

Quarterly Report



Activities Report for the Quarter ended
30 June 2019

31 July 2019

HIGHLIGHTS

Smart Cities

- *SenSen won multi-year contracts with the City of Gold Coast and Cairns Regional Council to supply its automated parking enforcement solution, and will earn systems, software and commissioning revenue, as well as annual recurring fees*
- *Brisbane City Council ordered additional SenFORCE systems and services under its existing contract, generating up-front and annual recurring revenues for the company*
- *SenSen successfully completed a six-month trial of a new video tolling solution on Melbourne's CityLink toll road (which is operated by the Transurban Group) and is engaged in further trials of this technology on Transurban's toll road in Montreal, Canada, to evaluate applicability in global and more challenging settings*
- *Market interest in Gemineye continues to grow strongly with multiple trials underway and over 40 qualified opportunities in the pipeline across the globe*
- *Post reporting date, SenSen announced it had won a software maintenance contract with ATT Systems Group for an additional 78 cameras in Singapore, bringing the total number of illegal parking enforcement cameras being managed by SenSen for the Singapore Land Transport Authority to 336 cameras*

Retail & Leisure

- *In April, SenSen announced it was commencing a 30-table SenGAME deployment at Philippines's Solaire Casino generating revenue from the hardware, software and services set-up as well as a monthly SaaS fees on each Baccarat table*
- *Independent evaluation of SenGAME 3.0 confirms accuracy of SenSen's gaming solution*
- *Highly successful marketing at Global Gaming Expo in Macau in April generated new deployment opportunities for SenGAME with the pipeline growing to more than 70 casino properties, including 15 in North America and 25 in Asia*
- *New SenGAME features including bet assignment and cash and card recognition showcased at G2E*

Corporate

- *SenSen earned ~A\$946k in revenue and ~A\$572k in cash receipts during the June 2019 quarter, with contributions from both Smart Cities and Retail & Leisure verticals*
- *Longer than expected timelines for the awarding of new government and Council contracts has resulted in the timing of a number of anticipated revenues for SenSen*

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shifting to later in CY2019, meaning FY2019 revenue is expected to be slightly down year on year, in the order of ~A\$3.4M (FY2018: A\$4.05M); this excludes a A\$0.3M contract which was invoiced and paid but not recognised as revenue in line with updated accounting policy

- *Recurring revenues are growing at an ever-increasing rate – Recurring revenue from existing clients for the year ended 30 June 2019 is ~A\$1.5M which is over 150% higher than recurring revenue for the previous year*
- *Cash receipts from customers in the September FY20 quarter of ~A\$1.32M expected to largely meet the anticipated net operating cash outflows of ~A\$1.42M*
- *~A\$2M cash position at 30 June 2019, including A\$320k drawn down from a low-interest A\$500k loan facility provided by related parties of CEO Subhash Challa for working capital*
- *Strategic operational efficiency and cost structure management initiatives from 1 March 2019 have generated ~A\$400k in savings and set to continue*

Leading Smart City solution 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 2019.

Smart Cities

In June 2019, SenSen announced it had secured a deal to supply an automated parking enforcement solution to the City of Gold Coast, Queensland, in conjunction with its distribution partner Duncan Solutions, an Australian-owned provider of integrated parking solutions, of which the City of Gold Coast is a longstanding customer.

SenSen’s contract with the City of Gold Coast covers the City’s purchase of an initial two SenFORCE mobile parking enforcement units, with upfront revenue for the systems, software and commissioning of the units, with the contract term commencing in June. SenSen will also earn annual recurring revenues and fees for the software licence, maintenance and support services, under the three-year term of the contract.

City of Gold Coast parking inspectors will utilise SenFORCE across the municipality to improve safety in school zones as well as parking space availability and congestion.

In another win for SenSen during the quarter, the Company received orders to supply two additional fully automated parking enforcement units to Brisbane City Council (“BCC”) under its existing “Suburban Safety Mobile Technology Solution” (SSMT) contract with BCC.

SenSen has supplied the additional services to BCC, including two SenFORCE units and will earn upfront revenue for the systems, software and commissioning of the units, as well as annual recurring revenues under the contract. This expands SenSen’s existing multi-year contract with BCC, Australia’s largest council, to provide a range of solutions relating to suburban safety mobile technology.

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This new order increased the total to five vehicle-mounted systems to help automate BCC's parking enforcement and sign audit processes and assist in managing traffic congestion.

SenSen continues to increase its reach throughout Queensland, having announced a multi-year contract with Cairns Regional Council in April, as reported last quarter. The council is also a longstanding customer of Duncan Solutions.

Cairns Regional Council parking inspectors will use SenFORCE in the CBD to assist in managing the City's parking congestion problem. SenSen is supplying its fully automated parking enforcement solution with the council purchasing a SenFORCE mobile parking enforcement unit. SenSen is receiving upfront revenue for the systems, software and commissioning, and fees for the year one software licence and maintenance services. The Company will also earn annual recurring revenues under the three-year term of the contract.

During the quarter, SenSen entered a new segment in its Smart Cities vertical by successfully concluding trials of a video-tolling solution covering four lanes on Melbourne's CityLink toll road (which is operated by the Transurban Group).

The six-month long video-tolling trials focused on the ability of SenSen's proprietary video analytics and AI software's to achieve accuracy levels of vehicle detection and licence plate recognition (LPR) essential for video tolling.

In addition, SenSen is engaged in further trials of this technology on Transurban's toll road in Montreal, Canada, to evaluate applicability in global, more challenging settings. Other trials are also under way to evaluate performance of SenSen's AI technology in applications related to generation of traffic data from traffic monitoring cameras related to volume, occupancy, speed and classification of vehicles, primarily used in incident detection, traffic control and information systems.

During the quarter, Gemineye saw growing market interest since launching in March at the Cities 4.0 Conference in Melbourne and the Parking Industry Expo (PIE) in Chicago, USA. The breakthrough technology has since been shown at the International Parking & Mobility Institute Conference in Anaheim, USA, and the Smart Mobility Conference in Melbourne, Australia (both in June).

Multiple Gemineye trials are underway with cities, government bodies and private customers, including parking operators and parking technology resellers. Currently, there is a pipeline of over 40 qualified opportunities across the world interested in trialling the technology.

Ongoing Gemineye technical development work has increased the app's functionality. Additionally, several third-party integrations are underway, driven by client demand.

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Last week, SenSen announced it had received a new order to supply software maintenance services for an additional 78 cameras monitoring illegal parking activities in Singapore's CBD.

SenSen already provides software maintenance services for 258 cameras in the Singapore CBD to ATT Systems Group ("ATT") and the additional order brings the total number of cameras under software maintenance to 336.

ATT is a long-term channel partner for SenSen in Singapore. ATT Systems Group (www.attsystemsgroup.com) is a regional systems integrator whose competitive edge is in providing a one-stop solution service that delivers intelligent customised systems for government and commercial clients.

The additional services are to be supplied by SenSen for an initial period of six months, commencing 1 October 2019. SenSen will earn additional monthly Software as a Service revenue under the maintenance contract.

Retail & Leisure

In June 2019, SenSen announced it had received a report from Gaming Laboratories International LLC ("GLI"), after the gaming industry leader in testing and certification conducted an evaluation of the SenGAME 3.0 Business Intelligence System. The purpose of the evaluation was to attest that the system performs as indicated and that there is no impact on the statistical outcome of the game the system is installed upon. The GLI evaluation was performed at Adelaide Casino, Australia, and confirmed the accuracy of SenSen's gaming solution.

In April 2019, SenSen participated at G2E Asia (www.g2easia.com) in Macau, the world's largest B2B gathering of the Asian gaming-entertainment industry, bringing together the industry's top buyers and suppliers to network and conduct business each year.

In addition to showcasing SenGAME 3.0's standard features including real-time table occupancy, hands dealt per hour, bet types and bet values across the gaming floor, the SenSen Gaming team also demonstrated unique new features being tested by SenSen. These include bet assignment to individual players, as well as cash and playing card recognition using Artificial Intelligence and Machine Learning enhancements to SenGAME to provide a fully comprehensive solution for casinos to optimise table configuration across the gaming floor, with the ultimate aim of maximising revenue outcomes.

Since the conference, SenSen's Gaming team has been following up potential new customers to implement Proof of Concept ("POC") trials as well as existing casino leads seeking more rapid deployments of the SenSen gaming solution.

With an addressable market of more than 50,000 gaming tables across 1,300 casinos globally, SenSen is aiming to deploy its real-time game and player analytics to 10,000

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gaming tables within the next three years, generating monthly high-margin Software as a Service revenue for the Company. SenSen aims to boost SenGAME adoption through:

- Direct engagement with casino groups;
- Value-added resellers where SenGAME is embedded into reseller technology platforms; and
- Distributor arrangements.

Whereas SenSen had more than 30 customer opportunities in the pipeline as of early May, since G2E this pipeline has grown to more than 70 opportunities, including 15 in North America and 25 in Asia.

As announced in April, SenSen's latest customer to roll out SenGAME is the Solaire Resort and Casino in the Philippines, which began installing the system on 30 baccarat tables in May. SenSen's cutting-edge automated video and artificial intelligence software solution will be retrofitted to the tables and will provide Solaire with highly valuable and accurate analytics.

Corporate

As previously announced, longer than expected timelines for the awarding of new government and Council contracts following tender processes and trials have resulted in the timing of a number of anticipated positive financial outcomes for SenSen shifting to later in CY2019. This means FY2019 revenue is expected to be slightly down year on year, in the order of ~A\$3.4M (FY2018: A\$4.05M).

A further material contract with Solaire Casino (Philippines) for A\$287k, although invoiced and paid, was not recognised as revenue in line with the updated accounting policy "AASB 15 Revenue from contracts with customers".

As expected, SenSen's recurring revenue from existing clients continues to grow. For the year ended 30 June 2019, this revenue of ~A\$1.5M is over 150% higher than recurring revenue for the previous year. Recurring revenue from this same customer base (not including recurring revenue from new customers) is expected to exceed A\$2M in FY20 and expected to continue growing at similar rates.

As previously announced, from 1 March 2019, SenSen commenced a short-term operational efficiency program by reducing its monthly cost structure. These initiatives have generated ~A\$400,000 in savings since then, including ongoing deferred remuneration by the Board and Executive team.

As SenSen continues to grow rapidly, and to further shore up the financial strength of the Company, related parties of CEO Subhash Challa have executed an arms-length loan arrangement in the sum of A\$500k, at a low 4.95% interest rate. This extra working capital buffer allows the Company to continue to sensibly manage deployments efficiently for its customers.

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Outlook

Pleasingly, delayed contract revenues are now starting to come through. In Q1 FY2020, cash receipts of ~A\$1.32M from invoiced customers are expected to largely meet the anticipated net operating cash outflows of ~A\$1.42M, and SenSen continues to work towards cash-flow break-even.

With a large number of qualified new opportunities in the pipeline across the Smart City and Retail & Leisure verticals, SenSen holds a positive outlook regarding its capacity to rapidly grow its customer base. As every new contract adds to SenSen's recurrent revenue stream, the Company intends to deliver more value to customers as well as investors as its continual growth makes cities smarter and enterprises more efficient.

For further information, please contact:

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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, 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 report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SENSEN NETWORKS LIMITED

ABN

67 121 257 412

Quarter ended ("current quarter")

June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	572	2,554
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(459)	(1,139)
(c) advertising and marketing	(104)	(353)
(d) leased assets		
(e) staff costs	(932)	(3,888)
(f) administration and corporate costs	(556)	(2,306)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	16
1.5 Interest and other costs of finance paid	(6)	(32)
1.6 Income taxes paid	(33)	(142)
1.7 Government grants and tax incentives	57	936
1.8 Other (provide details if material)	2	(178)
1.9 Net cash from / (used in) operating activities	(1,459)	(4,532)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
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<p>2. Cash flows from investing activities</p> <p>2.1 Payments to acquire:</p> <p style="padding-left: 20px;">(a) property, plant and equipment</p> <p style="padding-left: 20px;">(b) businesses (see item 10)</p> <p style="padding-left: 20px;">(c) investments</p> <p style="padding-left: 20px;">(d) intellectual property</p> <p style="padding-left: 20px;">(e) other non-current assets</p> <p>2.2 Proceeds from disposal of:</p> <p style="padding-left: 20px;">(a) property, plant and equipment</p> <p style="padding-left: 20px;">(b) businesses (see item 10)</p> <p style="padding-left: 20px;">(c) investments</p> <p style="padding-left: 20px;">(d) intellectual property</p> <p style="padding-left: 20px;">(e) other non-current assets</p> <p>2.3 Cash flows from loans to other entities</p> <p>2.4 Dividends received (see note 3)</p> <p>2.5 Other (provide details if material)</p> <p>2.6 Net cash from / (used in) investing activities</p>	<p>(37)</p>	<p>(262)</p>
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<p>3. Cash flows from financing activities</p> <p>3.1 Proceeds from issues of shares</p> <p>3.2 Proceeds from issue of convertible notes</p> <p>3.3 Proceeds from exercise of share options</p> <p>3.4 Transaction costs related to issues of shares, convertible notes or options</p> <p>3.5 Proceeds from borrowings</p> <p>3.6 Repayment of borrowings</p>	<p>320</p>	<p>320</p>
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Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
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	320	320

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,178	6,476
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,459)	(4,532)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(37)	(262)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	320	320
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	2,002	2,002

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	1,227	2,403
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)	2,002	3,178

6. Payments to directors of the entity and their associates

Current quarter
\$A'000

6.1 Aggregate amount of payments to these parties included in item 1.2

141

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Comprises payments to 5 directors

7. Payments to related entities of the entity and their associates

Current quarter
\$A'000

7.1 Aggregate amount of payments to these parties included in item 1.2

186

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Payments to SenSen VBI, a 100% subsidiary of the group which provides technology development services. These payments are to cover salary of Indian employees.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,275	770
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

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

Loans

Cashflow 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 low 4.95% interest rate of which \$320k is currently drawn down.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs*	(50)
9.3 Advertising and marketing	(38)
9.4 Leased assets	-
9.5 Staff costs	(954)
9.6 Administration and corporate costs	(373)
9.7 Other (acquisition costs)	-
Other (loan repayments)	-
9.8 Total estimated cash outflows	(1,415)

*Please note that these costs relate to billable contracts and are incurred before receipts from customers invoiced are received. Most of SenSen's customers are city councils and government bodies who tend to have 60 day payment terms.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.



Sign here:
(Director/Company secretary)

Date: 31 July 2019

Print name: David Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.