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ASX ANNOUNCEMENT

Senetas Corporation Limited Half-Year Results Announcement
For the 6 months to December 2014

Senetas Delivers Strong First Half Growth Across all Key Metrics

Senetas Corporation Limited (ASX: SEN), a leading developer and manufacturer of certified, defence-grade data encryption solutions, is pleased to announce its results for the half year ended 31 December 2014 (1H2015), delivering strong growth in revenue, profit and cash flow as the business successfully executes its growth strategy

1H15 Highlights:

- Net profit before tax up over 9 times to $2.82 million (1H2014: $306 thousand)
- Operating revenue up 68% to $8.12 million (1H2014: $4.83 million) driven by:
  - 59% growth in product sales
  - 97% increase in maintenance services revenue
- Gross margin of 82% and pre-tax profit margin of 35%
- Continued positive cash flow, with net operating cash flow up 276% to $3.21 million (1H2014: $0.85 million)
- Strong balance sheet
  - No debt;
  - Cash on hand up 67% to $10 million (FY2014: 6.8 million); with $12 million as at 24 February 2015; and
  - Net assets up 22% to $10.97 million (net tangible assets $10.88 million).
- Sustained realisation of the operational and financial benefits from the business transformation and growth plan executed since 2012
- Consolidation of the new master distribution relationship with SafeNet Inc. (now Gemalto NV since completion of its $US870m acquisition of SafeNet Inc. in January 2015)
- Ongoing development of Senetas' proprietary research and development (R&D) and certified encryptor roadmap driving future growth opportunities

Commenting on the Company's results, Senetas CEO Andrew Wilson said that the Company's strong results were clear evidence of the successful implementation of the Company's plan for growth since its comprehensive restructure in 2012.

"The past six months have been an exciting period for the Company, with the benefits from the transformation and growth plan implemented since 2012 clearly being delivered through growth across all key business metrics. Operating revenue was up 68% to $8.11 million, while earnings grew even faster generating a net profit before tax of $2.81 million.

"Most pleasingly, the growth achieved over the past six months was driven by strong growth in both product sales and maintenance services revenue from the international master distribution arrangements with Gemalto and its commitment to the global High-Speed Encryption (HSE) data security market. While the result over the first half was a very strong result, we believe that there are significantly larger global opportunities for sustainable profitable growth in the second half and beyond.

"Senetas completed the half in a strong financial position off the back of growing operating cash flows and strong working capital management. With no debt, and $12 million of cash as at 24 February 2015, the Company is uniquely placed to continue its growth.

"Senetas' half-year results clearly highlight the increasing recognition of the importance HSE has in government and large commercial organisations' overall data security strategies. Continuing revelations around the world of serious data breaches and the warnings by government and non-government security experts has raised awareness of the serious risks to network transmitted data and the benefits of robust encryption. This is leading to increased adoption of hardware encryption of sensitive and valuable network transmitted data to protect against successful cyber-attacks," added Mr Wilson.

Senetas' R&D and HSE product roadmap reflect both emerging market demand and future high-speed encryption customer needs to help ensure that Senetas is well positioned to capture those revenue opportunities.

International Distribution – SafeNet's Acquisition by Gemalto

The acquisition of SafeNet by Gemalto was completed in January 2015. Gemalto's ownership of SafeNet provides Senetas products with increased access to global markets. Gemalto has a large global 'footprint' and a sales force located across 44 countries servicing their global customer base.

Gemalto has confirmed its commitment to the SafeNet product suite, including Senetas' HSE products and ranks HSE among its most important product groups.

For Senetas' and Gemalto's day-to-day operations, little has changed with senior personnel and the business unit remaining in place.

Research and Development

Senetas continues to be a global leader in the development of independently tested and certified high-speed network data encryptors which provide 'defence-grade' protection of information transmitted across Layer 2 data networks.

Accordingly, R&D remains the Company's core activity and the major driver of long-term growth prospects. Senetas invests approximately 35% of revenue annually to these activities.

In order to meet future customer requirements, Senetas has commenced development of new products including:

- 100Gbps encryptor – with customers already indicating a need for increased data throughput and the economies of scale 100Gbps will bring;
- 'High-density' encryptors – through a 'multi-port' design providing customers with their need for cost-per-port economies and other benefits; and
- A custom encryption algorithm capability following enquiries from customers in Asia, Europe and the Middle East.

The Company's commitment to maintaining independent international certifications provides its customers with the assurance that its products conform to the highest security standards. To our knowledge, Senetas remains the only company in the world who's products are FIPS, UK CAPS, Common Criteria and NATO certified. The NATO certification allows the purchase of cryptographic products by NATO civil and military bodies and was received by Senetas in October 2014.

High-Speed Encryption Market Drivers – Commercial Sector Opportunities

The Company's traditional customer base has mainly been government and defence agencies. However, over the past two years Senetas has increased its focus on commercial customers and this strategy has given rise to a number of sales to large commercial enterprises. We see a significant opportunity for future sales growth in the commercial and institutional sectors driven by, among other things, the following factors:

- Increasing incidence of high profile, widely reported data security breaches in the commercial sector;
- Exponential growth in data volumes is driving greater adoption of Layer 2 networks;
- Increasing awareness of the critical need to encrypt data in motion as organisations are more aware of the value of digital information and brand protection;
- Maturing worldwide privacy regulation and legal framework which requires strong protection of sensitive data; and
- Dramatic growth in Cloud computing and data centres around the world, which expose data in motion to elevated security risks.

Market analyst International Data Corporation (IDC), forecasts exponential growth in data volumes and valuable digital assets:

- The 'Digital universe' size is increasing by 40% per annum to 2020 – necessitating high-speed data throughput
- 'Valuable digital assets' need for protection as they grow - 40% growth in 2013, but only 20% was protected.

Whilst there are signs of a maturing regulatory environment globally, more work needs to be done to strengthen the regulatory environment. While governments may impose financial penalties for data breaches, many do not legislate for mandatory breach notification, which research shows has been the primary motivator for commercial organisations to act and encrypt their data.

Business Strategy

Looking forward, in order to maximise Senetas' profitable revenue growth, the Company is focusing on a business strategy with five key growth drivers:

1. Key Senetas HSE markets:
    - Accelerate (and protect) growth by working with Gemalto to increase the sales, marketing and customer footprint in traditional markets.

2. Low HSE penetration markets:
    - Develop markets where Senetas products have low market penetration by working closely with Gemalto. These include: India, Japan, Singapore, South America, Eastern Europe, France, Germany and Italy.

3. New faster and 'high-density' products:
    - Release new market-leading encryptors that reflect emerging customer security needs. These include faster, 100Gbps, and 'high-density' (multi-port) platform.

4. New customer centric custom algorithm projects:
    - Leveraging Senetas' unique and proprietary electronics engineering capabilities and products. Senetas expects to commence work in 2015 on a large custom algorithm project for a major European customer.
    - In order to build other custom algorithm opportunities, Senetas will complete a custom software toolkit to address unique requirements for customers in Asia, Europe and the Middle East.

5. New technology partnerships:
    - Senetas completed a technology partner agreement with major international data networks provider, Avaya, in January 2015. It will provide Senetas/Gemalto access to the rapidly growing Avaya 'Fabric Connect' network technology and its large customers around the world.
    - Senetas has identified two other technology partnership opportunities with major technology companies which may extend the company's technology and market.

These five key growth drivers are expected to drive significant revenue and profit growth from FY2016.

The Company's strategic growth plan is being supported by product marketing, brand recognition and data security thought leadership focused on the commercial, government and networks service providers in targeted geographic markets.

Well Positioned to Continue Growing

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

"Senetas' very strong half-year performance clearly reflects the benefits of the Company's business transformation and growth strategy implemented since its comprehensive strategic restructure in 2012. The financial results over the past six months were primarily driven by the ongoing increase in sales activities in Senetas' primary markets under the international master distribution agreement with Gemalto in government and non-government sectors, supported by Senetas' technical and marketing activities.

"Senetas' experienced leadership team, together with the skilled team of product development engineers and marketing and partner development activities have played key roles in supporting the Company's international master distributor and other partners. The growth over the past two years, and in particular over the past six months, would not have been possible without the dedication and commitment of the Company's talented team.

"Senetas has achieved major operational and financial benefits from its business improvement and growth initiatives over the past two years. Those benefits should continue to influence the results positively in the second half of this financial year. Based upon operating performance to 31 December 2014, Senetas expects that revenue and profit growth for the full year to 30 June 2015 will significantly exceed the prior year, although the rate of growth in the second half may moderate from that achieved in the first half."

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For further information please contact:

Chris Knorr
Executive Director
Market Eye
M: +61 417 033 623
E: chris.knorr@marketeye.com.au