Sensera Limited

Q4 snapshot

Share Price: A$0.10

ASX: SE1
Sector: Semiconductors and Semiconductor Equipment
1 August 2019

Strong sales growth, solid new bookings

Sensera Limited (ASX:SE1) achieved revenues of US$ 3.8M in 4Q19 (June quarter), which is the biggest quarterly revenue number to-date for the company (Figure 1).

Total revenues of US$10.2M in FY19 were up 60% year-on-year. While they fell just short of the US$10.5M-US$11M guidance, the company cited customer delivery timing cut-offs towards the end of June as the reason for the shortfall of several hundreds of thousands in revenues. Additional capacity has been put in place in the meantime to be able to meet the company's current revenue opportunities.

US$ 3M in new bookings per 26 July

The company recorded solid new bookings for July resulting in a backlog that already covers more than 50% of the company's 1Q projected revenues with the balance expected to be booked in the remainder of the quarter. Bookings are roughly split 50/50 between MEMS and Nanotron, which we believe reflects well-balanced growth for SE1.

On the MEMS side of the business, the fast-growing Medical segment is by far the largest contributor to the backlog at around 75%. This is largely due to the design wins that SE1 achieved over the last 18 months with customers like Abiomed.

ADAS and Autonomous Vehicles are big target markets

However, SE1's product development around micro mirrors is already starting to translate into bookings, albeit with longer delivery timelines. Autonomous Vehicles (AV's) and Advanced Driver Assistance (ADAS) are the key target markets for micro mirrors, used primarily in ranging applications, i.e. measuring distances to other cars, pedestrian, obstacles and general surroundings of cars.

Micro mirror applications account for about a quarter of SE1's current backlog. We would expect this segment to show strong growth over the next five years as AV's and ADAS are expected to show very substantial growth going forward.

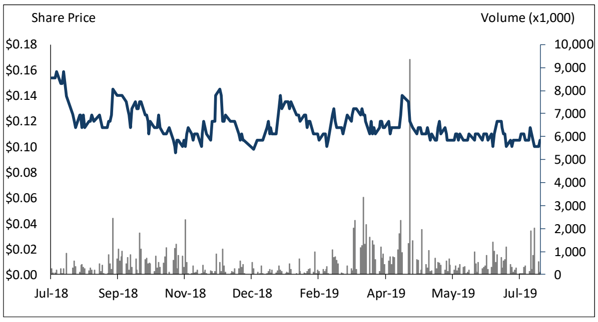
A more in-depth analysis of the relevant AV and ADAS markets is included in our initiating coverage of SE1, published on 11 June 2019, which is available here:

https://www.pittstreetresearch.com/sensera

Market Cap. (A$ m)	27.3
# shares outstanding (m)	272.8
# share fully diluted	281.3
Market Cap Ful. Dil. (A$ m)	28.1
Free Float	88.5%
12 months high/low (A$)	0.23 / 0.10
Website	www.sensera.com

Source: Company, Pitt Street Research

Share price (A$) and avg. daily volume (k, r.h.s.)



Source: Thomson, Pitt Street Research

Valuation metrics	
Fair valuation (A$)	0.50-0.58
WACC	9.6%
Assumed terminal growth rate	2.0%

Source: Pitt Street Research

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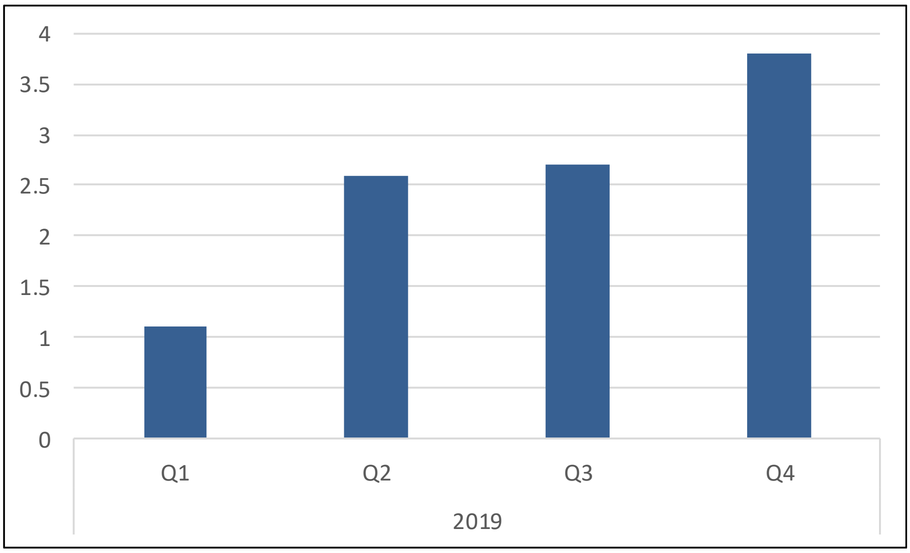
Figure 1: Quarterly revenues in 2019 (USD M)



Source: Sensera

Commercial pipeline has grown to US$ 80M

US$ 8M in near term revenue opportunities

SE1's commercial pipeline of qualified leads and prospects has grown 10% in 4Q19 and now totals US$ 80M in revenue opportunities of which approximately US$ 8M in near term opportunities with six customers. The remainder of the business funnel comprises of revenue opportunities in the next 18 to 24 months.

Arrow distribution agreement to further drive growth

The company also recently announced the expansion of the existing distribution agreement with Arrow (~US$ 30BN in revenues), one of the world's largest electronics distribution, systems integration and deployment companies.

Expanded Arrow distribution deal to provide strong additional growth driver

The agreement has been expanded to include SE1's MEMS products (in addition to the Nanotron product range) as well as a substantially broader geographical reach. Additionally, Arrow will provide design-in and product support to customers, which we believe will be a strong additional growth driver.

Valuation range of A$0.50–0.58 per share unchanged

SE1 is expected to report its full set of FY19 results towards the end of August. In the meantime, we leave our DCF-based valuation range of A$0.50–0.58 per share unchanged. The minor shift of revenues from 4Q19 into 1Q20 doesn't change our long-term view and valuation of the company. Moreover, we believe the new distribution agreement with Arrow can potentially be a very strong, additional, driver of revenue growth.

Please refer to our initiating report on SE1, available on our website, for a full risk analysis.

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