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Presentation

Operator

Ladies and gentlemen, thank you for standing by. My name is Abby, and I will be your conference operator today. At this time, I would like to welcome everyone to the Haivision Fourth Quarter 2024 Earnings Conference Call. [Operator Instructions]

Thank you. And I would now like to turn the conference over to Mirko Wicha, President and Chief Executive Officer. You may begin.

Miroslav Wicha
Chairman, President & CEO

Thank you, Abby and thank you, everyone, on the call for joining us today to discuss our fourth quarter and our fiscal year 2024, which ended back in October the 31st. At the end of our Q4 last October, we have completed our 2-year strategic plan as promised back in 2022 to deliver a major EBITDA and profitability transformation. And as a result, I would say, we delivered significant metrics in our operational performance between '22 and '24, a 2-year performance we are very proud of and one that I will summarize later in my prepared remarks.

Now we are already well into our new 2-year strategic plan for fiscals 2025 and 2026, which will complete our overall business transformation and return Haivision to double-digit revenue growth. It will also return us to our long-term CAGR growth rate between 15% and 20% per year. As mentioned earlier, we have completed our operational efficiency model and have a great handle now on the OpEx, gross margins, EBITDA, cash generation, and the focus now will be high revenue growth.

Let me share a few thoughts on what to expect from us during fiscal '25, which we're already in, to prepare for this growth in '26 and to demonstrate the business scalability we have been talking about. Our main fundamental business model for the control room market, which [Technical Difficulty] system integrator to manufacturer that we've been talking about, is continuing throughout this year and will affect our revenue this year, similar to what happened in 2024. Now, by design, we are continuing our control room business transformation to the higher margin manufacturing scalable model from the bespoke, hard-to-grow integrator model.

Now, as mentioned during the past several quarters, this major business transition has exceeded expectations. However, it's a long road to complete. It's about 9 months away until we can begin to see what I would call a net revenue increase in our overall control room business. Now, this will be an important moment in time where scalability and high growth will begin to show.

Now, we have always said that this transformation will be at the expense of our top line, and that's similar to when we decided to transition out of the House of Worship market, if you remember. However, what is left is a proprietary high-margin business, which is great business. And this is something we have been planning for, working towards all year last year, and we expect to finish the process by the end of this year.

Now the good news is that we've been seeing a growth in control room sales already back in Q4 and our long-term sales pipeline is growing very nicely. Now the increase in our sales pipeline is an important indication to our future revenue growth, which gives us confidence in our future growth overall. Remember that the control room sales and pipeline is very different and will start to convert to revenue during the second half of this fiscal year and the next and continuing. Remember that this business is longer term and typically takes at least 2 to 4 quarters to realize revenue, very different from our traditional book and ship the same quarter business that we're used to.

Now, we always expected this to be an 18 to 24 month transition and looks like we will complete the full business transition during the second half of this fiscal year. Thus, we are very close and excited to see the return to high growth in our fiscal 2026.

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Now, our partners and resellers globally are also very happy to see us embracing the partner model to scale this business and moving away from being an integrator actually and a competitor to them. And Haivision has always supported and believes in a strong partner model to be able to scale globally. Now, we also expect to be training and preparing many of our global AV partners on the new C360 fully scalable platform by next month in preparations for professional training rollout during the next 2 quarters.

I would now like to highlight the many exciting and noteworthy events and projects we've been working on that will significantly and positively affect our long-term revenue growth as our new 2-year revenue plan unfolds. Our 5-year CAD 82.6 million supply agreement to the U.S. Navy, we talked about earlier, and the Haivision Mission-Critical Systems announced back in September that [indiscernible] (5:41) significant 5-year production agreement. 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. This is huge and a showcase of what is yet to come.

We also announced last year that Haivision joined the multi-company consortium led by Airbus Defense and Space to develop new technologies for rapid, secure, and reliable communications, representing a multiyear and multimillion-dollar development contract. As part of the Air5G 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 to support all of our mission-critical operations [Technical Difficulty] network infrastructure is compromised or absent. That's another very exciting project.

Now we've got a lot of strategic developments planned this year in AI. We announced already last year that Haivision is partnering with Shield AI, a leading defense technology company whose mission is to protect service members and civilians with intelligent systems. Now with this partnership, Shield AI's Kestrel can now be fully integrated with Haivision's real-time transcoding Kraken software system and deployed across a wide range of air, land, and sea-based platform.

But we are increasing our investments into our next-generation hardware AI technology, and we'll be launching our new AI-based platform and edge devices for the defense and ISR markets later this year. We are the standard low-latency edge transcoding delivery platform in the defense market and a market leader. We expect our Kraken AI technology to drive many long-term defense projects and increase our footprint within the global defense space.

Now also, as mentioned earlier last year, Haivision was extremely busy at the Paris Olympics. The Haivision technology was widely used across many events and our broadcast partners used well over a 1,000-plus Haivision Makito encoders, decoders, SRT gateways, and our Pro Series 5G transmitters in all the main events and venues during the Paris Games. We even showcased the first ever private 5Gs at Olympics with the lowest latency and the first ever use of remote mobile device camera management. There were many examples in Paris that has propelled Haivision to the forefront of innovation and performance, not to mention winning many prestigious awards, including the coveted IBC Innovation Award for the second consecutive year.

Now, let's talk some high-level numbers resulting from our 2-year plan. Now, as demonstrated by the results we announced earlier today, our business fundamentals are strong. We have been telling you that we will significantly increase our operational efficiency and adjusted EBITDA throughout the past 2 years and our 2024 performance continued in that direction with some noteworthy highlights to demonstrate our 2-year comparisons.

Let's talk about revenue. This is interesting. Our actual comparable revenue between fiscal '22 and fiscal '24. This is after taking effect of the reduction of revenue due to the exiting of House of Worship market. Remember that in 2022, we were doing approximately CAD 8 million in House of Worship revenue, and that includes the reduction of our 2024 revenue moving away from the integrated model within our control room market to get rid of third-party hardware. Our 2-year revenue growth was still an impressive 9% growth. So I'd like to say that even after all that transformation, all of the exiting and getting rid of the bad revenue, we still actually showed 9% growth in 2 years. So pretty compelling performance.

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Now in the same timeframe, our gross margins have improved 440 basis points, going from 68.7% at the end of '22 to 73.1% at the end of '24. And interestingly enough, our OpEx in 2024 after 2 years was actually lower by 2.5% over 2022. So that alone was impressive and clearly was a major focus for the company. Our operating margin went up 109% from 6.4% to 13.4% in the same timeframe. And as a result, our adjusted EBITDA went up 115% from CAD 8.1 million to CAD 17.3 million. I would like to add finally that we also generated during that period CAD 24 million in cash. These are all acceptable results from our [Technical Difficulty] operational efficiency at Haivision. We couldn't be happier with our performance. And now we move our focus and attention to one simple thing, and that is high revenue growth.

So Dan, please continue with the detailed financials of Q4 and 2024.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Thank you, Mirko. So let's begin. So revenue for this fourth quarter of fiscal 2024 was CAD 30.1 million. That represents a decrease of CAD 5.6 million from the previous year comparative period. And revenue for the fiscal year 2024 was CAD 129.5 million, a decrease of CAD 10.3 million from the prior year comparative period. As has been conveyed in our earlier calls, there are quite a few moving pieces to this revenue story. Year-over-year comparisons are being clouded by our strategic decisions to change the nature of our control room business and to exit the House of Worship vertical.

Now remember, last time we derived any revenue from the House of Worship customers was in April of 2023, the first half of the prior year. Last call we discussed in detail our initiative to migrate from the system integrator in the control room space to that of a manufacturer of proprietary products. Strategically, this decision would improve our gross margins and resulting net margins as low-margin, third-party components become a smaller part of our overall business. But more importantly, it enables us to scale the control room business more quickly, not only in North America, but even more so in international markets. We don't have to build the same internal infrastructure to support the integrator model, which is even more complicated when selling in a myriad of countries.

Further, this migration endears Haivision to the various channel partners that want to represent Haivision in this market. Not only is this more consistent to their business models, but channel partners will be able to derive incremental gross profit from the sale of these third-party components. It also eliminates the appearance of Haivision as a competitor in the market. The strategic benefits are clear, and we have seen gross margins and EBITDA margins increase over the last 12 to 18 months. To give you a sense of the impact to fiscal year 2024 revenue, third-party components and professional services revenues related to that integrator model fell by almost CAD 6.5 million from the prior year. And because of the timing of our exit from the House of Worship vertical in fiscal 2023, we derived revenues of CAD 3.5 million versus no such revenues in 2024. Bottom line is that we are a more efficient organization, and we have set the groundwork for scalability.

However, one of the other big factors that may have affected second half revenue is the changing behavior of the U.S. Government. We just did not see the revenue bounce that we typically see in our fourth quarter, which is commensurate with the U.S. Government's fiscal year-end. And 2 factors may be in play. First, the incoming administration is facing a budget deficit and has an interest in providing tax cuts that may increase those deficits. Nevertheless, the new administration believes they have a mandate to cut spending, and they even established a Department of Government Efficiency to execute on that plan.

The second factor that may have impacted our fourth quarter revenues is that the U.S. Congress is increasingly relying on continuing resolutions rather than a complete appropriation bill. It changes the very nature of long-term planning, production, and increases in spending. Ultimately, we are witnessing a change in the buying behavior of those mission-critical customers that we support.

Gross margins on a year-to-date basis are 73.1%. That compares to 70.5% for the prior fiscal year, a 260 basis point improvement. Now, in the fourth quarter alone, our gross margins were 73%, less than the 75% we experienced in the prior quarter and slightly less than the 73.5% we believe to be our long-term average rate. Certainly, gross margin percentages may vary based on the mix of products sold.

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Additionally, there is a component of COGS that is fixed in nature that can be leveraged across higher revenue. We just didn't see those higher volumes in this last quarter. That is typically why we see higher gross margins in every one of our fourth quarters. We just didn't get that bounce this year.

We may continue to see quarterly variations of gross margins related to the seasonality of certain product families, although the gross margin differences between our product families are dissipating, and we are seeing modest increases in the uptake of software-only options or virtual machine deployments, which have a higher gross margin than our typical software appliances. Total expenses for this fourth quarter were CAD 21.8 million. That's a decrease of CAD 1.2 million when compared to the same period in the prior year. I want to mention that our third quarter, our total expenses were CAD 21.9 million. So total expenses have largely stabilized at these levels.

Now, we may see some changes in total expenses related to the timing of marketing expenses, including the timing of our tradeshows. And in fiscal 2025, we may see increases in compensation for existing staff and strategic incremental investments to capitalize on emerging opportunities. We'll see increases in the cost of prototypes and certifications in support of the exciting new products that are going to be released throughout 2025. And we're going to see some increases in the cost of our internal technology stack that we're deploying to help in our overall efficiency. Much of those increases are slated for the second half of fiscal 2025.

On a year-to-date basis, total expenses were CAD 89.2 million. That's a decrease of CAD 8.2 million when compared to the prior year comparative period. As has been the case for several quarters, the decrease in total expenses are largely related to reductions in compensation expenses, the result of our restructuring exercise, while we can see remaining decreases in restructuring costs, amortization and depreciation expenses, professional services expenses, technology and communication expenses, and occupancy expenses. The result of lower gross profit and lower expenses is an adjusted EBITDA for the quarter of CAD 2.9 million, down from last year's comparable period of CAD 3.8 million. However, for the full year, our adjusted EBITDA was CAD 17.3 million, a CAD 2.6 million, or 17% improvement from the prior year. The adjusted EBITDA margin for this quarter was 9.8% compared to 15.9% for the prior year comparable period, the result of the revenue shortfall. For fiscal 2024, however, the adjusted EBITDA margin was 13.4%, a sound improvement from the 10.6% experienced in the prior fiscal year.

Our adjusted EBITDA margins have been purely in the mid-teens for several quarters right now. So said another way, despite the CAD 10.3 million decrease in revenue, we are seeing increased efficiencies resulting in increasing adjusted EBITDA. Operating income for the quarter was CAD 300,000, a decline of CAD 3.4 million from prior year comparable period, again, largely the result of the fourth quarter revenue.

For fiscal 2024, however, operating income was CAD 5.5 million. That's a CAD 4.2 million improvement over last year, representing a 345% improvement. And for the full year, net income was CAD 4.7 million. That's a CAD 6 million improvement when compared to the net loss of CAD 1.3 million last year. That's a 470% improvement. I want to note that this is our fifth consecutive quarter with positive net income and positive earnings per share, and it's our eighth quarter since being a public company.

With respect to the balance sheet, we ended the quarter with cash balances of CAD 16.5 million. That represents an CAD 8.2 million increase from the end of fiscal 2023 and an increase of CAD 2.9 million from last quarter end. Further, the amount outstanding on the credit facility was only CAD 2.2 million compared to CAD 4.7 million outstanding at the beginning of the year. And if we add back the CAD 3.6 million invested to buy back shares through the NCIB, total cash generated during the year was CAD 14.3 million, or approximately 83% of our EBITDA.

In terms of our capacity, we still have a credit facility in place for CAD 35 million, of which only CAD 2.2 million is outstanding, and that credit facility can be increased by another CAD 25 million, assuming financial performance to support the increase. Plenty of capacity for acquisitions if the opportunity arises. Total assets at year-end, CAD 143 million. Now that is a decrease of CAD 2.8 million from the end of last year. But that decrease is largely related to almost CAD 6 million in intangible assets, the result of ongoing amortization expenses, a CAD 4 million reduction in inventories as we continue to squeeze out efficiencies in our supply chain, a CAD 2.8 million reduction in right-of-use assets, largely the result of a terminated lease and payments against our lease obligations, and then a CAD 1.6 million reduction in receivables.

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Now these were all offset by the increase in cash, CAD 8.2 million, and increase in deferred income taxes of CAD 3.1 million. Total liabilities at year-end were CAD 44.5 million, a decrease of CAD 5.4 million from prior year-end. And those decreases are largely the result of the CAD 3 million decrease in lease liabilities and term loans related to the termination of the existing lease, the payment of our lease obligation, and the payments against our term debt. We also reduced our line of credit by CAD 2.5 million and reduced payables by CAD 1.6 million.

Now, these reductions were offset by the CAD 2.1 million increase in deferred revenue related to our maintenance and support programs, a recurring revenue element of our business. So to summarize, our balance sheet performance, cash balances continue to climb and the ratio of adjusted EBITDA conversion to cash remains pretty static. Debt outstanding, including the line of credit, continues to decline, and we have improved our working capital efficiency, particularly related to inventory.

Now, with respect to guidance. Haivision's business continues to evolve rapidly, presenting significant opportunities for growth. However, providing definitive guidance for fiscal year 2025 has become increasingly challenging due to several dynamic factors, including the ongoing transition from integrator to manufacturer within the control room space, the timing and scope of the U.S. Navy production agreement option year purchases, which may present additional opportunities, shifting and changing purchasing behavior within the U.S. Government and the uncertain spending priorities under the new administration, performance and opportunities in our U.S. transmitter business, including both direct sales and long-term rentals, the need for strategic investments to capitalize on emerging opportunities and the precise timing of our upcoming product launches.

We remain highly optimistic about our growth prospects in 2025 and into the future. However, these variables introduce a level of uncertainty and complexity that makes it difficult to deliver accurate revenue guidance. As a result, we have decided that it is in the best interest of our shareholders, our analysts, and employees to prioritize transparency over speculation. So given those variables moving forward, we will not be providing quarterly or annual guidance. We look forward to updating all stakeholders on our financial performance on a quarterly basis as we continue to execute on our significant growth initiatives.

So that really concludes my prepared remarks. So I'm passing the microphone back to you, Mirko, and then we will open the floor to questions.

Miroslav Wicha
Chairman, President & CEO
So thanks, Dan. Abby, can we open up for questions?

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Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Rob Young with Canaccord Genuity.

Robert Young
Canaccord Genuity Corp., Research Division

Place I'd like to start. I know you gave some of these numbers on the call already, but just to put them all in one place. I was just trying to get a sense of the relative impact of these factors you highlighted in the quarter, the shift in the business model in the MCS business and, I guess, the slowdown or uncertainty over the timing of large deal activity with the U.S. Government on existing programs. And I think you also mentioned the leasing of the transmitters, but I don't think you noted that as an impact in this quarter. So maybe you just talk about the relative impact of those 3 items and if there's something I'm missing, that'd be helpful.

Miroslav Wicha
Chairman, President & CEO

Sure. Well, let me take that, Dan -- let me just take one, and then you can finish up. I was just going to make a comment on the business. Q4 has always been, for 20-plus years, our traditional largest quarter because it's the government year-end, right? And definitely, this year, I think that was the majority of -- we didn't get that bump. As Dan mentioned, we just did not. And I think it's because of the elections, the transition, the new administration, not to mention all of the debt stuff. And it was just one of those weird year-ends. So I would say, and Dan you can correct me, but I would say majority, if not all of it, was mainly to do with the U.S. Government. The transformation from the integrator to the manufacturer model, that's just par for the course, probably to a lesser extent. But I would just say that, by far, the majority was all about the government not having a bump in our traditional Q4. So it's not like we lost anything. Nothing got lost. Things just got shifted, things got postponed. So it's all good for business. But unfortunately, with the change of administration, it's all going to move to the next purchasing cycle. Dan?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Right. And I would agree with that. If you're trying to look at what is the difference between actuals and guidance, I would have to say the exact same thing. We did not get the bounce that we were expecting from the U.S. Government. If you were looking for other explanations for the difference between 2023 and 2024, we can point to these 2 examples of why the comparisons may not be fair. The first being the transition from the integrator model to the manufacturer model. When you look at those third-party components and look at the professional services fees that we would have derived for having been a systems integrator, we saw the difference between 2023 and 2024 to be CAD 6.5 million. And then if you were to look at what was the impact of the House of Worship business in this comparative period, we had CAD 3.5 million in 2023 versus CAD 0 in 2024. So that largely bridges the gap between 2023 performance and 2024 performance.

Robert Young
Canaccord Genuity Corp., Research Division

I think one theme in this earnings cycle is going to be the tariffs to try and understand relative impact. And I know there's no way to really understand what will come of that. But I was just curious if you could maybe opine a little bit on Haivision's manufacturing footprint and how you're set up to withstand maybe tariffs between the U.S. and Mexico and Canada or between the U.S. and China, given, I guess, a lot of raw materials are going to come out of China, and I believe some of your manufacturing is in Canada and some in the United States. Maybe you can just give an overview of that landscape so we can understand it a little better.

Dan Rabinowitz

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CFO, Secretary & EVP of Operations

Right. So it's an interesting question, and it's something we've been speaking about for quite some time here. But I think we're fairly well positioned to weather this in the event that it happens. And that's particularly because we have systematically made our contract manufacturer posture more flexible than it has been in the past. You might remember years ago, I guess maybe that's even before we actually went public, we were working with a single factory manufacturer out of Cornwall, Ontario. And we just felt that we outgrew them. And it didn't take that much of an effort for us to migrate from that company to another company to give us a little bit more flexibility and to give us a little bit more security.

We moved part of our manufacturing to a company called [Plexus]. They're a very, very large, multibillion-dollar manufacturer. So we became a small fish in a big pond. We have since moved to a different contract manufacturer, Creation Technologies, and they happen to be a North American-centric contract manufacturing company with facilities in Canada, United States, and Mexico. And we've already started having discussions with them about migrating that business from our Canadian facility to that of the U.S. facility in the event of a tariff issue. And it doesn't take a tremendous amount of effort for us to move it. Obviously, there's a little bit of time that we would have to overcome. But because we're talking about moving between entities, it's a fairly easy move. Contract manufacturing is a bit of a commodity service of sorts. You don't want to have to move, but there are reasons why you want to move. And we've demonstrated that we can move our contract manufacturing from one facility to another, at least on 2 earlier occasions.

Robert Young
Canaccord Genuity Corp., Research Division

Good to hear you're thinking about that. Maybe last question for me. You'd said that you'd be opportunistic on M&A and that you had maybe a pipeline or maybe some evaluation going on. Maybe just give us a sense of how active you are there and how you feel about your capacity now that MCS and Aviwest and maybe later down the road in the integration, maybe just rehash your position for M&A.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, I would tell you that we are so keenly focused on the restructuring and now the revenue growth of sorts. That's where our key focus is going to be. But that doesn't mean that we haven't put acquisition strategy on a backburner of sorts. We still are having conversations with many, many different people out there, and we're looking for proper fit, we're looking for proper economics, so on and so forth. Obviously, it becomes a little bit more challenging when the share price doesn't give us a currency to help us in that initiative. But we'll continue to keep our eye out for it, and we want to exploit the opportunities when they're presented to us.

Miroslav Wicha
Chairman, President & CEO

Yes. And I would just add to that, Robert, that we're continuously talking to many, many people, as you can appreciate. And if there's a good opportunity, we're ready to jump. Our facilities are completely clear. We can actually do stuff. But I think if we want to do something, I want to do it transformational. And I think that's going to require our share price to be -- reflect our true value, and I think we're just not there. I still believe -- I think we believe that our shares are extremely undervalued, even in the run-up of the last year, given where we see our future, I think there's still some significant room to grow. And at that point, it becomes a little bit easier.

Operator

[Operator Instructions] And your next question comes from the line of Thomas Hui with Paradigm Capital Inc.

Thomas Hui
Paradigm Capital Inc., Research Division

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Thomas here filling in for Daniel today. I just want to unpack a little bit about the missed volumes in the government. Was it one specific large contract renewal that didn't go through? Or was it broadly across the board there?

Miroslav Wicha
Chairman, President & CEO

No, no, it's absolutely not. We don't really have any concentration of revenue whatsoever. So no, it was not any one specific. I think it was in general in our government/defense and government enterprise, as we call it. It was across the board. It was just -- unusual slowdown. So it was not one single thing.

Thomas Hui
Paradigm Capital Inc., Research Division

Okay. I guess my next question goes towards Dan's comments about the fiscal deficit and just being more cost conscious. At least that's the narrative going into the next administration. Do you see any changes in the relationship with, I guess, your customers? Do you see any threat of competition, maybe switching to a lower-cost vendor for encoders and that sort?

Miroslav Wicha
Chairman, President & CEO

Sorry, I just had a hard time hearing. I didn't hear a lot of that. Sorry, Tom.

Thomas Hui
Paradigm Capital Inc., Research Division

Do you see a threat of lower cost encoders because of government cutbacks?

Miroslav Wicha
Chairman, President & CEO

Okay. No, absolutely not. Look, we've been hearing about the federal low-cost encoders for 20 years. And believe me, there's a lot of low-cost encoders. So no, not at all. One of the things that we focus on where people buy our technology is for our core strengths, right? And if you need low-latency, high-performance, high-quality, this is what people buy us for, reliability, mission-critical. You're not going to deploy very low-cost encoders in that space. That's just not going to happen. So no, we've been pretty competitive. If you look at our encoding strategy and pricing per channel, we're actually extremely aggressive and very competitive. But we give a lot more performance as a result. But we stay away from the very, very, very low cost type of encoder market.

Dan Rabinowitz
CFO, Secretary & EVP of Operations

If I could just chime in. I think that this is more about the uncertainties than it is about pricing or the efficacy of our product set or what have you. Our sense is that this is a weird time for U.S. politics and a weird time for U.S. procurement.

Thomas Hui
Paradigm Capital Inc., Research Division

Okay...

Miroslav Wicha
Chairman, President & CEO

Sorry, Tom, just to add. Remember, we have some of the largest [government and private] companies. So you're talking from the Facebooks to NASAs to DOD. These are very large enterprises. And last quarter, we just saw it across the board, it was like -- actually, last time we'd seen something similar was really when the last administration, when Trump [Technical Difficulty] in 2016 where everybody across the board freaked out and nobody spent anything because nobody knew what to do. And we're kind of -- I

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wouldn't say we're at that level, but we saw a very similar situation this term where, okay, we already know the entity that's coming into the White House, but everybody is on alert to just hold off, no need to spend money, and budgets got pushed out. And it was kind of surprising because usually election year, it's the opposite, right? Election year is spend, spend, spend, spend, go, go, go. But knowing the fact that, especially what was happening, everybody was just like, you know what, I'm going to wait. So that's really what happened. So I think it's a blip. The question is going to be is the debt ceiling renegotiation that's going to hit in March. Let's see what happens there.

And that's one reason. That's another reason why for us to even do guidance anymore, it's just getting impossible, right? We've got a lot of large accounts, a lot of deals, a lot of add-ons, and people are just playing with budgets, right? It's very difficult. It's very lumpy. So to do a quarterly analysis, it's getting more and more difficult for us.

Operator

[Operator Instructions] And your next question comes from the line of Nick Corcoran with Acumen Capital.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

A couple questions from me. The first one is we're 2.5 months into the quarter. Can you give any indication how sales have been quarter-to-date, and whether you've seen any sales slip from the fourth quarter into the first quarter?

Miroslav Wicha
Chairman, President & CEO

Very good question, Nick. We don't usually comment on anything to do with the current quarter. But I did kind of mention in my talk a little bit. I don't know if you read between the lines, but one of the things that we've been looking for and that we're monitoring carefully is the transformation of the control room markets. And that business is all based on sales pipeline and then, of course, sales and then, of course, delivery that gets converted to revenue, right? So we've been watching that trend since last Q3, where I think we hit a real bottom of where we took the massive hits in Q3 and Q4 of getting rid of the third-party stuff and also the new sales because you get a new sale, it's going to be a lot less of our revenue than as an integrator.

So that is what we've been looking at. And the good news is that we've seen a nice pickup since Q4. Mind you, it's not going to affect our revenue, and we're actually seeing it during Q1. And I'm managing it through the pipeline of forecast of what deals we're working on, and that's been growing beautifully. So that's a long term -- it gives us the confidence that we're going in the right direction, and it's going to come to realization in the second half of this fiscal year where we're going to see the crossover where the revenue -- the net revenue is going to start ticking up, where we're going to forget all about this integration versus manufacturing thing. It doesn't matter. And by 2026, we're going to be at the same revenue levels that we were when we acquired CineMassive as a full integrator model. So that's what we've been tracking. And the good news is that, that is what we're seeing as a positive upswing. But that's not revenue, right? That's something that's going to be 2, 3, 4 quarters away. So things [Technical Difficulty] now in Q1, which is almost over. And I'm seeing no stop to that during Q3. So it's all going in the right direction. And that's why we're very bullish.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

That's helpful. And maybe I'll ask it a different way. The quarterly sales in the last 2 quarters have been about CAD 30 million a quarter. Is it reasonable to assume that level of sales in the first quarter? Or is there anything that might provide some downside to that?

Miroslav Wicha
Chairman, President & CEO

Dan, do you want to answer that one?

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Dan Rabinowitz
CFO, Secretary & EVP of Operations

Well, look, I'm not sure I'm in a position to give any specifics here. But I think that there's a -- if you think about our first, second, third, and fourth quarter of 2024, and you think about how we performed first, second quarter, third, fourth quarter, you can almost look at 2025 to be the reverse experience of that where our first, second quarter will be on the light side and our third and fourth quarter will be on the heavy side because we see the tremendous opportunity based on all of the initiatives that are in play right now. We're working through this conversion of sorts, and we do believe that we've bottomed, and we're going to see pulling out of it. But it takes a quarter or 2 before we begin to see the manufacturing model [overseed] what the integrator model had provided. Again, the incremental revenue in the integrator model being less profitable revenue, right? And so that's sort of how I would think about 2025's performance. It will be flattish for a couple of quarters, and then we'll start building from there.

Nick Corcoran
Acumen Capital Finance Partners Limited, Research Division

That's helpful. And maybe one last question for me. You have the U.S. Navy contract. I think in the past, you said that you'd expect revenues from that to be in mid-2025. Can you give an update on that program and potential timing?

Dan Rabinowitz
CFO, Secretary & EVP of Operations

When we said mid-2025, I'm not exactly sure we've ever said that. It's certainly second half of the year. That is the scheduled delivery of the beginning of the ramp, with 2026 and 2027 being huge years for us, right? Nothing has changed. There is absolutely nothing changed other than the Navy's interest in getting back on the original schedule that they had communicated early in negotiations.

Operator

[Operator Instructions] And with no further questions, I would now like to turn the conference back over to Mirko Wicha for any closing remarks.

Miroslav Wicha
Chairman, President & CEO

Thank you, Abby. So look, in closing, we're committed to maximizing long-term value for all of our shareholders. We're confident in our ability to execute on our strategic revenue growth plan and deliver solid growth for the future. So I just want to thank all our shareholders and analysts on the line today for the continued support of Haivision and look forward to speaking with you in mid-March when we will discuss our first quarter of 2025 results. Thank you, everybody.

Operator
And ladies and gentlemen, this concludes today's call, and we thank you for your participation. You may now disconnect.

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