NASDAQ:SNT Q2 2026 Earnings Call Transcript

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Sherry | Conference Call Operator:

Welcome to CENSTAR Technologies conference call to discuss its second quarter 2026 results. All participants are currently in a listen-only mode. Instructions for the question and answer session will follow the management's prepared remarks. As a reminder, this conference call is being recorded. I would now like to turn the call over to Corbin Woodhull of Hayden IR. Corbin, please begin.

Corbin Woodhull | Investor Relations, Hayden IR:

Thank you, Sherry. Welcome to everyone joining us today, and thank you to Senstar Technologies Management for hosting the call. Joining us today are Mr. Fabien Haubert, the CEO of Senstar Technologies, and Ms. Alicia Kelly, the CFO of Senstar Technologies. Fabien will summarize key business and financial highlights, followed by Alicia, who will review Senstar's second quarter 2026 financial results. We will then open the call for questions. Unless otherwise indicated, all financial figures discussed today are in U.S. dollars in all comparisons year over year. Before we begin, please note this conference call may contain forward-looking statements, including projections regarding future events and SenSTAR's future performance. These statements are based on current expectations and assumptions and are subject to risks and uncertainties. Actual results may differ materially from those expressed or implied by such statements. For discussion of these and other risks, please refer to the risk factors and other information in SenSTAR's filings with the U.S. Securities and Exchange Commission. Fundstar undertakes no obligation to update any forward-looking statements except as required by law. During the call, we will also discuss certain non-GAAP financial measures. These measures should be considered in addition to and not a substitute for the most directly comparable GAAP measures. Reconciliations are included in our earnings release in accordance with Regulation G. You can also refer to Fundstar's website at www.fundstar.com for the most directly comparable financial measures and related reconciliations. With that, I will turn the call over to CEO Fabien Haubert. Fabien, please go ahead.

Fabien Haubert | CEO, Senstar Technologies:

Thank you, Corbin, and thank you to everyone joining us today to review Senstar Technologies' second quarter 2026 results. Our second quarter results reflect continued execution of our strategy, including a revenue of $10.4 million, up 8% year-over-year, and a return to profitability. LIDAR again perform strongly and continues to be an important contributor to our growth. We believe this momentum reflects the contribution of Senstar Health and Prostructure to Blickfield's growth. The combined business is beginning to generate synergies and Blickfield reported positive EBITDA in the second quarter. We believe integration is progressing as planned and we're working to realize efficiency gain and expand our addressable markets. Let me provide some context on the demand environment, which remains healthy. We saw particularly strong momentum in EMEA and APAC, supported by demand from utilities, data centers and airports. EMEA's performance in the first quarter continued into the second quarter, with revenue increasing 14% year-over-year and 26% year-to-date. Growth was primarily driven by utilities, data centers, airports, and energy. LiDAR's self-momentum is building, supported by increasing business development investments, including the recent hiring of a regional sales director in the Middle East. Our EMEA pipeline continues to strengthen, and we expect the region to remain an important contributor to the business. Asia Pacific was the fastest growing region in the second quarter. with revenue increasing 93% year-over-year, a rebound from the prior quarter. Revenue in the region grew 21% year-to-date. Growth in the second quarter was driven by

utilities, data centers, correction, and airports, reflecting improved activity in South Asia and Japan. Larger sales in the region remain at an early stage, which we believe provides an opportunity as adoption develops. In the U.S., second quarter revenue declined 14% year-over-year and 17% year-to-date. The correction vertical continues to experience project delays related to the federal government shutdown. No major projects have been canceled and we're seeing initial signs of recovery. We expect activity to resume in the second half of the year. Growth in U.S. LIDAR cells and continued strength in utilities substantially offset the softness of in-U.S. correction. We also continue to act talent, including the appointments of a new vice president of sales, USA and Latin America, with experience across security, LIDAR, utilities, and data center. Turning to our four core vertical markets, performance was mixed in the quarter, declining approximately 18% year-over-year, primarily because of the slower activity in the correction market during the first half of the year. Utilities was a highlight, with sales increasing 17% year over year, driven by data centers, telecommunication, and solar farms. Growth was broad-based across regions. Transport also grew in the quarter, and we remain focused on adding new logos and expanding relationships with existing customers through cross-selling. More broadly, The performance of our four verticals continues to be affected by weakness in the U.S. correction markets. However, end-delaying demand remains active. We have not experienced customer project losses and we recorded several wins in APAC during the quarter. LiDAR remains a key proof point of our strategy. On a combined basis, LiDAR solutions grew nearly 100% year-over-year and now represents 20% of our global sales. compared with 11% in the first quarter, sensor Salesforce generating a meaningful portion of that growth. We believe the results support the strategic rationale of the Blixell acquisition, which combines Blixell technology and know-how with sensor partner network and Salesforce. This combination enhances our position in targeted vertical markets. We're seeing a growing pipeline in security and Volume Monitoring Applications with opportunities across North America, Latin America, EMEA and APAC. Blackfield is also complementary to our existing portfolio with limited overlap across cell channels. Its LiDAR solution primarily competes with thermal camera solutions in perimeter and outdoor applications. Growth reported by our closest peers in LiDAR across security, volume monitoring and traffic monitoring reinforces our confidence in the long-term market opportunities. Product innovation remains important to Senstar, and we continue to advance product and solution in response to customer needs. Specifically, we're in the final development stage of two planned launches. Embedded fiber range, our next generation fiber optic sensing technology designed for perimeter intrusion detection systems and critical infrastructure protection. are expected to be fully released by the end of the third quarter. The embedded fiber range is intended to broaden the fiber pits markets to include short-distance application, traditionally using alternative technologies. Its embedded AI engine is designed to improve situational awareness when evaluation intrusion attempts and reduce news and sound rate. Symfony workflow engine The customizable tool is integrated into the CentOS Symphony Common Operating Platform to automate tasks for security and logistics operators. We expect the workflow engine to support software sales and recurring revenue over time. We currently expect both innovations to be released in the second half of 2026 and we intend to showcase the security solution at the upcoming Global Security Exchange in Atlanta. Overall, are confident and supported by customer engagement, order activity, geographic diversification, and expanding LIDAR opportunity. We believe the benefits of the Blickfield acquisition are beginning to emerge alongside continued growth in utility, growth in EMEA and APAC, and an expected recovery of the US correction markets. Our diversified pipeline is converting to revenue and Improving Revenue Conversion remains a key priority. With our team, products, solutions and experience in place, we believe we're positioned to execute on our goals for the year and pursue sustainable profitable growth. Before turning the call over to Alicia, I'd like to thank our employees for their continued dedication, our customers for their trust and our shareholders for their support. I will now turn the call over to Alicia for a more detailed review of the financial results.

Alicia Kelly | CFO, Senstar Technologies:

Thank you, Fabien. Revenue in the second quarter of 2026 was $10.4 million compared to $9.7 million in the year-ago quarter and was in line with our financial plan. This 8% increase year-over-year reflected strength in APAC and EMEA. LiDAR sales nearly doubled, partially offsetting continued weakness in the US corrections vertical related to project delays following the federal government shutdown in late 2025. APAC was the strongest performing geographic market in the quarter, with revenue increasing 93% year over year. Growth was driven by steady demand in utilities, data centers, corrections, and airports. Japan and South Asia reported accelerated growth during the quarter, while LiDAR is showing encouraging early indicators. EMEA's strength in the first quarter continued into the second quarter, with revenue increasing 14% year-over-year. Performance-related broad-based gains across the region, with particular strengths in utilities, airports, data centers, and energy. LiDAR applications continue to generate inbound customer interest. and our business development efforts remain focused on capturing the long-term growth opportunities in the region. Revenue from North America declined 12% in the quarter, driven by a 14% decline in the US. As Fabien noted, US performance related challenging market conditions, including continued pressure on the corrections vertical and project delays related to the federal government shutdown. We have not lost any customer projects. and we expect activity to resume in the second half of the year as early signs of recovery have emerged. Canada returned to growth after a challenging first quarter with revenue increasing 19%. Canada remains an important market and we continue to focus on serving customers in the region. The geographical breakdown of the second quarter revenue compared to the prior quarter was as follows. North America, 43% versus 53%. EMEA 37% versus 35%, APAC 19% versus 11% and all other regions in material in both periods. Second quarter gross margin was 64.2% compared with 66.1% in a year ago quarter. The change primarily reflected product mix and the second quarter margin was in line with our plan. Sequentially, our gross margin increased from 60% in the first quarter of 2026 driven by healthcare product mix in the second quarter. Operating expenses were $6.4 million, up 18% from $5.4 million in the year-ago quarter, and represented 60.9% of revenue, compared to 56% in the year-ago period. The increase primarily reflected $1.2 million of costs associated with the Blixfield acquisition, partially offset by lower corporate costs including due diligence costs for Blickfield incurred in the second quarter of 2025. Operating income for the second quarter of 2026 was $343,000 compared to $1 million in the second quarter of 2025. Operating income and revenue were in line with internal forecasts for the quarter, with operating income primarily affected by Blickfield integration expenses. EBITDA for the second quarter was $551,000 compared to $1.1 million in the second quarter of 2025. The decline from the prior year quarter primarily reflected slightly lower gross margin and higher costs associated with the Blakefield acquisition compared with the first quarter of 2026. EBITDA improved from a loss of $403,000. Financial income was $61,000 in the second quarter of 2026 compared with financial lost $330,000 in the second quarter of 2025. The primary difference reflects a non-cash accounting effect from adjustments to the valuation of monetary assets and liabilities denominated in currencies other than the functional currency of the group's operating entities in accordance with GAAP. Net income attributable to Sunstar shareholders was $351,000, or two cents per share, in the second quarter of 2026 compared with net income of $1.2 million or 5 cents per share in the second quarter of 2025. Net income also reflects public company platform expenses and amortization of intangible assets from historical acquisitions. Corporate expenses in the second quarter were approximately $588,000 compared to $865,000 in the year-ago period. Turning next to the balance sheet, cash and cash equivalents and short-term bank deposits excluding $100,000 of restricted cash related to Clickfield closing balances were $8 million as of June 30, 2026, or $0.34 per share. This compares to $22.5 million, or $0.96 per share, as of December 31, 2025. The company had no debt as of June 30, 2026. The decrease in cash during the period ended June 30th, 2026, primarily reflected the 10.4 million euros cash-funded acquisition of Blickfield, which closed in February of 2026. That concludes my remarks. Operator, we would like to open the call now for questions.

Sherry | Conference Call 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. Please limit to just one question. One moment while we poll for questions. Our first question is from Fred Ehrman, private investor. Please proceed.

Fred Ehrman | Private Investor:

Hi, Fabien, Alicia. The increase in revenue, how much was that attributed to your Lickfeld acquisition?

Fabien Haubert | CEO, Senstar Technologies:

Thanks very much, Fred, for this question. It's hard to answer in this sense. First of all, we're only the closing, we're running our company as a single company. And on top of it, the sales were driven both by the existing Blackfield team, but as well as the Sensor sales team, which have been selling Blackfield first on the OEM before. So indeed, LiDAR has been a high contribution in the growth, absolutely, but generated by both simultaneously. We cannot disclose basically which one generated which. I hope I have answered your question, Fred.

Fred Ehrman | Private Investor:

Thank you.

Sherry | Conference Call Operator:

Our next question is from Ken Liddy with Oppenheimer and Company. Please proceed.

Ken Liddy | Analyst, Oppenheimer & Company:

Hi. In the quarter, your research and development costs were up higher than I can remember. Is that due to Blackfield?

Fabien Haubert | CEO, Senstar Technologies:

So I understand you want to understand the raise of R&D raises in the second quarter. Do I get to write your question?

Ken Liddy | Analyst, Oppenheimer & Company:

Yes, is it attributed to the synergies of developing new products with the Brickfield acquisition, or is it something else?

Alicia Kelly | CFO, Senstar Technologies:

Yeah, so we did integrate the Brickfield team into the group, and Brickfield makes up about $300,000 of the total R&D expense, and that would be most of the change that occurred period over period.

Ken Liddy | Analyst, Oppenheimer & Company:

And is there a dollar amount that you can expect quarter to quarter or annually that you're targeting research and development or a percentage of sales number?

Alicia Kelly | CFO, Senstar Technologies:

I think the number that we've incurred for Q2 is fairly normal for the group now.

Ken Liddy | Analyst, Oppenheimer & Company:

So like 1.3 million or so?

Alicia Kelly | CFO, Senstar Technologies:

Yeah. The thing that changed with that is if we continue to look for opportunities around IRAP, which is the research and development program from Canada where we would get a grant, or if there was a grant that was eligible from Germany, we would also be looking for those opportunities that could potentially reduce the future costs.

Ken Liddy | Analyst, Oppenheimer & Company:

Great. And I have another question. Regarding the U.S. sales, I understand things that pushed off from late last year's. Are you expecting U.S. sales to normalize the second half of the year or this quarter, next quarter?

Fabien Haubert | CEO, Senstar Technologies:

It's our expectation that the business and the correction indeed will resume in the second half. It's our expectation. As mentioned, we're seeing first signs of this recovery. But it remains our expectation. On top of it, we're just having onboarded a new vice president of sales with a very strong experience and utilities and data centers to help us on top of strengthening the position in our historical verticals, along with the correction to further accelerate our development. in data centers and utilities and user markets. So we're taking the problem of the issue of the challenge very seriously. Indeed, we expect a recovery and growth, of course, over time in the other verticals.

Ken Liddy | Analyst, Oppenheimer & Company:

Great. And do you expect to see any more, you know, opportunities with LiDAR? You talked extensively last quarter. Calls. Is there anything that's materializing since the last call?

Fabien Haubert | CEO, Senstar Technologies:

100%. So we're online so far. So there are three elements I would like to add to this question, and thank you for raising it, Ken. The first thing is that our LiDAR sales, if you take in combined quarter of a quarter and over the first half, is around 100%. So we absolutely feel the growth of the LiDAR segments, basically, of the LiDAR products. in our target. And we are working hard to cross-sell our existing markets, number one, in security. And as mentioned, we're not willing to give detailed figures, but to this extent, Senstar has highly contributed to the growth of LiDAR. On top of it, the historical vertical of Blackfield are increasing tremendously in volume monitoring and traffic. And finally, we believe that We don't see any overlap with our existing solution, but we perceive LiDAR 3D as the main competitor of thermal camera, which is a product we didn't have in our portfolio per se historically, and which is extending the time tremendously and which is not competing to our current solution range. So on the three events, we expect LiDAR sales to indeed keep growing. and I would like to mention that we're monitoring closely our peers and we see that they're sustaining very high growth rates, two digits.

Ken Liddy | Analyst, Oppenheimer & Company:

And in relationship to that, could you speak about the new products that innovations that you have coming in September, I think you said, and how that relates to your projects verticals?

Fabien Haubert | CEO, Senstar Technologies:

Yeah, 100%. We're releasing a new fiber detection systems and embedded platform with an AI algorithm, which provides better detection, sharper detection, which will focus on lower distances where there's today a mix of different technologies. And we would like to basically gain leverage on the fiber by providing There's fiber solution that can cover from very short distances to very long ranges, expanding again our addressable market. Number two, we're providing, we're going to release the Sansar Flow, which is a next generation of software algorithm on top of the Sansar Symphony platform. And the purpose is to basically boost the sales of software application next to our traditional bids. and develop the recurring revenue, which is one of our main challenges for the future. And we will happily demonstrate both solutions during the GSX in Atlanta in September.

Ken Liddy | Analyst, Oppenheimer & Company:

Great, that's good to hear. Okay, that's all I have for now. I appreciate your answers. Thanks.

Fabien Haubert | CEO, Senstar Technologies:

Thank you, Ken. Thank you for your trust.

Sherry | Conference Call Operator:

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

Fabien Haubert | CEO, Senstar Technologies:

On behalf of Sense of Management, I'd like to thank our investors for their interest and long-term support of our business. Have a good day.

Sherry | Conference Call Operator:

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