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Haivision Systems, Inc. (HAI.CA)

Q1 2021 Earnings Call

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CORPORATE PARTICIPANTS

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

OTHER PARTICIPANTS

Robert Young
Analyst, Canaccord Genuity Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Haivision Systems Inc. First Quarter 2021 Earnings Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Mr. Mirko Wicha. Thank you. Please go ahead, sir.

Miroslav Wicha

Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

Thank you, operator. Well, thank you, everybody, for joining us and I'm thrilled to be back today for our fiscal 2021 first quarter results, which actually ended in January 31st of this year. Hopefully, some of you have had the chance to see our press release that just was sent out at 4:07 PM and obviously has demonstrated by the press release earlier, demand for Haivision innovative technologies remains very strong. And I believe our investments in both R&D and sales to capitalize on future growth opportunities are absolutely paying off.

In summary, our Q1 results exceeded our expectations by delivering a record quarter of CAD 23 million in revenue, which was an increase of 18.4% over Q1 of 2020. Now, in addition, we delivered an impressive CAD 3.6 million of adjusted EBITDA, up a crazy 523% from the same period of 2020. Now, all in all, I would say an incredible – incredible quarterly performance.

Now, I should also mention that this is also the first time ever that our Q1 was higher than our previous Q4. Now that's a sequential growth which actually was about 4% between these two quarters is highly unusual. But this does speak to our programmatic and governmental business revenue that really comes in throughout the year. We have seen actually over the past two years changes in the purchasing cycle by the US government from a typical government year in September and October of the New Year timeframe which actually is our Q4. And historically that's always been by far our largest quarter, but really now it has moved to really a redistribution into

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other quarters such as our Q2, which was the case last year and also in 2019 or even Q1 as the case with this year.

In fact, this year we actually experienced a significant CAD 1.1 million programmatic deal that was absolutely slated to come in in February and March timeframe, which is our Q2, but actually it came in our first quarter. So, all in all, great news that the Fed business is accelerating, but it does provide challenges to accurately forecast on a quarterly basis. Now that said, it does even out and I would say smooth out, right, our quarters and really prevent the radical up and downs or wild swings in the previous years. So, very, very happy about that.

Now, we also added actually several key and important low goals or new accounts during Q1 and I'm not going to list all of them. But I think some of these I'm going to going about just really should prove to be solid long-term revenue contributors. And for example like an enterprise and government, we had some pretty, pretty cool names. General Motors is a well-known company, right. They bought a bunch of our Makito and SRT Gateways for their corporate communications project, that's something we look forward to working with them over the next few years. Volvo in Sweden was another good example of using Makitos for all their internal streaming needs. We had a great one in the enterprise/government actually in space labs in Korea using our Makito for ISR streaming.

In broadcast, we had a couple of great ones. I'm a big soccer fan as most people know. We got La Liga in Spain using our SRT Gateways for their live streaming. And that was pretty cool. Also Vplay which is a big eSports company for their remote production using Makito, great success and a new account AbemaTV in Japan, using our Makito for their OTT streaming. And I'll finish off with China Sports Media, which is a great, great conglomerate using our 4K encoders for their live soccer streaming. I mean these are just some of the new and exciting accounts adopting Haivision technology worldwide. Very, very happy to see that.

I would say, we continue to advance our strategic priorities. And I would say the first one, to remind people being to continue development in our advanced cloud and self-serve SaaS products, the Haivision Hub and the Haivision Connect. We've been receiving awesome feedback on the Haivision Hub from the early adopters on beta clients. And in fact we currently by the way have 15 paying customers using the Haivision Hub globally. I mean key accounts include US Department of Veteran Affairs, major media company, Times India, and the one I'd love to say is Concacaf Soccer Federation are all putting the hub through its spaces well before we plan to officially released the products later this year. It's all really nice to see the adoption of the hub there.

The Haivision Connect development is also progressing with great excitement coming from our existing House of Worship faith clients that are testing the limited release version already. We actually have 18 of our current clients using and testing the platform with rave reviews, and really can't wait for the general release planned later this year.

The second priority really is extending our reach with international expansion to accelerate growth as a result of our continued investment in additional sales and technical staff in all the regions of Latin America, Europe, APAC for example. Our overall revenue, international revenue continues actually to grow faster than the overall company revenue and has grown another impressive 26% in Q1. If you remember, our international revenue in 2020 grew by 39% for the entire year. So, the continued increase is not only there but I think we've got tremendous wind in our sales. And I should also mention however that our US business also grew an impressive 16% during Q1, not shabby at all. So, all in all, a very strong performance, overall performance as we already maintained Haivision's leadership in the global IP video market.

Now, the third strategic priority is increasing our operational efficiencies while focusing on our M&A strategy and growth. And that's something I want to talk a little bit about. The great news is that our M&A discussions are

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progressing extremely well. I feel super confident and optimistic on our original projections from doing a meaningful impactful acquisition in the short term. I have to say one of the interesting observations during COVID period and especially the last three months doing and I would say negotiating M&A opportunities has been somewhat of a challenge. A year ago I remember I mean we relied on personal meetings, dinners, face to face due diligence type of stuff. Today, everything is on Zooms or Teams or whatever media you're using which really does make it difficult to assess the culture fit and integration challenges. And all these are really critical to any successful acquisition. Now, despite these hindrances I must say that we are progressing well ahead of schedule, and I am very excited on the possibilities that lie ahead.

And finally, I will once again just want to thank our investors and shareholders that are on the line today for their continued support of Haivision and look forward to speaking with many of you soon in person after our COVID vaccinations.

So, I will now pass the microphone to Dan, our CFO.

Dan Rabinowitz

Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

Thank you, Mirko. Happy to talk about our record breaking financial performance. As Mirko kind of mentioned or did mention revenue for this first quarter fiscal 2021 is CAD 23 million, representing a quarterly revenue record and an increase of 18.4% from the same period in the prior year. And as was suggested, typically our first quarter revenue is less than the fourth quarter revenue that precedes it. We saw that in both fiscal 2020 and in fiscal 2019. However, we are seeing more consistency in revenue and a smoothing of our revenues across quarters.

Client purchases including purchases in the defense vertical which tended to be more commensurate with the US government year-end in September, are more ratable throughout the year. With that said, we did see a piece of programmatic business that was anticipated in our second quarter of this fiscal year to accelerate into our first quarter.

Our book of recurring revenue from maintenance and support contracts, our managed services offering and from our SaaS products continues to be strong. Recurring revenue was consistent when compared to the fiscal fourth quarter resulting in recurring revenue of about 25% of total first quarter fiscal 2021 revenue.

For this first quarter, gross margins were 76.4%, approximately 30 basis points improvement when compared to our performance for the same period in fiscal 2020. We are continuing to monitor the supply of electronic components we believe we have de-risked much of our exposure in any global surge. In fact, we continue to see improvements in gross margins resulting largely from efficiencies in direct product costs and changes in the mix of products.

For instance, first quarter 2021 represents the [ph] third (00:10:15) consecutive quarter the majority of our software systems have been sold on a standalone basis or as virtual machine rather than as an appliance. Further, gross margins continued to benefit from higher sales volume leveraging the fixed nature production department costs both associated with our supply chain, final assembly and fulfillment, and the fixed cost of technology licenses reserves for obsolescence and the like.

As presented, total expenses for the quarter were CAD 28.9 million. However that included total expenses of CAD 14.4 million in share-based payments that was not part of our cost structure in fiscal 2021. [indiscernible] (00:11:05) share based payment can be divided into two components [Technical Difficulty] (00:11:12-00:11:16)

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was the result of a one-time non-recurring expense resulted from the exercise of options related to our legacy employee stock option plan. We refer to as ESOP, our ESOP plan.

The original ESOP put in place in 2007 included a provision that options could not be exercised until such time that there was a monetization of that, but change in controls or an initial public offering. Part of our going public transaction, we encouraged our employees to exercise their vested options or risk losing the validity of the options that they had earned. And we were pleased that ESOP with a long term incentive plan which we refer to as our LTIP. Thus the full amount of the related share-based compensation was recorded in this first quarter of fiscal 2020 or 2021.

I should mention that we also received CAD 4.9 million in proceeds from the exercise of those same options. CAD 0.3 million of that share-based payment consists of compensation expense from grants of stock options restricted share units and deferred share units issued at the time of the IPO, the board members executive management employees under that newly established long-term incentive plan. So normalizing for these non-recurring and non-cash based payments, total expenses as a percent of revenue [ph] fell to (00:12:50) 62.7% compared to 74.9% for the same period last year.

Adjusted EBITDA for the three months ended January 31, 2021 was CAD 3.6 million an increase of CAD 3 million or 523% compared to the same period in prior year. We are particularly proud that this is now our 27th consecutive quarter of positive adjusted EBITDA. The result was an adjusted EBITDA margin of 15.5% compared to only 2.9% for the same period in the prior year. I should also mention that for the current quarterly performance, it compares quite favorably to fiscal year 2020 where our adjusted EBITDA margin was 11.9%.

Operational efficiency defined as adjusted EBITDA as a percent of our net revenue continues to be a significant focus for us. And we continue to make progress in this area. Despite increasing levels first quarter fiscal year 2021 [Technical Difficulty] (00:14:12) for sales and marketing function for our operations and support functions remained flat year-over-year. We continue to invest in our sales and marketing teams, the COVID-19 has resulted in reduced travel and the shift of our marketing spend.

As we've also suggested in prior calls, we have invested significantly in our research and development over the years having nearly doubled our spending in that area since [Technical Difficulty] (00:14:44) with the two recent technology acquisitions provided us additional capacity for added internal development replacing the more costly expense of third party consultants. [Technical Difficulty] (00:15:00) we are still eligible for shred credit reimbursement albeit at a lower rate than before becoming public. Nevertheless, total research and development spending fell from 28% of revenue in first quarter fiscal 2020 to 21% in first quarter fiscal 2021.

We did anticipate general and administrative expenses to increase as we digest the additional costs of being a public company. General and administrative expenses increased to 13.5% of revenue from 13.2% of revenue for the same period in the prior year. However, this quarter general and administrative expenses were also impacted by realized and unrealized foreign exchange translation expenses, which impacted this quarter by CAD 0.5 million versus the net benefit we received of CAD 0.1 million in the same period in the prior year. SG&A expenses are generally fixed in nature we do anticipate operating leverage going forward.

Although the net income story isn't as compelling as the adjusted EBITDA story it certainly is explainable. The net loss for the first three months of this year were CAD 12.6 million compared to a net loss of CAD 0.1 million from the same period in the prior year. However, this quarter's net loss was entirely impacted by the CAD 14.1 million in one-time non-recurring expenses resulting from the exercise of options related to our legacy employee stock

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option plan. Again that legacy ESOP plan was replaced by a more conventional long-term incentive plan at the time of the IPO.

An insight I just want to remind the group that in terms of the number of common shares outstanding it does reflect the additional 5.75 million shares issued on December 16th, 2020 related to the recent IPO. But those shares were issued halfway through the fiscal quarter so you'll see that share count go up for second quarter and beyond.

With respect to our current balance sheet capacity, we ended the quarter with CAD 45.8 million in cash, an increase of CAD 30.1 million from fiscal 2020 year-end. Proceeds from the offering, net of issuance costs were CAD 30 million. And as I mentioned we also benefited from CAD 4.9 million in proceeds from the exercise of options related to that legacy ESOP plan. The company has a secured line of credit which provides for advances up to $10 million in US dollars or CAD 12.8 million all of which is still available to us and we have an additional CAD 4.5 million available through a term facility. Between cash on hand capacity on a revolving line of credit and availability from existing term facilities, we ended the quarter with available liquidity of CAD 63.1 million.

Just to finish the thought. Total assets at quarter end were CAD 94.9 million while total liabilities at quarter end were only CAD 28.5 million. Mirko touched on this – and we've said this quite consistently the primary use of proceeds from the initial public offering is for acquisitions. Haivision has a proven track record for acquiring companies and we've acquired six businesses over the last 12 years including two since October of 2019. We intend to continue to be that platform for industry consolidation. Prior to the IPO we had begun work vetting approximately a 1,000 companies that claim tangential involvement in the video infrastructure market and have narrowed that list down to over [ph] 50 and parcel (00:19:19) targets that meet our investment focus.

We have since prioritized that list and have been actively engaging with prospective targets. We have begun substantive conversations with several of these targets to assess their overall strategic fit. This initiative has a high priority ranking within the ranks of the executive management team and we are confident that these conversations will result in an impactful addition within six months to nine months from the date of the IPO.

Before providing some guidance for fiscal 2021 performance a quick note about currency, our current guidance does not consider the potential impact of foreign exchange gains or losses as we do not try to estimate future movements in foreign currency rates. However, based on the strong first quarter performance our guidance for full-year revenue is between CAD 93 million and CAD 94 million.

With that said, I think we are now ready to take questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We have our first question from Robert Young from Canaccord. Your line is now open.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Hi. Good evening. Sorry if I ask a question here from your prepared remarks. I got bounced off the call there for a couple of minutes, had to dial back in. But I think the first question I had was related to the full-year guidance and relative to the Q1 – and Q1 was a little better than we expected, a little better than your guidance. And so the – I think you said that there was some revenue that was pulled forward in the government business and maybe that's why the – at least the way I understood the revenue growth range you gave last quarter is relatively consistent or would that be the way to think about it?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah. Robert, thanks for the question. I mean, that's kind of the way I would look at it honestly. I mean, I think we had the expected results, a good results for Q1. It was definitely the numbers were increased by that one specific deal, which really honestly just came earlier than we expected, right. And usually that's what happens in programmatic business, right, programmatic deals. It's one of the things you can't really clearly time, but that one we thought was for sure for Q2 and just happened to come early.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

That makes sense. And then – I mean, probably a little early I guess that with the Biden administration changeover, are you seeing any changes that in government spends from that key customer of the US government?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah. I think the jury's still out on that. It's definitely – we're definitely seeing a little better environment, but I think the jury's still out until the April, May timeframe. I think when the next cycle comes up, because we've seen the last three years the federal government used to always be September and October rush. Then it's kind of shifted to a little bit more of a – they do of course the September, October but not as much as it used to be April kind of May timeframe. And now we're actually seeing that you know what it could even be a little bit earlier. So the question the jury's still out on how the Biden administration is being affected on this, but the good news is that there is no – doesn't seem to be a conflict as per se with any binding resolutions or any threats of government shutdowns. So I think that's all positive, right.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Great, great. And EBITDA margins for the quarter a little better than I expected. And so as you look out to the full-year, are you looking for the same sort of range that you are talking about before you started the year at least the way from I see it a little bit better than expected?

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Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

A

Yeah, I wouldn't change guidance on full-year EBITDA expectations in percentage terms. I think we're pretty comfortable with those things. I think the first quarter surprised us positively. But we're still sort of getting our feet underneath us with respect to the cost of being a public company and so on and so forth. So I'm not in a position to say we expect it to go much higher than where we are today. Obviously, we'd be very pleased if it got there but that's not our expectation as of right now.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Okay. Okay. And then the gross margins as you know is better up year-over-year. I think you said that it was higher mix of virtual machine sales better scale as we go through the year and these new products are rolling out the cloud products. How should we think about gross margin as you go through the year?

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

A

Well, we have been very pleased with how buoyant our gross margins were in 2020. And I believe that the guidance that we gave everyone is not to expect much increases at all going forward. In fact, we were kind of suggesting that margins may revert back to the long-term average closer to 75.5% than where we are today. We do have a fairly sophisticated supply chain. We have some very talented people that have been working on this for very long time. So I am not prepared to say that it will go higher. And if I were a betting person I might suggest that it will revert back to more normal percentages going forward. I don't believe cloud products are going to be that impactful to our margins at all this year.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Right. Yeah, it will come. Okay. Then COVID-19, as the world hopefully starts to open up here. I think you had said before that enterprise was probably the most heavily impacted by that in 2020. As things improve, are you seeing any signs that that might return with sales cycles and that end market allow for some recovery in 2021, is there anything to understand there?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah. I would definitely say, we definitely expect that we would see that come back and kind of turn on again. I think there's a lot of encouragement with the vaccine rollouts. We're seeing a massive push now in the US, which is great. And I think with more vaccines coming on stream that's going to really accelerate. So I expect by this spring summer timeframe we're going to see I would say South of the border in the US, a much more optimism than we've had before. So, I would expect probably in the latter part of our fiscal year which actually ends up being you know the fourth quarter, right, which would be our August, September, October quarter, I definitely would see that there should be some pickup of that. But we're still – you know we're still quite a bit down from what I would have expected originally in the enterprise. And it's just unfortunate we had a bit of a six month delay, right. Everybody thought it was going to come back last October, last September, and then everybody got kind of sidetracked here with the next wave and things got pushed out. So – but the good news is that we do see light at the end of the tunnel.

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Robert Young
Analyst, Canaccord Genuity Corp.

Q

Right. Yes. Are there any like were there any areas in 2020 that were buoyed by the – you know the pandemic that might slow down a little bit, or would you say that the end of the pandemic would be mostly positive for your business.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

I would say definitely it's becoming more and more apparent that this is the way of the future. I think the effects of the pandemic – or I just want to call it a bubble or not for all intents and purposes I think is dissipating, people are realizing that work from home is here to stay, remote everything is here to stay. So I think the benefit of the COVID thing to that industry was the fact that it really, really propelled everybody to accelerate their original planned spending for remote production, remote you name it. And I think that's here to stay and in fact it's accelerating because the IP transformation is accelerating, people getting off of satellite is accelerating. And this is all in our wheelhouse. So I don't see that stopping anytime soon. In fact our broadcast business was also very, very strong in Q1 and that's continuing. It was very strong last year and we're not seeing that stopping anytime soon. That's just not in the US, it's worldwide, right.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Right. And I think just before I got bounced off the call you were talking a little bit about international revenue acceleration. I might have missed some of the details. And you could dig into a little bit. What is the driver – I mean given the government pull in and it was US driven is it broadcasts I think you highlighted La Liga and China and a few others in the broadcast space. What's the international driver and I'll pass the line.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Okay. Sure. Well, it's very similar. I mean it is broadcast and our ISR business – our defense ISR business internationally is very healthy and growing. Last year, it grew significantly – actually last three years it has been growing. So we've been investing actually in people in regions. So that's actually proving to have been very, very fruitful. So it's a combination of both broadcast and ISR in international, which is great.

Robert Young
Analyst, Canaccord Genuity Corp.

Q

Okay. Great to hear. Thanks for taking all the questions and look forward to see you guys in person.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

All right. Thanks, Robert.

Operator: Next question is [ph] Kevin Krishnaratne from Desjardins (00:29:34). Your line is now open.

Q

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Hey. Good evening, gentlemen. Just a follow up in a way on the last question there. Historically, I think you've described how a certain level of your product sales and 30% of your revenue is programmatic, meaning you've got some certain line of visibility. I'm wondering as things start to improve as we move into this more remote everything environment, are you getting potentially better visibility, are you seeing any shifts in the level of what you consider programmatic revenue as a percentage of sales just as your discussions with customers evolve.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Well. I guess that much I understand what you mean by programmatic because we have 30% which is our recurring revenue, right, and then we do have programmatic revenue on top of that. So, the....

Q

Yeah. Just I'm asking on the programmatic.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Okay. The programmatic sure, correct. So, I think – I think from that I mean the visibility I don't think has really changed honestly. These are all very long term, multiyear kind of deployment projects. So I don't – we have not seen any significant effect by COVID on our programmatic business to say. These are funded usually, mostly funded multiyear dedicated projects that keep rolling out. Remember, we're in the mission critical IP video deployment, so these are not only funded but they are also needed, right. So, the programmatic visibility has actually been very, very solid throughout this COVID and I don't see are changing anytime soon. And in fact here we have an example where it's actually even accelerated, right. So it's – so that from an overall perspective it's actually COVID has not really had an effect on us.

Q

That – yeah – I was sort of – that's sort of what I was thinking. I was wondering if COVID and the move enterprise and governments moving more remote if that is having a positive impact on your longer term visibility on how customers are deploying and thinking about deployments of video infrastructure in their facilities if the program – if you're getting a little bit of a better view. So that sounds like if anything it's accelerating a little bit.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah. And again let's remember the enterprise business I guess that I was referring to is traditionally more new projects or new installations in project oriented type of deals. I don't – those tend to require people to be on site physically actually be in buildings, and that's where things tend to slow down. Whereas if we're – we're involved in a lot of our programmatic business tends to be defense oriented, right, where certain criteria apply right or don't apply I should say, right, and so from the true programmatic business we haven't really seen a slowdown.

Q

Okay. Okay. Thanks. That's helpful. Mirko, you've given us I think you might have talked about the number of hub users or you mentioned some usage on hub that are – that you've got on the platform right now. Can you remind

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us how many you've got and whether or not the customers that are using it are they existing customers that have been using your previous solutions or are there some new guys in there?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Great question. In fact none of them are existing sorry excuse me two are existing out of the 15. 13 are all new which is kind of great – and so yeah – and again these are all people that are early clients but they're actually – remember, we start – we started with the hub – we've been testing it with the version 1.0 for quite a while now. And they're actually paying clients and – but they're all waiting for the official ,GA which is later this year, right, where we're actually going to open it up to the – to a larger – to larger scope but 13 of the 15 are actually brand new.

Q

Wow. And are they – how would you describe sort of the verticals that they might be representing?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

You know what it's interesting – it's a – there's a lot of enterprise clients and broadcast – so both enterprise and broadcasts are the kind of the two sports media areas – and of course like Department of Veterans Affairs is a great example and that's an interesting one right. That's a great enterprise client, and so it's an interesting mixture.

Q

Interesting. And it's kind of a question on where pipeline might be building in terms of the use cases historically predominantly here in the first mile with regards to video – with the contribution side of the ecosystem. But with hub you move more into middle mile. You've been in there before. But I'm wondering are some of these use cases more on the distribution side or how do we think about where some of these use cases are being put towards?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah, I mean both mean distribution but mainly delivery, right. And so we're seeing really to the end point but it's a combination of distribution and delivery.

Q

Okay. And then the last question is really to that. Are you willing to provide any sort of metrics on how to think about pricing – how and it's still very early days, but if you could provide anything that would be helpful?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Pricing on the hub?

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Q

Hub yeah.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Yeah. We're still in final review of that that should be coming soon. But just not ready at the moment honestly.

Q

Okay, okay that's great thanks a lot. I'll pass the line.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

All right. Thanks, [ph] Kevin (00:35:45).

Operator: [Operator Instructions] Next is [ph] William Baker from Willabeth Capital Corp (00:35:56). Your line is now open.

Q

Yes. Good afternoon, gentlemen. I'm out here in British Columbia and very interested in Haivision as an early stage public company. My question addresses to your comments about the unknown costs of being a public company or the increased costs rather is one of those increased costs going to be a an investor relations activity. And if so what is your plan or strategy for letting the world know about Haivision and what kind of a budget are you planning to employ for that purpose?

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Well, thank you for the question, interesting on your timing. Just this week we contracted with an IR firm out of Toronto. And we are going to start engaging with them next Tuesday will be at our first initial meeting with them. We've been speaking with them for a couple of weeks thus far. And so they're certainly aware of our story. My understanding is that they will do an initial reach out to their database of potential investors to inform the world that they are taking on our case. I'm not exactly sure how bright that PR campaign may be but I believe it will be impactful

Q

Okay. So is that then your strategy is to employ an IR consulting firm or is there – are there other things you will be doing as a company in addition to that?

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

A

There are other things that we're doing as a company.

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[indiscernible] (00:37:38)

Yeah, the IR firm – the IR firm has a specific focus. We're looking to expand the institutional ownership of our company. And so they're going to be doing reach out to assist us in getting more breadth in that kind of following. They're also going to assist us in finding analysts to cover our story. We think that's very important for the health of the stock. And they're also going to assist us in participation in various conferences held by various intermediaries, various banks and what have you. That's their focus. But I believe that they've got much more breadth and they'll assist us in various different avenues.

Q

Understood.

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

A

That is also within that where – we also have a pretty significant push in our marketing group internally and then we also have a PR capability there. And we're also using an external PR resources more for the from a public relations perspective to talk to discuss the markets verticals, the business case and all that stuff. So we've got also that's a separate tag from the IR firm. But they're going to be working hand-in-hand.

Q

Understood. You mentioned analyst, how many analysts currently follow the company or write about the company and which analyst might they be?

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

A

Robert Young. He was the first to answer questions on this call. He's with Canaccord and he has been quite insightful and he's been publishing quite a bit. The second person to ask questions on the call was [ph] Kevin (00:39:23) from Desjardins. And my understanding is that he may initiate coverage sometime next week or the week after.

Dan Rabinowitz
Chief Financial Officer & Executive Vice President-Operations, Haivision Systems, Inc.

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Got it.

Q

Okay. so great. We're at early stages and lots of upside. Terrific. Thank you gentlemen.

Miroslav Wicha
Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

A

Thank you. William.

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Operator: No further questions at this time. I turn the call back over to Mr. Michael [indiscernible] for closing remarks.

Miroslav Wicha

Chairman, President & Chief Executive Officer, Haivision Systems, Inc.

Great. Thank you, operator. Well, yeah, thanks. Thanks everybody. There's a lot of people on the line so I'm happy to see a huge participation and just again thrilled to be able to deliver. The second release has gone public and it's been a tremendous one. So all I can say is looking forward to our vaccinations so we can get back to business start traveling and meeting everybody and hopefully we can do that this summer. So again thanks again – and we'll see – you probably will be sometime in the June timeframe. Thanks everybody.

Operator: Ladies and gentlemen this concludes today's conference call. Thank you all for participating. You may now disconnect.

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