

Data#3

FY23 Results Briefing

22nd August 2023

Presented by



Laurence Baynham
CEO



Cherie O'Riordan
CFO

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FY23 Financial Highlights



Revenue
\$2.5B
Up 16.9%



Gross Profit
\$250.7M
Up 14.9%



NPBT
\$53.2M
Up 20.7%



NPAT
\$37.0M
Up 22.4%



Basic EPS
23.96 cents
Up 22.2%



Dividends per share
21.90 cents
Up 22.3%
Payout ratio of 91.4%

Agenda

Data#3 Overview

FY23 Operational Overview

FY23 Financial Performance

FY24 Strategy

Customer Success

Summary and Outlook

FY23 Operational Overview

FY23 Overview

Revenue

\$2.5B

Revenue growth rate relative to IT market

>3x

Recurring Revenue

65%

People

1,400+

- In line with strategy, strong revenue growth in Managed Services and Software Solutions, supporting recurring revenue
- Improvement in supply chain and normalisation of backlog
- Large integration projects across multiple years
- Leading market position, strength of supplier relationships, long-term customer base

Key awards + certifications

- HRD Employer of Choice – 8th year in a row
- Cisco Global Partner of the Year - Security
- Microsoft Surface PC Reseller Worldwide Partner of the Year
- Microsoft Surface+ Worldwide Partner of the Year

ESG update

- Environmental goals - Defining and Improving Net Zero Strategy
- Delivered Reconciliation Action Plan vision and direction

FY23 Operational Highlights



Multi-cloud Growth

Cloud is now ubiquitous in our customer solutions



Security Growth

Fastest growing solution and top customer priority
ISO 27001 certified



Services

Strong growth in Consulting and Managed Services should improve future Gross Margins



Major Contract Wins

e.g. Multi-year Enterprise Managed Services contract with Future Fund Management Agency



Customer Experience

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

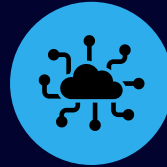


Growth Markets

In line with our strategy growing in NSW (+15%) and VIC (+13%), Australia's two largest IT markets



Digital Transformation



Internet of Things



Robotics



Extended Reality



Multi-cloud



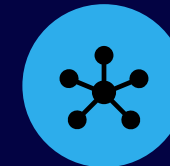
Hybrid Work



Security



Data & Analytics



Connectivity



Computers



The Internet



Artificial Intelligence

**Operational
Technology**

**Foundational
Technology**

**Digital
Milestones**



Artificial Intelligence

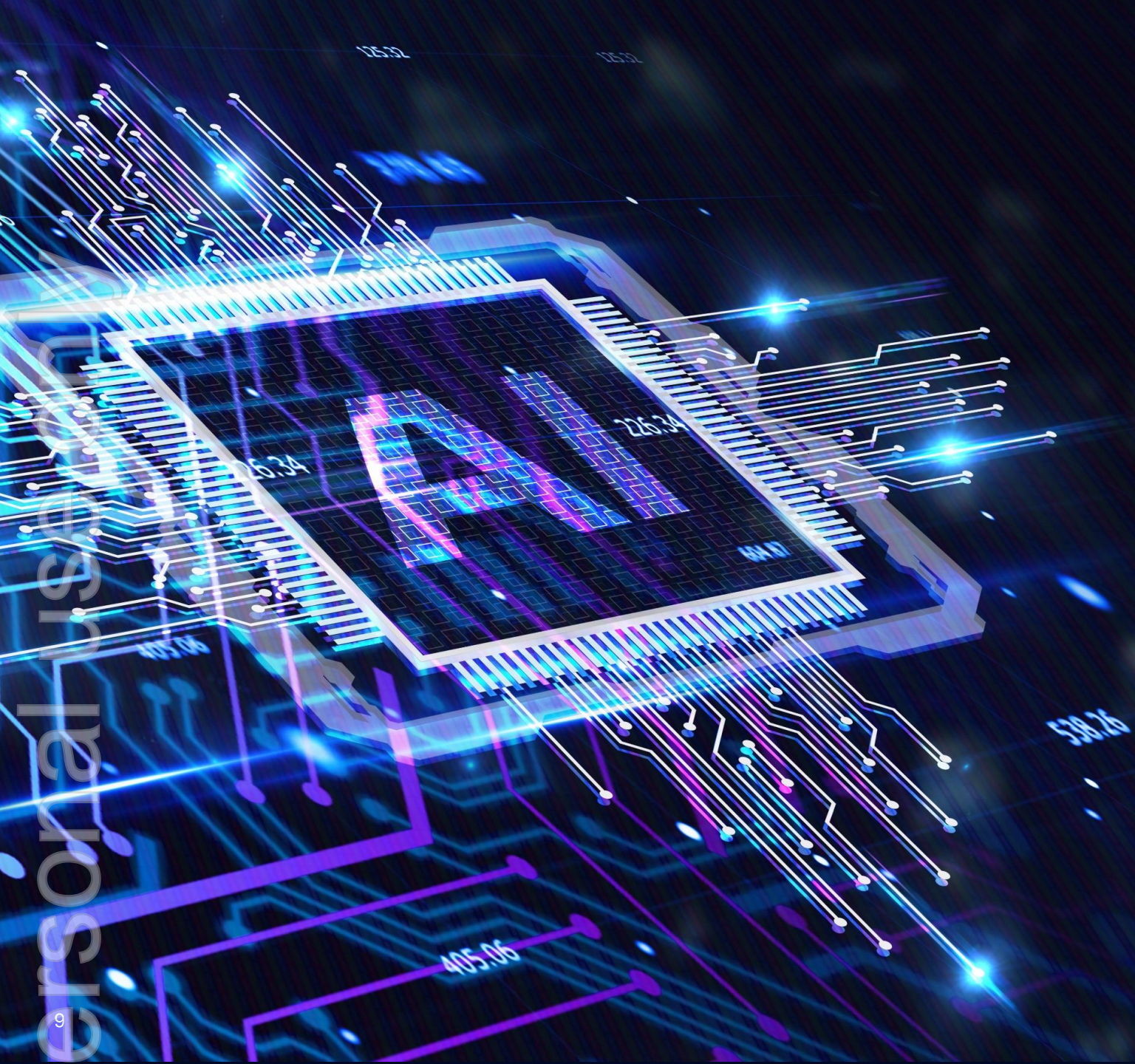


We are at the beginning of a new era of IT.

Generative AI will be as impactful as cloud or the internet.

Satya Nadella,
CEO of Microsoft

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→ **AI is a major digital milestone with operational technologies like robotics becoming integral to our transformation solutions.**

→ **We are already seeing rapid product development incorporating cloud, hybrid work, security, connectivity and data analytics.**

→ **We are assessing widespread applications across our customers' transformation projects.**

→ **We are aligning ourselves with the global market leaders in AI so are at the forefront of this change as customer technology is increasingly AI-driven.**

→ **We are also looking at opportunities to apply AI within our own business to further improve operational efficiencies.**

Integrated Solutions embedded with AI



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

**Top five partner
in Australia**

**Strategic partnerships
with global leaders**

**Significant investment in
technical capability and
certifications**

**400+ other partnerships
with emerging vendors**

FY23 Awards

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NEWS

**Five year winning streak:
Data#3 named 2022
Global Security Leader**



NEWS

**Data#3 named worldwide
Microsoft Surface+
Partner of the Year**



NEWS

**Data#3 named Microsoft
Surface Reseller of
the Year – Asia**



NEWS

**Data#3 wins 2023
Microsoft Surface PC
Reseller Global Partner
of the Year award**



NEWS

**Data#3 Triumphs
with Palo Alto Networks
Security Award**



NEWS

**Data#3 wins Aruba
as a Service award for
two consecutive years**



NEWS

**Data#3 named
Dell Technologies
Top Performer 2022
for Australia**



NEWS

**Data#3 takes home
HP Services Partner
of the Year Award**



NEWS

**Data#3 named 2022
ARN Enterprise Partner
Innovation Award winner**



NEWS

**Data#3 named HP AMD
Greater Asia Reseller
of the Year**



NEWS

**Data#3 named
Schneider Electric
Elite IT Solution
Provider of the Year**



NEWS

**Data#3 enjoys double
scoops at HPE/Aruba
awards night**



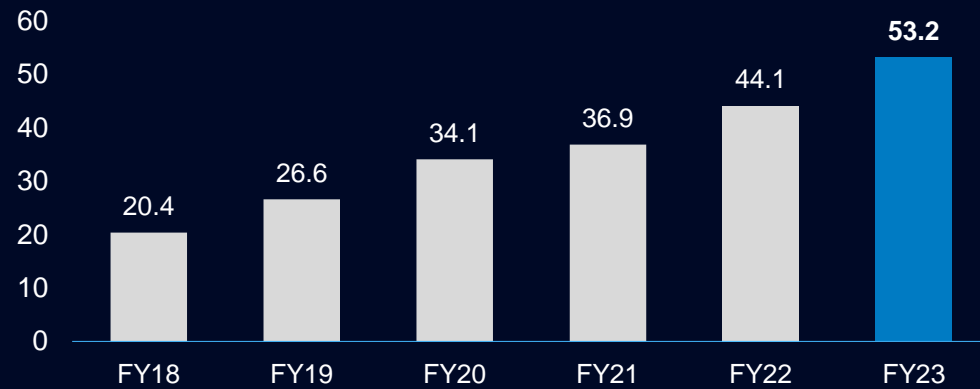
NEWS

**Data#3 wins HRD
Employer of Choice for
8th consecutive year**

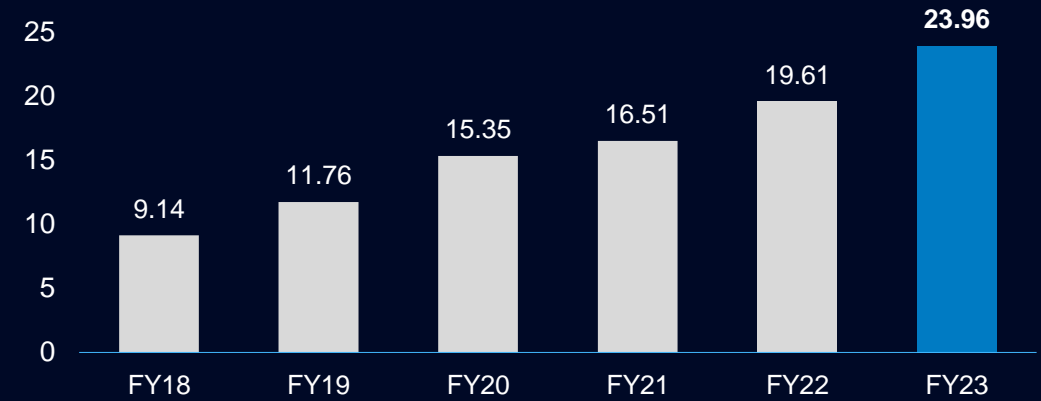
FY23 Financial Performance

Sustained earnings growth

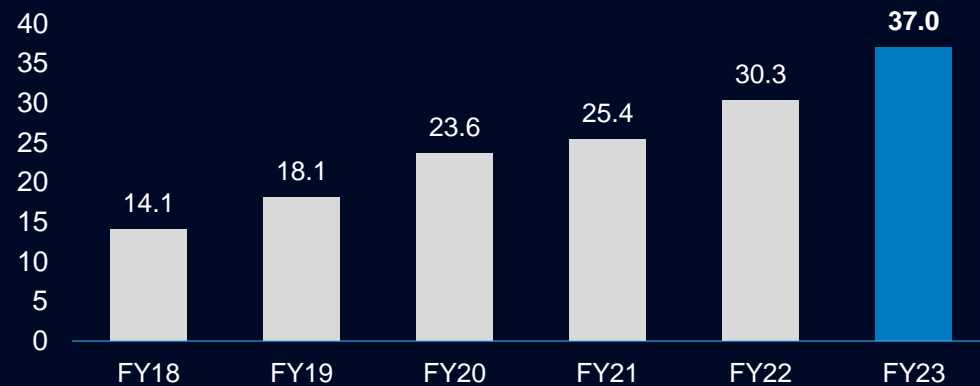
NPBT (\$M)



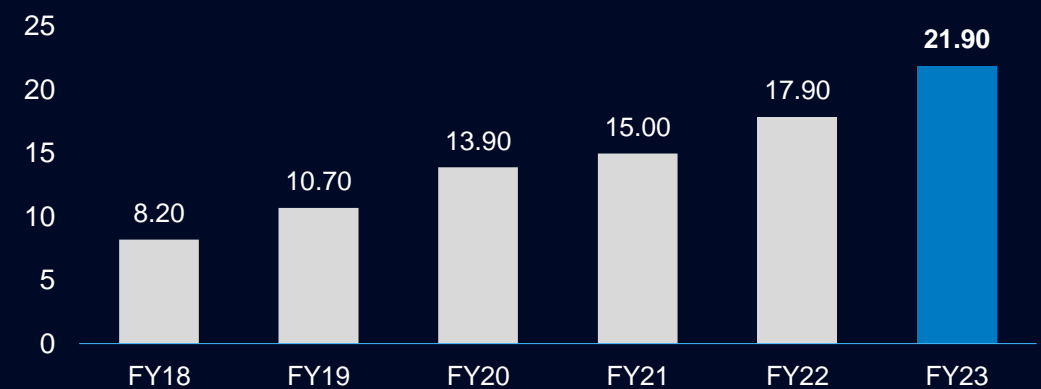
Basic EPS (cents)



NPAT (\$M) - excluding minority interests

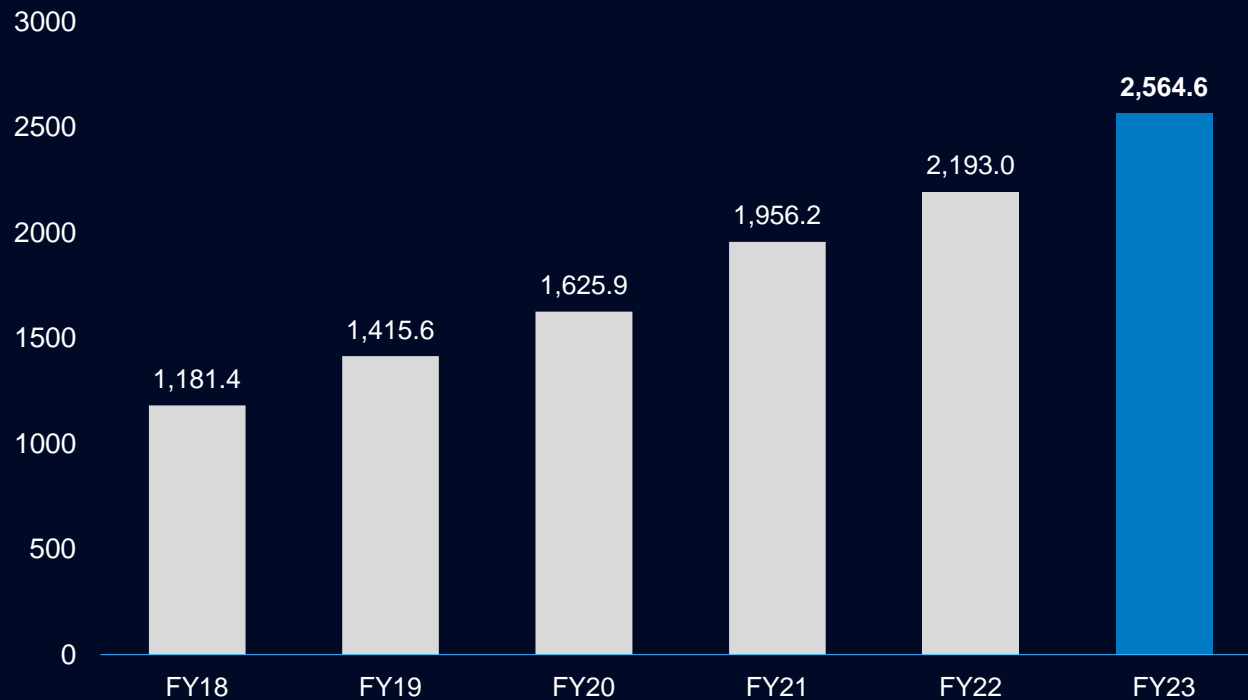


DPS (cents)



Sustained revenue growth

Total revenue (\$M)



Revenue CAGR of 15.3%¹ fuelled by software licensing, multi-cloud solutions and services.

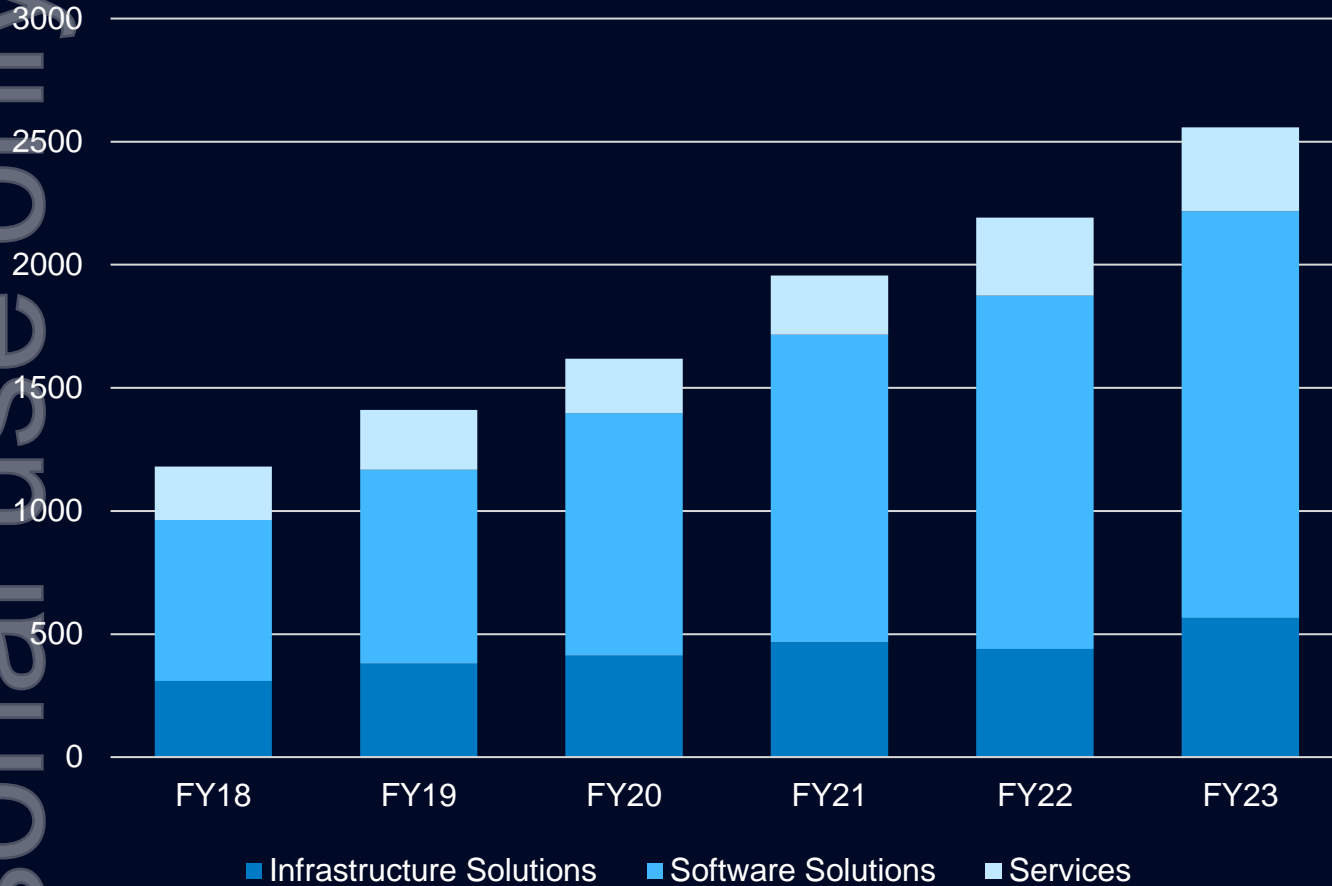
Strong customer spend in higher growth education, health and resource sectors.

~65% of revenue is recurring, meaning under term-based contracts.

1. CAGR growth from FY18-FY23

Changing sales mix

Revenue trend by functional area (\$M)



| Business unit | FY23 revenue (\$M) | Change vs. FY22 |
|---------------------------------|--------------------|-----------------|
| Business Aspect Consulting | 33.2 | + 25.0% |
| Project Services | 74.5 | + 11.9% |
| Maintenance Services | 125.0 | - 3.9% |
| Managed Services | 39.3 | + 31.1% |
| People Solutions (recruitment) | 68.1 | + 9.3% |
| Total Services | 340.1 | + 7.7% |
| Software Solutions | 1,652.5 | + 15.3% |
| Infrastructure Solutions | 566.2 | + 28.6% |

Gross margin and Gross profit

Overall Gross Margin % varies with changing revenue mix.

- Infrastructure Solutions benefiting from strong growth in networking and storage, and easing supply chain constraints
- Strong growth in software licensing and multi-cloud revenues
- Services growth has boosted total Gross Profit \$

Total Gross Profit up 14.9% to \$250.7M with Gross Margin % down slightly from 10.0% to 9.8%:

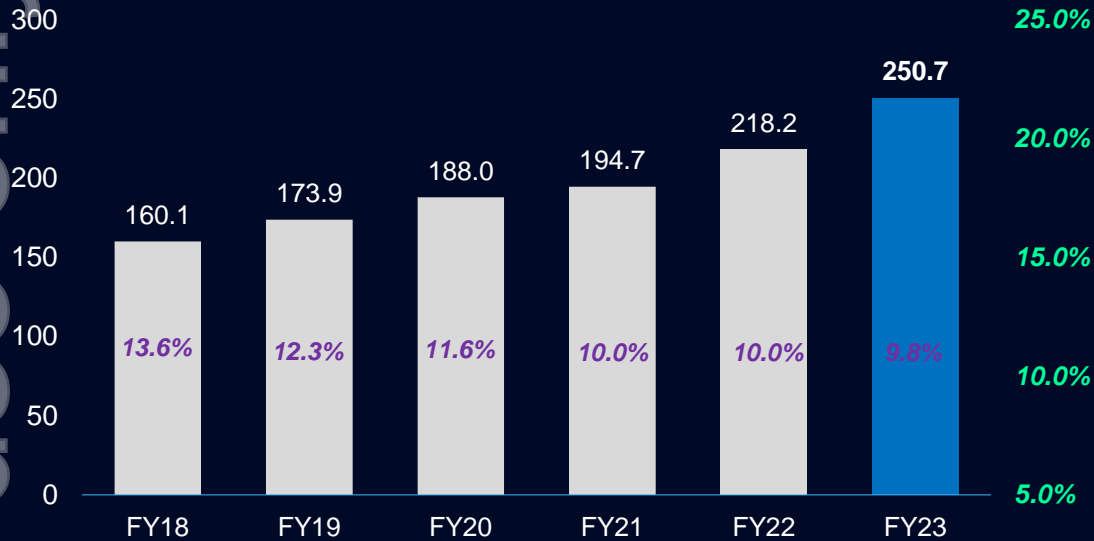
- Services Gross Profit up 24.8% to \$124.7M with Gross Margin % increasing from 31.4% to 36.4%
- Product Gross Profit up 6.5% to \$125.9M with Gross Margin % decreasing from 6.3% to 5.7% due to relative mix of higher volume, lower margin products and gradual shift in vendor rebates to services

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

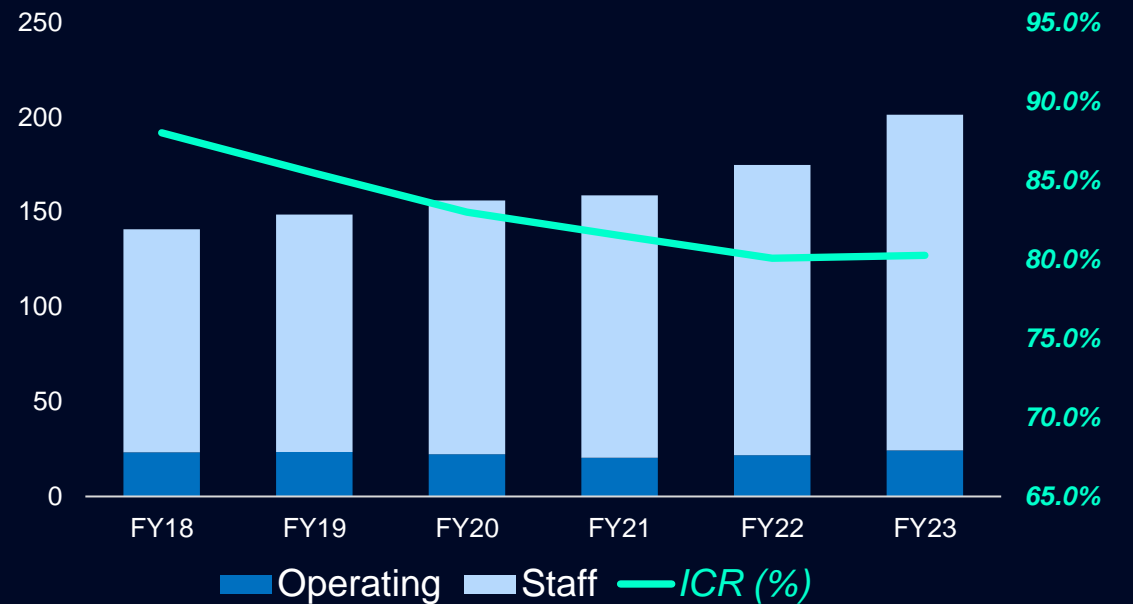
| Business unit | FY23 revenue (\$M) | FY23 revenue growth | Relative Gross Margin % |
|----------------------------|--------------------|---------------------|-------------------------|
| Business Aspect Consulting | 33.2 | + 25.0% | MED - HIGH |
| Project Services | 74.5 | + 11.9% | MED |
| Maintenance Services | 125.0 | - 3.9% | LOW - MED |
| Managed Services | 39.3 | + 31.1% | HIGH |
| People Solutions | 68.1 | + 9.3% | LOW - MED |
| Software Solutions | 1,652.5 | + 15.3% | LOW |
| Infrastructure Solutions | 566.2 | + 28.6% | LOW to MED |

Steady improvement in operating leverage

Total gross profit (\$M) & Total gross margin (%)



Internal expenses (Staff & Operating costs \$M)



- Steady gross margin % despite higher than expected Software growth
- Expect to increase over time as Services contribution increases

- Internal Cost Ratio (Internal expenses / Gross profit) has improved from 88.0% in FY16 to 80.3% in FY23
- FY23 slightly up vs FY22 (80.1%) due to travel costs and investment in people and systems, particularly in Managed Services, which will generate future leverage.

Statement of profit or loss

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| Revenue | | | |
| Revenue from contracts with customers | 3 | 2,560,700 | 2,192,421 |
| Other revenue | 3 | 3,870 | 576 |
| | | 2,564,570 | 2,192,997 |
| Expenses | | | |
| Change in inventory | | (13,665) | 19,206 |
| Purchase of goods | | (2,078,047) | (1,774,938) |
| Employee and contractor costs directly on-charged (cost of sales on services) | | (99,148) | (88,789) |
| Other cost of sales on services | | (119,189) | (129,682) |
| Internal employee and contractor costs | | (176,941) | (152,996) |
| Telecommunications | | (2,073) | (2,216) |
| Rent | | (1,780) | (1,717) |
| Travel | | (1,299) | (258) |
| Professional fees | | (1,304) | (1,023) |
| Depreciation and amortisation | 4 | (6,280) | (5,288) |
| Finance costs | 4 | (1,247) | (1,376) |
| Other | | (10,363) | (9,827) |
| | | (2,511,336) | (2,148,904) |
| Profit before income tax expense | | 53,234 | 44,093 |
| Income tax expense | 5 | (16,204) | (13,831) |
| Profit for the year attributable to the ordinary equity holders of the company | | 37,030 | 30,262 |
| Other comprehensive income, net of tax: | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | 231 | 214 |
| Total comprehensive income attributable to the ordinary equity holders of the company | | 37,261 | 30,476 |
| Earnings per share for profit attributable to the ordinary equity holders of the company: | | | |
| Basic earnings per share | 16 | 23.96 | 19.61 |
| Diluted earnings per share | 16 | 23.88 | 19.55 |

- Revenue increased by 16.9%
- Interest income \$3.5M vs \$273K predominately due to higher interest rates earned on deposits
- Internal staff costs increased by 15.7% (from \$153.0 million to \$176.9 million) reflecting headcount growth (predominantly in Services) and general remuneration increases
- Other operating expenses increased by 12.2% (from \$21.7 million to \$24.3 million)
 - ✓ Amortisation of ERP project costs
 - ✓ Increase in travel costs post pandemic
- Basic EPS increased by 22.2%
- Return on equity 54.2% (FY22 49.0%)

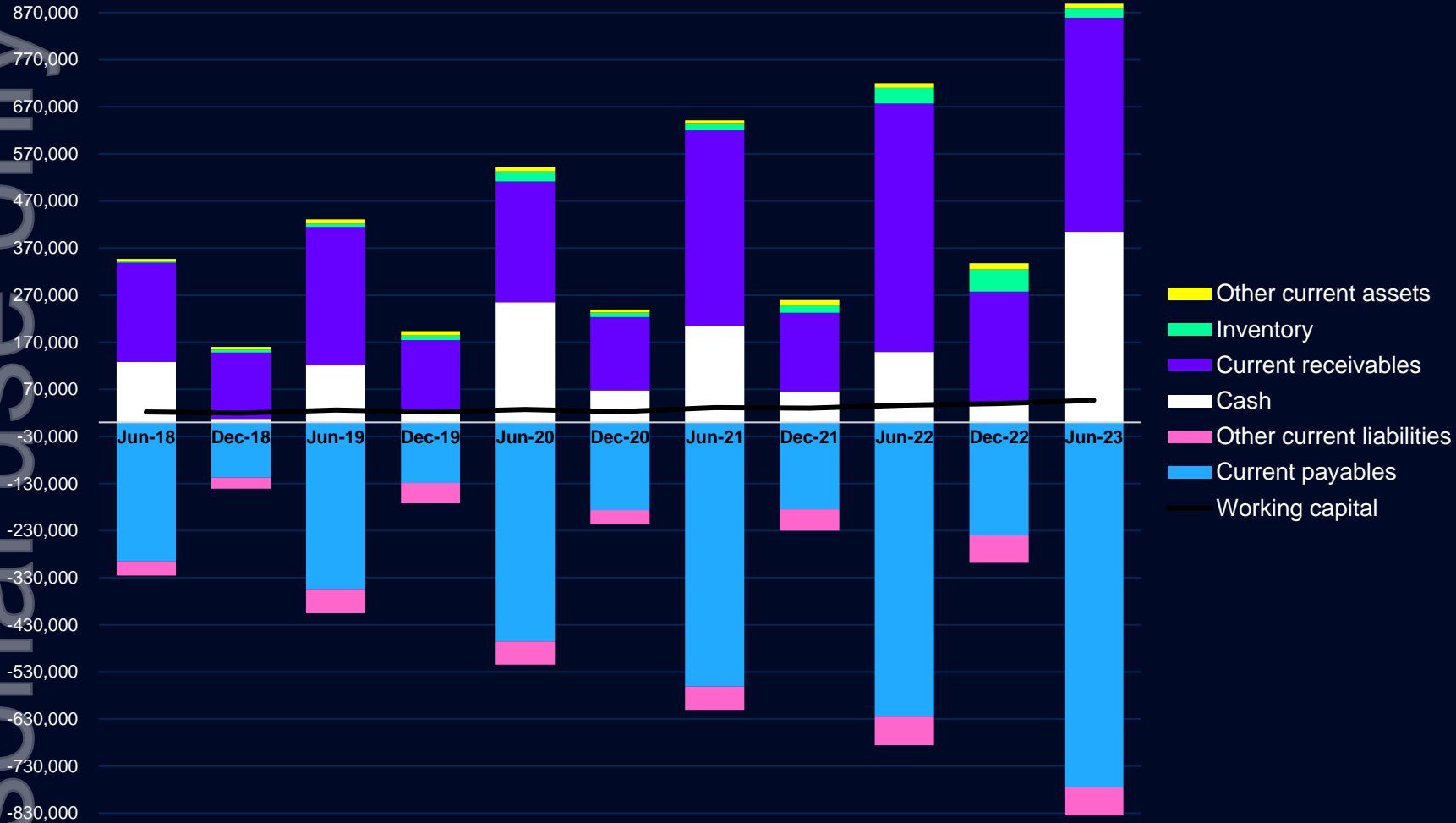
Balance sheet

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6 | 404,766 | 149,459 |
| Trade and other receivables | 7 | 454,788 | 527,888 |
| Contract assets | 8 | 5,855 | 5,776 |
| Inventories | 9 | 19,413 | 33,078 |
| Other | 10 | 5,214 | 3,955 |
| Total current assets | | 890,036 | 720,156 |
| Non-current assets | | | |
| Trade and other receivables | 7 | 217 | 1,072 |
| Property and equipment | 11 | 3,202 | 3,388 |
| Right-of-use assets | 19 | 21,064 | 23,585 |
| Deferred tax assets | 5 | 5,879 | 5,292 |
| Intangible assets | 12 | 15,207 | 17,394 |
| Total non-current assets | | 45,569 | 50,731 |
| Total assets | | 935,605 | 770,887 |
| Current liabilities | | | |
| Trade and other payables | 13 | 775,582 | 622,698 |
| Contract liabilities | 14 | 52,120 | 49,710 |
| Lease liabilities | 19 | 3,587 | 3,002 |
| Current tax liabilities | | 4,159 | 705 |
| Provisions | 15 | 7,806 | 7,236 |
| Total current liabilities | | 843,254 | 683,351 |
| Non-current liabilities | | | |
| Lease liabilities | 19 | 20,296 | 22,643 |
| Provisions | 15 | 3,710 | 3,196 |
| Total non-current liabilities | | 24,006 | 25,839 |
| Total liabilities | | 867,260 | 709,190 |
| Net assets | | 68,345 | 61,697 |
| Equity | | | |
| Contributed equity | 18 | 11,861 | 10,313 |
| Share-based payments reserve | 26 | 323 | 559 |
| Foreign currency translation reserve | | (212) | (443) |
| Retained earnings | | 56,373 | 51,268 |
| Total equity | | 68,345 | 61,697 |

- 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 Day Sales Outstanding (DSOS) of 33.0 days (FY22 = 28.1 days)
- Inventory holdings reduced at the end of FY23 with easing of supply chain constraints. 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 reduced in FY23.

Average collection cycle approx. 33 days.

Favourable trade terms with suppliers.

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

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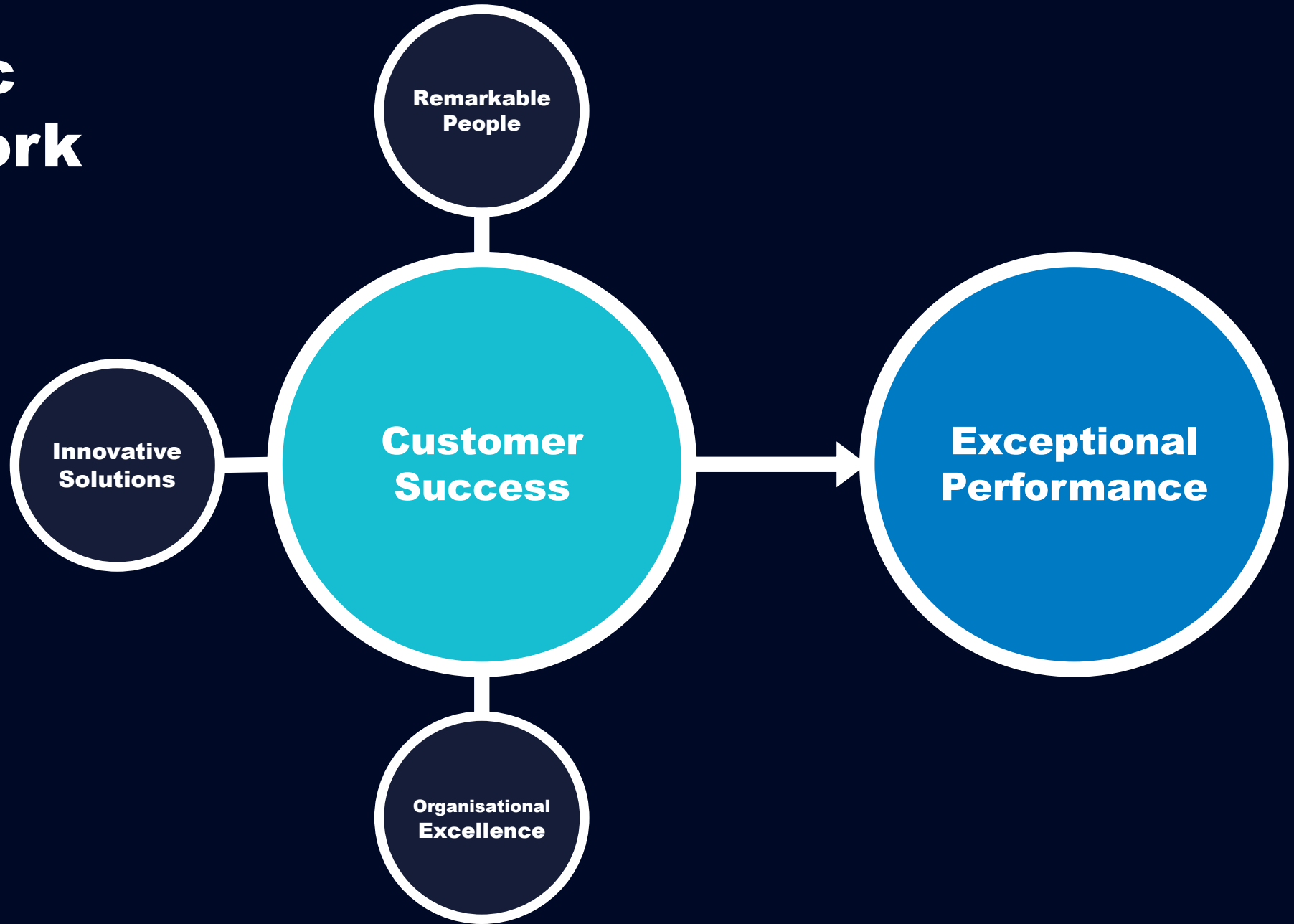
Statement of cash flows

| | Notes | 2023 \$'000 | 2022 \$'000 |
|--|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 2,886,667 | 2,313,048 |
| Payments to suppliers and employees (inclusive of GST) | | (2,555,014) | (2,291,312) |
| GST paid | | (29,162) | (29,364) |
| Interest received | | 2,777 | 245 |
| Interest and other borrowing costs paid | | (1,219) | (1,334) |
| Income tax paid (net of refunds) | | (13,033) | (13,906) |
| Net cash inflow (outflow) from operating activities | 6 | 291,016 | (22,623) |
| Cash flows from investing activities | | | |
| Payments for property and equipment | 11 | (981) | (997) |
| Payments for software assets | 12 | - | (2,878) |
| Proceeds from sale of equipment | | 13 | - |
| Net cash (outflow) from investing activities | | (968) | (3,875) |
| Cash flows from financing activities | | | |
| Payment of dividends | 17 | (31,925) | (25,853) |
| Proceeds from issue of shares | 26 | 1,548 | 2,035 |
| Payments for shares acquired by the Data#3 Employee Share Trust | 26 | (1,548) | (2,035) |
| Lease liability payments | 19 | (3,047) | (2,727) |
| Net cash (outflow) from financing activities | | (34,972) | (28,580) |
| Net increase/(decrease) in cash and cash equivalents held | | 255,076 | (55,078) |
| Cash and cash equivalents, beginning of financial year | | 149,459 | 204,323 |
| Effect of exchange rate changes on cash and cash equivalents | | 231 | 214 |
| Cash and cash equivalents, end of financial year | 6 | 404,766 | 149,459 |

- Cash flow 'seasonality' consistent with previous years
- Timing differences in collections from customers and payments to suppliers around 30 June generate temporary cash surpluses
- FY23 average daily cash balance \$120.9M (FY22 = \$117.2M)
- Underlying 'free cash' is typically around \$15M, however this was temporarily reduced during FY23 as supply chain delays inflated inventory and receivables
- Cash conversion of 280%[#] for 7-year period (FY17 to FY23)
[# Total Free Cash Flow \$459M / Total NPAT \$164M]
- Low capital expenditure
- High dividend payout ratio of ~91%

FY24 Strategy and Outlook

Strategic Framework



FY23 Customer stories

CUSTOMER STORY

Queen's Wharf
Brisbane

CUSTOMER STORY

Knight Frank revolutionises
user experience with Microsoft
DaaS program from Data#3

CUSTOMER STORY

Main Roads
Western Australia

CUSTOMER STORY

Teachers Mutual
Bank Limited

CUSTOMER STORY

Cloud transition:
An Azure success story
for Knight Frank

CUSTOMER STORY

Kubota

CUSTOMER STORY

Pernod Ricard
Winemakers

CUSTOMER STORY

Future Fund
Management Agency

CUSTOMER STORY

City of Fremantle

CUSTOMER STORY

The Southport School:
Four years on

CUSTOMER STORY

Hydro
Tasmania

Leading the Future of Digital Transformation in Australia

- Design and implement an innovative digital network for Queen's Wharf Brisbane, a \$3.6 billion integrated resort development by Destination Brisbane Consortium.
- 4 towers, 50 restaurants/bars, 2,000 apartments, 1,000 hotel rooms, bridge to South Bank, and retail areas.
- 60,000 items on network, 2,200 switches, 2,000 wireless access points, 3,000 security cameras, 140 communications rooms.
- Multi-year project that will transform Brisbane CBD.

Data#3



Data#3 Competitive Advantages



Our People

Ability to attract and retain the best people



Our Partners

Partnerships with leading global vendors



Our Expertise

Expertise and breadth of solutions across the customer lifecycle



Our Innovation

At the forefront of industry change



Our Agility

Agility internally and externally to respond to changing market dynamics



Our Financial Stability

Financial stability with strong balance sheet

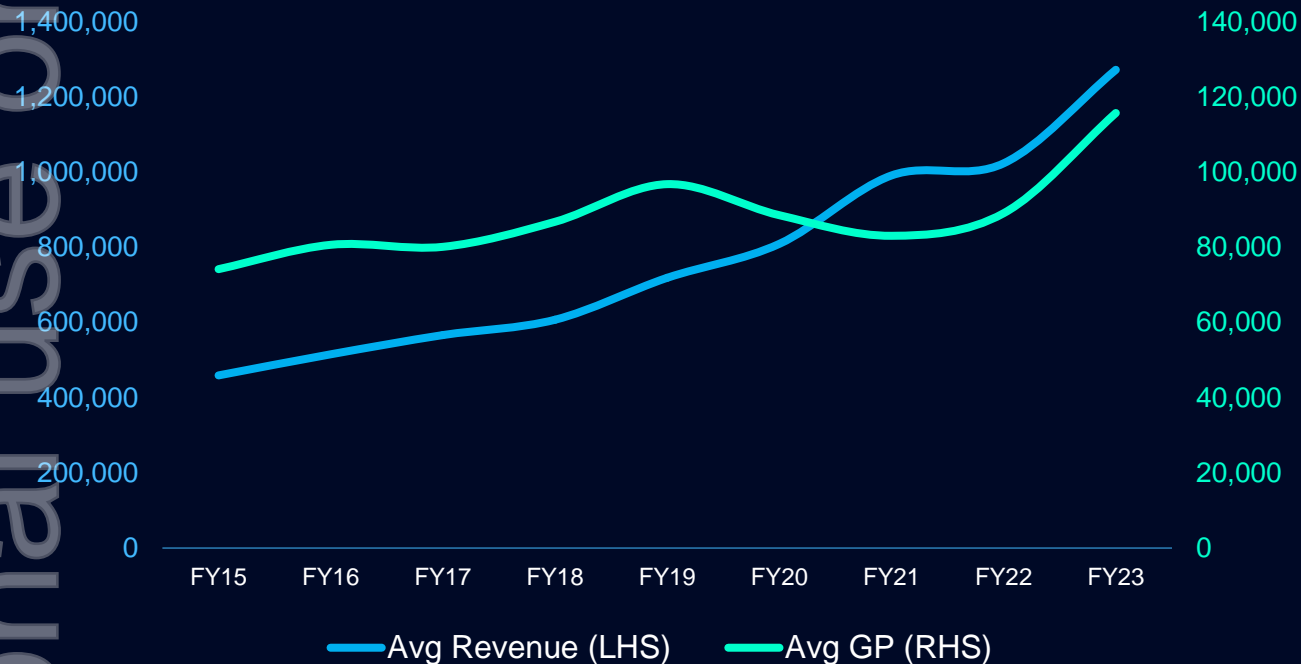


Our Brand

Market-leading brand and reputation

Increasing customer engagement

Average Revenue & Average Gross Profit per Customer



- Average revenue and GP per customer group has increased as we extend engagement across our portfolio of solutions, including higher GP services.
- Average GP per customer group returning to growth after pandemic spend shift toward lower margin product.
- Almost 5,000 active customer accounts and the largest customer groups are State and Federal Government accounts in the health and education sectors.

Strategic Focus Areas



Customer Experience

Long-term view,
not transactional

Lifecycle approach

Joint investments with
global vendors

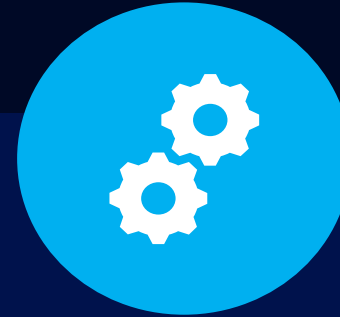


Security

Protecting our business

Market opportunity

Go to market with
Business Aspect



Accelerating Services

Continued investment in
Managed Services

Strong revenue growth in
Consulting & Managed
Services

Complementing vendor
incentive programs



ESG

To further develop and
enhance our initiatives
across ESG

To benchmark in our
sector

Increased ESG
commitment with
increased financial
growth

Continued focus on driving growth in Services and Software 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 multi-cloud solutions and cyber security continues to provide data and insights to enhance lifecycle services



Gen AI fuelling digital transformation growth



Growing pipeline of major integration project opportunities as large corporates and government drive transformation agendas; and planned infrastructure projects



We continue to experience a steady increase in the pipeline of large integration project opportunities across our corporate and public sector customers, and are seeing strong growth in our higher margin Managed Services business, complementing our growing Software and Infrastructure business units.

With our leading market position, strong supplier relationships, long-term customer base and experienced team we are confident in our outlook as we enter FY24, despite an expected slowdown in general economic activity. The industry is rapidly progressing and we are well positioned to benefit.

Laurence Baynham
Chief Executive Officer, Data#3

Q&A



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