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Haivision Systems Inc. TSX:HAI

FQ3 2024 Earnings Call Transcripts

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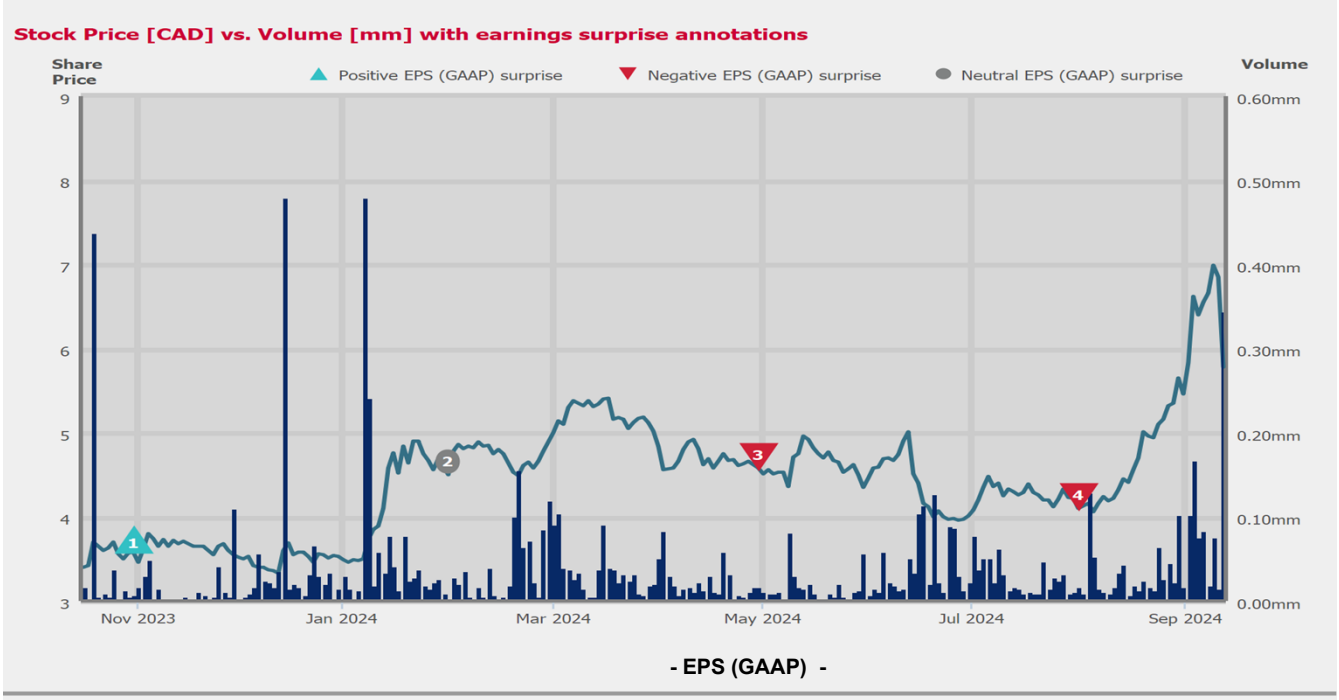
S&P Global Market Intelligence Estimates

	-FQ3 2024-			-FQ4 2024-	-FY 2024-	-FY 2025-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	0.06	0.01	(83.33 %)	0.08	0.19	NA
Revenue (mm)	34.23	30.65	(10.46 %)	35.62	136.36	NA

Currency: CAD
Consensus as of Sep-13-2024 1:54 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2023	0.06	0.08	1 33.33 %
FQ1 2024	0.04	0.04	2 0.00 %
FQ2 2024	0.05	0.03	3 (40.00 %)
FQ3 2024	0.06	0.01	4 (83.33 %)

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Presentation

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Haivision Systems Third Quarter 2024 earnings conference call. [Operator Instructions]

I would now like to turn the conference over to Mirko Wicha, President and CEO.

Miroslav Wicha
Chairman, President & CEO

Thank you, Regina, and good afternoon. And thank you, everyone, on the call for joining us today to discuss our third quarter and our 9-month year-to-date results for our fiscal year 2024, which ended in July 31. As we get closer to the end of our fiscal '24, which is, I remind everybody only 6 weeks away, we will have completed our 2-year strategic plan as promised back in 2022 for a major EBITDA and profitability transformation. And as a result, we will deliver a significant increase in our adjusted EBITDA performance between 2022 and 2024.

Our adjusted EBITDA percentage performance back in 2022 was 6%. We are now delivering as promised in adjusted EBITDA in the mid-teens. We also promised that one quarter we'll be knocking on the door of 20%, which will obviously be our current Q4.

So all in all, an amazing 2 year performance and a plan well executed. But we're not stopping there. We have already been working on our new 2 year strategic plan for fiscal '25 and '26, which will complete our overall transformation of our business and return Haivision to double-digit revenue growth. Now that we have the house in check for OpEx and gross margins and EBITDA and cash generation, the main focus will be higher revenue growth.

So let me share a few thoughts what we have been doing and what to expect from us during fiscal 2025 to prepare for this growth and to demonstrate the business scalability we have been talking about. Now we have 2 major fundamental business models taking shape this year, and that will continue to affect our revenue in 2025.

Number one is the move away from being an integrator to a manufacturer in the control room market. Number two is the Long-Term Rental or LTR as we call it business in a transmitter live market events. Now we are continuing our control room business transformation to a higher-margin manufacturer and I'd like to say scalable model from the bespoke hard-to-grow integrator model. And as mentioned last quarter, this major business transition has exceeded our expectations and is progressing much quicker than previously planned. However, it's a long road to complete, and we are about halfway through until we can begin to see a net revenue increase in our overall business. And we have always said that this transformation will be at the expense of our top line, very similar to when we decided to transition out of the house of worship market. However, what is left is our proprietary high-margin business, which is great business.

This is something we have been planning for and working towards all year. And good news is that we have already seen positive results within the first 9 months of 2024. We always expected this to be an 18 to 24-month transition. It looks like we will complete the full business transition during the second half of next fiscal year.

Now our partners and resellers globally are very happy to see us embracing the partner model to scale this business and moving away from being an integrator basically seen as a competitor to the AV channel. And Haivision has always supported and believes in a strong partner model to scale globally. Now this time next year, our revenue growth in this important market segment will be more apparent together with the solid and consistent high gross margins we have already been delivering.

We expect to be training and preparing many of our global AV partners on the new C 360 fully scalable platform by the end of this calendar year in preparations for a full-blown professional training rollout during next year. As we have been saying all along, our control room scalability and the overall revenue will begin to show higher growth once we roll this out globally.

Now on the LTR or as we call it Long-Term Rental program transformation, we are building a SaaS-like recurring revenue model for our 5G transmitter business, which is a much better long-term profitable business. We are already seeing several large multimillion-dollar opportunities and several competitive replacements with our Pro Series 5G transmitters.

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Our 5G technology has been very busy during the Paris Olympics, as I will discuss later. These deals replace one-time revenue hits with multiyear recurring revenue that will build over time and increase the profitability going forward. And most of these initiatives will see net revenue growth in 2026 and beyond. And that's the kind of business we all want.

Now I would like to highlight the many exciting and noteworthy events and projects that we have been working on that will significantly and positively affect our long-term revenue growth as our new 2-year revenue plan unfolds. And many of these you have seen in the previous couple of weeks through press releases. So let's start big.

Our Haivision MCS, our Mission Critical Systems Group, announced earlier last week that has been awarded a significant 5-year production agreement by NAVSEA, the Naval Sea Systems Command, with an estimated total value of around CAD 82.6 million. Now this prestigious agreement positions Haivision at the forefront of delivering cutting-edge combat visualization and video distribution systems to the U.S. Navy's Surface Combatant Fleet.

Under this new production agreement, Haivision MCS will provide to the U.S. Navy a comprehensive suite of ultra-high-performance video processing hardware and software for mission-critical display along with video transcoding, storage, and distribution components. Now these systems will be integral to the Navy's combat information centers across various surface combatant vessels, enhancing situational awareness and mission planning capabilities.

The advanced visualization technology is designed to support the Navy's future combat systems, including those planned for the AEGIS Destroyers, the Aircraft Carriers, Amphibious Ships, Frigates, Littoral Combat Ships, and the next-generation United States Coast Guard Cutters among other critical applications.

Haivision's next-generation systems will play a pivotal role in supporting mission-critical applications by delivering superior situational awareness throughout the ship. Now interesting enough, this award builds upon Haivision's ongoing success with the US Navy's CANES Consolidated Afloat Networks and Enterprise Services program the past 7 years, which already leverages Haivision's state-of-the-art real-time video encoding, transcoding, recording, and playback technology for ship-wide video distribution..

The award highlights the strength and reliability of Haivision's core technologies and demonstrates the valuable synergies achieved through the acquisition of CineMassive in 2021 and the integration of Command 360 collaborative visualization platform into Haivision's technology offerings that significantly enhanced the company's capability to deliver these innovative solutions for complex Defense applications.

Talk about another area, the Airbus Defense and Space, next-generation 5G development. Last week, we also announced that Haivision joined a multi-company consortium led by Airbus Defense and Space to develop new technologies for rapid, secure, reliable communications, representing a multi-year and multi-million dollar development contract.

As part of the Air!5G project, Haivision will develop 5G transmitters that provide connectivity in mission-critical situations where normal communication lines are disrupted or unavailable. This consortium is building land- and sea-based tactical 5G communication systems that support mission-critical operations during emergencies when network infrastructure is compromised or absent.

The Air!5G project aims to develop a deployable 5G Private network, for fixed deployments in a command center on land or in a naval flagship providing 5G network access to supporting teams or fleets over a wide radius. Teams in the field such as first responders, military units, or naval assets can connect to the network and send/receive voice, video and data ensuring priority performance and security. The project is built on a 5-year time line to achieve volume deployments of the solution.

An important note is that Haivision was selected as the sole technology provider tasked with developing the wireless video and audio streaming technology at the heart of the project. And we should see some groundbreaking products begin to be delivered from this initiative in late 2025.

Now on August 26, we also announced that Haivision is partnering with Shield AI, a leading defense technology company whose mission is to protect service members and civilians with intelligent systems. We actually showcased the AI integrated technology at the AUVSI Pathfinder Symposium in Huntsville, Alabama, a couple of weeks ago.

Now this partnership brings together trusted ISR solutions for full-motion video with AI object detection for Defense and ISR applications. Haivision Kraken is a video processing solution for mission-critical defense and ISR applications. Software-based, Kraken encodes, transcodes, and streams full-motion video alongside metadata in real-time across all types of communication links.

Shield AI's Sentient Tracker software automatically detects and tracks objects within full-motion video streams using a field-proven artificial intelligence technology. Now with this partnership, Shield AI Kestrel can now fully be integrated with Haivision Kraken and deployed across a wide range of air, land, and sea-based platforms.

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By integrating Shield AI's Kestrel object detection technology within our Kraken video processing platform, our customers are now able to apply full artificial intelligence to where video is being captured and processed, enabling quick and life-saving decision making. We are the standard low-latency edge transcoding delivery platform in the defense market and a market leader in this AI-driven approach. And we expect Kraken AI to drive many long-term defense projects and increase our footprint within the global defense space.

Haivision at the Olympics, let's talk about a serious excitement here. I mean Haivision was extremely busy at the Paris Olympics. And once again, Haivision technology was widely used across many events and our broadcast partners used well over 1,000 Haivision Makito Encoders and Decoders, SRT gateways and our Pro Series 5G transmitters in all the main events and venues during the Paris games, including some really cool areas, such as a surfing competition in Tahiti. With the Haivision Pro460 transmitters that were used by France Television to provide engaging behind-the-scenes video with maximum freedom of camera movement in the Paris venues, including Stade de France and the Bercy Arena, Haivision Pro460 mobile video transmitters were used to capture live video from events, including the gymnastic, athletics, providing unmatched glass-to-glass 80-millisecond latency for seamless production with other sources.

There was extensive use of Haivision Makito X4 Video Encoders and Decoders as well as the SRT Gateways to facilitate distribution of content to European and other rights holders around the world, ensuring that audiences across Europe could experience the excitement and watch the games live.

By including some of these cool stuffs, is the many firsts that were ever at any Olympics. I'll just â€“ I'll list them a few of them. The first ever Private 5G was used, the largest ever temporary Private 5G deployment, the lowest latency ever delivered over bonded cellular, the first ever sea-based Private 5G network, the first ever HDR 4:2:2 10-bit streaming for mobile devices, the first ever use of remote mobile device camera management. And finally, which is the coolest, the largest ever mobile device live contribution for the Opening ceremony. We saw 90 boats configured with over 200 Samsung phones running our MoJoPro software.

In the high dynamic range live HD video feeds from MoJoPro were transmitted to Haivision StreamHub receivers using a Private 5G network, which was setup with 12 5G cells mounted on the historic bridges that traverse the river. The StreamHub software provided multiview monitoring and master control for incoming mobile camera feeds. These live feeds were then used to distribute the live content to the specific country content holders, simply amazing and a first. And this kind of the first of its kind live contribution has also made us a finalist for the prestigious IBC Innovation Award to be presented end of this week.

Interestingly enough, we happened to have won last year's IBC Innovation Award for the Private 5G streaming of the Kings Coronation in London in conjunction with the BBC. So being listed as a finalist this year is an amazing acknowledgment and testament to our continued innovation and technology.

And I would just add, finally, we also won a multi-million-dollar deal by one of the largest broadcasters in the world who chose Haivision for their global IP video distribution and delivery. As a result, they will deploy hundreds of our SRT gateways to replace their entire global satellite network, very exciting project, which was also highly competitive, but won by Haivision based on our innovative and groundbreaking technology.

Now let's get back a little bit to the numbers. As demonstrated by the results we announced today, our business fundamentals just keep getting stronger. We have been telling you and everybody that we will significantly increase our operational efficiency and adjusted EBITDA throughout the past 18 months, and our Q3 performance continues in that direction with some noteworthy highlights.

Our Q3 gross margins were significantly higher than last year's already impressive Q3, which went from 72.3% to 75%. We've been saying all along that we would deliver increased gross margins and once again, we continue to deliver what we said we would.

Now this Q3 enjoyed very high gross margins, mainly boosted by the major sale of the large broadcaster I mentioned for our software-based SRT gateways, meaning we don't need to provide the Dell servers, resulting in pure margin. This is another example where we give up the higher revenue in exchange for a higher-margin business.

Now additionally, our Kraken ultra-low latency transcoder used in mission-critical defense applications has also been successfully deployed on virtual machines within the U.S. military, further enhancing our gross margins.

It's also noteworthy to mention that our Q3 performance despite the lower revenue of last year, maintains our 12-month trailing adjusted EBITDA at a strategic $20.1 million level, another impressive metric. I can safely say that we are well on our path on delivering on our promise of a 2 year adjusted EBITDA performance, growing dramatically from the $8 million derived in fiscal '22 to over $20 million that will be derived in 2024. Not many tech companies can say that these days.

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And just to finish quickly, our 9 month year-to-date operating margin now stands at 14.5% compared to last year's 9 month operating margin of 8.7%. And our 9 month year-to-date adjusted EBITDA is already at $14.4 million, which is 58.2% higher than last year's 9 month adjusted EBITDA performance of $9.1 million.

As we have been saying over and over, we are delivering on our promise to significantly increase the profitability and operational efficiency of Haivision. It should not be obvious that we will deliver the promised mid-teens adjusted EBITDA performance for the entire year and finish fiscal '24 with a higher than $20 million trailing 12 months of adjusted EBITDA for the full year. We couldn't be happier with our performance thus far.

And Dan will go through the financials in detail, but let me reiterate our annual guidance we gave back in January, delivering adjusted EBITDA in the mid-teens is well on target, while delivering higher margins and growth and operational performance is also well on target.

Now considering our planned transformation of the control room business is moving quickly, together with the delays in federal spending, our top line will be lower than we anticipated a year ago. But all of our profitability metrics are significantly higher and well on track. This has been our main focus and the most important metric for this fiscal year. The better-than-expected transformation of our control room business will set us up for a much healthier and profitable business in the future.

And finally, we believe that Haivision has a much brighter future ahead as we have now delivered, not just promised, but delivered a trailing 12 months adjusted EBITDA of $20 million for 2 quarters in a row and will soon deliver a third. That cannot be taken away from us. It is no longer a promise. It's our actual running performance. We are committed to maximizing long-term value for all of our shareholders, and we are confident in our ability to execute on our strategic plan and deliver continued growth.

Thus, I trust that the investment community will agree that we are still undervalued despite the recent run-up of our shares in terms of both revenue multiples and on our EBITDA multiples, not to mention the exciting future ahead of us.

After all this, Dan, please continue with the detailed financials.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Thank you, Mirko. Let me see if I can bridge the discussion of our financial performance to date with the opportunities that are in front of us. So let's start. Revenue for the third quarter of fiscal 2024 was $30.6 million. That was a decrease of $4.3 million from the previous year comparative period. And revenue for that 9 months that ended July 31 was $99.4 million, a modest $4.7 million decrease from the prior year comparative period.

Again, there's quite a bit more about this revenue story. As an example, year-over-year comparisons are impacted by our decision to exit the house of worship vertical in April of 2023. And last year, as an example, year-to-date revenue included house of worship revenues of $3.5 million. There were no such revenues this year.

Further, on our last call, we discussed 2 significant initiatives that Mirko highlighted in his discussion and that they will impact our short-term revenues, but enhance our profitability and enable us to scale the business more quickly. The first is our transition from systems integrator in the control room space to that of a manufacturer, as is the case with the rest of our products. The second is the introduction of the long-term rental program initially focused in the transmitter market.

So let's focus a few minutes on this control room transition from bespoke systems integrator to manufacturer of proprietary products. At the risk of being redundant, historically, MCS provided bespoke solutions to customers that included low-margin third-party components like displays, third-party electronic components, and even ancillary items like cables, racks, mounts, and the like. This approach certainly created additional complexity in managing inventory and resulted in delays from the initial sale to the conversion of cash as we were not only responsible for the procurement of such components, but the eventual delivery of individual items and the resulting implementation.

Just to give you a small sense of the complexity, we have already identified well over 250 inventory items that are better suited for our channel partners to provide and are no longer part of our offering. Let's also not lose sight of the fact that certain of those SKUs may have been in support of a single customer. Or may be subject to quick obsolescence as new models are generally announced annually for screens and the like.

Because of this custom approach to serving customers, this integrated approach made scaling the business much more complicated, particularly in the public safety, enterprise, and international markets. It also created a bit of conflict with our channel partners in that

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same public safety and enterprise verticals that sold Haivision legacy products and desired to represent Haivision in the control room space.

This transition has already attracted the attention of channel partners wanting to partner with Haivision, and we expect to see more opportunities as these channel partners have the added incentive by the enhanced margin dollars they can derive from providing those third-party components.

But what does this really mean in terms of top-line revenue? Certainly, a difficult question as all our product families are offered to solve our customer workflow challenges. But here are a couple of observations that illustrate the point.

In fiscal '22, as an example, these third-party components represented about 40% of a customer's bill of materials. And in some cases, these third-party components could represent as much as 75% of the bill of materials. In fiscal 2023, we saw those percentages decline modestly, about 20%. And then on a year-to-date basis, we have seen that same percentage fall again by another 50%. Thus, our earlier statements that the transition to a manufacturing model is happening even faster than we expected.

Now let's turn our attention to the transmitter business and the long-term rental program. When we acquired Aviwest, our objective was to grow the transmitter market by bringing the product family to North America. To that end, we introduced a competitive long-term rental program to the market. This initiative enables our customers to recognize an ongoing operating expense rather than a capital expense, and it also enabled them to future-proof their purchases as they would have access to the newest technologies when available.

The fact of the matter is that our competitors offer such a program in the transmitter space, and those sales may not be otherwise available to us if we didn't offer a program that is very competitive to those of our competitors. However, for Haivision, there are additional benefits. First, it enables us to increase our recurring revenue posture, which has always been a key focus for us and enables us to drive higher gross margins over the life of these agreements.

We have seen our global direct rental business increase 87% quarter-over-quarter and 76% year-over-year, and almost 2/3 of that growth is the result of successes in North America. We know that our offering is compelling, and we know we've gotten the attention of our competitors. Although still in its infancy, the rental business increased year-over-year by about $700,000, but revenue will trail as revenue is being recognized over the entire rental period.

For this quarter, gross margins were 75% a significant improvement from the 72% realized the prior year, a 300 basis point improvement. And gross margins on a year-to-date basis of 73.1% compared to 69.1% in the prior year comparative period. That's a 400-basis point improvement.

We may continue to see some quarterly variations of gross margins related to the seasonality of certain product families, although the gross margin differences between our product families are dissipating. There is a component of COGS that is relatively fixed in nature that can be leveraged across higher revenue, and we are seeing steady increases in the uptake of software-only options or virtual machine deployments, which, as Mirko mentioned, have a higher gross margin than our typical software offerings that have traditionally been installed on service and sold as an appliance. On a year-to-date basis, we've seen a 55% increase in these types of sales. And for the last quarter, we actually saw a 98% increase in the sales of software-only options.

Total expenses for this quarter were $21.9 million. That's a decrease of $3.8 million when compared to the same period in the prior year. Last year, we did incur a restructuring cost of $1.5 million, which represent about 40% of the year-over-year decrease. Approximately half of the remaining decrease can be attributed to compensation-related expenses, which was the focus of our recent restructuring efforts.

The remaining year-over-year differences can be attributed to decreases in amortization and depreciation expenses, professional services and technology and communications as our back office continues to become more efficient. We did have increased reimbursements for SR&ED credits and R&D credits, much of which were related to our participation in the Airbus Consortium. We are now using foreign currency derivatives contracts to mitigate the impact of changes in the Canadian dollar's impact on U.S. dollar-denominated assets and liabilities. And you'll note that just the impact on OpEx related to exchange rates had a difference of about $300,000 in the quarter.

On a year-to-date basis, total expenses were $67.4 million, a decrease of $7 million when compared to the prior year comparative period. The reason for the year-to-date decreases are similar. Compensation-related expenses decreased by $3 million, $3.1 million actually, while the remaining decreases were related to non-recurring restructuring costs, amortization and depreciation, technology and telecommunications and other development costs like prototyping and the like.

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The result of higher gross margins and lower expenses was an adjusted EBITDA for the quarter of $4.1 million. And for the 9 months ended July 31, our adjusted EBITDA was $14.4 million, again, a $5.3 million or 58% improvement from the same prior year period.

The adjusted EBITDA margin for the quarter was 13.5% a notable improvement when compared to the 12.4% in the last prior year comparative period. And on a year-to-date basis, our adjusted EBITDA margin was 14.5%, an even more impressive improvement from the 8.7% experienced in the same prior year period.

Our adjusted EBITDA margins have been securely in the mid-teens for the last 4 quarters as we promised over a year ago. And as Mirko mentioned, our trailing 12-month adjusted EBITDA is $20.1 million. It should become evident that there is consistency in gross margins and adjusted EBITDA margins, and that should be well received by the investment community. And given our profitability, we are building a valuable business that still may not be fully reflected in today's stock price.

Operating profit for this quarter was $1.1 million. That's a $1.6 million improvement from the same prior year period. And on a year-to-date basis, operating profit was $5.3 million, an even more impressive $7.7 million improvement over the same prior year comparative period.

And just to finish up the P&L a bit, the net income for the quarter was $400,000. That was a $1.3 million when compared to the net loss of $900,000 in the prior year period. And on a year-to-date basis, net income was $2.6 million, a $6.4 million improvement when compared to the net loss of $3.8 million in the prior year period.

This is our fourth consecutive quarter with positive net income and positive earnings per share, and it's our seventh since being a public company for those of you who are counting.

With respect to the balance sheet, we ended the quarter with cash balances of $13.9 million. That represents an increase of $5.6 million from the end of fiscal 2023 and an increase of $2.9 million from prior quarter end. We also still have a revolving credit facility in place for $35 million, of which only $3.4 million remains outstanding. And the revolving facility may still be increased by another $25 million.

Total assets at July 31 were $140.2 million. That's a decrease of $3.9 million from the end of last fiscal year. And the decrease can be attributed to a reduction in our net intangible assets, the result of ongoing amortization expense. We have been working on reducing our inventories, and we have reduced our inventories by $3.3 million from the end of last fiscal year. And on a side note, inventories have declined by $6 million since peaking in the second quarter of fiscal 2023.

We saw reductions in trade and other receivables, and we've seen reductions in our right-of-use assets as a result of ongoing rent payments. Now these decreases were obviously offset by the increase in cash and increase in investment tax credit receivables related to R&D activities in Canada, France and the United States.

Total liabilities were $45.1 million. That was a decrease of $4.8 million from prior fiscal year-end. We saw decreases of $3.5 million in trade payables and other accruals. We saw $1.6 million decrease in lease liabilities and principal payments on term loans. Those were loans that we acquired as part of the Aviwest transaction. We also saw a decrease in the line of credit. Now these decreases were offset by a $1.1 million increase of income taxes payable.

So let's talk a little bit about guidance for fiscal 2024 and beyond. But before, let's touch on a couple of key announcements that were recently made and how they may impact financial performance.

First, the $61 million purchasing agreement with the U.S. Navy. That purchasing agreement translates to over CAD 82 million at current exchange rates. Haivision has supplied products to the U.S. Navy in the past, particularly the CANES program through a fulfillment partner. This purchase agreement covers combat visualization and video distribution systems that are adjacent to our existing work. It does not cannibalize our existing relationship. It is a direct contract with the Naval Sea Systems Command, a contract we would otherwise not be able to enter into if it weren't for our Haivision MCS security posture.

We are now in the base year of the contract, a ramp-up year for which revenue recognized for fiscal 2025 will be more modest than the run rate and largely focused in the second half of fiscal 2025.

The exact delivery schedule for the remaining implementation is still to be finalized, but we expect the real impact of this purchasing agreement to be in fiscal 2026 and beyond.

Whereas our public safety, enterprise and international market for command centers are really conducive to this manufacturer model in the command center space, sales to the government may likely include the integrator model. This purchasing agreement, which has been worked on for years is such an example. And given the scale, margins, although still sound, will not be as frothy as for the rest

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of the business. I do want to mention that although this purchasing agreement governs 5 years, there is an opportunity for significant follow-on business with the existing customer and with customers in other friendly countries.

Second, AI innovations and our partnership with Shield AI. This initiative will enable our defense customers to benefit from [complete] situational awareness to detect or to track objects more efficiently than is possible by the human eye. This, in turn, will allow our customers to monitor our video feeds and enable quicker life-saving decisions.

Our advanced stream processing capabilities will be demonstratable in our Kraken release scheduled for October, which will be generally available in early calendar 2025. And we have a significant install base that could benefit from this enhanced functionality.

Lastly, the Air!5G consortium agreement with Airbus Defense and Space. It is a development agreement approved by the -- what they call the Important Project of Common European Interest, IPCEI, which aims at enabling research and development of innovative and resource-efficient technologies and components. This consortium, which is being managed by Airbus Defense and Space, includes 6 entities in the areas of Private 5G solutions, beamforming antenna solutions, mobile private networks, communication terminals, compute solutions and of course, Haivision as a provider of Private 5G transmitters.

Haivision will benefit from being one of just a few participants on the leading edge of the next generation of secure and reliable communications. This development initiative has always been very consistent with our own development road map. And to put an exclamation point on that statement, although the formal consortium agreement was executed fairly recently, work against this initiative began well over a year ago, and we expect to see our first derivative products resulting from this development effort in fiscal 2025. Lastly, we will also be the recipient of certain enhanced R&D grants and favorably priced development loans as a participant in this initiative.

In terms of expectations for fiscal 2024, we did revise our guidance for the full year based on the transition to a manufacturing model. But the delay in the approval of the U.S. federal budget, the long-term rental program and this transition that is happening much faster than had otherwise has adjusted our thinking. So we are now projecting revenues for this fiscal year to be between $134 million and $136 million for the reasons we have already discussed.

We still anticipate adjusted EBITDA margins in the mid-teens as has been our guidance for the entire year. And we are still anticipating seeing our fourth quarter to be knocking on the door of our long-term adjusted EBITDA margin goal of 20% as our cost structure is well in place. With our operational restructuring behind us, our focus going forward is on revenue growth.

Today, we discussed a number of significant growth initiatives that should translate to double-digit revenue growth for fiscal 2026 and beyond. However, we will still be dealing with some of the revenue growth headwinds cited earlier during this call. Don't get me wrong, these recent revenue decisions are ultimately setting the stage for a more efficient, more profitable operation, but we may not see the full benefit of that until late in fiscal 2025 and beyond.

Thus, for -- we are projecting revenue for fiscal 2025 to be $140 million or better with an adjusted EBITDA margin between 100 and 200 basis points higher than what we are seeing today. And with some of our recent announcements of our technology advances and of course, the Navy production contract, we expect to be seeing double-digit revenue growth for fiscal 2026 and beyond. We will be providing more specific guidance at our next earnings call in January when we announce our full-year results.

So that's the end of my prepared remarks. I'm going to pass the microphone back to you, Mirko. Mirko, are you still there?

Miroslav Wicha
Chairman, President & CEO
Yes. Let's open up for questions. Thank you.

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Question and Answer

Operator

[Operator Instructions] And our first question will come from the line of Nick Corcoran with Acumen.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

Just my first question is you mentioned a couple of headwinds to revenue in the quarter. Can you maybe rank them in order of what's causing the biggest headwind?

Miroslav Wicha
Chairman, President & CEO

Well, okay, it's a fairly complicated question because there are interdependencies between the 2. But I would say that delays in the procurement process in the defense market based on the delays in the federal budget and that as our transformation, they probably rank about equal in how they impacted our financial results. And then I would say the Long-Term Rental program would be a distant second.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

That's helpful. And a significant contract win with the U.S. Navy. Can you maybe give a little bit of color on how long the sales cycle for a contract like that is?

Miroslav Wicha
Chairman, President & CEO

Well, we knew of the deal when we acquired CineMassive or we knew that it was a possibility. But I think we may have put a discount on it on whether we're going to see it or not. And what we've been led to believe is that they had been working on that contract for a couple of years prior to our acquisition of CineMassive. So we're really talking about more than 3 years, probably less than 6.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

And was one of the hurdles to get that contract, the security clearance?

Miroslav Wicha
Chairman, President & CEO

Well, certainly, because of the nature of what we were doing, that was -- the Navy would prefer a vendor that had a security clearance and a secured facility.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

And maybe last question for me. You mentioned there's a significant broadcast deal with the customer switching from satellite to SRT. Is that a one-time purchase? Or is it a recurring sale?

Miroslav Wicha
Chairman, President & CEO

Yes. That's a one-time purchase, pure software running on their own instances and/or servers. And so we would benefit from recurring support revenue on that, which would be significant going forward.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

Maybe one follow-up question. Is there a shift from a satellite to SRT?

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Miroslav Wicha
Chairman, President & CEO

Absolutely. I mean there's a massive shift just getting off a satellite period. I think SRT is by far the de facto standard being used everywhere on the planet. So it has created that ability for compatibility but ease of transition. So pretty much used by all companies, cloud companies, video guys, broadcasters, you name it. So SRT is by far the most adopted protocol for IP delivery and streaming.

Operator

Our next question will come from the line of Daniel Rosenberg with Paradigm.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

The first one comes around the guidance. When you guys say 100 to 200 basis points higher than today, the '24 guidance suggests a step-up in margin profile for Q4. So all that to say, should we read that language to mean mid- to high teens for adjusted EBITDA next year? Or again, knocking on that 20% door. If you could provide any detail there, it would be appreciated.

Miroslav Wicha
Chairman, President & CEO

We do expect to see higher EBITDA margins in our fourth quarter, and that's going to result in an EBITDA margin in the mid-teens for 2024. And we expect for all of 2025, we should be able to see a 100 to 200 basis point improvement from the run rate where we are today.

Because there's seasonality in our business and because we see fourth quarter having higher revenues, we are not suggesting that every quarter is going to have that 100 or 200 basis point improvement to the quarter -- prior year quarter. But overall, for the entire year, we expect to see that benefit.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Okay. I appreciate that. Dan, I want to speak to the U.S. Navy contract. Congrats on an impressive win. I was wondering how that win might affect you securing additional contracts like that? Are there any synergies to be had? And any color on the pipeline that you have in delivering that kind of solution?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, let me take that one. I mean I think that's a great question. Let me just say this. The first one is always the most difficult one, right. So this has been -- with the acquisition of CineMassive and setting up, obviously, the whole secured facility with a U.S.-based posture, we are actually investing heavily in MCS, which we call Haivision Mission-Critical Systems.

I would expect that we would see further contracts in the future. None that we can talk about, nothing that I would say is in the pipeline in the short term. But this was all of our focus. This took a lot of effort, quite a few years, and I'm glad we finally made it, but it's going to be a lot easier now that we've won and we're going to start delivering for us to go after a lot of other projects. So definitely a much easier road to success going forward.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Good to hear. And then talking about growth, could you speak to just the visibility you have today? And then when you talk about double-digit growth in the longer term, does that relate around the initiatives you just mentioned around the MCS solution?

Miroslav Wicha
Chairman, President & CEO

No, I was going to mention, I think the thing that we -- I kind of started off, and I spent a lot of time explaining that will help our double-digit growth going forward really is the control room space, which I think is a very exciting market and a growth market. Our defense posture given the Navy deal, absolutely. That's going to be a significant piece, mainly starting, I would say, 2026. And of course, a lot of our AI, Kraken AI initiatives, which is a whole -- opened up a whole new market for us. So those 3 alone are pretty significant areas that are going to increase our revenue.

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And then, of course, I believe the true 5G cellular bonded wireless they use in live sports, we're just scratching the surface. And I believe us leading in that area is going to help grow that market for us because we deal in live broadcast, live events, live sports. So what we just did at the Olympics has honestly never been done before. We're going to be seeing at the next Olympic, it's going to go to a whole different level, and we're seeing at all other major world sporting events, just like FIFA World Cup is going to be better.

So everybody is getting excited about 5G cellular bonded private 5G networks. So I believe us leading in that is going to be a growth factor in '26, '27, '28 and beyond. So those in a nutshell, Dan, you got something else to add?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, I just want to mention that even the work with the consortium where we're helping to build the next generation of secure, robust communication systems in the public safety space is going -- is a huge initiative as well. Again, we'll see -- start seeing that benefit in 2026 and beyond. So all of those initiatives are demonstrating our technology prowess, demonstrating the potential of what we can be doing and will eventually contribute to the top line growth.

Operator

Our next question comes from the line of Robert Young with Canaccord Genuity.

Miroslav Wicha
Chairman, President & CEO

I've been told Robert dropped off the line.

Robert Young
Canaccord Genuity Corp., Research Division

I'm here. No, I've got a couple of quick ones. Most of my questions were covered in the prepared remarks, but the reduction in the guidance and the push out in the US, you already covered a bit of this. Like how comfortable are you that the programs are on are durable through the election cycle? Like the other side of presidential elections, are any of these subject to cancellation or change or anything like that? Like maybe just talk about how durable you feel that business is with Kings and with the additional Navy contract.

Miroslav Wicha
Chairman, President & CEO

A very good question. I mean, from the new Navy contract, I mean, what we're told I mean it's obviously not only been approved, but the budgeting has been secured by Congress and it's committed. It is not subject to a change of administration. So from that, it's a high-priority project that's been fully funded and approved. So we don't see any disruption in that specific project that we're told.

From a CANES perspective, that's been going on for 7-plus years. It is starting to wind down. We have seen budget discussions and problems that have moved deals left to right. So that one would be affected potentially by an administration change elections, but it's to a much lesser extent because we're kind of nearing the end of that program. So I'm not as concerned.

But the big deal -- and let's not forget that our base year for this new contract, which we thought would have been next year because it's taken us -- we actually thought that this was going to close back in January, February, March. It just closed. So it just took a long time for the close. The base year is actually in 2025. So we're already planning that that's going to be a small amount. The real intent is really -- where it really ramps up is '26 and then '27, '28.

So I would expect that no matter what happens with the elections, it's not going to be much of an effect on this deal. I guess I would be more concerned if God knows what happens with the elections and if there's a government shutdown, that could be a whole different discussion, right. But at this point, none of these programs seem to be affected.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Yes, Robert, I think that if we -we're to look at both the Kings project and for that matter, the Navy project, both of them represent technology refreshes. In the CANES project, this is their third -- we're in the middle of our third technology refresh with the Navy, and that will continue. That's not a contentious kind of issue. And even our -- the technology refresh related to this US Navy deal is a technology refresh. Again, it's not contentious. It's not a new program. It's not a large program. It's part of the ongoing refurbishment of these boats that happened all the time.

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Robert Young
Canaccord Genuity Corp., Research Division

Okay. That's great to hear. And last little one. Just the new Navy contract. Is that an [IBIQ] or a maximum authorization? Or is that actual revenue you expect to receive over the life of the contract? And then I'll pass the line.

Miroslav Wicha
Chairman, President & CEO

That is actual revenue over the life of the project.

Operator

We have no further questions at this time. I'll hand the call back to Mirko for any final remarks.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Ven's got a question.

Operator

We do now have a question from Venkata.

Venkata Prasad Velagapudi
Research Capital Corporation, Research Division

Yes, I just have one question as questions related to most of -- I mean, operations have been covered. This is about your share buybacks you have been doing over the course of last quarter. So just want to know like the time line, do you have plans to continue? Or what criteria do you have in mind before pursuing this program?

Miroslav Wicha
Chairman, President & CEO

Very good. Well, we -- the [MCIB] is in place for a year. I don't see why we wouldn't want to renew the program. I believe the basis for the decision to go down this path is that we believe the stock was not reflective of the value. And as long as the stock was cheap, we are going to support it. We'll continue to support the stock. At what level we have yet to determine, but we do have this automatic share purchase plan in place during our blackout period. And so that is in place and will continue to operate for the remainder of the year, and we will make adjustments as necessary.

Operator

And with that, I'll hand the call back over to Mirko.

Miroslav Wicha
Chairman, President & CEO

Thank you. I just want to thank all of our shareholders and analysts on the line today and for the continued support of Haivision and look forward to speaking with everyone in mid-January when we're going to discuss our full 2024 results and give a little more color to our guidance for 2025 at that time. So thank you again, and speak to everybody in January.

Operator
That will conclude today's call. Thank you all for joining. You may now disconnect.

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