DICKER DATA

EXPERIENCE
is the difference

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au

27 February 2023

FY22 Financial Results

Dicker Data Limited (ASX: DDR) (Company) is pleased to release the Company's financial results for the full year ended 31 December 2022.

Despite ongoing market uncertainties and an evolving macroeconomic environment, Dicker Data remained focused on its objectives in FY22, delivering a 25.0% increase in revenue to $3.1b for the FY22 period.

FY22 Results Highlights

12 months to DEC-22	DEC-22 $'000	DEC-21 $'000	% Change
Total revenue	3,104,408	2,484,459	+25.0%
Gross Profit	283,659	230,336	+23.2%
EBITDA	*129,849	**118,728	+9.4%
Net operating profit before tax	*106,977	**106,075	+0.9%
Net profit after tax	73,047	73,562	-0.7%

* excluding one-off integration and restructure costs of $2.1m

** excluding one-off acquisition costs of $978k

- Total revenue of $3.1b for the year, representing an increase of 25.0%, or $619.9m
- Gross profit finalising at $283.7m, up 23.2% at 9.1% gross profit margin
- Growth in EBITDA up 9.4%, adjusted for one off costs finalised at $129.8m
- Operating profit before tax was $107.0, an increase of 0.9%
- Profit after tax finalising at $73.0m, marginally down on FY21 by 0.7%
- Weighted average earnings per share decreased to 41.80 cents per share, down by 1.9%

DICKER
DATA

For personal use only

CEO Commentary

Commenting on the results, Chairman and Chief Executive Officer, David Dicker said , "In last year's report, I said 'Another year with difficult and unpredictable conditions'.

Conditions in 2022 were similar. However, given the strength of our business and our people, we again delivered a satisfying financial performance.

Our sales result was pleasing, with revenue finalising at $3.1b, an increase of 25%.

Ongoing challenges from factors outside of our control that could not have been predicted, expected, or avoided in any meaningful way, did weigh on our final outcome for FY22. Rising interest rates, inflation and other factors increased our cost of operations with no upside. Despite this, we delivered on our gross margin guidance and finished the year ahead of our competitors yet again.

I remain optimistic about business conditions and very optimistic about our company's ability to generate another strong result in 2023."

Revenue

Of the total revenue of $3.1b, $2,554.7m related to Australia and $550.1m was New Zealand revenue. In Australia revenue increased by $397.3m, representing an increase of 18.4% with New Zealand revenue increasing by $222.6m, representing an increase of 68.1%. Software recurring and subscription revenues across ANZ increased by 42.5% to $743.9m.

The Company focused much of FY22 consolidating the customer and vendor relationships obtained through the acquisition of the Exeed and Hills businesses. With the Exeed business, approximately 60 vendors were integrated across various business units, making a full year contribution of $398.0m in FY22. The acquisition of the Hills IT and Security division added a further 50 vendors and contributed $73.3m in the 8 months since the acquisition. The Company introduced a smaller number of other new vendor relationships that contributed a further $22.2m during the year.

Reflecting on the FY22 period, Executive Director and Chief Operating Officer, Vlad Mitnovetski added "Our performance throughout the FY22 period was strong, delivering a significant increase in revenue and delivering a gross margin of over 9.0%, in line with our guidance. Despite the one-off integration costs and significantly increased wages from onboarding hundreds of new staff, we delivered an outstanding result inside of the factors we can control. FY22 saw the acquisition of the Hills Security and IT division and the subsequent launch of our Dicker Access and Surveillance (DAS) business. The DAS division is now positioned extremely well for FY23 thanks to the work our team completed in FY22. We also brought our national roadshow, TechX, back in FY22, reaching thousands of partners across the country and generating millions of dollars in pipeline. With the integration of both Exeed and Hills, and their associated costs, behind us, our teams are focused using the platform we have built to continue delivering for our shareholders in FY23."

DICKER DATA

Profit

Gross profit for the reporting period was up 23.2% at $283.7m (2021: $230.3m). Gross profit margins abated in the FY22 year at 9.1% (2021: 9.3%) but finalised within guidance. The decrease in profit margins were largely driven by lower-than-expected margins in the New Zealand business which finalised at 6.5% (2021: 7.6%). Australia's gross profit margin finalised higher at 9.7% (2021: 9.5%).

Operating costs, excluding one-off costs, were $154.0m (2021: $116.3m), up by 32.4%. Operating costs increased as a proportion to revenue to 5.0% (2021: 4.7%), as the Company continued to invest in servicing the new customer and vendor relationships it obtained following the acquisition of the Exeed and Hills businesses.

Net operating profit, excluding one-off costs, was $107.0m, representing an increase of 0.9%. However, statutory net profit after tax finalised at $73.0m, down 0.7%.

Balance Sheet

Total investment in net working capital increased to $359.1m, representing an increase of $100.6m on the previous year (2021: $258.6m), mainly attributable to increased investment in receivables with increased debtor days to support credit in our channel. Total receivables increased to $581.8m, an increase of $126.3m. Inventory investment also increased, finishing at $261.7m up by $60.4m (2021: $201.3m) and inventory days increased to 33.8 days (2021: 32.6 days), driven by unpredictable inbound shipments during the year and supply chain disruptions.

Investment in property, plant and equipment increased to $87.6m during the period (2021: $82.3m), an increase of $5.3m with the Company beginning works on the expansion of the warehouse, as well as bringing on the assets required to support the newly created DAS business unit.

Increases in working capital investment was partly funded by an increase in total borrowings. Total borrowings at the end of the FY22 period were $291.7m, up by $61.5m. Borrowings were a mix of working capital facilities in Australia and New Zealand and the balance of the cash advance facility from the Exeed acquisition.

The Company also undertook a capital raise and as result equity has increased to $230.1m during the year (2021: 178.3m). The capital raise and Share Purchase Plan contributed $70.2m and the contribution from the Dividend Reinvestment Plan (DRP) added a further $3.0m.

Cashflow

Cash finalised at $12.3m, an increase of $4.8m on the prior year. Cashflow from operations were impacted by increases in working capital, finalising at $1.1m, down from $20.6m in FY21.

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au

DICKER DATA

Dividend

A final dividend for FY22 of 2.5 cents per share was declared on 8 February 2023 with a payment date of 1 March 2023. This final dividend, together with the three interim dividends paid during FY22, will bring total dividends paid for the FY22 year to 41.5 cents per share. This represents a decrease of 1.2% on FY21 dividends of 42.0 cents per share.

Our dividend policy provides for fully franked dividends to be paid on a quarterly basis, with the intent to payout 100% of the underlying after-tax profits from operations after taking into account projected capital expenditure and cash requirements, with a final dividend for the year paid in the first quarter of the following year.

The total dividends paid during the financial year, which includes the final dividend from FY21 were 54.0 cents per share or a total of $94.3m, fully franked (2021: 37.5 cents per share, $64.8m), representing an increase of 44.0%.

The Dividend Reinvestment Plan (DRP) was retained for 2022. Of the $94.3m dividends paid, $91.3m were paid as cash dividends and $3.0m participated in the DRP. The DRP will be retained for FY23.

Commenting on the macroeconomic climate and the Company's performance, Executive Director and Chief Financial Officer, Mary Stojcevski, said, "Despite the headwinds experienced throughout FY22, the Company finished its fiscal year in a strong position. Gross profit finalised on target, with EBITDA increasing by a pleasing 9.4%. However, unforeseen factors beyond the Company's control had a material impact on net profit after tax. Rising interest rates, inflation, energy costs, exacerbated freight bills and unpredictable supply chain conditions placed increased pressure on working capital, preventing the Company from leveraging the benefits of early settlement discounts with suppliers, among other challenges. As we head into FY23, all the external factors that impacted the Company in FY22 are in full view and are being incorporated into future planning. We are focused on continuing to deliver for our shareholders and we are confident that with FY21 and FY22's acquisitions now integrated, we have an unrivalled platform to capitalise on in FY23."

New Zealand Update

The acquisition of the Exeed Group across Australia and New Zealand was announced on 30 July 2021. The $68m purchase has propelled Dicker Data to become the second largest technology distributor in New Zealand and brings a significant level of operational experience and expertise in retail distribution; a segment which Dicker Data has not traditionally sold into. The Australian Exeed business was fully integrated into Dicker Data by 31 December 2021 and the integration of the New Zealand business was completed in the second half of FY22.

On 9 February 2023, the Company entered into a binding Sale and Purchase Agreement (SPA) to acquire the business of Connect Security Products Limited (CSP) in New Zealand for a purchase price of NZD $5.0m. Comprised of NZD $3.5m for goodwill with balance for net business assets of NZD $1.5m being predominantly for inventory. The SPA is subject to the satisfaction of a number of conditions, however the transaction is expected to complete by 1st March 2023, enabling the Company to launch its Dicker Access and Surveillance (DAS) business in New Zealand. The acquisition also brings synergies that will be leveraged to further grow the DAS business across both countries.

New Zealand represents one of the most significant growth opportunities for the Company in FY23. There are a number of untapped synergies with the Australian business that will be leveraged in the forthcoming year, along with the launch of the higher-margin DAS business.

DAS Update

The launch of the Company's access and surveillance, or DAS, business in FY22 unlocked new revenue streams and new customers. In the 8 months of trading to 31 December 2022, the Company returned the acquired business to growth, with the operational focus of the DAS business now shifting towards accelerating the business and delivering on its full profit potential.

Through FY22, 8 of the branch stores were refitted with new displays to deliver a significantly improved in-store experience for DAS customers. 4 branches have been relocated and the Company also relocated the DAS distribution centre. These works have reduced branch costs significantly, which is a gain that will be realised in FY23. The velocity of the DAS business increased towards the end of FY22, with gross margin finalising approximately 50% higher than the IT side of the business. The DAS business across Australia and New Zealand is expected to operate at gross margins double that of the IT business in FY23 as its growth is accelerated, the operation is refined and as the division capitalises on shared services.

3,244 resellers purchased from DAS in the 8 months to December 2022, demonstrating the scale and reach of the new division. 2,595 of these accounts are net new customers acquired from the Hills Security and IT division, with the remaining 649 accounts being existing Dicker Data IT partners. This demonstrates the convergence of the IT and security markets that is expected to continue in FY23. Security partners are also expected to increase their reliance on IT products as cloud storage, networking, power and AI becomes increasingly integral to modern security solution design. Furthermore, a full ecosystem of vendors is now in place to support our DAS customers, with 42 access and surveillance vendors and 7 cybersecurity and hybrid IT vendors who support security solutions, but also sell into the Company's IT market.

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au

DICKER DATA

Outlook

The changing nature of the IT industry is nothing new to our business, however, the disruption experienced over the last three years has significantly changed the landscape in which our business operates. From surges in demand as the pandemic took hold, to significant backlogs of orders that were unable to be fulfilled as chip shortages strangled supply chains, the IT sector has faced its share of challenges. With these headwinds almost behind the Company, 2023 is set to be another prosperous year, but will also not be without its own unique challenges.

The surge in demand and chip shortages of 2020, 2021 and 2022 is likely to finally subside in late 2023 as the production capabilities of the Company's vendors reaches the capacity to service market demand. As in many sectors, demand can increase, or decrease, very quickly, but the supply-side cannot adapt at the same pace due to the complexity of what is required to manufacture many of the products the Company distributes. As a result, buying power will shift back into the end-customer's hands in 2023 as order backlogs are fulfilled and vendors manufacture new inventory in line with the dynamics of the previous years, with supply expected to outstrip demand. End-customers will have the ability to choose the technology they want, which is in stark contrast to previous years where many end-customers were forced to take whichever products were available at the time to meet their technology needs.

The Company is increasing its focus on its weeks of inventory holdings and general business hygiene as the cost of capital continues to increase. Managing access to capital, inventory holdings and customer debt is part of the Company's core competencies, and we expect to gain operational efficiencies in these areas as we place increase focus on them, particularly within the businesses that have been recently acquired.

The Company undertook a level of organisational introspection in late FY22 to identify areas for improvement and rationalisation. The recently acquired businesses across Australia and New Zealand that were fully integrated in FY22 will be accelerated in FY23 to align the metrics of those businesses to those of the Company's proven, long-term operating model. Furthermore, we expect to realise the benefits of shared operational functions across the group in FY23 as the focus shifts from integrating businesses to extracting the maximum value from them whilst closely managing the associated costs.

Market demand for some technologies, such as devices, is expected to soften in FY23. The disruption caused by the pandemic, the thirst for digital transformation and the need to support hybrid workforces spurred an unnatural level of demand that has remained constant. This demand is expected to continue in 2023 despite the market dynamics settling and become more predictable. Technology refresh cycles are expected to return to pre-pandemic intervals and we expect enterprise and government to drive market demand in 2023 as they embark on the next phases of their digital transformation, while SMB spending is expected to abate. These dynamics create a unique opportunity for the Company.

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au

We have been the demand stimulation and generation engine for our vendors for many years, particularly in the SMB and mid-market segments, and their reliance on our Company to perform this function will be at its highest during FY23 as they seek to improve on their FY22 results by leveraging the strengths of our Company. As a hybrid distribution business focused on value-added services and stock holding, the Company is well-positioned to navigate the challenging market dynamics with its extensive mix of public cloud, security, data management, hybrid and on-premise solutions; segments in which the Company's portfolio is unmatched and our internal skillsets are far superior in comparison to the rest of the market.

Webcast

Shareholders are reminded that the Company will host a teleconference and webcast of its FY22 results on Monday, 27 February 2023 at 11:00am AEDT. The teleconference and webcast will be hosted by the following members of the Dicker Data Board:

- David Dicker, Chairman and Chief Executive Officer
- Mary Stojcevski, Executive Director and Chief Financial Officer
- Vlad Mitnovetski, Executive Director and Chief Operating Officer

To view the webcast please visit the following link: https://webcast.openbriefing.com/ddr-fyr-2023/

Authorised for release by the Board of Dicker Data Ltd.

David Dicker
Chairman & CEO

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au

DICKER DATA

ABOUT DICKER DATA

Dicker Data (ASX: DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, cloud, access control and surveillance distributor with over 45 years of experience. Our sales and presales teams are experienced product specialists who are dedicated to helping you tailor solutions to suit your client's needs.

As a distributor, we sell exclusively to our valued partner base of over 10,000 resellers across ANZ. We pride ourselves on developing strong long-term relationships with our customers, and helping them grow. This customer-first approach means we are proactive in engaging with our resellers and allows us to dynamically shift with changing market conditions, in turn helping to increase profitability.

Dicker Data distributes a wide portfolio of products from the world's leading technology vendors, including Cisco, Citrix, Dell Technologies, Hewlett Packard Enterprise, HP, Lenovo, Microsoft, and other Tier 1 global brands. As the leading Australian distributor for many of these vendors, Dicker Data is dedicated to helping our partners deliver industry-leading solutions built on the world's best technologies. https://www.dickerdata.com.au/

PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au