Haivision

Third Quarter Fiscal 2022 Earnings Call

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CORPORATE PARTICIPANTS

Miroslav (Mirko) Wicha, *Chairman, Chief Executive Officer and President*

Dan Rabinowitz, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Nick Corcoran, *Acumen Capital*

Robert Young, *Canaccord Genuity*

PRESENTATION

Operator

Welcome to the Haivision Systems Third Quarter Fiscal 2022 Earnings Call.

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

Mirko Wicha

Thank you, Josh, and good afternoon, everyone. Thank you for joining us. I'm thrilled to be back today to discuss our Q3 Fiscal 2022 results.

Hopefully, some of you have seen our press release that went out just earlier, and as demonstrated by the results that we announced, demand for our products remains strong and our business fundamentals have never been stronger.

We have been working diligently over the past several months on our Fiscal 2023 planning, which actually begins in only six weeks, realigning our combined product road maps, identifying integration areas of the Aviwest and Haivision teams. I'm happy to announce that we are now ready to implement the necessary actions to realize the full synergies that we anticipated when we acquired the Company back in April. We've also been making progress in the cinemassive integration and feel that we are ready to push forward in integrating all groups into a unified single vision for Haivision.

Now, all these actions will result in significant Opex savings across the board to prepare for the growth ahead in both revenue and profitability. We really expect to finalize these plans within the next three to four weeks. Of course, all associated costs will be included in our Q4 results, end of October, as part of our eventual Fiscal 2022 results. Dan will elaborate more on our detailed financials shortly.

A few key highlights to note from the last quarter. The Company, as you know, has achieved revenue of $29.6 million, which represents a whopping 42.9% growth during the first full quarter of the combined business units over Q3 of last year as we continue to deliver on our promise to increase top line growth.

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Our visibility into future quarters and strong customer demand supports continued record organic growth from the combined business. Since the Aviwest acquisition in April, our Management is focused on integration of the business units on identifying areas of cost savings and synergies of the combined businesses and on a new and exciting branding strategy. We have now completed this process.

We also introduced our new critical visual collaboration platform, the Haivision Command 360. This is an innovative, easy-to-use, easy-to-install mission-critical yet powerful secure platform for all enterprises and governments. The new platform will also enable us to scale this business internationally, much quicker as we specifically designed for ease of deployment, which is critical for global resource integrators.

We have launched our bold new brand identity, reflecting the company's evolution, growth and strategic direction for the future at the IBC Show in Amsterdam, which just finished yesterday. Our entire booth on products displayed this exciting new brand look was extremely well received by everyone. The company's new branding represents a deep expertise and mission-critical live video networking and collaboration inspired by the core values of security, reliability, quality and performance inherent in all Haivision solutions and services that customers have come to know and rely on.

The rebranding of the Company’s visual identity solidifies our position as an industry pioneer and leader in mission-critical live video solutions. We also expect higher revenues going forward from our announced pricing increase of 10% across the board to better reflect inflation-related costs.

And we also expect to maintain our historical margin profile while still delivering the best price per value combination in the industry for all customers. In fact, the price increase announcement has gone out to the entire installed base two weeks ago and becomes effective as of October 1, thus allowing clients to take full advantage of current pricing for the month of September and for the end of the U.S. Government year-end.

And in fact, we already see clients take advantage of the announcement and moving orders up into September, which is great. Now, with our new and existing branding of strong customer demand, we anticipate record revenues at historical margin levels. In fact, it's elimination of transaction costs related to the Aviwest acquisition and, most importantly, anticipated cost savings to identify synergies should return the business to strong profit levels, near term.

Also our SRT Alliance reached another significant milestone of 575 members (inaudible) joining the global movement to a unified industry standard for low latency streaming. Finally, our percentage of international revenue has grown in Q3 to now actually represent 34% of our global revenue due to the full quarter addition of the international weighted Aviwest revenue. This shows that we are building a global company with higher international revenue, as promised.

Now, our nine month international revenue as a percentage of global revenue is still about 26%, and it only includes five months of Aviwest. I'd like to share with you a few selected Q3 sales highlights. Our global defense team has and had some significant long-term wins during the last quarter, a couple of which, L3, Leonardo and the U.S. Space Force, are particularly interesting.

And we also had great news on the very, very significantly large multiyear U.S. defense rollout, which is currently planned to begin in late 2023 and go through all the way to 2030. I think our focus on multiyear government programmatic business is progressing very well. I maintain my strong belief that this co-ordinate focus, attention and investment in the programmatic business will help fuel long-term growth for Haivision.

Now, the MCS enterprise team had many great wins and new logos that were added to the Haivision family. I mean, several large and significant deals were, for example (phon), California Office of Emergency Services ordered several command centers for the State of California's Emergency Co-ordination and Operations Center, which is one of the most important public safety agencies in the U.S.

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The U.S. Department of Energy, a key part of America's national security infrastructure and our presence as their operations center of choice, speaks to the trust and mission-critical capabilities of Haivision platforms. A "major tech social media platform" in Silicon Valley continues to add data centers globally to provide both local visibility and global oversight. They have been using us in the global security operations centers and network operation centers for years.

Some real exciting list of some new public safety business. In fact, some selective new logos for Haivision are pretty impressive. We got the Kern County California Fire Department, City of Livermore; California Police Department with the Michigan State Emergency 911 center; at New York State Unified Court System; City of Tallahassee Traffic Management Center; and the State of Vermont Emergency Management, just to name a few.

In fact, (Inaudible) Communications is a very large company. They are using the Aviwest Pro Series transmitters, along with Haivision provided data plans, on the trucks (inaudible) production for sporting events, and the PGA TOUR Entertainment use the Pro Series (inaudible) to cover the Champions and Korn Ferry tournaments. They chose to go with Pro Series solutions mainly because of the remote control capability, the ability to select multiple cellular bands and overall performance.

Let me turn to Europe. A few key and noteworthy wins. (Inaudible). Both continue to increase their (inaudible) Pro Series transmitters, which is great to see. A large global international soccer association added more Pro Series systems for remote production, and a large documentary and sport producer also added more Pro Series for their remote productions.

Going over to Asia Pacific, some pretty interesting wins there with Shanghai Emergency Communications Office using our Makito to transport all the soccer game content from the Chinese Super League for their international viewers. The (inaudible) group using our systems for their remote production workflow and the Hong Kong police using our systems for events and mass gathering (inaudible) workflow.

And I will add to that in the Middle East, I'm really noteworthy with the Qatar Ministry of Interior using our Pro Series to transmit, manage, receive and distribute live low latency, encrypted video feeds from uavs and drones and commanding control centers to ensure crucial real-time field information and to manage the critical security and safety at the upcoming World Cup, such as event security, spectator and crowd control, and safety.

The Qatar Media Corporation, Qatar TV invested in over 19 of our newest UHD PRO460s to complete management and reception systems. The systems will be deployed in different locations around the country to ensure complete coverage of news and events. In addition to broadcast, we rely on the stream transceivers to distribute the footage to affiliates and other international broadcasters during major international events.

Finally, Alta Sports TV channel selected our—also our new PRO460 systems to provide live feeds during sport events and to produce the live sport matches. Finally, I'll add in Latin America. You can hopefully get the picture that we're really becoming a global company.

The Mexican (inaudible) is using Makito X Encoders, Decoders and Haivision SRT Gateway to send live signals from (inaudible) Televisa and Fox Sports Mexico. (Inaudible) is Brazil's biggest evangelical church and owner of TV Record, which is the second biggest broadcaster in Brazil.

And the estimated number of followers is over 8 million people all around the world. They purchased (inaudible) licenses for their full live event production workflow. Finally, Globo TV, which is Brazil's biggest broadcaster and the second largest TV in the world—TV network in the world, had a (inaudible) for their live events operation. With the added emphasis of integrating our acquisitions during the next few weeks into a unified vision and strategy, I couldn't be more excited for our Fiscal 2023 Year coming and beyond.

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In closing, despite the economic headwinds and continued supply chain challenges, we expect a very, very strong Q4, which has been traditionally our strongest quarter, reflect the U.S. Government year-end. Thus, we are very excited for our record-breaking Q4 performance and the upcoming exciting Fiscal 2023.

I'll pass it on to Dan, our CFO. Dan, it's all yours.

Dan Rabinowitz

Thank you, Mirko. I know it's almost midnight in Europe, where you are, you sounded as if you were still in the morning in Montreal.

Let's get into the numbers. Revenue for this third quarter of Fiscal 2022 was $29.6 million, representing an increase of $8.9 million or 42.9% from the same period in the prior year. Revenue for the nine months ended July 31, 2022, was $87.8 million, representing an increase of $22.3 million or 34% from the same period prior year.

As was the case last quarter, much of the year-over-year growth can be attributed to the acquisitions of Haivision MCS in August of 2021, just over a year ago, and Aviwest in April of 2022, just 5.5 months ago.

With COVID seemingly behind us, we seem to be reverting back to our historical seasonal pattern where our first quarter is traditionally our smallest quarter, representing about 20% of our overall annual revenue. 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.

With our October 31 year-end approaching in six weeks, we have significant visibility into this fourth quarter and expect our fourth quarter results to represent record-breaking performance in terms of revenue. Our business remains healthy, and we expect revenue to continue to grow from these levels.

Recurring revenue, which we define as our cloud solutions and maintenance and support, was slightly ahead of last quarter's performance. Recurring revenue was $6.8 million and represented 23% of this quarter's revenue. We believe we still have upward opportunity to increase our maintenance and support revenue as we conform our Haivision MCS and Aviwest maintenance and support offerings. However, we are witnessing weakness in our House of Worship business that will likely impact our level of cloud revenues going forward.

Revenue related to the House of Worship offering is somewhat dependent on the price of bandwidth, transcoding, and the like. Although we continue to add customers, we are competing with lower cost alternatives, including free offerings from youtube and other companies.

These competitive offerings are putting downward pressure on cloud revenues and putting downward pressure on gross margins. For this quarter, gross margins were 66.1%, whereas gross margins on a year-to-date basis were 69.0%.

We had anticipated margins to slip from historical experience as margins for Haivision MCS and Aviwest offerings were below our historical margins. The good news is that our supply chain teams continue to supply our customers with their mission-critical needs. However, it hasn't been without cost to Haivision, which we amounted to over $200,000 this quarter and $1.1 million on a year-to-date basis; whereas we had believed that the supply chain constraints and resulting price increases would be temporary, we don't expect these costs to revert back to historical levels in the foreseeable future.

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.

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As presented, our total expenses for the third quarter were $24.4 million, an increase of $6.6 million when compared to the same period in the prior year and an increase of $3.2 million when compared to last quarter. As Mirko mentioned, this third quarter represents the first quarter operating on a consolidated basis with the cost structures of both recent acquisitions.

And these total expenses include certain noncash expenses, such as amortization of intangible assets of about $1.9 million, depreciation of fixed assets and right-of-use assets of $700,000, and share-based payments of $600,000. Operating on a consolidated basis enabled us to identify best practices across all of our entities, and we have identified significant synergies in terms of product offering. In terms of product offerings, synergistic sales opportunities and stellar back-office processes, we believe we can take full advantage of these synergies in this fourth quarter. On a year-to-date basis, total expenses were $65.3 million, an increase of $10.2 million when compared to the same period in the prior year.

Year-to-date expenses not only included the full cost structure of Haivision MCS for nine months, but also included the cost structure of Aviwest for four months. Total year-to-date expenses excluded noncash expenses, such as those share-based payments of $2.1 million, depreciation of fixed assets and right-of-use assets of $1.8 million, and amortization of intangible assets of $4 million, the predominance of which were the result of those two recent acquisitions.

When we normalize for the share-based payments, the depreciation of fixed assets and amortization of intangibles, total year-to-date expenses were $56.6 million, an increase of $19.7 million from the same period last year. As we have discussed on previous calls, our cost structure is largely made up of (inaudible) costs.

In fact, approximately 70% of our total expenses consist of compensation and related benefits. Thus, it shouldn't be much of a surprise that much of the increase in total year-to-date expenses is related to the Haivision MCS transaction in August 2021 and the Aviwest transaction in April 2022.

To give you a sense of the impact of these two acquisitions, our total headcount at July 31, 2022, was 418 people compared to only 262 people in July 31, 2021. Haivision MCS added 64 people, while Aviwest added another 81 people; or said in another way, the two acquisitions represented a 35% increase in total headcount.

Beyond the headcount increases, we are seeing increases in the cost of our labor and the amount of travel, and the cost of that travel, increases in marketing spend and the cost of just about everything else is our vendors are increasingly passing their increasing cost structures on to us. The results of these cost increases was an Adjusted EBITDA for the quarter of a negative $1.6 million. That's a decrease of $5 million compared to the same period in the prior year.

Adjusted EBITDA for the nine months was $3.1 million, a decrease of $7.4 million compared to the same period in the prior year. EBITDA margins have certainly compressed a bit in recent periods due to the higher headcount and increasing labor costs, supply chain issues, which cost us about $1.1 million on a year-to-date basis, and transactional costs related to recent acquisitions, which cost us about $900,000 on a year-to-date basis.

I should add that increases in traveling and marketing spend exceeded last year's spend by $3 million and $800,000, respectively. Although some of that increase in travel expense is really related to Haivision's MCS' installed business.

Net loss for the quarter was $4.2 million compared to a net income of $1.9 million for the same period in the prior year. As was the case with the EBITDA, this quarter's net income was impacted by increased headcount, additional depreciation and amortization, travel and marketing, and transaction costs.

The net loss for the nine month period was $5.1 million, a $3.9 million improvement from the same period last year. Although the year-to-date net loss suffered from the increased expenses related to the two

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acquisitions and amortization and transaction costs, much of the year-to-date improvement can be attributed to last year's share-based payments of $14.1 million related to the legacy Employee Stock Option Plan, and that represented the culmination of a 14-year program.

Looking at the balance sheet. We ended the quarter with cash balances of $8.9 million, but much of that was funded through our credit facility, which had $13 million outstanding at the end of the quarter. Again, the big movements in the balance sheet items is related to the confirmation of the Aviwest transaction in early April. The transaction itself consumed about $21.9 million in cash, and we assumed $5.5 million in their term debt.

On an aside, the term debt consists of 13 individual debt instruments, but priced quite favorably from noninterest-bearing debt on the low end to interest-bearing debt with an interest rate of just under 3%. Now, assuming that there are no indemnity claims to be paid, Haivision will pay an additional $2.7 million in two future payments related to the Aviwest transaction.

Total assets at quarter-end were $139.1 million. That's an increase of $16.6 million from Fiscal 2021 year-end. It's no surprise the increase in assets is largely the result of the Aviwest transaction. We assumed assets of $11.7 million, including inventories, receivables, property and equipment, and rights of use assets. We also acquired intangibles of $13.3 million and goodwill of $9.7 million. These working capital increases were offset by the $18 million decrease in cash from the prior year-end.

Total liabilities at quarter-end were $53.2 million, an increase of $19.6 million from Fiscal 2021 year-end. Similarly, the increase in liabilities is largely the result of the Aviwest transaction. As I mentioned, we had assumed $5.8 million in liabilities related to trade payables, deferred revenue, deferred taxes, and the like.

We assume $5.5 million in term debt, of which $5 million is still outstanding, and we have that $13 million outstanding on our credit facility. So let's talk a little bit about where we are on integration plans. For Haivision MCS, the integration has been a bit complicated, and progress has been slower than we had hoped.

However, at this juncture, our government and enterprise sales teams have been integrated, Haivision MCS is on a common payroll system, Haivision MCS is on a common accounting system. Our next areas of focus will be increasing the flexibility of Haivision MCS supply chain, implementing procurement best practices to reduce the order to cash cycle time, and bringing Haivision MCS to international markets.

The good news is that we still have vast opportunities, and we expect the pace of exploiting these opportunities to speed up. For Aviwest, the integration has been less complicated, and progress continues to be swift. Sales teams have been fully integrated, and Aviwest is operating under a common sales management system, products are already being integrated.

Aviwest Solutions already support SRT, allowing interoperability with the Haivision product portfolio, and plans are underway to integrate Makito products into Aviwest Solutions.

Our next areas of focus continue to be increasing the flexibility of Aviwest's supply chain, porting Aviwest to a common accounting system, and bringing Aviwest products to North America.

As discussed on our last call, we have been facing significant headwinds. As an update, our supply chain specialists have largely addressed component issues for the foreseeable future. We are beginning to see a degree of stabilization, albeit at levels with unacceptably long lead times and higher-than-usual component costs.

However, the success has had its cost. As an example, in the last quarter, we incurred approximately $200,000 in higher component costs, expediting fees, contingency part purchases, etc., to deal with this

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worldwide shortage in components. The good news is that this quarter's expenditures were significantly lower than the previous two quarters.

On a year-to-date basis, we've incurred approximately $1.1 million of such expenses. Now, to secure our six-month needs for parts and components, we have increased the level of our deposits with our contract manufacturers by approximately $2.5 million. We have made $2 million in commitments for high-value long lead time componentry. We've redesigned certain of our boards to accommodate readily available componentry, and we've qualified alternative manufacturers for difficult to procure items.

We've in-sourced certain mechanical assemblies to mitigate the increase in cost of goods, and we've invested in third-party systems to provide real-time assessment of our supply chain resiliency. The hard costs are easy to quantify, but the soft costs have also taken its toll on the organization.

Nevertheless, there is still some additional work, particularly in relation to Aviwest products, and we don't know whether, or if for that matter, whether our supply chains will ever revert back to historical levels. Again, to offset what appears to be a persistent increase in these component costs, we have imposed a price increase effective October 1.

And we should see this have some impact on this fourth quarter, but more likely the impact will be seen in Fiscal 2023 and beyond. Thus far, we've been able to serve all our customers with their mission-critical needs. Thanks to our supply chain team for navigating us through this turbulent time.

The the equation seems to be easing as well, but continues to be a challenge. Labor costs continue to increase, and retention is still a challenge for us. With that said, we have seen the response rate to our job postings increased in the last few months.

However, positions that are—had that have always been difficult to fill, remain difficult to fill. I suppose on a positive note, the number of offers extended to qualified candidates that were subsequently rejected seems to be declining.

On top of supply chain and employment issues, our vendors are increasingly passing their higher cost structures on to their customers like us. Travel appears to be back in a big way, face-to-face interactions are still important. It certainly hasn't helped at the cost of airfare and the cost of hotels are at levels we haven't seen in the past.

Marketing is also back, including a return to trade shows. As Mirko mentioned, the IBC Show just ended yesterday. In terms of expectations for the remainder of the year, our customers, our enterprises and governments around the world, and there is no question that our customers are feeling some of the same things we are experiencing.

Nevertheless, our business is still buoyant, and we expect a sound fourth quarter. Thus, our revenue guidance for the full year is still expected to be between $123 million and $127 million, although slightly closer to the lower end of the range.

And based on third quarter performance, full year Adjusted EBITDA will be lower than previously conveyed due to Q3 performance and the expanded Opex we are addressing in this fourth quarter. Although still a bit early, we have already begun working on our plans for 2023 and are quite buoyant on the industry and our position within this industry.

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

Operator

Your first question comes from Nick Corcoran with Acumen Capital. Your line is open.

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Nick Corcoran

Hi, guys. Thanks for taking my questions.

Maybe just starting with the top line, you mentioned that the fourth quarter has set a record. Are there any normal sales that might have slipped from Q3 into Q4?

Mirko Wicha

Sorry, Nick. Good to hear from you. I missed the last part, sorry.

Nick Corcoran

Yes. I'm trying to quantify if any sales (inaudible) from the third quarter to the fourth quarter.

Mirko Wicha

Yes. No, great question. I mean we had—we definitely had a programmatic deal that slipped from Q3 to Q4, which will be covered up in Q4. As a result, we expect that to be added to Q4 typical revenue. As a result, we're expecting a much larger Q4. That (inaudible).

Nick Corcoran

Great. Then switching gears to cinemassive. Have you received the security clearance for that?

Dan Rabinowitz

[redacted]

[redacted]

[redacted]

Nick Corcoran

Great. Then, it was the first full quarter with Aviwest. How has it performed in terms of the revenue contribution and the gross margin?

Dan Rabinowitz

The gross margins have been performing at expectation. They, too, are faced with the component challenges that we're helping to mitigate I'd say revenue has exceeded our expectations in the four months that we've been together, and we have visibility that suggests that the remaining year will be also very good.

Nick Corcoran

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You mentioned in your prepared remarks that there's some integration going on in the supply chain. Should we expect gross margin from Aviwest and cinemassive to improve with time?

Dan Rabinowitz

I'd certainly like to see gross margins improve. Right now, our goal is to make sure they have resilient supply chain. What we mean by resiliency is that when we make sales, we're able to fulfill those sales in quick order rather than having to wait 14 weeks to procure product to be able to sell those products to the customer.

We want to make sure that we have ample access to items so that we can meet the top line if we sell those products.

Nick Corcoran

Great. That's all for me. Thanks a lot.

Operator

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

Robert Young

Hi. In the prepared comments, which were very detailed, (inaudible), you went through a lot of margin headwinds, not a lot of tailwinds. So I wanted to revisit the near-term sort of medium-term margin structure.

I mean, the question that Nick asked around gross margin profile in the short run, at 66%. I think you highlighted House of Worship as a headwind in the short run, plus the recent acquisitions of MCS and Aviwest, plus the supply chain.

And so, I mean, as you sort of look at the next year, is that something that could get back up above 70%? Or just any color that you can give on the gross margin recovery, how that might play out.

Dan Rabinowitz

Well, I think this third quarter was a bit of an anomaly in terms of gross margin. I think we had a significant mix that contributed to the 66% that we realized. I don't expect the 66% to be a long-term number.

In fact, our planning for 2023 and beyond suggests that we're going to be just under 70%. That doesn't mean that we don't have opportunity. We are looking at their supply chains. We are looking at their contract manufacturing to see if we can evolve that a little bit and bringing them up to levels that we were at that Haivision has historically been at.

Now, Aviwest has introduced new products, and part of our exercise with our new sales management is to make sure that they're sort of holding to our discount strategies as it relates to resellers and to end users. I think that will go a long way in assisting in getting their margins back up.

Robert Young

Okay. Then, walking down the income statement down towards EBITDA margins, the higher cost of travel and wage inflation. Just—maybe if you could give us a sense of the cadence of EBITDA margins just from a modeling perspective, how we should be thinking about that? It's negative this quarter.

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Maybe—should we expect it to be negative in Q4 and then improve steadily? Or maybe just any help there would be much appreciated.

Dan Rabinowitz

Well, if you're looking at Adjusted EBITDA, Adjusted EBITDA, my sense will be that it will be significantly positive. We have identified synergies, and we're going to start pulling the trigger on those synergies in the fourth quarter, and thus we're going to sort of rightsize the business during this quarter and realize the benefits in 2023 and beyond.

Robert Young

Okay. Okay. Then should we think of M&A in the short run as a focus area? It sounds like you're doing a lot of work around integration and some of the cost out. Is that going to be a focus?

Dan Rabinowitz

Well, I would say M&A has always been a focus, and we're constantly talking to all sorts of industry players. I would say that we don't have any conversations that represent a deal in tow. I don't see that happening in the very short term here. Again, we've always been very opportunistic. If something comes our way, we'll figure out a way to get it done.

Robert Young

Okay. Maybe last question before I pass the line. It would be around—I think, Mirko, you mentioned a new programmatic opportunity that would run over a significant time period. How should we think of that as relative to the financial performance of the company?

Is that like a significant driver of revenue growth? Is it accretive or not to margins? Maybe—just any color there on what that could mean. And then I'll pass the line.

Mirko Wicha

Yes. Great question, Robert. I was kind of expecting that.

As you can appreciate, it's difficult to talk about some of these things. Again, it's—we invested heavily in putting resources to go after these large multiyear contracts. I mean, it's nothing new to us, right? We've been doing these multiyear programmatic businesses before. I mean the benefits are obvious. Yes, we definitely have several large deals in tow. I mean, there's—and I wish I could say more, but I would expect that the success of our execution in these programmatic deals really help a sustaining long-term growth for the Company. I think that's one of the things I'm a big—I'm a big believer in that if you do it right and invest upfront, that these are gifts that keep on giving.

And we've seen in the past from the State Department, from the (inaudible) programs, and from the (inaudible) programs, etc., we've been doing these multiyear deals. Sometimes it takes a lot of money upfront, a lot of effort in the upfront.

But for the long-term sustainable of the Company, it's critical. I wish I could go into more detail, but I can tell you that all our investments are paying off, stuff we can't talk about. Hopefully, when 2023 gets rolling, we'll be able to show more data. I just see it as a significant instrument in helping a much further and higher growth rate to a public company in the future. That's all I can say at this point.

Robert Young

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All right. One more question on that. Maybe I'll push this a little bit harder. The—is it an extension of something existing, or it would be net new, it would be additive? Is it an expansion of—?

Mirko Wicha

No, it's completely new and part also additive. It's double—it's a double program.

Dan Rabinowitz

The answer is yes.

Robert Young

Okay. Thanks. I will pass the line.

Operator

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

Mirko Wicha

Okay. Thanks, Josh.

Everyone, I appreciate your time, and I know it's been a challenging quarter in Q3, but the good news is that we are—I just wanted you to know we are working very diligently on really—I think this is the next phase and stage of Haivision that's coming forward.

And as we prepare the Company for massive scale, these are the things that we need to put in place, and we're going to be doing that in the next three to four weeks. We're really focused. We're looking at not only consolidating all of our products and architectures, but we're focusing our core competencies, and we're going to make sure we only work on things that align to our core competencies. Right?

I just want to remind everybody, anything that requires quality, liability, security and performance is what builds Haivision, and this is (phon) what we're true to. We're going to really evaluate all our verticals. Anything that doesn't align to these principles we're not going to be doing going forward. We're going to focus, focus and focus, and we're really going to take the immediate action in the next three weeks to realign the Company really for the next phase.

I think it's a pretty exciting time for the Company as we scale, and we're doing so many great long-term things that are going to really show up in '23 and '24. All I can say is everybody in the Company, we're all excited about what's going on.

And I think Q3 is—it almost is a blip. Q4 is going to be a massive quarter, and 2023 is going to be very excited. Just leave you with that thought. Thank you for everybody for attending, and can't wait to talk to you when we have our year-end Q4 results, will be probably sometime in January. We'll have our call and look forward to seeing you then. Take care.

Operator

This concludes today's conference call.

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