

18 November 2022

## **ASX ANNOUNCEMENT**

### **Senetas Corporation Limited**

#### **2022 Annual General Meeting – Chairman’s Address and CEO Presentation**

Senetas Corporation Ltd (ASX: SEN) (Senetas), is pleased to provide a copy of the Chairman's address and the CEO's presentation to be delivered to shareholders at the Senetas Corporation Limited Annual General Meeting to be held today, Friday, 18 November 2022 at Seasons Botanic Gardens, 348 St Kilda Road, Melbourne, Victoria, 3004 at 11.00 am (Melbourne time).

Authorised for release by Andrew Wilson, Managing Director and CEO.

**END**

For further information please contact:  
Chris Knorr  
M: +61 417 033 623  
E: [chris.knorr@senetas.com](mailto:chris.knorr@senetas.com)





## ABOUT SENETAS

An Australian global leader in cybersecurity, Senetas (ASX:SEN) develops and manufactures solutions trusted to protect the world's most sensitive data. We protect commercial, government, critical infrastructure, defence and Cloud services' data in 45+ countries. Our cybersecurity solutions are chosen by the most secure organisations to protect against data breaches and the most advanced malware attacks – preventing catastrophic financial and reputational consequences.

All Senetas solutions deliver maximum security without compromising systems' performance and user convenience. They are state-of-the-art – from multi-certified and high-performance encryption security for all data networks; to secure file-sharing, storage and collaboration; and advanced CDR malware attack and zero-day exploit prevention.

**CypherNET** encryptors protect data in motion across high-speed networks essential to businesses and governments and the Cloud services security they depend on. They are certified by FIPS, Common Criteria and NATO. CypherNET hardware and virtualised encryptors support all modern network types – network infrastructure and 'in the field'. All CypherNET encryptors are interoperable and share a cryptographically agile and Quantum-resistant platform.

**SureDrop** provides the complete information security, 100% data location control and data sovereignty essential for secure local, remote and mobile workgroups. Developed on a cybersecurity platform, SureDrop provides encryption, secure key management, file fragmentation and features preventing user security errors. Seamless integration with Microsoft 365, Active Directory and Azure maximise SureDrop's user convenience.

**Votiro Cloud** prevents malicious crippling malware and ransomware attacks and zero-day exploits. Its patented CDR technology is not 'signature-dependent', it prevents known and signatureless unknown malware attacks and zero-day exploits - preventing successful ransomware attacks and data breaches. Votiro Cloud makes incoming data safe in an instant.

Senetas solutions are distributed and supported internationally by Thales, the world's largest security company. Our state-of-the-art network data security, file-sharing and anti-malware solutions protect sensitive and high-value data - from citizen identity and privacy to government, defence and military secrets, intellectual property, financial transactions and critical national infrastructure.

[www.senetas.com](http://www.senetas.com)



### CHAIRMAN'S ADDRESS

Good morning everyone and welcome to the Senetas Corporation Limited Annual General Meeting for 2022. Thank you for your attendance this morning and for your ongoing support as Senetas shareholders.

Our CEO will provide a report on our business operations shortly. I would like however to address the recent cyber breaches that have affected many millions of Australians' personal data.

This company was founded on the premise of protecting data from criminals. We started more than 23 years ago with protecting the Australian Federal Police's data in motion and then moved to protecting both the US Government's and its defence forces' data in motion. Since then your company protects data in motion for more than 500 organisations in over 60 countries.

Senetas is an Australian company and I am proud to say is the world leader in cyber security producing Defence Grade Security for both high speed encryption for data in motion and anti-ransomware protection against all malware attacks including zero day attacks. By zero day I mean those attacks that have never before been discovered.

The recent cyber breaches in Australia reveals a huge misunderstanding that has existed within many organisations over many decades. And I should add this is the tip of the iceberg. It applies worldwide. Those responsible for managing businesses that are supposed to protect data from being stolen have continuously failed to do so. Why? Perhaps because of a combination of a failure to understand the risk and a reluctance to spend money on cyber protection. This attitude needs to be changed.

The era of cyber security protection has now commenced and your company Senetas is at the forefront. We had the foresight to invest AU\$20m in an emerging anti ransom ware technology 3 years ago. We have transitioned this business to be a leading technology used by more than 350 leading businesses and governments globally. Our high speed encryption and anti-ransomware technology is the best in the world and now used by many governments and over 800 large commercial enterprises globally.



I spoke in my Chairman's address last year about how the risk of cyber-attack at a personal, government and corporate level posed a security threat greater than any we have previously experienced, and that the potential financial losses and impacts on critical infrastructure and corporate reputations were enormous. Clearly recent events in the Australian market with Optus and Medibank, amongst countless others globally, have seen the realisation of these risks with undoubtedly substantial financial and reputational damage to those companies, and incalculable damage to their customers from the theft of the personal data.

Despite the risks and the evidence provided by recent attacks, the reality is that there still remains significant corporate apathy towards cyber-security risks, particularly in Australia. Many companies that have been hacked could have saved the cost and reputational harm done to them by simply employing sound encryption strategies and using zero day anti-ransomware protection such as that provided by Votiro.

The Australian Government is looking to jolt away some of this corporate apathy with increased fines for those who are found to have been breached. The Privacy Legislation Amendment Bill increases the maximum penalty from \$2.22 million to \$50 million, or will look at using a figure that is derived from either three times the value of any benefit obtained through the misuse of information, or 30% of the breached organisation's turnover in the relevant period. But we must also look to create incentives that engender positive culture change within private enterprises. No amount of money spent on cybersecurity will help if someone then leaves the door wide open for virtually anyone to walk in, as may have happened in some recent cases.

On that note I would now like to hand over our Andrew Wilson for his CEO presentation.





# Senetas Corporation Limited

2022 Annual General Meeting – 18 November 2022

CEO Presentation – Andrew Wilson

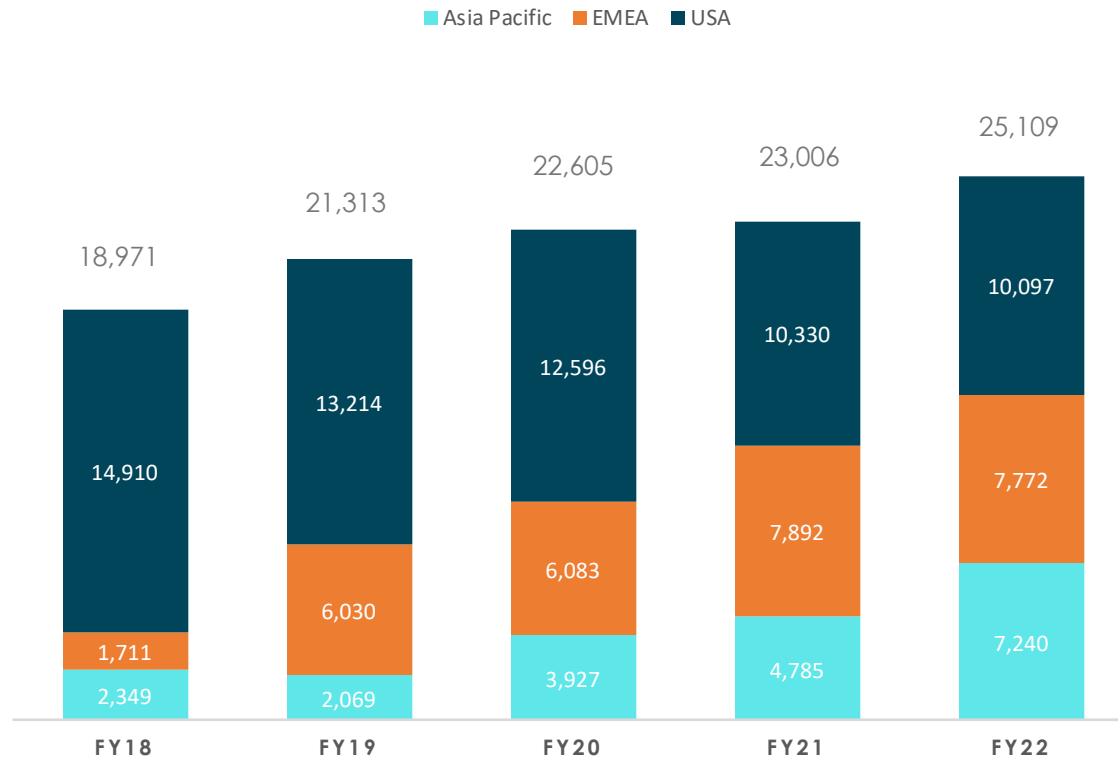
# FY2022 Group Financial Highlights

- 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 (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)
- The Group's net loss after tax attributable to members was \$5.9 million (after adjusting for non-cash items the loss was \$2.7 million)

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

# Operating Revenue

## REVENUE BY REGION



FY18 revenue has not been restated for the application of AASB15

- Group revenue was 9% higher in FY2022
- Strong growth for Votiro was partly offset by the temporarily supply chain issues impacting Senetas segment revenue which was 2.5% lower
- Good growth in Asia Pacific was driven by Votiro customer wins in the region
- North America and EMEA revenue was similar to the prior year
- Maintenance and subscription revenue across the group grew to 60% of total group revenue as a result of Votiro subscription growth

# FY2022 VOTIRO HIGHLIGHTS



# 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 of 83% 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 – but growth in the sales pipeline has been very strong
- Votiro sales pipeline has grown from approximately US\$13 million to US\$26 million since July 2022 – up US\$5 million in the last month
- Total contract value at the end of FY2022 was US\$9.5 million
- Votiro FY2022 loss before tax was \$12.7 million – including \$3.6 million of non cash items relating to amortisation and share based payments expense
- \$4.6 million of Votiro's after tax loss of \$12.2 million is attributable to the minority interests in Votiro



# 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 remains at >95%
- The Votiro Cloud (SaaS) technology is now in production and live in the North American, Singapore, Japan and European markets

# FY2022 SENETAS HIGHLIGHTS



# FY2022 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 in the Senetas portfolio
- 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

# OUTLOOK



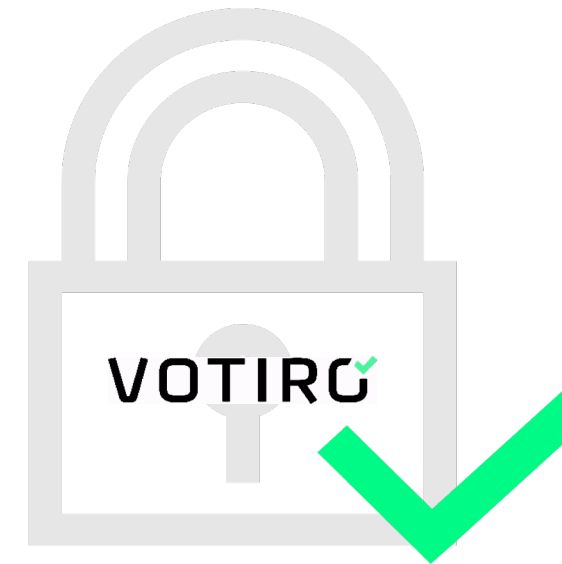
# Outlook

- Senetas expects that its business will continue to be impacted by the global supply chain issues through the 2023 calendar year and into 2024
- However, the Senetas 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 product
- 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
- Increased publicity and focus on cyber crime incidents are driving an increase in inbound customer enquiry and is expected to support business growth in the medium term

# Outlook

# VOTIRO

- 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
- Votiro sales pipeline growth continues to accelerate and currently stands at US\$26 million – doubling since July 2022
- Additional sales and engineering resources to be employed to maximise sales pipeline capture
- Well positioned to execute on large scale sales opportunities through the next 2–3 quarters – and continue to target a doubling of Votiro's ARR through the 2022 calendar year
- Precise timing of ARR growth is subject to closing out near term pipeline opportunities in the expected timeframe
- Launching new reseller agreements in North America, EMEA and Singapore



# Disclaimer

This presentation ("Presentation") has been prepared by Senetas Corporation Limited ("Senetas" or "the Company") for the sole purpose of providing general and background information on the Company.

Nothing contained in this Presentation is or should be relied upon as a representation as to future matters. To the extent this Presentation includes statements, estimates, forecasts, projections and other forward-looking information with respect to the future performance of the Company these involve subjective judgements and are based on assumptions that are subject to significant uncertainties and risks, many of which are outside the control of the Company. Actual future results may vary significantly from the forward-looking information. This document has not been adopted by the board of the Company.

All information contained in this Presentation is confidential to Senetas and is provided subject to the terms of the confidentiality agreement and undertaking given by the participant in favour of the Company. None of Senetas and its associates, directors, officers, employees, agents, independent contractors and advisers (collectively the "Disclosing Parties") makes or gives any representation, warranty or guarantee, whether express or implied, in relation to the information contained in this document including its completeness, accuracy, currency or reliability or the process by which it was prepared. None of the Disclosing Parties accepts any responsibility to update, supplement or correct this document. To the maximum extent permitted by law, the Disclosing Parties disclaim all direct, indirect or consequential liability, including without limitation, any liability arising from fault or negligence on the part of any of them or any other person for any loss arising from the use of this Presentation or its content or otherwise arising in connection with it.

Except as prohibited by applicable law, a participant in this Presentation waives its rights to make any claim that it may have against the Disclosing Parties in relation to this Presentation, and further acknowledges that none of the Disclosing Parties will be in any way responsible or have any liability to any participant or to any other person for loss or damage of any kind whatsoever relating to this Presentation. This acknowledgement may be pleaded as a bar to any claim that a participant or any other person may bring.

This Presentation is not intended to constitute legal, tax or accounting advice or opinion or financial product advice and should not be relied upon as representation of any matter that a person should consider in evaluating the Company. Participants in this Presentation must not rely on this Presentation, and should make their own independent investigations into, and independent assessment and review of, this Presentation and must make their own independent decisions about the Company and its business. Participants should also seek and rely upon their own independent taxation, legal, financial or other professional advice in relation to this Presentation and its contents. This Presentation does not take into account the investment objectives, taxation situation, financial situation or needs of any participant.