



Senetas Corporation Limited

2021 Half Year Results – 26 February 2021

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HY2020 Group Highlights

- Group operating revenue of \$14.3 million – up 35% on HY2020
- Operating profit before tax for the Senetas business segment of \$3.5 million – up over 250% on the underlying Senetas segment result in HY2020
- Group net loss before tax \$1.7 million – includes a net loss before tax from Votiro of \$5.1 million
- Group net profit before tax attributable to members of \$0.4 million
- Group net loss after tax attributable to members of \$0.4 million
- Net Assets at 31 December 2020 of \$17.6 million
- Balance sheet remains strong with \$13.8 million of cash on hand at 31 December 2020 and no debt
- During the half-year Senetas announced the first to market high-assurance quantum resistant network encryption cybersecurity solution

HY2021 Highlights – Senetas Segment

- Operating revenue up 34% with strong growth in both product sales and maintenance revenue
 - Good revenue growth across all geographic regions and market segments
 - EMEA revenue up over 80% with significant contribution from customers in the Middle East
 - Recurring maintenance revenue was 48% of total Senetas segment revenue
- Senetas segment EBITDA in HY2021 was \$3.9 million – up over 170% on the underlying Senetas segment EBITDA in HY2020 (adjusted for the share of Votiro loss in HY2020 prior to it becoming a controlled entity)
- Senetas segment net profit before tax in HY2021 was \$3.5 million (HY2020 – \$0.1 million)
- Slightly higher R&D costs in HY2021 primarily associated with Senetas's investment in Quantum resistance and transport layer independence
- Cost reduction initiatives implemented during FY2020 continued to provide benefits in HY2021 with corporate overheads down by almost 20% compared to the prior period

HY2021 Highlights – Votiro



- Votiro operating revenue contribution to the consolidated Group is up 40% on the prior period (6 months revenue in HY2021 – only 2 months of revenue in HY2020)
 - Underlying Votiro revenue on a like for like basis was down 17%)
- Votiro HY2021 loss before tax of \$5.1 million – \$2.1 million of which is attributable to the minority interests in Votiro
 - Loss before tax includes non-cash items such as share based payments expense of \$1.1 million and amortisation of \$1.1 million
- Strong interest for Votiro products is emerging and growth expected to be considerable
- US market remains the key growth opportunity – trials underway with a number of large US organisations
 - Strategic partnership and distribution agreements underway with Thales and Menlo Security focussing on key US government and commercial opportunities
 - Recently selected by a Fortune 500 company to protect it from malware attacks with deployment to over 50,000 users

KEY FINANCIALS



HY2021 Consolidated Senetas Group Financials

Half year ended 31 December 2020 (\$'000's)	HY2021	HY2020*	Change
Revenue from ordinary activities	14,272	10,601	35%
Gross profit	12,159	9,008	35%
Gross Margin %	85%	85%	-
Other income	349	324	8%
Depreciation & amortisation	(1,676)	(644)	(160)%
Share of loss of an associate*	-	(1,197)	-
Profit (loss) before tax	(1,666)	(509)	(227)%
Tax expense	(734)	(480)	53%
Net profit (loss) after tax	(2,399)	(990)	(142)%

*Votiro results consolidated from November 2019. Loss of associate in HY2020 reflects Senetas's share of Votiro results from July-October 2019. HY2020 results are restated for adjustment to share based payments expense

- Revenue growth in all regions but key contributor was the EMEA region
- Gross margin remained at 85%
- Consolidated group loss before tax driven by \$5.1 million loss from Votiro – reflecting 6 months of consolidated results for Votiro in HY2021 (compared with 2 months results in HY2020)
- Tax expense reflects the net profit before tax for the Senetas operating segment

Senetas Operating Segment Results

Half year ended 31 December 2020 (\$000's)	HY2021	HY2020
Revenue from ordinary activities	12,760	9,524
Gross profit	10,699	8,027
Gross Margin %	84%	84%
Other income	369	324
Profit before tax	3,464	103
<i>Adjustments to calculate underlying Senetas segment net profit before tax for HY2020</i>		
Share of loss of an associate (Votiro)*	-	1,197
Loss on step acquisition	-	4
Underlying net profit before tax	3,464	1,304

* 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 up 34%
- Gross margins steady at 84%
- Strong growth in net profit before tax reflects good growth in product sales and maintenance revenue, and cost efficiencies across the business

OPERATIONAL UPDATE



Senetas

- Senetas's 10Gbps and 1Gbps encryptors remain the largest revenue drivers, but the 100Gbps encryptors are building an increasing share
- Sales of 100Gbps encryptors to end user customers in HY2021 doubled compared to the prior corresponding period
- Key sales highlights in HY2021:
 - Largest ever single order for 100Gbps encryptors from a Middle Eastern government agency
 - First sales of 100Gbps encryptors into the Australia market during HY2021
 - First sales of SureDrop and virtual/software encryption products
 - First sales of the new custom algorithm product for Eastern Europe after all regulatory approvals were received in HY2021
- Recurring maintenance revenue streams remain strong – up over 30% on the prior period

R&D Priorities

Investment in Quantum readiness

- In HY2021 Senetas announced the first to market high-assurance quantum resistant network encryption cybersecurity solution
- The quantum resistant encryption will provide sensitive government and business network data the necessary long-term protection against the emerging threat of quantum computing by adding quantum resistant features to its current hardware network encryption platform
- These solutions are expected to provide additional revenue opportunities for Senetas as the threats from quantum computing emerge in the coming years

Further priorities for the remainder of FY2021

- Further enhancements to Senetas's hardware and virtual / software product capabilities to broaden market opportunities:
 - Hardware – transport layer independence capabilities for deployment in more complex layer 3 environments
 - Virtual / software – enhanced capabilities to provide access to more cloud environments

Votiro Update



- Demand for software tools to protect against malware and ransomware attacks is anticipated to grow strongly
- Strategic plans and product development for Votiro remain on track
- Sales growth impacted by COVID-19 through the June and September quarters – but December quarter results reflect a strong rebound
- US pipeline growing strongly – new relationship with Thales and Menlo Security in the US market developing opportunities with government and commercial clients
- Fortune 500 company has recently deployed Votiro Secure File Gateway to over 50,000 users
- Large scale proof of concept trials underway in APAC and US markets

Votiro Rights Issue

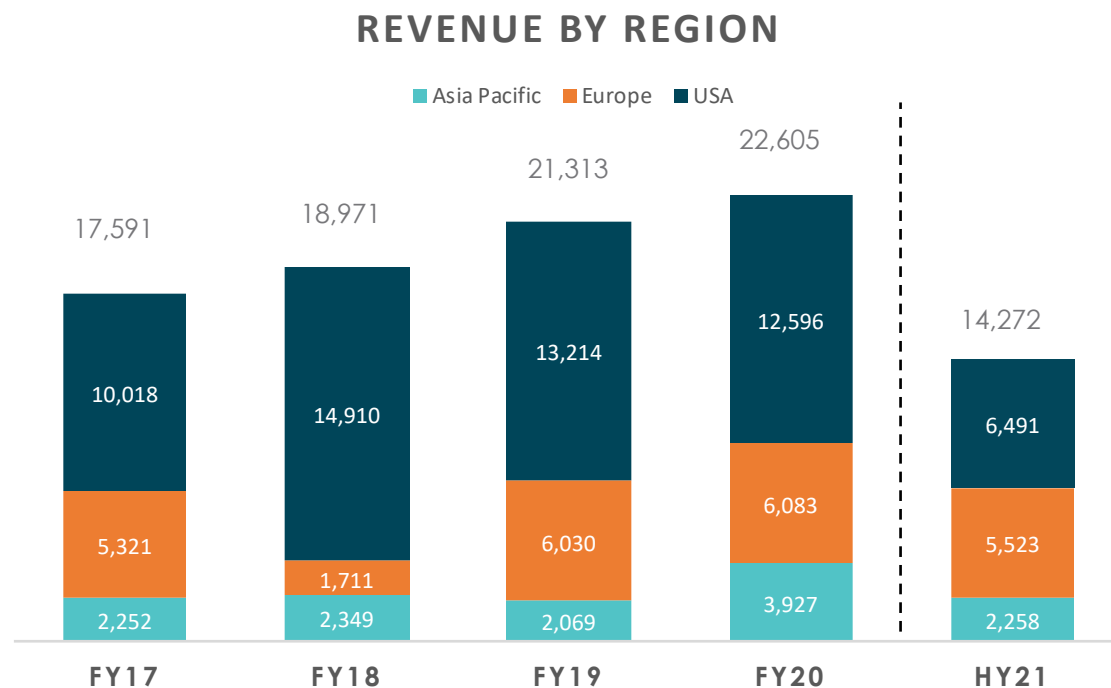


- Senetas remains very excited about the growth potential of the Votiro business and its ability to deliver significant value to Senetas shareholders
- A rights issue by Votiro is proposed before the end of FY2021 in order to support Votiro's working capital requirements as it builds towards cash flow breakeven
- Rights issue is up to a maximum of US\$5 million
- Senetas has committed to participate in the rights issue for a minimum of US\$3 million
- Senetas has provided Votiro with interim financing via a bridging loan (US\$1.6 million at 31 December 2020 – US\$2.2 million at 26 February 2021) until completion of the rights issue – the bridging loan will either be converted into shares as part of the rights issue or repaid via the proceeds of the rights issue
- Senetas expects to maintain a controlling shareholding of approximately 55-60% in Votiro after the rights issue has been completed

DETAILED FINANCIALS



Operating Revenue



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

- Growth in all regions
- Revenue up over 80% in EMEA
- Senetas segment product sales and maintenance revenue both up over 30%
- Maintenance revenue 48% of total revenue
- Improvement in Senetas US commercial sales in December 2020 quarter

Cash Flow

Summary Cash Flow Statement

Half year ended 31 December 2020 (\$'000's)	HY2021	HY2020*	Change
Receipts from customers	12,965	9,034	44%
Tax paid	(1,167)	(585)	(99)%
Payments to suppliers & employees	(13,198)	(10,071)	(31)%
Operating cash flows	(1,362)	(1,513)	10%
Investing cash flows	(207)	(1,164)	82%
Financing cash flows	(300)	(650)	54%
Cash and cash equivalents at 31 December 2020	13,766	14,532	(5)%

* HY2020 cash flows only included Votiro for November and December 2019

- Receipts from customers up ahead of revenue growth
- Tax paid higher due to increased profit in underlying Senetas business
- Payments to customers and suppliers up broadly in line with sales growth

Balance Sheet Remains Strong

Summary Balance Sheet

Half year ended 31 December 2020 (\$'000's)	HY2021	FY2020*	Change
Cash and cash equivalents	13,766	15,711	(12)%
Trade and other receivables	5,709	5,483	4%
Inventories	2,154	2,453	(12)%
Goodwill & intangible assets	11,309	14,058	(20)%
Total assets	37,026	42,470	(13)%
Trade and other payables	(2,517)	(3,215)	22%
Contract & lease liabilities	(11,772)	(13,922)	15%
Total liabilities	(19,407)	(22,191)	13%
NET ASSETS	17,619	20,279	(13)%

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

- Net assets down 13% reflecting the current period loss from Votiro
- Lower goodwill & intangible assets reflects amortisation during the period (\$1.2 million) and foreign exchange movements (\$1.4 million)
- Lower contract & lease liabilities primarily reflects movements in prepaid maintenance contracts

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