

29 April 2020
Australian Securities Exchange (ASX) Announcement

Sensera Quarterly Update and Schedule 4C

Highlights:

- **Revenue of US\$2.6m and cash receipts of US\$2.1m**
- **Continued improvement of Group gross margin to 56%**
- **Further cost saving initiatives and cash injection to improve cash flow**

Quarterly revenue was US\$2.6m, in-line with expectations of lower revenue in 2nd half of FY20 but at significantly improved gross margin of 56% vs. 46% in the prior period. Cash receipts were \$2.1m. The quarterly operating expenses were US\$1.9m versus US\$2.7m in the previous quarter. Due to significant shipments late in the quarter, the cash balance hit a low point US\$0.3m at the end of March but has improved throughout the current month to be US\$1.35m on April 28th.

MicroDevices

MicroDevices achieved quarterly revenue of US\$1.2m with a gross margin of 51%. Production output in the quarter ramped and the group achieved consistent production sensor yield in supplying its largest customer. The two new programs from this customer as described in the last release, also contributed material revenue.

MicroDevices reduced its operating expenditures by 32% in the quarter versus prior period. This is in-line with projections, but due to the high fixed costs of the fab profitability remains elusive without higher revenue. The group has taken another estimated 33% opex reduction for F4Q20 to ensure viability through the COVID-19 challenges. Employees are working with reduced salaries while office rental and equipment lease interest obligations will also be postponed.

The MicroDevices participated in the US CARES Paycheck Protection Program (PPP) put in place to help during the COVID-19 pandemic. Funds of US\$621k to defray payroll and other allowable expenses has been obtained under this program, which is eligible to be forgiven if key criteria are met. The ability to quantify the forgiven allowance should be disclosable by the F4Q20 4C release but is expected to be a large percentage of the total.

The group operating the fab and micro-assembly area in Woburn, Massachusetts continue to operate normally as MicroDevices has been deemed an essential business due to the medical aspects of the customer base. The team is on-site and continues to improve its manufacturing capability by successfully completing the ISO-9001 surveillance audit in the quarter.

The Company has seen some customers slow their development programs during March as COVID-19 impacted their workforce. MicroDevices did not see any reduction in customer designs in F3Q20, however progress on moving customers to production has been delayed. The expectation is that one customer will move to production phase in F4Q20.

IOT Solutions (previously Nanotron)

IOT Solutions ("IOTS") has achieved revenue of US\$1.4m in the quarter at a 61% gross margin. The improvement of margins was due to an entire quarter of shipments coming from the Company's Thailand contract manufacturer as well as the completion of significant chip shipments. This group saw no disruption of production shipments and operated profitably in the quarter. The contract manufacturer has not forecast any foreseeable COVID-19 related production supply issues at this stage.

The improved cost base of this business contributed a 35% opex reduction over last quarter. These lower costs and much improved margins led to an operationally profitable quarter for the group. IOTS has taken another estimated 25% opex reduction for F4Q20 to ensure viability through the COVID-19 situation with employees working with reduced salaries and office rental also being postponed.

The company has also benefitted from a grant from the German government known as the KUG program which offsets part of the payroll. Employees are working from their homes until the risks of working in a common workplace can be minimized. While we normally operate as a distributed organization, we do expect some inefficiencies and have also had some customers slow their deployment of our solutions.

In the quarter, IOTS completed a licensing agreement with Aretas Sensor Networks, Inc. ("Aretas") to ship location-based systems using the Aretas IOT middleware software solution. The solution has gone through alpha release and enables security and cloud-based sensor analytics and storage.

The Company also continued to expand its global market reach by adding the Australian electronics distributor, Braemac. This will give Sensera products a wider exposure in the Pacific rim marketplace. Braemac has expertise in sensor-based systems and has already engaged with mining and animal health customer with proof of concepts.

Revenue improved in the mining sector primarily out of the Russian and Indian markets. Most other mining markets were down. While design activity has slowed due to COVID-19 the group continues to engage in new customer opportunities driven by manufacturing automation which added US\$3m of new opportunity to the pipeline primarily in the manufacturing automation. The pipeline of opportunities remains solid, but the company is planning some additional time to revenue due to the current business environment.

4C Financials and Forecast

The F2Q20 4C Section 9 reflected the post restructuring cash outflows for the quarter forecasted at US\$4m. Within the quarter the Company was able to improve this with a total outflow of US\$3.7m. Of primary importance was the reduction of product manufacturing and operating costs to US\$1.6m from US\$3.7m in the prior quarter. As discussed previously, most of the product builds have shifted to product level and not chip level products. This drove the reduction of product manufacturing costs, improvement in gross margin and is expected to continue. The restructuring payments of US\$413k (under 4C section 1.8 Other) against the provision expensed in F2Q20, were in-line with expected cash outflows and will continue to reduce over the next two quarters.

As discussed in the F2Q20 4C release, the Company continues to anticipate lower revenue in the 2H20, which has now been exacerbated by COVID-19. Sensera did deliver on the 55% gross margin expected in the Group model, over 60% gross margin for IOTS and 40% yoy operating expense reduction against a committed 30% reduction already achieved by F3Q20. Additional opex reductions occurred through streamlining of corporate positions, elimination of board fees and reduction of consulting services. These are all important restructuring activities and financial milestones necessary to build a viable business.

The Company could not come to reasonable terms on a financing during the quarter but the additional cost reductions, margin increases and two government grants/loans have improved the cash situation. The Company continues to work with our major debt providers and is in ongoing productive discussions while receiving some interest relief by way of deferral. As previously released, the company was in default on the minimum cash level covenant. The debt providers are working with the company on how best to address but have not yet reached a conclusion.

Sensera has taken steps to protect the Company during the COVID-19 pandemic by taking payroll reductions, deferred some obligations and obtained some interest relief. The Company is in active discussions regarding strategic options for its businesses and continues to evaluate financing options to improve the capital structure of the Company.

For more information please contact:

Ralph Schmitt
Chief Executive Officer
+1 781 404 6500
info@sensera.com

Simon Peeke
Investor Relations
+61 404 443 323
speeke@sensera.com

About Sensera Limited (ASX: SE1):

Sensera is an Internet of Things (IoT) solution provider that delivers sensor-based products transforming real-time data into meaningful information, action and value. The company designs and manufactures hardware and software across the vertical technology spectrum from unique structures as MicroElectroMechanical Systems (MEMS) and sensors, as well as wireless networked systems and software that when combined, drive an entire IoT platform solution.

Shares in Sensera Limited (ASX: SE1) are traded on the Australian Securities Exchange (ASX). For more information, please visit our website: www.sensera.com.

Any forward-looking statements in this announcement are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management.

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

Sensera Limited

ABN

73 613 509 041

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$U.S'000	Year to date (9 months) \$U.S'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,105	9,206
1.2 Payments for		
(a) research and development	(1)	(175)
(b) product manufacturing and operating costs	(1,622)	(7,482)
(c) advertising and marketing	(398)	(1,743)
(d) leased assets	(220)	(693)
(e) staff costs	(658)	(2,202)
(f) administration and corporate costs	(385)	(1,375)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(143)	(296)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	21	28
1.8 Other (provide details if material)*	(413)	-
1.9 Net cash from / (used in) operating activities	(1,714)	(5,115)

*1.8 Other represents cash outflows in relation to the restructure charge accrued of US\$1,037 during the 2nd quarter.

For personal use only

Consolidated statement of cash flows	Current quarter \$U.S'000	Year to date (9 months) \$U.S'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(246)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	-	(246)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	2,142
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(124)
3.5 Proceeds from borrowings	-	4,864
3.6 Repayment of borrowings	-	(1,870)
3.7 Transaction costs related to loans and borrowings	-	(165)
3.8 Dividends paid	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$U.S'000	Year to date (9 months) \$U.S'000
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	4,847

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	2,034	834
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,714)	(5,115)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(246)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	4,847
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	320	320

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 \$U.S'000	Previous quarter \$U.S'000
5.1 Bank balances	320	2,034
5.2 Call deposits	-	-
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)	320	2,034

6. Payments to directors of the entity and their associates	Current quarter \$U.S'000
6.1 Aggregate amount of payments to these parties included in item 1.2	76
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	

The amount at 6.1 includes payment of directors' fees and payments to a director related entity excluding reimbursement for administrative expenses and travel expenses.

For personal use only

7.	Payments to related entities of the entity and their associates	Current quarter \$U.S'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
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	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$U.S'000	Amount drawn at quarter end \$U.S'000
8.1	Loan facilities	5,412	5,412
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.		

Facility	Facility Limit (\$US'000)	Drawdown (\$US'000)	Interest Rate
PURE Asset Management Pty Ltd and Altor Credit Partners Pty Ltd	4,412	4,412	1% per month
Promissory Note	1,000	1,000	1% per month
TOTAL	5,412	5,412	

9.	Estimated cash outflows for next quarter*	\$U.S'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	1,352
9.3	Advertising and marketing	223
9.4	Leased assets	-
9.5	Staff costs	492
9.6	Administration and corporate costs	108
9.7	Other (provide details if material)	312
9.8	Total estimated cash outflows	2,487

* To fully understand the Company's estimated subsequent quarter cash position, cash inflows from customer receipts should also be considered. Consistent with previous quarters, it is reasonable to conclude that the company will derive receipts from customers generated from delivering of our services and products.

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: 
Company secretary

Date: 29 April 2020

Print name: Mark Pryn

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.

For personal use only