



# Senetas Corporation Limited

2021 Full Year Results – 27 August 2021

# FY2021 Group Highlights

- Group operating revenue of \$23.0 million – up 2% on FY2020 (up 13% on a constant currency basis<sup>1</sup>)
- Underlying operating profit before tax for the Senetas business segment (\$3.4 million) was up more than 70% on a constant currency basis<sup>1</sup>
- With good recent sales wins and a rapidly expanding pipeline Votiro is emerging as a significant growth opportunity. Votiro now has over 400 customers globally and has processed over 5 billion documents with 100% efficacy, zero breaches and no latency
- Group net loss before tax \$7.5 million – includes the net loss before tax from Votiro of \$10.9 million and reflects non-cash items of \$5.0 million relating to Votiro amortisation and share based payments expense
- Group net loss after tax attributable to members of \$3.7 million
- Balance sheet remains strong with \$11.8 million of cash on hand at 30 June 2021 and no debt

<sup>1</sup> Constant currency movements reflect FY2020 financial results restated at the FY2021 average A\$-US\$ exchange rate

# FY2021 Highlights – Senetas Segment

- Senetas segment operating revenue in line with FY2020 – both product sales and maintenance revenue were similar to the prior period
  - Operating revenue up 11% on a constant currency basis
  - Good growth in 100Gbps encryptor sales and across the European and Asia Pacific markets
  - Early signs of a rebound in the US commercial market
  - Maintenance revenue was just over 50% of total revenue
- Almost 90% of Senetas's revenue is in US\$ – the strengthening of the A\$ against the US\$ during the year has had a significant impact on FY2021 reported growth
- Senetas segment net profit before tax in FY2021 was \$3.4 million up 3% – on a constant currency basis net profit before tax was up 76%
- Cost reduction initiatives continued to provide benefits throughout FY2021 with corporate overheads down by over 10% compared to the prior period
- Strong growth in the product sales pipeline – working very productively with Thales, the worlds largest cyber security company with sales in excess of €16 billion

# VOTIRO UPDATE

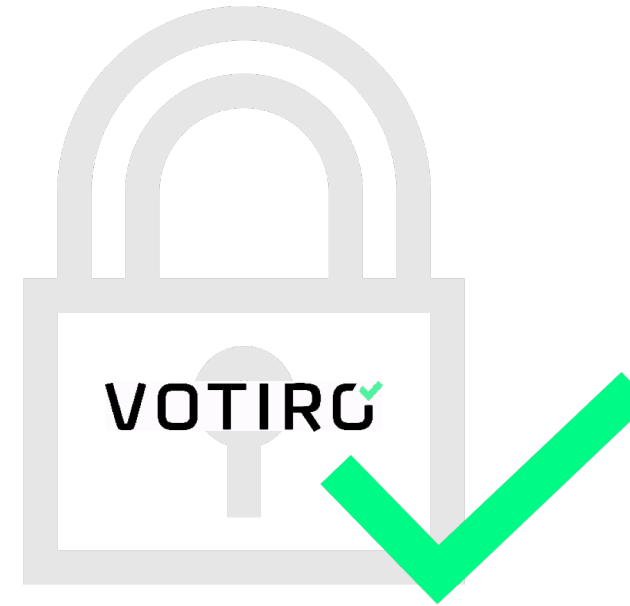




# Votiro Opportunity

# VOTIRO✓

- Senetas has invested a total of US\$12.1 million in Votiro since late 2018 and has a controlling shareholding of just under 70%
- The rise of ransomware attacks is one of the most serious global cybersecurity threats and Votiro's Secure File Gateway solution is effective at neutralising those threats (including zero day threats) with 100% efficacy, zero breaches and no latency – provides Senetas with immediate access to a high growth market opportunity
- Senetas is leveraging its experience in defence grade cybersecurity and its long and deep relationships with US Government agencies, large commercial organisations and Thales as our global distribution partner to help deliver significant benefits to Votiro
- Notwithstanding COVID complications Senetas has successfully transitioned Votiro for significant growth



- Over the past 18 months the Votiro business has been restructured with a key focus on sales execution and targeting priority markets
  - A highly experienced management team has been recruited and a new CEO with strong experience in cybersecurity will be announced in the next few days
  - Votiro has established a physical presence in the US market which is our key target market, and which will become its commercial head office
- Votiro's sales pipeline continues to grow, with the majority of near term opportunities located in the North American and Asia Pacific regions
  - Votiro currently has 10 proof of concept trials underway with government and large commercial customers in the US market
  - There are another 6 concurrent trials underway in Asia with government and large commercial customers
  - Confidence in the sales pipeline is high – on average Votiro wins customer contracts in over 75% of cases once reaching the proof of concept stage – in the US market it is over 90%

# Votiro Opportunity



- With ransomware attacks becoming more common and more severe, the success of Votiro's Secure File Gateway presents a significant growth opportunity
- Senetas is excited by the outlook for Votiro and has consequently invested more of its excess capital to support the business and increase its shareholding
  - In June 2021 Votiro completed a rights issue raising US\$4.6 million – with Senetas contributing US\$4.1 million and the balance from Votiro's minority shareholders and associated parties
  - Funds from the capital raising will be used to meet the significant expansion in sales, marketing and customer support activities as Votiro takes the next steps to commercialise its technology
- With the record number of proof of concept trials underway and Votiro's success in converting trials into longer term customer contracts a significant uplift in revenue growth in the near term is expected
- Votiro revenue is expected to more than double within the next 12-18 months
- Votiro's customers are all marquee major corporates or government organisations

# Key FY2021 Milestones



- Votiro now has over 400 customers globally and has processed over 5 billion documents with 100% efficacy, zero breaches and no latency
- Votiro's Secure File Gateway has recently received certification confirming it is suitable for US Government applications
- New relationships established in FY2021 with Thales, Gotham Technology Group and Menlo Security in the US market developing opportunities with government and commercial clients
- Launched a cloud-based SaaS version of the Secure File Gateway solutions – providing customers working within or migrating to the cloud with a scalable way to completely eliminate file-borne attacks carried through email, web downloads, and website uploads
- Major new customers acquired during the period include a Fortune 100 financial services provider with over 50,000 users; a large multi-national bank in the Asia Pacific region with over 40,000 users; and a large South African bank



# FY2021 Financials – Votiro



- Votiro operating revenue contribution to the consolidated Group is up 13% on the prior period (up 27% on a constant currency basis)
- Votiro FY2021 loss before tax of \$10.9 million – \$4.1 million of which is attributable to the minority interests in Votiro
  - The loss before tax includes \$5 million of non-cash share based payments expense and amortisation
  - Votiro's FY2021 loss reflects the first full 12 month period of its consolidation within the Senetas Group (only 8 months in FY2020)
- Underlying Votiro loss before tax excluding the impact of non-cash items was 7% lower in FY2021 than the prior 12 month period – reflecting good revenue growth, partly offset by increased costs relating to Votiro's additional investments into the North American market
- Annual year on year recurring revenue is expected to double in FY2022

# Votiro Secure File Gateway

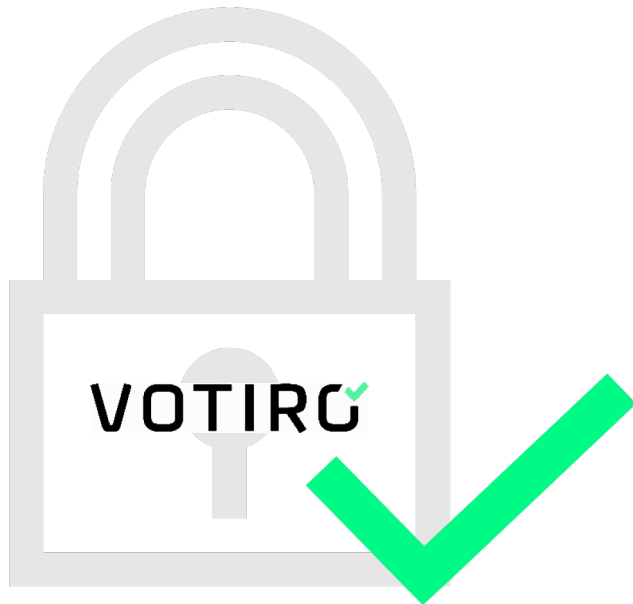
*Providing 100% Protection from Weaponized Files*



VOTIRO✓

# Votiro's vision and mission

## A world without successful file-based attacks



Votiro is a **market leader** in Secure File Gateways, securing files and documents by utilizing **Positive Selection** technology and delivering known-safe content, ready for safe business operations



Votiro's mission is to protect people from **all file-based attacks**, no matter where they came from or how complex they are, without **impacting business productivity**

- ✓ **Over 5 billion documents processed**
- ✓ **100% efficacy rate**
- ✓ **Zero breaches**
- ✓ **No latency**

# Votiro is aligned with major cyber market drivers

**VOTIRO** ✓

Prevents the full spectrum of content-borne attacks

## The cyber threat problem is global and unrelenting

The most virulent malware, like ransomware and zero-day, is hidden in files. In addition, the sheer volume of known attacks means that they too, also slip into the network hidden in content

✓ Stops losses due to content-borne cyber attacks

Security & high velocity business

## Every user action and any detectable latency interferes with today's business

A product that delivers user-ready, safe content at very high speeds, enhances business

✓ Improves business productivity; no latency

Integrates into existing applications & structure

## Stand-alone security solutions create complexity and expense

A product that integrates with existing structures and content services and introduces no new actions for the users or the IT staff, avoids that complexity and cost. In addition, Prevention vs Detect & Respond is a huge time saver for security staffs

✓ Reduces workload & increases productivity of IT/IS staffs; low TCO

Operationalize zero trust

## Next-gen CDR does not depend on finding and removing malware

First-gen CDR was like other security layers, in that they had to either identify attacks in order to prevent them or remove significant parts of the document. Next-gen CDR creates known-safe content. It does not depend on knowledge of the threats

✓ Avoid obsolescence; no reliance on predictive technologies, intelligence, or NG/AV limitations

Cloud & virtualized networks

## Organizations of all sizes are optimizing infrastructure with cloud use

Security products that are designed to run on-prem only or in cloud only can be big business obstacles as organizations migrate and/or hybridize

✓ Equally effective at Attack prevention in a Cloud or on-premises implementation



# Votiro's Positive Selection Technology



Reconstruct to new,  
**known-safe** content



In **original**  
format



Ready for **safe** business  
operations immediately



Without having to **find**,  
**alter**, or **remove**  
malware hidden in the  
original content

## Operational peace of mind for:



Email



File Sharing



Document  
Portals



Help Desks



Enterprise File  
Synchronizations



Websites



Collaboration



Business Applications,  
ERP & CRM

# Why Votiro wins

**Votiro succeeds where other CDRs providers have not**

## Enhances Productivity

Improves business' ability to collaborate online safely, enhancing productivity



## Peace of Mind Because It Works; No Exceptions, No excuses

Operational compliance peace of mind; all users can open any document without concern, risk, or extra user action



## Rapid ROI

No security breaches by content born malware, as well as reduced incident response staff workload and increased network visibility



## Efficiencies

Shortens the time to a fully secure file from minutes to seconds



## Low TCO

Seamless integration with existing security infrastructure, in the cloud or on prem, with no user training required



## Proven Leader

Proven market leader of content security at large Enterprise scale

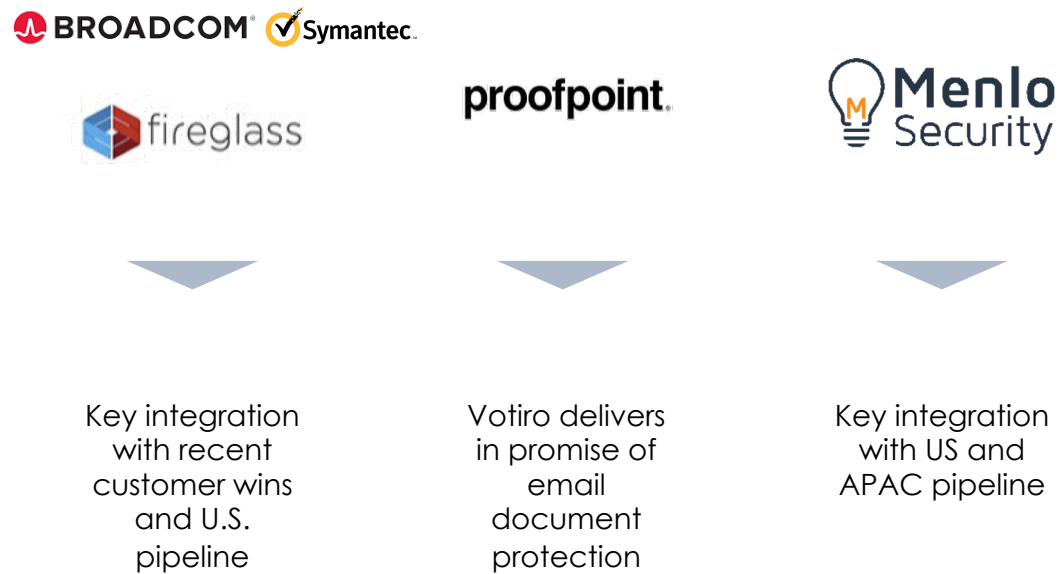


# Highly differentiated solution

	VOTIRG	CDRs	Sandboxes	NG Antivirus	Phishing Awareness
No reliance on finding malware	✓	✓	✗	✗	✗
No reliance on predictive analysis	✓	✓	✗	✗	✗
Delivers fully functional content	✓	✗	✓	✓	✗
Delivers known-good content	✓	✗	✗	✗	✗
Effective against zero days	✓	Sometimes	Sometimes	✗	✗
Enhances productivity	✓	✗	✗	Sometimes	✗
False positive rate	0	High	High	Medium	High
False negative rate	0	0	High	Medium	High
Low maintenance	✓	✗	✗	✓	✗
Latency	Milliseconds	Secs to Mins	Minutes	Milliseconds	-

# Technology and channel partners

## Technology Ecosystem



Technical Integrations Include:

**Adobe** **AUTODESK.** **CITRIX** **box**

**ERICOM** **FORTINET.** **vmware** **JUST. SYSTEMS**

## Partners by Region

 <b>United States</b> Direct sales force in early stages of developing key partner relationships	 <b>Japan</b> Established regional distributor and growing reseller network	 <b>Asia</b> Growing reseller network
<b>THALES</b> TRUSTED CYBER TECHNOLOGIES <b>GOTHAM</b> technology group, LLC	<b>NTT DATA</b> <b>NEC</b> <b>Fuji Electric</b> <b>FUJITSU</b> <b>SoftBank</b>	<b>TINDO</b> <b>ST Engineering</b> <b>M.TECH</b> Your Preferred I-Security Partner <b>SECURECRAFT</b>



## 2021/2022 focus

# VOTIRG

### Continuing product innovation

- Machine learning applied to macro detection
- Enhanced cloud/hybrid enterprise capabilities
- Increased analytics functionality
- Further integrations with 3rd party software
- Increased remote working functionality
- US Govt approval and certification

### Building sales capabilities

- Targeting high value government contracts in APAC and US
- Expand sales & marketing functions
- Up/cross sell existing customers

### Developing marketing and partnership opportunities

- Expand on major technology integration partnerships
- Resellers & distribution expansions
- Joint exhibitions & campaign
- Leverage government endorsements

# KEY FINANCIALS



# FY2021 Consolidated Senetas Group Financials

Full year ended 30 June 2021 (\$000's)	FY2021	FY2020*
Revenue from ordinary activities	23,006	22,605
Gross profit	19,578	19,641
Gross Margin %	85%	87%
Other income	400	712
Depreciation & amortisation	(3,209)	(2,828)
Share of loss of an associate*	-	(1,197)
Profit (loss) before tax	(7,528)	(2,583)
Tax expense	(285)	(696)
Net profit (loss) after tax	(7,813)	(3,279)

\*Votiro results consolidated from November 2019. Loss of associate in FY2020 reflects Senetas's share of Votiro results from July-October 2019. FY2020 results are restated for adjustment to share based payments expense

- Revenue growth on a constant currency basis<sup>1</sup> was 13%
- The higher loss reflects the consolidation of a full 12 months of Votiro's results in FY2021 for the first time (8 months in FY2020), including \$5.0 million of non cash expenses. Underlying Votiro loss excluding the non-cash items was 7% lower in FY2021
- Tax expense based upon the net profit before tax for the Senetas operating segment

<sup>1</sup> Constant currency change reflects FY2020 financial results restated at the FY2021 average A\$-US\$ exchange rate

# Senetas Operating Segment Results

Full year ended 30 June 2021 (\$000's)	FY2021	FY2020
Revenue from ordinary activities	19,834	19,790
Gross profit	16,563	16,950
Gross Margin %	84%	84%
Other income	576	1,254
Profit before tax	3,376	3,269
<i>Adjustments to calculate underlying Senetas segment net profit before tax for FY2020</i>		
Share of loss of an associate (Votiro)*	-	1,197
Gain on step acquisition	-	414
Underlying net profit before tax	3,376	4,051

\*Loss of associate in FY2020 reflects Senetas's share of Votiro results from July-October 2019 prior to it becoming a controlled entity

- Operating revenue similar to the prior year. On a constant currency basis<sup>1</sup> operating revenue was up 11%
- On a constant currency basis<sup>1</sup> Senetas segment underlying profit before tax was 76% higher in FY2021
- Gross margins steady at 84%

<sup>1</sup> Constant currency change reflects FY2020 financial results restated at the FY2021 average A\$-US\$ exchange rate



# SENETAS OPERATIONAL UPDATE



# Senetas

- Good sales growth in Europe and the Asia Pacific market during FY2021
- US commercial market was soft for most of the year although there were some encouraging signs of a rebound in this segment of the market in recent months
- Key sales highlights in FY2021 included:
  - Senetas's largest ever single order for 100Gbps encryptors
  - The first sales of 100Gbps encryptors into the Australia market
  - The first ever sales of SureDrop in the first half of the year. Overall sales of SureDrop remain quite small although there was some good sales momentum developing in the second half
  - First sales of the new custom algorithm product for Eastern Europe after all regulatory approvals were received earlier in FY2021
- Recurring maintenance revenue streams increased to just over 50% of Senetas revenue

# R&D

R&D and new product development remains at the core of Senetas's business. The major areas of R&D focus in FY2021 included:

- Quantum resistant network encryption solutions
  - Senetas has now released the first to market quantum resistant encryption capabilities in a single platform on its hardware encryptors. The new quantum capabilities are available to all current and future customers seeking to leverage the company's crypto-agile encryption platforms
- Transport layer independence capabilities for hardware encryptors
  - Senetas released its new hardware encryptors with transport layer independence capable of operating across Layer 2, 3 and 4 networks environments. First sales of these encryptors were made in the second half of FY2021
- The completion of certification and regulatory processes to allow the first sales of Senetas's custom algorithm solutions for the Eastern Europe market
- Product upgrades
- R&D costs increased by 3% in FY2021.

# Semiconductor Supply

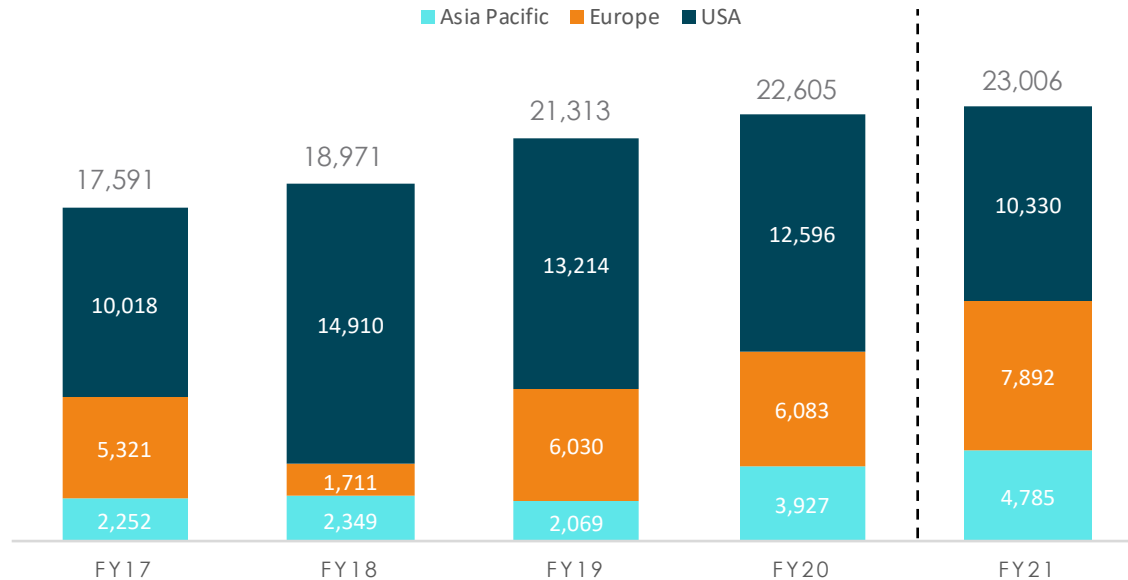
- The COVID pandemic and other natural disasters have significantly impacted the global supply of semiconductors. Specific contributing factors have included:
  - Manufacturing shutdowns during the pandemic combined with increased demand for electronic components driven by the work from home movement
  - Severe drought in Taiwan (Semiconductor fabrication consumes a huge amount of purified water) and factory fires in Japan
- It is likely that the global chip shortage will last into FY2023
- Resultant shortages will temporarily impact Senetas's ability to manufacture and supply its hardware encryption products
  - Senetas took early steps to mitigate the shortage of chips, however, based on current forecasts of chip availability it is expected that sales of hardware encryptors in FY2022 will be lower than FY2021
  - Senetas is working to manage the expectations of key customers and where possible will attempt to defer some sales into FY2023 – at this stage Senetas estimates a risk to FY2022 product sales of 10-15% compared to FY2021 product sales of \$9.7 million
  - Senetas expects Consolidated Group revenue to increase in FY2022 compared to FY2021 notwithstanding the chip shortage

# DETAILED FINANCIALS



# Operating Revenue

## REVENUE BY REGION



- Group revenue up 2%
- On a constant currency basis Group revenue was up 13%
- Good growth in Europe and Asia Pacific
- Lower commercial sales in North America
- Senetas segment product sales and maintenance revenue both similar to the prior year
- Maintenance revenue just over 50% of total revenue

FY17-FY18 revenue has not been restated for the application of AASB15

# Cash Flow

## Summary Cash Flow Statement

Full year ended 30 June 2021 (\$'000's)	FY2021	FY2020*	Change
Receipts from customers	23,342	22,758	3%
Tax paid	(1,486)	(921)	(61)%
Payments to suppliers & employees	(24,971)	(21,836)	(14)%
Operating cash flows	(3,067)	170	-
Investing cash flows	(358)	(1,531)	77%
Financing cash flows	(355)	(866)	59%
Cash and cash equivalents at 30 June 2021	11,847	15,711	(25)%

\* FY2020 cash flows only included Votiro from November 2020

- Receipts from customers in line with Group revenue
- Tax paid higher due to increased profit in underlying Senetas business
- Cash on hand at 30 June 2021 lower as a result of Votiro losses



# Balance Sheet Remains Strong

## Summary Balance Sheet

Full year ended 30 June 2021 (\$'000's)	FY2021	FY2020*	Change
Cash and cash equivalents	11,847	15,711	(25)%
Trade and other receivables	4,621	5,483	(21)%
Inventories	2,021	2,453	(18)%
Goodwill & intangible assets	10,705	14,096	(24)%
Total assets	33,098	42,508	(22)%
Trade and other payables	(2,484)	(3,215)	23%
Contract & lease liabilities	(12,212)	(13,922)	12%
Total liabilities	(18,629)	(22,191)	16%
NET ASSETS	14,468	20,317	(28)%

\* FY2020 balance sheet has been restated for an adjustment to the FY2020 share based payments expense

- Net assets down 28% reflects consolidation of the current period loss from Votiro
- Lower goodwill & intangible assets reflects amortisation during the period and FX movements
- Lower contract & lease liabilities primarily reflects movements in prepaid maintenance contracts
- The Senetas balance sheet reflects the cost of its investment in Votiro less amortisation – it does not reflect Senetas's current view of the underlying value of Votiro

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