NASDAQ:SNT Q3 2026 Earnings Call Transcript

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Bill | Conference Call Operator:

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

Corbin Woodhull | Hayden IR:

Thank you, Bill. Welcome to everyone joining us today and thank you to CENSTAR Technologies management for hosting the call. Joining us today are Mr. Fabien Haubert, CEO of Sunstar Technologies, and Ms. Alicia Kelly, the CFO of Sunstar Technologies. Fabien will summarize key business and financial highlights, followed by Alicia, who will review Sunstar's third 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, and all comparisons are year over year. Before we begin, please note that this conference call may contain forward-looking statements, including statements regarding government procurement and corrections project timing, pipeline conversion, LIDAR adoption, product launch timing, acquisition integration, and Sensar'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 CENSAR's filings with the U.S. Securities and Exchange Commission. CENSAR undertakes no obligation to update any forward-looking statements except as required by law. During the call, we will discuss certain non-GAAP financial measures. These measures should be considered in addition to and not as 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 Senstar's website at www.senstar.com for the most directly comparable financial measures and related reconciliations. With that, I will turn the call over to the 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 Technology third quarter 2026 results. Third quarter revenue was a record for Senstar, with revenue increasing by 37% year over year to 13.1 million, the highest for the third quarter in our history. Following a slow start of the U.S. government market in the first half of this year, we remain focused on strategic execution, prioritizing scalable deployment and converting our pipeline into revenue. That discipline paid off in the quarter with year-to-date revenue expanding by 14% versus the year-ago period. Importantly, growth in the quarter was growth-based as all our core geographic regions and our key verticals contributed to our top-line trajectory, along with continued expansion in profitability. The U.S. market returned to growth with revenue increasing 23%, the EMEA and APAC each grew 50%, and LIDAR sales doubled, solidifying our combination with Blickfield as a key competitive differentiator for Centaur. I also want to be clear about what drove this quarter. It was not one last project, but rather a healthy demand in the verticals we target, a strong sales and technical team, a growing partner network, and steady wins with new logos. As a result, our four key verticals grew approximately 15% combined The year-over-year growth in profitability for the third quarter demonstrates the scalability of the business, as evidenced by healthy expansions in operating income to 1.9 million from 1.1 million and a 55% increase in adjusted EBITDA to 2.1 million. This performance illustrates the attractiveness of our business

model and our disciplined cost management across sales, marketing, and R&D. Let me provide some context on the demand environment, which as anticipated has improved meaningfully. We saw particularly strong momentum in each of our core geographic markets supported by demand from utilities and the U.S. correction vertical, stabilizing to the levels before last year's shutdown. The factors behind our recent performance are strong and come from several sources supported by the breadth of our customer base and demand across our markets. Following a strong third quarter in the year, the U.S. is back to growth with revenue now in line with last year on a year-to-date basis. The correctional market activity has returned to their normalized cadence of the British Empire, and we anticipate corrections to remain a strong vertical. We recently added a new vice president for the U.S. and Latin America, who is already successfully executing a plan to expand the market share in utilities and data centers, in addition to driving LiDAR penetration throughout the territory. We secured solid wins in U.S. data centers and utilities, all of which are verticals to remain focused on gaining shares. We also saw strong growth in ladder-based volume monitoring in the U.S., and we are working to expand this promising application. The EMEA's strong performance in the first half of 2026 accelerated in the third quarter, pushing revenue growth to 35% year-to-date. Our performance reflects investments made over the past several years to strengthen our presence in this large attractive market where customers are investing in critical infrastructure security supported by regulation. We had major wins in airports, solar farms, energy, utilities, data standards, and military sites in the region, and we anticipate these will continue to grow. This included LIDAR and strong progress in the region with new references in volume monitoring and traffic application that point to significant future runway for growth. We plan to keep investing in business development to win new logos and drive long-term growth. Asia Pacific remains among the fastest-growing region in the third quarter, with revenue increasing 31% year-to-date. Large wins in correction, data centers, utilities, and airports, mainly in South Asia and Japan, drove the gains this quarter. These rapidly growing markets present significant opportunity for Zenstar, supported by our established market presence, and Strong Partner Networks. We plan to continue investing in this capability to further strengthen our competitive position and capitalize on growing demands. LIDAR sales in the Asia-Pacific regions are in the early stages and our first successful implementation in the third quarter represents an initial step in developing this market. To expand on LIDAR, the Blackfield acquisition has become an important competitive differentiator for Santa. LIDAR sales more than doubled on both a year-over-year and sequential basis, representing 20% of our total sales in Q3 as compared with 20% in the second quarter and 11% on the first. In the third quarter, Blackfield was adjusted a bit more profitable to the second consecutive quarter. LIDAR represents a significant growth opportunity for Santa, expanding our addressable markets will strengthen our competitive position in perimeter security. The technology complements our existing portfolio in security by protecting areas where traditional defense-based solutions are not practical, while also providing a competitive alternative to thermal cameras in the large perimeter markets. Through our expanding network of resellers and distributors, we're extending our reach with LIDAR to new markets and non-critical infrastructure applications like museums, logistics hubs, VIP sites and industrial sites significantly expanding Centaur's existing total addressable markets. Beyond security, LiDAR is opening new markets for Centaur in industrial volume monitoring, including petrochemicals, transportation, agriculture and construction materials. Demand for this solution is growing. Thank you very much. for the Blickfield acquisition, and it combines differentiated technology with sensor-established global sales and distribution networks to accelerate commercialization and expand our market opportunities. Turning to our four core vertical markets, we delivered significant turnaround on the quarter, with sales from our core verticals increasing by 15% year-over-year. These growths stand the result of the strong performance coming from solar farms, ULTDs, and data centers. Product innovation remains a priority for Sandstar as we advance two important product milestones designed to address evolving customer needs and increasingly complex security threats. One is the embedded fiber range. During the quarter, we successfully launched a new embedded AI-driven fiber sensing solution. at the Global Security Exchange and Early Market Feedback has validated this initiative. The launch represents another lever to broaden our addressable markets. Leveraging AI-based classification running directly on the device enables our systems significantly reduce nuisance and false alarm rates. With coverage of both short- and long-range fiber applications, we can offer this level of precision not only to launch critical infrastructure sites, to any site that needs an accurate efficient perimeter solution, all while lowering installation complexity and total cost of ownership. Number two is SensorFlow, our hybrid software

platform. SensorFlow is expected to launch within a couple of weeks. SensorFlow adds scenario-based intelligence and advanced critical graphical interface, operating reporting, and preventing maintenance for the install base, complementing Sensor Symphony, and supporting the company's strategy to grow recurring revenue. This product initiative advanced our strategy of pairing best-in-class perimeter detection with intelligence recurring software. We're encouraged by our early momentum with these initiatives and look forward to sharing more as they erupt. In summary, we delivered a record sub-quarter performance with accelerated growth from our core vertical and geographic markets. We see favorable demand trends supported by our diversified customer base and broad market exposure. The US federal and government activities returning to pre-shared down levels. We see opportunity for growth across our target verticals and the security threat our customers face are becoming more complex every day. The LIDAR market is expanding rapidly both within and beyond security. Our business development team continues to add new logos regularly and existing customers keep coming back for new projects and adopting our newer technology. We remain focused on converting our expanding pipeline into revenue and deliver a diversified customer base and road-based demand position as well for continued growth. Before turning the call over to Alicia, I would like to thank our employees for their continued dedication are our customers that they trust and our shareholders that they support. I will now turn the call over to Alicia for a more detailed review of the fund.

Alicia Kelly | CFO, Senstar Technologies:

Thank you, Fabien. Revenue in the third quarter of 2026 was $13.1 million, compared with $9.5 million in the year-ago quarter, and was in line with our financial plan. This 37% increase year-over-year reflected strength across all our core verticals and geographic markets. Following pressure in the U.S. corrections vertical related to project delays from the federal government shutdown in late 2025, the U.S. returned to growth with 23% year-over-year revenue increase, while both EMEA and APAC grew 50% and LIDAR sales doubled. EMEA was the strongest performing geographic market in the quarter, with revenue increasing 50% year-over-year. Growth was driven by large wings in airports, solar farms, utilities, and data centers, all of which represent markets with strong and sustained demand. LiDAR is generating robust momentum in the region as well, particularly within volume and traffic monitoring applications. APAC's strength in the first half of 2026 continues into the third quarter, with revenue increasing 50% year-over-year. Performance-related reflected broad-based gains across the region, with particular strength in corrections, data centers, and utilities, in addition to airports in South Asia and Japan. Inbound interest in our LIDAR applications remains strong, and our first successful implementation in the third quarter opens a meaningful growth opportunity in the region. Revenue from North America returned to growth, with 26% year-over-year increase in the quarter. driven by a 23% expansion in the U.S. As Fabien noted, U.S. performance benefited from investment activity following the federal government shutdown and healthy demand across target verticals. LiDAR continued to make strong sales traction and pipeline expansion with continued investments expected to generate long-term growth in the technology. Sales in Canada grew for the second consecutive quarter after a challenging first quarter. with revenue increasing 62%. Canada remains an important market and we continue to focus on serving customers in the region. The geographical breakdown of the third quarter of 2026 revenue compared with the prior year quarter was as follows. North America, 47% versus 51%. EMEA, 39% versus 36%. APAC, 13% versus 12%. And all other regions are immaterial in both periods. Third quarter gross margin was 66.3% compared with 67.3% in the year-over-quarter. The change primarily reflected product mix. The third quarter margin was in line with our plan. Sequentially, gross margin increased approximately 210 basis points from 64.2% in the second quarter of 2026, driven by a healthier product mix in the third quarter. Operating expenses were $6.8 million, up 29% from $5.2 million in the year-ago quarter, and represented 51.8% of revenue compared to 55.2% in the year-ago period, and down from 60.9% in the prior quarter. Roughly $1.3 million of the $1.5 million increase came from integrating Blakefield. The remaining $200K was a bad debt reserve related to a specific customer receivable. The business remains committed to recovering this debt. Our investment in product development and commercial capabilities are now yielding tangible results, reinforcing our commitment to maintaining a high level of R&D investment to drive continued innovation and growth. In tandem, selling and marketing and general administration expenses remain

controlled. Operating income for the third quarter of 2026 was $1.9 million, compared with $1.1 million in the third quarter of 2025. Operating income was in line with internal forecast for the quarter and primarily supported by profitable revenue growth and increased contribution of large sales. Adjusted EBITDA for the third quarter was 2.1 million with adjusted EBITDA margin of 15.7% and compared with 1.3 million and 13.9% respectively in the third quarter of 2025. Adjusted EBITDA outpaced revenue growth with a 55% year-over-year improvement driven collectively by strong top-line performance and diligent cost control. Financial loss was $126,000 in the third quarter of 2026 compared with financial income, $282,000 in the third quarter of 2025. The difference primarily 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 Technology shareholders was $1.5 million or $0.07 per share in the third quarter of 2026, compared with net income of $1 million or $0.04 per share in the third quarter of 2025. Net income also reflects public company platform expenses and amortization of contendable assets from historical acquisitions. Corporate expenses in the third quarter were approximately $441,000 compared to $891,000 in a year-old period. The difference largely coming from due diligence costs related to Blakefield incurred during Q3 of 2025. Turning now to the balance sheet, cash and cash equivalents and short-term bank deposits excluding $100,000 of restricted cash related to Blakefield's closing balances wrote $8.4 million as of September 30, 2026, or $0.36 per share. This is a sequential increase from $8 million cash position as of June 30, 2026, and compares with $22.5 million, or $0.96 per share, as of December 31, 2025. The company has no debt as of September 30, 2026. The decrease in cash during the period ended September 30, 2026 primarily reflected the €10.4 million cash-funded acquisition of Blakefield, which closed in February 2026. The business continues to make an assessment for the purchase accounting for Blakefield acquisition. It remains preliminary while the company completes the valuation of its acquired inventory, fixed assets, and identified gold intangible assets. The resulting allocation may affect cost of sale, depreciation and amortization, and reported results. The company is assessing the amounts and the timing of those effects, including the impact, if any, on previously reported periods. That concludes my remarks.

Bill | Conference Call Operator:

Operator, we'd like to open the call now for questions. Thank you.

Bill | Conference Call Operator:

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.

Bill | Conference Call Operator:

We will now be accepting questions.

Bill | Conference Call Operator:

As a reminder to enter the queue, it will be star 1 on your handset.

Bill | Conference Call Operator:

There are no further questions at this time.

Bill | Conference Call Operator:

Mr. Haubert, would you like to make your concluding statement?

Fabien Haubert | CEO, Senstar Technologies:

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

Bill | Conference Call Operator:

Ladies and gentlemen, thank you for attending our call. That will conclude today's teleconference call. Please disconnect your lines and have a wonderful day.