NASDAQ:SNT Q1 2026 Earnings Call Transcript

Generated on 11/25/2026

Operator | Conference Operator:

Welcome to Censar Technologies first quarter 2026 results conference call. All participants are at present in the listen-only mode. Following management's formal presentation, instructions will be given at that time for a 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 | Investor Relations, Hayden IR:

Thank you, Sherry. 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 Haubert, CEO of Senstar Technologies, and Ms. Alicia Kelley, the CFO. Fabian will summarize key financial and business highlights, followed by Alicia, who will review Senstar's financial results for the first quarter of 2026. We will then open the call for a question and answer session. I would like to remind participants that all financial figures discussed in today's call 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. And with that, I will now turn the call over to Fabian. Fabian, please go ahead.

Fabian Haubert | CEO, Senstar Technologies:

Thank you, Corbin. And thank you to those joining us today. to review Sunstar technologies for quarter 2026 financial results. Our first quarter results reflected continuous projects, timing delays, and elongated customer procurement cycles in portions of our business, particularly in the US government markets, and mainly in corrections. Despite this near-term pressure, we continue to see healthy customer engagement and pipeline activity across several of our strategy growth areas. We're seeing strong underlying momentum across our business and encouraging traction in a number of important growth areas. At the headline level, we reported consolidated revenue of 8.1 million, a 4% decline versus the first quarter of 2025. As we anticipated, the first quarter of 2026 was transitional and shaped by a few transitory dynamics. Because of this, I will provide more granular details behind our performance as the story is more nuanced than a single percentage. Now, on to review of quarterly highlights and business drivers. Our first quarter performance can be explained by the following factors. Continued pressure in the US correction markets following the federal government shutdown and delayed funding deployment. While projects in this vertical have been delayed, we did not record any major loss, and we expect most of them to convert over the remainder of 2026. The absence of a large non-recurring energy project in APAC that benefited the year-ago quarter, which by its nature did not repeat, and with Blickfield revenue coming online six weeks after the quarter starts, we have saw that operating costs with less than a half a quarter of revenue affecting profitability in Q1 We have retained

previously planned projects in our pipeline, though timing has shifted into the second half of 2026. This gives us confidence in the strength of our pipeline and the overall demand environment. Performance across our core vertical markets was mixed in the quarter, declining approximately 25% year-over-year. The decline was primarily driven by the U.S. correction market weakness, as well as tougher comparison in energy, due to non-recurring projects in the first quarter of 2025. As a positive offset, utility posted plus 40% growth versus the prior year quarter, continuing strength in telecom and data centers. More broadly, traction across these verticals remains on course worldwide, and we're focused on opening new logos while deepening our cross-selling opportunities. On the technology front, I want to spend a moment on LiDAR. because it is increasingly central to our story. In the first quarter, consolidated LIDAR revenue reached 11% of total revenue and order intake has been strong with the majority of recent bookings scheduled for delivery in Q2 and beyond. It's important to understand that LIDAR is complementary to Senstar solutions and significantly broadens our addressable markets. We're pleased to report that combined LIDAR sales across Blixell and Senstar grew by approximately four times during the first quarter, the first full quarter, validating the strategic rationale and demonstrating strong early commercial traction. These figures are provided to offer context on the scale of the LiDAR business prior to the acquisition and may not be disclosed quarterly in the future. Our closest peers in the LiDAR security market are growing at close to 50% per year, and we're confident we can achieve high growth rate in LiDAR as we scale with security applications, volume, and traffic monitoring representing the vectors where we're deploying the most resources. LiDAR is becoming a technological cornerstone of stand-start technology and plays an increasingly important role in our long-term strategic plan. The integration of the Blickfield and Senstar commercial teams is progressing well. We're aligning our go-to-market strategies across multiple regions, and the response from customers has been outstanding. Proof of concepts, evaluations, and formal quotation are being run across all our traditional vertical worldwide, and we continue to expect accelerated growth globally without requiring significant investments. Together, we're well positioned to scale our LiDAR capabilities globally, leveraging SANSTAR customer relationships and Blackfield's technology and market presence. Product innovation has always been the key differentiator for SANSTAR, and the first quarter of the year was no exception. At ISC West East Springs, we introduced two major innovations that received exceptionally positive market reception. Our next-generation embedded fiber platform features a compact, ruggedized, AI-enhanced architecture that significantly improves detection performance, ease of deployment, and operational robustness. All with a fully redesigned graphical user interface, this represents the next chapter of our market-leading fiber perimeter detection franchise. Through the SensorFlow engine, which is the next major enhancement to our Symfony software management platform, It brings intelligent workflow engine functionality and the new graphical interface that enables sophisticated scenario understanding across sensors and over time transforming our security management software and video management software platforms into an operational intelligent system. Both innovations are on track for market release in the second half of 2026 and we believe they will reinforce our competitive positioning and support expansion within existing accounts. Turning to our geographic performance, the FWADA reflected a mix of near-term timing pressure alongside continuous strength in several strategic growth areas. The primary drivers of this large year-over-year decline were the temporary U.S. federal government shutdown, which impacted portions of our U.S. correction business, as well as difficult cooperation against several large non-regulatory projects recognized in the prior year, particularly in APAC. At the same time, we continue to see encouraging traction across a number of important markets and geographies. Europe, Middle East, and Africa deliver strong growth in the quarter, reflecting the benefits of a long-term investment in the region, expanding customer relationships, and growing demand across utilities, telecom, energy, military, and security applications. We're also seeing increasing LiDAR engagement in the media, including activity in traffic and volume monitoring alongside our traditional period matter security business. In North America, while the U.S. correction market remained pressured by the federal shutdown and delayed procurement activity, customer engagement and project activity levels remained healthy. We'll also continue to see encouraging order activity in LIDAR and ongoing commercial engagements across data centers, utilities, energy, airport, and industrial applications. In APAC, results were impacted primarily by difficult cooperation against unusually strong prior year project activity. Excluding this non-rhetoric project, customer activity levels remain constructive, and we continue to invest in expanding our presence across key verticals including data centers, energy transport utilities, and corrections. Overall, while project timing

continues to impact need-term revenue conversion during the quarter, we remain encouraged by customer engagement, order activity, geographic diversification, and the expanding contribution from LIDAR-related opportunities. To summarize, we recognize the need to improve consistency in quarterly performance. At the same time as our bookings, Customer engagements, order activity, and the diversification of our pipeline continue to support our confidence in the long-term opportunity and we remain focused on improving revenue conversion over the coming quarter. The confidence is supported by the following. One, EMEA continues to deliver strong growth supported by our long-term investment in the region and increasing demand across vertical. Two, we continue to see healthy customer engagement and project activity in the U.S. correction markets, despite delayed procurement activity associated with the federal shutdown, as well as in the utilities, data centers, and energy sectors. LIDAR, number three, is becoming an increasingly important growth driver for Sandstar, and the Blackfield combination strengthens our position in these high-growth markets. Four, we're launching two new innovative products in the second half of 2026 that we believe will reinforce our competitive positioning and support expansion within existing accounts. And five, our pipeline remains diversified across multiple geographies, technologies, and in markets, supporting future growth opportunities as project timing normalizes. 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 review of the financial results in more detail.

Alicia Kelley | CFO, Senstar Technologies:

Thank you, Fabian. Our revenue for the first quarter of 2026 was $8.1 million, which compared to $8.4 million in the year-ago quarter. This year-on-year reduction is related to non-recurring project timing in APAC, and impacts from the federal government shutdown in the U.S., positively offset by a stronger performance from LIDAR. The EMEA region was the strongest performing geographic area in the quarter, with revenue increasing by 43% year-on-year. Growth in the region was fueled by steady demand in utilities, telecom, energy, corrections, solar farms, and military. As Fabian discussed previously, LIDAR applications continue to generate accelerated inbound customer demand, including significant opportunities within traffic and volume monitoring. Revenue from North America declined by 20% in the quarter, driven by a 21% revenue decline in the U.S. As Fabian commented, the performance in the U.S. was attributed to challenging market dynamics, including a 35% reduction in the corrections vertical, and the impact of the federal government shutdown and associated project delays that we expect to resume in 2026. Canada experienced pressure in the quarter as well, with revenue declining by 14%. We experienced solid traction in energy, military, utilities, and corrections verticals, and we remain focused on serving our customers in this important region. The APAC region declined by 30% in the quarter due to challenging year-over-year comparisons which included a large energy project in the first quarter of 2025 that did not reoccur. The quarter included contribution from energy, corrections, utilities, telecoms, data centers, and growing traction in the transport vertical. Our geographic breakdowns of the percentage of revenue for the first quarter of 2026 compared to prior year quarter is as follows. North America, 41% versus 49%. EMEA, 45% versus 30%. APAC, 13% versus 17%. All other regions were immaterial for both periods. First quarter gross margin of 60% compares to 67.2% in the year-ago quarter. This variation in gross margin is primarily the result of less favorable product mix, lower revenue, and overhead expense cadence. Our operating expenses were $5.5 million, representing an 18% increase compared to $4.6 million in the first quarter of the prior year. Operating expenses represent 67.5% of revenue compared to 54.8% in the year-ago period. The acquisition of Blitzfield contributed approximately $600,000 in incremental operating expenses during the ownership period. The largest year-over-year increases were in G&A and marketing, Marketing costs increased primarily due to the addition of the Blixfield commercial structure, as well as targeted investments in sales and marketing initiatives within the SunStar Group. The increase in G&A was mainly attributable to the Blixfield acquisition, foreign exchange impacts, and an extraordinary bad debt provision of approximately $100,000. The operating loss for the first quarter of 2026 was $603,000 compared to operating income of $1 million in the first quarter of last year. Operating loss for the quarter was primarily driven by revenue declines and high G&A expenses. The company's EBITDA for the first quarter was a loss of $403,000 compared to positive EBITDA of $1.2 million in the first quarter of last

year. Financial loss was $49,000 in the first quarter of this year compared to financial income of $269,000 in the first quarter of last year. This is mainly a non-cash accounting effect we regularly report due to the adjustments of the evaluation of our monetary assets and liabilities, denominated in currencies other than the functional currency of the operational entities in the group, in accordance with GAAP. Net income attributable to Sunstar Technology shareholders in the first quarter was a loss of $800,000, or a loss of $0.04 per share, compared to net income of $1 million, or $0.04 per share in the first 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 first quarter were approximately $420,000 compared to roughly $500,000 in the year-long period. Turning next to our balance sheet, cash and cash equivalents and short-term bank deposits were $10.6 million. or $0.45 per share as of March 31, 2026. This excludes restricted cash of $900,000. The restricted cash relates to Blakefield's closing balances. This compares to $22.5 million, or $0.96 per share as of December 31, 2025. The company has no debt as of March 31, 2026. This concludes my remarks. Operator, we would like to open the call to questions now.

Operator | Conference Operator:

Thank you. 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. And for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, it is star 1 on your telephone keypad if you would like to ask a question. Our first question is from Ken Lindy with Oppenheimer and Company. Please proceed.

Ken Lindy | Analyst, Oppenheimer & Company:

Hi. Could you talk more about your opportunities that are not security-related for LIDAR?

Fabian Haubert | CEO, Senstar Technologies:

Sure. So thanks, Ken, for this question. So we see two main, basically, applications for non-security. The main one today is what we call the volume monitoring. So assuming the LIDAR, you know, LIDAR basically provides digital twin, you know, 3D rebuilt pictures of environments. And we're using this technology to measure on the fly, basically, volumes of both materials, like salt, like sand, like fertilizer, petrochemicals, and so on. This has been one of the major verticals of Blickfield, mainly in the U.S., and it has a very strong traction. We've been working so far mainly in the salt measuring for basically salting the roads and DOTs, but we're expanding to petrochemicals and others. We see a very high potential in this application in the future via, as I've mentioned, petrochemicals application, fertilizer, anything related to bulk transports because you can measure on the spot the exact volume of basically a truck or whatsoever or a container without stopping the operation and optimize your logistics streams of this materials.

Ken Lindy | Analyst, Oppenheimer & Company:

And with regards to the traffic, could you talk about what type of application that is?

Fabian Haubert | CEO, Senstar Technologies:

So traffic monitoring is one of the, which we foresee basically in the future, has a very strong growth potential. You have two main applications. You have highways and whatsoever, and what we call the crossroads. Today, crossroads is very complex in the sense that you need to excavate and to put sensors below each cross, each cross points, to measure the number of vehicles crossing and whatever with a lot of uncertainty.

Putting a LIDAR gives you the possibility to classify basically the type of vehicles, cars, bikes, trucks, their speed, their direction, and to give basically lots of information in the purpose of smart city management. It's a business that is picking up worldwide, and where Blackfield had some first very interesting wins prior to the acquisitions, which we're deploying and we're willing to invest a lot, I would see that as something which is not short-term, but shorter mid-term, I would say.

Unknown | Unknown:

But we believe a very high growth potential in this vertical as well.

Ken Lindy | Analyst, Oppenheimer & Company:

Staying on LIDAR, previously you worked with Blackfield on a small airport, I believe, in Europe. Is there any opportunities like that?

Fabian Haubert | CEO, Senstar Technologies:

Yeah, we have plenty. So basically, that's what we have said. If you take basically the LIDAR cells, and I've given those figures, which we will not repeat over time, but if you take the LIDAR cells for the period, they went to zero last year, to 11% of the whole quarter, taking into account that LIDAR cells were only accounted from the 14th of February until the end of the quarter. It represents 11% from zero last year, so you can see the growth. Number two, if you take basically the invoice of both companies from January 1st until the end of the quarter, both companies, the sales has been multiplied by four versus last year. So it gives an idea of the traction. So we have been able to sell in correction, in airport, in – in, uh, gosh, it's a data center, of course. And so it's been everywhere. We had the security footprint. We're basically either making proofs of concept or sales of this application on top of the perimeter. And, uh, that has been an amazing success and we see basically a very high potential growth in the secure application. So it's hard to give an exact project because we're currently have a 10th of project, which we're running. And it's expanding our markets by the potential targets seems to us between five and ten times the current total addressable markets.

Ken Lindy | Analyst, Oppenheimer & Company:

Are you converting more long-term customers into permanent customers, you know, rather than, you know, repeat customers, rather than one project to another project, getting larger – getting more, um, repeat customers on security.

Fabian Haubert | CEO, Senstar Technologies:

So we see, we see three, uh, Oh, sorry. Sorry. I thought you were done. Excuse me, Ken.

Ken Lindy | Analyst, Oppenheimer & Company:

Oh, go ahead.

Fabian Haubert | CEO, Senstar Technologies:

So we see three basically top of customers. So it's not the new or the old, we see three ways to market, promote the LIDAR. The first one is pretty much all our existing customers. are currently basically investigating or purchasing or quoting our LIDAR on top of their current relationships. So that's something which we see as a major win. On top of it, we have a new range of customers for other applications which are entrusted. And finally, we're working as well with distributors to distribute the product much broadly for different applications. So in our vertical, it's working with existing and new ones. And we're trying to broaden it with approaching working with distributors to broaden the spread to the market for different application, eventually less critical. But, yes, we see attraction pretty much in our verticals and beside our verticals.

Ken Lindy | Analyst, Oppenheimer & Company:

And one more question. With regards to your overall pipeline for the company, is it greater now than it was in, say, December 31st or about the same or?

Fabian Haubert | CEO, Senstar Technologies:

as it declined? So it's hard to answer precisely this question. I would, with a lot of questions, tell you globally that it's kind of comparable. We have a very strong pipeline. What I can say, the LiDAR pipeline is increasing tremendously from one quarter to the other, continually for a couple of quarters, tremendously.

Ken Lindy | Analyst, Oppenheimer & Company:

Okay, great.

Unknown | Unknown:

I appreciate you taking my question. Thank you, Ken.

Operator | Conference Operator:

As a reminder to Star 1 on our telephone keypad, if you would like to ask a question, we will just pause for a brief moment, see if there's any final questions. There are no further questions at this time. Mr. Hober, would you like to make your concluding statement?

Fabian Haubert | CEO, Senstar Technologies:

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

Operator | Conference Operator:

Thank you. This will conclude today's conference. You may disconnect at this time, and thank you for your participation.