

31 January 2020
Australian Securities Exchange (ASX) Announcement

Sensera Quarterly Update and Schedule 4C

Highlights:

- **Revenue of US\$3.3m and cash receipts of US\$3.5m**
- **Significant improvement in IOTS margins**
- **Cost saving initiatives to reduce operating expenses by US\$3m on an annualised basis**
- **Further capital required to reach breakeven**

Quarterly revenue was US\$3.3m, equating to growth of 27% in the prior corresponding period (pcp). The 1H20 revenues were US\$6.8m, an increase of 85% when comparing to pcp. Cash receipts were consistent with the previous quarter at US\$3.5m. The quarterly operating expenses were US\$2.7m versus US\$3.4m on average in FY19, a decrease of 21% based as a result of changes implemented in the previous two quarters. The cash balance at the end of the quarter was US\$2.0m.

MicroDevices

MicroDevices achieved revenue of US\$2.4m in 1H20 with a gross margin of 52%. The MicroDevices business experienced some challenges in the quarter as it continued to struggle with sensor yield issues in supplying its largest customer, resulting in a 50% reduction in expected shipments. A mitigation strategy, to double the output in 3Q20 has been initiated, and an opportunity exists for MicroDevices to further accelerate and recover back to the customer's demand level before the end of FY20. In addition, the customer's original bench design forecast is slowing, but the addition of two new sensor designs is expected to offset some of this reduction.

The Company received commitments from Didi Chuxing for development fees and commenced a 3rd generation design, which is expected to be the production version, with commercial volumes beginning in FY21. MicroDevices work with Nova Biomedical has enabled them to prepare for initial manufactured volumes before the end of FY20.

In December, Vectura cancelled its entire nebulizer project, based on its view that its end-product would unlikely be successful in the market. This design was expected to move into volume manufacturing during FY20. The combined impact of these customer losses and revenue deferment is a US\$2.0m reduction in planned revenue during FY20, some of which has already been incurred.

IOT Solutions (IOTS)

IOTS has achieved revenue of US\$4.5m in 1H20, however this was at lower margin due to a high value, but low margin, chip contract, which concluded in the quarter. In 2H20 IOTS will move into production volumes for a new system-infrastructure product for the same customer at improved margins.

The Company is accelerating the transition of the IOTS business to a provider of entire wireless sensor systems and has been successful in lowering its operating costs and shipping product from its new low-cost manufacturing partner in Thailand, generating an uplift in gross margin from 37% to 46%. IOTS has historically focused the bulk of its resources on device level product development but is now focused its resources on software and hardware development at a complete system level.

Following the decision to transition the IOTS business, the Company has achieved several cost saving initiatives at the end of 2Q20. These changes provide a more streamlined division, with an overall expected operating expense saving of US\$2.0m per year.

The Company will incur a restructuring expense of approximately US\$1.0m which will be paid over the next 12 months. Annual operating expenses of this division are expected to be below US\$2.5m and the breakeven point has significantly reduced to an annualised US\$4.0m revenue at the gross margin of approximately 60%. The division made a profit contribution in the month of December and is expected to be profitable in 2H20.

In terms of sales, the mining sector continues to be mixed as the overall segment was subdued. A positive driver in the quarter was module deployments with mining customers: Netstar out of South Africa and GE Mining in Australia. Both customers are expected to continue to ramp throughout FY20. The company has also now seen further volume deployment of the rail safety application during the quarter from Harsco in the US.

The pipeline continues to be very strong and improved in the quarter as a couple of customers have migrated into the design-in phase with an incremental US\$1.5m of opportunity. An additional 10 customer opportunities were added to the evaluation phase.

4C Financials and 2H20 Outlook

The Company had a net inflow of capital of US\$6.3m in October following execution a new loan facility provided by PURE Asset Management and Altor Capital Management and the related equity capital raising.

The Timelio PO financing obligation was retired using US\$1.9m of these proceeds. There were also larger outflows within the quarter to build chips for customer demand and to build wafer inventory for the balance of the fiscal year. This is referenced in section 1.2 in the 4C under Product Manufacturing costs and partially responsible for the US\$1.6M increased cash flow vs. forecast. There were additional payments in 2Q20 held over from 1Q20 that were also part a of

the product manufacturing cost total. There are no significant chip builds required in 3Q20 as the primary contract is completed. The inventory created will suffice for the future demand of modules, tags and anchors.

The updated IOTS cost structure post restructuring is reflected in Section 9 of the 4C. There were also cost cutting initiatives made in MicroDevices and corporate costs, which are also reflected here. The one-off restructuring expenses are shown in the other category to give visibility to these actual costs.

It is anticipated that revenues for 2H20 will be lower than 1H20. However, IOTS margins are expected to expand considerably to approximately 60%, representing a greater than 50% improvement over previous corresponding period. Operating expenses are expected to be reduced by over 30% year over year.

Management has made material progress on the margins and cost metrics in order more rapidly reach breakeven, however, due to a series of unforeseen revenue losses we do not expect to achieve breakeven during FY20. Based on these recent events, the directors have determined that the Company will need to raise further capital to achieve its target of breakeven in the near term.

With the additional restructuring costs and lower revenue levels the Company is looking at all options to further capitalise the business. The Company is in discussions with a number of parties, including directors, management and current debt providers about providing further capital and will update investors at the appropriate time. The directors are aiming to have any capital raising finalised before the end of 3Q20.

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About Sensera Limited (ASX: SE1):

Sensera is an Internet of Things (IoT) solution provider that delivers sensor-based products transforming real-time data into meaningful information, action and value. The company designs and manufactures hardware and software across the vertical technology spectrum from unique structures as MicroElectroMechanical Systems (MEMS) and sensors, as well as wireless networked systems and software that when combined, drive an entire IoT platform solution.

Shares in Sensera Limited (ASX: SE1) are traded on the Australian Securities Exchange (ASX). For more information, please visit our website: www.sensera.com.

Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Sensera Limited

ABN

73 613 509 041

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$U.S'000	Year to date (6 months) \$U.S'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,535	7,101
1.2 Payments for		
(a) research and development	(71)	(174)
(b) product manufacturing and operating costs	(3,708)	(5,860)
(c) advertising and marketing	(718)	(1,345)
(d) leased assets	(255)	(473)
(e) staff costs	(799)	(1,544)
(f) administration and corporate costs	(520)	(990)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(128)	(153)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	17	37
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,647)	(3,401)

Consolidated statement of cash flows		Current quarter \$U.S'000	Year to date (6 months) \$U.S'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(126)	(246)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(126)	(246)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,142	2,142
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(124)	(124)
3.5	Proceeds from borrowings	4,412	4,864
3.6	Repayment of borrowings	(1,870)	(1,870)
3.7	Transaction costs related to loans and borrowings	(165)	(165)
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$U.S'000	Year to date (6 months) \$U.S'000
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,395	4,847

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	412	834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,647)	(3,401)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(126)	(246)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,395	4,847
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,034	2,034

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$U.S'000	Previous quarter \$U.S'000
5.1	Bank balances	2,034	412
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,034	412

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$U.S'000**

134

-

The amount at 6.1 includes payment of directors' fees and payments to a director related entity excluding reimbursement for administrative expenses and travel expenses.

7. Payments to related entities of the entity and their associates	Current quarter \$U.S'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$U.S'000	Amount drawn at quarter end \$U.S'000
8.1 Loan facilities	5,412	5,412
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Facility	Facility Limit (\$US'000)	Drawdown (\$US'000)	Interest Rate
PURE Asset Management Pty Ltd and Altor Credit Partners Pty Ltd	4,412	4,412	11.75% per annum
Promissory Note	1,000	1,000	11.75% per annum
TOTAL	5,412	5,412	

9. Estimated cash outflows for next quarter*	\$U.S'000
9.1 Research and development	31
9.2 Product manufacturing and operating costs	1,524
9.3 Advertising and marketing	501
9.4 Leased assets	255
9.5 Staff costs	745
9.6 Administration and corporate costs	483
9.7 Other (provide details if material**)	455
9.8 Total estimated cash outflows	3,994

* To fully understand the Company's estimated subsequent quarter cash position, cash inflows from customer receipts should also be considered. Consistent with previous quarters, it is reasonable to conclude that the company will derive receipts from customers generated from delivering of our services and products.

** Other outflows relates to estimated cash payment related to restructure charge in the quarter ended December 31, 2019.

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



 Company secretary

Date: 31 January 2020

Print name: Phillip Hains

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.