

SenSen Networks

Q322 update

Sensing another record quarter of AI SaaS

SenSen (SNS), an Australian-based artificial intelligence company, **reported another quarter of record cash receipts**, growing 109% y-o-y to A\$1.7m in Q322. SNS's 'land and expand' strategy generated contract wins with significant portions of higher-margin recurring revenues, resulting from its transition to a 'pragmatic SaaS' model. Monthly recurring revenue (MRR) remains on track to reach A\$0.65–0.7m by the end of FY22, and we maintain our current forecasts. If SenSen can sustain this recent momentum of contract wins across geographies and verticals, we expect that it could lead to a reduction of the valuation gap.

Year end	Revenue (A\$m)	Adj EBITDA* (A\$m)	PBT** (A\$m)	EPS** (c)	P/sales (x)	Net cash*** (A\$m)
06/20	3.8	(2.8)	(3.7)	(0.85)	13.8	0.7
06/21	5.5	(2.2)	(2.9)	(0.61)	9.4	3.9
06/22e	9.3	(6.6)	(9.7)	(1.67)	5.6	1.2
06/23e	16.4	(2.5)	(4.8)	(0.73)	3.2	(0.5)

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/(debt) is cash less debt and leases.

Q322: Record cash receipts

SenSen reported another quarter of record cash receipts, bringing in A\$1.7m in Q322, growing 109% y-o-y and 12% over Q222. Net cash used in operations improved to A\$2.1m versus Q222's A\$3.2m, as Sensen implemented cost saving initiatives with the goal of reducing operating expenses by 10%. The cash balance fell by A\$2.4m as SenSen continued investing in sales and marketing.

Land and expand rolls on

SNS's 'land and expand' strategy continued to generate contract wins, including [Brisbane City Council](#) and [Toowoomba Regional Council](#). For instance, the former ordered four additional vehicles for automated parking enforcement using SenSen's AI solutions, bringing the client's total to 11 systems. This contract was for c A\$278k upfront and a minimum of A\$280k pa in recurring fees. These contract wins contributed to SNS's continuing growth in MRR.

Back on schedule after flood delays

As noted in [our initiation report](#), recent floods in Australia delayed the rollout of projects and contracts, leading SNS to revise its FY22 guidance. Management now reports that revenues are picking up and project rollouts are back on track, as they continue to recover from the floods. Furthermore, no expected orders or contracts were lost, with only the timing of revenue recognition delayed to FY23.

Valuation: Still undervalued versus peers

SenSen is trading at 3.2x price/revenue for FY23e, a significant discount to its peers despite SNS's higher forecasted growth rates. Using the average peer multiple of 7.4x FY23e price/revenue implies a share price of A\$0.19 or upside of 132%. If SenSen can maintain the momentum in new customer wins and success across geographies and verticals, we expect there could be a reduction in the gap.

Software & comp services

3 May 2022

Price **A\$0.105**

Market cap **A\$68m**

US\$0.70/A\$

Net cash (A\$m) at 31 March 2022 (includes leases) 4.9

Shares in issue (31 March 2021) 650.3m

Free float 52%

Code SNS

Primary exchange ASX

Secondary exchange OTCQB: SSNSF

Share price performance



% 1m 3m 12m

Abs (16.0) (19.2) (34.4)

Rel (local) (14.2) (21.6) (37.3)

52-week high/low A\$0.17 A\$0.10

Business description

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

Next events

Q422 activities and cash flow report 22 July

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Exhibit 1: Financial summary

A\$000	FY20	FY21	FY22e	FY23e	FY24e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	3,764	5,533	9,338	16,417	24,940
Cost of Sales	(997)	(2,030)	(2,863)	(4,763)	(5,907)
Gross Profit	2,766	3,503	6,474	11,654	19,034
Other Income	1,539	2,807	3,600	3,960	4,356
Operating Expense (not incl. share-based payments)	(7,567)	(9,112)	(17,760)	(19,466)	(21,381)
Share-based payments (non-cash)	(290)	(72)	(2,500)	(1,500)	(1,000)
Adjusted EBITDA	(2,807)	(2,243)	(6,557)	(2,450)	3,419
Operating Profit (before amort. and except.)	(3,534)	(2,785)	(9,507)	(4,675)	1,685
Intangible Amortisation*	-	(83)	(675)	(675)	(675)
Exceptionals	(18)	(6)	(3)	(2)	(2)
Operating Profit (EBIT)	(3,552)	(2,874)	(10,186)	(5,352)	1,008
Net Interest	(138)	(142)	(163)	(98)	(98)
Other	-	-	-	-	-
Profit Before Tax (norm)	(3,672)	(2,927)	(9,671)	(4,774)	1,586
Profit Before Tax (reported)	(3,690)	(3,016)	(10,349)	(5,450)	910
Tax	(15)	(6)	(62)	(33)	(182)
Other	-	-	-	-	-
Profit After Tax (norm)	(3,687)	(2,933)	(9,733)	(4,806)	1,404
Profit After Tax (reported)	(3,705)	(3,022)	(10,411)	(5,483)	728
Average Number of Shares Outstanding (m)	436	484	584	655	665
EPS - normalised (c)	(0.85)	(0.61)	(1.67)	(0.73)	0.21
EPS - reported (c)	(0.85)	(0.62)	(1.78)	(0.84)	0.11
Dividend per share (c)	-	-	-	-	-
Gross Margin (%)	73.5%	63.3%	69.3%	71.0%	76.3%
EBITDA Margin (%)	N/A	N/A	N/A	N/A	13.7%
Operating Margin (before GW and except.) (%)	N/A	N/A	N/A	N/A	6.8%
BALANCE SHEET					
Fixed Assets	790	2,168	9,324	8,488	7,643
Intangible Assets	-	1,300	8,303	7,628	6,953
Tangible Assets	353	391	545	383	213
Other	437	477	476	476	476
Current Assets	4,706	8,022	6,052	4,313	6,947
Stocks	803	241	875	875	875
Debtors	744	979	960	960	960
Cash & cash equivalents	2,463	5,176	2,021	282	2,916
Other	696	1,625	2,196	2,196	2,196
Current Liabilities	(4,498)	(3,640)	(6,800)	(8,980)	(9,122)
Creditors	(1,095)	(750)	(2,000)	(2,500)	(2,700)
Short term borrowings	(1,313)	(861)	(450)	(450)	-
Lease Liabs	(235)	(306)	(300)	(300)	(300)
Other	(1,856)	(1,723)	(4,050)	(5,730)	(6,122)
Long Term Liabilities	(276)	(244)	(1,899)	(1,348)	(801)
Long term borrowings	-	-	-	-	-
Lease Liabs	(197)	(138)	(60)	(60)	(60)
Other long term liabilities	(79)	(106)	(1,839)	(1,288)	(741)
Net Assets	721	6,305	6,676	2,473	4,666
Minority Interests	-	-	-	-	-
Shareholder equity	721	6,305	6,676	2,473	4,666
CASH FLOW					
Operating Cash Flow	(2,884)	(3,250)	(10,470)	(1,044)	3,928
Net Interest	(42)	(127)	(163)	(98)	(98)
Tax	(101)	(31)	(62)	(33)	(182)
Capex	(100)	(253)	(340)	(300)	(300)
Acquisitions/disposals	-	-	(1,127)	-	-
Equity financing	3,329	7,043	9,682	-	-
Dividends	-	-	-	-	-
Other**	288	(667)	(675)	(264)	(714)
Net Cash Flow	490	2,714	(3,155)	(1,739)	2,634
Opening net debt/(cash) w/o Leases	(648)	(1,150)	(4,315)	(1,571)	168
HP finance leases initiated	-	-	-	-	-
Exchange rate movements	-	-	-	-	-
Other	12	451	411	-	450
Closing net debt/(cash) w/o Leases	(1,150)	(4,315)	(1,571)	168	(2,916)
Closing net debt/(cash) w/ Leases	(718)	(3,871)	(1,211)	528	(2,556)

Source: SenSen, Edison Investment Research. Note: *Amortisation of acquired intangibles (patents). **Includes repayment of leases, proceeds from/repayment of borrowings, etc.

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