

Quarterly Report



Activities Report for the Quarter ended
31 March 2020

30 April 2020

HIGHLIGHTS

- *Following two record quarters of cash inflows, SenSen continued its year-on-year growth momentum and received customer receipts of A\$755K in the March quarter - ~25% increase over the previous corresponding period (A\$602K in March 2019 Qtr)*
- *Cash position of ~A\$2.35M and unused financing facilities of ~A\$1.3M at 31 March*
- *SenSen's annual recurring revenues from government and blue-chip corporate clients expected to be in excess of ~A\$4.1M in FY2021*
- *Other contracted revenues for professional services and paid trials from recently awarded contracts amount to ~A\$1.4M, taking the total expected revenues to be ~A\$5.5M in FY2021*
- *Announced aggressive across-the-board ~35% cost reductions to reduce the yearly expenses from ~A\$8M to ~A\$5.4M*
- *With cash inflows from current contracted revenues and the company's R&D grants, SenSen expects to be cash-flow positive in FY2021*
- *SenSen is expected to be profitable from current contracted revenues in FY2021 and any additional contract wins will further add to the level of profitability*
- *Continued investment into innovation, technology development and IP protection program strongly positions SenSen for continued leadership within our target markets*
- *With SenSen support, The University of Melbourne was awarded a prestigious Australian Research Council (ARC) industry linkage grant of \$370K over three years to fund collaborative R&D with SenSen on smart city digitization. This helps SenSen to further its competitive advantage in the AI powered smart city applications space.*

Leading smart cities and AI software solutions provider SenSen Networks Limited (ASX: SNS, "SenSen" or "the Company") is pleased to provide an update on its activities for the quarter ended 31 March 2020.

Financial Update

In the March quarter, SenSen received A\$755K in cash receipts from customers, representing a ~25% increase over the 2019 March quarter. Additional cash receipts amounting to ~A\$600K were expected in the March quarter, and although delayed, the Company has received since the reporting date.

With the addition of 10 new ARR generating customers in the last 12 months, SenSen's ARR from government and blue-chip corporate clients has grown significantly and is now estimated to be in excess of ~A\$4.1M in FY2021. The table below outlines the make-up of SenSen's ARR generating revenue:

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SenSen Contracted Revenue - FY 2021	
Smart Cities - Annual Recurring Revenue (ARR)	
Canada	\$837,849
Australia	\$1,494,288
Singapore	\$355,285
USA	\$370,313
Casinos - Annual Recurring Revenue (ARR)	
Angel, Solaire, Crown	\$1,080,182
TOTAL ARR	\$4,137,917
Upfront Contracted Revenue	\$1,387,261
Total Contracted Revenue - FY 2021	\$5,525,177

SenSen has implemented significant cost cutting measures, thereby reducing significant cash burn even prior to the market impact of COVID-19. Responding to the changed circumstances triggered by COVID-19, further cost cutting measures were implemented.

These measures include:

- staff redundancies of SenSen personnel primarily involved in the casino and marketing functional areas – this means that there was no loss of technical staff;
- additional staff redundancies were also undertaken by consolidating functions of multiple staff to drive general efficiencies;
- across the board 20% reduction in Director and staff salaries - not a deferment;
- the Board of Directors taking on additional workload to assume some of the responsibilities of the redundant roles;
- reducing IT and cloud expenses by consolidating services and switching some of the services to alternative cheaper vendors;
- further reductions in sales, marketing and travel costs;
- the CEO deferring his outstanding loan repayments amounting to ~A\$400K until January 2021; and
- the temporary closing down of the Sydney Office with related lease expenses.

These measures will generate a 35% reduction in SenSen's yearly operating expenses to ~A\$5.4M for FY2021. In addition, SenSen expects to receive R&D tax credits to the tune of ~A\$1.6M. Together with cashflow generated from contracted revenues, a cashflow positive outcome is expected to be achieved by the Company in FY2021.

With locked-in customer contracts generating an estimated A\$5.5M in revenues, SenSen expects to be profitable in FY2021. Further, any additional contract wins or revenue from other sources will increase SenSen's profitability in FY2021.

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Smart Cities

- SenSen and leading Asian systems integrator ATT Systems Group were awarded a Government of Singapore five-year Contract to deter illegal parking and prevent traffic congestion. SenSen has completed the installation and commissioning of the software and will earn ~A\$1.25M in SaaS revenue;
- SenSen received orders for additional services from Changi International Airport for the maintenance and support of its solutions with partner Beaqon Solutions
- SenSen successfully completed the trial with Chicago Parking Meters within Chicago CBD and joint activities of mutual commercial benefit for both organisations are progressing;
- SenSen received orders for additional services from Brisbane City Council, the City of Gold Coast, and the City of Geelong, with delivery underway;
- post reporting date, SenSen announced it had won its first commercial US customer – a five-year ~A\$2.5M contract with City of Las Vegas, including deploying 80 Gemineye units, with implementation already commenced;
- post reporting date, SenSen also announced it had received orders worth ~A\$614K for FY2020 from Transport for NSW (**TfNSW**), for its SenSPEED 3.0 ANPR average speed monitoring and enforcement camera and software solution;
- SenSen continues to conduct trials for our Gemineye offering globally, and is in commercial discussions with parties in Australia, New Zealand, the US, and the Middle East.

Retail & Leisure

- SenSen's exclusive Distribution Agreement and five-year minimum guaranteed revenue outcomes with Angel Playing Cards (**Angel**) are not impacted by COVID-19.
- The Distribution Agreement with Angel commenced on 1 January 2020, and SenSen will receive a total minimum payment of US\$5M (approximately A\$7.8M) as advance payment during the initial term in accordance with the following payment schedule to be paid in equal quarterly instalments:
 - Year 1: US\$408,000 (~A\$635,000);
 - Year 2: US\$744,000 (~A\$1,158,000);
 - Year 3: US\$980,000 (~A\$1,525,000);
 - Year 4: US\$1,316,000 (~A\$2,048,000); and
 - Year 5: US\$1,552,000 (~A\$2,415,000).

As per the schedule to the Agreement, the yearly minimum payments will be paid irrespective of the actual sales achieved by Angel. If sales exceed the minimum payments threshold, additional payments will be made.

- SenSen received additional SenGAME 3.0 orders from Crown and Solaire Resort amounting to a combined total of ~A\$400K upfront and additional ~A\$150K ARR, with roll-out schedules not currently impacted by COVID-19.

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Key Management Personnel

In January, SenSen appointed Mr Jon Cook as Acting Chief Financial Officer, replacing Mr Tony Lynch. Jon is a commercially astute and strategically focused senior finance professional with more than 20 years' experience in diverse industries, nine years of which have been spent working internationally. He has a depth of corporate and commercial experience in several geographic regions including USA, Europe, Asia and Australia.

In March, SenSen announced that Non-Executive Director, Mr Jason Ko, has tendered his resignation from the Board of the Company, with effect from 13 March 2020. Mr Ko had been a Director of SenSen since 2014 and he departed the Board on very good terms. As SenSen pursues its global expansion strategy and particularly in the US, the Company has commenced a search to complement the Board with suitably qualified senior level Directors possessing deep technical knowledge and strategic expertise in AI, together with international capital markets experience. SenSen will keep the market informed on any appointments.

Related Party Payments

In accordance with Listing Rule 4.7C.3, and detailed in item 6 of the 4C, SenSen made related party payments totalling \$798,000 in the March quarter, comprising one-off repayments of deferred remuneration since March 2019 to Board and Executive members; STI bonus payments to select SenSen personnel upon the successful completion of the Angel Japan Co. transaction; payment to a SenSen Director for strategic advice on the casino gaming vertical; as well as intercompany funds transfers to SenSen Networks Pte Ltd (Singapore), and SenSen VBI Pvt Ltd (India), to fund operations in those countries.

Recognition and Further Investments into R&D

SenSen continues to invest heavily into protecting and enhancing its technology leadership position.

Patents

SenSen has lodged two new patent applications in the March quarter. SenSen currently has one global patent awarded, and four patent pending applications. Further patent applications are planned for lodgement in FY2021.

Award of Australian Research Council (ARC) Grant

With the support of SenSen, the University of Melbourne, was successful in attracting a prestigious ARC industry linkage grant of A\$370K over three years. SenSen has committed a cash contribution of ~A\$240K over three years to support this grant. Both the University of Melbourne and SenSen have also committed additional in-kind resources to undertake

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collaborative R&D on new, more accurate and efficient methods to digitise smart city assets. **The total cash and in-kind contributions committed by both organisations exceeds ~A\$1m over 3 years and will help extend SenSen leadership within its target market.**

Commenting on this grant, SenSen CEO, Professor Challa, who worked as a Professor at The University of Melbourne prior to taking up the full-time role at the Company said: *“It’s a great recognition and opportunity for SenSen to be able to collaboratively work with some of the smartest brains from one of the world’s leading universities to further the technical leadership of SenSen. In addition, this initiative is expected to help attract and retain new AI talent to SenSen”.*

For further information, please contact:

David Smith, Executive Director and Company Secretary
Email: info@sensennetworks.com

About SenSen Networks Limited

SenSen is focused principally on the development, commercialisation and supply of innovative, data-driven business process enhancement solutions, designed to assist customers in their business operations and significantly improve business efficiency and productivity.

SenSen provides video analytics and artificial intelligence data analytics software solutions to customers in the intelligent transportation systems and gaming sectors located in Australia, the US, Canada, Singapore, Europe, India, and UAE.

Disclaimer – Forward-looking statements

This release may contain forward-looking statements. These statements are based upon management’s current expectations, estimates, projections and beliefs in regards to future events in respect to SenSen’s business and the industry in which it operates. These forward-looking statements are provided as a general guide and should not be relied upon as an indication or guarantee of future performance. The bases for these statements are subjected to risk and uncertainties that might be out of control of SenSen Networks Limited and may cause actual results to differ from the release. SenSen Networks Limited takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release

Appendix 4C

Quarterly cash flow report for entities
subject to Listing Rule 4.7B

Name of entity

SENSEN NETWORKS LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	755	2,852
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(341)	(977)
	(c) advertising and marketing	(42)	(69)
	(d) leased assets		
	(e) staff costs	(1,596)	(3,604)
	(f) administration and corporate costs	(693)	(2,078)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	10
1.5	Interest and other costs of finance paid	(12)	(46)
1.6	Income taxes paid	(22)	(72)
1.7	Government grants and tax incentives		976
1.8	Other (provide details if material)		(5)
1.9	Net cash from / (used in) operating activities	(1,948)	(3,014)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(34)	(73)
	(d) investments		
	(e) intellectual property		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(34)	(73)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		3,333
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		180
3.6	Repayment of borrowings	(90)	(90)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(90)	3,423
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,412	2,003
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,948)	(3,014)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(73)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(90)	3,423
4.5	Effect of movement in exchange rates on cash held	10	10
4.6	Cash and cash equivalents at end of period	2,349	2,349

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,574	3,637
5.2	Call deposits	775	775
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,349	4,412

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 798 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The amount in item 6.1 comprises of;

- a) \$529,000 towards;
 - a. one-off repayments of deferred remuneration since March 2019 to Board members and Executives;
 - b. STI Bonus payments to select SenSen personnel upon the successful completion of the Angel Japan Co. transaction; and
 - c. payment to one of the SenSen Directors for Strategic advice on the casino gaming vertical.
- b) \$22,000 towards Intercompany transfer of funds to SenSen Networks Pte Ltd, Singapore; and
- c) \$247,000 towards Intercompany transfer of funds to SenSen VBI Pvt Ltd, India.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	2,275	950
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	2,275	950

7.5 **Unused financing facilities available at quarter end** **1,325**

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Cash flow facility and credit cards of \$775K available from Commonwealth Bank of which \$450K is currently drawn down. Related parties of CEO, Subhash Challa, have executed an arms-length loan arrangement in the sum of A\$500k, at a 4.95% interest rate of which ~\$400K is currently drawn down.

This also includes a low-interest A\$1M loan facility (as announced on 31 October 2019), provided by related parties of long-term SenSen strategic investor, Speedshield Technologies Pty Ltd, for working capital – which remains undrawn and only incurs interest when drawn on.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,948)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,349
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,325
8.4 Total available funding (Item 8.2 + Item 8.3)	3,674
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.9

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

The entity expects that it will continue to have the current level of net operating cash flows for the time being.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

The entity has taken the following the steps to attract additional cash to the business:

- The entity has received advice from AusIndustry on the 9 April 2020, that the entity is eligible to claim additional R&D tax incentives in relation to certain overseas research activities undertaken by the entity in FY2018 and FY2019. The entity has taken actions recommended by AusIndustry to lodge these previously unclaimed overseas R&D expenses with the ATO. The entity considers that it is likely to receive an additional ~\$700K from ATO in H1 FY2021, as R&D tax incentive payment as a consequence of these lodgements.
- The entity has established as a short-term loan of \$440K acquired in April 2020 from Rocking Horse Nominees Pty Ltd secured against the R&D Tax incentives claimable by the entity in FY2021.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The entity expects to be able to continue its operations and to meet its business objectives on the basis that it has

- cash balance of \$2.349M
- unused financing facilities of \$1.325M
- successful track record of collecting invoices due from existing customers
- SenSen expects to be cash-flow positive through contracted revenues in FY2021 based on the following:
 - locked-in customer contracts are expected to generate in excess of ~A\$5.5M in revenue in FY2021
 - Pre and post-COVID-19 cost cutting measures are expected to reduce expenses to be ~\$5.4M in FY2021
 - R&D tax incentives of ~A\$1.6M in FY2021
- Any additional contract wins or revenue from other sources will enable SenSen to become profitable in FY2021.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Date:

Mr. David Smith, Executive Director and Company Secretary

Authorised by:

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

Quarterly cash flow report for entities subject to Listing Rule 4.7B

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.