



## SDL Guidance: FY20 Result and FY21 Outlook

2 July 2020

Solution Dynamics (SDL or Company) advises that it expects to report a net profit after tax of around \$1.7 million for FY2020. This result is provisional and remains subject to any audit adjustments, and it includes two material non-trading items.

The first is a mark-to-market unrealised foreign exchange gain on currency hedges of around \$0.6 million (pre-tax). 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 unrealised hedge gains cover various maturities in the second half of calendar 2020 (i.e. they relate to SDL's FY2021 operations). While these hedges mature in FY2021, under NZ IFRS accounting standards a full mark-to-market of unrealised positions is required at 30 June balance date and any gain or loss included in the FY2020 result.

Additionally, SDL has been successful in the last 18 months in winning a range of new contracts internationally. A number of one-off incentives are now payable in relation to these contract wins and these total approximately \$0.5 million (pre-tax). The majority of the payments relate to post-acquisition incentives.

Netting out the FX hedge gains and incentive expense generates an underlying after tax profit from operational trading of around \$1.6 million for FY2020.

SDL is providing initial guidance for FY2021 earnings in the \$2.0 to \$2.5 million range. Note that this excludes the above unrealised FY2021 foreign exchange hedge gains of around \$0.6 million (pre-tax) that accounting standards have required the Company to pull forward into the FY2020 result. This guidance is also after adjustments for a number of customers whose operational expectations have been significantly lowered for FY2021 as a result of COVID-related disruptions. It is also dependent on the successful timing of onboarding of new customer volumes. Further guidance commentary will be provided with SDL's FY2021 result which is expected to be released around 27 August.

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