18 Canaveral Drive, Rosedale
PO Box 301248, Albany, Auckland 0752

Telephone: +64 9 970 7700
Facsimile: +64 9 970 7800
www.solutiondynamics.com

Solution Dynamics

Solution Dynamics Update

13 June 2019

Solution Dynamics (SDL or Company) advises that it has signed a Master Services Agreement (MSA) with a multinational organisation that currently operates print facilities within the various countries in which it operates. SDL's solution will initially involve utilising the Jupiter platform to centralise printing and distribution, resulting in significant cost savings for the client. A later phase is likely to see a move to Jupiter's platform of global distributed print partners, which should provide further efficiencies and cost savings.

The first two phases under the MSA – one in June and the other in late 2019 – are pilot programmes covering a small portion of the client's communications volume. These will ensure the expected benefits are achieved and, conditional on successfully executing those phases, SDL expects full communications volumes to commence in mid-2020. Subject to full volumes commencing as forecast, this contract is expected to be material to SDL's revenue growth and on a fully annualised basis (in FY2021) should see SDL's revenue increase by around 40%.

The Company continues to experience a very strong pipeline of international opportunities.

SDL presently has several contracts in the late stages of closure or delivery. It is not clear whether these will fall into FY2019 results or may spill over into the following financial year. Additionally, the Company continues to see ongoing revenue and margin pressure in the domestic mail and print business. SDL is addressing its domestic cost base, however, implementing cost savings is taking longer than anticipated because of the need to invest in software solutions to automate some processes. Fourth quarter trading has seen expected software and development revenues weaker than previously forecast, particularly for a major European client, and some new business has either been slower to onboard or initial volumes have been lower or slower to ramp up than expected. SDL is flagging that even in the event these contract and delivery timing issues resolve favourably, underlying earnings will nevertheless be materially lower than previous guidance, although the Company is not yet in a position to quantify the extent. Reported earnings will include write-backs through the Income Statement of unearned earn-outs in respect of the Scantech and DTP acquisitions undertaken late in FY2018. These write-backs are expected to total approximately $280,000. Further guidance will be provided when the Company has greater visibility of the expected full year earnings outturn.

For further information please contact:

John McMahon
Chairman
+61-(0)410-411 806

Nelson Siva
Managing Director
+64-(0)21-415 027