



Senetas Corporation Limited

2022 Full Year Results – 31 August 2022

FY2022 Group Financial Highlights

- Group* operating revenue of \$25.1 million – up 9% on FY2021
 - Votiro revenue up 82% to \$5.8 million. The global shortage of electronic components is having a temporary impact on Senetas revenue – although the anticipated revenue decline was lower than expected at 2.5%
- Votiro annual recurring revenue (ARR) of US\$4.4 million at August 2022 (up 83% from June 2021)
- Senetas segment profit before tax was \$1.9 million
- Group net loss before tax was \$10.8 million (includes the Votiro net loss before tax of \$12.7 million)
 - The Votiro loss includes non-cash items of \$3.6 million relating to amortisation and share based payments expense)
- Group net loss after tax attributable to members was \$5.9 million (net cash loss after adjusting for non-cash items was \$2.7 million)
- Balance sheet remains strong with \$10.7 million of cash at 30 June 2022 and no debt

* Group results include the consolidated results from both the Senetas and Votiro business segments

Outlook

- Votiro's outlook remains very positive with a strong sales pipeline continuing to build across the US & Asia Pacific, and emerging demand in Europe & Middle East
 - Continue to expect Votiro ARR to double through the 2022 calendar year
 - Well positioned to execute on large scale sales opportunities in the period to December 2022
 - Launching new reseller agreements in North America, EMEA and Singapore
 - Votiro continues to beat its competitors in head to head technology trials
 - Expect that good sales growth will drive Votiro to reach cash flow break even by June 2023
- Senetas expects that its business will continue to be impacted by the global supply chain issues until late in calendar 2023
 - Senetas's sales pipeline continues to grow and is well ahead of the prior year
 - The global electronic component shortages will continue to cause delays to customer network upgrade projects – increasing the lead time for shipment of Senetas's products – however, product sales in FY2023 are expected to be ahead of sales in FY2022
 - Inventory levels are expected to trend towards historic levels as pipeline sales are completed over the next 18-24 months and gross margins will increase as Thales inventory is reduced

FY2022 VOTIRO



FY2022 Highlights – Votiro



Annual Recurring
Revenue (ARR)

US\$4.4m

At August 2022 – up 83%
from Jun 2021

Subscription (SaaS)
ARR

US\$3.4m

Up 69% since December
2021

Revenue

A\$5.8m

Up 82% from FY2021

Total Contract
Value

US\$9.5m

At August 2022

Customer Renewal
Rate

>95%

2022 calendar YTD

At 30 June 2022 Senetas held a controlling interest in Votiro of 61.2%. Senetas's Chairman and CEO represent Senetas on the board of Votiro.

FY2022 Financials – Votiro



- Votiro operating revenue was up 82% on the prior year driven by growth in the US market and particularly the Asia Pacific region
- ARR growth since June 2021 was driven by strong take up of Votiro's subscription (SaaS) product
- Minor delays in finalising contracts pushed some new customer deals beyond June 2022 – with in excess of US\$1 million per annum of new contracts expected to be completed before the end of September 2022
- Total contract value for Votiro at August 2022 was US\$9.5 million
- Votiro FY2022 loss before tax was \$12.7 million – including \$3.6 million of non cash items
- \$4.6 million of Votiro's after tax loss of \$12.2 million is attributable to the minority interests in Votiro
- Continue to expect that ARR will more than double through the 2022 calendar year

Key FY2022 Milestones



- Success in targeting large scale client opportunities
 - 2 new customers signed in the 9 months to June 2022 with annual revenue from each of >US\$0.5 million – one of those contracts was for in excess of US\$1 million per annum for a minimum of 3 years
 - Those 2 customers represent total contract value of US\$5.6 million
- Client wins in the last 12 months include large government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA
- 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
- Customer renewal rate at >95%
- Strong growth in new customer pipeline is set to drive a doubling of ARR through the 2022 calendar year and cash flow breakeven for Votiro by June 2023

- The Votiro Cloud (SaaS) technology is now in production and live in the North American, Singapore, Japan and European markets
- Votiro continues to further develop its product capabilities to meet customer requirements, simplify the user experience and broaden its use cases. Recent highlights include:
 - Developing open integrations as drivers for partnerships including web isolation, native Office 365 integration, privileged identity, threat intelligence;
 - The merger of Votiro's legacy and SaaS products onto a single codebase for ongoing efficiency; and
 - Increased capabilities with password protected files
 - Votiro is also continuing to develop its machine learning macro detection and disarming capabilities with accuracy rates now exceeding 98%.

Industry Recognition



Votiro was named Publisher's Choice in the Content Disarm and Reconstruction category by the 2022 Cyber Defense Magazine (CDM) Global Infosec Awards. CDM, the industry's leading electronic information security magazine, announced the award at this year's RSA Conference in San Francisco in June



In June, Votiro also won the finals in a first of its kind podcast series called Capture the CISO. Innovative vendors had 7 minutes each to answer judges' questions and were then judged on a range of criteria including: is it innovative; does it solve a real need; and is it easy to deploy? Votiro's CTO and founder Aviv Grafi represented Votiro and won strong praise from the judges

Votiro – Overview



Votiro Overview

Essential cyber-security protection for content-borne attacks without compromising user productivity

Votiro's patented **Content Disarm and Reconstruction (CDR)** technology

Instantly disarms and reconstructs content of all types – in original file format – making it safe for use

Prevents all content-borne cyber attacks, regardless of origin, while preserving file functionality (incl. macros)



**350+
customers**



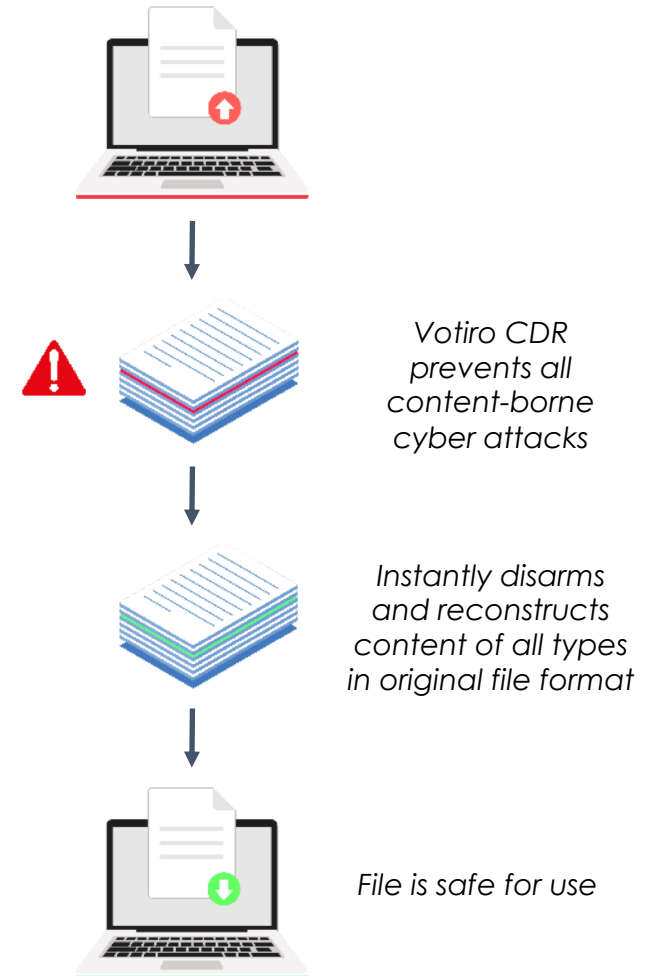
**Protection for
millions of users
worldwide**



**7 billion files
processed**



Zero breaches



The Growing Market Need

Virtually all successful malware attacks are delivered through weaponized files

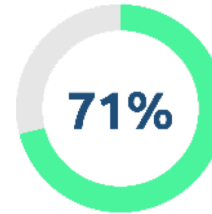
Weaponized files can enter a network from any external source



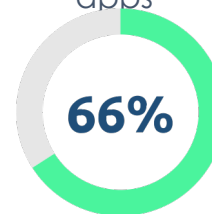
1) Check Point Software 2021
2) Verizon Data Breach Investigations Report 2019
3) Thought Labs Cybersecurity Study 2022



of malware delivered by email in 2020¹



of attacks occur through Microsoft Office files & Windows apps²



of evasive attacks are ransomware & phishing³

Files need to be sanitized :



Before being shared **(for secure productive remote work)**








Within new digital processes **(for secure zero trust digital interactions)**



When they cross boundaries **(for secure collaboration)**

The Ultimate in Usability

Proven market leader of file security at large enterprise scale

	Easy deployment:	Less than 10 minutes and less than 10 steps to deploy
	Deliver safe files quickly:	Users anywhere access files that are processed in milliseconds (10x faster than Sandbox defences)
	Proactive prevention:	Prevent against unknown threats and malwares (e.g., zero-day attack, ransomware, evasive malwares)
	File integrity maintained:	No loss of functionality to maintain business productivity
	Extensive integrations:	Open integrations with email security, web security, remote browser isolation and cloud security services to realize zero trust file security

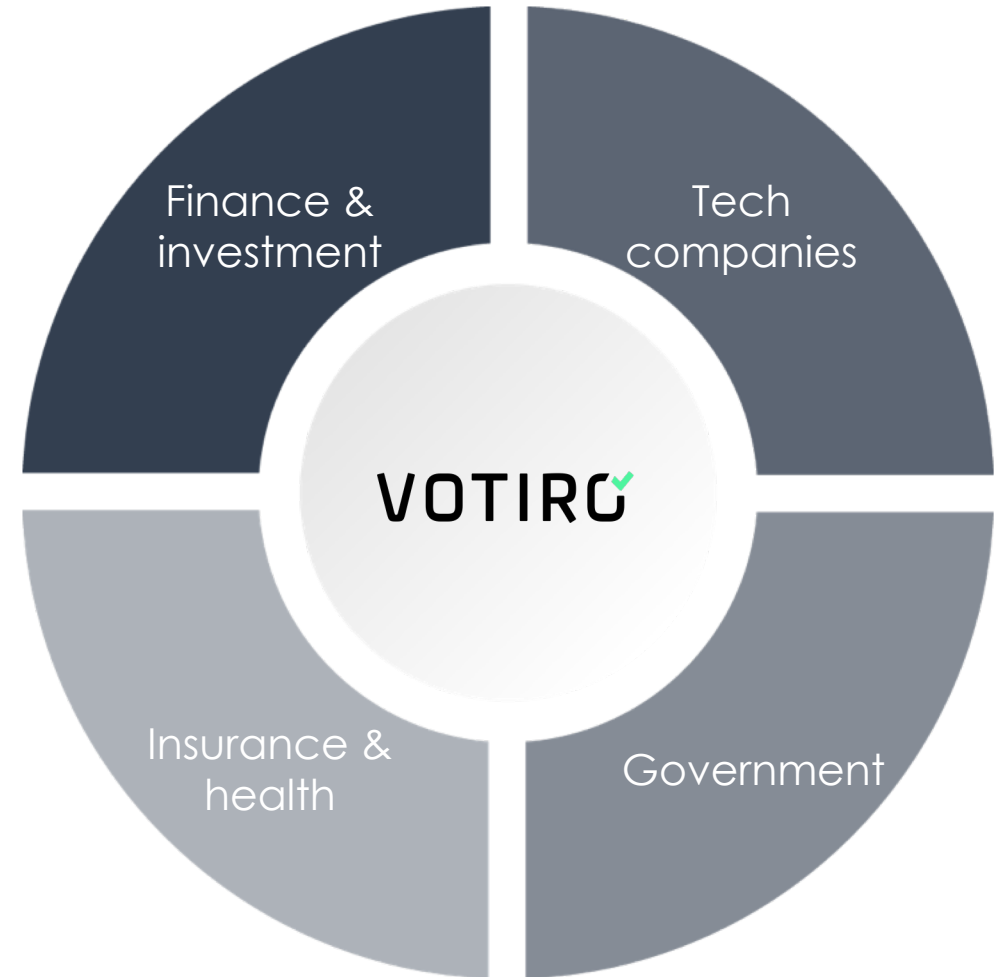
Technical Integrations Include:



Industry Targeting

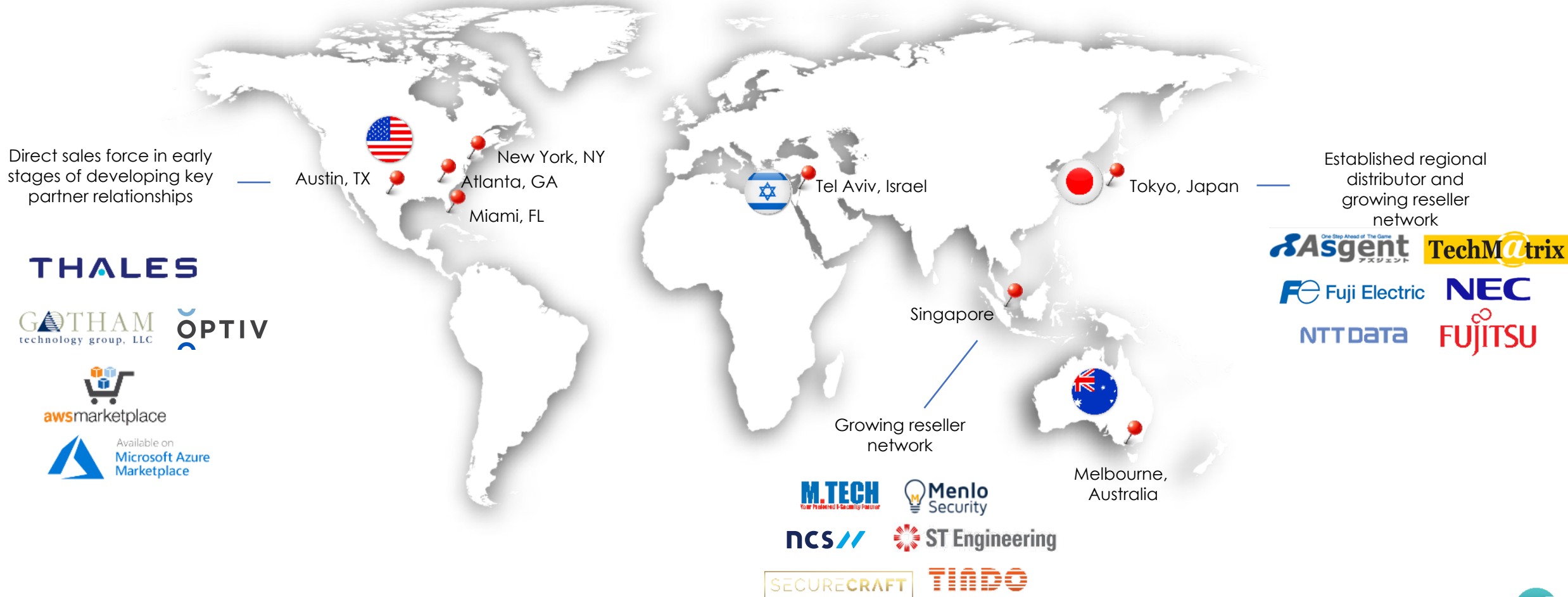
Key industry demand characteristics

- ✓ 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



Target Territories

Focused on massive North America opportunity, building on continuing wins in APAC



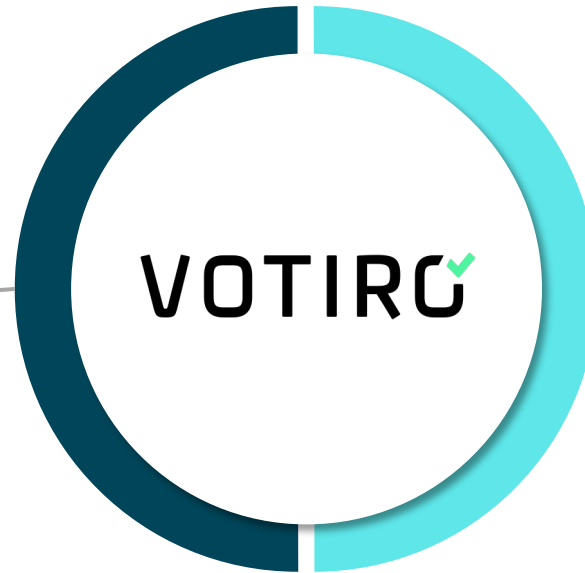
Votiro Snapshot

Essential cyber-security protection for file borne attacks without compromising user productivity

Protection against the most virulent
ransomware and zero-day attacks

**350+ clients & US\$4M ARR
scaling globally**

- ✓ Clients across finance, government & business process outsourcing
- ✓ Customers across US, Japan, APAC, Israel
- ✓ 95% contract renewals¹; SaaS pricing model



**Differentiated technology with
strong patent portfolio**

- ✓ 7bn files processed to date, zero breaches
- ✓ Easy cloud or on-prem deployment
- ✓ > 90% POC success in the US market²
- ✓ Deep US patent portfolio - A generation-plus ahead of other CDR products

Note: \$ amounts in USD

1) Renewal rate CY20 onwards based on number of contracts renewed

2) Based on performance since CY2020

FY2022 SENETAS BUSINESS



FY 2022 Highlights – Senetas

- The global shortage of electronic components is temporarily impacting Senetas's sales to end user customers
 - The 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
 - However, a significant increase in inventory transfers to Thales offset lower sales to end users with Senetas product sales revenue up by 2.5%
 - Inventory levels at both Senetas and Thales are significantly ahead of historic levels as we manage the long lead times and delivery delays brought about by the component shortages
 - The higher percentage of revenue from inventory transfers to Thales in FY2022 has led to a temporary decline in gross margins to 77% in the period. Senetas expects that gross margins will revert to historic levels in the medium term as the electronic component shortages are alleviated over the next 18-24 months
 - Maintenance revenue represented 48% of total revenue
- Senetas segment profit before tax was \$1.9 million (FY2021: \$3.4 million) which reflected the higher percentage of revenue from lower margin inventory transfers

Senetas

- The Senetas sales pipeline continues to track well ahead of the prior year
 - The most significant build up in pipeline has been from the Americas and EMEA regions
 - However, we continue to expect that shipment of these orders to end users is likely to be extended over the next 12-18 months whilst industry component and other network equipment shortages persist
 - Senetas 100Gbps encryptor sales in FY2022 doubled compared to the prior period and the 100Gbps encryptors are now the largest single revenue generating product
- SureDrop sales remain small but more than doubled when compared to FY2021
 - 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



FY2022 Consolidated Senetas Group Financials

Full year ended 30 June 2022 (\$000's)	FY2022	FY2021
Revenue from ordinary activities	25,109	23,006
Gross profit	20,276	19,578
Gross Margin %	81%	85%
Other income	208	400
Depreciation & amortisation	(3,123)	(3,209)
Profit (loss) before tax	(10,762)	(7,528)
Tax expense	277	(285)
Net profit (loss) after tax	(10,484)	(7,813)
Net profit (loss) after tax attributable to members	(5,892)	(3,709)

- Group revenue was 9% higher as strong growth in revenue for Votiro was partly offset by the temporarily supply chain issues impacting Senetas segment revenue which was 2.5% lower
- Net cash loss attributable to members after adjusting for non-cash items was \$2.7 million
- Gross margins were lower due to the increase in Senetas inventory transfers to Thales
- Votiro gross margins remain in excess of 90%

Senetas Operating Segment Results

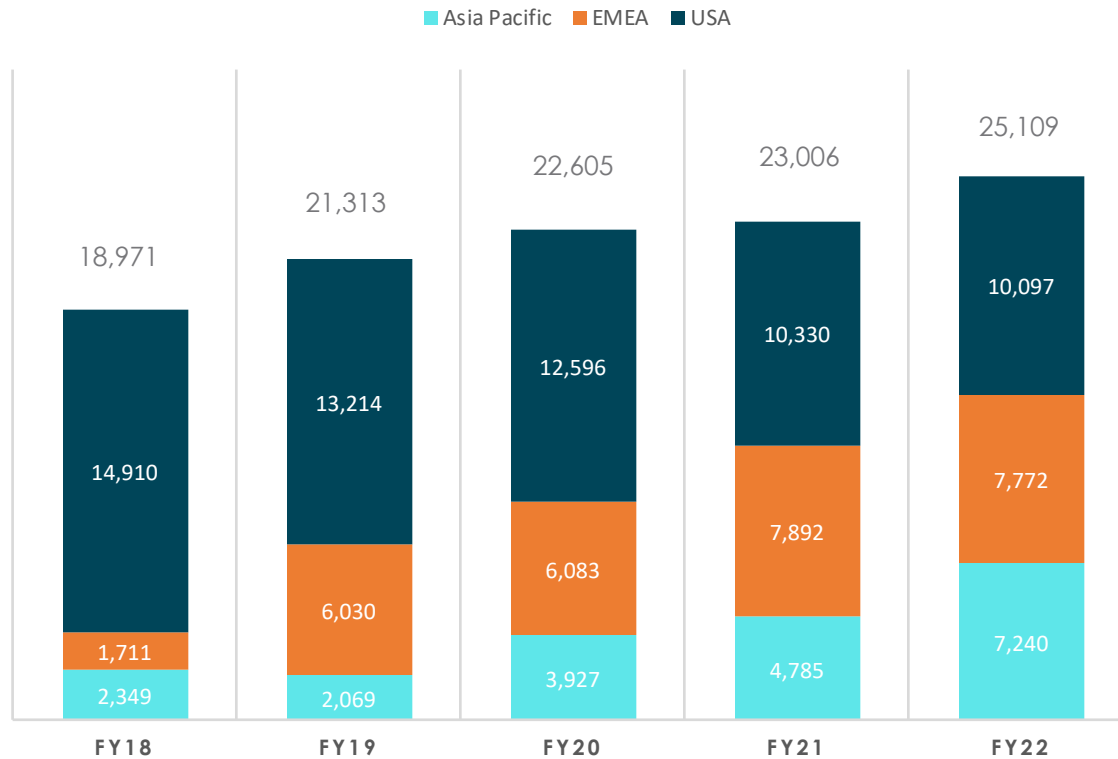
Full year ended 30 June 2022 (\$000's)	FY2022	FY2021
Revenue from ordinary activities	19,332	19,834
Gross profit	14,895	16,563
Gross Margin %	77%	84%
Other income	208	400
Depreciation & amortisation	(873)	(970)
Profit before tax	1,907	3,376
Profit after tax	1,684	2,681

- Operating revenue temporarily impacted by electronic component shortages and supply chain issues – with total revenue 2.5% lower
- Gross margins temporarily reduced due to costs associated with the inventory build up and a higher percentage of revenue from inventory transfers to Thales
- Gross margins are expected to revert to historical levels as the impacts from the component shortage issues unwind

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

Operating Revenue

REVENUE BY REGION



- Group revenue 9% higher than FY2021
- Good growth in Asia Pacific driven by Votiro customer wins in the region
- North America and EMEA similar to the prior year
- Maintenance and subscription revenue grew to 60% of total group revenue due to Votiro subscription growth
- Senetas segment maintenance revenue was a similar share of revenue to prior years at 48%

FY18 revenue has not been restated for the application of AASB15

Cash Flow

Summary Cash Flow Statement

Full year ended 30 June 2022 (\$'000's)	FY2022	FY2021
Receipts from customers	26,817	23,342
Tax paid	(490)	(1,486)
Payments to suppliers & employees	(32,137)	(24,971)
Operating cash flows	(5,789)	(3,067)
Investing cash flows	(332)	(358)
Financing cash flows	4,886	(355)
Cash and cash equivalents at 30 June	10,692	11,847

- Receipts from customers slightly higher than Group revenue and up 15% on the prior year primarily due to Votiro growth
- Payments to suppliers and employees reflects higher inventory levels and higher engineering costs related to the inventory build up during the period, and increased Votiro employee numbers to drive growth
- Lower cash on hand at 30 June 2022 reflects the Votiro losses partly offset by the Senetas capital raise

Balance Sheet Remains Strong

Summary Balance Sheet

Full year ended 30 June 2022 (\$000's)	FY2022	FY2021
Cash and cash equivalents	10,692	11,847
Trade and other receivables	9,057	4,621
Inventories	5,347	2,021
Goodwill & intangible assets	9,660	10,705
Total assets	39,171	33,098
Trade and other payables	(5,258)	(2,484)
Contract & lease liabilities	(18,249)	(12,212)
Total liabilities	(27,574)	(18,629)
NET ASSETS	11,597	14,468

- Lower cash on hand and net assets reflects the current period loss from Votiro and the Senetas inventory build up, partially offset by the Senetas capital raise
- Movement in contract & lease liabilities primarily reflects movements in prepaid maintenance contracts
- Inventory on hand has more than doubled reflecting the build up of hardware by Senetas to manage component shortages and longer delivery lead times

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