

Haivision Systems Inc.

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Earnings Call

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CALL PARTICIPANTS 2

PRESENTATION 3

QUESTION AND ANSWER 10

Call Participants

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Presentation

Operator

Good afternoon. My name is Emma, and I will be your conference operator today. At this time, I would like to welcome everyone to the Haivision Fourth Quarter and Fiscal Year 2022 Earnings Conference Call. [Operator Instructions] . Mirko, Chairman, CEO and President of Haivision, you may begin your conference.

Miroslav Wicha
Chairman, President & CEO

Thank you, Emma, and good afternoon, everyone. And thank you for joining us. I'm thrilled to be back today to discuss what seems, like, a long time ago, but our Q4 and our last year's fiscal year results. Now as demonstrated by the results we announced earlier today with the press release, demand for our products remains strong, and our business fundamentals have never been stronger.

Now the company achieved record Q4 revenue of $37.9 million, represents actually a 40.1% growth over the previous Q4 and 2021, as we continue to deliver on our promise to increase top-line growth. The company also achieved a record fiscal year revenue of $125.7 million, which represents a 35.8% growth or fiscal 2021.

Now we have been working diligently since September on our fiscal '23 planning and realigning our combined product roadmap and identifying integration areas of the AVIWEST and Haivision teams. We've implemented all the necessary changes during our Q4 to realize the full acquisition synergies. And we have also reduced our overall head count by approximately 10%, with all associated costs being recorded in our Q4 financials, as mentioned in the earnings release earlier today.

Dan will go into a lot more details later on the call. And we continue making good progress in our Haivision MPS, formerly known as CineMassive, integration and feel we are ready to reap the benefits of this great acquisition during 2023. Now we would have liked to be integrated sooner, but many of the government and full guide processes, unfortunately, do take time.

Our continued focus on the U.S. government, defense and civilian agencies were further strengthened with our recent hub procurement announcement just last week. It was a culmination of several years of development and working with a key partner, the United States Department of Veterans Affairs to qualify our Haivision HUB as the only FedRAMP video network service for connecting agencies together and to public cloud services.

Now the cloud service allows agencies to securely share live content between teams and facilities and safely deliver live broadcast to public CDNs, online video platforms, enterprise video platforms and social media platforms. It further separates Haivision from all of our competitors and will enable Haivision to deliver the much-needed cloud-based secure products to the government and commercial clients globally.

I mean, security is one of the main concerns for all CIOs worldwide, given the rampant attacks on systems and their confidential information. So we're very happy to have achieved a significant milestone to demonstrate Haivision's core strength in delivering secure performance-based mission-critical networking technologies.

Let me give you a little bit of update on our house of worship connect business. One of the most important decisions we took back in Q4 of last year was to transition out-of-the house ownership managed services market. It served us very well the past 8 years and delivered approximately $8 million in revenue in 2022.

However, it has never really been a strategic fit for our business. It was more of an opportunistic vertical and a good increase to our recurring revenue, of course. We still plan to fill approximately $3 million of the services revenue during this current quarter and Q2, but then it dropped to 0 after that.

Our transition is progressing smoothly together with our clients and partners and expect the last remaining clients to be moved over by the end of March to mid-April. As we rationalized our 2 current acquisitions and mapped out operational efficiencies to streamline our new market focus, it was time to move out of the house of worship vertical.

I mean, the declining cost of bandwidth, the fierce competition from free streaming services and the fact that the house of worship vertical was always our lowest gross margin vertical made the decision clearer. And honestly, it was always a challenge to explain why Haivision is in the house of worship market, right?

We need we really need to focus on what made us successful all along, and that is the high-value mission-critical markets that all require performance, low latency, security, quality, reliability. Most of these really don't apply to that market. And moving forward, it's just a much clearer message. And we've also taken actions back in Q4 to sunset some aging and legacy products given our new combined portfolio, which would result in further development synergies throughout 2023 and beyond.

Let's talk about some of this -- some of these changes within the development and the engineering reorganization. We've completed a significant reorganization of the entire development and engineering teams to reflect the new product priorities and focus of the what I'd like to call the new Haivision.

I mean, the Haivision today is not the same company we were 2 to 3 years ago, not at all. Today, we are approximately 400 people, we have 7 R&D offices in 5 countries. We're all focusing on being the leaders in mission-critical video networking for the visual collaboration and the broadcast contribution markets. It’s far cry from being an encoder vendor. It’s important to understand our focus and mission to be the best company in these 2 growth areas.

Now we have restructured our development and engineering essentially into 3 main parts as well. All of our native cloud and broadcast development is under 1 leader. All of our global quality assurance, quality engineering, dev sec ops is under 1 leader. And all of our ISR government video management and visual collaboration development is under 1 leader, so it really helps us structure for growth.

Now in addition, we recently hired Jean-Marc Racine as our new Chief Product Officer, to be responsible for all product direction, product management, marketing, documentation, product design and UI/UX experience. This will enable fast and effective decision-making on product strategy, while working closely with the development leadership on priorities and execution. I mean, Jean-Marc's knowledge and deep experience will be instrumental during our next stage of growth for Haivision.

Just a couple of few highlights I just wanted to note. We recently launched our next-generation critical visual collaboration platform called Haivision Command 360. This is an innovative, easy-to-use and easy-to-install, mission-critical and yet powerful, secure platform for all enterprises and governments. And the new platform is already being well received in the marketplace, and our expansion internationally is taking off.

In fact, the official international launch of Command 360 is taking place during the ISE show in Barcelona next week. We are very excited by the international markets embracing our secure visual collaboration solution, including several significant customers and names that we can't yet mention.

Now we have now also simplified our offerings and market focus to be the best in broadcast contribution as both wired and wireless and mission-critical visual collaboration for governments and enterprises globally, focusing on our core strength, security, quality, reliability and performance that are all required by these markets.

And the company's new branding launch during Q3 of last year has also been very well received and speaks well to our core values of the security, reliability, quality and performance, inherent in all Haivision solutions and services the customers have come to know and rely on.

Now we expect that all the actions taken back in October will result in significant OpEx savings during this year, during 2023. It really sets us up for the growth and profitability we've been projecting, so we continue to have a strong focus on EBITDA and have made that a corporate priority for this year. The entire company is focused on efficiency and execution to make this happen.

In closing, despite the economic headwinds and continued supply chain challenges, we expect our Q1 to be consistent with our strategic plan and feel comfortable with our 2023 direction. And we will, of course, continue to review our performance quarterly while maintaining a very strong pulse on the industry to market conditions. I would say we are cautiously optimistic given the current economic environment, but we are very confident in our direction and expect to show good growth in our revenue and profitability in 2023. That's it for me, Dan it's all yours.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Thank you, Mirko. So once again, our revenue for this fourth quarter of fiscal 2022 was $37.9 million, an increase of $10.8 million or 40.1% in the same period in the prior year. This recent fourth quarter is a revenue record for the company, having exceeded the next best quarter, that would be second quarter 2022, by an impressive 26.8%.

Revenue for the fiscal year 2022 was $125.7 million, an increase of $33.1 million or 35.8% from prior year. This recent fourth quarter represents a record and has been the case for much of the year. The year-over-year growth can be attributed to recent acquisitions. We closed the Haivision MCS transaction in August of 2021. So fiscal year 2022 results included Haivision MCS performance for the entire year. We closed the AVIWEST transaction in April of 2022, so fiscal year 2022 results included AVIWEST performance for only the last 7 months.

As suggested on our last call, we seem to be reverting to our historical seasonal pattern, where our first quarter is traditionally our smallest quarter, representing about 20% of our overall annual revenue. And our fourth quarter, which is commensurate with the U.S. government year-end, is traditionally our largest quarter, representing about 30% of our overall annual revenue.

Our business remains healthy, and we expect overall revenue to continue to grow from these levels albeit with the previous caveat that revenue in our first quarter of each fiscal year is typically our smallest and it's typically down from our previous fourth quarter's revenue.

Recurring revenue, which we define as our cloud solutions and maintenance and support, was $7.1 million and was slightly ahead of last quarter's performance. For all of fiscal year 2022, our recurring revenue represented 21.5% of total revenue compared to 25.1% of total revenue in the prior fiscal year. Recurring revenue as a percentage of total revenue is expected to decline in the near term.

As Mirko had mentioned, part of our recent restructuring exercise, we decided to discontinue our focus on the house of worship market. Revenue related to the house of worship offering is dependent on the price of bandwidth, transcoding and the like, and the competition is getting fierce including free offering from YouTube and the like.

These competitive offerings, including free offerings, are putting downward pressure on cloud revenues and putting downward pressures on gross margins. I suppose is that our managed services offering tended to be our lowest margin offering and we'll talk a little bit more about other restructuring later in this presentation.

On the other hand, we do believe that we have an opportunity to increase our maintenance and support revenue as we continue to conform our Haivision MCS and AVIWEST maintenance and support offerings. For this quarter, gross margins were 68%, an increase from the 66.1% realized last quarter, but down from the 70.8% realized for the same period last year.

Gross margins for fiscal year 2022 was 68.7% compared to a gross margin of 74.9% for the prior fiscal year. As we've discussed in past calls, we've always anticipated margins to slip from historical experience as margins for Haivision MCS and AVIWEST are below our historical margins. Nevertheless, we continue to meet our customers' needs for mission-critical systems, albeit it hasn't been without cost to Haivision, which amounted to over $500,000 this quarter and as much as $1.8 million on a year-to-date basis.

With that said, we have digested about 2/3 of the total exposure incurred during this component shortage. Now to address what we believe to be a fundamental change in supply chain, we have imposed a price

increase effective October 1. We expect that this price increase will enable us to maintain our historical margin profile while still delivering industry-leading price-to-value offerings to our customers.

Further, since we've decided to discontinue our offering to the house of worship market, we should see some margin improvement as our house of worship managed services offering tended to be below the average performer in terms of gross margin and gross profit contribution. I'll discuss a little bit more about our supply chain initiatives later in this presentation.

Total expenses for this fourth quarter were $26.2 million. That represents an increase of $6.5 million when compared to the same period in the prior year, but was only an increase of $1.8 million when compared to the last quarter. Our third quarter represented the first quarter operating on a consolidated basis with the full cost structure of both acquisitions.

During that quarter, we took the opportunity to identify significant synergies in terms of product offerings, synergistic sales opportunities and back office processes. In this fourth quarter, we underwent a reorganization that resulted in a onetime nonrecurring restructuring cost of $2.3 million. This restructuring cost represented the severance costs and benefits for those impacted by this recent reorganization.

We believe the savings resulting from the reorganization to generate about $8 million in reduced OpEx. Total expenses also increased -- also included increases in certain noncash expenses, largely the result of the AVIWEST transaction. For instance, amortization expenses and incremental depreciation expenses added about $700,000 to our quarterly OpEx.

On a year-to-date basis, total expenses were $91.5 million. That's an increase of $16.7 million when compared to the prior fiscal year. Fiscal year '22, not only included the full cost structure of Haivision MCS compared to only 3 months in the prior fiscal year, but also included the cost structure of AVIWEST for 7 months compared to no such cost in fiscal year '21.

Total year-to-date expenses included noncash expenses such as depreciation that added $1.2 million; amortization that added $4.3 million. And these expenses then were offset by the $14.1 million reduction in share-based compensation, a nonrecurring fiscal year 2021 expense that was related to the legacy employee share ownership plan that was discontinued at the time of the IPO.

When we normalize for the share-based payments, for the depreciation of fixed assets, the amortization of intangibles, restructuring costs, then total year-to-date expenses were $78.3 million. That was an increase of $23 million from the prior year or an increase of 41%. That was slightly faster growth than the 36% increase in revenue that we derived during the same period.

We have touched on this before, but for those of you new to these earnings calls, our cost structure is largely made up of people costs. In fact, more than 70% of our total expenses consist of compensation-related benefits. Thus, these increases that we've seen is largely related to the Haivision MCS transaction in August of '21 and the AVIWEST transaction in April of '22.

Again, to give you a sense of the impact of these 2 acquisitions, Haivision MCS added 64 people, while AVIWEST added another 81 people. Our total head count at the beginning of the quarter was 418 people. That compared to only 262 people in the month prior to these acquisitions.

Said another way, the 2 acquisitions represented about 35% increase in total headcount when compared to the period prior to the acquisitions. Now that's prior to our recent restructuring exercise. We have since reduced our headcount, and we have terminated consulting contracts with independent contractors.

Again, the annualized savings from the restructuring is more than $8 million. Now note that our fourth quarter OpEx will still include costs for those individuals prior to their formal termination. Now beyond those head count increases, we are also seeing increases in the cost of the cost of our labor, the amount of travel and the cost of that travel, increases in marketing spend, and I guess the cost of just about anything else.

Our vendors are increasingly passing their increasing cost to us as well. The result of these cost increases were an adjusted EBITDA for the quarter of $4.9 million. That's an improvement of $4.7 million compared

to the same period in the prior year. This quarter's adjusted EBITDA represents yet another company record. And that company record has held since second quarter of fiscal year 2016.

The adjusted EBITDA margin for this quarter was 13%. We believe that this fourth quarter is demonstrating what our cost structure will look like in the near term, but more importantly, the adjusted EBITDA performance is demonstrating the earnings potential of the company on a go-forward basis.

Adjusted EBITDA for fiscal year 2022 was $8.1 million. Unfortunately, a decrease of about $4.2 million when compared to the same period in the prior year. Just to sum it up, an increase of year-over-year revenue of $33 million contributed to an incremental $17 million in gross profit, but total expenses increased by about $23 million.

Taking down to the net loss level. Net loss for the quarter was $1.1 million compared to a net income of $0.1 million, $100,000 for the same period in the prior year. As with the case with EBITDA, the quarterly net income was impacted by increasing headcount, additional depreciation and additional travel and marketing. Net loss for fiscal year 2022 was $6.2 million, and that's a $2.6 million improvement from the same period last year.

Focusing on the balance sheet. We ended the quarter with cash balances of $5.8 million and ended the year with $11.2 million outstanding on the credit facility. When compared to the last fiscal year, the big balance sheet movements are largely related to the AVIWEST transaction in early April. The transaction consumed about $21.9 million in cash and we assumed $5.5 million in favorably priced term debt.

Assuming that there are no indemnity claims to be paid, Haivision will pay an additional $2 million in future payments. Total assets for the year were $148.6 million. That's an increase of $26.1 million from the end of fiscal year 2021. Again, the increase in assets is largely the result of the AVIWEST transaction. We assumed assets of $14.4 million, including inventories, receivables, property and equipment and right-of-use assets.

We also inquired intangibles of $10.2 million and goodwill of $11.7 million. We have realized increases in working capital amounting to about $9.2 million, largely related to revenue growth and investments necessary to de-risk our supply chain. These increases were offset by the $21 million decrease in cash from the prior year-end.

Total liabilities at fiscal year '22 year-end were $58.3 million. That's an increase of $24.8 million from the prior fiscal year end. Similarly, the increase is largely the result of the AVIWEST transaction. We assumed $4.7 million in liabilities related to payables and deferred revenue. We assumed $4.8 million in term debt, of which $4 million is currently outstanding. And we also realized $6.6 million in working capital liabilities related to revenue growth and investments to de-risk the supply chain.

Let's talk about where we are on integration plans. For AVIWEST, the integration continues to be swift. Sales teams have been fully integrated, and AVIWEST is operating under a common sales management system. Product teams are fully integrated as are the products. AVIWEST solutions already support SRT allowing interoperability and Haivision's visions products are being integrated into AVIWEST's management solutions.

Notable improvements have already been made within the European production facility, and we've increased the production capacity and the availability of finished goods. Our areas of focus continue to be the same as conveyed last quarter, increasing the flexibility of AVIWEST supply chain, porting AVIWEST to a common accounting system and bringing AVIWEST products to North America.

For Haivision MCS, the integration has been more complicated and progress has been slower than we had hoped. However, the sales teams have been integrated and we are beginning to see synergies in selling [MCS] solutions to international customers.

Haivision MCS is on a common payroll system and a common accounting system, and we have made inventory investments to reduce the order-to-cash cycle time. And we will be implementing more procurement best practices to improve inventory levels. Our current focus is to more fully integrate

development teams, and we know that there are additional opportunities and the pace of integration should be increasing over the next 2 or 3 quarters.

As we've discussed on our last call, we have been facing significant headwinds, so an update on those. Our supply chain specialists have largely addressed component issues for the foreseeable future, and we continue to serve our customers with our mission-critical needs. We are beginning to see a degree of stabilization in component availability and their respective costs and we continue to serve our customers timely.

However, it has been with some incremental cost to the organization, both financial costs and costs in terms of resources. The good news is that this recent quarter's expenditures for components outside of the normal process were significantly lower than in the previous quarters. For fiscal year 2022, as mentioned before, we incurred approximately $1.8 million of such expenses, and we're approximately 2/3 through the incremental investments made to secure our supply chain.

Beyond the hard costs, which are relatively easy to quantify, there have been soft costs that have also taken a toll on the overall organization. To secure our 6-month needs for parts and components, we have increased the level of our deposits with our contract manufacturers. We have made commitments for high-value long-lead-time componentry. Boards have been redesigned to accommodate available componentry.

Alternative component manufacturers have been approved, and we've in-sourced certain assembly and qualified additional low-cost sources to mitigate the increasing cost of goods. And lastly, we've invested in third-party systems to provide real-time assessments of our supply chain resiliency.

Again, what we -- to address what we believe to be this permanent change in certain component costs we have imposed a price increase effective October 1, and we should see the impact in fiscal 2023 and beyond. We are also continuing to invest in our supply chain expertise with the addition of additional senior supply chain resources that will streamline our global forecasting, procurement and fulfillment system and will minimize working capital needs for fiscal year 2023.

The headwind discussed last earnings call related to finding qualified people also seems to be easing a bit, but continues to have its challenges. We have seen our level of voluntary turnover slow to a trickle. I suppose with the markets in a bit of a downturn, people aren't so quick to leave or at least not leaving Haivision. Although hopeful, we are aware that people really leave during the holidays, so we could see an uptick. We just haven't seen that yet.

Further, having just completed a restructuring of sorts, we have frozen hiring at this time, except for essential positions. These essential positions that were difficult to hire in the past will likely continue to be a challenge going forward. So to sum it up, labor costs continue to increase and retention is still a challenge.

But as in years past, our budgeting process included wage increases. And in some cases, these wage increases were above adjustments to salaries made throughout the year for those getting midyear promotions or for those that were below market.

Beyond supply chain and employment, travel appears to be back in a big way and other operating expenses are increasing. Despite the extended use of video conference tools, face-to-face interactions with customers are proving to be very important. Further, integrating our teams through face-to-face meeting has also proven to be very important. MCS, Haivision MCS has a significant install team. And as most of us know, the general cost of travel has had a big impact. We have seen a significant increase in travel expenses in fiscal year 2022 when compared to fiscal 2021, about $4 million and much of that has to do with our install business related to Haivision MCS.

Marketing also appears to be back, including a very big return to trade shows, and we're actively participating in those trade shows. And as I kind of alluded to before, our vendors are increasingly passing their higher cost structures on to companies like us.

In terms of expectations for the remainder of the year, our business is buoyant, and we expect to see growth in fiscal year 2023. The recently announced increases in price of our products should assist in that

matter. However, we are facing potential revenue headwinds. Our enterprise and government customers are feeling economic pain, and we decide to transition the house of worship -- our house of worship managed services business, again, our lowest margin service offering, and although we may see $3 million in such revenues this year, we will likely be removing $4 million or $5 million in revenue once the transition is complete.

Thus, our revenue guidance for the full year is still expected to be between $130 million and $135 million this year. We expect to see expansion of our adjusted EBITDA margin as we continue to exploit synergistic opportunities we have uncovered, and we will be in a much better position to provide guidance on EBITDA at our next earnings call. So with that said, we are now ready to take questions.

Question and Answer

Operator

[Operator Instructions]

Your first question comes from the line of Robert Young with Canaccord.

Robert Young
Canaccord Genuity Corp., Research Division

Maybe the first question. I think last quarter, you said that there was a programmatic deal that slipped into Q4. Just curious if you're able to close that in Q4, and maybe if you could quantify what the impact might have been? Or any color you can give there would be helpful.

Miroslav Wicha
Chairman, President & CEO

Robert. Yes, definitely did. Actually, we did close in Q4 and the -- I mean the impact was basically about $1 million extra from what were expected. So it wasn't as a significant impact to Q4 as the Q4 was supposed to be significant in the first place. So yes, so it actually went right in Q3, and we closed it in Q4.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. Great. And then glad to hear the focus on EBITDA in 2023. Just, I was trying to take all the pieces that you'd highlighted and trying to get a sense of where you think it might go numerically in margin terms. I think 13% in this quarter, do you think it can be up from that?

I think you said that 2023 would be similar to Q4. Is that -- are you thinking 13% to 14%? Is that kind of the target you're looking at? Or do you think there's opportunity for expansion, some of the other things that you highlighted there, offset by the house of worship impact?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

I would not presume that our fourth quarter performance is going to be representative for all of our quarterly performance in 2023 and beyond. What I really was trying to suggest is that our OpEx is getting into line as to where we think it should be. Our fourth quarter was a huge quarter in terms of revenue. And so that resulted in an outsized EBITDA margin in that specific quarter.

I think we still believe that -- over the year, we did about 6%. We're probably going to be doing 50% more than the 6% we showed for the full fiscal year. I don't know if we're going to get into double digits on an entire year basis.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. Okay. Great. That's very helpful. And then you also touched on this in your prepared remarks, which were very detailed. The inventory increased. It was pretty significant quarter-over-quarter. And I was trying to -- if you could help parse between the impact from M&A out of the recent acquisitions? I think you said that was a big factor. And then also, the impact of supply chain. Is that most of the -- or maybe if you can just give a sense of which was the bigger impact.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, I think that -- I think we can look at -- you can say that part of the impact is due to AVIWEST. Obviously, AVIWEST wasn't part of the equation in the prior year or in some of the prior quarters here.

But I think, really, we are trying to bring both Haivision MCS and AVIWEST into a different mindset as it relates to inventory.

We, as a company, have had very good forecasting methodologies. We use those forecasting methodologies to assist our production teams in putting together product, buying, procuring products and what have you. In the case of Haivision MCS, they tended to wait until a PO is in, and then we go look for the product or start procuring the product that would extend the time between PO-in. And the delivery of the product, sometimes would be over 90 days.

And what we wanted to do was increase the velocity of cash receipt after PO, and so we've asked them to start procuring inventory per forecast using our forecast methodology rather than waiting for the PO to be in before starting the procurement process. Now when we have large supply chain issues as we've had before, we've also had to buy a little extra to make sure that we had the product on the shelf to be able to serve our customers with these mission-critical needs.

So I would say those 2 things, evolving the procurement process and supply chain constraints requiring us to make commitments in advance have elevated the level of our inventories. But now as we're seeing that begin to ease, we're putting more attention on the equation, and we hope to bring those numbers down over some period of time.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. That's great. So I guess it's a bit of a onetime normalization for MCS. I guess that's the biggest factor there. Is that…

Dan Rabinowitz
CFO, Secretary & EVP of Operations

I would say it's beyond the onetime normalization that we want to bring back down to a normalization.

Operator

[Operator Instructions]

Your next question comes from the line of Nick Corcoran with Acumen Capital.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

Congrats on the record quarter.

Miroslav Wicha
Chairman, President & CEO

Thanks, Nick.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

Just the first question for me. You talked about price increases in the quarter. Can you maybe give some color on the magnitude of the price increase and whether or not you've seen any reduction in demand on the back of it?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

I'm not in a position to answer, I don't think.

Miroslav Wicha
Chairman, President & CEO

Yes, I didn't get the last part of that, Nick. You said what the magnitude of the price increase was. And what was the second part?

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

Yes, the magnitude of the price increase and whether or not -- or just in general, the customer reaction to it.

Miroslav Wicha
Chairman, President & CEO

Okay. Sure. No, we did approximately 10% across-the-board price increase in all of our encoder pricing, what I would call the old Haivision legacy stuff, because we've already launched the MCS Command 360 halfway through years. When we priced that new next-generation we've already built into that the new pricing. So we didn't have to increase it.

And from the AVIWEST stuff, we also did a bit of a mixture of changing some of our product structures and bundling and [foreign exchange] differences that were there before. So we removed some of those, hence the pricing, and we actually decreased, what appeared to be decreased the pricing of AVIWEST street price.

So -- but the bulk of it was approximately a 10% increase. The reaction actually has been very, very, I would say non-eventful. I was expecting a lot more pushback, but we've done a lot of research. We've prepared the field, the customers, and honestly, every vendor on the planet today, just like Dan mentioned earlier, is passing on their cost to their clients.

I see it every day, we see it. So there was actually 0 kick back. Everybody accepted it. In fact, customers said, no problem with it, I mean, because we know the costs are skyrocketing we know there are supply chain problems. So no, most of them had no problem at all, very well received.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

That's good to hear. And then you mentioned in your prepared remarks that revenue about 20% comes in the first quarter, 30% comes in the fourth quarter. Should we expect the adjusted EBITDA for the year if it's kind of high single digits to follow a similar trend? Or is there anything we should keep in mind?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, I guess the one thing I would keep in mind is that we do go through a budgeting exercise that includes a review of our employee base. And we give raises and what have you. So we tend to see a little bit more of a compressed margin in the first, second, third quarter for that matter as we're digesting these incremental costs.

And then, of course, our fourth quarter tends to be more buoyant. And so a lot of our profitability happens in that fourth quarter just because we've got top line revenue. That would be the only sort of direction I would give you in terms of EBITDA and the impact -- the impact on EBITDA with the seasonal revenue.

Operator

There are no further questions at this time. I turn the call back over to Mirko for closing remarks.

Miroslav Wicha
Chairman, President & CEO

Thank you, Emma. But I just want to thank everybody, all our investors and analysts and employees on the line today for their continued support of Haivision. Of course, we look forward to speaking with many of you in March for our Q1 results. So thank you very much. .

Operator
This concludes today's conference call. Thank you for attending. You may now disconnect.

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