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Sabio Holdings, Inc. (SBIO.CA)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Aziz Rahimtoola

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Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

OTHER PARTICIPANTS

Gabriel Leung

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Nicholas Cortellucci

Analyst, Atrium Research Corp.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Gentlemen, are we ready to go?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Yeah.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

Yeah.

Unverified Participant

All right. Good morning, everyone, and welcome to Sabio Holdings' Q1 2025 Earnings Call. The financial statements and MD&A have been filed and can be accessed through the SEDAR website. Today is Wednesday, May 28, 2025. And joining us are Aziz Rahimtoola, Founder and CEO; and Sajid Premji, CFO of Sabio Holdings.

They will be presenting the company's Q1 2025 results and developments followed by a Q&A session. Analysts can ask their questions live by pressing the Raise Hand button to unmute. Investors are encouraged to submit their questions via the Q&A box, and we will address them at the end of the session, along with any questions that have been emailed or submitted in advance.

Before we begin, I would like to remind everyone that certain statements made today may contain forward-looking statements that are subject to known and unknown risks, uncertainties, and other factors. For a complete description of the risks and uncertainties facing the company, please refer to the MD&A and other continuous disclosure filings, which are also available on the SEDAR website. Also note that all figures discussed today are in US dollars unless stated otherwise.

And with that, I will turn it over to Aziz.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Thank you, [ph] Martin (00:01:30). Good morning, everyone. Q1's success was a validation of investment strategies that were initiated in Q3 of last year. Our approach of investing in our high-growth business investments, in our high-growth needs versus optimizing adjusted EBITDA is paying off. The investments included increasing our domestic and international sales teams, product development, and implementation, along with adding key roles in strengthening sales, HR, and IT infrastructure.

The results, as Sajid will share, is one of the best Q1 quarters in Sabio history from both a new product and top line revenue perspective. It also should demonstrate to the marketplace Sabio can have strong growth in nonpolitical years.

I'm now going to hand it over to Sajid, our CFO, to talk about the numbers.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

Thanks, Aziz. We are pleased to report record first quarter revenues in our fourth consecutive quarter of double-digit revenue growth. Our shift to a streaming TV sales model from a mobile-display-dependent model has delivered a robust 40% compound annual growth rate since 2020, increased customer retention, and has captured substantial cost efficiencies.

For the three months ended March 31, 2025, Sabio generated \$9.1 million in sales, up 43% from the prior year. The increase in sales was fully organic and driven by strong advertising demand, broader client adoption in key verticals, and expansion into new geographies, in combination with new product offerings and previous investments made.

Double-digit growth rates were realized across several geographies within Sabio's footprint, including from the company's New York, Chicago, Washington, D.C., and Detroit offices. Meanwhile, the company has begun applying its sales model to geographies outside the US, including the United Kingdom, which continues to compound at triple-digit growth rates.

By segment, ad-supported streaming TV sales grew 40% to \$6.8 million compared to \$4.9 million in the same period last year. This compares to the 29% year-over-year growth rate we achieved in ad-supported streaming in quarter one of 2024. This year's increase in revenues was spread across several verticals, including telecom, quick-service restaurants, travel and tourism, automotive, technology, finance, and legal and professional services.

For the fifth straight quarter, ad-supported streaming sales once again outpaced the estimated 13% growth rate for the US ad-supported streaming industry at large as we continue to take market share. For context, this means

that Sabio was growing three times as fast as its peers with brands that are among the biggest and most sophisticated marketers in the world.

And Sabio's dominant sales category accounting for 75% of our overall sales mix, our ad-supported streaming sales feature lower OpEx and predictable and sustained growth through very high customer retention rates. 91% of our first quarter sales, excluding those from our new international business, came from repeat customers compared to 85% in the prior year's period. Meanwhile, 25% of the brands who spent with Sabio during the period were new logos, presenting new opportunities to expand our revenue base in the quarters to come.

Additionally, first quarter mobile display sales increased 58% to \$2 million from \$1.3 million in the first quarter of 2024, and Sabio was able to effectively cross-sell its product offerings to capitalize on high advertiser demand.

On a trailing 12-month basis, our ad-supported streaming TV business now represents 77% of our sales mix as we continue to capitalize on one of the fastest-growing categories in advertising. Within the span of four years, we have completely transformed ourselves from a company that generated just 13% at trailing 12-month sales from ad-supported streaming TV at the end of the first quarter of 2021.

Sabio's end-to-end technology stack powered by our proprietary App Science cross-screen graph and featuring several direct supply integrations continues to yield strong gross margins, with first quarter gross margins improving to 61% from 59% in the prior year's comparable period.

With 60% to 70% of our sales taking place in the second half of the year, the company has historically incurred first-half losses, followed by second-half profitability. Our first quarter adjusted EBITDA loss was relatively consistent with the prior year, increasing to \$1.6 million from \$1.3 million in the prior year's period. Contributing to the increase, there was an \$800,000 increase in cloud computing costs over the prior year's first quarter, which included one-time investments that will enhance the company's data security, capture AI-driven efficiencies, and facilitate a robust data platform for continued growth. Going forward, management expects these cloud costs to normalize.

First quarter OpEx also included investments made in the company's sales force and new product offerings since the fourth quarter of 2024. Sabio's sales force grew nearly 50% in the 12 months ending March 31, 2025, with most hires being made in the fourth quarter of 2024 and first quarter of 2025. The substantial benefits of these investments are expected to be realized in the second half of 2025 and into 2026.

Meanwhile, the company continued to use its cash flows from operations to strengthen its balance sheet and ended the quarter with cash increasing to \$3.8 million from \$3.3 million in the fourth quarter of 2024, while Sabio's debt load balance also trended lower. Also to note, the \$583,000 Employee Retention Credit that we received following the end of the quarter is not included in this cash balance.

Sabio debt's load consists of \$1.6 million in short and long-term debt instruments and \$5.1 million outstanding under our three-year revolving credit facility backed by Sabio's sales. This facility is used to borrow against eligible accounts receivable of the company before they are collected on, which have historically experienced nominal loss rates because Sabio's customer base is largely composed of the most significant US brands and advertising agencies.

When account receivables are collected on, the amounts received are first directly paid towards the outstanding loan balance, which the company can then use for working capital purposes through subsequent withdrawals

subject to availability under the facility. As a result, the facility is continuously being repaid as AR on sales is collected on.

At quarter end, we had 50.6 million US shares outstanding, 3.6 million options and RSUs outstanding, and convertible debt convertible into 1.74 million shares at an exercise price of CAD 1. Insiders continue to own 55% of the company, with high alignment between our management team and the interest of shareholders.

Management continues to believe the current market valuation of our stock does not reflect the fundamental strength and growth potential of our business. Subsequent to quarter end, Sabio renewed its normal course issuer bid program. While reinvesting within the business remains our bias for capital deployment, we believe such opportunistic repurchases will provide an attractive yield to our shareholders.

Looking ahead, Sabio is clearly on track to surpass its record-setting 2024 performance. While management continues to assess the ongoing developments in the broader economic trade policy and potential impacts on our business, with an expanded sales force and an improved IT infrastructure in place, Sabio expects its streak of double-digit consolidated revenue gains to continue on to the second quarter of 2025.

I will now turn it over to Aziz, who will provide a quick recap.

I think you may be on mute, Aziz.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Thank you, Sajid. To wrap up, we're very encouraged by the strong start of the year. Our new product releases, like Creator TV, are already gaining traction and our continued global expansion is opening up exciting new opportunities, particularly in high-growth international markets.

We're on track to deliver record first-half revenue, which speaks to the momentum we built across the business. With a larger, more capable team and strong platform to scale from, we believe Sabio is well-positioned to sustain the growth through the year, back half of the year, and into 2026, especially as we enter the high-activity election cycle that historically brings increased spend. We're excited about what's ahead and look forward to delivering continued value to customers, partners, and shareholders.

On that note, I will hand it back to [ph] Martin (00:11:42).

QUESTION AND ANSWER SECTION

A

We will now open the call up for some questions. All analysts have been given speaker permission, so please raise your virtual hand if the analysts can do that. And then investors are encouraged to submit their questions via the Q&A box, and we will address those after the analyst portion is complete. Our first question comes from Gabriel Leung.

Gabriel Leung

Analyst, Beacon Securities Limited

Q

Good morning and thanks for taking my questions and congrats on all the progress. Aziz, just wondering if you can give us some – maybe some talking points or perhaps some milestones you might have – be expecting from some of the newer offerings, namely around programmatic, performance, and Creator TV. What are some things we should be watching out for and what are sort of your expectations in terms of the revenue contributions for the next 12, 18 months from these products?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Good morning, Gabe. Thank you for your question. Some key milestones. First, let's talk about Creator TV. As we continue to expand distribution there, you're going to hear more announcements of some key platforms that we're going to be running Creator TV on. And as it happens, that obviously increases our scale and the opportunity to reach consumers. And this is unique for us, right? This is the first time we are going to go directly to consumers versus being behind the ad tech wall. So, it's an exciting opportunity and an opportunity not only to connect direct consumers, but the benefits of that include increased revenue from opportunities to sell, increased margins, data component that comes with it. So, it's really exciting.

As relates to programmatic, what you will likely, in terms of benchmarks, start seeing is, as we started seeing in our international markets, international has now started playing a bigger role in every quarter. And so, we expect programmatic to start kicking in in Q2, start showing some decent traction moving up. And I think, within the year, I do believe that programmatic could have a substantial portion of the total revenue.

Now, do I think it's a majority? No, not yet. We're fortunate to have great brands that want to continue working with us on many things. But what we have been told on a repeated basis is the fact that when we do programmatic, this is newfound money that we weren't claiming for our managed service business. So, we're excited about that opportunity and we're going to continue seeing those two key areas along with international. As I mentioned, international will continue to show gains and it will show up in our quarterly revenue numbers.

Sajid, anything you want to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

No. I think that was well said, Aziz. I think the only thing that I would add to that is that performance marketing is also a new product that we launched in Q4 of 2024, and we expect that to contribute several million dollars this year and really ramp up next year and the year after.

Gabriel Leung

Analyst, Beacon Securities Limited

Q

Got you. No, thanks for that feedback. And then there's been, recently anyways, quite a bit of volatility around ad tech spend, particularly with publishers who rely really on Google Search, especially what's going on on the generative AI side of things. I know it probably doesn't have a direct impact on you guys, but I'm curious, have you seen any – as a result of that, seen any changes in terms of buying behaviors from advertisers or just maybe behaviors on the publisher side with your SSP business?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

We haven't seen anything because we play – we don't play in the open Internet space. We play in obviously in the CTV/OTT space. We haven't seen any impacts with that yet. We do think that at some point, those impacts would benefit us just simply because as there tends to be a lot of noise and commotion, instability in that open internet space, brands want consistency and they want reliability. And so, we think that that is going to help us put money moving into CTV/OTT more.

And I think Search is under a lot of pressure right now, right? So, it's like a lot of big brand marketers are asking themselves, in the world of AI and the way things are going with ChatGPT and being able to – and consumers are changing their behavior, why do I even need Search? And that is going to open up some new budgets. So, we haven't seen anything directly yet, but we do think it's an opportunity for us as things progress.

Gabriel Leung

Analyst, Beacon Securities Limited

Q

Got you. And just had a couple of questions on the financial front. First, Sajid, do you have a number for what the one-time expenses might have been related to moving Vidillion to AWS?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. No, it's a good question, Gabe. I think that we're still kind of honing in on that. We just want to see a few quarters of traction – I mean, a few months of traction before we have a number out there, just to make sure that these items are indeed no-recurring in nature.

That said, we are seeing a sequential decrease in the cost going from Q – the end of Q1 to Q2. So, that cost is coming down, and it's coming down while revenues are going up, right? And usually, when your revenues go up, your cloud computing costs go up as well. So, we are seeing efficiencies taking hold.

Gabriel Leung

Analyst, Beacon Securities Limited

Q

Got you. And that'd be specifically on the R&D line, I guess, right?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yes. The R&D line, correct. Yeah.

Gabriel Leung

Analyst, Beacon Securities Limited

Q

Okay. Perfect. And then just in terms of sales and marketing then, I mean, you've spent the last two quarters bulking up the sales team domestically and internationally. Are you pretty much done in terms of the...

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Gabe, are you there?

Gabriel Leung

Analyst, Beacon Securities Limited

Hello? Can you hear me?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

Yeah.

Gabriel Leung

Analyst, Beacon Securities Limited

Yeah. Sorry. I was just asking on the sales and marketing front, you spent the last couple of quarters just bulking up the team there. Just curious if you're pretty much done in terms of the new hirings and investments on that front for the remainder of the year.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

I'm not sure. We – as you know, I kind of mentioned in my intro that we continue seeing a lot of growth opportunity. And because we see a lot of growth opportunity, Gabe, we want to continue adding resources as needed. And we see – once again, I mean, to deliver the type of Q1 we did, took investments in Q3, Q4, and we think that it's going to be an ongoing thing. And we don't expect our investments to slow down anytime soon. We're not really interested in optimizing EBITDA. What we're interested in is optimizing the opportunities and we see that as a huge growth potential.

So, we will have – we're not going to have the pace of hiring that we did in Q3, Q4, but we are going to continue adding resources for the rest of this year.

Gabriel Leung

Analyst, Beacon Securities Limited

Got you. No, appreciate that. Thanks for the feedback and congrats again on the progress.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Thank you.

All right. We will now take our next question from Daniel Rosenberg.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Hi. Good morning, Aziz and Sajid. Thanks for taking my questions. My first one comes around just the strength of the CTV in the quarter. Even when we look to some of the peer group, the CTV growth just wasn't as robust. So, I was wondering if you could just speak to the differentiation that you think you're bringing to the table that's leading to the strong top line?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. So, I think I'll take a stab at answering that.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

All right. Daniel, my apologies, everyone. I seem to have some technical problems, so I didn't hear half the question. My apologies. Can you repeat that again?

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Sure. I was just asking about the strength in the top line, especially around the CTV. Basically, when I benchmark against the other big peers, just haven't seen that type of growth. So, just wondering if you could speak to in more detail what the differentiators are that you're seeing when you speak to clients.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Sure. Thank you for your question, Daniel, and good morning. What we see is App Science is working. And what clients are telling us on a repeated basis, the fact that our ability to reach their audiences more effectively and competitors is real. They have done reach and frequency analysis on their end of the business, on top of the third-party tags that they use on us, and it's effective. And really, that's what the key is, is there is a lot of people in CTV/OTT that are just using contextual targeting. They're basically contextually reaching audiences because the quality – the lack of quality of data in the CTV/OTT space is a big problem. Reach is a big problem. Scalability of data targeting is a problem. And in Sabio's case, we're providing a solution for those. And so, that's why our clients, as we pointed out, [Technical Difficulty] (00:21:14-00:21:25)

A

We seem to be having some technical issues here. Are you able to hear this, Sajid?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. I can hear you.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Okay. Sorry. Go ahead, Sajid.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. I think that that was – what Aziz was saying is spot on. I think that a big differentiator in my view is our App Science household graph and our ability to do advanced targeting that some of our peers aren't able to do, right? I mean, we have it from a different perspective, a mobile-first perspective, a lot of our peers are coming at it from a linear TV going to streaming TV perspective. And I think that in the end of the day, what we say is you are what you app. And we feel – our way of going about it and targeting the consumer is a lot more accurate and a lot more nuanced. And I think that's really taking hold in that streaming TV number increasing [indiscernible] (00:22:17) each quarter, and it's increasing over the industry benchmarks as well.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Okay, thanks. Appreciate that. And maybe just to get a little more specific, I mean, I understand that differentiator in North America. And – but when I think about the UK, what are the drivers there or is it that UK business is advertising into North America? How should we understand just the triple-digit growth you're seeing in that market?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

In that market, what we're doing is we're doing a App Science-like product in that market. We have the know-how of App Science, and what we're doing is we're using – we're partnering with other data companies that are already [indiscernible] (00:23:01) that space that allows us to [ph] formulate and create (00:23:07) data segments in that market. And so, rollout for the European market, and eventually, the Asian market, but we're using an App Science-like kind of strategy there as well.

And some of it, quite honestly, is also contextual, like it's a combination. It's App Science-like segments and it's contextual targeting. We just – we have an incredible leader there that is able to connect the dots between what the market needs and what we – what our offering is, including on Creative. Creative has been a big differentiator for us there.

So, there's three-prong attack we're taking, it's App Science-like segments we've created, partnering up with other companies. It's Creative, and then understanding the power that we have from a contextual basis to connect the dots. So, those three is really – but to your point, Daniel, we don't have App Science officially in Europe yet, but we do believe that as we – we're working on that. We're doing some investments in that area. Part of that infrastructure spend on AWS in Q1 is connected to that. But we're going to continue putting some infrastructure spend to roll out App Science in Europe fairly soon, hopefully, by the end of this year, soon.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

[indiscernible] (00:24:27) So, great. And then just turning to the sales and head count question and also just your general expansion. I mean, you just mentioned Asia market and just Europe generally. Just what are the plans on hiring or the seats that you already put in place? Is there a focus on Europe? The UK is obviously going quite well. How are you thinking about targeting your human capital?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Our human capital, Sajid, get in in here as well, the way our initial thought is, is Europe is definitely we're seeing a lot of great momentum there. We're seeing momentum in Asia. As you know, we have a fully owned subsidiary in India, and we've had that since 2016.

So, our view is that Europe is a great opportunity. Asia is a huge opportunity, and then there's also Latin America. We are Sabio after all. The name is in Spanish. And so, it really lends itself to go into Latin America as well. So, we really – our immediate priority is UK, Europe, Asia simultaneously, and then Latin America.

So, we're delving into Mexico already. We're doing some – we're starting to have conversations out there and we'll start – part of our hiring over the last year is a person by the name of Liz Blacker, who came on board and has worked extensively in Latin America. So, we're excited about her ability to help us really kind of understand that market expand there, while DJ Agahi, who's running our Europe and Asia is helping us expand that way.

So, we have a multi-prong kind of effect and – sorry, strategy here that we believe are going to scale up. Did that answer your question? Were you looking for some specifics, Daniel? Overall, I'll hand it over to Sajid for that.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Yeah. If there's any – I mean, you did mention sales opportunity. I'm just wondering if there's a geographic split, or if there needs to be, just where you're putting those.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

I think it's worth – I think that, as Aziz mentioned, we are going to continue to add some resources there. But it's also helpful to have some context that the European market is a bit different than the US setup. So, unlike the US where sales out of the US, there's a US audience, international has more of a land-and-expand model where, out of the UK, brands can run campaigns across several geographies across Europe and even into the Middle East.

And so, that can lend itself to some sales efficiencies. We don't necessarily need to set up an office in each jurisdiction that you're running a campaign. So, while we are going to be able to – while we are intending to add some resources for sure in Europe and internationally, you don't need to have a salesperson for each jurisdiction that you have a campaign in, sort of our efficiencies from that perspective.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

It goes back to that expenditure on the AWS. Like, we are going to be adding some different components that this is all part of our core system. And so, as we expand it and strengthen it, also defend it, do some things that are allowing us to like make it more secure because as we go further out from home base, as Sajid mentioned, we don't have to have all the pieces in that market. We're doing this by connecting into different data centers across the world that allow us to be very close to where our clients are. And so, that is the primary cost.

So, you'll see this component being a big part of our cost structure is how do we manage those as we start expanding out further.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Okay, thanks for that. I guess, turning just to a financial question, the working capital had a nice benefit. Nice to see the balance sheet strengthening. Just wondering if you can help us with thinking about how those working capital flows move throughout the year?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. Well, it's a good question, Daniel. I think that we've never been in a better position as far as our balance sheet goes. Again, ending the quarter with \$3.8 million of cash, up from \$3.3 million at year-end. And as – and if you can kind of compare to March of last year, we were around \$2.5 million or so. So, it's definitely in a much better position and also with a much lower balance on our credit facility, as you pointed out.

I think that what tends to happen is that, in the middle of the year, that's the portion of the year when you're collecting on your Q1 sales, you're paying out your vendors. And usually, because we do tend to run first-half losses, we see more use of our line around the middle part of the year. And then that line tends to go down towards the end of the year as we are cash flow positive again. So, I would expect a similar ebb and flow. Think of it as like a bit of a hill. You start off kind of low, you go a bit higher, and then you go down further toward the year-end.

And I think that what's different this year is that the base is a lot lower than it was the previous year. And so, we're very well setup for the rest of the year.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

And that does not include that additional rebate money we did receive. Sajid, you want to clarify that, what that...

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. Correct. Yeah, yeah. We applied a couple years ago for an Employee Retention Credit through the IRS as a COVID pandemic program. We – there was a big backflow of claims. We finally got ours [indiscernible] (00:29:53), and we got a refund of \$583,000 received subsequent to quarter end. And that obviously provides a much helpful working capital for the rest the year and to execute on our business initiatives.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

Okay. Great. Yes, I saw that in your filings. And then lastly, just around the outlook, I know you pointed to double-digit growth, but here you are putting up double-digit can mean a lot of things for you guys. So, just trying to – could you help us narrow it down a little bit on how you're thinking about the growth opportunity? And then just like the operating leverage in the business, you mentioned costs are coming down.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yeah. I think that the way – the wording of that was to be a bit prudent, a bit cautious. Now, I will say that Q2 started out with a similar exit rate as Q1, very robust. Now, we did see a bit of a slowdown around the Liberation Day announcements on tariffs. And there's a lot of uncertainty out there, but since those cobwebs have been cleared, tariffs have been brought down, we are seeing a return to growth. And so, that's kind of why we put up the language that we have.

Now, obviously, things are very fluid from a day-to-day situation. So, I think it might be a bit irresponsible for us to put our line in the sand and say, this is going to be the number. But if things kind of proceed the way they are right now, we're going to be in pretty good position by the end of Q2.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

And look, to be cautious here, every day, advertisers are changing posture. And the reason, unfortunately, is because Washington is changing posture, and that is creating some uncertainty. I mean, we do believe, Daniel, that because what we're seeing as clients are, first, when Liberation Day happened, we saw an immediate impact in terms of our momentum. The momentum slowed down considerably. As Liberation Day, some of these tariffs had been postponed, delayed, that slowed some – that opened up a little bit more money flowing through but there's still a lot of uncertainty. And I think the problem is, until there's some consistent messaging from the White House, our clients don't know what to do.

I mean, if – are they going to pay extra on steel that's coming in to make the automobiles? Are they paying more for goods on the products that – the supplies that go into the product? That is creating havoc within the economy. And until this administration figures out what the heck they're doing, we're going to see a lot of uncertainty.

And I think we don't know – our clients are doing their best. And what we're hearing from them is they're very much delaying until last minute on a lot of their spend. So, we're seeing a lot of just-in-time spending, less planning, and deals coming in in a shorter span than we've ever seen before, just simply because they don't want to have a lot of commitments out there that can – that they need to cut.

So, that is having some effect. And we're cautiously optimistic that that will work out to – for Q3, Q4. But we do see some risks. I mean, if we didn't say that, we wouldn't be honest. We're seeing risks in Q3. We're seeing some risks in Q4, but we feel pretty good right now that – in the short-term momentum. But if tomorrow, the President of the United States does another tweet or whatever he does, that could impact our advertising spend. So, very dependent, as is everyone else, on this volatility that's coming out of the White House.

Daniel Rosenberg

Analyst, Paradigm Capital, Inc.

Q

That's fair. Appreciate that context. Congrats on a good quarter. I'll pass the line.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Thank you. Appreciate it.

A

Thank you very much. And now, we're passing it off to Nicholas Cortellucci.

Nicholas Cortellucci

Analyst, Atrium Research Corp.

Q

Hey, Aziz. Hey, Sajid. Thanks for the time here. Couple questions. So, just the first one, you guys had some pretty good industry diversification in the quarter, so just wanted to see if we could get some more color on what drove that and how you guys achieved that.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

As Sajid kind of – thank you. Thank you for the question, Nicholas. Good morning. As Sajid kind of alluded to, we had growth across the geographic – in terms of geographies as well as categories. And the categories are driven, primarily, we're seeing a lot of robust growth in categories outside of automotive.

Automotive has been a good category for us, it has been the number one category in the past, continues to be. But we are seeing categories like telco and quick-service restaurant, and also the advocacy area, which we've invested in D.C., continues to be a great area for us.

So, quite honestly, automotive has been going through some challenging times, and especially with all the things that are going on with the tariffs since Liberation Day, it is holding them back a little bit. Having said that, other categories are picking up the slack. So, once again, telcos don't have to worry about tariffs. Advocacy doesn't have to worry about tariffs. We're seeing quick-service restaurants that are a little bit more immune to tariffs just simply because a lot of – especially in the US, a lot of ingredients do come from Mexico. And thus far, there's no additional punitive tariffs coming out of that.

So, overall, we're seeing automotive helping us – other categories helping us diversify just simply because automotive is a little bit restrained from our perspective. Sajid, anything you want to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

No, I think that was well said. I think that it's – we're seeing a lot of strength across the board. There are certain sectors that are a bit more – that could be impacted more from a tariff situation like automotive, but the fact that we are more diversified than we were in years past leads well to that. And we're not only diversified from a vertical perspective, from a geography perspective, but also now from a product perspective as well.

I think that if we do go into an uncertain economic backdrop in second half of the year, advertisers are going to want more flexibility under macro uncertainty. And I think that should that happen, there'll be more of a shift to programmatic for managed services. And for the first time, now we have an ad-supported streaming programmatic product that we can offer to meet that demand. And so, we are heading into these headwinds in a much better position than we have been in years past.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

In addition, our performance product, which is already showing some great gains for some of our advertisers. And so, we – once again, we continue investing in different diverse – to Sajid's point, we're diversifying this company to a better extent than we ever have, whether it is various products, including Creator TV, which opens up another avenue of revenue stream that's not dependent solely on ad revenue from some top brands. So, we are – we're definitely diversifying as fast as we can.

Nicholas Cortellucci

Analyst, Atrium Research Corp.

Q

All right. Okay. That's perfect. And then I just wanted to ask about the mobile segment, because this is the third consecutive quarter of positive growth now. So, what should we expect from that segment going forward? Can you guys continue to grow it?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

We – it is actually quite surprising to us, too. And we did say last year that when we – when our performance product kicks in, you're going to see this growth in performance in mobile because performance relies a lot more on mobile than you do CTV/OTT and. And so, we do believe that that will continue seeing some growth as our performance product grows.

And also, part of where programmatic is kind of unique in the sense that, years ago, we were doing a lot of programmatic. In 2016/2017, we were doing programmatic, mobile programmatic. And as we started pivoting into CTV/OTT, we didn't do as much – our focus was not mobile. Our focus was CTV/OTT going into this area. But at the end of the day, the CTV/OTT powers our mobile and we know mobile, so our clients know that.

And so, what's happening is now, there's this resurgence of – you obviously have all this great mobile data. You're showing great positive impact using CTV/OTT. We want to also use you for mobile. So, we do expect that to grow. It has not been our focus, but mobile is still at the core of what our business.

And then, and because we now have, as I mentioned in the intro, we've added some additional folks and resources. And we have someone who's dedicated to supply who is now allowing us – helping us really kind of tap into better-quality mobile.

Our issue with mobile was the fact that we felt like there was a real question of quality in the space. And now, we have a great leader in Shez Iqbal, who is managing our supply relationships and helping us really fine-tune that supply relationship. And so, advertisers are seeing the benefits of that. They're seeing the return on that.

And so, we do expect mobile to continue growing. But really, our objective continues to be and will be continue growing the CTV/OTT space, especially now with the launch of Creator TV channel. We really think – but mobile will continue growing. It's just a byproduct of who we are at the core of a company. We're a company that's driven by mobile data.

Sajid, anything to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

No. I think that was well said.

Nicholas Cortellucci

Analyst, Atrium Research Corp.

Q

Amazing. All right. Well, those are the only questions I had. All of the other ones were answered previously, so I'll let some other people ask some. Thanks for the time, guys.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

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Thank you, Nicholas.

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Thank you very much from the analysts. The analysts' questions have now been addressed, and we will take questions from the Q&A box. Please quantify the one-time expenses in the quarter that will not continue next year and the rest of the year.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

A

Yes. I think the biggest piece will be those AWS costs and I think that we can – well, happy to provide some more color on the non-recurring expense at the end of Q2 once we get a – we want to see a few months under our wing in Q2 just to make sure that what we expect to be non-recurring is in fact non-recurring. And we are seeing those trends so far.

Again, to reiterate, we are seeing our cost come down between Q1 and Q2 despite the fact that we're seeing higher sales in Q2. And usually, that's the inverse. Usually when your sales go up, your cloud costs go up. And so, that's definitely a good sign, and where we have to provide some more color when we get to that point.

A

CTV and OTT revenue growth was 40% year-over-year versus Q1 2024, and 30% to your CAGR since Q1 2023, why – the last nonpolitical year – why the need to spend more on sales force?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Simply because the way our business works is we have to work with the brands and agencies and we're still a small, very small company in a very big space. We're taking market share at a faster rate than our competitors. And so, the argument is do we just sit there and wait for our competitors to then outmatch us and continue to grow? No. The opportunity is great.

And what's going to happen is we are getting a lot of repeat business, as you see, but our geographic expansion is working. Our addition of sellers across the regions is working. And we have proven, once we get deals, we can hold those deals and grow them. But in some cases, we still have to get new deals and grow some of that business.

And so, we do believe that the geographic expansion – and now programmatic, by the way, is a new category of business. All of our – the way to think about our business is it has been campaigns that have run through our platform alone and solely through our platform. Now, with programmatic, our platform – it's using our platform, running through someone else's platform. That requires a different skill set of going out and selling those deals. And once we sell those deals, we're already seeing some very positive results there and returns there.

So, our competitors have very large sales teams. And I think the way to look at – where we compare, look at where Magnite is, the number of sales and apparatus they have. We are an ad tech, and unfortunately, ad tech takes investment. It is not a gold mine that you spend a few years digging up and then all a sudden, it's a gold rush. Fortunately, that's not ad tech. It is always evolving, it's growing, and it's going to take investment, and we're committed to that investment.

And you know what, that might be coming at the cost of EBITDA. We get that, and we're fine with that because at the end of the day, we see the opportunity for growth and that really is what we're focusing on. We are a growth company. We are not a – and we're one of the fastest-growing tech companies in the Canadian space and the

first one that's probably going to reach \$100 million in a very long time. So, we're super excited about that, and we see a big opportunity to continue growing and we are going to continue investing. And this is not the time for us to optimize EBITDA, absolutely not.

Sajid, anything you want to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

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Yeah. No, I think that that was well said, Aziz. I think it just worth to emphasize that these are calculated investments, right? These are investments in areas that we see huge opportunity for growth. International is an area that we're seeing huge growth in. So, we're investing in performance marketing, can add several million dollars to our top line, so we're investing in it. Creator TV has huge potential as well, not only to our brands and advertisers [ph] spend (00:44:23) to creating a holistic tech stack. And so, we're investing in that as well.

So, these are very calculated, measured investments and the proof's in the pudding, right? We are growing at 40% growth rates right now in CTV. And we expect those – we expect even in a downturn in the economy that we're still going to outpace our peers and grab market share.

A

Do you expect the growth to accelerate with these new investments?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

Yeah. I mean, we're already hot to begin with and – but we do believe so. These investments are – as I mentioned earlier, we started investing this third quarter. And our objective was we have a Q3 that has year-to-year comps, that has political revenue. As you can see in Q1, last Q1, we didn't have any real political revenue, but we were able to really deliver 43% growth this Q1. Q2, we did see a little political revenue, but a lot of the political revenue sits in Q3 on a historical basis year-to-year comps.

So, our objective was to put investments in, so this way, we can be in a position to beat those Q3 year-to-year comps. Now, that was before the tariffs and everything came in. So, we're very cautiously optimistic about our Q3 comps. We're feeling good about our Q2 comps, but Q3 is really where the big portion of roughly \$5 million of political sits in Q3 year-to-year comparison.

And so, our objective was to get past that Q3 hump. And once again, this was before the tariffs are showing up. But we do believe that, to answer the question, that these new products are what we need. We're showing the growth in them in Q1. We'll show growth in them in Q2. And if the tariffs don't have a too big of a corrosive effect on the overall broader economy in Q3, Q4, you will see the growth of that. That is not connected to political. Then we go back into the political year in 2026. So, we're in a position where we are proving to the marketplace we can grow outside of political, and these products are going to help us do it.

A

When will you be able to grow your SG&A at a slower rate than gross profit?

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When we get closer to probably \$100 million of revenue, that's probably the inflection point. And, Sajid, anything you want to? But in my mind, that's really where we're really kind of starting to really get some economies of scale at a bigger level.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

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Yeah. And I think it's worth just to emphasize that we always tailor our cost to the tailwinds and headwinds that we're seeing in our business. So, for example, in 2020 – at the end of 2023 and then 2024, we dialed back the SG&A costs. And we're able to expand EBITDA to get through a rough patch. We had – the levers that we had back then, we still have today. But right now, we're not seeing the same kind of headwinds, so we're going to invest and we're going to invest in our businesses and grow. And if we need to dial things back, we will. We'll always respond to the broader economy, to the industry, and to our business.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

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But I think to Sajid's earlier point, we've never been in a better cash position. And so, that cash position continues to grow and we're going to be very mindful of how do we approach our business needs. But growth is really the mindset we have right now.

And I know, unfortunately, that's not what a lot of investors may want to hear, but that is our growth – that's our growth mindset at this point is growth. And that we are very focused in on that because this, too, will change. We're Sabio. We don't worry about fads. We worry about the long-term aspect of our business and we're going to continue growing it. And we have proven now in terms of our CAGR that we know how to grow it, and grow it profitably across multiple quarters and years.

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

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Yeah. And I think it's worth just pointing out that looking at the overall big picture, we're on a very good pace right now, right? I mean, our EBITDA loss in Q1 was very close to what it was last year when we had record profits. And so, we're still on a very good path right now.

A

Has there been a shift in philosophy to maximizing revenue growth at the expense of EBITDA?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

A

There hasn't. I mean, at the end of last year, and when we were coming out of 2023, it was, as we all know, it was a challenging year. And so, we had to be mindful of our cost structure. We wanted to optimize EBITDA, and naturally, what was – our cash positions were not great. They were actually going the wrong direction. And so, we had to kind of refocus on some key things, and getting to the EBITDA optimization was important.

What we've realized is we have a better understanding of our business going through that than we ever have. And so, now, we see the opportunity of growth. And so, our focus is growth. And so, it really hasn't changed other than

the tools that we have at our disposal dictate what we can do. And today, we have better tools than we did in 2023 going to 2024. And then we demonstrated in 2024, we could deliver both EBITDA and top line growth.

We believe we can do the same again in 2025 going into 2026, and so – and in 2026. So, what we're essentially telling to the marketplace is, look, there are going to be times when we need to make the investments, and because what we do not want to do is underestimate the need for infrastructure security, to underestimate the need to have expandable business instead of all a sudden needing to do some one-time big cost. Yes, we had some one-time costs in Q1, but that's nothing compared to if you get to a point where something breaks down and now you have the – you're limited in ability to expand and unless you spend a few million dollars.

We're spending cost as we go to expand and make sure we are ready for the growth we're seeing. That's what we're doing. We're being good stewards of our business.

So, no, the thinking has not changed, although I will tell you, the level of growth that we're seeing, our peers are not seeing. Compare them, compare us to everyone else in the marketplace, as I think Daniel Rosenberg did. We are outpacing the market in a big way and we see that momentum. The wind is in our backs and we are going to play that as far as we can, and we're not going to let investment slow us down on that respect.

Sajid, anything you want to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

No think that that was well said.

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What opportunity do you see in political and advocacy ads in the international markets?

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

That could be a bigger opportunity. The biggest export from the US is not only guns and weapons but it's going to eventually be political. And so, the reality is we do see that as a big opportunity. And right now, though, the opportunity in US is big. And that really is our focus is really kind of fine-tuning that business. But international could be a growth opportunity.

But just in general, international is growth in general. It's big in general. Our Creator Television channel is now distributed globally. We have spots that are actually running in our channel in Europe, which is amazing, right? We've sold the spots. They're running in our European channel through Plex and some of these other platforms. We see that as a bigger expansion.

So, political, yes, is an opportunity, but the US in itself is a huge opportunity to grow. And obviously, I don't mean say, military spending. We export a lot of great things from the US, just didn't want to get political there.

Sajid, anything you want to add to that?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

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[ph] I don't (00:52:45).

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Okay, thanks.

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Can you share your percentage of variable to fixed costs?

Sajid Premji

Chief Financial Officer, Sabio Holdings, Inc.

Yes. I think that the biggest kind of fixed cost that we have is more of a variable cost, and that's the head count cost that we have. So, that's the salary cost that we don't disclose line by line for competitive reasons.

But – and that kind of speaks to what we're able to do in 2023, 2024, we had some challenging time that we're able to pull back on our cost structure quite significantly to get through downturns. That kind of goes back to why we feel confident in our ability to invest in the – in our business today, because we have those levers to pull back if we need to.

Unverified Participant

All right. Gentlemen, thank you very much. There are no further questions at this time. And this concludes today's conference call. You may now disconnect.

Aziz Rahimtoola

Chief Executive Officer, Co-Founder & Board Member, Sabio Holdings, Inc.

Thank you.

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