

FY23 Interim Results Briefing

16th February 2023

Agenda

Data#3 Overview

1H FY23 Operational Overview

1H FY23 Financial Performance

Strategy & Outlook

Q&A

1H FY23 Financial Highlights



Revenue
\$1.2B
Up 16.7%



Gross Profit
\$120.0M
Up 13.8%



NPBT
\$24.6M
Up 32.4%



NPAT
\$17.1M
Up 38.1%



Basic EPS
11.04 cents
Up 37.8%



Dividends per share
10.00 cents
Up 37.9%
Payout ratio of 90.6%

1H FY23 Overview

Total Revenue

\$1.2B

up 16.7%



Cloud Revenue

>50%

of Total Revenue



Recurring Revenue

65%



People

1,300+



- Australian IT market remains strong with growing pipeline of large integration projects
- Strong Infrastructure and Software Licensing revenues as demand for public and private cloud services continues
- Continue to benefit from high recurring revenue base with Government and large Corporate customers
- Improved operating efficiencies driving further improvements in operating leverage, despite continued investment in people
- No material change to order backlog from supply chain delays - further supports the underlying strength of the result

Key awards + certifications

- Microsoft Surface+ Worldwide Partner of the Year
- Cisco Global Partner of the Year for Security
- Dell Top Performer 2022 for Australia
- Palo Alto Security Growth Partner of the Year for 2022
- HP Aruba Service Partner of the Year for Asia Pacific and Japan



ESG update

- Frost & Sullivan 2022 Enlightened Growth Leadership Award
- Women in Technology Awards
- Aim to be carbon-neutral by 2032



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

ersonal use only

1H FY23 Operational Overview

1H FY23 Operational Highlights



Multi-cloud Growth

Public & Private Cloud growth.
Customers have multiple clouds.



Security Growth

Fastest growing solution.
Combined D3 and BA offerings.
Complements other solutions.



Services

Strong growth in Managed
Services with new contract wins.
Supports rest of business.



Customer Experience

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



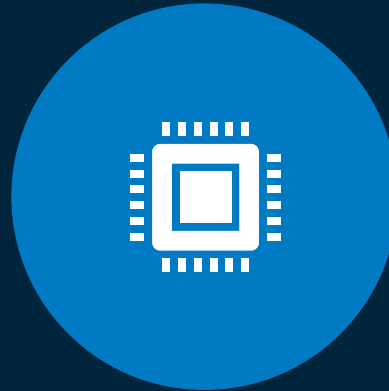
Software Growth

Strong demand for Software
and Services supports growing
margin and recurring revenues.

1H23 External Factors



**Australian IT
market growing
strongly**



**Global chip
shortages
continue**



**Supply chain
improving
gradually**



#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

Cisco Global Partner of the Year for Security 2022

Microsoft Surface+ Worldwide Partner of the Year 2022

400+ other partnerships with emerging vendors

Customer Stories

ersonal use only

CUSTOMER STORY

Teachers Mutual Bank Limited



CUSTOMER STORY

The Southport School: Four years on



CUSTOMER STORY

Kubota



CUSTOMER STORY

Hydro Tasmania



NEWS

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



CUSTOMER STORY

St Peter's College Adelaide



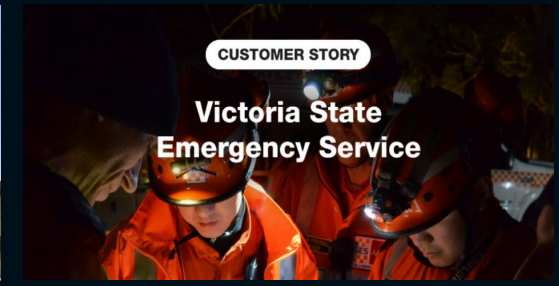
CUSTOMER STORY

Main Roads Western Australia



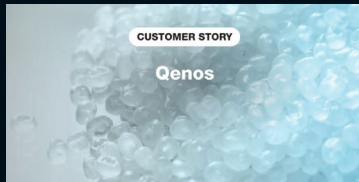
CUSTOMER STORY

Victoria State Emergency Service



CUSTOMER STORY

Qenos



CUSTOMER STORY

Credit Corporation (PNG)



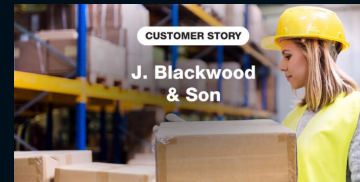
CUSTOMER STORY

SeaRoad Holdings



CUSTOMER STORY

J. Blackwood & Son



CUSTOMER STORY

ElectraNet



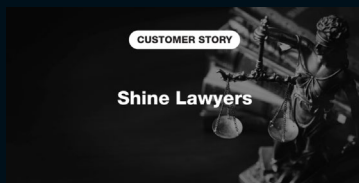
CUSTOMER STORY

Cisco Duo for TechnoPro



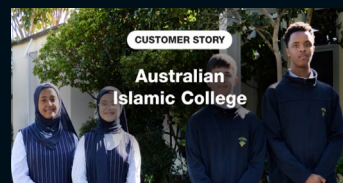
CUSTOMER STORY

Shine Lawyers



CUSTOMER STORY

Australian Islamic College



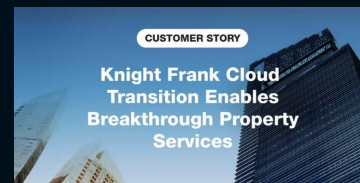
CUSTOMER STORY

BTC Markets



CUSTOMER STORY

Knight Frank Cloud Transition Enables Breakthrough Property Services



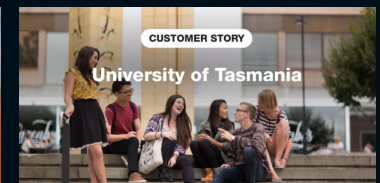
CUSTOMER STORY

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



CUSTOMER STORY

University of Tasmania

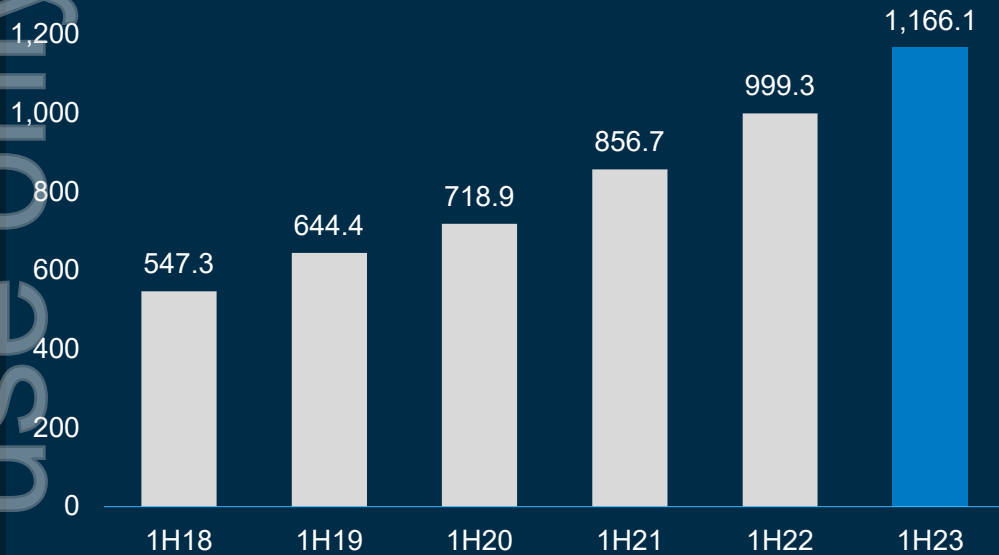


ersonal use only

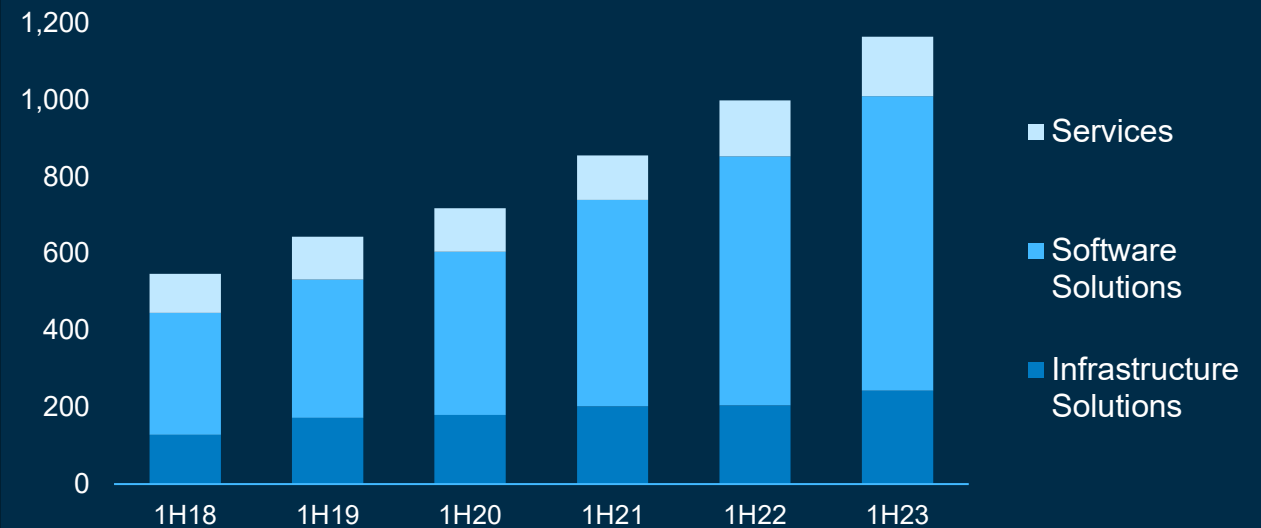
1H FY23 Financial Performance

Sustained revenue growth

Total revenue (\$M)



Revenue trend by functional area (\$M)



Strong revenue growth CAGR of 16.3%¹ fuelled by software licensing, cloud-based solutions and services.

Revenue growth driven by strategy to accelerate growth in software and services, which are largely recurring in nature

~65% of revenue is recurring, meaning under term-based contracts (consistent with PCP).

1. CAGR growth from 1H FY18 – 1H FY23

ersonal use only

Gross Margin and Gross Profit

Overall Gross Margin % varies with the changing revenue mix:

- Strong growth in Managed Services more than offset by lower Maintenance Services revenues
- Outperformance of Software Solutions and Infrastructure Solutions driven by demand for public and private cloud solutions
- Steady growth in Consulting and People Solutions

Total Gross Profit up 13.8% to \$120.0M with Gross Margin % decreasing slightly from 10.6% to 10.3%:

- Services Gross Profit up 26.4% to \$57.8M with Gross Margin % increasing from 31.4% to 37.3%
- Product Gross Profit \$ up 4.2% to \$62.2M with Gross Margin % decreasing from 7.0% to 6.2%

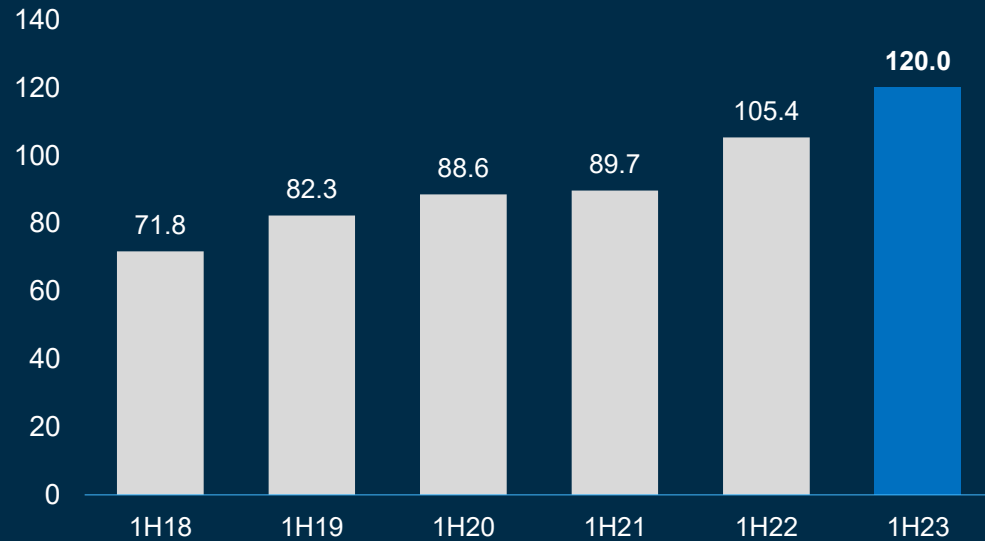
Objective is to deliver steady, sustained growth in total Gross Profit \$

	1H FY23 revenue (\$M)	Change vs. 1H FY22	Relative Gross Margin %		
			LOW	MED	HIGH
Consulting	15.9	+ 22.8%	MED - HIGH		
Project Services	36.3	+ 11.8%	MED		
Support Services	65.0	- 6.0% #	Maintenance LOW – MED Managed HIGH <i># Decrease in Maintenance Services & increase in Managed Services</i>		
People Solutions	36.5	+ 22.5%	LOW - MED		
Other services	1.4	0%			
Total Services	155.1	+ 6.4%			
Software	766.5	+ 18.3%	LOW		
Infrastructure	242.3	+ 18.4%	LOW to MED		
Discovery Tech. product	0.5	- 33.8%			

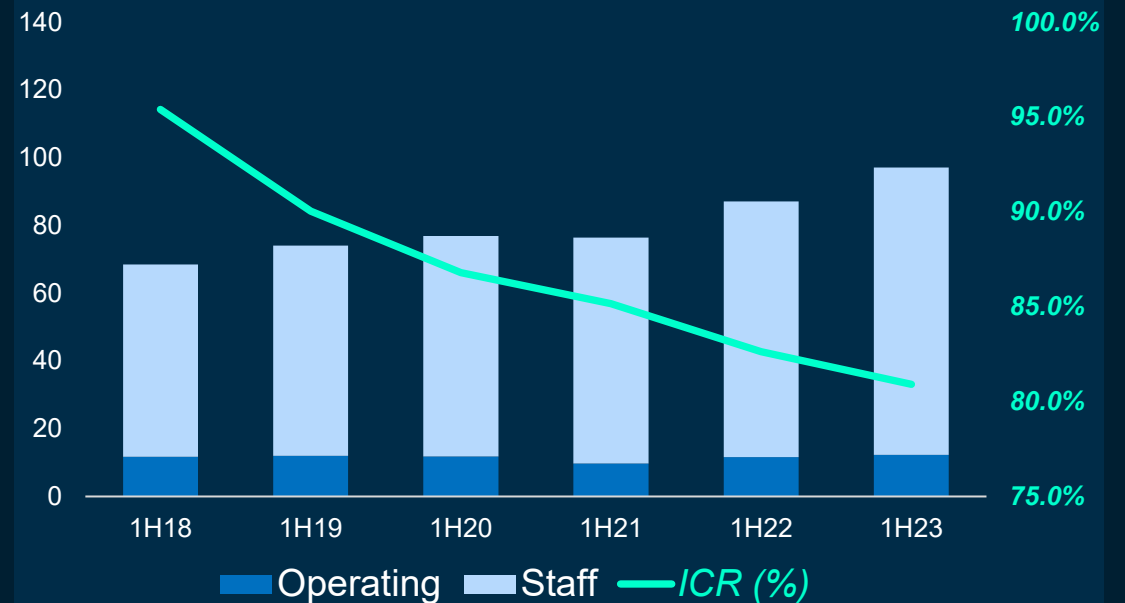
Steady improvement in operating leverage

ersonal use only

Total gross profit (\$M)



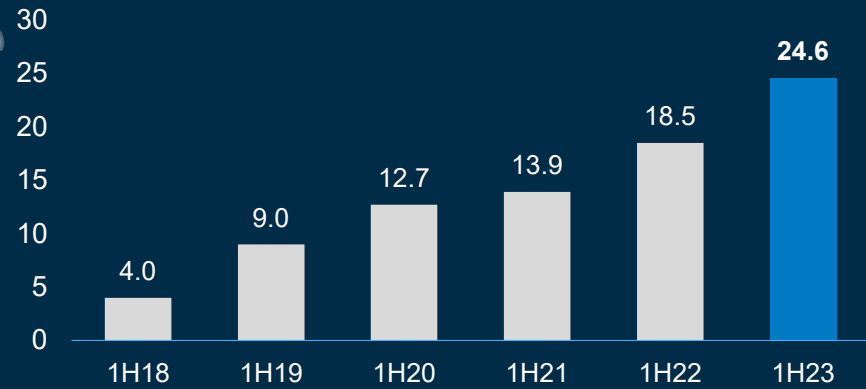
Internal expenses (Staff & Operating costs \$M)



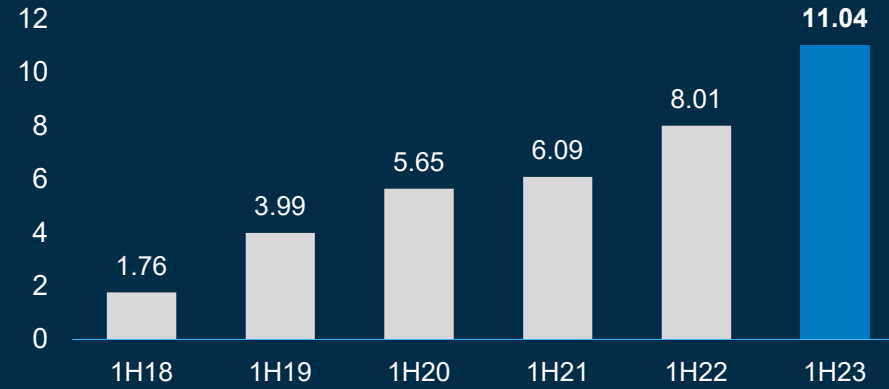
Internal Cost Ratio (Internal expenses / Gross profit) has improved from 95.4% in 1H18 to 80.9% in 1H23 (1H22: 82.6%)

Sustained earnings growth

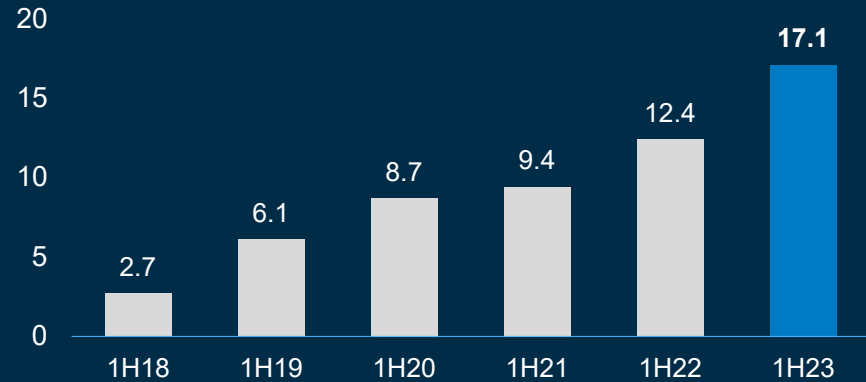
NPBT (\$M)



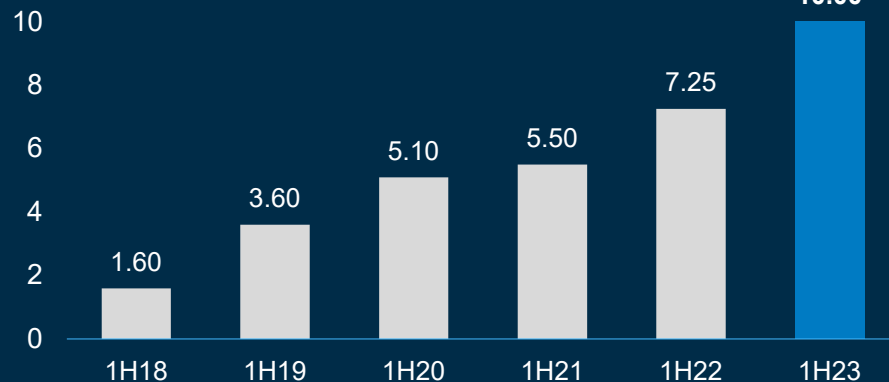
Basic EPS (cents)



NPAT (\$M)



DPS (cents)



Statement of profit or loss

	Half year to December		Change %
	2022 \$'000	2021 \$'000	
Revenue			
Revenue from contracts with customers	1,164,401	999,089	+ 16.5
Other	1,689	208	+ 712.0
	1,166,090	999,297	+ 16.7
Expenses			
Changes in inventories of finished goods	14,089	2,700	+ 421.8
Purchase of goods	(961,243)	(796,381)	+ 20.7
Employee and contractor costs directly on-charged	(52,008)	(42,393)	+ 22.7
Other cost of sales on services	(45,202)	(57,570)	- 21.5
Other employee and contractor costs	(84,828)	(75,538)	+ 12.3
Telecommunications	(1,022)	(1,143)	- 10.6
Rent	(850)	(940)	- 9.6
Travel	(644)	(67)	+ 861.2
Professional fees	(864)	(803)	+ 7.6
Depreciation and amortisation	(3,129)	(2,450)	+ 27.7
Finance costs	(593)	(736)	- 19.4
Other	(5,239)	(5,432)	- 3.6
	(1,141,532)	(980,753)	+ 16.4
Profit before income tax	24,558	18,544	+ 32.4
Income tax expense	(7,496)	(6,191)	+ 21.1
Profit for the half year attributable to owners of Data#3 Limited	17,062	12,353	+ 38.1
Other comprehensive income (loss) for the half year, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	244	125	+ 95.2
Total comprehensive income for the half year attributable to owners of Data#3 Limited	17,306	12,478	+ 38.7
Earnings per share for profit attributable to the ordinary equity holders of the company:	Cents	Cents	
Basic earnings per share	11.04c	8.01c	+ 37.8
Diluted earnings per share	11.02c	7.98c	+ 38.1

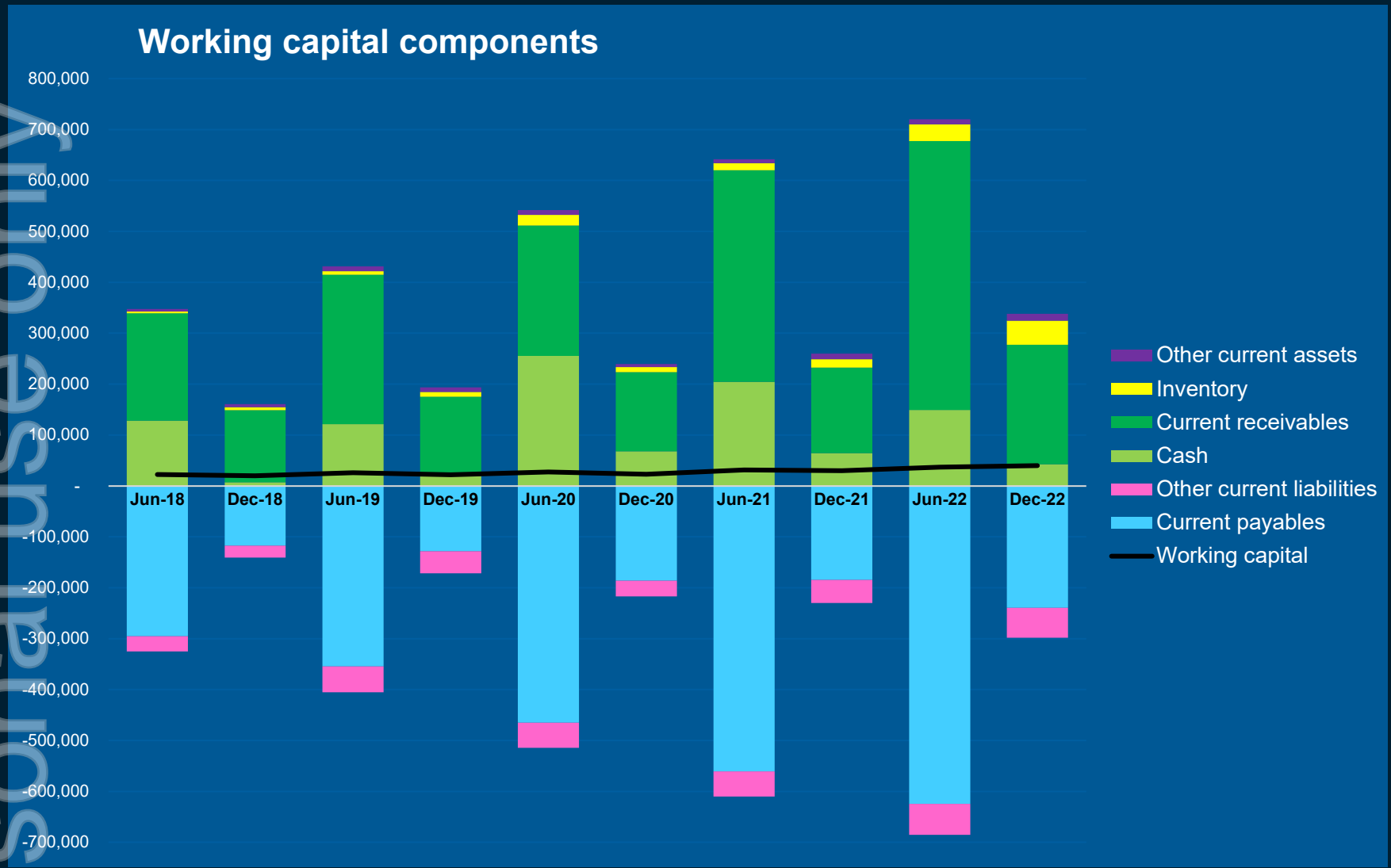
- Revenue increased by 16.7%
- Gross profit increased by 13.8% from \$105.4M to \$120.0M
- Total gross margin decreased slightly from 10.6% to 10.3% with changes in the revenue mix
- Internal staff costs increased by 12.3% from \$75.5M to \$84.8M with headcount growth (predominantly in Services) and general remuneration increases
- Other operating expenses grew by 6.6% from \$11.6M to \$12.3M with increases in travel and software amortisation expenses
- Basic EPS increased by 37.8%

Balance sheet

	31 December 2022 \$'000	30 June 2022 \$'000
Current assets		
Cash and cash equivalents	42,455	149,459
Trade and other receivables	234,944	527,888
Contract assets	4,951	5,776
Inventories	47,167	33,078
Other	8,723	3,955
Total current assets	338,240	720,156
Non-current assets		
Trade and other receivables	216	1,072
Property and equipment	3,283	3,388
Right-of-use assets	22,749	23,585
Deferred tax assets	6,149	5,292
Intangible assets	16,278	17,394
Total non-current assets	48,765	50,731
Total assets	386,915	770,887
Current liabilities		
Trade and other payables	239,479	622,698
Contract liabilities	46,359	49,710
Lease liabilities	3,354	3,002
Current tax liabilities	1,411	705
Provisions	7,827	7,236
Total current liabilities	298,430	683,351
Non-current liabilities		
Lease liabilities	21,814	22,643
Provisions	3,419	3,196
Total non-current liabilities	25,233	25,839
Total liabilities	323,663	709,190
Net assets	63,252	61,697
Equity		
Contributed equity	11,861	10,313
Share-based payments reserve	(275)	559
Foreign currency translation reserve	(199)	(443)
Retained earnings	51,865	51,268
Total equity	63,252	61,697

- Strong balance sheet with no borrowings
- 4th quarter revenue spike inflates Trade receivables and Trade payables at 30 June
- Inflated temporary cash surplus at 30 June
- Average DSOS of 33.1 days (1H FY22 = 26.8 days)
- Inventory is inflated at \$47.2M due to supply chain delays and partial shipments (PCP \$16.6M). Inventory is allocated to non-cancellable customer orders, and holdings will reduce as the supply chain issues ease.

Working capital analysis



Efficient working capital model.

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

Inventory inflated due to supply chain delays, but allocated to non-cancellable customer orders.

Average collection cycle approx. 33 days.

Favourable trade terms with suppliers.

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

Statement of cash flows

	Half year ended December		Change %
	2022 \$'000	2021 \$'000	
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	1,542,140	1,310,997	+ 17.6
Payments to suppliers and employees (inclusive of GST)	(1,608,611)	(1,403,653)	+ 14.6
GST paid	(15,800)	(18,714)	- 15.6
Interest received	1,457	176	+ 728.4
Interest and other borrowing costs paid	(579)	(715)	- 19.0
Income tax paid (net of refunds)	(7,402)	(9,702)	- 23.7
Net cash outflow from operating activities	(88,795)	(121,611)	- 27.0
Cash flows from investing activities			
Payments for property and equipment	(465)	(357)	
Payments for software assets	-	(1,834)	
Net cash outflow from investing activities	(465)	(2,191)	- 78.8
Cash flows from financing activities			
Payment of dividends	(16,465)	(14,663)	+ 12.3
Proceeds from issue of shares	1,548	2,035	- 23.9
Payments for shares acquired by the Data#3 Employee Share Trust	(1,548)	(2,035)	- 23.9
Repayment of principal on lease liabilities	(1,523)	(1,385)	- 10.0
Net cash outflow from financing activities	(17,988)	(16,048)	+ 12.1
Net decrease in cash and cash equivalents held	(107,248)	(139,850)	- 23.3
Cash and cash equivalents at the beginning of the reporting period	149,459	204,323	- 26.9
Effect of exchange rate changes on cash and cash equivalents	244	125	+ 95.2
Cash and cash equivalents at the end of the reporting period	42,455	64,598	- 34.3

- Cash flow 'seasonality' consistent with previous years.
- Timing differences in the collections from customers and payments to suppliers around 30 June generate large temporary cash surpluses at year-end, which are paid out in 1H .
- 1H FY23 average cash balance \$147M (1H FY22 = \$190M)
- Low capital expenditure
- High dividend payout

Strategy & Outlook



Digital Transformation



Artificial Intelligence



Internet of Things



3D Printing

Foundation Layer



Multi-cloud



Modern Workplace



Security



Data & Analytics



Connectivity

Strategic Focus Areas



Customer Experience

Long term view,
not transactional

Lifecycle approach

Joint investments with
global vendors

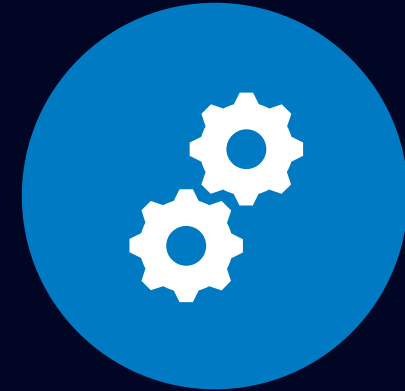


Security

Protecting our business

Market opportunity

Embedded in all our
solutions



Accelerating Services

Strong growth in
Managed Services

Steady growth in Consulting

Complementing vendor
incentive programs

Outlook



Well positioned to capitalise on growing IT market and industry tailwinds, with biggest opportunity in software, services & security



Focus on driving growth in our services and software businesses to increase recurring revenues and improve our margins



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



Maintaining strong backlog while supply chain improvements set to continue throughout 2023, well placed to grow market share



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

“The strong trading performance has continued with a strong pipeline of large integration projects. While we have experienced a gradual improvement in supply chain conditions, the overall backlog has not changed materially due to an increased volume of business.”

At this stage it would not be prudent to provide specific guidance for FY23. In line with previous years, we continue to expect a sales peak in the months of May and June and a profit skew in the second half. Our goal remains to deliver sustainable earnings growth.”

- Laurence Baynham, CEO

ersonal use only

Q&A

Appendix

Recent Awards

**Cisco Global Security
Partner of the Year**

**Microsoft Device
Distributor/
Reseller Partner of
the Year 2022**

**Jabra – APAC
Top Public
Sector Sales**

**2022 Employer
of Choice, HRD
Magazine**

**HPE Platinum
Partner of the
Year**

**Palo Alto
Networks
Security Growth
Partner of the
Year**

**HP Services
Partner of the
year for 2022**

**ARN Enterprise
Partner
Innovation
Award**

**ANZ Veeam Pro
Partner of the
Year**

**Cisco ANZ
Partner of the
Year**

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

**Aruba
Greenlake
Partner of the
Year**

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

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

**Palo Alto
Networks
Growth Partner
of the Year**

**2022 Enlightened Growth
Leadership Award by the
Frost & Sullivan Institute**

Disclaimer

This presentation has been prepared by Data#3 Limited (“the Company”). It contains general background information about the Company’s activities current as at the date of the presentation. It is information given in summary form and does not purport to be complete. The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

This presentation is not (and nothing in it should be construed as) an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security in any jurisdiction, and neither this document nor anything in it shall form the basis of any contract or commitment. The presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The Company has prepared this presentation based on information available to it, including information derived from publicly available sources that have not been independently verified. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, correctness or reliability of the information, opinions and conclusions expressed.

Any statements or assumptions in this presentation as to future matters may prove to be incorrect and differences may be material. To the maximum extent permitted by law, none of the Company, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

Data#3



www.data3.com.au



1300 23 28 23



[Linkedin.com/company/data3](https://www.linkedin.com/company/data3)



[Twitter.com/data3limited](https://twitter.com/data3limited)



[Facebook.com/data3limited](https://www.facebook.com/data3limited)



[YouTube.com/data3limited](https://www.youtube.com/data3limited)