

26 July 2019

ASX ANNOUNCEMENT

Senetas Corporation Limited – Market Update

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company) provides the following market guidance in relation to its financial results for the full year ended 30 June 2019 (FY2019). The preliminary financial results remain subject to confirmation with Senetas's auditors.

FY2019 operating results

Following receipt of the June 2019 sales results from the Company's major distribution partner, Thales, Senetas expects its operating revenue to be between \$21.2 million and \$21.4 million for FY2019, an increase of 12-13% on operating revenue in FY2018. The strong revenue growth reflects increasing global awareness of cyber security concerns and is significantly ahead of the expected growth in industry spending on information security products and services of 8.7% in 2019 as forecast by Gartner, Inc.

Operating net profit before tax (NPBT) is expected to be between \$3.8 million and \$3.9 million for FY2019, prior to the \$1.9 million impairment to the carrying value of unlisted investments that was announced by the Company on 19 January 2019, and Senetas's share of loss of associate (Votiro) for the period to 30 June 2019 of \$1.9 million. The Votiro loss for the period is in line with expectations as the business builds towards cash flow break-even in calendar 2020.

NPBT after the impairment to the carrying value of Smart Antenna Technologies Ltd (\$1.9 million) and the share of Votiro's loss (\$1.9 million) is expected to be between zero and \$0.1 million for FY2019. NPBT for FY2019 has also been impacted by a number of non-recurring legal and other expenses totalling \$0.9 million during the period related to the Australian Government's Assistance and Access legislation and a legal dispute related to the Company's investment in Deep Radiology. These costs are not expected to have a material impact on Senetas's financial results in FY2020.

With Senetas's operating revenue having exceeded \$20 million for FY2019 the Company will no longer be eligible for the refundable Australian Government R&D rebate. Instead, Senetas will be eligible for a non-refundable tax offset equal to 38.5% of eligible expenditure. As a result, Senetas's Other Income and NPBT will be lower in FY2019, however, Senetas's tax expense in FY2019 will be reduced by the amount of the new tax offset available. The amount of the FY2019 tax offset available to Senetas has not yet been finalised. The R&D rebate included in Senetas's Other Income in FY2018 was \$2.1 million.





In order to provide a like-for-like comparison of the underlying operating results without the impact of changes to Senetas's R&D offset and non-recurring expenses, the Company has provided below a reconciliation of the relevant adjustments between underlying operating profit before tax and the statutory NPBT for the preliminary FY2019 results and the FY2018 results.

	Preliminary FY19	FY18
Operating revenue (estimate for FY2019)	\$21.3m	\$19.0m
NPBT (estimate for FY2019)	\$0.1m	\$4.4m
- impairment of available-for-sale investments	\$1.9m	\$1.4m
- share of loss of associate (Votiro) FY2019	\$1.9m	-
- non-recurring legal and other expenses in FY2019	\$0.9m	-
- R&D refund included in Other Income in FY2018	-	\$(2.1)m
Underlying operating profit before tax & R&D offset	\$4.8m	\$3.7m

Detailed FY2019 results and Appendix 4E

A detailed update on the Company's operations and outlook, and further information in relation to the FY2019 results will be released with the Appendix 4E and Preliminary Final Report on or around Monday, 26 August 2019.

END

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ABOUT SENETAS CORPORATION LIMITED

Senetas, an Australian public listed company (ASX:SEN), is a leading developer of network data encryption solutions for enterprise, government, defence and technology service providers. From certified high-assurance encryption hardware and virtualised encryption, to the most secure file sharing application providing data sovereignty control, all Senetas solutions are based on the same leading security, high performance and crypto-agile platform.

Senetas encryption solutions leverage state-of-the-art encryption key management and crypto-agility by design, providing long-term data protection in a post-Quantum computing world. They share the same designed-in data protection without compromising network and application performance or user experience.



- CN Series – certified high-assurance hardware encryptors for core IT and network infrastructure.
The CN Series features crypto-agility, uncompromising performance and certifications by multiple independent authorities (C.C., FIPS and NATO), providing Senetas customers with the added confidence that CN Series solutions are state-of-the-art and provide maximum security essential for today's infrastructure.
- CV Series – strong virtualised encryption for large-scale extended and virtualised WANs.
The CV Series virtual encryptor provides >1Gbps performance and is transport Layer agnostic. The CV Series enables rapid scalability, flexibility and cost-effective data protection, all the way to the virtual edge. The CV Series encryptor uses the same high-assurance Senetas CN Series hardware encryption platform.
- SureDrop – the most secure, "box"-type file sharing application with 100% data location control.
SureDrop leverages Senetas's state-of-the-art encryption security to provide secure collaboration and data sovereignty. SureDrop provides the same Senetas crypto-agility, scalability and ease of use as the network data encryption solutions. It is also an ideal solution for service providers' large-scale deployment as a "Security-As-A-Service" customer solution.

Senetas encryptors have been trusted to protect much of the world's most sensitive information for nearly 20 years. They are used to protect everything from government and defence data and secrets, to intellectual property and business data, to financial transactions, CCTV networks, SCADA critical infrastructure control systems and citizen identities.

Senetas CN and CV Series encryptors provide optimised encryption security for everything from modest bandwidth requirements of 10Mbps to the ultra-fast 100Gbps networks required for aggregated Big Data, Cloud and data centre applications.

Senetas encryption solutions are used in more than 35 countries. Senetas encryptors are distributed and supported internationally by Thales, the world's largest data security company, under its SafeNet Identity and Data Protection products.

www.senetas.com