

# Chief Executive Officer's Presentation Annual General Meeting

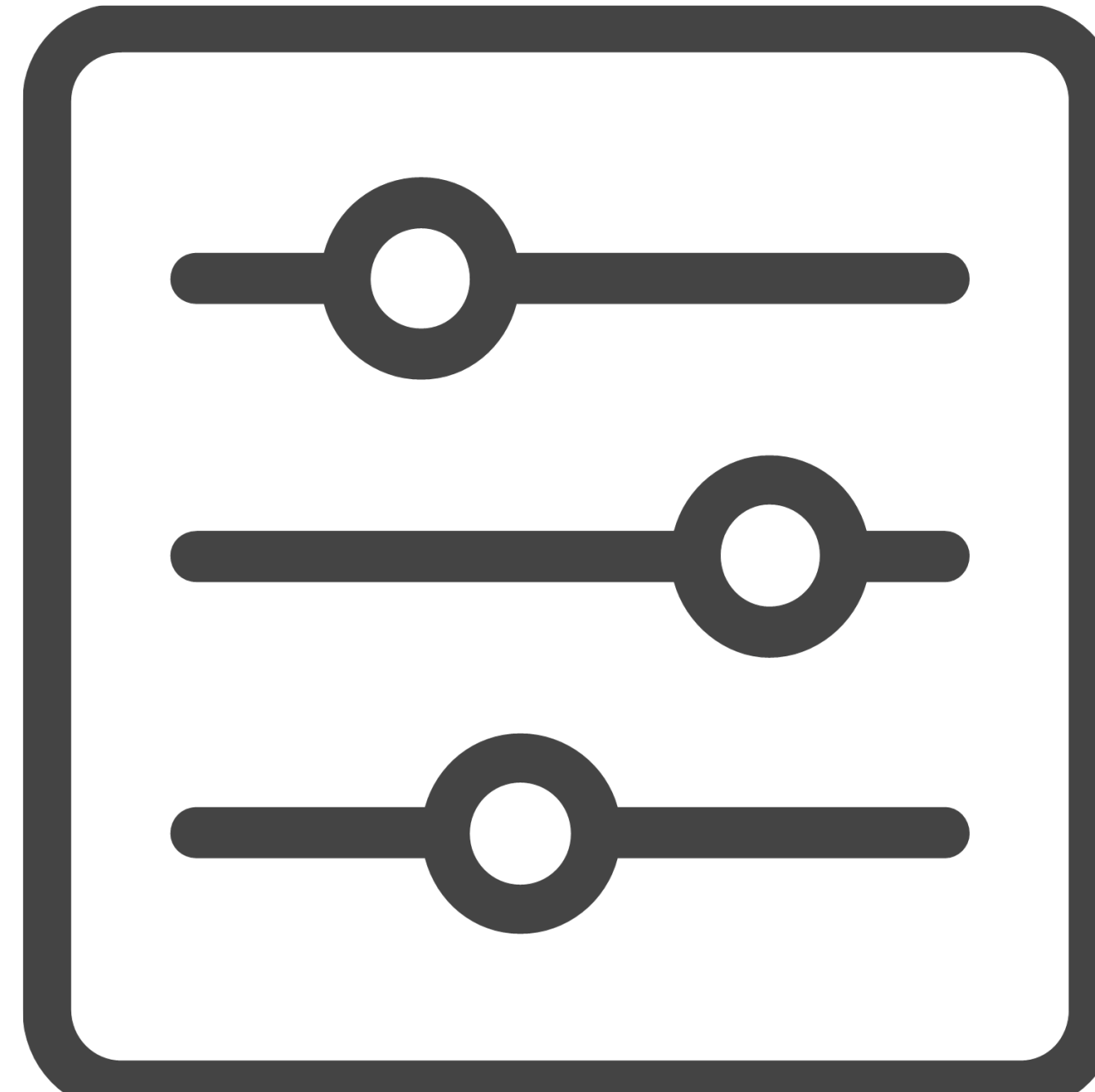
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24 November 2017





# The outlook for FY 2017/18 is positive

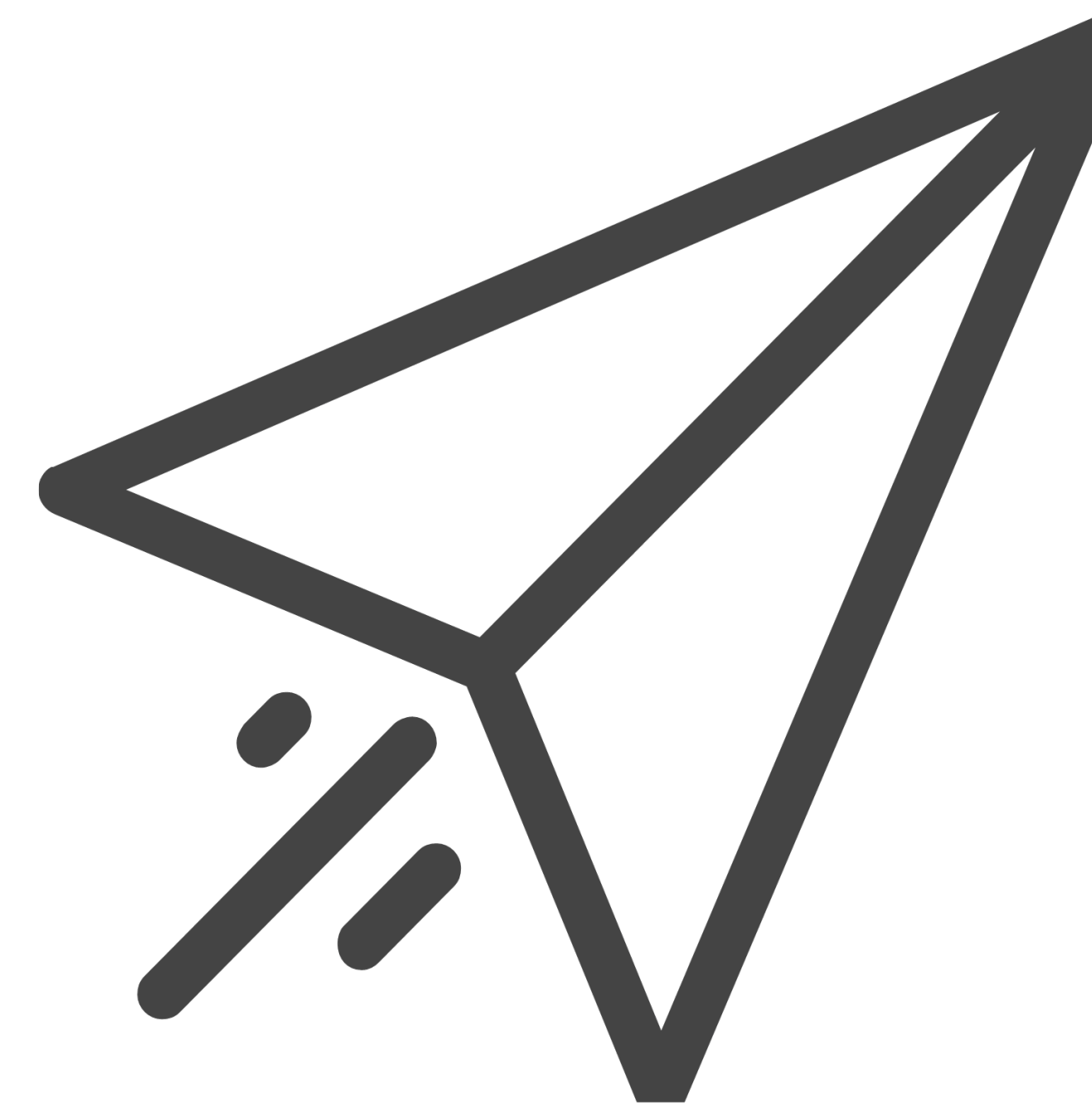


Expenses will continue to be tightly controlled. With prudent investment in growth when warranted

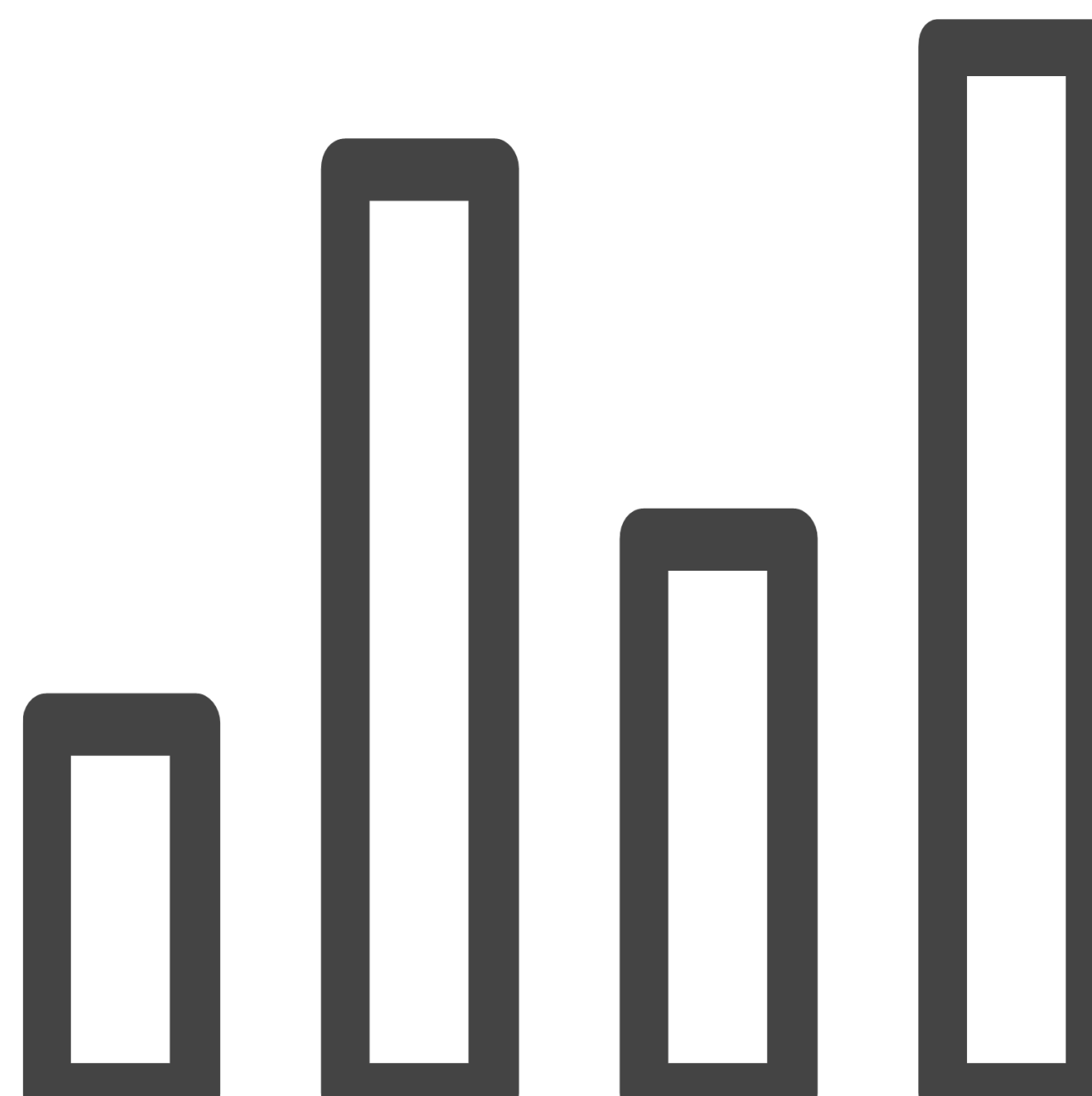
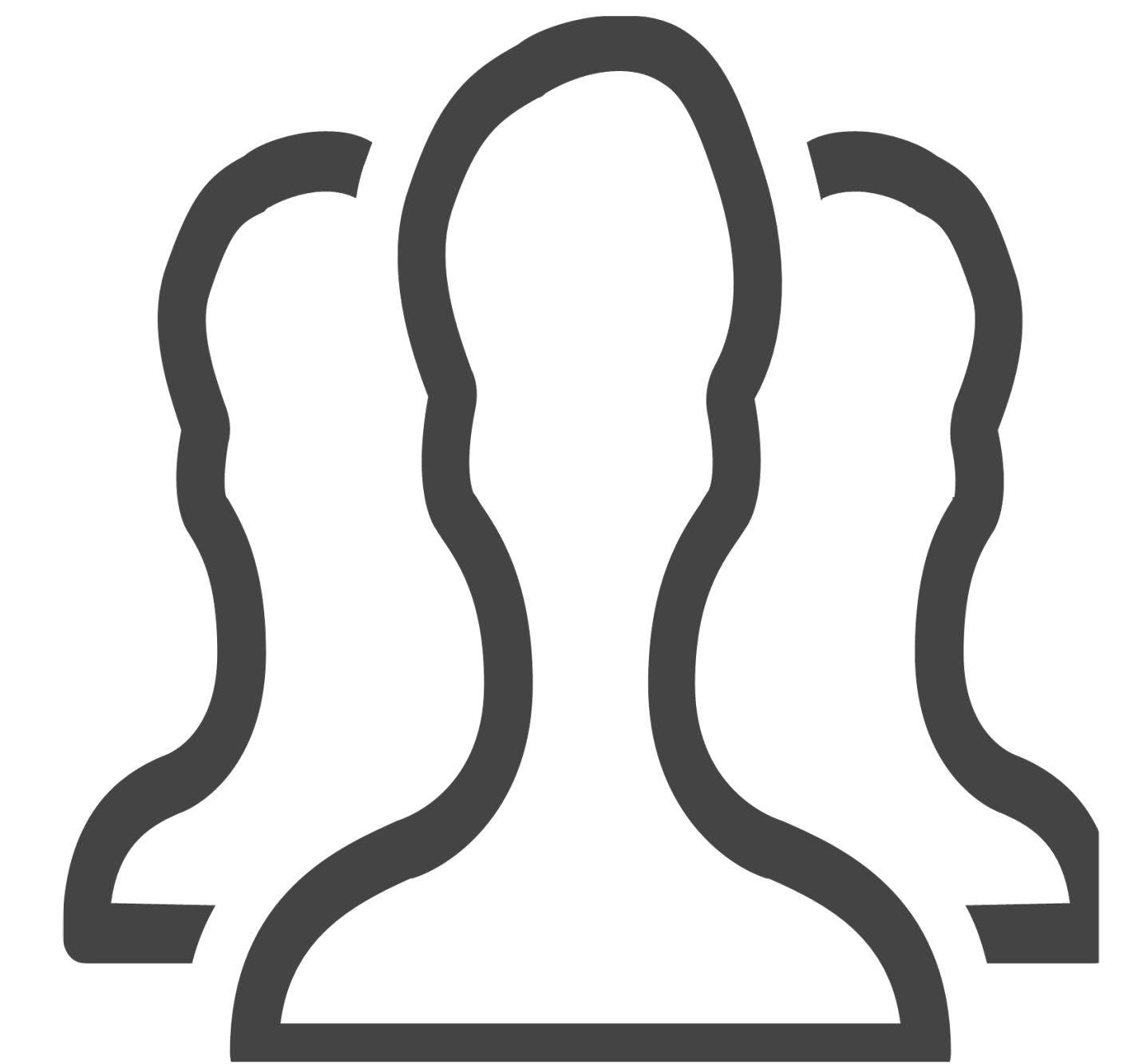


In our micro-dot business there are opportunities to add scale with Toyota in Europe and in the US aftermarket

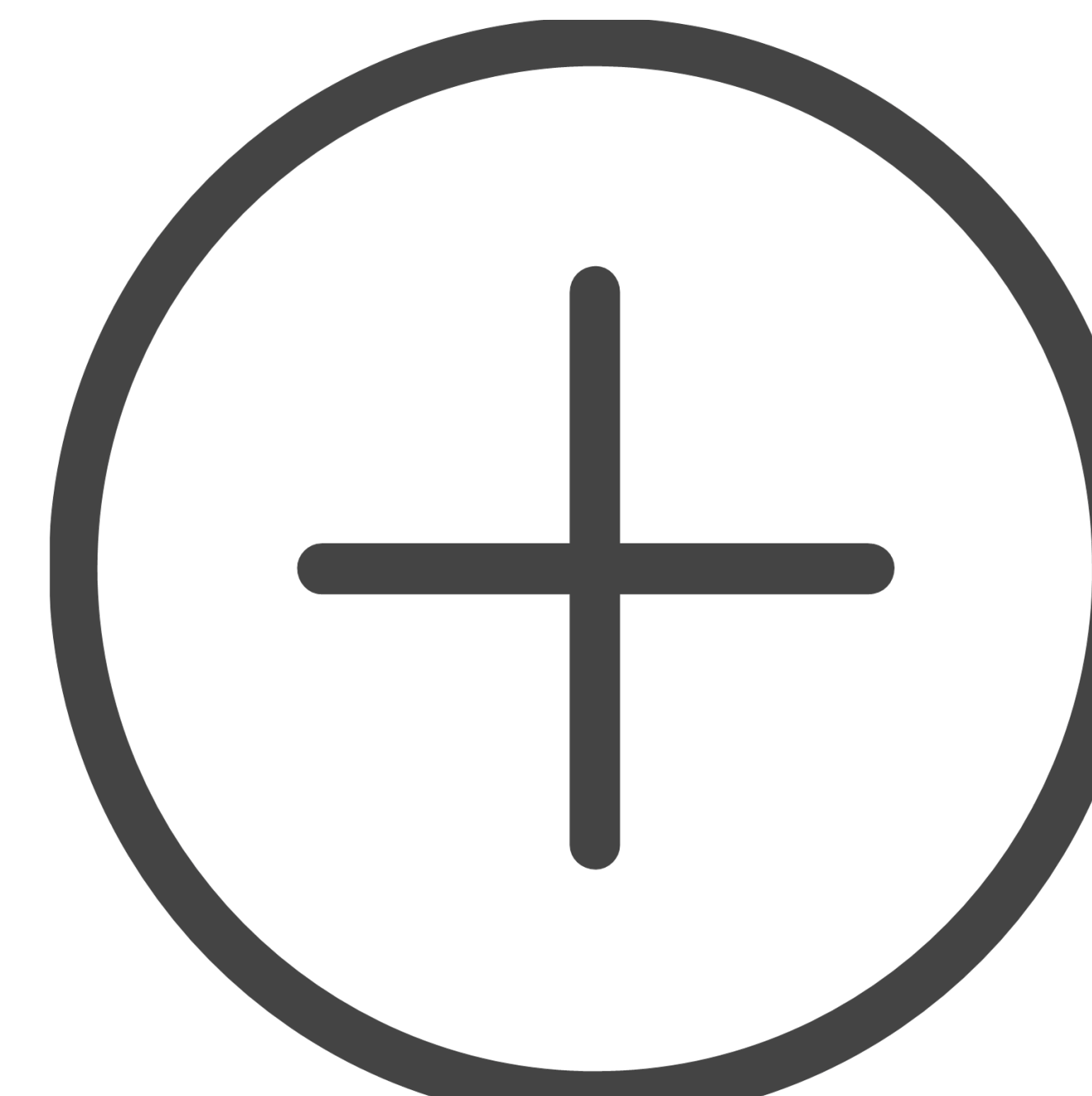
With a broader authentication value prop we are well placed to take advantage of global growth in counterfeit (and its impact on consumers and brand owners)



Internally we continue to renew and adapt to the changing opportunity and customer

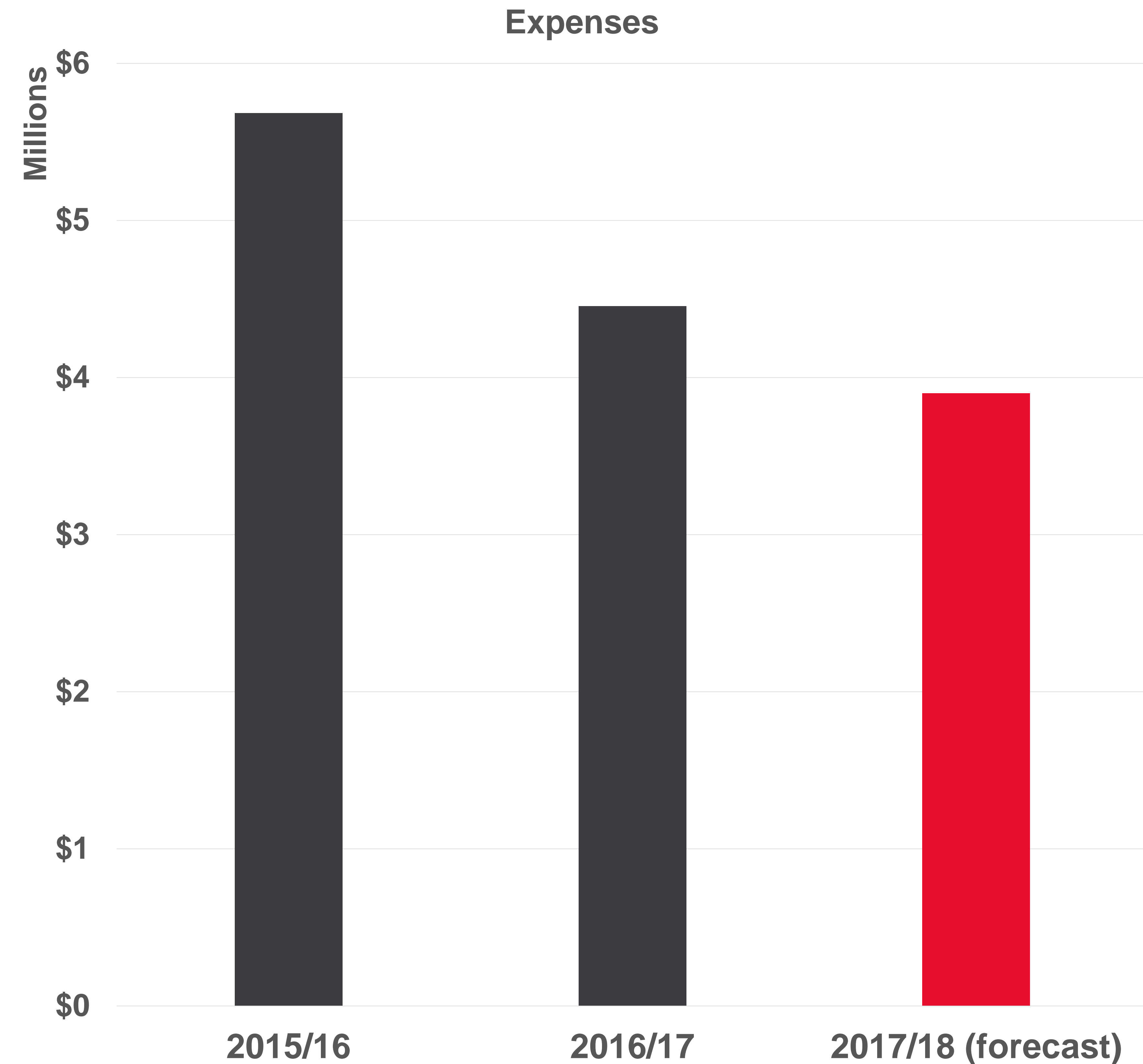


We have a strong and growing pipeline of authentication business. Conversion and further lead generation are priorities



Our outlook is positive!

# Expenses will continue to be tightly controlled. With prudent investment in growth



- 2017/18 Expenses forecast to be under \$4 million, includes a prudent investment in lead generation, eg
  - Webinars, and
  - Social media campaigns
- 12% (\$0.55m) improvement vs 2016/17 and 34% (\$1.78m) improvement vs 2015/16
- Cash flow neutral to positive depending on realization of new revenue (YTD +25k). No need to raise further capital
- Well placed to translate revenue growth into earnings. Increased revenue from an efficient and effective cost base critical to success
- Resultant bottom line improvement becoming evident:
  - Sept and Oct both EBITDA and NPAT positive
  - Oct YTD: EBITDA (87k) and NPAT (214k); Jul/Aug are historically low revenue months



# The global growth of counterfeit means that Authenticity & Trust are more important than ever

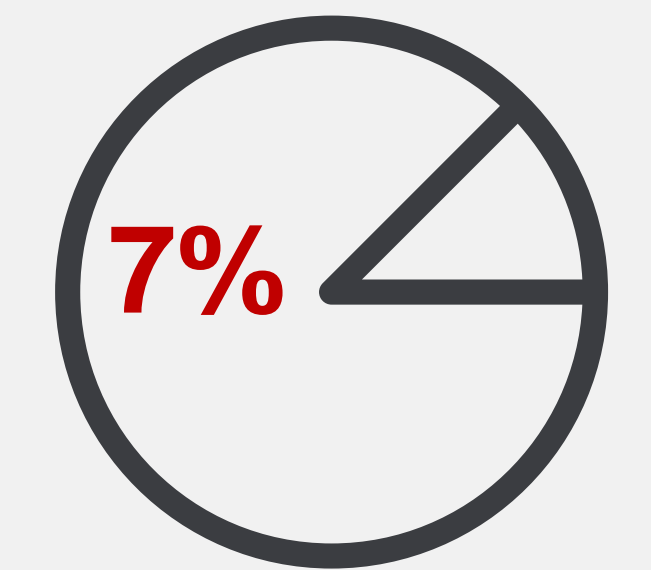
Counterfeiting is a significant global problem that is now at least 7 times larger than what it was in 2009...

**\$1.77**  
Trillion

Global impact of counterfeit goods in 2015, up from \$250 billion in 2009 (OECD Report)



The Global Counterfeit market is the size of Italy's GDP, the 9th largest economy (OECD)

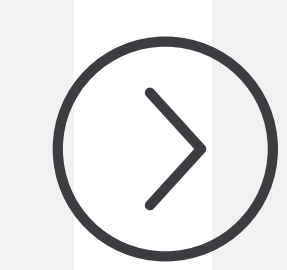


7% of all global trade is estimated to be in counterfeit goods (World Customs Organization)



**5.4**  
million

Estimated number of legitimate global jobs at risk from counterfeit goods is 5.4m (OECD Report)



...And has permeated all industries, damaging company brands, reputations and profits...



**10%** of medicines worldwide are fake. 60% contain no active ingredients, 16% have incorrect ingredients (World Health Organization WHO)



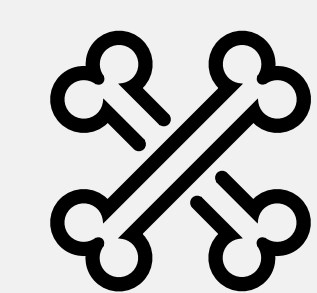
**70%** of all wine sold in China is estimated to be counterfeit (World Trademark Review)



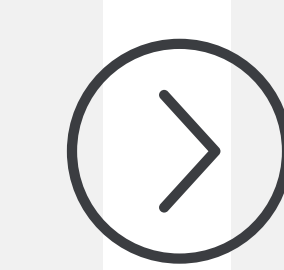
**~80%** of all olive oil sold in the U.S. contains lower grade oils and impurities (Forbes)



**33%** of all fish sold in the U.S. is fraudulently labelled (Oceana)



**5,300** product recalls of pet food in the U.S. due to melamine contamination by Chinese manufacturer. Cost of recall and legal claims ~\$100m (US FDA and Wikipedia)



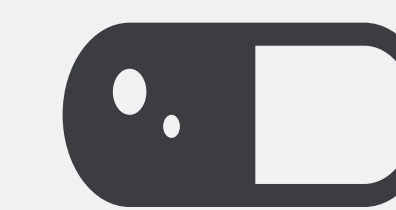
...Exposing consumers to toxic substances, resulting in dire consequences and mistrust...



**650,000** deaths occur each year from counterfeit medicine containing toxic and ineffective substances (WHO)



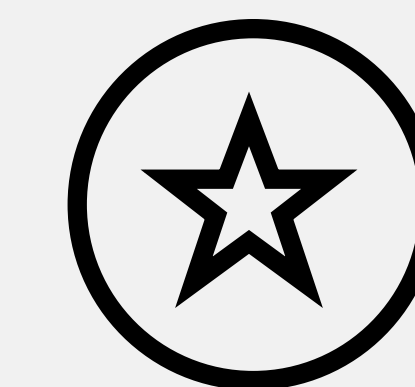
**54,000** babies were hospitalized and 6 died in China from counterfeit baby formula containing melamine (Wikipedia)



**149** people died in the U.S. from counterfeit blood thinner Heparin in 2008 (US FDA)



**74** people died in Russia from counterfeit vodka in 2016 (Wikipedia)



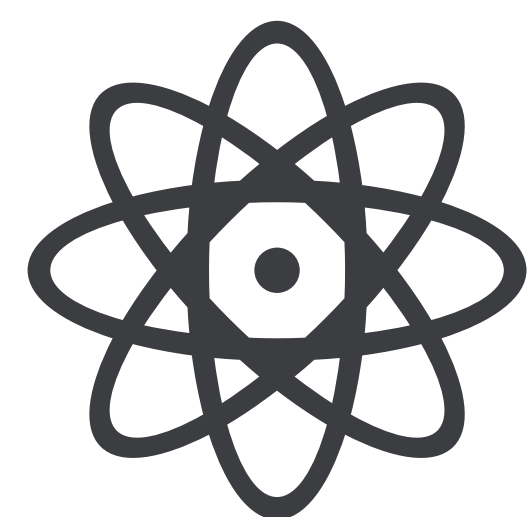
Consumers now rank product safety, experience and transparency as key drivers in purchase decisions (Deloitte US Consumer Trends 2016)



**Authenticity and Trust are the new imperatives for brands. A key opportunity for companies to differentiate and build brand value through product authentication and consumer engagement.**



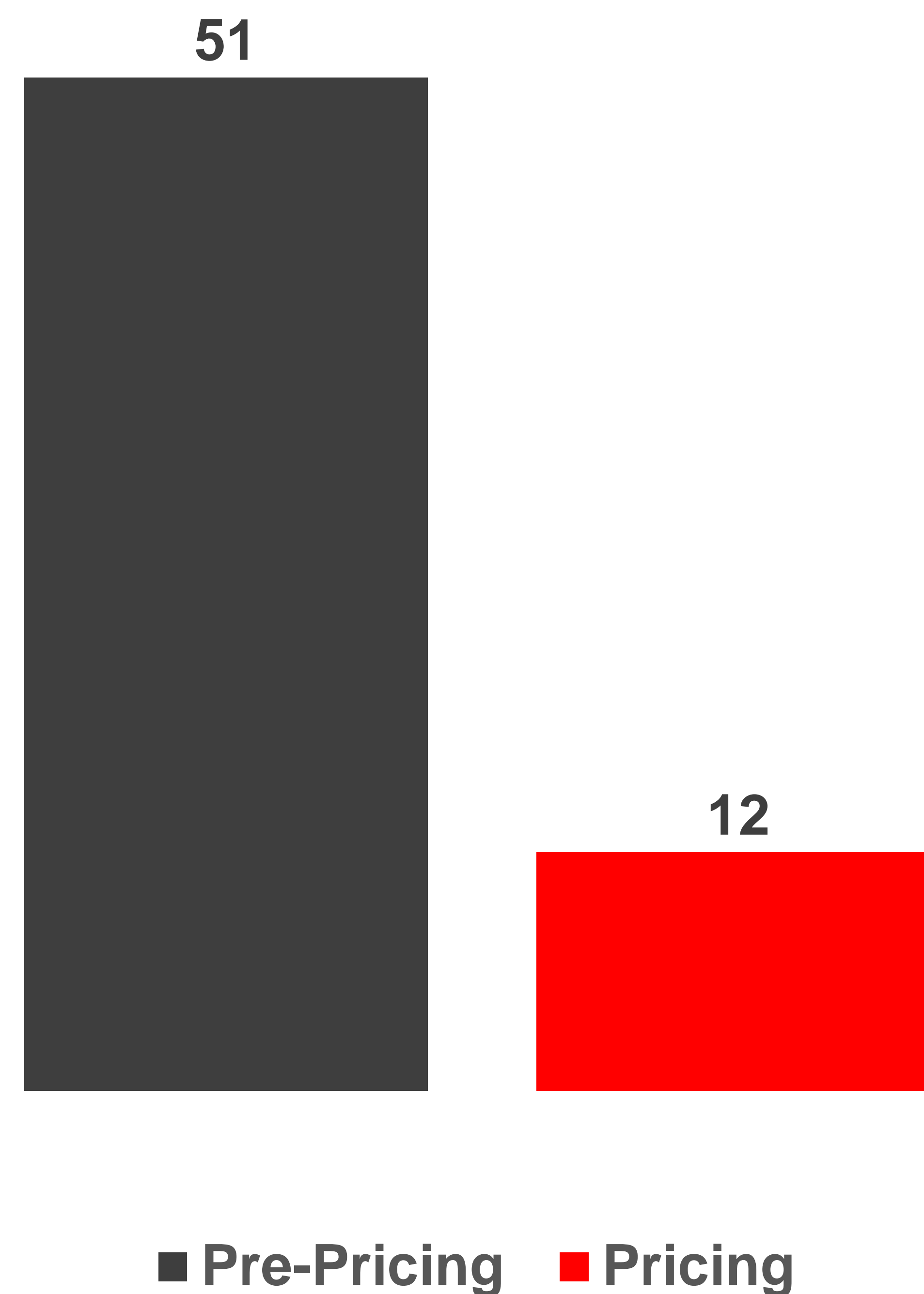
# With a broader authentication value proposition we are well placed to take advantage of global growth in counterfeit



Modern tamper evidence and serialization	Smart Packaging Solutions	DataTrace Covert Marking	DataTrace Data Aggregation
<ul style="list-style-type: none"><li>•OTF (Optically Thin Film) Proprietary Technology &amp; Process (Trade secrets &amp; patent pending)</li><li>•Serialization and variable QR codes, can act as smart packaging enablers</li></ul>	<ul style="list-style-type: none"><li>•Smart phone based platform that provides consumer with authenticity assurance</li><li>•Enables marketing communications with Consumers</li><li>•Provides data analytics capability</li></ul>	<ul style="list-style-type: none"><li>•Best in class covert marking solution</li><li>•Adaptive applications, can be added to inks, caps and labels</li><li>•Currently deployed by Global Pharmaceutical and FMCG</li></ul>	<ul style="list-style-type: none"><li>•Cloud based reporting and aggregation of DataTrace scanning results</li><li>•Simple and efficient identification of hotspots</li><li>•Data feed can be added to other systems</li></ul>

# We have a strong and growing pipeline of authentication business. Conversion and further lead generation are priorities

Authentication Pipeline Leads (#)

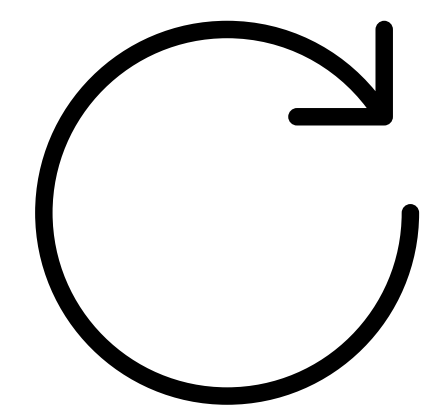


- Includes global pharmaceutical, FMCG and Industrial brands
- Several leads estimated to be worth more than \$1m each
- Discussions with current customers to broaden and scale deployment
- Scaling lead generation, conversion and relationships priorities for FY2017/18



# In our micro-dot business there are opportunities to add scale with Toyota in Europe and in the US aftermarket

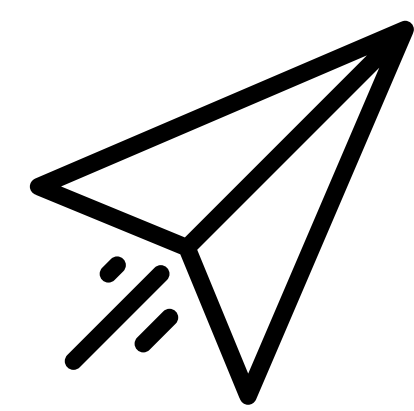
## Recurring revenue base



**86%**

of Dots revenue is recurring revenue through our existing customer base

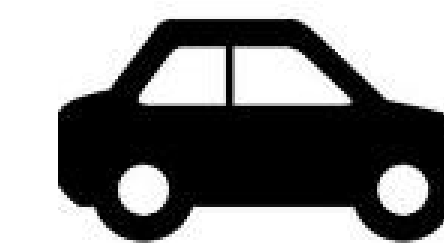
## Global volume growth



**1m +**

Dots kits sold in FY17 with growth in major customers and regions

## New major OEM deal



**Toyota**

New OEM relationship

New OEM customer - Toyota Germany and potential for growth in US aftermarket

## Significant global potential



**1%**

DataDot currently produces kits for <1% of global OEM annual production which presents significant growth potential

# Internally, we continue to renew and adapt to the changing opportunity and customer

## Sales

New sales process implemented, based on solution development (for complex products)

## Brand

Clear identity, particularly for authentication (quite different to anti-theft); new website has just gone live

Thought leadership and social media activity to increase

## Operations

COGS improvements in Dot manufacturing implemented to further improve on lower cost base

Additional options being considered, for example centralization and outsourcing of non-critical processes

## People & Culture

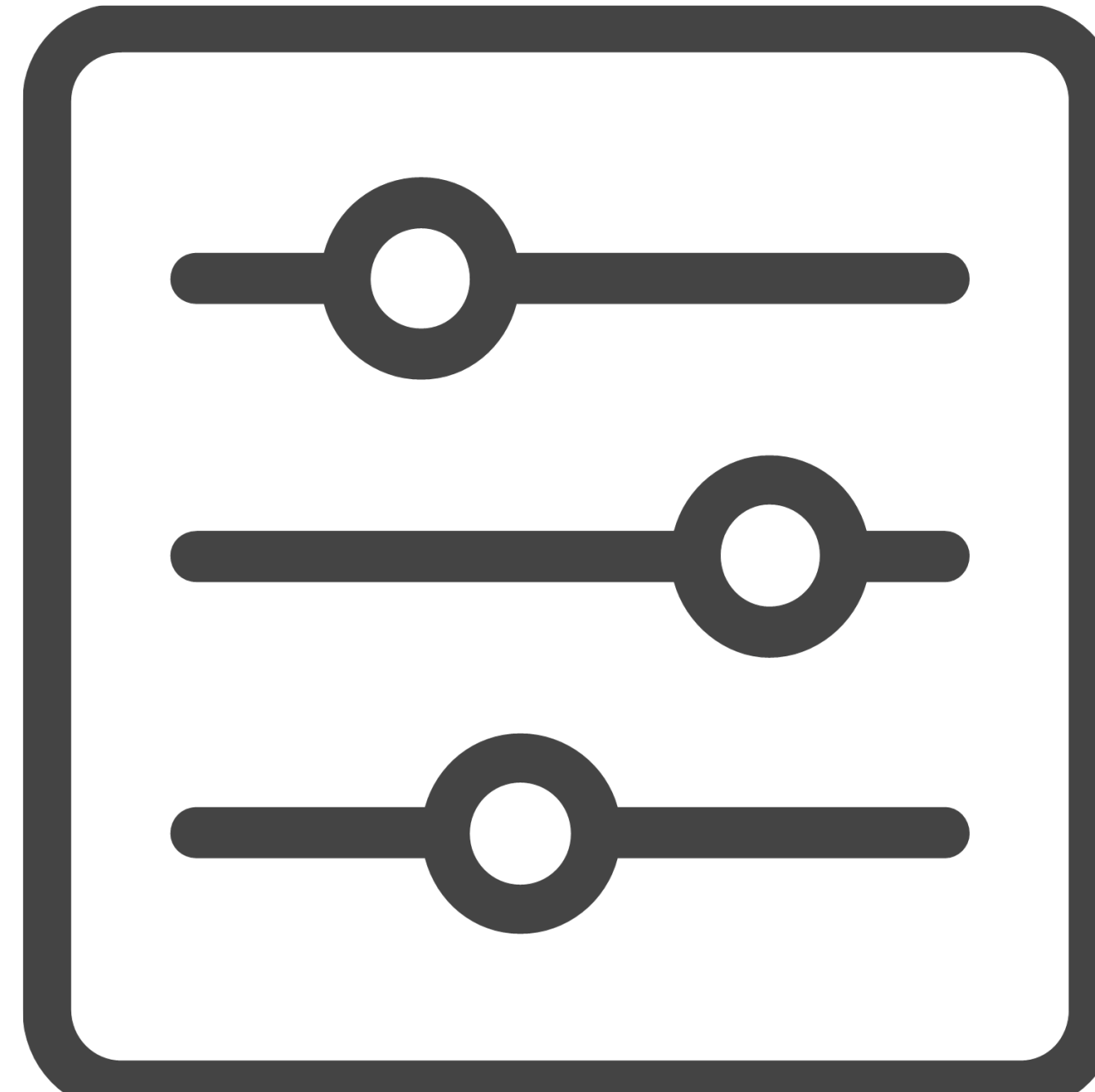
Organisational restructure at the beginning of FY2018

Modernisation of planning, transparency and how we work together

Improving accountability the key



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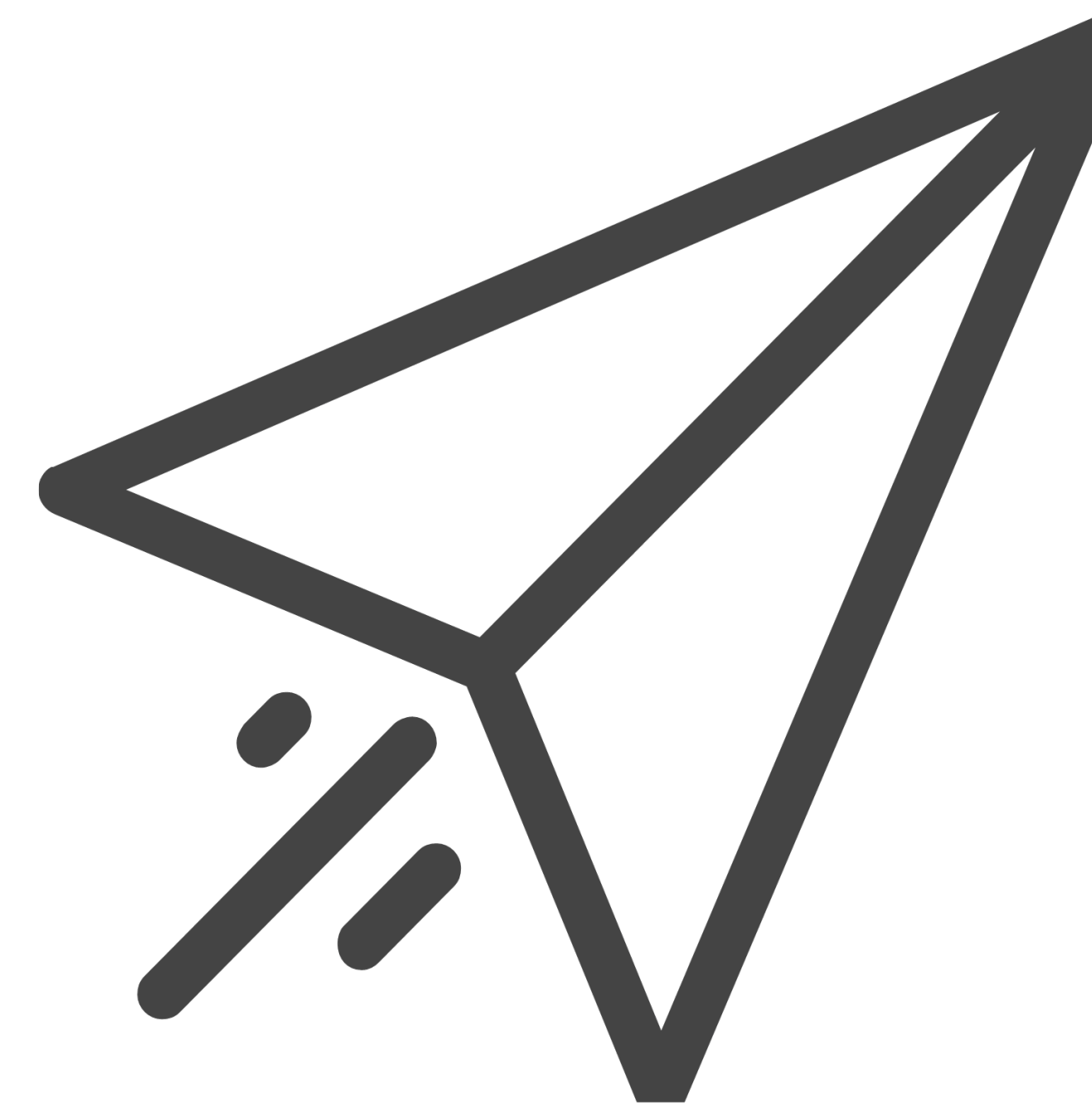


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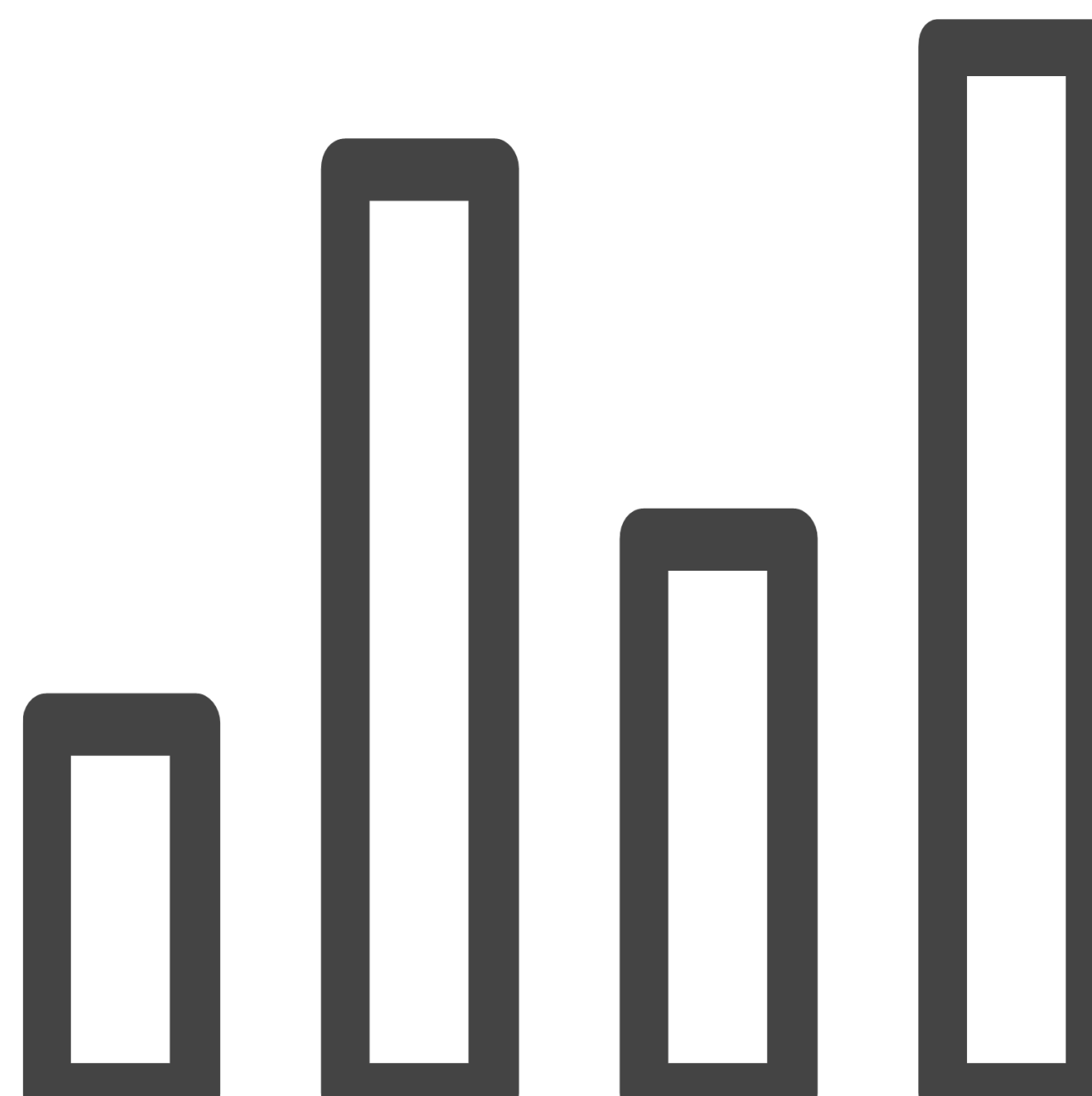
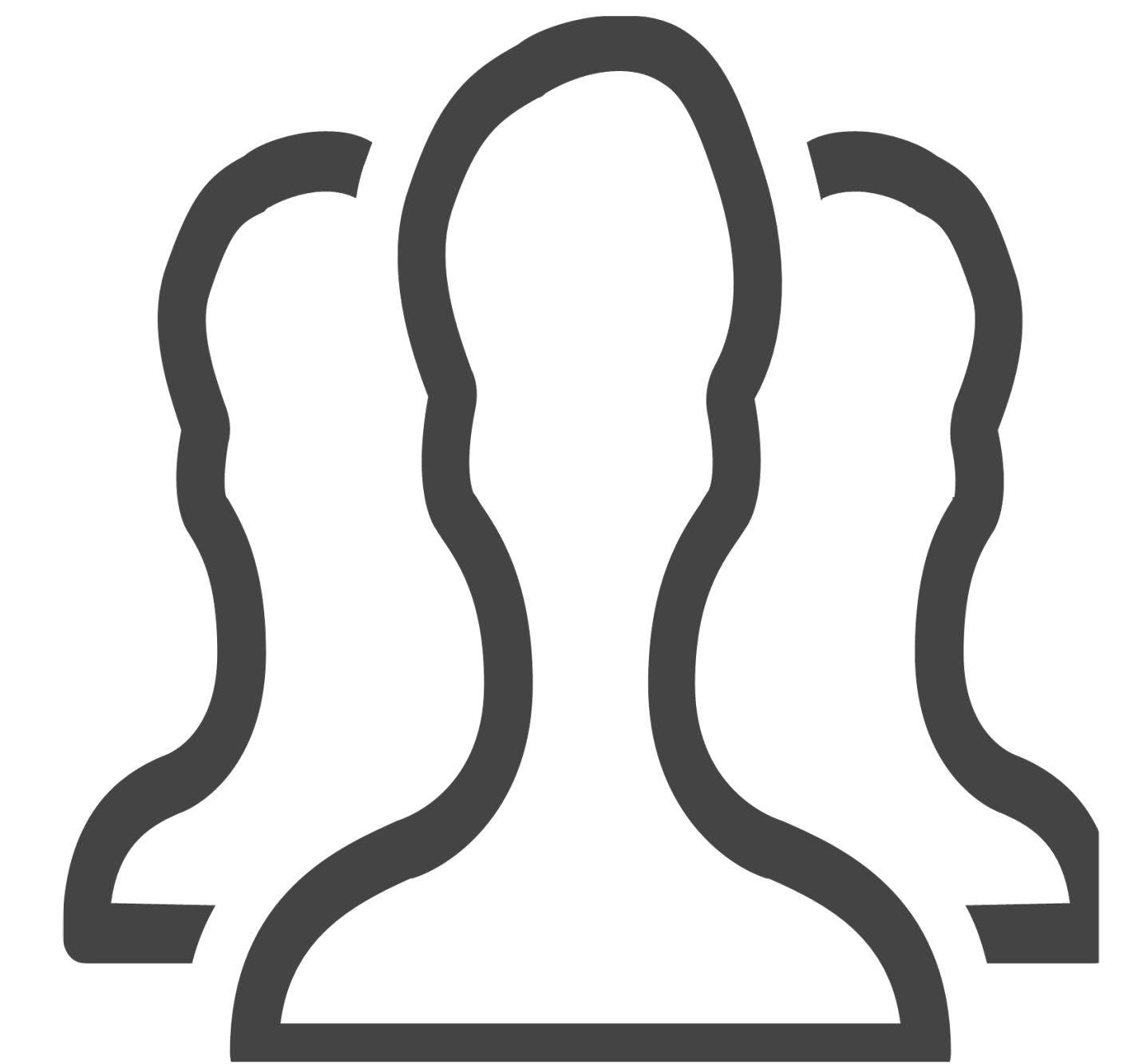


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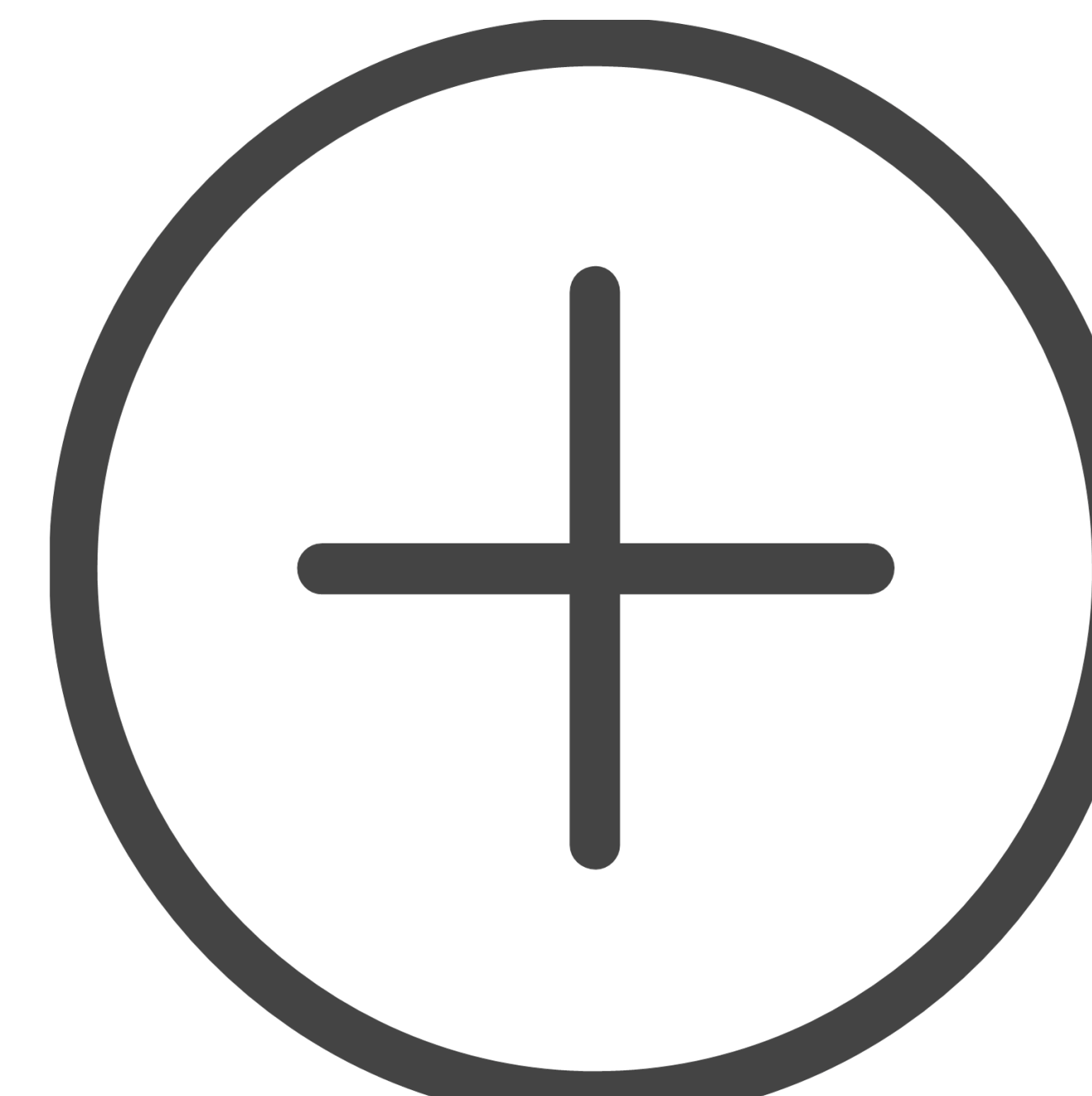
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