

ASX Announcement

25 November 2016

### DataDot Technology AGM – CEO Presentation and Chairman’s Address

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- **Outlook for 2016/17 and beyond is positive**
    - **high proportion of recurring revenue (more than 80% in all regions)**
    - **expenses being tightly managed - goal of a 25% reduction on FY16**
    - **earnings are trending up**
  - **Strong value proposition and lead generation**
    - **the data shows traction and momentum are building**
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The CEO’s presentation as attached will be provided at the Annual General Meeting of **DataDot Technology Limited (ASX:DDT)** today.

The presentation states that the outlook for 2016/17 and beyond is positive and makes the following key points in support:

- fresh leadership with strong strategic and executional capability is now driving an outcomes focussed approach to execution and broader renewal,
- DDT’s operating model is now sustainable and efficient. It has a high proportion of recurring revenue (more than 80% in all regions), expenses are being tightly managed with a goal of a 25% reduction on FY16, and earnings are trending up,
- with a leading solution to the trillion dollar global counterfeit problem, traction with global players and a proven and scalable theft deterrent solution, DDT’s value proposition is strong and needed in the market place, and
- a renewal program focussed on conversion and lead generation has traction and momentum building within the business.

The Chairman’s address that will also be delivered at the AGM and provides an overview of FY16 is also attached.

#### **For further details contact:**

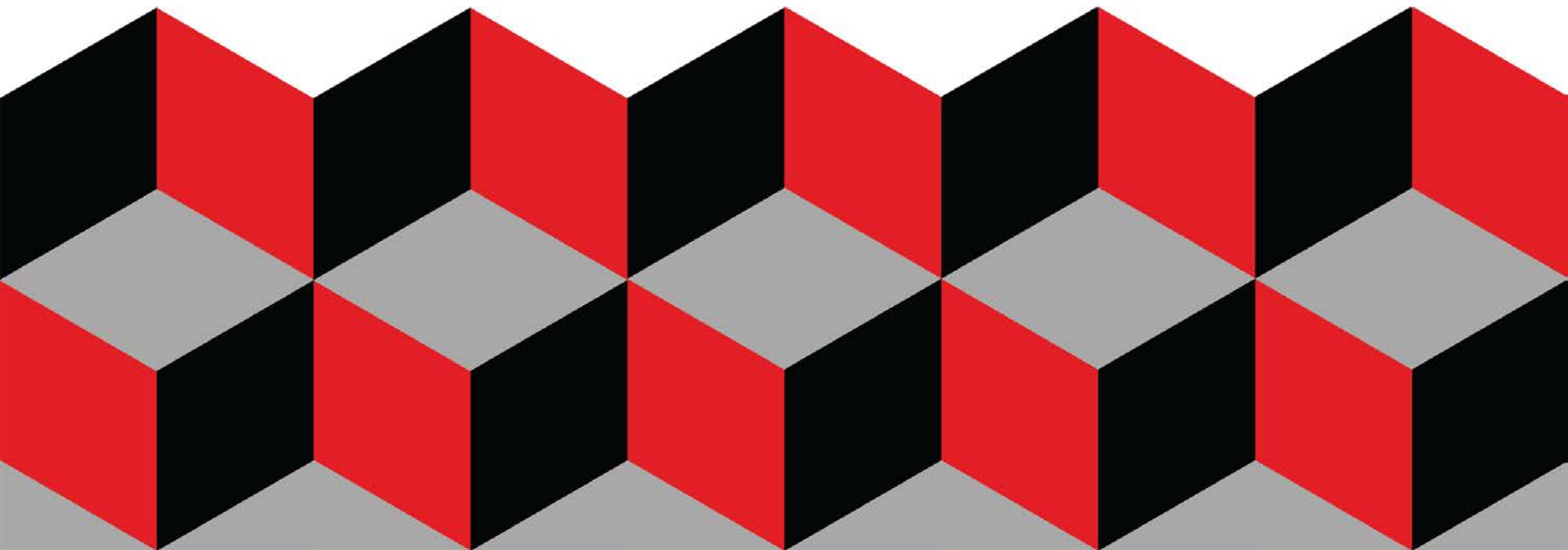
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Temogen Hield, CEO  
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#### **About DataDot:**

DataDot Technology Limited provides world leading asset identification, management, protection and authentication solutions that deliver great value to customers. For more information please visit [www.datadotdna.com](http://www.datadotdna.com).



**Chief Executive Officer's Presentation  
Annual General Meeting  
25 November 2016**



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# The **outlook** for 2016/17 and beyond is **positive**



**Fresh leadership driving execution**



**Sustainable and efficient operating model**



**Leading solutions to some of the world's biggest problems**



**Traction and momentum is building**



# Fresh **leadership** driving **execution**



**Temogen Hield**  
Chief Executive  
Officer

- Leadership
- Strategy
- Innovation
- Business development
- Customer engagement

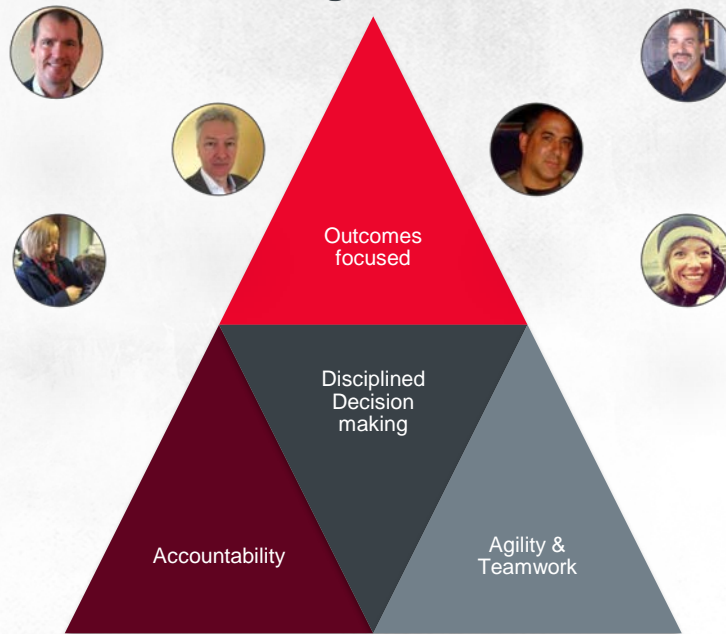


**David Williams**  
Chief Financial  
Officer

- Strategy
- Financial control
- Business analytics
- Commercial model development
- Performance management and accountability

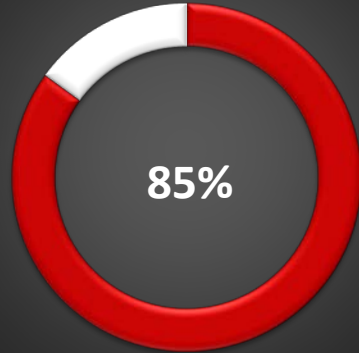
- Strong North American Business Development Executives
- Lean and mean European operation
- Right mix of continuity and fresh thinking on technology
- Depth of sector experience
- Supported by passionate staff

## Driving execution

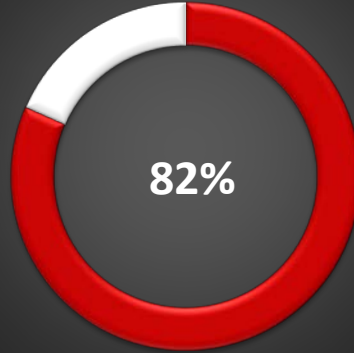


# Projected sales **revenue** is underpinned by a strong **recurring customer base**

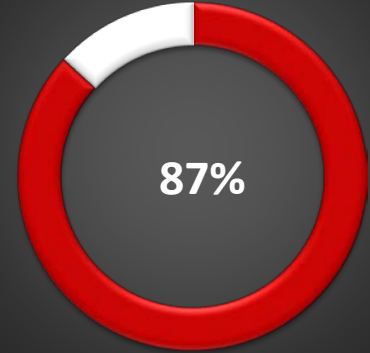
AUS - Recurring Revenue (%)



US - Recurring Revenue (%)

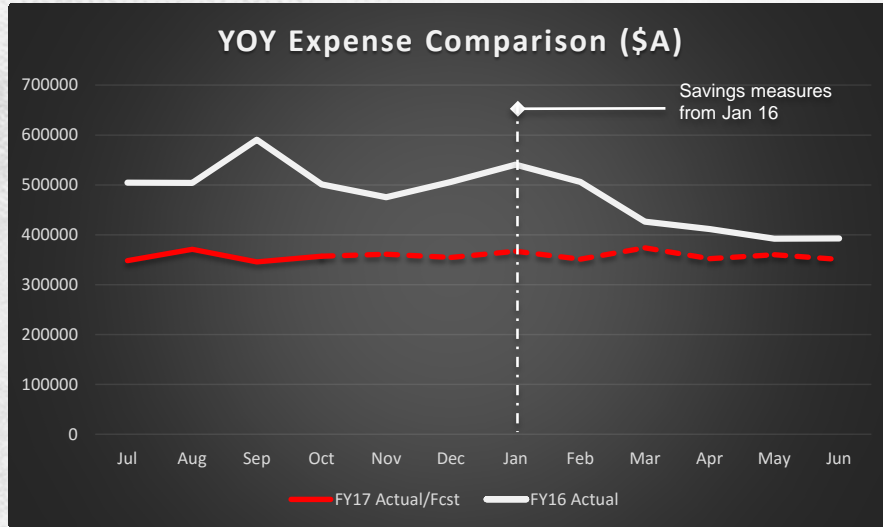


UK - Recurring Revenue (%)

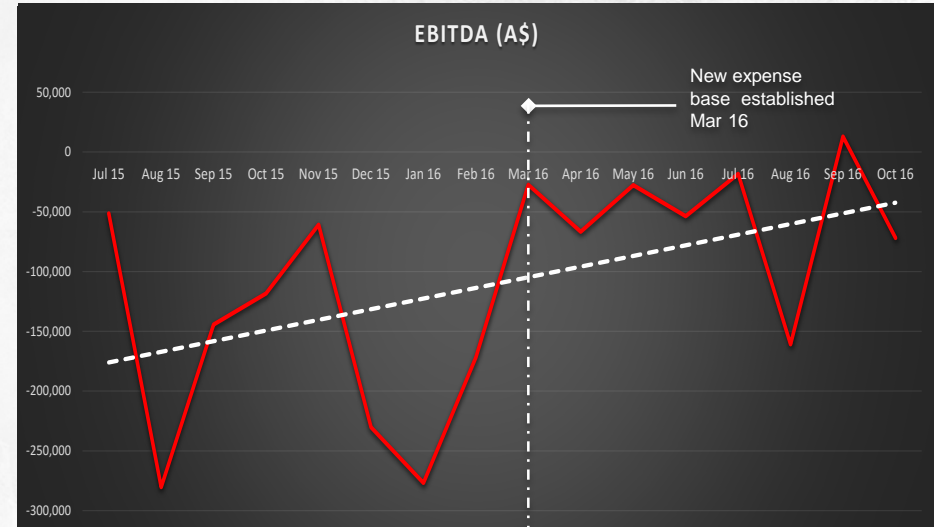


# Operating **expenses** are being tightly managed & **EBITDA is trending up**

**Our goal is a 25% reduction on FY16**



**The platform is set for sustainable profitability**



*The DataTrace Authentication system is an important security feature for Crown Resorts. In particular, the ability to have denomination specific codes in a covert anti-counterfeit solution is something that gives us an extra level of assurance and further reinforces the importance that Crown Resorts places on the integrity of its gaming operations.*

**Sean Knights** | Executive General Manager - Table Games  
**Crown Melbourne Limited**



# Authenticity is one of the worlds biggest problems and we have a leading solution

**\$1.7 trillion**

Annual value diverted from  
global economy by  
counterfeit products  
*International Chamber of Commerce*

**\$45 billion**

Global loss to auto industry  
because of counterfeiting in  
2011 due to excessive warranty  
claims, ongoing investigations,  
brand damage, legal fees and  
public safety  
*Frost & Sullivan*

**\$75 billion**

Value of fake drugs sold in  
2010  
*US Centre for Medicine in the Public Interest*

**3-5%**

Value of business revenue lost  
to false warranty claims  
*Price Waterhouse Coopers*

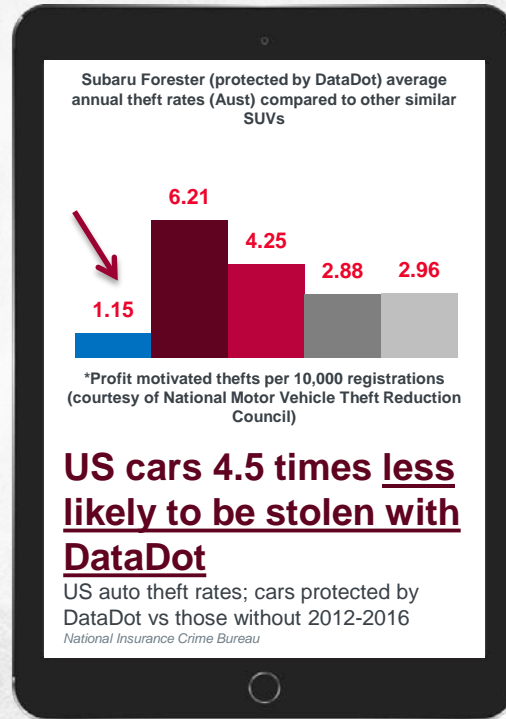
**100th of a second**

Delay in airbag deployment  
required to cause a fatality  
*Honda 2012*

- Global FMCG, Pharma and Gaming companies protected by DataTrace
- 10 years delivering authentication solutions
- Leading IP – forensic protection with in field detection (with a pipeline of enhancements)
- Can be incorporated into products, packaging, printing, labels and more

# Theft continues to be a **billion dollar global problem** that we have proved **we can solve**

<p><b><u>\$50 billion</u></b> Amount stolen from US businesses by employees <i>US Chamber of Commerce</i></p>	<p><b><u>\$4.9 billion</u></b> US Auto theft 2015 <i>Federal Bureau of Investigation</i></p>
<p><b><u>\$14.3 billion</u></b> US losses from property crimes in 2015 <i>Federal Bureau of Investigation</i></p>	<p><b><u>\$400 million</u></b> Annual value of heavy equipment stolen in the US <i>National Insurance Crime Bureau</i></p>



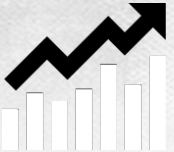




- Proven to reduce theft in Auto and Industrial sectors
- Adopted by global brands including Subaru, Fiat and many more
- Scalable, more than 300,000 new cars protected in calendar 2015 in 3 continents
- Cost effective

*We have been associated with DataDot for some time now, and the relationship us proved beneficial to each of us. I am delighted we have reached commercial agreement to extend that relationship for a further three years*

Nick Senior, Managing Director  
**Subaru Australia**

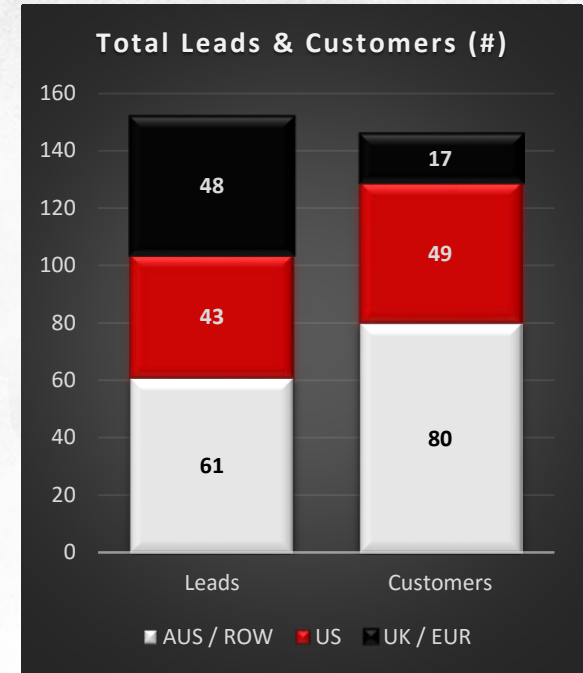
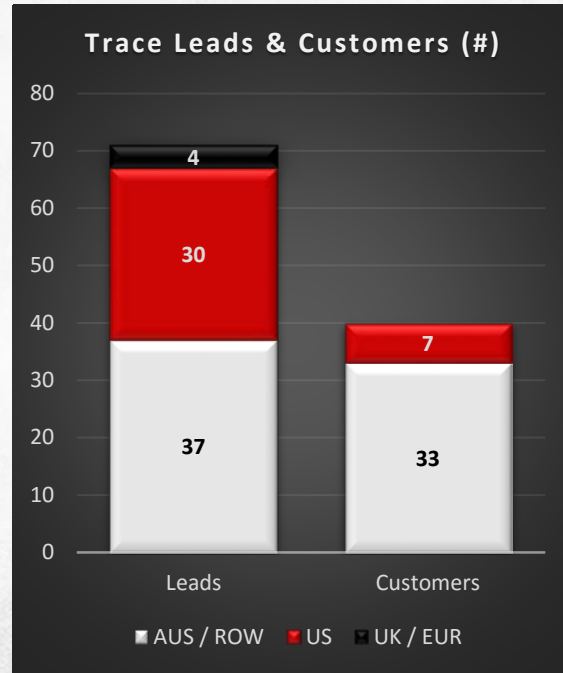
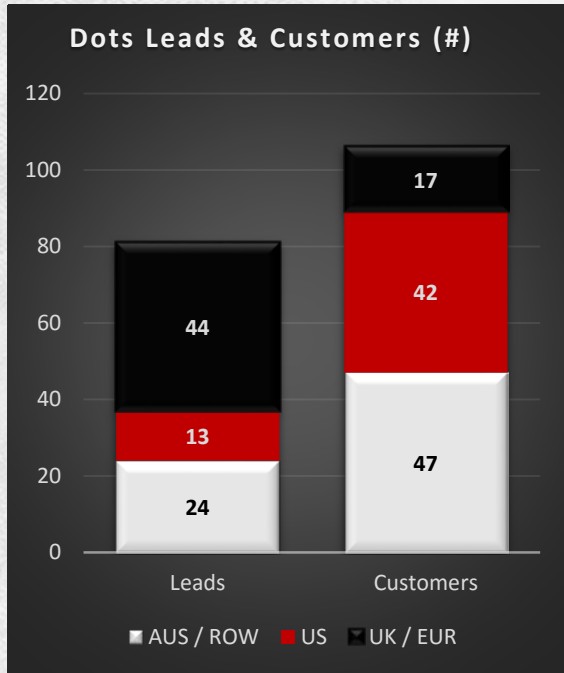
# Conversion and laying the platform for consistent growth to new levels are a focus

## Renewal Objectives

Value Prop & Sales	Brand	Distribution & Partners	Operations & R&D	People & Culture
 <ul style="list-style-type: none"> <li>✓ Higher conversion rates</li> <li>✓ Consistent and focused</li> <li>✓ Benefit and ROI based approach</li> </ul>	 <ul style="list-style-type: none"> <li>✓ Powerful differentiated brand</li> <li>✓ Strong, clear and aligned positioning (external and internal)</li> </ul>	 <ul style="list-style-type: none"> <li>✓ Less in number</li> <li>✓ Shared and aligned growth plans and agreements</li> </ul>	 <ul style="list-style-type: none"> <li>✓ R&amp;D that adds value and impacts customers</li> <li>✓ Improved execution, efficiency and margins</li> </ul>	 <ul style="list-style-type: none"> <li>✓ High performing team</li> <li>✓ Invested and motivated to grow and improve DDT</li> </ul>



# Lead generation is strong, particularly for Trace in the US and we have a solid base of existing customers



DataDot's technologies have always been favoured by law enforcement. However in recent times their focus on solutions and working collaboratively have really impressed me. I would recommend DataDot to any company experiencing theft or counterfeit issues.

Peter Price, OAM, Director  
**Crime Stoppers Australia**

# The **outlook** for 2016/17 and beyond is **positive**



1

## Fresh leadership driving sustainable execution

- ✓ Fresh CEO and CFO with strong strategic and executional capability
- ✓ Outcomes focused
- ✓ Passionate team



2

## Sustainable and efficient operating model

- ✓ High proportion of recurring revenue
- ✓ Tightly managed expenses
- ✓ Earnings trending up
- ✓ Healthy cash



3

## Leading solutions to some of the world's biggest problems

- ✓ Leading solution to a trillion dollar problem
- ✓ Traction with global players
- ✓ Proven and scalable theft deterrent
- ✓ More than 300,000 cars protected in calendar 2015



4

## Traction and momentum is building

- ✓ Renewal underway, with upside in all areas
- ✓ 146 current customers
- ✓ 152 leads





## Chairman's Address AGM 2016

Ladies and gentlemen.

Shareholders will recollect that the Company sought to grow the business aggressively from early 2015 by adding materially more sales personnel predominantly in the US, but also in Europe and Australia in both the DataDotDNA and DataTraceID businesses. These hires increased the cost base of the business considerably and represented a major investment in growth. The results of this investment was manifest in H1FY16 in a material increase in the pipelines for both products and stronger revenue (up about 3.5% against pcp) but also a major deterioration in EBITDA against pcp particularly in H2FY16 when the additional revenue to cover the increased cost did not materialise.

The Board and management took the view in January 2016 that ongoing investment in the sales force at these levels was unsustainable given the conversion rate and it would be prudent to pare back this investment to more sustainable levels and reducing cash burn with neutral to positive operating cash flow being the objective. This objective was nearly achieved by the end of FY16 although more work is being done in FY17 which is expected to bring the operating business to a cash neutral to positive position. The CEO will give you more colour on this positive development in his presentation. Suffice it to say, a core salesforce comprising our most effective people remains and the cash drain of this growth initiative has been materially reduced restoring the earnings of the business and putting the Company on a very positive and sustainable path. Again, the CEO will discuss this more in his presentation.

Shareholders will also recollect that the Company operated without a CEO from January 2012 to August 2015 when Temogen Hield was appointed to that role. Temogen has since reviewed his management team and has made adjustments – the most significant and recent is the appointment of David Williams as Chief Financial Officer to the Group early July 2016. Temogen has also embarked on a process of organisational and strategic review of the Company to enable better execution of its growth strategy which he will also speak to in his address.

The Board also brought in a new Non-Executive Director Mr Stephe Wilks who joined the Board in February 2016. Stephe is seeking re-election at this AGM. He brings not only an astute business and commercial mind but also considerable experience in the technology space which will serve the Company well going forward. We also thank Alison Coutts for her service to the Company as a Non-Executive Director over a number of years.

DataDot Technology now has a management team in place to drive the Company forward into FY17 and a sensible strategy for growth which is sustainable given the nature of our business.

Now to the FY16 Results:

Revenue for the year ended 30 June 2016 was \$6,631,371 (2015: \$7,026,595) down 5.6% despite a promising first half. The key drivers of this were:

1. a decline in Theft Deterrent (DataDotDNA) royalties from DataDot South Africa due to competitive pressures and devaluation of the rand vs the AUD,
2. slowness in the Asian casino/gaming market which impacted sales of our Authentication (DataTraceDNA) solution in that segment, and

3. a slow first half of the year for US Auto Theft Deterrent sales, which has now been turned around.

The aggregate impact of these three drivers of about \$800,000 has been partially offset by more than \$407,000 of growth in other areas.

The US sales investment along with the cost of additional sales resources for our Authentication solution impacted FY16 EBITDA: (\$1,464,261) (2015: (\$189,431)).

The incoming management has taken a prudent view across a range of intangible items on the balance sheet and recommended to the Board that – given the challenges of forecasting future cash flows in relation to those items with a sufficient degree of certainty – those balances should be reduced or written off.

These adjustments have materially impacted the FY16 Net Profit After Tax: (FY16 NPAT (\$3,264,627) (2015: (\$867,354))).

In addition to the reduction in insufficiently productive sales resource described above, efficiencies have been implemented in most areas. On an annualised basis, expenses have been reduced by \$1.26 million (22%) going into FY17. These savings are more than the FY16 decline in EBITDA and NPAT (before the non-cash balance sheet adjustments referred to above.)

Our Cash at bank at the end of FY16 was \$2.355 million.

The Board is fully aware that the growth foreshadowed in prior periods hasn't been delivered. Consequently steps have been taken through the appointment of a CEO and now CFO to improve our capacity to execute our plans for growth through organizational and strategic renewal.

As this work continues, the Board is confident that capabilities and results will improve.

These improvements when coupled with the high levels of recurring and contracted revenue, material improvements in the cost base and growth opportunities available to the Company give the Board reason to be optimistic in its outlook for FY17.