

SenSen Networks

Q223 activity report

Record receipts and restructuring

SenSen Networks (SNS) maintained its streak of record year-on-year cash receipts in Q223, with customer receipts up 70% against Q222 to A\$2.6m. SNS continues to see growth across its key verticals of smart cities, gaming, retail and surveillance, boosting annual recurring revenues (ARR) to c A\$8m, and leaving the company well on track to meet management's expected ARR of A\$10m by the end of FY23. SNS's operational restructuring and previously announced A\$2.5m in cost saving efforts should support management's goal of cash flow neutrality by the end of the fiscal year. These results lead us to maintain our forecasts and if SenSen can continue to grow ARR, then the valuation gap between peers can potentially close.

Year end	Revenue (A\$m)	Adjusted EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	P/sales (x)	Net cash*** (A\$m)
06/21	5.5	(2.2)	(3.0)	(0.62)	7.4	3.9
06/22	9.1	(7.8)	(12.3)	(2.02)	4.5	3.9
06/23e	15.5	(2.8)	(5.6)	(0.83)	2.6	2.5
06/24e	23.5	3.2	0.4	0.05	1.7	3.5

Note: *Adjusted EBITDA excludes non-cash share-based payments. **PBT and EPS are normalised, excluding amortisation of acquired intangibles, other income and exceptional items. ***Net cash is cash less debt and including leases.

Q223: Another quarter of record cash receipt growth

Live Awareness company SenSen generated its eighth consecutive period of year-on-year cash receipt growth, with cash receipts up 70% over Q222 to A\$2.6m. Net cash from operations of A\$0.7m was boosted by A\$2.3m from an R&D tax grant. Excluding the annual tax benefit, net cash used was A\$1.6m, a reduction of about A\$1.2m against Q123. To mitigate the impact of seasonality on its short-term liquidity, SenSen also entered into A\$1.9m in financing arrangements. The company reported gross Q223 cash and equivalents of A\$3.7m, and we estimate net cash of A\$1.4m.

Working towards cash-flow neutrality

In Q223, management executed an operational restructuring as part of its drive to reach cash flow neutrality by the end of FY23 and to become cash flow positive shortly thereafter. Resources in areas such as sales, marketing, etc, will now be shared among verticals, which should improve operational gearing as SenSen scales its business. Moreover, as part of its [previously announced A\\$2.5m reduction in operating costs](#), management reduced 26 full-time positions and converted two more to part time. We continue to expect free cash flow to reach positive levels by FY24e, lessening the need for future debt or capital raises to fund operations.

Valuation: ARR and liquidity key to reducing gap

At a 1.7x FY24e price/revenue multiple, SenSen's shares continue to trade at a discount to its small-cap AI, SaaS and AI vision analytics peers. While some of the gap could be due to the company's cash liquidity situation, SenSen is forecasted to generate higher growth rates than its peers. We expect key drivers of the share price to include evidence of an improving cash situation and ARR growth from wins across the globe in SNS's key verticals.

Software and comp services

30 January 2023

Price **A\$0.06**

Market cap **A\$41m**

US\$0.71/A\$

Pro forma net cash (A\$m) at 31 December 2022 (including leases) 1.4

Shares in issue 678.7m

Free float 67%

Code SNS

Primary exchange ASX

Secondary exchange OTCQB

Share price performance



% 1m 3m 12m

Abs (4.8) (14.5) (56.3)

Rel (local) (10.0) (21.9) (59.7)

52-week high/low A\$0.14 A\$0.05

Business description

SenSen Networks, an Australian-based technology company, operates in the field of sensor artificial intelligence. By applying its SenDISA AI platform to physical space monitoring, it extracts real-time insights for customers. It provides solutions to customers in the smart city, gaming, retail and surveillance verticals.

Next events

H123 results February 2023

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Exhibit 1: Financial summary

A\$000s	2021	2022	2023e	2024e
Year end 30 June	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS				
Revenue	5,533	9,145	15,500	23,500
Cost of Sales	(2,030)	(3,513)	(4,683)	(6,455)
Gross Profit	3,503	5,633	10,817	17,045
Other Income	2,807	2,978	3,275	3,603
Oper. Expense (not incl. share-based payments)	(9,078)	(17,330)	(17,950)	(18,561)
Share-based payments (non-cash)	(72)	(3,173)	(1,500)	(1,500)
EBITDA	(2,209)	(7,751)	(2,779)	3,199
Operating Profit (before except.)	(2,835)	(12,038)	(5,349)	596
Exceptionals	(6)	145	(9)	(9)
Operating Profit (EBIT)	(2,840)	(11,893)	(5,357)	587
Net Interest	(176)	(254)	(237)	(162)
Profit Before Tax (norm)	(3,011)	(12,292)	(5,586)	434
Profit Before Tax (reported)	(3,016)	(12,300)	(5,594)	425
Tax	(6)	8	(34)	(85)
Other	-	-	-	-
Profit After Tax (norm)	(3,016)	(12,284)	(5,619)	349
Profit After Tax (reported)	(3,022)	(12,292)	(5,628)	340
Average Number of Shares Outstanding (m)	484	608	678	721
EPS - normalised (c)	(0.62)	(2.02)	(0.83)	0.05
EPS - reported (c)	(0.62)	(2.02)	(0.83)	0.05
Dividend per share (c)	-	-	-	-
Gross Margin (%)	63.3%	61.6%	69.8%	72.5%
EBITDA Margin (%)	N/A	N/A	N/A	13.6%
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	2.5%
BALANCE SHEET				
Fixed Assets	2,168	9,127	8,733	8,319
Intangible Assets	1,300	8,281	7,681	7,081
Tangible Assets	391	435	641	827
Other	477	410	410	410
Current Assets	8,022	11,391	11,570	11,967
Stocks	241	232	232	232
Debtors	979	1,943	3,000	4,400
Cash & cash equivalents	5,176	6,214	5,336	4,333
Other	1,625	3,002	3,002	3,002
Current Liabilities	(3,640)	(7,999)	(10,060)	(8,237)
Creditors	(750)	(1,239)	(2,500)	(2,000)
Short-term borrowings	(861)	(1,954)	(2,454)	(454)
Lease liabilities	(306)	(185)	(185)	(185)
Other	(1,723)	(4,621)	(4,920)	(5,597)
Long-term liabilities	(244)	(506)	(508)	(510)
Long-term borrowings	-	-	-	-
Lease liabilities	(138)	(183)	(183)	(183)
Other long-term liabilities	(106)	(324)	(325)	(327)
Net assets	6,305	12,012	9,734	11,539
Minority interests	-	-	-	-
Shareholder equity	6,305	12,012	9,734	11,539
CASH FLOW				
Operating Cash Flow	(3,250)	(7,632)	(2,502)	1,935
Net Interest	(127)	(73)	(237)	(162)
Tax	(31)	(232)	(34)	(85)
Capex	(253)	(220)	(400)	(400)
Acquisitions/disposals	-	(1,010)	-	-
Equity financing	7,043	9,644	2,070	-
Dividends	-	-	-	-
Other*	(667)	560	224	(2,290)
Net Cash Flow	2,714	1,037	(878)	(1,002)
Opening net debt/(cash) w/o Leases	(1,150)	(4,315)	(4,259)	(2,881)
HP finance leases initiated	-	-	-	-
Exchange rate movements	-	-	-	-
Other	451	(1,093)	(500)	2,000
Closing net debt/(cash)	(4,315)	(4,259)	(2,881)	(3,879)
Closing net debt/(cash) w/ Leases	(3,871)	(3,891)	(2,513)	(3,511)

Source: SenSen Networks, Edison Investment Research

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