



**Senstar Technologies**

**Third Quarter 2024 Financial Results**

**November 12, 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

**Danny Levine**, *LevCo*

**Ken Liddy**, *Oppenheimer*

**Joseph Judge**, *Private Investor*

**Mike Distler**, *AMX Holdings*

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

### Operator

Greetings and welcome to the Senstar Third Quarter 2024 Financial Results Call.

At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance, please signal by pressing star, and then zero.

As a reminder, this conference is being recorded.

It is now my pleasure to hand over to Kim Rogers of Investor Relations. Thank you and you may proceed, Kim.

### Kim Rogers

Thank you, Claudia. 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 from the Company are Mr. Fabien Haubert, CEO; and Ms. Alicia Kelly, CFO.

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

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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 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 [www.senstartechnologies.com](http://www.senstartechnologies.com) for the most directly comparable financial measures and related reconciliations.

With that, I'll now hand the call over to Senstar Technologies' CEO, Fabien Haubert. Fabien, please go ahead.

### **Fabien Haubert**

Thank you for joining us today to review our third quarter 2024 financial results.

Starting with an overview of this quarter's performance, our revenue increased by 8% compared to Q3 2023 and is up 7% year-to-date compared to the same period last year. Gross margin was exceptionally strong at 68%, representing an 11.4 percentage point increase over Q3 2023. The improvement in the quarter was primarily driven by our ongoing streamlining initiatives, recent price adjustments, normalization in the component market, and a favorable product mix. Year to date, our gross margin of 63.9% aligns with our expectation to deliver a gross margin of 60% or better.

Due to diligent expense controls, operating expenses decreased by 3.6% from Q3 2023 and 9.2% year-to-date. Our revenue growth and gross margin expansion, combined with the decrease in operating expenses, led to a significant increase in our profitability.

We experienced encouraging growth trends in the U.S. and EMEA, along with a 2% increase in revenue in our core verticals in Q3 2024 and a 9.8% increase year-to-date. Our growth this quarter reflects both our strategic focus on high-potential sectors and the success of our tailored solutions.

1. **Correctional Facilities:** Demand in this sector is growing for enhanced security, driven by the increasing emphasis on advanced security technology for public safety. Our integrated solutions continue to resonate well in this sector, especially in the U.S., where correctional facilities are investing in modernization. Our offerings have helped strengthen our position as a trusted partner, leading to an increase in contract wins.
2. **Utilities:** This vertical continues to be one of our strongest, with broad-based demand across data centers, solar farms, energy generation as well as telecom infrastructure. The utilities sector is increasingly focused on integrating security and monitoring for critical infrastructure, and our

solutions address these needs with precision. In particular, data centers and solar farms have increasingly integrated our offerings, underscoring the reliability and scalability of our technology in protecting vital assets. This growth also reflects our expanded reach in the EMEA, U.S., and APAC regions, where utilities and large infrastructure projects prioritize improved security solutions.

3. **Transport:** Our growth in the transport sector has been driven by a mix of established customers and new market entrants, particularly in EMEA, where transport infrastructure development is advancing rapidly. We've seen strong adoption of our solutions in the airport sector, which recognizes the need for secure monitoring systems. This market remains a priority, as our technology aligns well with the demands of modern transportation security, particularly in EMEA and Asia.
4. **Logistics and Oil & Gas:** While revenue in logistics and oil & gas declined slightly, we continue to see opportunities in these sectors as companies explore ways to enhance operational efficiency and protect critical assets. We are seeing positive trends in the oil and gas industry, particularly in North America and EMEA, and we are hoping this will contribute positively in coming quarters .

Focusing on core verticals in these critical sectors and fine-tuning our solutions to meet their unique needs, with new products like the **MultiSensor**, we are enhancing customer value and positioning ourselves for sustained growth.

I am happy to share that initial sales from MultiSensor are promising, highlighting this product's innovative impact in the market. To further enhance our position and build on this initial momentum, we appointed a new VP of Product Management and Marketing, with a solid background and proven track record in video technology, to help expand our market presence beyond our traditional perimeter-focused solutions.

Our strategy remains focused on business development to expand global market share across key verticals. We aim to bring on new end users in existing markets while also gaining customers in new regions. The investments we made in established markets are already yielding results, driving growth in the second half of 2024. Likewise, our investments in new territories are beginning to pay off, with identified projects now being rolled out. We're seeing strong, sustainable demand growth and are scaling our efforts to meet it.

In conclusion, we are encouraged by our financial progress this quarter and the strides we've made in key verticals. The Senstar team remains dedicated to executing our growth strategy and driving operational efficiency. We're excited to build on these successes as we continue delivering value for our shareholders and advancing our long-term goals.

Now, I will pass the call to our CFO, Alicia Kelly.

Alicia, please go ahead and review the financial results.

**Alicia Kelly**

Thank you, Fabien.

Our revenue for the third quarter of 2024 was \$9.7 million (dollars), an increase of 8.2% compared with revenue of \$9.0 million (dollars) in the third quarter of 2023. We saw sales growth in the US of 12% . Growth was experienced in all 4 of our key verticals but the most significant growth was reported from Correctional sales as facilities invest in modernization. EMEA reported an increase in sales of 26% in Q3 vs. the same period last year. Incremental sales were reported in the Oil and Gas, Utility and the Transportation segments. Other regions saw slight declines this quarter but nothing material in nature.

The geographic breakdown as a percentage of revenue for the third quarter of 2024 compared to the year ago quarter is as follows:

- North America, 44% versus 43%;
- EU 39% versus 34%;
- APAC 14% versus 16%;
- Latin America, 3% versus 7%; and
- All other regions, less than 1% in both periods.

The third quarter reported gross margin was 68.0% of revenue, up compared with 56.5% in the year-ago quarter. The increase in gross margin was primarily due to product mix and price increases in the fourth quarter of 2023.

Our operating expenses were \$4.8 million (dollars), down 3.6% compared to \$4.9 million in the prior year's third quarter. The decrease is the result of the streamlining of our corporate structure and realignment of resources that we implemented in 2023.

A strong gross margin and lower operating expenses drove an increase in our operating income for the third quarter to \$1.8 million (dollars), a significant increase compared to \$123,000 (dollars) in the year-ago period.

Financial income was \$111 thousand (dollars) in the third quarter of this year compared to financial expense of (\$64) 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.

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

The company's EBITDA for the third quarter was \$2.0 million (dollars) compared to \$322 thousand (dollars) in the third quarter of last year.

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 \$1.5million (dollars).

Cash and cash equivalents and short-term bank deposits, as of September 30, 2024, were \$19.5 million (dollars), or 0.84 cents per share.

That concludes my prepared remarks.

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

**Operator**

Thank you very much. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star, and then one on your telephone keypad. You may press star, and then two if you would like to remove your question from the queue. Please hold, while we poll for questions.

The first question comes from Danny Levine from LevCo (phon). Please proceed with your questions, Danny.

**Danny Levine**

I'm happy to see that you are getting a new marketing person in there because the stock is under the radar. Do you know what the updated book value per share is on the stock?

**Fabien Haubert**

The book value, you mean, the bookings or...

**Danny Levine**

No, the book value per share at this point.

**Alicia Kelly**

No, we don't have that information in front of us at this moment.

**Danny Levine**

Okay. Well, it seems like you're probably trading about even with what I believe is based on the new figures, book value. You only have a 50 million share float. It would not take much of a—it would probably take one or two fairly exciting announcements to send your stock through the roof. There's just no float there. It's good to see that.

One question I have is, are you targeting the AI sector as far as your—is there any demand for AI companies for what your products at all? Are there any synergies at all with AI?

**Fabien Haubert**

Basically, AI is the generic word for intelligence. Like every sensor manufacturers in the industry, we're developing—we're working on improving basically our—the intelligence of our devices. We already have some video intelligence. We analyze signals of the Company. We're working basically—and we're working basically on strengthening our knowledge and performance in AI in general, yes.

**Danny Levine**

In terms of AI companies, is there any demand for your products for security purposes in terms of their facilities and so forth?

**Fabien Haubert**

Yes. I'm sure I'm getting your question properly. The need for AI basically is requested a bit everywhere from our customers who want solution more and more intelligence. To this extent, we're improving basically; we're working, striving at least on increasing the intelligence of our solutions by using basically available technologies.

**Danny Levine**

Right. What I'm trying to ask basically is that the AI sector itself, the corporations, do they have a demand for your product in terms of securing their facilities and so forth?

**Fabien Haubert**

I'm not sure I'm getting fully your question. I do apologize. We're focusing basically on—okay, four to six verticals. The main verticals we're focusing on are utilities, correction, oil and gas, logistics and we have very high attention as well on transport, airports and military and border control. These are the verticals we're serving mostly.

Yes, those verticals are asking us basically to—they're expecting us to provide intelligence—solutions which provide more and more intelligence on the way they're using it.

**Operator**

Thank you very much. The next question comes from Ted (phon) Liddy from Oppenheimer & Co. Please proceed with your questions, Ted.

**Ken Liddy**

Hi, this is Ken Liddy. I just wanted to know, as far as the MultiSensor, you seem to be very optimistic. Do you see a material impact on growth in revenue in 2025 from the MultiSensor?

**Fabien Haubert**

We're not providing forward-looking statements. What we can say is that the market is reacting extremely positively in the sense of the number of—we had some interesting—basically for sales and we have generated a lot of interest to different type of customers which we're now addressing. That is where we are now. It's too early—first of all, we're not providing any forward-looking statement. Secondly, it's too early to portion ourselves in terms of how much we think it's going to generate.

**Ken Liddy**

As far as profitability, given the low expenses, are you comfortable in saying that you expect to be profitable in the fourth quarter?

**Fabien Haubert**

We're not giving basically forward-looking statements on where we're going to be at the end of the year.

**Ken Liddy**

Okay. You mentioned some new areas of market for your verticals. Could you talk a little bit more about solar farms and the opportunity there?

**Fabien Haubert**

Solar farm is—yes, it's a vertical we're currently addressing already which is part of the verticals. It's we classify it within the utilities. Basically, we see a lot of—basically a big raise in pretty much everywhere in the world of solar farm build and we see as well oil and gas company investing in this green energy. We're seeing basically a high demand to protect solar farm plants, absolutely. We're addressing these demands and we see some progress in ourselves there.

**Operator**



Thank you very much. Ladies and gentlemen, just a reminder; if you would like to ask a question, please press star, and then one. If you would like to ask a question, please press star, and then one. We will pause to see if we have any further questions.

The next question is a follow-up question from Ted Liddy from Oppenheimer. Please proceed with your question.

**Ken Liddy**

Yes. I wanted to have you expand on what you categorize as data centers.

**Fabien Haubert**

Interesting. Basically, data centers is basically—all basically what we call data center, where places which host hard disk for storage for utilities and distribution for video on-demand, syringe data (phon). They are the one that work. I think it's hard to be very—I think data is everywhere. The main category of foreseeing is the big internet provider who basically provide storage or basically video on-demand or any clouded services. Then you have a lot of banking and financial institutions which basically build their own data centers to provide services. It's a bit limitless. I would say everywhere where hard disk is storing basically data for different type of customers where confidentiality requires a high level of protection. These are the data centers we're protecting. We're not addressing small company data centers for their own needs. It's only large provider, providing service to third party. That's where we're focusing today. I hope I answered your question.

**Ken Liddy**

Yes, you did. I have a follow-up. Have you looked at markets for like the Bitcoin miners and the data centers—the farming—the mining they do there for some of the critical infrastructure for some of the companies like Intel and NVIDIA?

**Fabien Haubert**

We're trying to follow the request of everywhere people are building data centers. We didn't focus on those in particular but among others, on those as well.

**Ken Liddy**

Okay. Great. Thanks for your comments.

**Operator**

Thank you. The next question comes from Joseph Judge (phon), who is a private investor. Please proceed with your question, Joseph.

**Joseph Judge**

Yes, hi sir. I was wondering, do you think that your technology will play any role with deporting some illegal immigrants and helping like track them down?

**Fabien Haubert**

Never directly. We're trying to strive on making people safer in the world and what we're doing basically...

**Joseph Judge**

I think with Israel, I guess, I'm hoping that you get like some really big contract with the Israel border, too. Hopefully, you can help secure their border, including ours—because I know you've got border security in Canada, right, Canada but not the southern border yet.

**Fabien Haubert**

We're a Canadian entity and we're trying worldwide in every—on the whole planet to try to make people safer. We're working basically on making sure that when there's separation between two countries, two areas to make sure we can detect intrusion attempts. Indeed, borders is one of the markets we're covering and we're striving to make the world safer in this direction. We are—the more we can help, the more we'll be happy and the more it will contribute to our...

**Joseph Judge**

Yes, because I believe you also have the technology to say, look at some people's tags. Will you be possibly helping the law enforcement and federal government to track down certain people by being able to zoom in with their tags? Are you going to play any part of that?

**Fabien Haubert**

Not directly. What we're doing today is we're securing our first mission basically is to try to detect intrusion wherever it is, mainly in our verticals and to report it. When we provide this information, we'll leave it basically to the authorities or other players the duty to track them and to take any action there. Our job today is to basically try to understand the—provide the situational awareness, whether there is an intrusion or not or which nature. Our sensor basically work together to try to find with the best accuracy, identify where an intrusion attempt is happening and then it goes to other parties who do the follow-up of the work.

**Operator**

Thank you. The next question comes from Mike Distler (phon) from AMX Holdings. Please proceed with your questions, Mike.

**Mike Distler**

Yes. Good afternoon, gentlemen. As a longer than two decade holder and shareholder, I've been following the trajectory of the Company for a very long time. I'm gratified with the results, so well done.

My question really is to just more direct your focus rather than an answer. That is, you already have the utility vertical as one of your three primary verticals. These data centers that you spoke of just two questions ago to Ken, etc. that you are pursuing, it seems you have an automatic entree through the utilities who will be providing the power and therefore, you could be working hand-in-hand to—as they try to garner data center business, you would be providing the security for both the utility as well as the data center themselves.

I just want to point that out. I don't mean to sound patronizing in any way. I'm just a shareholder trying to help out. I think the opportunity is vast and substantial. I think you guys have the ability now to execute. I wish you luck on that. If you have any comments, I'd appreciate it. Thank you very much.

**Fabien Haubert**

Thank you so much for this really great comment. It's exactly why we love data centers because on top of protecting the data centers themselves, they give indeed the possibility to secure as well the infrastructure aiming to transmit the data and to power them. We're totally aligned with the strategy and that's where we're putting our efforts.

**Mike Distler**

I have no doubt.

**Fabien Haubert**

Thank you for your 20 years investment and trust in us.

**Mike Distler**

Yes. No, thank you. You guys are doing great. Appreciate it.

**Fabien Haubert**

Thank you.

**Operator**

Thank you very much. Ladies and gentlemen, we have reached the end of the question-and-answer session. I'd now like to turn the call back to Fabien Haubert for closing remarks. Thank you, sir.

**Fabien Haubert**

On behalf of the Management of Senstar, I'd like to thank you for your continued interest and long-term support of our business. We look forward to sharing more updates with you in the coming quarters. Have a good day.

**Operator**

Thank you very much. Ladies and gentlemen, that does conclude today's conference. Thank you so much for joining us. You may now disconnect your lines.