



COMPANY UPDATE
FEBRUARY 3, 2020

DISCLAIMER

This update may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of past and present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this update, are expected to take place.

Such forward-looking statements 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. Although the Company believes that the expectations reflected in the forward looking statements included in this update are reasonable, none of the Company, its Directors or Officers can give, or gives, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this document will actually occur or that the assumptions on which those statements are based are exhaustive or will prove to be correct beyond the date of its making.

Company Summary

Market Capitalisation & Enterprise Value

Ordinary shares on issue	[mil.]	322.1
Share price (date)	[A\$/share]	0.047
Market capitalisation	[A\$m]	15.1
Debt (as at 31 Dec 19)	[A\$m]	7.6
Cash (as at 31 Dec 19)	[A\$m]	2.0
Enterprise Value	[A\$m]	20.8

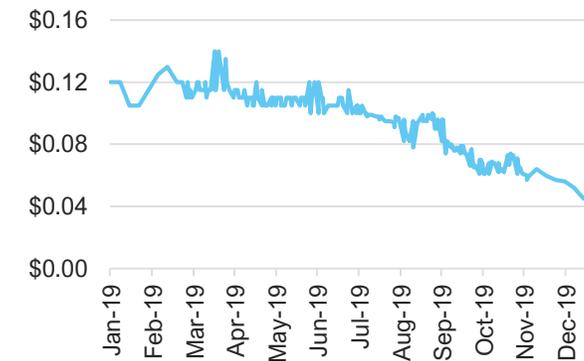
Name

Position

Allan Brackin	Non-Executive Chairman
George Lauro	Non-Executive Director
Jonathan Tooth	Non-Executive Director
Camillo Martino	Non-Executive Director
Ralph Schmitt	Managing Director

Shareholder	Shares [mil]	% stake
HSBC Noms.	18.1	5.6%
Citicorp Noms.	17.8	5.5%
Guerilla Nominees (Jonathan Tooth)	11.8	3.7%
Triton Systems	11.7	3.6%
Merrill Lynch Nom.	11.7	3.6%
Altor Capital	5.9	1.8%
Ralph Schmitt	3.0	0.9%
Allan Brackin	1.9	0.6%
Top 20 Shareholders	81.9	25.4%

Share price chart



ALL FIGURES IN THIS PRESENTATION ARE IN US\$ UNLESS STATED

Executive Summary

<p>About Sensera</p>	<p>Sensera Limited (“the Company”) is a technology solution provider that produces sensor-based products. The Company designs and manufactures hardware and software across the Internet of Things (IOT) market spectrum. The Company has operations in Germany and the US and services over 30 customers many of which are leaders in their fields, including several multi-billion dollar US listed organisations.</p>
<p>Strategy</p>	<p>Sensera operates two divisions:</p> <p>MicroDevices - MEMS design and fabrication (US)</p> <p>IOTS (Nanotron) - IOT sensors and software products with a focus on real time location tracking (Germany).</p> <p>The strategy has been progressed from bespoke design and engineering (building components for customer solutions), to being a whole solution provider, producing both the hardware and software.</p> <p>The evolution is taking longer than expected to execute, but nevertheless is yielding more direct relationships with customers, improved margins and higher recurring income. Sales efforts have been redirected to customers that are closer to production, from previously where sales were more directed at those in the R&D stages of development.</p>
<p>Trading Update</p>	<p>Revenue of US\$6.8m (A\$10.0m) in 2H19 was a record (+86%pcp) and management had expected to growth to continue. The cost base was predicated on growth, and the Company was fully funded until revenue and margin expansion turned the Company to cashflow positive.</p> <p>The Company has suffered the loss or deferral of several expected orders, and although management has rapidly responded to restructure the cost base, this has not been rapid enough to avoid a further requirement for capital. Based on near term forecasts and contracted revenue the capital raising will allow the Company to continue its growth and reach profitability in the near term.</p>
<p>Outlook</p>	<p>Despite the lower than forecast performance, management expects to report revenue growth of +10% in FY20 and to reach breakeven six months later than planned, in 2Q21.</p>

Overview - What has happened

- What went wrong
 - Capital insufficient to cover downside scenario
 - Operating costs modelled against forecasts that have proven to be too optimistic – one new large customer cancelled and other new contract wins delayed
 - Too much dependence on a single customer in each division - shipments reduced from key customer
- What we have done about it
 - Restructured the business to reduce operating expense by over 30% (\$3m annual saving)
 - Changed financial personnel to more effectively model appropriate business scenarios
 - Disconnected the sales forecast from business planning and applied a historical model to scrutinise revenue forecast accuracy
 - Increased production-based customer engagements in the MicroDevices pipeline – volume focus (fill the fab facility) vs longer term design projects
- Why it won't happen again
 - Changed operating leadership in IOTS business
 - Financial leadership change to model and plan appropriately
 - More conservative forecasting based on historical analysis of deal closure timeline - now modelled at 24 months+ depending on application and type of customer

Key Operational Takeaways

1. Improving gross margins

- Gained 11%pts last quarter (35% to 46%) and will approach 60% in the current quarter
- Low margin contract in IOTS replaced with higher margin systems level contract

2. Taken significant cost out of the business

- \$2.0m of cost out of IOTS business and additional \$1.0m out of MicroDevices and Corporate overhead
- Costs reductions are sustainable and revenue is scalable off this reduced base

3. IOTS now profitable

- Breakeven now reduced to just \$4.0m in annualised revenue
- Revenue of \$4.4m achieved in 1H20

4. We are not losing customers, we are winning customers

- 65 total customers with quarterly engagements increased 50% pcp
- \$40.0m of revenue opportunities in the design phase and beyond

5. Management and Directors contributions

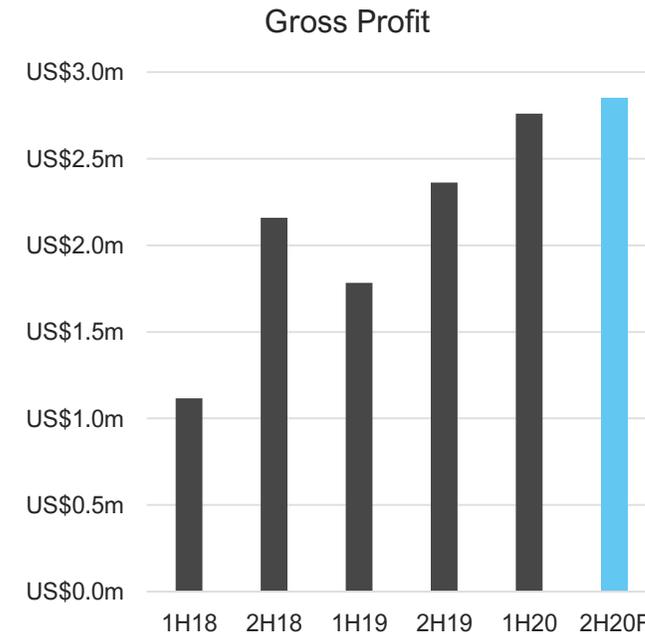
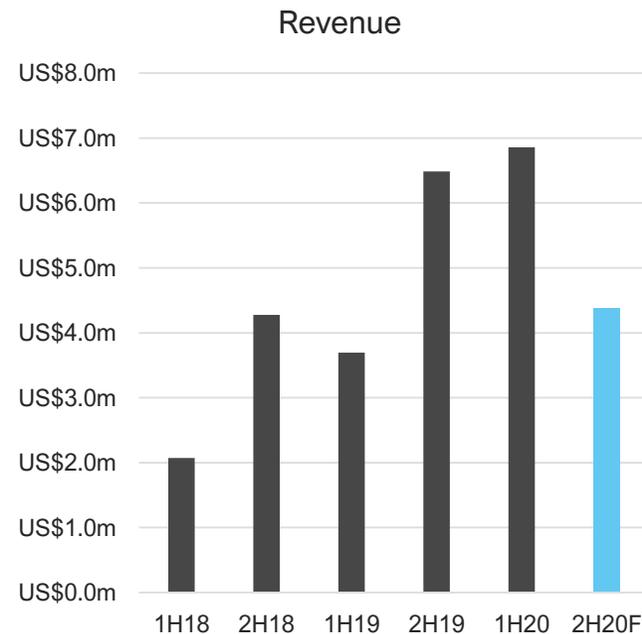
- Key management and directors have taken pay reductions or are working for below market rates

OPERATIONAL
UPDATE

Growth track

We continue to broaden our customer base and improve our margins

- Despite the headwinds FY20 Revenue growth is expected to be +10%pcp, a record for the Company.
- This growth comes on top off the 60% revenue growth reported in FY19.
- Based on customer commitments we expect further revenue growth in FY21.
- The 2H20 revenue will be below first half, principally because of MicroDevices performance and in IOTS the replacement of high volume / low margin sales, with a lower volume / high margin sales.
- Improving gross profit margins reflected more complex products, operating efficiencies, offshoring production for IOTS division, economies of scale and the completion of a lower margin contract.
- 1H20 Gross Profit of \$2.8m (A\$4.1m) is a record (+50% pcp), and management expects a further increase in 2H20 lifting FY20 Gross Profit by 30-40% on the prior year.



Operational summary

- What went wrong by division
 - MicroDevices
 - Abiomed – Yield issue limited the ramp of sensor sales, and a reduction of Bench volumes due to slower demand for Abiomed’s products - \$1.1m impact in FY20 budget
 - Vectura nebulizer project cancelled (next volume customer) - \$0.5m impact in FY20 budget
 - Didi Chuxing moved to a 3rd redesign delaying volume ramp until FY21 - \$0.5m revenue impact in FY20 budget (deferred)
 - IOT Solutions (IOTS)
 - Completion of low margin volume chip contract worth \$1.2M/Qtr – replacement business from new customers only covers half this revenue, but at superior margins
 - Forecast too aggressive on ramp to production on multiple mining and manufacturing engagements – excessive time to market due to system integrator being part of the design and customer integration process

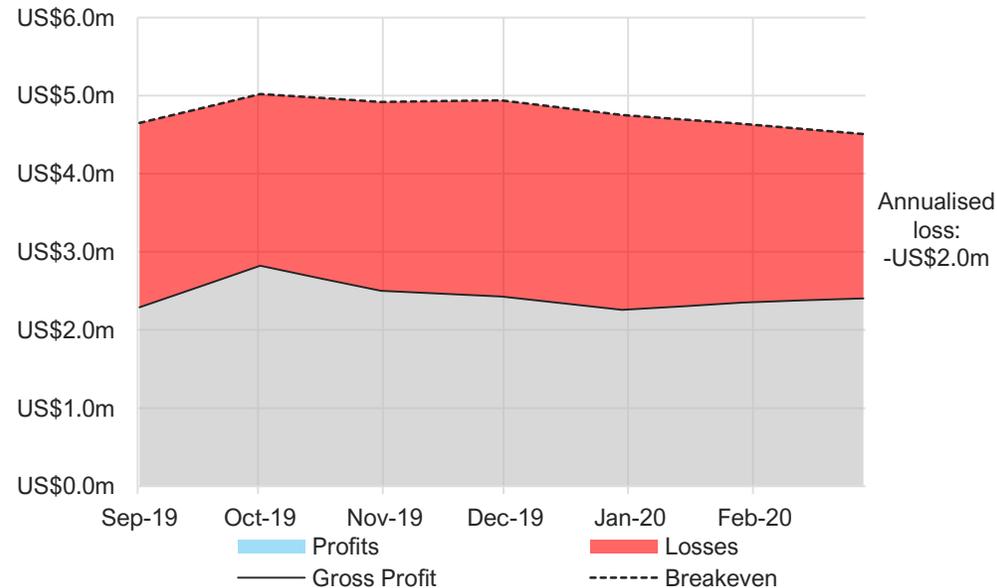
- What we have done about it
 - MicroDevices
 - Abiomed sensors will double in output based on customer plan, two new sensor products added, increased commitment for Bench production (albeit still 1/3 of previous levels)
 - Material non-recurring engineering fee charged to Didi for 3rd design to ensure commitment and speed to production – Time based payments + milestones
 - Additional engagements with new customers with in–the-market end products – no more non-recurring engineering design work being accepted
 - IOT Solutions (IOTS)
 - Over the last 12 months IOTS has moved to a dual sales strategy with resources focused on building complete customer applications, to complement its traditional model of being a component supplier to the system integrator industry. This is expected to yield improved sales with the pipeline of new customer opportunities.
 - Nanotron sensor management has been restructured and the sales team has been refocused.
 - Eliminated all chip level design capabilities and kept application engineers to focus on closing customer designs quicker

The path to profitability

- Micro Devices is taking longer to scale than expected and remains below breakeven. A key customer loss and lower total demand from Abiomed will reduce revenue for balance of FY20. Abiomed relationship remains strong, with the two products in production and two new products due for production launch in the current financial year.
- High fixed costs of manufacturing in MicroDevices limits the amount of cost reductions possible.
- The IOTS overhead expenses have been reduced by 35% from US\$2.1m in 1H20, to an expected US\$1.3m in 2H20.
- Improved operating efficiencies has moved IOTS to profitability in the month of December with consistent expansion in divisional profits expected for the foreseeable future.

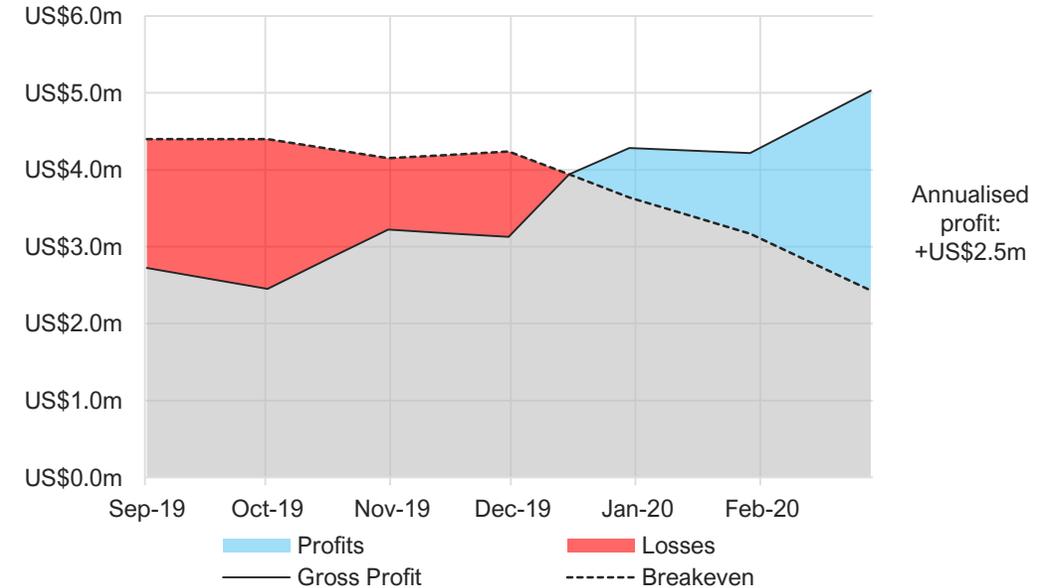
MICRO DEVICES

(12 month trailing – annualised data)



IOT SOLUTIONS

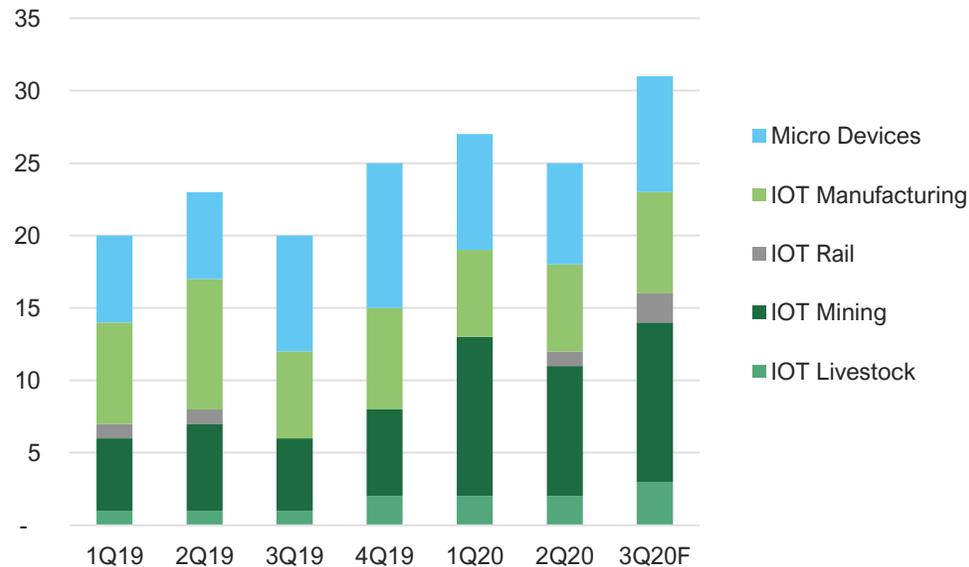
(12 month trailing – annualised data)



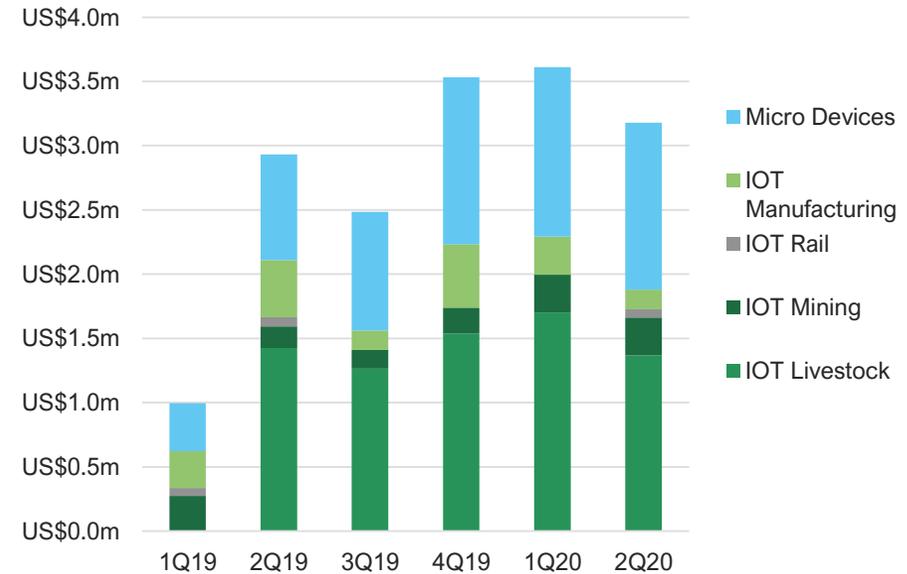
Increasing customer breadth

- IOTS continues to increase the number of customers with which it works. Revenues from many of these customers remain nascent due to 24 month+ design cycles, but the increasing customer opportunity count is cause for optimism.
- We have enjoyed very strong demand for our mining products ([swarm bee](#) - location awareness and collision avoidance) with a near doubling of customers since the end of FY19.
- The contracts with Zoetis (herd welfare monitoring) and Abiomed (human cardiac sensors) remain the mainstay of group revenue in FY20.

Active Customer Count



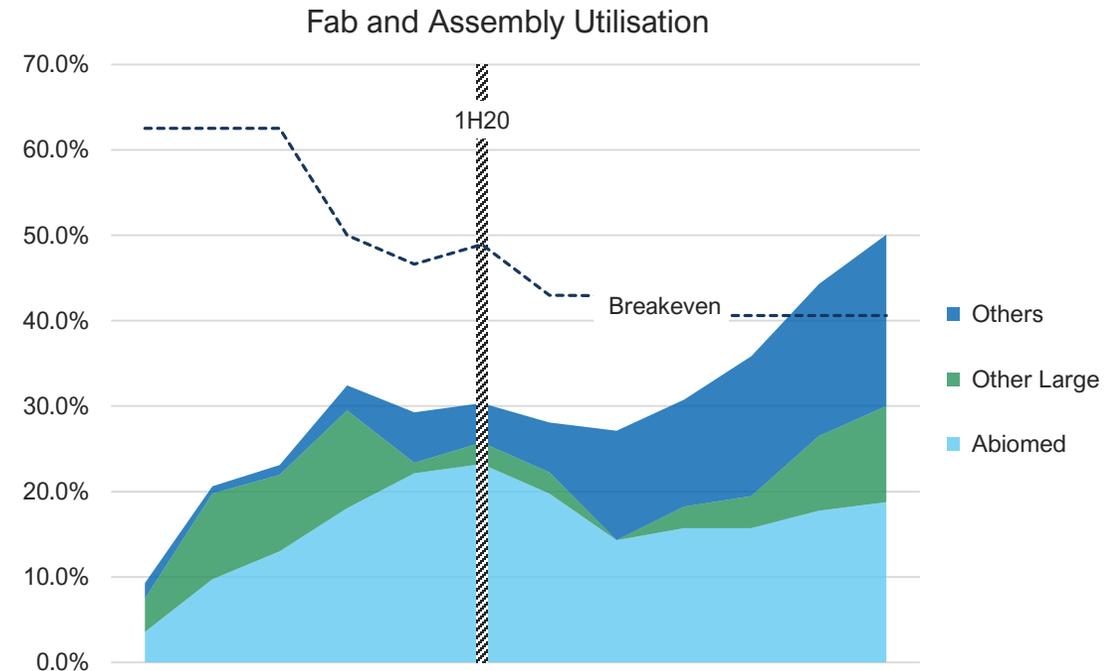
Revenue by Category (US\$m)



Utilisation Opportunity

MicroDevices is positioned to take advantage of excess capacity at high gross margin

- MicroDevices runs a fab and a micro assembly line both of which have considerable capacity at stable fixed cost levels. Both operations can be expanded to 24/7 operations, with single shift production currently undertaken.
- Break even levels have been improved and are expected to remain relatively constant.
- Breakeven is expected to be achieved when the operations are 45% utilised, based on current contract visibility this is expected within 18 months, but could be sooner with additional contract wins currently in the pipeline.
- The strong reliance on Abiomed is being reduced as other clients move into production. There were eight active customers in the quarter (14 total customers).
- Significant opportunities exist with Nova Biomedical and Didi which are expected to go into production and ramp up to meaningful revenue in FY21.
- Our customer focus has moved from R&D work to projects that will convert to production volumes.



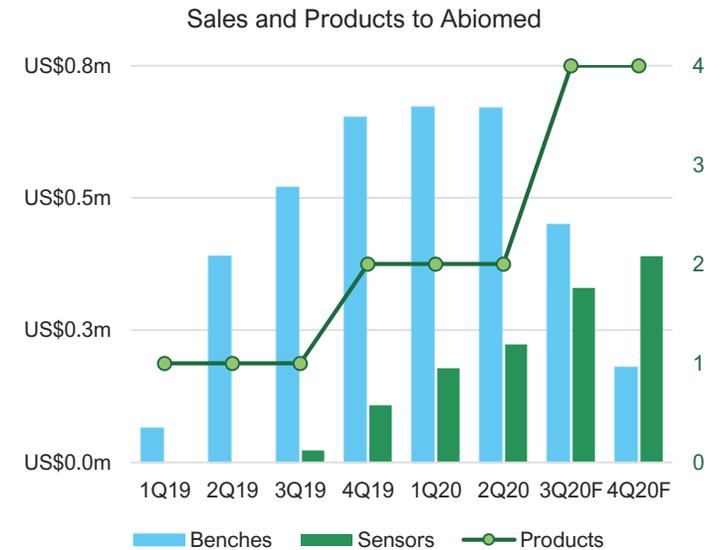
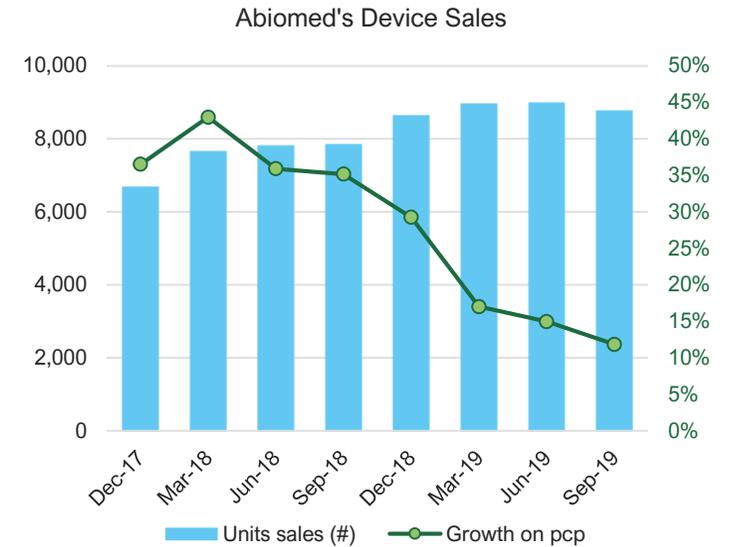
Abiomed

The world leading manufacturer of heart pumps



- Abiomed Inc. (NASDAQ: ABMD) is a US listed heart pump manufacturer with a market capitalisation of US\$8.0bn.
- Abiomed is a cornerstone customer to the MicroDevices division. Sensera has worked with the company for four+ years and supplies:
 - Sensors (consumables) – an optical sensor to guide the Impella® catheter placement.
 - Benches (base unit sale) – a controller to manage the heart valve flow and performance.
- Sensera has consistently increased sensor shipment to Abiomed, which are incorporated into its world leading Impella® product range.
- Sensera is one of only two suppliers of these customized high value microfluidic MEMS based sensors.
- Due to slower than expected customer growth in the recent quarters Abiomed has reduced demand for the high value benches.
- Sensera expects to benefit from Abiomed's long term market position and growth by being incorporated in an even wider range of products.
- Sensera will supply three versions of the optical sensor. Although we are expecting bench volume to remain subdued, sensor volume is rapidly increasing.

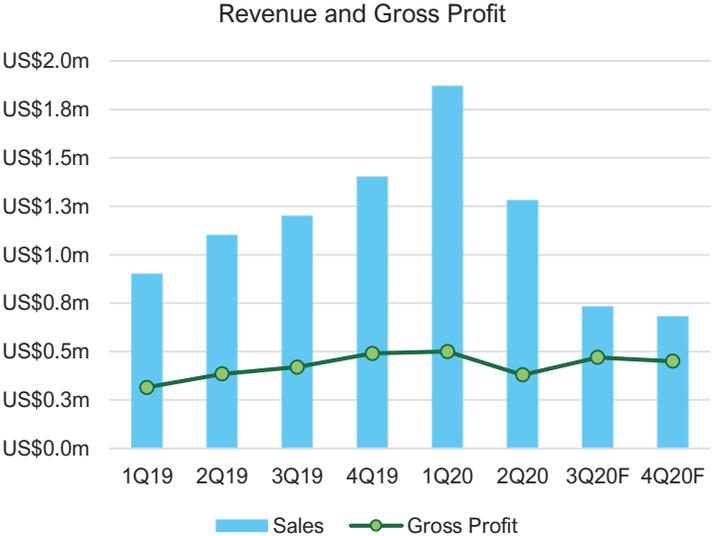
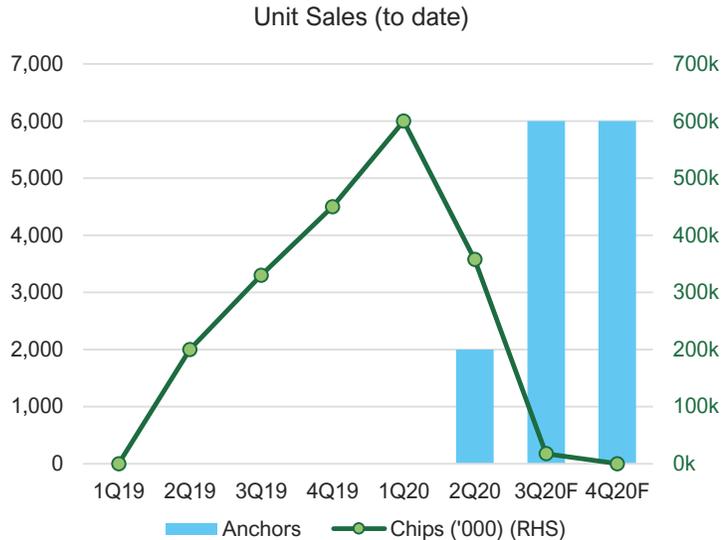
February 2020



Zoetis

The world's leading global animal health company

- Zoetis Inc. (NYSE: ZTS) is US listed and the world's largest producer of medicine and vaccinations for pets and livestock. The company is valued at US\$64bn and was previously a subsidiary of Pfizer, the world's largest drug maker.
- Zoetis is a cornerstone customer to IOTS division. Sensera has worked with Smartbow, the subsidiary, acquired by Zoetis in 2018, for 10+ years.
- The Smartbow® product is the world's most sophisticated animal health prediction system. It can predict a dairy cow becoming sick multiple days in advance of any known method.
- Sensera has shipped over two million microchips to be used in ear tags for dairy cows.
- The system is deployed in over 500 farms worldwide.
- Sensera is also supplying the base software and wireless anchors to detect the animals precise movement.
- Capability has already been leveraged into swine and chicken applications with other customers.
- Opportunity to produce all the system components: tags (instead of chips), higher value anchors and software. Expect to close in FY21.

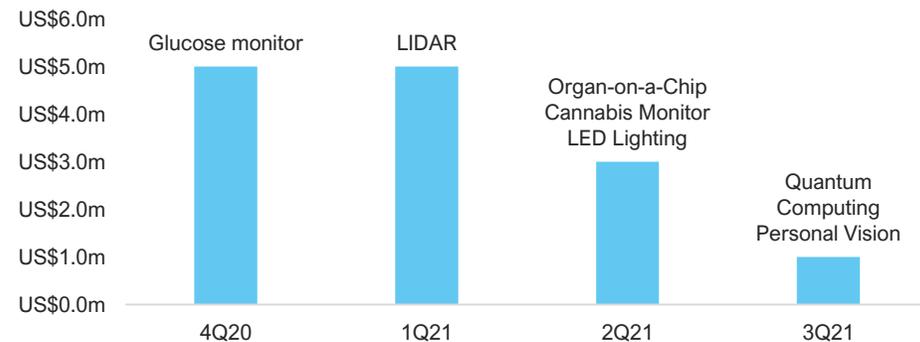


PIPELINE OF DEMAND

MICRO DEVICES

- Two multimillion \$ customers in final design phase to start production ramp in FY21
- Total pipeline of late stage customer work is \$14.0m
- Ten customers in development through pre-production
 - (4) Organ-on-a-chip / Lab-on-a-chip
 - Glucose Monitoring
 - Personal Vision System
 - LIDAR Vision System
 - LED Lighting
 - Cannabis Gas Monitoring
 - Quantum Computing

Committed pipeline value and expected start date

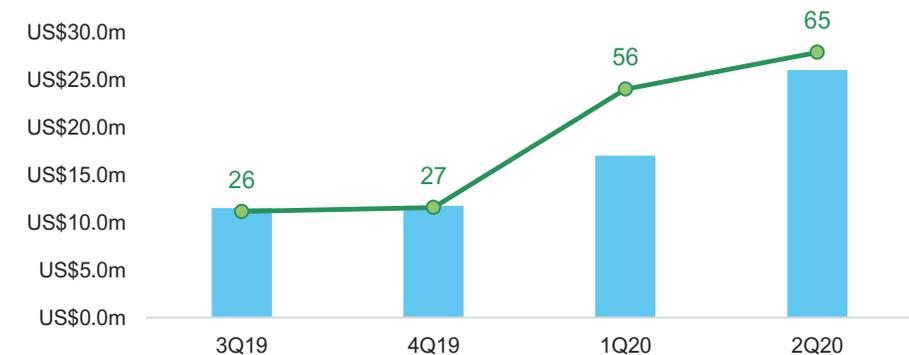


Committed pipeline is not contracted but customer guidance of total demand. The revenue will be booked over several periods or years from the expected start date.

IOT SOLUTIONS

- An intensive sales effort has built a substantial pipeline – 10 new customers are expected to initiate volume production starting in 2H20 and ramping in FY21
- 65 customer opportunities and \$26.0m in revenue potential in evaluation through pre-production stages of the opportunity pipeline
- Mining and Manufacturing are the largest application segments at 45% of the total – others include construction and high-value asset tracking
- \$7m revenue potential to be in design or prototype stages

Opportunity potential and number of opportunities



Pipeline: Order and Customers represent those customer that are in the Evaluation, Design or Prototype stage of the sales pipe.

THANK YOU

CONTACT INFORMATION

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