



DataDot Technology Limited

ABN 54 091 908 726

Securities Exchange Announcement

20 November 2015

Business update on the year to 31 October 2015 (4 months)

- Revenue up 11.2% on the prior corresponding period
- Sales opportunity pipelines for industrial theft deterrent and authentication products have grown by more than 400% over the last 12 months
- Revenue expected to increase through the year as investment in growth gains traction and pipelines convert to revenue

The CEO's Business update on the year to 31 October 2015 (4 months) as attached will be provided at the Company's AGM this morning. The update includes the following key developments:

Revenue for the 4 months to 31 October 2015 is up 11.2% on the prior corresponding period to \$2.38million, with growth in both the DataDotDNA (9.1%) and DataTracelD (24.6%) product lines. Regionally the EU is our strongest performer with revenue 32.6% more than the same period last year. The revenue results also show that the investment in the US is starting to bear fruit and that diversification is well underway with approximately 37% of the group's revenue now unrelated to the auto sector.

The strategic agenda is progressing well. As a result of the investment in growth, the sales opportunity pipelines for the DataDotDNA industrial theft deterrent and DataTracelD authentication products have grown by more than 400% over the last 12 months. Conversion of pipelines into revenue, particularly in the USA, is the key to additional growth. Opportunities for growth in the auto sector also exist, including the potential for expansion in Europe.

Group revenue is expected to increase through the year as investment in growth gains traction and pipelines are converted to revenue. Seasonally, revenue has also been higher in the second half in prior years. The investment in growth (8 additional sales resources) has of course had an impact on EBITDA, which was approximately -\$594,000 for the 4 months to 31 October.

As at 14 November 2015 working capital included \$3.7million cash and \$1.3million in debtors.

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Chairman's Address AGM 2015

Ladies and Gentlemen,

I propose to only summarise what is otherwise a comprehensive reflection on FY2015 performance contained on the Chairman's Review at the front of the Annual Report which you already have and prior ASX releases.

Overview of 2015

The Company recorded a solid performance in FY2015, which the Company believes will be a turning point in its development and repositioning. Highlights include:

- Solid revenue and much improved profitability
- Strong cash position; \$4,066k as at 30 June 2015
- 6 sales staff in the US and 1 in Australia added during the year; 1 in Europe commenced in September
- Poised for significant growth in FY2016.

Having employed additional sales staff in the US, Australia and Europe and deployed new products, the Company is now poised for growth. Temogen will discuss FY2016 growth during his address.

Revenue for FY2015 was \$7,026k being slightly better than the \$7,210k revenue in the prior corresponding period (pcp) after adjusting for changed operations in Taiwan.

Revenue was up against pcp in Europe, Taiwan, South Africa and in DataTraceID, with Australia now stabilised. In the US, industrial product sales rose nearly 90% off a low base, but auto and CopDot sales declined.

EBITDA for FY2015 improved materially, even after additional investment of \$200k in people and product during the year, to a loss of \$279k compared with a loss in the pcp of \$845k. Without the additional investments FY2015 would have been close to profitable at the EBITDA line.

These additional investments in growth were particularly directed to the US where 5 new sales personnel were added in the second half of the year in both the DataDot and DataTrace businesses, together with investment in product development.

There have been many positives aspects to FY2015.

Gross profit for FY2015 was \$4,174k at 59% of revenue compared with \$3,805k at 53% of revenue pcp. This improvement in gross profit is most pleasing, reflecting continuing focus on manufacturing efficiencies, pricing strategies and procurement strategies.

Group expenses excluding depreciation but including the additional \$200k invested in growth were \$4,995k compared with \$5,041k pcp.

Net loss after income tax was \$867k, which was a material improvement against the loss of \$1,286k pcp.

As at 30 June 2015, cash balances held by the company totalled \$4,066k.

Chief Executive Officer

On 24 August the Board appointed Mr Temogen Hield as CEO of the Group. Mr Hield is an accomplished senior executive with strong experience in strategy, innovation, business development and customer engagement. He has held a number of senior leadership roles, his most recent being Chief Operating Officer and Chief Innovation Officer of eftpos Payments Australia Limited and has a track record of successful product development and delivery, particularly in the digital space. Prior to his executive career in the payments industry Mr Hield was a partner of an international law firm in Hong Kong. He holds Masters and Bachelor of Law degrees and a Bachelor of Science degree with a major in computer science.

Mr Hield brings to the Company strong management skills, experience with and an understanding of digital, mobile and other technologies which DataDot is developing and can further develop with its existing product range or in new areas of focus such as telematics and fleet management. He will add greatly to the commercialisation of DataDot Live and other technology the Company is bringing into its product portfolio which have the potential to materially add to revenue opportunities going forward.

FY2016 Outlook

The Company expects revenue to grow materially during the course of FY2016 based on the additional business development resources deployed in US, Europe and Australia and product developments made in FY2015. Temogen will give you more colour around our FY2016 outlook in his address to follow.

Bruce Rathie
Chairman



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**Business update on year to 31 October
2015 (4 months)**

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Past performance is not a reliable indication of future performance.

Year to Date (31 Oct 15) Revenue is up 11.2% to \$2.38m

	YTD Oct 15	YTD Oct 14	Var(%)
Group Total	2,375,132	2,135,751	111.2%
By Product			
DataDotDNA (microdot Theft Deterrent)	2,004,708	1,838,783	109.1%
DataTracelD (Authentication)	370,424	297,378	124.6%
By Region			
USA	567,666	518,727	109.4%
EU	835,488	630,312	132.6%
Australia and rest of world	971,978	986,712	98.5%
By Sector			
Auto (DataDotDNA)	1,508,317	1,391,384	108.4%
Industrial (DataDotDNA)	496,391	446,989	111.1%
DataTracelD (Authentication)	370,424	297,378	124.6%

✓ Revenue growth in both product lines

✓ EU performing strongly

✓ Investment in the US starting to bear fruit

✓ Diversification well underway with ~37% of revenue non-auto

✓ Growth in all Sectors

The **strategic agenda** is progressing well.

Pipeline conversion in the **USA** is the key to the rest of the year.

Diversify and grow Industrial sector revenue, particularly in the US	<ul style="list-style-type: none">• Revenue up against last year• Converting pipeline into sales in the US is key• Development of EU and other markets in progress
Diversify and grow DataTraceID revenue, particularly in the US	<ul style="list-style-type: none">• Revenue up against last year• Converting pipeline into sales in the US is key• Crystalize revenue opportunities from strategic partnerships
Build auto revenue in mature markets and target markets considering WOVM	<ul style="list-style-type: none">• Revenue up against last year• Growth in the EU from dDotDNA ITALIA' relationship with Fiat with prospect of further extension• Need to improve returns from US• Chile and India longer term WOVM prospects
Create additional revenue streams thru innovation and product development	<ul style="list-style-type: none">• Early stage customer trials of DataDot Live• Bulk materials reader for DataTraceID progressing• Improvements and compliments

The Pipeline of Industrial DataDotDNA Opportunities is Growing - Particularly in the USA

- Pipeline of qualified prospects has grown by more than 400% over the last 12 months (by value)
- Trial with Con Edison and a large US transit Co about to commence
- Queensland Gas has completed small installation and is considering a large scale implementation
- Xcel Energy and AT&T in the process of approving for national adoption
- First order from Mexico (via Distributor)
- Focus on converting pipeline to revenue



Momentum in DataTraceID is building

DataTraceID Authentication Solutions

- Pipeline of qualified prospects has grown by more than 400% over the last 12 months (by value)
- Pilot with large US FMCG Co successful; rollout on one product line with discussions to extend to additional brands
- Continuing orders from US Department of State
- First revenue from VTT/Coats fabric authentication Joint Venture
- Recent additions to pipeline include several international brands
- Proof of concepts trials in a range of sectors including Luxury Brands, F&B, Defense and FMCG
- Strategic partnerships progressing but slower than expected

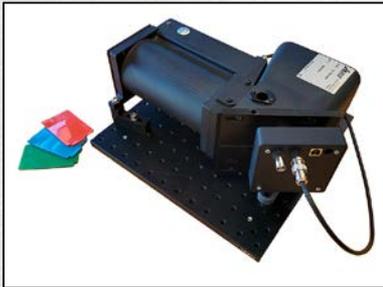
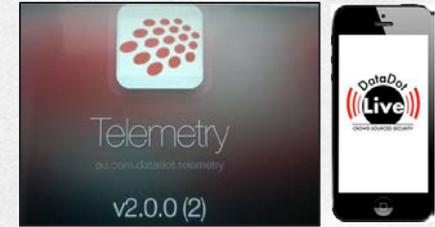
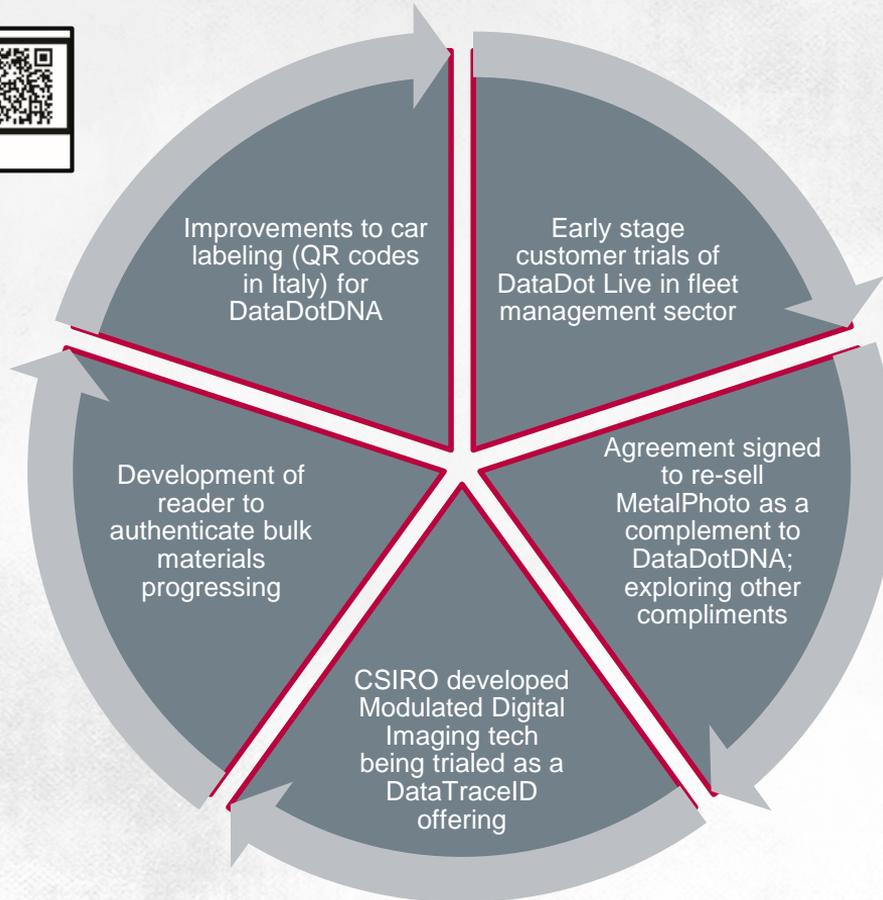


Growth opportunities still exist in Auto

- Italian distributor pitching for extended and expanded Fiat deal
- Share of US auto aftermarket remains low – opportunities to grow share with our Distributor
- Potential for Whole of Vehicle Marking legislation in Chile and India in the longer term
- US OEM market untapped
- Early stage Distributors in Korea and Indonesia look promising
- First order from Scania trucks Dubai



Looking to the future with innovation & product development



DataTraceID has broadened its anti-counterfeit solution set (announced 7 Sept)

DataTraceID is now able to offer multi-layered authentication and brand protection solutions using a range of technologies

- DataTraceSPECTRO: Covert Taggant Systems (formerly known as DataTraceDNA)
- DataTraceRFIT: Radio Frequency Integrated Technologies
- DataTraceDNA: Synthetic DNA Barcodes
- DataTraceDOT: Non-Serialised Provenance Dots
- DataTraceCONSUMER: Complementary Overt Security Features
- DataTraceCONSULT: Brand Protection Consultancy Services



The investment in **Growth** is of course impacting **EBITDA** but the outlook **is promising**

- Through 31 Oct:
 - Gross margin of 58% is improving over last year
 - \$660k investment in growth in the US (+6 resources) and other regions (+2 resources) has had a consequential impact on EBITDA (**\$594k**)
- Working capital includes (as at 14 Nov):
 - Cash at bank of \$3.7m, and
 - Debtors of \$1.3m
- **Revenue growth expected to continue through the year as sales force investment gains traction and pipeline converted to revenue (and due to seasonality of auto business)**
- **Earnings expected to improve as a result**

