

DRAFT

Call Operator

Greetings. Welcome to the Senstar Technologies Second 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, **operator**.

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 second 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' second quarter 2024 financial results.

Our second-quarter revenue of \$8.3 million was nearly on par with the same quarter last year, down just 1.6%.

One highlight from this quarter is the continued improvement in our profitability performance. Our gross margin reached 63.2%, the best we have delivered in the last eight quarters. This improvement was mostly due to a shift in product mix, the improvement of supply chain challenges and cost realignments we established last year.

Operating expenses decreased by 9% and represented 55.2% of revenue compared to 59.7% in the year-ago quarter. The higher gross margin and lower operating expenses combined to lift our operating margin to 8% of revenue from 1% in Q2 2023. As a result, our net income climbed to \$493,000, and our EBITDA margin increased to 10.2% of revenue.

In the second quarter, our balance sheet strengthened further, with higher cash reserves and a \$1 million reduction in inventory since the end of Q1, thanks to diligent inventory management. Our incremental cash flow gives us the flexibility to continue driving growth in our key areas and investing in new product innovations.

Now, let's dive into the specifics of our performance across various regions and sectors:

In the U.S., we saw a modest increase in revenue of 2% in Q2 compared to last year, and revenue in this important region remains steady with a strong correctional market and growing demand in the utilities sector

APAC was a standout performer in Q2, with revenue surging 135% versus Q2 2023, driven primarily by major wins in the utilities and transport sectors throughout the whole region and several projects.

Europe, however, faced some challenges, with revenue down 33% in Q2, mainly due to customer delays in project. However, we believe these projects will catch up in Q3 and Q4. Despite these delays, we anticipate substantial activity in the utility, energy, and transport sectors throughout the region.

Our four key verticals delivered solid growth, rising 5% in Q2 year-over-year and 14% year-to-date. This growth was driven by major increases in sales and demand in the utilities sector worldwide, particularly in solar farms, power stations, nuclear power plants, and data centers. Additionally, we've seen significant growth in the airport environment, with interest reinforcing on a global scale.

In terms of new product development, we are thrilled with the successful launch of our latest innovation, Senstar MultiSensor. Senstar's commitment to delivering innovative solutions to the market is paying off.

Security industry professionals are dealing with increasingly complex and frequent security events and need solutions to enhance operational efficiency. One of their biggest challenges is nuisance alarms—false alarms triggered by non-intrusive events like someone standing too close to a fence or debris blowing against it. These alarms waste time and resources. The MultiSensor stands out in the market with advanced capability allows us to tackle one of the industry's most pressing issues: reducing nuisance alarms to zero.

The MultiSensor's probability of detection vastly exceeds traditional sensors, and its unique ability to synthesize data from multiple sensing technologies provides full situational awareness and decreases nuisance alarms next to zero. These are key metrics for the security industry, and we are proud to be the first to market with a device that can deliver these outcomes.

With the MultiSensor now available for sale, we're already seeing significant market interest. We believe this product will be a key growth driver for Senstar as we build on our momentum in core verticals and expand into new markets. The MultiSensor's versatility makes it ideal for securing critical areas within non-critical infrastructure, in addition to our traditional markets, which opens up exciting opportunities for us to address higher volume markets.

In closing, I'd like to thank you for your continued support of Senstar Technologies. Our performance in the first half of 2024 underscores the strength of our strategy and the dedication of our team. We're encouraged by the solid momentum we've built across our key verticals, and we're excited about the opportunities that lie ahead, particularly with the launch of the MultiSensor.

As we move forward, we remain committed to driving growth, enhancing profitability, and delivering innovative solutions that meet the evolving needs of our customers. We believe that the investments we've made in our product portfolio, alongside our improved operational efficiencies, position us well for continued success.

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 second quarter of 2024 was \$8.3 million, a modest decrease of 1.6% compared with reported revenue of \$8.4 million in the second quarter of 2023. The decrease was primarily due to delays in projects in EMEA.

The geographical breakdown as a percentage of revenue for the second quarter of 2024 compared with the prior year quarter is as follows:

- North America **47%** in both periods;
- EU **27%** versus **40%**;

- APAC **23%** versus **10%**;
- Latin America **1%** versus **3%**; and
- Other less than **1%** both periods

Reported gross margin was 63.2% of revenue for the second quarter of 2024 compared to 60.7% of revenue for the second quarter of 2023. This margin 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 9.1% from the prior year quarter's operating expenses of \$5.0 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 income improved in the second quarter to \$666,000 compared to \$83,000 in the year ago period. The year-over-year improvement was due to higher gross margins on higher sales and lower operating costs.

Financial income was \$103,000 compared to financial expense of \$74,000 in the second 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 income attributable to Senstar Technologies shareholders in the quarter was \$493,000, or \$0.02 per share, versus \$275,000, or less than \$0.01 per share, in the second quarter of last year.

The Company reported EBITDA for the second quarter of \$846,000 versus \$290,000 in the second quarter of last year.

Taxes on income were \$276,000 compared to a tax benefit of \$266,000 in the second quarter of last year.

Senstar's operational expenses include public platforms and amortization of intangible assets from historical acquisitions. The corporate expenses and amortization expenses for the second quarter were \$0.4M the same as the previous year's quarter.

Balance Sheet Items

Cash and cash equivalents as of June 30, 2024, were \$15.2 million or \$0.65 per share as compared to \$14.9 million, or \$0.64 per share, as of December 31, 2023.

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

[Post Q&A comments]

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There are no further questions at this time. Mr. Haubert, would you like to make your concluding statement?

Fabien Haubert – Concluding Statement

Thank you again, and we look forward to updating you on our progress in the coming quarters. Please feel free to contact our IR firm for further follow-up on this call or to learn more about Senstar Technologies. Their contact information is at the bottom of today's press release.

Have a good day.