

NASDAQ:SNT Q3 2025 Earnings Call Transcript

Generated on 6/10/2026

Operator | Conference Operator:

Ladies and gentlemen, thank you for standing by. Welcome to Senstar Technologies' third quarter 2025 results conference call. All participants are in a listen-only mode. Following management's formal presentations, instructions will be given for the question and answer session. As a reminder, this conference is being recorded. I would now like to turn the call over to Corbin Woodhull of Hayden IR. Corbin, would you like to begin?

Corbin Woodhull | Hayden IR – Investor Relations:

and thanks Senstar Technologies Management for hosting today's call. With us on the call today are Mr. Fabian Hobert, Chief Executive Officer of Senstar Technologies, and Ms. Alicia Kelly, the Chief Financial Officer. Fabian will summarize key financial and business highlights, followed by Alicia, who will review Senstar's financial results for the third quarter of 2025. We will then open the call for a question and answer session. I would like to remind participants that all financial figures discussed today are in U.S. dollars, and all comparisons are on a year-over-year basis unless otherwise indicated. Before we start, I'd like to point out this conference call may contain projections or other forward-looking statements regarding future events or the company's future performance. These statements are only predictions and Senstar cannot guarantee that they will in fact occur. Senstar does not assume any obligation to update that information. Actual results or events may differ materially from those projected, including as a result of changing market trends, reduced demand, the competitive nature of the security systems industry, as well as other risks identified in the documents filed by the company with the Securities and Exchange Commission. In addition, during the course of the conference call, we will describe certain non-GAAP financial measures, which should be considered in addition to and not in lieu of comparable GAAP financial measures. Please note that in our press release, we have reconciled our non-GAAP financial measures to the most directly comparable GAAP measures in accordance with Reg G requirements. You can also refer to the company's website at www.senstar.com for the most directly comparable financial measures and related reconciliations. And with that, I will now hand the call over to Fabian. Fabian, please go ahead.

Fabian Hobert | Chief Executive Officer:

Thank you, Gordon. And thank you to those joining us today to review Senstar Technologies' quarter 2025 financial results. We continue to deliver on our strategic objectives throughout the first nine months of 2025, while balancing targeted investments to drive long-term market share gains across our key verticals and geographies. Revenue from our four core verticals increased by 12% in aggregate year over year, and 23% on a year-to-date basis, with notable strength from the correction and energy verticals. In parallel, our discipline operating models generated gross margin above our targets, as well as continued profitability, and a growing cash balance with no debt. Those results reflect our differentiated technology and strong execution in addressing the needs of our customers. Our performance is driven by an unwavering focus on generating sustainable growth across our core and emerging verticals. Now, moving on to a review of quarterly highlights. Revenue in the third quarter was relatively flat compared to the same quarter last year, reflating the impact of Ipsula's contract in the prior year that did not reoccur. On a year-to-date basis, revenue increased by 8%. We are prioritizing repeatable deployments and scalable account growth and experiencing increasing market demands for advanced, differentiated solutions as well as tailwinds from growing legislation around the security of critical infrastructure. Our growth margin of over 67% reflects the differentiation power

of sensor technology in a competitive market and underscores the team's success in meeting the growing global demand for security modernization. We continue to invest in technological innovation to boost our competitive strength and gain market share in scalable verticals. Consistent with prior quarters, we maintain rigorous our margin objectives aimed at generating sustained profitability going forward. Operational leverage combined with stable revenue generation drove third quarter net income to \$1 million and \$3.2 million year-to-date, a significant improvement versus the comparable nine-month period in 2024. In terms of core geographic markets, Sunstar's diversified footprint continues to strengthen, with North America delivering broad-based double-digit gains across our key verticals. North America remains our largest as a percentage of our sales, with revenue increasing by 17% in the third quarter, mainly due to continued momentum in the correction and utilities verticals, as was the case in the prior quarter. Revenue from the USA was particularly strong, increasing by 22% in the third quarter, driven by the successful efforts of our business development team to gain market share across multiple high-growth verticals. Sales from Canada increased by 7% on a year-to-date basis, sustained by utilities and correction. Our methodical investments in the EMEA region over the last several years are positioning Senstar to capture new opportunities with key accounts in targeted verticals, transports, utilities, solar farms, logistics and data centers are continuing to show momentum and robust customer adoption leading to 15 percent revenue growth year to date the asia pacific region is stabilizing following a decline in the second quarter of 2025 our business development and qcan strategy is starting to deliver new wins across data centers utilities correction and logistic verticals APAC remains a key market presence and the achievements of our business development team are positioning the company for long-term gains in the region. Moving on to product updates. Technological innovation is the cornerstone of our playbook to advance our competitive positioning and capture market share. Our advanced proprietary technology translated to impactful wins for our AI-powered intrusion detection systems, multi-sensor Cascade Plus. Leveraging the first-generation sensor, Cascade Plus adds support for daisy-chaining up to 16 devices, as well as power over Ethernet, support for third-party devices, covering 100 meters distance for a single PoE connection. Our industry-leading technology virtually eliminates you nuisance alarm rate optimizes total cost of ownership and reduces installation and maintenance expenses, opening the door to significantly larger market opportunities. The momentum generated from multi-center is in full alignment with our focus on delivering disruptive security solution and the targeting of highly scalable projects and customers alike. Turning to other strategic initiatives, As discussed on the prior earning conference call, Sensor is actively working to broaden its addressable market by targeting the security of critical points within non-critical infrastructure, such as hospitals, museums, and educational institutions and logistic facilities. Our business development team is successfully expanding into new key accounts while deepening existing customer relationships through cross-selling. The team is fully ramped and increasingly converting pipeline opportunities into incremental sales across our target verticals and geographies. The sales strategy of our business development team is centered on high growth verticals, an appetite for complexity, opportunities for scalability worldwide, and leveraging our existing footprint. These efforts will be sustained as we build upon the development of large key accounts aimed at accelerating market shares gains across high potential sectors. In summary, our third quarter results demonstrate the resilience of our business model. Execution of our discipline strategy is expanding our market presence, strengthening competitiveness in core verticals, and accelerating growth in high-value solutions while upholding our 60% plus growth margin profile. With the momentum generated throughout the first nine months of this year and a growing pipeline of opportunities to capture, we reiterate our commitment to sustainable business and profitability. We remain dedicated to innovation, investing in next-generation security solutions that enhance our competitive position and support customers worldwide. Before turning the call to Alicia, I want to express my gratitude to our employees for their strong execution of our strategy to grow market share across key global verticals, to our valued customers for their continuous partnerships, and to our shareholders for their ongoing support. Thank you for your attention. I will now turn the call over to Alicia for a review of the financial results.

Alicia Kelly | Chief Financial Officer:

Thank you, Fabian. Our revenue for the third quarter of 2025 was \$9.5 million, declining modestly by 2% compared to \$9.7 million in the third quarter of 2024. On a year-to-date basis, revenue increased by 8%, driven by corrections, rapid gains in energy, coupled with growing momentum from utilities and data centers. The U.S. was the strongest performing geographic market in the quarter, with revenue increasing by 22% year-over-year and 19% on a year-to-date basis versus the prior year period. Growth in the region was fueled by steady demand in corrections and energy verticals, along with new customer wins resulting from our business development team's efforts to grow market share. Revenue from the EMEA region declined by 10% in the quarter, though increasing by 15% on a year-to-date basis. In the year-ago quarter, EMEA was awarded multiple large contract wins, leading to challenging comparisons in the third quarter of this year. New customer wins and increased cross-selling with existing customers drove the performance in the first nine months of the year, most notable the transport, utility, renewable energy, and data center verticals. Asia Pacific experienced continued pressure in the quarter, with sales declining by 14%, primarily resulting from the phase-out of a customer contract that did not contribute revenue in the current quarter. As Fabian discussed previously, the rate of decline improved as our business developed and focused on key account initiatives, helped to secure strategic wins in data center, utilities, corrections, and logistics. Similarly, revenue from Canada declined 21% in the quarter due to the normal quarterly fluctuations in the timing of contract awards. However, Canada's revenue increased 7% on a year-to-date basis on sustained traction with utility and correction verticals. LATAM continues to represent a growth opportunity for Sunstar, though the region remains smaller in terms of revenue contributions. As we have stated in prior quarters, demand for security modernization in LATAM remains, and we continue to be well positioned to capitalize on opportunities in the region. The geographical breakdown of the percentage of revenue for the third quarter of 2025 compared to the prior year quarter is as follows. North America, 51% versus 43%. EMEA, 36% versus 39%. APAC, 12% versus 14%. and all other regions were immaterial for both periods. Third quarter gross margin of 67.3% compared to 68% in a year ago quarter. The stability in gross margin is primarily the result of favorable product mix, diligent expense controls, and component and design optimizations. Our operating expenses were \$5.2 million, up 10% compared to \$4.8 million in the prior year and represented 55% of revenues versus 49.1% in a year-ago period. The increase was primarily driven by G&A expense growth of 47% due to an exceptional cost association with a consulting engagement in support of strategic growth, in addition to targeted selling expense in core and emerging vertical and markets. As a positive offset to research and development investments, we were awarded a one-time government subsidy for an AI development initiative, validating our innovative technology solutions. Relatively flat revenue and gross margin drove our operating income for the third quarter to \$1.1 million, down 37% compared to \$1.8 million in a year-ago period. Operating margin of 12.1% in the third quarter of 2025 compares to 18.8% in the year-ago period. On a year-to-date basis, operating income increased by 31% to \$3.1 million, reflecting the value of our platform, solid execution in a competitive market, and disciplined operating model. The company's EBITDA for the third quarter was \$1.3 million, compared to \$2 million in the third quarter of last year. with EBITDA margins contracting to 13.9% from 20.7% in a year-goal quarter. Financial income was \$282,000 in the third quarter of this year compared to financial income of \$111,000 in the third quarter of last year. This is mainly a non-cash accounting effect we regularly report on due to adjustments to the valuation of our monetary assets and liabilities, denominated in currencies other than the functional currency, of the operating entities in the group in accordance with GAAP. Net income attributed to Senstar Technologies shareholders in the third quarter was \$1 million or \$0.04 per share compared to net income of \$1.3 million or \$0.06 per share in the third quarter of last year. Added to Senstar's operational contribution are the public platform expenses in amortization of intangible assets from historical acquisitions. The corporate expenses for the third quarter were approximately \$890,000 compared to roughly \$470,000 in a year goal period. Tuning to the balance sheet. Cash and cash equivalents in short-term bank deposits as of September 30th, 2025 were \$21.7 million or \$0.93 per share. This compares to \$20.6 million or \$0.88 per share as of December 31st, 2024. The company has zero debt as of September 30, 2025. Before opening the lines for Q&A, I'd like to remind those listening that we will be attending the 22nd Annual Security Investors Conference on December 17th and 18th, hosted by Raymond James in New York City. We encourage those who are interested to register with

your Raymond James sales representative. That concludes my remarks. Operator, we would like to open the call for questions now.

Operator | Conference Operator:

Thank you. We will now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. So that we may address questions from as many participants as possible, We ask that you limit yourself to one question and one follow-up. If you have additional questions, you may re-queue, and time permitting, those questions will be addressed. One moment, please, while we poll for questions. Thank you. Our first question comes from the line of Mike Distiller with AMX Holdings. Please proceed.

Mike Distiller | Analyst, AMX Holdings:

Yes. Good afternoon, folks. Thanks for taking my quick question and comment. The only question I had on the financials was just on the corporate expense side. You went from, I don't know, 430, I think, to 980. I was just wondering why there was such a tremendous jump over 100% is the simple question.

Alicia Kelly | Chief Financial Officer:

Yes, so the corporate expenses went from \$470 to \$890 this quarter, and that is the cost, the abnormal cost that we were speaking about in terms of consulting fees.

Mike Distiller | Analyst, AMX Holdings:

Okay, and the only other thing, I understand the consulting fee, having been cued in, I've been an almost 30-year member of the collection of shareholders. Just quickly, the interesting part about the AI development, and I'm not on the bandwagon necessarily, but I think you guys are already pursuing this in terms of not just sales. This is more a comment than a question. Not just sales, but partnerships. I know that your business development sales folks are already directed this way, whether it's the protection of actual facilities or energy behind those facilities. I just know that your legacy utility companies, your current 20-year relationships, those folks are also dipping their toes into providing that energy, not just all these newfangled decoys, et cetera. So I know you're on this, and I just thought if you had any comment, I'd be happy to hear it.

Fabian Hobert | Chief Executive Officer:

So related to AI in particular?

Mike Distiller | Analyst, AMX Holdings:

Yeah.

spk04:

Okay, let's put it this way.

Mike Distiller | Analyst, AMX Holdings:

And the energy involved, right, both of them.

Fabian Hobert | Chief Executive Officer:

Oh, okay, so I'm not sure. Okay, I'm going to try to, I think I understand. We use today, there are three ways which AI crosses our world. The first way is that, you know, we have sensors which analyzes data coming from the sensors on fences, buried, And we're developing, of course, we're working with AI models who are helping having 100% detection, reducing next to zero the false alarm rate, and helping us not only to classify the information, to provide not only alarms, but what we call situational awareness. That's the number one. The number two use of AI, like every company, we're taking steps ahead to use AI to smoothen our process, to be quicker, faster, more efficient. And of course, we're working and implementing, of course, following the compliance of all data protection, whatever, to improve our performance. On the third way, AI is translating into the building of a lot of new data centers. And those data centers that you refer need power. So yes, indeed the development of AI worldwide does translate as we see it in a multiplication of the data centers, in a complexification of the data centers, which lead themselves to the multiplication of new power generation, solar, it could be the small and modular reactors, it could be different source of generation, which we intend to ensure the protection of both the data centers themselves and their source of power. Does it answer your question?

Mike Distiller | Analyst, AMX Holdings:

Yes, sir. Thank you, Fabian. Just one more comment. It's just that your business development group, I'm sure, is already doing this, is working in tandem, in partnership with like-in-kind, meaning not only using AI to improve Senstar's products, but to actually integrate the construction of these facilities with you folks at the desk, helping them out and they helping you out. And I just think that kind of partnership would benefit both. Obviously, I'm a long-term player here, and I'm sure your people are doing this, and I just thought I'd stress that some of those like-and-kind sit-downs before shovels hit the ground are super helpful. That's it. And I thank you for your continued success. And that's my comment.

spk04:

Thank you very much. Thank you for your support and trust in our company. Absolutely. Thank you.

Operator | Conference Operator:

Thank you. Our next question comes from the line of Ken Liddy with Oppenheimer. Please proceed.

Ken Liddy | Analyst, Oppenheimer:

Hi. You mentioned in the call that the multi-sensor is showing some progress. I wanted to see what customers, what verticals are most interested in deploying the multi-sensor and their solution, the security solution.

Fabian Hobert | Chief Executive Officer:

Okay, thank you for your question. So we have, I can answer without, we're not giving typically names of customers or whatever, but what I can tell is that We have two data multicenter. The first multicenter is the first generation is used as a standalone product. And we have been basically mainly broadening a lot of POCs in many verticals to secure cell reports of prison, to secure, I would say, cell report entrances of, I would say, utilities, power generation, whatever. We have deployed it as well to secure some logistic premises, and we're pushing it via distribution. So it's a bit hard to say everywhere it's been going because we have been starting to push it through distribution. So we have the water is starting to boil, generating more and more interest, and the product is broadly currently tested. to be evaluated as a standard or whatsoever. And that is happening in a lot of verticals. Some we have access because we know of, some we do not see. So yes, we see a movement happening here, which is very encouraging. On top of it, we have the multi-center daisy chains that you can use as a verbal defense using different technology, video, radar, PIR, accelerometer with all process with intelligence used in daisy chain like to secure a perimeter and we have basically had some very interesting first wins the product monthly is not long back and we had some very interesting first wins in the data center worlds with this solution okay that's that's helpful and um if a customer is uh trying to secure a prison

Ken Liddy | Analyst, Oppenheimer:

Are they ordering one multi-sensor or several multi-sensors? How does that work?

Fabian Hobert | Chief Executive Officer:

So you have two cases. When, you know, a lot of critical infrastructure business are rather conservative and evaluating. and standardizing some technologies before it becomes authorized to bid with because you go through lots of public tenders and so on. So in this case, the order typically one and two, two put in place, two stays for several months. That's one thing. When we work, it depends on the nature. Some are sold. It depends on the nature of the presence of the place. In some cases, you will have many saleports to be guarded, and depending on the size and the configuration and what you want to use it for, you might put two, three, four, five multiplied number of sides, or very often what happens is that people use it to secure a spot, which is showing some problems today, and to replace different technologies. In other words, to make it simple, when people build something from scratch, they will design it around the product. That can take several weeks or months before it happens. The way it's been used so far is these products solve problems with other technology have difficulty to solve other than using in combination. They buy basically one, two of those to basically fix their current issue before redesigning their systems. So when it's a fireman, a firefighter use, it's going to be a couple of units.

spk04:

When they think long term, then the units can be higher.

Ken Liddy | Analyst, Oppenheimer:

Understood. And then one other question. Typically, the fourth quarter tends to be one of your two biggest quarters of the year. Do you see that playing out that way this year?

Fabian Hobert | Chief Executive Officer:

I'm sorry. We're not giving forward-looking statements. I do regret there. It's not something we can share. What I can tell you is that the whole team is working as hard as they can to deliver the best result possible.

Ken Liddy | Analyst, Oppenheimer:

Is there a particular region or a vertical that is looking stronger than others at this point? The future, not for the quarter. I'm saying overall in your business.

Fabian Hobert | Chief Executive Officer:

Okay. Let's put it this way. I cannot give four looking statements. That being said, We have two strong areas, which are North America, USA mainly, and Europe, which we want to keep boosting and investing a lot. So we're working hard to develop those. On the verticals, our core verticals are heavily growing, and we want to keep basically investing on those. Some areas will show some verticals more than the others, so it's hard to give you an answer globally. But what we see that overall, those four verticals keep growing two-digit even when the turnover is rather stable, which is really proving that we're adopting the right strategy.

Ken Liddy | Analyst, Oppenheimer:

Okay, thank you.

Operator | Conference Operator:

Thank you. Our next question comes to the line of Noam Makash with IMA Value Fund. Please proceed.

Noam Makash | Analyst, IMA Value Fund:

Yeah. Hi, Fabian. Thank you for taking my question. The question is, without the ending of the Asia-Pacific contracts, what is the calculated growth for the company in the quarter? Yeah.

Fabian Hobert | Chief Executive Officer:

It's hard to say. I'm afraid I cannot comment. Let's put it this way. We had one very large one last year, which did not reoccur. It's hard to provide a comment, and we're not getting into this level of detail. But let's put it this way. It was sufficiently material last year that it has been hard to compensate with the growth associated by other verticals.

Noam Makash | Analyst, IMA Value Fund:

And just another follow-up, looking forward, you wrote about the operating model of 10% organic growth. Do you think it's still the run rate going forward?

Fabian Hobert | Chief Executive Officer:

We're striving and fighting for it, Noam.

spk07:

That's the only thing I can tell you. Okay. Thank you.

spk04:

Thank you, Noah.

Fabian Hobert | Chief Executive Officer:

Please apologize, but we're not authorized to provide some looking for statements. But what I can tell you is that the whole team has been and keep being extremely involved to work on developing a sustainable growth.

spk07:

All right. Thank you, Noah.

Noam Makash | Analyst, IMA Value Fund:

Another follow-up, if I may? Sure. The consulting fees, do you believe they will support future growth?

Fabian Hobert | Chief Executive Officer:

At least it's what we hope. We have invested substantial money to work on to work on different ways to grow. And absolutely, at least this investment we made on how to build our growth, we hope will translate into some future growth.

spk04:

It's a hope, it's a wish, and we work hard on it.

spk07:

Okay, thank you.

Operator | Conference Operator:

Thank you. Next question comes from the line of Ken Liddy with Oppenheimer. Please proceed.

Ken Liddy | Analyst, Oppenheimer:

Hi. In your operating expenses, your general administrators are up considerably in the quarter and for the year. Is that from hiring new people to develop your business?

Fabian Hobert | Chief Executive Officer:

So the major increase in our expenses has been in a large consulting fee to work on our future growth. On top of it, there are some investments being made, of course, to be able to sustain the growth. I will quote business development, where we have invested some. But I want to insist that most of this increase in operation came from the GMA around this consultant fee, around the growth focus.

Ken Liddy | Analyst, Oppenheimer:

Is there a specific region that is directed that you're trying to grow? Is there a specific region or specific vertical that you're trying to grow?

Fabian Hobert | Chief Executive Officer:

We want to keep growing globally. We believe that Our goal is to grow globally, by gaining market share in our verticals globally, by basically increasing our footprint in our verticals. Of course, working on cross-selling our solution by combining technologies, because we have a very ample portfolio, and on top of it, developing what we said, securing critical spots of non-critical infrastructure. But yes, globally, we want to address this globally.

Ken Liddy | Analyst, Oppenheimer:

Understood. The consulting fee, about how much was that in the quarter?

Fabian Hobert | Chief Executive Officer:

I'm afraid we cannot disclose in detail, but it was a substantial part of the vast majority of this expense raised.

Ken Liddy | Analyst, Oppenheimer:

And should we expect that in future quarters, or is this more of a one-time?

Fabian Hobert | Chief Executive Officer:

So it's something what you call exceptional. We cannot comment whether there will be further expenses like that so far.

spk04:

Okay, thanks. But it's not something which we want to make structural, okay? It's exceptional.

Fabian Hobert | Chief Executive Officer:

Sometimes exceptional could reoccur.

spk07:

Understood. Thanks for the clarification.

Operator | Conference Operator:

Thank you. There are no further questions at this time. Mr. Halber, would you like to make your concluding statement?

Fabian Hobert | Chief Executive Officer:

Thank you. On behalf of Sensor Management, I would like to thank our investors for their interest and long-term support of our business.

spk04:

Have a good day.

Operator | Conference Operator:

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.