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Haivision Systems Inc.

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Earnings Call

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Call Participants

EXECUTIVES

Dan Rabinowitz
CFO, Secretary & EVP

Miroslav Wicha
Chairman, President & CEO

ANALYSTS

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Robert Young
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Sébastien Charland

Presentation

Operator

Thank you all for standing by. At this time, I would like to welcome everyone to the Haivision Second Quarter 2026 Earnings Call. [Operator Instructions]

I would now like to turn the call over to Mirko Wicha, President, CEO, and Chairman. You may now begin.

Miroslav Wicha
Chairman, President & CEO

Thank you, Tracy. Good morning, everyone, and thank you for joining us for our earnings call to discuss the second quarter of fiscal '26, which ended on April 30. Our second quarter unfolded against one of the most complex global operating environments we've seen in recent years. Heightened geopolitical tensions, including the conflict in the Middle East, ongoing supply chain volatility, component availability challenges, and customer procurement delays have created uncertainty across many of the markets we serve. As a result, some customer programs and capital spending decisions have shifted to the right, impacting the timing of some revenue recognition.

Now while these short-term headwinds have affected our near-term performance, they have not altered the underlying fundamentals of our business or the long-term demand drivers for our technology. In fact, we believe the secular trends supporting our company are stronger than ever. The increasing need for defense and intelligence capabilities, public safety modernization, critical infrastructure protection, cybersecurity resilience, enterprise security and government digital transformation continues to create significant opportunities for our solutions worldwide.

Our customers' missions have not changed. Their priorities have not changed. In many respects, they have become even more critical in today's geopolitical environment. Therefore, we remain focused on executing our long-term strategy rather than reacting to temporary market volatility. We are making substantial investments to modernize and strengthen our technology portfolio across both our Mission Systems and Broadcast and Media businesses. This includes a comprehensive refresh of our product road maps, next-generation platforms, software capabilities, AI-enabled solutions and integrated technologies designed to meet evolving customer requirements. We've been very, very busy with this transformation in the past 18 months and we'll continue to do so throughout fiscal 2027.

Now these investments are intentional. They position the company not simply for the next quarter or the next fiscal year, but for a new cycle of growth that we expect to accelerate through fiscal '28 and '29 and beyond. We have successfully navigated challenging market environments before. Our balance sheet remains solid. Our customer relationships are deep and our markets are strategically important and supported by long-term structural demand.

Now while we expect some near-term volatility as customers work through procurement cycles and global supply chains continue to normalize, we remain highly confident in our long-term outlook. We believe the actions we are taking today will strengthen our competitive position, expand our addressable markets and create meaningful shareholder value over the coming years.

Our strategy is clear: maintain operational discipline, continue investing in innovation, support our customers' critical missions and position the company to capitalize on the significant growth opportunities ahead. I appreciate the continued support of our customers, employees, shareholders and partners, and we look forward to updating you on our progress as we execute against our strategic objectives.

Dan, can you please continue with the detailed financials?

Dan Rabinowitz
CFO, Secretary & EVP

Thank you, Mirko. Our revenue for the second quarter of fiscal 2026 was $32.5 million, representing a decrease of $1.8 million or 5.1% compared with the prior year period. Since our last earnings call on March 13, the operating environment has become meaningfully more complex. Several external factors affected customer decision-making, procurement timing and near-term purchasing patterns during the quarter.

First, the conflict in the Middle East created additional uncertainty across several end markets. At the time of our last call, the U.S. bombing campaign had begun less than 2 weeks earlier, and market expectations around the duration and scope of the engagement were still evolving. The subsequent announcement of the blockade of the Strait of Hormuz a month after the earnings call added another layer of macroeconomic and geopolitical uncertainty, particularly around energy markets and broader customer planning.

Within the defense sector, we have not seen evidence of a structural demand issue, rather the pressure we experienced related primarily to procurement timing. Defense spending is being directed towards urgent readiness priorities, including air defense, counter drone capabilities and replenishment needs. At the same time, broader modernization programs remain subject to normal budget cycles, approval processes and program gates.

One large defense program, in particular, is expected to contribute to lower purchasing levels in the near and medium term as assets associated with that program are currently deployed and there's no defined timetable for their return. This has affected the timing of expected purchases, though we continue to believe the underlying requirement remains intact.

Second, artificial intelligence has become a major investment priority across many customer segments. We are seeing significant investment in AI infrastructure projects and customers are increasingly evaluating how AI will affect their own businesses, technology road maps and capital allocation decisions. In the enterprise market, this has contributed to longer IT approval cycles. Buyers are prioritizing AI infrastructure, cybersecurity, cloud optimization and cost reduction initiatives ahead of more discretionary communications and video refresh projects.

In the broadcast space, we continue to see constrained media technology budgets, disciplined capital spending and heightened scrutiny of return on investments for cloud, IP, remote production and infrastructure upgrades. Related to this, we noted on our last earnings call that the global memory semiconductor market has entered a tight supply cycle, driven largely by demand from AI data centers and high-performance computing applications. That trend has continued.

Memory prices are increasing and memory and server manufacturers are prioritizing AI-optimized products, which is further constraining supply for other server configurations. In response, we are monitoring supply chain conditions closely, making incremental investments when deemed necessary. We've also changed how we quote server-based solutions. Servers are now offered as a separate line item rather than bundled with software into an appliance-like offering. This gives customers greater purchasing flexibility. They may purchase software-only or virtual machine options, purchase servers through Haivision, or source servers through their own supply channels.

This approach is intended to protect Haivision from volatility in server input costs and preserve margin discipline. At the same time, it may reduce reported top line revenue by as much as $2 million, depending on the extent to which customers elect to source server hardware independently.

Despite the second quarter revenue decline, our year-to-date performance remains positive. For the first half of fiscal 2026, total revenue was $76.8 million, an increase of $5.3 million or 8.5% compared with the same period in the prior year. Our recurring revenue from maintenance support contracts and cloud services continues to be sound. Recurring revenue in the first quarter was $7.1 million or about 22% of total revenue. On a year-to-date basis, recurring revenue is $14.4 million or 21.3% of total revenue.

Gross margins for the second quarter of fiscal 2026 were 68.9%. That's a decline of 410 basis points compared with the prior year period. And on a year-to-date basis, gross margins were 69.7%, representing a decline of 200 basis points compared with the same period in the prior year.

As we discussed on our last earnings call, gross margin performance continues to be affected by product and revenue mix. In particular, we highlighted 3 factors: increased transmitter sales, higher sales of HMT solutions installed on servers and sold as an appliance-like offering and the timing of deliveries to a large defense customer, which reflects legacy activities from our systems integrator business. Those product sets carried lower gross margins than our corporate average and affected both first quarter results and year-to-date performance.

Although all 3 factors affected year-to-date performance in the second quarter, the gross margin decline was driven primarily by the magnitude and composition of deliveries to a large defense customer. This quarter, in fact, represented the highest level of deliveries to that customer under the existing agreement with revenue from those deliveries increasing approximately threefold compared with the same period last year.

However, the mix of those deliveries was weighted heavily towards lower-margin third-party components rather than the higher-margin proprietary Haivision products. As a result, while the volume of deliveries was strong, the margin contribution was below our typical profile. Perhaps in the consolation, approximately $3 million of proprietary products deliveries shifted from the second quarter into the third quarter due to supply chain constraints. Those deliveries are expected to carry a more favorable margin profile and would have improved the second quarter mix had they shipped as originally planned. Overall, the second quarter margin decline was primarily a function of revenue mix and delivery timing.

With that said, we are facing gross margin pressure, reflecting higher component costs and constrained availability across memory and compute-related inputs. Technology manufacturers using memory, GPUs, CPUs, SSDs, NICs or FPGAs are facing increasing purchases through brokers, higher BOM costs, longer lead times, allocation risk and expedite fees. This is creating allocation dynamics and upward pricing pressure.

To illustrate the point, the number of component end-of-life events affecting our active production has accelerated and has doubled in the last 6 months compared to the previous 6 months. And equally important, the number of component end-of-life events received with no opportunity for last-time buy windows has climbed sharply. While we are taking pricing, sources and design actions, including incremental investments in inventory, cost increases are flowing through faster than customer price adjustments, creating near-term midterm margin compression.

Total expenses this quarter were $25.6 million, down $2.6 million from the prior year comparative period. Although still a favorable comparison, the prior year period did include a nonrecurring expense of $1.5 million related to legal settlements and related fees. To further frame our total expense levels, last quarter, which is our first quarter of fiscal 2026, total expenses were $25 million. And total expenses for the quarter before that, our fourth quarter of fiscal 2025, were $25.4 million. In fact, total expenses for the last 5 quarters have averaged about $25.2 million. As we have stated on previous calls, our objective this year is to maintain the current level of expenses. I think it's fair to say that thus far, we are meeting that objective. On a year-to-date basis, total expenses are $50.6 million, flat with prior year.

The nonrecurring expenses incurred in fiscal 2025 were $1.7 million, but they were offset this year by incremental investments made in research and development to support our product realization calendar, share-based compensation, which varies based on the timing, the magnitude and the nature of the long-term incentive grants and compensation, travel and promotional expenses incurred in the G&A line item.

Looking forward, there is some positive news. This August represents the 5-year anniversary of the Haivision MCS acquisition. Thus, technology purchased as part of that acquisition will have been fully amortized, reducing total expenses by about $600,000 per quarter. The following April will be our 5-year anniversary of the Haivision France acquisition, also known as AVIWEST, Thus, technology purchases part of that acquisition will have been fully amortized, reducing total expenses by another $350,000 per quarter. Thus, we should expect to see our operating profits increasing at an even faster rate than EBITDA as the business scales.

The result of the quarterly decline in year-over-year revenue and the decline in year-over-year total expenses is that the operating loss for this quarter was $3.1 million, flat to the same quarterly period last year. The $1.7 million decrease in revenue and decline in margins resulted in a $2.6 million decline in gross profit when compared to the prior year. However, that was offset by a commensurate $2.6 million decrease in total expenses.

The year-to-date comparisons fared even better. On a year-to-date basis, the increase in year-over-year revenue and flattish expenses resulted in a year-to-date operating loss of only $3.3 million compared to an operating loss of $5.4 million for the comparable prior year period. That's a $2.1 million improvement.

Our focus continues to be adjusted EBITDA as we believe it gives a clearer view of our performance by stripping out noncash accounting-related expense items like depreciation, amortization and share-based payments. For the second quarter, adjusted EBITDA was $300,000 compared to $1.7 million last year, and our adjusted EBITDA margin was 1% compared to 4.9% last year. On a year-to-date basis, adjusted EBITDA was $2.9 million, which exceeded the prior year by about $700,000 or 31%.

We ended the quarter with $18.1 million in cash. That's an increase of $1.1 million from the end of last quarter, and the amount outstanding on the line of credit decreased by $400,000. Further, our credit facility remains strong at $35 million with only $5.1 million outstanding. In fact, we recently extended the credit facility until August 2028. The line of credit is still expandable to as much as $65 million in the event we identify an acquisition target and BMO even doubled the level of committed share buybacks under the facility. Note, we did renew our NCIB in January 2026, and we purchased -- that NCIB renewal allows us to purchase as much as 1.8 million shares. The NCIB was active in the month of May, and we acquired over 200,000 shares for $1.2 million. Total assets at quarter end were $140.5 million, an increase of $1.8 million from the prior quarter end. Our balance sheet remains very strong.

I do want to mention that on our last earnings calls, we suggested that we will likely have to make incremental investments in inventory to support our new product introductions and to support our sales forecast for the remainder of the year. After having declined by as much as $9.5 million since peaking in the second quarter of 2023, inventory balances at quarter end were $15.1 million. That is an increase of $3.2 million under -- during this quarter. Unfortunately, we anticipate further investments in inventory to be necessary as we've entered into this tight supply cycle, driven by the demand from AI data centers and high-performance computing. Prices are surging, and we need to invest incrementally to maintain margins.

Total liabilities at the quarter end were $46.2 million. That's an increase of $1.8 million from the prior quarter end. We did see the value of trade payables increased by $3.1 million from the end of fiscal 2025, but that's largely related to the recent inventory purchases. On the other hand, lease liabilities decreased by $400,000 as we continue to make rent payments, term loans decreased by $300,000 as we continue to make principal payments. And I should mention that we expect the term loans related to the Haivision France acquisition to be largely paid off by the middle of fiscal 2027.

As Mirko suggested, the company continues to experience robust underlying demand across its key markets, but the timing of certain deliverables has shifted to later periods as a result of procurement delays, customer approval cycles and supply chain constraints. Recent geopolitical developments and evolving government priorities have contributed to a reprioritization of spending across certain defense and government customers. We have still experienced procurement bottlenecks limiting the ability of the Department of War to initiate new programs, increase production rates and commit to larger longer-term purchases.

We continue to monitor funding of government agencies like delays in the Department of Homeland Security funding, as an example, which have also impacted the timing of deliveries. Meanwhile, enterprise and broadcast customers are dealing with competing priorities of AI infrastructure, cloud optimization and cost reduction initiatives. Despite these near-term, midterm timing pressures, the company remains confident in its long-term growth prospects and continues to target consistent double-digit revenue growth over time.

Unfortunately, growth may vary from quarter-to-quarter based on procurement timing and customer delivery schedules and the macroeconomic conditions. Thus, we are lowering our expectations for the full fiscal year. We are now anticipating revenue between $140 million and $142 million for fiscal 2026. And although we are monitoring supply chains closely, we expect margin compression resulting in margins closer to 70% in the near term.

That concludes my prepared remarks. I'm passing the microphone back to you, Mirko, and then we'll open the floor to questions.

Miroslav Wicha
Chairman, President & CEO
Yes. Thanks, Dan. I think we can open up to questions. Tracy?

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Robert Young with Canaccord Genuity.

Robert Young
Canaccord Genuity Corp., Research Division

You highlighted in the prepared comments that you weren't seeing a change in long-term demand. So I was curious if you could state whether there's program cancellations or any descoping. Is there any change in the long-term outlook for any of your customers? Maybe just maybe go deeper into the demand environment.

Miroslav Wicha
Chairman, President & CEO

Yes. Sorry, Robert, you were kind of breaking up there. I think the question is, are we seeing any changes to our long-term outlook for our key markets and customers? Is that the question?

Robert Young
Canaccord Genuity Corp., Research Division

I apologize. I guess it's a bad connection here. What I was looking for is just trying to get a sense if there's any program cancellations or if there's any descoping of programs as opposed to the delays that you were talking about.

Miroslav Wicha
Chairman, President & CEO

Well, good question. No. We haven't seen any cancellations at all. The only thing that we've seen, obviously, we have one very large program that we're working with over multi-years, and we know that, that is being a little bit delayed due to what's going on in the world. And -- but I don't expect that to change dramatically. It's just going to be shifting to the right a bit. But right now, we have not seen any other programs or projects canceled. But we are just seeing some enterprise delay, move to the right, some hesitation due to supply chain issues. But besides that, I'm very, very optimistic on our longer-term prospects.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. And then the longer-term guidance that you've given or rough guidance, I should say, over the next 2 to 3 years, where you suggested you could see double-digit growth with a path to 20% EBITDA margins. I understand very difficult to understand where the macro goes from here, but just curious your level of confidence just seeing the long-term pipeline.

Miroslav Wicha
Chairman, President & CEO

Yes, I mean I think we'll probably be better positioned, I would say, later in the year to go further. But right now, we -- I mean, in our view and our plans, what we're seeing, our double-digit revenue growth is definitely going to be there. 20% EBITDA is absolutely targeted. We're looking probably closer to the end of '27 into '28 and '29, right? So that's when I say long term. It's -- we're going to -- once the large defense program kicks into gear, which should be planned for our fiscal '28, together with the supply chain changes and with all of our next-generation technology, all of our new products that we're announcing because we're announcing at an accelerated pace of products throughout the next 12 to 18 months. Those are all going to be kicking in. So I would expect 12 to 18 months, we're going to be on the road to what we said before.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. And you had some comments around the large program where there -- I'm assuming it's a Navy program, their boats are out at sea and they haven't been coming back. And there was another program which had some impact on the margin structure. Is that -- can you comment on whether that's the same program? And can we expect margin pressure from that program going forward? Or will that alleviate just because it's slowing in the near term?

Miroslav Wicha
Chairman, President & CEO

Yes. I mean, obviously, we can't talk about specifically, but I think you're kind of on track. But no, I don't see any margin compression there whatsoever. It's only a shift to the right of the actual revenue. That's what we're seeing. There is no -- sorry?

Dan Rabinowitz
CFO, Secretary & EVP

Let me suggest this, Robert, if I could. Had we not had the supply chain constraints and had we delivered everything that we expect to deliver in the second quarter, we would not have seen as profound a margin compression as we saw in fiscal -- in the second quarter. We are seeing margin compression as it relates to the supply chain issues going forward here. But candidly, that's to come. It's not part of the second quarter story as much as the second quarter deliveries were predominantly third-party components concentrated into a single quarter.

Robert Young
Canaccord Genuity Corp., Research Division

Okay. Last question for me, and I'll pass the line. You suggested GPUs were a function of the margin compression or potentially the supply chain issue. I'm trying to understand what the driver -- what product is using GPUs? I think it's only the KX1. And can I assume that you're starting to see some good volume delivery on that? And then I'll pass the line.

Dan Rabinowitz
CFO, Secretary & EVP

Some of the components that we're looking at are related to products that are in development right now. Now let me be very clear about it. We've been able to secure our needs for the near term, midterm going forward here. But it hasn't been without certain challenges. I think that there's been sort of like a huge volatility in what our suppliers are telling us. And then when we sort of digest it and start speaking with them, we're able to sort of rationalize and figure out where we are. And it's -- thus far, we've been able to serve all of our customers' needs.

But we're seeing this happening quite a bit. We're seeing a lot of components suddenly go end of life. We're seeing a lot of components that are the costs are going up. And we're just -- we're making -- we're weaving and bobbing to make sure that we are in a sound position, much like we did a couple of years ago when we had the worldwide component shortage. You might remember then, we incrementally invested in inventory. We had to spend incrementally to be able to secure our source of supply, and we ended up having to spend about $2 million more in those said components that we realized over a 2-year period. We're beginning to see that same kind of experience right now.

Miroslav Wicha
Chairman, President & CEO

And again, Robert, I would add to that as well. I think Dan already mentioned it in his prepared remarks, but we are taking serious action about some price changing, increasing price of our products. We've already done that for the server, spikes, memory, DRAMs, a lot, and we've actually changed our business model on selling hardware like the Dell servers. So we're putting a lot of processes because we cannot continue absorbing these new changes. And now we're seeing it in other components and suppliers are just raising prices arbitrarily. So we will be changing or updating some of our pricing as early this month, we did it last month, and we're going to continue to do that if this continues. And I think right now, what I'm hearing seeing customers understand that. They're seeing it everywhere, and they're totally fine with it. And it's just something we have to do going forward.

Operator

[Operator Instructions] Your next question comes from the line of Daniel Rosenberg with Paradigm.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

My first one just comes around the margin profile and the pricing initiatives that you're taking. So how do you think about that flowing through into your actual margin profile? When do those changes kind of flow through and help you get back to a more normalized gross margin level?

Miroslav Wicha
Chairman, President & CEO

Well, the price and server pricing that we just announced last month, I mean, again, we have to give people usually a 30-day notice period. So we haven't seen that funnel through yet. We expect it to start this quarter, we're in Q3 and of course, into Q4 and beyond. So that's the first changes that we've done. We're about to do new changes to other products starting this month, which will probably really affect us more in Q4 because, again, we have to give our customers. It's always a standard 30-day quote protection mechanism when we announce that. So I think you'll see most of those affect hopefully positively into Q4 and obviously, the following year.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Okay. And I understand you explained the kind of revenue that's been pushed out a bit based on the Middle East conflict. But specific to large contracts, I was wondering if you could maybe speak to broadly opportunities out there, understanding that these are larger ones, but are still potential to hit. Just any initiatives you're taking or anything you're seeing just more broadly around defense, I'm thinking of NATO initiatives and things of that nature.

Miroslav Wicha
Chairman, President & CEO

It's a great question. I mean we've got -- I think I mentioned last quarter earnings call that we've seen an unprecedented number of very large opportunities. So that's continuing. I mean we've got a significant number of multimillion dollar deals in the pipeline. This is our long-term forecast. And these are large opportunities, large deals. So we're very, very positive on that. We haven't seen any being canceled that we've been working on, but these things take time, right? So right now, what we're seeing is there's a lot of interest in the NATO Five Eyes for sure, as they're starting to beef up a lot of their militaries, looking at technology.

But these things don't happen overnight, and they just -- they take several years sometimes. So it's increasing. The long-term pipeline is looking good. The forecasts are building. And so we don't see anything from our core business being affected from the need of the technology. It's just this temporary headwinds that we're kind of seeing where some people are shifting things to the right. Some people are waiting to see what happens. But overall, I mean, we're pretty bullish on the long-term prospects of what we're doing.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Okay. And then you mentioned some -- the pricing pressures, and I think everybody globally is seeing the headlines and we've certainly seen some comfort in customers coping with that. But I'm just wondering how far do you think this can go? And then anything in terms of the customers saying, well, how much can they absorb? How much price elasticity is there in the customer profile? Obviously, you're delivering high-value things, but how much wiggle room do you think you have there?

Miroslav Wicha
Chairman, President & CEO

It's a great question. I mean the good thing is that we are in mission-critical operations. And not to say that price is not an issue, but customers that do need our technology at one point, we're not in such a price-sensitive situation where they can wait. So we're seeing within our operations, people do need the equipment. Yes, there's always pressure on price and pressure on budgets, no question.

So I think in the pure defense ISR security space, we see that pretty positive. In the enterprise space and in the banking sector and the enterprise or even the government, we have both commercial and government enterprise, their projects can be deferred because they are concerned with the budgets and they're using technology and even the previous generation technology, and they might decide to wait a year and instead of doing a tech refresh. So I think there, we might see some pressure where if I was going to do my typical 3- to 5-year tech refresh, things work why not wait a year until the supply chain subsides and the prices come down. That could be happening. We haven't seen that happening to a great extent, but that would -- that's the thing we're watching right now.

Daniel Rosenberg
Paradigm Capital Inc., Research Division

Okay. And then lastly for me, just I was curious about the product side on the Broadcasting segment. So there's a number of hardware initiatives that you're putting out there. I'm curious on the software platforms that they're using, like how tightly integrated are the kind of distribution software to the actual hardware products? Just any color you could provide on how you think about where the value lies on that side of the equation?

Miroslav Wicha
Chairman, President & CEO

Well, there's 2 areas. I mean, you have the broadcast side and the mission side. I mean in the broadcast side, we've actually just changed all of our pricing because they depend on like the Supermicro-type or Dell platforms where our software, like, for example, the StreamHub is highly integrated on those platforms, and they need high-power platforms to operate. And so there -- that's a pricing issue. We've changed our pricing. We've actually decoupled our system pricing for the first time ever. And we're selling separately the hardware and separately the software, and we've already put in conditions that, for example, the hardware is absolutely nondiscountable. We're not in the hardware business to sell servers and the price will keep increasing based on the suppliers.

And people have a choice, by the way, to buy their own service. I mean these are off-the-shelf standard high-performance servers. We're giving all customers their option to buy them. If they want to buy them from us, they have to pay a small premium, but there's no discount. And I think what might happen is people might end up buying their own. Our revenue, we might give up $1 million or $2 million in revenue, but margins will improve. So that could be a good thing. And if they do buy the systems like that, well, at least we're not going to be losing money and funding the price increase. So that's affecting that StreamHub broadcast business. I mean from an encoder perspective, I think we're fine there, and we're actually going to be increasing all of our prices there as well.

The servers also play a very big part in our mission system, the video distribution, right, like our HMP, Haivision Media Platform. I mean those are very, very high-end servers. I mean, these things are going up 300% to 400% in price from the suppliers is crazy. And we did the same thing. We're decoupling the system pricing to hardware and software, and we're allowing our customers to either run them on VMs, which will be for us 100% margins or they can buy their own servers if they want to. So it's kind of a play. So that's from a server perspective, right?

But if you look at the product announcements that we've been going through in the last 12 months and continuing for the next 18 months. Remember, we did the KX1. I mean that's a proprietary platform using the NVIDIA chipset with the AI transcoding system, and that's starting to get legs now. We've been demoing it for a while now. We're starting to talk to people on programs. That's really going to be affecting revenue sometime next year going forward. And we just launched the Kobra, which is one of the most exciting products we ever launched in the mission side, which is really the video operations platform, very, very compact platform, again, with margins that we can control. These are proprietary programs.

And then we also just launched the Play ISR Premium, which is something new, which is our mobile app where we're going to start licensing streams based on the ISR mission requirements to start building a pipeline for the audience into '27, '28. So these are all revenue generation, margin generation activities on the mission side.

And then remember, we just also refreshed the entire transmitter side, right? So in the Falkon X2, we just launched the Ultra version, and we just launched the Falkon X4, right, which is the really ultra-low latency the 4 integrated 5G modems, next-generation technology, 4K UHD. And that's just coming out of the oven. We just showed it at NAB, and we'll be shipping that by near the end of the year or end of fiscal year. So that's really going to be affecting Q -- sorry, Q1 of 2027 going forward.

So there's a lot, a lot of players. And I'm not even talking about the Makito ONE, which is probably the most significant platform that we launched NAV, which is really the first of its kind, a single-board, compact blade architecture, just like our regular Makito, this is going to be the only -- it's the only technology that will have encoding, decoding, H264, H265, JPEG XS, and 2110 on the board. No one is going to be able to do that. So we're really excited about the Makito ONE platform, which will be coming out in the autumn really at the end of this year. So you can see like it's been almost every couple of months, we're doing massive overhaul of next-gen technology. And there's more to come, by the way, in the next 6 months that are pretty exciting in -- especially in the mission side. So that's kind of what we've been working on all last year, into this year, and we're going to be continuing next year. Sorry, that's a long-winded answer to that question.

Dan Rabinowitz
CFO, Secretary & EVP

And if I could just sort of finish the thought, one of the other concepts that should be conveyed is that we are in the process of creating ecosystems. We have a broadcast ecosystem, and we have a mission ecosystem that are supported by our software properties, both our server properties, but equally important, our cloud properties. So our HUB 360 initiative is a means for all of our technology to be managed by a single portal to enable the operators who have a lot of our equipment to see their entire fleet of equipment and be able to manage that entire fleet of equipment. It creates stickiness and allegiance to our properties as we continue to build on it.

Operator

Your next question comes from the line of Sebastien Charland with Agave Capital.

Sébastien Charland

My first one will be on the sales side. I noticed in the MD&A that the sales team, I think, is the only one department that really had an increase year-over-year or a significant one. I was wondering in which verticals or geographies are these salespeople, I think it's about 15 people or a little less, focused on?

Miroslav Wicha
Chairman, President & CEO

Dan, do you...

Dan Rabinowitz
CFO, Secretary & EVP

Yes. My recollection is that -- yes. We made a significant investment internationally, particularly internationally, because we saw a huge opportunity not only on the broadcast side, but on the mission side as well. And so we wanted -- we kind of retooled our sales organizations to focus on these 2 areas of sorts. And this was where we believe that we had the best opportunity, low-hanging fruit by investing internationally.

Miroslav Wicha
Chairman, President & CEO

And probably also for both markets, right? It's not just the one market because we have increased our mission sales team internationally as well as our broadcast team internationally.

Sébastien Charland

Okay. That's helpful. And we discussed briefly on the last call, and let's say we look nationally in Canada on the defense side, there's been new ordering of Bombardier planes. There's the large order for submarines, for F-35s and maybe Gripen jet fighters. There's also those new Navy ships and icebreakers coming in. I'm guessing those will all need low latency, Haivision sort of kind of equipment going forward. Have you seen any uptick in Canadian interest on the defense procurement side?

Miroslav Wicha
Chairman, President & CEO

I hate to say it, but we're still pretty small in Canada in that market. We do work with DND quite a bit, obviously, because they do follow the U.S. a lot. They are using our equipment. And traditionally, when -- like to give you an example, whether it's the Navy have been working together for many, many years and not just with Canada, but also Australia, the Five Eyes. So whatever is deployed traditionally within the U.S. system is always fitted into the NATO and partners' systems. So that's already built into it. So my assumption is whenever the ships get built and these are very long-term projects and unfortunately are getting all the attention with the government because they need to get to their 3% to 5% of GDP. You're not going to get it by buying a few encoders, right? You're going to get it by buying planes and ships.

So we are monitoring it. But in essence, it's still extremely small. In fact, we're getting much higher inputs and requirements from the European partners. They've got much more money to spend on this, and they seem to be moving much quicker in our type of products. So yes, no, we're on it. We're there, but I just wish -- as a Canadian, I wish it was higher, but it's just -- it's not a significant amount of business yet, right?

Operator

We have now reached the end of the Q&A session. I would like to hand the call back over to Mirko Wicha for closing remarks.

Miroslav Wicha
Chairman, President & CEO

Thank you, Tracy. So I guess in closing, we just want to reaffirm that we are very committed to maximizing our long-term value for all of our shareholders, and we're confident in our ability to execute on our strategic growth plan. And I just want to thank all our shareholders and analysts online today for the continued support of Haivision and look forward to speaking with you in mid-September when we discuss our third quarter performance and results. Thank you, everybody.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.