KORE Group Holdings, Inc
First Quarter 2024 Earnings Call
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Presenters
Vik Vijayvergiya – Vice President, Investor Relations
Ronald Totton - Interim President and Chief Executive Officer
Paul Holtz - EVP, Chief Financial Officer and Treasurer

Q&A Participants
Lance Vitanza - TD Cowen
Karan Juvekar - Morgan Stanley
Scott Searle - Roth MKM
Aditya - Northland Capital Markets

Operator
Greetings, and welcome to the KORE Group Holdings' Inc. First Quarter 2024 Earnings Call. At this time, all participants are in a listen only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Vik Vijay (sp), Vice-President, Investor Relations. Thank you, Vik. You may begin.

Vik Vijayvergiya
Thank you, John.

On today's call, we will refer to the first quarter 2024 earnings presentation, which will be helpful to follow along with as well as the press release filed this afternoon, the details of the company's first quarter 2024 results. Both of these can be found on our Investor Relations page at ir.korewireless.com.

Finally, a recording of the call will be available in the Investor section of the company's website later today. The company encourages you to review the Safe Harbor statements, risk factors and other disclaimers contained on this slide and today's press release as well as in the company's filings with the Securities and Exchange Commission, which identify specific risks, factors that may cause actual results or events to differ materially from those described in our forward-looking statements. The company does not undertake publicly to update or revise any forward-looking statements after this webcast. The company also notes that it will be discussing non-GAAP financial information on this call. The company is providing that information as a supplement to information prepared in accordance with accounting principles generally accepted in the United States, or GAAP. You can find a reconciliation of these metrics to the company's reported GAAP results in the reconciliation tables provided in today's earning release and presentation.

I'll now turn the call over to Ron Tottan, the company's Interim President and Chief Executive Officer.

Ronald Totton
Thank you, Vik. Good afternoon, everyone. Thank you for joining us for our first quarter 2024 earnings call. With me today is Paul Holtz, KORE's Chief Financial Officer. On the call today, we'll review our financial and business performance for the first quarter, our outlook for 2024, and then we'll host a Q&A session.

Before turning the call over to Paul to review our solid financial performance in the first quarter, and since this is my first interaction with many of you, I want to take a few moments to introduce myself, talk about why I'm excited to be joining the KORE team, share some of my initial observations, and outline my priorities for the next 90 days.

As an experienced technology, media and telecommunication sector executive, I have held leadership roles with organizations raising in size from small-cap private firms to large-cap public companies, including British telecommunications and Descartes Systems Group. Over this time, I've lived and worked around the world and led teams responsible for markets spanning Europe, Asia, and the Americas, with significant time spent in the U.S. In my most recent role, I led ST Telemedia Cloud, a portfolio company of Temasek Holdings, developing a cloud strategy that saw us acquire several cloud-managed service providers, now referred to as cloud modernization companies, and invested in leading U.S.-based SaaS companies.

Prior to that, I was the CEO, Switzerland, Nordics, Central Eastern Europe and Russia for BT Global Services, with responsibility for a P&L double the size of KORE's. I joined KORE as a people-oriented leader with a positive mindset that understands how to drive both growth and efficiencies that support better margins, increase profitability, and generate positive free cash flow. My 25-plus years of working with customers in the field helps me understand their broader needs and pains, which is essential for creating high-value solutions.

In my first two weeks, I've been doing a lot of listening and have been focused on these four areas - spending time with key customers and working to understand their experience with us and their specific current and future needs, working closely with the senior leadership team to learn from their experience built over their multi-year tenures at KORE, sitting alongside employees across all functions of the company, from sales and marketing and technology, to finance and HR to better understand the paths and the roadblocks to success, and lastly, interacting with the board at both the individual member and committee levels to understand the framework for the vision and our strategic priorities.

So what have I observed to date? We operate in a large and growing IoT addressable market that sits at the intersection of real-time data, cloud, and AI, helping to support new revenue streams and enable real productivity gains for our customers. We are viewed best-in-class, being named a leader by Gartner in the Magic Quadrant for Managed IoT Connectivity Services worldwide for the fifth consecutive time, and our customers highly value what we do. We also know they want even more from us, and therefore, there are significant opportunities to grow share of wallet with existing customers while targeting new ones.

What attracted me to KORE is not only the markets we serve, but also the impact we have based on the problems we solve. Our connected health solutions, for example, help our customers not only improve the quality of life for patients, but also literally save lives. Likewise, our fleet and vehicle solution support monitoring and maintenance of large volumes of capital equipment, maximizing asset life and ensuring efficient customer operations while also safeguarding employees. In short, we support mission critical use cases that make a real difference to organizations, communities, and individuals.

I've also been deeply impressed with the commitment and expertise of our teams. Many of our employees have worked in the IoT space since its inception, and that type and longevity of experience is difficult to replace. With their depth of knowledge, they continue to suggest ways that we can improve our performance by operating more efficiently and with higher velocity. I'm committed to working with the team to find more efficient ways of working and ensuring we have a culture that recognizes great ideas can come from anywhere in the organization.

I believe in a disciplined approach, ensuring the organization is doing the right things, not everything- in other words, being optimistic and realistic. Combining our high quality solutions with greater operational rigor will help us drive towards profitable growth that will ultimately yield improved financial performance, strengthen the balance sheet, and create greater value for our shareholders.

On that basis, my priorities over the next 90 days are as follows - continuing to speak to our largest customers, but also to prospective customers in key verticals and geographies; evaluating immediate near-term opportunities to operate more effectively, including the implementation of stronger processes and controls that help drive efficiency; working to begin unleashing the potential of people in the organization by focusing on a unified strategy that will allow us to scale cost effectively; and lastly, reviewing the KPIs we and various stakeholders groups use to measure our performance and progress and determining if new and different ones are required as we move ahead.

From a strategy perspective, it's still early days, so I don't expect any major changes in the near term. We have two solid business units and will continue to execute on our plan, focused on profitable growth while making minor modifications here and there to enhance our effectiveness and efficiency.

In closing, I'm passionate about building strong, unified teams and growing and optimizing businesses, and that is what gets me up in the morning. And I look forward to reporting on our initial progress on our next quarterly call.

With that, I'm now going to turn it over to Paul to review the results from the first quarter.

Paul Holtz
Thank you, Ron, and good afternoon, everyone. Now let's look at our first quarter financial results on slide five. KORE's first quarter revenue of $76 million increased 15.2% year-over-year. Breaking that down by segment, IoT connectivity revenue of $57.9 million, which includes the Twilio IoT acquisition, increased 33% year-over-year and represented 76% of first quarter revenue. This is up from 70% in the prior year. Organically, IoT connectivity grew approximately 11% year-over-year.

IoT Solutions revenue declined 19% year-over-year to $18.1 million or 24% of first quarter revenue. The decline year-over-year was due to the reduction in volumes from one of our current largest customers as well as the previously disclosed decision to turn away low margin hardware deals to help improve working capital.

Total margin, which excludes depreciation and amortization in Q1 2024, was 55%, an increase of 100 basis points compared to the first quarter of 2023. By segment, IoT connectivity's margin also excluding depreciation and amortization was down 450 basis points year-over-year to 60.8%, reflecting a full quarter inclusion of the lower margin Twilio IoT revenue. However, IoT connectivity margin is up 220 basis points sequentially from 58.6% in the fourth quarter of 2023 and is forecasted to remain stable in the 60% to 61% range for the rest of fiscal year 2024.

IoT Solutions margins excluding depreciation and amortization was up 430 basis points year-over-year to 36.3% and up 310 basis points sequentially from the fourth quarter of 2023. IoT Solutions margins are more difficult to predict on a quarterly basis due to the uneven nature and fluctuations in the revenue and mix of hardware but are forecasted to remain in the mid 30% range for the rest of 2024.

Total connections at the end of the first quarter were 18.3 million, a decline of 200,000 from the fourth quarter of 2023 and an increase of 3.2 million year-over-year. The decline in the quarter-over-quarter SIM count reflects the continued deactivation of low ARPU connections from a single CaaS customer in Europe that was previously mentioned in our last call to be transitioning in space to be managed in-house. This migration was completed in February, and we returned to growth in total connections between the end of February and the end of the quarter.

During the last earnings call, we also mentioned that these deactivations wouldn't have a material effect on our IoT connectivity revenue in 2024. This is evident with our Q1 results and also contributed to an increase in ARPU. IoT connectivity ARPU had stabilized in 2023 and this quarter has shown an increase year-over-year and substantially (sp) quarter-over-quarter.

Our quarterly IoT connectivity ARPU was $0.96 in Q1 of 2023, $0.99 in Q4 2023, and this quarter increased to $1.05. Dollar base net expansion rate or DBNER for the 12 months ended March 31st, 2024 was 94% compared to 107% in the prior year. As a reminder, DBNER is similar to same-store sales as it measures the growth of existing customers in the trailing 12 months compared to the same customer cohort in the year ago period. This means that customers gained from the Twilio IoT acquisition in June 2023 are excluded from the calculation.

Our current DBNER calculation continues to be impacted by declines in IoT Solutions revenue from one of our largest customers as well as the planned declines in other IoT solutions customers. Adjusting DBDR for our largest customer due to their LTE transition project in the previous years would result in this metric being 99%.

Turning to slide six, operating expenses including depreciation and amortization in the first quarter were $49.1 million, an increase of $4.8 million or 10.8% compared to Q1 2023. The increase in operating expenses is mainly contributed to headcount related costs, including incremental headcount inherited from the Twilio IoT acquisition. These increases were offset by declines in legal and accounting professional service fees.

First quarter interest expenses, including amortization of deferred financing fees, increased year-over-year to $12.9 million versus $10.3 million in the first quarter of 2023. This increase is due to the higher borrowing costs on our refinance debt and preferred stock placement completed in Q4 2023.

Net loss in the first quarter was $17.6 million compared to $18.5 million in the prior year. The improvement in our net loss year-over-year is attributable to improved operational results, a non-cash benefit from the change in our fair value of our warrant liabilities, less depreciation and amortization, and then this was partially offset by the increase in interest expense.

Adjusted EBITDA in the first quarter was $14.8 million, an increase of $1.4 million, or approximately 11% compared to last year. Our adjusted EBITDA margin in the current quarter was 19.4%, down 80 basis points compared to the same period in the prior year. The adjusted EBITDA margin decline is mainly due to the majority of the incremental revenue year-over-year coming from the Twilio IoT acquisition, which is now positively contributing to adjusted EBITDA, but at a lower adjusted EBITDA margin percentage.

Finally, moving to cash flow, cash provided by operations for the three months ended March 31st, 2024 was approximately $1.9 million, substantially the same amount from Q1 of 2023. As of March 31st, 2024, cash and cash equivalents were $23 million compared to $30.6 million as of March 31st, 2023, and $27.1 million as of December 31st, 2023.

And with that, I'll pass it back to you, Ron.

Ronald Totton
Thanks, Paul. Slide seven presents a snapshot of our global sales pipeline as of March 31st, 2024. As we mentioned, we have decided to reduce our reliance on low margin hardware revenue. While this decision reduces the total size of our funnel, as have the relatively large number of deals that were closed in Q1, it is important to note the quality of our pipeline has improved. Our sales pipeline now includes nearly 1,200 opportunities with an estimated potential TCV of $422 million.

In the first quarter, we generated an incremental $52 million of closed-won TCV, building upon our five previous years of TCV growth. For those who may be new to our story, the majority of sold TCV is recognized as revenue over four years, and it's important to note that the closed TCV figure is aggregated across all services which recognize revenue on different schedules.

As we did on our last earnings call, slide eight highlights some key customer wins from the first quarter. These wins include, first, capturing 100% wallet share of one of the world's leading telematics providers through our growing channel partner business. This agreement represents approximately 9 million of incremental TCV ,and KORE's ability to deliver a seamless global solution was crucial in securing this agreement.

Secondly, continuing to progress in the launch preparation of the CHTS opportunity mentioned in the last earnings call. Project launch is anticipated later this calendar year. This cross-sell win in Connected Health represents approximately $26 million of incremental TCV.

Third, a marquee win in a new market and use case is the agreement we signed with GoRout to provide communications between coaches and players through wearables for an in-game and practice environment. This solution leverages our Super SIM offering, and this agreement is worth an estimated $1.6 million of incremental TCV.

Lastly, securing a win with a Global IoT product and development company specializing in the design of custom embedded systems. This includes OmniSIM Reach for deployment of KORE's global connectivity. Overall, our value proposition of an independent multi-multi-multi offering is resonating with the market, and our connectivity position has never been stronger.

On slide nine, we summarize the key points of our prepared remarks. First, we expect that revenue growth in 2024 will be driven by IoT connectivity, which will be supported by stable ARPUs and connected device growth from our existing customers. We continue to carefully plan for IoT solutions to be down year-over-year based upon our decision to de-emphasize lower margin revenue.

Secondly, we started the year very strong with a record closed-won TCV of $52 million. While this number can fluctuate, we're encouraged by the strong sales traction across our connectivity portfolio. And we continue to enhance our direct and indirect sales efforts, which we expect to bear fruit this year. Beyond our investment in growth, we'll continue to take a disciplined approach to cost management, which will continue to drive improvement in 2024 and supports our confidence in our forecast for double digit adjusted EBITDA growth.

We're happy to revisit any of these key points during the Q&A, but before turning the call over to the operator, I want to thank our team around the world for their tremendous support and welcoming me as I join them on this journey. I'm excited about where we're going this year and in the future.

With that, let's start the Q&A.

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

And the first question comes from the line of Lance Vitanza with TD Cowen. Please proceed with your question.

Lance Vitanza
Thanks, guys, for taking the questions. Welcome, Ron. And congratulations on the quarter. Let me start with the -- I guess on the pipeline -- and I know, obviously, you disclosed the Connected Health contract last quarter. I'm just thinking that -- and I know there's a lot of things going on with the pipeline, a lot of wins, a lot of projects being worked off. But if we were to just for a second exclude the big contract, it seems to suggest that X that connected health contract, total contract value actually declined by $2 million sequentially. And so I'm just wondering -- I know it's not that simple, but could you talk about the trends in the pipeline that you saw in the quarter and are seeing today halfway through the second quarter?

And then a related question - as we think about the $422 million that's in the funnel, just simple arithmetic suggests that each of those 1190 opportunities are about 350,000 each, but presumably, you have some additional large ones like the Connected Health deal that you announced today that are in that funnel. So I'm just wondering if you could give us a sense for how top heavy the funnel might be. Does it follow the 80-20 rule or some other ratio? Maybe if you could talk about the top 10 or whatever accounting for X million of revenues, that would be helpful. Thank you.

Paul Holtz
Hey, Lance, it's Paul. Yeah, thanks for the call. So, a lot to digest there. So from a pipeline perspective, yes, you are correct. So we did decline from 28 to 26, if you exclude the one

additional big win. But again, it does -- as Ron mentioned, it does fluctuate from quarter-to-quarter, and it really is all dependent on when we actually close it. And I think Romil had mentioned before that we expect something to be closed, not when we sign the contract, but once -- when we actually get into production and we start to see some revenue happening. So we are very conservative when we're closing that.

So going forward into Q2, we've already --we're about halfway through here, and we're already above around a $19 million range or so far. So we're seeing good traction for the current quarter. So we do expect it to continue to grow as the year goes on. But again, timing will be a key factor of what that number is each quarter when we close it.

From -- your other question, from a pipeline perspective, you're absolutely right. It's not an average of 350,000. There are a mix, and we do have deals that range from sizes like the Connected Health one from 26 million all the way down to, like you said, 350 or 100,000. So they are all over the place. When you do look at the mix, we do have -- as you even saw from what we closed here in this quarter, there are a bunch of top heavy ones in there that could add to that pipeline, but then you have a long tail of the smaller ones, too.

So I don't have the exact number of what the top ten are. We can look at that and get that to you later on, but there are some larger ones that we have been working on that we do expect to close later in the year. Did that answer yours or is there--

Lance Vitanza
--Absolutely. That's super helpful. And if I could squeeze one more in on the connectivity revenue projected -- I think in the press release, you mentioned, connectivity revenue is projected to grow in high teens in 2024. Is that organic or reported? And then either way, what's driving the acceleration? How much visibility do you really have there? And are there any factors that we could be watching for here that might cause that growth to either slow down or perhaps even become faster still?

Paul Holtz
Yeah, so the mid to upper teens is total growth, so including overall with the Twilio acquisition. Obviously, we had seven months last year and well full this year. But organically, like I mentioned here, we're growing at double digits, so like in the 10%, 11% range here in Q1. We -- that will be I'll say a little bit lumpy depending on when some of our deals close. We have a big transfer pipeline. So depending on those big hitters when they come in, which bring revenue right away instead of waiting them to line up, that will affect that organic growth rate. But we do have a pretty good visibility in those transfers. It's just more of a timing again when it's going to happen because the carrier has to work with us and so forth.

So the organic growth will be definitely in the double digits, and then obviously, with the Twilio acquisition on top of that. We have pretty good visibility, I'll say. I'm pretty confident. Again, it was a good Q1 here. There still will be just not like solutions lumpiness, but you have some overages and stuff like that. We saw a pickup in usage in Q1 versus Q4. So again, whether that's going to continue on for the rest of the quarter -- or I'm sorry -- rest of the year would be a question. But a lot of the opportunities we're bringing on are higher ARPUs ones, which again, is helping to drive that top-line growth.

Lance Vitanza
Thanks very much. I'll pass the baton.

Paul Holtz
Thanks, Lance.

Operator
And the next question comes from the line of Meta Marshall with Morgan Stanley. Please proceed with your question.

Karan Juvekar
Hi, this is Karan Juvekar on for Meta. So just a quick question on the IoT Solution side - I know you mentioned sort of reduction in volumes from your largest customers. I guess just how much of this was a surprise to you, and any detail or nature of those reductions would be helpful?

Ronald Totton
Yeah, it wasn't a surprise. And we have forecasted for this year in our budget and so -- a decline in IoT solutions. Remember, we've been talking about the largest customer for a while and their large LTE transition project that they had during the second half of 2021 and went all the way into the beginning of 2023, not as much in '23. But that's where the -- when we're comparing a year-over-year, there was a little bit of that.

But the largest customer did come back to regular volumes that they had slowed down in Q3 and Q4 of last year, as we had mentioned, because of all the inventory -- they had taken as part of that project. But they got back to their kind of maybe even a little bit more above normal volumes, but they came back here in Q1.

Karan Juvekar
Okay, that's helpful. Thank you.

Operator
And the next question comes from the line of Scott Searle with Roth MKM. Please proceed with your question.

Scott Searle
Hey, good afternoon. Thanks for taking my questions. Ron, congratulations and welcome aboard. I apologize, I got on the call a little bit late, so again, I hope this isn't too redundant.

But, Paul, just a couple of quick clarifications - product gross margins look like they were pretty healthy. Is that a sustainable number? Is there anything from a one-time basis going on there? Also, OpEx, even when you adjust for some of the integration-related costs, still seems a little bit high. Are there any other sort of one-time items in there? And then on the connected device front, we're down a little bit sequentially. I know some of this is probably managed attrition. Can you kind of walk us through that and in terms of how you're seeing ARPU's trend over the course of this year? I know there were some bigger opportunities in the pipeline that were more bandwidth-driven opportunities, so it would have higher ARPU's. Is that what we should continue to think about and project for the remainder of the year? And then I had a couple of follow-ups for Ron.

Paul Holtz
Oh, all right. All right. First on margins, yeah, when you look at Q4 from a connectivity perspective, we had mentioned on the call previously, with being year-end and topping up provisions and having some customers and stuff that were delaying some payments, we took some additional hits in Q4. But -- so that was an abnormal quarter. This one here in Q1, I would say, would be the normal, and I had mentioned in the script that we are forecasting anywhere between 60 and 61 for the rest of the year, so there's no one-time effect, I would say, here in Q1 from a connectivity perspective. The Twilio margins, which are now in there, we've negotiated the majority of the contracts with them to consolidate with ours, so we're gonna see -- we saw that benefit now also in Q1, and we'll see that for the rest of the year.

From an IoT Solutions perspective, as we had mentioned, getting out of some of these lower-margin hardware deals, the number one customer coming back and shipping some more volumes, you saw that increase. I expect it to be around this, and as we get into closing this larger CHTS deal, they come with some very healthy margins. So if anything, there's a possibility that we could improve those on the back-end of the year, depending on the timing of that rollout of that project.

Now let me remember here. So (inaudible). Yeah, Q1 is always our highest OpEx quarter, as we mentioned. So again, with payroll taxes and everything resetting at the beginning of the year, plus our year-end audit fees and all that sort of stuff really get hit in Q1. So Q1 is always our highest quarter. We do our merit increases in that starting in the second quarter, but even with that, we should start to see a decrease in OpEx starting in Q2. And then again, as we continue to look for efficiencies and so forth, we're going to try to bring that down as much as we can.

As part of Q4, when we mentioned the $10 million savings from the restructuring that we did, that is now in our numbers and will be going forward. But, yeah, Q1 is usually just higher because of kind of one-time things in the first quarter.

Scott Searle
Got you.

Paul Holtz
Device count - so, as mentioned, we had a very large CaaS (sp) customer in Europe that's part of the CaaS (sp) business that we're transitioning out of. They basically completed their migration here in Q1. They started it in Q4. So these all were $0.10 ARPU $0.15 ARPU devices that have migrated out and are gone. So those obviously did affect the overall ARPU, but to your point of what you said, going forward, we are more focused on the higher bandwidth. A lot of these transfers that we're looking at with our existing customers or new customers, they are higher bandwidth deals. Now, there's not to say there aren't some other lower ones that could happen and so forth, but our focus to grow top line will be on the higher bandwidth ones, which will be well north of the $1.05 that we reported this quarter.

Scott Searle
Very helpful. And Ron, if I could -- and I know this is an unfair question given that I think you're two, not even two weeks in the role yet, but when you look at KORE, how do you think about how differentiated the services are and why customers are using you guys? Certainly, you have strengths in key verticals like healthcare and connected fleet, but I'm wondering where you see the ability to differentiate either from a technology standpoint, global platform standpoint?

And the other question is around free cash flow. You, I think, mentioned that in your opening remarks. Clearly, you're focused on that. I'm just wondering where that fits into in terms of priorities and how you're going to focus and maximize that in the current year. Thanks.

Ronald Totton
Okay, thanks. So first question around differentiation -- I think that was the first question. I've been out seeing customers, and the differentiation as I've engaged with those customers has been offering the full capabilities between solutions and connectivity and that linkage to their business and the growth in their business. And so, from a differentiation perspective, what I've have heard is they value both and particularly our ability to move quickly as opportunities arise within their business. So a good example would be, if they're in the clinical trials business, that industry is going through a change where it's moving from centralized to decentralized trials. And then so the ability for us to support them to quickly deploy in a decentralized manner is a differentiation. And it's great for us because we then control the speed in which we get to the connectivity revenue.

And so that would probably be an example that I can think of just from the few customers -- well, the sort of dozen or so customers that I've spoken to. So hopefully, that gives you some color to your question.

Second question around free cash flow and priorities - I mean, I think efficiency and us looking at OpEx, as Paul has mentioned, is a priority. And it would be a little reckless of me less than two weeks in to say where it ranks, but it is a priority item. It is a priority item, and I think it has been a priority item in the past, but it's one that I'm looking very closely at as I sort of take a 360 view of the business.

Paul Holtz
And, Scott, if you want me to add to that, so we are monitoring -- we had a target to be free cash flow positive by the end of the year. Now that's all going to depend on what interest rates do. And right now, it doesn't seem like there's much movement that's going to be happening this year. So that will affect it a little bit. But again, as connectivity being the main driver of our top line growth coming at the higher margins, it's going to bring in much, much more operational cash flow. And then if our CapEx and everything is basically going to stay stable at that 4 million a quarter or even a little bit less, we have a good chance of getting there.

Scott Searle
Great. Thanks so much.

Operator
And the next question comes from the line of Mike Latimore with Northland Capital Markets. Please proceed with your question.

Aditya
Hi, this is Aditya [ph] on behalf of Mike Latimore. Could you give some color on what are the key verticals and use cases in your bookings and pipeline?

Ronald Totton
As we mentioned before, it hasn't changed much over time. So healthcare and fleet are our two number one verticals -- two number ones -- our top two verticals from a revenue and pipeline perspective. Now, including in those with the additional -- we're seeing the high bandwidth use cases that we've been talking about start to come up pretty quickly because they are higher revenue deals that will come in from a connectivity perspective. And then there's obviously routers and stuff like that that could be possibly as part of it. But there is no change in, I'll say, in the mix of our pipeline. It's really been concentrated on the Connected Health space, the fleet space, and then now coming up third here in the high bandwidth space.

Aditya
Got it. And what do you expect your cash flow from operations to be this year as a percentage of EBITDA?

Ronald Totton
As a percentage -- so if EBITDA is in -- again, we've kept our guidance the same. So if you look at the midpoint, being 65 million this quarter, we were at 2 and I expect it to continue around that or improve. So if we get to 10 million for the year from an operations perspective, again, I think that's conservative. It will all depend on timing, obviously, on things, but 10 of 65 million.

Aditya
Got it. Thank you.

Operator
There are no further questions at this time, and I would like to turn the floor back over to Ron for any closing comments.

Ronald Totton
Thank you, everyone, for joining today's earnings call. We look forward to updating you with our second quarter results. Have a good evening.

Paul Holtz
Thanks, everyone.

Operator
This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.