

Data#3

FY22 Results Briefing

18th August 2022

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Agenda

Data#3 Overview

FY22 Operational Overview

FY22 Financial Performance

FY23 Strategy

Customer Success

Summary and Outlook

FY22 Financial Highlights



Revenue
\$2.2B
Up 12.1%



Gross Profit
\$218.2M
Up 12.1%



NPBT
\$44.1M
Up 19.4%



NPAT
\$30.3M
Up 19.1%



Basic EPS
19.61 cents
Up 18.8%



Dividends per share
17.90 cents
Up 19.3%
Payout ratio of 91.3%

FY22 Overview

Revenue

\$2.2B

Public Cloud Revenue

\$1.0B

Recurring Revenue

66%

People

1,300+

- Strong result with good contributions across business units and regions, supported by growing pipeline of large integration project opportunities
- In line with strategic focus, increase in software and services revenue driving recurring revenue and margin accretion
- Order backlog from supply chain delays increased from \$3M at end of FY21 to over \$6M at end of FY22 (pre-tax profit). This will be realised in 1H FY23
- Leading market position, strength of supplier relationships, long-term customer base and experienced team underpins positive outlook

Key awards + certifications

- HRD Employer of Choice – 7th year in a row
- Cisco Global Software Partner of the Year
- Microsoft Worldwide Device Distributor/Reseller Partner of the Year
- Microsoft Worldwide Surface+ Partner of the Year

ESG update

- Sustainability goals
- Formed Reconciliation Action Plan Working Group
- Ethics global benchmarking



Digital Transformation



Artificial Intelligence



Internet of Things



3D Printing

Foundation Layer



Multi-cloud



Modern Workplace



Security



Data & Analytics



Connectivity

Integrated Solutions



Multi-cloud

- Modern Data Centre
- Public Cloud
- Private Cloud



Modern Workplace

- Collaboration
- End User Devices
- Printing
- Systems Management



Security

- Cloud Security
- Data Security and Privacy
- Identity and Access Management
- Infrastructure and Endpoint Security
- Security Monitoring and Analytics



Data & Analytics

- Business Analytics
- Customer Management
- Internet of Things
- Location-Based Analytics



Connectivity

- IT-OT Networking
- Software-Defined Networks
- Software-Defined WAN
- Wireless Networks

Consulting

Project Services

Support Services

Lifecycle

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#1 partner in Australia



#1 partner in Australia



#1 partner in Australia



Top five partner in Australia

**Strategic partnerships
with global leaders**

**Significant investment
in technical capability
and certifications**

**400+ other partnerships
with emerging vendors**

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FY22 Operational Overview

FY22 Operational Highlights



Multi-cloud Growth

\$1.0B in Public Cloud plus, Private Cloud growth



Security Growth

Fastest growing solution and top customer priority
ISO 27001 certified



Services

Strong growth in Consulting and Support Services improving Gross Margin



Customer Experience

Investment in systems and people driven by data and analytics.
Global recognition with Cisco.



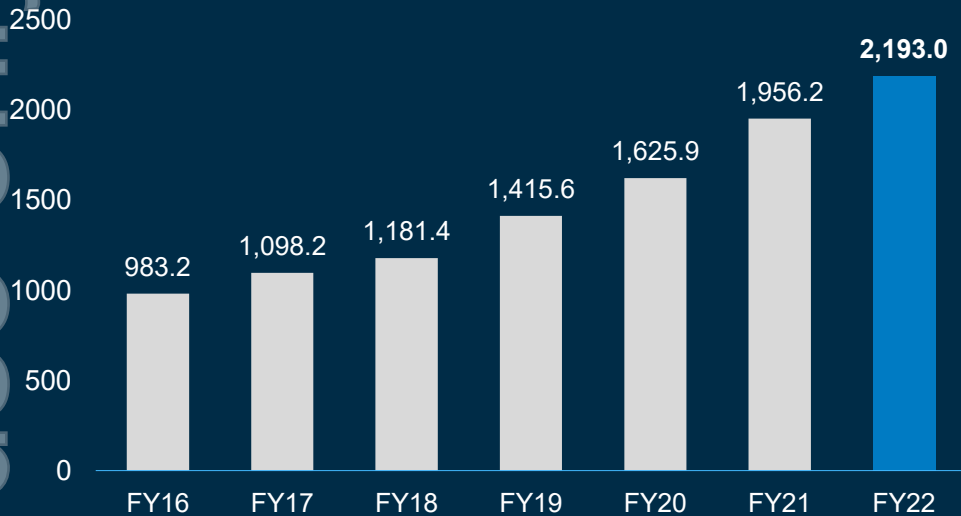
ERP System

New Microsoft D365 platform (multi-year project & investment, successful 'go-live' in March 2022)

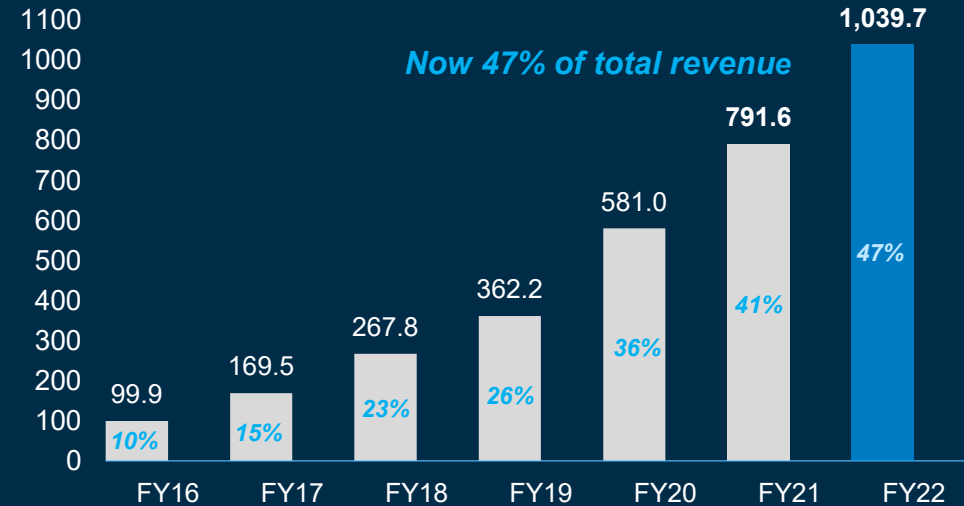
FY22 Financial Performance

Sustained revenue growth, boosted by cloud

Total revenue (\$M)



Total Public Cloud revenue (\$M)



Strong revenue growth CAGR of 14.3%¹ fuelled by software licensing, cloud-based solutions and services.

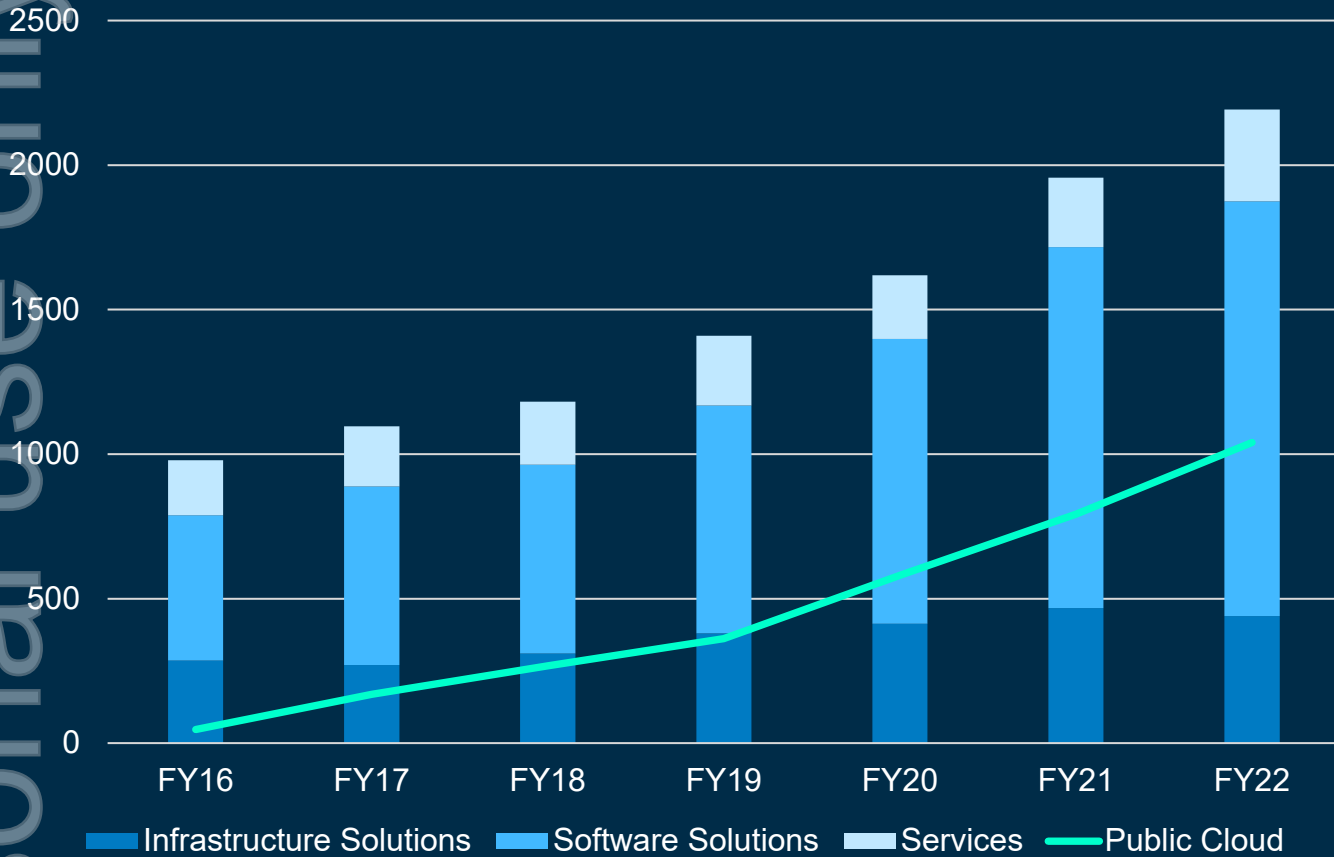
Total revenue includes \$1.04B of public cloud revenues (up 31.3% on PCP), supporting further growth in services.

~66% of revenue is recurring, meaning under term-based contracts (up 62% on PCP).

1. CAGR growth from FY16-FY22

Changing sales mix

Revenue trend by functional area (\$M)



Business unit	FY22 revenue (\$M)	Change vs. FY21
Business Aspect Consulting	26.6	+ 50.0%
Project Services	66.6	+ 5.0%
Support Services	160.1	+ 66.6%
People Solutions (recruitment)	62.3	+ 8.7%
Total Services	318.4	+ 32.7%
Software Solutions	1,433.7	+ 14.8%
Infrastructure Solutions	440.3	- 5.7%

Gross margin and Gross profit

Overall Gross Margin % varies with the changing revenue mix.

- Infrastructure Solutions impacted by inflated backlog.
- Strong growth in software licensing and public cloud revenues.
- Accelerated services growth has boosted total Gross Profit \$.

Gross Margin % within each business unit has remained relatively stable.

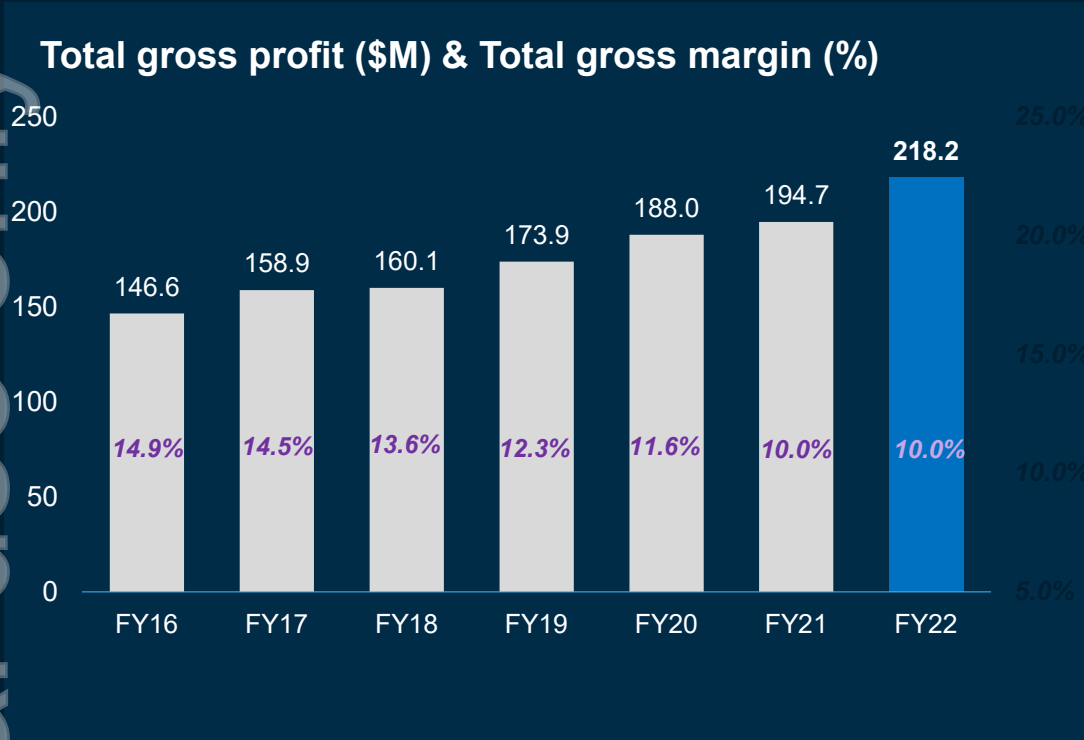
Changing vendor incentive programs will increasingly see rebates shift from product to services.

Objective is to deliver steady, sustained growth in total Gross Profit \$

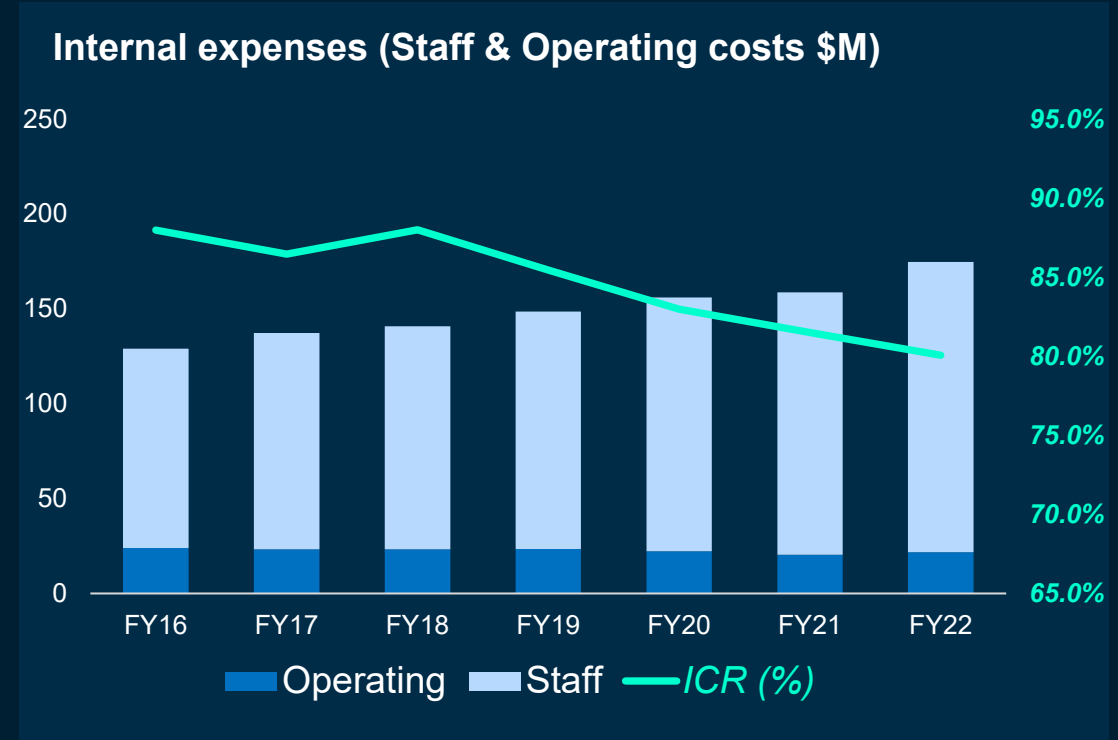
Business unit	FY22 revenue (\$M)	FY22 revenue growth	Relative Gross Margin %		
			LOW	MED	HIGH
Consulting	26.6	+ 50.0%	MED - HIGH		
Project Services	66.6	+ 5.0%	MED		
Support Services	160.1	+ 66.6%	Maintenance Services LOW - MED Managed Services HIGH		
People Solutions	62.3	+ 8.7%	LOW - MED		
Software Solutions	1,433.7	+ 14.8%	LOW		
Infrastructure Solutions	440.3	- 5.7%	LOW to MED		

Steady improvement in operating leverage

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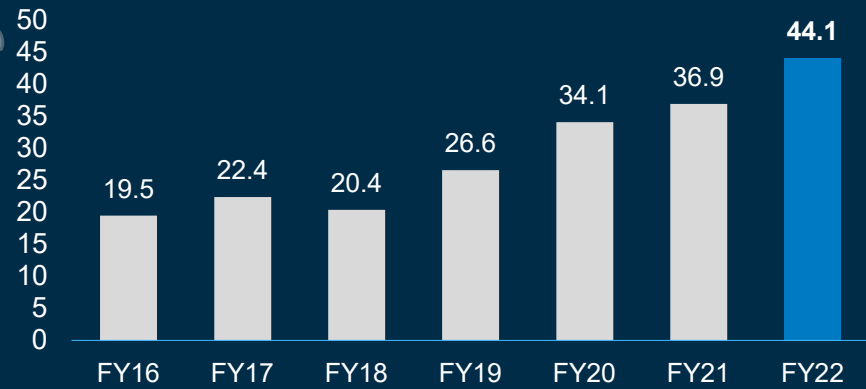
Gross margin % has varied with changing sales mix, and is expected to return to growth as services contribution increases



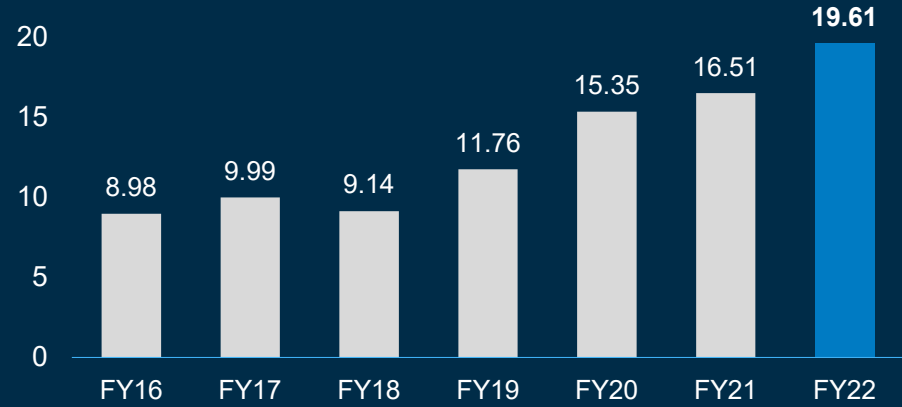
Internal Cost Ratio (Internal expenses / Gross profit) has improved from 88.0% in FY16 to 80.1% in FY22 (FY21: 81.5%)

Sustained earnings growth

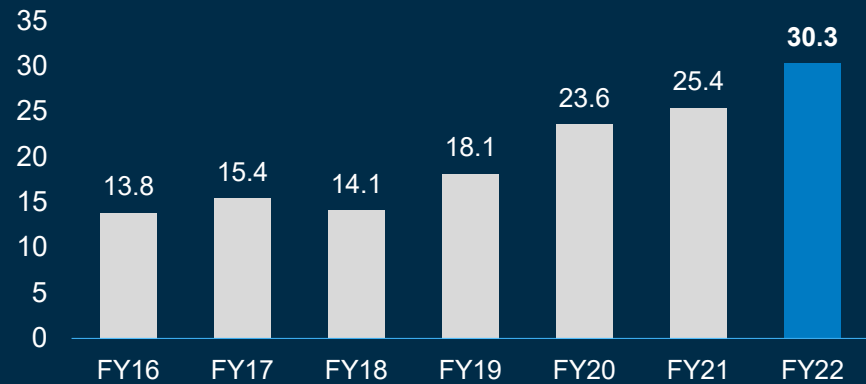
NPBT (\$M)



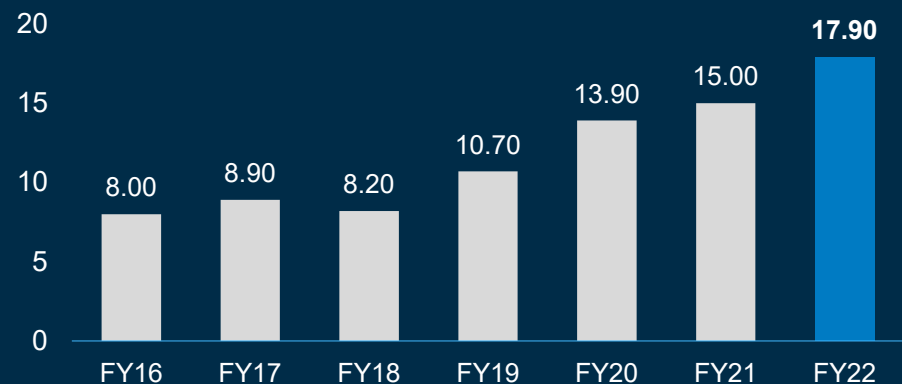
Basic EPS (cents)



NPAT (\$M) - excluding minority interests



DPS (cents)



Statement of profit or loss

	2022 \$'000	2021 \$'000	Change %
Revenue			
Revenue from contracts with customers	2,192,421	1,955,247	+12.1
Other revenue	576	941	-38.8
	2,192,997	1,956,188	+12.1
Expenses			
Change in inventory	19,206	(7,286)	
Purchase of goods	(1,774,938)	(1,593,258)	+11.4
Employee and contractor costs directly on-charged (cost of sales on services)	(88,789)	(74,629)	+19.0
Other cost of sales on services	(129,682)	(85,328)	+52.0
Internal employee and contractor costs	(152,996)	(138,346)	+10.6
Telecommunications	(2,216)	(2,287)	-3.1
Rent	(1,717)	(2,033)	-15.5
Travel	(258)	(180)	+43.3
Professional fees	(1,023)	(1,028)	-0.5
Depreciation and amortisation	(5,288)	(5,172)	+2.2
Finance costs	(1,376)	(1,444)	-4.7
Other	(9,827)	(8,254)	+19.1
	(2,148,904)	(1,919,245)	+12.0
Profit before income tax expense	44,093	36,943	+19.4
Income tax expense	(13,831)	(11,540)	+19.9
Profit for the year	30,262	25,403	+19.1
Profit for the year is attributable to			
Owners of Data#3 Limited	30,262	25,414	+19.1
Non-controlling interests	-	(11)	
	30,262	25,403	+19.1
Earnings per share for profit attributable to the ordinary equity holders of the company:	Cents	Cents	
Basic earnings per share	19.61	16.51	+18.8
Diluted earnings per share	19.55	16.43	+19.0

- Revenue increased by 12.1%
- Gross profit increased by 12.1% (from \$194.7M to \$218.2M) and total gross margin remained stable at 10.0%
- Internal staff costs increased by 10.6% (from \$138.3 million to \$153.0 million) reflecting 6.6% headcount growth (predominantly in Services) and general remuneration increases
- Other operating expenses increased by 6.4% (from \$20.4 million to \$21.7 million)
 - ✓ Dynamics 365 ERP project costs
 - ✓ Small increase in Travel costs
 - ✓ Reduction in Rent expense
- Basic EPS increased by 18.8%
- Return on equity 49.0% (FY21 45.1%)

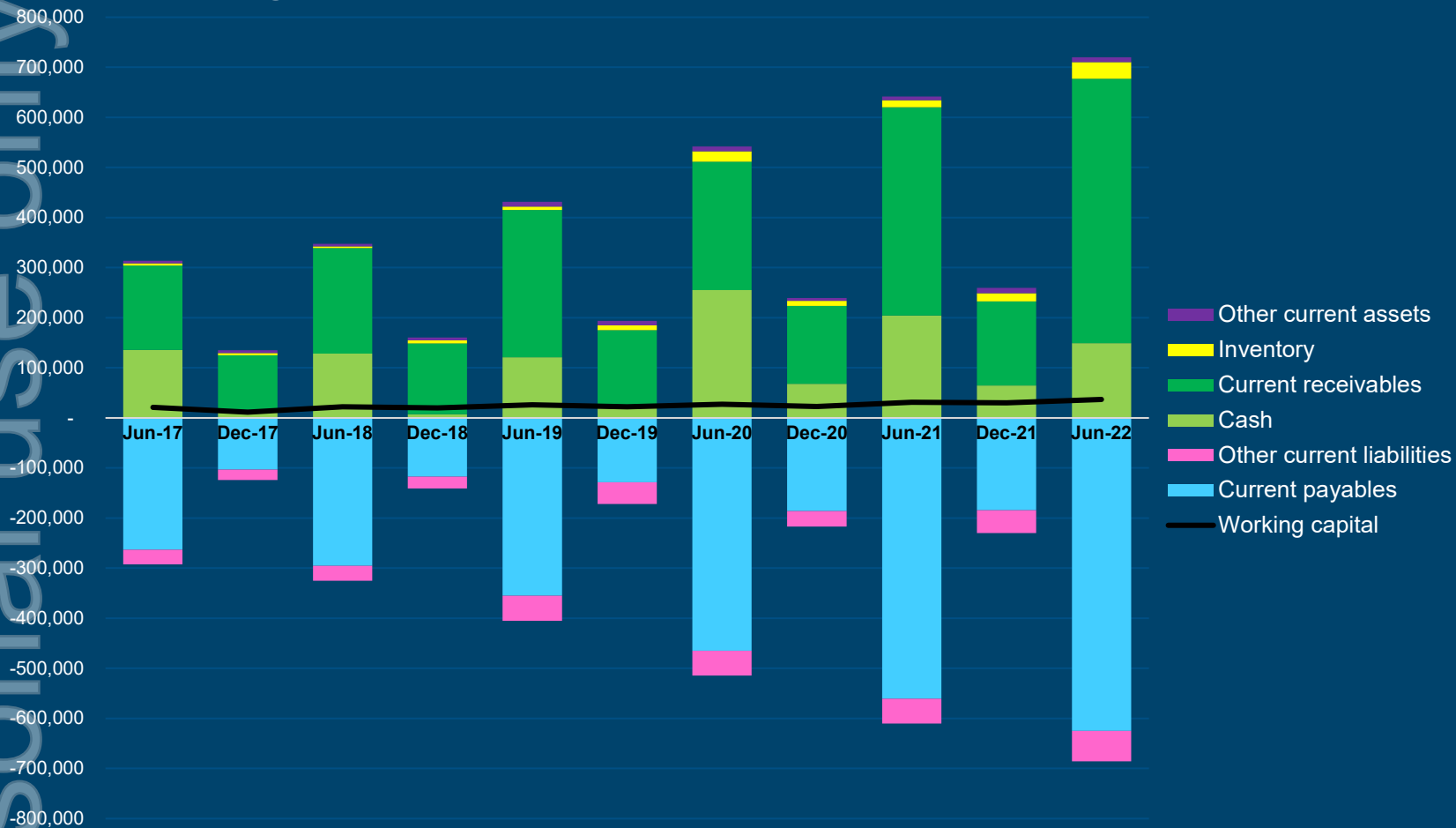
Balance sheet

	2022 \$'000	2021 \$'000	Change %
Current assets			
Cash and cash equivalents	149,459	204,323	-26.9
Trade and other receivables	527,888	415,991	+26.9
Contract assets	5,776	3,355	+72.2
Inventories	33,078	13,872	+138.5
Other	3,955	4,018	-1.6
Total current assets	720,156	641,559	+12.3
Non-current assets			
Trade and other receivables	1,072	2,336	-54.1
Property and equipment	3,388	3,375	+0.4
Right-of-use assets	23,585	25,698	-8.2
Deferred tax assets	5,292	5,898	-10.3
Intangible assets	17,394	15,959	+9.0
Total non-current assets	50,731	53,266	-4.8
Total assets	770,887	694,825	+10.9
Current liabilities			
Trade and other payables	622,698	560,865	+11.0
Contract liabilities	49,710	39,312	+26.4
Lease liabilities	3,002	2,761	+8.7
Current tax liabilities	705	1,327	-46.9
Provisions	7,236	6,095	+18.7
Total current liabilities	683,351	610,360	+12.0
Non-current liabilities			
Trade and other payables	-	614	-100.0
Lease liabilities	22,643	24,105	-6.1
Provisions	3,196	3,441	-7.1
Total non-current liabilities	25,839	28,160	-8.2
Total liabilities	709,190	638,520	+11.1
Net assets	61,697	56,305	+9.6
Equity			
Contributed equity	10,313	8,278	+24.6
Share-based payments reserve	559	1,825	-69.4
Foreign currency translation reserve	(443)	(657)	-32.6
Retained earnings	51,268	46,859	+9.4
Total equity	61,697	56,305	+9.6

- Strong balance sheet with no borrowings
- 4Q revenue spike (in line with normal customer spend patterns) inflated Trade receivables and Trade payables at year end
- As in prior periods, this created a large temporary cash surplus at 30 June
- Average DSOS of 28.1 days (FY21 = 27.7 days)
- Inflated inventory holdings due to supply chain delays and partial deliveries, however all inventory is allocated to non-cancellable customer orders

Working capital analysis

Working capital components



Efficient working capital model.

Short or negative working capital cycles underpin self-funding of business.

Inventory inflated due to backlog, but allocated to non-cancellable customer orders.

Average collection cycle approx. 28 days.

Favourable trade terms with suppliers.

Stable working capital position, despite significant seasonal fluctuation at period end.

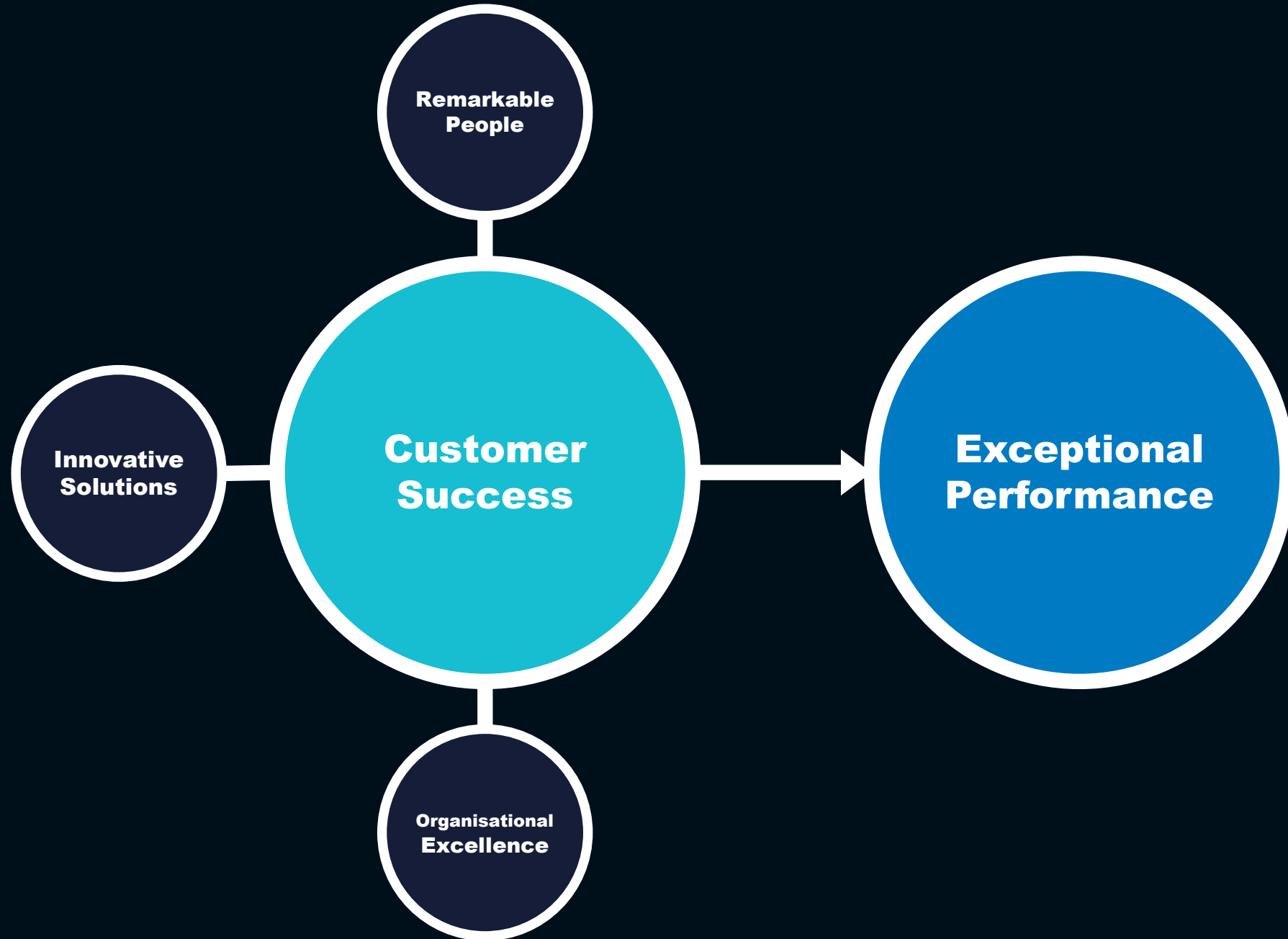
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Statement of cash flows

	2022 \$'000	2021 \$'000	Change %
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	2,313,048	2,013,332	+14.9
Payments to suppliers and employees (inclusive of GST)	(2,291,312)	(2,002,883)	+14.4
GST paid	(29,364)	(16,972)	+73.0
Interest received	245	762	-67.8
Interest and other borrowing costs paid	(1,334)	(1,400)	-4.7
Income tax paid (net of refunds)	(13,906)	(15,530)	-10.5
Net cash (outflow) from operating activities	(22,623)	(22,691)	-0.3
Cash flows from investing activities			
Payments for property and equipment	(997)	(18)	
Payments for software assets	(2,878)	(1,904)	+51.2
Payment for purchase of minority interest	-	(150)	
Net cash (outflow) from investing activities	(3,875)	(2,072)	+87.0
Cash flows from financing activities			
Payment of dividends	(25,853)	(22,018)	+17.4
Proceeds from issue of shares	2,035	-	
Payments for shares acquired by the Data#3 Employee Share Trust	(2,035)	-	
Lease liability payments	(2,727)	(3,190)	-14.5
Net cash (outflow) from financing activities	(28,580)	(25,208)	+13.4
Net (decrease) in cash and cash equivalents held	(55,078)	(49,971)	+10.2
Cash and cash equivalents, beginning of financial year	204,323	255,147	-19.9
Effect of exchange rate changes on cash and cash equivalents	214	(853)	
Cash and cash equivalents, end of financial year	149,459	204,323	-26.9

- Cash flow 'seasonality' consistent with previous years
- Timing differences in collections from customers and payments to suppliers around 30 June generate temporary cash surpluses
- FY22 average daily cash balance \$117.2M (FY21 = \$126.6M)
- Underlying 'free cash' is typically \$15M - \$20M but has been reduced in FY22 due to inflated inventory position at year-end. This is expected to normalise in 1H FY23 as the backlog unwinds
- Cash conversion of 123%# for 7-year period (FY16 to FY22)
[# Total Free Cash Flow \$173M / Total NPAT \$141M]
- Low capital expenditure
- High dividend payout ratio of ~90%

FY23 Strategy and Outlook



FY22 Customer stories

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NEWS

Data#3 set to deliver the digital future at Queen's Wharf Brisbane



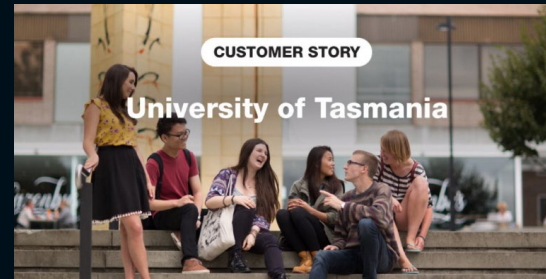
CUSTOMER STORY

St Peter's College Adelaide



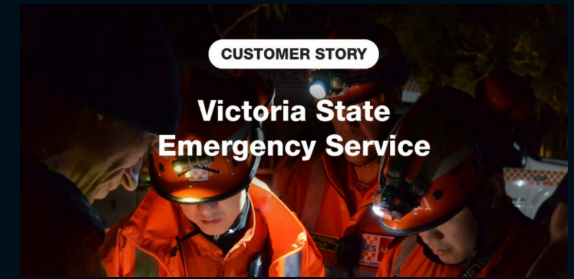
CUSTOMER STORY

University of Tasmania



CUSTOMER STORY

Victoria State Emergency Service



CUSTOMER STORY

Fiona Stanley Hospital Aids Clinical Efficiency with Post-COVID Login Solution



CUSTOMER STORY

Knight Frank Cloud Transition Enables Breakthrough Property Services



CUSTOMER STORY

BTC Markets



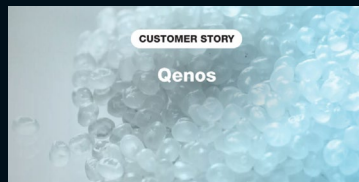
CUSTOMER STORY

SeaRoad Holdings



CUSTOMER STORY

Qenos



CUSTOMER STORY

Credit Corporation (PNG)



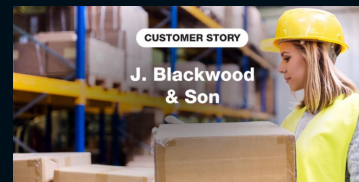
CUSTOMER STORY

Vision Super



CUSTOMER STORY

J. Blackwood & Son



CUSTOMER STORY

ElectraNet



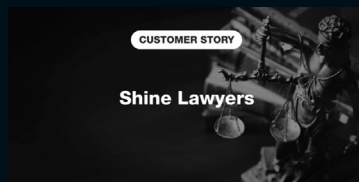
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Cisco Duo for TechnoPro



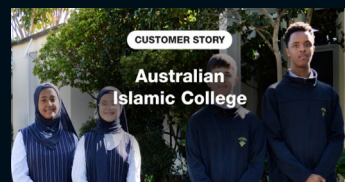
CUSTOMER STORY

Shine Lawyers



CUSTOMER STORY

Australian Islamic College



CUSTOMER STORY

Cisco ACI Solution Supports the Future of Business in Engineering Industry



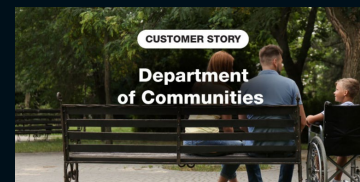
NEWS

Data#3's Managed Services to Bolster Digital Transformation at the Department for Education in SA



CUSTOMER STORY

Department of Communities



CUSTOMER STORY

Bega Valley Shire Council Ensures Compliance and Value with Data#3 Software Asset Management



Delivering the digital future in South Australia

- Last year we announced a multi-year managed services contract with Department for Education
- Since then we have succeeded in winning more managed services contracts in SA. These include:
 - Attorney Generals Department and Public Trustee
 - Department for Environment and Water
 - Department for Human Services
 - Department of Treasury and Finance
- SA Government previously had a single large outsource
- Breaking down large contracts is becoming a trend



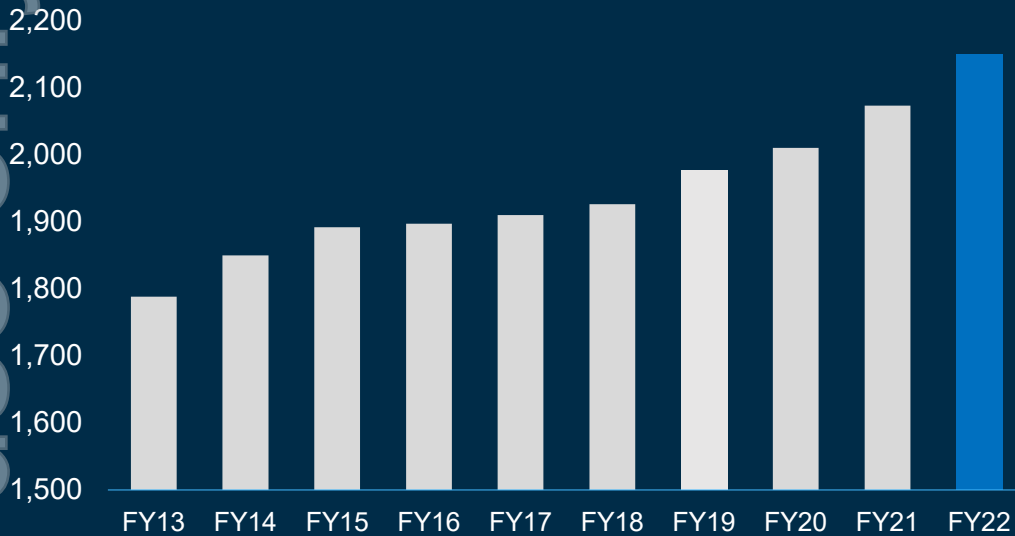
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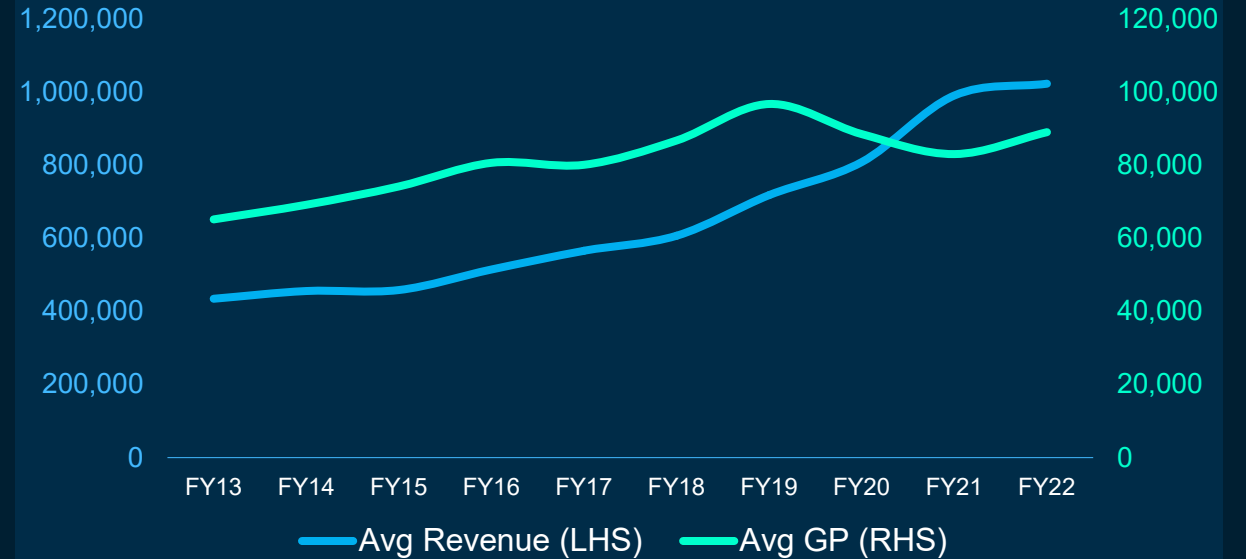
Government
of South Australia
Department for Education

Increasing customer engagement

Number of Customers



Average Revenue & Average Gross Profit per Customer



Steady growth in customer base, with over 5,000 active accounts across 2,150 customer groups.

The largest customer groups are in the education sector.

Average revenue per customer group has increased as we extend engagement across our portfolio of solutions.

Average GP per customer group decreased in FY20 & FY21 due to pandemic spend shift toward lower margin product. FY22 has seen a return to a more normal mix of solutions.

Strategic Focus Areas



Customer Experience

Long-term view, not transactional

Lifecycle approach

Joint investments with
global vendors



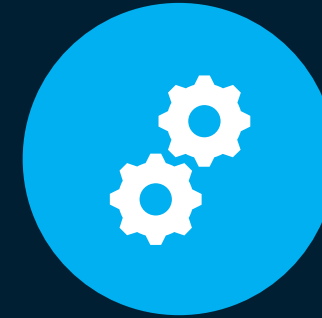
Security

Protecting our business

Market opportunity

Executive leadership

Go to market with
Business Aspect



Accelerating Services

Completed rebuild of
Managed Services

Strong growth in Consulting
& Support Services

Complementing vendor
incentive programs

We will continue to focus on driving growth in our services and software businesses to increase recurring revenues and improve margins

Outlook



Services growth will continue to complement software and infrastructure divisions, while improving recurring revenue and margins



Growth in cloud business provides data and insights to enhance lifecycle services



Supply constraints set to continue into FY23; well placed to grow market share by leveraging market leading relationships



Strong pipeline of major integration project opportunities as large corporates and government drive transformation agendas

“The backlog from FY22 has again provided a fast start to the current year, and we are well positioned to capitalise on opportunities this provides.”

We remain committed to delivering sustainable earnings growth, underpinned by our leading market position, unrivalled vendor relationships, long-term customer base and highly experienced and committed team.”

- Laurence Baynham, CEO

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Q&A

Appendix

Data#3: Delivering The Digital Future (Company Video)

Data#3 is
delivering the
digital future

<https://youtu.be/nU6bOYVrekg>

Recent Awards

**Microsoft Worldwide
Surface+ Partner of the
Year**

**Cisco Global
Software
Partner of
the Year**

**Aruba As a
Service Partner
of the Year**

**Employer of
Choice, HRD
Magazine**

**Cisco ANZ
Partner of
the Year**

**Cisco APJC
Security
Partner of the
Year**

**Dell
Technologies
Solution
Provider of the
Year**

**Dell
Technologies
Channel
Excellence in
Cloud Sales
Asia Pacific
Japan**

**Dell
Technologies
Channel
Services
Delivery
Excellence
Partner 2022**

**Hewlett
Packard
Enterprise
Greenlake
Partner of the
Year**

**Trend Micro
Security
Partner of
the Year**

**Employer of
Choice, HRD
Magazine**

**Poly Hybrid
Solutions
Partner 2021
ANZ**

**Veeam Pro
Partner of
the Year
ANZ**

**Aruba National
Partner of the
Year**

**Microsoft Worldwide
Device Distributor/Reseller
Partner of the Year**

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