VIAVID
communications simplified.

Haivision Systems, Inc.

Second Quarter Fiscal 2022 Earnings Conference Call

June 15, 2022

CORPORATE PARTICIPANTS

Miroslav Wicha, *President, Chief Executive Officer, and Chairman*

Dan Rabinowitz, *Chief Financial Officer and Executive Vice President, Operations*

CONFERENCE CALL PARTICIPANTS

Robert Young, *Canaccord*

Nick Corcoran, *Acumen Capital*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Haivision Systems Second Quarter Fiscal 2022 Earnings Call.

Miroslav Wicha, Chairman, CEO and President, you may begin your conference.

Miroslav Wicha

Thank you, Josh. Good afternoon, everyone. Thank you for joining us.

I'm excited to be back today to discuss our Fiscal Year 2022 Q2 results. If you noticed our results we just posted a little while ago, we announced earlier today demand for our products remains strong and our business fundamentals have never been stronger.

Now let me just start with the amazing Q2 revenue results; $29.9 million, which exceeded all previous quarters and represents a 36.8% growth over last year's Q2.

I do want to remind everyone that this time last year we had a very strong Q2 also. To grow $36.8 million over that quarter is an amazing back-to-back impressive financial result as we continue to deliver on our promise to increase top-line growth (inaudible) acquisitions and build operational efficiency into our long-term business model.

Now, we also delivered—this is our 34th consecutive quarter of positive Adjusted EBITDA. Pretty rock-solid performance. When you look around the tech world and see many companies in turmoil and ones that still haven't made any money, delivering a $2.6 million of Adjusted EBITDA given all the headwinds in the industry is pretty awesome.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

The current market is pummeling stocks and we're in a downturn or bear market. I firmly believe the companies that are profitable and have fundamentally strong business models and don't spend crazy money just to get top line growth at the expense of huge losses will always prevail and come out of this stronger. That's exactly the Haivision story and strategy. As you can appreciate, we're very proud of our results.

Let me begin actually with refreshing everyone's understanding on who is Haivision or what does Haivision do? I think this is important. Simple, we strive to be the most trusted video network supplier for everything remote. Our customers depend on Haivision to provide them with video networks to solve their mission-critical needs. This is what differentiates us from other companies. We know security, compliance, performance, quality, reliability, and we continue to invest in differentiating developments such as the Fed ramp for the government, the full (inaudible) for secure facility in Atlanta, compliance and certification testing. All of this to supply, secure, as I like to say, bullet proof for trusted systems for large enterprise government and defense deployments.

This is the future of Haivision. Large, programmatic, multiyear, multi-site opportunities that will separate Haivision from all other players. I can't think of any competitors in our space that have a similar approach. The world is becoming a more dangerous place. We know that. Video plays a huge role in this. Consider in our emergency management, ISR, security operations, public safety, cybersecurity, everyone today needs fully secure systems to deliver and monitor mission-critical video. Our goal is to make the world a safer place.

We've focused on video networks, video infrastructure, security, and critical collaboration for large global accounts at corporate America and governments worldwide. They used to say (inaudible) nobody gets fired for buying IBM. Well, I think today we can say that nobody gets fired for buying Haivision for their video network needs.

Let me briefly discuss a few key Q2 highlights. Number one, the AVIWEST acquisition closed at the beginning of April, only ten weeks ago. AVIWEST is a phenomenal addition to the Haivision portfolio and enables us to be the only provider and vendor to deliver ultra-low latency wired and wireless streaming technology. This is huge as Haivision will be looked upon to help solve the most complex and difficult contribution streaming and remote production solutions in the industry.

As I mentioned, it's only been ten weeks since closing and our global sales integration is complete. Customers are excited to see how our products will integrate and provide an unparalleled portfolio of products under one roof. In fact, we already share many accounts where they use Haivision (inaudible) and wired needs and AVIWEST for the remote mobile or cellular bond systems. We see this as an amazing opportunity to strengthen our global customer presence.

The AVIWEST acquisition is extremely synergistic in all key areas of sales, geographical expansion, technology synergies, and helping to solve our customers challenges. This new combination will continue to fuel our growth well into the future. In fact, we also demonstrated our companies working together at the NAB show in April and all customers applauded us for the synergistic acquisition. We believe we will make a huge difference in providing a single vendor solutions for the broadcast market that everyone has been looking for.

Number two, in May, we actually also acquired the assets of Dazzle, largely a pre-revenue SaaS platform Company for Cloud production. Cloud production allows event producers really to mix multiple remote video sources and applied graphics to create a rich, compelling broadcast for streaming. We were fortunate to acquire this technology, including six great software engineers based in (Inaudible), France, which is actually close to our new AVIWEST office, which is also based in (Inaudible). The Dazzle team

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

will join (inaudible) with AVIWEST as we repurpose this technology to really support the Connect platform in the enterprise market going forward.

Our advanced Cloud and SaaS video distribution platform, Haivision Connect, continues to receive very positive feedback from a house of worship and faith clients. We have now reached 100 clients using Haivision Connect as part of our transition to this new SaaS platform, including some of the largest multi-campus ministries in the United States. We've also secured new victories against the competition. A couple of them are New Life Spokane and Hope Channel International. This network actually operates globally, with 67 Hope Channels worldwide, each providing programs contextualized to the language and culture of their audience.

As we continue transitioning all our faith clients to this new innovative platform, we have also recently released the advanced VOD features that everyone has been anticipating. It's been a major development effort and represents a last step to enable all the key accounts to transition and entire workflows to Connect. We expect this to continue until the end of the calendar year.

Our Cloud-based video stream routing technology, the Haivision Hub, now has 45 active clients as we introduce our new appliance attachment features. These new features enable full management and device control of Haivision endpoints such as the Makito encoders, Haivision gateway, and giving users powerful control of ultra-low latency Cloud routing of video securely from anywhere to anywhere globally.

We have signed a Fortune 500 enterprise software company and they use Haivision app for distributing video feeds for corporate events, training and town halls. One of the largest European sports broadcasters is using Hub to manage Makito ex-foreign coders (phon), which is sent to stadiums and racetracks for contributing streams to the main facility for remote workflows. Haivision Hub Cloud is also being used to distribute feeds from stadiums to broadcast rights holders for European soccer leagues.

Now, we also announced a strategic partnership with Grass Valley if you haven't seen the announcement earlier. The Grass Valley media universe is intended to bring existing and new technologies together in ways to generate new opportunities for Grass Valley customers. Haivision video and coding technology offers the ultimate combination like low latency and stream synchronization required for high-quality live Cloud production. Haivision, as a member of the Grass Valley media universe alliance, helps create a digitally connected community that combines the on-premise, hybrid, and public Cloud technologies. It also allows new options for producing content and live production environments from wherever Grass Valley customers are working.

Finally, our percentage of international revenue has increased in Q2 to represent about 22.6 of our global revenue mainly due to the addition of the international weighted AVIWEST revenue. Now, this will increase going forward as we only recorded one month of AVIWEST revenue during Q2.

I'd like to discuss some additional selective Q2 sales highlights. Let's have our broadcast. PGA Golf is using our export decoders to receive multi-viewer feeds from NEP trucks equipped with our Makito X4 encoders at the remote location and feeding back to the production crew locally at PGA centralized webcast facilities, allowing a production of live events without the PGA tour people having to travel. They have also used the Makito X4 decoders in the field to receive a large number of feeds from their AWS Cloud production infrastructure for use in the local production compound or throughout the venue for hospitality needs.

In Thailand, the Southeast Asian games are using Makito X4s for contribution and remote production. In Japan, now we've got Hulu TV now using MX4's Makitos for transporting and streaming video content within Japan. A really cool one, the Olympic Broadcast Service, or known as OBS, has seen a spectacular pickup of SRTs by major Tokyo broadcast rights holder and 20 broadcast rights holders in

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Beijing. Now, OBS has set up a full test program and investing in equipment and technology to address the fast growth of receiving SRT streams by broadcast rights holders all over the world. In fact, even here closer to home, Media PRO in Canada using us with the Canadian premier league soccer, using our Makitos to do remote productions using our multi-camera synchronization. They're feeding from the trucks at the venue and then back-hauling to the master control room where they are producing the feed for distribution.

ANE, another big client, are using our equipment for remote over the shoulder workflows. Streams coming out of (inaudible) players are being sent to remote editors for post-production and live studio production review.

Finally, I'd like to say, the Philadelphia Eagles are using us for remote multi-camera sync for their away games production. They are actually feeding multiple cameras back from away games to the Philadelphia Eagles control room. They are then switching and producing all of the content of their pre and post-game shows that are being sent to YouTube and Facebook and the Eagles' website and mobile apps. Very robust broadcast business there.

Now, within our enterprise government defense verticals, Haivision, or as we say Haivision M-CS that we renamed for the masses, if you recall, has been at the heart of organizations addressing the growing threat related to cybersecurity and security in general. Now, there are many systems involved in a comprehensive cyber security plan. All of them must meet our organization’s strict system security governance, and then these systems span monitoring and alerts related networks, our firewalls, our databases, communications, and even extend to simple physical security.

The Haivision M-CS solution manages the aggregation and presentation of any source so that decision-makers can make complex environments and react to unforeseen events that may shake the foundation of an organization. This quarter we've established our extended multi-site deployments for our mission-critical solutions for some of the world's most important organizations, including additional global operation centers for Facebook or Meta, and adding the Sydney security operations center for Salesforce. These are significant multinational accounts for Haivision.

We continue to install a Haivision media platform and Makito Edge devices into new sites and expanding sites in the U.S. State Department embassies in Manila, London, San Salvador, and Nairobi. We installed a very large emergency operations center for the Department of Energy, Los Alamos National Laboratory.

Actually, a pretty exciting win was a significant multiyear multi-site programmatic opportunity with the alert wildlife emergency operations center in Sacramento. They actually provide fire watch cameras and tools and information coordination between many states like Colorado, Utah, Nevada, Idaho, Oregon, Washington, and California for wildlife response. Haivision M-CS has been selected as the operations center platform. We'll be rolling out new regional ops centers, about 14 regions over the next several years. This really shows the strategic importance of the acquisition of CineMassive and the programmatic nature of the business to fuel much higher growth.

Plus, we also installed a major operations center at the Philadelphia Office of Emergency Management. This continues our strength in Philadelphia public safety. They actually coordinate the emergency response across multiple agencies in Philadelphia and surrounding counties. This adds to our success with multiple ops centers for the Philadelphia Police Department and the Delaware Valley Intelligence Center.

We also expanded our (inaudible) installations within our key customers, SpaceX, Blue Origin, they both depend on performance, quality, and reliability of our Makito X4 edge devices to do their work. Some pretty cool accounts.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Now, just before I pass it to Dan, our CFO, for a more detailed analysis on our second quarter results, I would like to reiterate that significant headwinds still exist which do affect business and growth, and the world continues to deal with an unprecedented supply-chain component shortage. Now the added cost of labor is making it difficult to hire and retain people. We also see a return to travel and trade shows, an increase in costs as our vendors increased their cost to us. This is expected to continue well into 2023 but we're building contingencies into our business model going forward. Now understanding that these are significant pressures to profitability levels. Our teams are working hard to mitigate these, but these issues are not without a cost to the business. Dan will speak to this in more detail.

On summary, we have delivered, as promised, two strategic acquisitions in the first 17 months since going public with another small technology pickup for remote Cloud (phon) production. We'll continue to focus on the integration of these acquisitions and prioritize a plan for operational efficiencies. We've increased our headcount significantly and need to absorb all the people, the products and synergies before embarking on any new acquisitions in the near-term. We will reevaluate additional opportunities some time in Fiscal 2023.

But right now it's all about innovation, execution to deliver a platform for growth and prepare for a very strong Fiscal 2023. I could not be prouder of the Haivision team and what we have accomplished since the IPO. It's truly been an amazing ride since becoming a public company, which has exceeded our expectations thus far.

Finally, I just want to thank all of our investors and analysts and shareholders on the line today for their continued support of Haivision and I look forward to speaking with many of you shortly.

Dan, I'll pass it to you.

Dan Rabinowitz

Thank you, Miroslav.

Let's get into the numbers. Revenue for the second quarter of Fiscal 2022 was $29.9 million, representing an increase of $8 million or 36.8% from the same period in the prior year. Revenue for the six months ended April 30 was $58.2 million, representing an increase of $13.4 million or 29.8% from the same period last year.

Obviously, much of the year-over-year growth can be attributed to the acquisition of Haivision MCS, formerly known as CineMassive Displays, which was completed in August of 2021, and more recently AVIWEST in April of 2022.

Historically, our traditional business had an interesting seasonal pattern to it. Our first quarter was traditionally our smallest quarter, representing about 20% of our overall revenue. Our fourth quarter, which was commensurate with the U.S. government year-end, was traditionally our largest quarter, representing about 30% of our overall quarter.

With the onset of COVID, we did begin to see client purchases become more ratable throughout the year, and we began to see significant purchases in our first quarter. As an example, revenue for first quarter of 2021 grew 18.4 % when compared to the prior year period. With COVID seemingly behind us, we seem to be reverting back to our historical seasonal patterns. Complicating matters, the seasonal patterns for both Haivision M-CS and AVIWEST tend to be disproportionately flat towards the end of the calendar year. As an example, nearly 40% of AVIWEST revenue was realized in the calendar fourth quarter of last

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

year. Thus, I would caution investors from coming to conclusions based on current performance. Our business remains healthy and is expected to continue to grow from these levels.

Recurring revenue, which we define as our Cloud solution and maintenance and support, continues to be robust. Recurring revenue was $6.6 million and represented just under 22% of this quarter's total revenue. This compares to our recurring revenue in the same period last year, which was about $5.2 million. But then it represented just over 24% of second quarter Fiscal 2021 total revenues.

Obviously, we are disappointed that our recurring revenue isn't growing in concert with our overall revenues, but it speaks to the opportunities before us as we conform our maintenance and support options and offer our Cloud solutions to Haivision MCS and AVIWEST customers.

For this quarter, gross margins were 71.4%, which were an improvement from the 69.4% realized last quarter. Margins are very much in line with expectations given our recent acquisitions.

Our supply chain experts have done a phenomenal job ensuring that we can continue to supply our customers with their mission-critical needs. But it hasn't been without some additional costs in terms of terms of higher component costs and in some cases expedited costs. To give you a sense, for this second quarter of Fiscal 2022, we incurred approximately $450,000 in additional componentry cost, and on a year-to-date basis, approximately $900,000 in additional componentry cost. Had these incremental component costs not have been incurred, we would likely have been seeing total gross margin to be 1% to 2% higher than where they are today.

As presented, total expenses for the second quarter were about $21.2 million, an increase of $6.6 million when compared to the same period in the prior year, and on a year-to-date basis, total expenses were $41 million, an actual decrease of $2.5 million when compared to the same period in the prior year. As we've discussed on previous calls, in the first half of last year total expenses included $14.1 million of a non-recurring share-based expense resulting from the exercise of options related to our legacy employee stock option plan. When we normalize for share-based payments, total expenses on a year-to-date basis were $39.5 million, an increase of $11.2 million when compared to the same period last year.

As we've said in the past, our cost structure is largely made up of people costs. In fact, approximately 70% of our total expense consists of labor and related benefits. Thus it shouldn't be a surprise that much of the increase in total expenses is directly related to headcount. At April 30, 2022, our total headcount was 417 people. That's up 70% from the 245 on staff as of April 30, 2021. Much of the year-over-year headcount increase is directly the result of recent acquisitions. Haivision MCS added 64 people, while AVIWEST added another 81 people.

Further, the acquisitions resulted in us acquiring assets and intangibles that impacted financial performance. Amortization and depreciation expenses this fiscal year were $2.4 million higher than the same period in the prior year. We also incurred $700,000 in transactional expenses during the period related to our acquisitions.

Further, we are seeing headwinds that are impacting our labor costs, our travel and marketing expenditure and the cost of just about everything else. I'll touch on the impact of these headwinds in just a few moments.

Adjusted EBITDA for the quarter was $2.6 million. Now that's a decrease of $1 million compared to the same period in the prior year. Adjusted EBITDA for the six months was $4.7 million, a decrease of $2.4 million from the prior year.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

With the Haivision MCS acquisition and the more recent AVIWEST acquisition, we have a lot of initiatives underway. I will touch on where we stand in regards to integrations a bit later. But EBITDA margins have compressed a bit in recent periods due to a number of factors. As I mentioned before, supply chain issues cost us about $900,000 on a year-to-date basis. Transaction costs related to recent acquisitions cost us about $700,000 on a year-to-date basis. We've had increasing labor costs, which are almost impossible to calculate. We've had increases in travel and marketing spend which exceeded last year's expand by $800,000 and $500,000 respectfully.

Nevertheless, this quarter now represents our 34th consecutive quarter of positive Adjusted EBITDA. With that said, net loss for the quarter was $400,000 compared to a net income of $1.2 million for the same period last year. In addition to the (inaudible) just discussed, this quarter's net income was impacted by the additional amortization and depreciation expenses that I spoke of earlier. Obviously these are a non-cash expense, but nevertheless, they have a profound impact on net income.

On the other hand, our net loss for the six months was only $800,000, and that's a $10 million improvement from the same period last year. Again, a significant component of the variance is related to that share-based payment. As I mentioned before, we incurred a share-based payment of about $14.1 million related to the legacy employee stock option plan. But that represented the culmination of a 14-year program. Normalized for these share-based payments, we did see an increase in overall labor costs related to recent acquisition and increases in what I'm calling headwind expenses that impacted gross margin and overall costs. As I mentioned before, net income was also impacted by the additional amortization and depreciation expenses related to the acquisitions.

Looking at the balance sheet, we ended the quarter with a cash balance of $12.8 million but much of that was funded through our credit facility, which had $13 million outstanding at the end of the quarter.

Obviously, the big news for the quarter was the confirmation of the AVIWEST transaction in early April. Haivision acquired 100% of the shares of AVIWEST on a cash-free debt-free basis for cash consideration of €20.5 million. That's approximately $29.6 million Canadian, but it was subject to customary adjustments. The transaction actually consumed $21.9 million in cash, and we assumed $5.5 million in their term debt. In terms of the term debt, the terms of the term debt vary and it includes non-interest-bearing debt and interest-bearing debt up to an interest rate of about 2.71%. In addition, we do have an obligation to pay an additional $2.7 million in two future payments that assumes AVIWEST has no obligation under any indemnities.

Total assets at quarter-end were $146.1 million, an increase of $23.7 million from Fiscal 2021 year-end. The increase in assets is largely the result of the AVIWEST transaction. We assumed assets of $11.7 million, including inventories, receivables, property equipments, and right-of-use assets. We also acquired intangibles of $13.3 million and goodwill of $9.7 million. These working capital increases were offset by a $2.8 million decrease in cash in the quarter.

Total liabilities at quarter-end were $56 million, an increase of $22.4 million from Fiscal 2021 year-end. Again, the increase in the liability is largely the result of the AVIWEST transaction. We assumed $5.8 million in liabilities related to trade payables, deferred revenue, deferred taxes, and the like. We assumed $5.5 million in term debt, and we assume $1.4 million in lease liabilities.

[redacted]

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

[redacted]

[redacted]

Fortunately, the AVIWEST acquisition hasn't had the same government encumbrance. The integration has been less complicated and progress has been swift. After all, we just closed on the transaction about 10 weeks ago, but our sales team have been fully integrated and AVIWEST is operating under a common sales management system. Technologies are already being integrated. As announced yesterday, AVIWEST IT video contribution solutions supports the SRT protocol, allowing interoperability with the Haivision product portfolio and other SRT-enabled solutions.

Our next areas of focus are improving the flexibility of AVIWEST's supply chain, porting AVIWEST to a common accounting system, and bringing AVIWEST products to North America.

Miro mentioned significant headwinds so I want to touch on that just a bit. Our supply chain specialists have addressed all issues for the current quarter and the number of issues for fourth quarter are very limited. However, our successes are not without some real cost to the Company.

In the past quarter, as mentioned already, we incurred approximately $0.5 million in additional direct product costs directly related to the worldwide shortage in components. On a year-to-date basis, we incurred approximately $900,000 in additional component costs. To secure our six-month needs for parts and components, we have increased our deposits with our contract manufacturers by approximately $1.5 million. We've also made $2.4 million in component purchases to secure the high-value, long lead time components necessary to keep the revenue line moving. We've also reduced cost of goods sold with the insourcing of mechanical assemblies. We have redesigned certain of our boards to accommodate more available componentry. We've invested in new systems to provide real-time assessment of our supply chain resiliency and we're constantly qualifying ultimate manufacturers for difficult-to-procure electronic components.

Like I mentioned, there's little risk in the third and fourth quarter. However, despite all of these initiatives, we recognize that we still have additional work, particularly in securing an acceptable level of safety stock necessary to grow revenues for AVIWEST products. We still don't know when we might see our supply chains reverting back to historical levels. Nevertheless, we are beginning to see a degree of stabilization, albeit at a level with unacceptable long lead times and unacceptable high component costs. Nevertheless, the worst appears to be behind us. Those were a lot of words to say that our supply chain experts seem to be well on top of this issue.

The people side of the equation continues to be a challenge. Labor costs are continuing to increase. We are in a difficult hiring environment and retention continues to be a challenge. To give you a sense of the challenge, at the beginning of this fiscal year, Haivision reevaluated compensation and overall increases at that time averaged over 6%. To further frame the impact for Fiscal 2021, labor was about $40 million, so a 6% increase amounts to additional $2.5 million in added Opex.

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Adding to the challenge, the cost of fringe benefits are increasing at an average rate of over 10%. Despite attempts to sweeten our compensation packages, including Company incentives to participate in our employee share purchase plan, the overall environment to attract and retain employees remains challenging.

Adding to that challenge, we have always believed that our culture was a key contributor to our ability to attract and retain employees. Obviously the work-from-home environment has complicated matters and our established culture is being diluted. We have since encouraged our staffs to return to the office two to three days a week. We have not mandated it. But candidly, the idea of returning to the office has made Haivision less compelling in the eyes of some, particularly those people who have been hired in the last few years who never were the beneficiary of seeing our culture in action. It's definitely a confusing time for employers and employees.

However, labor and supply chains are just part of the overall equation. We are yet again seeing an overall change in our business since the pandemic. Things have taken a new form. Our vendors are beginning to pass their higher cost structures on to us, their customers. We have anticipated that travel would be coming back. We knew that nothing really can substitute for face-to-face interaction with our customers or between our colleagues. Further, with two companies to integrate, the need to interact in person has never been more important.

But we also believe that our experiences with Teams, Zoom, Slack, etc., would mitigate some of the need to travel. Well, we couldn't have been more mistaken. For anyone who has booked a trip in the last month or two, the cost of airfares have more than doubled. It's getting more difficult to find a reasonably priced hotel room. In the six months that just passed, as an example, our travel expenses amounted to $900,000 of which $700,000 was unrelated to our professional services practice, which has continued to travel during the pandemic, albeit at reduced levels. This compares to just $100,000 in travel spend in the same period last year.

What’s more is that we are seeing a real return to trade show at levels that we had not anticipated. To illustrate, on a year-to-date basis, we had spent $600,000 in trade shows and advertising compared to just $100,000 in the prior year period. We don't see this being mitigated anytime in the future.

Quick note about currency. In the instance when we provide guidance, we really do not consider the potential impact of foreign exchange gains or losses, as we do not attempt to estimate future movements in foreign currency rates.

In terms of expectations for the remainder of the year, we are a B2B provider to enterprises around the world. Certainly, our customers have been facing the same headwinds that we have been experiencing. The stock market is in bear territory and our customers are definitely feeling some pain. Although we've not lost any business to-date, we are beginning to hear of projects moving to the right. There has been some reservation for purchases pending more clarity on the economy.

Thus in the interest of conservativism, we are revising our revenue target for the full year to be between $123 million and $127 million, and are expecting our Adjusted EBITDA margin to be between 8% and 11% of revenue. There is upside in both the revenue and EBITDA side of the equation, and although still a bit early, we have already begun to work on our plans for 2023 and are quite buoyant on the industry and our position within this industry, thus we are still forecasting EBITDA in the mid-teens for next year.

That said, we are now ready to take questions.

Operator

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

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

Robert Young

Hi, good evening. First place I'll start is gross margins. You already gave us a lot there, but I think you suggested that the supply chain or component cost was relatively stable in Q1 and Q2 and you don't see a lot of risk in Q3 and Q4. Is that to say that you think it will be $450,000 impact each quarter going forward? Should we expect gross margins around this level? Gross margin is a little stronger than we expected. Should we expect it to improve from here with the integration activities or maybe is this a good level?

Dan Rabinowitz

I would not make the assumption that we're going to be seeing gross margins improve from here. In fact, I would say that as AVIWEST comes in to bear we may actually see it come down a little bit because their gross margins are a little bit below what our legacy business has been. But I want to make sure I am specific about your preamble here. We incurred additional costs related to componentry in the first quarter and the second quarter. We don't expect that those costs are going to disappear in the third or fourth quarter. In fact, we don't see those costs disappearing until mid-2023, earliest. What I was trying to suggest is that whereas every week we were coming across component that were becoming more unavailable, we're not seeing that sentiment. Every week where we used to see lead times increasing, we're not seeing that happen anymore either. Things have stabilized, albeit at a long lead time construct and with high additional costs, but we're not seeing it get worse from here.

Robert Young

That's great color, thank you. The second question would be around, just at the end of your prepared remarks, highlighted, said that there were some indications you might see some programs delaying. I know last quarter you said that you expected a little weaker government spend from some lumpiness in some of the programmatic revenue with slower ISR spend. Is that the source of these project delays that you're getting suggestion of or maybe if you could expand on that if that's the case?

Miroslav Wicha

I can expand on that, Robert. That was referring to—it was actually not the defense or government space, it was more on the commercial enterprise space, addressing the enterprise B2B type of mode. We're seeing that some of these enterprise clients are starting to feel the pain of the market and that's what he's referring to. In fact, from the ISR government defense sector, we actually feel pretty bullish for Q3 and Q4. Because as we said earlier, remember we did have some stuff push from Q1 and Q2, but we also, given the recent developments in Ukraine and the NATO expansion, has buoyed some of our programs and actually brought some stuff forward as well. We actually feel pretty good about Q3 and Q4 and it is the government year-end on top of that. We're pretty bullish on that. It's really more of the commercial enterprise sector that we're a bit concerned right now.

Robert Young

Okay. Great. Relative to last quarter, I guess the government spend you're a little more confident on. I think you also said you had some concerns about Russia, Ukraine, Saudi, Turkey, a couple of other countries that might be a headwind. Is that a little better now or is that tracking the way you thought?

Miroslav Wicha

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

No, pretty much shut down. It's pretty difficult selling into Russia, Turkey, or Saudi's getting difficult, getting permits. Unfortunately we've had business development going on. We've got customers and obviously in some of these regions. I'm talking about Turkey, I'm talking about Saudi specifically. That's been frustrating. I don't see that ending anytime soon just because of what's going on in the world right now. But we're hopeful that if the Ukraine thing does settle, I know we've got Biden going over to Saudi and trying to restart their relations, but hoping that that might help. But from a Canadian—being a Canadian company, we seem to still be stuck in the mud with our Canadian government and some of these other governments. It's not just a U.S. issue for us, it's actually a Canadian issue.

Robert Young

That's great. It sounds like the government pieces, like I said, a little better than you thought; commercial, a little bit worse, and some of this exposure, just talking about just now, is that more in the broadcast space? Would that be a good way to summarize it?

Miroslav Wicha

Exposure, meaning? Sorry, these other countries?

Robert Young

Yes.

Miroslav Wicha

Well, I think it's, in those countries specifically, we've actually done business in all the verticals. It's not just the broadcast. I think what we're finding in the broadcast is that I think the COVID bubble has finally slowed down in the market across the board. We've had tremendous pick up in 2020 and '21. We're starting to see that slow down to a more normal level. I would not be expecting massive growth. But the good news is that with AVIWEST on top of our solution, all of a sudden, that's going to mitigate all of that, what we saw in our traditional business, if you know what I mean, whereas ICR broadcast revenue actually overall increasing well into next year.

Robert Young

Thanks a lot. That's great color. I'll pass the line. Thanks.

Operator

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

Nick Corcoran

A couple of questions from me. Just the first is that the revised guidance for revenue. It sounds like that's being driven by projects maybe being delayed. Can you give a little bit more color on why your Adjusted EBITDA guidance is lower than what you've given in the past?

Miroslav Wicha

I think the easy answer is headwinds. We're seeing costs increase. We're seeing a return to travel. We're seeing a return to trade shows. We're still in the process of innovating two companies. We're a little bit disappointed that we haven't been able to get DCSA's approval of our operating plan. That has delayed

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

some of the big moves that we intended to make. But it's going to take us some time to both integrate in a massive Haivision MCS and Haivision and AVIWEST to derive the operational efficiencies that we spoke of in the last call.

Nick Corcoran

A related question, I understanding you're seeing price increase through your supply chain. Are you having any challenges passing those prices onto your customers?

Dan Rabinowitz

Miro?

Miroslav Wicha

It's something what—we haven't done it yet. We are talking about it. We're discussing it. We have rumors there are some vendors that are looking at it as well. No, we haven't been able to. It's one of those very unpopular things. But the good news is that we are getting feedback now that customers would be accepting and understand that the supply chain issues are severe. It's something that we absolutely plan to seriously consider. We have not yet to date changed any of our pricing based on that. We are basically absorbing it.

Nick Corcoran

Good, and then just the last question, you did a small tuck-in acquisition of a few software engineers in the quarter. How many more acquisitions like that do you see?

Miroslav Wicha

At the moment, we have no plans, honestly. That was actually very opportunistic. We're very lucky and fortunate to pull that one together with minimal effort and costs. It was just a perfect time, at the right place, at the right time and happened to also be based in (Inaudible) so it makes it really easy. We can absorb those engineers in the same office with AVIWEST. In fact, they're already there and integrated. I do not expect, honestly, to look at any other acquisitions in the near-term future.

The priority number one right now is we need to absorb, we need to integrate, we need to right size properly both from a product offering and people of the Company and we absolutely are planning to make sure that we are back in the mid-teens of EBITDA for next year. That's priority number one. We will start looking at—we're talking to people obviously, but I have no intention of doing any acquisitions for the foreseeable future. It's really a 2023 thought.

Nick Corcoran

That's great color. Thanks for taking my questions.

Operator

There are no further questions at this time. I will turn the call back to Miro Wicha for closing remarks.

Miroslav Wicha

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com

Great. Thank you, Josh. Well, thanks, everybody. I hope you enjoyed the update of Q2 and we look forward to the second half, which I believe is going to be a very strong half for Haivision and I look forward to talking to you at the next earnings update. Thank you, everybody. Bye.

Operator

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

ViaVid has made considerable efforts to provide an accurate transcription. There may be material errors, omissions, or inaccuracies in the reporting of the substance of the conference call. This transcript is being made available for information purposes only.
1-888-562-0262 1-604-929-1352 www.viavid.com