

28 February 2023

## ASX ANNOUNCEMENT

### Senetas Corporation Limited Half Year Results for the six months to 31 December 2022

- Group operating revenue of \$14.9 million – up 16%
  - Senetas segment revenue up 9% to \$11.0 million
  - Votiro revenue up 43% to \$3.9 million
- Votiro's sales bookings for the calendar year to 31 December 2022 were US\$9.4 million, up 125% over the prior calendar year
- Votiro annual recurring revenue at December 2022 was US\$4.8 million – up 30% from December 2021
- Votiro sales pipeline in excess of US\$30 million in February 2023, up from US\$13 million in July 2022
- Senetas segment profit before tax was up 145% to \$2.3 million (HY2022: \$1.0 million)
- Group net loss before tax was \$6.1 million (includes the Votiro net loss before tax of \$8.4 million)
- Group net loss after tax attributable to members was \$3.1 million (net cash loss after adjusting for non-cash items was \$1.5 million)
- Balance sheet remains strong with \$8.9 million of cash at 31 December 2022 (\$14.8 million at 28 February 2023) and no debt

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), today announced its results for the six months ended 31 December 2022 (HY2023).

#### HY2023 Group Financials

Six months ended 31 December 2022 (\$000's)	HY2023	HY2022
Revenue from ordinary activities	14,908	12,837
Gross profit	12,122	10,350
Other income	269	3
Profit (loss) before tax	(6,110)	(4,861)
Tax expense	(136)	75
Net profit (loss) after tax	(6,247)	(4,786)
Net profit (loss) after tax attributable to members	(3,093)	(2,753)





- Group operating revenue of \$14.9 million was up 16% over the prior period (HY2022: \$12.8 million)
- Higher group revenue was driven by contributions from both the Senetas and Votiro business segments, with Senetas revenue up 9% and Votiro revenue up 43%.
- Gross margin for the Group was 81% - in line with the prior period
- The operating profit before tax for the Senetas operating segment in HY2023 was \$2.3 million (HY2022: \$1.0 million)
- The Group net loss after tax of \$6.2 million for HY2023 includes a \$8.2 million operating loss after tax for Votiro
  - \$3.2 million of the Votiro loss is attributable to minority interests
  - Votiro's loss before tax includes non-cash items such as share based payments expense and amortisation totaling \$1.8 million
- The Group net loss after tax attributable to members was \$3.1 million
- The Group net loss attributable to members after adjusting for non-cash items was \$1.5 million
- The Senetas group retains a strong balance sheet with no debt and \$8.9 million of cash on hand at 31 December 2022, and \$14.8 million of cash on hand at the end of February 2023
- Votiro capital raise in February 2023 has to date raised US\$5.0 million of new capital from existing shareholders and new investors

Commenting on the six months to 31 December 2022, Senetas CEO, Andrew Wilson, said: "Whilst both of our businesses have seen some challenges in HY2023, both have seen good growth in revenue and their sales pipelines. This is particularly the case for Votiro which has seen its total sales pipeline more than double since July 2022.

"The Senetas business continues to be impacted by the global shortage of electrical components which is delaying the completion of many customer orders, however, despite this headwind, the Senetas segment saw 9% revenue growth off the back of inventory shipments to our global distribution partner Thales, and some early signs of increased sales to end user customers.

"The higher portion of revenue coming from inventory transfers to Thales continues to see Senetas's gross margins slightly below historic levels, however, we expect that over the next 12-18 months, as the global component shortages abate, that gross margins will grow.

"Both Senetas and Thales continue to maintain inventory levels significantly higher than normal in order to manage the long lead times that exist for electrical components. Again, we expect that inventory levels will revert to historic levels in the medium term.

"Increased sales in Europe and the Middle East represented the major driver of sales growth for Senetas in HY2023.

"Votiro's outlook remains very positive with the major highlight for the business in HY2023 being the strong growth in its total sales pipeline which was in excess of US\$26 million by December 2022 and has grown to over US\$30 million today, with a number of potential transactions at an advanced stage of negotiation.

"The growth in Votiro's total sales pipeline reflects all the extensive work from CEO, Ravi Srinivasan, and his team in developing Votiro's best in class zero trust CDR technology, and the increasing awareness of those products via their marketing initiatives and industry awards.



"Whilst Votiro's pipeline growth has been outstanding, annual recurring revenue (ARR) at the end of December 2022 was below internal expectations as a result of delays in closing transactions with new clients.

"Although the delays in finalising some contracts have been a little frustrating, this is not an unusual occurrence in the industry and all of the transactions that were expected to contribute to ARR growth in the second half of the 2022 calendar year remain in the pipeline and we expect them to close in the first half of calendar 2023.

"Votiro's recent capital raise was undertaken with the objective of allowing it to add the additional sales and engineering resources that are required to maximise the capture and conversion of the very exciting pipeline growth into sales."

### **Group overview**

Group revenue was 16% higher in HY2023 with good growth in the Senetas and Votiro business segments. Senetas revenue grew 9% to \$11.0 million, and Votiro revenue grew 43% to \$3.9 million.

Both Senetas and Votiro gross margins were in line with the prior period at 77% and 93% respectively.

The consolidated group net loss before tax was \$6.1 million which included the Votiro net loss before tax of \$8.4 million. Votiro's net loss before tax included non-cash items of \$1.8 million relating to amortisation and share based payments.

The consolidated group net loss after tax attributable to members was \$3.1 million, and the net cash loss after tax after adjusting for non-cash items was \$1.5 million.

Balance sheet remained strong with \$8.9 million of cash at 31 December 2022 and no debt. Consolidated group cash on hand at the end of February 2023 was \$14.8million.

### **Senetas operational review**

The component shortages across the industry globally continue to have an impact on the timing of Senetas product shipments, however, HY2023 represented a return to revenue growth for the Senetas business segment with HY2023 revenue up 9% to \$11.0 million.

Revenue growth was driven by increased inventory shipments to Senetas's global distribution partner, Thales, and some early signs of modest growth in end user shipments during the period as the global component shortages begin to abate.

With a higher proportion of revenue derived from inventory shipments Senetas gross margins remain a little below historic levels at 77%, however, Senetas continues to expect that gross margins will revert to historic levels in the medium term as the electronic component shortages are alleviated over the next 12-18 months.

Senetas segment profit before tax was up 145% to \$2.3 million, with the strong rebound from HY2022 profit before tax driven primarily by the increased sales revenue and tight overhead control.

The higher portion of revenue being derived from inventory transfers has also had the effect of temporarily reducing maintenance revenue to less than 40% of total Senetas segment revenue. In the medium term maintenance revenue is expected to return to historic levels of 40-50% of total Senetas segment revenue.

Net profit after tax for the Senetas segment of \$1.9 million, up from \$0.8 million in HY2022.

We continue to expect that industry component and other network equipment shortages will impact end user shipments for the next 12-18 months whilst the shortages persist, however,



Senetas's sales pipeline remains strong and the very early signs that end user sales are beginning grow again is very encouraging.

The number of hardware units shipped by Senetas in HY2023 was up 40% over the prior period, however, there was a significant shift towards smaller capacity encryptors therefore modifying the overall impact on sales revenue.

The major R&D focus during the period has been on an upgraded version of Senetas's 10Gbps hardware encryptor, and software updates.

### **Votiro operational review**

Votiro's revenue growth of 43% was driven by new client wins and the full period impact of clients won part way through the prior period. The Asia Pacific region is the largest revenue contributor and was the key driver of HY2023 revenue growth. Votiro's subscription (SaaS) product is responsible for the vast majority of recent revenue growth. The customer renewal rate for the 2022 calendar year remains in excess of 95%.

Votiro's HY2023 loss before tax was \$8.4 million which included \$1.8 million of non-cash items relating to depreciation and amortisation, and share based payments. Of Votiro's after tax loss of \$8.2 million, \$3.2 million is attributable to minority interests.

Votiro's sales bookings for the calendar year to 31 December 2022 were US\$9.4 million, up 125% over the prior calendar year, and the total sales pipeline more than doubled in HY2023 and currently sits at over US\$30 million.

Votiro's ARR was US\$4.8 million at 31 December 2022, up 30% compared to ARR at 31 December 2021. Longer than expected lead times on Votiro's larger sales opportunities have caused delays in finalising some contracts with new customers, although all of the transactions that were expected to contribute to ARR growth in the second half of the 2022 calendar year remain in the pipeline and are expected to close in the first half of calendar 2023. The longer leads times are generally the result of extended proof of concept trails and new features and/or customisations required by customers.

A number of new channel and technology partnerships were established during the period including an integration with Box Content Cloud and a partnership with Owl Cyber Defense that will broaden the use cases for Votiro's CDR technology and expand its distribution footprint.

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

### **Votiro capital raise and loan conversion**

In December 2022, Senetas announced that it was reviewing the capital raising needs of and investment opportunities for Votiro, and that it had been involved in discussions with other Votiro shareholders and investors regarding a capital raising.

As part of the capital raising Senetas announced on 23 January 2023 that agreement had been reached with Harvest Lane Asset Management Pty Ltd to participate in the Votiro capital raising as a cornerstone investor. Additional subscriptions were also received from other existing and new investors and the total of the funds received by Votiro by the end of February 2023 was US\$5.0 million. The capital raising process remains open at this stage as Senetas and Votiro continue discussions with additional investors about further capital contributions. The capital raising is anticipated to be finalised before the end of March and Senetas will keep the market informed on the progress of further developments as and when required in accordance with Listing Rule 3.1.



In addition to the Votiro capital raising, Senetas's loan to Votiro of US\$6.4 million was also converted into equity in February 2023 on the same terms and conditions as the capital raising. After adjusting for the new shares issued to date by Votiro under the capital raising and the conversion of Senetas's loan to Votiro into equity, Senetas's shareholding in Votiro stands at approximately 59% at the end of February 2023.

### **Balance sheet and cash flow**

Consolidated net assets at 31 December 2022 were \$6.4 million with no debt and cash on hand of \$8.9 million. The lower net assets at 31 December 2022 reflect the consolidation of the current period loss from Votiro.

Lower cash on hand at 31 December 2022 reflects the impact of the Votiro losses partly offset by some new multi-year Votiro contracts that were paid in full upfront.

Both receipts from customers and payments to suppliers were ahead of the prior period reflecting the inventory build-up and increased inventory transfers to Thales during the period. Group net cash outflows from operating activities was \$1.5 million, comprising \$1.9 million of operating cash outflows for the Senetas business segment and \$0.4 million of operating cash inflows for the Votiro business segment.

Following strong cash receipts from Senetas customers during the January-February 2023 period, and US\$5.0 million of capital raised by Votiro prior to the end of February 2023, consolidated group cash on hand at 28 February 2023 was \$14.8 million.

### **Outlook**

Commenting on the Company's outlook, Mr Wilson said: "Votiro's outlook remains very exciting with a strong sales pipeline that has more than doubled through HY2023 and has continued to grow in early calendar 2023, with the total pipeline currently standing at over US\$30 million.

"Proceeds from the recent capital injection into Votiro are being deployed to further build sales and marketing resources in order to maximise capture of the fast growing sales pipeline.

"A key focus for the remainder of FY2023 is to build Votiro's 'run rate' business – adding smaller regular client wins that have future opportunities to be upscaled, in addition to the larger scale customer opportunities that remain.

"Whilst Votiro's ARR at 31 December 2022 was below the expectations that we had earlier in calendar 2022, the fact that the transactions that were expected to contribute to ARR growth in HY2023 remain in the sales pipeline, and are expected to close in FY2023, gives us confidence in the outlook for the 2023 calendar year.

"The global supply chain issues that have existed over the last 18-24 months continue to have an impact on Senetas's business early in calendar 2023. Senetas's sales pipeline remains as strong as we have seen it many years, but the global supply chain issues are expected to continue impacting the timing of sales completion for a while to come. The shortages are expected to ease over the next 12-18 months as additional supply comes on line, and we are already seeing some significant reductions in lead times for component orders. Senetas has continued to build inventory levels to manage demand as sales completion returns towards historic rates.

"We saw some modest but nonetheless very encouraging early signs of growth in Thales's end user sales completions during HY2023, but at this stage third party sales still remain below the levels pre the global supply chain issues emerging.

"As the global supply shortages begin to unwind over the next 12-18 months we expect end user sales will grow, Inventory transfers to Thales will reduce, and gross margins will increase as Thales inventory is reduced throughout that period."



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## ABOUT SENETAS CORPORATION LIMITED

Senetas is an Australian public company (ASX:SEN) specialising in cybersecurity solutions - from high-performance network encryption to secure file-sharing collaboration and anti-malware applications. Used by global commercial and technology enterprises and governments in more than 45 countries, Senetas solutions are distributed and supported internationally by Thales, the world's largest security company.

Senetas cybersecurity solutions are trusted to protect business, government, defence, national infrastructure, cloud and technology service provider data against breaches and prevent crippling cyber-attacks.

A global leader in the protection of data transported across the high-speed networks essential to businesses and governments, Senetas provides network independent encryption hardware and virtualised solutions. These share a crypto-agile and quantum ready cybersecurity platform.

Certified by leading independent authorities (Common Criteria, FIPS and NATO), Senetas encryptors leverage end-to-end encryption and state-of-the-art key management providing long-term data protection without compromising network performance.

Senetas's encrypted file-sharing and collaboration application, SureDrop, provides the information security and data sovereignty control essential in today's world of rapidly growing remote work. SureDrop has the usability of box-type file-sharing and other collaboration tools, but with the added benefits of Microsoft 365, Outlook and Azure integration. It may be deployed on premises or as a service provider Software as a Solution (SaaS).

Secure File Gateway by Votiro, a Senetas subsidiary, prevents crippling malware and zero-day attacks such as ransomware and viruses. Votiro's award-winning and patented technology prevents malicious file content through email, web downloads and other file gateways.

Senetas solutions have been trusted to protect much of the world's most sensitive information for more than 20 years. They are used to protect everything from government and defence secrets to intellectual property, financial transactions, citizen privacy to real-time CCTV networks and critical national infrastructure.

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

## ABOUT VOTIRO

Votiro is an award-winning cybersecurity company with a mission of securing organizations from all file-borne threats. Its proprietary, award-winning positive selection technology allows users to safely open email attachments, download and transfer files, share content, while keeping performance and functionality intact. With over 400 customers globally, Votiro has offices in US, Singapore, Australia, and Israel. Votiro is a Gartner Cool Vendor award winner and certified by the international standard of Common Criteria for Information Technology Security Evaluation (ISO/IEC 15408). Votiro has also been [recently recognised](#) as Best CDR Provider by the 2020 Cybersecurity Excellence Awards and named a Bronze winner in the Hot Security Technology Category by the 2020 Infosecurity Products Guide Awards.

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