DCM Q3 2025 Earnings Call Transcript

November 12, 2025

James Lorimer:

Good morning, ladies and gentlemen. Thank you for standing by and welcome to the DCM Third Quarter Fiscal 2025 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 Chief Executive Officer. Following our prepared remarks, we will be moderating a Q&A session. As a reminder, this conference call is being broadcast live and recorded. We'd also like to remind everyone that Richard and I are 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 will post a brief message from Richard along with highlights of our results on Q3 2025 on our website in the form of an infographic. This presentation will also be added to our website for your reference along with a post-view recording and transcript.

Our detailed information is available on our website and SEDAR+. Please 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 to our shareholders — any shareholders that are joining us from other markets, good afternoon and good evening as well. What I plan to do today is just hit the highlights of our results. As James said, all the details will be up on our website.

I'll talk a little bit about new business development, have a look at our continued priorities through 2025, and turn it over to Q&A.

So having a look at a summary or highlights of our quarter, I'd say overall the results are very much in line with what we forecasted and what we expected as we continue to manage through some market uncertainty.

Looking at this first column on the left here — highlights of our Q3: Adjusted EBITDA was in line with what we expected. Margin came in a little higher than year ago, 11.7% vs. 11.6%. And overall EBITDA value was $12.3 million vs. $12.6 million.

So pretty much in line, as I said, with what we expected. And our revenue was slightly off vs. a year ago, but it was significantly decelerated shall we say vs. quarter two. Even with the sustained macro headwinds, we were minus 3.1%.

So again, pretty much in line with what we had forecasted. Gross margin was slightly lower than a year ago, and that's really due to the reduced fixed cost overhead recovery we get in our factories.

We'll see that snap back as we get revenue back into our facilities.

The market uncertainty continues to remain. Certainly the economic and tariff uncertainty is negatively impacting our business confidence. You know, several — I'll call it discretionary — marketing events or marketing spend has been reduced.

During the year, again, we'll see that confidence kind of rebuild as we progress into next year. There's a been a direct and an indirect impact from the Canada Post labour disputes. Canada Post is a large client of ours. So that's the direct.

The indirect: Obviously our other clients that are using mail as part of their marketing efforts, especially direct mail and personalized direct mail. So the rotating strikes that we're now in are certainly not helping that. Air Canada, another client of ours, obviously that strike impacted some of our workflow, especially on the operational side on the quarter.

But what I can tell you is the team has done a fantastic job at managing overhead and really mitigating the impacts of lower client spending. You'll see that in our favorable SG&A.

Over in the third column, we are advancing our digital and our AI platforms. Our CCM — our customer communication management platform — was named on the Aspire leaderboard. So a lot of confidence in that platform. I'll show a little bit more detail later.

We launched our AI-powered contentcloud digital asset management solution, and we're getting some good success with that in its early stage in the market. And then we've picked up a couple of new DCMFlex customers — one significant financial services client that we're just working to onboard now.

So definitely some good momentum in our digital solutions.

And then M&A remains a focus for us. The pipeline continues to grow with market activity that remains robust. Certainly the macro uncertainty is creating opportunities and providing some incentive on the sell side. Seeing a lot of that activity in the market right now.

And James will show you a little later in the deck that we're well-capitalized to transact if we see opportunities that we want to act on.

Okay, so a little bit more detail, just kind of unpacking the highlights a little bit. You know as I said, revenues are pretty much in line with what we expected: deceleration over the prior quarter from a decline perspective — -3.1%. We were about $3.4 million shy of a year ago, as I said. The Air Canada and Canada Post events certainly impacted that.

But pretty much what we forecasted, and certainly the new business development efforts that we have in-market offset any other headwinds that we experienced from other clients. And again, we'll talk about that a little bit later in the deck here and the progress we're making on new business.

Overall gross profit, as I mentioned, really due to reduced volume in our facilities affected our fixed cost overhead recovery, hence the margin at 23.4% vs. 25.8%. So again, slightly down vs. what we delivered a year ago, but pretty much in line with what we had forecast for the quarter as well.

Adjusted EBITDA: 11.7% vs. 11.6%. As I mentioned earlier, slightly down over a year ago — slightly up as a percentage and slightly down over a year ago.

So pretty decent EBITDA delivery given some of the headwinds that we experienced on the revenue line.

James, you want to talk about our balance sheet?

James Lorimer:

Sure. Good quarter in terms of free cash flow. Our net debt came down from $87.5 million at the end of quarter two to $80.6 million.

Our net debt to EBITDA was just below 1.9 times — actually 1.87 times. So nice improvement there.

Our excess availability under credit facilities increased nicely as well. We had just about $17 million of excess availability, as well as $3.7 million of cash with the accordion facility we have that's undrawn. We have over $40 million of total credit available.

So we believe we're well-capitalized not only for our operations but also to pursue M&A opportunities.

Richard Kellam:

Having a look at new business, first I'm going to just talk a little bit about our CCM360 platform. This is customer communication management platform. We've been working on this for about 7 or 8 months, and are getting good traction in the market right now.

It does everything from electronic form capture, intelligent document processing, digital data document routing, secure encryption, robust composition engine, and data- triggered customer communication.

So if you think of a full loop — we call it 360 — right from capture to delivery, and it's a fully AI-enabled solution. The electronic capture is AI-enabled. The intelligent document processing backbone is all AI-enabled. The digital data document routing is AI-enabled.

So really using AI capabilities to simplify this workflow and more importantly to be able to capture information effectively and be able to use it for effective marketing programs. So we're starting to get some very good client traction. The recent win we secured is as a result of this product that we've that we've built. It's a great success. We'll see a lot more of that as we progress into this quarter and importantly into next year. We've got a very active pipeline.

As I mentioned, we launched our contentcloud, which is a fully AI-enabled digital asset management solution. We had launched a product called ASMBL about a year and a half ago, and this is a rebranding with some significant additional features and functions. It's very active on intelligent automation and some agentic AI as well.AI as well.

So new to market, we've already secured a few clients on this platform and we've got a very active top-of-funnel program right now. So we'll be able to report a lot more activity on this as we progress through the next couple of quarters. So we're very excited about this launch and off to a great start.

We shared this with our shareholders — I think the last quarter, the last couple of quarters: We are all in on growth and again that decline of around -3 would have been far greater if we hadn't have built this growth muscle. So we're getting some good momentum on new wallet share as well as new business, new logo penetration as well. Our team is all in on growth. We've got a lot of active opportunities, high number of proposals out there.

Our number of value wins has gone up — about 22% of our value — and opportunities have come from new logos. Our win rate is certainly accelerated vs. 2024. We'll say that time to revenue in our business is long. So you'll see some of that revenue flow in end of year, and importantly in the next year as well.

I mean if we win a deal now, we wouldn't see revenue till next year, as an example, especially if it's large enterprise. So we're pleased with the progress we're making, and as I mentioned our tech or our AI-enabled solutions we've got top-of-funnel right now: around $7 million in opportunities in funnel for those digital solutions that we see down on the bottom right of this slide.

So good progress on our new business development and our All in on Growth initiatives.

Priorities for 2025: Again, we've unpacked these with shareholders several times. We're consistent with what we reported last quarter. Maintain focus on profitable organic growth. Deliver return on new capital investments. Continue to drive gross margin improvements through operational efficiencies, and we've delivered several operational efficiencies, and again, once we see revenue flow back into our facilities, we'll see that gross margin improve.

And then demonstrate our agility and adaptability to navigate these uncertain environments, leveraging our scale, increasing or managing that capacity we've got on our network, and then expanding our product mix and skills and capabilities to drive that profitable growth over time. Those are our priorities.

James, do you want to talk about our return to shareholders?

James Lorimer:

Sure. We recently declared our third quarterly dividend of 2.5 cents per share. That'll be payable at the end of December to shareholders of record in mid-December.

This, of course, in addition to the special dividend that we declared earlier this year of 20 cents per share. Current price: We're trading about a 7.5% dividend yield based on the annualized quarterly dividend that we've been declaring.

Richard Kellam:

So closing, we are certainly in in very good control of our business. You can see that our SG&A has improved considerably despite some of the headwinds that we're experiencing in the marketplace. But again, we've all lived through tough environments before. And we will see that turn.

We've got a great new business development effort — new business development program in place, got strong operational performance. Our cash flows are solid as you saw from James — our new business development. As I said, our initiatives are the best we've had in in years. We're all in on growth.

We certainly have a proven track record of execution. We are well-positioned to pursue any opportunistic M&A that may come our way. Of course, we've got an experienced leadership team — best-in-class or world-class in the industry. And we're well- capitalized, as James said, with over $40 million in available capital.

So we're well-positioned to take advantage of market opportunities as they arise, and certainly we'll see some of the headwinds we've experienced turn at some point, and we'll be able to capitalize on those opportunities.

All right. So that's the summary of the quarter and we'll turn it over to any questions that our shareholders may have.

James Lorimer:

Thanks Richard. We'll now take questions from the audience. If you have a question and you're accessing the call through Teams, you can either use the "raise your hand" feature or you can use the chat feature and we'll respond to chat questions as well. We'll unmute your mic when we do queue you into the call. Please introduce yourself once you've joined the session.

Right. We have a couple questions here. Let me go with Noel Atkinson, please.

Noel Atkinson:

Hi, this is Noel Atkinson from Clarus Securities. Good morning, Richard and James. Thanks for taking our questions this morning. Nice to see that the year-over-year results are starting to go the right way here.

You mentioned in your prepared remarks about the deep new business pipeline. Is that mainly print and can you talk about what you're seeing by areas or verticals? And are you winning market share from foreign providers or weakened competitors or —whatever you can provide for detail on that, that'd be helpful.

Richard Kellam:

Yeah, I'll provide as much as I can, Noel. Good to hear from you. Great question. So we have an active CRM pipeline. I won't tell you the value of it, but it's sizable and it's across our print, our tech-enabled solutions, as well as our pure-play SaaS solutions, and digital signage as well is part of it, as well as resales — you know we buy printers and scanners for hospitals, as an example. So it's all of that together.

Print obviously being the sizable portion of it, and on the print side, I'll tell you where the biggest opportunities are. Certainly labels — we've had really good success in labels and that's a growing sector in the marketplace.

Large format, which has been a growing business for us in 2025, and we see a lot of new business development opportunities there as well as we close out this year and move into next year, and we've won several this year as well.

Packaging, especially on the folding carton or paperboard side — we're quite small in it, but it's a growing opportunity for us. So those would be three, and then of course digital, but those would be three or four areas that are very active in our pipeline right now.

Our forms business is declining slightly, not a whole lot of new business opportunities in forms. That's a business that we kind of manage for cash flow, Noel. Good business for us and it spins off some good cash flow similar to our rolls business.

I already gave you the number on our pipeline for some of our pure SaaS and digital solutions.

So I don't know if that answers your question. I think you had a second question which is around verticals. Obviously given large format, a lot of is in retail and QSR. So a lot of opportunities there in our pipeline to build that out over time. And then interestingly enough, our BCS business, that's the transactional mail business. James, it's roughly kind of flat compared to a year ago, which is understandable, and that's an opportunity for us to win or grow share, as that market certainly has some headwinds. You know transactional mail is not growing from an industry perspective; it's sort of declining at low single digits.

But we've we maintained pretty flat there or directly flat as a result of some share gain. So hopefully that gives you a little bit of colour.

Noel Atkinson:

Yeah, that's great. One more quick thing, just in terms of: If you're winning RFPs and you're taking share here, is it foreign providers or weakened competitors or your digital capabilities — like what's been driving the wins here for you?

Richard Kellam:

Want to talk about that, James?

James Lorimer:

Yeah, I'd say the RFPs are typically pretty complex, long processes, you know, very detailed responses. Typically there's a lot of requests around information security and what we're doing from a SOC 2 compliance perspective. We believe the investments we've made in the past several years, but particularly in the last couple of years, have really positioned us well in that market. And given our scale, it's certainly harder for some smaller players to have the same kind of IT security and infrastructure investments that we've been making. We have recently won some smaller jobs, some smaller business from some poorer, less well-capitalized, smaller players in the market.

So that's been a positive. We have seen a little bit of kind of international — some participants in a couple of sectors, pretty isolated to one or two sectors. But typically most of the competition is domestic. We are exploring a little bit more expansion into the U.S. leveraging some of our unique capabilities across the border. So we expect that could help offset some declines that we've seen in some of the longer-run kind of form types of businesses that that we're in.

Hope that helps.

Richard Kellam:

Yeah, a little bit of business we picked up, Noel, on retailers — U.S. retailers that may have been servicing their Canadian business out of the U.S., that given some of the uncertainty of tariffs, want to service that business in Canada. So that's led to some opportunities. And as James said, one of the areas we are most successful in are clients that have a lot of complexity in their workflow. And they may be using multiple providers and we can help them simplify that complexity with some type of digitally enabled workflow solution and then consolidate that work into our environment. That's where we find the most success. And then as James said, security is obviously an important one, right.

Noel Atkinson:

Okay great. Just one more for me. So on the M&A side, are you looking for tuck-ins or transformational transactions? And then can you talk about: Are you looking to do these transactions to add customers or capabilities or geographies?

James Lorimer:

Yeah, good question. Definitely, we're seeing a lot of opportunities on the M&A front right now, Noel. It seems to be a very vibrant market, and we're being very selective.

The areas that we that we're really trying to focus in on are some of the growth markets that Richard mentioned earlier. So think about large format and in-store signage. Think about labels — that's a big market.

We have some capabilities paperboard packaging. We would like to expand that that through M&A as well as organically.

But those would be probably the top three areas that we're looking at.

And then also just complementary capabilities that might add some regional strength or regional capabilities to our physical footprint of manufacturing plants.

Okay, thank you very much.

James Lorimer:

We have a question from Chris Thompson. Chris, go ahead and unmute your line.

Chris Thompson:

Hey, can you hear me now?

James Lorimer:

Yes. Hi, Chris.

Chris Thompson:

Great. Thanks. I just want a little more — in the general overall Canadian market, your sales market, are you seeing this sales pressure? Does it look like it's going to be visible say for the next couple of quarters or for the next year — like what's the uncertainty of your sales pipeline in closing deals?

Richard Kellam:

It's a great question, right. We talk about this every day. It's unpredictable. We could have a great month, and you know we forecast a solid month the next month, and we lose a couple of large activities out of our workflow, and you know obviously we go backwards on the month. So it's very unpredictable at this point. That's why we kind of step back on giving guidance until we get more clarity. You know, you saw some improvements obviously in our quarter versus the prior quarter. That's due to the new business development that we brought in, and we're very active on doubling down on that new business. But in terms of the market, yeah, it's still kind of uncertain and unpredictable at this point.

Chris Thompson:

Okay, thanks. And just looking at your tech-enabled subscription services being one of your focuses, it seems to be growing slightly year over year. Looks like there's a lot of seasonality in it.

But do you think you're going to see more of an uptick on this next year, or is it just going to be one of these slow growth, and then you're going to build some momentum and hopefully it takes off more?

James Lorimer:

Yeah, I guess that's a good question, Chris. There's a number of things that are in that tech services bundle. Some of the offerings are very seasonal. So they tend to kind of ramp up in Q4 and particularly in the first quarter. And those largely relate to some of the big — we charge professional services fees for programming and getting ready for tax time and a lot of the big annual statements and programs that run in the first quarter. So that part of the business is a little bit seasonal.

For the balance, if we look at some of the tech offerings like contentcloud and Zavy, those are a little bit more of a straight line from — you know, we recognize revenue on a SaaS basis for those. So as those businesses grow, you'll see an accelerated growth in those business lines.

And then kind of separate is DCMFlex fees, and Richard mentioned that we won a new fairly substantial client in the quarter. We are in the process of onboarding that. We'll recognize that revenue over the next 12 months. So that'll be a nice little piece of business on top of that.

So it'll be a little lumpy in terms of the steps up as with some of those larger things. Maybe a little bit more gradual with some of the smaller annual license fees from say a contentcloud or a Zavy.

Chris Thompson:

Okay. That's all my questions. Thanks.

James Lorimer:

Okay, thanks, Chris. We have call hand up from Daniel Rosenberg. Daniel, please unmute your mic.

Daniel Rosenberg:

Good morning. Daniel Rosenberg from Paradigm Capital. Hi, James. Hi, Richard. My first question comes around just the flexibility in the business. It was nice to see the G&A come down relative to last year. I'm just curious: How much flexibility inherently in the business as you think about macro ups and downs?

James Lorimer:

Yeah, good question. There's two parts to the business. Broadly, if you if you think about cost of goods sold and then SG&A — our labour, there's certainly variable components to labour. When we're running hard, we'll add either temporary labour to help for example in certain things like kitting and fulfillment and other functions.

The typical kind of fixed labour — so think about pressmen and warehousing and shipping and pre-press and all those functions. Those are a little bit less variable because you can't really run out and hire or downsize easily because it's a pretty unique skill set.

From the SG&A side, we've got a number of levers. We've got a pretty decent-sized fixed overhead just from staff levels. We do have some variable components of spend on different functions. I guess practical R&D is one of those. We've been pretty steady from an R&D perspective throughout this year compared to last year. But you know we're certainly looking — as you know we've seen softness in our topline revenue this year compared to last year, and I think we've proven that we're pretty good at adapting where needed. So we try to try to be as flexible as we can within typical constraints of having good people and good talent.

Daniel Rosenberg:

Thanks for that. And just turning to the pipeline: So you mentioned some sizable activity within it. I was just curious if you could speak to conversion around the pipeline and then, as a customer converts, how do you think about selling products that's like one solution vs. two solutions vs. three, and the segmentation of your actual customer base as it fits the product set.

Richard Kellam:

Yeah. I won't talk specifically to our conversion rates — that's a competitive advantage that we have — but we certainly have a high conversion rate once we have the right lead and obviously we work through that lead-gen into proposal.

I will tell you that one thing we're very good at is cross-selling and upselling. So we may have a new client that comes into our organization. It could be, I don't know, a retail client that we're offering in-store solutions to.

And then obviously, we sell digital solutions or other print solutions to them as well.

So our team is highly skilled at cross-selling and upselling. We don't have sales reps that specialize in one particular — you know, print technology. Our guys sell everything, right? Hence the kind of enterprise solution that we bring to clients.

So hopefully that answers your question. Not for me to be very specific obviously given it's certainly a competitive advantage that we have.

Daniel Rosenberg:

I understand. Appreciate the colour. And then just when you think about the digital products, sounds like you're staying certainly on top of AI implementations. I'm wondering if you could give any insight into, you know — it's early days, but how customers are adopting usage, and does it impact at all how you think about pricing the products given these added features and benefits that AI is offering?

Richard Kellam:

Well, certainly, I mean if I talk specifically about our contentcloud platform, it's fully AI- enabled. So our clients that are using that are kind of all in on that AI solutioning. In fact I was talking to a client, a CMO, that we onboarded about a couple of months ago, and his comment from him as well as his team was like 'I can't believe we've lived without something like this for so long'.

So we've we made it super easy for them to manage their massive asset management base with auto tagging, meta tagging, you know, using AI so they can find and share stuff at ease and take a lot of time and waste out.

So we've got high level of adoption in the AI solutions that we're bringing clients today, whether it's in Zavy that helps automate or better understand the effectiveness of their of social campaigns and provides recommendations to improve. Whether it's digital asset management, contentcloud, on the whole auto tagging and meta tagging. Or whether it's some of the work we're doing on CCM360, especially the intelligent document processing — being able to look at files and manage them effectively. Kind of similar to what we do in contentcloud, just a little bit more detailed on the CCM360.

So obviously the market's moving fast, which is obviously leading to a lot of opportunities for us. But a high level of interest and a high level of adoption once we have the right conversations with the right people.

Daniel Rosenberg:

Thanks for that. It sounds like you're using it really as a differentiator more than any kind of pricing-type thing, and is that how I'm to understand it, at this stage at least?

Richard Kellam:

Yeah. We don't talk about pricing, of course, but yeah, we certainly use it to differentiate our offering in the marketplace. But you know there's a lot of AI activity in the market right now, right. So for us to keep pace with the market, we need to obviously lean into all the AI capabilities and make sure we demonstrate our capabilities in that space.

Daniel Rosenberg:

Great. Last one for me. So it was nice to see the conversion of EBITDA into strong free cash flow here. Everything seems to be taking shape as you guys worked on integrating the business. I was just curious around usage of capital — that M&A pipeline: anything you could say about size of it or changing valuations. And then also, you yourselves have a stock that's at quite an attractive price here. So usage should be NCIB. If you could speak to that please, and I'll pass the line. Thank you.

James Lorimer:

First, with your with your last question, we have been kind of active on the NCIB. We bought almost 265,000 shares back in the quarter. So we continue to pick away in the market.

The priorities for us really in terms of capital utilization are the dividend and continuing that. Our CapEx needs are certainly much more modest now that we've integrated the Moore Canada business. So we'll end up probably about $5 million of CapEx, give or take a little bit this year, and probably similar levels next year.

And the other key priorities: Continue to pay down debt. We get feedback a little bit from the market that they'd like to see our net debt come down, but you we're pretty comfortable with the path that we're on. So we'll continue to pay down debt as we go.

And then opportunities for M&A: We're certainly looking at things that are creative strategically. Given our market price, we're being very selective in terms of growth profiles and market opportunities that we're pursuing. But we do see some pretty interesting things in the market right now.

Daniel Rosenberg:

Thanks for taking my questions.

James Lorimer:

Thanks. I have a question from Audrey Pelford. Audrey, go ahead, please.

Did we unmute Audrey's mic? She is. Okay, go ahead, Audrey.

All right, we seem to be having issues. Oh, there we go. Try now, Audrey.

Okay, maybe we can circle up after the call, Audrey.

I think that concludes the Q&A portion of today's call. Thanks everyone for joining and your interest in DCM. As a reminder, Richard and I are available after the call if you may have any follow-up questions.

That concludes our call. I hope everyone enjoys the rest of their day, and you may now disconnect your lines.

Richard Kellam:

Thank you everybody.