



# DataDot Technology Limited

ABN 54 091 908 726

## Securities Exchange Announcement

31 July 2014

### 2014 Overview

The strategy applied during 2014 was to pursue growth primarily from two sources:

- (1) the auto sector, through geographic expansion, particularly in Brazil and France; and
- (2) diversifying revenue streams into the industrial and consumer sectors outside the auto industry following the adverse impact of the GFC on the auto industry and therefore on the company's revenue.

Investments have been made, particularly in the US, in developing the business in the utility, telecommunications and oil & gas sectors using our metal theft solution and the National Metal Register (NMR) as our core offering. We also launched the consumer product CopDots into the retail market in the US.

The Company has also invested in development of its existing DataTraceDNA micro-particle product range to further diversify and grow revenues in targeted sectors such as auto parts, gaming, pharmaceuticals, food, defence and branded consumables. Further investment has been made in new dot products so as to add to our offering in both the auto and non-auto industrial sectors.

The Company has rationalised its existing businesses, particularly in Australia, Taiwan and the US (after the DDSS acquisition), thereby materially reducing the ongoing costs to the business. One-off expenses associated with this rationalisation and some revenue sacrifices have been incurred during 2014.

The Company is pleased with the traction achieved in the year to 30 June 2014 from these investments and initiatives with the benefit to be reflected in material revenue growth will emerge in 2015 and beyond.

#### North America

Good progress has been made in the US with the metal theft and NMR products having been launched late last year. They have been well received in the target markets of utilities, telecommunications and oil & gas sectors with Excel Energy and Con Ed adopting this product (see Xcel Energy and Con Ed announcements). The pipeline of other target customers with whom we are in dialogue is very encouraging and the Company expects to be able to announce sales to other customers over the next few months.

Sales of the CopDot pen product through Lowe's Home Improvement warehouse stores were initially encouraging but have tapered post the Christmas period. We continue to



develop alternative channels to market for this product so as to grow volume. A sales arrangement was substituted for the joint venture in Canada with RSR Solutions Inc. (RSR) by mutual agreement and the first order of pens from RSR has been received and fulfilled by our US factory.

The auto industry in the US has shown strong recovery and this is expected to be reflected in stronger sales during 2015. We also have an emerging opportunity with a steel company in Mexico for both DataDotDNA and DataTraceDNA. Further details on this will be announced as and when the contract is executed by our Mexican distributor. We are also well advanced with brand protection trials with a global consumer products company in the US.

### Europe

Sales in Europe have been slower to recover given the lingering impact of the GFC, particularly in Italy. We see this effect moderating and we expect volumes from existing clients and new opportunities to increase during the current year. The signing of our distributor for France is a material development and we anticipate this to contribute significantly during 2015. Brazil, which will be supplied out of our UK factory, has been a slower market than anticipated but our distributor is confident that it still represents a significant opportunity.

### China & Taiwan

Although our distributor is under competitive pressure in Taiwan with the dot product, material progress is being made in China with DataTraceDNA. As detailed in the Company's simultaneously released announcement, DataTraceDNA – China Update, volumes from our beverage customer continue to climb steeply. We are in advanced discussions with a significant consumer brands company for the application of DataTraceDNA. Car parts marking using DataTraceDNA is also a major focus for us and a number of discussions with targeted customers continue.

### Australia

Australia is a low theft market and is becoming increasingly more so, affecting sales into the auto sector. Sales into the non-auto industrial space are very encouraging with recent sales to the Local Government and Utility sectors in NSW and Victoria. The National Marine Register was a fresh initiative last year and has received strong support from targeted dealers. We have invested in the new electronic asset location system called DataDot Live and are in dialogue with the insurance sector regarding its application to insurance products. Our metal dot manufacturing capability is in pre-production testing. When in production, it will open additional revenue sources to us and will replace currently outsourced metal dots, thereby increasing margin.

### 2014 Financial Performance and Outlook

Based on preliminary numbers yet to be audited, revenue for 2H2014 will be approximately \$3.65 million. When adjusted for the change in Taiwan manufacturing and the resultant conversion of revenue into a royalty income stream (as advised to the market on 30<sup>th</sup> January 2014) this is equivalent to \$3.82 million.



This is a credible performance having regard to the fact that revenue from industrial business in the US is just starting to flow through (see Excel Energy and Con Ed announcements) and is expected to positively impact the 2015 financial year rather than 2014.

The net loss after tax (attributable to members) for 2H2014 will be of the order of \$0.68 million which, when adjusted for one-off expenses of \$0.51 million, would have been a loss of \$0.17 million as compared to the 1H2014 loss of \$0.34 million (after adjusting for one-off expenses). These one-off expenses incurred during the year include DDSS start-up costs and rationalisation costs.

The company expects costs to reduce materially in 2015, reflecting the annualised savings made from the rationalisation of the business undertaken during 2014 and revenue to benefit from flow through from new activities, particularly from the industrial sector as they ramp up, the auto sector in the US and a recovering Europe. Internal budgeting sees the company returning to profitability in FY2015 with performance building during the year as revenues grow. The company currently has approximately \$2.1 million in cash at bank.

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