30 August 2024

ASX ANNOUNCEMENT

Senetas Corporation Limited – Full Year Results for the year to 30 June 2024

- Strong growth in customer sales of Senetas products – up over 100%
- Consolidated group revenue up 6.5% to $31.2 million
- Consolidated group gross profit up 12.6% and gross margins up 4 percentage points to 86%
- Senetas segment revenue was up 6.8% when adjusted for Variable Consideration[1]
- Senetas segment profit before tax was $3.6 million – which when adjusted for Variable Consideration was up 63%
- FY2024 saw the largest value sale in the company's history to Thales for a Middle East Government customer
- Votiro annual recurring revenue (ARR) was US$10.4 million – up 49% from August 2023
- Votiro sales pipeline (including renewals) in excess of US$35 million
- Group net loss after tax attributable to members was $6.1 million (net cash loss after adjusting for non-cash items was $3.4 million)
- Cash on hand at 30 June 2024 was $9.4 million

FY2024 Results

Senetas Corporation Ltd (ASX: SEN) (Senetas / the Company), today announced its results for the year ended 30 June 2024 (FY2024).

Commenting on the year to 30 June 2024, Senetas CEO, Andrew Wilson, said:

"FY2024 has seen good growth in underlying performance across both the Senetas and Votiro businesses.

"Following an extended period of industry disruption as a result of the global electronic component shortages, Senetas has experienced a year of exceptional growth in sales as customers returned to more normal ordering patterns, and Senetas extended its presence in the Middle East market. We expect that over time there will be further upside in sales to existing and new Middle East customers.

"Customer sales of Senetas's hardware encryption devices by our global distribution partner, Thales, were up over 100% during the year, and the number of hardware units sold was up almost 50%.

"Whilst the impact of that sales growth on our reported results for FY2024 was complicated by the application of AASB15 Variable Consideration which is outlined later in this report, the underlying performance of the business was very pleasing.

"After adjusting for Variable Consideration, Senetas's FY2024 revenue was up 6.8% over FY2023, and its profit before tax was up 63%. Gross margin was also up 6 percentage points to 84%, and Senetas operating cash inflow was up over 300% to $5.9 million.

[1] Variable Consideration impacts per AASB15 – calculations/adjustments detailed on pages 5 & 6 of this release

"Votiro continued to build on its growth momentum in FY2024 with revenue up 25%, ARR was up 49% since last August, and good progress is being made towards our target of cash flow break-even by the end of the 2024 calendar year.

"Votiro ARR was US$10.4 million with growth in all markets, but particularly in the Asia Pacific region which remains Votiro's largest. Total contract value grew 52% during the year to US$33.3 million and Votiro's total sales pipeline is now over US$35 million.

"Importantly, Votiro's sales momentum continues to accelerate, with over 70 new customers and upsell deals signed since the beginning of the 2023 calendar year, including 30 deals that have already been signed in the 2024 calendar year to date.

"A very important development for Votiro during FY2024 has been the launch of its new data detection and response (DDR) capability which was launched during the second half of the financial year. The new capability provides a unified content security platform that brings together threat prevention, data security, and privacy controls in a zero-trust solution and will play a key role in accelerating Votiro's market penetration, particularly in North America.

"Already Votiro has built a DDR sales pipeline of US$3.5 million in North America, and the first product sale was completed in July 2024.

FY2024 Summary – Statutory Group Financials

Year ended 30 June 2024 ($000's)	**FY2024**	**FY2023**
Revenue from ordinary activities		
– Senetas	21,575	21,640
– Votiro	9,672	7,707
Consolidated Group Revenue	31,247	29,347
EBITDA		
– Senetas	3,368	3,880
– Votiro	(13,623)	(14,905)
Consolidated Group EBITDA	(10,254)	(11,025)
Net Profit (Loss) Before Tax		
– Senetas	3,646	3,719
– Votiro	(17,099)	(17,892)
Consolidated Group Net Profit (Loss) Before Tax	(13,435)	(14,173)
Consolidated Net Profit (Loss) After Tax Attributable to Members	(6,107)	(7,314)
Cash And Cash Equivalents @ 30 June 2024	9,421	9,814

- Group operating revenue up 6.5% to $31.2 million (FY2023: $29.3 million)
  - Senetas segment reported revenue of $21.6 million was in line with the prior period (FY2023: $21.6 million)
  - Votiro segment revenue was up 25% to $9.7 million (FY2023: $7.7 million)
- Senetas segment revenue adjusted for Variable Consideration was up 6.8% to $21.6 million
- Gross margin for the Group was 90% - up from 81% in the prior period
  - Senetas segment gross margin was up 6 percentage points to 84%
  - Votiro segment gross margin was 92% - in line with the prior period
- Senetas segment EBITDA was $3.4 million
- Profit before tax for the Senetas operating segment in FY2024 was $3.6 million (FY2023: $3.7 million)

- Profit before tax for the Senetas segment adjusted for Variable Consideration was up 63% (refer calculations on page 6)
- The Group net loss after tax of $13.4 million for FY2024 includes a $16.6 million operating loss after tax for Votiro
  - $7.3 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
- Votiro annual recurring revenue (ARR) was US$10.4 million – up 49% from August 2023
- The Group net loss after tax attributable to members was $6.1 million
- The Group net loss attributable to members after adjusting for non-cash items was $3.4 million
- Cash on hand at 30 June 2024 was $9.4 million

Senetas operational review

Senetas segment reported revenue in FY2024 was similar to the prior period, with strong growth in customer sales of Senetas products and services by Thales being offset by lower inventory transfers and a negative adjustment to Variable Consideration when compared to the FY2023 year.

Revenue from sales by Thales was up over 100%, with one of the key components being Senetas's largest ever single sales transaction to a customer in the Middle East. The Middle East transaction was completed and announced to the ASX in May 2024.

The Middle East transaction added over $2 million to Senetas's FY2024 revenue and the related maintenance contract will contribute an additional $1.4 million over the next 3 years.

The number of Senetas hardware encryptor units sold by Thales to customers in FY2024 was up 48%.

Senetas segment gross profit was up 7.2% to $18.1 million and gross margin increased 6 percentage points to 84%. Materials and support services expense was 21% lower in FY2024, primarily as a result of lower inventory shipments to Thales during the period.

Senetas segment reported profit before tax was similar to the prior period at $3.6 million, and the profit before tax after adjusting for Variable Consideration increased by 63% driven by significantly higher sales to end customers completed during the year.

Some increases in operating expenses offset the higher gross profit with the key driver of higher costs being increased costs to renew security certifications that are required to continue selling encryptors to North American government agencies.

With the global component shortages now having eased, Senetas's inventory holdings have begun to reduce, and Thales inventory levels have stabilised. We expect both Thales and Senetas inventory will return towards more historic levels over the next 12-24 months

The Senetas sales pipeline grew significantly through the 2023 calendar year but moderated somewhat during the second half of FY2024 as some larger sales transactions were completed. Good momentum in sales pipeline growth returned in the June 2024 quarter providing solid momentum into the early part of FY2025.

Core R&D projects in FY2024 included upgrades to Senetas's 10Gbps encryptors, a new version of the 100Gbps encryptor and re-certification required in North America.

SureDrop, Senetas's encrypted file-sharing and collaboration platform, grew revenue over 70% during the year but remains only a small part of the Company's revenue sources. Senetas expects revenue will continue to grow in FY2025 off a small base.

Votiro operational review

Votiro operating revenue was up 25% to $9.7 million driven primarily by new contracts won in the Asia Pacific region. The Asia Pacific region remains the largest contributor to Votiro's revenue and ARR.

Votiro's ARR was US$10.4 million which was up 49% from August 2023. There was revenue growth in all of Votiro's operating regions. Votiro's total contract value was US$33.3 million, up over 50% since August 2023, and the total sales pipeline was over US$35 million.

Since the commencement of the 2023 calendar year Votiro has signed over 70 new customers and 'upsell' deals, with 30 of them in the 2024 calendar year to date. These deals have ranged in size from the low US$10's of thousands to others in excess of US$1 million.

Votiro's FY2024 loss after tax was $16.6 million (FY2023: $17.4 million) which included $3.5 million of non-cash items. $7.3 million of Votiro's after tax loss is attributable to the minority interests in Votiro.

Votiro continues to target cash flow breakeven by the end of the 2024 calendar year.

Good growth in Votiro's sales pipeline, ARR, revenue and cash flow have been achieved through FY2024, however, transaction lead times remain longer than expected, particularly on some of the larger scale transactions. Delays to customer projects, extended procurement processes and customer budget availability are ongoing features in closing some deals. Despite the delays, Votiro is not losing any deals due to these issues. It continues to win consistently in technology trials against its competitors, and is confident of strong growth into FY2025

The overall customer renewal rate for the business remained at >90%. However, excluding the impact from Votiro discontinuing support for some low margin end of life products in the Japan market, the customer renewal rate was >95%.

Data Detection and Response

Votiro's new data detection and response (DDR) capability was launched in the second half of FY2024. This represents a major new opportunity for Votiro, particularly for the North American market where demand for this broader security capability is greatest. Whilst DDR sales are only at the early stage, customer feedback to date has been very positive, a number of proof of concept trials are underway, and over US$35 million of sales pipeline had been built by July 2024. The first completed transaction was finalised in July 2024.

The new capability provides a unified content security platform to provide Data Detection & Response (DDR), combining real-time cybersecurity for data privacy and threat protection.

Votiro DDR is the first in the industry to bring together threat prevention, data security, and privacy controls in a Zero Trust DDR solution, and will play a key role in accelerating Votiro's penetration of the cybersecurity market.

Balance sheet and cash flow

Consolidated net assets at 30 June 2024 were negative $1.6 million with cash on hand of $9.4 million. The lower net assets at 30 June 2024 reflect the consolidation of the current period loss from Votiro, partly offset by the Senetas segment profit and the capital raised by Senetas in December 2023. At 30 June 2024 the Senetas segment had positive net assets of $41.5 million (30 June 2023: $33.8 million).

There was a significant increase in contract and lease liabilities during the year. This movement primarily reflects payments received in advance from Votiro customers and movements in Senetas's prepaid maintenance contracts. These amounts will be reflected as revenue in future years as the relevant contract service periods mature.

The level of cash on hand at 30 June 2024 reflects the impact of the Senetas capital raising and Senetas segment cash inflows, offset by the Votiro losses. Senetas operating cash inflows for FY2024 were $5.9 million and Votiro cash outflows for the period were $12.4 million.

Consolidated group receipts from customers were similar to the prior period and in line with consolidated group revenue.

Senetas successfully completed a placement and entitlement offer in December 2023 to raise $5 million. The primary objectives of the capital raise were to support Senetas's investment in Votiro and for general working capital purposes. Whilst Votiro is targeting cash flow breakeven by the end of the 2024 calendar year, it has continued to require the financial support of its shareholders until it reaches that point.

Outlook

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

"A strong rebound in sales of Senetas products in FY2024, and good sales pipeline growth in the June quarter provides solid momentum into FY2025.

"A more significant reduction in Thales inventory of Senetas is likely in FY2025 as both Senetas and Thales inventory levels return towards more historic levels over the next 12-24 months. Those adjustments will likely lead to lower inventory transfers to Thales and therefore a negative impact from Variable Consideration in FY2025.

"Overall, we expect customer sales of Senetas products in FY2025 to be maintained at a similar level to FY2024 after adjusting for the impacts of Variable Consideration.

"However, there are some larger scale sales opportunities in the Middle East that may provide upside to FY2025 revenue, but at this stage those opportunities remain uncertain and have long lead times so may not fall in FY2025. We have, however, just received our largest order by volume from our global distributor Thales for a new North African Government customer, which we expect to ship in the coming weeks.

"Votiro's growth momentum is expected to continue in FY2025. The Votiro sales pipeline continues to grow and the new DDR product has already made a significant contribution to that pipeline in its first few months. The early market feedback suggests that DDR has the potential to significantly enhance sales growth opportunities in the North American market.

"In the near to medium term we expect the Asia Pacific region will remain the largest market for Votiro, and most of the largest opportunities in the near term are there.

"Significantly, we continue to target cash flow breakeven for Votiro by the end of calendar year 2024, thereby limiting the ongoing financial support required from its shareholders."

Variable Consideration

AASB15 has applied to Senetas's results since FY2019, but to date only the Senetas business segment has been impacted by Variable Consideration.

AASB15 requires the company to estimate and recognise the revenue expected to be earned from customer contracts in the future, rather than waiting for the actual end sale before recognising the revenue. The practical effect of this for Senetas is that it must recognise in a reporting period the revenue expected to be generated from the inventory held by Thales in the period in which the inventory is originally purchased by Thales, before it is on-sold to a third-party customer.

Generally, as Thales's inventory of Senetas products grows, AASB15 will increase Senetas's reported revenue, and as Thales's inventory declines, it will reduce Senetas's reported revenue,

regardless of the strong growth in third party sales of Senetas products and services by Thales in FY2024.

The tables below highlight the impact of the Variable Consideration adjustments to Senetas segment revenue and PBT over recent years.

Senetas operating segment – impact of AASB15 (variable consideration) on YoY growth rates for FY2024

Years ended 30 June (000's)	**FY2024**	**FY2023**	**Difference**	**%**
Senetas segment reported revenue	21,575	21,640	(65)	(0.3)
Variable Consideration per AASB15	(51)	(1,494)	(1,443)	(96.6)
Adjusted revenue	**21,524**	**20,146**	**1,378**	**6.8**
Senetas segment profit before tax	3,671	3,719	(48)	(1.3)
Adjustment for Variable Consideration	(51)	(1,494)	(1,443)	(96.6)
Profit before tax adjusted for variable consideration	**3,620**	**2,225**	**1,395**	**62.7**

Senetas operating segment – impact of AASB15 (variable consideration) on reported financials since FY2020

Years ended 30 June (000's)	**FY2024**	**FY2023**	**FY2022**	**FY2021**	**FY2020**
Senetas segment reported revenue	21,575	21,640	19,332	19,834	19,790
Variable Consideration per AASB15	(51)	(1,494)	(967)	91	(82)
Adjusted revenue	**21,524**	**20,146**	**18,365**	**19,925**	**19,708**
Senetas segment profit before tax	3,671	3,719	1,907	3,376	4,051
Adjustment for Variable Consideration	(51)	(1,494)	(967)	91	(82)
Profit before tax adjusted for variable consideration	**3,620**	**2,225**	**940**	**3,467**	**3,969**

Post FY2024 results briefing and Q&A

Senetas is proposing to release a video towards the end of the week beginning 2 September in which CEO, Andrew Wilson, will provide a summary of the FY2024 results and answer key shareholder questions. Investors wishing to ask questions about Senetas's business performance and its FY2024 results can use the link below.

https://investorhub.senetas.com/link/mepaor

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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 60 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. Learn more at www.senetas.com

ABOUT VOTIRO

Votiro is a Zero Trust Content Security company trusted by industry leaders around the world to deliver billions of safe and compliant files to team members, vendors, and the customers that depend on them. Votiro's defense-in-depth solution provides organisations with proactive threat prevention, real-time privacy and compliance, and actionable data insights – at scale via an open-API.

Votiro is headquartered in Austin, TX, with offices in Australia, Israel, and Singapore. Votiro is SOC 2 Type II compliant and certified by the international standard of Common Criteria for Information Technology Security Evaluation (ISO/IEC 15408). Learn more at www.votiro.com