



**Senstar Technologies Ltd.**

**Third Quarter 2023 Financial Results Conference Call**

**November 30, 2023**

## CORPORATE PARTICIPANTS

**Brett Maas**, *Hayden IR*

**Fabien Haubert**, *Interim Chief Executive Officer*

**Tomer Hay**, *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Mike Kissler**, *AMX*

**Jeremy Levine**

## PRESENTATION

### Operator

Greetings, and welcome to the Senstar Technologies Third Quarter 2023 Financial Results Conference Call.

(Operator Instructions) As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Brett Maas of Hayden IR. Thank you, sir. You may begin.

### Brett Maas

Thank you. Welcome, and thank you for joining us today. I want to thank the Management of Senstar Technologies for hosting today's call.

With us on the call today from the Company are Fabien Haubert, Interim CEO, Tomer Hay, CFO, and Ms. Alicia Kelly, Vice President of Finance.

Before we start, I'd like to point out that this conference call may contain objections and other forward-looking statements regarding future events or the Company's future performance. These statements are only projections, and Senstar cannot guarantee that they will, in fact, occur. Senstar does not assume any obligation to update that information. Actual events or results may differ materially from those projected, including as a result of changing market trends, reduced demand and the competitive nature of the security systems industry as well as other risks identified in the documents filed by the Company with the Securities and Exchange Commission.

In addition, during the course of the conference call, we will describe certain non-GAAP financial measures, which should be considered in addition to and not in lieu of comparable GAAP financial measures. Please note that in our press release, we have reconciled our non-GAAP financial measures to the most directly

comparable GAAP measures in accordance with Reg G requirements. You can also refer to our website at [senstartechnologies.com](http://senstartechnologies.com) for the most directly comparable financial measures and related reconciliations.

With that, I will now hand the call over to Senstar Technology's CEO, Fabien Haubert. Fabien, please go ahead.

### **Fabien Haubert**

Thank you, Brett. Thank you for joining the call today to review our third quarter financial results.

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Starting with an overview of the results this quarter, we booked revenue of \$9.0 million, underscoring our sustained strength in Europe and LATAM, which have been areas of investment over the past few years. This growth was tempered by the absence of one-off projects in Canada and the U.S., completed in the third quarter of last year but did not repeat this year. Additionally, our revenue declined in the APAC region, primarily due to challenging economic conditions in China .

Our gross profit was affected by the delivery of a lower-priced legacy project that was closed before our divestiture of Magal. we are working to have our gross margin returning to more normalized levels in the coming quarters. Despite the dip in revenue and gross margin in the quarter, we maintained positive operating income and positive EBITDA.

Switching to our performance by region, we continued to deliver strong growth in Europe, where revenue increased by over 20% year-over-year for the second quarter in a row. Thanks to our significant investments in key countries like France, Germany, Spain, Eastern Europe, and the Netherlands, we are harvesting the fruit of that focus and taking market share. We believe we can continue to gain market share in Europe and anticipate that this large and productive region will be a steady growth engine for us over the next few years.

As a percentage of revenue, the U.S. is our largest market. This year, we have experienced a recovery in our Corrections business, our largest vertical in the U.S. market. Federal budget restrictions and reallocations impacted this segment in the prior year. Year-to-date, revenue in the U.S. is up 8%. To further expand our market position, we have added a senior executive in the third quarter to continue rebuilding in this critical region and accelerate market share gains in our verticals.

The Latam region was also a stand-out performer regionally, delivering 10% growth year over year. Year-to-date, this region has grown almost 20%.

Looking at our home market, Canada, Senstar remains well-positioned. Last year, we had a one-off project that closed in the third quarter, which did not reoccur this year with the same magnitude. Backing that project out, Canada's revenue has been stable, and we are evaluating our strategy for this market.

Lastly, APAC has been a challenging market this year, primarily due to the weak Chinese economy. The decline in this market year-to-date has been a headwind for our top-line growth.

Now, let me turn to something I am very excited about. We recently introduced our latest breakthrough, the Senstar MultiSensor™ intrusion detection system, a disruptive AI-powered sensor unit that seamlessly integrates 5 intrusion detection capabilities into a single, powerful device. The MultiSensor offers unparalleled situational awareness, effectively neutralizing false alarms and, as a versatile stand-alone solution, expands its potential applications beyond the conventional Perimeter Intrusion Detection use cases.

The remarkable feature of our innovation lies in its ability to streamline multiple technologies into a single intelligent unit, simplifying intrusion detection installations and significantly enhancing overall performance. The device lowers the occurrence of false alarms next to zero.

Additionally, this innovative solution reduces the need for numerous sensors and camera installations. While this provides substantial advantages for our customers in reducing system complexity, it also benefits Senstar considerably. It will also decrease Senstar's field costs related to installation, management, and support. The MultiSensor, by encapsulating all these capabilities within a single unit, will enable us to decrease our product portfolio range and realize improved operating scale.

Furthermore, this product extends our strategic vision beyond our current PIDS market focus. With the MultiSensor, we aim to penetrate broader markets by offering the product as a standalone unit. These markets may possess critical security vulnerabilities but do not constitute critical infrastructure.

Our investment in this project is already paying off since MultiSensor received the Platinum award for the Best Intrusion Detection and Prevention Solution from American Security Today's annual ASTORS' Homeland Security 2023 Awards. I'm excited to officially announce that we will unveil the MultiSensor at ICS West in early April 2024, followed by a full-scale launch later in the year.

In summary, our solutions protect essential assets and facilities crucial to the global economy. Each of our key verticals are benefiting from macro trends. As a result, our products are increasingly deployed in critical infrastructure, logistics, corrections, and energy sites worldwide. Senstar remains committed to delivering product innovation, improving regional performance, and driving growth in key verticals.

Now, I will pass the call to our CFO, Tomer Hay. Tomer, please go ahead and review the financial results.

### **Tomer Hay**

Thank you, Fabien.

Our revenue for the third quarter of 2023 was \$9.0 million (dollars), a decrease of 7.9% compared with revenue of \$9.7 million (dollars) in the third quarter of 2022. As Fabien discussed, the decrease was mainly due to a challenging comparison in Canada and the U.S. due to one-off projects in the third quarter of last year that were not repeated this year and the continued weakness in China. These declines were partially offset by the growth in Europe and Latin America, mainly in Brazil.

The geographic breakdown as a percentage of revenue for the third quarter of 2023 compared to the year ago quarter is as follows:

- North America 43% compared to 50%
- Europe 34% compared to 25%
- APAC 16% compared to 19%
- Latin America 7% compared to 6%

The third quarter reported gross margin was 56.5% of revenue, down compared with 61.1% in the year-ago quarter. The change was mainly due to a shift in the mix of products sold during the quarter and rising delivery costs on previously determined pricing. As Fabien discussed, we are working to have our gross margin returning to more normalized levels in the coming quarters.

Our operating expenses were \$4.9 million (dollars), up a modest 2.7% compared to \$4.8 million in the prior year's third quarter. On a year-to-date basis, our operating expenses are essentially flat compared to the prior year period.

Our operating income for the third quarter was \$123 thousand (dollars), compared to \$1.1 million (dollars) in the year-ago period.

Financial expense was (\$64) thousand (dollars) in the third quarter of this year compared to financial income of \$212 thousand (dollars) in the third quarter of last year. This is mainly a non-cash accounting effect we regularly report due to adjustments to the valuation of our monetary assets and liabilities denominated in currencies other than the functional currency of the operational entities in the group, in accordance with GAAP.

Our loss from continuing operations was (\$122) thousand (dollars) in the third quarter of 2023 compared to income from continuing operations of \$1.2 million (dollars) in the year-ago quarter.

The company's EBITDA from continuing operations for the third quarter was \$322 thousand (dollars) compared to \$1.5 million (dollars) in the third quarter of last year.

Net loss attributable to Senstar Technologies shareholders in the third quarter was (\$122) thousand (dollars) or negative 1 cent per share compared to net income attributable to Senstar Technologies shareholders of \$1.3 million (dollars) or 6 cents per share in the third quarter of last year.

The reported net income in the third quarter of last year includes net income of \$66 thousand (dollars) from discontinued operations.

Added to Senstar's operational contribution are the public platform expenses and amortization of intangible assets from historical acquisitions. The corporate expenses for the third quarter were approximately \$0.6 million (dollars).

Cash and cash equivalents and Short-term bank deposits, as of September 30, 2023, were \$12.7 million (dollars), or 55 cents per share.

That concludes my prepared remarks.

Operator, we would like to open the call to questions now.