

# Sensen Networks Ltd

## Q4 client wins lift ARR to \$8m; costs come into focus

Sensen Networks Ltd (ASX:SNS) is a technology company providing video and sensor artificial intelligence (AI) data analytics software solutions for the smart cities, casinos and retail industries. Its 'SenDISA' (SenSen Distributed Intelligent Sensor Analytics) AI platform gathers inputs from cameras, GPS, LIDAR (Light Detection and Ranging) and other sensors to extract customised and real-time insights (such as parking management, traffic flow and theft detection). SNS has ~70 customers located across Australia, NZ, Singapore, North America, India and UAE. It generated the majority of its \$11m FY22 revenue from annual Software-as-a-Service (SaaS) licences (~60%). SNS completed two notable corporate initiatives in FY22, namely: (1) The acquisition of Scancam Industries, a fuel-theft monitoring company, for \$6.3m (plus up to \$4.2m of potential deferred consideration); and (2) Capital raisings totalling \$10m (at \$0.12 per share) in late 2021 to fund growth. These initiatives enabled it to secure new or expanded contracts with several clients during Q4 FY22 (with est. minimum total value of \$3.8m in upfront and recurring SaaS revenue to be recognised over two-three years). In July, SNS also announced \$2.5m of expected cost reduction initiatives for FY23 stating that "delivering growth while reducing costs is a pressing priority".

### Business model

SNS's SenDISA platform provides the following AI analytics services: (1) For smart cities clients, namely local councils, road authorities, transit agencies, national parks (64% FY22 revenue): Traffic data, law enforcement and civic compliance solutions; (2) For casinos (9% FY22 revenue): Actionable insights from real-time data on games, customers, productivity and compliance; and (3) For retail (27% FY22 revenue): Anti-fuel theft (Scancam acquisition), loss prevention and asset protection. SNS is also seeking to develop use cases for additional industries. Its revenue model comprises: (1) Upfront revenue from the deployment of pre-packaged hardware solutions (~20% of revenue); (2) Recurring, higher-margin revenue from SaaS licences for its analytics and back-office software (~60% of revenue); and (3) Professional services fees for upfront and ongoing services from trials for prospective clients, solution design services, software installation, configuration, customisation and user-acceptance testing support (~20% of revenue). SNS actively seeks to upsell additional deployments and use cases to its existing clients. Geographically, revenue is split between Australia/NZ (~47%), North America (~36%) and Asia (~17%) [based on FY21].

### Record revenue reflecting Scancam and investment in sales

SNS recently announced its FY22 preliminary unaudited results including the following key metrics: (1) \$9.1m sales revenue (up 65% on pcp boosted by Scancam's \$2.4m ~12-month contribution) and \$3.0m of R&D grant income; (2) 21% organic yoy revenue growth (i.e. ex-Scancam); (3) \$5.6m gross profit (62% margin); (4) \$10.9m EBITDA loss (up from \$2.3m loss in pcp) due to investment in sales teams and R&D to accelerate growth and expand into new market segments; (5) Net loss of \$12.3m; (6) Operating cash outflows of \$8.0m and free cash outflows of \$8.2m; and (7) \$4.3m net cash (including \$2.0m debt) at 30 June and \$1.8m of unused finance facilities. SNS exited FY22 with Annual Recurring Revenue (ARR) of ~\$8.0m.

### Trading on higher EV/Rev multiple than ASX-listed peers

SNS is trading on EV/Revenue of 5.1x for FY22 and 2.8x for FY23f (Source: Refinitiv). We consider Smart Parking Ltd (ASX:SPZ), Rocketboots Ltd (ASX:ROC), SKYFII Ltd (ASX:SKF), Spectur Ltd (ASX:SP3) and Icetana Ltd (ASX:ICE) to be SNS's ASX-listed AI segment peers. SNS is trading at a significant premium to the average 1.8x FY22 EV/Revenue of this peer group, including SPZ which is profitable and trading on 1.8x FY22 EV/Revenue and 8.0x FY22 EV/EBITDA.

#### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Sales revenue	EBITDA rep.	NPAT rep.	EPS rep. (c)	EV/Sales (x)
06/19a	3.7	(5.0)	(5.3)	(1.3)	8.6
06/20a	3.8	(3.1)	(3.7)	(0.9)	9.0
06/21a	5.5	(2.3)	(3.0)	(0.6)	6.5
06/22a*	9.1	(10.9)	(12.3)	(2.0)	5.1

Source: Company data; \*Unaudited preliminary final figures

## Software & Services

9<sup>th</sup> September 2022

### Share Details

ASX code	SNS
Share price (8-Sept)	\$0.078
Market capitalisation	\$50.8M
Shares on issue	651.14M
Net cash at 30-Jun-2022	\$4.3M
Free float	~45%

### Share Performance (12 months)



### Upside Case

- New contract wins/Upselling to existing clients
- Meeting \$2.5m FY23 cost reduction target/ Evidence of fixed cost base reductions
- Launching new industry use cases

### Downside Case

- Loss/non-renewal of contract(s) and/or orders
- Further capital raisings (H1 FY22 audit review report contained material uncertainty relating to going concern paragraph)
- Higher-than-expected quarterly cash outflows during FY23

### Catalysts

- New contract wins/Existing contract upsells
- Reduced quarterly cash outflows

### Comparable Companies (Australia)

Smart Parking Ltd (ASX:SPZ), Rocketboots Ltd (ASX:ROC), SKYFII Ltd (ASX:SKF), Spectur Ltd (ASX:SP3), Icetana Ltd (ASX:ICE)

### Board and Management

Subhash Challa	Exec. Chair & CEO
Heather Scheibenstock	Executive Director
Zenon Pasieczny	Non-Exec. Director
David Smith	Exec. Director/CoSec
Jonathan Cook	CFO

### Company Contact

Vanessa Beresford (IR) +61 3 9417 5368  
vberesford@citadelmagnus.com

### RaaS Contact

Clare Porta, CFA +61 413 040 540  
clare.porta@raasgroup.com



# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



### About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR. This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: [finola.burke@raasgroup.com](mailto:finola.burke@raasgroup.com)

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

**What Financial Services are we authorised to provide?** RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

### Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

### Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

### How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

### Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

### Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

### Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

## DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service ("RaaS"). This research is issued in Australia by RaaS and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.