FY17 Highlights

- FY17 profit before tax within the guidance range announced on 6 February 2017

- Strong growth in maintenance revenue – now 46% of total revenue following strong encryptor sales growth in prior periods

- Customer network upgrades had a significant impact on key customer ordering patterns in FY17 – operating revenue down 7% as a result

- As expected the disruption was temporary and affected customers have recommenced ordering

- The company's excellent R&D program focused on developing new technologies such as the 100GB encryptor, custom algorithm solutions and virtualised encryption software will enable the company to address new market opportunities that will drive growth for Senetas and its shareholders in FY18 and beyond

- Strong balance sheet enables strategic investment to drive shareholder growth

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FY18 Outlook

- Positive outlook for earnings growth in FY18

- Strong sales pipeline for existing product and the new 100G and custom algorithm products will generate sales for the first time in FY18

- Commercial deployments of Suredrop are expected to commence in FY18

- Further validation and development of software encryption products - and a focus on additional security certification to open up the European market will provide further growth opportunities in FY19 and beyond

- Further strategic opportunities to leverage customer and product strengths and accelerate growth

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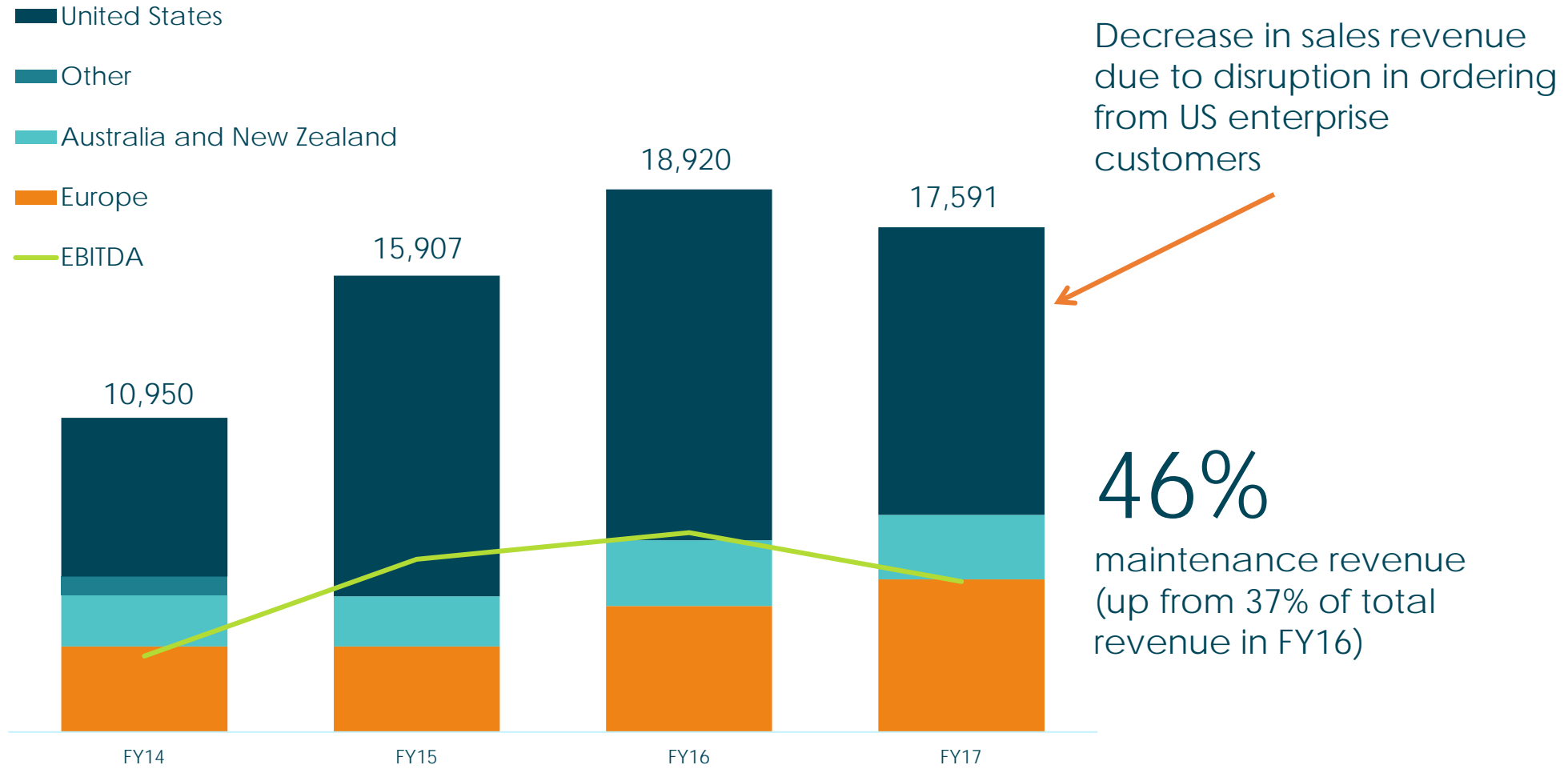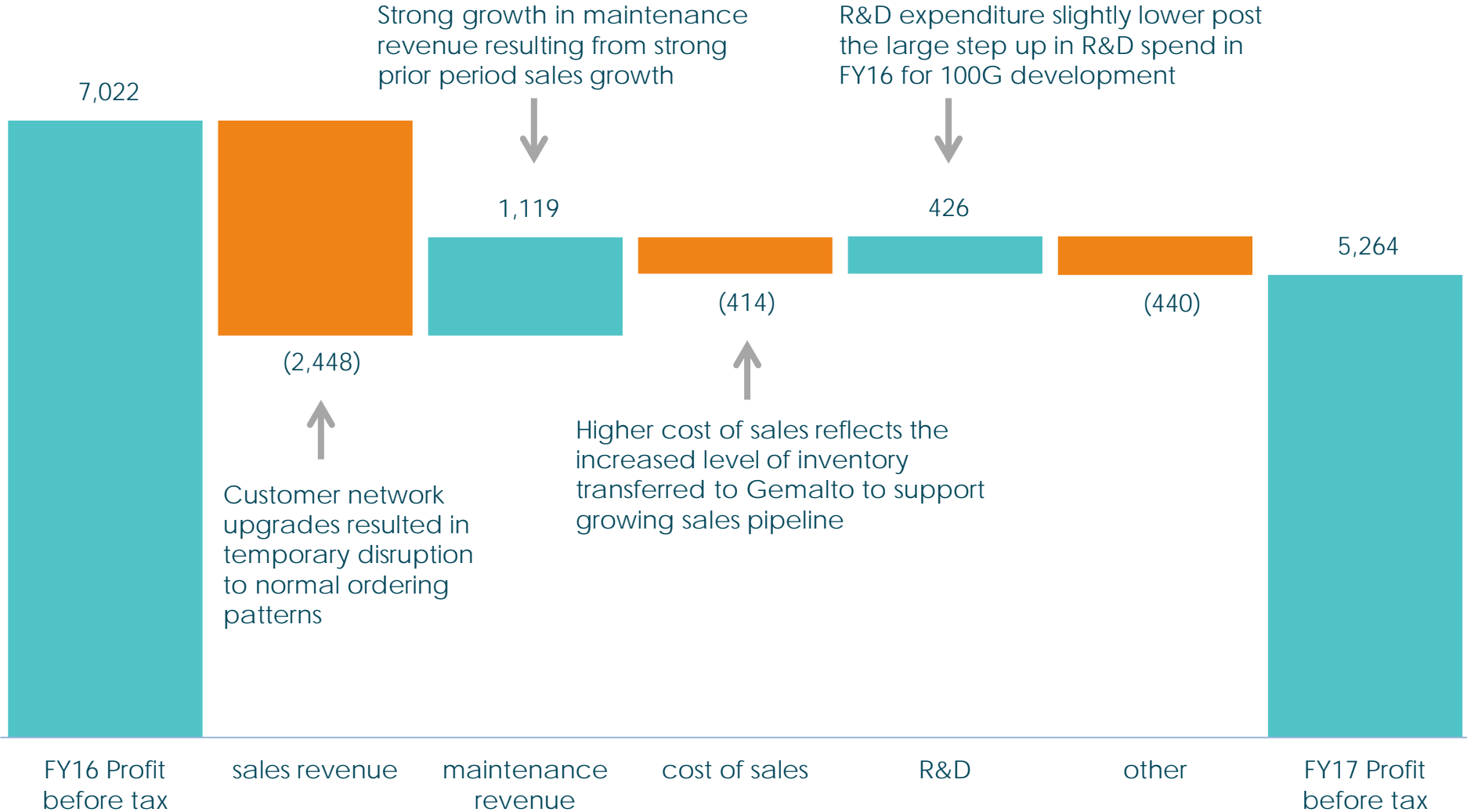# Key Financials

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FY17 Key Financials

Year ended 30 June 2017	FY17 $000's	FY16 $000's	Change
Revenue from ordinary activities	17,591	18,920	(7%)
Gross profit	13,948	15,691	(11%)
Other income	2,441	2,517	(3%)
Profit before tax	5,264	7,022	(25%)
Tax expense	(2,385)	(1,803)	32%
Net profit after tax	2,879	5,218	(45%)

- Overall revenue declined by 7% - comprising a 21% reduction in product revenue and 16% growth in maintenance revenue

- Sales revenue impacted by the previously announced disruption to ordering patterns from customers undertaking networking infrastructure upgrades

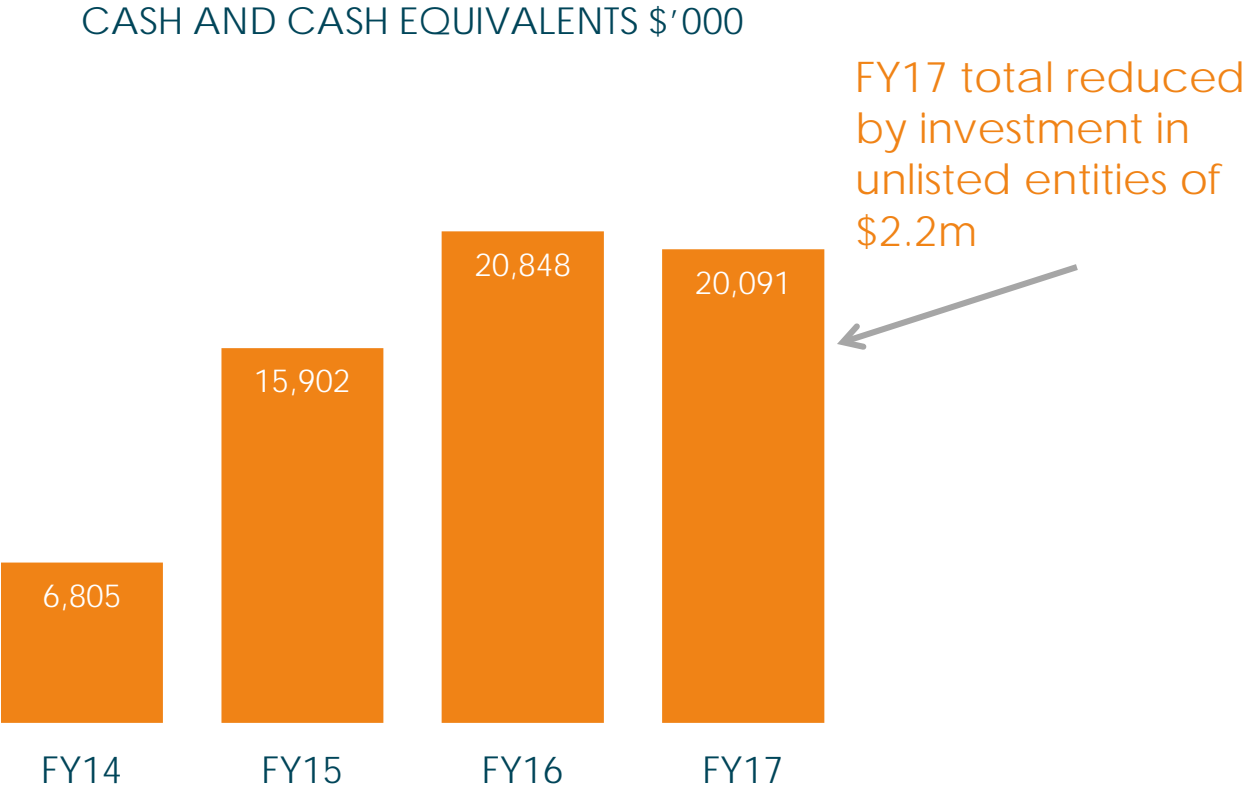- Higher effective tax rate – tax losses were fully utilised in FY16 and rebatable R&D expenses are non deductible

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Trading Revenues ($'000)

Legend:
- United States
- Other
- Australia and New Zealand
- Europe
- EBITDA

Bar chart values:
- FY14: 10,950
- FY15: 15,907
- FY16: 18,920
- FY17: 17,591

Decrease in sales revenue due to disruption in ordering from US enterprise customers

46% maintenance revenue (up from 37% of total revenue in FY16)

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Drivers of FY17 Profit Movement

Strong growth in maintenance revenue resulting from strong prior period sales growth

R&D expenditure slightly lower post the large step up in R&D spend in FY16 for 100G development

7,022

1,119

426

(2,448)

(414)

(440)

5,264

Customer network upgrades resulted in temporary disruption to normal ordering patterns

Higher cost of sales reflects the increased level of inventory transferred to Gemalto to support growing sales pipeline

FY16 Profit before tax

sales revenue

maintenance revenue

cost of sales

R&D

other

FY17 Profit before tax

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Strong Balance Sheet & Positive Cash Flow

NET ASSETS $'000

CASH AND CASH EQUIVALENTS $'000

FY17 total reduced by investment in unlisted entities of $2.2m

Net Assets:
- FY14: 9,026
- FY15: 13,093
- FY16: 18,526
- FY17: 21,483

Cash and Cash Equivalents:
- FY14: 6,805
- FY15: 15,902
- FY16: 20,848
- FY17: 20,091
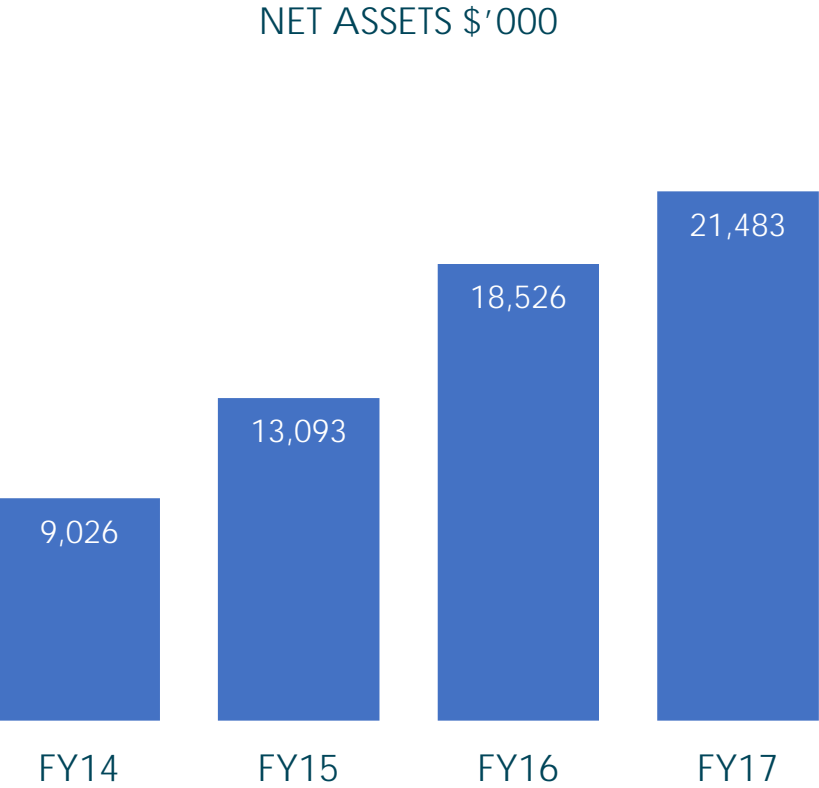
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Growth Opportunities

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Ultra-High-Speed 100Gbps Ethernet Encryptors

- The market for 100Gbps is growing and are expected to account for 50% of data centre activity by 2019

- Senetas' new range of 100Gbps encryptors support complex, ultra-fast network topologies; enabling 100% security for Big Data, Cloud and data centre services

- Senetas 100Gbps encryptors received FIPS certification – a critical requirement for sales to U.S. Government agencies and providers to U.S. Government agencies. Common Criteria is pending.

- Third major customer has recently commenced testing

- Sales orders expected the first half of FY18

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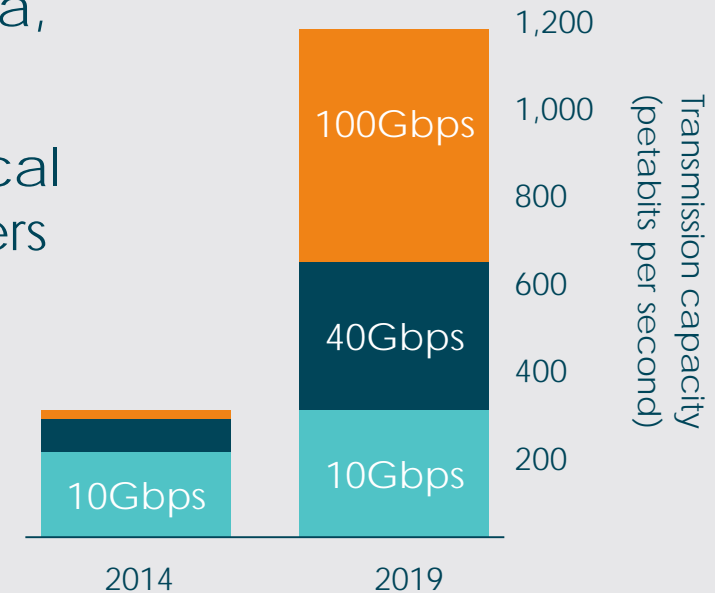
Custom Encryption Services & Algorithms

- Encryption algorithm can be chosen or provided by the client

- Customer testing and certification process have commenced

- Initial sales are expected late in 1H FY18

Software-Defined Encryption

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Layer 2 Encryption only solves part of the problem

- Senetas hardware encryptors target high assurance Layer 2 networks (head office network, and data centre links)

- However, need for these Layer 2 products to also communicate with Layer 3 & 4 (the internet, remote offices)

- Solution needed to deal with both problems

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Senetas SDN-Compatible Virtualised Encryption

- The introduction of a virtualised encryptor opens up Layer 3 (e.g. the internet) and more Layer 2 markets

- Virtualised encryptor designed to deliver 30% performance improvement over existing solutions

- Senetas is working with a major optical network provider to develop a specific crypto solution utilising Senetas' core technology

- The market potential for this product is significant

Legend:
- Layer 1 (10%)
- Other Layer 2 (16%)
- Current Layer 2 (4%)
- Layer 3 (70%)

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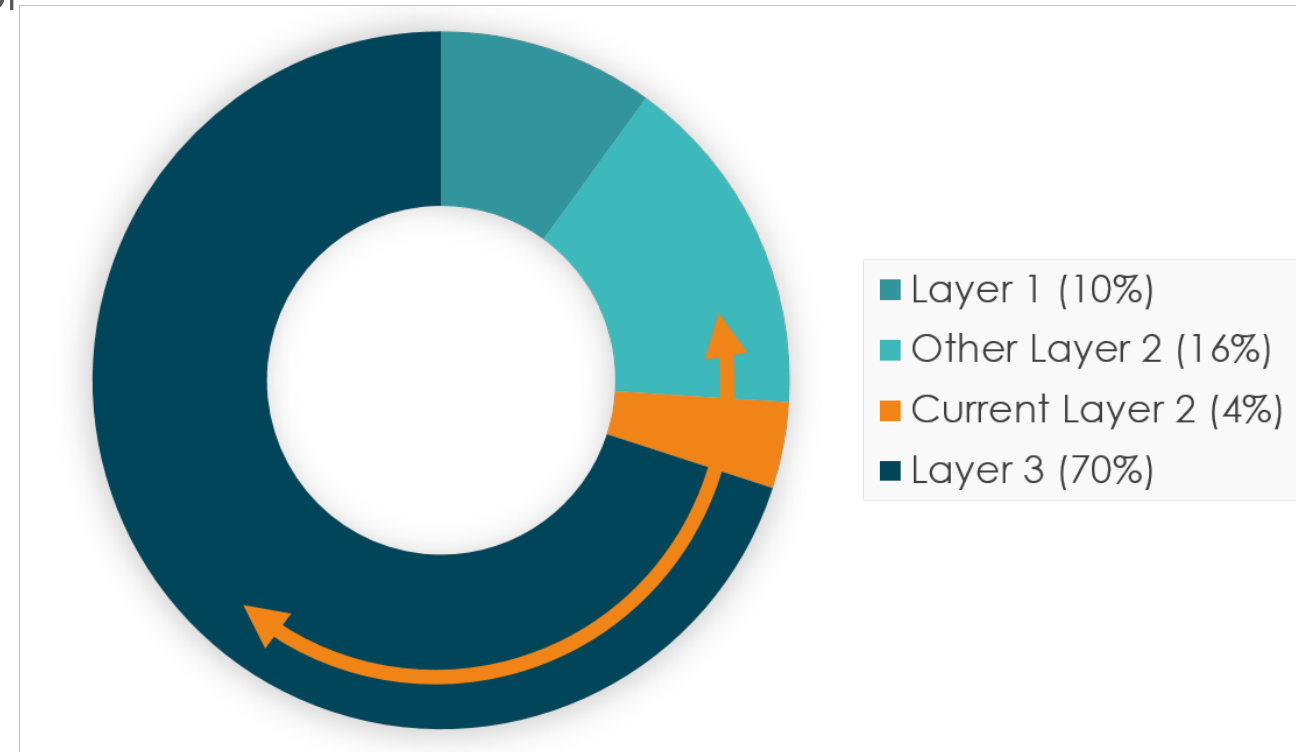
Making The Most Of Growing Technologies

- Software-Defined Networking (SDN) is an emerging architecture that is dynamic, manageable, cost-effective, and adaptable

- These qualities make SDNs ideal for the high-bandwidth, dynamic nature of today's business applications

- SDN architecture leverages underlying legacy infrastructure, abstracting it for applications and network services

- These networks do not have embedded security

Global SDN Market Value[1]

2020
$13B

2019
$8B

2018
$5B

2017
$3B

2016
$2B

2014
$1B

2015
$1B
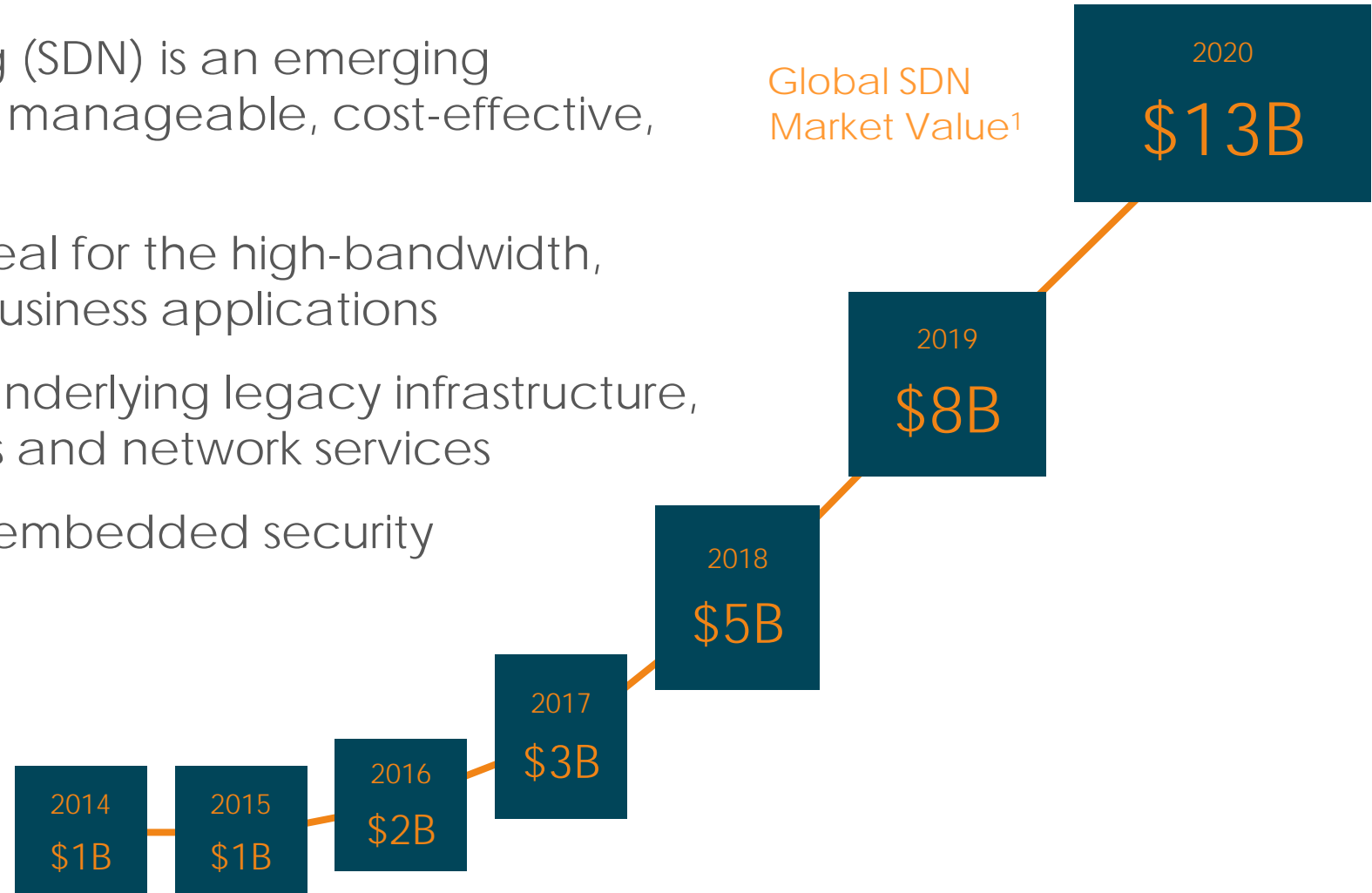
1. International Data Corporation

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Other Security Solutions

Bringing together tools that optimise security and user experience

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Growth Via Strategically Aligned Opportunities

Strict criteria govern new opportunities

- Aligned with its core capabilities; leveraging encryption, security and networking skills, Senetas has received significant interest in those capabilities from several organisations

- Technologies that optimise both security outcomes and user experience

- Address needs of our existing client base and distribution partners

- Expand Senetas product suite, build scale and global relevance

- Accelerate growth

- With a strong balance sheet Senetas is well positioned to explore security opportunities and continue to leverage its skill base to bring new products to market

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Case Study: SureDrop Acquisition

Secure file sharing and syncing solution for enterprise and government

SureDrop provides all the usability, familiarity and convenience of a dropbox-type file sharing and collaboration application *plus* robust, state of the art security.

✓ Expands product suite while being complementary to Senetas' core competencies

✓ Acquired in 2nd half of FY17 on an earn out basis with no upfront capital outlay

✓ The service is offered on a user subscription basis

✓ In early stages of release to market and is currently being trialled by customers in partnership with a large Australian telecommunications company

✓ Sales expected late FY18

Other, Non-Core Assets

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Unlisted Investments

EON Reality Inc.

- EON Reality Inc. (EON) is world leader in Augmented and Virtual Reality based knowledge transfer for industry and education, based in California

- Minority (preferred stock with cumulative dividend) investment US$2m made in 2000

- Value was subsequently written down and has a carrying value of zero on Senetas' balance sheet

- EON is planning to list on NASDAQ, the timing of an IPO and the potential value of the investment in EON remain unclear

- Senetas has board representation

Unlisted Investments
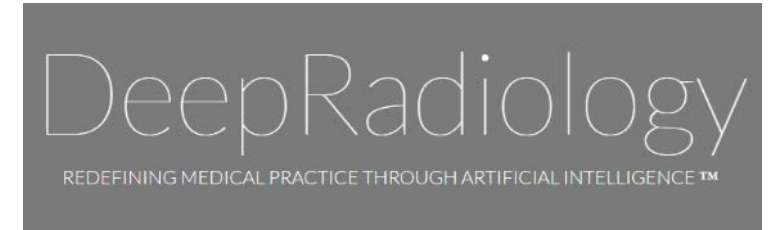
DeepRadiology

- Autonomous radiology scan interpretation and reporting system which uses medical machine learning and artificial intelligence - awaiting US FDA approval
- Cybersecurity is atop concerns for patient records
- Senetas invested US$1m and the investment is structured to allow joint technology collaboration
- Senetas has board representation

Unlisted Investments

Smart Antenna Technologies

- SAT has patented smart antenna technology
- Consolidates the multiple antennas found in mobile devices into a lower cost, more efficient single antenna
- Target markets are mobile devices, laptops and IoT
- Senetas has a 6% equity stake
- Senetas has board representation

Detailed Financials

Operating Cash Flows

Year ended 30 June 2017	FY17 $000's	FY16 $000's	Change
Receipts from customers	17,215	18,599	(7%)
R&D tax concession net of tax paid	210	401	(48%)
Payments to suppliers & employees	(16,192)	(14,230)	14%
Operating cash flows	1,700	5,193	(67%)
Investing cash flows	(2,445)	(244)	902%

- Receipts from customers declined in line with operating revenue

- Increased payments to suppliers in line with higher cost of sales as Gemalto increased its inventory levels in FY17 to support a growing sales pipeline

- Higher investing cash flows represent the investments in Smart Antenna Technologies (SAT) announced in December 2016 and the investment in DeepRadiology announced in May 2017

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Balance Sheet Remains Strong

As at 30 June 2017	FY17 $000's	FY16 $000's	Change
Cash and cash equivalents	20,091	20,848	(4%)
Trade and other receivables	5,401	5,927	(9%)
Unlisted equity investments	2,227	-	-
Total assets	31,704	29,474	8%
Trade and other payables	(1,393)	(1,973)	(29%)
Unearned income	(4,073)	(4,800)	(15%)
Total liabilities	(10,221)	(10,948)	(7%)
NET ASSETS	21,483	18,526	16%

- Strong balance sheet with net assets up 16% in FY17

- Cash on hand of $20.1m and no debt

- Slightly lower cash balance impacted by $2.2m invested in unlisted entities (SAT and DeepRadiology)

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The Breach Landscape

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DATA BREACH STATISTICS

DATA RECORDS LOST OR STOLEN SINCE 2013

9,040,592,509

ONLY **4%** of breaches were "Secure Breaches" where encryption was used and the stolen data was rendered useless.

DATA RECORDS ARE LOST OR STOLEN AT THE FOLLOWING FREQUENCY

EVERY DAY	EVERY HOUR	EVERY MINUTE	EVERY SECOND
5,378,104	**224,088**	**3,735**	**62**
Records	Records	Records	Records

An Evolving Breach Landscape

1.4 Billion
DATA RECORDS COMPROMISED IN 2016

59%
BREACHES MOTIVATED BY IDENTITY THEFT

1,792
BREACH INCIDENTS REPORTED IN 2016

86%
INCREASE IN RECORDS COMPROMISED FROM 2015

68%
BREACHES CARRIED OUT BY MALICIOUS OUTSIDERS

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High-Assurance Encryption – Secure The Breach

4%

In 2016, just 4% of breaches involved encrypted data

When high-assurance encryption is used:

- Data is rendered useless to the attacker
- The risks of data manipulation or input of rogue data are eliminated

Cyber-criminals are increasingly targeting:

- High-volume / high-value data
- Unsecured networks

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Senetas Solutions

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Not All Encryption Solutions Are Created Equal

Senetas encryptors provide certified, high-assurance network security and maximum network and application performance, without compromise. They are specifically designed for today's high-speed data networks.
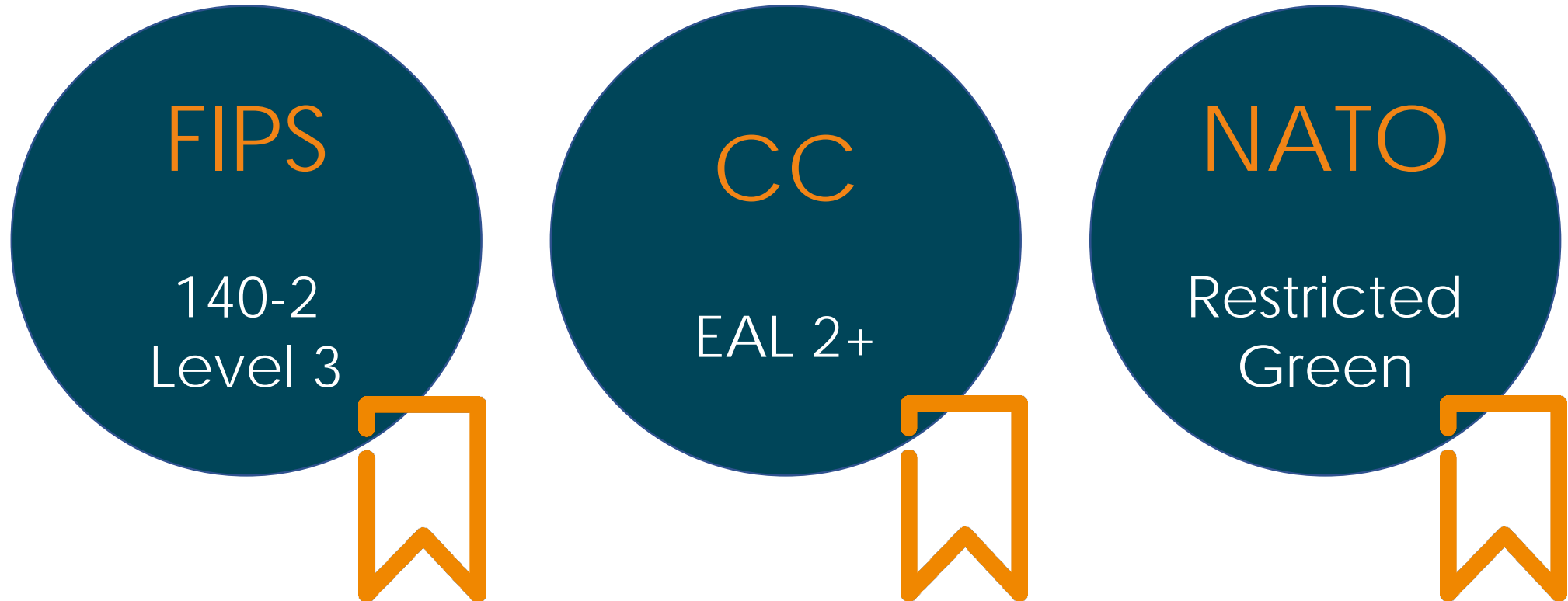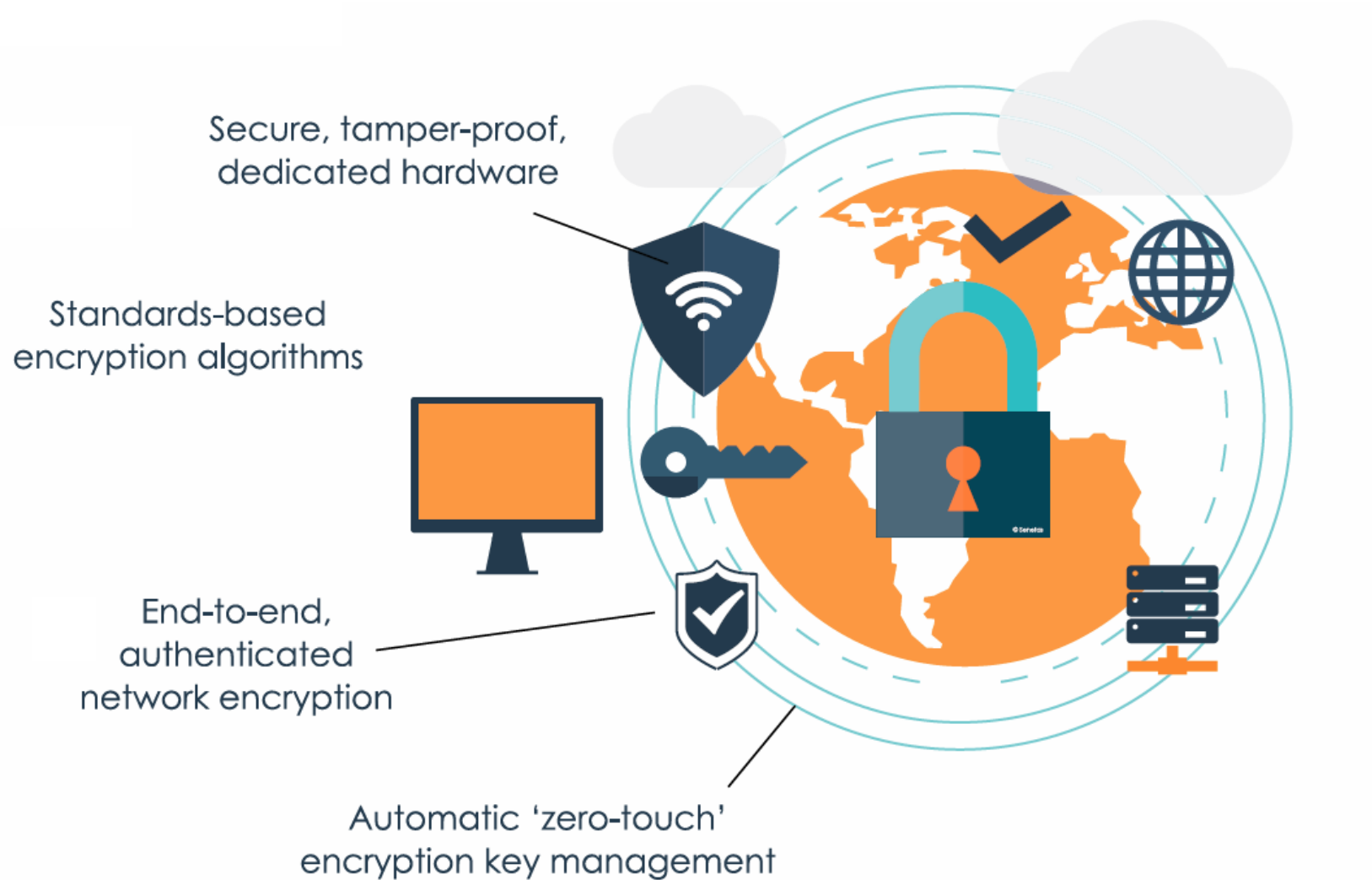
Multi-Certified

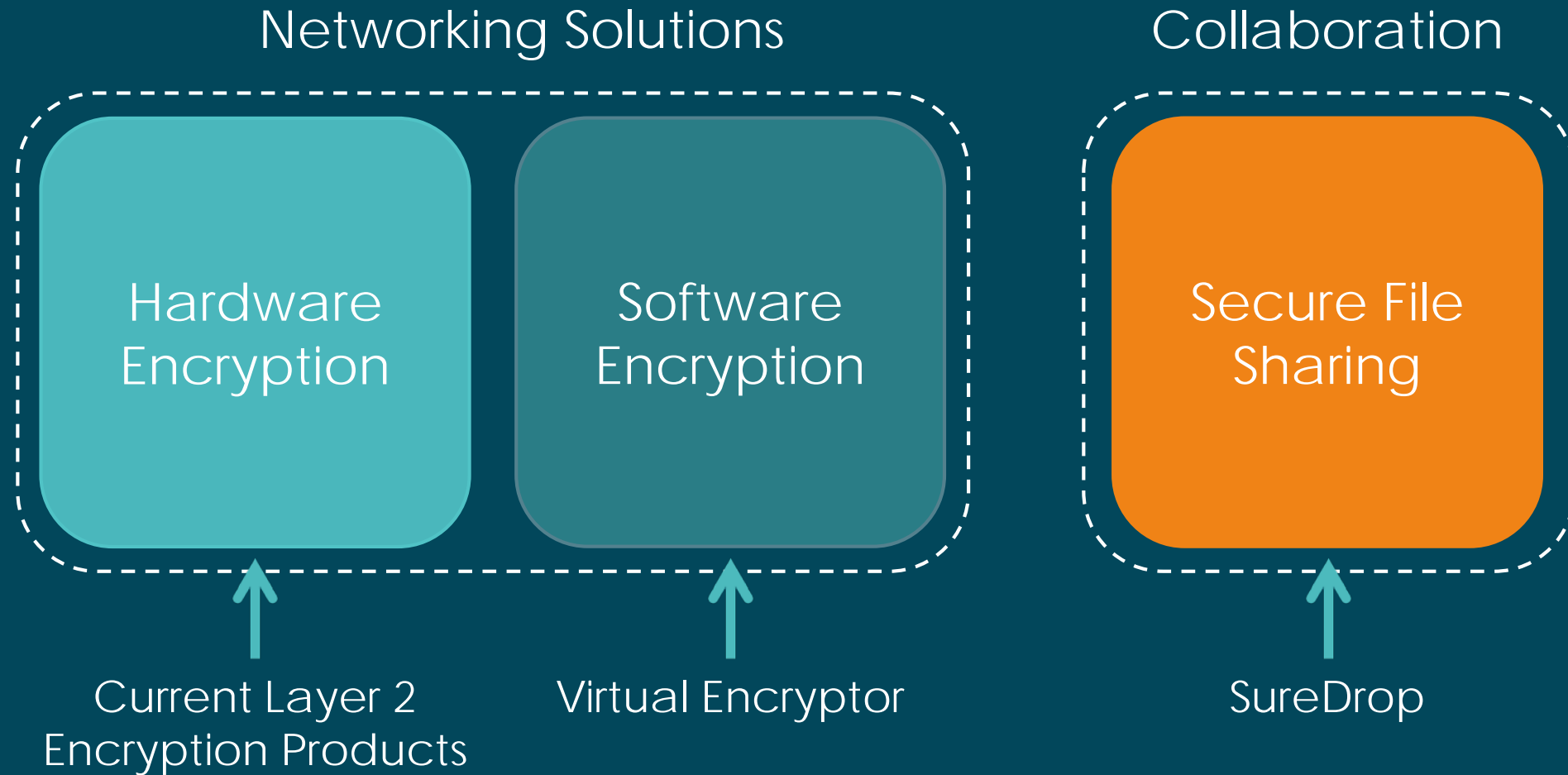## High-Assurance

Crypto-Agility

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Multi-Certified

FIPS

140-2
Level 3

CC

EAL 2+

NATO

Restricted
Green

High-Assurance

Secure, tamper-proof, dedicated hardware

Standards-based encryption algorithms

End-to-end, authenticated network encryption

Automatic 'zero-touch' encryption key management

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Crypto-Agility

Experience

Best-of-Breed Solutions

Networking Solutions

Collaboration

Hardware Encryption

Software Encryption

Secure File Sharing

Current Layer 2 Encryption Products

Virtual Encryptor

SureDrop

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Trusted By Tier 1 Global Customers

Senetas has a global distribution, sales, marketing and support footprint. More than 80% of sales are outside the ANZ region.

Blue-chip customers across 37 countries:

- Leading enterprise and global Cloud service providers
- International banks and global financial service providers
- Multi-national, Fortune 500 enterprises
- Local and national governments and agencies
- National defence and military organisations

GOVERNMENT

COMMERCIAL

DEFENCE

HEALTHCARE

FINANCE

INDUSTRIAL

BANKING

CLOUD SERVICES

LAW ENFORCEMENT

UTILITIES & ENERGY

REGULATORY AUTHORITIES

DATA CENTRE SERVICES

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Customers In Over 37 Countries

Thank You

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