Disclaimer

The material in this presentation is general background information about Datadot Technology Limited (DDT) and is current at the date of the presentation, 21 November 2022. The information in the presentation is for informational purposes only, is in summary form and does not purport to be complete. It is intended to be read in conjunction with all other DDT announcements to the ASX, including the FY22 Annual Report. The presentation contains statements that are, or may be deemed as forward-looking statements. You are cautioned not to place undue reliance on these statements as they involve known and unknown risks and other factors which may cause actual future performance and results to differ materially from those implied in such statements.

Chairman's Address to Shareholders at the Annual General Meeting held on 21 November 2022

Summary of FY 2022 Financials

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Total revenue for the year was $3.561 million which was a decrease of 8.6% year on year, due to an 11.2% decrease in Royalties and Licence Fees and a 7.7% decrease in Group sales.

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While the cost of sales was reduced by 15% the overall operating expenses increased by 14% largely due to unavoidable increases in statutory and listing costs. Net profit was $829,163 excluding $5.701 million in deferred tax assets.

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Cash and cash equivalents at 30 June 2022 was $3.179 million, an increase of 36% and net assets were $3.978 million, an increase of 25%. There were no capital raisings, and the company remains debt free.

2022 Trading Environment

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Automotive

The global auto market remained subdued for most of FY 22 as a result of lingering supply and logistical issues experienced during the pandemic. Despite this, auto related Microdot sales still made up the largest percentage of the Group's revenue at 76% (combined DDT Group Sales and Royalties) in FY 22. There was strong performance in our distributor's European auto market during the first half year but that was followed by a significant downturn in the 4th quarter following the invasion of Ukraine and the subsequent international sanctions leading to the loss of Russian related royalties and excess build-up of key European customer stocks.

South African auto related royalties and material sales improved significantly over the previous year while our U.S. distributor sales remained steady with slightly improved margins due to production efficiencies.

Australian auto related sales were down slightly with fewer vehicles sold by our key customer while Taiwan auto related royalties remained steady.

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Non-Automotive

The principle non-automotive related sales are via U.K distributors who service the U.K. domestic markets and a Scandinavian distributor who sells into Europe. While the U.K. is undergoing a significant economic downturn a number of our key distributor's volumes have remained steady; however, the cessation of a long-standing program by one of our volume distributors has led to a decline in total sales for the year.

Trace sales have increased marginally over the year with a number of prospective new clients still engaged in product testing and engineering trials.

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PropertyVAULT

Theft of personal and industrial property in Australia results in insurance claims in excess of $2 Billion per year with less than 5% recovered by police.

PropertyVAULT has been designed to be the default national on-line portal for the registration, reporting and recovery of stolen personal, commercial and industrial assets. It offers a full service, stolen asset location and recovery service that leverages its extensive interaction with the community and police services via its web and social media portals.

PropertyVAULT has continued to build its on-line presence which is now reaching over 100,000 on-line and social media interactions per month. The site invariably receives top or first page listing on "stolen" related searches on both the Google and Safari platforms. Retail sales of bespoke identification kits bundled with related security products were down due to Covid and poor riding weather, but insurance and on-line sales have increased by 21%.

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Forward Outlook

Notwithstanding the importance of the automotive sector to the Company's current revenue streams, the Board remains cognisant of the necessity for the Group to diversify its revenue base to lessen its dependence on a single industry's fortunes. The global events that have occurred since February 2022 and their impacts on our key automotive markets have amplified the company's historical vulnerability to a downturn in this single market segment and have highlighted the importance of accelerating our planned diversification.

It has now become clear that the company's significant reduction of royalties from our distributors' existing automotive European customers in the latter part of FY 22 and into the first half of FY 23 will continue for at least the whole of FY 23.

Due to these external global issues our FY23 first half result will be negative, however the full year impact remains less clear at this time as the company has been taking active steps to try and attract new business to offset this shortfall.

The most significant of these steps has been extensive work to create a more compelling cost/benefit case for prospective microdot customers including those in the automotive sector. At the centre of this is a complete re-development of our microdot offering into a standardized product range that can offered at manufacturing, dealership or the retail level and can be applied to marine, motorcycle, industrial equipment, and a broad cross section of consumer products.

This streamlined product range is complemented by a re-engineered application process which includes our new application nozzle and pulse spray gun that delivers a far more efficient and replicable quality finish with minimal operator training. All of these product enhancements are supported by a new suite of market specific marketing materials, a new international database and insurance related incentive schemes.

Importantly, this new suite of product offerings will enable us to re-invigorate our legacy distribution model which up to now has relied upon our distributors purchasing raw product and being responsible for their own branding and marketing. With our standardized product range, we can now offer existing and potential new distributers a completely turn-key product and marketing system to cost effectively establish and grow new markets in their territories. We will be introducing this product range to our international distributors in the first quarter of the new year.

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Improving our product offering has been a critical pre-curser to moving forward through our agreement with Datadot South Africa to leverage their existing relationships in the automotive sector to jointly pursue new customers in the U.K. and Europe. These enhancements will be presented to prospective automotive customers during management's visit to Europe in coming weeks.

While remaining committed to pursuing continual improvement and growth in the Company's traditional product lines, the Board still firmly believes that the Company's long term prosperity lies in transitioning its business model from one of simply being a manufacturer of passive identification products to that of a full service provider that encompasses physical and digital asset identification, provenance, theft deterrence and stolen property recovery. This includes growing the PropertyVAULT revenue streams from insurance partnerships, leveraging PropertyVAULT's on-line traffic to grow direct to consumer security products and insurance sales and diversifying the PropertyVAULT product lines for all asset classes to increase ID kit sales.

At the centre of our transformation is the PropertyVAULT platform, IP, product and stolen asset identification and recovery service developed by Mr Kellas and brought to DataDot by way of a licence agreement following shareholders' endorsement of the plan put forward in 2019.

As Mr Kellas is the Managing Director and major shareholder of DataDot and the sole proprietor of PropertyVAULT, the Board maintains the view that the licence agreement is the appropriate mechanism under which both companies can be jointly operated pending further decision on how a more permanent structural amalgamation may take place. The board is actively considering this issue and will only proceed after seeking external independent assessment and advice on any proposed resolution before submitting any such proposal to shareholders for approval, most likely in the coming 12 months.

While our goal is to be the predominant service provider in this space, the Board is aware that like all emerging digitally based business models, it takes time to reach the level of maturity and dominance in the digital world that is required to build meaningful commercial returns. Over the past three years our focus has therefore been on refining the functionality of the platform and building its exposure in the public, police and insurance domains rather than pursuing short term commercial outcomes.

We believe the platform now offers the most sophisticated functionality of any on-line stolen property platform currently available. We are confident that we have reached the stage of being able to offer an entirely unique suite of services on which we can build sustainable and growth-oriented revenue streams. As a result, we have commenced the process of engaging with potential commercial partners in the insurance industry and expect some of these arrangements to become operational early in the second half of FY23.

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Despite the external challenges that have emerged since the start of the year, the Company enjoys a strong cash reserve and remains debt free as a result of the Board's prior and on-going focus on maintaining production efficiencies and cost control.

The Board will consider the trading environment before making significant capital decisions and its long-term preference is achieve a steady dividend stream.

Subject to the normal caveats associated with developing and securing new and prospective revenue opportunities the Company is well-placed to be able to continue to pursue its planned trajectory towards revenue diversification and growth in the outlook period.