



# Senetas Corporation Limited

2020 Half Year Results – 28 February 2020

# HY2020 Group Highlights

- Revenue of \$10.6 million – up 7.5% on HY2019
  - Final tranche of Votiro investment was made in January 2020 – this increased Senetas’s interest in Votiro to approximately 60%
  - Group revenue includes 2 months of revenue from Votiro for November and December 2019 after it became a controlled entity
- Operating profit before tax for the underlying Senetas business of \$1.3 million, excluding the impact of Votiro
- Group net loss before tax including Votiro of \$0.5 million
- Group net loss after tax of \$1.0 million
- Strong balance sheet with \$14.5 million of cash at 31 December 2019 and no debt
- Distribution for FY2019 of \$0.000462 per share paid in December 2019 following shareholder approval at the AGM

# HY2020 Highlights – Senetas

- Strong momentum in Europe revenue from FY2019 has continued into HY2020
- Growth in 100Gbps sales continues as customers upgrade to 100Gbps networks
- Recurring maintenance revenue was 49% of revenue for the Senetas business
- Gross margin expansion in HY2020 reflects lower inventory transfers as Thales depleted existing hardware inventory – gross margins are expected to remain circa 80% over time
- Higher gross margins offset by higher R&D and overheads associated with finalising European certification and transport layer independence for Senetas's hardware encryption products

# HY2020 Highlights – Votiro

- Strong growth in revenue driven primarily by Japan and North American markets
- Good progress towards cash flow break-even
- Global sales and marketing capability established
  - North American sales team fully onboarded
  - Closed first significant sales into the North American market during the period
  - Strong growth in sales pipeline
  - Closed largest ever transaction – multi-year deal with a customer in the US market
- Ongoing product development
  - Virtual appliance for ease of deployment

# KEY FINANCIALS



# HY2020 Key Financials

Half year ended 31 December 2019 (\$000's)	HY2020*	HY2019	Change
Revenue from ordinary activities	10,601	9,862	7.5%
Gross profit	9,008	7,494	20.2%
Gross Margin %	85%	76%	9pts
Other income	324	303	6.9%
Share of loss of an associate*	(1,234)	(324)	-
Profit (loss) before tax	(529)	(799)	33.8%
Tax expense	(480)	(385)	-
Net profit (loss) after tax	(1,009)	(1,184)	14.8%

- 7.5% growth in operating revenue – including consolidated Votiro revenue for Nov-Dec 2019
  - On a like for like basis, Senetas underlying revenue down 3.4% on the prior period
- Increase in gross margin reflects lower inventory transfers to Thales during the period
- Effective tax rate on Senetas's underlying profit before tax of \$1.3 million was 37%

\*Votiro results consolidated from November 2019. Loss of associate reflects Senetas's share of Votiro results from July-October 2019

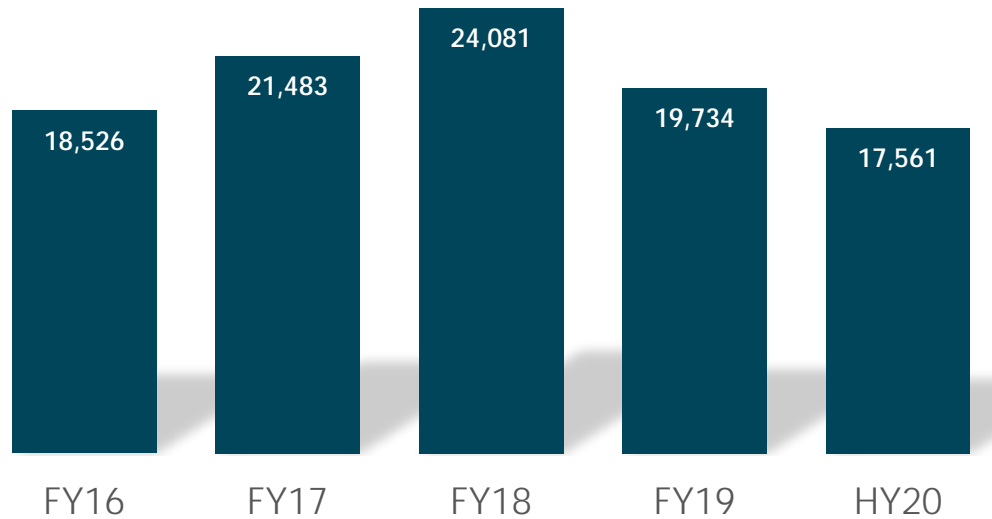
# Senetas operating segment results

Half year ended 31 December 2019 (\$000's)	HY2020	HY2019
Revenue from ordinary activities	9,524	9,862
Gross profit	8,027	7,494
<i>Gross Margin %</i>	84%	76%
Other income	324	303
Profit (loss) before tax	103	(799)
<i>Adjustments to calculate underlying Senetas segment net profit before tax</i>		
Share of loss of an associate (Votiro)	1,234	323
Gain on step acquisition	(33)	-
Impairment to investment in SAT	-	1,893
Underlying net profit (loss) before tax	1,304	1,417

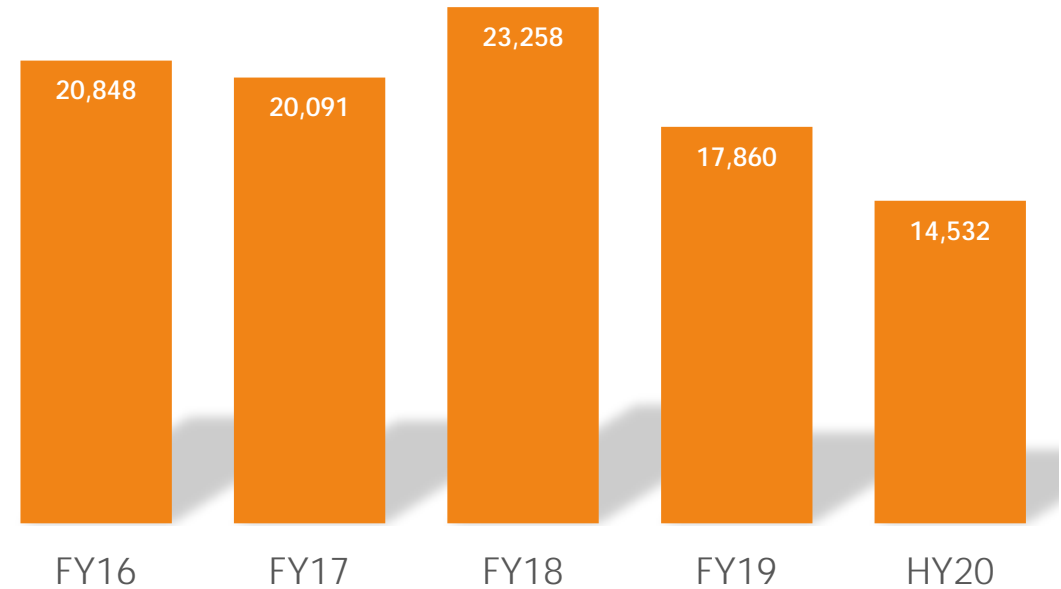
- This table highlights the underlying operating results for the Senetas operating segment in HY2020 i.e. for the Senetas encryption business without the impact of results for the period from Votiro
- Operating revenue and underlying net profit before tax were slightly below the prior period
- The share of loss of an associate reflects Senetas's share of Votiro results for the 4 months to 31 October 2019

# Strong Balance Sheet With No Debt

NET ASSETS \$'000s



CASH & CASH EQUIVALENTS \$'000s



Since FY2018 Senetas has returned \$4.5 million to shareholders via dividend and capital payments



# OPERATIONAL UPDATE



# Senetas

- 100Gbps encryptor sales growth as customers adopt the new technology – offset by moderation in sales of 10Gbps encryptors
- Development of transport layer independence (Layers 2,3 & 4) capabilities for Senetas hardware encryptors completed – new products to be launched in CY2020
- The process to achieve a new European certification for Senetas hardware encryptors has been a lengthy and time consuming process over the past 2 years, however, the certification will strengthen Senetas's position in European markets and generate substantial additional sales in the region where we cannot currently compete
- European certification security audit process has been completed – certification expected to be finalised before the end of FY2020

# Senetas – R&D

## Virtualised encryption

- Partnerships with Thales & ADVA provide opportunities for technical development, customer trials and ongoing product enhancements
- Market has been slow to adopt SDN technology, however, customer interest is strong and we continue to see good revenue opportunities as SDN technologies mature.

## Transport independent mode

- Allows our hardware products to encrypt across layers 2, 3 and 4 providing access to more data encryption in transit opportunities
- Development of the hardware encryptors is now complete and the new products will be launched into the market during CY2020

## Investment in Quantum readiness

- The digital security threat posed by quantum computing is fast approaching and Senetas is making a significant investment in quantum readiness: future proofing its technology in preparation for the advent of quantum computing
- Implementation of NIST candidate Quantum Resistant Algorithms and support for Quantum Key Distribution
- Products architected to be crypto agile and future proof by design

# Acquisition of Gemalto by Thales

- Thales completed its acquisition of Gemalto in April 2019
- Thales subsequently confirmed it would continue as Senetas's global exclusive distribution under Thales' Digital Identity & Security division
- As expected, there was some minor sales disruption through the acquisition / integration period, however, overall revenue remained similar to the prior period
- Outlook for sales growth remains strong with Thales' expanded sales and distribution capability

**THALES**

**gemalto**  
a Thales company

## Target Markets

- Japan, North America & APAC represent the key growth markets for focus in the near term
- North America is expected to become the Votiro's largest market within 12-18 months

## Business Development

- Continuing to build business capability across all key regions
- Technical and sales & marketing resources for ongoing product development, to drive sales growth in key regions and for customer support

## Strategic Partnerships

- Pursuing potential strategic relationships across the North American market and beyond
- Opportunities for partnerships / distribution with large scale industry participants to accelerate growth

# VOTIRO'S CDR TECHNOLOGY



# Company history



- **Votiro** reinvented Content Disarming & Reconstruction (CDR) as a cyber threat prevention against content-born attacks, establishing a **Secure File Gateway** category
- **Votiro** has a proven prevention rate of 100% against both known & unknown (e.g. zero-day) attacks
- **Votiro** improves business productivity for organisations of all sizes by delivering content in original formatting, ready to use, with no user action—& free of malware...providing operational peace of mind, allowing users to click on any file without the need to think twice
- **Votiro's Positive Selection™** technology consistently & substantially outperforms CDR solutions, with no dependence on finding or countering hidden malware
- **Votiro's Secure File Gateway** can be gracefully integrated with any content-based application from all communication channels, including encrypted files...no file security gaps
- High quality, demanding customers—particularly in banking & finance, insurance, technology & telecoms—with strong pipeline
- Subscription model with sustainable price points & high product margins

- Founded in Israel in 2012; first product shipped in 2014
- Sales presence in the US, APAC, Israel & Australia; HQ moving to the US
- Over 400 customers, ranging from <500 users to >300,000 users
- Over 5 billion documents processed; zero breaches
- 15 US patents
- Experienced Management Team

# Votiro Secure File Gateway Platform

At a glance...

*Documents & files are a business necessity*

- They enter through many sources

- Web
- Email
- Collaboration
- Custom business applications
- SMB/FTP shares
- Help Desk (e.g., ServiceNow, Salesforce)
- EFSS/CCP (e.g., Dropbox, Box)

- They can hide a full spectrum of malware

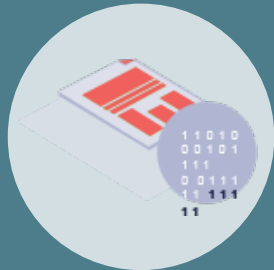
**VOTIRO**  
SECURED.

Delivering Safe Content in Milliseconds

1

## Analyze

- Disassemble into objects
- Analyze sections, macros & metadata
- Non-harmful parts extracted



2

## Reconstruct

- Reconstruct a 100% Known-Safe version
- Reconstruct full depth of macros



3

## Test

- Automated Fidelity Test



4

## Deliver

- Deliver in original source formats
- Full functionality





# What was CDR supposed to do?



## Objective: Threat Prevention

- Cyber threats that aren't prevented get into the network. They result in compromise and cost, sometimes staggering cost.
- All threat prevention requires that the threats be found—identified—before they get into the network. This is the cyber arms-race of cyber products trying to keep up with the threats

## Why CDR?

- The most virulent attacks, including zero day and ransomware, are delivered by hiding the attacks in content—the content that is essential to business (documents, files, attachments...).
- CDR was envisioned to prevent threats by neutralizing them and reconstructing the content to be safe before it gets to the network.

## The Problem:

- Traditional CDR still relies on finding the potential threat in the content, removing parts of the content, or else converting the content to a different format—thus rendering it unsuitable for its intended business use.
- Traditional CDR technology didn't faithfully, reliably reconstruct content in a known-safe condition.

# Solution: positive selection succeeding where CDR didn't



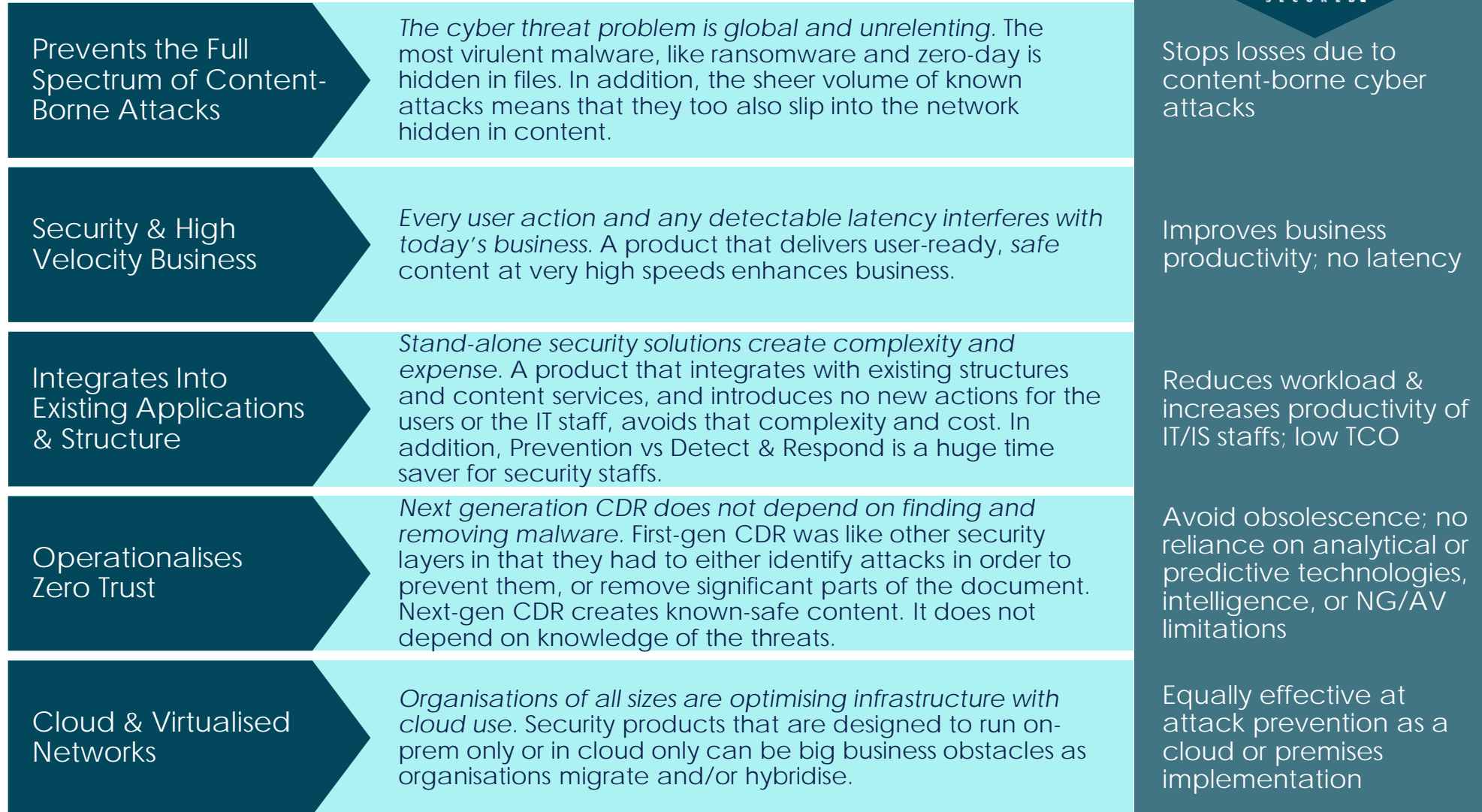
## Votiro's Newly Developed Technologies that:

- ▶ Reconstruct new, **known-safe** content...
- ▶ In original formatting...
- ▶ Ready for safe business operations...
- ▶ Without having to find, alter, or remove malware hidden in the original content

Operational Peace of Mind for:

- Email
- File Sharing
- Document Portals
- Help Desks
- Enterprise File Synchronization
- Websites
- Collaboration
- Business Applications, ERP, CRM

# Aligned with major cyber market drivers



# Customer use examples

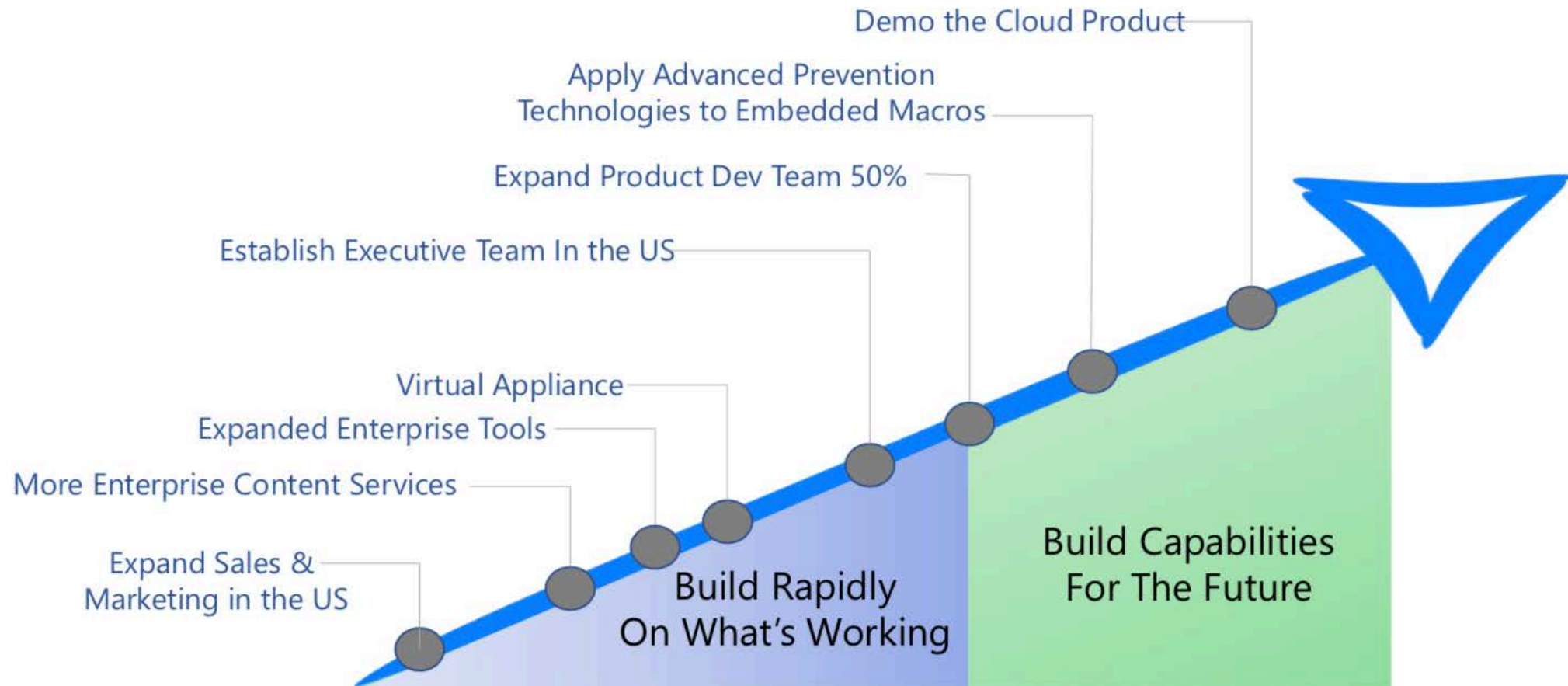


Customer	Use
Large US Financial Services Company	<ul style="list-style-type: none"> <li>Secure upload portal for consumer loans</li> <li>3,000 applications/hour</li> <li>\$6.4B in loans</li> </ul>
Large APAC MSP	<ul style="list-style-type: none"> <li>300,000 Users</li> <li>Email</li> <li>Web uploads</li> </ul>
US Health Insurance Network	<ul style="list-style-type: none"> <li>Email</li> <li>Client portal</li> <li>File transfers</li> <li>Web downloads</li> </ul>
US Multinational Investment Firm	<ul style="list-style-type: none"> <li>Web browsing</li> <li>Enterprise files synch/sharing</li> </ul>
Large Multinational APAC Bank	<ul style="list-style-type: none"> <li>Email infrastructure</li> <li>40,000 users &amp; climbing</li> <li>Will expand to file upload/download</li> </ul>

### Votiro's Edge

- Fastest Content Reconstruction in the market
- Scalable
- Rapid Integration through API
- Speed
- Scalable
- Processes all the content types
- Integrates with multiple existing systems (e.g., GoAnywhere)
- Speed
- Processes all the content types
- Tightly integrates with existing systems (e.g., Symantec)
- Processes all the content types
- Business-ready content
- Scalable

# Votiro growth strategy – 2020

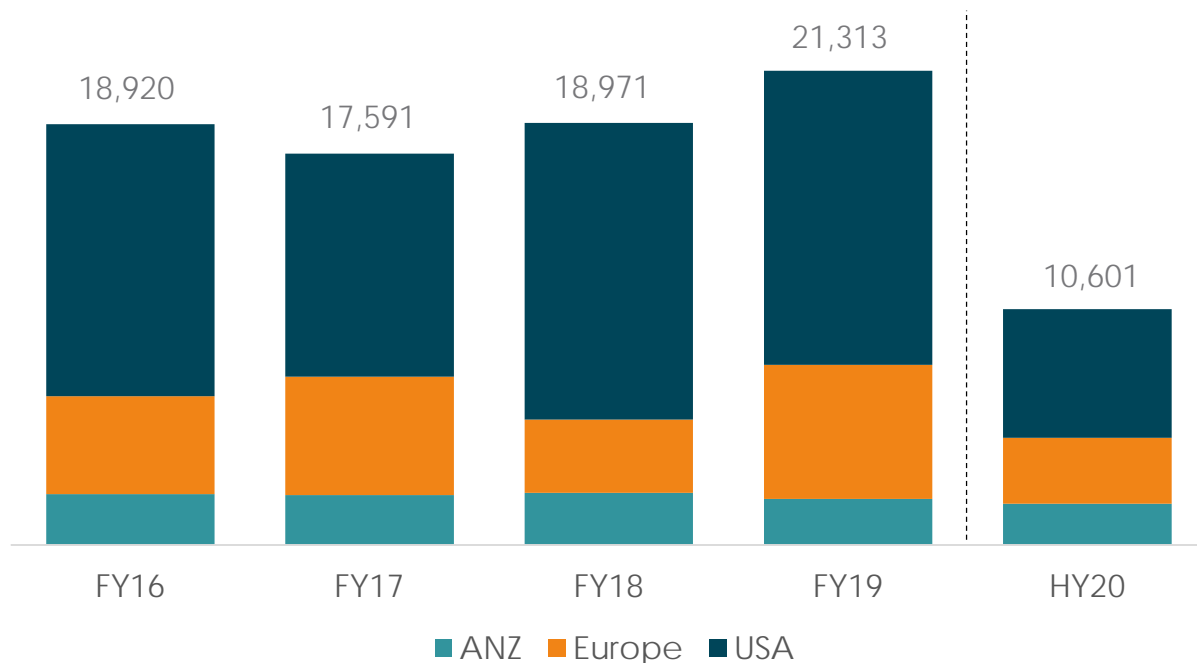


# DETAILED FINANCIALS



# Operating Revenue

Revenue by region



- Stronger European revenue momentum in FY2019 continued into HY2020
- Asia Pacific revenue growth reflects increased Senetas encryption business revenue and the Nov/Dec 2019 Votiro revenue included
- Increased maintenance revenue at 49% of total Senetas revenue in HY2020

FY16-18 revenue has not been restated for the application of AASB15

# Cash Flow

Half year ended 31 December 2019 (\$000's)	HY2020*	HY2019	Change
Receipts from customers	9,034	8,550	6%
Tax paid	(585)	(487)	20%
Payments to suppliers & employees	(10,071)	(8,519)	18%
Operating cash flows	(1,513)	(206)	-
Investing cash flows	(1,164)	(6,389)	-
Cash and cash equivalents at 31 December	14,532	12,250	19%

\* HY2020 cash flows include consolidated Votiro cash flows for November & December 2019

- Receipts from customers and payments to suppliers & employees includes Votiro cash flows for November & December 2019
- Investing cash flows include the first instalment of the 2nd tranche of Senetas's investment in Votiro – prior to Votiro becoming a controlled entity
- Other significant cash outflows during the period include \$0.5 million relating to the return of capital approved by shareholders at the 2019 AGM



# Balance Sheet Remains Strong

Half year ended 31 December 2019 (\$000's)	HY2020*	FY2019	Change
Cash and cash equivalents	14,532	17,860	(19%)
Trade and other receivables	4,231	5,056	(16%)
Inventories	2,076	2,425	(14%)
Investment in Votiro	-	4,973	-
Goodwill (provisional)	7,958	196	-
<b>Total assets</b>	<b>34,177</b>	<b>33,359</b>	<b>2%</b>
Trade and other payables	(2,705)	(2,509)	(8%)
Contract & lease liabilities	(12,184)	(9,090)	26%
<b>Total liabilities</b>	<b>(16,603)</b>	<b>(13,625)</b>	<b>22%</b>
<b>NET ASSETS</b>	<b>17,574</b>	<b>19,734</b>	<b>(11%)</b>

\* HY2020 Balance Sheet includes Votiro

- Strong balance sheet with net assets down 11% at HY2020 reflecting the capital distribution payment of \$0.5m in December 2019, and the Votiro losses recognised for the period
- Cash on hand of \$14.5m and no debt – lower cash balance reflects payments of A\$2.9m relating to the 2nd tranche of the investment in Votiro and A\$0.5m of distributions paid in December 2019

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