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# AutoStore Holdings Ltd. (AUTO.NO)

## Q3 2023 Earnings Call

# CORPORATE PARTICIPANTS

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# MANAGEMENT DISCUSSION SECTION

## Jo Christian Lund-Steigedal
*Investor Relations Contact, AutoStore Holdings Ltd.*

Today's presentation is hosted from Oslo, Norway, and I'm joined by two members of our executive team, Mats Hovland Vikse, AutoStore's CEO; and Paul Harrison, the Chief Financial Officer.

Moving on to the disclaimer. As usual, we would like to remind you all of the disclaimer with regards to our forward-looking statements, which you can read here at your convenience.

Looking at the agenda, we will first have Mats and Paul providing you with an update on the business and discuss the third quarter results in particular. As a reminder, all our financials are stated in US dollars and the management's discussion will then be followed by a Q&A session, with participants joining via the earnings call on phone and on the webcast. For webcast participants, please submit your questions at any time in the webcast player. We will then conclude the session with some final remarks from Mats.

And with that, Mats, please take the floor.

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

Thank you, Jo Christian. So, looking at the highlights of this quarter, as you can see on this page, the team has delivered yet another solid quarter, especially bearing in mind the macro landscape we're in. On the financial highlights, in the third quarter of 2023, we achieved revenue of $145 million compared to $147 million in Q3 2022. As we communicated in August, revenue in this quarter was sequentially slightly lower than Q2 due to the project nature of our business and given customer project delivery schedules. At the same time, we continue to deliver a very strong gross margin of 68%, which is 14 percentage points higher than Q3 of 2022.

For the last three quarters, gross margin has been at a high, but also sustainable level, and this here is a result of active actions like price increases and good cost control. Correspondingly, we delivered a strong EBITDA margin of 47%, which means that we continue to be around historical and industry-leading margins. On the order intake side, we're happy to report sequential growth of 11% to $152 million, taking our backlog to $464 million. The order intake was roughly evenly split between new and existing customers and the vast majority was related to brownfield projects, meaning the automation of existing warehouses.

As we've noted before, in this challenging macro environment, we have seen certain project deliveries being shifted from 2023 to 2024. Consequently, we are updating our 2023 revenue guidance to around $640 million.

On the operational highlights in the quarter, we released our fast-charging new R5 Pro Robot. Its longer battery capacity offers significant efficiency gains for our customers and further improves our position in the high throughput segment of the market. In this quarter, we also introduced a new price increase of net 3% whereby we removed the grid surcharge completely and replaced it with a fixed general price increase.

And finally on the highlights, I'm extremely happy to introduce our new CFO, Paul Harrison. When we got to know Paul, his background and experience from global and rapidly growing businesses really stood out and I'm super-excited about partnering with Paul in this next chapter of AutoStore's growth journey.

So, moving on, as you'll see on this page, we have a unique, well-established and powerful global platform for further growth and remember that only around 20% of the market for warehouse automation is currently penetrated. We are strongly positioned to grow for the foreseeable future, and as we've demonstrated, our financial model is extremely powerful with high gross margins, high operating margins, and strong cash flow conversion.

So, let me highlight some of the numbers. To-date, we've sold more than 1,350 systems and over 61,000 robots in 52 countries. This is a scale and reach unlike any other player in the industry, spanning all key geographies, virtually all end markets and crossing all system types. We have an efficient go-to-market model where we sell through a network of now 23 distribution partners. And together with them, we have built a scale global platform with now more than 950 unique end customers. And this area has doubled over the last few years, representing a fantastic platform to grow from.

Around 45% of our sales are to existing customers seeking to expand their [ph] order store estate (00:05:32), either through extensions of existing sites or through new installations and this then converts into strong financial KPIs. We have high growth with 50% CAGR since 2017, around 80% annual growth the last two years, and 10% in a declining market this year. Meaning, we keep gaining market shares. And not only high revenue growth, we have done this with industry-leading profitability. The last couple of quarters, our EBITDA margin levels has been around 50% and we also have high cash conversion of 79% in Q3.

So, let's move on to order intake and backlog. And it is fair to say that in the market environment we're in, it's affecting the timing of investments among our customers and given this backdrop, it is good to report a sequential growth in order intake of 11%. The market activity and interest in our system remains very high, but we continue to see some customers deferring commitments.

Looking geographically, we see North America being somewhat stronger than Europe and APAC. At the end of Q3, our order backlog was $464 million, of which $293 million relates to 2024, and the quality of the backlog remains high and we have not experienced any cancellations of orders to date. Historically, we have seen a 99% conversion rate from order backlog to revenue.

We continuously innovate on the hardware and software side to further improve our technology, and we're not standing still. Our most recent product launch was the R5 Pro. This is the latest version of our field-proven robot, featuring significantly faster charging capabilities and better battery capacity. This new robot is designed to address specific demands of large scale e-commerce operations, enabling better space usage, higher performance, and reduced total ownership costs for companies running multi-shift operations at scale.

In total, we see efficiency gains of up to 18% in these type of applications, which just further strengthens our position in the high throughput segment of the market.

So let's now reflect on our customer portfolio, which today count roughly 950 unique customers globally. We've included a small selection of them here on this page, and the key message looking at this picture is that we are very well diversified across a wide range of end markets. We support e-commerce and omni-channel fulfillment across different end markets. And in addition, we serve end markets like industrials, automotive, healthcare and even libraries. As we say, as long as your product fits inside our bin, we offer a great solution.

And clearly at this time, we know you're interested in learning about their exposure to consumer and retail. And even though this part of the market has been on the soft side the last few quarters, we regard a solid footprint not only among the largest online retailers of the world, but also many of the world's most innovative companies as a great strength, given the long term attractiveness of the sector. Our own calculations indicate that approximately half of our business is exposed to e-commerce omni-channel and one of the logos on this page is DHL, a customer we've supported for many years. This week, we announced a deeper partnership with them, which is a great endorsement from a world-leading logistics player.

So let's have Markus Voss, the CIO and COO of DHL Supply Chain tell us more about it.

[Video Presentation] (00:09:32-00:11:36)

## Mats Hovland Vikse

*Chief Executive Officer, AutoStore Holdings Ltd.*

This is great to see and we're looking forward to many years of partnership with DHL, supporting their growth and digitalization journey.

So, let me with that hand the word over to Paul to take us through the financials of this quarter.

## Paul Scott Harrison

*Chief Financial Officer, AutoStore Holdings Ltd.*

Thank you, Mats. It's great to be here with you today and to take up my role as CFO of AutoStore. This may only be my second week and I have still a lot to learn about the business, but these first few days underlined my strong conviction when I accepted this role that I have joined a fantastic business offering strong secular growth and great operating leverage. I'm also delighted to join a really dedicated and talented and ambitious team.

With that said, let's look at the financial highlights on the next slide. As Mats has already stated, we delivered another solid quarter in a challenging market. We're reporting revenue of $145 million, a 68% gross margin, and a 47% adjusted EBITDA margin. It's particularly important in this quarter to reflect on the leverage of AutoStore. Despite the revenue challenges in this environment that Mats has discussed, EBITDA remains strong and cash conversion remains high. As I said, this is indeed a robust and attractive financial model.

Additionally, as Mats has talked about, our order intake has returned to sequential growth of 11% in quarter three. With a clearer line of sight to the end of the financial year, you will see that we have revised our revenue guidance to $640 million. This reflects the caution we've observed with certain customers postponing projects into 2024. Despite these postponements, as we – we have seen no order cancellations nor any customer churn.

So, on the next slide, I'll go into more details on the key financials. As expected and indeed as previously communicated, Q3 revenues were lower than in the second quarter. Revenues of $145 million were 2% lower than Q3 last year. I find it really interesting to see that approximately two-thirds of revenue this quarter came from new customers. Now that makes sense in what is still an early stage market. And, of course, it provides great potential for further business from this growing installed base over the coming years.

The right-hand side of the slide shows the geographical split. We see here a sequential decline in revenue in the EMEA region, as Mats mentioned, corresponding with our comments earlier this year relating to relatively soft order intake in this region. As the chart clearly shows, the US is showing good development with 85% year-over-year revenue growth, which resonates well with the macro picture and the potential for the US to lead the global economic recovery. Our third region, APAC, is stable.

So, if we move onto the next slide, from revenues to gross profit and adjusted EBITDA. On the left-hand side of this slide, you'll see that Q3 gross profit added – ended up at $99 million, up from $80 million in the same quarter in 2022. This corresponds to a gross margin of 68% in the third quarter compared to 54% in the third quarter of 2022. In line with our comments in previous quarters, our gross margin has gradually improved to a sustainable and high level. This has been driven by the successful execution of our strategic pricing actions and reduced grid and robot costs.

Adjusted EBITDA on the right-hand side of the slide also remained strong. Adjusted EBITDA was $99 million – was $69 million in the third quarter, representing an EBITDA margin of 47%. This represents a margin improvement of 10 percentage points against the corresponding period last year. These strong financials are enabled by our highly competitive product set, long-term focus on standardization and an effective partner base, go-to-market model.

Our lean business model is designed to enable high margins and operating leverage as revenue grows. All in all, we're delivering growth in order intake and clearly continuing to capture market share. Market dynamics remained intact and our competitive position is very strong and we remain optimistic about the future.

So, with that, I'd like to pass back to Jo Christian, who's now going to lead the Q&A.

# QUESTION AND ANSWER SECTION

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*
A

Thank you very much, Paul and Mats. For those who are on the webcast, please submit questions to the – through the webcast player, continue to do so, but for now we'll open up for the questions from the phone lines. So, please, operator, I'll now hand it over to you to moderate the questions from the phone.

**Operator**: Thank you. [Operator Instructions] The first question will be from the line of Luke Holbrook from Morgan Stanley. Please go ahead. Your line will now be unmuted.

**Luke Holbrook**
*Analyst, Morgan Stanley & Co. International Plc*
Q

Yeah. Good morning, everyone. Thanks to the opportunity to ask a couple of questions. The first one, I just wanted to get an understanding of how your order intake trended through Q3 month-on-month – month-to-month and into the November period now. And secondly, you're increasing your price by 3% in December. Has this resulted in any pull-forward do you believe of order intake in Q3 or the start of Q4? And what has customer reaction been to that price increase? Thank you.

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

So, on the first one, we saw a gradual growth throughout Q3 on the order intake level and start of this quarter has remained similar as we've seen in the last quarters. When it comes to the price increase, obviously for the last couple of years and particularly in 2021, we saw a big pull-in of orders and I know that there is activity out there trying to get orders in before the price increase comes into effect. But of course, a net 3% is not at the same high level as we've seen in previous years.

**Luke Holbrook**
*Analyst, Morgan Stanley & Co. International Plc*
Q

Okay. Understood. And just from the postponements into next year, can customers then later cancel those orders or when they postpone them, are they effectively committing to that order backlog?

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

So, historically, we have a 99% conversion from order backlog into revenue. There are cancellation clauses in the contracts, et cetera, but historically, we've seen that that backlog has always converted and we remain committed together with our end customers.

**Luke Holbrook**
*Analyst, Morgan Stanley & Co. International Plc*
Q

Okay. Thank you.

**Operator**: Thank you, Luke. The next question will be from the line of Eirik Rafdal from Carnegie. Please go ahead. Your line now will be unmuted.

**Eirik Rafdal**
*Analyst, Carnegie AS*

Q

Yes. Good morning, everyone. Thank you for taking my questions. On the sequential step-up in orders from Q2, are you kind of confident that Q2 was a trough in terms of orders? And also what sort of visibility do you have on final investment decisions among your end customers now in the short term, both leading up to Christmas, but also for early next year? Thank you.

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

A

So, the leading indicators in the business remain very strong. We see a high activity level and the amount of offers that has been issued across our network is at all-times high. Of course, conversion remains a challenge in this tough macro environment, but, as I said, this quarter has started similarly as previous quarters. But, all in all, the amount of activity in the market and the projects we're working on remains strong. And of course, we're staying close to our customers, together with our partners on all of those opportunities.

**Eirik Rafdal**
*Analyst, Carnegie AS*

Q

Thank you. And just one final question for me. Your underlying OpEx base is essentially flat from Q4 2022 and until Q3 2023. When should we expect that to start to kind of ramp investments again on OpEx level? Thank you.

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

A

Well, over the course of this year, we've obviously added talent to the business, and you should expect to see a small annualization effect of that on that operating cost base over time. But I mean, stepping back fundamentally, the EBITDA margin, which is what's important here is, as we believe, as we said, is sustainable.

**Eirik Rafdal**
*Analyst, Carnegie AS*

Q

Perfect. That was all my questions. Thank you.

**Operator**: Thank you, Eirik. The next question will be from the line of Lucas Ferhani from Jefferies. Your line now will be unmuted.

**Lucas Ferhani**
*Analyst, Jefferies International Ltd.*

Q

So, good morning. I just wanted to confirm on the new guidance. Is the main driver those delays into 2024, or also simply the weaker demand or weaker conversion than what you expected before?

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

A

I'll take that. The driver is those deferments into 2024.

**Lucas Ferhani**
*Analyst, Jefferies International Ltd.*

Q

Perfect. Thank you.

**Operator**: Thank you, Lucas. The next question will be from the line of Toby Ogg from JPMorgan. Please go ahead. Your line now will be unmuted.

**Toby Ogg**
*Analyst, JPMorgan Securities Plc*

Q

Yes. Hi. Thanks for the question and welcome, Paul. I know it's only been a short period of time, Paul, since you started, but what have been some of your key observations on the business? Any kind of low-hanging fruit or way things [ph] get done (00:22:47) that you think could represent some opportunities for improvement? And then just secondly, again, Paul, just on your priorities, how should we be thinking about what some of your early priorities are likely to be? Thank you.

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

A

Well, thank you. It is my second week, so, accept please these observations with the appropriate caution. But listen, I think I'm lucky to have joined a fantastic business. I'm really struck by the comment that Mats shared with you in his presentation, which is this is still an underpenetrated market. So, I fundamentally believe, good as the past has been with the business, the best is still to come. I mentioned in my words a little earlier that this opportunity over time to drive further business from our existing install base is a phenomenal opportunity. And of course, the business remains a highly innovative business, as Mats just talked about.

The team, I should say, I'm delighted to become part of the team. It's really a talented, humble, but very ambitious team for the business. So, these are the impressions I had when I accepted the offer to join the business, and nothing has changed in that. I'm very excited about it.

My only priorities, humbly, my only priorities are to learn this business, to get around, to build the partnership with Mats, so that I can be more than the person that counts the numbers, but somebody that can truly partner with Mats and bring some fresh challenge based on my past experience to the business. So, very excited to be here and thank you for your question.

**Toby Ogg**
*Analyst, JPMorgan Securities Plc*

Q

Perfect. And just one follow-up, actually, just around the visibility you have at this point in the year, obviously, you've got a backlog of $293 million already for 2024. Could you perhaps just give us a sense, either Paul or Mats, for how you're thinking about the level of visibility you have into 2024 on the revenue side at this point and how that visibility looks versus sort of the normal visibility that you would typically have at this point in the year historically. Thank you.

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

A

So, listen, I'll go first. This is obviously the Q3 announcement, so we're not updating at this stage on 2024. Our comments on 2024 will be informed by the close to quarter four of 2023. And of course, internally, as you might expect at this time, we have our own budget exercise. So I'm certainly going to hold off on any comments on 2024 until we close 2023.

**Toby Ogg**
*Analyst, JPMorgan Securities Plc*

Q

Understood. Thank you.

**Operator**: Thank you, Toby. The next question will be from the line of [ph] Emily Ing from Berenberg (00:25:50). Please go ahead. Your line will be unmuted.

Q

Hi. Good morning. Thank you for taking my questions. First, I was just wondering if you could share some of the nature of the project delays that you are experiencing. And also, if you can say something about the development of the cancellations you've seen over time. Is there any differences from kind of this year to the historical levels that you are referring to?

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

A

Thank you. Again, I'll take the question. I think the nature of the delays relates principally to customers exercising stronger control on CapEx. What I mean by that is that CapEx type decisions which of course affect order store going all the way up to boards of director levels and that's putting delay into the system and caution given the macro backdrop, but it is important to say that we have not seen any cancellations. So, that backlog number, as Mats referred to it earlier, with its 99% conversion, remains a very robust backlog.

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

A

And there is also, of course, being exposed to projects and project execution, we've seen practically things like building construction delays, approval delays, delays on other adjacent equipment going around, going around the AutoStore, which is typical things that we've also seen historically within our backlog.

Q

And any comment on the cancellation versus the historical level over last year?

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

A

We have not seen any cancellations, which is consistent with how it's been in the industry.

Q

Yeah. Perfect. Thank you. And my second question is, on LinkedIn, you have several sales and sales related positions. Also, are there any changes to kind of your go-to-market strategy, or how you work together with partners?

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

A

Our go-to-market strategy remains the same. Through the partner network, we're gaining unique market access and have very strong capacity globally. For the past few years, we have complemented that partner network with our own business development managers. And that has been a very good investment for us where we are developing projects and opportunities that we then hand over to the partners. And obviously growing from zero, we're seeing that this year, those business development managers represent roughly 25% of our revenues. And as we've said, we will continue to invest in this business targeted particularly around sales and R&D, as this will help us realize the strong growth prospects of this business.

Q

Perfect. Thank you. And just the last, if I may, there have been some chatter in the industry about AutoStore Solutions being for sale in the secondary market. Is this something that you are seeing as well?

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

A

We have not seen AutoStore systems in the second-hand market.

Q

Okay. Thank you.

**Operator**: Thank you, [ph] Emily (00:29:51). The next question will be from the line of [indiscernible] (00:29:54). Please go ahead. Your line will now be unmuted.

**Timothy Lee**
*Analyst, Barclays Capital Securities Ltd.*

Q

Hi. This is Tim from Barclays. Thanks very much for taking my question. So first of all, can I just follow up a little bit about the [ph] positive delays (00:30:12) as you commented, the customers exercising stronger control on CapEx. So, are you seeing customers are more willing to go towards the OpEx model? That means, you know, like the pay-per-pick model. Are you seeing more interest from the end customers on this kind of new project models?

And secondly, regarding the previous news about Amazon is using your system at the fulfillment center at Long Island, I'm not sure whether you can comment a little bit on that about the project details, or like any further conversation – cooperations with Amazon in the future. Thank you.

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

A

So, on the OpEx model, the pay-per-pick model that we've had, we've had multiple conversations but we still see relative low adoption. We've sold it to a few clients, but adoption overall is still quite low, which is also natural if you think about it given the strong returns profile of investing in an AutoStore system. When it comes to Amazon, we can confirm that we've installed a project on Long Island and now we're fully focused on delivering value for our customer on that side.

**Timothy Lee**
*Analyst, Barclays Capital Securities Ltd.*

Q

All right. Thank you so much.

**Operator**: Thank you, Tim. As there are no more questions in this call, I'll hand it back to the speakers for any written questions online.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*
A

Thank you so much for the questions from the phone lines. So, we have a few questions also from the webcast. So, let's go down to that. A couple of ones also on the price increase of 3% that you talked about. When did customers need to place those orders to avoid the price increase? And also, couple of questions around the topic of how − to what extent this impacted the order intake in Q3 and whether you also expected to order – affect order intake in Q4 in a significant way?

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

So the price increase is structured so that customer needs to place order by – orders by end of November to avoid the price increase. So, 1st of December price increase is affected. We didn't really see any pull-forward of orders in Q3, but as I mentioned earlier, there is activity in the market now, but of course with the net 3%, it's not to be expected that you'll see the same amounts as we did in, for instance, 2021.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*
A

Are you planning any additional price adjustments in the near future?

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

We're always monitoring the market, our input costs and the competitiveness of our product. But, at the present, we don't have any concrete plans of changing prices in the near-term.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*
A

Right. So, you guide for $640 million of revenue for 2023, which implicates around $170 million for Q4. What is the reason for this return to growth rate on a quarterly basis?

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

We are exposed to a project-based business and this is all about when customers plan to take delivery. So, the remaining revenues is in the backlog. It's firm and we're going to deliver according to schedule.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*
A

Thank you. When you look at our numbers, you can see a pattern that you typically have somewhat – robots deployed per installation looks down compared to Q3. Is there anything in the market that you can comment on which indicates or which leads that development?

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

So, we've talked about the differences across high-throughput segments, standard segment, et cetera. We've seen that the standard segment has remained quite strong in this quarter. But of course, we're still working on many high-throughput projects. But logically, it's more lumpiness, given the larger sizes of those projects.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Okay. So, there's one question on the e-commerce market. Are there any sort of signs of green shoots, so to speak, in that market, the way you read it at the moment?

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

A

So, e-commerce overall, as I've mentioned before, we're having active discussions with big, big majority of large retailers out there and investing in automation is still super relevant. So, this is a timing issue and we remain very positive about the outlook related to our e-commerce.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Thank you. Then we have one question on receivables. One for you, Paul. Your revenues are down approximately 2% now, but you see an increase in receivables. Can you comment on the driver for that – or any reason for that?

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

A

Yes, certainly. I mean, the first thing to say is the [indiscernible] (00:35:36) experience with a high-quality customer base in this business has been extremely low historically, and we expect that to continue. The reason why you see receivables growing ahead of revenues in this period, go to my earlier comments about decision-making being delayed, going up to boards of directors and therefore seeing a greater proportion of business at the period and hence, the build-up of receivables.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Thank you. One more question on the order intake and order backlog. Can you say anything about the intake you saw in Q2 and Q3? How much is actually for delivery in 2024 now? Any comments on that?

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

A

Yeah. So, obviously the projects that we've signed over the past month, so as to a large extent been for 2024 and the closer we move towards year end, the more goes into 2024. We've talked about it before, but our standard lead times has reduced a lot over the past year or so. So, we have that flexibility for customers to take delivery very quickly, but majority of order intake has been for 2024.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Thank you. Can you give some color on region, how the various region is developing in your backlog?

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

A

So, as we've seen, we've seen Europe being slightly softer on the back of difficult macro environment, whilst the US has shown good performance. Looking at the backlog, we're seeing a similar picture. Of course, Europe, we see signals of strength also in the Europe region, but US continued to be a good performer.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Yeah. There's one more question, actually, specifically on the US where there is a decline in construction of warehouses, according to the question. So, how do you see, in a way, in general, the outlook for the US and also into 2024 if you may?

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

A

So, I think the question was around new warehouse construction, et cetera. If you look at it, historically, around 70% of what we've installed has gone into existing warehouse buildings. And this quarter alone, the big, big majority of orders we got was for projects going into existing buildings. Because take two steps back and look at it, that's one of the key selling points we have relative to other technologies. You can easily fit an AutoStore into an existing building, even if it has oddly shaped forms, pillars inside the building. We in AutoStore can fit all of that with standard components. So, for us, the brownfield side of the market is hugely important. And when construction goes down, that advantage becomes even stronger.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Thank you. There's one more question here and feel free to submit additional ones, if you have. How do you see the threat of Ocado now after your settlement announced earlier this year? To what extent are they strengthened and how do see that competitive situation?

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

A

So, the settlement with Ocado represented a status quo commercially, technically, whilst we got this litigation process behind us and are able to focus on our two respective businesses. For us, everything else remains unchanged.

**Jo Christian Lund-Steigedal**
*Investor Relations Contact, AutoStore Holdings Ltd.*

A

Thank you, Mats. Thank you, Paul. I think those were the questions we have received. So, then I think it's time for you, Mats, to end with a few remarks. Thank you.

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

Thank you. So, I want to end with a few key takeaways. First of all, we are the pioneer and global leader in cubic storage, and we operate in a market that's still in its early stages of development. Even though more and more warehouses are automated, still only around 20% of warehouses globally are automated today, leaving plenty of space for growth. Within this market, we have a leading technology and a proven growth strategy with an efficient and scalable go-to-market model. And last, we have a long track record of delivering strong revenue growth at high margins.

For all of these reasons we have told a story about how proud of what we have achieved and what we are achieving in the current market conditions. So, we remain very excited and optimistic about our future and remain confident in our ability to continue delivering strong profitable growth.

So, thank you again for spending the morning with us. We look forward to providing you with future updates.