

2023 Annual General Meeting

Chairman's Address 31 October 2023

Good morning Ladies and Gentlemen. As Chairman of your Board, I would like to extend a warm welcome to all shareholders and guests joining us today at the 2023 Hybrid Annual General Meeting of Data#3 Limited.

The notice of the meeting was issued on 21 September 2023, and the meeting has been properly convened.

Resolutions

Resolution 1 Adoption of the remuneration report	Resolution 2 Re-election of Mr (Alan) Mark Gray	Resolution 3 Amendments to the Company's Constitution
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In the notice of meeting, we set out 4 resolutions to consider. The Board consideration for the issue of LTI rights to our CEO/MD occurred in the weeks leading up to the release of the notice of meeting, some 6 weeks ago. As Laurence has given notice to the Company to step down as CEO/MD and the company no longer proposes to issue rights to him, Resolution 4 to approve the grant of rights to Mr. Laurence Baynham has been withdrawn, as there is nothing for shareholders to approve. So, we will consider the remaining 3 resolutions later in the meeting.

For my Chairman's address this year, at the outset I want to mention my retirement from the Board and the appointment of Mark Gray as Chairman at the conclusion of this meeting, as we announced in early September. This is therefore my last address after 23 years serving as your Chairman.

It has been a wonderful experience with the business, from listing in 1997 as a small Brisbane-based IT company and developing into the national leader that Data#3 is today with over 1,400 employees. While it is with mixed emotions that I step down, I have every

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confidence in the ability of the Board under Mark's leadership and the outstanding management team to see Data#3 through this next exciting stage in its, and the industry's, evolution.

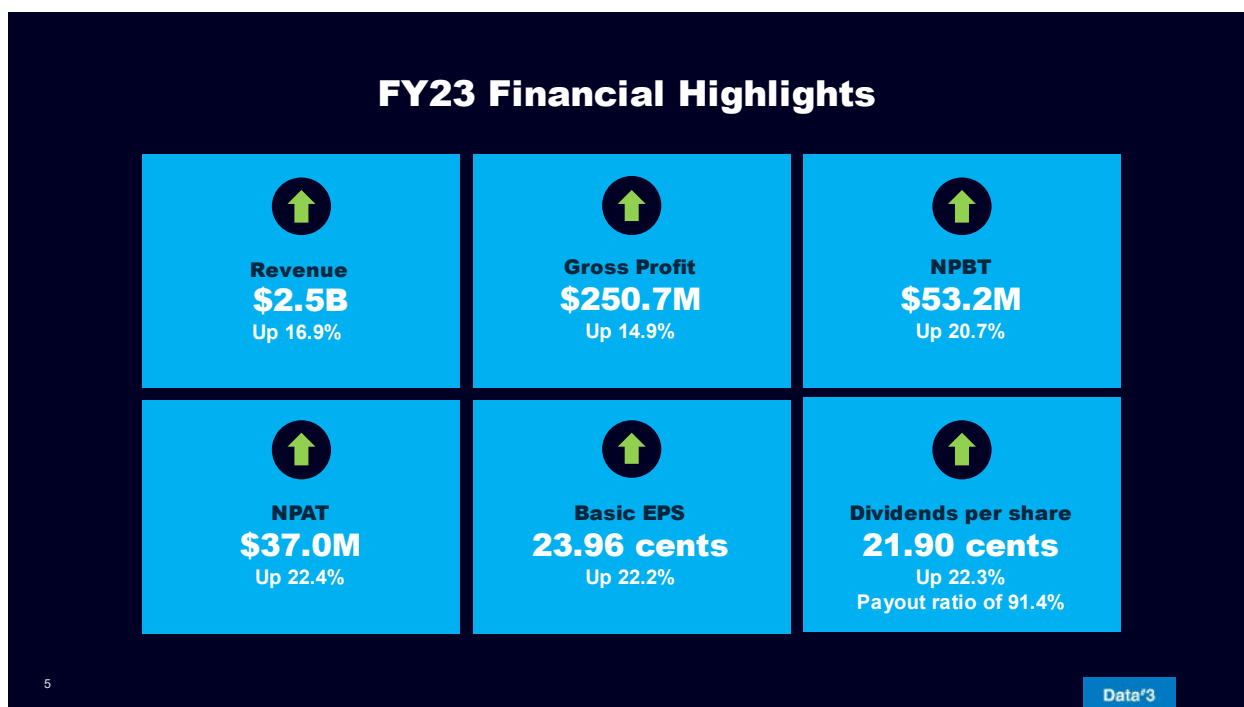
Mark's extensive knowledge of the business also provides excellent continuity. He has a deep understanding of large infrastructure projects across the public and private sectors and his strong financial, operational and governance experience continues to be highly valued by the Board. I will invite Mark to say a few words later in the meeting.

Yesterday, we also made an announcement regarding Laurence stepping down as Managing Director and CEO after nearly 30 years of exemplary service to our Company. The board has continued to focus on succession planning, and I am pleased to announce that we have made an internal selection with Brad Colledge who will take over as CEO, Managing Director from 1 March 2024. Laurence will describe this in more detail in his address. I would like to take this opportunity to thank Laurence for his nine years as CEO/MD, during which time we have seen tremendous growth.

The executive succession plan also includes the retirement of our previous long-serving Chief Financial Officer, Bremner Hill, at the end of this calendar year after a period of long service leave. On behalf of the Board, we thank Brem for his outstanding commitment, loyalty and contribution, and wish him well in his well-earned retirement.

In January 2023, we were delighted to welcome Cherie O'Riordan to the team as our new CFO. We are pleased with Cherie's appointment following a rigorous recruitment process during which we considered a number of exceptional candidates. With a strong track record of financial and strategic business leadership, Cherie really has hit the ground running. The Board has had the confidence to initiate these changes, all part of a well-planned executive succession program, because the Company has never been in better shape. We are very confident that the new leadership team has the capability to take Data#3 through this next phase in its growth.

There is significant momentum within the business. We were pleased to report that the financial year 2023 was another successful year for our customers and people. This was in an environment of heightened inflation, geopolitical instability, and ongoing supply chain constraints, all of which have directly and indirectly impacted the Australian economy.



Our FY23 revenue grew to a record \$2.5 billion, up 17% on FY22. This was driven by our customers continuing to invest in digital transformation, enterprise security, networking, and multi-cloud, together with record levels of demand for our major vendors.

This flowed through to net profit before tax of \$53.2 million, up 20.7% on FY22. Earnings per share of 23.96 cents were up 22.2%, and the board declared a fully franked total dividend for the year of 21.90 cents per share, an increase of 22.3% on FY22, representing a payout ratio of 91.4%.

Towards the start of the financial year, we were also confronted with some of the highest staff turnover the industry has ever witnessed as the IT sector saw its own “great resignation” with excess demand for staff and an under supply of candidates. We were fortunate to maintain levels of staff turnover well under industry averages, reflecting our core focus on our people.

The business performed remarkably well against this backdrop, significantly outperforming IT market growth rates. This shows the resilience of the Data#3 business model and strength of our long-standing supplier relationships and customer base, particularly among large enterprise and government customers.

Our success in FY23 was supported by the dedication and resilience of our people who went above and beyond to help our customers during extraordinary circumstances, and we thank them for their ongoing commitment to our Company. We have a wonderful culture at Data#3, which has undoubtedly underpinned our continued success.

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Likewise, we acknowledge and greatly appreciate the continued support from you, our shareholders. Many of you have been long-term investors in Data#3.

Before getting to the formal resolutions, I would like to hand over to Laurence to address in more detail the operational aspects of the Company's FY23 performance and the outlook for the current period and his recent decision to stand down.

Richard Anderson
Chairman
Data#3 Limited

CEO and Managing Director's Address **31 October, 2023**

Good morning, Ladies and Gentlemen and thank you Richard.

On behalf of the board and the entire Data#3 company, I would like to thank Richard for his massive contribution and service to both the company and the Board. He is a foundational member of the Board since the Company's ASX listing back in 1997 and has served as Chairman since 2000. He has guided the Data#3 business through national expansion and substantial growth in shareholder value, culminating in its recent inclusion in the ASX200. Richard has been a pleasure to work with and we wish him all the best in his retirement.

I would like to add my welcome to today's AGM and thank everyone for making the time to join us here today. As you are aware this is also my last address to shareholders, but I will talk more about that later on.

As Richard mentioned, we are operating in an IT growth market for large corporate and government customers. I'm pleased to report that this was another strong year for Data#3, with yet another record financial performance. In fact, our revenue growth was three times greater than the wider IT sector as we continued to capture market share, and our profit growth was substantially above our peers locally and globally.

We saw continual improvement in the supply chain, particularly in the second half, and the supply chain generally, returning to a pre-pandemic normal.

We are also making strong strategic progress – focusing on growth in our services and software solutions business to support our recurring business, which makes up two-thirds of our total revenue.

I am pleased to report that we have made a strong start to this financial year, and I will elaborate further in the outlook section of my address.

We continue to see demand for large IT integration projects and our pipeline remains solid. These projects typically span multiple financial years and extend across our

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solutions portfolio and include infrastructure, software, and services. One of our largest multi-year projects is the Integrated Resort Development at Queens Wharf Brisbane which featured in the pre-meeting video.

This is one of Queensland's largest infrastructure projects. To give you an idea of the scale, it consists of four towers, 50 restaurants and bars, a ballroom, 2,000 residential apartments, around 1,000 hotel rooms, a Bridge to Southbank, retail areas and redevelopment of nearby heritage buildings. Data#3 is designing, building, installing, and supporting the digital network, which includes handling over 60,000 items that make up the network.

One of the primary reasons we win these large projects is the extensive work we do with vendors such as Cisco, and our track record of successful delivery. With the upcoming 2032 Brisbane Olympics we are well positioned to do more of these large-scale infrastructure projects.

It is worth highlighting that we have intentionally focused on winning these larger, albeit lower margin, contracts given the significant cross-sell opportunity across our solutions portfolio and services.



From an operational perspective, the 2023 financial year had many high points. We continue to drive transformation for our customers and are seeing rapid product development incorporating multi-cloud solutions, with plenty of upside across our services portfolio.

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Security continues to be our fastest growing area and a top priority for customers as they respond to the ever evolving and increasing threat of cyber breaches, seen by many as their number one business and risk management imperative.

One of our strategic imperatives is to drive growth in high margin consulting and managed services to improve future gross margins. This year saw many significant contract wins in Managed Services, which are typically five years in duration, and we onboarded many new customers. One notable example was a multi-year contract with the Future Fund Management Agency to manage their entire IT environment, including providing services remotely and providing a growing team onsite in their Melbourne offices.

To support these contracts we increased upfront investment, particularly in our people. We were pleased with initial revenue growth while profitability in a 5-year contract typically gets realised after the first year of establishment. Importantly, our global vendor partners are increasingly shifting their incentive programs to align with services solutions.

The overall momentum in the business is clearly reflected in our strong financial performance for the year. As Richard mentioned earlier, revenues were up by 17% to \$2.5 billion. Gross profit was up 15%, which flowed through to a NPBT growth of 20.7%, and NPAT was up 22.4% noting the result was supported by increased interest income.

Revenue growth in our main product-related businesses exceeded our expectations. While the strong growth in relatively low margin areas such as software and multi-cloud in recent years has reduced our overall blended gross margin, this is purely a result of the change in revenue mix and the gross margins have remained relatively stable within each individual business unit.

Our deliberate strategy to accelerate services growth has been successful, and the strong performance in the higher margin areas of consulting and Managed Services has helped stabilise the overall blended gross margin.

During the year we continued to manage our internal staff costs and operating expenses closely, and our internal cost ratio has improved from 88% in FY16 to 80.3% in FY23. It was slightly up on last year as we continued to invest in the business, especially Managed Services, and expenditure such as travel. Longer term, we expect to continue to drive operating leverage across our business.

We have a strong balance sheet, with no borrowings, supporting continued investment in our business as we tap into the sizable addressable market opportunity.

Digital transformation is the primary driver of growth in our industry. Every one of our customers, whether public sector or larger commercial customers, has a digital transformation agenda and increasingly their digital strategies are the same as their business strategies.

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We are still in the early days of digital transformation with plenty of headroom for growth. Our role is to provide the foundation layer of cloud, modern workplace, data and analytics, connectivity and security and there are very few, if any, other organisations in Australia that have the breadth and depth of our solutions and services.

Undoubtedly, AI is becoming a major digital milestone. This year, we witnessed Generative Artificial Intelligence truly entering the mainstream as a business priority. It is early stages for the industry, and we are assessing widespread applications across customer transformation projects. Operational technologies like robotics are becoming integral to transformation solutions and we are already seeing AI enabling rapid product development. We are also looking at opportunities to apply AI within our own business to further improve operational efficiencies.

Importantly, we are aligning ourselves with the global market leaders in AI, especially through our partnership with Microsoft, and are at the forefront of this change as our customers' enabling technology is increasingly AI-driven. In September, this year we were pleased to announce our selection to participate in the Microsoft 365 Copilot Early Access Program and we were among only six hundred companies globally. In Australia, only seven companies are in the Early Access Program including AGL, Suncorp and NAB, and Data#3 is the only technology company and the only Microsoft partner.

One of our greatest points of differentiation is our vendor relationships and leading position with Microsoft, Cisco, HP, and Dell. Leadership can be measured in many different ways, however in FY23 we succeeded in winning the Cisco global security partner of the year, selected from 60,000 Cisco partners globally. We also secured two Microsoft global awards, which is no mean feat given Microsoft's global footprint.

Awards do not have any direct financial benefit, but they do play an important part in attracting and retaining the best talent, and our customers look to awards for validation of our skill sets.

In the Australian large corporate and public sector market we estimate that these vendors represent 70% of customer spend which is why we focus our investments with market leaders. In addition, we have hundreds of other vendors who we work with and continually evaluate our levels of investment. One of our greatest strengths is to combine the products from multiple vendors to make a tailored and integrated solution for our customers.

Our strategy remains focused on increasing customer engagement across the lifecycle. The average revenue and gross profit per customer group has increased over the years as we extend our engagement across solutions, particularly focusing on services.

Our employee value proposition continues to be enhanced so that we can attract, develop, and retain the best talent. We were proud to have been named as a winner of the 5-Star Employer of Choice Award for 2023 by Human Resources Director Magazine

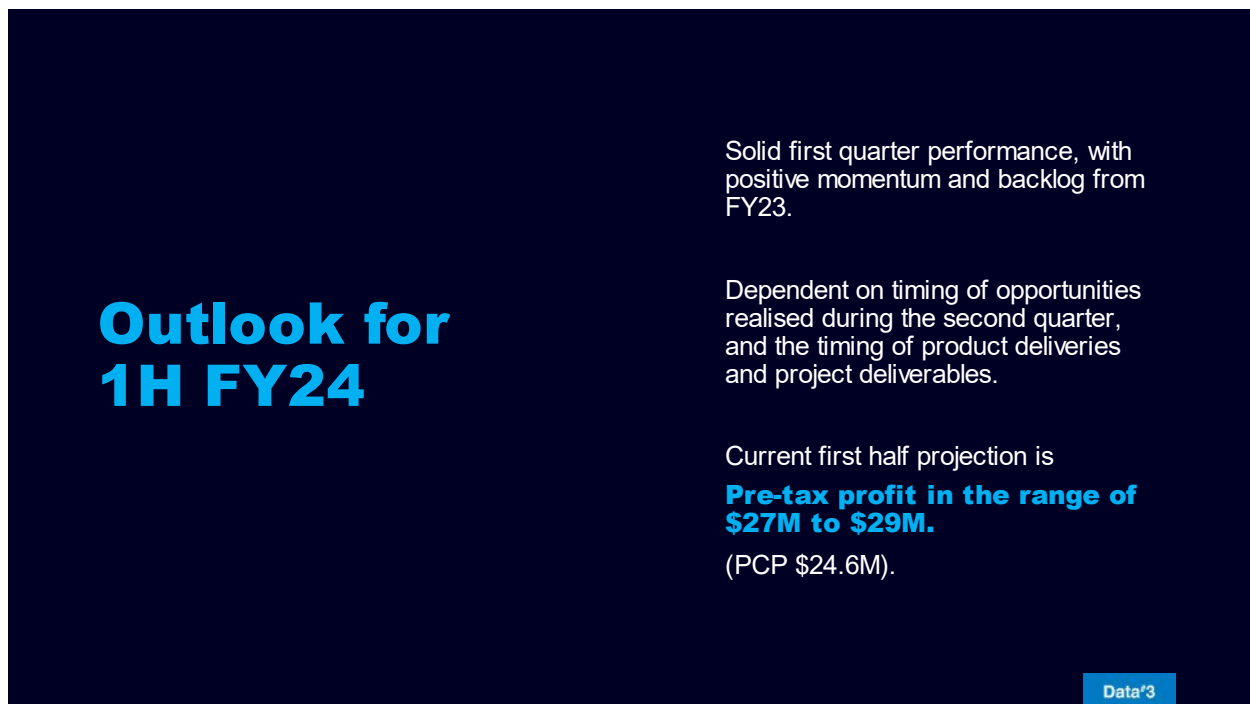
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for the eighth year in a row. This award is not limited to the IT sector; it covers all industries and includes many multinational entries.

Looking forward to FY24 and beyond, our strategic framework is underpinned by a focus on customer success - the more successful our customers become the more successful we become. The strategy also revolves around having the best people and the most secure, scalable, and innovative solutions in the market, while operating our business efficiently.

The market opportunity remains substantial. The IT market continues to grow both domestically and internationally, as decision makers increasingly seek automation and opportunities for driving greater efficiencies. Gartner has forecast Australian IT spending to grow 7.8% in calendar year 2024 to exceed \$133 billion, led by digital investment programs.

Now let's move to the outlook for FY24.



**Outlook for
1H FY24**

- Solid first quarter performance, with positive momentum and backlog from FY23.
- Dependent on timing of opportunities realised during the second quarter, and the timing of product deliveries and project deliverables.
- Current first half projection is **Pre-tax profit in the range of \$27M to \$29M.** (PCP \$24.6M).

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As mentioned earlier, we are pleased to have made a strong start to the year with a solid first quarter performance. 65% of our business is under contract and we have continued to secure new contracts and projects while benefiting from the positive momentum from FY23.

We certainly expect to improve on last year's bumper, first half pre-tax profit of \$24.6 million, however the extent to which we can do this remains dependent on opportunities that need to be realised in the second quarter, and the timing of product deliveries and project deliverables. Our current first half projection is to deliver pre-tax profit in the range

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of \$27 million to \$29 million, which is in line with our full year objective of delivering sustainable earnings growth. This range includes increased interest income earned from FY23 revenue. As in the past we have a skew to the second half and our fourth quarter is again expected to contribute significantly to our annual profit.

The first half results and interim dividend will be announced on 15th February 2024. It is also our intention to maintain our usual dividend practice.

Our performance continues to be underpinned by our leading market position, unrivalled vendor relationships, long-term customer base and highly experienced and committed team. I would like to thank all our people for their incredible commitment and support during the last year and look forward to reporting on our progress in the months ahead.

Turning to the management changes announced yesterday, following 29 years of service I have given notice to the Data#3 Board that I will be stepping down from my position as CEO and Managing Director, with my last day in the role to be the 1st of March 2024.

We have had a succession plan in place for several years, and the Board has worked on the plan in great detail in recent months. I am pleased to say that, following my notification to the Chairman, the Board has confirmed the appointment of Brad Colledge as CEO and Managing Director from March 2024 after a four-month transition period.

Brad joined the Company in 1995, just one year after I did, and has an extensive knowledge of the business. He started the Software Licensing Solutions business in 1997 and in 2014 he expanded his remit to the Infrastructure Solutions business and more recently the Services line of business. Brad also represents the company on key vendor Global Partner Advisory Councils and executive engagements. He is highly regarded across the business and by the rest of the senior leadership team and Board. Brad has my 100% support as my successor.

From my perspective, I believe it is the right time to hand over the baton. Going back nine years, I was fortunate to take on the role from John Grant, one of the great leaders in our industry, who in turn took over from Terry Powell, one of the founders of the business over 40 years ago. The point I am making, is that Data#3 is built on great experience, tenure, and culture. Each leader will progress the business in different ways, but no 'one person' is greater than the Data#3 Company.

Personally, the most memorable aspect of my tenure has been growing our fantastic Data#3 team to 1,400 people whilst still maintaining our unique culture with core values of honesty, excellence, agility, respect, and teamwork.

Since my appointment, as CEO, you will be aware that the business has seen significant financial growth and return to shareholders. I am pleased that we have grown revenues more than 300% from \$833 million to over \$2.5 billion; profit by nearly 500% from \$7.5

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million to \$37 million; and grown our market capitalisation from \$107 million to over \$1 billion today.

I am also pleased to report that my tenure as CEO represented a Total Shareholder Return of 1781% and I thank all shareholders that have been with us on this journey.

I will be following the Company's progress during this exciting next phase in its growth journey. Going forward, I look forward to spending more time with my family and the joys of my grandchildren. In addition, I will look to utilise my experience with perhaps, a couple of different organisations in a non-executive capacity.

I would like to extend my thanks to the Board for their support and insights over the years, which have been most valuable to our successful growth. I would also like to thank the wider Data#3 team for their professionalism, dedication, and hard work over the years. Our people are truly the heartbeat of our business, and when I depart on March 1st, I will miss being part of the team.

Finally, I would like to thank all our shareholders for their support during the last year and during my time as CEO.

Thank you, and back to you Richard.

Laurence Baynham
Chief Executive Officer and Managing Director
Data#3 Limited

This announcement has been authorised by the Data#3 Board.

More information about Data#3 and its offerings is available at: <http://www.data3.com.au>

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