ASX:SE1
2019 Annual General Meeting

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About Sensera

- A vertically integrated sensor and wireless network IOT company
- Two unique business units addressing this capability
  - MicroDevices (MD) = MEMS based sensor structures and sensors (Boston, USA)
  - IOT Solutions (IOTS)= Location based sensors, wireless network and software (Berlin, Germany)
- Proven technology in various high-volume applications in 3 primary markets: Medical technology, livestock health and mining
  - MEMS: Over 25 custom designs in fluidics and light sensors, shipped in tens of thousands
  - Sensors: 3+ million sensors shipped and deployed
  - Applications: More than 500 farms and 100 mines using our solutions today
- Shipping to 65 customers with revenue growth of 60% to US$10.2M in FY19
  - Component level supplier today moving towards IOT sensor systems and software deployment

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Our Strategy and Progress

- Initial objective: Build a profitable component level businesses in both sensors and systems
  - Transitioned from an R&D to volume manufacturing business
  - Improved supply chain to drive higher volume and margin with expanded known customer engagements

- MD: Fill the niche of high-value MEMS foundry solutions for unique sensors for non in-house capable customers
  - Customer funds some of the development with contracted engineering and in-house manufacturing
  - In-house manufacturing beyond wafer fabrication to full sensor delivery
  - Leverage IP developed to Sensera sensors to be integrated in IOT system solutions

- IOTS: Real-time, differentiated wireless networked sensor solutions based on precision location technology
  - Proven, volume based dairy yield improvement and mining safety/productivity solutions
  - Sensor fusion solutions with similar needs being developed for manufacturing and other markets

- Deliver high value sensor-based systems deployed as a service with recurring revenue stream
  - Cloud-based visual and analytical software available with Sensera tags and anchors

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P&L Overview

US$M	FY 19	FY 18
Revenues	10.2	6.4
Cost of Sales	(6.0)	(3.1)
Gross Profit	4.2	3.4
Gross Margin %	41%	52%
Operational Overheads & Admin		
Employee Costs	(6.5)	(4.5)
Fab Equip, Occupancy	(1.9)	(1.0)
Ops Consultants	(0.8)	(0.8)
Other Expenses	(1.7)	(2.1)
Subtotal Operational Overheads	(10.9)	(8.4)
Sales & Marketing	(1.4)	(0.4)
R&D	(1.3)	(1.2)
Total Operating Expenses	(13.6)	(10.1)
Operating Loss	(9.4)	(6.8)
financing expenses and taxes	(0.1)	-
Net Loss	(9.5)	(6.8)

- 60% Revenue growth
- 10% YoY GM reduction impacted loss negatively by $1M
  - Excessive supply chain costs due to capital constraints and early ramps
  - Lower margin contract due to expire end of Q2 FY20
- Management team and sales/applications costs increased by $3M
  - Partially offset by alternative staff overhead cuts/adjustments end of FY19
- R&D spend flat: Included significant increased costs for nanoLOX chip and external software development
  - Stopped further chip development in second half, focused software development with existing internal team (captured in overhead)
- $2.7M more in losses over FY18
  - MD: Investment in micro-assembly to help offset fab utilization and fixed costs
  - IOTS: Primarily driven by lower margin chip business, investment in application software and next gen device

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Cash Flow

	FY 19 US$M	FY 18 US$M
Receipts from customers	9.2	5.5
Payments to suppliers and employees	(17.4)	(11.7)
Net cash (outflow) from operating activities	(8.2)	(6.2)
Payments for Nanotron acquisition	(2.2)	(4.2)
Payments for fixed assets	(0.4)	(1.3)
Proceeds from sale of fixed assets	-	1.1
Payments for software development	(0.6)	-
Net cash (outflow) from investing activities	(3.2)	(4.4)
Proceeds from issues of shares (net of cost)	8.0	8.4
Proceeds from borrowings	2.5	-
Interest paid	(0.1)	-
Net cash inflow from financing activities	10.4	8.4

- Cash Collections grew 66%
- $2M net cash out increase due to increased costs and lower margins per P&L discussion
- FY19 concluded final acquisition payments for Nanotron
- Outsourced software analytics development ceased in Q4 FY19
- PO financing debt utilized in FY19 and replaced by debt in Q1 FY20

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Balance Sheet

	FY 19 US$M	FY 18 US$M
Cash	0.8	2.0
Trade Receivables	2.0	1.0
Inventory and Other	1.5	1.2
Current Assets	4.3	4.2
Fixed Assets	10.4	9.8
Total Assets	14.7	14.0
Accounts Payable	3.0	3.6
Borrowings	2.5	-
Other Liabilities	2.2	2.1
Total Liabilities	7.7	5.7
Net Assets	7.0	8.3
Share Capital & Reserves	28.5	20.4
Accumulated Losses	(21.5)	(12.1)
Total Equity	7.0	8.3

- Low cash balance led to debt/equity financing
- Receivables grew as business continued to scale
- Inventory grew 25%, not keeping up with revenue growth – all nanoLOC chip growth
- Leasing of equipment minimized fixed asset investment
- PO financing as discussed in cash flow

MD - A custom product design and manufacturing business

Customers

- Reliant on one significant customer
  - Volume on first design - Bench
  - Yield issues on second design - Sensor (bringing in-house Dec)
  - 2 new designs ongoing
- 12 additional customers
  - 4 in low volume production
  - 2 multi-million dollar customers to ramp in FY20
  - 6 in the pipeline between design and production phases

Manufacturing

- Wafer level fab at 30% utilization
  - Fab shared with another company
  - Capex low as we have a full equipment set and share some equipment
- FY19 was first year of production volumes
  - Process and procedures of a production fab realized in FY19
  - Yields to improve with volume and repetition
- Added micro-assembly clean-room and production in FY19
- Team streamlined (25 people) but opex reductions still ongoing
  - Phd level designers also operate the fab

Making Money

- $1.75M/quarter revenue break even level
- New designs are partially covered by non-recurring engineering (NRE) charges
- Business will run at 50%+ GM at sufficient volume

1. **Customers and pipeline solid for growth**
2. **Utilization of fab is critical to profitability – leverageable as costs to remain constant**

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IOTS - A systems level sensor and wireless network division

Customers

- Reliant on one significant customer
  - Volume on first electronics for ear tag – low GM% for the last 6 months
  - Infrastructure volume now starting – high GM%
  - Software licensing ongoing
- 44 Additional customers
  - Mining largest segment with multiple new customers
  - Manufacturing newest growth segment – same challenges as mining
- Pipeline growth to $85M
  - $17M in last 3 stages with high confidence

Manufacturing and R&D

- All manufacturing is outsourced
  - Issues with supply chain due to cash and inability to consistently build
  - Currently moving production to lower cost manufacturer in Asia
- R&D mostly internal focus on key differentiation
  - Internal team – mostly embedded software
  - Stopped chip design – cost savings thru partner: Decawave
  - Shifted IP for gas sensing to partner: Tempus
  - Licensed application and visualization software partner: Aretas

Making Money

- Shifted some of the external R&D spend to S&M
- Divisional breakeven at $2.25M / quarter – fixed costs scales to at least 50% more growth
- Business has been running at 41% GM while model at 55%. Mix change and cost reductions to drive to model
- Opex reductions mostly complete

1. **Strong pipeline and customer diversity**
2. **GM improvement thru product mix and cost reductions**
3. **Additional cash will allow supply chain to be optimized**

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Sensera - Growing Worldwide Customer Base

- MD: Primarily supporting the medical technology market, new applications in FY20
- IOTS: System Integrator and OEM partners incorporate our technology into application and industry specific solutions
  - Manufacturing the new growth segment by leveraging similar requirements as mining

ABIOMED
Recovering hearts. Saving lives.
nova biomedical
pixun
Wyss Institute

GE Mining
marco
MINLOG
mining solutions partner
becker MINING SYSTEMS
Selectronic
ETION
meglab
ATUT
IDENTEC SOLUTIONS
Elektrometal SA

EUROTECH
Imagine. Build. Succeed.
EMERSON
HARSCO RAIL
DiDi
More than a journey
NETSTAR
A SUBSIDIARY OF ALTRON
SCHAEFFLER

zoetis
SMARTBOW
Big Dutchman

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Summary

- Strong sales growth to date with on-going investment still being made in R&D and S&M
- Both divisions capable of leveraging due to stable cost bases
  - MD particularly scalable as fab utilization increases
- Margin improvement will occur from midyear FY20
  - IOTS: Incremental margin improvement driven by product mix, manufacturing changes and cost reduced product releases
  - MD: Increased fab utilization and only internal manufacturing process steps
- Key partnerships have been established to enable the IOTS recurring revenue business model
- Recent capital raise sufficient to bring the company to profitability

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