

Calian Group Ltd. (Q3 2024 Earnings)
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Corporate Speakers

- Jennifer McCaughey; Calian Group Ltd.; Director of Investor Relations
- Kevin Ford; Calian Group Ltd.; Chief Executive Officer
- Patrick Houston; Calian Group Ltd.; Chief Financial Officer

Participants

- Benoit Poirier; Desjardins Capital Markets; Analyst
- Tanvi Gabriel; Ventum; Analyst
- Sam Schmidt; CIBC; Analyst

PRESENTATION

Operator^ Good day. And welcome to the Calian Group Third Quarter 2024 Earnings Conference Call. (Operator Instructions)

As a reminder, this call may be recorded.

I would now like to turn the call over to Jennifer McCaughey, Director of Investor Relations.

Jennifer McCaughey^ Thank you, Michelle. And good morning, everyone. Thank you for joining us for Calian's Q3 2024 Conference Call. Presenting this morning are Kevin Ford, Chief Executive Officer; and Patrick Houston, Chief Financial Officer. They will present financial highlights on our consolidated performance and key business highlights.

As noted on Slide 2, please be advised that certain information discussed today is forward-looking and subject to important risks and uncertainties.

The results predicted in these statements may be materially different from actual results.

As a reminder, all amounts are expressed in Canadian dollars, except as otherwise specified. With that, let me turn the call over to Kevin.

Kevin Ford^ Thank you, Jennifer. And good morning, everyone.

Before we get on to the business of our third quarter results, I want to give you an update on our progress to reach our three-year plan objectives.

For those of you who joined us at our last Investor Day, you'll recall we laid out an ambitious target to grow revenues 50% over the next three years and double our EBITDA.

Not only would this get this to the \$1 billion level, but would position Calian to take advantage of greater scale and establish as leaders in all that we do in Canada, the United States and Europe.

We don't take these objectives lightly.

We have delivered and surpassed in the last two-, three-year plans we put in place and our plan is to do the same here again.

Our diverse business with strong proven fundamentals will be the tailwind that will propel us to this target.

So how are we tracking? We are delivering organic growth in line with our estimates and our M&A efforts are going faster than anticipated.

I will provide some more color on our progress at the end of the call.

Now let's turn to our recent quarter.

We reported record results for the third quarter with revenues, gross profit and adjusted EBITDA up year-over-year. Revenues were up 11%, with all segments contributing to the growth, particularly our Health and Advanced Tech, which demonstrated double-digit growth.

In terms of profitability, gross profit was up 21% and adjusted EBITDA was up 22%, with their respective margins all up year-over-year. Again, this quarter, profitability growth surpassed top line growth, a testament to the strength of our business model, a pivot to higher-margin businesses and the successful start of our three-year strategic plan.

We completed the strategic acquisition of Mabway, expanding our military training and simulation solutions globally, signed and acquired new contracts valued at over \$300 million, growing our backlog to \$1.2 billion and furthered our innovation agenda, more specifically in our GNSS Corolar Virtual Care and our exercise management tool for global military training. Turning briefly to our segments.

We had two segments this quarter that demonstrated double-digit revenue and EBITDA growth, advanced tech and health. Advance Tech revenues were up 17% and EBITDA was up an amazing 47%. These results reflect the strong performance from our acquisitions of Hawaii Pacific Teleport and nuclear assets from MDA or inorganically our transition to increased product revenue.

You may have noticed that recently, we increased our product catalog with the addition of the dedicated DOCSIS test products from Rohde and Schwarz.

Similarly, health revenues and EBITDA were both up 14%, all from organic sources. Health continued its growth momentum and it's the second highest revenue since the peak of COVID.

It is now officially on a \$200 million revenue run rate with our past four quarters above \$50 million. Despite these strong results, we did encounter some temporary headwinds in the quarter in two of our other segments.

First, as we mentioned last quarter, the Canadian government had announced increases in defense spending for the long term with an objective of spending 2% of GDP by 2030, which should be positive for Calian in the long run.

But in the short term, they're actually asking the Canadian forces to deliver short-term reductions in certain areas as they allocate budget to other economic initiatives.

As of last quarter, it was difficult to forecast the timing and magnitude of any impact on Calian.

In June, we began to see some reductions in activity. And despite winning new contracts, the ramping up of those activities has been significantly slower than in our past experience.

So far, we have seen impacts on our ITCS and Advanced Tech segments and more significant impacts on our earnings segment, our health services have not been affected.

We expect some of these short-term reductions to continue to impact us in Q4 while we work with the customer to realign their capacity to their mission-critical needs.

We have been a trusted vendor of the Canadian versus forces for over 20 years and have managed demand variability in these long-term contracts.

In our experience, while there can be a reallocation of demand from quarter-to-quarter, we expect the majority of the services over the length of the contracts.

As a result, we see this as a timing issue, nothing more.

What we provide the Canadian forces are critical solutions and services needed to generate broad force capabilities and the demand on the men and women of the military are only increasing due to global uncertainties.

Our efforts to diversify our business into Europe will help offset some of the short-term domestic environment.

Our European and U.K. military training operations performed well in the quarter, and my recent visits to the region have only reinforced my conclusions that the urgency in Europe is significantly greater than here in Canada.

I also want to briefly comment on the ITCS performance as looking at the results at face value mainly to misinterpretations.

ITCS was impacted by a few external factors and internal factors in this quarter.

First, the macro environment is characterized as the elongated procurement sale cycles and lower government spending.

Second, we've made the decision to increase investments as Mike Trombley is positioning this segment for the future. And third and most importantly, the quarter variability.

We thought at ITCS had a very high EBITDA in Q2 at \$12 million as a result of a pull forward from Q3 and the decisive seasonality.

When you take quarter variability of the equation, on a year-to-date basis, ITCS revenues were up 19% and EBITDA is up 25%.

In the face of a broader slowdown, our business is maintaining its position and ready to capitalize on the initiatives we began putting in place. To conclude, despite some short-term headwinds, we remain on track to deliver our seventh consecutive year of double-digit revenue growth and one step closer rejective of reaching \$1 billion in revenue by the end of FY '26.

Now I'll turn the call over to Patrick to discuss consolidated results and guidance for FY '24.

Over to you, Patrick.

Patrick Houston^ Thank you, Kevin. And good morning. Q3 revenues increased 11% to \$185 million. This represents the highest third quarter revenue in the company's history. Acquisitive growth was 11% was generated by strong performance from Hawaii Pacific Teleport decisive the nuclear assets acquired from MDA and about half a quarter from Mabway.

Organic growth was flat as strong double-digit growth from Health was offset by declines in the three other segments.

On a year-to-date basis, organic growth stands at 5%, in line with our three-year client objectives. Gross margin reached 33.4%.

It represents the ninth straight quarter above 30%. This consistent performance demonstrates we can sustain plus 30% gross margins going forward. Adjusted EBITDA increased 22% to \$17.7 million, driven by higher margin contribution from acquisitions,

revenue growth across all segments as well as progress to expand geographically and increase share of product revenues.

Adjusted EBITDA margins reached 9.5%, up from 8.7% last year.

On a year-to-date basis, adjusted EBITDA stood at \$63 million. This almost eclipses the EBITDA of all of last year and adjusted EBITDA margin stands at 11.1%.

In Q3, we signed and acquired \$317 million in gross new contracts, translating into a book-to-bill ratio of 1.7.

We call it in our business, long-term contracts folly to fleet every quarter, when we renew, extend or sign additional long-term contracts such as this quarter with our defense health contract and the U.K. government to Mabway, we got a cycle of boosted backlog.

In fact, we ended the quarter with a backlog of \$1.2 billion, positioning us well for the remainder of the year and into FY '25. Net profit in Q3 decreased to \$1.3 million or \$0.11 per diluted share compared to \$4.7 million or \$0.40 per share for the same period last year. The decrease was mainly explained by higher amortization and interest expenses related to acquisitions. This was partially offset by higher adjusted EBITDA and lower income tax expenses.

As a reminder, the acquisition-related expenses including amortization, in compensation and change in fair value related to earn-outs are all noncash, we typically amortize these costs over the first five years after the acquisition made, making (inaudible) greater than immediate years following the acquisition.

We generated cash flow from operations of \$14 million in Q3, up from \$3 million from last year.

We recaptured close to \$0.5 million of working capital in the quarter, while we used working capital in Q3 of last year.

As expected, our working capital performance reversed from Q2 but remain positive as we monitor it very closely.

As a result, for the total year, we expect working capital will be positive.

It's worth mentioning that our long-term efforts to find more working capital efficiency as we grow is working.

We've been able to reduce the percentage of working capital consistently over the last four years.

In FY '20, it stood at 21% of revenue, as of last year, it was down to 14%, and this quarter, it reduced further to 8%.

Operating free cash flow stood at \$10 million or \$0.84 per share in Q3 and represented a 57% conversion rate from adjusted EBITDA. The conversion rate was lower than our target in Q3, primarily due to higher CapEx generated by onetime IS infrastructure projects.

Year-to-date, we generated \$42 million of operating free cash flow or \$3.55 per share versus \$34 million or \$2.92 per share for the same period last year. After nine months, we've generated over 90% of the free cash flow of all of last year in our conversion rate and at 67%, in line with our targets.

In the third quarter, we invested in our business with the acquisition of Mabway in the U.K. for a net cash outflow of \$30 million. Year-to-date, we've invested \$88 million in acquisitions.

We also made CapEx investments of \$4 million, 3 million of this was due to infrastructure upgrade at decisive this onetime project, our CapEx levels have remained stable despite a significant increase in the size of our business over the last few years.

We also provided a return to shareholders in the form of dividends.

We paid dividends of \$3 million or \$0.28 per share, representing a 33% of operating free cash flow.

On a TTM basis, dividend represents 25% of operating free cash flows in line with our target.

In addition, after a short pause in Q2, we reinstated our share buyback program in Q3.

We purchased 26,600 shares for a total consideration of \$1.5 million. With our current NCIB coming due at the end of August, our intention is to renew our share buyback program, subject to TSX approval. Let's take a look at the balance sheet and liquidity capacity. With our solid operating and working capital performance, our balance sheet and leverage position is in great shape.

As of June 30, we had drawn \$94 million on our debt facility.

During Q3, we drew an additional \$25 million on our facility to support our M&A agenda.

We ended the quarter with a net debt of \$48 million, representing a net debt to adjusted EBITDA ratio of 0.6x. This is still well below our target level of 2.5x meaning we have ample capacity on the balance sheet to complement our strong cash flow performance. Let's take a look at our guidance for FY '24. After raising our guidance last quarter, we are now anticipating being at the bottom end of the range, given short-term operating

budget reductions from the Canadian arm forces, which we expect will have an impact of close to \$4 million on EBITDA in the second half of the year.

As a reminder, our guidance calls for revenues in the range of \$750 million to \$810 million and EBITDA of \$86 million to \$92 million including approximately \$2 million of transaction costs related to three actions we announced this year. Recall that last quarter, we stated we got in the middle of the range around \$89 million. The reduction of our estimate is primarily due to recent budget reductions from the Canadian forces combined with elongated procurement cycles with the federal government.

At the bottom of the range, this guidance reflects revenue and adjusted EBITDA growth of 14% and 30%, respectively. Note that EBITDA growth is significantly outpacing revenue growth as we continue to expand into higher-margin businesses.

It also implies an adjusted EBITDA margin above 11%. This growth is driven for contributions from both our organic and acquisitive agendas. The acquisitions of HPT for 10 months, the CISR for 11 months, the nuclear assets of NDA for seven months and Mabway for 4.5 months represents double-digit acquisitive growth for FY '23 with organic growth in the single digits.

It would represent the seventh consecutive year of double-digit revenue growth. With this guidance, we're on track to achieve another record year in FY '24 are off to a great start to achieve our \$1 billion revenue target by the end of FY '20.

As a reminder, we are expecting to experience increased fluctuations in our quarterly results due to revenue mix, which is more highly used words products where the timing of deliveries come into play as well as commercial customers characterized by greater demand variability. This is by design as we roll out higher-margin solutions across all of our markets.

In addition, with the acceleration of our M&A agenda in the past few years, our business profile has changed as a result.

Our seasonality has evolved. Our busiest quarter is now Q2 due to Canadian government fiscal year-end, while Q1 and Q3 are the slowest due to timing of vacation periods, statutory holidays and the industry-specific cycles.

As always, we must caution that this guidance is ultimately dependent on the extended timing of future contract awards and customer realization of existing contract vehicles. The guidance also implies no major changes to current economic environment, additional or more extreme defense and spending cuts and supply chains as well as no major increases in interest rates and labor costs. Note that our guidance does not incorporate any additional M&A activity than those already mentioned. And should we close any new opportunities, their contributions would be incremental.

But in terms of capital deployment for the year, we expect to maintain our CapEx investments in the range of \$10 million to \$12 million and our current dividend at \$1.10 per share.

We also plan to use our share buyback program opportunistically during the balance of the year.

We believe this guidance reflects the resiliency in our business. And now I'll turn the call back over to Kevin for his closing remarks. Kevin?

Kevin Ford^ Thank you, Patrick.

As I mentioned at the start of this call we are running our business with a goal to reach our three-year objectives of growing revenues double digits and significantly increasing profitability.

For those new to the story, our strategic plan begins this year and ends in fiscal '26. And let me provide a quick summary.

We look to drive revenue growth through a combination of organic initiatives and acquisitions for a total CAGR of 15%.

This effectively translates into growing our top line by 50% and essentially doubling our adjusted EBITDA over a three-year period.

I think about bears repeating, we plan on doubling our adjusted EBITDA over three years from \$66 million to \$125 million.

We plan on achieving this by growing organically and deploying between \$250 million and \$300 million of capital for acquisitions aligned to our strategic plan, paying multiple between five and 8x and generating about \$230 million of revenues and \$39 million of EBITDA from those acquisitions. These acquisitions are expected to be funded through a combination of debt and internally generated operating free cash flow, and we estimate that we can convert about 70% of adjusted EBITDA into operating free cash flow during this period.

Finally, we plan to do all of this while maintaining a solid balance sheet with a net debt-to-EBITDA ratio below 2.5x.

The overarching objective of this plan is to build a multibillion-dollar sustainable growth company that is established in Canada, the U.S. and Europe. That offers differentiated products and services and value to customers' environments where they cannot fail. Certainly an ambitious plan, but I know we can do it in very uncertain times, I still believe the world needs more Calian. Let's see where we stand after nine months of our one 2026 strategy.

With regard to results, our plan called for 15% revenue growth per year, and we've generated 17% so far.

Our plan also called for essentially doubling EBITDA over three years or generating an additional \$60 million.

At the bottom of our guidance range, we provided \$20 million or a third of our objective after year 1, right on track with our three-year plan. Next, our M&A agenda. Year-to-date, we deployed close to \$90 million of capital towards acquisitions, which are expected to generate about \$90 million of EBITDA on an annualized basis.

After nine months, over a third of our capital has been deployed and close to half of our EBITDA objective has been reached. With this performance, we're actually ahead of pace on our M&A targets, and we've done this while maintaining a strong balance sheet and a very conservative leverage ratio. To conclude, we had a solid quarter and a reader paid to achieve our three-year strategic plan objectives with double-digit revenue enabled growth after year 1.

Looking forward, we're currently working on some exciting and strategic opportunities and partnerships that we look forward to sharing with you soon.

We're also working on AI use cases in several parts of our business, and our M&A pipeline is healthy, and we hope to close a few more acquisitions before the end of the calendar year.

While we are not in a position to provide FY '25 guidance before our Q4 results in November, current course and speed, we can see that we're currently expecting to generate another year of double digits revenue and EBITDA growth.

On that note, I want to thank our staff for the commitments, thank our customers for their loyalty, our suppliers for the collaboration and our shareholders for their continued support.

So with that, Michelle, I'd like to now open the call to questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Benoit Poirier with Desjardins Capital Markets.

Benoit Poirier^ Just on ITCS, you experienced some issues due to lower government spending, longer sales cycle and the value-added resale business.

So could you provide some color on how those issues differ versus the one you reported a year ago back in Q3?

Kevin Ford^ I think we're dealing with some fundamental -- just some timing, to be honest, as I mentioned in Q2, then was we saw the variability a \$12 million a quarter in Q2 and Q3.

Obviously we had some timing issues. So I'm not sure it's changed fundamentally.

I think the dynamics and what I've been trying to say on these calls is that variability just due to the nature and the scope of the bar is that something we're going to see in ITCS moving forward, number one. Number two, what's changed definitely from last year is that we continue to see the federal government procurement processes slow down and even slower than last year, I would say.

We had the RCMP a bunch of different things going on with government that is just causing procurement to do a lot more checks and balances on any of the procurement that they are doing. So it's just slowing on the process.

I don't understand why they're doing it, but it is affecting not just Calian, frankly, all suppliers to the federal government. And then finally, as I mentioned with Mike Trombley coming on board in December, excited about the vision he's created for that organization. And I'm working with them on investment with his team on reposturing some areas, especially in our cyber services, our SOx and NOx and how do we then move forward with more enterprise customers.

So what's changed from last year is we have a new leader, we have a new vision.

We're investing in that vision. I believe in the vision. And frankly, I think, again, between variability and investment in the long term, we're on the right track with ITCS.

Benoit Poirier^ And from a margin standpoint for ITCS, you mentioned that you've been dealing with an increase in fixed costs from the acquisition of ties, but also investment in sales capacity.

But even if we assume a higher revenue base for the quarter, it looks like selling and marketing and also G&A expense have been trending higher in terms of percentage of revenue versus last year.

So any opportunities to potentially right size those two elements? Or is it just a matter of timing and investing into the future?

Kevin Ford^ So I think to me, I would say it's the latter, investing in the future.

As we grow this company, as we look at that \$1 billion number, it is clear to me the investment in our sales capacity across all Calian, frankly, ITCS, it will be a requirement, and we're going to do that. And as I've told many of our shareholders are not running the company quarter-by-quarter, I'm on a three-year plan to reach \$1 billion and scale this company globally.

So right now it's investing in that sales capacity.

If you look at even 5% organic growth, those numbers are getting -- frankly, they are larger than some of the divisions when I got here.

So we have to scale. We have to invest in our sales capacity, our marketing capacity.

So in the short term, maybe that looks like it's up. But long term, it's absolutely the right thing for us to be doing to drive sustainable growth long term.

Benoit Poirier^ And maybe last one for advanced tech.

If we look at Q4 last year, maybe the question is more for Patrick, but it looks like you finished the quarter last year on a strong note in terms of revenue.

So I was just curious to see what kind of organic growth should we expect in Q4 this year as I'm wondering if you could face a tough compare. So could we expect another negative organic growth for the quarter?

Patrick Houston^ Yes. If you remember last year, Benoit, I was a bit lumpy remember, advanced tech had some supply chain issues at the beginning of the year.

We worked hard to resolve that. We resolved it in Q4 last year, we finished the year strong.

I think what's more impressive this year is just how much of a step forward we've taken overall in the year in the AT and the margins have improved significantly.

So we might be down on a compare versus Q4 last year.

But I think if you look at the whole year, I think it's been a really successful year pretty deep. And to be honest, the momentum going into next year, I think we're very positive about the assets that we have there.

It should be a growth engine for us going forward.

Kevin Ford^ Look, I want to restate this because I've seen some of the results in the analysis. Like on the EBITDA, we're up 80% year-over-year right now in Advanced Technologies, 80%.

I just want us to digest that on how much work that is from that advanced tech team, definitely acquisitive, but we are investing more in our product development, more in innovation and it's reflecting in the results.

So as we look at the results in the quarter, I hope people are recognizing the incredible progress we're making with our Advanced Tech Group.

Operator^ Our next question comes from Tanvi Gabriel with Ventum.

Tanvi Gabriel^ I'll be stepping in for Rob Goff from Ventum Financial. So one of the questions that we have is, you spoke to headwinds that you've faced in the quarter. How do you plan to sort of address these headwinds moving forward?

Kevin Ford^ Great question.

I think to me, number one, I think it's temporary. I've done this a long time. I've been around defense a long time. And these things are always -- it's a headwind for a period of time and then the reality kicks in that you can't slowdown training in the military.

You can try, but over time, and our men and women are being asked a lot of the military right now with regard to our deployment in last year, just the state of the world, unique forces that are generating capability, you need forces that are ready to go that are trained. And I've seen this before or short term, by the budget, and I do feel for our military right now.

Frustrating as a Canadian to see into this environment, the men and women being asked to cut \$1 billion, but they're going to do it, and they're going to figure out how to do it because they can get stuck. They do get stuck.

In the short term, it will be some headwinds.

Long term for my comments, it always comes back because at the fundamental end of the day, you need to have people ready to go, trained to deploy. And I am confident that we are going to continue to work with the military to do exactly that as the state of the world demands nothing else.

Tanvi Gabriel^ And do you also anticipate any delays within the M&A strategy? Or are you confident in continuing at your current pace?

Patrick Houston^ No. We're not slowing down.

I mean as Kevin mentioned, we're already done half the targets we've set out for three years after three quarters. So the team is working hard.

It's been certainly a busy last nine months, but we're certainly not slowing down. We've got the balance sheet. That's not a restriction. We've got the liquidity. As we said, we're way below our leverage target.

So in one was just finding a target and executing the deals, and we're optimistic that we'll either exceed our targets over the three years. So we're certainly not slowing down.

Tanvi Gabriel^ And my last question is within the learning segment, are there any large outstanding RFPs within the sales pipeline?

Patrick Houston^ Lots of opportunities.

I mean our expansion to Europe has led to a lot more opportunities. That's been one of the investments we've made, and I think, as we mentioned, we had a very strong quarter and year-to-date performance in Europe, lots of new opportunities there.

We're winning opportunities in Canada. It's just that they've been ramping up much lower because of the budget reductions.

But back to Kevin's point that we've been doing this for over 20 years, our experience is when we win these contracts, we deliver the services against the contract over the period.

So some of this will come back to us in future years.

Kevin Ford^ Yes. And it's probably worth mentioning as well that the election cycle that's going on in Europe, you saw the U.K. change government, they're initiating a defense review.

We saw the same in Belgium. These things happen.

New governments came in, they do defense reviews and that generally will put some damper on just pace, but the funnel is very strong, and the team's doing a great job there.

I expect, again, Europe and our natal presence and now the U.K. We're going to continue to invest in that.

I am convinced that that's where we need to be from a growth perspective, again, spending a lot of time there this year, personally including last year.

As I mentioned, the urgency is there in Europe.

So we are going to continue to invest, and I expect those opportunities will be there, short term and long term.

Operator^ (Operator Instructions) Our next question comes from Sam Schmidt with CIBC.

Sam Schmidt^ It's Sam Schmidt on for Scott Fletcher at CIBC.

One question for me on the health segment. Organic growth was strong in the quarter. And you noted that came from existing customers.

Could you unpack what drove that growth in terms of contract renewals or extensions or maybe the nature of work? Like was it mostly health services?

Kevin Ford^ Great question.

So really driven by two factors, I would say. Number one, despite what we're seeing on the learning and IT and some of the other areas in our business and defense, we have seen no slowdown in demand on our health care contract at defense.

I was meeting with some of the executives, and I don't think that's going to change in the short term. The military is cognizant a healthy workforce is critical to their mandate, and I don't see them slowing down there.

So number one, we've had continued demand as these forces ramp up for deployment.

We continue to see strong demand in the health care business. And frankly, credit to our team, that's not easy. And our team is stepping up and knocking other part, frankly, on an increased demand.

So I want to (inaudible) to our health services team there.

Secondly, we've had some good strong organic growth opportunities that we're just finishing up in some areas of our business and other customers. And we're starting to see now as well some exciting opportunities in our digital health portfolio.

Our pharma business as well. So stay tuned. We still see good opportunities in our funnel in that.

So in the short term, it's health and some of the other government business we have. And longer term, I expect that's going to be more balanced with more commercial health in government and some of our digital platforms through our pharma business.

So I think a combination of factors right now.

Sam Schmidt^ And then one more for me on the learning segment. You noted that investments in the European expansion drove growth in the quarter.

Could you provide any color on how much of the Learning segment revenues or bookings are coming from that region at this point? And maybe how you see that evolving over time?

Patrick Houston^ Yes. I think long term, once we have Mabway, which is the most recent acquisition, kind of on a pro forma basis, we should be generating about a third of our revenues in learning in Europe.

So I think that's a pretty big drastic, definitely think a couple of years ago, it was 100% in Canada.

We've got three acquisitions that have been growing organically there. So it should be a third and to Kevin's remarks, we're seeing a lot more growth there.

So I think it will become a bigger contribution over the next couple of years.

Operator^ There are no further questions at this time.

I'd like to turn the call over to Kevin Ford for any closing remarks.

Kevin Ford^ Thanks, Michelle and I appreciate that.

So listen, folks, I am still very excited about the opportunity.

We are on track for another double-digit growth year. We're on track with our 2026 objectives. The \$1 billion no longer seems like a faraway number to me.

I see it. I can feel it. I know the team is behind me to get there. And as importantly, if you look at the pace in today's macro environment we're working in, when they look at year-to-date results and I look at actual consolidated results, even with the bottom end of our guidance, 14%, 15% revenue growth, 30% EBITDA growth, increasing our margins, diversifying our business, doing it efficiently, doing it prudently with our balance sheet.

I really hope that people bring that into their discussions as we look at, not a quarter, but the trajectory line of the business.

So with that, I'd like to close the call. Thank you for your time today.

We look forward to further discussions as we said in our Q4 and set the guidance for next year, which I'm excited about as well.

So have a great day. Thank you so much for joining today.

Operator^ Thank you for your participation. You may now disconnect. Everyone have a great day.