

# Haivision Announces Results for the Three Months and Nine Months Ended July 31, 2024

2024-09-11

## Operational Restructuring Now Complete, Focus Turns to Higher Revenue Growth

MONTREAL, Sept. 11, 2024 /CNW/ - **Haivision Systems Inc.** ("Haivision" or the "Company") (TSX: HAI), a leading global provider of mission critical, real-time video networking and visual collaboration solutions, today announced its results for the third quarter ended July 31, 2024.

"As we get closer to the end of our Fiscal 2024, I'm proud to say that we have completed our 2-year strategic plan for major EBITDA and profitability transformation," said Mirko Wicha, Chairman and CEO of Haivision. Successfully transitioning out of low margin businesses, our focus over the next two years will be to return Haivision to organic, double-digit revenue growth."

## Q3 2024 Financial Results

- Revenue of \$30.6 million, down from the prior year comparative period, partially the result of delays in the U.S. budget approval, but also reflect our transformation away from the bespoke "integrator" model and our success in the long-term rental program.
- Gross Margins\* were 75.0%, a significant improvement from 71.9% for the same prior year period.
- Total expenses were \$21.9 million, a decrease of \$3.8 million, from the same prior year period.
- Operating profit was \$1.1 million, a \$1.8 million or 333% improvement from the same prior year period.
- Adjusted EBITDA\* was \$4.1 million, consistent with the prior year period.
- Adjusted EBITDA Margins\* was 13.5%, compared to 12.4% for the same prior year period.
- Net income was \$0.4 million, a \$1.3 million or 298% improvement from the same prior year period.

## Financial Results for the nine months ended July 31, 2024

- Revenue of \$99.4 million, down from the prior year comparative period, partially the result of delays in approval of the U.S. federal budget, but also reflects our transformation away from the bespoke integrator model, our success in the long-term rental program and our departure from the house of worship business.
- Gross Margins\* were 73.1%, a notable improvement from 69.1% for the same prior year period.
- Total expenses were \$67.4 million, a decrease of \$7.0 million from the same prior year period.
- Operating profit was \$5.2 million, a \$7.7 million or 317% improvement from the same prior year period.
- Adjusted EBITDA\* was \$14.4 million, a \$5.3 million or 78% improvement from the same prior year period.
- Adjusted EBITDA Margins\* was 14.5%, a significant improvement when compared to 8.7% for the same prior year period.
- Net income was \$2.6 million, a \$6.4 million or 243% improvement from the same prior year period.

## Key Company Highlights

- Haivision joins consortium with Airbus Defense and Space to develop new technologies for rapid, secure, and reliable communications.
- Haivision MCS awarded US\$61.2 million (CAD\$82 million) production agreement by U.S. Navy for next-generation combat visualization and video distribution systems.
- Haivision collaborates with Shield AI to bring together full-motion video with AI object detection for defense and ISR applications.
- France Television provides exclusive coverage of the Paris 2024 Olympic surfing competition with Haivision's private 5G video transmission ecosystem.
- Celebrated its 20-years anniversary as a leader and innovator in mission critical live video.
- Unveiled Hub 360, a cloud-based master control solution that streamlines live production workflows.
- Published its fifth annual Broadcast Transformation Report, highlighting the state of technology adoption in the broadcast industry.
- Awarded "Single/Dual-Stream Encoding Hardware" and "Best On-Prem Encoding/ Transcoding Solution" for the Makito X4 by Streaming Media Readers' Choice Awards.
- Joined the Panasonic Partner Alliance for live video production workflows with Kairos; joined the Sony Cloud Production Platform for low latency live video in the cloud; and partnered with Grabyo, a London-based live cloud production platform, enabling integrated solution for live multi-camera productions.
- Announced strategic partnerships with CP Communications, Flypack, RF Wireless Systems, and Vidovation to extend mobile video transmitters rental services into North America.

"Haivision MCS's recent award of a C\$82M production agreement by the U.S. Navy, the Airbus Defense development partnership, and our investment in AI development demonstrate our ability to deliver advanced

technology solutions for our key markets. Said Dan Rabinowitz, Chief Financial Officer and EVP, Operations. These are but a few example of growth opportunities for the Company. It has clearly been a busy year for Haivision."

## Financial Results

Revenue for the three months and nine months ended July 31, 2024 was \$30.6 million and \$99.4 million, respectively modest decrease when compared to the prior year comparative period. In this last quarter revenues were impacted by delays in the approval of a U.Ss Federal spending bill which, in turn, delayed certain procurement process; our transition away from the integrator model in the control room space, which offered lower-margined, third-party components; our long-term rental program which will offer a recurring revenue model and enhanced margins in our transmitter business; and our departure from the house of worship market in fiscal 2023.

Gross Margin\* for the three months and nine months ended July 31, 2024 was 75.0% and 71.9%, respectively compared to 72.0% and 69.1% for the prior year comparable periods. Gross Margin\* were positively impacted by our decision to exit the managed services business; transitioning away from the integrator model in the control room market, decreases in the incremental costs of components procured during the worldwide component shortage, and supply chain improvements.

Total expenses for the three months and nine months ended July 31, 2024 were \$21.9 million and \$67.4 million, respectively representing decrease of \$3.8 million and \$7.0 million when compared to from the prior year comparative periods, largely the result of recently completed restructuring efforts.

The result of these Gross Margin\* improvements and lower total expenses was operating profits for the three months and nine months ended July 31,, 2024 of \$1.1 million and \$5.3 million, respectively representing improvements of \$1.6 million and \$7.7 million when compared to the prior year comparable periods. Adjusted EBITDA\* for the three months ended July 31, 2024 was \$4.1 million a modest decrease of \$0.2 million from the prior year period. However, Adjusted EBITDA\* for the nine-month period ended July 31, 2024 was \$14.4 million representing a significant increase of \$5.3 million (or 58%) from the prior year comparative period. Adjusted EBITDA Margins\* for the three months ended July 31, 2024, was 13.5% compared to 12.4% in the prior year comparative period. Adjusted EBITDA Margins\* for the nine months ended July 31, 2024, was 14.5% compared to 8.7% in the prior year comparative period.

Net income for the three months ended July 31, 2024, was \$0.4 million representing an increase of \$1.3 million from the prior year net loss of \$0.9 million, and net income for the nine months ended July 31, 2024 was \$2.6 million and increase of \$6.4 million from the prior year loss of \$3.8 million.

\*Measures followed by the suffix "\*" in this press release are non-IFRS measures. For the relevant definition, see

"Non-IFRS Measures" below. As applicable, a reconciliation of this non-IFRS measure to the most directly comparable IFRS financial measure is included in the tables at the end of this press release and in the Company's management's discussion and analysis for the three months and nine months ended July 31, 2024.

## Conference Call Notification

Haivision will hold a conference call to discuss its second quarter financial results on Thursday, September 12, 2024 at 8:30 am (ET). To register for the call, please use this link <https://registrations.events/direct/Q4I3341499> . After registering, a confirmation will be sent through email, including dial in details and unique conference call codes for entry.

## Financial Statements, Management's Discussion and Analysis and Additional Information

Haivision's unaudited interim consolidated financial statements for the third quarter ended July 31, 2024 (the "**Q3 Financial Statements**"), the management's discussion and analysis thereon and additional information relating to Haivision and its business can be found under Haivision's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The financial information presented in this release was derived from the Q3 Financial Statements.

## Forward-Looking Statements

This release includes "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") within the meaning of applicable securities laws, including, without limitation, statements regarding the Company's growth opportunities and its ability to execute on its growth strategy. In some cases, but not necessarily in all cases, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "targets", "expects" or "does not expect", "is expected", "an opportunity exists", "is positioned", "estimates", "intends", "assumes", "anticipates" or "does not anticipate" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will" or "will be taken", "occur" or "be achieved". In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking statements. Forward-looking statements are not historical facts, nor guarantees or assurances of future performance but instead represent management's current beliefs, expectations, estimates and projections regarding future events and operating performance.

Forward-looking statements are necessarily based on opinions, assumptions and estimates that, while considered reasonable by Haivision as of the date of this release, are subject to inherent uncertainties, risks and changes in circumstances that may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ, possibly materially, from those indicated by the forward-looking

statements include, but are not limited to, the risk factors identified under "Risk Factors" in the Company's latest annual information form, and in other periodic filings that the Company has made and may make in the future with the securities commissions or similar regulatory authorities in Canada, all of which are available under the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca). These factors are not intended to represent a complete list of the factors that could affect Haivision. However, such risk factors should be considered carefully. There can be no assurance that such estimates and assumptions will prove to be correct. You should not place undue reliance on forward-looking statements, which speak only as of the date of this release. Haivision undertakes no obligation to publicly update any forward-looking statement, except as required by applicable securities laws.

## Non-IFRS Measures

Haivision's consolidated financial statements for the third quarter ended July 31, 2024 are prepared in accordance with International Financial Reporting Standards ("IFRS"). As a compliment to results provided in accordance with IFRS, this press release makes reference to certain (i) non-IFRS financial measures, including "EBITDA", and "Adjusted EBITDA", (ii) non-IFRS ratios including "Adjusted EBITDA Margin", and (iii) supplementary financial measures including "Gross Margins" (collectively "**non-IFRS measures**"). These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. Rather, these non-IFRS measures are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. For information on the most directly comparable financial measure disclosed in the primary financial statements of Haivision, composition of the non-IFRS measures, a description of how Haivision uses these measures and an explanation of how these measures provide useful information to investors, refer to the "Non-IFRS Measures" section of the Company's management's discussion and analysis for the three months and nine months ended July 31, 2024, dated September 11, 2024, available on the Company's SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca), which is incorporated by reference into this press release. As applicable, the reconciliations for each non-IFRS measure are outlined below. Non-IFRS measures should not be considered as alternatives to net income or comparable metrics determined in accordance with IFRS as indicators of the Company's performance, liquidity, cash flow and profitability.

## About Haivision

Haivision is a leading global provider of mission-critical, real-time video streaming and visual collaboration solutions. Our connected cloud and intelligent edge technologies enable organizations globally to engage audiences, enhance collaboration, and support decision making. We provide high quality, low latency, secure, and reliable live video at a global scale. Haivision open sourced its award-winning SRT low latency video streaming protocol and founded the SRT Alliance to support its adoption. Awarded four Emmys® for Technology and Engineering from the National Academy of Television Arts and Sciences, Haivision continues to fuel the future of IP video transformation. Founded in 2004, Haivision is headquartered in Montreal and Chicago with offices, sales, and support located throughout the Americas, Europe, and Asia. Learn more at [haivision.com](https://haivision.com).

Thousands of Canadian dollars (except per share amounts)

	Three months ended July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
	(\$)	(\$)	(\$)	(\$)
Revenue	30,646	34,954	99,394	104,132
Cost of sales	7,665	9,826	26,709	32,133
Gross profit	22,981	25,128	72,685	71,999
Expenses				
Sales and marketing	6,744	7,823	20,378	23,339
Operations and support	3,939	3,820	11,903	11,409
Research and development	6,713	7,236	20,738	22,542
General and administrative	3,870	4,740	12,788	14,036
Share-based payment	585	449	1,627	1,545
Restructuring costs	—	1,546	—	1,546
	21,851	25,615	67,434	74,417
Operating Profit (loss)	1,131	(486)	5,251	(2,417)
Financial expenses	206	393	749	1,337
Income (loss) before income taxes	925	(880)	4,502	(3,754)
Income taxes				
Current	887	(388)	2,236	(242)
Deferred	(397)	371	(378)	283
	490	(17)	1,858	40
Net income (loss)	435	(863)	2,644	(3,795)
Other comprehensive income (loss)				
Foreign currency translation adjustment	785	(2,670)	203	(2)
Comprehensive income (loss)	1,221	(3,532)	2,848	(3,797)
Net income (loss) per share:				
Basic	\$0.01	\$(0.03)	\$0.09	\$(0.13)
Diluted	\$0.01	\$(0.03)	\$0.09	\$(0.13)
Weighted average number of shares outstanding				
Basic	29,038,392	29,004,453	29,074,599	28,964,172
Diluted	30,162,758	29,004,453	30,123,314	28,964,172

Thousands of Canadian dollars

	As at	
	July 31, 2024	October 31, 2023
	\$	\$
Assets		
Current assets		
Cash	13,882	8,285
Trade and other receivables	24,676	26,113
Investment tax credits receivable	2,044	2,238
Inventories	15,581	18,930
Prepaid expenses and deposits	3,828	4,043
	<u>60,011</u>	<u>59,609</u>
Property and equipment	3,727	3,900
Right-of-use assets	6,199	7,494
Intangible assets	12,727	17,668
Goodwill	46,309	46,219
Non-refundable investment tax credits receivable	7,313	5,602
Deferred income taxes	3,953	3,599
	<u>80,228</u>	<u>84,482</u>
	<u>140,239</u>	<u>144,091</u>
Liabilities		
Current liabilities		
Line of credit	3,402	4,685
Trade and other payables	14,031	17,534
Restructuring costs payable	70	240
Purchase price payable	208	204
Income taxes payable	1,779	659
Current portion of lease liabilities	1,677	1,688
Current portion of term loans	1,138	964
Deferred revenue	12,672	12,104
	<u>34,977</u>	<u>38,078</u>
Lease liabilities	5,460	6,738
Long term debt	1,664	2,101
Deferred revenue	3,009	3,021
	<u>45,110</u>	<u>49,938</u>
Equity		
Share capital	89,900	90,902
Retained earnings	(7,792)	(9,997)
Share-based compensation and other reserves	4,864	5,295
Cumulative translation adjustment	8,157	7,953
	<u>95,129</u>	<u>94,153</u>
	<u>140,239</u>	<u>144,091</u>

Thousands of Canadian dollars

	Three months ended July 31,		Nine months ended July 31,	
	2024	2023	2024	2023
	(\$)	(\$)	(\$)	(\$)
Net Income (loss)	434	(863)	2,644	(3,795)
Income Taxes	490	(17)	1,858	40

Income (loss) before income taxes	925	(880)	4,502	(3,755)
Depreciation	828	768	2,561	2,315
Amortization	1,602	2,053	4,947	6,091
Financial expenses	206	393	749	1,337
EBITDA(1)	3,561	2,335	12,759	5,988
Share-based payments (LTIP)	585	449	1,627	1,545
Restructuring costs	—	1,546	—	1,546
Adjusted EBITDA(1)	4,146	4,330	14,386	9,079
Adjusted EBITDA Margin(1)	13.5 %	12.4 %	14.5 %	8.7 %

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Note:

(1) Non-IFRS measure. See "Non-IFRS Measures."

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