

31 August 2023

ASX ANNOUNCEMENT

Senetas Corporation Limited Full Year Results for the year to 30 June 2023

Senetas consolidated group operating revenue up 17% to \$29.3 million

- Senetas segment revenue up 12% to \$21.6 million
- Votiro revenue up 33% to \$7.7 million
- Votiro annual recurring revenue (ARR) at August 2023 was US\$7.0 million – up 50% since December 2022
- Votiro sales pipeline (including renewals) in excess of US\$33 million in August 2023, up from US\$13 million in July 2022
- Senetas sales pipeline in up over 110% since June 2022
- Senetas segment profit before tax was up 95% to \$3.7 million (FY2022: \$1.9 million)
- Group EBITDA attributable to members was a loss of \$4.9 million, including a loss of \$8.9 million from Votiro
- Group net loss after tax attributable to members was \$7.3 million
- Net cash loss after adjusting for non-cash items was \$4.3 million
- Balance sheet remains strong with \$9.8 million of cash at 30 June 2023 and no debt

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), today announced its results for the year ended 30 June 2023 (FY2023).

FY2023 Summary Group Financials

Year ended 30 June 2023 (\$'000's)	FY2023	FY2022	Change
Revenue from ordinary activities			
– Senetas	21,640	19,332	12%
– Votiro	7,707	5,776	33%
Consolidated Group Revenue	39,347	25,109	17%
EBITDA			
– Senetas	3,880	2,573	51%
– Votiro	(14,905)	(10,158)	(47)%
Consolidated Group EBITDA	(11,025)	(7,585)	(45)%
Net Profit (Loss) Before Tax			
– Senetas	3,719	1,907	95%
– Votiro	(17,892)	(12,668)	(41)%
Consolidated Group Net Profit (Loss) Before Tax	(14,173)	(10,762)	(32)%
Consolidated Net Profit (Loss) After Tax Attributable To Members	(7,314)	(5,892)	(24)%
Cash And Cash Equivalents @ 30 June	9,814	10,692	(8)%





- Group operating revenue of \$29.3 million was up 17% over the prior period (FY2022: \$25.1 million)
- Higher group revenue was driven by contributions from both the Senetas and Votiro business segments, with Senetas revenue up 12% and Votiro revenue up 33%.
- Gross margin for the Group was 82% - up from 81% in the prior period
- Senetas segment EBITDA was up 51% to \$3.9 million
- Consolidated group EBITDA attributable to members was a loss of \$4.9 million (FY2022: \$3.6 million)
- The operating profit before tax for the Senetas operating segment in FY2023 was \$3.7 million (FY2022: \$1.9 million)
- The Group net loss after tax of \$14.2 million for FY2023 includes a \$17.4 million operating loss after tax for Votiro
 - \$6.9 million of the Votiro loss is attributable to minority interests
 - Votiro's loss before tax includes non-cash items such as share based payments expense and amortisation totaling \$3.5 million.
- The Group net loss after tax attributable to members was \$7.3 million
- The Group net loss attributable to members after adjusting for non-cash items was \$4.3 million
- The Senetas group retains a strong balance sheet with no debt and \$9.8 million of cash on hand at 30 June 2023

Commenting on the year to 30 June 2023, Senetas CEO, Andrew Wilson, said: "Both the Senetas and Votiro businesses saw strong revenue growth in FY2023, with consolidated group revenue up 17%. Supporting that revenue growth has been significant growth in the sales pipelines for Senetas and Votiro, with both businesses growing their pipelines by over 100% during the year, which provides a positive sales outlook for FY2024.

"Whilst the Senetas business continued to be impacted by the global electronic component shortages that have impacted the industry over the past few years, we saw positive signs of those shortages easing as the year progressed. We expect the shortages will continue to abate through the next 12 months and that customer ordering patterns will normalise through that period.

"Senetas's hardware business experienced revenue growth in all 3 of its key sales regions during the year. The largest contributor to revenue growth was Europe reflecting growth in inventory shipments to Senetas's global distribution partner, Thales, in that region.

"We expect good growth in sales to third party customers during FY2024 off the back of Senetas's significant growth in its sales pipeline in FY2023.

"The Votiro business continues on the path towards its target of US\$10 million of annual recurring revenue by the end of the 2023 calendar year.

"FY2023 saw Votiro more than double its sales pipeline to over US\$30 million by the end of the year, with growth across all key regions. The Asia Pacific region, where Votiro has had good success with large scale commercial and government contracts, remains Votiro's largest driver of annual recurring revenue, however, new clients have been added in all of Votiro's regions.

"Votiro has continued to develop its product offering and route to market strategies through the year. Technology and managed security service provider partnerships are leading to technology integrations, broader use cases for Votiro's products and joint marketing and go to market execution with security industry leaders.



“Votiro is now well positioned to deliver the industry’s first unified content security platform. Votiro’s zero trust content security platform has now processed over 7 billion documents with no breaches for almost 400 customers globally.

“With the scale of the Votiro pipeline and the additional sales and marketing capability that has been added to the business in recent months since the capital raising earlier in the year, we expect that Votiro is on track to deliver strong growth in annual recurring revenue and cash flow in the near term.”

Group overview

Group revenue was 17% higher in FY2023 with good growth in the Senetas and Votiro business segments. Senetas revenue grew 12% to \$21.6 million, and Votiro revenue grew 33% to \$7.7 million.

Both Senetas and Votiro gross margins were similar to the prior period at 78% and 92% respectively.

Senetas segment EBITDA was \$3.9 million, up 51% on the prior period. Group EBITDA was a loss of \$11.0 million, including a \$14.9 million EBITDA loss from Votiro.

The consolidated group net loss before tax was \$14.2 million which included the Votiro net loss before tax of \$17.9 million. Votiro’s net loss before tax included non-cash items of \$3.5 million relating to amortisation and share based payments.

Balance sheet remained strong with \$9.8 million of cash at 30 June 2023 and no debt.

Group results attributable to members

Group EBITDA attributable to members was a loss of \$4.9 million, up from a loss of \$3.6 million in FY2022.

The consolidated group net loss after tax attributable to members was \$7.4 million, and the net cash loss after tax after adjusting for non-cash items was \$4.3 million.

Senetas operational review

The Senetas business segment produced double digit revenue growth in FY2023 with revenue up 12%.

Revenue growth was driven by higher third-party sales and increased inventory shipments to Senetas’s global distribution partner, Thales. Thales continues to maintain higher than normal levels of hardware inventory to mitigate against risks of longer order lead times and component unavailability. Sales revenue in FY2023 was higher for all of Senetas’s largest product categories. Maintenance revenue was in line with the prior period and was 43% of Senetas’s total segment revenue.

There were some emerging signs through FY2023 that end user sales are beginning grow again, and that lead times for component orders have started reducing. Product revenue from Thales sales to third party customers was up 14% in FY2023. The sales pipeline continued to build throughout FY2023 with the Thales pipeline of sales for Senetas products growing over 110% during the period. Senetas continues to expect that customers will return to more normal ordering patterns over the next 12 months as the component shortages continue to abate, driving higher third-party hardware sales in FY2024.

Senetas shipments of hardware units increased 4% during the year with the mid-sized 10Gbps to 40Gbps encryptors being the largest contributors. Shipments of Senetas’s larger 100Gbps encryptors were in line with the prior period. Units sold by Thales to third party customers were up 12% during the year, however, there was a shift to lower value / smaller capacity encryptors. Thales inventory of Senetas hardware increased by over 250 units during the year.



Senetas segment profit before tax was up 95% to \$3.7 million, with the strong rebound from FY2022 profit before tax driven primarily by the increased sales revenue, with overhead costs slightly below the prior year.

Net profit after tax for the Senetas segment was up 90% to \$3.2 million.

The major R&D focus during the period has been on an upgraded version of Senetas's 10Gbps hardware encryptor, and software updates.

Votiro operational review

Votiro's revenue grew 33% to \$7.7 million in FY2023 driven by new client wins and the full period impact of clients won part way through the prior period. The Asia Pacific region is the largest revenue contributor and was the key driver of FY2023 revenue growth. Votiro's subscription (SaaS) product is responsible for all of the recent revenue growth.

Votiro's total sales pipeline grew strongly and more than doubled from US\$13 million in July 2022 and currently sits at over US\$33 million. Pipeline growth has occurred strongly across all of Votiro's key sales regions and industry groups.

Votiro's ARR reached US\$7.0 million by August 2023 and was in line with the forecast provided to the market by Senetas in late June 2023, and is on track to meet its target of US\$10 million ARR by the end of calendar 2023. Growth in ARR is being driven by a combination of new customer accounts and upselling additional features/products to existing customers. The total contract value for Votiro in August 2023 was US\$21.9 million.

Votiro's customer renewal rate remained at >90%, however, it was slightly lower than the prior period due to Votiro discontinuing support for some low margin end of life products in the Japanese market.

Votiro's FY2023 loss after tax was \$17.4 million, including \$3.5 million of non-cash items, up from \$12.2 million in FY2022. Votiro's after tax loss attributable to members was \$10.5 million.

The key driver of Votiro's higher loss in FY2023 was increased people costs as Votiro expanded its sales and marketing capability in order to maximise capture of the sales pipeline that grew so significantly through the year. The successful capital raise for US\$5 million in February 2023 and conversion of Senetas's loan into equity has provided the financial capacity for Votiro to fund the additional sales and marketing resources in the near term, and we anticipate that it will assist in driving an acceleration of pipeline capture and a shortening of the current sales cycle.

New channel and technology partnerships have been established during the year, including integrations with Microsoft Office 365, Sumo Logic and Box Content Cloud. These technology and managed security service provider (MSSP) partnerships are leading to technology integrations, broader use cases for Votiro's products and joint marketing and go to market execution with security industry leaders, and Votiro is now well positioned to deliver the industry's first unified content security platform.

Votiro capital raise and loan conversion

In December 2022, Senetas announced that it was reviewing the capital raising needs of and investment opportunities for Votiro, and that it had been involved in discussions with other Votiro shareholders and investors regarding a capital raising.

As part of the capital raising Senetas announced on 23 January 2023 that agreement had been reached with Harvest Lane Asset Management Pty Ltd to participate in the Votiro capital raising as a cornerstone investor. Additional subscriptions were also received from other existing and new investors and the total of the funds received by Votiro was US\$5.0 million.



In addition to the Votiro capital raising, Senetas's loan to Votiro of US\$6.4 million was also converted into equity in February 2023 on the same terms and conditions as the capital raising. After adjusting for the new shares issued to date by Votiro under the capital raising and the conversion of Senetas's loan to Votiro into equity, Senetas's fully diluted shareholding in Votiro stood at just over 59% at the end of June 2023.

Balance sheet and cash flow

Consolidated net assets at 30 June 2023 were \$6.3 million with no debt and cash on hand of \$9.8 million. The lower net assets at 30 June 2023 reflect the consolidation of the current period loss from Votiro, partly offset by the capital raised by Votiro in February 2023.

The slightly lower cash on hand at 30 June 2023 reflects the impact of the Votiro losses partly offset by the Votiro capital raising and Senetas segment cash inflows.

Both receipts from customers and payments to suppliers were ahead of the prior period reflecting the inventory build-up and increased inventory transfers to Thales during the period. Group net cash outflows from operating activities was \$7.4 million, comprising \$1.5 million of operating cash inflows for the Senetas business segment and \$8.9 million of operating cash outflows for the Votiro business segment.

Outlook

Commenting on the Company's outlook, Mr Wilson said:

"The significant build-up of sales pipelines for both the Senetas and Votiro businesses through FY2023 leaves the business well placed for growth in FY2024.

"In relation to the Senetas business, as previously reported, both Senetas and Thales have significantly increased inventory holdings over the past two years in order to manage risks associated with component shortages and extended order lead times.

"As the global supply chain shortages unwind over the next 12 months, the requirement to hold such a large buffer of surplus inventory in the business is expected to abate. Senetas plans to transition towards more traditional inventory levels over the next 12-18 months and expects that Thales to do the same.

"There have been encouraging signs of growth in Thales's end user sales completions during FY2023 and Senetas expects that third party sales momentum to continue into FY2024. But whilst external demand is strong for Senetas's hardware encryptors, and its sales pipeline is at historically high levels, with the decline in Thales inventory levels we expect Senetas inventory shipments to Thales will reduce with a consequential impact on revenue and profit in FY2024. At this stage we estimate that product sales revenue in the Senetas business segment could decline by up to 15% in FY2024 as a result of lower shipments to Thales.

"Third party product sales and cash flow are expected to continue growing through the transition period in FY2024, and maintenance revenue will be unaffected. Consolidated group revenue is also expected to grow in FY2024 with a stronger contribution from Votiro.

"The growth in Votiro's sales pipeline through FY2023 provides a strong indication of the level of interest from the market in its products. Over \$10 million has been added to the Votiro sales pipeline in the half year to June 2023, excluding maintenance renewals, and Votiro's total pipeline is sitting at over US\$33 million at August 2023.

"Pipeline capture in the second half of calendar 2023 is expected to drive Votiro's annual recurring revenue at August 2023 of US\$7.0 million to reach US\$10 million by December 2023, with a combination of existing customer upsell opportunities and new customer contracts. We see



considerable growth through the 2024 calendar year which we believe will substantially add value to Votiro and necessarily to Senetas.

“Cash flow breakeven for Votiro is targeted for the middle of calendar year 2024.”

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ABOUT SENETAS CORPORATION LIMITED

Senetas is an Australian public company (ASX:SEN) specialising in cybersecurity solutions - from high-performance network encryption to secure file-sharing collaboration and anti-malware applications. Used by global commercial and technology enterprises and governments in more than 45 countries, Senetas solutions are distributed and supported internationally by Thales, the world's largest security company.

Senetas cybersecurity solutions are trusted to protect business, government, defence, national infrastructure, cloud and technology service provider data against breaches and prevent crippling cyber-attacks.

A global leader in the protection of data transported across the high-speed networks essential to businesses and governments, Senetas provides network independent encryption hardware and virtualised solutions. These share a crypto-agile and quantum ready cybersecurity platform.

Certified by leading independent authorities (Common Criteria, FIPS and NATO), Senetas encryptors leverage end-to-end encryption and state-of-the-art key management providing long-term data protection without compromising network performance.

Senetas's encrypted file-sharing and collaboration application, SureDrop, provides the information security and data sovereignty control essential in today's world of rapidly growing remote work. SureDrop has the usability of box-type file-sharing and other collaboration tools, but with the added benefits of Microsoft 365, Outlook and Azure integration. It may be deployed on premises or as a service provider Software as a Solution (SaaS).

Secure File Gateway by Votiro, a Senetas subsidiary, prevents crippling malware and zero-day attacks such as ransomware and viruses. Votiro's award-winning and patented technology prevents malicious file content through email, web downloads and other file gateways.

Senetas solutions have been trusted to protect much of the world's most sensitive information for more than 20 years. They are used to protect everything from government and defence secrets to intellectual property, financial transactions, citizen privacy to real-time CCTV networks and critical national infrastructure.

www.senetas.com

ABOUT VOTIRO

Votiro is an award-winning cybersecurity company with a mission of securing organizations from all file-borne threats. Its proprietary, award-winning positive selection technology allows users to safely open email attachments, download and transfer files, share content, while keeping performance and functionality intact. With over 400 customers globally, Votiro has offices in US, Singapore, Australia, and Israel. Votiro is a Gartner Cool Vendor award winner and certified by the international standard of Common Criteria for Information Technology Security Evaluation (ISO/IEC 15408). Votiro has also been [recently recognised](#) as Best CDR Provider by the 2020 Cybersecurity Excellence Awards and named a Bronze winner in the Hot Security Technology Category by the 2020 Infosecurity Products Guide Awards.

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