

Intermap Technologies Corporation - Q4 2024

Earnings Call

Thursday, March 27, 2025 5:00 PM

Event Participants

Attendees

Sean Peasgood

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Executives

Patrick Blott, Jennifer Bakken

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Sean Peasgood

Attendee

Good afternoon, and thank you for joining us for Intermap Technologies conference call to discuss its financial results for the fourth quarter and 2024 full year ending December 31, 2024. I'm Sean Peasgood from Sophic Capital, and we handle Intermap's Investor Relations. On the call today, we have Intermap's CEO, Patrick Blott; CFO, Jennifer Bakken; and COO, Jack Schneider. [Operator Instructions] Before management discusses the results, I'd like to remind everyone that certain statements in this call may be forward-looking in nature. These include statements involving known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements.

For caveats about forward-looking statements and risk factors, please see our MD&A for the fourth quarter ended December 31, 2024, which we filed on our company profile at SEDAR+ on Monday, March, 31. I'll now pass the call over to Intermap's CEO, Patrick Blott. Patrick?

Patrick Blott

Thank you, Sean. Good afternoon, ladies and gentlemen, and welcome to Intermap's results conference call for the fourth quarter and full year of 2024. I'm Patrick Blott, Chairman and CEO of Intermap. We're going to start on Slide 3 of the presentation, for those of you following along. Today, as we review the fourth quarter and full-year results, I'll provide highlights along with a business update and outlook.

Then I'll turn the call over to Jen Bakken to walk through our recent financial performance, and we'll leave some time at the end for Q&A. Intermap is the premier global provider of geospatial data and analytic solutions. The company creates 3-dimensional high-resolution elevation models using proprietary multi-frequency radar, patented processing, fusion, and data production methods, and a massive proprietary 3D archive called NEXTMap that's global in scale and it's the largest of its kind in the world. We're constantly adding to our datasets, using our own sensors mounted on Learjets and drones, and government or third-party data from space-borne satellites and other platforms. Our products empower customers to solve 3D problems with global scale.

A great example is flood underwriting, because water, of course, flows downhill. That's a 3D problem. Navigation with instruments, long-range targeting, long-range fires are other examples that require accurate, real-world 3D coordinates. Intermap has a strong barrier to entry. Our tech was developed in conjunction with the U.S., Defense Advanced Research Projects Agency, DARPA, and various other defense research laboratories, all of whom we still work with closely.

We operate our dual-use technology under exclusive permits to create mil-spec data, so you cannot get Intermap quality of data at this scale from alternative sources. In return, Intermap complies with military, regulations that include using the technology only for the benefit of friendly allied countries and their commercial markets. When we released our 2023 full-year financial results, we provided 2024 guidance of revenue between \$16 million to \$18

million and an adjusted EBITDA margin of approximately 25%. I'm pleased to announce that we reported \$17.6 million in total revenue, up 185% versus full year 2023, and adjusted EBITDA of \$4.1 million. That's a 23% margin, whereas we had an adjusted EBITDA loss in 2023.

We reported 27% EBITDA margin in Q4, and we still expect annual margins to improve further as the company continues to ramp its operations. Jennifer will provide more detail about our full year and fourth quarter of 2024 financial results in her commentary, but we're very pleased with both the -- our execution on key contracts, the timely payments from our customers reflecting their satisfaction, and our resulting financial performance for the year. Structural advantages allow us to convert a high percentage of revenue and EBITDA to net income, where the company reported 2024 net income of \$2.5 million and \$0.05 per share fully diluted, a 14% net income margin, which is a significant improvement compared with last year and our prior history. We've improved our liquidity profile as well, raising 12 million post the year-end. Cash, accounts receivable, and unbilled revenue totaled \$6.5 million at December 31, 2024.

Our net liquidity now exceeds \$15 million. In addition, we invested in our technology and fixed assets, including AI/ML, software, processing, sensors, and platform, growing our total assets to almost \$12 million. As a dual-use company, a significant amount of our development is increasingly funded by U.S. government contracts. We're currently on 6 different programs with defense customers, up from nil prior to COVID.

We're meeting critical government requirements, including problem sets like GPS-denied navigation, precision navigation and timing, advanced battle management systems, and low-latency foundation data. In addition to upgrading our own capabilities while reducing our external capital requirements, this business creates important and profitable new technology and data, which we own and can commercialize. Intermap will continue to generate a high rate of profitable growth with low capital requirements into 2025 and beyond, taking advantage of our AI/ML-driven automated systems and extensive operating leverage. Intermap's a key brand for our customers. We've successfully sold NEXTMap data as a value-added cloud-based software solution delivering clear economic benefits.

This helps accounts grow, optimize geospatial investments for profit, and broaden data access for non-expert users. They gain from top-tier 3D geospatial data, expanding use cases in targeted high-growth and high-margin vertical markets. Intermap's insurance vertical exemplifies our growth in scale and scope. Over 60 global insurance firms now subscribe to our NEXTMap elevation data, a market we built from scratch before COVID by shifting our strategy. Many clients are locked into multi-year deals, ensuring future stability.

We've expanded in scope, announcing major product extensions, real estate, financial services, claims management, and large new customers, Vienna Insurance Group, Aon. And just to add to this, 2025 insurance awards during the first 2 months currently surpass \$1.1 million, compared to \$1 million in the first half last year. Healthy combined ratios for catastrophic risk and improved underwriting boost ROI on our platform, despite short-term climate impacts. Our data now supports accounts globally across their value chain, risk assessment, underwriting, claims, loss estimation, portfolio monitoring, regulatory compliance, financing, property valuation, and reinsurance trading. Churn remains low at less than 3% annually.

We're trusted by over 60 governments and agencies worldwide, including top geospatial data users like the U.S. Air Force, National Geospatial-Intelligence Agency, and the Pentagon, who signed new contracts this past year and past quarter, relying on our revitalized data and solutions. Collaborating with these agencies is vital for Intermap as they possess the largest geospatial, data requirements and funding globally, enabling us to fund advanced R&D, tackle tough geospatial challenges, partner with industry leaders, access diverse technologies, to sustain our dual-use technology edge, giving us a unique commercial advantage. Our newer vertical is space-based communications. We're partnering with a major dual-use space launch and satellite provider to deliver top-quality 3D data for world-class network, supporting civilian and military needs.

This new fast-growing client relies on leading digital twin elevation data to deploy and monitor their global network. The value of Intermap's unique offering is reflected by our recent contract win in Indonesia, through a global competition. This wealthy, high-growth, geo-strategic nation with over 17,500 islands, jungles, volcanoes, glaciers, and dense coastal populations is a sophisticated geospatial user facing severe climate challenges. After a multiyear process, they chose Intermap for a \$20 million first phase project to remap the country at a 1:5,000 scale with 3D elevation maps. They selected us due to our superior technology, proven to map through clouds and tree canopy, day or night, with unmatched speed and accuracy, commercial capabilities, and our reliable past performance.

We're aiding their geospatial commercialization, boosting economic benefits and future markets. After months of deployment in Indonesia, we're progressing exceptionally well, recently hosting an 18-member Indonesia government team in Denver, and training over 180 feature users in Jakarta. Using cutting-edge sensors we developed, plus AI/ML and automation we developed, we've -- we're delivering, map sheets and 3D vectors ahead of schedule. On our last call, I stated that we expected to finish 60% of the first phase by year end. I'm pleased to say that, we achieved our goal and are pursuing follow-on awards.

As before, we expect some margin drag as we scale up to higher operating volumes on subsequent awards in the front end, where margins then expand dramatically in later quarters. We are operating at under 30% capacity. We can scale up easily with past costs absorbed and annual margins, expected to grow. At this point, I would like to turn the call over to Jen Bakken, who can walk you through our fourth quarter and full year of -- fiscal '24 financial results.

Jennifer Bakken

Thank you, Patrick. As mentioned earlier, we report our financial results in United States dollars. For more detailed information, please refer to the financial statements and the management discussion and analysis document that we will file on SEDAR+ on Monday, March 31. Beginning with our consolidated fourth quarter results, our first quarter total revenue of \$7.4 million increased over 500% compared with \$1.2 million generated in the year ago quarter. Most of the increase was due to \$5.5 million recognized on the acquisition services program in Indonesia.

Approximately 93% of consolidated revenue was generated outside the United States, compared to 65% in 2023. Acquisition services revenue for the quarter was \$5.5 million versus \$8,000 we recorded in the comparable quarter in '23. Year-over-year growth was the result of the company performing its material acquisition services contract in Indonesia. In 2023, Intermap experienced a delay in the award of key government contracts, reducing its acquisition services revenue in that year. The quarter's value-added data revenue grew 211% year-over-year to \$1 million versus the fourth quarter of '23's \$300,000.

Value-added data revenue was primarily due to the expansion of the U.S. Air Force contracts during the third quarter of '24. Fourth quarter Software and Solutions revenue grew 13% year-over-year to \$1 million versus Q4 2023's 900,000. Adjusted EBITDA, a non-GAAP measure, grew to \$2 million in the fourth quarter compared to an adjusted EBITDA loss of \$200,000 in the year ago quarter. Adjusted EBITDA margin was 27% for the fourth quarter of 2024.

Net income in the quarter grew to \$1.5 million compared to a net loss of \$1 million in the year ago quarter. Turning to our full year financial results for the full year ending December 31, 2024. Total revenues were \$17.6 million, a 185% increase over the full year 2023's \$6.2 million. Approximately 80% of consolidated revenue was generated outside the United States in 2024 compared to 65% for 2023. Acquisition services for the full year grew to \$10.5 million versus effectively nil in 2023.

The year-over-year growth is due to the company performing on the material contract in Indonesia with no comparable similar contract in '23. Value-added data revenue grew 60% year-over-year to \$3.1 million from \$1.9

million in '23. The increase primarily relates to the expansion of the U.S. Air Force contract during the third quarter of '24. Full year Software and Solutions revenue fell 7% year-over-year to \$4 million from \$4.3 million in '23.

The slight year-over-year decline in Software and Solutions revenue was mostly driven by the inclusion of \$0.5 million of onetime setup fees in 2023 that were not duplicated in '24. Adjusted EBITDA for the year grew to \$4.1 million versus a \$1.8 million adjusted EBITDA loss for 2023. Adjusted EBITDA margin was 23%. Net income for the year grew to \$2.5 million compared to \$3.7 million net loss for 2023. And in the slide, you can see how Intermap's net income has trended over the last 8 quarters.

Total assets were \$11.9 million at December 31, '24 compared to \$8.9 million on September 30, '24, and \$4.5 million on December 31, '23. Cash, unbilled and AR totaled \$6.5 million at the end of the year versus \$3.6 million at the end of the third quarter of '24. As Patrick previously mentioned, I'll note that subsequent to year-end in February, Intermap Technologies closed a bought deal equity financing for gross proceeds of CAD 12 million with the use of proceeds put towards working capital and the execution of government contracts. This concludes my financial summary for the fourth quarter and full year of 2024. Before passing the call back to Patrick to discuss the outlook, I'd like to add primary risks to our outlook include timing related to Indonesia follow-on awards, which include approved World Bank funding.

We're exposed to currency fluctuations around the world, which are partially -- we partially hedged to mitigate exposure concentrations. Intermap is not affected by recent cross-border tariffs as the company does not source any hardware or materials required to execute on contracts from Canada. These conclude my prepared remarks. I'll pass the call back to Patrick for final comments.

Patrick Blott

Thank you, Jennifer. As you can see, we delivered our 2024 guidance and our confidence about our prospects going forward continues to grow. We're executing against our contracts. Our customers are seeking or want to discuss increased scope and our prospects to grow our business and evolve our technology and solutions remain strong. On our Q3 call, I mentioned that building upon our strong base of organic growth would be a focus during 2025.

Our work in Indonesia is going extremely well, and we're working on upsizing our workload there. Building upon that, our opportunities in Malaysia and South America. This past January, the U.S. National Geospatial Intelligence Agency selected Intermap's team led by CACI as one of the vendors for the \$200 million Luno B commercial data indefinite delivery, indefinite quantity contract. We've expanded our Air Force and Pentagon contracts, and we're working on upgrading and cross-selling our software solutions in Europe, America and Asia.

Given this strong foundation to build upon, we're providing the following guidance for fiscal 2025, revenues from \$30 million to \$35 million and 28% adjusted EBITDA margin. With that, we will wrap up the prepared remarks by pointing you to where you can find more information. As mentioned earlier, our website contains all of our press releases, corporate presentations and other updates. You can also find our financial filings on SEDAR+. You can also visit Sophic -- Sophic's website for additional information and sign up to get press releases and updates directly from them.

Thanks again for tuning in today. I will now pass the call back to Sean to moderate the Q&A.

Sean Peasgood

Attendee

Thank you, Patrick and Jennifer. [Operator Instructions] I'd like to thank all participants for your questions. I'm going to batch them a little bit here because a lot of the questions are the same. So if your question does get answered, please you can put a follow-up in there. First question, can you update us on the efforts to secure additional work under Indonesia's One Map program?

How large do you expect the next segment of work Phase 2 to be? And when could it begin?

Patrick Blott

It's going to be a larger phase because we are under a program to get the entire country done. And so -- and we have a time frame in which we're planning and they're planning for that to happen. So the subsequent phases will grow. I also -- I'm not going to get into the specifics of sizing because there's competitive sensitivities around that. But the timing in terms of execution is going to be quite -- it's -- our workflow is progressing as expected, as we want, as the customer wants.

And our timing is expected to be similar to execution cycle, which was established earlier last year.

Sean Peasgood

Attendee

Following on, on Indonesia. In 2024, you received a little over \$10 million from the Indonesian contract. This person is asking, if the next \$10 million would be -- when that following \$10 million is going to be completed? I mean, they're hinting at maybe the first quarter, but maybe, Patrick, you can just let us or provide some insight on when that additional \$10 million would be recognized or an estimate?

Patrick Blott

Yes, I'm not going to give the first quarter guidance at this stage, but I will say that the guidance that we've just put out includes Indonesia for the full year.

Sean Peasgood

Attendee

Perfect. That was another question. Okay. Great. What other markets might launch projects similar in scale to Indonesia's One Map?

Patrick Blott

We are focused on several. We're near-term on the ones that I've named in this discussion here. And from a regional perspective, heavy on Southeast Asia, heavy on North and South America and additional opportunities in other areas of the world as well. But the most near-term that are executing on and shaping directly today are in those regions.

Sean Peasgood

Attendee

Okay. Great. There are several -- I just want to clear up the guidance because there are several questions asking specifics on guidance. So given the confidentiality and the uncertainty, I assume you're not going to answer this, but I just -- we have a number of people asking about how much of the guidance in 2025 is relating to Indonesia. So maybe I just want to address that.

Patrick Blott

Yes. I think I want to be -- again, we're in a phase of the project execution now, which is competitively sensitive. So I just want to be careful in terms of -- we will -- as we move forward, we will provide disclosures. But at the moment, we're in a very sensitive part. So I just want to be careful about that.

Sean Peasgood

Attendee

Continuing on Indonesia, can you talk about the planned schedule of World Bank payments to the Indonesian government and timing?

Patrick Blott

Yes, it's a similar answer, except it is public, not disclosed by us, but disclosed by them that the credit agreement is in place, the World Bank funding is in place. And so all of that is -- those decisions, those allocations of capital have been made.

Sean Peasgood

Attendee

Next question. Can you expand a little on what work you have in Colombia and Malaysia and any timing on when you may hear any updates on that?

Patrick Blott

Yes, these are important customers. Again, a lot of our customers on the government side, we touch them regularly. Like we did \$1 million of Malaysia revenue in the past in 2024. So this is -- these are accounts that we know well. They know us well.

They understand the product and the upgrades and capabilities of the product. And those are going to come on the customer's sort of time frame. I don't control that decision. But I can tell you with a high level of confidence that they're very excited about what we're doing.

Sean Peasgood

Attendee

Great. And then switching gears a little bit. How much of a priority is a senior U.S. exchange listing? And is that something investors should be expecting in 2025?

Patrick Blott

Yes, that's an important priority for us. I just participated in an investor conference recently, and we'll continue to do that. And as we start to really achieve some scale with the business, that opens up opportunity for liquidity in terms of the capital market and broadening the awareness with larger institutional accounts. And I'm spending time and the company is spending time helping to educate the market in that regard. And an important part of that is, we're on the big board in Canada on the Toronto Stock Exchange and upgrading the listing in the United States is a priority before the end of the year.

Sean Peasgood

Attendee

Okay. Great. Are you looking at any M&A this year? And if so, what kind of acquisitions would be of interest?

Patrick Blott

The company is just in terms of its current order book, let alone its development order book. I mean, we are up to our eyeballs, and we have just a ton of opportunity to execute on. So that is something that, if we were to go do something on that side, it would be opportunistic because there were very, very good strategic reasons to do it, but it's not a current focus.

Sean Peasgood

Attendee

Financial question. Understanding the full financials will be filed on Monday, are you able to talk about operating cash flow performance in the quarter?

Patrick Blott

Yes. I mean the full financials will be filed. The cash conversion rate is pretty high from EBITDA to net income. So I don't know, Jen, if you want to say more about that right now?

Jennifer Bakken

No. Actually, I mean, yes, we'll have the financial statements, including all the cash flow details filed on Monday, but I don't want to speak to that at this point as the audit is being finalized.

Sean Peasgood

Attendee

Okay. Great. Just going through here. What will the CapEx spending or I guess, do you have a CapEx estimate for - over the next couple of years?

Patrick Blott

Yes, that's a great question because Intermap, one of the key aspects about the company is it is a dual-use company. So when we're executing correctly, our development needs are married very closely with the government's development needs. One of the advantages of being a dual-use company is we get the future look. We understand sort of where the big gorilla in the industry is headed and what those -- both technology capability and product requirements are. And that gives us one of the -- what we do as a dual-use company, what we're good at is commercializing defense tech and insurance is Exhibit A, where we've got an industry product and an industry growth profile and a capability that is really enabling value that's coming, because Intermap is good at commercializing defense tech.

And so when we do that correctly, a lot of the development requirements are funded by U.S. government contracts, and that becomes a source of our funding that isn't shareholder funding and it isn't debt funding. It's funding because what we're building for our customer on the government side is also useful for us, and we have the dual-use capability to commercialize it.

Sean Peasgood

Attendee

Great. A lot of these questions are similar here. [Operator Instructions] There's a question here about accounts receivable. Just wondering if there -- if you have any concerns on accounts receivable increasing, if there's anything that needs to be clear in the near term on that? Jennifer, I don't know if you want to talk about that or wait until Monday.

Jennifer Bakken

Yes, No. No issues with accounts receivable, no concerns that we've collected all of our receivables historically and currently -- in current terms and time lines. So no issues there.

Patrick Blott

We have -- one of the things about -- a couple of things. Intermap, because of its customer set, the pursuit is a lift. Like when we win an insurance company customer, they're a sophisticated customer. And when we win a government customer, they're a sophisticated customer, but they're sticky and they're also well capitalized. So I can't recall a single receivable ever being written off since I've been at the company.

So that's an important aspect to know about the company. And then the dual-use aspect, how it reduces our capital intensity is a really important feature in the company as well.

Sean Peasgood

Attendee

Great. This is a little related to the comment you already made about CapEx. But can you elaborate on the upsized bought deal offering that was done in February and the type of investors that came into the deal? And then additionally, how do you plan on using those funds? I think you commented on the CapEx, so I think it's fine, but also asking about use of proceeds there, which we talked about in the call.

Patrick Blott

Yes. And I think, again, it also gets to our up listing and an effort that the company is making to really expand awareness and liquidity and price discovery. We're doing a lot of work in that regard because now we can. For a long time, the company couldn't. And it's -- and we're getting to a size where there's an opportunity there for us to do that.

So it was an entirely institutional round and expanded greatly our institutional ownership. And it was -- that was an important objective of ours, and it continues to be.

Sean Peasgood

Attendee

Great. Okay. Last one, I think, and then I think we've covered almost everything here. Now that the company is profitable, any expectation of instituting dividends in the next couple of years? It's maybe early for that, but.

Patrick Blott

Well, it's -- I'll tell you what -- I mean, I am the largest shareholder of the company, so I have a certain perspective on that. But I'll tell you, what is attract -- one of the things that I think is highly attractive, we have very demonstrable triple-digit growth. We've just, with our guidance, reinforced that going forward. We have a large pipeline of very large customer wallets behind that. And then -- and we're also forecasting margin expansion.

While we're already generating tremendous cash flow, we have tremendous cash conversion on a business model that is not capital intensive below the operating income line. And so it's a very -- in my opinion, it's a very attractive, high-growth company that also generates a ton of cash, and that's an unusual setup. So maybe I'll just leave it at there.

Sean Peasgood

Attendee

Okay. Great. I think a lot of the questions are doubled up here. So I think there are no further questions at this time. If for some reason, you had any trouble asking your questions or think of further questions after the call, please reach out to us and be happy to answer them.

Our contact information is on the screen here. I'll now pass the call back to management for closing remarks.

Patrick Blott

Well, thanks again, everyone, on the call today for listening in and following Intermap's story. We look forward to continuing to share our progress with you in the quarters ahead. And Sean, thank you for arranging this call.

Sean Peasgood

Attendee

That'll conclude the call. Thank you very much.