

30 October 2024

icetana AI September 2024 Quarterly Report

icetana Limited (ASX: ICE) ("**icetana AI**" or "**the Company**"), a company building artificial intelligence video analytics software to help security and IT teams manage large scale surveillance networks, releases its activities report and Appendix 4C for the quarter ended 30 September 2024 (Q1 FY25).

Highlights:

- **As well as re-investing in icetana AI via a convertible note¹, significant shareholder Macnica, Inc. is extending its strategic partnership with the Company with enhanced exclusivity rights in new territories. In addition, Macnica is supporting icetana AI's growth in the US market, by recruiting a number of sales managers to help drive the Company's go-to-market strategy and expansion efforts.**
- **Annualised recurring revenue ("ARR") of \$1.8m as at September 2024, down 2% year on year ("YoY") and 10% quarter on quarter ("QoQ"), impacted by the loss of a number of smaller, legacy customers unable to upgrade to icetana AI's new version software.**
- **Net ARR retention was 87% QoQ.**
- **Total quarterly revenue (software + hardware) of \$474k was up 5% YoY and marginally up QoQ.**
- **Net operating cash outflow was \$372k for the quarter.**
- **Increased focus on cost control, including headcount reduction during Q1 and Q2 FY25.**

¹ See announcement dated 30/10/24

icetana AI Chief Executive Officer Kevin Brown commented:

"Our new icetana AI product suite continues to resonate well in key markets, and the enhanced offering has opened up new sale and upsell opportunities across analytics, licence plate and facial recognition.

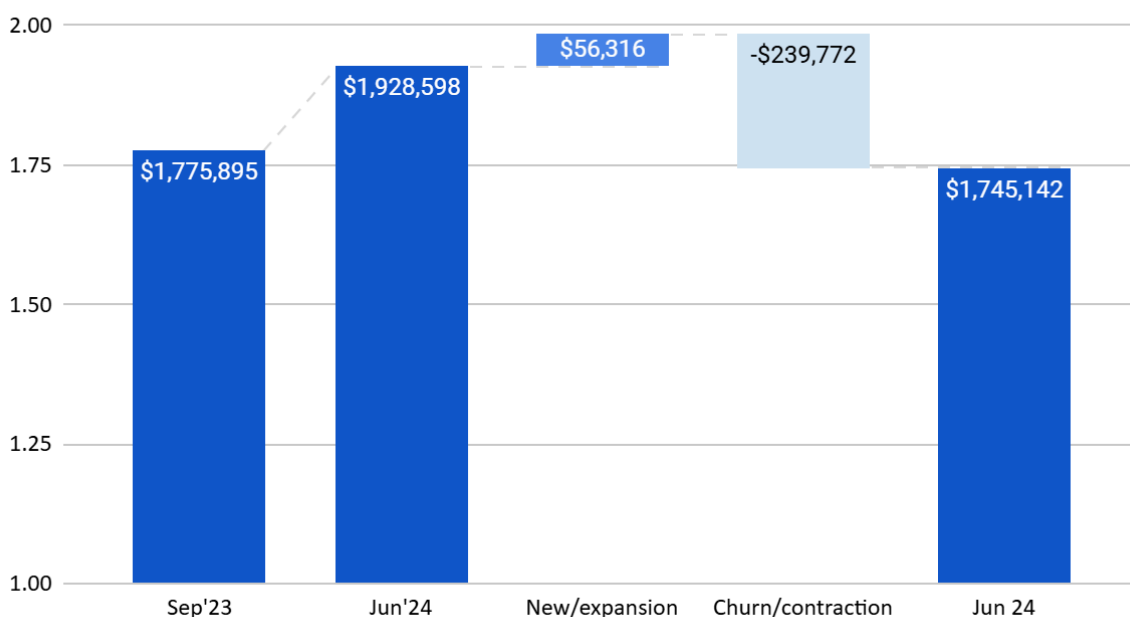
While we were disappointed in the reduction of ARR in the first quarter, due to a few of our smaller legacy customers who were largely using small camera deployments and were unable to upgrade to our new version software, we were pleased with the very strong pipeline of leads generated in the Middle East as well as increasing organic engagement from North American leads.

Our largest deal to date, a "Safe City" project in the Middle East, is currently well progressed at a proof-of-concept stage, which if successful could lead to a contract of significant value to us."

Financials

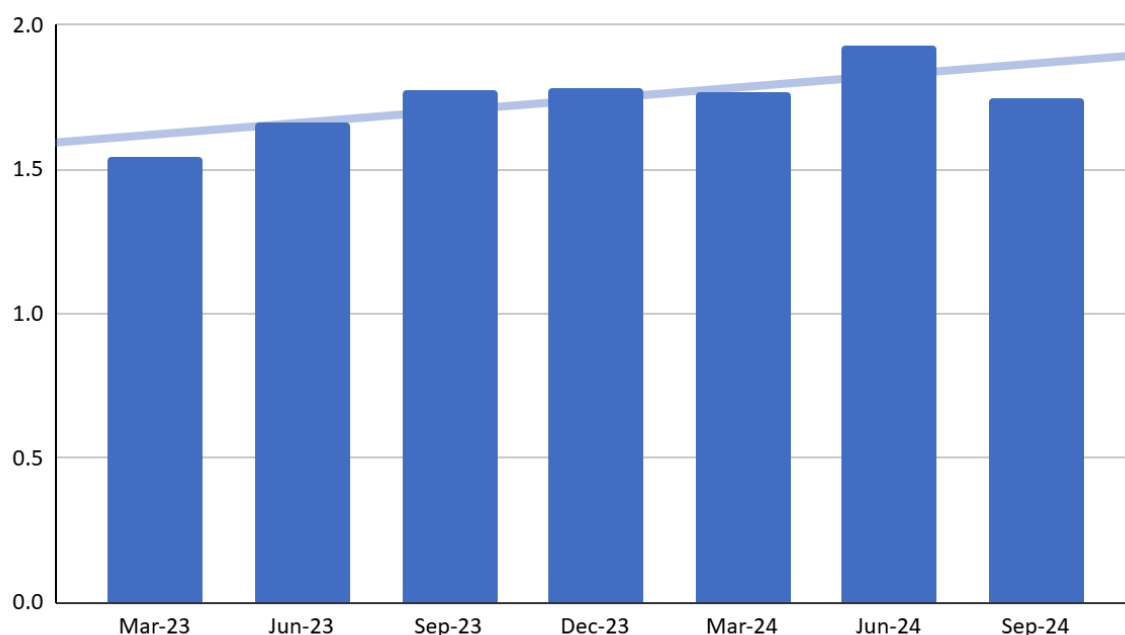
ARR decreased 2% QoQ and 10% YoY to \$1.8m as a result of a few smaller legacy customers who were unable to upgrade to our new version software:

ARR (M AUD\$)



The quarter saw a dip in ARR as a result of the legacy customer churn.

ARR (M AUD\$)



Quarterly revenue through the September quarter was \$474k, up 5% YoY and marginally up QoQ, as hardware sales offset the reduction in ARR.

The Company received a total of \$236k cash from customers during the quarter, down 8% YoY quarter and 82% QoQ. This reduction was due to the receipt of the annual renewal of icetana AI's largest customer in Q4 FY24.

Key metric	Q1 FY25	Variance from Q4 FY24	Variance from Q1 FY24
ARR	\$1.8m	▼ 10%	▼ 2%
Total revenue	\$474k	▲ 0%	▲ 5%
Cash receipts from customers	\$236k	▼ 82%	▼ 8%

Key metric	Q1 FY25
Gross margin	77%
Net ARR retention ²	87%

² Revenue expansion from existing customers less loss or contraction from existing customers

New orders, renewals and deployments

The Company's sales and marketing initiatives in Q1 FY25 resulted in new customer orders, deployments of existing orders and contract renewals. Notable activity included:

- Upsell renewal to existing North American financial security customer³.
- Continued traction in the Japan market through local partner Macnica, including:
 - o New contract with a communications company².
 - o Expansion sale to a security company²;
 - o Deployment of new contracts with two Japanese property companies².
- Hardware sales to multiple customers and partners in APAC and the Middle East, in preparation for potential proof of concepts and/or new contracts².

Retention and renewals

In addition to new sales, there were multiple renewals with existing customers across the US, Japan and the Middle East in Q1 FY25.

Growing sales contracts from existing customers remains a focus through icetana AI's customer success efforts.

Q1 FY25's net ARR retention metric fell to 87%, with the loss of mostly smaller deployment customers who were unable to upgrade to icetana's new version software.

Sales and marketing

In Q1 FY2025, the Company commenced or completed over 20 proof of concepts with potential customers, including a significantly sized 'Safe City' opportunity in the Middle East with a potential contract value of \$1.8m⁴, which gives an indication of the scale of opportunities available in the region.

The Company strengthened its partnership with Milestone by sponsoring their regional events in the UAE, Egypt, and Türkiye and secured joint sponsorship for Intersec KSA.

Significant shareholder Macnica, Inc. is extending its strategic partnership with the Company with enhanced exclusivity rights in new territories. In addition, Macnica is supporting icetana AI's growth in the US market, by recruiting a

³ These agreements are not considered material on a standalone basis

⁴ This opportunity is not yet considered sufficiently certain to be announced independently

number of sales managers to help drive the Company's go-to-market strategy and expansion efforts.

Additionally, icetana AI invested in a lead generation campaign with a US-based agency, focusing on driving demand in the remote guarding sector. These marketing efforts added over 40,000 licences to the pipeline.

Product development

The Company's primary focus in Q1 FY25 were enhancements to icetana AI's newest product features: facial recognition, licence plate recognition and line crossing and occupancy. Improvements were made in accuracy, detection and user functionality across these areas.

icetana AI added Arabic and Japanese language support into the product, and these have been well received by customers in those regions.

The Company enhanced its forensic Quick Find results by adding a confidence level, enabling customers to quickly find a specific person of interest on their site. The Quick Find results auto-refresh if the target person is still present on the premises, which provides vital real-time information to security teams.

The Company also delivered its Perimeter Breach feature. This identifies when a vehicle or person crosses a designated boundary that has been set as a perimeter. It will also identify when people and cars are present in restricted areas during unexpected times. Many customers are already using this functionality with great success.

Cashflow

Over the 12 months to 30 September 2024, the Company's net operating cash outflows (excluding investing/financing activities) averaged \$148,000 per month. At quarter end the Company's cash stood at \$1.1m, with \$720,000 of new capital committed and expected in December subject to shareholder approval. In addition there is a strengthened focus on cost control, which includes on-going headcount reduction.

Summary of expenditure

The Company's total operating cash expenditure during the quarter was approximately \$1.3m, comprising approximately:

- \$884k staff;
- \$178k operating and research and development;
- \$77k sales, marketing and partner expansion; and
- \$130k administration, corporate and other.

Payments totalling approximately \$38,000 (included in the above) were made to related parties of the Company, comprising gross salaries, superannuation and fees to executive and non-executive directors.

– ENDS –

Authorised for release by the Board of icetana Limited.

For further information contact:

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About icetana AI

icetana AI produces AI video analytics software to help security and IT teams manage large scale surveillance networks.

Security operators often have thousands of cameras to monitor and IT teams need to configure these camera streams. icetana AI offers a practical solution.

Its AI technology learns what's normal for each camera, identifying and reporting any unusual or potentially dangerous events in real time.

Designed to handle large scale surveillance networks, icetana AI's technology eliminates the need for individual camera stream configurations or rule-setting.

The company provides AI video analytics software, hardware, and cloud solutions, serving diverse industries including guarding services, retail, hospitality, public safety, transportation, education, and large enterprise.

icetana AI has a global footprint, with its AI solution used across 30+ clients, 75+ sites, and 16,000+ cameras and 15+ countries.