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AutoStore Holdings Ltd. (AUTO.NO)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Good morning and welcome to AutoStore's First Quarter 2025 Presentation. My name is Hiva Flåskjer, and I'm the Investor Relations Officer at AutoStore. I'll be moderating today's presentation.

Today, I'm joined by three members of our executive team; Mats Hovland Vikse, our CEO; Paul Harrison, our CFO; and Parth Joshi, our Chief Product Officer.

Now, before we start, I'd like to remind you of our disclaimer with regards to forward-looking statements. It can be read here at your own convenience.

Moving on to our agenda. We'll begin with Mats, who will present this quarter's operational developments, followed by Parth, who will discuss our recent product innovation and how they support our growth strategy. Paul will then provide a detailed overview of our financial results. And as always, all financials are stated in US dollars.

After the prepared remarks, we'll open the floor for Q&A. You can submit written questions through the webcast player starting already now. Additionally, similar to previous quarters, you're invited to join the webcast via Microsoft Teams to ask verbal questions directly to the management team.

Please use the raise hand feature in Teams to participate. The link can be found on the Investor Relations website and is also included in the invitation that was distributed as a stock exchange release one week ago. After the Q&A, Mats will round off with some final remarks to conclude this presentation.

With that, I'll hand over the word to Mats.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

Thanks, Hiva, and good morning. With all we have going on in the world right now and the unprecedented levels of uncertainty businesses are facing, there is a lot to discuss today. Our numbers tell you that we're not immune to this uncertainty. At the same time, I want to leave you today with a clear understanding of the actions that we're taking to ensure that AutoStore emerges from this period stronger than ever, by which, I mean, with the best solution in our industry, with an optimized go-to-market model and with the strongest financial profile. It is with this in mind that I invited Parth, our CPO, to join us.

Now, coming up to a year with the business, Parth is driving a transformation of our product organization, and I want you to hear more about that. But first, let's take a closer look at the numbers. We closed the quarter with \$86 million in revenue, \$141 million in order intake. Gross margin was 74% and our adjusted EBITDA margin came in at 25%. As highlighted during our Q4 update in February, we expected a softer start to the year, reflecting the shift towards AutoStore-as-a-Service projects and given the broader macro uncertainty impacting global commerce.

If we included AutoStore-as-a-Service products we shipped in the quarter, secured revenue was \$113 million. And I will come back to the importance of service revenue shortly. I think it's also fair to reiterate my words back at the Capital Markets Day. We're not satisfied with these numbers. And yes, we can talk to a challenging market at present. But even so, we're aiming for much better, and we know shareholders expect that, too.

The encouraging part is that I'm starting to see clear signs that our strategy is taking hold. It's the same strategy we outlined at the Capital Markets Day, one that we believe will drive a return to highly profitable growth. And I'll speak more about that in just a few minutes.

Moving on to our business developments. Let's start with tariffs. You don't need me to tell you that the situation is still evolving. The timing, scope and details are all uncertain. What I can tell you is that about 25% of our revenue comes from the US and it's our partners, not AutoStore, who import our products into that market. However, we're realistic. We know that we'll likely bear some of the impact. But based on what we know today, we still expect to deliver strong best-in-class gross margins.

The more significant impact of tariffs is the uncertainty they create. We're also seeing market analysts now suggesting that 2025 will be another year of market contraction. An uncertain outlook leads to hesitation. And our customers understand the strong ROI associated with an AutoStore solution, but it is understandable that many are holding off on their commitments until there is more clarity on this matter.

As I said, our response to these challenges is to double down on delivering on our strategy. We know it's one that will restore growth with a better backdrop, and it will see us emerge in an even stronger position. And this is a multifaceted strategy. Parth will speak shortly about our product direction, and I'll cover progress on the go-to-market strategy on the next slide. And Paul will later outline our plans to streamline support function and deliver a meaningful reduction in our operating expenses.

But while we can't control the external environment, what we remain focused on is what we can control, which is executing on our strategic priorities and positioning AutoStore for a return to higher levels of profitable growth. We are responding to the current conditions by transforming our commercial function with new leadership, accelerating growth through AutoStore-as-a-Service and implementing cost efficiency measures, expected to

reduce our annualized operating expenses by approximately \$10 million. These actions are aimed at maintaining high profitability, strengthening our competitive position and support long-term growth and resilience.

Moving on, we're happy to share that we successfully completed several AutoStore-as-a-Service projects this quarter. AutoStore-as-a-Service is our flexible subscription-based model that removes the need for a big upfront investment. It gives us predictable and recurring revenue. And for our customers, it means faster time to value, predictable costs, and more flexibility in how they run and scale their operations. So this model is a win-win. And while still early days, AutoStore-as-a-Service is already providing – proving to be a strong driver of growth and deeper customer relationships, especially in today's market.

So now, let's take a step back. This slide highlights our superior value proposition to customers, our long-term competitive strength and superior financial profile. It summarizes the strength of our platform and why we're uniquely positioned to lead. We have now delivered 1,700 systems with 78,500 robots in 58 countries. We have over 1,150 unique customers, and we added over 100 in just one year.

Within the cubic storage space, we are the only player with such a significant installed base, providing us with great advantages. And not only does this speak to the strength of our solutions, it also represents a big base for our land-and-expand strategy. And while our financials on this page reflect the impact of a softer Q1, we've consistently demonstrated industry-leading margins and profitable growth, which is a testament to the strength and scalability of our business model.

And this is also a slide that you're familiar with. And here, you can see a small selection of our over 1,150 customers. And as you can see, we have a broad customer portfolio across a diverse set of end markets. Around half of our revenue comes from existing customers, and this growing customer base represents a massive opportunity. It is also worth noting that Europe remains our largest region, representing over 65% of our business. To further expand on our reach in these key end markets, we continue to innovate and strengthen our value proposition.

So, I'm going to pass to Parth, who will walk you through some of the product innovations from our spring announcement, and how they're designed to drive our growth and continue our leadership position.

Parth Joshi

Chief Product Officer, AutoStore Holdings Ltd.

Hi, everyone. I'm Parth Joshi, Chief Product Officer at AutoStore, responsible for all things, product and technology. As Mats mentioned earlier, I joined the company in the summer of 2024, and I'm currently in the midst of driving a transformation of our product organization. It's been an exciting time to come on board as we work to shape the future of warehouse automation and strengthen our leadership in this space.

During my time at AutoStore, I focused on three key areas as I've done in previous industries: driving scale and growth through product innovation, building high-quality recurring revenue streams, and combining best-in-class hardware with truly disruptive software. As Mats mentioned, we have over 1,700 systems in operation and more than 78,500 robots deployed in the industry, leading customers across a broad range of end markets.

But for us, it's not just about scale. It's about being trusted partners for our customers, leveraging our product and technology to deliver sustainable growth across varying CapEx cycles and business models. We remain focused on solving increasingly complex challenges for our customers. That's how we continue to create value and unlock new growth opportunities for us and for them.

Today, I want to show how far we've come and why it matters. Innovation has always been core to AutoStore. We focus on solving complex customer problems with reliability, scalability and standardization at the center. As our customers grow, we grow with them. Just look at the shift, from a few hundred robots to over 78,500 now, from 50 robots per site to up to 2,000 with a 99.7% uptime. This kind of progress drives real impact for us and our customers.

We're doubling down on four strategic priorities that keeps us future-ready. First, optimize the cube. We're increasing speed, density and efficiency, reducing total cost of ownership and time to deploy. We still see massive opportunities to continue to optimize our cube with data from a majority of our 78,000 robots, keeping us as the industry leader.

Second, expand our core capabilities. We are continuing to build on the platform we've developed with seamless integration between software and hardware as a key differentiator. Doing so enables us to solve new applications. As an example, increasing our throughput capabilities has helped us to expand into the high-throughput segment, which alone represents over a third of the total light ASRS market, making it a significant opportunity for us. In addition, we have opened chilled and frozen applications through our multi-temperature solution and addressed small-scale fulfillment through our PO turnkey offering.

Third, add on new capabilities. We are also going beyond the cube to add new capabilities. By expanding into adjacent use cases, we're growing our serviceable addressable market and increasing share of wallet. Solutions like our CarouselAI, something I'll speak about more shortly, demonstrate how we can extend the value of our platform in new, powerful ways.

And fourth, AutoStore software platform. Software drives efficiency of the hardware. It's the barrier to entry and what truly sets AutoStore apart. This system-led approach with software as a brain is what enables long-term customer value, high quality recurring revenues and sustainable growth. We're building a unified ecosystem that enhances interoperability, accelerates innovation, and unlocks new opportunities in AI and analytics. As outlined in our Capital Markets Day last fall, our biannual product announcements are designed to deliver value throughout the system lifecycle and that strategy remains unchanged.

This spring, we launched five new products aimed at boosting productivity, lowering operational cost, and enabling faster and more scalable expansion. Each product is built to drive continuous value and strengthen our profitable recurring revenue model. A standout in this launch is CarouselAI, our first AI-powered robotic piece-picking solution and a clear step beyond the cube. It addresses a key industry bottleneck, which is manual picking outside the system and automates the next logical step in the process.

This directly addresses key challenges that customers are facing, such as rising labor cost and warehouse staffing challenges. CarouselAI is a proof point of our strategy to expand beyond the cube, creating value through having a fully integrated standardized offering. Early traction has been strong and is already a key topic in our customer conversations. More to come on AI-related impacts to our products in future updates.

We're also launching the Essentials Software Package, a powerful all-in-one solution designed to enhance performance across the customer journey. It delivers industry-leading robot routing, real-time system analytics and intelligent reporting tools for ongoing optimization, which will help drive growth in ARR. By aligning with evolving customer needs, the Essentials package strengthens our value proposition, while also laying the foundation for what's next in our software journey.

Finally, we're expanding Pío our plug-and-play standardized solution that brings cube storage to smaller businesses and compact spaces. Built on the same high performance robots as our larger systems, Pío's intuitive, fast to deploy, live in as little as four days, and available via subscription through our partner network. With our spring 2025 release, Pío is now available to numerous partners worldwide in a range of sizes, making it easier than ever to offer automation in new markets.

We also see a strong pull from partners on smaller use cases within the Enterprise segment. It's a true turnkey solution that generates recurring monthly revenue. As Mats said earlier today, my objective is to leave you with a clear understanding that even in these challenging markets, we are innovating at pace. Our reinvigorated products team will continue to deliver solutions that will position AutoStore more strongly than ever to win in this market.

Thank you. Paul will now take us through the financials of this quarter.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

Thank you, Parth. Good morning. Okay. Let's move to the financial highlights on the next slide. As Mats discussed earlier, this quarter reflects both clear strategic progress and the ongoing impact of geopolitical and macroeconomic volatility. As you can see, the slide summarizes our Q1 performance. Revenue came in at \$86 million. But as Mats mentioned, including shipped AutoStore-as-a-Service projects in this quarter, we're looking at \$113 million of revenue. Our gross margin landed north of 70% for the fifth consecutive quarter while our adjusted EBITDA margin came in at 25% impacted by that lower revenue. Order intake came in at \$141 million, taking the order backlog to \$513 million.

So on the next slide, I'll go into more details on the key financials. As I mentioned, Q1 revenue came in at \$86 million. We expected a slow start to the year at the Q4 results. I'll remind you that we spoke to the impact of our strong close to 2024 and the successful capture of as-a-service revenues. We noted that both would suppress Q1 revenue.

Looking at the geographic split, Europe remains our stronghold and it is also where we shipped the AutoStore-as-a-Service deals. As I mentioned, order intake totaled \$141 million, roughly on par quarter-over-quarter. Given the current macro environment, this is a solid result. Over 70% of this quarter's order intake came from existing customers, underscoring the strength of our value proposition and the benefit of a large installed customer base. We ended the quarter with a backlog of \$513 million.

We're confident in the quality of our order backlog and have not seen any cancellations. But we are seeing a more cautious approach to capital investments in warehouse automation, driven by the volatility in global trade flows and broader economic conditions. But I want to say that this caution is not a reflection of the attractiveness of our solution. Rather, it is a consequence of the broader uncertainties our customers face at this time.

Okay. Let's move on to margins. The highly-standardized nature of our product continue to support strong gross margins. In fact, as I mentioned, this is the fifth consecutive quarter with gross margins exceeding 70%. Now, Mats touched on the tariff topic earlier. Without doubt, the real impact of tariffs is to create further hesitancy to commit in an already challenging environment for our customers.

As we said, it is our partners and not AutoStore that import our product to the US. However, we recognize the risk that we will share some of the pain here. But keep in mind that the US is around 25% of our business. So even if

we choose to share in some of the costs of tariffs based on what we know today, we will continue to report strong gross margins.

Further down the P&L, lower revenues or adjusted EBITDA coming in at 25%. Given the current volatile market environment, we're taking measures to protect profitability. These will generate annualized cost savings of approximately \$10 million, whilst we will continue to invest in long-term growth.

Moving to cash flow. Operating cash flow for the quarter was impacted by the \$30 million in settlement payments as you see here. The good news is that we're now in the final quarter of these payments. We ended the quarter with a strong cash position of \$282 million, which supports our growth strategy. And we have total liquidity of \$432 million, consisting of that cash of \$282 million and a \$150 million headroom on our revolving credit facility.

So with that, I'll now pass back to Hiva, who's going to open the Q&A.

QUESTION AND ANSWER SECTION

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

A

Thank you, Paul. Thank you, Mats and Parth and Paul join me and we can open the questions from the webcast player. Same. As always, please raise your hand. And I think, Luke, if you unmute yourself, you're the first in line.

Luke Holbrook

Analyst, Morgan Stanley & Co. International Plc

Q

Yeah. Can you hear me at all or not?

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

Yes.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

A

Yes.

Luke Holbrook

Analyst, Morgan Stanley & Co. International Plc

Q

Super. And my first question is just on the top line trends through Q1 and it seems like you had a halving of demand Q-on-Q. And I'm just interested to see, is that effectively by March almost no demand for the quarter? Just how does that fare through the quarter and then into Q2? And then my second question is just on the recurring revenues, can you just be clear on what the – what does that do to phasing into Q2, Q3, given the impact we saw in Q1? Thank you.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

A

First question, I think the Q1 order intake that we reported reflects the strength of our business and particularly the strength of our existing customer base and our stronghold in Europe. But however, as you allude to, the

situation has gotten worse throughout the quarter and more uncertainty has presented itself. But it is important to note, though, that the caution that we're seeing from customers, it's about the timing.

The conviction of the value that we can bring to them with the AutoStore system is still as strong as ever, and we're not seeing customers going to alternative solutions. But this is really a consequence of the uncertainty businesses are facing in this environment.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

And Luke to your second question, for AutoStore-as-a-Service revenues, we start to recognize those revenues when the systems go live. So contrasted with traditional AutoStore business, where we recognize revenues as we ship product, we start to recognize with the go-live and over the contracts we're referring to, they're going live in the next couple of quarters. So we'll start to recognize revenue under those contracts then and do so straight line over the life of the contracts.

Luke Holbrook

Analyst, Morgan Stanley & Co. International Plc

Q

Can I just press you a little bit more on the trends through Q1? Did it weaken significantly between February and then into March? I just wanted to be clear on that and what the trends are doing into April.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

A

Yeah. No. As I said, the situation has continued to be more uncertain. But given the strength within existing customers and also some of the stronger end markets and regions, we were able to deliver the results that we delivered.

Luke Holbrook

Analyst, Morgan Stanley & Co. International Plc

Q

Okay. Understood. Thank you.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

A

I think Tore, you're the next one in line. If you could, please go ahead and unmute yourself.

Tore Fangmann

Analyst, Merrill Lynch International

Q

Yes. Thank you. Good morning and thank you for taking my questions. Also, two from my side to start with. First of all, would be on the accounting for the AutoStore-as-a-Service solution. So understood now that you will start accounting for the revenues once the product is really in use and then over the length of the contract. So could you maybe let us know on average or how long will these contracts usually last? Is that a three years topic, is it five years topic? Basically, what I'm trying to figure out is how long does it take you to recoup from an accounting perspective the revenues you're currently losing here?

And then just a second question would be also regarding tariffs, understood your partners are importing the product. But still, could you let us know into the US, are you mainly shipping in from Thailand or you're mainly shipping it from Poland? Thank you.

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

Okay. So the accounting for the contracts and their length. The contracts are – they're going to vary in length, but they are typically longer than that for their initial term. The typical initial term ranging from sort of 7-year to 10-year period. But keep in mind, the observation we've made many times in the past that once a customer has an AutoStore solution, we have instances of customers that have had that solution for in excess of a couple of decades. So from a contractual point of view, the contracts tend to, thus far, trend into that 7-year to 10-year period.

So – and what I will say to you is under the economics, therefore, we move into the black, as it were, in those contracts well before the end of the minimum contracted term. So as well as bringing predictable recurring revenues, the economics of these contracts are also attractive to AutoStore. As to the tariffs, in the main today, our products has been shipped into the US from Poland, although we do hold some finished goods inventory in the US as well as a consequence of wanting to respond quickly to opportunities there.

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

I think important to note on the first one, what we do provide customers here with is flexibility and whether that can be a three-year contract, a five-year contract or a longer-term contract can vary across those different deals. But important to note that when you first start using an AutoStore system, the value of that is – even the first systems that we installed in the early 2000s is still operating today.

Tore Fangmann*Analyst, Merrill Lynch International*

Q

Okay. Thank you. Just one follow-up, then, on this first question. If you have these contracts running for 7 to 10 years, is the cumulated revenue higher than in the old CapEx model? Or is it basically from an accounting perspective, it's taking you 7 to 10 years to recognize a revenue that you would usually have recognized within one quarter?

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

No. The accumulated revenue over the life of the contract would be higher than the old CapEx model.

Tore Fangmann*Analyst, Merrill Lynch International*

Q

Any detail you could give on this? Or will we just remain with higher for now?

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

Well, I refer back to my – into my comment that our sort of breakeven position to your question is well before the end of those contracts. That's the way we structured them.

Tore Fangmann*Analyst, Merrill Lynch International*

Q

Okay. Thank you.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Thank you. Moving on to [ph] Håkon (00:27:56). If you could please unmute yourself.

A

Q

Hey. Good morning. Could you provide some color on how you assess the quality of the remaining backlog? Specifically, how much of the current backlog do you consider to be firm versus at risk given the current macro and customer uncertainty?

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

I'll start with that one. Look, we continue to see a high-quality backlog. And as we commented, the conviction that our customers expressed to undertake warehouse automation using the AutoStore solution remains very strong. And as I noted in my words earlier, we have not seen any cancellations from that backlog. But we're cautious, of course. I mean, in this environment, we would understand customers saying, yes, we have that high conviction. But we're going to hold off on making that commitment. So it is a very credible hypothesis that we'll see opportunities in the backlog shift to the right. But what we're not seeing is customers lose conviction and/or canceling their contracts.

A

Q

Thank you so much.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

I think, Eirik, you're next one up. If you could please go ahead and unmute yourself.

A

Eirik Rafdal

Analyst, Carnegie AS

Yes. Hi, everyone. Thank you for taking my questions. I've got three. I'll do them one by one, if that's okay. If we start on the backlog now, \$512 million, could you share how much of that is AutoStore-as-a-Service? And based on what you know today, what's like on a timeline execution for that backlog in terms of turning that into revenue? That's my first question.

Q

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

Okay. So the AutoStore-as-a-Service deals, the ones we've talked about this quarter are the first sort of principal deals that we've announced. And therefore, that full sort of \$27.5 million, Eirik, is in the backlog and represents the vast majority of those as-a-service deals. And so, you had a second – on the timing of release, Eirik, and as I say, the contracts will start to release – see revenue released on go-live in sort of one or two quarters' time.

A

Eirik Rafdal

Analyst, Carnegie AS

Q

Okay. So then fair to assume that around \$27 million of the \$512 million is related to as-a-service revenues in the backlog as of today?

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

Yeah. That is the major part. Of course, keep in mind more broadly that we've got significantly more recurring revenues in that when you consider software, for example, and indeed the reoccurring nature of spare part revenues. So we're building it up quite a significant sort of recurring and reoccurring revenue base implicit in the backlog. But as it applies to these AutoStore-as-a-Service contracts, that number is directionally correct.

Eirik Rafdal

Analyst, Carnegie AS

Q

Okay. And then also just for my own understanding, of the \$141 million in the order intake in Q1, would \$27 million of those be as-a-service? And also technically, how do you going to recognize the value of those orders in the order intake number? Like is it, you know, the full value of the order, the initial payment? Just trying to understand how you're going to recognize that value in the order intake? And yeah.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

Yes. So, you are right, the \$27.5 million is in the order intake of \$141 million. And therefore, in terms of how we record order intake, we've remained faithful to the approach we've always adopted, which is to take in those revenues we expect ultimately to release the revenue on a 1:1 basis. So there isn't – Eirik, implicit in your question. There isn't a sort of discounting or an NPV type effect that we've built into order intake.

Eirik Rafdal

Analyst, Carnegie AS

Q

Okay. That's fair. Thanks. And just two more quick ones. You also call out the unprecedented geopolitical and macroeconomic volatility as an influence on revenue. And kind of if we adjust out the as-a-service offering, does that mean that somewhere \$10 million to \$30 million-ish in revenue has been postponed in the quarter as well since you call out the uncertainty?

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

A

Look, I've got two things. One is, as we said, as we reported Q4, we did expect the soft start to the year for the reasons that we've just talked about. But secondly, yes, given the heightened uncertainty, we have seen backlog being pushed to the right.

Eirik Rafdal

Analyst, Carnegie AS

Q

Okay. Thank you. And just one final question for me. Can you just briefly share your thoughts around why you didn't decide to profit warn when the numbers were so far off expectations?

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

Yes. Eirik, some time ago, we drew and stopped our approach in giving formal guidance given the lack of – or the challenge visibility into the market. And therefore, for us, it was more appropriate to talk to you today and be able

to add more color based on what we're seeing as of today than talk to you sort of earlier in the quarter while the situation was still very, very much sort of evolving. So felt most sensible to wait for today and be able to have a fuller dialogue with you.

Eirik Rafdal

Analyst, Carnegie AS

Okay. Great. Thanks for taking my questions.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Thank you, Eirik. Moving on, Timothy, if you could please unmute yourself.

Timothy Lee

Analyst, Barclays Capital Securities Ltd.

Hi. Can you hear me?

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Yes.

Timothy Lee

Analyst, Barclays Capital Securities Ltd.

Great. Cool. Yeah. So two questions from my side. So first one is also on the AutoStore-as-a-Service. So the \$27.5 million was the order intake for the quarter, as you mentioned. Was that only with one project or several projects? And also, what do you expect for the proportion of the AutoStore-as-a-Service in the upcoming quarters' revenue? Any expectation on proportion in the future would be helpful.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

We noted there are several individual contracts underpinning the \$27.5 million. And as to future quarters, we say today that we think that this is a model that not only is a win for us, but resonates strongly with customers, particularly in this environment. And so, there's a number of other conversations that we're having around this model with other customers. But what I can't comment on is the timing of sort of bringing those to a conclusion, but it's certainly generating good interest with both our partners and our customers.

Timothy Lee

Analyst, Barclays Capital Securities Ltd.

All right. Understood. The second question is about your R&D full-time employee. I saw the number of the R&D staff jump from 296 by the end of fourth quarter to around 251 by the end of this quarter. May I know what's going on with that? Are you trimming your R&D team, or it's part of the cost-saving measures that you mentioned?

Parth Joshi

Chief Product Officer, AutoStore Holdings Ltd.

We've looked at our R&D numbers and we've given a pure number of what's considered R&D. So it's a definitional change of what we consider within R&D. If we look at the baseline and using the same definition, we're flat in terms of R&D head count using the new definition.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

I can add and Parth may come in as well. One real discipline that Parth has introduced is a very strong focus on a core set of products, and we've discontinued, indeed, a number of projects that we're working on. And part and parcel of the savings that we've talked about today, the \$10 million is a consequence of that greater focus on core products that Parth has talked about.

Timothy Lee

Analyst, Barclays Capital Securities Ltd.

Q

All right. Understood. Thank you.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

A

Martin, I think you're next. If you can go ahead and unmute yourself, please.

Martin Wilkie

Analyst, Citigroup Global Markets Ltd.

Q

Yes. Thank you. Good morning. It's Martin from Citi. Just to come back to the as-a-service model, when we think of the software world, oftentimes, the margins are more negative in the initial phases. A lot of costs are booked upfront. If we're going to see more revenue booked from this as of next quarter, can you just talk a little bit about how you allocate the costs? So, are they linear as well? And so, we don't see whether it's in COGS or whether it's in customer acquisition costs, things like that. We don't see any sort of upfront loading of those costs. Or do we think it's sort of margin neutral in terms of how we think about the phasing of that as-a-service?

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

A

It's a good question, and I think it's important to bear in mind the continued involvement of our channel partners on these transactions. These are not deals we're doing directly. They are deals we're doing through our channel. So those things that our channel partners do today in terms of upfront sort of support and installation, they continue to do an as-a-service contract.

So, the way to think about it from our point of view is we will have fixed assets on our balance sheet that represent the AutoStore solutions that are in use by those end customers. And subject to sort of – some relatively sort of small levels of support by AutoStore pretty much from the day we start, you've got revenue in the P&L and depreciation therefore going through against operating profit. That's the way it works, given the partner involvement.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

A

And strategically, there's value from a few different sources here. One is the value from our ongoing focus of standardization. There are no customized assets going into these models. We can ship standardized products out there. The second thing is, as Paul mentioned, the partner channel will continue to provide services, which is not on our cost base to realize these contracts.

But thirdly, this also enables us to deliver on our strategic priority to get even closer to the end customers out there, because with that flexibility, they have to scale the system based on the needs that they have, and the fact

that we're sitting there shoulder by shoulder helps us build those deep strategic relationships, which will be hugely valuable for us.

Martin Wilkie*Analyst, Citigroup Global Markets Ltd.*

Q

Thanks. That's really helpful. And another question, just coming back to tariffs. And, obviously, you've commented that you think the cost increase or potential tariffs could be manageable for your partners. Have you thought about opening facilities in the US? Is it too early to talk about that? And presumably, there's a breakeven level that it makes sense, if tariffs are above a certain level and not if it's below a certain level. But just to give us some sort of sense as to how you are thinking about that?

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

So, we do constantly assess what's the most efficient way to assembly and manufacture our products. That includes where in the world we do so. And, of course, we have continued to do those sets of analytics also throughout this period. And our assessment is that, with the setup we have today in Poland, in Thailand, with also having strategic warehouses out there, it's still the most cost efficient and customer efficient setup we can have.

Martin Wilkie*Analyst, Citigroup Global Markets Ltd.*

Q

Great. Thank you very much.

Hiva Flåskjer*Senior Vice President-Investor Relations, AutoStore Holdings Ltd.*

A

Thank you, Martin. Moving on to Petter. If you could please unmute yourself.

Petter Nystrøm*Analyst, ABG Sundal Collier ASA*

Q

Yeah. Thank you. A couple of questions from me. I'll take one at a time. You mentioned now in Q4 that revenues were pushed forward in Q4. When you now see Q4 and Q1 combined, is it possible to say something about how big this impact was?

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

If you recall, Petter, at the Capital Markets Day back in September, we guided to a range for FY 2024 revenues of \$575 million to \$600 million and we came in at \$601 million. So, we came in slightly above the top-end of that range. And a lot of the success in landing the business that enabled that to be the case was a consequence of going out to our principally existing customers and landing, persuading them to commit to deals, like extension deals and the like. So a good proportion of that beat was a consequence of going to the installed base, looking for opportunities that might otherwise have come in, for example, in Q1 and securing that business in Q4, which was a very sort of positive thing to be able to do.

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

And we talked about this at the CMD, accelerating conversion, exploiting our installed bases, things that we focus a lot about. It helps our customers get value quicker and it helps us drive conversion which, as we've talked about, is extremely important, especially in these conditions.

Parth Joshi*Chief Product Officer, AutoStore Holdings Ltd.*

A

Yeah, I agree. The challenge obviously for us is that, while this conversion was very strong then in Q4, it's not that strong now in Q1. So, yeah.

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

It's a fair point, Petter. And if you go back to the 20th of February in the Q4 announcement, we were so keen at that announcement to explain that we would see this effect.

Petter Nystrøm*Analyst, ABG Sundal Collier ASA*

Q

Okay. Thank you. And then just on tariffs, just to understand the potential effect here. And if I understood you correctly, you now ship basically from your Poland factory. What do you do then on Grids and Bins for the US market?

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

So Grids, we have manufacturing across the world and, well, to a large extent, also import those into the US, whilst Bins are manufactured at several sites across the US and it's all sourced locally.

Petter Nystrøm*Analyst, ABG Sundal Collier ASA*

Q

Okay. Thank you. And then, obviously, back to the current trading environment, I think it's useful to give some development into Q2, particularly as tariffs really started to unfold from April. Does this mean that your market has become even more challenging now in Q2 on the back of lower potential demand?

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

As I mentioned, we have definitely seen a heightened uncertainty and uncertainty leads to hesitation. But I think what's also fair to say is that, as we stand here today, that level of uncertainty makes it incredibly hard to predict, not only the short term, but predict how that demand environment is going to pan out going forward.

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

But as we emphasized today, that is challenging. But we are focusing, as Parth has mentioned in his section, relentlessly on our strategy and taking the measures that we've talked about to reduce the cost base of the business.

Petter Nystrøm*Analyst, ABG Sundal Collier ASA*

Q

Okay. And just [indiscernible] (00:43:47) trying to wrap up, does that mean that you're not seeing a material change in the trading environment now versus what you saw in Q1?

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

It is too early to comment on that as we stand here today.

Petter Nystrøm

Analyst, ABG Sundal Collier ASA

Okay. Okay. Totally understand. Thank you.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Thank you, Petter. Tore, I think you raised your hand again. If you could please unmute yourself.

Tore Fangmann

Analyst, Merrill Lynch International

Hi. Thank you. Thank you for taking another question. Just a follow-up. The regional split, I was a little bit surprised by EMEA dropping so much year-on-year, while North America was mostly stable year-on-year. Could you give a bit more color on this? And is the AutoStore-as-a-Solution impact on revenues mostly a European one, or is it also from customers in the US? Thank you.

Paul Scott Harrison

Chief Financial Officer, AutoStore Holdings Ltd.

And that is exactly the analysis, Tore. The AutoStore-as-a-Service solutions are European deals and, hence, the impact on that segment.

Tore Fangmann

Analyst, Merrill Lynch International

Okay. And in the US, still stable year-on-year, but I suppose some churn down in the later part of March.

Mats Hovland Vikse

Chief Executive Officer, AutoStore Holdings Ltd.

As we've talked about already, yes, there is a heightened uncertainty out there for sure.

Tore Fangmann

Analyst, Merrill Lynch International

Okay. Thank you.

Hiva Flåskjer

Senior Vice President-Investor Relations, AutoStore Holdings Ltd.

Thank you, Tore. I believe this concludes the questions from the webcast. I can't see anymore hands raised. So, I'll just quickly turn to the written questions. And I believe most of the questions have already been addressed, so I'm not going to repeat those. I think there is one slight nuance to the AutoStore-as-a-Service, Paul. You mentioned revenues include AutoStore-as-a-Service was \$113 million. What would the gross profit be including those service contracts?

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

Well, I think I'll go back to the earlier question, and that is that the role of the partner at the center still of the AutoStore-as-a-Service solution, then really the cost – the cost – the preowned cost to AutoStore is the depreciation on the fixed asset that is located at the end customer.

Hiva Flåskjer*Senior Vice President-Investor Relations, AutoStore Holdings Ltd.*

A

Yeah. Thank...

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

Over time, this has also been accretive.

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

Very much.

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

A

Yeah.

Paul Scott Harrison*Chief Financial Officer, AutoStore Holdings Ltd.*

A

Yes.

Hiva Flåskjer*Senior Vice President-Investor Relations, AutoStore Holdings Ltd.*

Yeah. Thank you. I'm just going through the questions. I believe we've covered all topics here in the written section. Just quickly going back to the live link, no hands are raised here either. So, with that, I think we can conclude today's Q&A, and I'll hand over the word to you, Mats, for your final remarks.

Mats Hovland Vikse*Chief Executive Officer, AutoStore Holdings Ltd.*

Thank you, Hiva. So, let me summarize what we've presented to you today and remind you of some key points. First, we operate in a large underpenetrated market, which is fueled by long-term megatrends. The growth opportunity here is intact and we have a winning, proven solution.

As we've already discussed, we are responding to the current market conditions by taking decisive action aimed at maintaining high profitability, strengthening our competitive position, and supporting long-term growth and resilience. And we are not standing still. Innovation is embedded in our DNA and we continue to push the boundaries of what's possible.

Today, you heard directly from our CPO about the latest innovations, both within and beyond the cube, designed to meet evolving customer needs and drive long-term growth and engagement. We have multiple ways to win and

a scalable solution that works across industries, system types, and geographies, delivered through an efficient partner-enabled model. Taken together, these elements gives us confidence in our direction and ability to create long-term value. So, I would like to thank you for dialing in today, and look forward to speaking to you again soon.

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