

Financial Results For The Full Year Ended 31 December 2023 Conference Call Script

Monday, April 8, 2024

13:00 London/08:00 EDT (NYC)

Operator Comments

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the Gorilla Technology Group fiscal year ended December 31, 2023 Earnings Conference Call. Currently, all participants are in listen-only mode. Later, we will conduct a question-and-answer session, and instructions will follow at that time. As a reminder, we are recording today's call. If you have any objections, you may disconnect at this time.

Now I will turn the call over to Mr. Cody Fletcher of The Blueshirt Group. Mr. Fletcher, please go ahead.

Cody Fletcher, The Blueshirt Group

Good morning, everyone. Thank you for joining us on today's call to discuss the financial results for the full year of 2023. Gorilla released the results before the U.S. market opened on Thursday April 4th. The release is available on Gorilla's website and from newswire services.

With me on the call are Jay Chandan, Gorilla's Chief Executive Officer and Chairman, and Daphne Huang, Gorilla's Chief Financial Officer. Jay and Daphne will make prepared remarks, then we will have a question & answer session. If you have any additional questions, please send them to gorilla@blueshirtgroup.co and we will respond as soon as possible.

Before we get started, I would like to note that certain statements made during this conference call that are not historical facts, including those regarding plans, objectives, growth, and expected performance, including outlook for the fiscal year 2024 and beyond, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are our outlook only as of the date of this call. While we believe any forward-looking statements we make are reasonable, actual results could differ materially because the statements are based on current expectations and are subject to risks and uncertainties. We do not undertake, and expressly disclaim, any obligation to update or alter our forward-looking statements whether because of added information, future events or otherwise. Further information on these and other factors that could affect the company's financial results is included in filings we make with the SEC from time to time, including the section titled risk factors in the Company's Form 20-F previously filed with the SEC.

Let me now turn the call over to Gorilla Technology's CEO and Chairman, Jay Chandan.

Jay Chandan, CEO, Gorilla Technology Group

Thank you, Cody, and good morning to everyone joining us today. This past year has marked a transformative era for Gorilla, distinguished by record-breaking accomplishments and a clear demonstration of our unmatched innovation and unwavering determination. In 2023, we didn't just meet our financial goals—we far exceeded them, launching Gorilla into a league entirely of its own.

But this year wasn't just about financial achievements; it was a testament to Gorilla's resilience, innovation, and unwavering commitment to our vision. We've defied expectations, not by chance, but through a strategic orchestration of our resources, a deep understanding of our market, and an unparalleled drive to innovate. I love this saying by James Watkins and this is at

the heart of everyone at Gorilla: A river cuts through a rock not because of its power but because of its persistence. At Gorilla, we are PERSISTENT!

Our success story is built on three foundational pillars: relentless innovation, strategic market expansion, and our commitment to customer success. Let me discuss each of these.

First, relentless innovation. At Gorilla, innovation is not just a buzzword; it's the essence of who we are. Over the past year, we've significantly enhanced our product offerings, tapping into the burgeoning demand for AI, IoT, and cybersecurity solutions. Our R&D team has worked tirelessly to ensure that our technology not only meets but exceeds the evolving needs of our clients, setting new standards in the industry.

Second, strategic market expansion. Our remarkable revenue growth is a direct result of our aggressive yet thoughtful market expansion strategies. We've entered new geographies, forged strategic partnerships, and diversified our client base, which has not only amplified our market presence but also fortified our revenue streams. This calculated expansion has allowed us to tap into unprecedented opportunities and cater to a broader spectrum of needs.

Third, commitment to customer success. At the heart of Gorilla's achievements lies our unwavering commitment to our customers. Our growth is a reflection of the success we've been able to drive for our clients. By aligning closely with their objectives, we've not only earned their trust but also their loyalty, which has been instrumental in our recurring revenue and our impressive sales pipeline.

Moreover, we've continued to capitalize on the demand for AI, IoT, and cybersecurity solutions, areas where our R&D efforts and business operations have yielded significant advancements. This commitment to innovation has not only fueled our revenue growth but also enhanced our operational efficiencies, leading to a dramatic turnaround in profitability.

Before I go on, our CFO Daphne Huang will add more color to our financial results. Daphne?

Daphne Huang, CFO, Gorilla Technology Group

Thank you, Jay. Diving deeper into our financial performance, our revenue grew to \$64.7 million, a historic high for the company that reflects our strategic foresight and operational agility. This exceptional year-over-year increase of 189% is a direct result of our global expansion strategy, our adept execution of key projects, our industry-leading products and our focused project management capabilities. Moreover, our ability to identify and seize high-margin opportunities and rapidly scale our operations to meet market demand has played a pivotal role in our growth trajectory.

Our gross margin for the year improved significantly to 69%, up by 32 percentage points from the previous year. This is a direct result of our improved sales structure, as our system integration service is by nature a higher margin business. Furthermore, our ability to swiftly establish a cost center in other low-cost regions such as India and Egypt, enables us to optimize labor cost, while staying proximate to our clients for prompt responsiveness.

We are also delighted to report a net profit of \$19.9 million for the year, which also marks the first time Gorilla report a profitable full-year result since the de-SPAC, primarily due to higher sales conversion rate, our disciplined financing approach and improved operational efficiency. We also fully depreciated most of the R&D equipment in 2022, and considering the one-off expense from stock listing in the same year won't be a part of the P&L going forward, we expect our future profitability to continue to benefit from efficient operating expense control, boding well for the bottom line.

Our adjusted EBITDA stood at \$29.0 million, a reflection of our operational efficiency and our disciplined approach to expense management. This represents a 587% increase over the previous year, highlighting our ability to drive profitability while investing in growth initiatives.

2023 was a year marked by high inflation and high interest rates, posing many challenges for small cap companies striving to achieve business expansion at comfortable labor and borrowing costs. Gorilla successfully achieved that goal, thanks to our strong cash position and agility to venture into new markets with more cost-effective operational centers, providing us with the flexibility to pursue strategic growth opportunities and further enhance shareholder value.

Looking ahead to 2024, our financial priorities will be continuous operational efficiency management while driving up top line growth. We have a deep pipeline and promising sales leads in markets with robust demand for smart government projects. We will aim at high growth opportunities, while also guarding our profitability through active expense control and financial oversight to ensure we are well-positioned to navigate future market dynamics with confidence.

Now I hand it back over to Jay for closing remarks.

Jay Chandan, CEO, Gorilla Technology Group

This year is not merely about our financial achievements; it represents a significant leap beyond the bounds of skepticism, underscoring our strategic foresight and signaling to our investors that they are at the forefront of a transformative era. Gorilla Technology is not merely participating in this evolution; we are spearheading it.

Our commitment to this path is evident in the array of strategic partnerships we've forged and continue to cultivate. Our footprint is expanding, highlighted by our recent ventures into the MENA region with the establishment of our operational hub in Cairo. We want to be at the forefront of AI and cybersecurity innovation, meticulously designing custom hardware components to precisely fit our customers' unique requirements. In collaboration with Lanner Electronics, we are setting the industry gold standard by delivering tailor-made, AI-enhanced cybersecurity solutions that ensure unparalleled security and resilience.

In Thailand, we've made strides with a prestigious hospital, integrating our Video Management System and Intelligent Video Analytics Solution, thereby setting new standards in security convergence for healthcare institutions.

Moreover, our partnership with Protactics in Colombia marks a significant step towards bringing our advanced Security Convergence and Smart City Solutions to new markets.

Looking ahead, our direction is unequivocal. Our dedication to investing in tomorrow's technologies, broadening our market presence, and our unwavering promise to deliver unmatched value to our clients, remains at the core of our strategy.

We stand on the cusp of not just sustained success but of defining the future landscape of innovation. With a sales pipeline surpassing \$1 billion and ongoing strategic expansions, we are geared towards achieving remarkable milestones. I extend my heartfelt thanks to our team, our investors, and our board for their pivotal roles in this extraordinary journey.

Our narrative is one of overcoming not only the challenges before us but transcending the traditional boundaries of possibility. As we advance, propelled by our accomplishments and our collective ambition, my confidence in Gorilla's capacity to pioneer new frontiers of innovation and success has never been stronger.

I express my profound appreciation to our dedicated team, whose expertise and diligence form the bedrock of our success; to our valued clients, for their trust and partnership; and to our investors, for their steadfast support and confidence in our vision. Together, we've not merely scaled new peaks; we've laid the groundwork for an era marked by unparalleled growth and innovation.

Thank you all for joining in today. We are thrilled about the journey ahead and eagerly anticipate sharing our ongoing developments with you.

Cody Fletcher, The Blueshirt Group

Thank you, Jay and Daphne and thank you to everyone for participating in today's call. Now I hand it over to the Operator for our question and answer session. Operator?

Operator

Thank you, Cody. We will now begin the question-and-answer session.

[Instructions for Q&A session]. Please proceed with your first question.