

# Quarterly Report



Activities Report for the Quarter ended  
30 June 2020

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14 July 2020

## HIGHLIGHTS

- *SenSen received its highest ever quarterly customer cash receipts since its ASX listing, of A\$1.43M in the June 2020 Qtr, a ~150% increase over the previous corresponding period (A\$572K in June 2019 Qtr) and a ~90% increase over the March Qtr (A\$755K).*
- *SenSen improved its cash position and has ~A\$2.48M (increase of ~\$127K since March Qtr end) at the end of June Qtr, and with no material COVID-19 related government support.*
- *SenSen's annual recurring revenue profile continues to grow strongly. SenSen did not lose any of its customers (zero churn) in the last 2 years and many of its existing customers have ordered more software and services from SenSen.*
- *With confirmed contracted revenues ~A\$5.6m (ARR ~A\$3.5m), SenSen re-affirms its March 2020 Qtr guidance that it is likely to be profitable and cashflow positive in FY 2021.*
- *Robust performance due to strong software sales to a globally diversified customer base despite COVID-19 impact in other areas of the economy.*
- *There were no interruptions or delays to customer deliveries and support due to COVID-19, highlighting SenSen's excellent execution capabilities, even while 90% of staff are working remotely.*
- *SenSen received additional payments from Chicago Parking Meters towards the trial of its Gemineye solution after successful completion of earlier trials involving vehicle-mounted cameras systems.*
- *SenSen received its first order for Gemineye from a New Zealand customer through our reseller, ITS Global. Additional orders from ITS Global are expected in FY 2021.*
- *SenSen received additional orders and advance payments for SenGAME 3.0 from our casino customers under existing arrangements. Additional orders are anticipated after the delivery of these new orders.*
- *SenSen continued to invest in R&D and filed additional patents within the June Qtr, to consolidate its technical leadership position within the global AI, IoT and Video Analytic solutions space. More patent applications are in the pipeline.*

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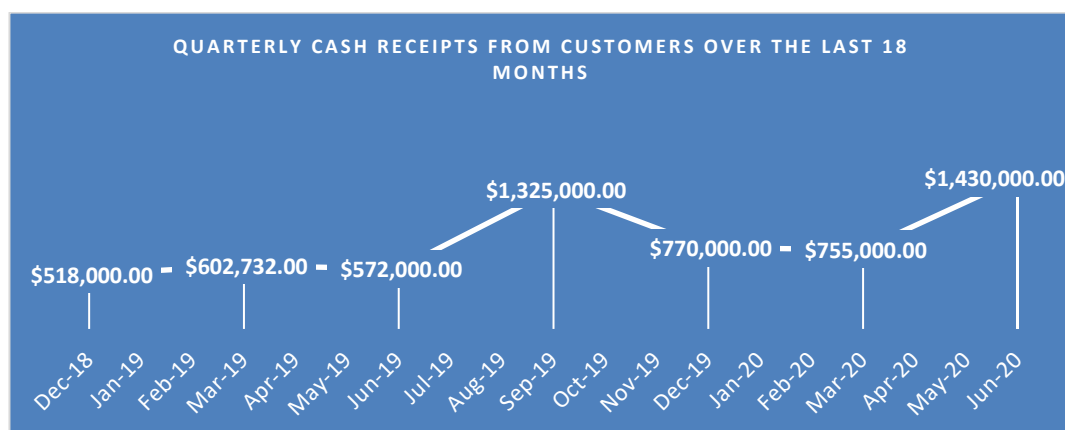
Activities Report for the Quarter ended  
30 June 2020

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 30 June 2020.

## Financial Update

In the June quarter, SenSen received its highest ever quarterly cash receipts of A\$1.43M from customers, representing a ~150% increase over the 2019 June quarter. It also represents ~90% increase in cash receipts from customers in the March 2020 quarter. Cash receipts amounting to ~A\$472K from R&D tax credits were also received in the June quarter.

As the graph below shows, SenSen recorded two of its best ever cash flow Qtrs in FY 2020 and it is robustly moving towards being cashflow positive and profitable FY 2021.



Further to the update provided in the March 2020 Quarterly Report, Annual Recurring Revenue (ARR) from SenSen's government and blue-chip corporate customers continues to grow significantly. ARR is estimated to be ~A\$3.5M in FY 2021. The table below outlines the current make-up of SenSen's ARR and upfront generating revenue for FY 2021:

SenSen Contracted Revenue - FY 2021	
Smart Cities - Annual Recurring Revenue (ARR)	
Canada	\$811,952
Australia	\$1,598,404
Singapore	\$332,676
USA	\$339,453
Casinos - Annual Recurring Revenue (ARR)	
Solaire, Crown	\$407,354
TOTAL ARR	\$3,489,839
Upfront Contracted Revenue	\$2,096,831
Total Contracted Revenue - FY 2021	\$5,586,670

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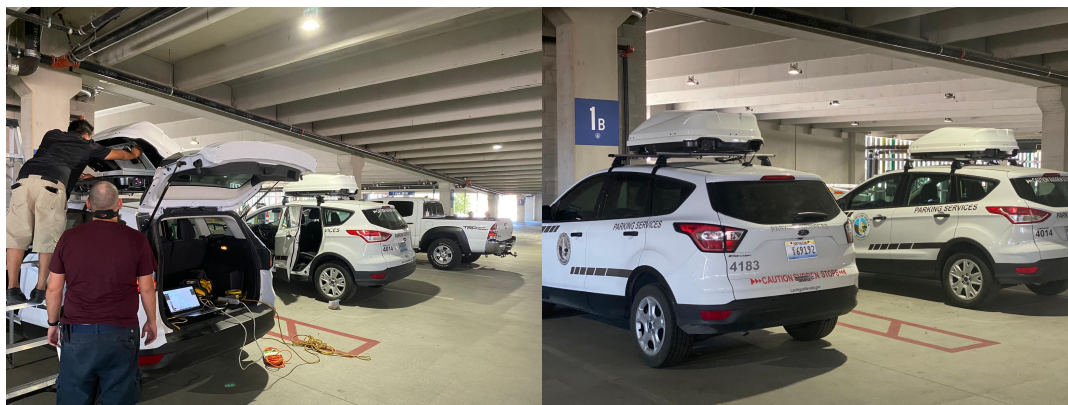
Previously announced cost-cutting measures are continuing, including across-the-board 20% reduction in salaries, and reductions in sales, marketing, travel, office and IT costs.

SenSen reaffirms its guidance provided in the March 2020 Quarterly Report, that together with cashflow generated from contracted revenues, an operating cash flow positive outcome is expected to be achieved by the Company in FY 2021.

Further, with customer contracts generating an estimated ~A\$5.6M in revenues, SenSen expects to be profitable in FY 2021. Any additional contract wins or revenue from other sources will increase SenSen's profitability in FY 2021.

## Smart Cities

- In April, 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 to be used by City officers patrolling streets and car parks on enforcement vehicles, Segways and Go4 scooters. The installation and deployment is underway with two City Parking Services vehicles already fitted out with SenFORCE mobile parking enforcement units (see photos below) and the Gemineye units and installation kits also in Las Vegas. Software commissioning of the multi-faceted SenSen solution has commenced and project handover to the City is scheduled for early September.



*July 2020: SenSen team members fitting out City of Las Vegas Parking Services vehicles*

- Also, in April, SenSen announced it had received orders for its average speed detection and enforcement technology from TfNSW. The new SenSPEED 3.0 ANPR camera and software solution was successful in meeting the high standards set by TfNSW for speed measurement and enforcement purposes, aimed at increasing the compliance of motorists and ultimately saving lives. SenSen's FY2021 software maintenance program was also agreed with TfNSW in June.

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- SenSen received additional payments from Chicago Parking Meters towards the trial of the Gemineye solution after successful completion of earlier trials involving vehicle-mounted cameras systems. Broader commercial discussions are underway.
- SenSen received its first orders from New Zealand with an initial five Gemineye licences procured by Nelson City Council through a reseller arrangement with Integrated Technology Solutions (ITS) in NZ (part of the Linfox Armaguard Group). ITS is also showcasing the Gemineye solution to five of its US customer city councils. More orders are expected to follow.
- SenSen continues to conduct trials for the Gemineye offering globally and is in commercial discussions with multiple parties in Australia, New Zealand, USA, India and the Middle East.
- Based on feedback from US customers and institutions, SenSen expects to enhance its North American presence once travel restrictions are lifted post COVID-19.
- SenSen was to participate in a paid Driver Distraction Trial in February 2020 after successfully completing the development of technology that combines high-resolution, high-sensitivity machine vision cameras with SenSen's novel deep AI technology, and following participation in a rigorous Request for Information (RFI) process. Due to COVID-19 related restrictions, the Trial will now likely commence this quarter.

## Retail & Leisure

- SenSen will re-visit existing casino opportunities through direct SenSen engagement with casino groups, and explore other distributor and value-added reseller arrangements, after terminating the exclusive Distribution Agreement with Japan-based Angel Japan Co Ltd in June 2020.
- Despite COVID-19 related disruptions, SenSen received orders for the hardware and installation of SenGAME 3.0 on a further 76 tables under existing arrangements and received advance payments of over A\$450,000 for these new deployments.
- The contracted monthly recurring revenues for SenGAME 3.0 software licences on applicable additional gaming tables is anticipated to commence upon completion of the installations in Q1 2021. More orders are expected to follow.
- SenSen continues to develop the SenGAME gaming solution technology to meet customer requirements and believes it is well placed to take advantage of the expected recovery in the gaming industry from 2021.
- As well as optimising table game operations, SenSen's AI and video analytics technology can assist casinos with monitoring of social distancing measures, people counting, compliance verification of occupancy in buildings, and parking traffic management.

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## Key Management Personnel

As announced in the March Quarterly Report, SenSen's Board of Directors has taken on an additional workload after some roles were made redundant and functions were consolidated to drive general efficiencies.

In addition, SenSen is pleased to advise that current Non-Executive Director, Ms Heather Scheibstock, has agreed to move to an executive position with the Company in her new role as Executive Director, Retail & Leisure Division, effective 6 July 2020.

Heather is responsible for providing strategic, financial and operational leadership for the Retail & Leisure division and guiding corporate governance and organisational development for the entire organisation. She will closely coordinate and work with the Board and senior leadership team to design and implement business strategies, plans and procedures aimed at driving revenue and EBITDA growth in the Division.

## R&D and Product Development Updates

SenSen continues to invest in its R&D pipeline with strong progress in developing innovative and patentable products and solutions in both Smart City and Casino Gaming applications.

### *Collaborative R&D with University of Melbourne*

SenSen and the University of Melbourne have successfully attracted a prestigious research grant from the Australian Research Council (ARC) to develop more accurate and efficient methods to digitise smart city assets. ARC is providing A\$370K and SenSen is providing ~A\$240K to support the three-year collaborative project with both organisations committing additional in-kind resources.

This collaborative research will help SenSen develop products and solutions using AI for traffic engineering departments within city councils. The technological breakthroughs proposed have potential to enhance the delivery of services currently offered to cities globally by SenForce and SenSign vehicles.

### *New innovations for improving GPS accuracy in downtown areas*

As a result of working on challenging megacity parking management applications in cities like Chicago, SenSen has been able to overcome some significant challenges to GPS systems posed by tall buildings and infrastructure. This new breakthrough innovation will significantly improve the location accuracy of objects such as vehicles, signs and other objects captured by mobile camera systems like SenForce. This is expected to further consolidate the company's leadership position in automating civic compliance (SenForce) and asset audit (SenSign) products.



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## *New Product Development – SenSen Vision Zero (SVZ) Product Platform*

SenSen has developed a new AI camera technology to support cities globally on their Vision Zero initiatives and save lives on roads. For more information on Vision Zero initiatives globally, visit <https://visionzeronetwork.org/about/what-is-vision-zero/>

SenSen's SVZ product is one of the most advanced analytics platforms ever conceived to save the lives of people on roads worldwide. Using SVZ, cities globally may enforce any combination of road safety regulations concerning speeding vehicles, and distracted and dangerous drivers using smartphones while driving.

A variety of deployment configurations are supported, including fixed gantry-mounted configuration, off-road side-mounted configuration, mobile vehicle-mounted configuration and rapidly deployable solar-powered configurations.

This disruptive innovation from SenSen will make saving lives on roads more cost effective and affordable, thus increasing the ability of authorities to monitor more places prone to road accidents for the same budget.

## *Casino Gaming Innovations*

SenSen continued its innovations within the Casino gaming market and has filed a new patent application to cover some of the latest innovations. Further innovations and patent applications are planned.

## **For further information, please contact:**

David Smith, Executive Director and Company Secretary  
Email: [info@sensennetworks.com](mailto: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, New Zealand, 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.

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## 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")

June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,430	4,280
1.2	Payments for		
	(a) research and development		
	(b) product manufacturing and operating costs	(562)	(1,539)
	(c) advertising and marketing	(21)	(90)
	(d) leased assets		
	(e) staff costs	(936)	(4,537)
	(f) administration and corporate costs	(597)	(2,672)
1.3	Dividends received (see note 3)		
1.4	Interest received	8	18
1.5	Interest and other costs of finance paid	(14)	(60)
1.6	Income taxes paid	(29)	(101)
1.7	Government grants and tax incentives	472	1,447
1.8	Other (provide details if material)	26	21
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(221)</b>	<b>(3,232)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(28)	(100)
	(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 (12 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	<b>Net cash from / (used in) investing activities</b>	<b>(28)</b>	<b>(100)</b>
3.	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		3,329
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	418	598
3.6	Repayment of borrowings		(90)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>418</b>	<b>3,837</b>
4.	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,349	2,003
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(221)	(3,232)



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(28)	(100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	418	3,837
4.5	Effect of movement in exchange rates on cash held	(43)	(33)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,476</b>	<b>2,476</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,701	1,574
5.2	Call deposits	775	775
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,476</b>	<b>2,349</b>

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

199

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 an intercompany transfer of funds to SenSen VBI Pvt Ltd, India, to fund working capital during the quarter ended 30 June 2020.

## 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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
2,715	1,290
<b>2,715</b>	<b>1,290</b>

7.5 **Unused financing facilities available at quarter end****1,425**

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.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(221)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,476
8.3 Unused finance facilities available at quarter end (Item 7.5)	1,425
8.4 Total available funding (Item 8.2 + Item 8.3)	3,901
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>17.6</b>

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?

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. SenSen received \$352K from towards FY2018 overseas R&D expenses in June 2020.
- The entity considers that it is likely to receive ~\$1.6M from ATO in H1 FY2021, as R&D tax incentive payment as a consequence of the FY2019 (additional overseas claims as per AusIndustry advice) and FY2020 lodgements.
- The entity has established a short-term loan facility 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 \$2.476M
- unused financing facilities of \$1.425M
- successful track record of collecting invoices due from existing customers
- SenSen is cash-flow positive in the 30 June 2020 quarter
- 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\$5.6M in revenue in FY2021
  - Pre and post-COVID-19 cost cutting measures are expected to continue to reduce expenses 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 increase the level of profitability 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.

14 July 2020

Date: .....

By the Board

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

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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.