NASDAQ:SNT Q4 2025 Earnings Call Transcript

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Operator | Conference Operator:

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

Corbin Woodhull | Investor Relations, Hayden IR:

Thank you, LaTonya. I would like to welcome everyone to the conference call and thank Senstar Technologies Management for hosting today's call. With us on the call today are Mr. Fabian Hobert, CEO of Senstar Technologies, and Ms. Alicia Kelly, the CFO. Fabian will summarize key financial and business highlights, followed by Alicia, who will review Senstar's financial results for the fourth quarter and full year 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 events or results 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 would now hand the call over to Fabian. Fabian, please go ahead.

Fabian Hobert | CEO, Senstar Technologies:

Thank you, Gordano. And thank you to those joining us today to review Sandstar Technology fourth quarter and full year 2025 financial results. We continue to deliver solid full year performance with growth and revenue, margin expansion, and continued profitability. In 2025, revenue was $36.4 million, gross margin expanded to 65.5%, and we delivered net income of $3.2 million while maintaining a strong balance sheet with $22.5 million in cash and no debt. Those results reflect steady demand across our business and the trends of our operating model. Importantly, revenue from our core verticals grew 5% for the year, supported primarily by continued strength in correction and energy, particularly in North America and EMEA. The performance reinforces the resilience of our business and the relevance of our solutions across critical infrastructure markets. Now, onto a review of quarterly and annual highlights. Moving to the fourth quarter, we encountered more challenging conditions than anticipated. Revenue declined 14% year-over-year to 8.8 million, which also impacted margins in the quarter. The fourth quarter was impacted by several non-recurring and timing-related factors, not a change in the underlying demand. Those factors include delays of government projects, mainly in the U.S. correction verticals following the U.S. federal government shutdown, and a non-recurring European telecom utility project, which will convert to further revenue regeneration in

2026. Most of these projects have shifted into 2026 and further period. This gives us confidence in the strength of our pipeline, which continues to grow, and the overall demand environment, as reflected in our full-year results, where our core verticals grew by 5% despite the fourth quarter timing impacts. Looking more closely at our verticals, we continue to see meaningful opportunities across data centers, energy, utilities, correction, airports, and solar farms. These key verticals are increasingly focused on security and operational intelligence, which aligns well with our technology and capability. Our strategy remains focused on repeatable deployment and scalable account expansion, where we can leverage our install base and deepen relationship with key customers over time to cross-sell our advanced technology solutions dedicated to demanding verticals. On the technology front, 2025 marked a breakout year for LiDAR adoption and customer engagement across multiple verticals, with LiDAR increasingly deployed alongside our traditional solutions with no canalization effects. This is translated into strong LiDAR sales growth, mainly in the fourth quarter. This is an important distinction as LiDAR is expanding our target market, creating new use cases across virtually all our verticals, and enabling SAMSTAR to address a broader range of customer applications. We saw strong growth in LIDAR-related sales and activity with continued momentum and solid pipeline creation. Customer acceptance of LIDAR for both security and operational applications has accelerated dramatically, driving robust pipeline expansion within the strategic initiative. Competing and enhanced at what unraveled peaks and software range. Our 3D LiDAR technology in security application does not compete directly with our current fence detection solution, but with alternative technologies such as thermal cameras, video and analytics, radar, 2D LiDAR, and others. It also addresses further surveillance needs for several other critical points within our vertical market, expanding considerably our addressable market and customer use cases. Our acquisition of Blackfield, completed in the beginning of 2026, represents a transformative step to enhance our competitive position and capture share of this rapid growth market. Our expectation for accelerated growth globally without requiring significant investment is supported by maximizing our global unrivaled sales and technical footprint across its current vertical markets to distillate this groundbreaking technology. On top of that, Blackfield offers high growth perspectives in volume monitoring and traffic application where Blackfield has already developed a footprint. Turning to our geographic performance, U.S. and LATAM remain our strongest market for the full year of 2025 with solid contribution from corrections and energy. Throughout 2025, we secured important new wins across healthcare, utilities, oil and gas, and energy while data centers airports, and increasingly LIDAR continue to generate meaningful pipeline creation. Revenue from the U.S. and LATAM region increased 5% for the year, but declined by 20% in the fourth quarter due to government funding delays following the government shutdown. Encouragingly, most of those projects are still alive, and we have seen some positive activity in support of our review that this was largely a timing issue. Canada was a stand-up performer, returning to growth with over 110% revenue increase in the fourth quarter and 22% for the full year, driven by strong wins in correction and utilities. Our methodical investment in the EMEA region over the last several years are positioning Sansar to capture new opportunities with Q-CAMP and targeted verticals. The region delivered low single-digit revenue growth for the year, reflecting underlying resilience and continued customer demands, though the fourth quarter was impacted by a difficult comparison related to a large-scale non-recurring utility telecom project in the prior year, which is expected to deliver revenue in 2026. We secured major wins in solar farms, energy, data centers, correction, and airports, and together, with from-by creation, we have renewed conviction behind the region's growth prospect in the coming quarters. We're encouraged by the steady demands we see in the region. Supporting a robust pipeline and favorable growth outlook, the EMEA region is experiencing a significant increase in requests for LIDAR applications as well. In Asia-Pacific, performance improved in the fourth quarter with 21% growth. On an annual basis, Asia-Pacific declined 9%, reflecting the impact of a material non-recurring project in Q2 2024. We're optimistic by recent wins and continued pipeline development across the key verticals, including solid wins in data centers and corrections serving as a great source of momentum for quarters and years to come. Across all regions, our business development strategy is gaining traction. We're expanding our presence with Q Council increasing cross-selling opportunities, and building a more diversified and resilient revenue base. Together with Blickfeld, we also secured several promising projects across military and government airport corrections and data centers. Looking ahead to 2026, we're enthusiastic about the opportunities in front of us. We're seeing continued activity across data centers, utilities, energy, and LIDAR, supported by growing pipelines. Our business development strategy is

centered on high growth verticals, an appetite for complexity, opportunities for scalability worldwide, and leveraging our pre-existing footprint. Sensar is making inroads with new key accounts and deepening existing customer relationship. Our pipeline is growing, further supporting improved market penetration and enhanced revenue diversification. The addition of Blickfield to our current portfolio will further assist us in expanding our range of solutions and address more security and non-security applications to our current targeted vertical markets. We are also substantially broadening our current addressable markets and strengthening our ability to successfully approach verticals who were not historically present. Importantly, Senstar will actively support and further develop Blickfield's efforts to expand their position and volume in traffic monitoring applications, which are extremely attractive markets combining vertical excellence, high growth margins, and worldwide scalability. I will work together with Blackfield to develop positive synergies with the low group to accelerate its growth. We enter 2026 with an expanding pipeline and are focused on converting that activity into revenue. At the same time, we remain disciplined in cost, ensuring we balance investment and growth, with continued operational efficiency. In summary, we entered the new year with a strong balance sheet, steady demand across our core markets, exciting pipeline, and an enhanced technology portfolio. Our focus is on execution, converting our pipeline into revenue, expanding within key verticals, and driving sustained growth over time. Before turning the call over to Alicia, I would like to thank our employees for their continued dedication. our customers for their trust, and our shareholders for their ongoing support. I will now turn the call over to Alicia for a review of the financial results in more detail.

Alicia Kelly | CFO, Senstar Technologies:

Thank you, Vivian. Our revenue for the fourth quarter of 2025 was $8.8 million, which compared to $10.2 million in a year-ago quarter. This year-over-year reduction is related to non-recurring project timing and delays in government projects. following the federal government shutdown in the U.S., positively offset by stronger performance from the energy vertical. The Asia-Pacific region was the strongest performing geographic region in the quarter, with revenue increasing to 21% year over year. Growth in the region was fueled by steady demand in data centers, utilities, and healthcare. Revenue from the U.S. and LATAM declined by 20% in the quarter. As Fabian commented, the performance in the U.S. was impacted by challenging market dynamics, including the delays in government projects following the federal government shutdown. Canada delivered a positive offset to performance in North America in the quarter, with revenue increasing by 110% versus the fourth quarter of last year. The EMEA region declined by 24% in the quarter due to a challenging year-ago comparison, which included a large telecom project in the fourth quarter of 2024 that did not reoccur. The quarter included contributions from the government, airports, corrections, and data center verticals. The geographical breakdown of the percentage of revenue for the fourth quarter of 2025 compared to the prior year quarter is as follows. North America, 44% versus 42%. EMEA, 41% versus 46%. APAC, 15% versus 11%. And all other regions were immaterial for both periods. Fourth quarter gross margin of 61.5% compares to 64.5% in a year-ago quarter. The variation in gross margin is primarily the result of less favorable product mix, in addition to tariff impacts associated with a U.S.-based project, lower revenue, and overhead expense cadence. Our operating expenses were $5.6 million, 8% compared to $5.1 million in the prior year fourth quarter. and represented 63.3% of revenue versus 50.2% in the year-ago period. The increase was primarily driven by G&A expense growth of 30% due to the transaction costs associated with Blitzfield acquisition. As a positive offset to the research and development investments, we were awarded a one-time government subsidy for our AI development and initiative, validating our innovative technology solutions. Operating loss for the fourth quarter of 2025 was $159,000 compared to operating income of $1.5 million for the fourth quarter of last year. Operating loss for the quarter was primarily driven by revenue declines and higher G&A costs. The company's EBITDA for the fourth quarter was $35,000 compared to $1.6 million in the fourth quarter of last year. Financial loss was $150,000 in the fourth quarter of this year compared to financial income of $463,000 in the fourth quarter of last year. This is mainly a non-cash accounting effect we regularly report due to adjustments in 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 loss attributable since our technology shareholders in the fourth quarter was

$33,000, or zero cents per share, compared to net income of $1.6 million, or $0.07 per share, in the fourth quarter of last year. Added to Sunstar's operational contribution are the public platform expenses and amortization of intangible assets from historical acquisitions. The corporate expenses for the fourth quarter were approximately $925,000, compared to roughly $680,000 in the year-go period. Turning now to the full-year results, revenue for the full year of 2025 was $36.4 million, an increase of 2% compared to $35.8 million in 2024. Growth in the year was driven by the North American region and LATAM, with strength in the corrections and energy verticals. The U.S. led the revenue growth of 9%, followed by stable single-digit growth in the media, offset by a 9% decline in Asia-Pacific. The geographical breakdown as a percentage of revenue for 2025 compared to 2024 is as follows. North America, 49% versus 45%. EMEA, 36%, the same as the prior year. APAC, 14% versus 15%, and Latin America, 1% versus 3%. 2025 gross margin was 65.5% compared to 64.1% in 2024. The roughly 150 basis point improvement in gross margin was largely attributable to the balanced product mix, product redesigns, and efficiency gains in our material purchase process. Our operating expenses were $20.8 million, up 9% compared to 2024. The increase is the result of investments made in business development, as well as transactional costs associated with Blixfield acquisition, which was announced in December of 2025, as well as the closing of a related cost for an entity. Operating income for 2025 was $3 million compared to $3.9 million in 2024. The decline in operating income was related to slower revenue growth and increases in general and administration costs associated with click-field transactions and the closing of the foreign entity. Financial income was $71,000 in 2025 compared to $731,000 in 2024. Net income attributable to Sunstar Technologies shareholders in 2025 was $3.2 million or $0.14 per share compared to $2.6 million or $0.11 per share in 2024. The company's EBITDA for 2025 was $3.7 million compared to $4.6 million in 2024. Added to Sunstar's operational contribution are the public platform expenses and amortization of intangible assets from historical acquisitions. The corporate expenses for 2025 were $3.2 million compared to $2.2 million in 2024. Turning now to our balance sheet, cash and cash equivalents and short-term bank deposits as of December 31, 2025 were $22.5 million, or $0.96 per share. This compares to $20.6 million, or $0.88 per share, as of December 31, 2024. The company had zero debt as of December 31, 2025. That concludes my remarks. Operator, we'd like to open the call now to questions.

Operator | Conference Operator:

Thank you. We will now conduct a question and answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star two 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. Once again, that's star one to ask a question at this time.

Operator | Conference Operator:

One moment while we poll for questions.

Operator | Conference Operator:

Once again, ladies and gentlemen, to ask a question, please press star 1 on your telephone keypad at this time. The first question comes from Ted Liddy with Oppenheimer. Please proceed.

Ted Liddy | Analyst, Oppenheimer & Co.:

Hi. With regards to the Lickfield acquisition, is there a specific vertical or opportunity you see for their technology?

Fabian Hobert | CEO, Senstar Technologies:

Yeah, thanks, Ed. Yes, indeed. Today we're seeing three main paths for growth. First of all, the LIDAR within our current verticals, the one we are addressing, increases tremendously the addressable market in the sense that in a lot of cases, people don't go ahead with fence sensors or varied solutions that will privilege participants I would say cable-less or wireless solutions such as thermal cameras, such as, you know, radar, video and analytics, and with LiDAR, we're able, with the 3D LiDAR, we're able to address one part of that where we were not able to compete in the past when a decision from an end user was not to secure mechanically the fans. So that's the first part. Addressable market, which we see absolutely rising to us because the technology provides USPs which can defeat and beat other technologies. So that's the number one. Number two, I would say within our current verticals, that the LIDAR give us the possibility to address POTS, which we did not address before. Typically, when you have saliports or roofs or corridors or outside zones, without a fence. So that's increasing tremendously there. So within our verticals, we're already developing a pipeline there. On top of it, volume monitoring application to basically on the spot monitor bulk for petrochemicals, for fertilizer, for salt, for whatever that can be both, LiDAR gives the possibility to do live measure on the spot and it's a vertical on which Blickfield is already very active and we are committed to supporting them developing further the vertical. Last but not least, the traffic application with road cross monitoring and tunnels and whatever where Blickfield already has a footprint is a vertical where we see very close to ours, a very good path for growth. So there are the three main directions we want to leverage Blickfield and the LiDAR technology for. I hope I have answered your question, Ted.

Ted Liddy | Analyst, Oppenheimer & Co.:

Yes, you have. And as far as Blickfield is concerned, are the charges we saw in the fourth quarter, are you expecting more in the first quarter, or is that mostly behind you, or what can we expect

Fabian Hobert | CEO, Senstar Technologies:

So, Ted, I cannot comment on the first quarter. What I can tell you is that the LiDAR cells in the fourth quarter are only Senstar cells because we used to have an OEM partnership with a technology partnership with Blickfield. And so the cells of Blickfield are not part of the Q4 results. In Q1, there will be basically, we will present later on, the sales from Sandstar of our fly door and of course of the Blickfield entity.

Alicia Kelly | CFO, Senstar Technologies:

And Ted, just to clarify for your question there. So we have incurred the cost through 2025 for Blickfield and we expect that there will be some costs still in the future period, but not substantial.

Ted Liddy | Analyst, Oppenheimer & Co.:

OK, good. And One other question with regards to the projects that were delayed in the United States. Have any of those projects broke ground, or are you moving forward, or is that still pending?

Fabian Hobert | CEO, Senstar Technologies:

So all of them are moving forward. That's what I can say. All the ones we have identified in QR are still alive and working on, and we have good hopes to convert some of them in the quarters to come. I want to be careful because you're never protected against another shutdown whatsoever. But those projects are still alive. What I mean alive is we still work on them with the operational entity from the customers and

whatsoever. So we did not encounter major losses there or project disparition or whatsoever. They're still on, and we still have good hope they will materialize in the quarters to come.

Ted Liddy | Analyst, Oppenheimer & Co.:

Andy, I think it was a telecom project in the EME area. You're expecting that to hit again in 2027?

Fabian Hobert | CEO, Senstar Technologies:

Absolutely. We expect some piece of it in 2026. We don't know exactly. It was a multi-phase project, basically. The first huge phase has occurred last year. The further phase got, I would say, delayed for some reason outside our... but yes, some of it will bring cure in the coming quarters, absolutely.

Ted Liddy | Analyst, Oppenheimer & Co.:

And I saw there were some charges with regards to closing of a foreign office. Where was that located?

Fabian Hobert | CEO, Senstar Technologies:

So that's the relocation of our, that's related to the relocation of the company which occurred early 2025 in Canada, and we've closed basically the previous entity, which was the legacy of the McGill office.

Ted Liddy | Analyst, Oppenheimer & Co.:

I understand. And what is your employee count? How much has that gone up with the Blackfield acquisition?

Alicia Kelly | CFO, Senstar Technologies:

It went up 28 people with the acquisitions. So we're around 160 people with Flintville.

Ted Liddy | Analyst, Oppenheimer & Co.:

Okay, great. Thank you.

Operator | Conference Operator:

Thank you. Thank you, Deb.

Operator | Conference Operator:

There are no further questions at this time. I would like to turn the call back to Mr. Huber. Would you like to make your concluding statement?

Fabian Hobert | CEO, Senstar Technologies:

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

Operator | Conference Operator:

Have a great day.

Operator | Conference Operator:

Thank you, ladies and gentlemen, for your participation today. This does conclude today's teleconference. You may disconnect your lines at this time, and thank you for your participation.