL DAM in July. Can you tell me a little bit more about it—the market size and how it compares to the competition?

Richard Kellam:

Yeah. So as I mentioned, the market size is—globally it's about a $6 billion market, again, depending on what data you look at. Some reports call for even higher than that—growing super fast. Competitors will be the likes of the MediaValet or Canto, or Widen or Accenture, as an example. There are several competitors in the marketplace.

What's different about our product is we have—obviously because we've started developing about a year ago, we had access to a lot of new AI capabilities. We've built a fully AI-enabled DAM. So ours is—I don't want to get into all the details, Nick, but I'll hit the tree tops on it.

Ours is a folderless structure, and the reason it's a folderless structure is because of the AI capabilities for meta tagging, auto tagging, natural language search—you don't need a lot of structure in your assets to make them findable and shareable quickly. So a lot simpler platform. A lot simpler product relative to some competitive product out there.

And ours is really designed for enterprise wide. Think of not just marketing teams, but think of all the functions in an organization as an example.

So there's a difference, right? The ease of use of the UI and the AI capabilities—you've got out of the box capabilities that we built into the platform.

Nick Corcoran:

Thanks. That's good colour. I'll pass it on.

James Lorimer:

Thanks Nick. We have a call from Noel Atkinson. You should be able to go ahead now.

Noel Atkinson:

Hi, it's Noel Atkinson from Clarus. Can you hear me?

James Lorimer:

Yeah.

Noel Atkinson:

Hi guys. Thanks for taking your questions this morning. And again, well done on the gross margin improvements.

First off, just in terms of some of those order shifts that you saw on some bigger projects in the quarter, what are you seeing in terms of that sort of activity so far in Q2? Are you seeing that as a continuation, or was that sort of just a one-time lumpy thing that you saw?

Richard Kellam:

Yeah, for sure it was a one time lumpy thing. As I said, we had a record quarter one last year, both MCC legacy and DCM on the back of a solid 2022. We started 2023 very strong, and of course MCC was working to close the transaction in quarter one. So that's a bit of a lumpy quarter for sure.

We're already seeing good progress in quarter two. You know, James just referenced—we just got our numbers in for April and we're seeing some good recovery, or some good bounce-back of revenue into the into the first month of the quarter. And we've got sightline to May as well.

So quarter one is behind us and we've got a very good, solid pipeline. That's why we're confident and communicated that to shareholders right now.

Noel Atkinson:

Okay. And in terms of your revenue mix, you know, you've talked the past in a little bit about trying to upscale your product mix, go after higher margin businesses. Was that also an impact at all on your revenue in Q1?

Richard Kellam:

For sure. There was some business that we—it's a great question. For sure there's some business that we intentionally priced up and maybe lost. It was not in any of that step chart I showed you today, by the way, but some smaller business, for sure. And but nonmaterial, right—not significant.

We've been very—we call it strategic revenue management, Noel, but we've been very strategic in terms of areas that were driving mix and profitability improvement. And those actions have not—not a resulted in an immaterial loss, I guess, is probably the best way to say it, right. Some smaller stuff—who cares, quite honestly, right?

Because sometimes the smaller stuff—the workflow is complex and it's not worth the low margin. So for sure there's been a little bit of smaller, you know, non material revenue that we've certainly walked away from, Noel, but nothing material.

Noel Atkinson:

Okay. And then just one more for me, if I may. So you mentioned in the deck there are 10 new clients and 30 expanded clients. So that was all in Q1 that you achieved that?

Richard Kellam:

Yeah, those are—that was—as I said, we use a CRM called Microsoft Dynamics. So it's all in our CRM, very accurate.

We closed 10 new logos; these are brand new logos for us in quarter one and that revenue will materialize in quarter two and quarter three, quarter four—mostly quarter two, quarter three for those clients.

And then the expansion revenue—the 32, 33 clients that we actually improved, or we got more work from; just over $12 million in new work across those clients—that all kind of flows into the into the future quarters as well. None of that was in quarter one.

Noel Atkinson:

And is any of that in 2025 or beyond, or do you expect to capture all that this year?

Richard Kellam:

It's mostly expected to be captured in 2024.

Noel Atkinson:

Okay, great. That's it for me. Thanks very much.

James Lorimer:

Okay, thanks Noel. We have—looks like a call from Chris Thompson. Chris, do you want to open your line? Chris, are you there? Looks like Chris fell off.

Okay Chris, if you if you wanna put your hand up again, press star 5 and we'll let you in. Looks like we might have lost you. In the interim, we have a call from Scott Morrison.

Chris Thompson:

I'm here. James?

James Lorimer:

Oh yeah. Hey, Chris is there? Okay Scott, we'll come back to you in a minute.

Chris Thompson:

Yeah, sorry. There's a delay between muting and unmuting.
Yeah, it's Chris Thompson from eResearch. How are you today?

James Lorimer:

Great. Great.

Chris Thompson:

Great. Just a couple of accounting questions. First, you seem to be carrying a large cash balance still on your books. Is that something just as you work through the integration that will go down?

James Lorimer:

Yes, it is. And a little bit of timing as well, Chris. At the end of the quarter, there was a a big payroll a couple of days after the quarter. So we had a little bit of extra buffer for that. But yes, we do expect the cash balance to come down. I like to see it below $15 million—somewhere in probably 10 to $15 million is where I'd like to see that exit the year.

Chris Thompson:

Okay. And on the top side of that, I see the inventory and sort of going up on the other side. Did you pre-order some stuff for the year, or is that just because of your contracts that were delayed from Q1 into Q2 and Q3, Q4?

James Lorimer:

Yeah—good question. Good callout.

Yes, inventory is all related to production planning. And so you can assume that the orders are gonna be on the other side of that.

Certainly back in ‘22 we had pretty high levels of inventory. We brought that down nicely. Probably still a little bit more organic work to do, but yes, a little bit of increase in advance of production.

Chris Thompson:

Okay. And my last financial question then for you, James: We seem to be having a net fair value losses on the financial statement—sort of a regular occurrence.

James Lorimer:

Yeah.

Chris Thompson:

You know from a modeling standpoint, like, what are we seeing for that? Is that something that's working its way out, or is that something that's going to be an ongoing quarterly type of situation?

James Lorimer:

Yeah, that's going to be a bit of an ongoing quarterly thing, Chris. That's really kind of dependent on our share price and how our share price performs. And perversely, the greater our share price performs, the higher those values are going to be. They're all related to market adjustments for long-term incentive plans—a combination of DSUs and RSUs.

Chris Thompson:

Okay, great. So my last question has to do with the digital side of things. You talked a little bit about the market for the asset management, but on your DCMFlex platform that you're working on, what sort of market do you see in that? I mean, it's a very specialized customer communication. You need to get sort of ingrained with your client to get their data and share that data. And what sort of size the market are you seeing for that type of product, and are you seeing that—as for the dam product, are you seeing any cross-border sales that could come into play?

Richard Kellam:

Yeah. Let me let me answer your first question, which is the Flex CCM platform, or functionality, if you will. So it's hard to put a number on the actual size of the market, but I can tell you that any client that has a kind of highly distributed, you know, broker network—for example, an investor advisor network, retail network, QSR network—any client that's got a lot of either you know—physical retail outlets or brokers or sales agents—all those require, in today's world, personalized communication.

So designing retail signage for a particular QSR outlet or retail outlet as an example, or dealer, if you're in the automotive space, right—I'll come back to that in a second—or creating highly or hyper personalized communication: If you're a an investment advisor to your clients as well as prospecting new clients.

So the market is quite sizable. If you think of the enterprise clients we work with—tier one banks; we do a lot in insurance; quite a lot in alternative lending, quite a lot in retail. We've been growing our business in automotive. So all those have personalized communication opportunities.

So the example—I told you, we won four businesses, Chris: Automotive, FI, alternative lending, and loyalty. So you know, FI—good example: This is a client that has thousands of brokers across the country and they want those brokers to be able to hyper-personalize their communication to their clients. So we've, obviously through Flex, created the platform to allow them to do that at scale.

I'll also talk about automotive. That's completely different use case, but it's hyper personalization. This particular client wants to make sure that their brand—the brand integrity is the same across their dealer network. But dealers want to customize that creative, if you will, and personalize that creative for their dealership in a particular market. So the platform allows for that as well.

So two different use cases, but both kind of hyper personalized. So hopefully that answers that question.

Happy to take it offline if you've got more questions for me, Chris; I think your other questions are really good.

On ASMBL—two roots to market.
One is 400 enterprise clients, and we know that we've got already salespeople that are talking to those enterprise clients on a daily basis. So we've got a natural route to market there.

And then marketing automation, which will be small, medium-sized businesses primarily in the U.S. and we've built an incredible communication platform to be able to—we call it high-tech, low-touch—to be able to drive penetration into the U.S. market with our with our new ASMBL.ai platform.

So kind of two routes to market: one using marketing automation, another one using our direct drive sales force.

So we do expect quite a bit of revenue coming from south of the border as well, okay?

Chris Thompson:

Okay, that's great. Thanks. That's it for me. Great quarter.

James Lorimer:

Okay, thanks Chris.

Okay, Scott, sorry to put you on pause here. Are you still with us?

No, like we have dueling.. okay.

Scott Morrison:

Can you hear me?

James Lorimer:

OK, now so yeah, go ahead please.

Scott Morrison:

Perfect. Morning, everyone. On the synergies and cost savings side, are you able to say how much has been realized at this point of the 30 to $35 million goal?

James Lorimer:

Yeah, I'd say we're probably—I think the last quarter we said we're around a little over 50% of the way through there. We're in the kind of $20- to $23-, $24-million-dollar range right now, Scott, on an annualized run rate.

And the big incremental savings—the plants that we talked about closing: We we're on track to close our, or combine our Thistle and our Bond Ave Toronto commercial print plants; that should be completed in July. We'll see some savings there; won't be material.

The biggest savings are going to come from when we close our Fergus and Trenton plants, and those are well on path here. So we expect to see those completed fully within the next 12 months.

Scott Morrison:

So outside the facility consolidation, would you say most of the synergies cost savings have been realized at this point, or are there a few areas outside of that that still have opportunity?

James Lorimer:

Yeah, the other two kind of buckets would be procurement and organizational.

And I'd say from the procurement side, the team's done a great job harmonizing our purchasing. There was a lot of business that used to be outsourced to third parties and we've pretty much put the brakes on the bulk of that. And so we're producing that in-house and capturing the incremental margins.

So a lot of those procurement savings have already been recognized. That being said, the team's relentlessly focused on continuing to drive better terms with their vendors every day.

The other big bucket would be on the organizational side, and that's more on the SG&A side of things rather than the cost of goods sold. So if you look at the SG&A—that slide we had earlier, where you can see $2.5 million annual savings—it's easy to extrapolate that to $10 million on an annualized basis.

We think there's still some opportunities there—particularly as we consolidate plants, some of the back office systems that we that we think we can consolidate and streamline. But that'll be probably a later in the year / early first quarter opportunity there.

Scott Morrison:

That's perfect. Thank you so much.

James Lorimer:

Okay, you’re welcome. All right. We have a question here from Mastann Mirza.
First of all, congratulations on the good results. Just wanted to ask about the long-term view of the company. Where can we expect DCM in the next five years and what can shareholders expect in terms of dividends and/or share buybacks? Thanks and best of luck for the future.

Richard, you wanna handle the first part and I'll do the second part?

Richard Kellam:

Yeah. So I'll just talk short term first and then I'll answer your long-term question.

Right, short term, obviously our main focus here is get the MCC integration complete. Get all that integration behind us, so we have a nice kind of clean, clear year in 2025 and onward.

And then on the long term, listen, the market is still a sizable market for us—$10 billion market here in Canada alone, we’re $545, $550, $560 million of a $10 billion market.

There's a lot of very attractive profit pools in this market that we're well-positioned to play in and deliver client success in. One I've talked about before which that hyper-personalized or personalized direct mail—that's a growing profit pool. We bring a lot of value there to clients. Large format is another very important profit pool that is growing today as well. So lots of exciting opportunities in the category.

Obviously, we're working hard to continue to expand our digital portfolio. So we see that as a sizable opportunity over the next four or five years as well, not just to support our print, but also some standalone opportunities in the market as well. Hence the launch of ASMBL.ai. So we're seeing lots of lots of growth opportunities. We did put a five-year plan to the street saying that we're committed to a 5% CAGR over the next five years.

We'll certainly look at some small tech opportunities as well over the next five years.

But we see lots of opportunities in the Canadian market before even looking at any other international opportunities.

Do you want to talk about the shareholder return?

James Lorimer:

Sure. Yeah. I guess broadly in terms of capital allocation, there's a few priorities we have in the near term, and that's really in 2024. We have some capital investment initiatives that we're working on. We have the provisions for severance that we'll be working through this year and through next year. And then we also have some new equipment that we're looking at as we consolidate footprints.

So this year is really about getting ready for 2025 and we'll be looking, as we get into 2025, in terms of capital allocation, certainly the capital expenditures will decline in 2025 and that'll free up some extra cash for other considerations. And it could include a share buyback or potentially some sort of dividend in the future.

Richard Kellam:

Yeah, certainly once we get all the restructuring complete, the free cash flow that we will generate as we continue to grow and continue to improve margin, continue to build this better business that we've been building will be quite significant.

Certainly, we'll be very smart in terms of how we direct that cash flow.

James Lorimer:

All right. Well, thanks everyone for calling dialing in. It appears we don't have any questions but—oh, looks like one question has just come in. We have a number here 416786 and I will let you join the call now.

Richard Kellam:

We lost that.

James Lorimer:

Oh, yeah, okay, I think we—

Alan Jacobs:

Hello. Hi, it's Alan Jacobson here. One question: You mentioned under the SG&A that there was a one-time charge in the quarter, which may or may not be significant. Can you quantify that please?

James Lorimer:

Yeah. The charge in the quarter was about $700,000, Alan, and it was for a consulting project to really kind of help us focus on strategic revenue management and a little bit more on the operational efficiencies. But really the intent is there to focus on continuing to drive increased revenue and growth and also operating efficiencies.

Alan Jacobs:

Okay, thanks.

James Lorimer:

Okay, so that concludes today's call. Thanks everyone for joining and for your interest in DCM. As a reminder, Richard and I can be available after the call for any follow-up questions that you may have. I hope everyone enjoys the rest of your day.

You may now disconnect your lines.

Richard Kellam:

Thank you everyone.