



Security without compromise

SENETAS FULL YEAR RESULTS

27 AUGUST 2015

AGENDA

- FY15 delivering strong profit growth and cash flow
- Building a sustainable base to support future growth
- Reinvesting to meet customer needs and drive new revenue opportunities



Security without compromise



FY2015
DELIVERING STRONG PROFIT GROWTH AND CASH FLOW

FY15 HIGHLIGHTS

Significant Growth & Profitability

- Net profit before tax increased 145% to \$6.0m
- Operating revenue increased 47% to \$16.2m

Sustainable Platform for the Future

- Strengthening relationships with major global partners and customers
- Good balance of product sales revenue & recurring maintenance revenue
- Strong balance sheet & cash flow:
 - No debt
 - Operating cash-flow up 3x in 2016 to \$9.6m
 - Cash balance at 30 June 2015 of \$15.9m
 - Net assets at 30 June 2015 of \$13.1m
- Investing in new product development and partner / customer relationships to drive future growth
- Digital security solutions remain a growth sector

HY15 FINANCIAL OVERVIEW

	FY15 \$000's	FY14 \$000's	Change
Revenue from ordinary activities	16,207	11,038	47%
Profit before tax	6,021	2,458	145%
Net profit after tax	4,016	2,957	36%

FY15 represents the first full year of benefit from the improved master distributor agreement with SafeNet / Gemalto:

- Good growth in revenue driven primarily by orders from new customers and increasing maintenance revenues
- Product sales growth driven by the core product set
- Continuing to develop the strong relationship with our key distributor

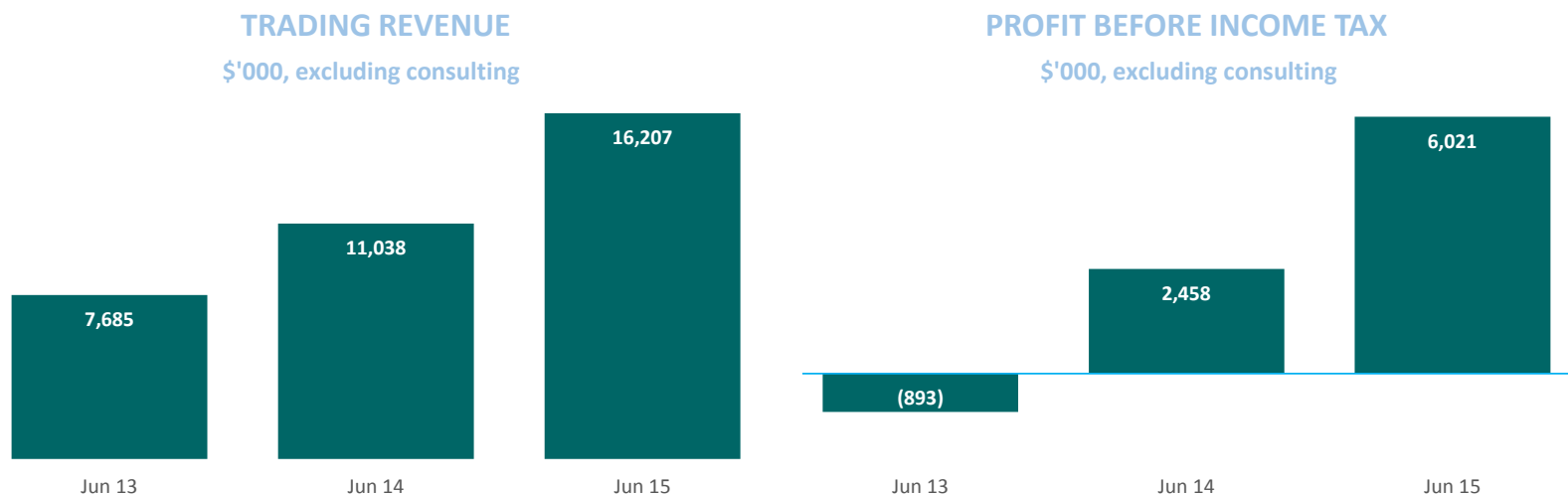
Revenue increase of \$5.2m:

- 41% growth in product sales and 55% increase in maintenance revenue

Net profit increase of \$1.1m:

- Tax expense of \$2.0m in FY15 (benefit of \$0.5m in FY14)

SUSTAINABLE GROWTH



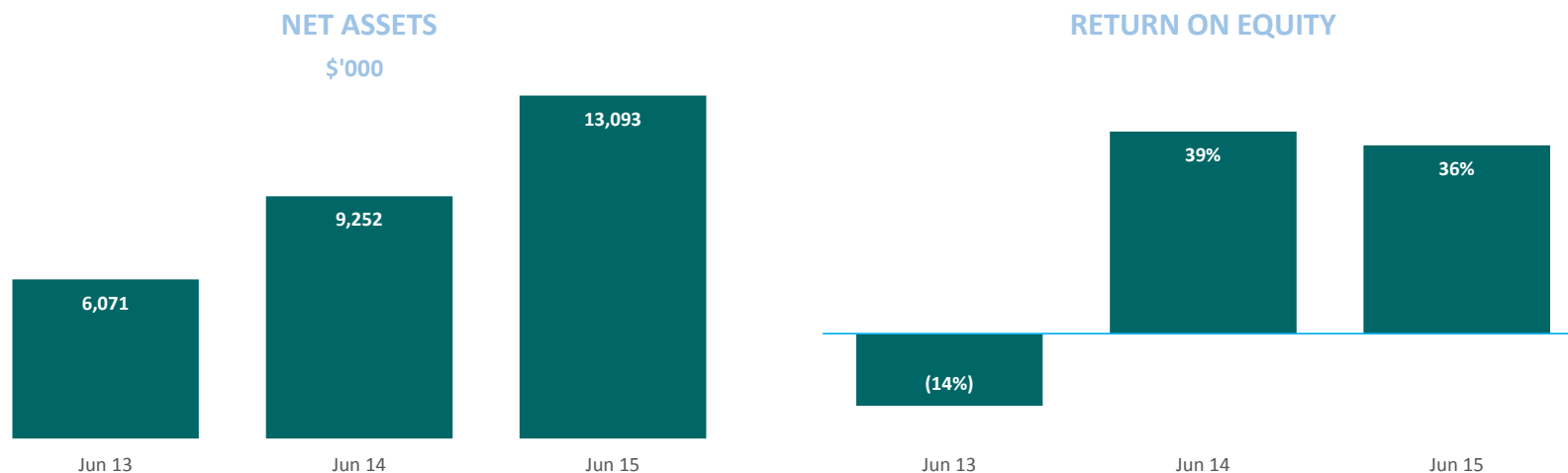
Revenue growing

- More balanced sources of revenue with product maintenance increasing by 55% and sales revenues increasing by 41% compared to FY14
- Very strong sales results from Gemalto in December 2014 & June 2015

Sustainable profitability

- Building a track record of profit delivery based on stronger master distributor relationship, improved sales planning and execution and good cost control

RETURNS ON INVESTMENT



Improved profitability driving growth in shareholder equity

- Net assets have increased 45% to 13.1m

Attractive return on assets

- Return on equity remains high at 36% (3% lower than FY14 which benefited from the availability of tax credits)
- Capacity to increase returns from existing asset backing
- Efficient balance sheet with strong working capital management

STRONG OPERATING CASH FLOWS

	FY15 \$000's	FY14 \$000's	Change
Operating cash flows	9,577	2,879	3x
R&D tax concession	1,386	1,359	2%
Investing cash flows	(470)	(110)	4x

Operating cash flow growth significant and consistent with business performance

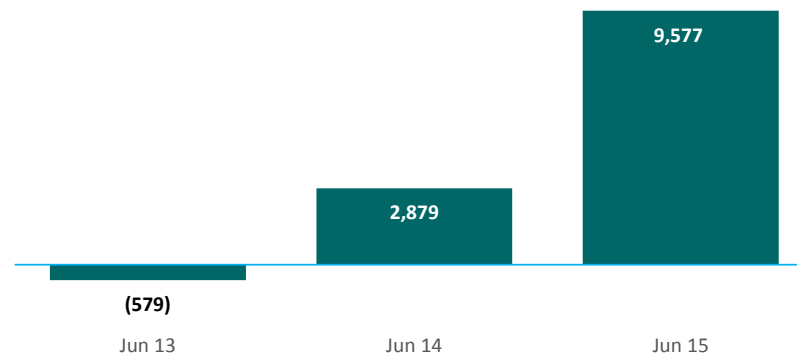
- Continued discipline with costs while growing core revenue
- Business growth is self sustaining

R&D tax concession for FY15 of \$1.7m - cash flows in 1H16

- Ongoing investment in new technologies during FY15

NET CASH FLOW FROM OPERATIONS

\$'000



BALANCE SHEET SUPPORTS GROWTH

	FY15 \$000's	FY14 \$000's	Change
Cash and cash equivalents	15,902	6,805	134%
Trade and other receivables	4,043	5,483	(26%)
Total Liabilities	(9,298)	(6,144)	51%

Cash balance of \$15.9m

- Flexibility for disciplined investment in organic and inorganic business opportunities in the future
- Reflects rapid return to profitability and sustained cash flow generation

Trade and other receivables declined

- Improved management of overseas inventory with Gemalto

Small increase in liabilities relative to business growth

- The increase is largely related to trade and other payables associated with higher sales and prepaid maintenance

Building a Sustainable Base to Support Future Growth



FY15 OPERATIONAL OVERVIEW

Sales of encryptors remain the key revenue driver

- 61% of revenue in FY15
- But maintenance fees are an important and stable source of revenue

Building stronger relationships with master distributor, technology partners and end customers

- Increased engagement with Gemalto sales teams
- Running comprehensive training both technical and sales
- Work with technology partners to develop ways to reach the market
- Invest in international markets with Senetas business development staff to support Gemalto on the ground with strategic customers
- Sales team taking on more client relationship management responsibilities and interaction with Senetas developers

FY15 OPERATIONAL OVERVIEW

Greater penetration with existing products

- Large share of growth from relationships with new corporate customers
- Government and defence remain the major customers

Building capability

- Small increase in FY15 investment in R&D, new product development and product enhancements
- Specific marker and algorithm encryptors
- 100Gbps development well advanced
- CN6140 multi-port encryptor with encryption capability up to 10Gbps – under development
- Exciting prospects with technology vendors specialising in Layer 2 networking and CCTV technologies

THE GEMALTO RELATIONSHIP

Gemalto acquisition of SafeNet during FY15

- This relationship remains strong and mutually beneficial
- Senetas' Master Distribution Agreement with SafeNet continues unchanged under Gemalto ownership

Key strategic partnership

- Gemalto is master distributor for all countries outside Australia and New Zealand
- Gemalto is the world leader in digital security, Senetas benefits from their presence in 45 countries and commercial enterprise sector focus
- Senetas supports this channel through training in product capabilities and selling points with Gemalto staff
- Gemalto's product portfolio (including Senetas products) is complimentary to Gemalto's portfolio and market positioning

REINVESTING TO MEET CUSTOMER NEEDS AND DRIVE NEW REVENUE OPPORTUNITIES



INVESTING IN OUR BUSINESS

Building capability to drive medium term growth

- Accelerate R&D roadmap and launch projects to maintain market leading position
- Virtualisation of encryption – developing technologies in response to changing networking protocols and ways of managing networking
- Custom algorithm offerings – including non US Elliptic Curves

R&D investment is expected to be higher than normal in FY16 (approx. 30% increase over FY15) – driving revenue growth in FY17 and beyond

- Increased certification costs for planned new product releases
- Additional engineers and technical support staff
- Increased non-recurring contractor costs

INVESTING IN OUR BUSINESS

International sales support

- Additional Senetas staff in critical markets to assist Gemalto sales teams, guide strategic accounts and projects
- Building sales focus with our key partners

Increasing investment in technology partners and end customers to drive revenue growth opportunities

- Mutually beneficial relationships with technology partners to provide improved and more seamless customer experiences across devices and networks
- Leveraging in-house capabilities to create custom solutions and better understanding users needs and concerns

5 KEY GROWTH DRIVERS

1. Accelerate growth in key high speed encryptor (HSE) markets in partnership with Gemalto to leverage their increased sales and marketing footprint
2. Develop new opportunities in low HSE penetration, markets such as India, Japan, Singapore, South America, Eastern Europe, France, Germany and Italy by working closely with Gemalto
3. New faster and 'high-density' products – market-leading encryptors that reflect emerging customer security needs – faster 100Gbps and 'high-density' (multi-port) platforms
4. New custom algorithm projects leveraging Senetas' unique electronics engineering capabilities and products – custom software toolkit to address unique requirements for other customers
5. New technology partnerships to expand the reach and capabilities of Senetas products – an agreement signed with Avaya in January 2015 will provide access to Avaya 'Fabric Connect' network technology and its large customer base around the world. We also have ongoing discussions with other technology partners

SUMMARY AND OUTLOOK

- Senetas is building a strong track record of sustainable profit growth and cash flow
- The company has a robust balance sheet to support disciplined investment in organic and potential inorganic growth initiatives in the future
- Positive sector thematics remain:
 - Massive growth in global data usage for the foreseeable future
 - Continually increasing focus on both data security and network efficiency
 - Major markets move from “Cyber-security” to “Cyber-terrorism”
- Senetas expects that strong industry fundamentals and increased focus on driving sales execution in partnership with our key partners will continue to drive good profit growth and cash flow in FY16. However, with the benefits of the new master distributor agreement now fully realised and an increase in business reinvestment rates over the next 12 months we expect that profit growth may moderate from that achieved in FY15.
- Medium term profit growth is expected to remain strong as new technologies are released into the market

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