

31 August 2022

ASX ANNOUNCEMENT

Senetas Corporation Limited – Full Year Results for the year to 30 June 2022

- Group¹ operating revenue of \$25.1 million – up 9%
- Votiro revenue up 82% to \$5.8 million
- Votiro annual recurring revenue (ARR) was US\$4.4 million – up 83% from June 2021
- Additional new contracts for Votiro worth in excess of US\$1 million per annum are expected to be finalised before the end of September 2022
- Votiro's new subscription/SaaS model live in North America, Europe, Singapore & Japan
- Key customer wins included Votiro's largest ever sale worth over US\$1 million annually
- Senetas revenue similar to the prior period despite impacts from the global shortage of electronic components
- The Senetas and Votiro sales pipelines continue to track well ahead of the prior year
- Senetas segment profit before tax was \$1.9 million
- Group net loss before tax was \$10.8 million including a net loss before tax for Votiro of \$12.7 million
- Group net loss after tax attributable to members of \$5.9 million
- Group loss attributable to members after adjusting for non-cash items was \$2.7 million
- No debt and cash on hand at 30 June 2022 of \$10.7 million

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), today announced its results for the year ended 30 June 2022 (FY2022).

FY2022 Group Financials

Year ended 30 June 2022 (\$'000's)	FY2022	FY2021
Revenue from ordinary activities	25,109	23,006
Gross profit	20,276	19,578
Other income	208	400
Profit (loss) before tax	(10,762)	(7,528)
Tax expense	277	(285)
Net profit (loss) after tax	(10,484)	(7,813)
Net profit (loss) after tax attributable to members	(5,892)	(3,709)

¹ Group results include the consolidated results for both the Senetas and Votiro business segments



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- Group operating revenue of \$25.1 million was up 9% over the prior period (FY2021: \$23.0 million)
- Group revenue was 9% higher driven by strong growth in revenue for Votiro partly offset by a 2.5% decline in the Senetas segment that was related to the global shortage of electronic components that has impacted Senetas's sales to end user customers
- Group operating revenue includes \$5.8 million of revenue from Votiro for the period (FY2021: \$3.2 million)
- Gross margin for the Group of 81% - lower than the prior period due to higher inventory transfers to Senetas's global distribution partner, Thales
- The operating profit before tax for the Senetas operating segment in FY2022 was \$1.9 million
- The Group net loss before tax of \$10.8 million includes a \$12.7 million operating loss before tax for Votiro
 - \$4.6 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 \$3.6 million
- The Group net loss after tax was \$10.5 million including a \$12.2 million loss after tax from Votiro – the net loss after tax attributable to members was \$5.9 million
- The Group net loss attributable to members after adjusting for non-cash items was \$2.7 million
- Senetas retains a strong balance sheet with no debt and \$10.7 million of cash on hand at 30 June 2022

Commenting on the year to 30 June 2022, Senetas CEO, Andrew Wilson, said: "FY2022 has seen some very significant progress for the Votiro business and good growth in consolidated revenue, however, the Senetas business continues to be impacted by the global shortage of electrical components which is delaying the completion of some customer orders.

"The Votiro's business has continued to build through the 2022 financial year with good new customer growth and existing customer renewal rates maintained at over 95%.

"Votiro's sales pipeline and demand for proof of concept trials (POCs) continue to grow strongly providing a positive outlook for sales growth in the second half of calendar 2022. While the key sales focus remains on the North American and Asia Pacific markets, Votiro is also beginning to see encouraging demand emerging from the Europe and the Middle East markets.

"The key sales highlight in the second half of the financial year has been the second stage in the development of Votiro's engagement with an Asian government agency that late in the 2021 calendar year resulted in a contract that was Votiro's largest ever at the time, worth over US\$1 million per annum for at least 3 years. The new contract signed in the second half of the 2022 financial year is for additional services worth at least US\$2.6 million over a period of 4 years.

"Votiro continues to have success in targeting large scale client opportunities, however, minor delays in finalising contracts has pushed some new customer deals beyond June 2022, with additional contracts worth in excess of US\$1 million per annum expected to be completed before the end of September 2022.

"Client wins in the last 12 months have included large government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA.



“Votiro continues to expect that ARR at the end of the 2022 calendar year will double compared to ARR at December 2021, and that the good sales growth forecast will drive Votiro to reach cash flow break even by June 2023.

“Senetas remains very excited about the growth outlook for Votiro and continues to provide funding to support Votiro's working capital requirements in the near term by way of a secured loan. The balance of the loan on 31 August 2022 was US\$6.2 million.”

“The Senetas business continues to face some near term challenges due to the global shortage of electrical components. The component shortages have extended lead times and caused delays to customer network upgrade projects which impacts the timing of Senetas product shipments.

“Both Senetas and Thales have invested to build additional inventory in order to fulfil orders as required, but as a result, there has been a temporary impact on gross margins and cash on hand in FY2022.

“Despite these challenges, Senetas revenue has held up well during the year due to the significant increase in inventory transfers to Thales, with product sales revenue up by 2.5%, a better result than we had anticipated earlier in the year.

“The higher percentage of revenue from inventory transfers to Thales in FY2022 has led to a temporary decline in Senetas segment gross margins in the period. Senetas expects 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.

“The Senetas product sales pipeline continues to track well ahead of the prior year with the most significant build up in pipeline from the Americas and EMEA regions. However, we continue to expect that shipment of these orders to end users is likely to be extended over the next 12-18 months whilst the industry component and other network equipment shortages persist.”

Group overview

Group revenue was 9% higher in FY2022 with 82% growth in Votiro revenue partly offset by a 2.5% decline in Senetas segment revenue.

The higher percentage of revenue from inventory transfers in FY2022 has led to a temporary decline in consolidated group gross margins to 81% during the period. Votiro gross margins remain in excess of 90%.

Group net loss before tax was \$10.8 million which included a net loss before tax for Votiro of \$12.7 million. The Group net loss after tax attributable to members was \$5.9 million

Senetas's balance sheet remains strong with \$10.7 million of cash on hand at 30 June 2022 and no debt.

Votiro operational review

Votiro's revenue growth of 82% was driven by strong growth in new client wins and renewals in both of its key regions. The Asia Pacific region was the strongest contributor to FY2022 growth as a result of two new agreements that between them represent in excess of US\$1.8 million per annum for at least 3 years.

Votiro's annual recurring revenue (ARR) was US\$4.4 million as at late August, up 83% compared to ARR at 30 June 2021. The key driver of ARR growth was subscription ARR including two new customers signed in the 9 months to June 2022 with annual revenue from each of greater than US\$0.5 million. One of those new contracts was for in excess of US\$1 million per annum for a



minimum of three years, and those two customers together represent total contract value for Votiro of US\$5.6 million.

Some of Votiro's larger pipeline opportunities have taken longer to finalise than anticipated, resulting in some new customer deals being pushed beyond June 2022. However, Votiro expects additional contracts worth in excess of US\$1 million per annum to be completed before the end of September 2022.

Votiro continues to expect that its ARR will double through the 2022 calendar year.

Asia Pacific remains Votiro's largest market delivering US\$2.4 million of subscription ARR, and US\$3.2 million of total ARR. Total contract value for Votiro at August 2022 was US\$9.5 million.

Votiro's FY2022 loss before tax was \$12.7 million including \$3.6 million of non-cash items relating to amortisation and share based payments expenses. Votiro's after tax loss for FY2022 was \$12.2 million, of which \$4.6 million is attributable to the minority interests in Votiro.

Client wins for Votiro in the last 12 months include large government agencies, financial institutions and industrial companies across Asia Pacific, US and EMEA, and Votiro's rate of conversion of POCs into new customer wins remains strong at over 90% in the US and over 75% globally. Votiro is consistently winning in head-to-head technology trials against competitors, and its customer renewal rate sits at greater than 95%.

The Votiro Cloud (SaaS) technology is now in production and live in the North American, Singapore, Japan and European markets, and Votiro is further developing its product capabilities to meet customer requirements, simplify the user experience and broaden its use cases. Recent highlights include:

- Developing open integrations as drivers for partnerships including web isolation, native Office 365 integration, privileged identity, threat intelligence;
- The merger of Votiro's legacy and SaaS products onto a single codebase for ongoing efficiency; and
- Increased capabilities with password protected files
- Votiro is also continuing to develop its machine learning macro detection and disarming capabilities with accuracy rates now exceeding 98%

Votiro continues to receive strong industry recognition for its technology. Votiro was recently named Publisher's Choice in the Content Disarm and Reconstruction category by the 2022 Cyber Defense Magazine (CDM) Global Infosec Awards. CDM, the industry's leading electronic information security magazine, announced the award at this year's RSA Conference in San Francisco in June.

Also in June, Votiro won the finals in a first of its kind podcast series called Capture the CISO. Innovative vendors had 7 minutes each to answer judges' questions and were then judged on a range of criteria including: is it innovative; does it solve a real need; and is it easy to deploy? Votiro's CTO and founder Aviv Grafi represented Votiro and won strong praise from the judges.

Senetas operational review

Senetas segment revenue in FY2022 was impacted by supply chain delays that have created a global shortage of electronic components which has temporarily impacted Senetas revenue growth. As a result, Senetas segment revenue was 2.5% lower in FY2022, with maintenance revenue down slightly and product sales revenue up by 2.5%. Maintenance revenue in FY2022 represented 48% of total Senetas segment revenue.



The customer pipeline remains in very good shape, but the component shortages continue to impact the lead time for orders and, in particular, have caused delays to customer's network upgrade projects, therefore impacting the timing of Senetas's product shipments.

The significant build-up of inventory by both Senetas and Thales has helped to mitigate some of the impacts of the component shortages and has allowed Senetas to meet all required shipments to end user customers. However, the additional inventory carried has caused a temporary reduction in Senetas's gross margins in FY2022 and cash on hand at 30 June 2022.

Senetas segment profit before tax was \$1.9 million (FY2021: \$3.4 million) which reflects the slightly lower revenue, and the impact of the lower gross margins in the period.

During FY2022, Senetas's 100Gbps encryptors have become the largest single revenue generating product for the company, with sales revenue doubling compared to FY2021. SureDrop sales remain very small but have also doubled in FY2022. We continue to be encouraged by the level of customer interest in SureDrop, with most sales at this stage in the Asia Pacific region, and increasing focus going forward on international opportunities via Thales.

The Senetas product sales pipeline continues to track well ahead of the prior year with the most significant build up in pipeline from the Americas and EMEA regions. However, we continue to expect that shipment of these orders to end users is likely to be extended over the next 12-18 months whilst the industry component and other network equipment shortages persist. Senetas anticipates some easing of those shortages towards the back end of the 2023 calendar year.

The major R&D focus during the period has been on product upgrades including building improved functionality and quantum readiness capabilities for Senetas's transport independent mode hardware encryptors, and building enhanced capabilities for Senetas's virtualised encryption products for operation in much wider range of cloud gateway environments.

Balance sheet and cash flow

Consolidated net assets at 30 June 2022 were \$11.6 million with no debt and cash on hand of \$10.7 million. The lower net assets at 30 June 2022 reflects the consolidation of the current period loss from Votiro, net of the additional capital raised by Senetas during the period.

Lower cash on hand at 30 June 2022 reflects the impact of the Votiro losses and the build-up of inventory in Senetas to mitigate impacts from the global electronic component shortage and longer lead times.

Receipts from customers were slightly ahead of revenue for FY2022. Group net cash outflows from operating activities was \$5.8 million, comprising \$1.0 million of operating cash inflows for the Senetas business segment and \$6.8 million of operating cash outflows for the Votiro business segment.

Outlook

Commenting on the Company's outlook, Mr Wilson said: "The outlook for Votiro remains very positive with a strong sales pipeline building across the US and Asia Pacific regions, and emerging demand for Votiro's technology in Europe and the Middle East.

"With the strong business momentum, we continue to expect Votiro's ARR to double through the 2022 calendar year. The business is currently very well positioned for a number of large scale sales opportunities in the period to December 2022, with in excess of US\$1 million in new deals expected to complete before the end of September 2022.

"Votiro continues to beat its competitors in head to head technology trials and its conversion rates from proof of concept trials to contract wins remain over 75% globally.



“Having invested significantly to build business capability over the past two years we expect that the good sales growth that is forecast will drive Votiro to reach cash flow break even by June 2023.

“We expect that the Senetas business will continue to be indirectly impacted by global component shortages until late in calendar 2023, which is a little longer than we had anticipated earlier in the year. Whilst the shipment of Senetas products to end users has been impacted, we are very encouraged that the Senetas sales pipeline continues to track well ahead of last year and at this early stage we expect product sales in FY2023 to be ahead of FY2022.

“Inventory levels held by both Senetas and Thales are expected to reduce towards historic levels as pipeline sales are completed over the next 18-24 months and gross margins will increase as Thales inventory is reduced.”

Conference call

Senetas will hold a conference call for investors on Thursday 1 September 2022 at 3.00pm to discuss the FY2022 results. The call will be hosted by Senetas CEO, Andrew Wilson. Investors will need to pre-register for the call using the following link: <https://s1.c-conf.com/diamondpass/10025036-0dsh31.html>

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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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