

# Solution Dynamics Limited

Annual Shareholder Meeting, 24 October 2024



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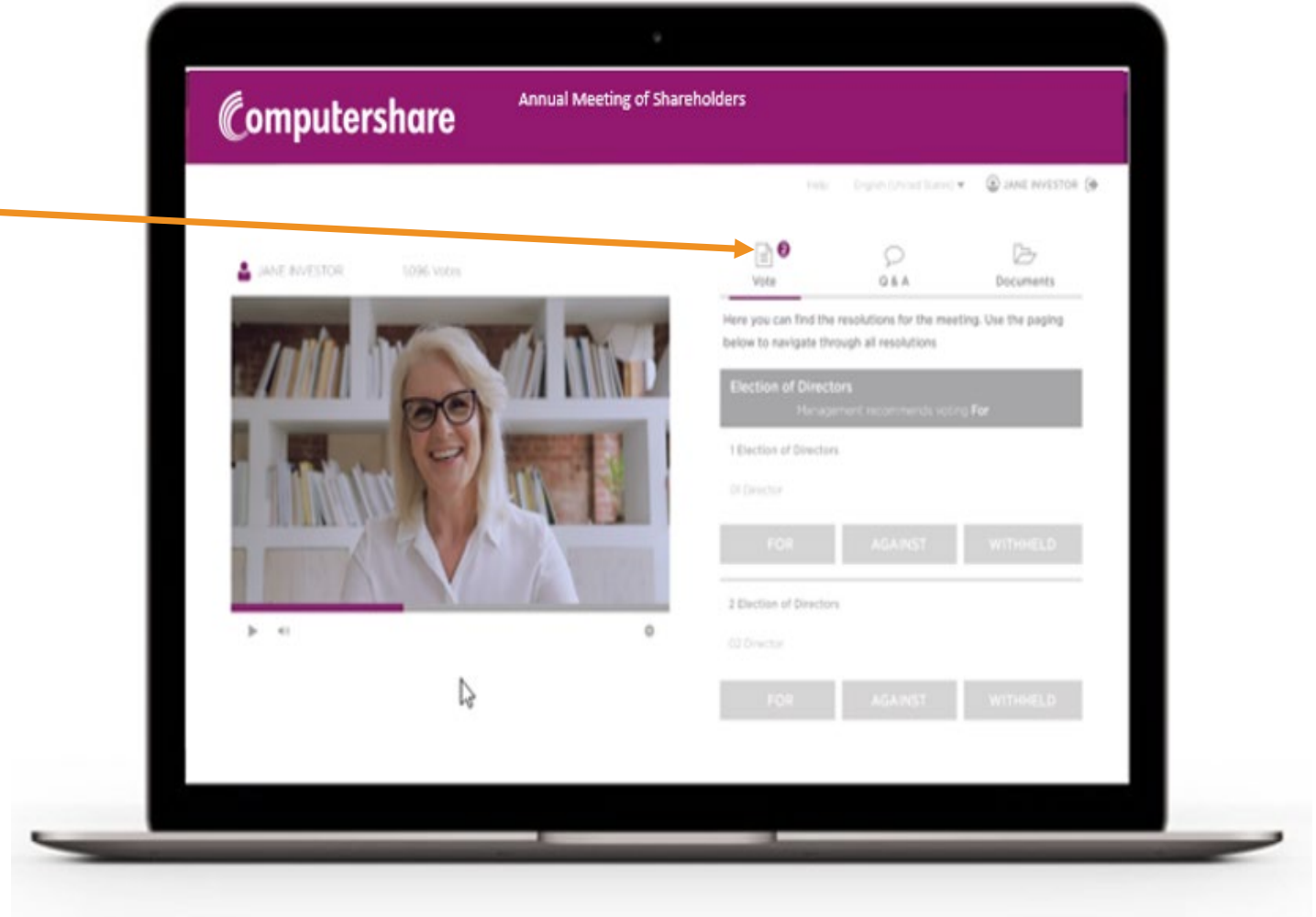
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- Meeting open: Voting and Questions procedure
- FY2024 overview
- FY2024 key result metrics
- Business strategy and building AI in SDL's platform:
  - Vertical market focus
  - Go-to-market strategy
  - Software & Technology strategy
- FY2025 Outlook
- Formal business of the meeting, including resolutions:
  - to re-elect Andy Preece
  - to re-elect Julian Beavis
  - to fix Auditor's remuneration
- General business and Questions

- Once the voting has been opened, the vote process will be accessible by clicking on the 'Vote' tab.
- To vote simply select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.
- Your vote has been cast when the tick appears.
- To change your vote, select 'Change your Vote'.



- If you have a question to submit during the meeting, select the Q&A tab.
- Type your question into the field and press submit. Your question will be immediately submitted.
- You can submit a question at any time but it may not be answered until the appropriate point in the meeting. Similar questions will be answered together.
- The Q&A tab may also be used for help. Please submit your query or problem the same way as typing a question and a Computershare representative will respond to you directly.



- Delivered second highest ever net profit after tax
  - despite difficult market conditions (inflation, slow economic conditions, tough global postage market)
- Differing NZ and International performance
  - strong market share gains contributed to growth in NZ, albeit restrained by declining postal volumes
  - international affected by weak mortgage market and timing of an order slipping into FY2025
- Cost control aided by soft labour market
  - restructured several areas and upgraded system to boost efficiency and productivity
- No further RFP update
  - no formal communication in recent months, SDL continues to be awarded customer's work
- Conservative balance sheet (\$8.0 million, ~54cps) with a cautious approach to acquisitions
  - intention to review capital structure in 2025 (subject to no acquisition or major capex)
  - consider all options to enhance shareholder returns

Financial Metrics (\$000)	FY24	FY23	Growth Y/Y	Five-Yr CAGR
<b>Total Revenue</b>	<b>38,668</b>	<b>40,553</b>	<b>-4.6%</b>	<b>9.0%</b>
Digital Print & Outsourced	13,175	11,959	10.2%	-4.2%
Software & Technology	25,077	28,485	-12.0%	24.6%
<b>Gross Profit</b>	<b>14,844</b>	<b>16,154</b>	<b>-8.1%</b>	<b>11.8%</b>
Gross Margin	38.4%	39.6%		
SG&A expenses	10,009	10,442	-4.1%	10.1%
<b>EBITDA <sup>(a)</sup></b>	<b>4,835</b>	<b>5,712</b>	<b>-15.4%</b>	<b>15.8%</b>
EBITDA Margin	12.5%	14.1%		
<b>Net Profit after Tax</b>	<b>2,819</b>	<b>3,425</b>	<b>-17.7%</b>	<b>39.9%</b>
Earnings per share (cents)	19.2	23.3	-17.6%	39.7%
Dividends per share (cents)	9.5	11.5	-17.4%	18.9%

(a) EBITDA is a non-GAAP earnings figure that equity analysts tend to focus on for comparable company performance analysis. The Company considers that it is a useful financial indicator because it avoids the distortions caused by the differences in amortisation and impairment policies.

- Sales activity leading with Digital First transformation
- Unified software products into a Digital Mail Centre (DMC) platform
- Omni-channel cloud solution connected to global digital workflow/network
- Solutions running as an integrated and configured platform
- Added improved workflow solutions
- Integrating digital channels with print to deliver “omni-channel”
- One client portal to access range of SDL software solutions
- Intelligent QR code integration to personalize content
- Adding AI, with the initial focus on language translation





## Acceleration



Composition  
Images  
Creative Options

## Digitization



Language Translation  
Analytics  
Insights/Actions

## Customer Experience (CX)



Automated Chat Support  
Next Best Action  
Self Service

## New Zealand

- English a first language: NZ 85%, Auckland 69%
- 15% of Aucklanders originate from Pacific Islands
- 28% from Asia mostly Indians and Chinese
- for many, written English is secondary format

## United States

Accessibility of communications (ADA- Americans with Disabilities Act) includes language translation for people with Limited English Proficiency

AI translation software digitises the manual translation process

- software generates final draft for human review
- eliminates human translation costs over 10 cents a word
- human QA for final review to ensure quality/context

US Medicare provider saved \$4m (80%) and accelerated process from weeks to minutes



- Excited by AI opportunity to reinvent SDL value
  - SDL is new to this space but well positioned
  - Breadth of software platform/know how
  - Experience managing difficult legacy applications
  - Experience managing translations
- AI will quickly become “table stakes” in CCM
  - Accelerate market consolidation/new players
  - Force mail service providers to add AI software
  - There may be “first mover” advantages
- Business impact is difficult to predict as this point
  - Investment ramp
  - Customer adoption rate
  - Competitive response
- Moving quickly to launch, learn, and iterate



- NBIO received on 8 September 2024 from NZX-listed Being AI (BAI)
- NBIO noted any potential takeover offer could involve:
  - either a full or partial takeover
  - offer to comprise either (a) cash plus BAI shares (proportions not stated) or, (b) all BAI shares
- No option was provided for a full takeover for all cash
- Directors (with advice) viewed the NBIO as incomplete and highly conditional
  - no enough detail to form an opinion that proposed transaction was in the interest of SDL shareholders
  - BAI request for due diligence was declined
- Partial takeover offer may not provide SDL shareholders with opportunity to exit all their shares
- No further communication has been received from BAI since the NBIO

- Solid momentum in NZ new business (print and mail overall market declines continue)
- Driving international growth remains the top priority
  - restructured North American sales and investing in additional local US sales and marketing
  - direct sales still targeting key vertical markets such as global charities and specific domains
- Enterprise sales opportunities for GenComm AI language translation
  - will require additional sales and pre-sales resource to execute as product/market fit proved out
  - enterprise sales cycles usually 6-12 months, so little meaningful revenue likely before FY2026
- Board remains conscious of recent share price move and broader problem of small cap illiquidity
- Key risks remain global macroeconomic slowdown and accelerating move from physical mail
- Providing H1 FY2025 earnings guidance in range of \$2.2 to \$2.6 million (H1 FY2024: \$2.5 million)
  - first quarter around expectations and marginally ahead of prior year
  - no full year FY2025 guidance until largest customer RFP outcome is known (H1 FY2024 not affected)

# Questions?

- Voting will be by way of poll
  - votes will be counted by Computershare and the results then released on NZX
  - you must have logged on to this meeting using the details you received in the Notice of Meeting to be eligible to vote
- How to vote reminder
  - if you are eligible a 'Vote' tab will show on your screen; click on the tab icon to vote
  - the resolutions will appear along with voting options
  - simply select the voting direction from the options shown on the screen
  - your vote has been cast when the tick appears
  - you can change your vote any time until the meeting ends by selecting 'Change your vote'.

- Resolution 1: Re-election of Andy Preece
  - To re-elect Andrew Preece as a director of Solution Dynamics Limited
- Resolution 2: Re-election of Julian Beavis
  - To re-elect Julian Beavis as a director of Solution Dynamics Limited
- Resolution 3: Auditor remuneration
  - That the Board be authorised to fix the remuneration of the Company's auditors for the FY2025 year



- Any remaining general business or questions from shareholders?
- Meeting formally closes

**Thank you for attending**