

22 November 2019

The Manager, Listings  
ASX Limited  
Company Announcements Office  
Level 4 Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**2019 Annual General Meeting – Chairman's Address and CEO Presentation**

We attach a copy of the Chairman's address and the CEO's presentation to be delivered to shareholders at the Senetas Corporation Limited Annual General Meeting to be held at The Royce Hotel, 379 St Kilda Road, Melbourne on Friday, 22 November 2019 at 10:30 am (Melbourne time).

Yours sincerely



Brendan Case  
**Company Secretary**



### Chairman's Address

It is now 10.30am, this is a properly constituted meeting and a quorum is present. I therefore declare the Annual General Meeting of Senetas Corporation Ltd open.

I would like to welcome you today and thank you for your interest demonstrated by your attendance.

I introduce your board and thank them for their efforts over the past 12 months. Lt Gen (Ret) Ken Gillespie, Dave Hansen, Phil Schofield and Lachie Given.

I would also like to welcome and thank our CEO and director, Andrew Wilson for his leadership and he and his team's efforts for the past 12 months. I also thank our engineers and innovation team ably lead by John Weston, Julian Fay and James Baird for their continued innovation and product development, our marketers for developing the material to best present our products and finally our business development team and global partner Thales and its team for their efforts. I also would like to make a special mention and thank you to Barb McMeekin, Senetas' CFO, who retires at the end of the year and has been with us for the past 17 years. With Andrew's promotion to CEO, Barb stepped up to the CFO role and has done an outstanding job.

Finally, I welcome our company secretary Brendan Case and thank him for his assistance over the past 12 months.

### SEARCHING FOR ADDITIONAL NEW REVENUE GROWTH

As I mentioned last year Senetas is a company in transition. Senetas has reached a number of milestones over the past 12 months. These include:

- the completion of the acquisition of Gemalto (Senetas' global distributor) by Thales;
- the corresponding integration of the Gemalto product line and sales force and from our perspective the realigning of the Thales Digital Identity and Security business unit including the Senetas product line;



# SENETAS CORPORATION LIMITED

## AGM – 22 NOVEMBER 2019

- following from this the adoption by Thales of the Senetas high speed network encryption products (virtual and hardware) as its product line going forward; and
- the acceptance of Suredrop into the Thales product line.

Senetas is excited about its future revenue growth prospects as a result of meeting these milestones but frankly the board wants considerably more growth than we are presently seeing.

As part of Senetas' transition process the board has embarked on a detailed project aimed at finding additional new revenue growth from its existing core technologies and expertise. It has engaged an external third party to assist in this process and I hope to be able to update the market on the outcomes by mid 2020.

Our relationship with our partners remains very strong and in particular our relationship with Thales has strengthened since the acquisition of Gemalto. I thank the Thales team for their continued enthusiasm, support and sales effort over the past 12 months.

We remain very excited about our investment in Votiro of which Andrew Wilson will explain more shortly.

I am very confident about Senetas' future and its growth opportunities.

Thank you for supporting Senetas.

I now introduce you to our CEO Andrew Wilson.



# Senetas Corporation Limited

2019 Annual General Meeting – 22 November 2019



# Senetas Corporation Limited

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CEO Presentation – Andrew Wilson

# SENETAS STRATEGIC PLAN



## OUR STRATEGY

“ To be recognised globally as a trusted provider of high-assurance security solutions. Protection without compromising systems’ performance or user experience. ”

# Investment focus in 4 key areas – driven by customer needs

## Investment Areas



Products



Technology



Thought  
Leadership



Partnerships

## Value Created

Serving  
deeper  
security  
needs

Broader  
addressable  
market and  
customer  
types

Enhanced sales  
& distribution  
through  
customer-facing  
partners



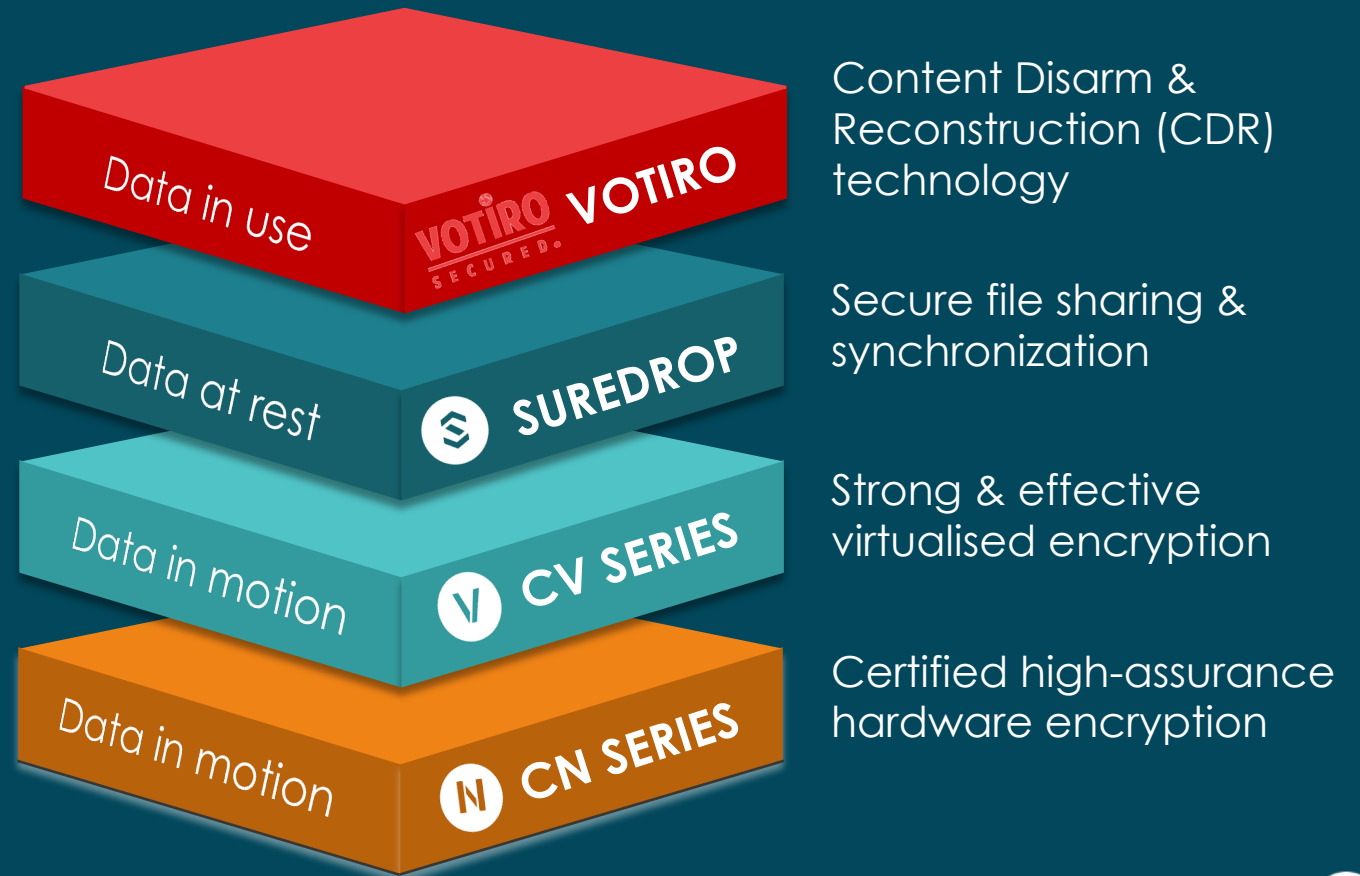
# Leverage high-assurance security capabilities to build a robust security portfolio

## Strong Engineering Foundation

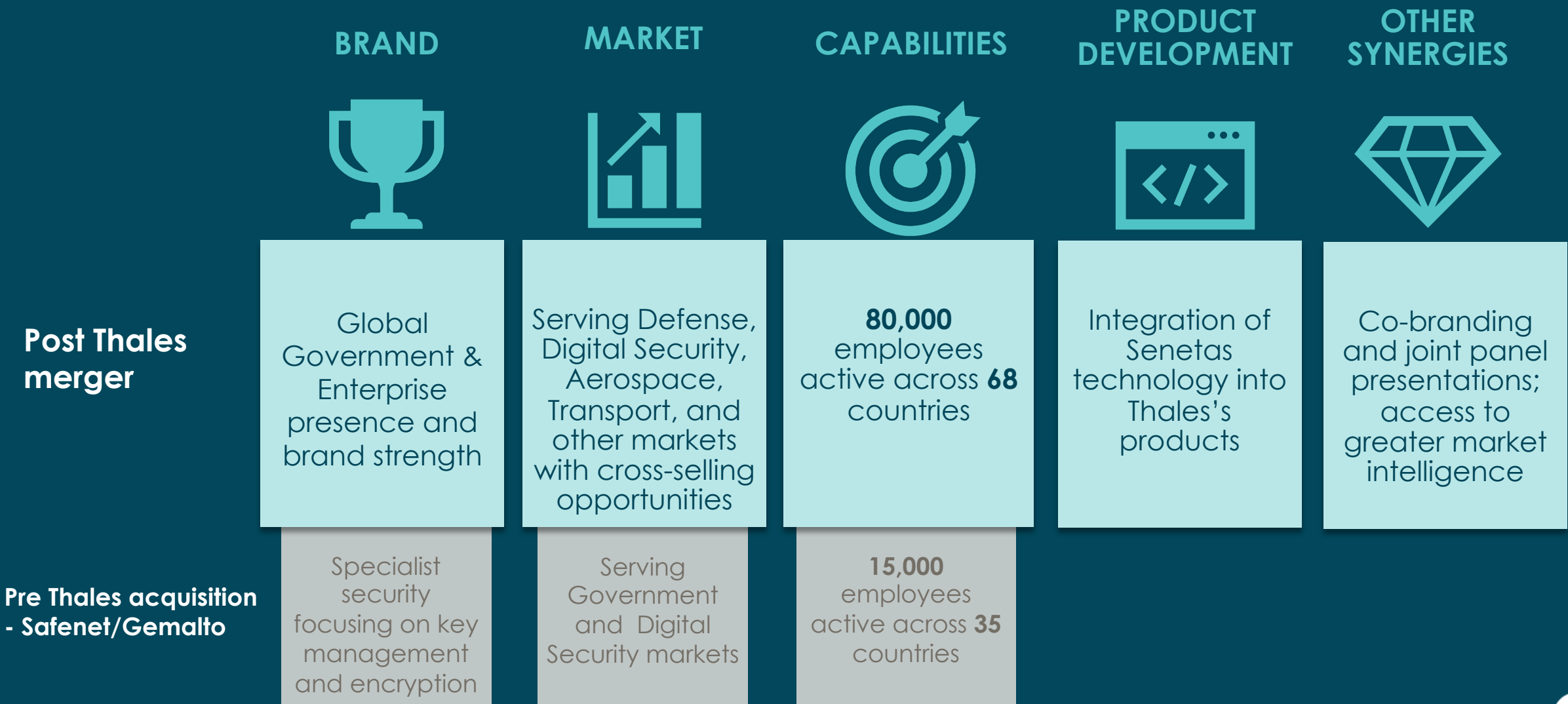
Started from a market-leading position in high-assurance network encryption hardware



## Growing Security Products & Service Portfolio



# Enhanced market reach and sales capability through global distribution partnership with Thales



# FY2019 HIGHLIGHTS



# FY2019 Highlights

- Revenue of \$21.3m – up 12.3% on FY2018 – well ahead of industry growth, driven by Increasing global awareness of cyber security concerns
  - Growth in both sales and maintenance revenue, with particularly good European sales
  - Revenue from Thales up 15.8%
  - Thales confirmed as Senetas exclusive global distribution partner following completion of Gemalto acquisition
- Operating profit before tax of \$3.9m (excluding the impairment to the investment in Smart Antenna Technologies & share of Votiro loss)
- Net loss after tax of \$0.46 million
- Votiro results to date in line with expectations and good progress being made in building distribution relationships and sales capability
- Strong balance sheet with \$17.9 million of cash and no debt
- Distribution for FY2019 of \$0.000462 per share subject to shareholder approval

# KEY FINANCIALS



# FY2019 Key Financials

| Full year ended 30 June 2019 (\$'000's)                  | FY2019  | FY2018  | Change   |
|--|---------|---------|----------|
| Revenue from ordinary activities                         | 21,313  | 18,971  | 12.3%    |
| Gross profit   | 16,694  | 15,414  | 8.3%     |
| Gross Margin %   | 78%     | 81%     | (3.7%)   |
| Other income   | 708     | 2,949   | (76.0%)  |
| Profit before tax from ordinary activities               | 3,864   | 5,799   | (33.4%)  |
| Writedown of unlisted investments & share of Votiro loss | (3,544) | (1,362) | -        |
| Statutory profit before tax                              | 320     | 4,438   | (92.8%)  |
| Tax expense  | (783)   | (2,482) | (68.5%)  |
| Net profit (loss) after tax                              | (463)   | 1,955   | (123.7%) |

- 12.3% growth in operating revenue well ahead of industry growth
  - 15.8% growth in revenue from global distribution partner, Thales
  - Recurring maintenance revenue - **40%** of total revenue
- Gross margins at **78%** – reflects increased sales of higher cost 100Gbps encryptors
- Share of Votiro loss of \$1.65m was in line with expectations and carrying value of SAT investment reduced to nil
- FY2019 tax expense includes an R&D credit of \$1.40m - FY2018 R&D rebate included in Other Income was \$2.05m

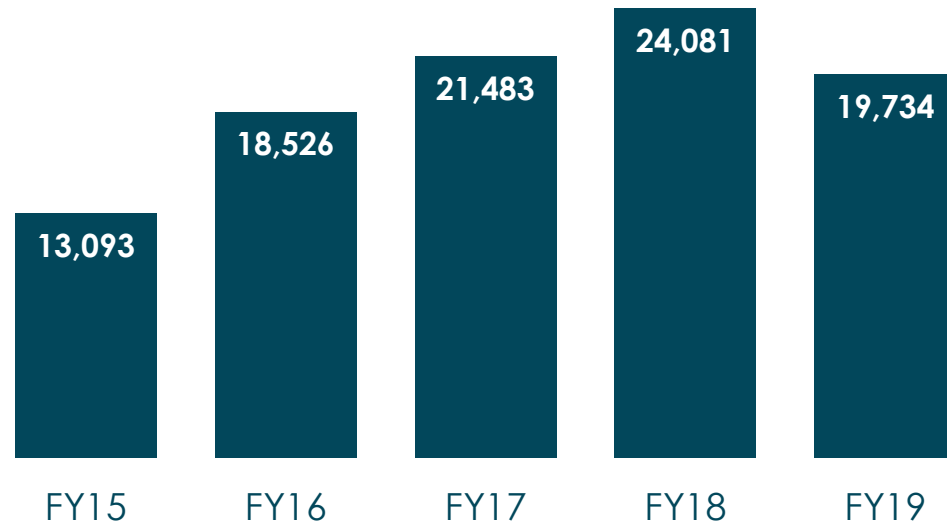
# Reconciliation to underlying operating profit

| Full year ended 30 June 2019 (\$000's)                 | FY2019 | FY2018  |
|--|--------|---------|
| Profit before tax                                      | 320    | 4,438   |
| - Loss on fair value through profit or loss investment | 1,893  | 1,362   |
| - Share of loss of associate                           | 1,651  | -       |
| - Non-recurring legal and other expenses               | 919    | -       |
| - R&D refund included in Other Income in FY2018        | -      | (2,053) |
| Underlying operating profit before tax                 | 4,783  | 3,747   |

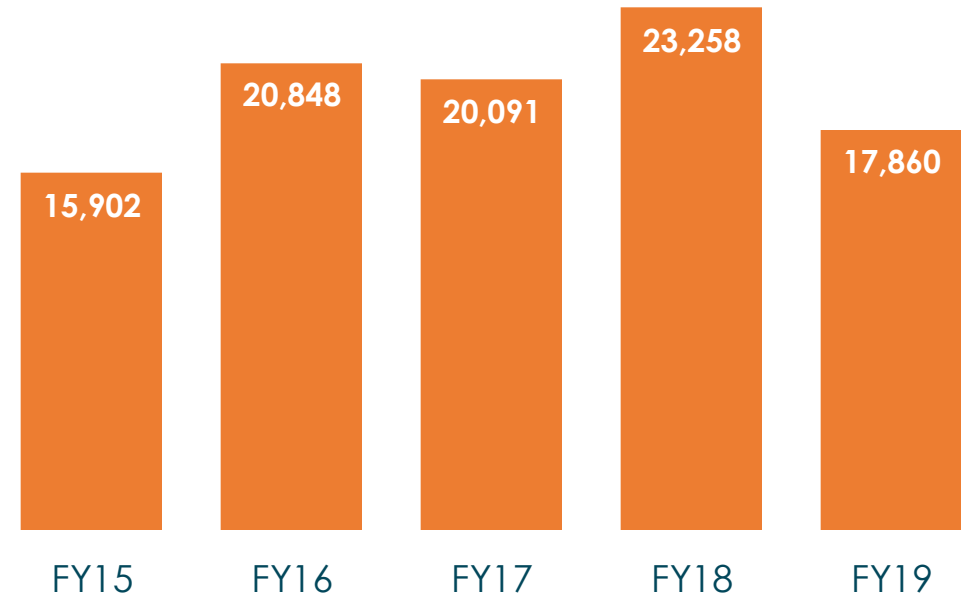
- FY2019 underlying operating profit before tax up 28% over FY2018
- The reconciliation provides a like-for-like comparison of the underlying operating results without the impact of changes to Senetas's R&D offset, the impact of Senetas's share of Votiro losses which did not impact FY2018, and other non-recurring expenses

# Strong Balance Sheet With No Debt

NET ASSETS \$000's



CASH & CASH EQUIVALENTS \$000's





# OPERATIONAL UPDATE



# FY2020 Update

- Thales acquisition of Gemalto has proceeded smoothly and we expect it will be an important driver of future sales growth – very strong global brand, expanded sales capability, potential for cross business unit opportunities within other Thales divisions
- Thales has taken on distribution of SureDrop – proof of concept trials completed successfully and encouraging sales pipeline is developing
- French certification for Senetas products is progressing and is now expected to be completed in Q1 of CY2020
- Development of transport layer independent capability for the 1 Gbps hardware devices has been completed, and the 10 Gbps devices are expected Q1 of CY2020

# Votiro Update



- US\$2m second tranche of the investment in Votiro was paid in 2 instalments - US\$1m in August 2019, and the balance of US\$1m was paid in early November 2019
- The final tranche of US\$2m is expected to be paid in 1H CY2020
- 7 new customer wins since July 2019
- First sales completed in the North American market
  - Sales pipeline developing quickly
  - Key proof of concept trials recently commenced
- Additional distribution relationships are helping to win new customers in the APAC region



## CEO Presentation – Andrew Wilson