Transcript of
Calian Group Ltd.
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Participants

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Patrick Houston - Chief Financial Officer and Corporate Secretary

Analysts

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Presentation

Operator
Greetings and welcome to the Calian Group's First Quarter 2021 Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Kevin Ford, CEO of Calian Group. Thank you. You may begin.

Kevin Ford - Chief Executive Officer
Thank you, Daryl, and good morning, ladies and gentlemen. With me this morning is Patrick Houston, our CFO, and we'd like to welcome you to Calian's First Quarter 2021 Conference Call.

Please note that certain information discussed today is forward-looking and subject to important risks and uncertainties. The results predicted in these statements may be materially different from actual results.

I'm pleased to announce another strong quarter that continues our trend of quarterly revenue over $100 million for the 4 straight quarters. Our first quarter consolidated revenue was a record for Q1 at $116 million, up 17% from the same period last year.

The results demonstrate that our growth framework, and specifically, embracing our diversity, continues to keep Calian on a growth trajectory. In the previous quarter, we spoke about growing our non-government revenues by entering new commercial sectors.

In the current quarter, we not only continued with this trend, but has also seen increase in our revenues internationally. Revenues in Europe have grown by 253% when compared to the previous year.

This is a result of progress in our Learning and Advanced Technology segments over the last year. Revenue in Europe represented 11% of our consolidated revenue in the quarter.

The quarter also marked our 77th consecutive profitable quarter, highlighting that we continue to remain profitability as we execute our growth plan. The ongoing public health crisis has had some continued short-term impacts on some of our segments, while others have seen this as a new off-market opportunity, which they've been able to capitalize upon.

This continues to demonstrate the strength of our diverse business, where costs and execution difficulties have impacted the results in certain elements of advanced technologies, we've been expanding the scope of services with both existing and new customers in our Health segment and winning new contracts in response to COVID-19.

I'd like to spend a moment to provide an update on each of our segments. Our Health segment saw another quarter of tremendous growth, in the first quarter continuing strong demand from last fiscal year.

Revenue has increased by 57% compared to the previous year. This has been the result of multiple initiatives, the first being our growth in pharmaceutical services through our acquisition of Alio Health, which has seen strong early returns, continued growth and scope expansion with new customers.

And finally, we continue to win new contracts and deliver products and services in response to COVID-19.

Calian Health has become a trusted partner, who was able to deliver in challenging times while maintaining Calian's reputation to quality. Our learning segment has seen growth of 19% in the current quarter. This is a direct result of the acquisitions of CTS and Cadence, both located in Europe.

Their early success has us very optimistic about our larger ambitions to establish our Calian Learning brand in Europe. The impact that we experienced in the Learning segment due to COVID-19 and the stay-at-home orders that have been predominantly addressed through alternative work arrangements with our customers to ensure continuity of service are now in place.

Our Advanced Technology segments slowed in the first quarter of 2021. Revenues declined by 7% when compared to the same period of the previous year. This was a result of lower pace in our large North American ground system project, which is now in deployment stage and lower revenue from our Wireless Products Division.

This was offset by our recent acquisition of Tallysman, which has shown strong early performance as they continue to expand their presence in the GNSS antenna market.

Finally, our Information Technology group saw a slight decline in revenue this quarter. This is a result of lower project revenue in the quarter as we completed existing projects and saw a decrease in the band in some of our core customers.

Our recent acquisition of EMSEC has begun to contribute and we look forward to the synergies this acquisition will add to our cyber practice.

I will now ask Patrick to review the quarterly numbers. Over to you, Patrick.

Patrick Houston - Chief Financial Officer and Corporate Secretary

Thank you, Kevin. We're pleased with our financial performance this quarter. Our revenue momentum has continued despite Q1 generally being our more seasonal quarter due to holidays and associated time-off. This speaks to how much we are diversified our sources of revenue over the last 12 months. With consolidated revenue growth of 17%, we continue to see the results of our investments both organically through R&D, and our recent M&A investments.

Organic growth for the first quarter was 2% and acquisitive growth contributed 15%. We also completed the acquisition of Cadence partway through our first quarter as well as InterTronic in early January. These 2 acquisitions will contribute additional revenue growth in the coming quarters.

Our ability to win new contracts with existing and new customers continued with new signings of $122 million in the quarter. Our realizable backlog at the end of our quarter remains at over $1.3 billion. We've got good progress among many key performance indicators including revenue, gross margin, EBITDA and adjusted net income this quarter.

Gross margin ended the quarter at 23%, which has increased by 3% from the same quarter of the previous year. Our acquisitive strategy has demonstrated the ability for M&A to contribute and meaningfully impact our consolidated gross margins.

EBITDA for the first quarter of 2021 was up 24% when compared to the same period of the previous year. This brings our EBITDA percentage of revenues to 9% for the quarter. Adjusted net income which reflects the impact of depreciation IFRS 16 lease accounting and income taxes was up 28% compared to the last year.

Our balance sheet remains the strength. Cash was up $6 million in the quarter. We also closed a new debt facility in early January, which provides us with additional liquidity. This facility has a term of 3 years with availability of $80 million and an additional accordion of $40 million. This leaves our total liquidity on hand at over $110 million to deploy on our strategic growth objectives.

I'll now turn the call back over to Kevin.

Kevin Ford - Chief Executive Officer
Thank you, Patrick. I'd like to spend a moment to talk about the acquisitions we have completed since our last update. We've continued our growth in the quarter and subsequent to the quarter with acquisitions on both periods. Cadence, who was acquired in November of 2020, grows our Learning footprint in the UK and across Europe with their strong track record and work with NATO.

InterTronic, who was acquired in early January, provides state-of-the-art high precision antenna solutions that include high accuracy, high speed motion systems. Their customer base, primarily located in North America spanned military, scientific and commercial verticals. Applications of their innovation solutions include Radio Astronomy, Radar, Electronic Warfare, Deep Space and Satellite Communications.

We're excited about the synergies that we've already begun to see and working together with InterTronic and our existing Advanced Technologies business. We welcome these acquisitions to Calian and they're excited to grow together in the coming years.

Lastly, while the traditional markets which Calian operates are managing through this pandemic, management expects organic revenue and earnings growth opportunities in most or all of our segments through the successful execution of our growth strategy. However, we must caution that revenues realize are ultimately dependent on the extent and timing of future contract awards, customer utilization of existing contract vehicles, and any impacts due to COVID-19, specifically government regulations related to social distancing, stay-at-home orders and broader global travel restrictions.

Based on currently available information of contract backlog, sales opportunities and our assessment of the marketplace, we expect to continue our growth posture in the coming year. Our guidance does not incorporate any additional M&A activity. And should we close on any new M&A opportunities, their contributions would be incremental.

We have updated and increased our guidance for the fiscal year to reflect the acquisition of InterTronic, our continued momentum in our Health segment, and slower intake in some areas of our Advanced Technology segment.

I believe our diversified segments, with a mix of domestic and global customers continues to position us well for a strong year. We expect revenues in the range of $460 million to $500 million, adjusted EBITDA in the range of $42.3 million to $45.8 million, and adjusted net profit in the range of $27.5 million to $30.1 million.

Please see our press release and MD&A for detailed reconciliation of our guidance. So with that, Daryl, I'd like to open up the call to questions.

Operator
Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first questions come from the line of Doug Taylor with Canaccord Genuity. Please proceed with your questions.

Q: Yeah. Thank you. Good morning, Kevin and Patrick.

Kevin Ford - Chief Executive Officer
Good morning, Doug.

Q: Regarding the Advanced Technologies unit, understanding the segment has some variability given the large contracts and deployments can you talk a little bit about the bid pipeline and the deal funnel? Specifically, maybe you could shed some light on whether the sales forecasts for some of the newer products that you've launched related to DOCSIS or otherwise? And then – and last question as part of that would be, has the recent enthusiasm for sort of all things space related, translated into anything material in terms of your pipeline of opportunities for ground station equipment or other components?

Kevin Ford - Chief Executive Officer
Yeah, thanks, Doug, for the question. And a few elements with regard to our Advanced Technologies business, so number one to your point, I was going to start with finished. On the space side, you're right, we do see continued pipeline, whether for legacy infrastructure upgrades or new infrastructure opportunities in our ground system segment, both in the context of MEO and GEO satellites, but also the LEO constellations.

Clearly, with our acquisition of InterTronic, we became even more relevant, frankly, in the LEO constellations with regard to the antennas, in the space antennas and ground systems they build. So actually, we see the pipeline is quite strong in our legacy in that ground system, LEO, MEO, GEO orbit, satellite capability, and numerous bids out right now, frankly, that we're waiting to hear on, so still very confident in that area.

As far as the new innovations on DOCSIS, again, working with organizations like DCT DELTA at Europe, we do see some uptake on that. COVID has slowed down the pace of implementation, but it has not negated the opportunity. So we're still very optimistic that as we move out of COVID, that the DOCSIS becomes something that is going to be a positive impact to our growth trajectory.

And then, just generally, I would say, our Advanced Technologies group has got quite a few elements in there. We have nuclear engineering. We have a legacy Test, Aerospace & Defense business. All of them are running very strong. My recent review with Patrick and the team and Pat Thera and the team, I was very impressed by just how much work there is ongoing, the funnel and every one of those components.

So we're still very optimistic on our Advanced Technologies group. I don't look at this as a long-term trend at all. I think this is just a reality of timing, as you said. And now, with Tallysman, InterTronic, Sat Service, which is frankly a review last week was very, very strong, strongest they've ever been as they grow their footprint in Europe. So very, very positive Advanced Technologies moving forward.

Q: Okay. I'll switch gears to the Health unit, which was a standout this quarter. First, could you just talk a little bit about the $5 million new contract now in that business, a little more detail there; and perhaps, an update on where we stand with the MRCU contract and potential with that type of business as well?

Kevin Ford - Chief Executive Officer
Yeah, thanks. So what we're seeing in our Health business right now is really a combination of 2 things. Number one is, despite COVID, we're still growing our Health footprint outside of COVID and more customers, more capability. We have strong demand right now with our health services contract, the National Defence, Veterans Affairs, RCMP. We continue to see increased demand there.

And then, as far as new business, the COVID response, definitely we have been engaged in numerous areas, whether it's screening airports, Northern immunizations, Nunavut. We are getting asked to deploy in very short time periods. And I think that's the change we're finding from a government perspective, the procurement cycles are quite – it can be quite long normally, but just shortened procurement cycles, where from phone call to contract, we're talking weeks, if not, a month. So, very, very strong.

And that $5 million really represents a few contracts that we've now put in to support COVID response in different areas. As far as the SNC and the MRC contract, the mobile hospitals, we have worked to have ready to roll. I understand there are 2 hospitals. And we're just waiting for the call. And there are lots of discussions going on, as you know in capacity right now for the healthcare system, as to where these potentially could be implemented.

So we're just standing by on that. We're not confident yet that there's going to be more. But we're standing by and, again, that could change depending on the intensity of the virus.

Q: Okay, last question for me then, I mean, a lot of puts and takes related to COVID here. Could you provide us any kind of view qualitatively and perhaps quantitatively if you can on to what the degree the net impact of this has been on your guidance and perhaps versus the last update that you provided?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Hey, Doug, it's Patrick. I mean, we reflected, obviously, InterTronic, which is a significant contributor for us in the guidance. I think all the other elements I think were ahead of where we were. At the last quarter, when we spoke to you, I think we had some risks that we've been able to retire. We've seen some momentum on deals. So I think we're ahead of where we were 3 months ago. And now as the InterTronic is a good contributor to the guidance, which is why we felt comfortable increasing it and we still think there is upside opportunity here as we go finish this year.

Kevin Ford - Chief Executive Officer
Yeah, I'm actually – and yeah, go ahead, Doug.

Q: I was going to say, just to be crystal clear, what you're saying is that even without the M&A you've announced since, you think your guidance would have moved to the right a little regardless?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Yeah, yeah.

Q: Okay, okay.

Kevin Ford - Chief Executive Officer
Yeah. And my viewpoint here, Doug, on COVID is the – with after almost a year now, we've been able to really work through alternative work arrangements. Our Learning business took a hit last year, just because it took time to re-platform Learning from in-person to virtual. And I think the team's done an amazing job of working with our customers to do that; Healthcare really same, just deployment of PPE, getting people up there, getting protocols in place.

Our Advanced Technologies group, the biggest challenge we continue to have is the travel. We're implementing ground systems in the U.S., as you can imagine logistically now with the new guidelines, new restrictions on both sides of the border. Credits to that team that continues to work hard to get that done.

In our IT business, frankly, we're just seeing – that was not very much – it wasn't affected highly last year. And we continue to work through. All we're just seeing right now is some customers are showing a bit of demand as they continue to work with the COVID challenge.

Q: Okay, thank you. I'll pass the line and look forward to a more fulsome update tomorrow as well.

Patrick Houston - Chief Financial Officer and Corporate Secretary
Thanks.

Kevin Ford - Chief Executive Officer
Thanks. Thanks, Doug.

Operator
Thank you. Our next questions come from the line of Amr Ezzat with Echelon Partners. Please proceed with your questions.

Q: Good morning, Kevin and Patrick. Congrats on the quarter. I've got a couple of follow-ups on the Health segment. First on Alio, it looks extremely positive. You guys are adjusting the earnouts upwards again. I'm just looking to understand what is driving that outperformance relative to last quarter to warrant another earnouts bump. Then, also on Alio, can you speak to the launching of your first patient support program in Europe and what the opportunity looks like there relative to Canada?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Sure. Good morning, Amr. Yeah, I think, obviously, the first year of earnout for Alio ends on January 31. So we're just coming to the end here. But they've been on a pretty aggressive growth path. If you think of the revenue from the year before we bought them to the first year with us, their growth is going to be close to a 100%.

So love to see businesses that can grow that quickly. And, every month it continues to scale up, as they brought on new customers with new programs. So really, we're seeing excellent momentum on that business. So – and congrats to the team there. They've really worked hard to scale that business over the last 12 months. And we're really glad to have them as part of Calian.

With respect to Europe, this is an interesting opportunity. It's an existing customer of ours that we service in Canada. They're doing a drug trial in Canada, get approval. They decided to go ahead and get the same approval across Europe. And they came to us, because they were impressed with our capability in Canada and asked us to run their patient support program for this medication in Europe. So we're launching in 6 countries this year. And it's an exciting opportunity for us to extend our health services, which traditionally was all in Canada to new entry. So I'm really excited about this opportunity.

Q: Yeah. So in Europe, are you guys going to be targeting like organically opportunities there? Or it's always going to be a case of like a client that sort of taking you there?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Well, it's nice when the client takes you there and makes it a lot easier. But certainly, we're looking at Europe to say, okay, how do we get in front of the set of clients that we're interested in there and explain to them kind of our value proposition, and why we're effective at delivering these programs on their behalf. And I think this new opportunity will be a proof point for us that we can go around and show other customers that we're able to do it efficiently in Europe.

Q: Great. Great. Okay. Again on the health segments, on the gross margin side, it looks like a record quarter. I know there's probably a bump from last quarter on revenue mix with less Mobile Respiratory Care Units. Is it fair to assume that rest of the outperformance is really coming from Alio? Or is there anything else driving these margins up like that?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Alio is certainly a contributor. I mean, we've seen – because of – as Kevin mentioned, the short cycle, I think the margin opportunity is higher in terms of people who can respond quickly to opportunities. So we've seen margin improvement there. And I think our efficiency as we keep getting larger and larger, we're able to do deliver these programs much more efficiently, because we're reusing the same teams and delivery platforms that we have. So I think there's an efficiency there as we just keep growing that business, which – a year ago, it's under $100 million, and now we're pushing $150 million.

Q: Great. Then if – I know, you guys don't give guidance on segment margins, but if I'm trying to get a sense of what your long-term gross margin potential is here, like, let's say, 2 or 3 years out. Can you guys like provide like a high-level sort of range? Like is that 23% as high as it gets? Or can we see you guys like north of 25%, 26%, 27%?

Kevin Ford - Chief Executive Officer
Yeah, it's Kevin. So I think for me, if you look at our 4-pillar growth framework, both on customer diversification and innovation, specifically. The goal of our innovation pillar is to continue to bring more differentiation through innovation as far as technology enablement. You think about the Alio, Allphase acquisition, we're excited by that, because they brought a software platform to allows us not only to be more efficient, but differentiate our services, which allows us in turn to drive higher margin opportunities.

So right now, the clear message I want to send it's about increasing our margins, both at gross margins and EBITDA margins. And our whole strategy is about, whether it's through organic investments through R&D or through acquisition is to move those up. So to your point, we have a large contract with the National Defence, so it's hard to move – consolidated margins and health up drastically, because we're dragging through the – we're working through that contract. But the goal is definitely to increase, Amr. So I think a single point here and there over the next couple of years, for sure. But rest assured our M&A engine is all about finding opportunities to push that – continue to push that higher.

Q: Fantastic. Then maybe 1 last housekeeping item. On your Advanced Tech, on the G&A expense, it came in at $2 million for the quarter, you guys typically ran it at $1.5 million, $1.6 million. I know there's the addition of Tallysman. But I'm just looking to understand if there's anything else in that number, any exceptionals for the quarter?

Patrick Houston - Chief Financial Officer and Corporate Secretary
No, it's mostly Tallysman related. They're much higher margin business. So they do have some OpEx, but generally driving gross margins in excess of 50%. So that was the driver on the OpEx increase.

Q: Great. Thanks. Look forward to your update tomorrow.

Kevin Ford - Chief Executive Officer
Thanks, Amr.

Operator
Thank you. Our next question is come from the line of Benoit Poirier with Desjardins. Please proceed with your question.

Q: Hey, good morning, Patrick; good morning, Kevin; and then congratulations for the quarter. Could you maybe come back a little bit on the large ground system contract? I know you were expecting to recognize about $25 million of revenues in fiscal 2021. Just wondering whether in Q1 there was some revenues that were recognized and whether it's pushed a little bit further throughout fiscal 2021.

Patrick Houston - Chief Financial Officer and Corporate Secretary
Yeah, we've recognized – I mean, our plan is still to try to finish that project in this fiscal year and recognize that entire $25 million to end the project. So I think we're still on that pace, so I don't think that's changed. The environment, we talked about last quarter where it's just hard to do this and increased cost, I don't think has changed. And the restrictions on flights and things like that have made it even more difficult for us to deliver this contract. But the team is committed to doing it. I think we're still on track to finish it this year.

Q: Okay. And Kevin, you mentioned that the pipeline for Advanced Tech is quite strong, still very confident about that. How do you feel about the opportunity to replace this contract with other opportunities for – I'm looking here at fiscal 2022, how confident are you to replace that in over the next, let's say, 12, 18 months?

Kevin Ford - Chief Executive Officer
Actually, still very confident, I think to me the confidence is really born from, Benoit, 2 things. Number 1, as I said that there's a quite a lot of activity right now in our ground systems segment with regard to proposals either in process or out for evaluation. Number 2 is that with the combined SatService, Tallysman, InterTronic acquisitions, we're seeing, frankly, quite a few synergies coming out of the gates on those 3 opportunities working with our legacy Advanced Technology business. So I'm still very confident.

And actually, if you think about Benoit last year, we had a very high ground segment project revenue base last year, and coming into this year, we're still showing growth as a company. And you know us better than anyone, Benoit, historically, when we've had these ground system that large ones go through, we kind of take a step back. We're not going to take a step back. We're going to keep moving forward here. And so, we're confident our ability to backfill that both with new RF ground system projects, and as well as the contributions of recent acquisitions.

Q: Okay, that's great color. And when we look on the IT side, the slight decrease came from a large onetime product sale that happened almost a year ago and a slight reduction in the service delivery for some services. So could you quantify a little bit what was the onetime product sale a year ago? And maybe quantify the scale back in the budget reduction and the opportunity maybe to get back this – those delay projects?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Yeah, I mean, we had some product sales last year in Q1 relates to our cyber business. We're still confident in those, and we're trying to lock those down again in Q2 here coming up. So I think, we're still pretty optimistic about our cyber business in IT. Some of the bigger IT projects that we had last year, obviously, some of them concluded and we've been bidding on a lot of projects to start up. But, the award of those have been delayed a little bit, a lot of these either provincial or municipal businesses have been extremely taxed with responding to COVID. And some of these IT projects have slimmed to the right of it. But we still have a lot of opportunities there. And we're hoping to close those this year and get going. So I think it's more of a timing issue right now than a trend.

Q: Okay. And looking at the InterTronic, I was wondering, are there some synergies with IntraGrain. And maybe if you could expand also above the opportunity to tap the European defense market with your latest acquisition, if you would maybe quantify the market with the strategy and maybe the timing to kind of tap this European defense market now that you have beefed up your product offering?

Kevin Ford - Chief Executive Officer

Yeah, thanks, Benoit. As far as InterTronic and IntraGrain, not as much synergies in the context of technology platform. With IntraGrain, we continue to evolve our product base, we did a review recently, looking to how do we re-platform, continue to platform that into more of a SaaS based model with that team, and very excited by Tanner and the crew out there, the work that they're doing.

With the InterTronic piece now and Satservice and the question of military in Europe, we're really excited about that opportunity. We haven't done formal market research as far as the size, Benoit, in progress. But I can tell you, coming out of the gate right now, and I look at the current contracts at Satservice and the wins, they'd really never focused on the military market in Europe.

And we're seeing great success as now they can bring the Calian story into Europe. So our legacy with defense is very strong across everything that we do. So that's resonating. The Canadian brand is very well regarded and recognized globally. And it's something as Canadians, I think, sometimes we forget. But it is something that we believe that the combination of our defense business, our stories, the capability to harvest assets from Canada and go into Europe. We're seeing that working very, very well.

So while I can't give you a specific number, I can tell you for Satservice, they're winning business that they've never won before in defense. InterTronic only strengthens out, because of the fact of their platforms and antenna capability, then you tie that to our legacy test aerospace and defense business, based at of Saskatoon, we're very excited with the European marketplace, both NATO and the nations that form Europe in the context of their military offerings and capabilities. So standby, we're going to continue to double down in Europe and we think go longer-term is going to continue to be a great growth pillar for us going forward.

Q: Okay. And Patrick, a quick one in terms of corporate costs, I think you work close to $5.8 million in Q1. Is it kind of a good number to use going forward? And I assume this number went up, because of the latest acquisition.

Patrick Houston - Chief Financial Officer and Corporate Secretary

Yeah, I mean, we've been continuing to invest, obviously, in M&A and other activities. We secured the credit line, because we're planning on using that and deploying that capital. So – but I think from a going forward basis, I think it's a good planning number.

Q: Okay. And last question for me. When we look at the dividend policy, obviously, with the earnings growing up over the last years, the payout ratio came down. So how should we be thinking about the dividend policy? Are you looking at the policy on the adjusted net profit basis or net profit basis? How should we be thinking about the opportunity to revisit the dividend at one point in time?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Yeah, when we looked at this a couple of years ago, we believe our payout was too high, was constraining some of our growth. We decided to hold the dividend and reinvest the capital to drive the growth. And I think we've seen the results of that over the last couple of years. I think our plan right now was to hold the dividend, at least for this year, and continue to reinvest. And we're getting, we believe, excellent returns on the deployment of that capital. And then we'll look at it again, but I think we're looking at it from how much cash earnings do we have at the end of the day, and how much do we want to put towards dividends. It used to be over 50%, which we believe was too high. And, I think we've grown into it. So I think we just continue on that path for now.

Q: Okay. That's great. Congrats, and thanks for the time looking forward to tomorrow.

Patrick Houston - Chief Financial Officer and Corporate Secretary
Thanks, Benoit.

Kevin Ford - Chief Executive Officer
That's great. Thanks, Benoit.

Operator
Thank you. [Operator Instructions] Our next question comes from the line of Deepak Kaushal with Stifel. Please proceed with your questions.

Q: Hi, good morning, guys. Thanks for taking my questions. I just got a couple of follow-ups, if I may. First on the Learning business, a clarification looks like you got a lot of growth in Europe, but if we strip out the European side? Can you just kind of clarify what the core Canadian Learning business segment is? Are we back at pre-COVID levels yet? Or is that expectation for the coming quarters? Just hope you can clarify that for me, please.

Kevin Ford - Chief Executive Officer
Yeah. Thanks, Deepak. So interesting, as you think about how this year and you think about Q1. So if you kind of rewind a year ago in our Q1 last year, then the COVID impact really had not been felt in our Learning business. We had really started in our Q2, Q3, where we had to scale back Learning as we had to readjust delivery platforms. So right now from a Learning business in Canada, if you look at the core business, it's actually right back to where we were last year at this time. And I really want to credit, national defense, and our partners, working with us to create an environment that we can do this continued to deliver training safely.

So we're right back to where we started. And knock on wood or any other COVID restrictions. We're expecting that to continue for the year, as the military, obviously, mission-critical that they continue training. So I'm really positive on our Canadian business this year. And also our funnel of opportunities for Learning continues to grow. We continue to invest in our business development. As you know, we've launched products Maestro and ResponseReady that are really taking the intellectual capital we have on Learning and getting opportunities for organizations to license that intellectual capital in the software platform.

And as well, new customers coming on board every day in our emergency management side, with First Nations, municipalities, so very, very optimistic in where Learning is going both in Canada, and obviously now in Europe as we really start to put our shoulder into the European marketplace.

Q: Great. That's helpful. Thank you. And then just on the Advanced Technology side, you talked a bit about the DOCSIS side, but I was wondering if you could give us an update on the wireless opportunities there. I know you had a big contract that you're deploying. What stage of that deployment or what innings are you at in that? And what is the pipeline look like for that new product segment for you guys?

<u>Patrick Houston - Chief Financial Officer and Corporate Secretary</u>
Yeah, we had a strong start of last year and then good contribution from that project. We've seen the order intake slowed down a little bit of their deployment schedule for this Tier 1 mobile carrier in the U.S. has changed during COVID. Obviously, they've redeployed capital into different spaces. So we've seen it slowed down a little bit, but we're pretty optimistic still about this product and the length that has to contribute. So still positive, but we've seen a slight reduction here in Q1 on the order intake.

Q: And, I mean, there is a pipeline for broader customer opportunities beyond the first one is still there or how is that, what's the outlook for that?

<u>Patrick Houston - Chief Financial Officer and Corporate Secretary</u>
Yeah, I mean, we've taken that technology and we're looking at other places we can deploy it. We're doing some R&D on that right now and trying to turn that into more than just a product to one customer. And we're seeing some early returns there. So I think we will continue to invest in that this year.

Q: Okay, great. And then, my last question, Kevin, more of a big picture question. Obviously, Europe is a big growth driver for you guys and a big focus. What's your longer-term thinking about rinsing and repeating in the U.S. market? You've had some success with that wireless product here in the U.S. You were in the U.S. in the past. Maybe you can help us think of it in the future on that?

<u>Kevin Ford - Chief Executive Officer</u>
Yeah, a great question, Deepak. Clearly, with the change of administration, we're looking at our U.S. strategy and just understanding the dynamics of the U.S. marketplace. The reality is right now, if you think about our Advanced Technologies segment, we do work in the U.S. We mentioned this large ground system project that we're dealing with InterTronic. Majority of the InterTronic customers are U.S. based customers, whether it's in space or defense.

So we definitely will continue to go after the U.S. marketplace in the context of customer base. As far as the physical presence, we're going through that analysis right now. Patrick mentioned earlier that the trial that we're doing in the PSP program from Europe, well, that customer has also asked us about U.S.

And we're looking to that, as we speak, at couple of states, where we could potentially run that program. Clearly, with our InterTronic acquisition now and the U.S. base of customers they have, does it make sense for us to reestablish a presence for Calian in the U.S.? My gut is saying yes. And we're working through the dynamics of that now.

So I'm glad you asked this question, because as we talked about our core market in Canada, we talked about Europe, U.S. is clearly on our agenda. We are continuing to focus on what's the right pace of investment in our U.S. footprint. But I expect over the next 12, 24 months, it will continue to get stronger, just as – the reality is we have just too many customers there to ignore that any longer.

Q: Got it? And it sounds like most of your presence there and the opportunity is commercial related. I know that government, U.S. government industry, and the defense industry down is really hard to top. But you've seen some progress in Europe. Is there an opportunity there to establish a differentiated presence? Or is that still turning down the roadmap?

Kevin Ford - Chief Executive Officer
Yeah, I think so. I think if you think about – if you think about the 2 kind of markets, the healthcare market in the U.S. with our healthcare businesses are – is our logical extension of our PSP, Patient Support Program capability, because what we do here in Canada is definitely transferable into other countries.

The defense marketplace with regard to our Advanced Technologies business, Learning, clearly is an opportunity. InterTronic brings customers in that, say, area today. And as a reminder, today, in our Advanced Technologies group, we're in global supply chains for good part of many OEMs.

We build components in Saskatoon for organizations based out of the U.S. and have been part of their supply chains for years, so all these things are connecting back. When we exited the U.S. last time, it was just because the size of the business at that time didn't warrant the overheads that we are dealing with as far as foreign-owned controlled interest. But I think as you grow that presence, that becomes – that overhead becomes, makes a bit more sense for us to adjust and attack that again.

So I expect, as I said, next 12, 24 months, we will reestablish our presence in the U.S., and we'll do it at a pace that makes sense for the opportunity base at that time.

Q: Okay, great. That's helpful. Thank you for taking my questions. Looking forward to the [agenda] [ph].

Kevin Ford - Chief Executive Officer
Okay, thanks. Thanks, Deepak. Good to hear from you.

Operator
Thank you. Our next question comes from the line of Jesse Pytlak with Cormark Securities. Please proceed with your questions.

Q: Hey, good morning, gentlemen. Just one quick question for me, more of a housekeeping one. Just given now that the ground systems project is moving to the deployment phase, but understand you have a number of bidding opportunities, and obviously, you're working M&A into the picture in Advanced Technologies. But, how should I think about the potential around working capital release?

Patrick Houston - Chief Financial Officer and Corporate Secretary
Yeah, so we did some progress on working capital in the quarter. So that contributed to the cash increase that you saw. We still stand on that one about close to $50 million of working capital on that project. So that's still needs to unwind here over the end of the deployment stage, so we're still expecting good contribution on working capital as we complete that and then to hand over to the customer.

Q: Okay, thank you.

Kevin Ford - Chief Executive Officer
Thanks, Jesse.

Operator
Thank you. There are no further questions at this time. I would like to turn the call back over to management for any closing remarks.

Kevin Ford - Chief Executive Officer
Okay, well, listen. Thanks, Daryl. And thanks to all for attending and the questions. It's appreciated. We do have our AGM tomorrow. So if you don't have the details, please reach out. We're happy to do that. So we're going to do our formal AGM procedures and then follow that by just a bit more color, to borrow Benoit's term, I'll send you a quarter for that, Benoit, to add some color to just the overall state of the business and where we continue to focus as a company.

So I want to thank everyone for their time today. I'm really also want to thank my team at Calian, for another great quarter. It is not easy working in COVID environment. And I can tell you, as I mentioned last call the team is rising to the challenge. So it would be remiss for me not to mention the incredible people on our staff at Calian for another awesome, awesome quarter. So thank you for that.

With that, Daryl, we can end the call. Look forward to the update tomorrow. Thanks, everyone. Have a good day. Stay safe.

Operator
Thank you for your participation. This does conclude today's teleconference. You may disconnect your lines at this time. Have a great day.