



Senstar Technologies

First Quarter 2025 Results Conference Call

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CORPORATE PARTICIPANTS

Fabien Haubert, *Chief Executive Officer*

Alicia Kelly, *Chief Financial Officer*

Corbin Woodhull, *Hayden IR*

CONFERENCE CALL PARTICIPANTS

Michael Distler, *AMNX*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Senstar Technologies First Quarter 2025 Results Conference Call.

All participants are at present in a listen-only mode. Following Management's formal presentation, instructions will be given for the question-and-answer session. As a reminder, this conference is being recorded.

I would now like to hand over the call to Corbin Woodhull of Hayden IR. Corbin, would you like to begin?

Corbin Woodhull

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, the CFO. Fabien will summarize key financial and business highlights, followed by Alicia, who will review Senstar's financial results for the first quarter of 2025. We will then open the call up for a question-and-answer session.

Before we start, I'd like to point out that the 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 changing 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 documents filed by the Company with the Securities and Exchange Commission.

In addition, during the course of this 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 the Company's website at www.senstar.com for the most directly comparable financial measures and related reconciliations.

With that, I will now hand the call over to Fabien. Fabien, please go ahead.

Fabien Haubert

Thank you, Corbin.

Thank you for joining us today to review Senstar Technologies first quarter 2025 financial results.

We delivered strong first quarter results marked by solid execution and a well-managed balance between growth and profitability. Our four core verticals increased by 33% in aggregate year-over-year, which led to 12.5% revenue growth and robust expansion in both gross and EBITDA margins.

Now moving to a review of quarterly highlights. Revenue in the first quarter was driven by a well-balanced mix of products, with notable vertical market strength from Energy, Logistics and Corrections. This performance reflects the sustained customer demand, and combined with our focus on design cost optimizations, drove a material gross margin expansion to 67.2% in the first quarter, comfortably above our targets. We are continuing to invest for the long-term growth of the company while also focusing on cost control measures and monitoring headcount efficiency, which are contributing in a meaningful way to sustainable profitability.

In the first quarter, operating expenses increased by 2% year-over-year and declined to 55% of revenue compared to the 61% in the prior-year quarter. Based on double-digit revenue growth, margin expansion, and strict cost monitoring, EBITDA rose to \$1.2 million, and EBITDA margin reached 14.3%.

Senstar's global diversification continues to strengthen, with North America, EMEA, and APAC delivering broad-based gains across our key verticals. In North America, our largest market as a percentage of sales, revenue increased by 6% in the first quarter, mainly due to the solid performance in Corrections and Utilities. Of particular note is the performance of Canada during the quarter, which increased revenue by 58% on strong demand for our Utilities and Corrections offerings.

In EMEA, also one of our largest markets, revenue increased by 19% in the first quarter. Market demand in the region remains strong, especially in the Logistics and Energy verticals. Exiting last year, we made several strategic hires focused on business development in our 3 main regions, Americas, EMEA and APAC. The team is now fully integrated with incentives aligned towards profitable growth in our core verticals. As a result of Senstar's sustained investment in Europe in previous years, the EMEA region now represents 30% of total revenue, up from 28% in the year-ago period.

In Asia Pacific, our revenue grew by 40% compared to the previous year's first quarter, the strongest regional growth rate among our core markets. The powerful performance in the quarter was primarily driven by increasing perimeter security requirements in Energy and Logistics. Asia Pacific also increased its revenue contribution in the quarter to 17% compared with 14% in the year ago period.

In LatAm, the region declined as a percentage of revenue in the quarter, but we continue to identify new opportunities in this important market. Our international strategy remains focused on regions where our solutions can deliver the greatest value, specifically in markets prioritizing security modernization.

Looking at revenue contribution by vertical, our four key verticals grew 33% in aggregate in the first quarter, driven primarily by strong performance in Corrections, Energy, and Logistics. Interest and activity in Data Centers and alternative energy facilities continued to accelerate, reflecting their growing momentum.

I would like to reiterate the high priority we place on technological innovation, a key differentiator for Senstar. MultiSensor continues to gain traction and generate growing interest. Increased market awareness of its innovative capabilities has led to high levels of customer engagement and expanded testing and evaluation activity. We recently launched a new version of the product under the brand name, Cascade +, which supports daisy-chaining, enabling scalable deployments across complex environments. Our pipeline of new opportunities with new and existing customers is expanding, and we expect to secure new design wins for MultiSensor in the coming months, particularly among our customers who operate critical infrastructure.

In summary, our first quarter results demonstrate meaningful progress in both top-line growth and margin expansion, underscoring the successful execution of our strategy to grow market share in key verticals and demonstrating the scalability of Senstar's operating model.

Thank you for your attention. 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 revenue for the first quarter of 2025 was \$8.4 million, representing a 12.5% increase compared to \$7.5 million in the first quarter of 2024. This growth was driven by widespread, strong performance across our key geographic and vertical markets. Canada led the geographic regions with 58% year-over-year revenue growth. Strategic wins and expanded relationships with both new and existing clients contributed to this significant uptick, particularly in the Corrections and Utilities verticals. The Asia Pacific region followed with a 40% increase in revenue, fueled by increasing perimeter security requirements in Energy, Logistics and Correctional projects. EMEA delivered a solid 19% revenue growth, supported by expanded adoption in the Energy and Logistics sectors. In contrast, sales in the US were down slightly by 2% year-over-year primarily as a result of the timing of contract awards, which can fluctuate quarter-to-quarter. As Fabien commented, LatAm faced pressure in the quarter, but we continue to believe this market represents a significant opportunity to capture, given its growing demand for security modernization.

The geographical breakdown of the percentage of revenue for the first quarter of 2025 compared with the prior year's quarter is as follows:

- North America 49% versus 52%
- EMEA 30% versus 28%
- APAC 17% versus 14%
- Latin America 3% versus 5%
- All other regions were immaterial for both periods

First quarter gross margin of 67.2% compared to 59.6% in the year-ago quarter. This 752 basis point margin improvement was primarily the result of a more favorable product mix, component and design cost optimizations, and efficiency gains from headcount streamlining.

Our operating expenses were \$4.6 million, up 2% compared to \$4.5 million in the prior year's first quarter. The increase was driven by targeted marketing and selling spend in core growth verticals and markets, with a positive offset from research and development investment optimization.

Strong revenue and a sizable increase in gross margin drove our operating income for the first quarter to \$1.0 million, a significant improvement compared to an operating loss of \$73 thousand in the year-ago period.

The company's EBITDA for the first quarter was \$1.2 million compared to \$114 thousand in the first quarter of last year, with margins expanding to 14.3% from 1.5% in the year-ago quarter. These gains highlight the scalability of Senstar's operating model.

Financial income was \$269 thousand in the first quarter of this year compared to \$54 thousand in the first 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 first quarter was \$1.0 million or \$0.04 per share compared to a net loss of \$746 thousand or negative \$0.03 per share in the first 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 first quarter were approximately \$494 thousand.

Turning back to our balance sheet, cash and cash equivalents and short-term bank deposits as of March 31, 2025, were \$22 million or \$0.94 per share. This compares to \$20.6 million or \$0.88 per share as of December 31, 2024. The Company had zero debt as of March 31, 2025.

This concludes my remarks. Operator, can you please open the call for 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 your line is in the question queue. You may press star, two if you would like to remove yourself from the queue. For participants using speaker equipment it may be necessary to pick up the handset before pressing the star keys. We also ask each person asking a question to only limit themselves to two questions. One moment while we poll for questions. Again, as a reminder if anyone has any questions you may press star, one to join the queue.

Our first question comes from the line of Mike Distler with AMNX. Please proceed with your question.

Michael

Yes, good afternoon, all. Thanks for taking my question. I was just wondering if you could just briefly skirt over the tariff issue and how it may or may not affect you. I can't imagine materially it will now versus it might have two or three years ago under the other structure that you had and just any comment on that a little color would be great. Thank you.

Fabien Haubert

Okay, thank you very much for your question. Regarding tariffs, today we're not impacted in the sense that we produce most of our goods in Canada and the only tariff would be of course in the U.S. We're not facing

today any tariff from Canada to the US. That being said, we've been working on the plan to be able basically, moving forward, have an assembly produced in the U.S. to be able to mitigate those tariffs to next to zero. We have these things essentially under control so far.

As per the current situation, no impact. Would a 25% tariff come? We have already worked on a plan to mitigate those impacts to next to zero. What I cannot predict is if the tariff were to be different, then we would have to do our homework again.

Michael

Right. I'm hopeful that you won't. Thank you for clarifying that and continued success, Fabien. I appreciate it. Take care.

Fabien Haubert

Thank you so much for your support and trust.

Michael

Yes, thank you.

Operator

Thank you. We have reached the end of the question-and-answer session. I would like to turn the floor back over to CEO, Fabien Haubert for closing remarks.

Fabien Haubert

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

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.