Q2 2026 DCM Earnings Call – Meeting Transcript

August 11, 2026

James Lorimer

Good morning, ladies and gentlemen. Thank you for standing by and welcome to the DATA Communications Corp. Second Quarter Fiscal 2026 Financial Results Conference Call. My name is James Lorimer, CFO of DCM, and I'm pleased to host today's call. Joining me is Richard Kellam, President and Chief Executive Officer, and Lee Berger, Managing Director of Octacom.

After our prepared remarks, we will open the call for Q&A.

As a reminder, this conference call is being broadcast live and recorded. Richard and I can also be available after the call for any follow-up questions.

Before we begin, I'll remind everyone that today's call will include forward-looking information. This information is subject to risks and uncertainties described in our press release and in our public disclosure filings on SEDAR+. We will also be referring to non-IFRS standards measures. The details and reconciliations of which can be found in our most recent public disclosure, which is also filed on SEDAR+.

Presentation, recording, and transcript will be available on our website following the call. Additional information relating to DCM is available on our website and on SEDAR+. We also invite you to follow DCM on LinkedIn for updates on our business developments. And I'll now turn the call over to Richard.

Richard Kellam

Thank you, James, and good morning and good afternoon and good evening to any shareholders joining us from other markets or other time zones. As you, as many on the call have likely already reviewed the press release, our second-quarter results were generally in line with what we expected. While revenue remained slightly below prior year levels, our sales activity did remain very robust. We generated strong free cash flows. We continued to pay down debt quite significantly on the quarter. And we completed, of course, this very strategic acquisition of Octacom. And we're going to spend a majority of our time on the call today reviewing that acquisition.

So I'll move pretty quickly through the quarter. As noted on our press release, moving through the third quarter and into the second-half of the year, we are seeing very encouraging signs, including an expected return to positive year-over-year revenue growth; a more favourable business mix contributing to improved gross profit; a continued momentum in new business development, which I'll talk to you about on the next page; and then of course, continued strong free cash flows.

In addition, of course, the Octacom acquisition is going to deliver enhanced revenue and earnings contribution through the balance of the year, and we'll talk about that in a little bit more detail as we progress through the call here today.

So again, I'm going to move fairly quickly on the numbers for the quarter, because I do want to spend the majority of our time with Lee on this fantastic acquisition of Octacom.

So as I said, kind of in line with what we expected: revenue declines decelerated in the quarter, and we're seeing that continue to stabilize, and we'll see that obvious stability as we progress into quarter three and quarter four.

From a new business development standpoint, our revenue from new logo wins did accelerate quite significantly, actually, much higher rate than a year ago. Plus the average value per client is considerably higher. Obviously, this positions us well and is why we're confident we're going to see that return to growth in quarter three and quarter four.

Our tech-enabled service hardware and revenue from software continues to grow, up 10.4% on the quarter. We're now about 7.3% of total revenue. Gross profit was in line with what we expected on the quarter, and our SG&A, we continue to build a better business. And you can see that our SG&A continues to decrease over a year ago, and adjusted EBITDA in line, just under 13% of total revenue. And again, we'll see that progress as we move into quarter three and quarter four with the base business as well as the addition of Octacom.

Free cash flow is extremely strong, up $15.7 million in the first half of 2026. And it's about a $16.3 million swing versus a year ago. So very solid free cash flow delivery. Net debt, we're very pleased with our continued progress on reducing debt. Obviously, this is prior to the Octacom acquisition, which we'll see included into our quarter three results. We're down 26% of the year, and it's the lowest leverage we've seen in three years. So real good progress on continuing to pay down debt.

And then, of course, we returned a solid amount of capital to shareholders, about $3.4 million in the quarter.

So, again, in line with what we expected, and decent progress through the quarter.

So I, as I said at the top of the call, we do want to spend a majority of this on the Octacom acquisition. Lee Berger sitting beside me here, our new managing director, managing the Octacom division of DCM. And Lee's going to provide you with an update on the Octacom business — so a good overview of the Octacom business.

He's going to talk about the intelligent document processing market, the size and growth of that market, why the market's growing so quickly. He's going to also talk about opportunities for Octacom and IDP as now being part of DCM.

So we're very excited about the acquisition. You read the press release and you can hear my excitement in the call today. It's just a month ago. It's actually a month and two days since we completed the acquisition. And we're already off to a great start. But I want to be clear to shareholders that the IDP or intelligent document processing market is not new to DCM.

We started down that path about two years ago with very serious intentions to build a business here in IDP. We saw lots of inbound coming from clients, and we've already built a small — much smaller obviously than Octacom — but a small piece of business in IDP that is a fast-growing piece of business.

So it's not new to us. And the addition to Octacom obviously just allowed us to get there a lot faster — buying versus building, and buying one of the fastest-growing IDP companies in Canada.

So we're very excited and it certainly makes us a much stronger competitor in this space right from day one.

So I'm going to turn the call over now to Lee. So Lee, welcome to your first earnings call here, and excited to hear about Octacom.

Lee Berger

Excellent. Thanks, Richard. Thanks, James. Glad to be here with everybody on today's call. And what I plan to do is provide an introduction on Octacom; an introduction to the IDP market, as it is probably a relatively new market for some investors here on the call; as well as talk a little bit about how we're collaborating already with DCM in the acceleration of our go-to-market plans now that we're united here.

From an investment standpoint, there's some highlights you'll see there on the slides. Ultimately, Octacom is a scaled operation. In the trailing 12-month period, we've generated just over $23 million of revenue.

We would be one of the leading IDP players here in Canada. And we deliver our solutions through a combination of different technology platforms, largely built in-house, that allow us to deliver really efficient, automated, end-to-end solutions for our customers.

And what that results in is very high recurring revenue, high churn, the ability to augment our solutions over time and drive strength and margins and ultimately drive strong free cash flow.

Octacom has been in this market for the last 50 years. I've been with the company for the last 10, driving the latest stage of growth, and we see a tremendous amount of opportunity ahead as we join the DCM team and accelerate our go-to-market plans.

So take away here: really profitable growth, fast growing business, sticky customer base, proprietary technology that we continue to augment and intend to augment even faster with the strength of DCM behind us.

Moving to the next slide, a little bit of an overview of what IDP is. So there's really a couple different use cases — there are many use cases for IDP, but there's a couple different solutions that land in the IDP sphere. And the most comprehensive of those solutions is a workflow that you'll see up on your screen right now, which really entails automating complex document intensive processes, which are the backbone of a large number of large enterprise and government customers and prospects that exist out there.

So this is really leveraging a multi-step process to intake, extract, classify, and feed downstream systems with relevant data that's been extracted and validated in the document intensive workflow. And so that involves a capture stage, a classification stage, an extraction stage, a validation stage, typically some form of workflow automation, whether it be within our Odiss platform — our proprietary web-based platform where clients can interact with documents, workflow them, drive automated rules, and ultimately through system integration between Odiss and multiple different types of downstream systems.

In our process, we use a combination of different innovative tools to drive automation. We use OCR, ICR, we use AI, we use machine learning, we use natural language processing, we use a series of different intelligent tools and really AI-augmented tools to allow us to deliver our solutions both efficiently from a delivery time perspective, as well as from a cost perspective.

With a little bit of a background on what it is that we do — and we're that solution provider behind the scenes within lots of organizations that we would all be familiar with — it's important to understand what this market looks like.

And as we displayed over the last 9 or 10 years of ownership, we're able to grow at a very rapid rate, taking advantage of both a rising tide in this IDP market, as well as this ultimate digitization wave that we're seeing from a lot of our clients.

And so as we look at the market looking forward, we're seeing that 30% plus compound annual growth rate continuing. There's a number of drivers for that. There's AI drivers and sort of richness and value and legacy information, should it be not yet digitized.

There's rising rates and digital adoption in terms of taking physical processes, converting them to digital, or bridging the gap: having hybrid environments where there's both digital input and physical input. And ultimately, we do stand out in the field of data sovereignty, and our services being performed in Canada in secure facilities across both the Octacom and the DCM network. And we're going to talk a little bit more about that in the next few slides.

From a market driver standpoint, really, cost is probably what matters most to investors. Manual data entry is generally expensive for large enterprise and governments. There's a lot of automation opportunity that exists within these specific spheres that are our target market.

IDP can cut the cost of that entry from $5 to $25 a document down to much more diminished rates of between pennies and a dollar per document. And so it allows us to go into new opportunities with a cost lens or an ROI lens that is rather accelerated. And that has been part of what has helped us in our growth trajectory to this point.

But ultimately, there's lots of market drivers that are presented to you up on screen there, but lots of unstructured data that clients are looking to structure, extract, validate, and use for inputs to data models or otherwise.

We're able to leverage in our environment various different AI models to augment our processing. That has been a boon for us and an area in which we've been able to take advantage of AI innovation and changes that are taking place in the market, and building a rather modular platform that allows us to plug and play different models for different use cases, to be that compliance layer while delivering value to our clients.

And there's a series of other drivers. I mean, I mentioned a few moments ago, general digital transformation. When we look at the Government of Canada, the provincial governments and municipalities, for instance, we see massive archives of physical information.

The same holds true in the healthcare space as well. We see massive archives of historical information that once did not have the value that it does today. And we're seeing budgets coming to bear and opening up, allowing us to digitize that information and leverage that information for use cases and feeding certain models to enable these clients to get more value out of the documents and the data that exist, and free up that storage space — physical storage space that once occupied buildings and buildings worth of space.

So just looking at where IDP is relevant, it really is across all industries and all verticals — more so at the large enterprise, mid-market enterprise; less so at sort of the startup level, as you can imagine.

And so as we look at industries with the highest opportunity set and the largest addressable market, we're looking primarily to continue to focus on the government sphere. Good examples would be general records modernization, benefits processing, citizen correspondence, application forms for passports, et cetera, et cetera.

In the healthcare sphere, we do a fair amount of work in this space: medical record digitization and data extraction, claims processing; referral routing is another great example that you'll see up on-screen there.

On the BFSI side — financial services — we see a host of opportunities; probably the largest opportunity set, second to government, in my opinion, exists in the financial services space. And this is a space that DCM has a really strong footing in and was really one of the drivers for our collaboration and how we're going to market. Octacom had very little exposure to BFSI; DCM holds tremendous relationships with really all of the, or most of the financial services organizations in Canada. And so taking our platform and our solution suite over to assist with things like new account opening, loan and mortgage processing, compliance archiving.

These are valuable use cases. Digital mail rooms are another good example. And we talked a little bit in our press release — we talked a little bit about a recent announcement that we'll mention on the next slide. These are really high-value, sticky use cases that we anticipate growing across the prospect base that we do have.

And finally, transportation logistics. Octacom's pretty active in this space — we already have a really solid solution from a proof-of-delivery management standpoint. This is managing bills of lading, extensive data extraction off of them, receipt and packing slip gathering. We have quite a comprehensive proof-of-delivery documentation process and solution that's in place, and we see a tremendous amount of opportunity scaling that out across the DCM world.

I've gotten the question a few times: Why DCM? And I think it really can be distilled to a couple key drivers. Octacom really brings a platform, a team, and an incredibly strong base of blue chip business. This is a business that's strengthened over the years. We've invested as we've profitably grown the business in our technology and our team. And we hit an inflection point where we felt that another organization — and it's an institution, almost, with a broad enterprise client base — could help us accelerate the growth of Octacom into this next stage.

And so DCM really brings the commercial reach, those enterprise and government relationships that we don't already have; the know-how and the ability to drive outbound pipeline generation in a more scaled manner; and a national infrastructure. And when I talk national infrastructure, I'm really talking about leveraging existing DCM premises to broaden the IDP footprint and service offering. There is somewhat of a local element to some of the IDP services that are provided. And so the ability to have, with relative ease, a new facility added in and low CapEx — a new facility added in several new locations — allows us to both drive margin as well as drive top-line growth through new customers in those respective geographies.

And then between the two organizations, there really is a tremendous fit culturally and a tremendous moat from a go-to-market standpoint. And that is: We have top-tier security compliance and privacy standards across both organizations. So the fit has been incredibly smooth.

We also hold, between the two organizations, MSAs with over 70 of the top 100 large enterprise and government organizations in Canada, which gives us a great pool of prospective customers to continue to push our use cases into. And that's really exciting.

The last note that I'll throw in there before passing it back or opening it up is we really are off to a strong start. We closed, as Richard mentioned, July 8th, so not that long ago. Lots of integration activities underwayl lots of sales and marketing collaboration opportunities that we're deep in pursuit on already, which is fantastic. And as just one case study or case in point was a recent announcement of a Schedule 1 Canadian bank that we are now onboarding and have signed on with for a large, broad-based digital mail room operation that is currently in implementation. And we're incredibly excited about taking our platform into an existing DCM customer and having collaborated on a very quick execution point here that we anticipate replicating going forward.

And maybe last point: lots of cross-sell opportunity. I think you probably picked that up from me throughout the discussion over the last 10 or 15 minutes, but ultimately, there's active collaboration with the sales and marketing team here at DCM and across DCM's 2,500-plus customers. We should see a tremendous amount of opportunity to sustain and potentially accelerate the Octacom growth rate looking forward.

So I'm incredibly excited about that. I'm excited about being invested alongside you all and the team here in helping drive the future of the business.

Richard Kellam

Thank you, Lee. And I'll just add one other point to what Lee said: We don't need to go back to the chart, but if you think about government, BFSI, healthcare, and transportation, and you think about the physical element — when I say physical, the physical paper or forms that are now converted through the Octacom IDP process into intelligence, we actually print a significant percentage of those physical forms.

So I think the value we can now bring to our client base — that's what made this deal super attractive as well.

So just closing, you can see on the left-hand side of the slide here, clearly Octacom and DCM, we've got a very bright future together. It truly allows us to accelerate our IDP leadership in a market that's growing and expanding very quickly. We've got built-in operating leverage with the existing facilities that are fully compliant and very low CapEx.

The revenue and the margin and profitability of Octacom coming into the DCM world is very strong to build off of. Very new complementary business, building on the point that I said earlier, serving large, regulated enterprises in government. And again, we can now offer that value-added service on top of the forms and paper we're producing for these clients.

You read in the original release that we have an enhanced credit facility and lots of bandwidth to grow. And then obviously, we're going to continue the commitment to shareholders with quarterly cash dividends. So very strong acquisition and certainly a stronger DCM right from day one.

Okay, I'm going to close on our priorities for 2026. Obviously, the top left box here, we're going to maintain high revenue retention and drive new business development. Again, we've been off to a really good run recently on new business and we're moving from strength to strength there, and we'll see that continue through the balance of the year.

We're going to continue to focus on improved gross margins, and those gross margins will flow through, obviously, with the addition of the Octacom acquisition. But importantly, as well as that base business stabilizes and starts to grow, and we see better utilization of our assets, then that obviously naturally improves gross margin.

And then we've been improving mix quite considerably as well.

We're going to generate robust cash flow to support our debt reduction. And finally, if you look at that top box there: our main strategy — in addition to obviously driving that base business and that growth and continuing to build a better and bigger base business — is to fuel Octacom's growth by leveraging the DCM commercial reach and the supply chain that we've got. And our team is just there to assist Lee and his team on continuing to accelerate. And as I said, we're off to a very good start in the first four weeks.

I'll just close on this page, then we'll turn it over to Q&A.

Building momentum in the second half. Lots of new logos that we've won, a good healthy pipeline. We're seeing that market stabilize. Obviously, Octacom contributes to the quarter in quarter three. Strong cash flow and liquidity to fund growth.

And certainly well-positioned, as I said, to deliver this expanded IDP opportunity, and the operational discipline and profitable growth that we're committed to deliver. We're still committed, obviously, to that quarterly dividend program. And then we will continue, as we always have, to monitor any trade policy or tariffs or macro uncertainty.

We're not we're not having any headwinds right now with the recent announcement from south of border, but we'll continue to monitor that.

So that's the outlook, and we'll now turn it over to questions.

James Lorimer

Thanks, Richard. We'll now take questions from the audience. If you are joining through Teams, please use the raise your hand feature and we'll queue up questions. You may also submit questions through the chat bar. When called on, please unmute and introduce yourself before asking your question.

We have some questions here. Why don't we take Noel Atkinson, please?

Noel Atkinson

Hi guys, it's Noel Atkinson from Clarus Securities. Good morning, Richard and James, and welcome, Lee. Thanks for taking the questions. Okay, first off, just on Octacom, and the overall IDP division for DCM. Can you guys talk a little bit about what you've seen for momentum within that division so far in 2026?

Lee Berger

We really came into the deal on strength, and so our pipeline has been robust through the entire duration of 2026 to date, and continues to be rather robust. The DCM opportunity set that's coming in is really augmenting our pipeline, and we're working on how to scale our ability to manage that pipeline. And so that's where some of our focus has been, is A) educating the DCM team on the IDP solution set to help drive opportunities, and then B) to be able to intake, manage, and ultimately execute on those opportunities from the Octacom execution standpoint.

So I would say we've come in strong. We've continued to be strong. We're seeing substantial growth year over year in 2026 over 2025. With Octacom, we do have a fiscal year change. And so we're moving from a May fiscal year to a December fiscal year as we join the DCM team. And so we're working through sort of syncing up all of our KPIs to be able to report that in a way that's valuable to you.

Noel Atkinson

Great. And in terms of building the sales funnel — and this is both for the DCM guys and for Lee on the Octacom side: Have you been building your sales funnel? Has it been, you know, you've been outbound marketing through your sales teams, or has it been inbounds and go pursue RFPs?

Maybe I'll talk first from the from the Octacom side pre-DCM. The vast majority of Octacom's business has come through what I'll call inbounds — a combination of quite literally inbound into the website from content that we have out there from RFPs and from referrals.

So those have really been the core drivers of the Octacom pipeline historically. We have had a, candidly, little to no outbound targeted effort historically. And that was a function of our lack of scaling our commercial go-to-market team, and one of the reasons for this particular partnership — for us believing that there's a tremendous amount of upside here.

So yeah, Noel, I'd say it's largely been inbound from the Octacom side. There are certain pockets, certain industries, certain use cases where we've had some marked success. And in those scenarios, we do build a bit of a consultant network for referrals. And at times we have done outbound campaigns, but we're talking incredibly sparse.

And so this is a lot of the value-add that is currently being actioned from the DCM side to help augment that funnel.

Richard Kellam

Maybe just building on that, the first thing we did as well, Noel and shareholders is, as I said, IDP is not new to DCM. We had a leader that was actually reporting directly to me, Andrew Varga, who is our IDP subject matter expert and commercial leader. First thing we did was put him directly into Lee and Lee's team. So we have that conduit now between — call them the DCM commercial team and the Octacom team. So that's already been implemented.

We didn't come with an empty funnel either, right? So Andrew was working on a pretty active funnel for the last several months, or actually over the last year. So that funnel is now part of the Octacom world. And then we're just actually preparing for all the marketing optimization and outbound programming. So we've got the marketing team working on that, so you'll see a lot of activity as we progress into quarter three, and certainly in September, October, you'll see a lot of activity.

If you actually Googled intelligent document processing, you'll see that DCM comes up ranked as #1 or #2. And we're much smaller than Octacom, right? So we know how to optimize and drive marketing optimization.

So you'll see that all shift to the Octacom world. And I said, the marketing team is very active on that right now.

Noel Atkinson

Great. And then just lastly for me, going back to the printing segment, can you guys talk a little bit about how the revenue activity progressed through the quarter? Were you seeing improved momentum as you got through Q2?

James Lorimer

Yeah, I'd say generally through the second quarter, Noel, we were tracking quite well. We had a bit of a blip in one of the months, but overall I'd say we were tracking well, and early stages, but optimistic about Q3 and the balance of the year.

As Richard mentioned, the new logo value and number of opportunities is helping contribute to that. It seems to have accelerated this year compared to last year. And some of the vertical markets that were a challenge last year have shown some improvements. We talked about that in our MD&A. So particularly manufacturing, lottery, and a couple of others.

And then other vertical markets largely stabilized and have a positive outlook for the balance of the year. The one vertical that has been a little bit tougher for us is the financial services market, but we're hard at work in that market. And as you can imagine, a lot of the IDP opportunities that we had in our pipeline — DCM alone — were in the financial services market. So we're optimistic there that we'll have good conversion rates.

Noel Atkinson

Okay, great. All right. Thanks very much.

James Lorimer

Thanks Noel. Next question we have is from Daniel Rosenberg at Paradigm.

Richard Kellam

Morning, Daniel.

Daniel Rosenberg

Hi, good morning, guys. Thanks for taking my question. My first one goes to Richard and Lee. I'm curious about the roadmap for integration. Are there any milestones, key targets that you guys are hoping to achieve? Is there much work on the integration front? So just any colour there.

Richard Kellam

Yeah, maybe I'll just kick that off and then turn it over to Lee. To be clear, Octacom is a division of DCM, so we're not physically integrating Octacom into the DCM world for obvious reasons, right? They're a rocket ship in terms of growth. We just want to help fuel the growth and provide the services — commercial services, supply chain services, the financial services, HR services that we have at DCM into the Octacom organization. And then a lot of those will be shared services as opposed to embedded services.

Lee Berger

Yeah, I think that's spot on — and good to meet you, first of all. We really are looking at a few specific shared services. Some elements include infrastructure and security — IT infrastructure and security, and finance are the two biggest bang areas to help alleviate some of our bottlenecks and allow us to focus on the commercial side of the equation.

But that's probably all that's worth noting at this point. Quite candidly, we continue to operate independently. There's a lot of collaboration going on across the organization. If we want to call that integration, we can, but it's very much collaboration and supporting the Octacom team and continuing to hit certain internal milestones and revenue milestones that we have set for ourselves.

Richard Kellam

I would just add this is very different than the Moore Canada Corporation acquisition, which was really a synergy deal. And it was direct integration. We consolidated 4 facilities, had to bring a sales force together, had to bring two ERP solutions together. So a massive amount of integration, and also a massive amount of disruption to the business as well, as we went through that heavy integration process.

So none of that obviously happening on the Octacom side — we're just there to fuel and help Lee and his team accelerate their growth agenda.

Daniel Rosenberg

Thanks for that. And then just turning to the sales cycle at Octacom, I was curious about what the lead times look like, from an introduction to a customer, standing them up. Obviously, there's a various amount of solutions, but specifically generalized. And then I was a bit surprised to hear that a lot of it came from inbound referrals. So I was curious, how does that come about? You know, the customer or other customers? Is there some network effects in terms of what you're doing? If you could speak to that, please.

Lee Berger

Yeah, sure. Maybe I'll speak to that first. These are highly embedded solutions is to a large extent. About 90% of our revenue comes from what we call day-forward services. So highly embedded, typically technically integrated solutions with our clients, and we become relied upon as an integrated partner to our clients under our service model. And so, from a referral standpoint, we do see a tremendous amount of referrals, whether it's folks that have left one company and moved to another and given us a call to say, "Hey, you've done a good job with us at the last organization — here's the problems that we're having. Can you help us?"

It's also the fact that some use cases are pretty particular, I would say. And so as the prospect is is poking around for vendors that may be able to support them, oftentimes, they'll find some of our content online, perhaps ask around about us, and then give us a call.

So yeah, when when I talk inbound, I'm genuinely talking: We're filling a need that exists — in a particular use case, we're identified, and then there's outreach that occurs. I don't want to under weigh though — there is RFP activity; those are public boards generally — we're often invited to different bids, but often from a government standpoint, there's often boards that that these bids are posted on.

We do attend conferences as well, and we've seen opportunity flow open from conferences and networking and so forth.

That hopefully gives you gives you a flavour for when I talk inbound, I'm really just excluding targeted outbound — you know, pick up the phone and call or email campaigns. That's not the type of activity that we've pursued historically. It's usually been a use case-driven or divisional specific driven entry point. And we do have a little bit of a land-and-expand opportunity that we've opened up over the years. And once we're in large enterprise A with department A, oftentimes there's opportunities to broaden what we do to other departments within the organization that are also struggling with document-intensive process and challenges.

If you don't mind just repeating the first part of the question, that would be great.

Daniel Rosenberg

I think you kind of covered it, but just it was the sales function, from first introduction to completing itself.

Lee Berger

Oh, got it. Yeah, apologies. Yeah, it varies, so I'll generalize. On the government side, we see anywhere between 6 and 18 months. On the enterprise side, we see anywhere between really the quickest to revenue post-implementation is two to three months, and at times that can extend to 9 to 12 months.

So that hopefully gives you a general sense that a lot of the work that we're doing now with the DCM team is obviously: There was an existing pipeline, we're fostering that pipeline and that will turn to revenue quicker because those opportunities are chunky and have been in the works for some time already.

But we do anticipate more of those opportunities — the cross-sell opportunities crystallizing at a later point. I don't believe that we'll see revenue coming from those opportunities in this calendar year.

And so it just gives you a sense with the time to revenue that I mentioned a few moments ago, and the pipeline that did exist, as to what the next quarter or two should look like.

Daniel Rosenberg

Makes sense. Thanks for that. And last question: I was curious about overall for DCM. I know you spoke to gross profit margin likely improving here in the near term, but balancing that idea of cross-sell and the impacts on the bottom line, any thoughts, whether, just directionally, somewhat timing on when, how that margin profile looks like as a combined entity on an EBITDA basis, whether it be next year or what have you, and then I'll pass the line. Thank you.

James Lorimer

Sure. I think as you'll recall, typically the third quarter is a quieter quarter for us. With some of the growth profiles, we see that moderating and returning to a bit of growth compared to last year. We just in our natural business see — I'd call it maybe modest margin improvement. But we'll have almost three months of the Octacom acquisition when we report Q3 included in that. And their gross profit margins and EBITDA margins are a fair bit higher than ours, Daniel. So we will start to see a little bit of benefit from that.

And then I'd say particularly as we get into the fourth quarter, which tends to be a bit stronger quarter for us anyways, Octacom doesn't really have the same kind of seasonality just given their growth profile. They're growing every year and don't quite have the — they don't seem, at least at this point, to have the kind of seasonality that we've historically had.

So, we'll really see some of the improvements probably with the benefit of some of these bigger cross-selling opportunities — given the sales cycle and onboarding, I would really expect to see those in the first half of 2027.

Daniel Rosenberg

Thanks for taking my questions.

James Lorimer

Thanks, Daniel. Next question is from Chris Thompson at eResearch.

Chris Thompson

Can you hear me now?

James Lorimer

Yeah. Hey, Chris.

Chris Thompson

Hey, thanks. I'm Chris Thompson from eResearch. Thanks for taking my call. Just wanted to ask you a question about the restructuring and acquisition costs. You had about $2.3 million in the first half of the year and about $1.3 of restructuring and about $1.3 in this quarter. How does this go forward for the rest of the year?

James Lorimer

From a restructuring perspective, Chris, we'll see that come down in the second half of the year. Really, some of that was a little bit of the echo from the Moore Canada acquisition as we got the benefit of further systems alignment and finance-team alignment and some other fine-tuning. The acquisition and integration costs you saw in the second quarter were related to the Octacom acquisition. So pre-closing costs, legal and advisors. So we'll see a little bit more of that in the third quarter, and then we're not expecting any restructuring charges at all from the Octacom acquisition, as Richard described earlier. This is really an opportunity for growth as opposed to synergies. So, we're not expecting any restructuring charges from the Octacom acquisition itself, and the DCM charges are largely done.

Chris Thompson

Okay, great. My second question is, can you just review your capital allocation strategies for the rest of the year, considering you have a much larger debt load, and I'm assuming you're going to keep the dividend going forward, and also how you're going to factor in your debt covenants.

James Lorimer

Yeah, sure. Good question. From a capital allocation perspective, our priority is twofold. One, continuing the dividend that we have. And secondly, paying down debt. We put a new credit facility in place, which I think you've seen the details on.

We're within the kind of debt to EBITDA and fixed charge coverage ratios for that. Given the kind of nice, free cash-flow generating position that not only DCM is in, but also that Octacom is in, we expect to see our debt to EBITDA decline nicely over the next year to year and a half, to levels before the acquisition.

So we expect to see that debt repayments are going to be a real priority. We're going to focus less on M&A, particularly in the traditional print space. We're still seeing lots of interesting opportunities, but I'd say at this point, our real focus is continuing to build out and support the IDP business here and also continue to feed or harvest the traditional DCM business.

Chris Thompson

Great, thanks. My last question is about your tech side, and I guess it's going to be really impacted by the acquisition. But although it was kind of up year over year, it was sort of down quarter over quarter — how much of that is seasonality, and then how much of the focus is really going to be on the acquisition when it comes to your tech plan?

James Lorimer

Yeah, there was some seasonality in that. A large proportion of what we report is tech-enabled services related to programming services. And last year, some of those services continued in the second quarter. They're typically largely focused on the first quarter of the year, but they do happen throughout the year. And sometimes things happen a little bit earlier — let's say in the fourth quarter compared to the first quarter; a little bit later in the second quarter as opposed to the first quarter. So that's really largely due to that, Chris.

And yes, going forward, we expect to report the Octacom results in that tech-enabled services bundle, so you should see an increase in that segment.

Chris Thompson

That's it for all of my questions. Thanks for your time.

Richard Kellam

Thanks Chris.

James Lorimer

We have no further questions. Did you have any closing comments?

Richard Kellam

No. My closing comments: Thank you to our shareholders. Thanks for listening today. We certainly appreciate your support and commitment. You can hear that we're very excited about the Octacom acquisition. Great company that Lee and his team have built. Tremendous success. So thank you, Lee. And we're just there to fuel growth. As I said, we're starting to see stabilization in our core business, in our base business. So we're going to leverage that from a client perspective to drive leads and to help Lee continue accelerate the growth of IDP.

I'd also like to thank the DCM associates and our new associates from Octacom. Thank you for a good solid quarter. We look forward to continuing the progress through the balance of the year.

And I would say that, in summary, we're only getting started. We're four weeks in, and we're only getting started, and we're looking forward to reporting the success of quarter three to shareholders a few months from now. Thank you.

James Lorimer

Thanks, Richard. This concludes the Q&A portion of today's call. Thank you, everyone, for joining us and for your continued interest in DCM. As a reminder, Richard and I can be available after the call for any follow-up questions. And this concludes our call. Have a great day.