



Gorilla Technology Group Reports First Half 2023 Financial Results

August 9, 2023

- Year-on-year growth in fiscal 2023 will be nearly 300% in constant currency –*
- Booked sales exceeded internal target of \$41 million, standing at \$272 million (a 563% increase) –*
- Revenue guidance of \$65 million for 2023 and \$90 million for 2024 –*
- Improved Visibility with Revenue Contracted Through 2026 –*
- 49.4% Gross Margin Affirms Success in Improving Quality of Customer Base –*

LONDON, Aug. 09, 2023 (GLOBE NEWSWIRE) -- Gorilla Technology Group Inc. ("Gorilla" or the "Company") (NASDAQ: GRRR), a global provider of AI-based edge video analytics, IoT technologies, and cybersecurity, today reported its unaudited financial results for the six months ended June 30, 2023.

Highlights

- Booked sales exceeded internal target of \$41 million, standing at \$272 million, a 563% increase
- Evolved from a Project centric business to a Product & Services Business, as demonstrated by multi-hundred-million-dollar contract for Government of Egypt
- Implemented financial and operational discipline by transitioning out of marginal or unprofitable projects
- Will implement Smart Government Security Convergence solution for the Government of Egypt
- Largest contract in company history, with total revenues of \$270 million over three years
- Aggressive actions to safeguard shareholders from illegal stock manipulation
- Recorded gross margin of 49.4%, a significant increase from the previous year's margin of 33.1%, standing as compelling evidence of a successful transformation to position the company for sustainable and profitable growth at scale
- Operating expense decreased by \$1.9 million compared with the prior year
- 2023 and 2024 revenue guidance at \$65 million and \$90 million, respectively

Gorilla Chief Executive Officer Jay Chandan commented, "Just after quarter-end we announced a transformational contract with the Government of Egypt, in which we will implement a Smart Government Security Convergence solution. This contract affirms our standing as a reliable global solutions provider, which is important because MENA-region governments are actively seeking innovative partners to support their transformation from conventional systems to digital technologies. Egypt is a notable milestone in our globalization strategy and puts us on a path to profitability by the end of 2024. This contract and other wins give us outstanding visibility in revenue and profitability for the next three years. The contract is worth more than \$270 million over three years and represents the largest customer win in Gorilla's history. Together with other recent wins in Taiwan and UK, we have now secured \$300 million worth of projects. We have successfully transformed from being a Project Centric business to a Product & Services Solutions business and have greatly expanded on our Platform as a Service. Our service offerings now include Smart City, Network, Video, Cybersecurity and IoT across select verticals including Government & Public Services, Manufacturing, Telecom, Retail, Transportation & Logistics, Healthcare and Education. We have made significant progress within the last 10 months and this, I believe, will be a turning point in Gorilla's history."

Chandan continued, "Yesterday, we issued a statement addressing the illegal and unethical manipulation of our stock dating back to late 2022. We do not make this accusation lightly and have gathered persuasive evidence that supports our view. We hired an economic analysis firm with expertise in suspicious trading activity, and after detailed work they uncovered compelling evidence suggesting manipulation of our share price. Meanwhile, we uncovered evidence of illegal attempts to extort below-market sales of our shares and colluding efforts to deceive shareholders and take activist actions. We have many tools to pursue the perpetrators, including legal action and warning our honest shareholders. We will fight to make Gorilla a thriving success, and we will stop at nothing to end the unjustified attacks being perpetrated upon us."

Commenting on results, Gorilla Chief Financial Officer Daphne Huang noted, "We are on track to achieve revenues of approximately \$65 million for the full year, driven by progress in our performance and strong demand. We are aiming to be cashflow positive by the end of 2024. We have also instilled sound operating and financial discipline into our business via the massive transformation we started last autumn. We see evidence of success in the decision to avoid unfocused and unprofitable business. Solid growth in security convergence demonstrates the wisdom of our product portfolio and the Egypt project win shows that this segment can drive explosive growth in the years ahead. Despite an uncertain macroeconomic environment today, we see vast opportunities ahead of us and are confident in our capacity to continue improving our performance through 2023 and 2024. You can also see the better quality of customers and projects in our gross margin, which expanded to nearly 50%. Based on the current Egypt project plan and revenue recognition practices, as well as other projects, we anticipate second half 2023 revenue of approximately \$58 million."

First Half 2023 Results

Unless noted otherwise, all figures are for the six months ended June 30, 2023, and all comparisons are with the corresponding period of 2022.

The following table summarizes financial results:

Items	Six months ended June 30	
	2023	2022
	(Unaudited)	
Revenue	\$ 6,429,335	\$ 13,800,930
Cost of revenue	(3,250,584)	(9,226,561)
Gross Profit	3,178,751	4,574,369
Gross Margin	49.4%	33.1%
Operating expense	(10,470,307)	(12,402,188)
Operating loss	(7,291,556)	(7,827,819)
Net loss	\$ (7,269,758)	\$ (8,636,040)

The following table shows our EBIT, EBITDA, and adjusted EBITDA, together reconciled to the loss for the six months period ended June 30, 2023, and 2022.

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	(Unaudited)			
Loss for the period	\$ (7,269,758)	\$ (8,636,040)		
Income tax expense	2,172	356,130		
Interest and Finance costs	(23,970)	452,091		
EBIT	\$ (7,291,556)	(7,827,819)		
Depreciation expense	321,902	3,420,393		
Amortization expense	406,573	1,030,193		
EBITDA	\$ (6,563,081)	\$ (3,377,233)		
Transaction costs (one time) ⁽¹⁾	3,097,764	2,151,856		
Adjusted EBITDA	(3,465,317)	(1,225,377)		

(1) Transaction costs are one-off expenses for one-time employee expenses and professional services related to asset acquisition, professional services for one-time project which are considered as one-off corporate development events and added back for calculation of adjusted EBITDA.

Despite the lower revenue base, gross margin increased from 33.1% to 49.4%. Operating expense decreased by \$1.9 million compared to the same period in 2022. Adjusted EBITDA was negative \$3.5 million compared to negative \$1.2 million a year ago.

Outlook

The Company updated guidance to reflect the Egypt contract. Based on the current project plan and revenue recognition practices, Gorilla reaffirms 2023 full year revenue guidance of \$65 million, as such anticipates second half 2023 revenue of approximately \$58 million. With won business to date of \$300 million, the Company is comfortable offering initial guidance for 2024 revenue of \$90 million.

About Gorilla Technology Group Inc.

"Empowering Your Tomorrow"

Gorilla, headquartered in London U.K., is a global solution provider in Security Intelligence, Network Intelligence, Business Intelligence and IoT technology. Gorilla provides a wide range of solutions, including, Smart City, Network, Video, Cybersecurity and IoT across select verticals of Government & Public Services, Manufacturing, Telecom, Retail, Transportation & Logistics, Healthcare and Education.

The Company's vision is to empower a connected tomorrow through innovative and transformative technologies. Gorilla envisions a world where seamless connectivity transcends boundaries, enriching lives, industries, and societies.

Gorilla's commitment is to lead the way in pioneering cutting-edge solutions that bridge gaps, foster collaboration and inspire progress. By relentlessly pushing the boundaries of technology, the Company aims to create an ecosystem where individuals, businesses and communities thrive in an era of digital empowerment.

Through continuous innovation, ethical practices and a steadfast dedication to quality, Gorilla strives to shape a future where every interaction, transaction, and experience is enhanced by the power of technology.

For more information go to [Gorilla-Technology.com](https://www.gorilla-technology.com).

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. Gorilla’s actual results may differ from its expectations, estimates and projections and consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believes,” “predicts,” “potential,” “might” and “continues,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, statements regarding our beliefs about future revenues, our ability to attract the attention of customers and investors alike, our ability to fund operations as we execute a strategic shift to pursue the larger and higher margin opportunities in Security Convergence, our expectations to swing to profit in the quarters ahead, our immediate priorities, Gorilla’s strategic shift to enable it to pursue larger projects with better revenue visibility, Gorilla’s contract with the Government of Egypt, Gorilla’s ability to win additional projects and execute definitive contracts related thereto, along with those other risks described under the heading “Risk Factors” in the Form 20-F Gorilla filed with the Securities and Exchange Commission (the “SEC”) on April 28, 2023, and those that are included in any of Gorilla’s future filings with the SEC. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results. Most of these factors are outside of the control of Gorilla and are difficult to predict. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Gorilla undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made except as required by law or applicable regulation.

Non-IFRS Measures

Certain of the measures included in this press release are non-IFRS financial measures, including adjusted EBITDA. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS, and non-IFRS financial measures as used by Gorilla are not reported by all their competitors and may not be comparable to similarly titled amounts used by other companies.

We believe that the non-IFRS measures such as adjusted EBITDA provide useful information about our core operating results, enhance the overall understanding of our past performance and prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making. We present adjusted EBITDA to provide more information and greater transparency to investors about our operating results.

Adjusted EBITDA represents EBITDA excluding transaction costs and share listing expenses which are one-off expenses for professional services related to our Business Combination, asset acquisition and SOX 404 implementation project, which are considered as non-recurring corporate development events and added back for calculation of adjusted EBITDA.

The final table which shows our EBIT, EBITDA, and adjusted EBITDA, together reconciled to the loss for the period ended June 30, 2023, and 2022 in this results announcement has more details on the non-IFRS financial measures and the related reconciliations between these financial measures.

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Gorilla Technology Group Inc. and Subsidiaries
Consolidated Statements of Comprehensive Loss
(Unaudited)
(Expressed in United States dollars)

Items	Six months ended June 30	
	2023	2022
Revenue	\$ 6,429,335	\$ 13,800,930
Cost of revenue	(3,250,584)	(9,226,561)
Gross profit	3,178,751	4,574,369
Operating expenses		
Selling and marketing expenses	(901,355)	(1,980,709)
General and administrative expenses	(7,641,876)	(3,295,612)
Research and development expenses	(2,772,621)	(7,766,833)
Other income	79,089	11,037

Other gains – net	766,456	629,929
Total operating expenses	(10,470,307)	(12,402,188)
Operating loss	(7,291,556)	(7,827,819)
Non-operating income and expenses		
Interest income	400,516	11,957
Finance costs	(376,546)	(464,048)
Total non-operating income and expenses	23,970	(452,091)
Loss before income tax	(7,267,586)	(8,279,910)
Income tax expense	(2,172)	(356,130)
Loss for the period	<u>\$ (7,269,758)</u>	<u>\$ (8,636,040)</u>
Other comprehensive loss		
Components of other comprehensive loss that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	\$ (185,082)	\$ (874,697)
Other comprehensive loss for the period, net of tax	<u>\$ (185,082)</u>	<u>\$ (874,697)</u>
Total comprehensive loss for the period	<u>\$ (7,454,840)</u>	<u>\$ (9,510,737)</u>
Loss per share		
Basic loss per share	<u>\$ (0.11)</u>	<u>\$ (0.29)</u>
Diluted loss per share	<u>\$ (0.11)</u>	<u>\$ (0.29)</u>

Gorilla Technology Group Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)
(Expressed in United States dollars)

Items	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 10,268,581	\$ 22,996,377
Financial assets at fair value through profit or loss - current	1,053,621	1,073,229
Financial assets at amortized cost	8,859,457	6,871,187
Contract assets	4,551,822	725,441
Accounts receivable	12,507,386	14,041,611
Inventories	56,544	68,629
Prepayments - current	244,039	1,266,442
Other receivables	732,054	648,617
Other current assets	38,421	61,803
Total current assets	<u>38,311,925</u>	<u>47,753,336</u>
Non-current assets		
Property, plant and equipment	15,731,102	16,132,567
Right-of-use assets	8,269	16,675
Intangible assets	9,060,563	56,342
Deferred income tax assets	29,464	29,905
Prepayments - non-current	482,230	612,982
Other non-current assets	939,513	659,071
Total non-current assets	<u>26,251,141</u>	<u>17,507,542</u>
Total assets	<u>\$ 64,563,066</u>	<u>\$ 65,260,878</u>

Items	June 30, 2023	December 31, 2022
Liabilities and Equity		
Liabilities		
Current liabilities		
Short-term borrowings	\$ 15,189,220	\$ 13,492,935
Contract liabilities	113,221	58,475
Notes payable	593	602
Accounts payable	3,765,166	6,674,528

Other payables	5,400,184	3,620,998
Provisions - current	70,758	88,469
Lease liabilities	8,387	16,981
Warrant liabilities	1,328,165	2,042,410
Long-term borrowings, current portion	2,781,744	2,108,896
Other current liabilities, others	143,909	152,373
Total current liabilities	28,801,347	28,256,667
Non-current liabilities		
Long-term borrowings	6,491,613	8,251,788
Provisions - non-current	46,887	61,057
Deferred income tax liabilities	145,997	148,183
Total non-current liabilities	6,684,497	8,461,028
Total liabilities	35,485,844	36,717,695
Equity		
Equity attributable to owners of parent		
Share capital		
Ordinary share	7,174	7,136
Capital surplus		
Capital surplus	162,719,230	154,730,389
Retained earnings		
Accumulated deficit	(104,254,138)	(96,984,380)
Other equity interest		
Financial statements translation differences of foreign operations	185,096	370,178
Treasury shares	(29,580,140)	(29,580,140)
Equity attributable to owners of the parent	29,077,222	28,543,183
Total equity	29,077,222	28,543,183
Significant contingent liabilities and unrecognized contract commitments		
Total liabilities and equity	\$ 64,563,066	\$ 65,260,878

Gorilla Technology Group Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in United States dollars)

	Six months ended June 30	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Loss before tax	\$ (7,267,586)	\$ (8,279,910)
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expenses	321,902	3,420,393
Amortization expenses	406,573	1,030,193
Share-based payment expenses	500,000	0
Share option expenses	38,053	184,943
Loss on disposal of property, plant and equipment	257	0
Gains on reversal of accounts and other payables	(68,165)	0
Gains on financial assets and liabilities at fair value through profit or loss	(616,686)	0
Interest expense	376,546	464,048
Interest income	(400,516)	(11,957)
Changes in operating assets and liabilities		
Changes in operating assets		
Contract assets	(3,826,381)	402,155
Accounts receivable	1,534,225	(1,175,393)
Inventories	12,085	77,038
Prepayments	1,163,915	(939,900)
Other receivables	(15,757)	(4,010)
Other current assets	(30,319)	2,626
Other non-current assets	(15,315)	33,359

Changes in operating liabilities		
Contract liabilities	54,746	(1,386)
Notes payable	(9)	(45)
Accounts payable	(2,846,303)	927,603
Other payables	(1,288,629)	542,481
Provisions	(30,203)	(59,016)
Other current liabilities	(8,464)	(34,871)
Cash outflow generated from operations	(12,006,031)	(3,421,649)
Interest received	386,537	11,957
Interest paid	(388,045)	(313,902)
Tax paid	(12,491)	(360)
Net cash flows used in operating activities	(12,020,030)	(3,723,954)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition of property, plant and equipment	(216,672)	(2,815,381)
Acquisition of intangible assets	(3,257,771)	(14,252)
Disposal in financial assets at amortized cost	0	2,225,422
Investment in financial assets at amortized cost	(1,988,270)	0
(Increase) decrease in guarantee deposits	(265,127)	34,033
Net cash flows used in investing activities	(5,727,840)	(570,178)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from short-term borrowings	11,037,443	867,694
Repayments of short-term borrowings	(9,238,450)	0
Proceeds from long-term borrowings	0	1,574,876
Repayments of long-term borrowings	(872,431)	(1,793,622)
Principal repayment of lease liabilities	(8,665)	(26,503)
Loan to Global SPAC Partner Co.	0	(1,165,339)
Payment of transaction cost	0	(87,419)
Exercise of warrants	4,372,875	0
Net cash flows generated from (used in) financing activities	5,290,772	(630,313)
Effect of foreign exchange rate changes	(270,698)	529,800
Net decrease in cash and cash equivalents	(12,727,796)	(4,394,645)
Cash and cash equivalents at beginning of period	22,996,377	9,944,748
Cash and cash equivalents at end of period	\$ 10,268,581	\$ 5,550,103

The following table shows our adjusted EBITDA, together reconciled to the loss for the period ended June 30, 2023, and 2022.

Gorilla Technology Group Inc. and Subsidiaries
Reconciliation of Non-IFRS Financial Measures – Adjusted EBITDA Calculation
(Unaudited)
(Expressed in United States dollars)

Items	Six months ended June 30, 2023	Six months ended June 30, 2022
Loss for the period	\$ (7,269,758)	\$ (8,636,040)
Depreciation Expense	321,902	3,420,393
Amortization Expense	406,573	1,030,193
Income Tax Expense	2,172	356,130
Interest and Finance Costs	(23,970)	452,091
Transaction Costs (one time)	3,097,764	<u>2,151,856</u>
Adjusted EBITDA	\$ (3,465,317)	\$ (1,225,377)