



23 February 2024

SOCO Corporation Ltd (ASX:SOC)

## Results Announcement – Half year ending 31 December 2023

### Improving business conditions and the successful integration of a 30+ Canberra team, positions SOCO for an improvement in the second half

SOCO Corporation Ltd (“Company” or “SOCO”), a leading information technology consultancy, announces its results for the half-year ended 31 December 2023 and confirms a positive outlook for the balance of the financial year.

#### 1H FY24 HIGHLIGHTS

- Consolidated revenue of \$10.0m, up 7% over 1H FY23 (previous corresponding period)
- AxSym contributed \$2m revenue and NPAT \$0.1m (1 Nov 23 – 31 Dec 23)
- AxSym acquisition and integration has positioned the company for continued growth of target Australian Government clients (including expansion of Defence organisations)
- Consolidated Operating EBITDA of \$0.1m, down 92% over pcip
- Consolidated Operating EBIT of \$(0.1)m, down 108% over pcip
- Actively pursuing synergistic mergers and acquisitions
- Strong balance sheet with \$2.7m in cash and no bank debt
- CEO role to transition from Simon Forth to Sebastian Rizzo

#### 1H FY24 FINANCIAL SUMMARY

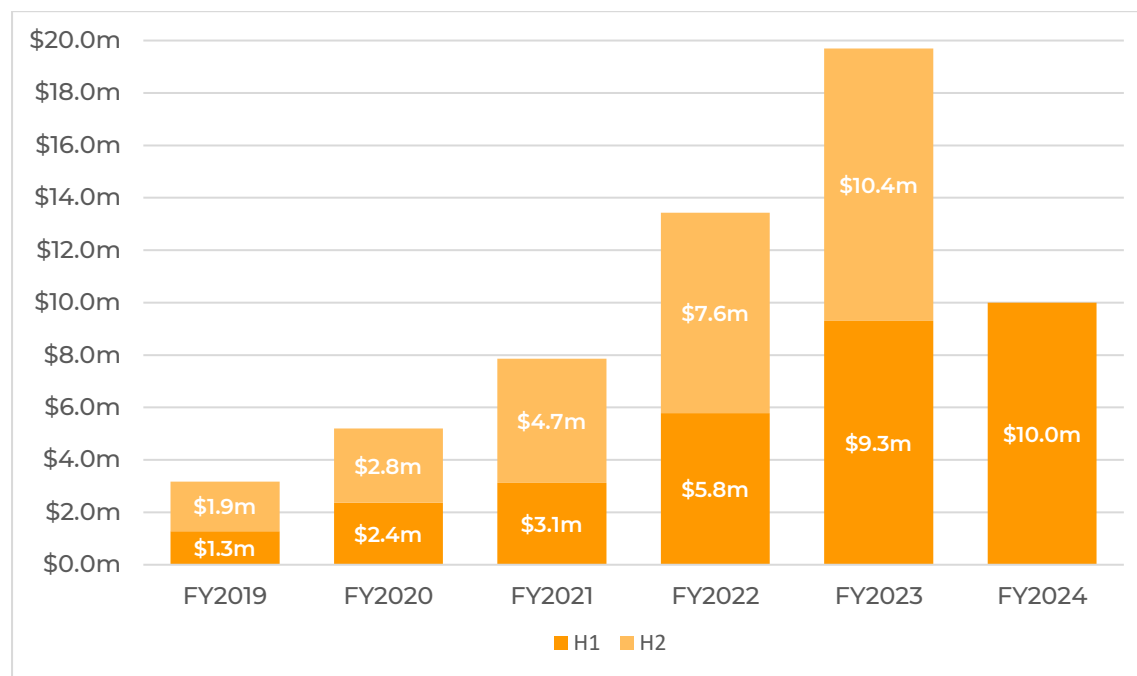
The half year revenue was \$10.0m, representing an increase of 7.1% over pcip. As noted in previous announcements, 1H FY24 started slower than previous years. Our traditional business experienced delays with several client projects; these are pleasingly now on track and is forecast to lead to profitable growth from March onwards. During the half, the Company also won several key projects including contract renewals and extensions that will support improvement in 2H FY24 and beyond.

AxSym, which was acquired on 1 November 2023, performed well and in line with expectations contributing revenue of \$2.0m in the period and NPAT of \$0.1m, . One-off acquisition costs associated with the purchase totalled \$0.5m (before tax) as noted in the Company’s 1H FY24 consolidated financial results.

Operating EBITDA was \$0.13m (1.3% of revenue), down from \$1.6m (17.1% of revenue) in the previous corresponding period.

SOCO is well-positioned with a strong balance sheet and cash on hand of \$2.7m at 31 December 2023 and no bank debt (notwithstanding a \$3.0m bank facility is in place). These cash reserves provide a solid foundation for business operations, and also enable us to pursue potential mergers and acquisitions.

## Revenue Growth 1H/2H



|                                                           | 31 Dec 2023<br>\$ | 31 Dec 2022<br>\$ |
|-----------------------------------------------------------|-------------------|-------------------|
| Revenue                                                   | 9,966,272         | 9,302,363         |
| Operating EBITDA <sup>2</sup>                             | 127,977           | 1,590,449         |
| Depreciation and amortisation                             | (245,056)         | (144,943)         |
| Operating EBIT <sup>1</sup>                               | (117,079)         | 1,445,506         |
| Net interest expense                                      | (19,335)          | (3,257)           |
| Net profit/(loss) before income tax and significant items | (136,414)         | 1,442,249         |
| <i>Significant items:</i>                                 |                   |                   |
| IPO expense                                               | -                 | (889,788)         |
| Acquisition cost                                          | (541,608)         | -                 |
| Public company cost                                       | (219,560)         | (56,671)          |
| Share-based remuneration                                  | (85,402)          | (82,640)          |
| Net profit/(loss) before income tax expense               | (982,984)         | 413,150           |
| Income tax benefit/(expense)                              | 106,670           | (157,216)         |
| Net profit/(loss) after income tax expense                | (876,314)         | 255,934           |

1. Operating EBIT is a non-IFRS metric and is calculated as net profit/(loss) before interest, IPO expense, acquisition cost, public company cost, share-based remuneration, and taxes. These measures, which are unaudited, are important to management as an additional way to evaluate the Group's performance.

2. Operating EBITDA is Operating EBIT before depreciation and amortisation.

## AXSYM INTERGRATION

The AxSym acquisition has strengthened the Company's Canberra operations and bolstered business development activities with collaborative joint engagements. SOCO has achieved cohesive cultural integration, and group operations and management systems have been integrated.

SOCO Interim CEO and Executive Director, Sebastian Rizzo said *"We are pleased with AxSym's integration, we are now one SOCO team with new joint business wins and collaboration across new and existing clients. Our pipeline is strong, we are confident of a return to organic growth in 2024."*

## OPERATIONS

During 1H FY24, clients consistently expanded and key commercial contracts were awarded:

- 23 new clients spanning State and Australian Government organisations, not-for-profit and corporates, including in identified growth markets of NSW, VIC and WA
- 80 retained clients delivered 87% of revenue
- Inbound sales leads up 7.9% YoY
- 80% of top 20 clients from FY23 continued to engage in 1H FY24

## TRANSITION OF CEO

The Board would like to thank our outgoing CEO, Simon Forth for his leadership and dedication scaling up SOCO, successfully delivering our IPO in 2022, and first major acquisition in 2023. During his tenure, SOCO grew revenue by over 130% and our team of 38 expanded to more than 100. Simon was instrumental in maturing our business processes, obtaining our ISO certifications, and implementing a scalable operations and management system. Simon will continue to support the Board and management during the transition period.

Founder and Executive Director Sebastian Rizzo will be reprising his role as SOCO CEO in an interim capacity while the Board undertakes a recruitment process. As founder, Sebastian has deep insights into business operations and will be able to focus attention on people, sales, and delivery; all essential to an improved performance forecast in the second half.

## INDUSTRY

Over the last year both industry and the mainstream media have been dominated with the rise of artificial intelligence (AI) and requirements for information security. Our artificial intelligence (AI) service offering is gaining traction, this is aligned with the AI market size in Australia is expected to show an annual growth rate (CAGR 2024-2030) of 15.8%.<sup>1</sup> The release of Microsoft's AI service Copilot is anticipated to also accelerate organisations' decisions to migrate SharePoint to the Cloud along with supporting users' productivity in the use of Microsoft's products that include, Dynamics 365. SOCO's service offerings are well positioned to support new and existing clients in this space.

## OUTLOOK

The second half of the financial year has historically outperformed the first half. SOCO now has a healthy sales pipeline with a number of new projects that have started following delays in the first half. In addition, we have added several new government and corporate clients with new contracted work now underway. Team utilisation is forecast to return to traditional levels by the fourth quarter positioning the company for a return to profitable growth in FY25. We are pleased to advise that AxSym has contracted work through to 30 June 2024 and beyond.

SOCO continues to explore targeted merger and acquisition opportunities.

This announcement has been authorised for release by the Board of SOCO Corporation Ltd.

## FOR ENQUIRIES CONTACT

Tom Stianos  
Chair  
tom.stianos@soco.limited  
+61 418 310 129

Steve Parks  
Chief Financial Officer  
steve.parks@soco.com.au  
+61 400 480 147

For media enquiries contact:  
Grace Tiong  
grace.tiong@soco.com.au

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<sup>1</sup> <https://www.statista.com/outlook/tmo/artificial-intelligence/australia>

## **ABOUT SOCO**

SOCO (ASX:SOC) is a multi-award-winning IT consultancy specialising in the delivery of digital solutions, business applications and integration projects. Since 2013, SOCO has been working shoulder to shoulder with our clients to achieve transformative business outcomes. By placing people at the centre of everything we do, we ensure our focus remains on meeting the unique requirements of our people including employees, clients, and partners.

While we have solid experiences in government, Defence, and national security, we've also worked with many different clients in various industries.

At SOCO, we operate as a unified family, blending our collective expertise with a results-driven approach that consistently exceeds our clients' expectations.

Our commitment to providing exceptional service combined with our strong presence across Australia, with our people located in every state and offices in Brisbane, Canberra, Sydney, Melbourne, and Perth ensures that we can be there for our clients whenever they need support, firmly positioning SOCO as a trusted advisor.

As a people business, SOCO seeks to maintain a competitive advantage by creating exceptional employment experiences for our team.