



# Senetas Corporation Limited

2022 Half Year Results – 25 February 2022

# HY2022 Group Highlights

- Group operating revenue of \$12.9 million – down 10% on HY2021
  - Votiro revenue up 82% to \$2.8 million
  - COVID and other supply chain delays have led to a global shortage of electronic components that temporarily impacted Senetas revenue which was 21% lower
- Votiro annual recurring revenue (ARR) of US\$3.9 million at December 2021 (up 63%)
  - Votiro's subscription (SaaS) ARR was up 135% to US\$2.6 million driven by the strong uptake of the SaaS subscription model
- Group net loss before tax was \$4.8 million (includes Votiro net loss before tax of \$5.8 million)
  - The Votiro loss includes non-cash items of \$1.8 million relating to amortisation and share based payments expense)
- Group net loss after tax attributable to members of \$2.8 million
- Balance sheet remains strong with \$9.7 million of cash on hand at 31 December 2021 and no debt

# FY2022

- Votiro's growth outlook remains very encouraging with strong momentum building across both the US and Asia Pacific regions
  - The December 2021 quarter was Votiro's strongest quarter ever and its total contract value at the end of 2021 was US\$7.3 million
  - Continuing to build a strong pipeline of proof of concept (POC) trials and POC conversion remains very strong
  - ARR is expected to more than double in the next 12 months driven by growth in sales of Votiro's SaaS offering with the non-SaaS ARR (support and maintenance in Japan) to remain largely constant
- The Senetas business will continue to be impacted by global component shortages
  - Senetas's pipeline of customer orders is very strong and significantly ahead of any other time in the past 12 months, however, global electronic component shortages are causing delays to customer network upgrade projects – increasing the lead time for shipment of Senetas's products
  - These global shortages are largely COVID related and are expected to impact the industry through 2022, however, Senetas has significantly increased inventory levels to mitigate the impact on sales
  - As a result of these temporary factors we anticipate Senetas revenue could be up to 10% lower in FY2022, however, we continue to expect consolidated group revenue to be higher than in FY2021

# HY2022 VOTIRO



# HY2022 Highlights – Votiro



Annual Recurring  
Revenue (ARR)

US\$3.9m

Up 63% since 31  
December 2020

Subscription (SaaS)  
ARR

US\$2.6m

Up 135% since 31  
December 2020

Revenue

A\$2.8m

Up 82% from HY2021

Total Contract  
Value

US\$7.3m

At 31 December 2021

Customer Renewal  
Rate

>95%

2021 calendar year

# HY2022 Financials – Votiro



- Votiro operating revenue was up 82% driven by strong growth in both the Asia Pacific and US
- ARR growth of 63% was driven by growth in subscription ARR which was up 135%
- Asia Pacific is currently Votiro's largest market delivering:
  - US\$1.5 million of subscription ARR
  - US\$2.8 million of total ARR of US\$3.9M
- Total contract value for Votiro at 31 December 2021 was US\$7.3 million
- Average deal size for Votiro has doubled since HY2021
- Votiro HY2022 loss before tax was \$5.8 million – including \$1.8 million of non cash items
- \$2.0 million of Votiro's after tax loss of \$5.6 million is attributable to the minority interests in Votiro
- Expect ARR to more than double in the 2022 calendar year

# Key HY2022 Milestones



- Strong take up of the new subscription/SaaS model
- Key client wins through HY2022 across a wide range of enterprises including large Government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA
  - Includes Votiro's largest ever sale to an Asia Pacific government agency worth over US\$1 million annually for a minimum of 3 years
  - Dec 2021 quarter was Votiro's strongest quarter ever
- POC conversion rate remains strong at over 90% in the US and over 75% globally, consistently winning in head-to-head technology trials against competitors
  - The North American market opportunity remains significant and is still expected to become Votiro's largest market in the near term with an extensive sales pipeline as we enter calendar 2022
- With the strong results to date and very encouraging outlook for the business, Senetas has continued to fund Votiro's growth in recent months via a secured debt facility that stands at US\$2.5 million at the end of February 2022

# Votiro – Business Update



# Votiro Opportunity



**Strong momentum in  
cyber-security investment  
market**

- Enterprise tech looking for differentiated technology platforms with revenue growth
- Customer useability is a must-have
- 135% subscription ARR growth in 2021 calendar year, ARR US\$3.9M

**High value business solution**

- Votiro's integrations allow it to complement existing security stack
- Remove malicious content without removing any business content
- Low latency and ease of installation
- Strong and growing revenue per customer

**Differentiated &  
Sustainable Technology**

- Patent-protected intellectual property
- A generation-plus ahead of other CDR products
- Moving towards CDR as a Service

**Experienced Management  
Team and Shareholders**

- Industry leaders in global cyber-security & former intelligence community veterans

# Growing network of technology and channel partners



# Extensive third-party accreditations and validation

Accreditations				Validation	
Governmental	 US Govt, through Thales	 Australian Government Department of Defence Intelligence and Security	 Israel Director of Security of the Defense Establishment	 Israel State Authority for Information Security	   <b>100% pass rate</b> of all tests conducted by three major financial institutions
Japan	Guidelines by the Ministry of Internal Affairs and Communication	Supported by Government and Financial recommendations	Mandates implementation of Votiro's like sanitization strategy	<ul style="list-style-type: none"><li>Two of the three largest financial institutions in the U.S.</li><li>One of the largest financial institutions in APAC</li></ul>	
	 ISO 9001:2015 Quality Management System	 ISO/IEC 27001:2013 Information Security Management System	<ul style="list-style-type: none"><li>Tested for security and fidelity</li><li>Issued confidential test reports and provided copies to Votiro</li><li>Extensive range of tests performed</li></ul>		
Common Criteria	Certified ELA2 in 2017 on Version 7.1	Subsequent versions confirmed to the same levels of process and security	Company goals and time to market is not consistent with continuous re-certifications		

# Winning in regulated enterprise customers with high volume file traffic



**Financial  
Institutions**



**Tech companies**



**Healthcare**



**Insurance**








**Investment firms**



**Government**

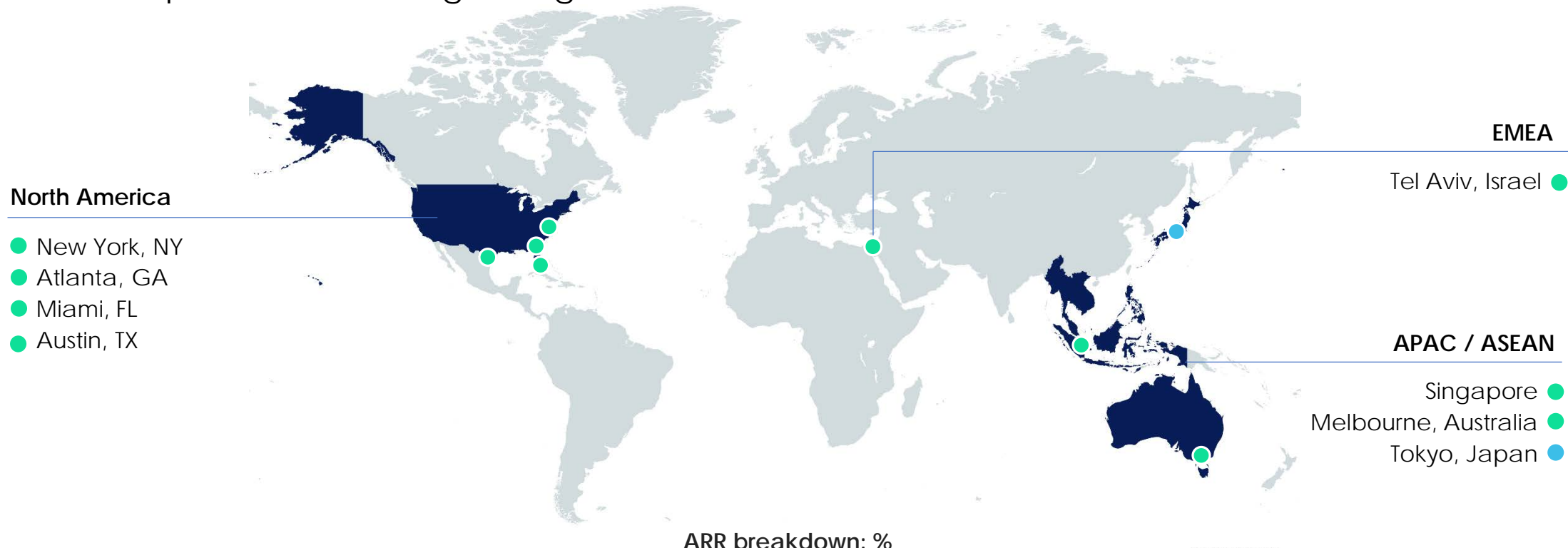
- Enterprises that have a large daily volume of inbound documents
- High velocity businesses that can't afford security delays in file/email delivery
- Large teams across multiple locations
- Access to sensitive and confidential data
- Document fidelity is essential

# Building on successful global deployments across multiple industries

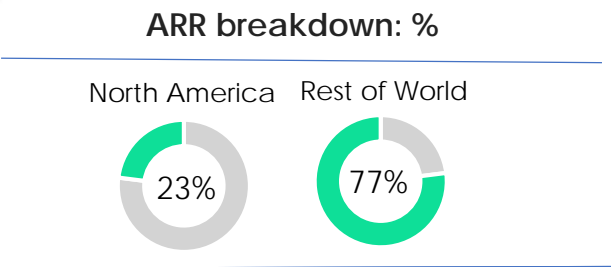
Customer	Use Case	THE VOTIRO <sup>✓</sup> DIFFERENCE
 <b>Large US Financial Services Company</b>	<ul style="list-style-type: none"><li>▪ Secure upload portal for consumer loans</li><li>▪ 3,000 applications/hour</li><li>▪ \$6.4B in loans</li></ul>	<ul style="list-style-type: none"><li>▪ Fastest content reconstruction in the market</li><li>▪ Scalable</li></ul>
 <b>US Global Insurer</b>	<ul style="list-style-type: none"><li>▪ Email</li><li>▪ 60,000 users</li><li>▪ Fortune 100 company</li></ul>	<ul style="list-style-type: none"><li>▪ Chosen after demanding competitive performance tests</li><li>▪ Speed and scalability</li></ul>
 <b>Large APAC Managed Service Provider</b>	<ul style="list-style-type: none"><li>▪ 300,000 Users</li><li>▪ Email</li><li>▪ Web uploads</li></ul>	<ul style="list-style-type: none"><li>▪ Rapid integration through API</li><li>▪ Speed</li><li>▪ Scalable</li></ul>
 <b>EU Global Logistics &amp; Supply Chain Company</b>	<ul style="list-style-type: none"><li>▪ Protect all API-based file exchanges</li><li>▪ 900+ subsidiaries across the world</li><li>▪ 2nd largest shipping company</li></ul>	<ul style="list-style-type: none"><li>▪ Speed and scalability</li><li>▪ Open, API-based service</li><li>▪ Ease of adoption</li></ul>
 <b>Large Multinational APAC Bank</b>	<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>	<ul style="list-style-type: none"><li>▪ Processes all content types</li><li>▪ Business-ready content</li><li>▪ Scalable</li></ul>

# Focused on growth in North America, building on continuing wins in APAC

350+ enterprise clients and growing



- Offices / employees
- Resellers



Based on CY21 ARR of \$US3.9m

Note: CY runs from Jan to Dec, \$ amounts in USD

# HY2022 SENETAS BUSINESS



# HY 2022 Highlights – Senetas

- COVID and other supply chain delays have led to a global shortage of electronic components that have temporarily impacted Senetas revenue
  - Maintenance revenue represented 46% of total revenue
- Customer orders remain robust but sales revenue has been temporarily impacted by disruptions to the supply chain for electronic components
  - Component shortages across the industry globally have extended lead times and caused delays to customer network upgrade projects – impacting the timing of Senetas product shipments
  - Both Senetas and Thales have invested to build additional inventory in order to fulfill orders as required, however, there has been a temporary impact on gross margins and cash on hand in HY2022
  - Component shortages are expected to remain an issue throughout most of 2022
- Senetas segment profit before tax was \$1.0 million (HY2021: \$3.5 million) which reflects the delays across the industry from global component shortages
- Senetas operating expenses were almost 10% below the prior period

# Senetas

- The pipeline of customer orders is very strong and significantly ahead of any other time in the past 12 months
  - Orders from the US market are particularly encouraging – strong orders also in the pipeline from South America and Europe, however, shipment of these orders once finalised is likely to be extended over the next 12-18 months whilst industry component shortages persist
  - Senetas 100Gbps encryptor sales in HY2022 doubled compared to the prior period and the 100Gbps encryptors are now the largest single revenue generating product
- SureDrop sales remain very small but are significantly higher than HY2021
  - Sales are primarily in the Asia Pacific region at this stage with increasing focus going forward on international opportunities via Thales
- The major R&D focus during the period has been on product upgrades including:
  - Improved functionality and quantum capabilities for Senetas's transport independent mode hardware encryptors
  - Enhanced capabilities for virtualised encryption for operation in cloud gateway environments

# KEY FINANCIALS



# HY2022 Consolidated Senetas Group Financials

Half year ended 31 December 2021 (\$000's)	HY2022	HY2021
Revenue from ordinary activities	12,837	14,272
Gross profit	10,350	12,159
Gross Margin %	81%	85%
Other income	3	349
Depreciation & amortisation	(1,562)	(1,675)
Profit (loss) before tax	(4,861)	(1,666)
Tax expense	(75)	(734)
Net profit (loss) after tax	(4,786)	(2,399)
Net profit (loss) after tax attributable to members	(2,753)	(387)

- Group revenue was 10% lower as strong growth in revenue for Votiro was offset by the COVID related component shortages and supply chain issues temporarily impacting the Senetas segment
- Gross margins were lower due to the increase in Senetas inventory transfers to Thales
- Votiro gross margins remain in excess of 90%
- Lower Other Income reflects JobKeeper payments in HY2021

# Senetas Operating Segment Results

Half year ended 31 December 2021 (\$000's)	HY2022	HY2021
Revenue from ordinary activities	10,084	12,760
Gross profit	7,783	10,699
Gross Margin %	77%	84%
Other income	3	349
Depreciation & amortisation	(449)	(490)
Profit before tax	951	3,464
Profit after tax	786	2,534

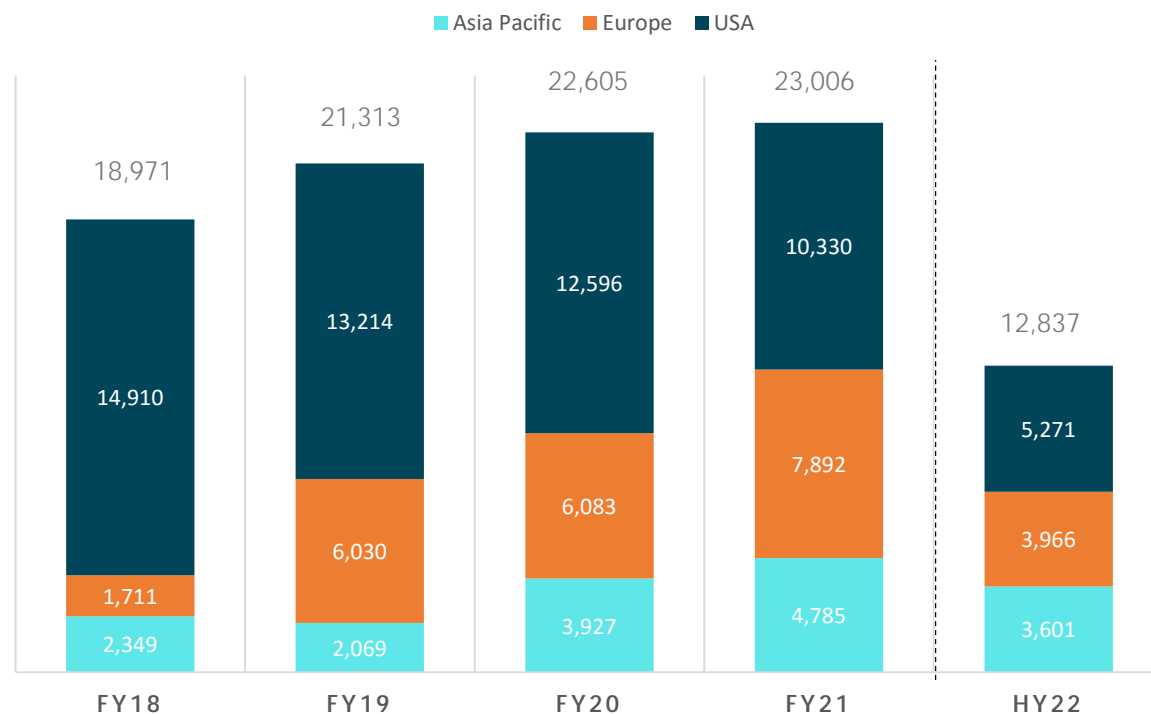
- Operating revenue impacted by COVID related component shortages and supply chain issues
- Both sales and maintenance revenue were lower
- Second half FY2022 maintenance revenue is expected to be similar to the same period in FY2021
- Gross margins temporarily reduced due to Thales inventory build up

<sup>1</sup> Constant currency change reflects FY2020 financial results restated at the FY2021 average A\$-US\$ exchange rate

# Operating Revenue

Table reflects full year revenue for FY18-FY21, and half year revenue for HY22

## REVENUE BY REGION



FY18 revenue has not been restated for the application of AASB15

- Group revenue 10% lower than HY2021
- Good growth in Asia Pacific against HY2021
- Lower sales and maintenance in North America and Europe
- Maintenance and subscription revenue was 53% of total group revenue

# Cash Flow

## Summary Cash Flow Statement

Half year ended 31 December 2021 (\$000's)	HY2022	HY2021
Receipts from customers	13,067	12,965
Tax paid	(406)	(1,167)
Payments to suppliers & employees	(15,046)	(13,198)
Operating cash flows	(2,374)	(1,362)
Investing cash flows	(196)	(207)
Financing cash flows	356	(300)
Cash and cash equivalents at 31 December 2021	9,697	13,766

- Receipts from customers slightly higher than Group revenue and similar to the prior period
- Payments to suppliers and employees reflects higher inventory levels and higher engineering costs related to the inventory build up during the period
- Lower cash on hand at 31 December 2021 reflects the Votiro losses

# Balance Sheet Remains Strong

## Summary Balance Sheet

Half year ended 31 December 2021 (\$000's)	HY2022	FY2021
Cash and cash equivalents	9,697	11,847
Trade and other receivables	5,327	4,621
Inventories	2,996	2,021
Goodwill & intangible assets	10,036	10,705
Total assets	32,363	33,098
Trade and other payables	(3,959)	(2,484)
Contract & lease liabilities	(13,069)	(12,212)
Total liabilities	(21,110)	(18,629)
NET ASSETS	11,253	14,468

- Lower cash on hand and net assets reflects the current period loss from Votiro
- Movement in contract & lease liabilities primarily reflects movements in prepaid maintenance contracts
- Higher inventories due to a build up of hardware on hand by Senetas to manage component shortages and longer delivery lead times

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