



# Senetas Corporation Limited

2018 Full Year Results – 27 August 2018

# FY18 HIGHLIGHTS

- Record revenue of \$18.97m – up 8%
- Strong growth in product sales – up 39%
- PBT of \$4.44m and PAT \$1.96m (after \$1.36m impairment to carrying value of an unlisted investment)
- PBT excluding the impairment at top end of guidance \$5.8m up 10%
- Strong balance sheet & 10% growth in net assets
- Outstanding cash flow and +\$23m cash in hand at 30 June 2018

# FY18 HIGHLIGHTS

- Initial sales of the 100Gbps encryptor – 2 customers successfully implemented the 100Gbps encryptor in their networks in FY18 (and an additional new customer early in FY19)
- Market launch of virtualised (software based) encryption solutions via Gemalto and ADVA
- Launch of virtual products with Layers 2, 3 and 4 capabilities will substantially increase Senetas's addressable market

# PRIORITIES FOR FY19

- First sales of virtualised (software based) encryption products – initial customer trials underway
- Gemalto adoption of SureDrop into its product portfolio
- Drive further sales of 100Gbps encryptor building on FY18 momentum and additional sales early in FY19
- Progress development of additional capabilities for virtualised (software based) encryption solutions to conform with public cloud environments

# PRIORITIES FOR FY19

- Complete development of new hardware encryptors with transport layer interdependence across Layers 2, 3 and 4 to significantly expand addressable market for those products
- Achieve new European certification
- Further enhance partner relationships – new products and technology development, enhanced sales support

# OUTLOOK



- Continuation of revenue growth into FY19
- Strong sales pipeline for core product range
- Growing demand for 100Gbps encryptors – additional sales to a new customer already in FY19
- Initial sales of virtualised (software based) encryption products expected in FY19
- R&D expenditure in FY19 is expected to be similar or slightly higher than FY18 spend

# OUTLOOK



- Slower growth in maintenance revenue will continue as SONENT encryptors are replaced by lower cost Senetas Ethernet encryptors over time
- Strong growth from traditional hardware business with Layer 2, 3 & 4 capabilities and cyber security software business making more significant contribution as momentum builds
- Continue to review opportunities for M&A and capital management as cash reserves build

# KEY FINANCIALS



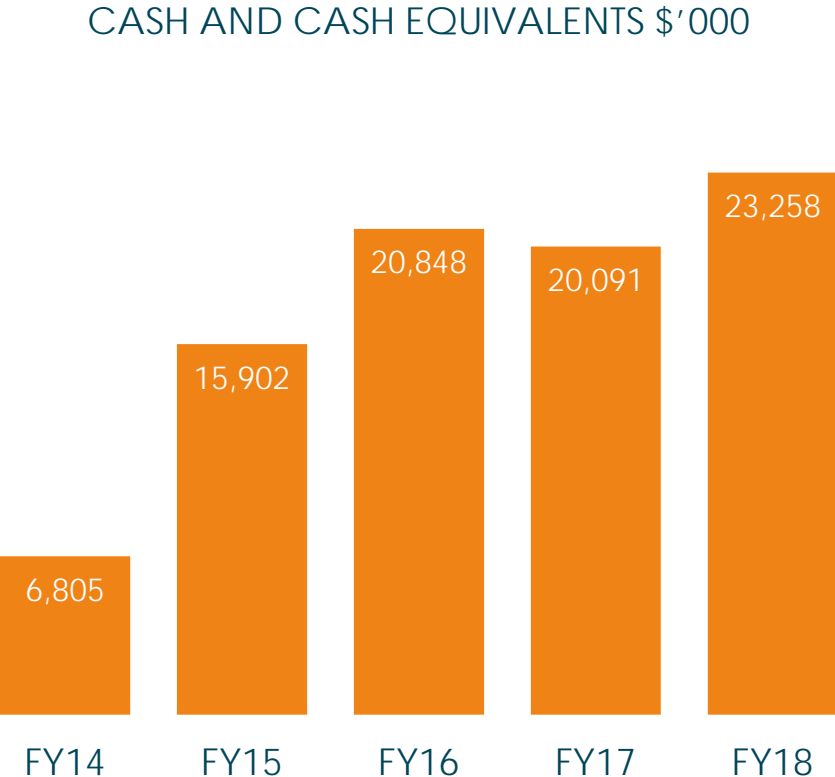
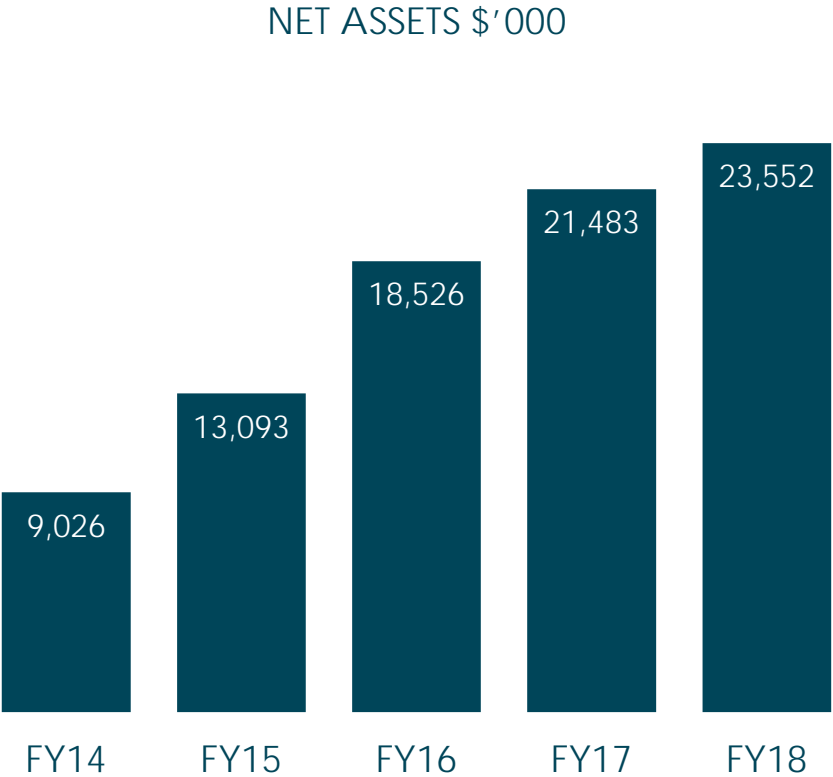


# FY18 KEY FINANCIALS

Full year ended 30 June 2018	FY18 \$000's	FY17 \$000's	Change
Revenue from ordinary activities	18,971	17,591	8%
Gross profit	15,414	13,948	11%
Other income	2,491	2,441	2%
Profit before tax from ordinary activities	5,799	5,264	10%
Writedown of unlisted investment	(1,362)	-	
Statutory profit before tax	4,438	5,264	(16%)
Tax expense	(2,482)	(2,385)	12%
Net profit after tax	1,955	2,879	(38%)

- Record operating revenue up 8% in FY18 – strong growth in product sales partly offset by lower maintenance revenue
- Gross margins at 81% (FY17 – 79%)
- No revenue in FY18 for the development of custom algorithm product (FY17 \$678k)
- Underlying effective tax rate 43% prior to FY18 write down of unlisted investments (FY17 45%)

# STRONG BALANCE SHEET & POSITIVE CASH FLOW



# OPERATIONAL UPDATE



# SALES UPDATE



- Underlying Gemalto product sales up 39%
- Sales growth reflects strengthening of Gemalto relationship and growth in underlying demand for encryption solutions
- Key customers contributing strongly to sales growth for 1-10Gbps encryptors
- Orders for 100Gbps encryptors made a good contribution to second half sales – growing number of customer trials underway
- Pleasingly the most recent 100Gbps sale to Gemalto early in FY19 was for a Fortune 500 global technology company that had not previously used Senetas encryptors

# SALES UPDATE



- As previously advised – maintenance revenue moderated as a key customer continued to transition from Senetas SONET products to cheaper Senetas Ethernet products
- FY18 maintenance revenue was 39% of total revenue – lower than FY17
- Sales of virtualised (software based) encryption products and SureDrop are expected to commence in FY19
- Recent product launches by Gemalto and ADVA created 2 new product sets with new addressable markets for Senetas products

# RESEARCH & DEVELOPMENT

- R&D spend in FY18 up slightly over FY17
- European certification underway with potential to drive new sales opportunities from later in FY19
- Custom algorithm continues to progress through local certification – customer funded development but significant geopolitical risk may impact sales
- Primary focus of R&D spend in FY18 was to further expand Senetas's product set and addressable market through virtualised (software based) encryption, transport layer interdependence (Layers 2, 3 and 4 capabilities) and additional certifications

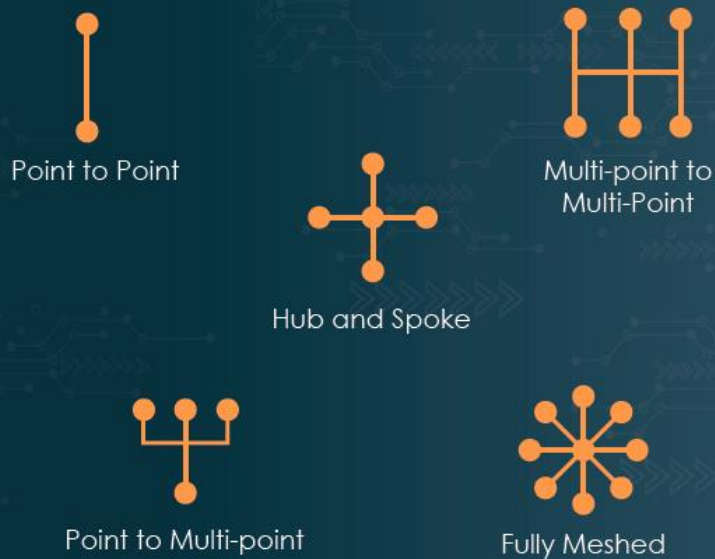
# RESEARCH & DEVELOPMENT

- Virtualised (software based) encryption solutions launched in FY18 included transport Layer interdependence (Layers 2, 3 & 4) - first time in a Senetas product
- Launch of transport Layer interdependence capability in Senetas hardware devices is expected late in FY19
- Major FY19 focus is expansion of virtualised (software based) encryption capabilities (e.g. public Cloud environments) and transport Layer interdependence for hardware encryptors
- New government R&D rules from 1 July 2018 unlikely to have any material impact on Senetas

# VIRTUALISED (SOFTWARE BASED) ENCRYPTION

- Virtualised (software based) encryption solutions launched independently by ADVA and Gemalto in the second half of FY18
- Senetas has 2 strong and independent routes to market – adding cyber security software business to existing hardware business

## TOPOLOGY-BASED MAXIMUM PAYLOAD ENCRYPTION



## CONCURRENT, MULTI-LAYER ENCRYPTION



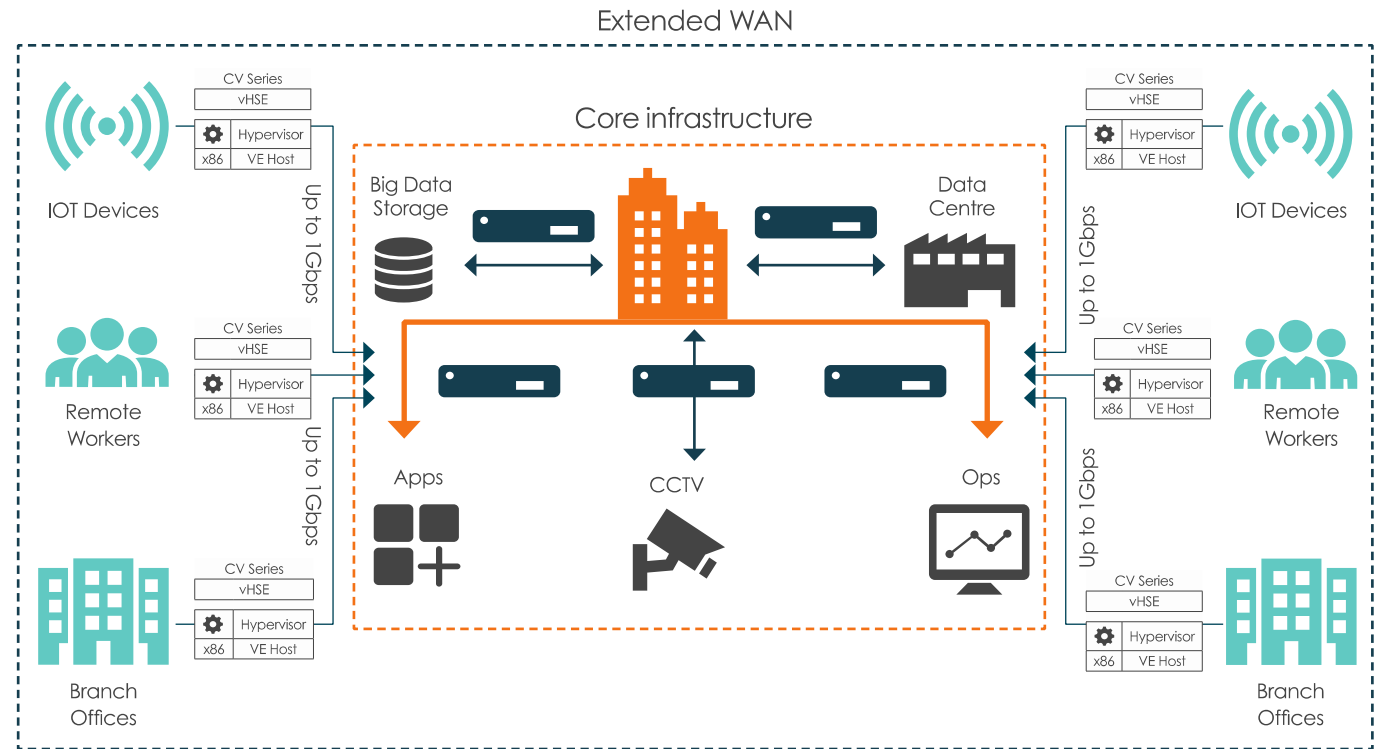
## DESTINATION DEFINED





# VIRTUALISED (SOFTWARE BASED) ENCRYPTION

- Ongoing development of the solution continues to expand its use cases
- Current multi-Layer (2, 3 & 4) capable solution can operate successfully in complex large-scale networks and private Cloud environments
- FY19 R&D focus includes enabling the public Cloud environment use case



# SUREDROP

- Gemalto – Senetas’s global distributor – has commenced promotion of SureDrop among some of its customers
- A number of customer trials are underway in the APAC market - others expected as Gemalto’s product take-up gains momentum
- Product differentiation lies in security model, 100% data location control (sovereignty) and flexibility of the implementation model.

## WHY SUREDROP?

SUREDROP PROVIDES THE USABILITY, FAMILIARITY AND CONVENIENCE OF A DROP BOX, FILE SHARING APPLICATION; PLUS THE IMPLEMENTATION OF BEST-IN-CLASS SECURITY:



Secure, standards-based encryption



Best-practice encryption key management



Additional, file-fragmentation security

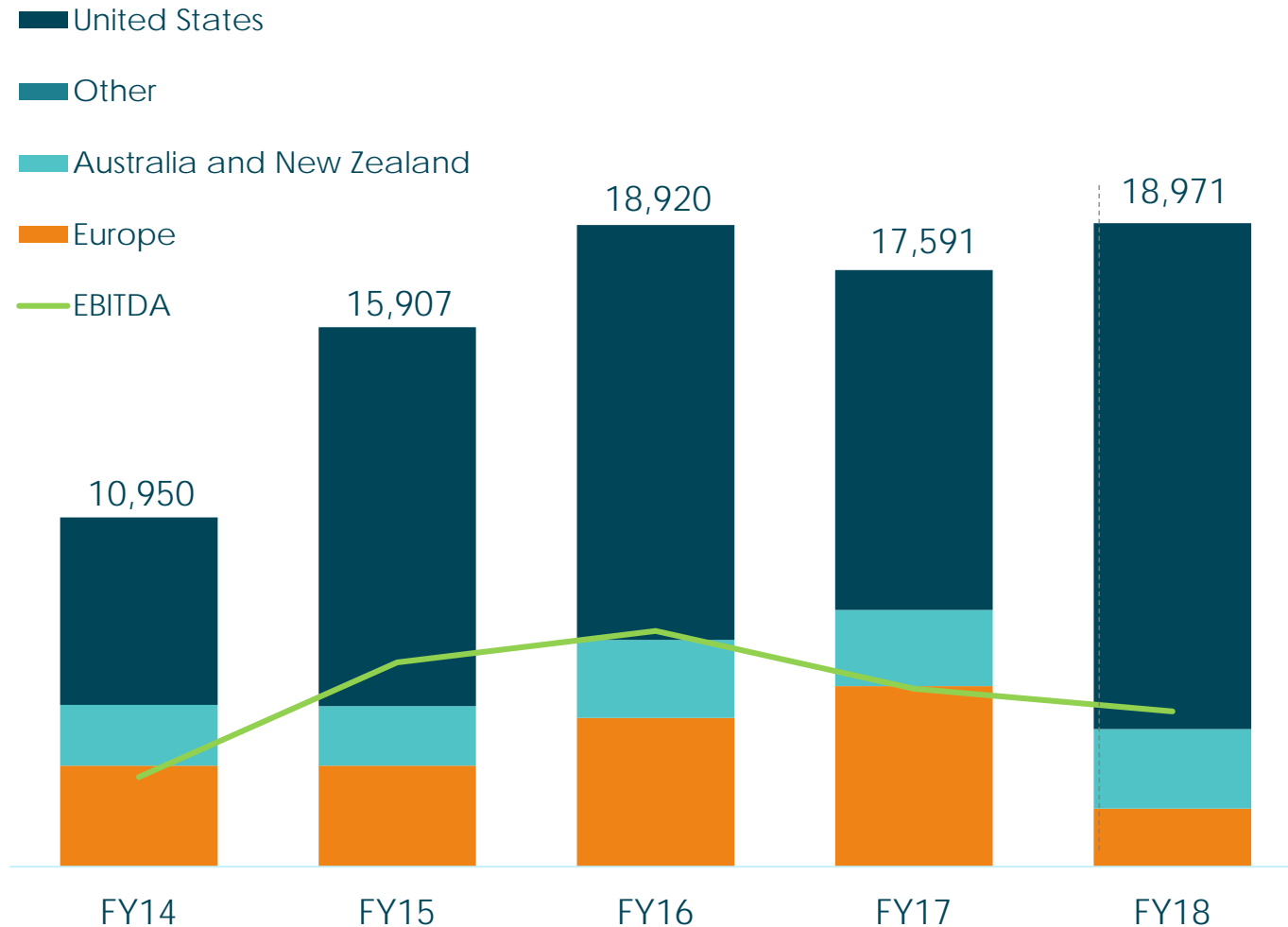


Active directory user authentication

# DETAILED FINANCIALS



# TRADING REVENUES (\$'000)



61%

Product sales revenue  
(up from 54% in FY17)

# OPERATING CASH FLOWS

Year ended 30 June 2018	FY18 \$000's	FY17 \$000's	Change
Receipts from customers	19,739	17,215	15%
Tax paid net of R&D tax refund	(414)	210	(297%)
Payments to suppliers & employees	(14,538)	(16,192)	(10%)
Operating cash flows	5,201	1,700	206%
Investing cash flows	(2092)	(2,445)	(14%)

- Receipts from customers increased 15%
- Lower payments to suppliers & employees in FY18 reflects a reduction in inventory levels
- Income tax paid in FY18 because tax payable exceeded R&D tax refund
- Investing cash flows reflect further investment into Smart Antenna Technologies (SAT) and the purchase of testing equipment in FY18

# BALANCE SHEET REMAINS STRONG

Year ended 30 June 2018	FY18 \$000's	FY17 \$000's	Change
Cash and cash equivalents	23,258	20,091	16%
Trade and other receivables	6,529	5,401	21%
Unlisted equity investments	1,893	2,227	(15%)
Total assets	35,968	31,704	13%
Trade and other payables	(1,932)	(1,393)	39%
Unearned income	(4,573)	(4,073)	12%
Total liabilities	(12,417)	(10,221)	21%
NET ASSETS	23,552	21,483	10%

- Strong balance sheet with net assets up 10% in FY18
- Cash on hand of \$23.3m and no debt – up 16% despite additional (\$1m) investment in SAT
- Solid financial position supports strategic flexibility and leading edge product development to meet the current and future needs of Senetas and its customers

# UNLISTED INVESTMENTS





# DEEPRADIOLOGY INC

DeepRadiology has not yet achieved FDA approval for its technology and the company has therefore missed milestone and projected revenue targets.

Given the level of uncertainty surrounding the carrying value of the investment the board has resolved to write down the carrying value of the investment in DeepRadiology from \$1.36 million to nil.

## DeepRadiology

BLOCKCHAIN POWERED ARTIFICIAL INTELLIGENCE TO REVOLUTIONIZE HEALTHCARE™



# SMART ANTENNA TECHNOLOGIES LTD (SAT)

Following an additional investment during the second half of FY2018 the investment in SAT is carried on the balance sheet at \$1,892,941 million.

This investment is performing to expectations and its carrying value reflects fair value at balance date.



# EON REALITY INC (EON)

The EON investment currently has a carrying value of zero on Senetas's balance sheet and will continue to do so until a liquidity event such as a capital raising or the planned IPO provides the Senetas Board with an independent valuation of the investment.



# ABOUT SENETAS



Senetas is a global leader in the development of advanced encryption technologies.

Our solutions are designed to protect data in motion for a wide range of commercial, government and defence applications.



## CN SERIES

CERTIFIED  
HIGH-ASSURANCE &  
HARDWARE ENCRYPTION

CORE IT & NETWORK  
INFRASTRUCTURE



## CV SERIES

STRONG & EFFECTIVE  
VIRTUALISED  
ENCRYPTION

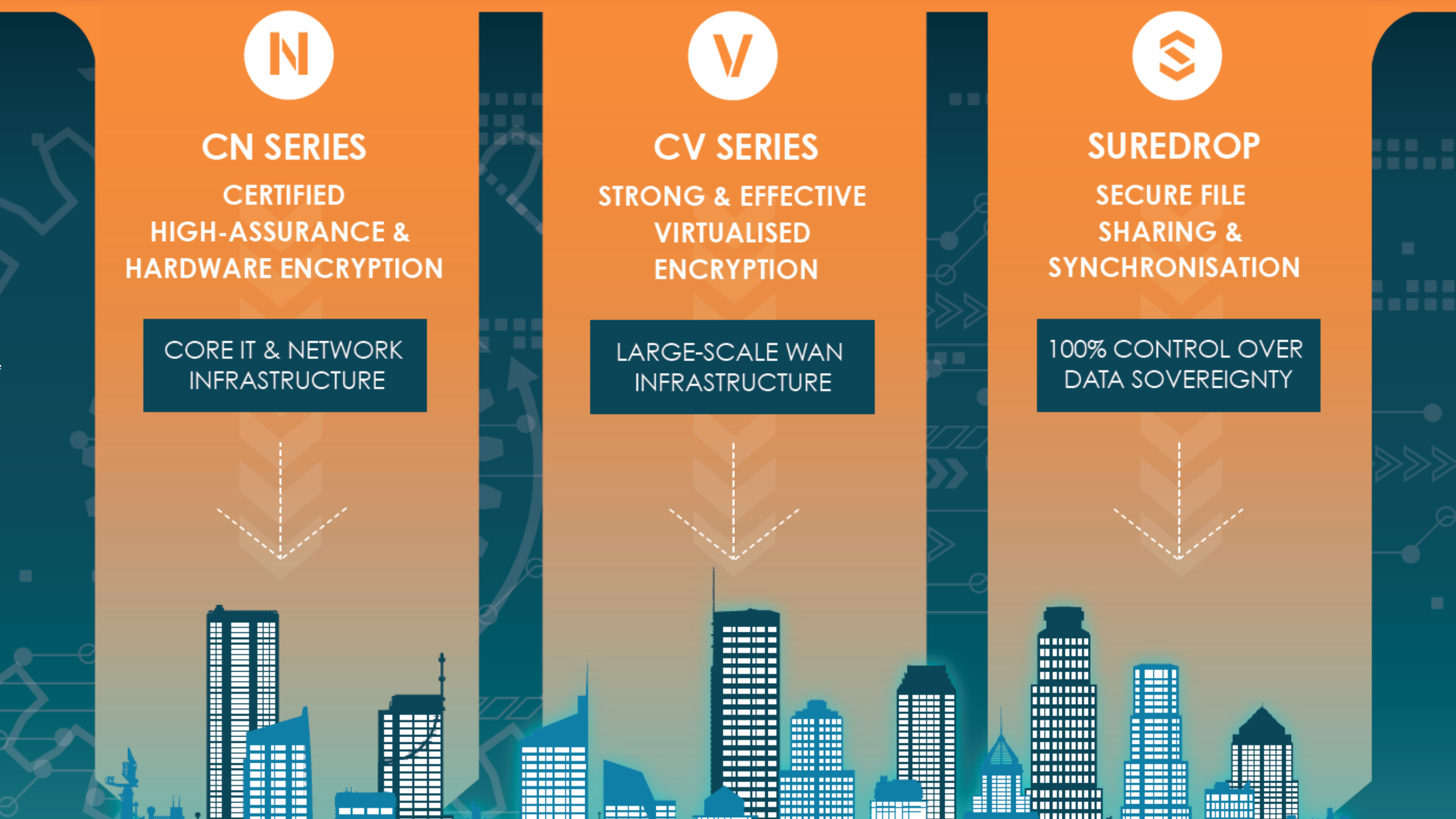
LARGE-SCALE WAN  
INFRASTRUCTURE



## SUREDROP

SECURE FILE  
SHARING &  
SYNCHRONISATION

100% CONTROL OVER  
DATA SOVEREIGNTY



# GLOBAL DISTRIBUTION AND SUPPORT

Senetas CN Series hardware encryptors and CV Series virtual encryptors are distributed and supported internationally by Gemalto under its SafeNet brand; within the US Federal Government by SafeNet Assured Technologies, and throughout Australia and New Zealand by Senetas and accredited partners.



# THE THREAT LANDSCAPE

Senetas protects data in motion against:



Intellectual  
Property Theft



Business  
Disruption



Compliance  
Issues



Loss of  
Customer Data



Hack  
Attacks

# APPLICATIONS



Data centre interconnect,  
back-up and disaster recovery



Cloud computing, SaaS  
and managed service  
providers



Big data analytics



Real-time CCTV network  
transmitted data



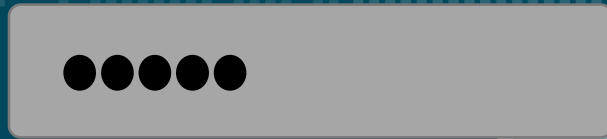
SCADA industrial control  
& critical infrastructure  
networks



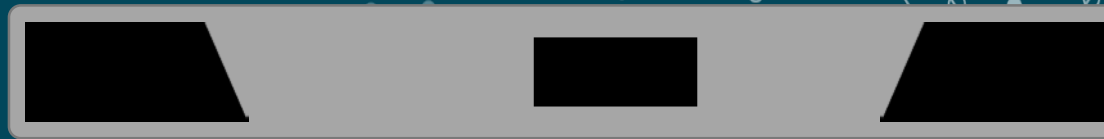
Branch office, point-to-  
point networks



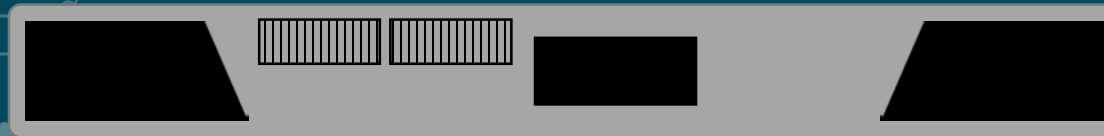
# CN SERIES HARDWARE



CN4000 Series



CN6000 Series



CN9000 Series

# MULTI-CERTIFIED

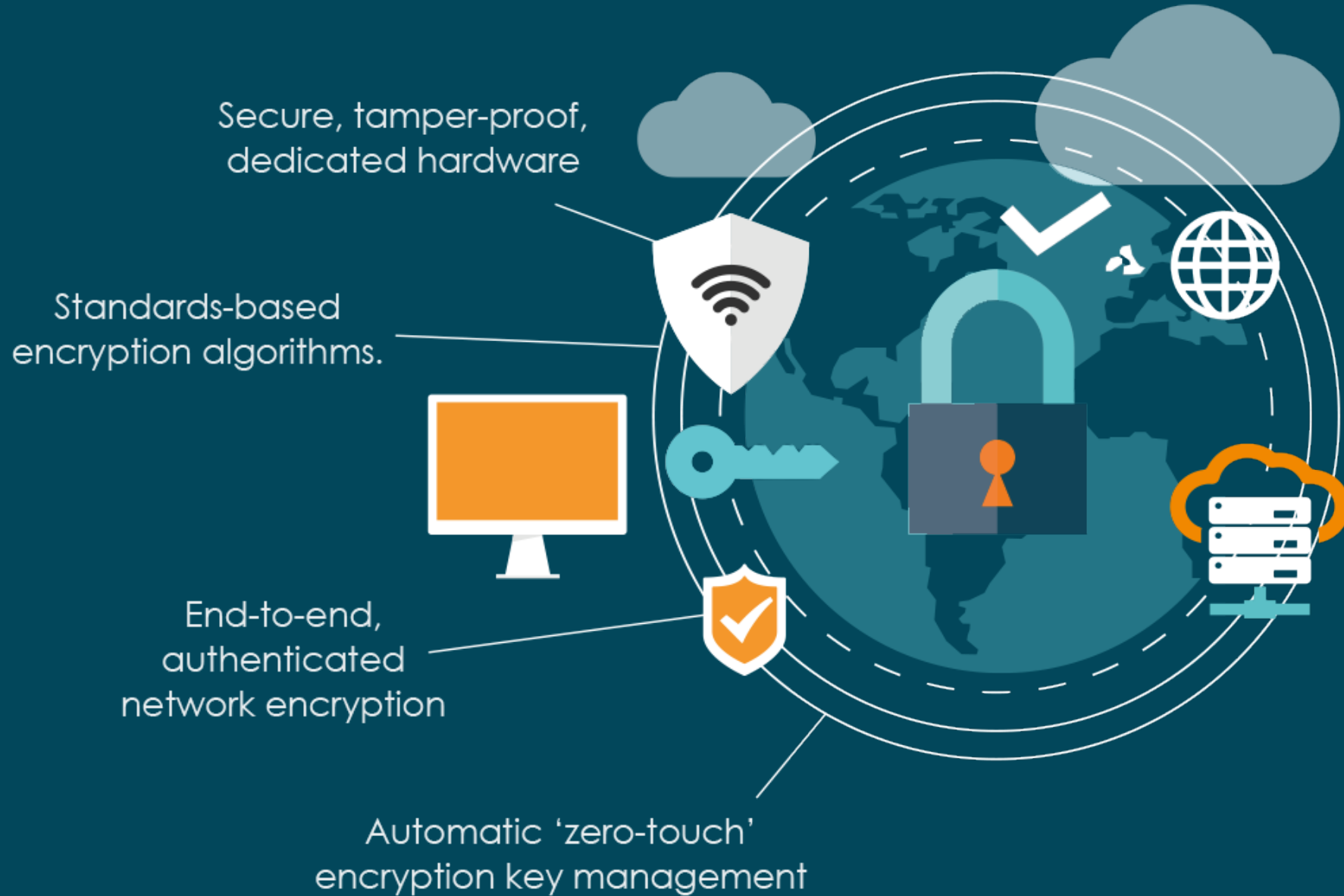
Senetas CN Series encryptors include the added security assurance of certification by leading international independent testing authorities as suitable for government and defence use.

FEDERAL  
INFORMATION  
PROCESSING  
STANDARD  
(FIPS) 140-2  
LEVEL 3

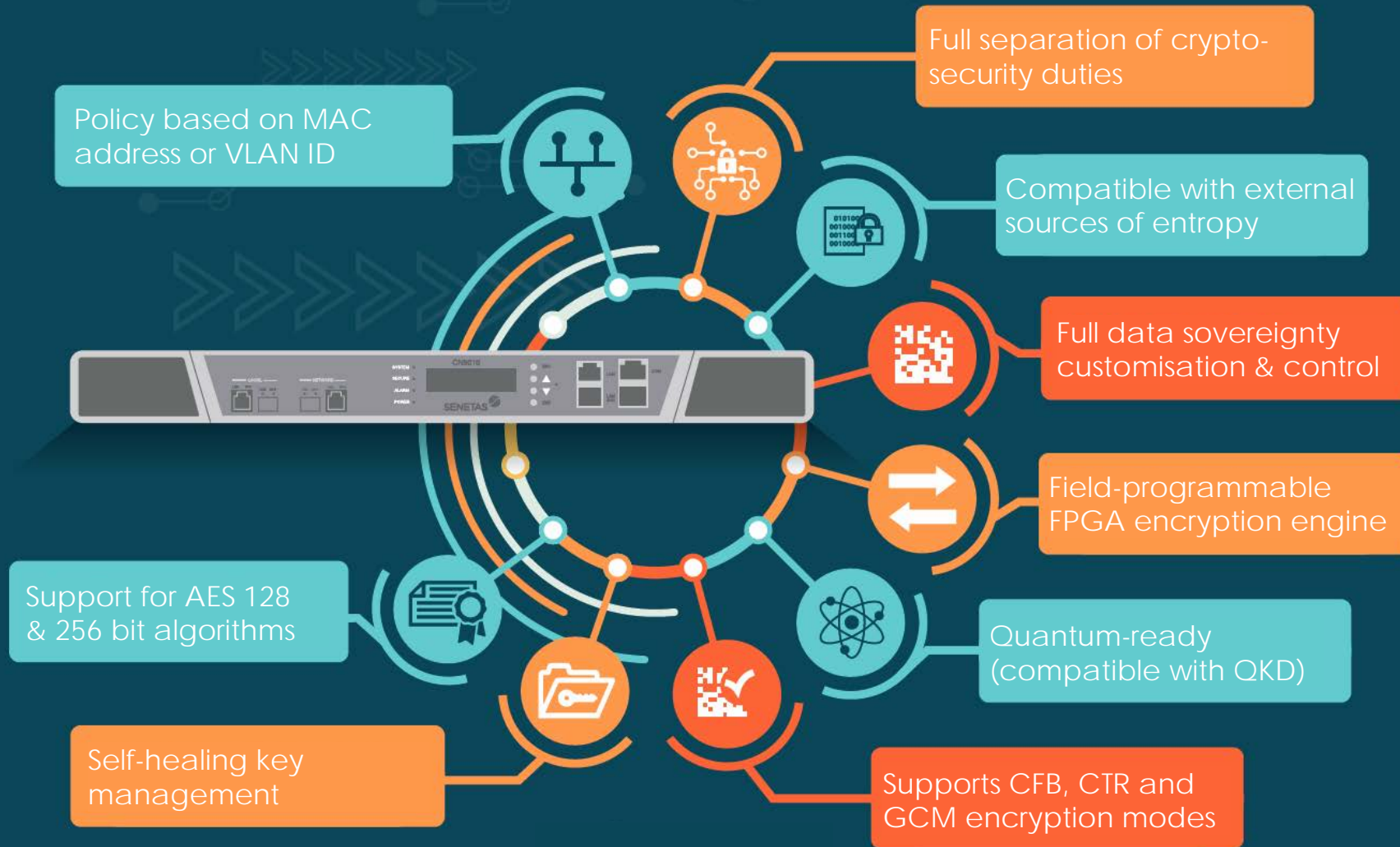
COMMON  
CRITERIA  
EAL2+  
EAL4+

NATO  
CLASSIFICATION  
- RESTRICTED -  
GREEN

# HIGH-ASSURANCE



# CRYPTO-AGILE



MAXIMUM PERFORMANCE

10MBPS – 100GBPS

AES128/256 BIT KEYS

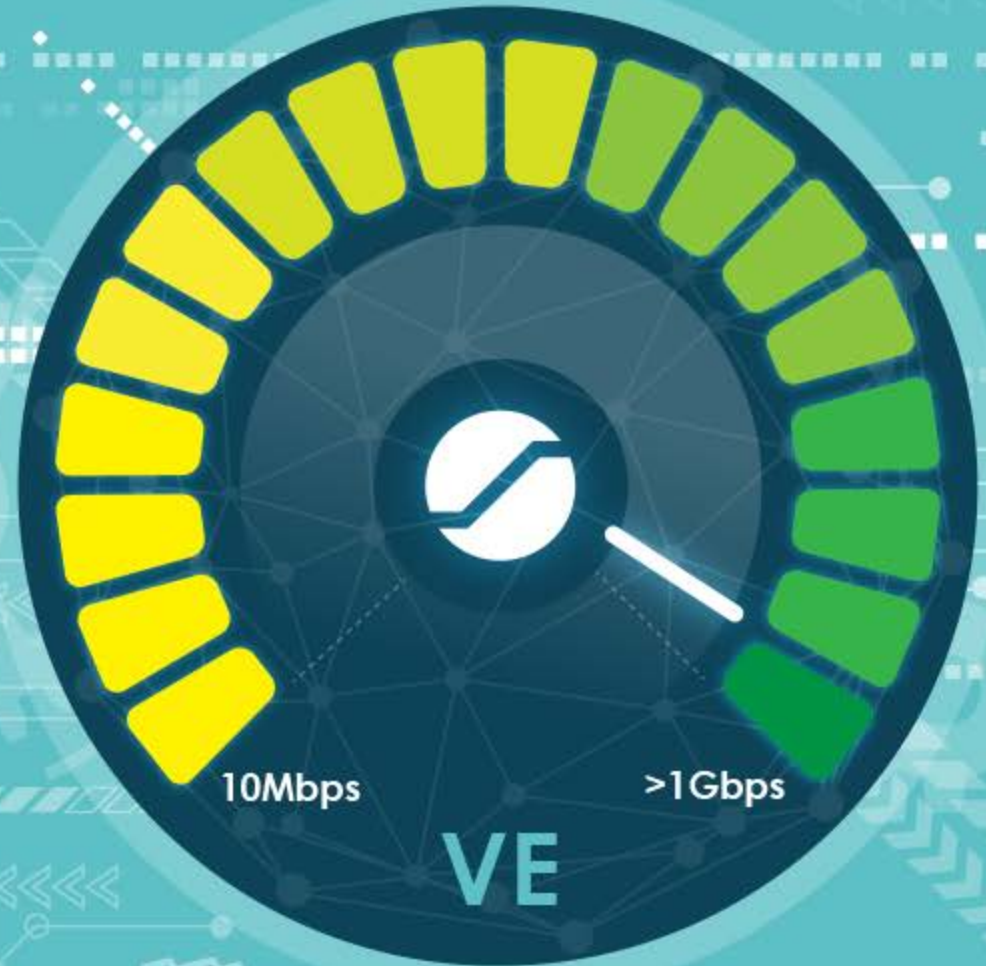
LATENCY < 2 MICROSECONDS

99.999% UPTIME

GCM, CFB, CTR ENCRYPTION MODES

# SENETAS CV1000 VIRTUALISED ENCRYPTION

The first virtualised network function (VNF) providing Transport Independent Mode encryption, designed for large scale, extended data networks.







All the convenience of a drop-box, **plus** end-to-end encryption security and 100% data location control



[www.senetas.com](http://www.senetas.com)

# SENETAS CUSTOMERS





# THANK YOU

[www.senetas.com](http://www.senetas.com)

