

First Half 2023 Results Conference Call Script

Thursday, August 10, 2023

13:00 London/8:00 EDT (NYC)

Operator Comments

Good day, ladies and gentlemen. Thank you for standing by, and welcome to the Gorilla Technology Group first half 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. Scott McCabe, Managing Director of The Blueshirt Group. Mr. McCabe, please go ahead.

Scott McCabe, The Blueshirt Group

Good morning, everyone. Thank you for joining us on today's call to discuss the first half 2023 results. We released results after the U.S. market closed last night. The release is available on our website, as well as from newswire services.

With me on the call are Jay Chandan, our Chief Executive Officer, and Daphne Huang, our Chief Financial Officer. Jay and Daphne will make prepared remarks, then we will have a question & answer session. Those dialed in will have an opportunity to ask questions live. Those of you listening on the webcast, if you have a question, please email it to investor dash relations at gorilla dash technology dot com. We will try to get through as many emailed questions as possible in the one hour allotted for the call.

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 our future plans, objectives, growth, and expected performance, including our outlook for the fiscal year 2023, 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.

Additionally, unless otherwise stated, excluding revenue, all financial measures discussed on this call will be non-IFRS. A discussion of why we use non-IFRS financial measures and a reconciliation schedule showing IFRS versus non-IFRS results is currently available in our press release, which may be found on our investor relations website or on our Form 6-K filed with the SEC yesterday.

With that, let me now turn the call over to Jay Chandan. Jay?

Jay Chandan, CEO, Gorilla Technology Group

I am thrilled to be speaking with you all today. Innovation is what drives every business and keeps us abreast of our competitors. With that in mind, we undertook a transformational journey, fathomed the challenges, exploited opportunities in front of us and drove towards success!

Over the months Gorilla has developed an outstanding technology platform with remarkably broad applicability. With this we aim to capitalize on this foundation by extending Gorilla's international reach and expanding its ecosystem. We have been building our global presence and have been collaborating with our diverse teams to enhance customers' capabilities and experience. In mid-2022, Gorilla was a small regional tech company specializing in video analytics. Our vision for Gorilla was for far more! Post-

merger we began the process of building a world class leadership team, moving our headquarters to London, expanding our sales presence around the world, and rationalizing our customer profile. We also expanded our product offering far beyond video analytics, building a leading capability in cyber-security and smart city infrastructure. The process was sometimes painful but has always been exciting. Now that we are seeing results, which I can only describe as spectacular, we look forward to delivering to you, our shareholders, continued success.

Indeed, challenges are a natural part of any journey towards improvement and growth. While we've made meaningful progress, we recognize that there is still work to be done to achieve stability in our operations, R&D and customer success.

As we delve into the financial results, I am thrilled to report that our efforts have yielded outstanding outcomes. We expect year-on-year growth in fiscal 2023 to be nearly 300% in constant currency. We are confident of achieving our revenue guidance of \$65 million for the full year 2023. Our contract with the Government of Egypt is orders of magnitude larger than the best year in old Gorilla's twenty-year history! This should help us yield over \$58 million of revenue in the second half of 2023.

Our company has achieved a record-breaking year in terms of booked sales, surpassing all expectations. Booked sales of \$272 million far exceeded internal expectations of \$41 million, a 563% increase. This is a testament to the tireless efforts of our leadership and sales teams, who

have built strong relationships and demonstrated unwavering dedication to meeting our customers' needs.

I would like to highlight another pain point over the past year, which has been the illegal and unethical manipulation of our stock. We do not make this accusation lightly. We have gathered overwhelming evidence that supports our view. Two days ago, I issued a statement addressing the problem. Today, we will further discuss our effort to uncover and stop this activity.

But first, with the good news! We are confident in the foundational health and momentum in our business, with projects from Taiwan, Egypt, and the UK as the bedrock cornerstones for growth.

On July 6th we announced this 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 dependable global solutions provider, which is important because MENA-region governments are actively seeking innovative partners to support their crucial transformation from conventional systems to digital technologies. Egypt is a notable stride in our globalization strategy and puts us on a path to profitability by the end of 2024.

This contract and other sales wins give us outstanding visibility. The contract is worth more than \$270 million over three years and is the largest customer win in Gorilla's history! Including other recent wins, we have now secured \$300 million worth of projects.

The Egypt project is incredibly complex, which highlights our sophistication and technical capability. The system we will build has several notable elements, including Access Control and Identity Management, Interagency Collaboration, Cybersecurity Measures, and lastly, the Command-and-Control Center.

To support Egypt and other projects, we are building significant infrastructure. We opened new offices in Egypt and India while rationalizing our workforce to improve efficiency. We are also seeking regional partners in MENA, Europe, and Southeast Asia to facilitate project execution and explore new business opportunities.

We look forward to a long, enduring partnership with the Government of Egypt. This deal is compelling evidence of the success of our evolution to become a leading security convergence and IOT solutions provider that uses advanced AI video analytics to serve large customers. We expect many more opportunities to work with new customers in MENA and around the world. The Egypt project clearly establishes us as a leading, global, trusted, predictable platform-as-a-service solutions provider. We believe this is the beginning stage of the journey along our growth curve.

Finally, Employee Empowerment. None of these achievements would have been possible without our dedicated workforce. I am immensely proud of our employees, whose passion, expertise, and unwavering dedication form the cornerstone of our success. As we celebrate these wins, let us also

celebrate the talent and commitment that make our company a truly exceptional place to work.

As we move forward, we are well-positioned to build upon this success. Our strategic roadmap remains centered on sustainable growth, innovation, and customer-centricity. We will continue to explore new avenues for expansion, enhance operational efficiency and invest in our people to drive excellence in everything we do.

Having covered all that good news, let me circle back to elaborate on how we intend to eliminate and punish the illegal stock manipulation that has haunted us for the past year. Since we went public, it seemed that many huge moves in our share price were unrelated to any meaningful news. We have received a lot of complaints from shareholders, and many of you may have assumed we were doing nothing to investigate. Of course, this is far from the truth, but we could not discuss the investigation until we gathered sufficient evidence to confirm or refute our suspicions.

Well, the verdict is in, so to speak. We hired an economic analysis firm with expertise in suspicious trading activity, and after several months of detailed work they uncovered compelling evidence suggesting manipulation of our share price. Meanwhile, our own discussions with several of our large shareholders uncovered evidence of illegal attempts to extort below-market sales of our shares. We also found evidence of illegal attempts at collusion to take activist actions. In activist and so-called “takeover” situations, the SEC has extremely strict rules about how shareholders and traders can

coordinate activity. We believe these rules were utterly flouted by the bad actors we identified.

Today we are putting the suspected bad actors on notice. We know what you have been doing, and we will not sit still and allow you to attempt to destroy our company to enrich yourselves. We will vigorously employ all the tools at our disposal to stop you. I come from a humble background, and I am aware of what it takes to make a single dollar. My heart aches when I see erosion in the value of our shareholders, both retail and institutional, our employees and all good people who believe that Gorilla will become a thriving success.

In closing, I extend my heartfelt gratitude to our shareholders for their trust, our employees for their dedication, and our customers for their unwavering support. The journey ahead holds exciting opportunities, and I am confident that, together, we will continue to achieve new heights of success.

Daphne will now provide more details on our first half results, the new 2023 outlook, and preliminary outlooks for 2024.

Daphne Huang, CFO, Gorilla Technology Group

Thanks Jay, and hello, everyone. The specific numbers of our results are available in our press release and filings, so our discussion will focus on the drivers of performance. I won't reread the numbers to you. I'll start by discussing the first half results, then we'll move on to the outlook, which is quite exciting. Note that all figures refer to our first half 2023 results unless I state otherwise, and all comparisons are to the similar year-earlier period.

The revenue decline was substantial but necessary as we refocused our business into the core technology offering and instilled sound operating and financial discipline into our business. Jay referred to this when he discussed the massive transformation that we started last autumn. At that time, we decided to discontinue relationships that are not strategic, or not profitable, or require too much staffing. The quality of the customers we served in the first half was “the best” of our earlier, larger customer base. We see evidence of success supporting the decision to walk away from unprofitable growth. Solid growth in security convergence demonstrates the wisdom of our product pivot, and the Egypt win shows that this segment can drive explosive growth in the years ahead.

You can also see the better quality of customers and projects in our gross margin, which expanded by 1600 basis points, to nearly 50%.

Our spring-cleaning effort, to use the term, yielded results in operating expenses as well. With our new focus on large deals like Egypt, we ran far lower sales and marketing expenses, and lower R&D. Importantly, the lower R&D does not mean we are abandoning this function that is core to our success. A LOT of our developer team was doing unproductive work with unattractive customers in the past. The customer house cleaning also resulted in a more streamlined and efficient R&D effort.

In contrast, general and admin expenses were higher. This reflects the cost of being a publicly traded company.

The other major swing factor in the P&L was interest income, which exceeded financing costs and resulted in a net contribution to the bottom line. The higher interest income was a function of our larger cash balance post-merger.

Speaking of cash, let's turn to the balance sheet. As we anticipated, given our "clean up" strategy, we used a fair amount of cash in the first half. Nonetheless we still have a healthy cash balance that can fund immediate operations. Having said that, our ramp up with the Egypt project is extremely steep, so we will need to externally fund working capital in the weeks ahead.

Another major line-item change was the increase in intangible assets, because of the IP asset acquisition from SeeQuestor. Debt stayed flat, as the uptick in short-term borrowings mirrored the downtick in long-term. You see a similar phenomenon where accounts payable and other payables changes offset each other. Warrant liabilities were down materially due to the revaluation caused by our lower stock price.

Looking ahead, our new guidance reflects the Egypt contract, obviously. Based on the current project plan and revenue recognition practices, as well as other projects we expect to implement in H2, we expect second half 2023 revenue of over \$58 million. As such we reiterate 2023 full year guidance of \$65 million.

Based on the high visibility from won businesses, we provide initial revenue guidance for 2024 of \$90 million.

That concludes our 2023 update and prepared remarks. We'll now turn the call over for Q&A. Operator?

Operator

We will now begin the question-and-answer session. We will first take questions from those dialed into the call. After that, your host Scott McCabe will go through any questions emailed in from the webcast audience.

Seeing no more caller questions, I'll turn the call over to Scott McCabe for any emailed questions. Scott?

Scott McCabe, The Blueshirt Group

Thank you, operator. We have a few emailed questions, so I'll go through those now. When we have several similar questions, I'll paraphrase them to get to the gist of the question.

That is the last of our questions, so we'll wrap up the call. Thank you for attending. If you have any additional questions, please contact us via the investor relations email, and we will get back to you right away. Have a great day, you may all now disconnect.