



# Senetas Corporation Limited

2023 Half Year Results – 28 February 2023

# HY2023 Group Financial Highlights

- Group operating revenue of \$14.9 million – up 16% on HY2022
  - Senetas segment revenue up 9% to \$11.0 million
  - Votiro segment revenue up 43% to \$3.9 million.
- Votiro annual recurring revenue (ARR) of US\$4.8 million at 31 December (up 30% from December 2021)
- Senetas segment profit before tax was \$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)
  - Votiro loss includes non-cash items of \$1.8 million relating to amortisation and share based payments)
- Group net loss after tax attributable to members was \$3.1 million (net cash loss after adjusting for non-cash items was \$1.5million)
- Balance sheet remains strong with \$8.9 million of cash at 31 December 2022 and no debt – cash at the end of February 2023 was \$14.8 million

# HY2023 Summary Financials

Half year ended 31 December 2022 (\$'000's)	HY2023	HY2022	% Change
Revenue from ordinary activities			
- Senetas	10,964	10,084	9%
- Votiro	3,945	2,753	43%
Total Group Revenue	14,908	12,837	16%
EBITDA			
- Senetas	2,204	1,390	59%
- Votiro	(6,714)	(4,667)	(44)%
Group EBITDA	(4,510)	(3,277)	(38)%
Net profit (loss) before tax			
- Senetas	2,331	951	145%
- Votiro	(8,441)	(5,812)	(45)%
Group net profit (loss) before tax	(6,110)	(4,786)	(25)%
Net profit after tax attributable to members	(3,093)	(2,753)	(12)%
Cash and cash equivalents*	8,930	10,692	(16)%

\* Consolidated cash on hand at the end of February 2023 was \$14.8 million

# Outlook

- Votiro's outlook remains very positive with a strong sales pipeline that more than doubled through HY2023
  - Proceeds from the recent capital injection are being deployed to 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 – add smaller regular client wins with future opportunities to upscale, in addition to larger scale opportunities that remain
  - Whilst ARR at December 2022 was below internal expectations, all transactions that were expected to contribute to ARR growth in HY2023 remain in the pipeline and are expected to close in FY2023
- Global supply chain issues beginning to abate
  - Senetas's sales pipeline remains strong, but the global supply chain issues continue to impact the timing of sales completion. The shortages are beginning to ease and we expect the impact to abate more significantly over the next 12-18 months. Senetas has continued to build inventory levels to manage demand as sales completions returns towards historic rates
  - Some 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
  - Inventory transfers to Thales will reduce and gross margins will increase as Thales inventory is reduced throughout that period



# HY2023 SENETAS SEGMENT



# HY2023 Highlights – Senetas

- Return to revenue growth for Senetas with HY2023 revenue up 9%
  - Whilst the component shortages across the industry globally continue to impact the timing of Senetas product shipments, some early signs of modest growth in end user shipments during the period and increased inventory shipments to Thales drove the 9% revenue growth
  - With a higher proportion of revenue derived from inventory shipments Senetas gross margins remain a little below historic levels at 77%. 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 (HY2022: \$1.0 million)
  - Strong rebound from HY2022 profit before tax driven primarily by increased sales revenue and overhead control
  - Maintenance revenue has temporarily reduced to less than 40% of total Senetas segment revenue due to the higher than normal levels of revenue derived from inventory shipments to Thales
  - Net profit after tax for the Senetas segment of \$1.9 million (HY2022: \$0.8 million)

# Senetas

- The Senetas sales pipeline remains strong
- Some very early signs in HY2023 that end user sales are beginning grow again, and that lead times for components order have started reducing
- However, 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, but expect that Senetas customers will return to more normal ordering patterns through that period
- 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

# HY2023 VOTIRO



# HY2023 Highlights – Votiro



## Annual Recurring Revenue (ARR)

US\$4.8m

At December 2022 – up  
30% from Dec 2021

## Total Sales Pipeline

>US\$30m

At February 2023

## Revenue

A\$3.9m

Up 43% from HY2022

## Total Contract Value

US\$10.7m

At December 2022

## Customer Renewal Rate

>95%

2022 calendar year

At the end of February 2023 Senetas held a controlling interest in Votiro of approximately 59%. Senetas's Chairman and CEO represent Senetas on the board of Votiro.



# HY2023 Financials – Votiro



- Votiro operating revenue was up 43% to \$3.9 million driven primarily by growth in the Asia Pacific region – the Asia Pacific region was also the key driver of ARR growth in the period
- Votiro's ARR of US\$4.8 million at 31 December 2022 was below internal expectations as a result of extended lead times to close some transactions with new clients
- Total contract value for Votiro at February 2023 was US\$10.7 million
- Votiro HY2023 loss before tax was \$8.4 million – including \$1.8 million of non cash items
- \$3.2 million of Votiro's after tax loss of \$8.2 million is attributable to the minority interests in Votiro
- Customer renewal rate remained at >95%

# Key HY2023 Milestones

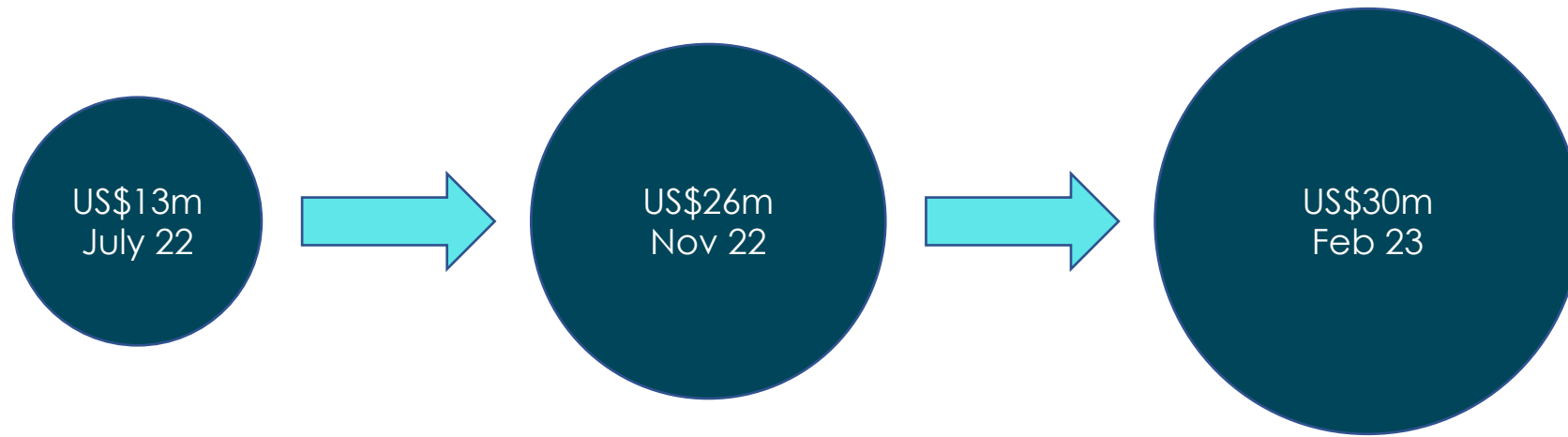


- Votiro's sales bookings for the calendar year to 31 December 2022 were US\$9.4 million, up 125% over the prior calendar year
- Votiro's total sales pipeline more than doubled in HY2023 and currently sits at US\$30 million
- Successful capital raise in Feb 2023 and conversion of Senetas's loan into equity
- Whilst there have been delays in finalising some contracts with new customers, all 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
- New channel and technology partnerships established during the period including an integration with Box Content Cloud and a partnership with Owl Cybe Defense
- 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

# Pipeline development



Votiro's total sales pipeline\* grew strongly through HY2023 and that momentum has continued into calendar 2023



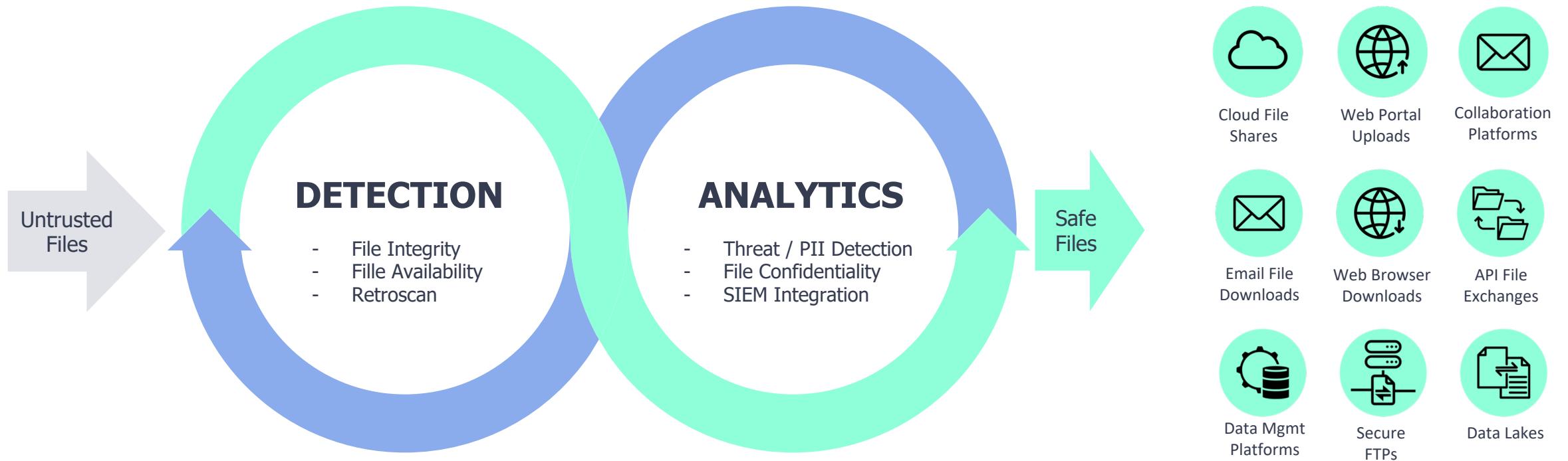
The additional resources to be added to the business in 2023 as a result of the recent capital raising will assist Votiro to maximise capture of the sales pipeline, reduce sales lead times and accelerate ARR growth

\* Votiro's total sales pipeline includes sources of business generated from sales, marketing and channel partners

# Votiro Vision



Analyze and Deliver safe files to users and apps without compromising security and productivity



# Capital Raise



- Votiro has undertaken a recent capital raising to support business growth and accelerate sales pipeline capture – additional sales and marketing resources represent the major use of funds
- At the same time, the Senetas loan to Votiro of US\$6.4 million has been converted into equity on the same terms and conditions as the capital raise
- Harvest Lane Asset Management, has participated in the capital raise as a cornerstone investor
- Harvest Lane and other investors have contributed US\$5.0 million of new equity to date, however, the capital raise remains open with discussions continuing with a number of other investors. The raise is expected to close before the end of March
- Adjusting for the new shares issued to date and the conversion of Senetas's loan to Votiro into equity, Senetas's shareholding in Votiro is approximately 59% at the end of February 2023



# KEY FINANCIALS



# HY2023 Consolidated Senetas Group Financials

Half year ended 31 December 2022 (\$'000's)	HY2023	HY2022
Revenue from ordinary activities	14,908	12,837
Gross profit	12,122	10,350
Gross Margin %	81%	81%
Other income	269	3
Depreciation & amortisation	(1,620)	(1,562)
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)

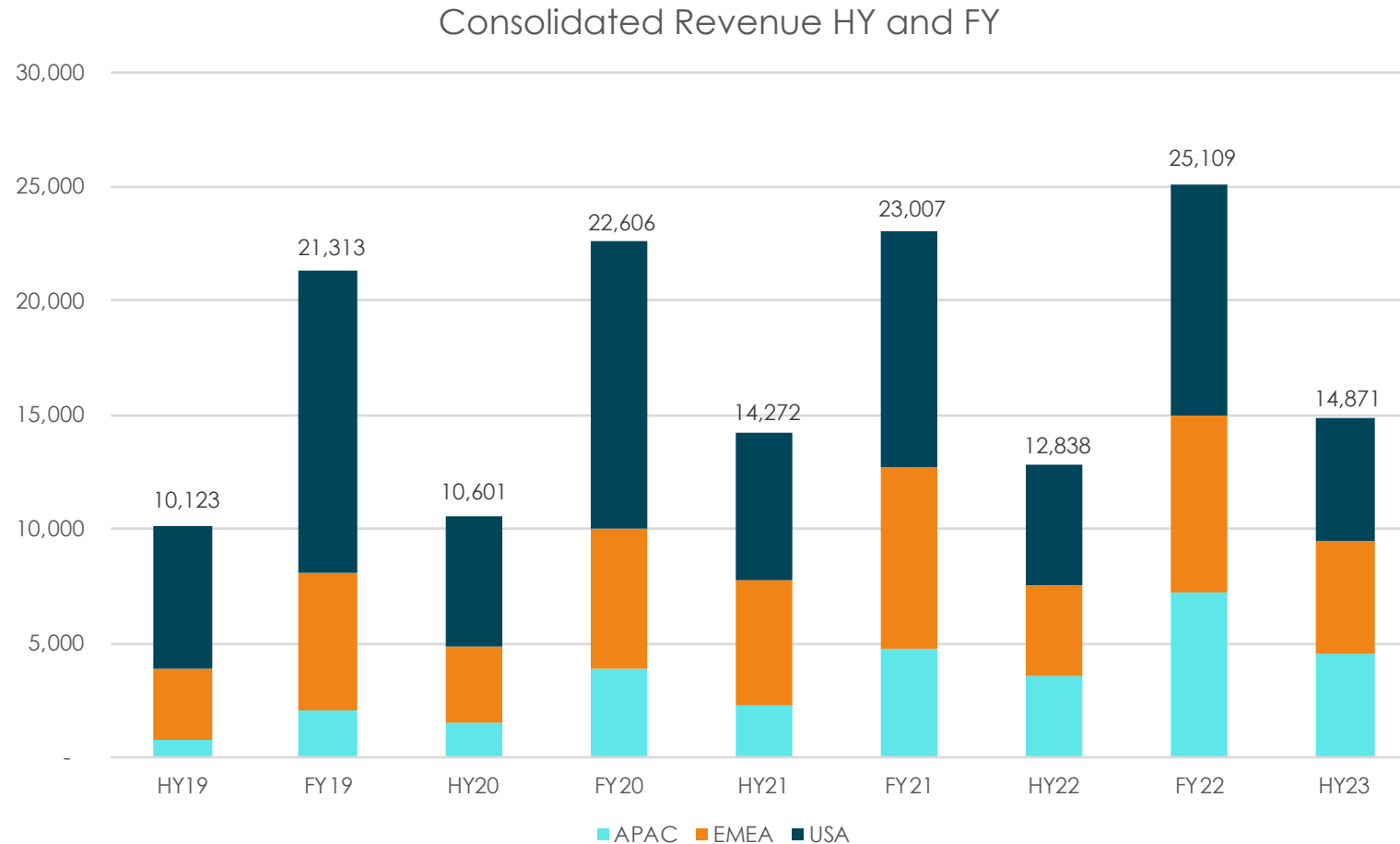
- Group revenue was 16% higher with Senetas segment revenue up 9% and Votiro revenue up 43%
- Net cash loss attributable to members after adjusting for non-cash items was \$1.5 million
- Consolidated gross margins were in line with the prior period
- Senetas and Votiro gross margins remained in line with the prior period

# Senetas Operating Segment Results

Half year ended 31 December 2022 (\$'000's)	HY2023	HY2022
Revenue from ordinary activities	10,964	10,084
Gross profit	8,465	7,783
Gross Margin %	77%	77%
Other income	269	3
Depreciation & amortisation	(387)	(449)
Profit before tax	2,331	951
Profit after tax	1,931	786

- Senetas operating revenue, although still impacted by the temporary electronic component shortages and supply chain issues, was up 9% driven by slightly higher third party sales and higher inventory transfers to Thales
- Gross margins remained in line with the prior period
- Gross margins are expected to revert to historical levels as the impacts from the component shortage issues unwind

# Operating Revenue



- Group revenue 16% higher than HY2022
- Good growth in Asia Pacific driven by Votiro customer wins in the region
- North America and EMEA similar to the prior half year
- Maintenance and subscription revenue was 54% of total group revenue slightly lower than the prior period
- Senetas segment maintenance revenue was just below 40% of total Senetas revenue as a result of the higher proportion of revenue from inventory shipments

# Cash Flow

## Summary Cash Flow Statement

Half year ended 31 December 2022 (\$'000's)	HY2023	HY2022
Receipts from customers	17,688	13,067
Tax paid	(312)	(406)
Payments to suppliers & employees	(18,923)	(15,046)
Operating cash flows	(1,510)	(2,374)
Investing cash flows	(128)	(196)
Financing cash flows	(154)	356
Cash and cash equivalents at 31 December 2022	8,930	9,697

- Receipts from customers were up 35% on the prior year, reflecting higher third party sales and increased inventory transfers during the period
- Higher payments to suppliers and employees also reflects the higher sales and inventory transfers
- Slightly lower cash on hand at 31 December 2022 reflects the Votiro losses partly offset by the Senetas capital raise earlier in calendar 2022
- Consolidated cash on hand at 28 February of \$14.8 million following the Votiro capital raise and strong Senetas operating cash inflows in January and February 2023



# Balance Sheet

## Summary Balance Sheet

Half year ended 31 December 2022 (\$000's)	HY2023	FY2022
Cash and cash equivalents	8,930	10,692
Trade and other receivables	6,941	9,057
Inventories	5,117	5,347
Goodwill & intangible assets	8,649	9,660
Total assets	32,639	38,163
Trade and other payables	(4,983)	(5,258)
Contract & lease liabilities	(18,527)	(18,249)
Total liabilities	(26,232)	(26,566)
NET ASSETS	6,406	11,597

- Slightly lower cash on hand at 31 December 2022 reflects the Votiro losses partly offset by the Senetas capital raise earlier in calendar 2022
- Movement in contract & lease liabilities primarily reflects movements in prepaid maintenance contracts
- Inventory on hand similar to the prior period
- Lower net assets reflects the Votiro losses partly offset by the Senetas capital raise

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