

30 August 2024

Activeport Announces its Maiden Operating Profit in FY24

Begins Transformation to a 100% Software Business

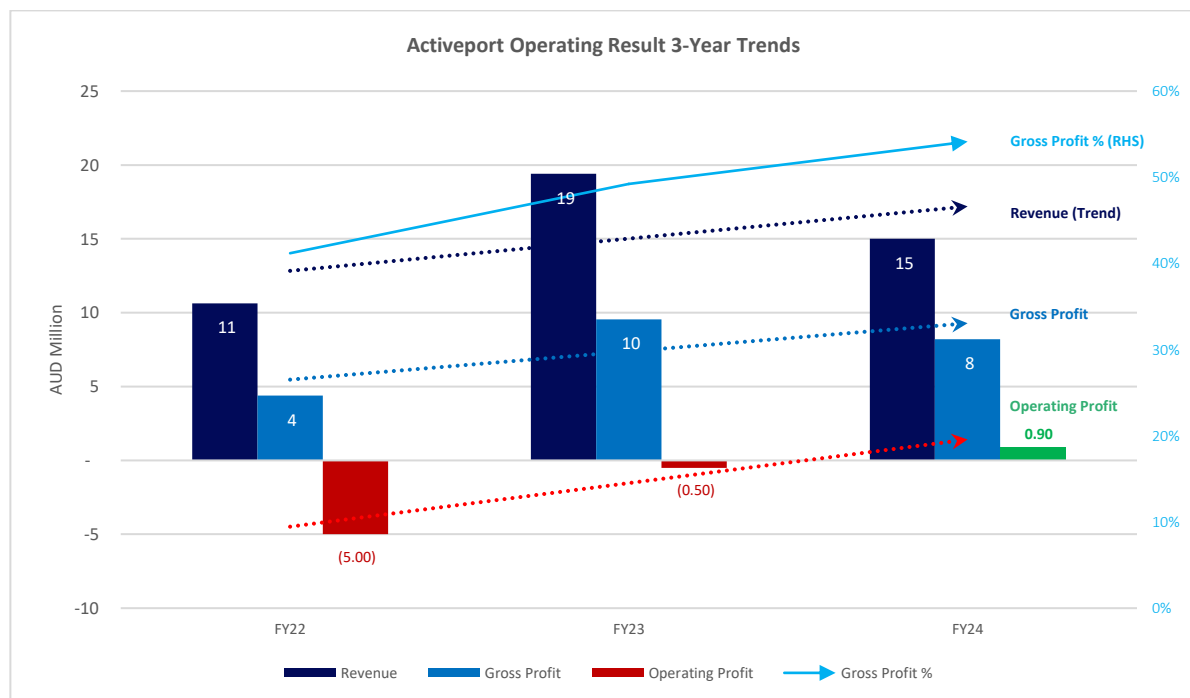
Activeport Group Ltd (ASX: ATV) today released its financial results for the year ended 30 June 2024 and is pleased to announce delivery of its maiden operating profit. Gross margins are improving and with significant optimisation of costs throughout the year, a small but significant milestone has been achieved.

Highlights

- Revenue trending up since IPO from \$10M (FY22) to \$15M this year.
- Maiden operating profit of \$0.9M achieved in FY24, up by \$1.4M on previous period.
- Gross profit margin improved to 54% as revenue shifts from services to software.
- Overheads reduced by \$3.7M as the company right-sizes around software sales.
- Group to consolidate around its three software revenue streams from FY25.

FY25 will see the group consolidate its revenue reporting around three key software streams of enterprise licenses, software as a service (SaaS) and cloud (GPU) orchestration.

Activeport targets the telecommunications sector as its primary channel to market for its orchestration software and has successfully established itself as a vendor of choice for the larger operators in India, Asia the Middle East. With a sound base of reference customers and a raft of new projects starting in Q1, the focus for FY25 is building a compounding base of recurring revenue from blue-chip telco customers that delivers high gross profit and positive free cash flow.



Our operating results demonstrate the substantial progress made in our first three years since IPO. As we transitioned away from services toward software, we were able to trim our operating overheads by \$3.7M and increase gross profit to 54%.

Operating Results (\$m)	FY24	FY23	FY22
Revenue	15.0	19.4	10.6
COGS	6.9	9.9	6.3
Gross Profit	8.1	9.5	4.3
<i>Gross Profit %</i>	<i>54%</i>	<i>49%</i>	<i>41%</i>
Other Income	1.0	1.9	1.8
Expenses			
Distribution & Marketing	(0.1)	(0.1)	(0.1)
Administration	(1.5)	(2.1)	(2.0)
Employee Benefits	(6.6)	(9.7)	(8.9)
Other Expenses	(0.0)	(0.0)	(0.1)
Total Operating Expenses	(8.2)	(11.9)	(11.1)
Operating Profit	0.9	(0.5)	(5.0)

At IPO late in 2021, Activeport's revenue was delivered mostly from managed services with promising software projects emerging. Since then, software revenue has grown rapidly from zero to an average of almost \$6M per annum over the past two years.

Transition to 100% Software Business

With the software products established, the next phase of growth will see the managed services businesses absorbed into the SaaS revenue stream and the Group focus its full attention on higher-margin software-driven recurring revenue growth. Re-arranging the revenue generating units of the business would incur at least a partial write down of the carrying value of the managed service business and possibly on-going adjustments over a number of reporting periods. The Board made the strategic decision to write down the entire value of that business unit in FY24 to have complete flexibility to restructure and report consistent revenue across three-software-led business units for all of FY25 and beyond. The net result is a reported loss of \$9.45M when the non-cash items of depreciation and the one-time impairment of goodwill is included. Activeport also aims to consolidate and reduce some debt in FY25 that should reduce the finance cost substantially below \$0.8M incurred in FY24.

Our R&D rebate was substantial in the year, and we anticipate this to continue into FY25 as we invest more in R&D to develop our software products. The net position was a slight positive net cash from operations in FY24 that is a substantial improvement of \$1.45M on the previous year and the first positive cash flow year.

Outlook

Activeport's software cloud-enables traditional telecommunication networks to assist telco's in transitioning from slow, manual provisioning for their enterprise customers, to a new world of self-service for instant-on network ordering, management and monitoring. Activeport earns license revenue from the sale of its software to telco's that scales with the size of their network and the features they choose to deploy. Activeport also offers an enterprise SaaS equivalent for MSP's, ISP's and B2B enterprise customers and a GPU orchestration software module for cloud gaming and AI applications.

As we head into FY25 with three times as many new telco projects underway than we started the previous year, our new B2B SaaS software just launched and a revolutionary new version of our GPU orchestration software almost complete, we anticipate strong recurring revenue growth from software licensing across all three business units, heading into FY25. Our software license revenue generates gross profit above 90% and we have adequate resources to deliver additional revenue without substantially increasing operating costs so that as software revenue accelerates past services revenue, our net profit margin will grow.

About Activeport

Activeport offers self-service portals and on-demand services to telecommunications providers globally. Activeport's orchestration software accelerates 'time to revenue' while improving customer satisfaction. The software automates Data Centre and Cloud provider connections, using a single pane for ordering, provisioning, billing, and support, to enhance overall business efficiency. Based in Australia, Activeport partners with some of the world's leading telecommunications companies to automate and improve delivery of services.

For more information, please visit www.activeport.com.au

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This announcement has been authorised for release by the Board of Activeport Group Ltd.