



SDL Update: Wage subsidy, Trading and FX Hedges

7 May 2020

Solution Dynamics (SDL or Company) noted in its 7 April market release that it intended applying for the NZ government wage subsidy on the basis that forecasts showed a greater than 30% revenue decline was likely due to COVID-19. This application was lodged and the wage subsidy received. Preliminary April results indicate that the Company has generated significantly better than expected revenue during the Level 4 lockdown, with volumes from existing essential mail customers holding up and some new essential mail business generated. As a result the revenue decline was around half the threshold required to qualify for the wage subsidy and the move back to Level 3 means the wage subsidy threshold will not be met. SDL has commenced the process to return the subsidy to the NZ government.

International software revenue is generally better than expected. A couple of US customers who initially halted operations have now resumed business although some of SDL's consumer oriented customers are continuing to operate at very low volume levels and may not return towards business as usual until later in the year. A number of new international customers secured over the last six months are continuing to ramp up strongly and this process is expected to continue well into FY2021, underpinning expected material future growth.

SDL reiterates its prior guidance for FY2020 of net profit after tax between \$1.5 and \$2.0 million. Some international software projects are expected to be in progress around mid-year and their various stages of completion may produce earnings volatility within this guidance range.

In addition to the earnings guidance above, SDL has a range of foreign exchange hedges in place to manage currency exposures around revenues and costs in both US dollars and UK pounds. These hedges extend out to include various maturities in the second half of calendar 2020. Under NZ IFRS a full mark-to-market of unrealised hedge positions is required at 30 June balance date. There have been significant movements in foreign exchange rates as a result of financial disruption from COVID-19. At current foreign exchange spot rates, SDL would report an additional after tax profit of approximately \$0.4 million. Note that movements in currency rates between now and financial year end may significantly alter this position.

For further information please contact:

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

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

Physical Address
18-24 Canaveral Drive, Rosedale
Auckland 0632, New Zealand

Postal Address
PO Box 301248, Albany
Auckland 0752, New Zealand

Contact
Phone: +64 9 970 7700
Email: info@solutiondynamics.com

New Zealand • United Kingdom • United States of America

www.solutiondynamics.com