

ASX Announcement

16 February 2018

1H FY2018 Results Announcement and Outlook

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- Significantly improved cost base delivers positive trends in earnings
 - Past five months EBITDA positive
 - Authentication value proposition improvements implemented, more to come
 - pipeline growth expected to follow, then translate into revenue
 - Strong volume maintained in microdot business
 - Proposed merger with Beston Technologies [announced](#), to be finalised this half year
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Earnings for the first six months of the 2017/18 financial year have improved significantly against the prior comparable period (pcp). EBITDA improved by \$227,952 to \$86,253 loss and NPAT improved by \$233,351 to \$307,983 loss.

These improvements were primarily driven by a restructuring of the cost base, with savings of \$512,098 against the prior period. These changes increased the operating model's sustainability and efficiency.

With a sustainably lower cost base in place, the group is well placed to translate revenue growth into positive earnings. The past five months have been EBITDA positive (September 17 to January 18).

Group revenue has fallen against pcp from \$2,810,758 to \$2,490,443. Revenue growth continues to be the key imperative for the Company. To address this we have implemented a number of new initiatives, particularly to promote our authentication solutions, including:

- Launch of a stand-alone DataTraceID website (see datatraceid.com)
- An increased focus on thought leadership and content based lead generation; for example in November we held a webinar on smart packaging and presented at the Monash University Food Innovation Centre on Food Fraud (see <http://datatraceid.com/resources/>)
- The launch of the *Corporate Counsel Survey and Report* to benchmark industry views on counterfeiting on a recurring basis

Additionally, our Tracr smartphone application and related data aggregation service will be launched during the second half of the 2017/18 financial year. This service, in addition to the broader solution capabilities previously implemented, should see further improvements in our business development pipeline and sales.

The Outlook for the Company is positive with:

- a significantly improved cost base – such that the group is well placed to translate revenue growth into positive earnings results
- a number of improvements in our authentication value proposition have now been implemented with more to come, with resultant lead generation and pipeline growth expected to follow, and then translate into sales revenue
- increasing confidence in the prospects for our authentication business' future and the role it can play in delivering material upside to our results
- strong volume being maintained in our microdot business, and
- The possible merger with Beston Technologies to be progressed in the coming half-year (refer <https://www.asx.com.au/asx/statistics/announcements.do?by=asxCode&asxCode=DDT&timeframe=D&period=W>)

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