



Senetas Corporation Limited

2024 Half Year Results – 29 February 2024

HY2024 Group Operational Highlights

- Strong rebound in third party sales of Senetas hardware products
 - Senetas sales to third parties by (global distribution partner) Thales were up over 40% compared to the prior period
 - Units shipped to end customers during the period were up 46%
- Senetas total sales pipeline was up 34% compared to December 2022
- Senetas segment adjusted profit before tax was up 19% to \$1.7 million after eliminating the impact of Variable Consideration (refer slides 16 & 17)
- Votiro's ARR is currently US\$8.5 million – up over 75% from December 2022. This was below its target range primarily due to a large deal in the Asia Pacific region that slipped into the first half of 2024 as a result of an extended procurement process
- Senetas successful placement and entitlement offer in December 2023 to raise \$5 million
- Cash on hand at 31 December 2023 was \$11.7 million

HY2024 Group Financial Highlights

- Senetas segment operating revenue adjusted for the impact of Variable Consideration was \$9.7 million – down 4.3% in line with expectations
 - The key drivers of lower group revenue in HY2024 was the expected reduction in Senetas inventory shipments to Thales as inventory levels begin to return to historic levels after an easing of the electronic component shortages; and the related reduction in variable consideration (detailed on slides 16 & 17)
 - However, Thales's sales to end customers increased which has generated higher margins in HY2024
- Senetas segment profit before tax was \$1.4 million (HY2023: \$2.3 million)
- Votiro annual recurring revenue (ARR) is currently US\$8.5 million – up over 75% from Dec 2022
- Group net loss before tax was \$8.1 million (includes the Votiro net loss before tax of \$9.5 million – which includes \$1.8 million of non-cash items)
- Group net loss after tax attributable to members was \$3.9 million (net cash loss after adjusting for non-cash items was \$2.5 million)

HY2024 Summary Statutory Financials

Half year ended 31 December 2023 (\$'000's)	HY2024	HY2023
Revenue from ordinary activities		
- Senetas	9,346	10,964
- Votiro	4,144	3,945
Total Group Revenue	13,490	14,908
EBITDA		
- Senetas	1,464	2,204
- Votiro	(8,003)	(6,714)
Group EBITDA	(6,539)	(4,510)
Net profit (loss) before tax		
- Senetas	1,425	2,331
- Votiro	(9,511)	(8,441)
Group net profit (loss) before tax	(8,085)	(6,110)
Net profit (loss) after tax attributable to members	(3,868)	(3,093)
Cash and cash equivalents	11,687	8,930

Outlook

- Increased demand for Senetas products continues to drive sales pipeline growth
 - Sales pipeline at Dec 2023 is up 34% compared to Dec 2022
 - Strong growth in Thales's end user sales during HY2024, and Senetas anticipates that sales momentum will continue through the second half of FY2024
 - As previously disclosed, lower inventory shipments to Thales will continue to impact revenue through the remainder of FY2024, but anticipated strong third-party sales by Thales are expected to generate higher gross margins and therefore moderate the impact on profit
 - Cash flow and third-party sales of Senetas products in FY2024 are expected to be higher than FY2023
- Votiro's business continues to build its customer base and sales pipeline with over 75% ARR growth since December 2022
 - US\$21 million of new pipeline prioritised for 2024 calendar year – total pipeline including renewals is US\$33 million
 - Deal conversion remains slower than anticipated due to extended procurement processes and customer project delays, however, no deals are being lost as a result. New sales and partner incentives are expected to help shorten sales cycles in 2024
 - Cash flow breakeven target for Votiro remains the middle of calendar year 2024

HY2024 SENETAS SEGMENT



HY2024 Highlights – Senetas Segment

- Lower inventory shipments to Thales were the key driver of lower revenue in HY2024
 - Strong growth in third-party sales of Senetas products and services by Thales (which were up over 40%) was offset by lower inventory transfers and a negative adjustment to Variable Consideration
 - ANZ revenue was lower, impacted by major project customer budget
- Despite the lower inventory transfers and Variable Consideration, Senetas segment gross profit was similar to the prior period, with lower revenue offset by lower COGS
 - Gross margins increased to 90% with a lower proportion of sales relating to inventory transfers
- Senetas's profit before tax adjusted for Variable Consideration was up 19% to \$1.7 million (slide 16 & 17)
- Senetas segment reported profit before tax was lower at \$1.4 million (HY2023: \$2.3 million)
 - Key drivers of increased operating expenses in the period were R&D costs relating to upgrades to Senetas's 10Gbps encryptors, a new version of the 100Gbps encryptor & higher re-certification costs
 - Other income was lower after the completion of a customer funded project in the Europe region

HY2024 Senetas Operations

- Inventory shipments to Thales were down 23% in HY2024, as had been forecast at the FY2023 results
- With the global electronic component shortages having eased, Senetas and Thales will lower safety stock and transition to more historic inventory levels over the next 12-18 months
- Strong growth in demand for Senetas products during the period
 - The sales pipeline continued to build throughout HY2024 with the Thales pipeline of sales for Senetas products up 34% compared to Dec 2022
 - Third party sales of Senetas products and services by Thales were up 40% in HY2024 and the number of units shipped was up 46%
- Thales's recently completed acquisition of Imperva creates a cybersecurity business with over US\$1.5 billion in revenue and is now the 5th largest cybersecurity company globally
 - The acquisition of Imperva will significantly expand Thales's access to the cybersecurity market
 - Senetas's and Votiro's products are very complementary to Imperva's and represent an important medium term growth opportunity once the business integration is complete

HY2024 VOTIRO



HY2024 Highlights – Votiro



Annual Recurring Revenue (ARR)

US\$8.5m
Up over 75% from Dec 2022

Total Sales Pipeline

>US\$33m
At Dec 2023

Revenue

A\$4.1m
Up 5% from HY2023

Total Contract Value

US\$30m
At Dec 2023

Customer Renewal Rate

>90%
2023 calendar year

At the end of Dec 2023 Senetas held a controlling interest in Votiro of 56.2%. Senetas's Chairman and CEO represent Senetas on the board of Votiro.

HY2024 Financials – Votiro



- Votiro operating revenue was up 5.1% to \$4.14 million driven primarily by growth in the Asia Pacific region – the Asia Pacific region remains the key driver of revenue & ARR
- Votiro continues to develop its customer base and sales pipeline, however, unexpected delays relating to procurement processes meant its previously disclosed ARR target was not met
- Votiro ARR is currently US\$8.5 million
 - Below its previous target of up to US\$10 million largely due to the delay of one large contract in the Asia Pacific region
 - That deal is expected to be completed in the second half of FY2024
- Total contract value for Votiro at Dec 2023 was US\$30 million, up 37% since Aug 2023
- Votiro FY2023 loss after tax was \$9.3 million (HY2023: \$8.2 million) – including \$1.8 million of non-cash items
- \$4.1 million of Votiro's after tax loss is attributable to the minority interests in Votiro
- With improved deal closure rates and planned operating efficiencies Votiro remains on track to reach cash flow breakeven by mid 2024 calendar year

Votiro operations



- Votiro's total sales pipeline was US\$33 million at Dec 2023
- 36 new customers and 'upsell' deals through calendar 2023
- Despite the strong sales pipeline, the sales cycle with some of Votiro's larger customers remains longer than anticipated
 - As a new supplier, Votiro is confronting extended procurement processes with some of its larger customers; and
 - Customer project delays and customisation requirements have also added time to some sales
- Despite the delays, Votiro is not losing any deals through that process and is confident of strong growth in 2024
- Votiro continues to succeed in technology trails against its direct competitors
- Upgraded product launch due in the next quarter
- Customer renewal rate remained at >90% - slightly below the prior period as Votiro discontinued support for some low margin end of life products in the Japan market

KEY FINANCIALS



HY2024 Consolidated Senetas Group Financials

Half year ended 31 December 2023 (\$'000's)	HY2024	HY2023
Revenue from ordinary activities	13,490	14,908
Gross profit	12,133	12,122
Gross Margin %	90%	81%
Other income	59	269
Depreciation & amortisation	(1,595)	(1,620)
Profit (loss) before tax	(8,085)	(6,110)
Tax (expense)/benefit	(175)	293
Net profit (loss) after tax	(8,111)	(5,954)
Net profit (loss) after tax attributable to members	(3,868)	(3,093)

- Group revenue was 9.5% lower with Senetas segment revenue down 14.7% due to the forecasted reduction in inventory shipments to Thales, and Votiro revenue was up 5.1%
- Net cash loss attributable to members after adjusting for non-cash items was \$2.5 million
- Consolidated gross margins were significantly ahead of the prior period driven by higher margins in the Senetas segment as a result of a lower portion of revenue from inventory transfers to Thales

Senetas Operating Segment Results

Half year ended 31 December 2023 (\$'000's)	HY2024	HY2023
Revenue from ordinary activities	9,346	10,964
Gross profit	8,335	8,465
Gross Margin %	89%	77%
Other income	237	716
Depreciation & amortisation	(322)	(387)
Profit before tax	1,425	2,331
Profit after tax	1,315	1,931

- As expected, Senetas segment reported operating revenue was down due to lower inventory transfers to Thales
- Higher third-party product sales by Thales during the period were offset by lower inventory shipments and lower sales in the ANZ region
- Gross profit was similar to the prior period and gross margins were significantly higher
- Gross margins are expected to revert to historical levels over time as inventory transfers to Thales normalise over the next 12-18 months

Impact of Variable Consideration (AASB15)

- AASB15 has applied to Senetas's results since FY2019 (only the Senetas business segment has been impacted by Variable Consideration to date)
- It requires the company to estimate and recognise the revenue expected to be earned from customer contracts in the future, rather than waiting for the actual end sale before recognising the revenue
- The practical effect of this for Senetas is that it must recognise in a reporting period the revenue expected to be generated from the inventory held by Thales in the period in which the inventory is originally purchased by Thales, before it is on-sold to customer
- Generally, as Thales's inventory of Senetas products grows, AASB15 will increase Senetas's reported revenue, and as Thales's inventory declines (as it has in HY2024) it will reduce Senetas's reported revenue, despite strong growth in third party sales of Senetas products and services by Thales in HY2024
- The tables on the following slide highlight the impact of the Variable Consideration adjustments to Senetas segment revenue and PBT over recent half years

Impact of Variable Consideration (AASB15)

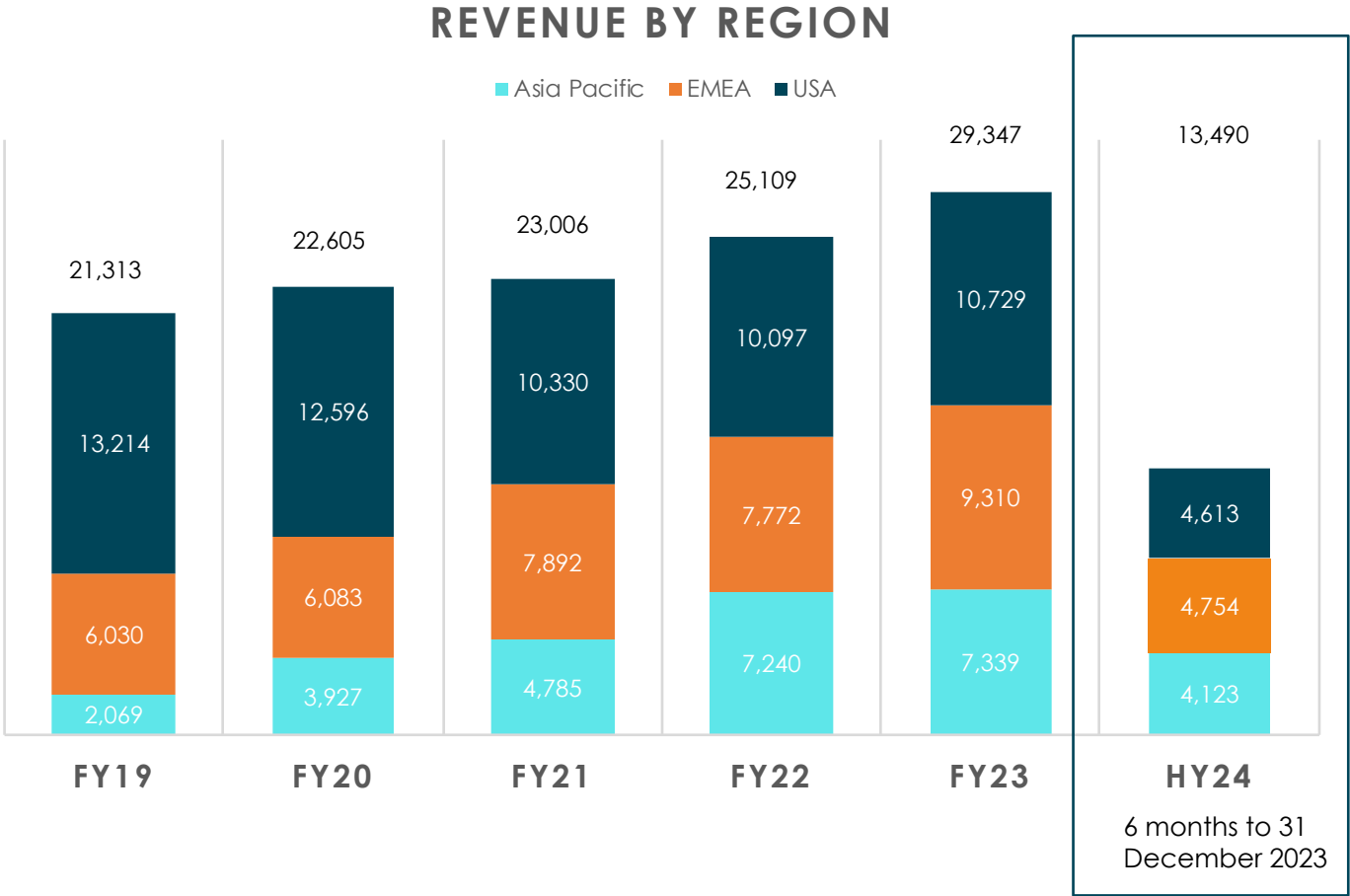
Senetas operating segment – impact of AASB15 (variable consideration) on YoY growth rates for HY2024

Half years ended 31 December (\$000's)	HY2024	HY2023	Difference	%
Senetas segment reported revenue	9,346	10,953	(1,607)	(14.7)
Variable consideration per AASB15	(321)	854	(1,175)	(137.6)
Adjusted Revenue	9,667	10,099	(432)	(4.3)
Senetas segment profit before tax	1,426	2,321	(895)	(38.6)
Adjustment for variable consideration	321	(854)	(1,175)	(137.6)
Profit before tax adjusted for variable consideration	1,746	1,467	280	19.1

Senetas operating segment – impact of AASB15 (variable consideration) on reported financials since FY2020

Half years ended 31 December (\$000's)	HY2024	HY2023	HY2022	HY2021	HY2020
Senetas segment reported revenue	9,346	10,953	10,084	12,760	9,932
Variable Consideration per AASB15	(321)	854	426	432	(133)
Adjusted Revenue	9,667	10,099	9,658	12,328	10,065
Senetas segment profit before tax	1,426	2,321	951	3,464	70
Adjustment for Variable Consideration	321	(854)	(426)	(432)	133
Profit before tax adjusted for variable consideration	1,746	1,467	525	3,032	203

Operating Revenue



- Group revenue 9.5% lower than HY2023 due to lower Senetas inventory transfers
- Votiro revenue up 5.1%
- Reported revenue before adjusting for the impact of Variable Consideration was lower in each region
- Maintenance and subscription revenue was 61% of total group, up from 54% in the prior period

Cash Flow

Summary Cash Flow Statement

Half year ended 31 December 2023 (\$'000's)	HY2024	HY2023
Receipts from customers	15,301	17,689
Tax refund/(paid)	(22)	(312)
Payments to suppliers & employees	(19,607)	(18,924)
Operating cash flows	(4,268)	(1,510)
Investing cash flows	(119)	(128)
Financing cash flows	6,376	(154)
Cash and cash equivalents at 31 December 2023	11,687	9,930

- Receipts from customers were down 13%, in line with lower reported revenue
- Cash flow in the second half of FY2024 is expected to be stronger than the first half
- Higher payments to suppliers and employees primarily reflects increased sales and marketing investment by Votiro in the period
- Higher cash on hand reflects the Senetas segment profit and the capital raised by Senetas late in HY2024, partly offset by Votiro's losses in the period

Balance Sheet

Summary Balance Sheet

Half year ended 31 December 2023 (\$000's)	HY2024	HY2023
Cash and cash equivalents	11,687	9,814
Trade and other receivables	7,575	6,006
Inventories	5,680	5,322
Goodwill & intangible assets	6,202	7,790
Total assets	33,687	31,665
Trade and other payables	(5,138)	(4,816)
Contract & lease liabilities	(20,609)	(17,760)
Total liabilities	(30,506)	(25,343)
NET ASSETS	3,180	6,322

- Higher cash on hand reflects the Senetas segment profits and the December 2023 capital raise partly offset by Votiro losses
- Increase in contract & lease liabilities primarily reflects movements in prepaid maintenance contracts
- Senetas inventory on hand was similar to the prior period
- Lower net assets reflects the Votiro losses partly offset by the Senetas capital raise

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