

31 July 2020
Australian Securities Exchange (ASX) Announcement

Sensera Quarterly Update and Appendix 4C

HIGHLIGHTS:

- **Cash receipts in FQ4 improved to US\$3.3m increasing cash to US\$1.4m**
- **FQ4 revenue of US\$2.3m; FY20 revenue of US\$11.7m and 15% yoy growth**
- **FQ4 Gross Margin percentage at 62% vs 56% the previous quarter**

Sensera Limited (Company) (ASX:SE1) is providing the financial year 2020 (FY20) 4th quarter results and appendix 4C. Cash receipts improved from US\$2.1m in the previous quarter to US\$3.3m in FQ4. This pleasing result partly reflects several Covid19 related initiatives undertaken during the quarter which will unwind in the next quarter and are discussed more fully in the divisional analysis. Revenue for the quarter was US\$2.3m, bringing the total FY20 revenue to US\$11.7m, representing 15% growth over the previous year of US\$10.2m.

The Company continued to increase gross margins (GM) in the second half of FY20 as projected. With a GM of 62% for FQ4 which improved from 56% in the previous quarter, the FY20 GM was 48%, a significant improvement over the 41% achieved in FY19. The product mix shift, manufacturing changes and model changes have had the planned impact of improving the overall gross margins in the last two quarters towards the target of 60%.

Both operating divisions were able to operate profitability during the quarter. This does not include group corporate and interest costs.

IOT Solutions (IOTS)

IOTS achieved a quarterly revenue of US\$1.1m with gross margin of 67% and was profitable at an operating level in the quarter. Operating expenses trended lower with reduced salaries and general expenses due to the stay at home initiative but will unwind in FQ1 as salaries will return to normal. Some of this increase is offset by lower office expenses as the group has moved into a smaller, more efficient and cost-effective space. The go-forward break-even level is revenue of approximately US\$1.0 - 1.2m per quarter. FQ1 expectation is for revenue in excess of this level, as the group already has over \$0.9m in shipped or confirmed orders for the quarter.

The inventory position was increased by US\$0.3m during the quarter to drive more linear sales, the bulk of which relates to IOTS. This improves cash flow and ensures the proper products are in place for the first month of FQ1.

In FQ4, Zoetis remained the largest customer for IOTS, but licensing revenue is down as there has been a reduction of deployments during the pandemic. GE Mining was another impact customer in the quarter as they continued to robustly deploy systems using IOTS based location aware technology. Even with the general COVID-19 slowdown in mining and manufacturing, IOTS shipped to an additional eight customers in the quarter. Despite the environment, revenues have remained resilient and progress has been supported by several recent design wins. Previously announced US military application through Triton Systems has obtained first revenue to deploy the Proof of Concept for the initial instalment. IOTS has also made progress on the European rail safety project as the technology has been tested and approved to move to the next phase. Material revenue in both cases is expected to be realized in late FY21.

IOTS continued to progress its product portfolio and sampled the latest version of its location-based radio frequency module, the *swarm* bee, that reduces the physical footprint by a factor of 50%, improves performance and lowers costs. Several customers are evaluating this product and shipping revenue is expected in FQ1.

MicroDevices (MD)

MD achieved a quarterly revenue of US\$1.3m with a gross margin of 57% making it profitable on an operating level due to salary/ headcount reductions and lowered lease expenses. Operating expenses will grow approximately US\$0.3m in FQ1 as salaries and lease expenses are reinstated and additional headcount is added to ramp production product. The expectation is the revenue and margin increase will outpace the spending and keep at breakeven or better. Sufficient confirmed orders are in-place to give management confidence regarding revenue growth in FQ1.

MD has continued its growth with FY20 revenues of US\$4.7m. This constitutes a 41% increase year on year. With the additional products ramping this business will structurally grow beyond the previously reported US\$5.6m of annual costs necessary to operate the business.

As previously released, the biggest item to impact the MD business has been the application of one of the Company's sensors towards a COVID-19 detection solution. While material confirmed orders already exist, MD is still in pre-production and expects to improve yield and ramp this product into full production throughout FY21. The potential exists to accelerate the revenue and profitability with additional capex and headcount increasing cash requirements by US\$1.5m – US\$2.0m from FQ2 and beyond. The rate of this ramp and cash requirements will be determined as the product moves from pre-production to full production during FQ1. Significant progress on that front has already occurred during the month of July with early product deliveries.

In the quarter MD did obtain new, material development revenue for a quantum computing customer. This product development will continue to bring revenue throughout FY21. The Abiomed sensors and optical benches are continuing to yield effectively and were delivered linearly throughout FQ4. DiDi suspended activities on the automated car sensor design due to COVID-19 related work disruption in FQ4. They recently reengaged to continue the design activity. Hence, the development-based revenue will continue and ramp through FY21, but production will be delayed.

Corporate

Corporate costs were also favourably impacted in the quarter by cost reductions both permanent and temporary. They will increase slightly as external vendors continue to be reduced, offset by an increase of some admin and legal costs.

Interest payments on the primary debt of the company will also return after a deferment in FQ4 resulting in an additional US\$0.1m in cash outlay in FQ1.

The company currently believes based on actual spend data that it qualifies for the full amount to be forgiven of the PPP loan program in the US. Confirmation is expected during FQ1.

Management believes that it has made meaningful progress in building out a business that will be sustainable by significantly reducing costs and increasing margins. While a difficult market environment during COVID-19, the Company has also been able to move multiple customers and opportunities forward to lay the foundation for a robust FY21.

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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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Sensera Ltd

ABN

73 613 509 041

Quarter ended ("current quarter")

June 30, 2020

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,300	12,506
1.2 Payments for		
(a) research and development	-	(175)
(b) product manufacturing and operating costs	(1,652)	(9,134)
(c) advertising and marketing	(228)	(1,971)
(d) leased assets	(9)	(702)
(e) staff costs	(485)	(2,687)
(f) administration and corporate costs	(167)	(1,542)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(29)	(325)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	661	719
1.8 Other (Cash used in restructure charge)	(294)	(707)
1.9 Net cash from / (used in) operating activities	1,097	(4,018)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(-)	(246)
(d) investments		
(e) intellectual property	(14)	(14)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	(14)	(260)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		2,142
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(124)
3.5	Proceeds from borrowings		4,864
3.6	Repayment of borrowings		(1,870)
3.7	Transaction costs related to loans and borrowings		(165)
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		4,847

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	320	834
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,097	(4,018)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(260)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,847
4.5	Effect of movement in exchange rates on cash held	(8)	(8)
4.6	Cash and cash equivalents at end of period	1,395	1,395

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	1,335	320
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Restricted Cash for Office Lease)	60	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,395	320

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	68
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>The amount at 6.1 includes interest payments to a director related entity and director emoluments excluding reimbursement for any administrative expenses and travel expenses.</p>		

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,412	5,412
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	5,412	5,412
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>A\$5.1m Pure Asset Mgt A\$1.4m Altor Capital Mgt, 11.75%, October 2023, all asset secured US\$0.65m Guerrilla Nominee, 11.75%, March 2021, unsecured US\$0.35m Triton Holdings LLC, 11.75%, March 2021, unsecured</p>		

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,097
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,395
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,395
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: July 31, 2020.

Authorised by: By the Board Audit Committee

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.