



Senstar Technologies
First Quarter 2024 Financial Results
June 13, 2024

C O R P O R A T E P A R T I C I P A N T S

Kim Rogers, *Hayden IR*

Fabien Haubert, *Chief Executive Officer*

Alicia Kelly, *Chief Financial Officer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Ted Libby, *Oppenheimer*

P R E S E N T A T I O N

Operator

Greetings. Welcome to the Senstar Technologies First Quarter 2024 Financial Results.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

If anyone should require operator assistance during the conference, please press star, zero on your telephone keypad.

As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Kim Rogers with Hayden IR. Thank you, Kim. You may begin.

Kim Rogers

Thank you, Camilla. I would like to welcome everyone to the conference call and thank Senstar Technologies Management for hosting today's call. With us on the call today are Mr. Fabien Haubert, CEO of Senstar Technologies; and Ms. Alicia Kelly, CFO. Fabien will summarize key financial and business highlights, followed by Alicia who will review Senstar's financial results for the first quarter 2024. We will then open the call for a question-and-answer session.

Before we start, I'd like to point out that this conference call may contain projections or other forward-looking statements regarding future events or the Company's future performance. These statements are only predictions 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 change in market trends, reduced demand and the competitive nature of the security systems industry, the unanticipated and unknown effect of the coronavirus, including on our

operations and our clients, 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 non-GAAP financial measures to the most directly comparable GAAP measures in accordance with Reg G requirements. You can also refer to the Company's website at www.senstartechnologies.com for the most directly comparable financial measures and related reconciliations.

With that, I'd now like to hand the call over to Fabien. Fabien, please go ahead.

Fabien Haubert

Thank you, Kim. Thank you for joining us today to review Senstar Technologies' first quarter 2024 financial results.

We're off to a strong start in 2024, with first quarter results that improved year-over-year across major financial metrics. We delivered revenue growth of 17% compared to the first quarter of last year, and importantly, our profitability from operations improved significantly.

Before diving into our financial and business highlights, I'd like to highlight a major accomplishment for the first quarter.

In March, we issued a press release announcing Senstar's successful redomiciling to Canada, which streamlines the organization and reduced operating costs. Additionally, I had the honor of being confirmed as the CEO and Alicia was promoted to CFO. These steps position Alicia and me to effectively achieve our strategic objectives.

Revenue in the first quarter was derived from higher margin products and price adjustments compared to last year, driving our gross margin to nearly 60% of revenue, in line with our target gross margin goal.

Operating expenses decreased 15% and represented 60.6% of revenue compared to 8.6% in the year-ago quarter.

In terms of profitability, our operating loss improved significantly from a loss of \$1.7 million in the year-ago quarter to a loss of \$73,000 approaching breakeven from operations. Cost control measures and product adjustments that were implemented in the course of 2023 have taken hold and are more apparent in our financial results.

Notably, for the first quarter, we delivered growth in most of our geographic regions with notable strength in Asia-Pacific and Latin America.

In the U.S., our largest market as a percent of revenue, revenue increased by 6% in the first quarter, mainly due to great achievement in the correction and utility markets. Under our recently appointed new leadership, the U.S. team is making fantastic progress in developing our position with strong business development activity, especially in the data centers and utility segments.

In Europe, one of our largest markets, revenue increased by 8% in the first quarter. Market demand in Europe remains strong, especially in the utilities, energy and transport sectors. Senstar has invested in Europe in previous years developing promising opportunities in markets where we were under represented. In addition, Senstar has improved its market share and established directories (phon), which

also contributed to our growth in Q1. The sustained focus on (inaudible) and targeted vertical, has been the key to our success.

In Asia-Pacific, our revenue grew by 150% compared to the previous year's first quarter, under the drive of new leadership. Growth was mainly generated from the utilities and transport verticals, with a concentrated effort on existing territories from north to south APAC.

In the LatAm region, we sustained the higher growth rate we experienced in late 2023 again this quarter, primarily due to wins in the correction verticals we delivered 39% growth in Q1.

Looking at the revenue contribution from our key four verticals: utilities, correction, energy, and logistics. Revenue increased by 30% in this key market segment. We remain committed to our business development strategy, with key accounts in these verticals that should drive our growth.

Looking ahead, we're most excited about the official launch of MultiSensor this quarter. MultiSensor is a renewed AI-based intrusion detection system that uses an embedded sensor fusion engine to intelligently synthesize data for multiple sensing technologies, providing full precision (phon) situational awareness and reducing false alarm rates close to 0%. The system includes short range radar, PIR, accelerometer, high frequency vibration, and image sensor. The MultiSensor is being extremely well received by major players in our industry, and recognized as an advanced and versatile solution, and like anything else from the market. We are building a vetted pipeline of new sales opportunity and we expect to begin recording sales in the second half of the year.

In summary, the first quarter delivered solid results across key metrics, with the growth in important geographies and gains in target verticals, resulting in year-over-year revenue growth and improved profitability. We remain focused on achieving continued growth and improvements on these metrics as we progress through 2024.

I will now turn the call over to Alicia for a review of the financial results in more detail.

Alicia Kelly

Thank you, Fabien.

Our reported revenue for the first quarter of 2024 was \$7.5 million, an increase of 17% compared with reported revenue of \$6.4 million in the first quarter of 2023.

As Fabien discussed, the increase was primarily due to revenue growth of 30% in our key vertical markets. The geographical breakdown as a percentage of revenue for the first quarter of 2024 compared with the prior year quarter is as follows: North America 52% versus 58%; EU, 28% versus 31%; APAC 14% versus 6%; Latin America 5% versus 4%; and Other remains flat at 1%.

Reported gross margin was 59.6% of revenue for the first quarter of 2024 compared to 55.7% of revenue for the first quarter of 2023. This revenue improvement was primarily the result of a shift in our product mix to higher margin products in the quarter and price adjustments taken in 2023.

Our reported operating expenses were \$4.6 million, a decrease of 15% from the prior year quarter's operating expenses of \$5.3 million. The year-over-year decrease in operating expenses is due primarily to lower G&A expense and lower sales and marketing expense as a result of our efforts to streamline operations and diligently manage our overhead costs.

Our operating loss (inaudible) significantly in the first quarter to a loss of \$73,000 compared to a loss of \$1.7 million in the year ago period. The year-over-year improvement was due to higher gross margins on higher sales and lower operating cost.

Financial income was \$54,000 compared to \$40,000 in the first quarter of last year. This is mainly a non-cash accounting effect we regularly report due to the adjustments to the evaluation of our monetary assets and liabilities denominated in currencies other than the functional currency of the operating entities in the group in accordance with GAAP.

Net loss attributable to Senstar Technologies shareholders in the quarter was \$746,000, or \$0.03 per share versus a net loss of \$1.9 million or \$0.08 per share in the first quarter of last year.

The Company reported positive EBITDA for the first quarter of \$114,000 versus an EBITDA loss of \$1.4 million in the first quarter of last year.

Taxes on income were \$700,000 compared to \$200,000 in the first quarter of last year. The exceptional increase was primarily due to a tax provision related to the reorganizing the group structure and a reduction in tax assets, which was offset by the recovery provision for an uncertain tax position due to the statute of litigations.

Senstar's operational expenses include public platforms and amortization of intangible assets from historical acquisitions. The corporate expenses and amortization expenses for the first quarter were \$600,000 versus \$1.1 million in the first quarter of the year before.

Cash and cash equivalents as of March 31, 2024 were \$15.8 million or \$0.68 per share as compared to \$14.9 million as of December 31, 2023.

That concludes my remarks. Operator, we would like to open the call to questions now.

Operator

Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Thank you. Our first question comes from the line of Ken Liddy with Oppenheimer. Please proceed with your question.

Ken Liddy

Hi. Congratulations on the solid quarter. Just wanted to know, in the first quarter, was there any significant cost or savings from your redomiciling in Canada?

Fabien Haubert

Okay. Thank you for your question.

Alicia Kelly

Yes, there was some savings attributable to the (inaudible). As we mentioned, we have restructured and we've restructured to Canada. In doing so, essentially, there are some headcount that were eliminated nationally from the headquarter level, and then there was also some savings that were less significant in the operating entities as well.

Ken Liddy

Was there any one-time charges in the quarter from the change that are significant or material?

Alicia Kelly

No. No one-time charges this quarter.

Ken Liddy

Okay. You were—it looks like you had some strong positive cash flow in the quarter. What was that attributable to?

Alicia Kelly

That was just the natural effect of us completing Q4. So a large portion of our cash came from the collections of our Q4 sales, which were higher during Q4 of 2023.

Ken Liddy

Okay. And one last question. With regard to the launch of the MultiSensor, I'm just trying to gauge how significant this launch is. Is this something that you think compares to another product in Senstar's history, or is it a big deal, or is it a very big deal, or it's expected to be a solid contributor?

Fabien Haubert

It is expected to be a major change where we're going to for many reasons. The first thing is, the MultiSensor, basically, is a technology which is totally new. Most sensors today in the perimeter detection segment are focusing on one technology, and we believe that we've touched the limit of every one of those technologies. The MultiSensor has as a target to reduce the false alarm to zero.

So to give you an analogy, of the human body. The best sight will never replace the sight, the hearing, the smelling, the sensing, and the brain to compile all of this information, to have a clear situational awareness of what's going to happen. Today, Perimeter is doing it and is going to be combined eventually with another technology, like video, to check whether an alarm has occurred or not. It's going to be combined with another technology on top of it.

We like to give the analogy of the mobile phone, the iPhone, typically. Fifteen years back, we all had our flipping phones together with the MP3 (phon), together to listen to music, together with the GPS, together with the PDA, and digital cameras. To date, it's one device. We believe that to improve the performance in perimeter detection is to reduce it to zero, The only way to do it is to use the conversion top (phon) technology, to combine it in a device and to use intelligence to be able to translate the data into situational awareness and then the right decisions.

So we believe to be ahead of the market by proposing that. It's a step which is not only adding another technology, which we have been doing in the past, but using different technologies to provide basically a

single device, an intelligent device able to provide the decision and understanding, which is better than anything you've seen today, the best in terms of why we did it.

So, where do we expect growth? First of all, we're going to put it on the high end of our solution portfolio, and by one of the best solutions (inaudible). But on top of it, we expect to take market shares to other technologies, like video cameras and so on, by having a system able to many things at once. And finally, the product we expect to be targeting not only the critical infrastructures, but as well the critical end (phon) points of non-critical infrastructure, which is heavily broadening our targeted markets.

I hope to have answered your question by this long, but I hope explain...

Ken Liddy

Yes, that's a lot of color. I really appreciate it. Is there any type of groundswell of interest from your customer base or outside of your customer base?

Fabien Haubert

Today, we have a huge positive reaction from the market of the first introduction, translated in a lot of desire to test it, to do proof-of-concept and whatsoever. So we're extremely excited by the release, which will happen in two week's time.

Ken Liddy

And will you be—are you at the point of pilot testing it and will you be announcing any pilot tests?

Fabien Haubert

We're not going to communicate on that so far.

Ken Liddy

Okay. And one last question, I'm sorry. Has the Company thought about or does the Company have any discussion regarding a stock buyback given the low value of Company shares?

Fabien Haubert

It is not planned in the short term, sir.

Ken Liddy

Understood. Thanks for taking my questions.

Fabien Haubert

You're welcome.

Operator

Thank you. As a reminder, if you would like to ask a question, please press star, one on your telephone keypad.

Thank you. We have reached the end of our question-and-answer session. With that, I would like to turn the floor back over to Mr. Fabien Haubert for any closing comments.

Fabien Haubert

On behalf of Senstar Management, I would like to thank our investors for their interest and long-term support of our business. Have a good day.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.