

**Update on RFP Decision****27 November 2024**

Solution Dynamics (SDL) is providing this update to keep investors and the market informed with the latest information regarding the recent Request for Proposal (RFP) announcement on 25 November 2024.

As noted in that announcement, SDL had previously advised that its largest customer was undertaking an RFP process that covered customer communications services provided by SDL as part of a major review and tendering of key projects. During this past weekend, SDL was advised that it had not been successful in this specific tendering process; however, a number of issues remained unclear, particularly whether this decision applies to all or part of SDL services to the customer. Furthermore, SDL received no information about the timing of the hand over process.

However, as a result of a debriefing call with the customer's procurement team overnight on Monday night (NZ time), SDL can now provide a status update that the customer has advised that it undertook the tender with aim of qualifying another vendor's capabilities, and has done so. As a result of the debriefing call, SDL understands that the customer now expects to tender its communications programme services (software/professional services and print/logistics) on a project by project basis. And that the RFP decision was based on commercial factors not on performance. SDL has been advised that it will remain a vendor to the customer although it is understood this will be subject to an ongoing per-project contestable basis.

SDL advises that it will take steps to initiate what is expected to be a very significant restructuring to align the company's cost structure to the risk of lost margin and business. This programme is expected to commence shortly and to accelerate the ongoing transition of our business from print and mail to digital communications and software, including by leveraging the recent launch of GenComm AI. However, while the overall impact is still uncertain, SDL believes that the targeted cost reductions are not likely to offset what is likely to be a material adverse impact of reduced margin and lost earnings from its largest customer. In the short term at least, the impact has the potential to be severe.

We expect to provide an update to our first half FY25 earnings guidance range of \$2.2 to \$2.6m around mid-December. Second half earnings are typically significantly below first half due to seasonality of communications programmes. We do not expect to be in a position to provide second half FY25 guidance until we have reasonable certainty around the ongoing RFP impact, new business secured, and restructuring programme progress.

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