

ASX Announcement

Symbio Holdings Limited (ASX: SYM)

28 August 2023

Symbio Reports FY23 Results Achieved FY23 EBITDA guidance with a return to organic growth; FY24 EBITDA guidance of \$30 million - \$35 million

Symbio Holdings Limited (ASX: SYM or “the Company”), a leading software company specialising in voice communications, today announced its financial results for the full year ended 30 June 2023 (“FY23”). The company achieved its FY23 EBITDA guidance at the higher end of its revised range, with stabilised market conditions driving organic growth across its three business divisions and a proactive program of initiatives to optimise operating costs successfully delivering a lower cost run-rate for FY24.

Symbio expects to achieve EBITDA of \$30 million - \$35 million in FY24.

Financial highlights:

- Recurring Revenue up 8% to \$121.3 million (FY22: \$112.3 million)
- Recurring Gross Margin up 6% to \$69.4 million (FY22: \$65.8 million)
 - Now contributing 70% of total Gross Margin of \$99 million
- Underlying EBITDA¹ of \$27.7 million
 - Within the upper end of its revised guidance of \$26 million - \$28 million
- Continuing NPATA² of \$12.2 million (FY22: \$20.1 million)
- Earnings per share of 2.08 cents per share (FY22: 17.29 cents per share)
- Fully franked dividend of 3.4 cents per share (FY22: 8.0 cents per share)
- Net Revenue Retention (NRR) rate of 105% for top 10 customers
- Phone number growth up 11% to 7.3 million (FY22: 6.6 million)
- Strong balance sheet with \$35.8 million in cash and no debt as at 30 June 2023

Commenting on the results, Symbio Co-founder and Group CEO, Mr. Rene Sugo said:

“Symbio has adapted to the challenging market conditions faced in the first half of FY23. We responded quickly by optimising expenditure across the business, including \$2 million in CapEx, reductions in discretionary spending, and further reductions across the business.

“With operating conditions now stabilising, we have returned to organic growth, retained all strategic customers, and achieved long-term contract renewals. We have also grown our market share in the face of increased competition.

¹ Continuing Underlying EBITDA excludes restructure and impairment costs, gain or loss on sales of businesses, net interest, share scheme costs, acquisition costs, tax, depreciation and amortisation and results of discontinued operations.

² Underlying NPATA excludes amortisation of acquired customer contracts, acquired software and brands, share scheme and earn-out expenses, tax affected restructure and impairment costs, and tax affected gain or loss on sale of businesses.

“Our Australian and New Zealand businesses have performed in line with expectations, albeit at a slower pace given the softness of the economy. Our Asian expansion also continues apace, and we were able to almost double our total addressable market (TAM) by launching our domestic Malaysian network in record time.

“Our three specialised business divisions continue to drive growth both domestically and in Asia. CPaaS recorded a 11% growth in phone numbers, TaaS SIOs grew by 10%, and UCaaS seats grew by 143%, including organic growth and growth from our acquisition of Intrado Australia’s Cisco-focused end-to-end Cloud Calling, Contact Centre, and Collaboration business in February 2023.

“This year also saw the launch of our South-East Asia Hub, a key pillar of our Asian expansion, providing multi-country access to customers through one interconnection location. By reducing costs associated with managing multiple interconnections, the Hub model allows Symbio clients to grow, connect, and expand in a rapidly digitising region.

“Our strong cash generation and balance sheet have allowed the board to declare a final fully franked dividend of 1.7 cents per share.”

Operational highlights

Phone numbers on the network reached 7.3 million as at June 2023, up 11% on the previous year. This included the large 400,000 phone number order flagged to the market in the company’s December 2022 trading update, which will generate revenue from FY24 onward. The growth in phone numbers drove Symbio’s recurring revenue, which increased 8% to \$121.3 million and supported a 6% increase in recurring gross margin to \$69.4 million. Total gross margin increased 4% to \$99 million.

With a renewed focus on cost control, Symbio’s board and management are committed to maintaining a flat cost base across operating and capital expenses for the medium term. This included a CapEx reduction of \$2 million and limited discretionary spending. In total, due to prudent cost management, a \$7 million reduction in CapEx and OpEx was realised throughout FY23. While implementing these cost reductions, the Symbio team has managed to execute and deliver the bulk of the FY23 strategic projects aimed at positioning the Company for a successful FY24 and beyond. Symbio also maintained its strong balance sheet with \$35.8 million in cash and no debt as of 30 June 2023.

Strategic highlights

Delivering Growth in Asia

Symbio’s Asian expansion continued to advance this year, with the company almost doubling its total addressable market (TAM) by launching its domestic Malaysian network. The company also established its South-East Asian (SEA) Hub, unlocking Singapore and Malaysia through one interconnect. The SEA Hub will offer Symbio’s proprietary intellectual property, providing cost savings and a compelling value proposition for customers seeking multi-country access and growth in a rapidly digitising region.

Taiwan remains a key investment area, with keen interest being expressed by Symbio's global customers. The company is now building a revised business case for an organic market entry after local acquisition targets did not meet its pricing parameters following the completion of due diligence. Symbio plans to announce further details about this revised market entry approach in the near future.

Symbio is currently focused on its market entry into Taiwan and achieving profitability in Singapore and Malaysia. However, it remains interested in Japan, South Korea, and Vietnam as it looks to continue its Asian expansion strategy, providing further opportunities for customers to grow into new markets.

Strategic Investment

The business invested in improving its technology platforms and launched major new product initiatives across all divisions, including automation, low code/no code, and self-service tools. Highlights include the launch of Microsoft Operator Connect, a cloud-based telephony solution allowing businesses to connect to the public switched telephone network through Microsoft Teams.

Significant progress has also been made in automation and customer self-service tools with the launch of CPaaS' Connect customer portal, and UCaaS' Enterprise Portal, allowing customers to manage their services through a single interface. These software platforms will reduce the amount of time spent on customer-facing tasks and increase the speed at which customer requests are processed. Notably, the TaaS division retired its legacy platforms, reducing costs and allowing the division to enter FY24 on a unified platform.

Outlook & Guidance

Commenting on the outlook, Rene Sugo said:

"Despite setbacks in the first half of FY23, the strength of our business, unique value proposition, and clear strategic vision continue to drive business outcomes and position Symbio for long-term recurring revenue and margin growth.

"Looking ahead at FY24, Symbio will continue to implement strategic projects that allow us to reduce our cost base, creating further efficiencies that will set us up to return to EBITDA growth this financial year. The board and management are committed to maintaining a flat cost base across operating and capital expenses for the medium term.

"The company expects to achieve EBITDA of \$30 million - \$35 million in FY24.

"Our strategic vision has not changed. We remain profitable, debt-free, and continue to deliver on our Vision 2030 plans as we expand further into Asia.

"With the right structure and technology in place to execute our strategy, we remain focused on investing for growth. Our recurring revenue continues to increase due to our unique offering and quality customers, including some of the world's largest software companies which are increasingly demanding our services across the Asian-Pacific region.

“We are on track to reach cash flow breakeven in Singapore this financial year and will continue to scale our South-East Asian Hub – growing our Malaysian network and launching into Taiwan.

“Guided by our ambitious vision to have 100 million numbers on our network by 2030, our focus for FY24 will be on execution, software leadership, and profitability.”

Results briefing

There will be a webinar and results presentation held on Tuesday 29 August at 9:00 am. For registration and details, please visit <https://investors.symbio.global/>

A recorded version of the webinar will be made available for later viewing at the same web address.

This announcement has been authorised for release by the Board.

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About Symbio

Symbio (ASX: SYM) is a software company changing the way the world communicates.

Symbio's technology replaces old-fashioned telecom networks with software, making it faster and easier to deliver modern cloud-based communication services, unlocking endless new applications for calling, messaging and phone numbers.

Symbio is the backbone for the global cloud communication industry. Over 500 service providers – from telecom start-ups to the world's biggest software companies – rely on Symbio for the connectivity, quality and expertise they need to solve complex communication challenges.

Headquartered in Sydney, Symbio powers billions of calls and messages each year, owns networks in three countries and employs over 450 staff worldwide.

For more information about Symbio visit www.symbio.global