

Symbio Holdings Ltd

Investing to become a leader in cloud comms

Symbio Holdings Ltd (ASX:SYM), formerly known as MNF Group, is a software and services company specialising in voice communications. The company owns technology which is focused on replacing old-fashioned telecoms networks with modern, cloud-based communications services to unlock new applications for calling, messaging and phone numbers. Headquartered in Sydney, Symbio is profitable, with net cash in hand for its Asia Pacific expansion plans and is delivering returns to shareholders through dividends. The FY22 total dividend was \$0.08/share, including a special dividend of \$0.03/share from the part proceeds of the disposal of its direct business. The company underwent a major restructure in FY22, selling its direct business to Vonex (ASX:VN8) to focus on its enterprise SaaS businesses which service enterprise and government (UCaaS), large corporates and software companies (CPaaS), and telcos and managed service providers (TaaS). In that process, the company changed its name to Symbio. For FY23, the company has set out its ambitions to accelerate its expansion into Asia, including developing and building its Malaysia network and launching it with strategic customers, achieving profitability in Singapore, and building its East Asia cloud hub.

Business model

Symbio operates three business divisions: telecommunications as a service (TaaS); unified communications as a service (USaaS); and communications platform as a service (CPaaS). Revenues are derived from fixed recurring revenue contracts, margins on wholesale rates for calls and data, and fees per seat. The company has operations in Australia, New Zealand and Singapore, and is targeting growth across three regions: East Asia which incorporates Japan, Taiwan and South Korea; South East Asia encompassing Malaysia and Singapore; and Oceania which covers Australia and New Zealand. Symbio owns three networks and plans to further enhance its footprint with the developing and building of a network in Malaysia and building an East Asia cloud hub to service Japan, Taiwan and South Korea.

FY23 EBITDA guidance range of \$36-39m, up 2%-10% on pcg

Symbio Holdings has guided that it anticipates EBITDA of \$36-\$39m in FY23, up from the \$35.4m delivered in FY22. The guidance includes \$12.8m in accelerated recurring margin growth and additional margin expansion of \$4.7m offset by \$7.0m in strategic investments into the group's APAC expansion, an expectation of increased staff cost inflation to attract and retain talent, and a return to travel and marketing to re-establish the group's brand presence in APAC. Consensus from four analysts, according to Refinitiv, is sitting at the upper end of the range at \$38.6m although there could be risk to the downside as the highest estimate for FY23 EBITDA is \$43m. The company has a stated ambition of securing 100m phone numbers on its network by 2030, from 6.6m at the end of FY22.

Trading at a discount to tech peers

Symbio's peers are SaaS tech stocks which tend to trade on higher EV/sales multiples as they are still loss-making. The ASX/S&P All Tech Index is currently trading on a median of 4.0x EV/Sales historical and 3.3x forward, which puts SYM at a significant discount to this group.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue*	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	DPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/19a	189.8	18.4	4.0	9.9	5.5	6.1	1.7	17.5	28.8
06/20a	208.6	29.7	6.4	11.9	8.7	6.1	2.3	16.1	56.0
06/21a	200.9	37.3	12.1	15.6	14.3	7.6	2.2	12.0	38.3
06/22a	203.3	35.4	5.8	14.7	6.8	8.0	1.3	7.4	52.4

Source: Company data; *Revenue, EBITDA, NPAT and EPS adjusted for one-time, non-cash items and discontinued operations

Software & Services

9th September 2022

Share Details

ASX code	SYM
Share price (8-Sept)	\$3.57
Market capitalisation	\$302.9M
Shares on issue	84.67M
Net cash at 30-Jun-2022	\$42.6M
Free float	~67.9%

Share Performance (12 months)



Upside Case

- Top 10 customers net retention rate of 117%
- Building scale through regional expansion
- Benefitting from tailwinds for enterprise cloud adoption, hybrid work and emerging Asia

Downside Case

- Asian expansion strategy fails to deliver
- Acquisitions fail to enhance the offering
- Fails to realise 100m number ambition

Catalysts

- Delivery of FY23 EBITDA guidance
- Evidence of successful APAC expansion

Comparable Companies (Aust/NZ)

Dropsuite (ASX:DSE), Energy One (ASX:EOL), Dubber Corp (ASX:DUB)

Board and Management

Anne Ward	Non-Exec. Chair
Rene Sugo	Managing Director/CEO
Andy Fung	Non-Exec. Director
David Stewart	Non-Exec. Director
Gail Pemberton	Non-Exec. Director
Michael Boome	Non-Exec. Director
Leanne Heywood	Non-Exec. Director
Kate Denton	Acting CFO

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6th May 2021



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