Pivotree Second Quarter 2026 Financial Results – Transcript

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Andy Ramsey: Good morning everyone and welcome to the Pivotree's Q2 2026 earnings call for the three months ended June 30th, 2026. All participants are in listen-only mode. Following the presentation, we will open for analyst questions. Pivotree would like to remind listeners that certain information discussed today may be forward-looking in nature, reflecting the company's current views with respect to future events. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially. For more information on risks and uncertainties, please refer to Pivotree's public filings available on Cedar. During this call, we'll reference certain nonFRS financial measures. Although we believe these measures provide useful supplemental information about our financial performance, they're not recognized measures and do not have standardized meetings under IFRS. Please see our MDNA for additional information regarding our nonFRS financial measures, including reconciliations to the nearest IFRS measures.

Andy Ramsey: Now, I'd like to turn over the call to Pivotree CEO, Bill Di Nardo.

Bill Di Nardo: Thank you, Andy. Good morning, everyone.

Thanks for joining us on our Q2 2026 conference call. With me today, as usual, is Mo Ashoor, our chief financial officer. As we do each quarter, we've published a CEO letter alongside these results. It's available on our website and filed on Cedar. I'll be covering key themes from that letter today. Q2 was another quarter of disciplined execution during what continues to be a deliberate transition year. Our first half was really about building more of the AI enabled capabilities across our service catalog, put it in front of clients, prove it works in production, and the Q2 results reflect that, the underlying work of converting our catalog and our people to an AI augmented delivery model reached a number of important milestones. I'm going to talk a bit about that today. So let me start as I have been lately with a quick reminder of what Pivotree does and why the market opportunity ahead of us is significant.

So we really are a technology services firm that helps our clients drive towards a frictionless buying experience for their customers. We help enterprise clients get the right data in the right format into the right systems and increasingly that is at AI powered speed and a fraction of the traditional cost. That market shift we're seeing really is profound. Client conversations are moving from, should we invest in AI to how do we deploy AI against specific outcomes on top of our data. And that is exactly the conversation where our domain expertise what we call that real intelligence is the most relevant. So we're not applying AI as a buzzword, but as a practical

accelerant. It's a tool. It's a very powerful tool and it's on top of decades of accumulated domain knowledge in commerce platforms, data and integration. So RI and AI is our operating philosophy for 2026. Ultimately, the benefit for our clients is we're delivering services that are better, cheaper, and faster than ever before. And we're really actively preparing our clients for that agentic future of commerce.

Bill Di Nardo: Let me show you a little bit about what that means. I'm going to give you a specific example. And again, part of the reason I'm sharing this is we get a lot of questions around explain what you do. And I think probably the easiest way to explain it is to use a customer example. So a specialty retailer came to us running its product data across categories as different as automotive parts and food. They were doing it on a homegrown system. and they had outgrown. So we started by building them a proper governed product data platform and cleaning up the data underneath it. And that work is still underway. This started at the end of last year. The kind of work we've done for many years. Here's the really important part of the change that's going on. This same client was in the early stages of overhauling its entire technology stack.

Legacy systems that all needed to connect to each other. So getting data to the right systems. They initially planned to do the integration work themselves with another partner. When the real scope of that became clear, neither their team nor their partner could handle the speed they needed to get it done and the complexity. And so they came to us and asked. We didn't win that business just because we had a good relationship with them. We won it because we could show them exactly how we deliver on time with quality to competitive price. But again, the kicker here was we used our AI capabilities to show them a really accelerated delivery time frame and how we would do this with AI POC's. I mean, this is the new economy. It's a show me, not tell me economy. We could show them. building and running 140 of those integrations restructured into a multi-year AI powered service.

Bill Di Nardo: So, it wasn't just build the system that would move the data. It was managed the system using the same AI scaffolding we used to build it. And this is where I really want to be precise. AI was accelerating cutting the design, the build, and the QA time by 50 to 70%. It's not a marketing number. That's what our delivery team is actually seeing on this account. And given the really aggressive time frames that the customer needed this done by, you couldn't do this manually. You couldn't throw enough people at it. In fact, quite often putting more people on things ends up slowing them down. So, this was all about our capability accelerating our ability to get this done quickly and effectively. So, what started as a one-time million-doll engagement, the product data is now over a $3 million deal. So, that's really about how we land a customer with some of that capability. we have and then expand it through all the capabilities we're building now with AI.

Bill Di Nardo: This is really grounding who we are and how we deliver. So again, real world example, but let me talk about how that came about. So we're really working our way through transforming our service catalog. It's not a one-time initiative. It's a sequence we run continuously. Now, it really started last year with enabling our workforce. This is true for everyone in our industry. We had to take our workforce and build those extended capabilities, training, tools, process work to discover who our force multipliers are. Those are people. Our force multipliers are those real intelligence folks that we now enable with AI. So then those force multipliers build new processes. They prove capabilities internally. They document the outcomes before we ever take them to a client. From there, we demonstrate those capabilities to clients, improve the outcomes in their environment. That's when we begin delivering with the new capability live.

Again, I think what's really important about our transition, unlike some of what you hear in the world of AI where lots of failed experiments, our experiments don't fail. These are people that are transforming existing known processes using AI to heavily automate and accelerate them. Um, and because these folks really know their domains well, when we teach them how to use AI, they're able to leverage the tool to automate their process. They're not really inventing anything new. They're just doing something they already know much better, much faster, and ultimately for our customers cheaper. So once we have that capability, we prove it works both to ourselves and to our clients, we really now have to establish an effective go-to market new capability. And this is all going on at the same time our customers themselves are going through an AI adoption journey. This is happening across the industry. Everybody is exploring and trying to understand how to effectively apply AI. We're doing it in our catalog.

Our customers are starting to expect from all their service providers. They want things better, cheaper, faster. They still aren't all aware how to leverage AI effectively. And there's an important relationship that has to happen those capabilities. Customers have to have their own capabilities in this front. If they're not able to handle the speed of AI, the whole process breaks down. And so this is again a journey that's evolving where both client and service provider have to be working at the same pace. So really now the key is all this has to show up in our pipeline as we go through this go to market motion as customers begin to understand what to ask for, how to ask for it, how to accept it and work with it this starts turning into added pipeline. So when that new capability starts pulling qualified opportunities in the pipe that's our earliest signal that the go to market motion is working um well ahead of it converting into bookings and revenue and that's what we're seeing right now.

We called it out in the letter. We called it out in the PR, but it's also why we think our pipeline is probably the strongest it's been. We had one of our biggest pipeline ad quarters in almost two years. So, we're seeing the early signals now. Again, pipeline is an early indicator of bookings. Bookings is an early indicator of revenue. All these things have to convert in order to get to revenue growth. But this is again what we're seeing. We're excited about we're starting to see

that pipeline build. So against that backdrop, if you just put it into numbers, here's what it's telling us about the state of the transition. In order to get to these capabilities, we had to transform our workforce. So 100% of our workforce is now AI enabled. They've completed basic training. 63% of them are using it daily in their roles ahead of our Q2 internal milestones.

And we have quite a few that have moved into advanced use capabilities. These are our force multipliers. Our Q3 focus shifts to building the next tier of advanced practitioners. We want everyone in Pivotree to become a force multiplier. That enablement has turned into 22% of our revenue this quarter had a AI enabling it. 33% of PS revenue was AI enabled in the quarter. But just to show you how fast things are moving, by the time we got to June, we were running closer to 50% of PS being AI enabled. Based on what we see in the pipeline and the current transformation process, by Q3, more work will be done with AI than not. And I expect by the end of the year, very little in our catalog won't be AI assisted. And over the next 24 months, the actual percentage of work completed by AI will keep climbing towards the majority. While a lot of transformation has been in the delivery of PS work, the foundations of the scaffolding put in place to build PS with AI, it forms the basis for ongoing AI managed services.

Bill Di Nardo: We've now launched eight new or transformed AI enabled services so far this year with only a handful of legacy offerings left to convert. The shift is already showing up in the top line. So 22% % of our Q2 revenue again came from AI enabled services as we're measuring it today. We expect by Q4 everything we sell will carry an AI enabled component or be completely deliverable with AI. We ended the second quarter with 13 million of cash. And the reason I raise this is this is up $600,000 in the quarter. It's the highest cash balance we've held since the first quarter of 2023. And that's including spending $400,000 on an NCIB. But what this keeps reinforcing is the discipline of the management team that this group has retooled the org, created all kinds of great capabilities, is starting to show real benefit to customer through the R&D work we're doing. And through all of that transformation, they continue to show they can build cash. So again, I think what's really exciting about this is the optionality on what we're building and we're funding it ourselves and we're producing cash at the same time.

Bill Di Nardo: I think this is a team that's batting on. So I'm going to transition this to Mo to take you through the detailed financials.

Mo Ashoor: All right, thanks Bill.

So we'll talk through the financials. I'll start with our bookings for the quarter. Uh, total bookings was 12.5 million in the second quarter and excluding LMS, MIPS and PS bookings was 10.6 million and that was up sequentially quarter over quarter 18%. Let me talk about the MIP's uh bookings first. So 3.6 million in the quarter and I'll highlight two keynote contracts. I think that helps illustrate some of the success and the strategy behind what we're doing and how we're going to continue to drive recurring and sustainable growth. We closed a contract with an existing Fluent professional services customer. We built we built we stood up Fluent and we

extended our services now to manage services to help support their Fluent MS and we also closed a three-year contract and this three-year contract was to optimize the client's technology roadmap and assets over that period of time.

So those are that's aligns well with our strategy and that three-year contract is off of our AI capabilities which helps them which the customer saw confidence in our ability to help them drive their roadmap over the next three years. Professional services bookings were 7 million and that's driven by a reduced volume of new system implementations as we experienced customers pushing out decisions. but we still remain optimistic. The conversations are continuing and these opportunities are still alive and available uh for us to continue to pursue in the market. The LMS bookings was 1.9 million in the quarter. Again, largely this whenever you see this is largely on renewals with existing customers. Uh as this customer base continues to shrink, there are a few remaining customers that look to extend the life of the legacy technology. Obviously, with that booking, do not expect that to yield revenue growth. and we expect this business to continue to decline over time as they transition away from those legacy technologies. So as we all know in Bill touched on it, pipeline is a good leading indicator into bookings and future revenue. And we are encouraged by what's in our pipeline and the ramp up of activities and conversations that happened in the quarter and going into Q3. So, as Bill mentioned, this was our strongest pipeline building quarter in almost two years and we view that as a positive leading indicator into the market and the opportunities out there. So, let me shift to revenues. Total revenue was 12.6 million in the second quarter. MIP's revenue was 3.5 million. The decline is attributed to the completion of a SKU enrichment project. And as we mentioned on prior earnings call, we had a ramp up of SKU enrichment. The customer came to us, they requested faster completion of the SKUs than we originally contracted and we applied our automation to exceed that expectation and complete that complete that program uh in Q2 of this year. So as a result, this ramped up our revenues and you can see that in the uh the bar chart in the dark blue and we started to ramp down in Q2 of 2026. So that's the primary driver behind the MIPS trend that you see in this chart.

And if you exclude that program, that SKU enrichment program, the underlying MIP's revenue delivered modest growth quarter over quarter of roughly $100,000. Our legacy managed service business continued to decline year-over-year to 1.6 million. That's entirely consistent with the continued fully anticipated windown of our Oracle ATG customers. Professional services was 7.4 million, reflecting the completion of system integration pro projects across our categories and the result of a slower year-to- date bookings for our professional services. So, we expect near-term revenue moderation. We deliberately are looking to convert our PS to outcome-based PS with AI enabled managed service structures as we build our service catalog and support and that's the right tradeoff for the long term. It improves revenue quality, it improves margin and durability of our customer relationship. So as we mentioned this revenue trend is largely predicted on bookings and converting pipeline to bookings. We have the

pipeline of opportunities. It really focuses on closing them and reporting the bookings will be the first leading indicator to turning around this revenue trend that we see here.

Mo Ashoor: So on to profitability gross margins was 46.9% in the second quarter and it's up 70 basis points year-over-year and we continue to maintain the improved margins over recent years. So that improvement reflects the cost efficiency of our professional services delivery, the discipline across our cost management and mix LMS and as LMS winds down and the continued leverage of automation and AI as well this year. We continue to structure this organization to generate positive adjusted EBITDA. Our adjusted EBITDA was 900,000 for the quarter, 7.2% 2% compared to 1.7 million in prior year in 10.1%. So the decline reflects the revenue contraction obviously while we optimize our operating expenses and we are still continuing to maintain spend to focus on growth initiatives. Adjusted EBITDA excludes a 600 million restructuring charge that we took in the quarter. So in reviewing net income, the prior year comparable of 2.4 4 million. Let me address that first just to set a reminder. That included net incomes are 2.5 million. That included 2.4 million from the sale of our WMS business which you can see from the gray bar on this chart.

So normalized and adjusted to exclude that sale the comparable period produced 200,000 of net income. So during this quarter,Q2 2026 we reported a net loss of 400,000 and that included a $600,000 restructure investment. So when adjusting the comparable for the divestature and the onetime restructure investment to support future profitability and growth the year-over-year comparison is less dramatic. We will continue to manage this business in a way that considers future profitability and maintaining the healthy balance sheet we have in place today. So with that, let me move on to the balance sheet. So we ended the second quarter generating cash and closing with a balance of 13 million, which is up from 8.6 million in the prior year. Cash flow from operating activities was 1.2 million in the quarter, up from 700,000 in the prior year, same quarter, reflecting an improved pace of collection on our trades and cash receivable. In Q2 we we repurchased 241,000 common shares for approximately 400,000 sorry in in in the sixth month ended June 30th 241,000 shares for $400,000 and we'll continue to look for opportunities to buy back shares through our NCIB but while also considering the cash balance health. In addition to our 13 million cash balance we have no long-term debt we have access to an undrawn secured line of credit with the national bank plus a 15 million ion dollar accordion to support any future acquisitions.

Mo Ashoor: So with that, I'll turn it back to Bill for our strategic priorities.

Bill Di Nardo: Thanks, Mo. So, Q2 was our strongest qualified pipeline building quarter in almost two years. It's a leading indicator we watch closely. That's only one quarter of strong pipeline ads. It's a little too early to call it a trade. there for revenue growth is converting that pipeline into signed delivered bookings and that's our primary focus for the second half. So again I really want to focus in on our transformation. This is really about getting the mix shifted towards AI

enabled higher value services that's real and that's ongoing. It's that real intelligent multiplier again that strongest pipeline build in almost two years and we're moving fast without burning cash. Now again I want to set realistic expectations. You'll continue to see some volatility in our reported numbers as we move through the transformation. MIPS bookings continues to be lumpy, but more of what we're seeing now with the MIPS is actually the managed services on top of AI built PS and I think we're going to start to see that level out a little bit instead of being quite as lumpy.

They tend to be three-year managed service contracts. They aren't these big balloons like in our skew enrichment. So, I think we'll start to see this level out a bit. We're investing to transform, but we're choosing to do it with discipline. And again, I think you'll continue to see us managing our cash balance very carefully. So this is a team that's moving fast, but doing it with discipline. And I'm really excited to see how AI is transforming our industry, transforming value to customer, and helping drive our transformation to some really differentiated services. So, I think this is going to be an exciting second half. Over to you, Andy, to manage Q&A for us.

Andy Ramsey: Okay, thank you, Bill. We'll now take questions from analysts. To ask a question, please click the icon to raise your hand. You'll need to accept permissions to speak and unmute. And looks like our first question is from Daniel Rosenberg from Paradigm Capital.

Andy Ramsey: Go ahead, Daniel.

D. Rosenberg: Hi, good morning. Thanks for taking my question. My first one comes around the qualified ops that you spoke about in your commentary. I'm just wondering if some color around were they specific products or services, types of customers um just a little bit more detail on what you're seeing in that. Thanks.

Bill Di Nardo: Sorry, you cut out for a sec there. Which ops, Daniel?

D. Rosenberg: Your qualified ops that you mentioned.

Bill Di Nardo: Oh, and the pipeline ads. Yeah, honestly it's uh it's the same stuff we've been doing for years. So it's in our data, it's in commerce, it's an integration. We're seeing a lot on the integration side. I mean probably our most advanced set of capabilities right now is what we can demonstrate we can do on integrations across multiple platforms with AI. So that's probably been the biggest qualified pipeline build out of everything. But it's a lot of it is you know existing customers.

We had another good pipeline build of new logos, but again those are the artists they take the longest to convert. Our existing customers are really consuming more of our AI abilities across the things we've been doing. So it's same folks retailers complex retailers going through transformations. AI uh enabled integrations embedded in almost all of them. Um, a lot of data continues to be again the key theme. Everybody recognizes and realizes data is the foundation of commercial transactions, but it's also the enabler for AI. So, this is not something we have to

evangelize. Everybody knows and understands it. When you show up with some tools and capabilities, then you usually at the very least get the meeting. Then you've got to turn it into evidence that it can add value to the customer. And that gets you to your bookings.

D. Rosenberg: Thanks, and then moving on to just the AI enablement that you mentioned. I was curious to hear, you know, what's the lowhanging fruit in terms of AI products and services that you're able to monetize, versus, you know, that longer term roadmap, or I don't know what's long term these days, but, medium-term roadmap, let's say, of what we wish we could do with AI at this stage. Just any specifics on the actual you know where the rubber meets the road in terms on that front.

Bill Di Nardo: Yeah, I think that's a really insightful question, Daniel. I would say the reason we're having success today is because the AI we're using is enabling an existing process. So, a customer who knows they have a data problem, a product information management problem. It's the similar problem solved in a modified way. It's not hard to explain. You can demonstrate evidence of moving quicker uh to deliver that result, but think about it as an improved or augmented existing known process. And I think the reality is everybody in the market that's having success is having success modifying known processes.

I think where things start to get tricky and to your point why 3 years from now is hard to predict because AI actually has the ability eventually to replace that process, eliminate the need for that process, change the way the human's going to work in the loop. A lot of the processes we're automating today is so people can work in these systems. But when you start to think about the future where AI becomes more agentic, starts making decisions itself, you won't be rebuilding these same processes. So again, I think this is an evolution we're on with our customer. Show them how AI will solve today's processes. But as you build the scaffolding of this AI infrastructure, it really then becomes solving the process problem in an entirely different way. And we are starting to see that with a number of the customers we work most closely with, our most innovative customers partnering with us. We are starting to look at brand new processes. Again, we don't call them out as much right now because I don't think they're going to be big revenue drivers in 6 to 12 months, but they will be the transformation that everybody keeps hearing about. And I wish I could tell you when that's going to happen, but my guess is, you know, it's 24, 36 months from now, we start getting into wildly different processes as a result of AI. All right.

D. Rosenberg: And then like that question leads me to think about just the improvements in using AI and adopting AI. Guess where that line is drawn between you as kind of a service provider versus the customer themselves implementing, especially especially along enterprise. So like how are you thinking about that road map as we think about making sure that you could monetize the solutions you're building versus people putting things in house?

Bill Di Nardo: Yeah, it's a great question and in fact, you know, part of what we're trying to do is help our clients establish the scaffolding, the capabilities and then start teaching and showing them where they can build some things on their own. where we see the greatest value is in how you take a converted process and enable it for production and that's the managed services we're describing.I think building things is becoming the easiest thing people can do. What becomes harder is managing it, securing it, governing it, keeping track of it. We're moving almost to a state where you know we're building disposable code on a regular basis. it can create a lot of clutter and it can create management confusion. So, there's still going to need to be folks that help our clients organize their technology because again, most of our customers aren't technology service providers. They're retailers, they're manufacturers, they're distributors. Staying on top of all the latest capabilities in technology isn't what they do and nor do many of them want to make those kind of investments. So there's I believe there's always going to be a role for a service provider, but the key is you will have to stay one or two steps ahead of your customers to be valuable to them. If you're not moving faster than them, if you're not embracing the latest tech and enabling them to use it, then you become redundant.

So the key I I believe is stay ahead of them because this is still moving quickly. Help them organize, manage, govern, and secure. Again, I think you're going to see us reverting back to some of our history of managed services. It's one of the things that does differentiate us from many other service providers. We have a history of managed services, which is securing, monitoring, governing, creating visibility into what's going on in your tech stack. We were doing that for years, even before we really started to get into professional services. And that's what we're starting to see a return to. Help people build things, but ultimately help them manage them.

D. Rosenberg: Okay, interesting stuff. Last question for me, maybe just one for Mo here. I was thinking about, you know, the dynamics you're describing on the top line. I'm wondering how you're thinking about, you know that inflection point growth if anything has changed since we last spoke.

And then kind of a similar story on the margin profile, how you're thinking about you know directionally where that trends to um as you work through a legacy business and these kind of AI growth initiatives in the pipeline.

Mo Ashoor: Yeah. look, I think with the bookings that we had in in Q2, uh, with the PS kind of recovering from the kind of the low point that we had in Q1 of PS bookings, I mean, that that helps stabilize, that helps our PS kind of recover some of and kind of stop some of the the declines that we we've we've seen. And I think part of the strategic kind of path with with PS is I I think the the value is in the long-term relationships where how as we get into conversation how much of the PS is do we essentially kind of use as an invest investment vehicle to get into the long-term you know intelligent managed services programs that are again more recurring in

nature longer term relationships that might take an impact on PS revenues but it helps drive PS growth.

So that's the trade-offs that we're we're continuing to work with and some customers are very excited about those type of contracts and the value that we add over three years. So that's kind of the revenue profile. PS somewhat stable now with the bookings that we had in Q2. and then really how do we leverage that channel with our customers new and existing to support um the growth. That's been our focus from a margin perspective. I mean at times we are investing margin in PS to be able to secure the longer term which will be high margin which will be stronger margins in our Mips and then our overall business as the weight shifts to Mips and our AI enabled managed services. So for now I'd say short-term steady margins. We still think we're producing strong margins versus where we've been in the past. and the uh the margin acceleration is as we ramp up the MIPS, which should all be generating um stronger margins versus what we've seen in our reports.

D. Rosenberg: Thanks for taking my questions. I'll pass line.

Mo Ashoor: Thanks, Daniel.

Andy Ramsey: Okay, our next question comes from Gavin Fairweather from ATB Cormark Capital Markets. Please go ahead Gavin.

Gavin Fairweather: Hey, good morning. Maybe just going back to the pipeline Bill, can you just contextualize maybe that pipeline build over what you would have seen in recent quarters or last year? Just any further commentary there would be helpful.

Bill Di Nardo: Yeah, I'd say there's two parts to it, Gavin. It's the the largest by quite a margin in terms of qualified pipeline ads. So, uh, what we look at isn't just, you know, leads coming in. We look at qualifications. It was sizable this quarter. Again, the biggest we've seen in quite some we're seeing, you know, positive continuation of that in Q3 as well. So, we don't think it was just a one-off, but the qualifier I'll put on it is,, we're using AI, as I mentioned, in a lot of our delivery.

And a lot of the pipeline we're seeing, still has room for more evidence for customer of benefiting from the AI. So, set a slightly different way. I think what we've seen is just a little bit of a return to the old days. People seem to be buying again. And again, I'm hesitant to say that's a massive, you know, continuous trend, but we are seeing more activity. And I wouldn't say all of it was AI sales motion. Our pricing, our delivery, how we try to win these now are going to be affected by our AI capabilities. But I wouldn't say what brought them in the front door was the AI. So to me, that's a great trend. If the the pipeline is growing not because we've been blasting a better, cheaper, faster message, but rather because the problems are real, customers need solutions, and they're coming to us again in large quantities. Our opportunity to win now is going to be enabled by this message that isn't necessarily what drew them in. And my belief is that message is also what's going to drive the future of our pipeline. So, I think there's a little bit

of a tailwind that picked up this quarter. Obviously my hope is that tailwind is sustained. Um, but we don't control what is going on in the industry. But I'm sensing some optimism.

Gavin Fairweather: Yeah, that's great to hear. And then just

Bill Di Nardo: Yeah. No, go ahead.

Gavin Fairweather: Good to hear. But just on the on the sales cycles lengthening, you talk about it for a few quarters, you know, what commonalities are you hearing on the on the root cause from clients? Is it you know, still trying to determine what the road map should look like? Is it overall budgets? How they allocate the budgets? What uh what are you hearing from customers?

Bill Di Nardo: I'd say two things, you know. One is the overarching 24-month trend of everybody, including us, is focused on cash. How do you produce it? How do you produce more of it in an economy like this? It's got an uncertain feeling to it. So, every deal you're working on is being heavily scrutinized for ROI. It's probably the biggest theme for the last 24 months is business cases. And that continues to push folks to take longer to make their decisions. And again, what kind of return and how quickly am I going to get it on this? But I'd say the second thing that's contributing to the uncertainty, it's why I cautioned around the AI piece of it. People increasingly are finding concern about making the wrong decision. In fact, I think they're getting so conditioned to believing some of the language in the market around AI is going to change everything. We've seen a couple of examples where we came in to show a customer a better, cheaper and they had just signed a two-year license on something they can't get out of now. So there's this evidence of people being reluctant and afraid of making wrong decisions and that things are changing so quickly um that they're waiting and delaying um probably more than they have in the past. So, it's two factors really, right? Protect the bottom line, but fear of making a mistake in a really uncertain AI economy. It has its positives when we can show you better, cheaper, faster, but it's also got the gez if I wait another quarter, what else is going to change? Could it get cheaper? Could it get faster? Could there be a different solution? So it's been an interesting dynamic to to work in that kind of environment.

Gavin Fairweather: Appreciate that commentary and then maybe just going back to that real world example where you could deliver 50 to 70% faster you know when you think about your business maybe in 2027 where it's even more AI enabled like to what extent is that is that capability around speed going to create a lot of spare delivery capacity in the team that could maybe be soaked up if we you know start to think about the record pipeline and bookings picking up and and overall just kind of driving margin expansion next year.

Bill Di Nardo: Yeah, that's the belief, Gavin. And when we talked right at the very beginning about creating force multipliers, we have really deep domain expertise. And you can't just go build that overnight. You can't actually teach AI rapidly. You can't build domain expertise rapidly. So, making sure that we find places to put those great folks to work because they're hard to

replicate. And I would say the pipeline is showing evidence that we've got places to now put them to work. They've got transferable skills because they're really about solving a specific problem and increasingly less focused on a particular application. So that that flexibility in problem solving again makes them valuable as we go forward. But yeah, look, I think that's the expectation and what we're seeing with customers right now is, we free up a lot of time. We've cut some recent delivery times and costs in half for customers on latest project, but they're actually taking those dollar savings and investing them in more technology roadmap additions that we're getting to participate in. So we are seeing better, cheaper, faster on the stuff we do and we are starting to see clients embrace and give us more work especially the most advanced ones the ones who are really driving accelerated roadmaps using AI we're finding we're doing more work for them. So our hope and expectation is we will be soaking up this capacity with additional work.

Gavin Fairweather: Great. And then maybe lastly for me maybe for Mo just you know you talked about some of these deals uh for AI enabled services where there's a PS component and an MS component. You how are the deal sizes kind of split out between PS and MS and you know it sounds like in some cases you want to subsidize the PS to get the longer term you know MS higher margin revenues. Maybe we can just talk about, you know, the gross margin component in those two pieces over the term of that type of deal.

Mo Ashoor: Yeah, I mean in examples that I that I shared I'd probably a third or a quarter to a third of it is the upfront the implementation get it set up get it going and then that kind of builds the AI foundation for us to kind of manage off of as well in the AI and combined with our with our processes in in the domain. So the margins are I would say they're still healthy. I wouldn't say that we're heavily discounting it but I guess what I don't want to set the expectation is that PS margins are going to skyrocket uh because of AI solutions. I think part of it is we're still delivering kind of within the PS margins that we've been delivering even with AI enabled solutions but that is essentially embedded in that kind of stable margin is the investment that would support outlanding the MS uh the managed services work over the three years. So the managed services is where we expect higher than you know north of 60% gross margin profile. It's what we're after and that's kind of what we're yielding and the up the PS again up front is probably steady to what we have been generating in a traditional sense. So that's probably the expectation I'd set especially where we sell more professional services bundled with managed services. I mean if we're doing a standalone just professional services there's opportunity to increase and boost margins through our AI enabled solutions. But in bundled arrangements and longer-term deals, we're we're willing to invest some of the margin.

Gavin Fairweather: Thanks a lot. I'll pass one.

Bill Di Nardo: All right, I think that wraps it up today. Thank you for joining us for the Q2 results. I look forward to being back in another quarter and sharing our progress, getting that pipeline

converted. So, I hope everyone has a safe end of summer and we'll see everyone in another few months.