

ASX Announcement

21 November 2019

2019 Annual General Meeting Address by Chairman

Attached, please find the presentation to be delivered by the Chairman at the DataDot Technology Limited Annual General Meeting held on 21 November 2019

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DataDot Technology Limited



Annual General Meeting - 2019

DataDot Technology Limited

Ray Carroll – Chairman's Address



Overview

- Six months since change of leadership
- Bad news: company was in a worse financial state than we anticipated
- Good news: significant opportunities to facilitate quick turnaround
- Immediate Focus: securing company's financial stability
- Intermediate Goal: implementing the Rescue Plan agreed by shareholders



The First Six Months

- Moving fast and delivering results:
 - Result for year ending June 2019 was a loss of \$2.3m
 - Close to breakeven for the September 2019 Quarter (unaudited)
 - Expect further efficiencies to materialise in second and third quarters
 - Expect third and fourth quarter revenue growth from new and improved relationships with commercial partners and the rollout of the PropertyVault product and services offering



Key Actions to Date

- Issued Convertible Note to provide much needed working capital
- Implemented extensive cost reduction program
- Secured new partnership agreement with DataDot South Africa for sales into Europe and Russia
- Renegotiated supply contracts
- Reviewed cost structure and efficiency of DDT's three production facilities
- Fostered personal relationships with commercial partners to re-establish confidence in the company and its future
- Commenced contract negotiations for new business development opportunities in India and Chile
- Entered into distributor agreement with Property Vault



Cost Saving Initiatives

Annualised cost savings already implemented = \$1.04m (est. as at 15/11/19)

- Reduced board and senior management remuneration
- Management and head office staff rationalisation
- Renegotiation of key supply agreements
 - adhesive
 - film
 - plastics
- Audit and registry services renegotiated
- Staged closure of US factory (US manufacturing to be transferred to Aust.)

Future Cost Saving Initiatives

- Reduce occupancy costs by relocating Frenches Forest production facility and head office to more cost effective premises (January 2020)
- Rationalise administration and accounting systems and processes
- Finalise closure of US Facility (January 2020)
- Centralise raw material procurement to deliver cost savings to DDT and it's Distributors and Licensees
- Pursue proposal to progressively move production to a centralised global facility to leverage economies of scale and lower production overheads
- New freight arrangements and costs afford new opportunities and production options

Revenue Growth Initiatives (Microdots)

Annualised revenue increase to date = \$1.0 m (est. as at 15/11/19)

- Europe and Russian Federation - New agreement with DataDot South Africa in operation to supply Dots to OEM customer – start up month Revenue was over \$250k
- India – WOVM standard now in place. Preferred distributor/manufacturer selected with contract negotiation underway
- Chile – WOVM legislation is anticipated. Preferred distributor / manufacturer selected with contract negotiation underway
- Taiwan –assist Licensee to benefit from production efficiencies, raw material savings and expansion plans in Asia
- UK and USA - product re-design and re-pricing negotiations underway to assist customers and distributors to achieve greater market penetration
- Development of a standardised distribution model for application in new markets



Authentication Solutions

- Developing bespoke Trace solutions to customer requirements
 - Exploring additional pharmaceutical applications
 - Submitting gaming industry tenders
 - Secured Government entity application
 - Assisting construction industry innovation in authentication <https://youtu.be/xGC0mhAoOTM>
- Enhanced Trace application to DataDots to produce authentic glow in the dark Dots
- Adding partner proprietary products to suite of solutions
 - Digital block chain
 - Authentication Labels



Implementation of Rescue Plan

- The company is being transitioned from being a provider of identification products to a provider of a full service asset protection system via the PropertyVault partnership
- PropertyVault's asset recording and stolen property recovery system delivers new wholesale and retail opportunities for microdot sales via specialised asset protection kits.
- Distribution agreement allocates 50% share of all gross profits from PropertyVault products and services to Datadot including:
 - PropertyVault security products
 - Advertising revenue
 - Recovered property salvage commissions
- Twenty specialised PropertyVaults now operational including secure police access portal
- Rollout to retail markets to commence in third quarter

