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Solution Dynamics

20 December 2016

FY2017 First Half and Full Year Guidance

Solution Dynamics Limited (SDL or the Company) advises that its first half after-tax earnings result is likely to be around $700,000. This represents approximately 16% year-on-year growth and is slightly ahead of the Company's budget for the period.

There are several factors affecting FY2017 earnings:

- the Company is seeing additional client wins in the UK, although the timeline to revenue or revenue ramp up rate is generally proving somewhat slower than expected (the size of the expected revenue opportunities are unchanged);
- the pipeline of opportunity in the UK and Europe is significant and SDL is presently adding both sales and technical support costs to assist channel partner new business development. Much of this cost is unbudgeted but given the nature and scale of the opportunities, the Directors consider further market development expenditure to be warranted although the potential benefits from these costs are unlikely to appear until FY2018;
- a large, local customer has altered the size of its mailings which has reduced imaging, and, along with a change to the nature of the print ready files the customer is generating, the requirement for ongoing Déjar archival volumes is also lower. Increased activity from other local customers has somewhat compensated for the shortfall;
- expected second half increases in activity from previous customer wins, including the first customer under the Company's DMS agreement, remain on track; and
- two recent new customer wins (one in Australia and one in the UK) may provide some revenue late in the second half and will underpin ongoing growth in FY2018.

SDL confirms that it remains on track to achieve its FY2017 full year earnings growth forecast of around 25%. This outlook is modestly contingent on additional new business plus the ramp up in volumes from recent customer wins developing to expectations, and there is the usual risk of slippage in the timing of these.

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