Spire Global
Third Quarter 2024 Call
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Presenters
Ben Hackman - Head, IR
Peter Platzer - Chairman
Leo Basola - CFO

Q&A Participants
Austin Moeller - Canaccord
Jeff Meuler - Baird
Erik Rasmussen - Stifel
Brian Kinstlinger - Alliance Global Partners
Jeff Van Rhee - Craig Hallum Capital Group
Chris Quilty -- Quilty Analytics

Operator
Greetings. Welcome to Spire Global's Third Quarter 2024 Conference Call. At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce Ben Hackman, Head of Investor Relations. Thank you. You may begin.

Ben Hackman
Thank you. Hello, everyone, and thank you for joining us for our third quarter 2024 earnings conference call. Our earnings press release and SEC filings can be found on our IR website at ir.spire.com. A replay of today's webcast will also be made available for six months.

With me on the call today is Peter Platzer, Chairman, and Leo Basola, CFO. As a reminder, our commentary today will include non-GAAP items. Reconciliations between our GAAP and non-GAAP results can be found in our earnings press release, which can be found on our IR website at ir.spire.com.

Some of our comments today contain forward-looking statements that are subject to risks, uncertainties and assumptions. In particular, our expectations around our results of operation and financial conditions are uncertain and subject to change. Should any of these expectations fail to materialize or should our assumptions prove to be incorrect, actual company results could differ materially from these forward-looking statements. A description of these risks, uncertainties and assumptions and other factors that could affect our financial results is included in our SEC filings.

With that, let me hand the call over to Peter.

Peter Platzer
Thank you, Ben. We are so pleased to be speaking with you today as it means we have successfully filed our restated financials. While this was an unforeseen activity, the Spire team responded with vigor, professionalism and determination. Aided by the exceptional work of another Big Four audit firm and our auditors, we completed a very thorough and detailed restatement. After everything is said and done, the restatement is expected to have cost between $10 million and $15 million in direct and indirect costs. Some of those costs were already incurred in Q3 2024, but the majority of the cost will be recorded in Q4 2024 and Q1 2025.

This amount of resources dedicated to the effort showcases the high level of importance, accountability and integrity Spire attributed to getting this as right as humanly possible. With the filings now completed last night, we are moving forward with that same vigor, professionalism and determination to focus on capturing the large opportunities in front of us, tackling global security challenges and climate change with powerful data and analytics from space.

In addition, during the third quarter of 2024, we received unsolicited inbound interest in a portion of our business. Despite this not being anticipated, and while still managing the complexity of the restatement process, the Spire team quickly initiated a thorough and competitive bidding process with several interested parties. As a result of this comprehensive evaluation, we accepted an offer to sell our maritime business excluding the United States government business, for a total consideration of $241 million, valuing this portion of our business at nearly six times its trailing 12 month revenue. This compares favorably to the then prevailing value of all of Spire at below three times trailing 12 months revenue.

There were four elements to this transaction we felt would enhance shareholder value. First, the transaction would eliminate debt in a non-dilutive manner. Second, it would provide a comfortable cash position to invest in near and long term growth opportunities. Third, it would further strengthen the focus of the organization on solutions that address climate change and global security challenges, two key secular drivers of demand. And fourth, it would demonstrate the value of Spire's business to the public market.

We currently fully expect the transaction to close in the next six to eight weeks. With the closing of this transaction, Spire is expected to be a debt free company with a healthy balance sheet.

Throughout this period, Spire continued to see engagement from new and existing customers that value the company's innovative data products and space services solutions. In Q3, we set a company record, booking the largest amount of annual contract value ever in a single quarter.

We booked notable contracts with long term customers like NASA and NOAA along with renewals from space services customers and awards for radio frequency geolocation efforts that support global security initiatives.

The key demand drivers that we have consistently highlighted over the past several years continue to remain strong. Severe weather has continued to impact individuals, communities, businesses and organizations. There were 27 severe weather events in the United States in 2024, with each one having losses that exceeded $1 billion. This was just shy of the record 28 events in 2023. As we start 2025, we are seeing the same level of devastating impacts from severe weather and wildfires.

Spire continues to bring to the market highly valuable solutions powered by differentiated data insights. For instance, our high resolution soil moisture provides insight at 100 meter resolution, more precise than our competitors, which can be applied to wildfire detection and agricultural monitoring. And we offer high resolution hourly weather forecasts out to six days, several days further than typical weather models. Coupled with our on staff expert weather support team, we are helping our customers have a better understanding of the impacts from weather to their businesses and missions.

Recently, we have seen customers turn to our soil moisture solution to enhance their crop irrigation management. One customer in particular chose Spire after their previous provider failed to deliver the expected insights. Another client, a power and utility company, is leveraging our deep vision weather risk solution, weather models and weather support team to proactively prepare for and adjust operations in response to red flag warnings that could trigger fire safety protocols. Additionally, this customer is utilizing Spire's solution to manage the impact of snow, ice, flooding, high winds, and lightning events that could disrupt service.

Our ability to collect unique differentiated weather data at an unparalleled scale and volume gives us a distinct competitive edge in this market. Similarly, demand driven by global security remains robust. A quick glance at daily headlines highlights the ongoing geopolitical events around the world. In this context, radiofrequency geo intelligence has become increasingly essential in modern intelligence gathering. Even when objects are hidden, their RF signature can reveal their location.

By leveraging one of the world's most significant constellations of low Earth orbit satellites, our RF detection and geo location solutions offer pinpoint accuracy in identifying GNSS spoofing and jamming, border security threats, dark ship activity and other potential illicit satellite phone usage. RF geo intelligence continues to generate significant interest from customers in this critical sector.

We are also witnessing the continued maturation of the space economy and the US administration that is supportive of commercial space activities. The space economy is large and expanding, with projections indicating it could reach nearly $2 trillion by the mid 2030s. These projections underscore the immense size and potential of space based solutions.

Through our space services offering, we are leveraging over a decade of intellectual property and industry relationships to deliver comprehensive end to end space based solutions that effectively meet our customers' needs. Cumulatively, Spire's space technology has spent over 700 years in space, a truly rare achievement.

We are seeing growing interest from both commercial and government sectors in our suite of space services. The incoming US administration, which established a Space Force during its first term, appears poised to continue supporting, indeed accelerating commercial space initiatives. And further, the Space Force acquisition strategy has been described as exploiting what they have, buying what they can and only building what they must. We believe this stated strategy indicates the Space Force desire to leverage the capabilities of commercial space companies like Spire.

More specifically, we are leveraging opportunities through the tactical surveillance, reconnaissance and tracking pilot program developed by Space System Command. This program is designed to directly implement the US Space Force commercial space strategy by taking advantage of speed, innovation and capabilities offered by the commercial sector. This program provides a rapid and dynamic acquisition process for commercial vendors to receive taskings and deliver analytical products through a one stop shop interface, allowing for the advertisement, award, and funding of short term surveillance, reconnaissance and tracking contracts with commercial vendors.

Additionally, we're exploring opportunities within the Space Test Experiments Platform program, which is looking to leverage commercially developed spacecraft to reduce cost, streamline processes and accelerate the development of cutting edge space technologies for the joint war fighter. The space test program supports the entire Defense Department and other government agencies by conducting end to end demonstrations of novel space technologies and has executed over 300 missions to advance new capabilities.

Moreover, the international landscape is shifting as countries increasingly focus on strengthening their space strategies. Nations are evaluating sovereign programmes to safeguard and advance their interests, turning to companies with proven space capabilities to support these efforts. For example, a few weeks ago, we announced winning a 72 million Canadian dollar contract for the design, launch and development of a constellation that will monitor wildfires in Canada from space. This mission will provide vital data on wildfire behavior, smoke, air quality and carbon emissions, addressing a significant gap in current wildfire monitoring.

This is just one of many opportunities where Spire, given our high level of vertical integration and strong space heritage, is in a leadership position to be the prime in delivering reliable, scalable solutions from space to benefit Earth.

The outlook remains as promising as ever, and as our opportunities grow ever larger, we do plan and accommodate for longer lead times as these opportunities mature and fully materialize. As we have done in the past, we plan to provide our 2025 financial outlook in conjunction with our Q4 and full year 2024 financial results later in March.

In addition to securing new awards, we also remained focused on operations during the third quarter of 2024 with our 41st batch of satellites being launched. The seven satellites deployed contain payloads for weather and space services missions and brought the total number of Spire satellites launched to 186 as of the end of the third quarter 2024.

This launch further strengthens our expertise in navigating the complexities of the space industry, expertise that is crucial for our space services customers as they evaluate trusted partners to deliver mission critical space based data that drives their business and supports their missions.

We also continued to develop new technologies during this time, which we believe enhances our capabilities and further distinguishes us in the marketplace. For instance, we continue to progress our optical into satellite links, or OISL solution, and have demonstrated two way laser communication between satellites in space. The OISL payloads create lasers that send information back and forth between satellites securely and almost instantaneously up to 5,000 kilometers apart. This is a first ever achievement for Spire and the industry. We have shrunk what is typically a large optical system the size of a microwave down to the size of a tissue box. We believe our OISL payload is the smallest on the market, allowing us to deploy this technology on our small form factor satellites while delivering performance previously achievable only with much larger systems. It is literally lasers in space.

Our OISL solution enhances data transformation security, speed and reliability for future missions. This technology has the ability to enhance applications such as weather forecasting, secure global communications and remote sensing for navigation and environmental monitoring. This breakthrough has the potential to enhance our data and space services solutions, especially for applications that require continuous coverage with fast and very secure data relay with security of data especially being of ever increasing concerns for customers.

And finally, in the third quarter, we remained diligent and successfully achieved our longstanding goal of achieving positive free cash flow, something that we audaciously had stated in an earnings call over two years earlier. Sufficed to say, it was a very busy third quarter.

As I look back on this third quarter, I'm proud of the milestones we reached despite unexpected complexities we had to navigate. These accomplishments would not have been possible without the immense work, dedication, and sacrifice of so many people at Spire. For that, I want to express a very heartfelt thank you.

Now that the restatement is complete and the sale of the maritime business is in its final phase, the whole team is excited to refocus on the future. Theresa Condor assumed the CEO role at the start of 2025. She was part of the founding team and has led the expansion of Spire's offering in business lines. The board had been discussing the potential transition since early 2024, and after careful consideration, decided to lean on Theresa's tremendous knowledge of Spire and the space industry along with her business experience. She brings the skill set to lead our company into its next phase of growth with a focus on streamlining operations, financial responsibility and reliable execution at scale. I could not be more excited for the next chapter of Spire under Theresa's leadership and continue to work towards our mission of improving life on Earth with data from space in my new role as Executive Chairman.

With that, let me hand it over to Leo.

Leo Basola
Thank you, Peter. Before I jump into the financials, I want to give a quick overview of how the restatement came about and some of the changes that are reflected in these restated values. Although our contract structures, revenue policies and cost policies have remained unchanged in recent years, our auditor raised some questions during the Q2 '24 close process that prompted a deeper review of certain contracts. To support this process, we engaged a Big Four accounting firm that provided thousands of hours of assistance, including support from its subject matter specialists.

The unique and innovative nature of our space services business was a factor in the time it took to complete the restatement process. This line of business requires significant judgement and technical accounting knowledge to properly apply the accounting standards to determine the performance obligations, value of the services, pattern of control transfer and other key accounting conclusions. The company had consistently accounted for these contracts for years with clean audit opinions, and nothing new or different was incorporated in the recent periods that were restated. We simply dug substantially deeper into the highly technical accounting nature of these contracts, prompting the corrections and restatement.

We also updated and enhanced our documentation of detailed accounting facts like the potential existence of embedded leases, which in the end turned out to be an infrequent situation with only one contract confirmed to include an embedded lease in the restatement. The outcome of this process resulted in the following - first, revenue from our space services contracts will now typically be recognized only during the data delivery phase of the contract. This has the effect of recognizing revenue later than we previously did. Second, revenue from R&D service contracts will now typically be recognized utilizing percentage of completion methodology instead of the contractual milestones. This has the effect of recognizing revenue earlier than we previously did for this type of effort. Third, all R&D costs associated with the R&D service contracts have moved from R&D in the operating cost line to cost of revenues. This has the effect of lowering the gross margin and gross margin percent but does not impact operating income, EBITDA or net income.

You can find the impact of the restatements in our 2023 10-K/A and first quarter 2024 10-Q/A filings.

In summary, as we anticipated, there were no impacts to cash. We shifted revenues between years less than $10 million in any one fiscal year, mostly driven by the delay of pre space activities revenues to the data provision period and reduced our overall gross profit trend by 15 to 20 percentage points due to the inclusion of all R&D service contracts costs in cost of sales. The increase in the cost of sales was offset by the reduction of our operating expenses, particularly in the R&D line on a dollar for dollar basis. We also used this opportunity to retrospectively adjust several other items we have found over the years that have not risen to the level of materiality on their own, but were taken into account during this restatement process. This is a standard procedure during a thorough and careful restatement process and required a significant amount of work and review, which necessarily impacted the timeline for completing this exercise. We believe this was a worthwhile trade-off.

Now let's jump into the third quarter results, which reflect this updated methodology. I will be discussing non-GAAP financial measures unless otherwise stated. We have provided a reconciliation of GAAP to non-GAAP financials in our earnings release, which is available on our Investor Relations website and should be reviewed in conjunction with this earnings call.

GAAP revenue for the third quarter was $28.6 million, reflecting 29% year over year growth. This growth was largely attributed to increased annual recurring revenue with our existing customers, growth in space services contracts revenue and growth of R&D service contracts. For the nine months ended September 30th, 2024, revenue was $88.8 million, reflecting 21% year over year growth. For the full year 2024, we expect revenue to be approximately $108 million to $110 million, which takes into account the volume of radio occultation or RO profiles awarded under NOAA's commercial weather data program, lower than anticipated revenue for unique and bespoke customer solutions and timing and revenue recognition of space service contracts for new and follow on orders.

As a reminder, revenue from our space services contracts will now typically be recognized only during the data delivery phase of the contract.

Operating loss for the third quarter was negative $6.1 million, reflecting a 49% improvement year over year. Operating margin for the third quarter was -21%, a 34 point improvement on a year over year basis. For the nine months ended September 30th, 2024, operating loss was $19.2 million, reflecting a 39% year over year improvement, and operating margin was -22%, reflecting a 21 point improvement on a year over year basis.

Adjusted EBITDA for the third quarter was negative $3.1 million, reflecting a 66% improvement year over year. For the nine months ended September 30th, 2024, adjusted EBITDA was negative $5.5 million, reflecting a 75% year over year improve.

Loss per share was 43 cents of a dollar in the third quarter based on 24.9 million shares, which equates to a 44% improvement in loss per share on a year over year basis. For the nine months ended September 30th, 2024, loss per share was $1.38 based on 23.7 million shares, reflecting a 40% improvement on a year over year basis. We believe these year over year improvements reflect our ongoing focus on cost control and drive towards profitability.

In the third quarter, we were free cash flow positive. Spire generated $5.1 million of free cash flow in the quarter, which included $14 million of positive operating cash netted by approximately $8.9 million of CapEx. As we look to the fourth quarter, we expect the results to be less favorable than the Q3 results, including the cost impact from the restatement process. In our press release, we have provided a range of preliminary full year 2024 results. Our actual results may differ from these preliminary results, including due to the completion of year end financial reporting processes and audit. These preliminary results reflect lower revenue associated with the lower volume of RO profiles awarded, a significantly increased legal consulting and accounting expenses associated with the restatement process and sale of the maritime business. These costs, along with increased launch activity that took place in Q4, also weigh on our cash.

We do not expect the fourth quarter to show positive free cash flow. As you have seen in multiple filings, our short term cash position is somewhat strained until we close the maritime transaction.

To bolster our short term cash and cash equivalents position, we intend to seek additional equity or debt financing.

Over the three last years, we have converted strong demand for space data and space services into an improving top and bottom line as we drive towards profitability. With the restatement now complete, Spire is refocusing on the future and opportunities ahead.

With that, I would like to open the call for questions.

Operator
Thank you. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. And for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We ask that you please limit to one question. One moment while we poll for questions.

Our first question is from Austin Moeller with Canaccord. Please proceed.

Austin Moeller
Good morning. So just my question for -- I know you haven't put out any guidance for 2025, but how should we think about the CapEx spend to launch new satellites, just given that some had to be decommissioned or depreciated last year?

Operator
Please check--

Peter Platzer
This is Peter. Sorry, I think you're on mute.

Austin Moeller
Hi, can you hear me?

Operator
Yes.

Austin Moeller
Okay. So just my question is how should we think about CapEx spend for 2025, just given that some satellites were decommissioned or had to be depreciated last year, and how should it compare to prior years?

Peter Platzer
Nice to hear from you, Austin. I'm just checking that you can hear me, as well.

Austin Moeller
Yeah.

Peter Platzer
So I think for the future, Austin, the CapEx for replacement is along the same line as has been in the past. So along $5 million to $7 million just as we had in the future -- in the past. The fact pattern of future satellites being way more capable as past satellites is the reason for it why this works so much better.

Austin Moeller
That makes. So you expect each individual satellite to be less capital intensive?

Peter Platzer
It's that, but more so, it is like that power law that came out of my research almost 15 years ago of 10X performance every five years, meaning that each individual unit is way more capable than it was three or four years ago in the past.

Austin Moeller
Excellent. I'll pass it back there. Thank you.

Operator
Our next question is from Jeff Meuler with Baird. Please proceed.

Jeff Meuler
Yeah, thank you. Good morning. I'm just trying to sort through the good year to date results and positive bookings trends with what you're saying for Q4 and try to sort through how much of Q4 is kind of like negative variability. So maybe if you can just talk through like the -- I mean, it doesn't look like there's like great ARR growth coming out of Q3. So just what all goes into kind of Q4? Have you seen bookings remain strong into Q4 and Q1 just as we think about modeling 2025, absent 2025 guidance at this time?

Leo Basola
Yeah, Jeff, this is Leo. Thank you. Look, I think from a bookings standpoint, let me start by saying that bookings in Q4, like most of the operations in Q4, got delayed, and to a certain extent, we were a bit more focused on finishing the restatement than the transaction. That took a lot of our attention away from business for a short period of time. And in some cases, the lawsuits also impacted some closing of deals. You have seen the CSA arrangement that we have, a Canadian space agency arrangement that we have closed in January basically -- or in Q1 of '25. If that order had come in Q4, which under normal circumstances it would have, we would have had even a larger bookings in Q4 than Q3, which was our record bookings time. So that's to address the bookings to begin with.

Now in terms of the financials for Q4, a couple of things to mention there - clearly, Peter mentioned the incremental expenses associated to the transaction and to the restatement efforts. A lot of those expenses really will hit in Q4 and to certain extent in Q1. So I think that's a little bit of what you will see coming through as an unusual and non-recurring burden on our expenses and our cash. And then from a revenue standpoint, we talked about another contract being a little bit smaller in terms of volumes. And then particularly from a revenue standpoint versus our previous estimates, our run rates, we had a particular contract with a space services customer where we had a consideration of four satellites deployed early in the year. The nominal performance of the payloads on those satellites was not as anticipated. The payload was selected by us and by the customer from a reputable vendor, but unfortunately, those are not performing as we anticipated, and the customers is not paying for those data sets because the quality is less than what we anticipated - hence, the reduction in revenues and hence the reduction in ARR.

If we put all those together and -- yeah, Q4 is not going to be as good as the year to date performance from a revenue and expense standpoint. But we believe that this is short lived and things will certainly be recovering in 2025 for sure.

Jeff Meuler
Got it. Very helpful.

Peter Platzer
Maybe--

Jeff Meuler
--And then just on the -- go ahead.

Peter Platzer
Yeah, sorry, if I just add to that, I think -- because, I mean, having been in your in your shoes, modeling for it is like a tricky exercise. I think it's fair to assume that the noise over the signal in Q3 and Q4 and specifically Q4 and Q1 is going to be pretty high. So I think a constructive way to think about the future is to look at the consistent trajectory that the company had for the prior two years almost I would say all the way into Q3 where the diligence in operation and execution paired with the increase in demand driven by the secular trends that we have seen from climate change and the impact of weather and global security challenges has combined for a very, very clear and strong trajectory.

Over this period, Q4, Q1 maybe part of Q2, you will see more noise, but I think after that post transaction close, I think we absolutely expected the trajectory that you have seen modeled beforehand is going to be the trajectory that the company can and will execute against.

Jeff Meuler
Got it. And just to be clear, because you talked about the increased expenses that impact the preliminary results and that'll continue into Q1, that gets added back to adjusted EBITDA under the, I guess, exclude other unusual and infrequent cost in the reconciliation, correct?

Leo Basola
They will, yes, for the most part. I mean, they are direct, which we can certainly pinpoint and identify and exclude from adjusted EBITDA. There are some indirect costs which are difficult to quantify and consequently will probably not include them like the delay in this CSA signature, right? So there's revenue impacts on when we sign and when we start work and so on and so forth. Difficult to quantify that item as an example, right? But, yeah.

Jeff Meuler
Got it. And then just on the change in presidential administration, and you called out kind of being more supportive of the privatization of space solutions, can you just address the change maybe holistically? So what have you seen in terms of bookings or dialogue with the US federal government since the election? And then anything in terms of maybe second order effects? So like I'm reading headlines about lease cancellations planned at some NOAA weather forecasting centers. Obviously, that's a contracting entity for you, but maybe that actually accelerates the shift to private market solutions. Thank you.

Peter Platzer
So I would say that there was an election, right? And the election was won, right, in November, and then it was inauguration in January, and it's still like a very, very tumultuous time, right? So I don't think that we have seen the full impact of the change yet in our check book. But we have certainly seen it by the immense traffic on like email, phone calls and the like. It is a drastic and

dramatic shift towards the support of the private sector lending its services and operational excellence to the role of the government, one of which, the one that Spire's particularly interested in, is public safety, be that from hurricanes or be that from unfriendly actors.

And we do expect that this will translate in a general boost to the commercial space industry as we combine what has been successful in the past in satellite imagery, in satellite launch, in satellite communication in areas that are particularly relevant for Spire, satellite weather information, satellite RF geolocation or signal intelligence information, where if you take a step back, the United States government had shifted in some instances 60%, 70% or more of its total budget in terms of data or services acquisition to it's the private sector providing those as a service rather than the government itself owning massive infrastructure. The most visible one is like the space shuttle, which cost I think somewhere I read -- might not be true -- half a billion dollars a flight, and now it's leaning on private companies to provide that lift services.

But the same thing here is done in a satellite communication and satellite imagery, and I think you will now increasingly see a similar portion of the budget being shifted 50%, 60% or more to private sector in weather data -- you mentioned one of our contracting entities there -- or in satellite RFFL [sp].

I think those are like the direct ones that we can and are seeing in terms of activity or ramping up for action in the US as a little bit of dust will settle on the activities of the first 100 or 200 days. But the second order effects are seen in another very strong leg of Spire where almost half -- I think it's about 45% of our revenue and business comes from -- which is Europe, where if you recently looked at something that is happening in the stock market there, companies that provide security related services to governments in Europe have been going up 20%, 30%, 40% or more because there is a unified recognition that the amount of dollars flowing into national and regional defense in Europe have to dramatically increase.

And Spire is particularly well positioned there, given our history from like the founders being also strongly rooted in Europe, our technology being not US [inaudible] technology but European technology and kind of like the footprint that we have there from our offices. So that shift that had happened in November I think overall is going to be very positive for efficiency, effectiveness and scale of space based capabilities being provided to governments all across the world as a service from commercial companies.

Jeff Meuler
Thank you, Peter.

Peter Platzer
My pleasure, Jeff.

Operator
Our next question is from Eric Rasmussen with Stifel. Please proceed.

Erik Rasmussen
Yeah, thanks for taking the question, and congrats on getting this whole process wrapped up. Peter--

Peter Platzer
Thanks, Eric.

Eric Rasmussen
I just wanted to follow up with your comments. It sounded -- obviously, it sounds like Q4 is going to be a weaker period, down I think you're looking at around 30% sequential decline. And it sounded like some of the factors that are impacting Q4 could spill into Q1. So would Q4 be the low point if we're looking at around a $20 million revenue number, or can we still see some pressure in Q1 in similar levels? And then I guess I'm just trying to understand what that sort of model looks like, right? You said that look at your past performance up until Q3, but you used to talk about a 20% top -- 20% plus top line growth and gross margins of 70% plus. Obviously, with the restatements, margins are being impacted just because of the allocation from OpEx to COGS. But is that still a framework we can think about as we're looking at 2025 and beyond?

Peter Platzer
So I would say the is exactly correct - 20% growth or more is exactly the right way to think about it. Another way to think about where the low point is going to be is kind of like thinking it from a pre versus post close of the maritime transaction. We certainly had far more intense activity around the restatement than around the transaction and everything else going on in Q4 than we had in Q1, right, where we were definitely in the tail end of crossing all the Ts and all the Is and sometimes adding an I and a T to be crossed at a later point in time and doing so, as well, but genuinely at the tail end of the restatement period as well as from a transaction perspective, kind of like going through like how like the tail end of that.

And that's, as we all know, a very, very transformational kind of like story for Spire. Yes, the total number of revenue will of course be different because the maritime transaction comes out, but on a growth profile perspective, maritime was a larger proportion of our business, and as such, the growth rate that we have seen in some of our other markets, be that RFGL, be that the US government, be that weather, be that aviation, has been actually very, very strong.

So what you had mentioned from a gross margin profile and from a growth perspective, as we said is that beforehand, those generally still stand. I think on the gross margin one, I think Leo has mentioned that, based on this restatement, we have to reclassify some things from below the gross margin to above the gross margin. It doesn't really change anything. It doesn't have any impact on like EBITDA or net profit line. It just moves a line item, which we believe, I think for good reasons, to be not in cost of goods sold, it's not in cost of goods sold, so that in the short term will take some percentage points away, but the trajectory of growth, the trajectory of the gross margins, all of that, as we had beforehand, is as intact than ever, and in particular on the growth side, maybe even a bit stronger going forward as we have businesses that have in recent years and quarters grown very, very rapidly, maybe even a bit more rapidly than the maritime business even.

Eric Rasmussen
Great. That's helpful.

Peter Platzer
Of course.

Operator
Our next question is from Brian Kinstlinger with Alliance Global Partners. Please proceed.

Brian Kinstlinger
Great. Thanks so much. It's great to see you guys getting past this process. I think -- unless I didn't hear it, I think the most important question that investors would want to know right now is what gives you the confidence you'll be able to close the transaction on the maritime business in six to eight weeks? What's changed that gives you that confidence?

Peter Platzer
I think there's a couple elements there. The first one is it's just a very, very strong contract. It has, as everyone has read, a hell or high water provision, which is completely unambiguous. And that is a great source of confidence for us, and I think it should be a great source of confidence for the investors.

I think the second one is that we have partnered up with the right firm and the right partner to make sure that this hell or high water mark is honored in a very, very timely fashion. The individual that we are working with has deep experience in closing those transactions and generally closing them before anything goes to a trial because they are obviously to be closed. One of the more recent examples of this partner has been the transaction around the sale of Twitter.

And the third element is the spur of activity and the stated and public stated expression from our counterparty that had made proclamation to the judge that they expect to have this closed before the early to mid part of April. And the judge, not having a date available around that point in time, in lieu of that said, okay, I want detailed weekly briefings on the progress there. And I think that has been effective for both sides working very constructively and very efficiently to the very time to close up the transaction.

Brian Kinstlinger
Great. I think that counterparty is what's changed, and that's an important piece. My only other question I have that we haven't heard about since June, there's been well documented challenges among commercial airlines in the United States right now among safety. Can you talk about the

cooperation agreement with Thales and ESSP to develop the global satellite air traffic management system that's for the aviation market? And then is there similar discussions for upgrades in the US?

Peter Platzer
So I wish that satellites can keep airplanes flying and preventing the doors from falling out. Unfortunately, we have not yet developed that space based capability. But certainly, from a tracking of where something is, an efficiency of an airspace, the solution that that space has been a part of is 100% something that is coming.

I think the noise that you talked about beforehand in Q4 and Q1 was even a bit louder in Europe where -- I'm European, so I can truly feel into and empathize. We don't sue people in Europe, right? It's not something that is in the culture and the legal system is not set up versus, in the US, it's kind of like another Tuesday or maybe even another Tuesday morning, and in the afternoon, you do it again. So all of that noise about like lawsuits and refiling financials caused a lot of anxiety in our European and to some degree also Asia Pacific markets with conversations continuing but with a more tentative tone and then wait and see moment.

So I would guess that now that this is behind us and some of those other elements will hopefully clean itself out in the near future, as well, that's pent up demand and indeed the situations that you have mentioned will have only increased that demand for secure aviation traffic will result in a pickup and acceleration of our conversations and bookings there. We have participated in RFPs and in RFIs in the US, as well. But again, I think we have to be transparent and separate that there is air safety and there is air safety. Air safety with regards to tracking where a plane is including independent of a GNSS, which is what the EURIALO project is about, and that continues, and that there is now talk of expanding the project from the European Commission, the European Space Agency are somewhat different than some of the mechanical difficulties and landing and take up difficulties that we have seen recently in the world where such a surveillance effort can't really be that helpful.

Brian Kinstlinger
Great. Thank you, Peter.

Peter Platzer
Of course.

Operator
Our next question is from Jeff Van Rhee with Craig Hallum Capital Group. Please proceed.

Jeff Van Rhee
Great, thanks. Apologies for the background noise. A few remain for me - in terms of the visibility -- I hate to beat the horse here in the terms of the Q4 baseline, but is there any -- based on signs that you already have completed, are there any step function -- sort of step ups as large contracts

that already signed come live Q1, 2, 3, any visibility you have to get us a meeting for lift from that 20 million baseline for Q4? And then I have a few after that.

Peter Platzer
In all fairness, if we had any visibility at this point in time, then we either would have announced it already, or if we have not announced it, then it's going to be in the hopper and you're going to have to wait for those things to be announced. I'm not going to be able to announce anything here that we haven't announced already.

Jeff Van Rhee
Okay. And on the 40 million of ACV from Q3 - your comment, obviously, the Canadian wildfire, a great win for you. Can you talk to new, net new ACVs signed in '24 because I know that that 40 includes some renewals? That would give us maybe a little help also on a forward growth trajectory.

Peter Platzer
I will let Leo talk about to the extent we can talk about the separation between what is renewal and what is new. But I want to point out that the Canadian one that you mentioned actually would have been a Q4 if it hadn't been like this noisy situation we talked about generating yet another even larger ACV bookings quarter for us. So that alone should give you some indication that the demand that we're seeing for our products across the whole product suite is very, very strong, but we have seen certain things being just a little bit delayed or put on pause as people wanted to figure out kind of like what is happening here during this period of time.

I don't know, Leo, maybe you can answer or add something to my answer.

Leo Basola
Yeah, I think the Canadian Space Agency contract clearly could have been a completely different story if we didn't have the restatement and the transaction impacting the real entities that we were contracting with Canada and delaying things normally because of that. And it was scheduled to be closed in Q4 and then pushed into '25.

From a new business standpoint, clearly, US Federal had a very significant Q3. This is expected for US Federal because that's kind of when government is making their last orders, but this was much stronger than we had see before, right, performance with some very interesting deals coming in that were not necessarily only renewals. I mean, a lot of the renewals came with uplift in the total because of where the NOAA ARR came through with lower volumes. You probably not see that uplift in total, but some of the contracts with US Federal had significant uplift with some of the agencies.

And then there was very significant activity on the radio frequency geolocation, which will have an impact over the next -- really over Q4 and the next few quarters in terms of delivering those soundings. So the new business performance was very strong in Q3, and as Peter said, unfortunately, Q4 was a lot of factors and distractions and a lot of frettiness [sp], if you want, from our customers in Europe delaying some of those contracts, and not only Europe, but Canada.

So I think we are well positioned to continue to close the contracts in 2025, and the pipelines continue to be very strong both in weather and aviation and in radio frequency geolocation and space services.

Jeff Van Rhee
Yeah, that's great. Thanks so much, Leo. And congrats, guys. Good to hear the transaction timeline of six to eight weeks, and you've got some momentum there, so great. Thank you.

Peter Platzer
Thank you.

Operator
Our next question is from Chris Quilty with Quilty Analytics. Please proceed.

Chris Quilty
Thanks, Peter. I was hoping, could you perhaps elaborate publicly on that Canadian wildfire deal and the arrangement there with OroraTech as the payload provider and where the capital's coming from and who owns and sort of the revenue streams from that particular program? And maybe as I back up, like with the new space services accounting, can you maybe give us -- and I don't know, I didn't look if there was a side deck that that came with the earnings report. Have you provided a breakdown of how both the revenue recognition and the cash flow will flow under any changes that you've made to the accounting system there?

Peter Platzer
I will let -- last portion will be answered by Leo, who can give us all the detail. Maybe let me start on like the overall structure that you asked first, Chris. The wildfires that we have announced so far is the first portion of the program, which is the design, testing, qualification and I believe launch of one test vehicle for the full constellation. There is a second portion, which was part of the bidding process and everything else, that the Canadian Space Agency has decided to not immediately award, but basically see how that first phase of I believe two years goes.

And we won as the prime this program, and you are more familiar than many others how like primes and sub-primes work. And OroraTech is like a subcontractor to us providing the payload. And it certainly was the performance of that payload on the Spire platform that was a strongly contributing factor to us winning that contract.

Maybe, Leo, you can talk to like the second portion of Chris' question.

Leo Basola

Yeah, yeah. And I guess this was one thing that we mentioned from the early days when we said that we would have a refiling that we did not anticipate any cash impact from the refiling, and that is the case. Our contracts -- and I think we explained this several times -- are well structured for space services where there are milestones in the pre space space where we design, we manufacture, we launch the satellites where the customers actually pay at the completion of those milestones. In the past, we were recognizing revenue on those milestones. There were some arguments on whether we were really giving them something or not at the time, and that's what we're deferring that revenue recognition to the data provision.

From a cash standpoint, things don't change. The contracts are well structured so that, for the most part, the pre space activities are funded by the customer, and then of course, once we get to the data provision side, these contracts become really significant cash accretive because there's limited cash cost effectively associated to the servicing of these contracts, like any data provision agreements.

So that has not changed. What you should expect is that, from a P&L standpoint, the accounting side of things, revenues will be somewhat delayed because it takes 12 to 18 months to really deploy a working satellite that is generating data. So in the past, we would have recognized some of that revenue at the milestone of these you know pre space activities, the going forward approach will be that, generally, our contracts will recognize the revenue during -- only during the data provision side.

So what you're going to see is cash inflows coming through as we hit those milestones deferred as contract liabilities or deferred revenues, and then once the assets are placed in operating service and we start providing data, there's going to be a larger revenue amount versus the cash that is coming in from the bidding of those service contracts. And then the difference will be depleting that deferred revenue that we built over the first 18 months. Sorry for the accounting lingo, but hopefully that's clear.

Chris Quilty
No, that's helpful. It remains mostly a cash flow neutral during the build phase, just lower revenue.

Leo Basola
Yes.

Chris Quilty
Okay.

Leo Basola
Yes. And, look, economically, to me, cash is king, so I think this is an important piece to clarify.

Chris Quilty

Yeah. Also just a clarification - I mean, I heard with regard to the fourth quarter blip, is it more of a blip or a baseline in terms of if it's guiding to around the $20 million, $21 million mark, does it grow from that level on a go forward basis? I think Peter said go back, look at our last two year growth rate, and that's where we grow. Or was Q4 meaningfully a blip? In other words, it -- that $20 million, $21 million is lower than the go forward run rate?

Leo Basola
Yeah, Q4 is a blip for sure. You will see growth from Q4 onwards. We'll disclose all of that after we file the 10-K, as we said. But you also need to consider the fact that the transaction after it happens will reset the baseline, right? And as Peter said, we believe that the growth rates will be larger after the transaction because maritime representing roughly $30 million give or take of our recurring revenue per year had a much lower growth rate than the other areas, right? So now, we're focusing more on weather, radio frequency, geo location, aviation and space services, the growth rate will be certainly larger.

Chris Quilty
Understand. Final question just on your optical terminal -- I think you said a tissue box. I like the cube boxes, or are you talking the rectangular one or 20% more for free size in terms of the unit itself?

Peter Platzer
I think you're getting a little bit too verbal, so like specific here. I think -- well, like the less technical people, everyone knows what the tissue box is and they have a sense of a size for like, wow, I get a laser in space from a tissue box. At the end of the day, we can make it into Pentagon [inaudible] or in something [inaudible], whatever the customers want. I think the intent here was to give people a sense of the size, and no one yet has complained to us about the shape of the device.

Chris Quilty
Yeah. No, I was somewhat teasing on the shape, but I guess the important question here, I mean, you at least implied in in your script that you've done connections at up to 5,000 kilometers, and there was a GAO report that just came out, whether it was this week or last week, noting the myriad of problems that the optical providers are having for the space development agencies PWSA constellation. And clearly, you're not building to SDA specs, but if you do have a working product at high data rates, is this something that you would either offer on a merchant basis to other satellite manufacturers or something you would keep as a bespoke capability that you would offer to your satellite services customers?

Peter Platzer
I think that's an excellent question with lots of foresight, Chris.

Chris Quilty
So good question, no answer at this point.

Did I lose you?

Operator
There are no further questions at time. I would like to conclude today's conference. Thank you for your participation. You may now disconnect.