

ALYAF Earnings Call Transcript

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Quarter: 2

Operator: Good morning, ladies and gentlemen, and welcome to the Alithya's Second Quarter Fiscal 2025 Results Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, November 14, 2024. I would now like to turn the conference over to Alithya Management. Please go ahead.

Benjamin Cerantola: Thank you. Good morning and thank you once again for joining us for Alithya's second quarter fiscal 2025 results conference call. The press release and MD&A; with complete financial statements and related notes were issued this morning and are now posted on our website. The webcast presentation can also be found on our website in the Investors section. Please be advised that this call will contain statements that are forward-looking and which are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These statements include, without limitation our estimates, plans, expectations, and other statements regarding the future growth, results of operations, performance, and business prospects of Alithya that do not exclusively relate to historical facts. These statements can also refer to future events, including those regarding our expectation of our clients' demands for our services, our ability to take advantage of business opportunities to leverage our service offering IP, AI and expertise to meet clients' needs, to stand out, and excel in a competitive market and to meet our goals set in our 3-year strategic plan as well as our ability to deploy our smart-shoring capability. For more information, please refer to the cautionary note in our presentation and to the forward-looking statements and risks and uncertainties section of our MD&A; available on our website. All figures discussed on today's call are in Canadian dollars unless otherwise stated and we may refer to certain indicators that are non-IFRS measures. Please refer to the cautionary note in our presentation and to the non-IFRS and other financial measures section of our MD&A; for more detail. Presenting this morning are Paul Raymond, Alithya's President and Chief Executive Officer; Bernard Dockrill, Chief Operating Officer; and Debbie Di Gregorio, Interim Chief Financial Officer. I will now turn the call over to Paul. Paul?

Paul Raymond: Thank you, Benjamin. Good morning, everyone, and thank you for joining us today. I'd like to begin by highlighting three notable achievements from the second quarter of our fiscal 2025 year. I will then turn things over to Bernard to bring down the specifics of our operational performance, followed by Debbie to cover some of the financial highlights. First, I want to commend our team for the continued improvement in our profitability and for delivering a double-digit adjusted EBITDA increase. This was done in a difficult economic environment for discretionary technology spending, and given our current client base and type of work, you could say that most of our strategic and critical projects would fall in the discretionary spending category. When we take a closer look at our large digital transformation projects, once they get started, we know they seldom stop, and we deliver on our promises, which is reflected in the excellent scores we receive on our client satisfaction surveys, which contribute to our high value reputation and future work. However, because of the current economic environment, newer projects, especially the large ones are much slower to kickoff, and this impacts our quarterly bookings. As a reminder, while we stay focused on moving opportunities down our funnel on a daily basis, our trailing 12 months' booking and total backlog are better measures of our future success. So despite the economic environment and seasonally soft summer months, we have delivered

year-over-year growth in all areas of the business, except within our Quebec client base, and our backlog is strong. Furthermore, we have significantly improved our adjusted net earnings, which amounted to CAD 5.3 million in Q2, an increase of CAD 5 million year-over-year. This is the result of our team's continued focus on reductions in SG&A; expenses and higher value services mix. As we continue to deleverage and due diligently manage our net cash from operating activities, we are better positioned to address acquisition opportunities that may present themselves. Second, our gross margin as a percentage of revenue increased again year-over-year. This achievement was fueled by increasing demand for Alithya's higher margin services, improved utilization of our workforce, and continued smart shore progress. And third, despite growth challenges with a handful of clients in Quebec, we saw continued share gain across many of our business lines, particularly in the Canadian renewable energy sector as well as in our Oracle and Microsoft implementations. We continue to grow and solidify our partnerships with industry-leading technology providers, and as we gain greater traction in higher-margin segments, Alithya's reputation as a trusted advisor with increasingly specialized expertise continues to grow. And on that note, I will now turn things over to Bernard to provide more details about our second-quarter operational performance. Bernard?

Bernard Dockrill : Thank you, Paul. Good morning, and thank you for joining our call today. Despite softer revenues in the second quarter, largely attributable to spending reductions at a handful of clients in Quebec, particularly in the financial services and public sectors, we maintained our focus on improving gross margins by strengthening billable utilization and leveraging smart shore capabilities, while providing more higher value offerings to our clients. Geographically, on a positive note for our Canadian-based activities, our legacy application modernization services position us well to take advantage of the growing demand in the market. Our partnership with AWS, specifically related to Blu Age and application modernization continues to deliver results and something that we are very excited about. Through our continued investment with our partner and commitment to developing industry-leading capabilities, Alithya has established itself as a trusted implementation partner for AWS Blu Age technology. The partnership has resulted in several projects with higher margins in Canada, particularly in mainframe modernization space, a rapidly growing market where we have developed a robust pipeline of opportunities. Blu Age is a specialized technology and Alithya is currently one of AWS's top partners in terms of certifications and specializations. Also in Canada, as demand for clean energy continues to rise, our revenues in this sector have increased as we see the demand for our specialized services increasing, supported by a pipeline of several opportunities in the various stages, particularly in operational technologies, cyber security, as well as control and digital systems, which has been refined over decades of engagement with key clients in the nuclear sector. Now let's take a look at the U.S. Revenues in the second quarter increased by 2.3% over the prior year because of organic growth from enterprise transformation initiatives in collaboration with our leading technology partners, including Microsoft and Oracle, and due to a favorable U.S. dollar exchange rate impact. We are pleased with our new bookings in the second quarter in the US where bookings exceeded 1x revenue for the quarter, reflecting strong demand and a healthy pipeline for our services. Specifically, we saw a strong demand for enterprise transformation, Microsoft Dynamics 365. Microsoft indicated in their last disclosure that they expect Dynamics 365 revenue growth to be in the mid to high teens, driven by continued growth across all workloads. Dynamics is an area where Alithya is well-positioned to capitalize on opportunities alongside Microsoft, leveraging our long history of successful business transformations and our industry specialization. For example, we are investing in our offerings related to Microsoft Dynamics 365 contact center, expanding our capabilities in line with long-term demand signals. Microsoft Dynamics 365 contact center is a Microsoft Copilot first contact center solution that delivers generative AI at every customer engagement channel. Also related to Dynamics, this time on the ERP side, Microsoft has purchased an Alithya-developed accelerator, Alithya EDGE, with the intention of integrating it into core Dynamics 365 process manufacturing and distribution functionality, specifically to address the U.S. Food and Drug Administration requirements. Microsoft has acquired IP from Alithya on several occasions incorporated into Dynamics 365, emphasizing the strength of our long-term collaborative partnership. Similarly, Alithya has licensed the Microsoft utility to assist clients in the automated migration of robotic process automation platforms or RPA to their Microsoft Power Automate platform. This utility is available on the Microsoft marketplace and is creating a pipeline of

new opportunities for Alithya as we seek lower-cost solutions for hyper-automation needs. On the Microsoft learning side, we also continue to assist our clients in improving their AI preparedness through our change enablement service offerings. In relation to our Oracle Cloud Transformation Services, our business continues to grow in line with the advancement of our industry diversification strategy as we see our pipeline of future opportunities in life sciences, manufacturing, financial services, and professional services increase. Additionally, we're seeing a positive trend in Oracle managed services demand where Alithya has gained credibility, including in respect to the expansion of our smart shore delivery centers. Multi-year managed services options are now included in many of our implementation proposals, and we continue to build a pipeline of standalone managed service opportunities. We also see increasingly exploring options as support for on-premise ERP platforms is phased out. We see this trend as a significant opportunity for Alithya to capitalize on growing demand for enterprise transformation and cloud migration expertise. Before I turn it over to Debbie, I would like to take the opportunity to recognize the Alithya team for their contributions to these efforts and continued focus on cost containment profitability to the challenging market conditions. With that, let me turn it over to Debbie.

Debbie Di Gregorio : Thank you, Bernard. Good morning, everyone, and thank you for joining us today. First, consolidated revenues came in at CAD 111.5 million a year-over-year decrease of 5.9% from CAD 118.5 million for the second quarter of fiscal 2024. Despite the current situation regarding our revenue performance, approximately 84% of Alithya's Q2 sales came from existing clients, which we had in Q2 of last year. It demonstrates a strong client relationships, trust, and satisfaction in Alithya's services, regardless of market trends. We are reporting another quarter of continued performance regarding gross margin as a percentage of revenues increasing to 30.6% up from 29.4% in Q2 of last year. As noted during our Investor Day presentations in September, our focus remains on improving gross margin by leveraging previously outlined initiatives and prioritizing high value offerings. From a geographic perspective, let's just start with Canada, where Bernard addressed some of the challenges we face in our Canadian business. Revenues decreased to CAD 59.6 million in Q2 or by 12.2% when compared year-over-year. However, when we look at our gross margin in Canada, we can see that compared to the same quarter last year, it increased. This is mainly due to higher billing rates and a proportionally larger decrease in the use of subcontractors compared to permanent employees. As were U.S. revenues increased by CAD 1.1 million or 2.3% to CAD 46.8 million in Q2 due primarily to organic growth in certain areas of our business, including a favorable U.S. dollar exchange rate impact of CAD 800,000 between the two periods. Our gross margin as a percentage of revenues decreased slightly compared to the same period last year due to decrease in software revenues, which historically have a higher gross margin. Our revenues from international operations also increased year-over-year. In fact, they increased eight, excuse me, 5.8% when compared to Q2 of fiscal 2024. Now looking at SG&A; expenses. We are consistently and carefully optimizing our cost structure to ensure efficiency and long-term performance. In the second quarter, SG&A; expenses amounted to CAD 25.9 million, a decrease of 13.6% year-over-year. The decrease is in large part due to reduced employee compensation expenses including variable compensation as well as the optimization of our cost structure to gain efficiencies. SG&A; expenses as a percentage of revenues came in at 23.2% in Q2 compared to 25.3% for the same period last year. Overall, thanks to the above performance on cost management, our second quarter adjusted EBITDA amounted to CAD 9.3 million, a 44% increase year-over-year. This is significantly higher than the same period last year when our revenues were notably higher. Again, this reflects our rigorous approach to not losing ground on the progress we've made in terms of operational performance, and it will position us well once we return to our higher historical revenue levels. As our adjusted net earnings came in at CAD 5.3 million representing an increase of CAD 5 million or CAD 0.05 per share year-over-year. I would point out that our accounting net loss of negative CAD 270,000 in Q2 improved significantly from negative CAD 9.2 million in the same period last year. Net cash generated by operations -- operating activities of CAD 3 million represented an increase of 117.3% year-over-year. As of September 30, 2024, when combined with other cash flow elements, this resulted in a total long-term debt reduction of CAD 8.4 million to CAD 109 million. Alithya's net debt decreased to CAD 97 million in Q2, down from CAD 109 million at the end of fiscal 2024, primarily as a result of the decrease in long-term debt, partially offset by an increase

in cash. Our goal is to continue deleveraging by diligently managing our net cash from operating activities in order to focus on debt reduction. Our deleveraging will provide for good positioning when the right acquisition opportunity presents itself. With that, I'll pass it back to Paul.

Paul Raymond: Thank you, Debbie. Before jumping to questions, I'd just like to take this opportunity to thank Debbie for her commitment and support over the past few months as our Interim CFO. She's kept us on the right path and helped position the team for the arrival of our new CFO, Nicolas Lavoie. As announced this morning, Nicolas will join us starting December 9. Nicolas brings a wide range of experience in leadership roles focused on strategic transformation, operational excellence, and accelerating growth through M&A.; I look forward to having the opportunity to discuss Alithya's performance with him and I will now turn to questions.

Operator: Thank you so much. We will now begin the question-and-answer session [Operator Instructions] And our first question comes from the line of Gavin Fairweather of Cormark Securities. Please ask your question.

Graham Smith: Hi guys, this is Graham Smith on for Gavin. The first thing I just wanted to ask about was on Quebec. Could you just guys just give a bit more color on what you're seeing in the pipeline so far in Q4? Any color on that would be appreciated.

Bernard Dockrill: Yes, thanks Graham for the question. As I did mention on that, we did see kind of continue from last quarter, the slow bookings in Quebec, but as I did highlight on the AWS and what we're seeing is some larger transformation stuff. So the pipeline that's a lot of those deals are in the Quebec market. So I would say the pipeline remains where we expected it to be. Just the deals are taking a little longer to get to closure.

Graham Smith: That's great. Thanks. And then just on the offshore mix in the quarter, can you just kind of describe how that's progressing in terms of like, the cadence of it? What's the kind of the outlook of that? That'd be helpful.

Paul Raymond : Yes, thanks, Graham. Smartchoice continues to be a key focus point for us. With the limited growth, it gets a little more difficult to move stuff to Smartchoice, but you've seen in some of the SG&A; reductions and whatnot, we continue to find opportunities to move more of our effort there. And as we look forward, as most of our proposals out the door now have a significant smart short component to them as well. So we do expect that'll continue to grow in quarters ahead.

Graham Smith : Great, thanks. And just the last one for me the growth margin just kind of dip in the quarter, I know it's a summer quarter, but maybe you can just kind of discuss a bit more in detail where utilization was versus kind of targets and maybe any more kind of detail on changes in capacity that you guys are considering.

Bernard Dockrill : Yes. You hit it on it with the summer months having a little bit lower utilization with vacation, and we do see opportunities, we look at the next quarter, again, another quarter of vacation period with the December holidays, and November year in the U.S., but we do see the opportunities to continue to improve our utilization targets as well.

Operator: Thank you so much. And our next question comes from the line of Rob Goff of Ventum. Your line is now open.

Rob Goff : Perhaps a follow-up question on the Quebec outlook. Could you talk to where you see or when you see stabilization or potentially a return to year-on-year or Q-on-Q growth?

Bernard Dockrill : Yes, great question, Rob. This is an area where I said that the pipeline's still there. Our win rates haven't really changed. So it's not that we're losing deals, it's just the deals have taken longer to close. We continue, and also we mentioned that our -- in our analyst call, back in September as well, as we change our mix of services, the deals we're going after are larger deals. Just by nature, these larger deals are more complex. There's more buyers involved in the decision-making on the clients, and they do take a little longer to close. But the 740 pipeline remains healthy. And we do see that, you know, as the market starts changing, we will return to growth in Quebec.

Rob Goff: Very good. And perhaps if you could turn to South of the Border, can you talk to how you see momentum in the U.S. revenues? Like it was it's very notable that you're recording year-on-year growth, but do you see that potentially accelerating as we look forward?

Bernard Dockrill: Yes. So our strategy remains, we're really focused on the higher mix work. So mid business transformation. We've got very strong relationship with our partners. We talked about the

industry first strategy we have, and I'll refer back to what I talked about in the Oracle Cloud. We put in place, in our last planning cycle, industry diversification strategy and we've seen some really good progress building up our pipeline and some new industries. Typically, we were very focused on the healthcare space, but we've been able to move into life science and manufacturing professional services, some financial services. So we're seeing that growth and then as well in the enterprise transformation, as companies are starting to get back into some discretionary spending, we saw it in the Microsoft Dynamics space in the last quarter. Those deals are starting to come and then we're seeing signature on those deals and our win rates are very positive there as well. Also, I talked about the customer contact center with Microsoft. This is a new area where Microsoft has made some recent investments and we're investing alongside them and our capabilities to capitalize on those opportunities. So I do see as the market changes and more discretionary spending is freed up, we will continue to see growth in those markets.

Operator: Thank you so much. And our next question comes from the line of Jerome Dubrow of Desjardins. Your line is now open.

Jerome Dubrow: I got a few as well. The first one is on the Copilot implementation. I'd like to know where we are in terms of the roadmap, maybe the ramp up of interest. Are we just only talking about pilot projects or are we seeing actual implementation? And if you can talk about maybe the kind of early appetite and whether this could spur an inflection in demand?

Bernard Dockrill: Yes. I think when we look at AI in general, generative AI, in addition to just Copilot. These are the things that are embedded in other deals. It's not specifically just an AI opportunity. So when we talk about the Microsoft contact center, it's really based on a Copilot for a strategy for Microsoft. So AI is embedded in the solutions and a lot of our, I refer back to what we talked about our product development. We talked about on our analyst call Investor Day back in September in our product development, embedding more AI into our products, and that's creating more revenue opportunities for us versus discrete AI opportunities. I'm not sure, Paul, if you have anything else that you want to add on that.

Paul Raymond: I think that's a great way to put it, Jerome. It's more and more part of everything that we do than specific individual AI initiatives.

Jerome Dubrow: Thanks. Second I have -- is I'm wondering if there's a link between the lower SG&A; that we're seeing in the quarter and the slower bookings. In other words, are there less investments being made in sales right now and we could be seeing an impact on SG&A; when things start picking up again or that's not the right way to think about it and the improvement is there to stay?

Bernard Dockrill: No, the SG&A; improvements is not coming from reductions in sales and business development. If anything, we're doubling down in certain areas there. It's more in our operational efficiencies and other areas of the business.

Jerome Dubrow: And last one for me, wonder if you can talk a little more about your nuclear business. That's been a topic that's been picking up interest in capital markets. So wondering if you can maybe discuss your exposure, and how do you see growth in that particular segment evolve in the coming quarters?

Paul Raymond : Yes, so the revenue growth this quarter may recall we discussed a fairly large booking we had last in Q1. So we're seeing the benefits of that and the revenue side there. But again talking the pipeline where we're seeing some investments specifically in Canada where we have our focus is in Ontario and then we've seen a strong pipeline growth in that space. I do believe there's also opportunities in other geographies in which we operate. That's it's kind of white space for us where we'll see how we can kind of pivot into those places south of the border where there are some investments in the SMR technology around nuclear, where we've kind of set ourselves apart in the Ontario market. So some opportunity there. I wouldn't say there's anything right now south of the border or anything like that's driving a lot of pipeline that's really in Canada where we're seeing the growth right now.

Operator: Thank you so much. And our next question comes from the line of John Shao of National Bank. Your line is now open.

John Shao : I just have a quick similar question to Rob regarding your U.S. market, and based on the customer verticals you have now market any impact to your business from the election results? It seems like the new administration is going to cut down the government spending. So is the government

vertical a big one for you in the U.S.?

Paul Raymond : Actually, that's one vertical where we have very, very small exposure to in the U.S. market. It's really in our digital adoption practice of business enablement where we have some very small contracts, most of our businesses in the commercial sector in the U.S. market.

John Shao : That's great to know. And could you also maybe elaborate a bit more on the high-margin services you mentioned that help to improve the quarter's profitability? So what is the nature that those services are they multi-year long-term contracts or short-term based?

Paul Raymond : Yes, great question. Again, we look to move away from some of the lower margin business, which was more the monetized consulting business into more of the enterprise transformation, business transformation, and managed services business. The enterprise transformations, they drive higher margins on higher bill rates. And of course, in the managed services where we can drive higher utilizations, more smart shore operations, we're able to drive higher margins there as well. So that's really kind of that mix of services and more and upmarket and the strategic consulting where we're helping our clients with their enterprise architecture and their road mapping on what to do, which also leads into more of that enterprise transformation and managed services work as we're leading them in the design phase if you will.

John Shao : Okay. Thanks. And last one for me is that, anyway it can help us to quantify the reduction in variable compensation this quarter, which is a modeling question.

Paul Raymond : I'm not sure the question I understand, John, what -- can you be more specific?

John Shao : Yes. Because in the prepared remarks, I think you guys mentioned SG&A; had saw a reduction in variable compensation as well as a optimization for efficiency gain. So could you help us to maybe break down the contribution, the relative contribution of the two drivers in dollar terms?

Paul Raymond: So, I'll let Debbie give you try to get a bit of visibility on what we can share, but most of it is tied to share-based compensation and the like, so.

Debbie Di Gregorio: Yes, tied to our share-based compensation, there's some variables in the commission and some other triggers that within the compensation, we kind of look at it more as a year-to-date and where we are on that and adjust accordingly within our records every quarter based on our view of the company's performance annually.

Paul Raymond: And some of it is tied to the reductions in commissions tied to reduction of sales, so kind of linear agenda.

Operator: Thank you so much. And our next question comes from the line of Divya Goyal of Scotiabank. Your line is now open.

Divya Goyal: Good morning, everyone. So building on to some of the questions that have already been asked, I have two here. One is, could you actually elaborate the nature of the discretionary work that you have done? And, I think in one of the questions you said you're seeing a slight uptick in the nature of the discretionary work. Could you help us understand what does it look like and what is the level of visibility that you have for the say coming quarters in the kind of work that you're signing on the -- for the discretionary basis?

Paul Raymond: So maybe I can give a little bit more color on that statement that I made, Divya. Great question, thank you. Most of the work that we do is discretionary to some degree. So when a client starts an ERP project, it usually takes several years to come to the decision to start it because it is a major endeavor that's going to impact the whole company and usually takes a few years. So, they have flexibility on when they start the project. Usually, they'll start it based on when they want to finish, which is tied to the end of the quarter or the end of the year or an integration of an acquisition or things like that. So they have some flexibility on when they decide to do the work, which is why I say it's discretionary. Now by the same token, once they get started on these projects, they are critical and never stop or very seldom stop. So that's why we're seeing some delays in booking some of our larger projects. And, of course, as we're growing, if you look at the type of deals that we signed now versus 5 years ago, the deals are much larger. So we're seeing that right now in Quebec as larger projects finish, there's a delay in the start-up of the new projects. They will have to do them at some point, but we're seeing some delays on when to get them started. So that's why I don't know if that answers your question, but that's kind of what I meant by discretionary.

Divya Goyal: No, that's helpful. Obviously, that's a trend in the industry. I was wondering if there are a

lot of consulting engagements in the mix, and is that also causing some weakness in these bookings that you potentially historically saw, but are not seeing, reviving in the near-term?

Bernard Dockrill: On the consulting side, no. I think a lot of that beginning of the tougher market conditions where clients were able to Paul talked about with these larger projects, once they start, they go through fruition, they don't necessarily get stopped midterm, but some of the smaller consulting engagements, it's very easy for clients to tougher times to stop midstream, right, and end a smaller consulting agreement. So that was kind of early on. We saw in some of the market challenges. Now, those deals I think are still signing at the pace that they were before. I will say that our focus being on higher margin business there are some opportunities that we've walked away from because they don't hit our profile of what we want to achieve as far as our profitability.

Divya Goyal : That's helpful, but it does sound like your client base is going, so that's actually pretty good traction there. Just one question on the SG&A; front, and I know this, it's already like, it's been asked in variations here, but with respect to the sales reduction and the share comp reduction, are you potentially -- will you potentially have to rehire and is that something that will eventually pick up as the business picks up or would you be able to continue to sustain and manage with the existing workforce with increase in variable compensation going forward?

Paul Raymond : As just Divya -- as if I understand your question correctly. Right now, no we don't have to hire to pick up on the demand. Of course, as we continue to grow and the opportunity to grow, we will always be looking to expand in this area. But from where we are right now, it's not as if we, going back to my comment before, we didn't reduce our SG&A; around business development. If anything, we've found pockets where we see opportunities and we've further invested there. So I don't think that there's something we need to do around that area to accomplish our short-term goals, but also long-term, yeah, absolutely we will continue to grow in this area.

Operator: Thank you so much. And our next question comes from the line of Vincent Colicchio of Barrington Research. Your line is now open.

Vincent Colicchio : Yes, Paul. Last quarter, I believe the banking vertical was stable. Could you give us a sense more color on what happened this quarter and what the outlook would be?

Paul Raymond : And I imagine your question specifically around the Quebec market, is this where you're looking?

Vincent Colicchio : Excuse me?

Paul Raymond : Is it specifically to the bank sector in Quebec that you were referring to?

Vincent Colicchio: Yes, exactly.

Paul Raymond : I think, if we look back though, a year ago we had a very large transformation project with one client that came to an end, successful end and it's really still having to try to backfill that revenue that went away almost a year ago now in this market conditions that's been more of a challenge, and tied to some of these deals taking a little longer to get signature and get started. It's been a little slower recovery than we originally expected. But that's in Quebec, Vince, just to be clear, like Bernard said earlier, our bookings in the U.S. are solid. Same thing in Ontario and doing well, so it really talked to a handful of clients in Quebec.

Vincent Colicchio : And a question on the -- your acquisition pipeline, is it currently substantial? And how are valuations currently?

Paul Raymond : We have a very healthy funnel. Like I said, there's always three factors, right? The right acquisition at the right time for the right price. You're seeing the transactions in the market right now for larger companies. We've done very well in the past at finding niche highly profitable companies that play well into our platform and our mix of services. So, we are keeping our focus on that and you saw our balance sheet. We deleveraged over CAD 30 million over the last year. So, I think we're under 2.5x now in terms of our EBITDA, debt to EBITDA ratio. So, I think we have a very healthy balance sheet to keep our M&A; activities going. So, we're very satisfied with where the funnel is.

Operator: Thank you so much. And we have a follow-up question from Rob Goff of Ventum. Please ask your question.

Rob Goff: And thank you again. A bit more of a detailed modeling question perhaps. Are you finding any trending in accounts receivables or account payables as we look at your working capital?

Debbie Di Gregorio: No. I think we continue to generate cash from operations. If you look sequentially

over, we've reduced WIP to mouth. Those work in process in Q2 went into our accounts receivable and they'll be collected within the normal course of business. So, we do keep an eye on that, and we do maximize the cash from operations and just do diligent work on that front.

Paul Raymond: No, I think, Rob, if you look at the balance sheet, you'll see that in the past year, quarter-over-quarter, we've done a great job. The team has done a great job at making sure we're collecting on time, our DSO is low and we're deleveraged.

Operator: Thank you so much. And presenters, there are no further questions at this time. I would now like to turn the call to Paul for closing remarks.

Paul Raymond: Thanks, Lamie. Thank you very much everybody for joining us today and looking forward to talking in the near future.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating and you may now disconnect. Have a good day.