Senstar Technologies

Second Quarter 2025 Results Conference Call

August 25, 2025

CORPORATE PARTICIPANTS

Corbin Woodhull, *Hayden IR*

Fabien Haubert, *Chief Executive Officer*

Alicia Kelly, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Noam Nakash, *IMA Value*

PRESENTATION

Operator

Welcome to the Senstar Technologies' Second 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 the call over to Corbin Woodhull of Hayden IR. Corbin, would you like to begin?

Corbin Woodhull

Thank you, Paul. 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 second quarter of 2025. We will then open the call for a question-and-answer session.

I would like to remind participants that all financial figures discussed today are in U.S. dollars and all comparisons are on a year-over-year basis, unless otherwise indicated.

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 changing market trends, reduced demand, 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 the Company's website at www.senstar.com to the most directly comparable financial measures and related reconciliations.

With that, I would 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' second quarter 2025 financial results.

We delivered strong second quarter results marked by the successful execution of our growth strategy and targeted investments to drive sales across our key verticals and geographies. Revenue for our four core verticals increased by 27% in aggregate year-over-year, which led to total consolidated revenue growth of 16.2% and robust expansion in both gross and EBITDA margins.

Now, moving on to a review of quarterly highlights. Revenue in the second quarter was driven by a well-balanced mix of products with notable vertical market strength from energy and corrections. These results reflect the sustained customer demand, and when combined with our cost optimizations and focus on selling high value-added solutions, drove the material gross margin expansion to 66.1% in the second quarter, comfortably above our targets. We're continuing to invest in technological innovation to protect our competitive positioning and fuel growth while diligently managing costs to deliver margin expansion and sustainable profitability.

In the second quarter, operating expenses remained relatively stable as a percentage of revenue at 56% compared to 55% in the prior year quarter despite an 18% increase in absolute terms. This operational leverage, combined with strong double-digit growth in revenue and gross profit, drove EBITDA to $1.1 million. EBITDA margin expanded by 161 basis points to 11.8%. Net income increased significantly compared to the same period last year.

In terms of the core geographic markets we serve, Senstar global diversification continues to strengthen with EMEA, North America and LatAm delivering broad-based double-digit gains across our key verticals. In EMEA, the region is becoming a larger contributor to revenue and grew by 52% in the second quarter, while also gaining over 800 basis points in share of total sales.

Our sustained investment in Europe over the previous years are coming to fruition with the EMEA region now representing 35% of total revenue, up from 27% in the year ago period. The main verticals driving this record in the region include energy, particularly oil and gas, along with solar farms and electrical generation. In addition, there has been solid customer adoption in higher set value airport and data center infrastructure. In North America, which remains our largest market as a percentage of sales, revenue increased by 29% in the second quarter, mainly due to continued momentum in the correction and utilities verticals. North America delivered solid growth in the quarter despite moderate sales performance in Canada, declining slightly in the second quarter after a strong first quarter.

In the second quarter of this year, the Asia Pacific region faced a challenging year-over-year comparison against exceptionally strong growth of 135% in the prior year quarter, resulting in a 47% revenue decline versus the same quarter last year. The year ago quarter included a large customer contract, which did not repeat this quarter. Historically, APAC has been among the fastest growing regions for Senstar, and we're continuing to experience strength from data centers, utility and airport perimeter security solutions.

In contrast, the LatAm region returned to growth in the second quarter with revenue increased by 26% compared to the year ago period. We attribute this turnaround to the successful execution of our strategy aimed at delivering industry leading solution to international markets where security modernization is becoming an increasing priority.

Looking at revenue contribution per vertical. Our four key verticals grew 27% in aggregate in the second quarter, driven primarily by strong performance in correction and energy. We're continuing to identify material growth opportunities across renewable energy, data centers and utilities, and Senstar is reinforcing its commitment to further penetrate those verticals and capture market share.

In terms of product update, technological innovation is the cornerstone of our strategy to strengthen our competitive positioning in the market. We're continuing to make meaningful progress with MultiSensor, an important validation by our customers.

Senstar is focused on delivering advanced and disruptive security solutions tailored to our targeted vertical markets. We aim to enhance security and operational efficiency by combining cutting-edge sensors with intelligent information management software. This strategy enables Senstar to grow its market share within core sectors while expanding its scope by offering differentiated high-value solutions that sustain our gross margins of 60% and above. In addition, Senstar is actively working to broaden its addressable market by targeting the protection of critical points within non-critical infrastructure, such as hospitals, educational institution and logistics facilities.

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Leveraging our unrivaled MultiSensor, we deliver unique performance by eliminating nuisance alarm rate, optimizing total cost of ownership and significantly reducing installation and maintenance costs, unlocking opportunities in a much larger market segment.

Turning to other strategic initiatives, as discussed on the prior earnings conference call, we are pleased with the execution of our business development team following the addition of several key hires earlier in this year. The team is now fully ramped and gaining traction with their core focus on driving growth through new customer acquisition and broader penetration within our core verticals. Based on encouraging initial results, we plan to expand the team further to support the development of several large key accounts and accelerate market share gain across high potential sectors.

In summary, our second quarter results demonstrate the resiliency of our business model with continued momentum in both revenue growth and margin expansion. We remain focused on differentiating ourselves from the competition by investing in innovative security solutions for our international customer base.

I want to express my gratitude to our employees for the strong execution of our strategy to grow our market share across key global verticals, to our valued customers for their continued partnerships, and to our shareholders for their ongoing support. 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 second quarter of 2025 was $9.7 million, representing a 16.2% increase compared to $8.3 million in the second quarter of 2024. The sales expansion was driven by holistic growth across our key geographic and vertical markets with corrections, energy and utilities serving as strong contributors. EMEA led the geographic regions with 52% year-over-year revenue growth.

New customer wins and increased cross-selling with existing customers drove the successful performance in the quarter, most notably the energy, data center and airport perimeter security verticals. The U.S. followed with a 35% increase in revenue, fueled mainly by the continued demand in the corrections, energy and utility industries where customers are increasingly seeking innovative security solutions.

The LatAm region experienced an important inflection point in the quarter with revenue increasing by 26%. As we have stated in the prior quarters, demand for security modernization in LatAm remains, and we continue to believe the region represents an important growth opportunity.

The Asia Pacific region, on the other hand, experienced pressure in the quarter, with sales declining by 47%, primarily resulting from the phase-out of a customer contract that did not contribute revenue in the current quarter, in addition to the challenging year ago growth comparison that Fabien discussed previously.

Similarly, revenue from Canada declined in the quarter due to normal quarterly fluctuations in the timing of contract awards, but we remain well positioned to capture new projects through the remainder of this year. As mentioned, in Q1, Canada was the strongest growing region with sales primarily generated by the Corrections and Energy segments. The geographical breakdown as a percentage of revenue for the second quarter of 2025 compared to the prior year quarter is as follows: North America, 53% versus 47%; EMEA, 35% versus 27%; APAC, 11% versus 23%; Latin America is even at 1%; and all other regions were immaterial for both periods.

Second quarter gross margin was 66.1% compared to 63.2% in the year ago quarter. This 292 basis point margin improvement was primarily the result of strong expense controls, more favorable product mix and component and design cost optimization. Our operating expenses were $5.4 million, up 18% compared to $4.6 million in the prior year second quarter. The increase was primarily driven by onetime non-recurring administrative costs associated with finalizing the corporate redomiciliation from Israel to Canada, as well as the addition of key personnel to keep our Company headcount and targeted 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 second quarter to $1 million, a 46% improvement compared to $700,000 in the prior year ago period.

Operating margin expanded by over 200 basis points, reaching 10.1% in the quarter. The Company's EBITDA for the second quarter was $1.1 million compared to $846,000 in the second quarter of last year with margins expanding by 161 basis points to 11.8% from 10.2% in the year ago quarter. These gains underscore the operating leverage in Senstar's operating model as we scale. Financial expense was $330,000 in the second quarter of this year compared to financial income of $103,000 in the second 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 our operating entities in the Group in accordance with GAAP.

Net income attributable to Senstar Technologies' shareholders in the second quarter was $1.2 million or $0.05 per share compared to a net income of $493,000 or $0.02 per share in the second 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 second quarter were approximately $865,000 compared to roughly $400,000 in the year ago period.

Turning next to our balance sheet, cash and cash equivalents and short-term bank deposits as of June 30, 2025, were $21.9 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 June 30, 2025.

This 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 your line is in the question queue. You may press star, two to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick your handset before pressing the star keys. One moment while we poll for questions.

Our first question is from Noam Nakash with IMA Value.

Noam Nakash

Hi, guys. Thanks for a great quarter. If you can elaborate about the onetime expense, what's the expense exactly, and if you can elaborate about Border Control segment and biddings?

Fabien Haubert

Okay. If you agree, I'm fine with starting with the Border Control before to let Alicia comment on the onetime expense. Border Control is not one of our main target verticals. But clearly, as per current situation where tension between countries is very high, yes we're active in this sector. The main reason why we're not active in this vertical is that it is highly scalable because it depends basically on specific circumstances due to political or whatever scenarios. But, as far as we can contribute to make them safer, we're happy to technologically contribute to those supporting our partners.

I hope I answered your question. We cover this market without being a fundamental of our verticals. Alicia, on your plan (inaudible).

Alicia Kelly

For the first part of your question, so the onetime administration fees were relating to consulting fees for concluding the final processes related to our Israeli entity. Now that we've completed the flip and we have redomiciled to Canada, there was a couple of outstanding activities that just needed to be closed up in order to finish with that legal entity.

Noam Nakash

Thank you very much.

Alicia Kelly

Thank you.

Operator

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

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 great day.

Operator

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

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