

**Data#3**

# **1HFY13 PERFORMANCE**

*20<sup>th</sup> February 2013*

**DATA#3 LIMITED (DTL)**

# OUR FY13 PLAN

Plan is influenced by our continuing view that:

- Technology investment will remain subdued
  - Economic conditions will remain volatile and uncertain
  - Our customers business priorities will be growth at lower cost; efficiency and compliance; and productivity
  - Government investment will contract particularly in Qld
  - 2013 technology market will be at best similar to 2012
- Customers will look for more from less
  - Consumption of technology is moving from on-premises provisioning
  - Our customers will increasingly consume technology ‘as a service’
  - They will be price driven
- The best people will be highly sort after
  - People expenses will remain under pressure

# OUR FY13 PLAN

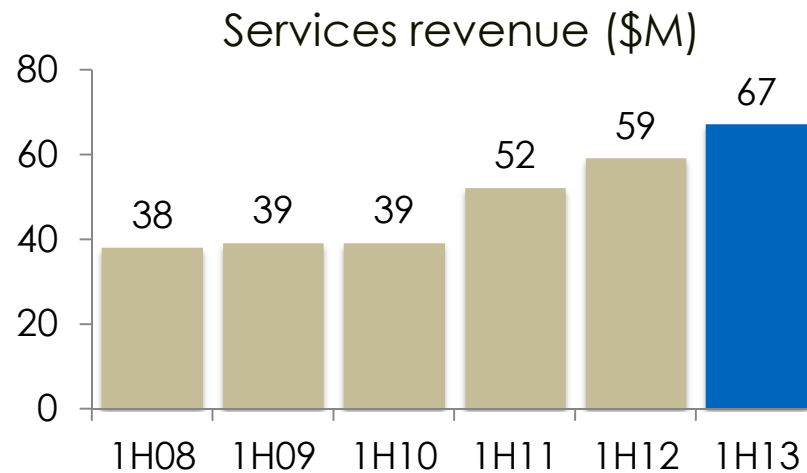
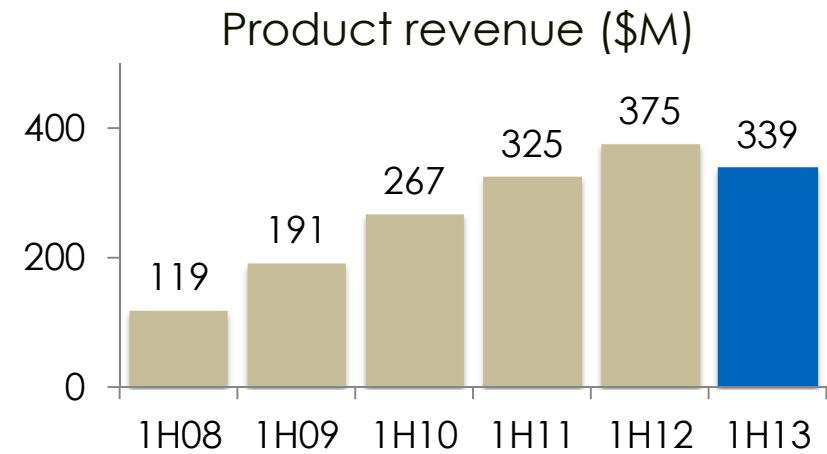
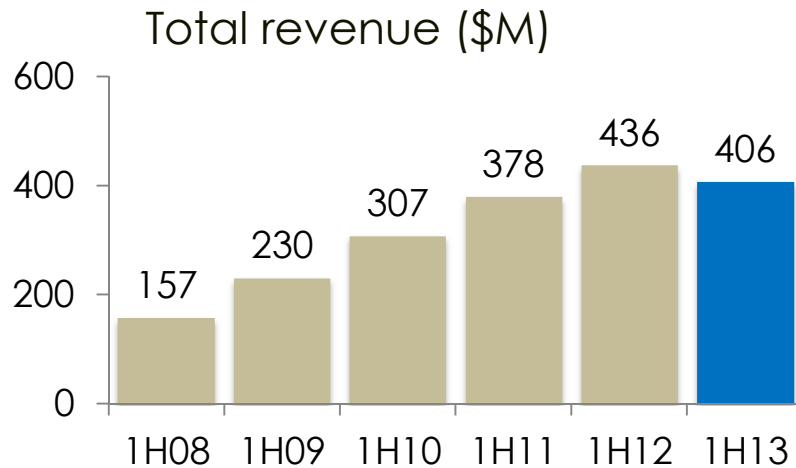
The plan increases investment in:

- **Aligning our offerings with the changing market**
  - Building out our Trusted Cloud infrastructure and Service Desk and the associated sales capacity
  - Increasing our capacity to deliver
    - Technology independent consulting services
    - Solutions incorporating Microsoft and Cisco technologies
  - Developing Data#3 owned IP for resale
- **Lowering processing costs & increasing productivity**
  - Implementing our customer procurement portal
  - Automation of manual processes
- **Maintaining the commitment of our people**
  - Office refurbishments in Adelaide, Perth and Canberra
  - Extending the range of benefits

# 1H REVENUE AND GROSS PROFIT

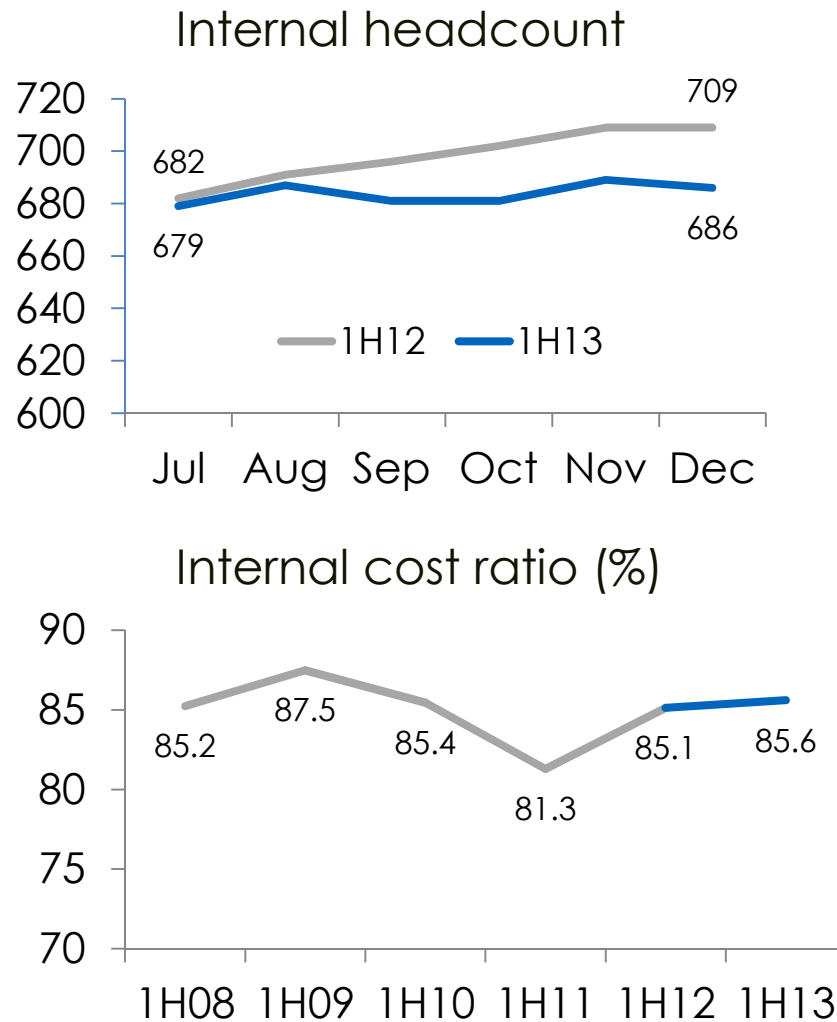
- Total revenue down 6.8% to \$406.2M
  - Product revenue down 9.7% to \$338.6M
  - Services revenue up 12.7% to \$66.6M
  - Other revenue down 40.8% to \$0.9M
- Total gross profit up
  - \$ up 3.9% to \$61.6M
  - Gross margin of 15.2% up from 13.7% with change in product/services mix
- Underpinned by:
  - A strong performance from Software Licensing
  - A significant contract with Perth's Fiona Stanley Hospital (FSH) that positively impacted product and maintenance services revenues

# 1H REVENUE TRENDS



- Decline in total revenue due to a change in timing of some licencing contract renewals
- Growth in lower margin maintenance services

# 1H EXPENSES

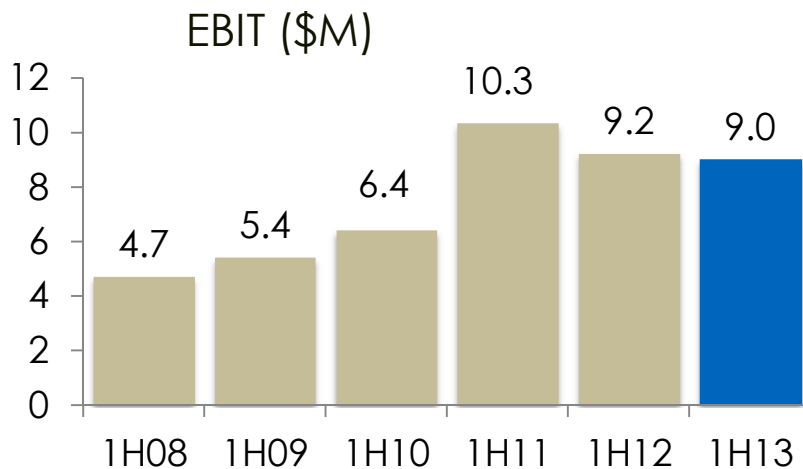
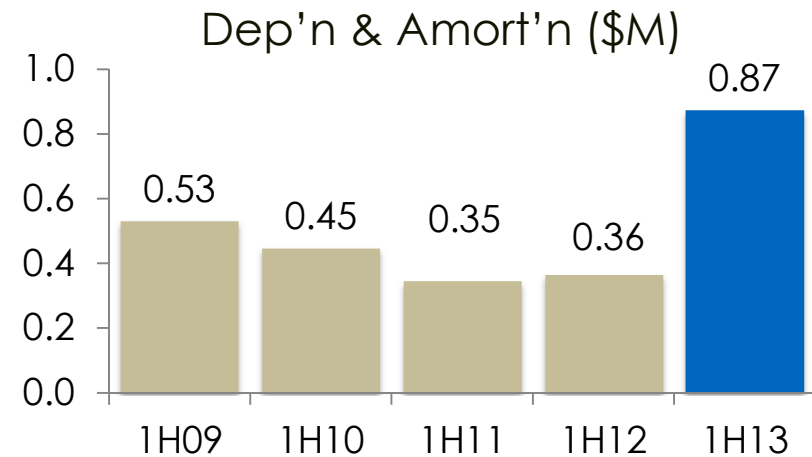
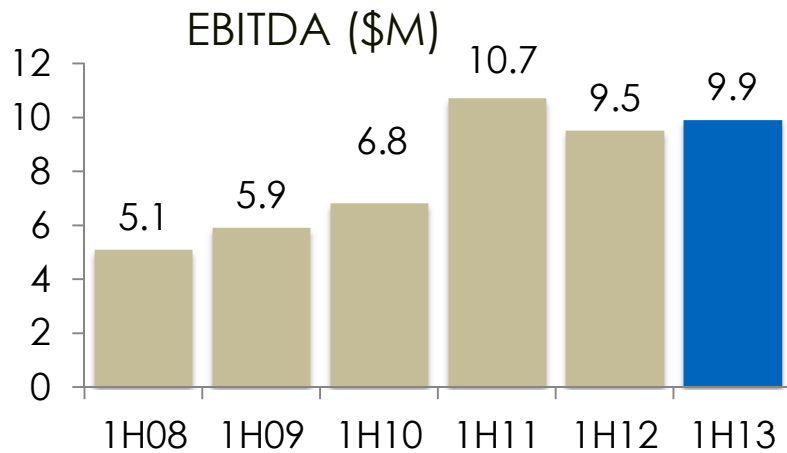


- Total expenses up 4.4% in line with plan
- People numbers down 3% & staff costs up 2% on pcp
- Operating expenses up 19% (or \$1.3M) on pcp, with \$1M of increase related to internal infrastructure, systems and premises
- Internal cost ratio [internal staff & operating expenses as % of gross profit] slightly up on pcp

# 1H PROFIT AND EARNINGS

- Profit down on pcp but ahead of plan
  - EBITDA up 4.1% to \$9.9M
  - EBIT down 1.3% to \$9.0M
  - NPBT down 5.7% to \$9.8M
  - NPAT down 5.1% to \$6.8M
- Earnings per share down 5.1% to 4.4 cents

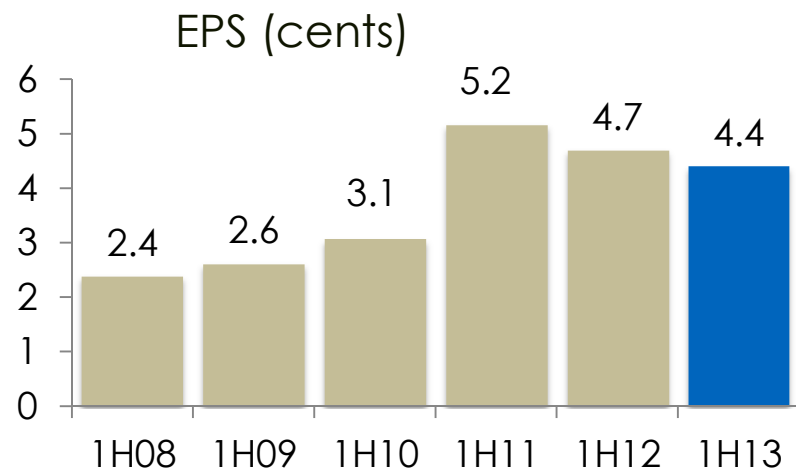
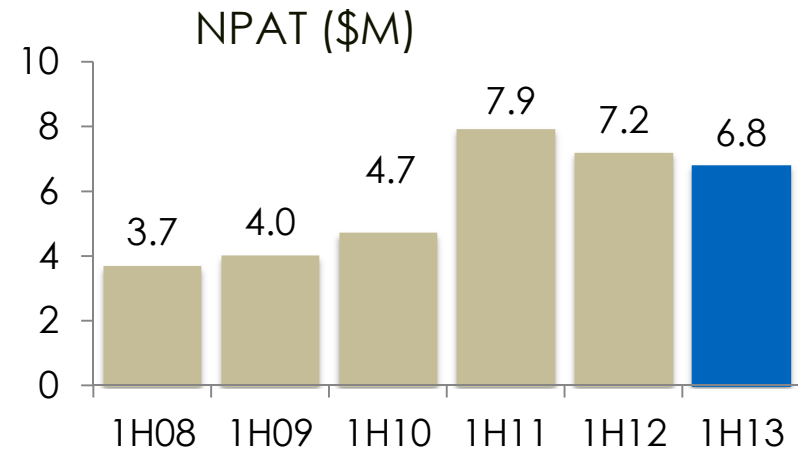
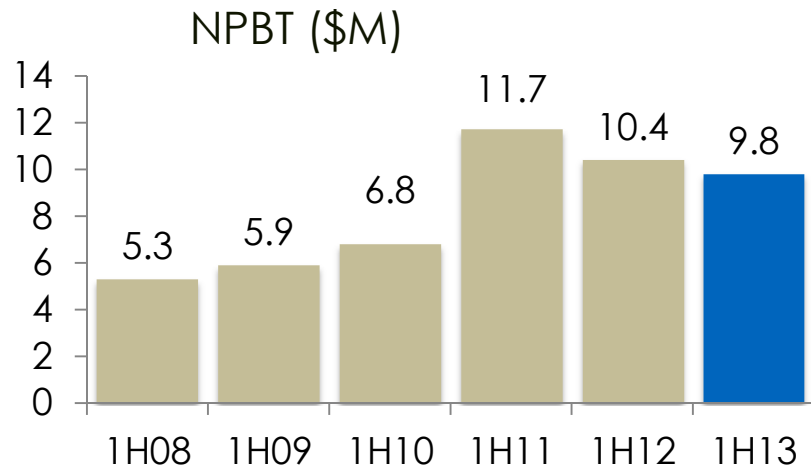
# 1 H PROFIT TRENDS



- Reduction in interest income of \$0.6M due to short-term funding for customer contract
- Depreciation of capital investments increasing



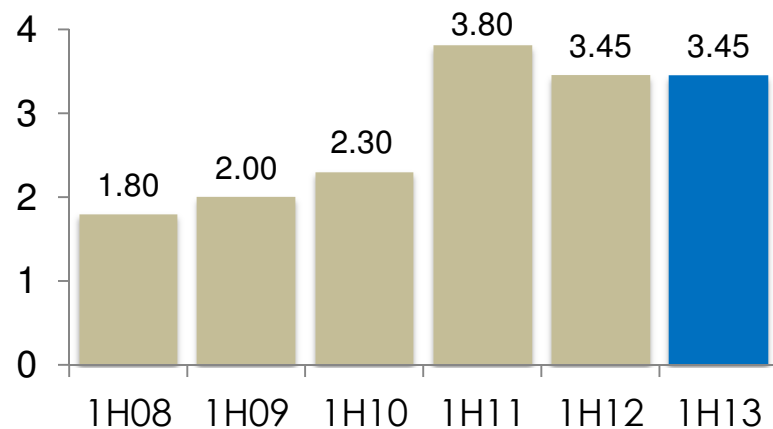
# 1H PROFIT AND EARNING TRENDS



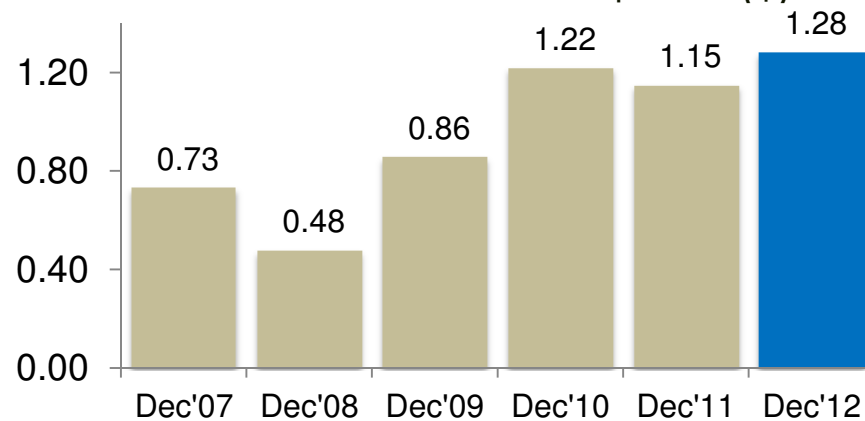
1H FY13 profit and earnings slightly ahead of plan

# 1H SHAREHOLDER RETURNS

Interim dividend (cents)



31 December share price (\$)

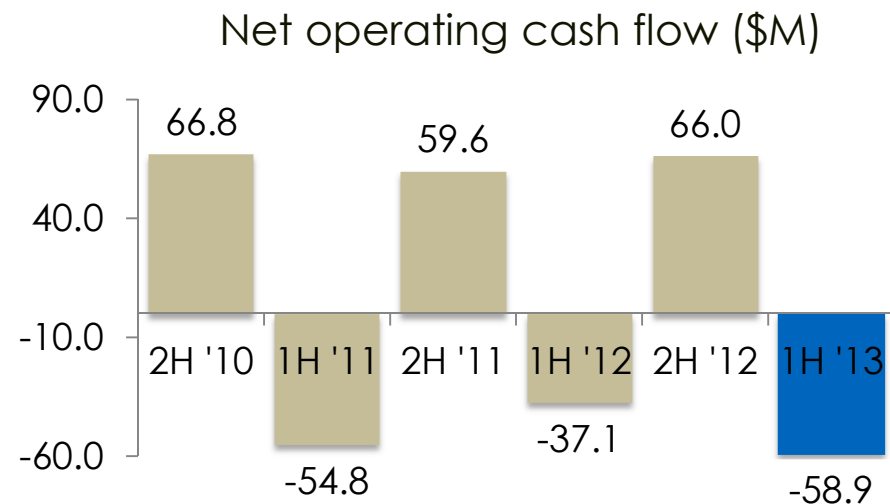
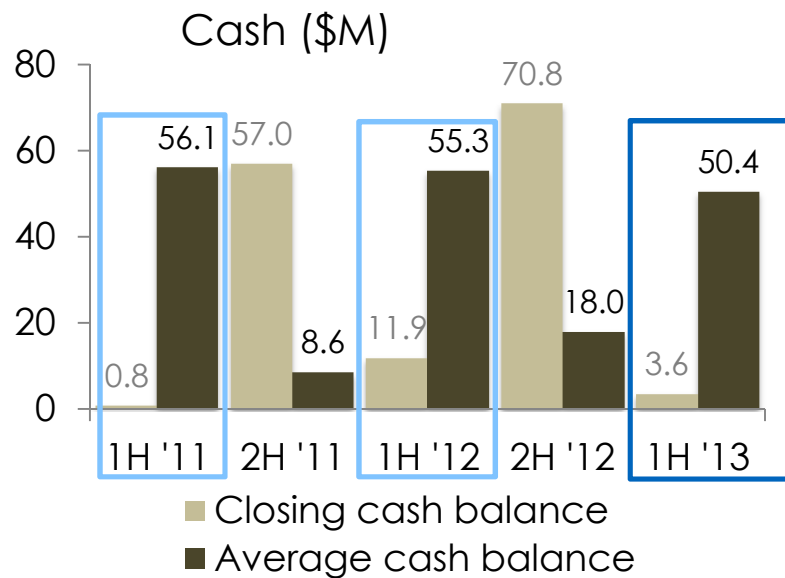
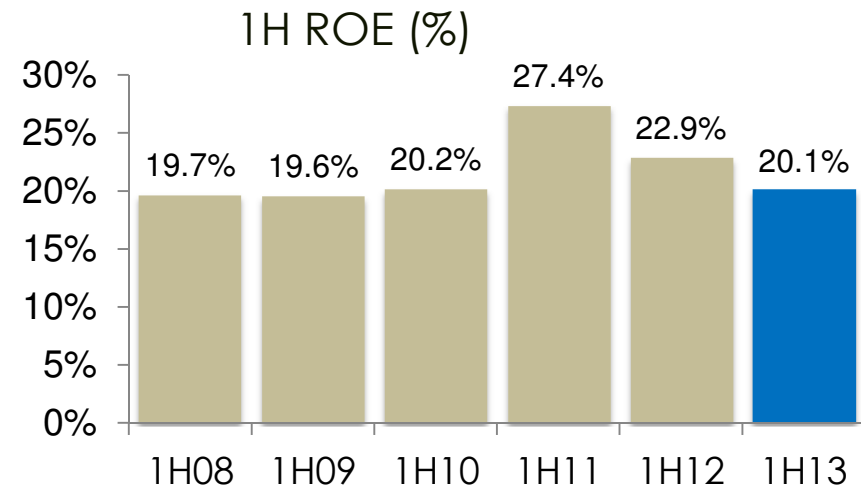
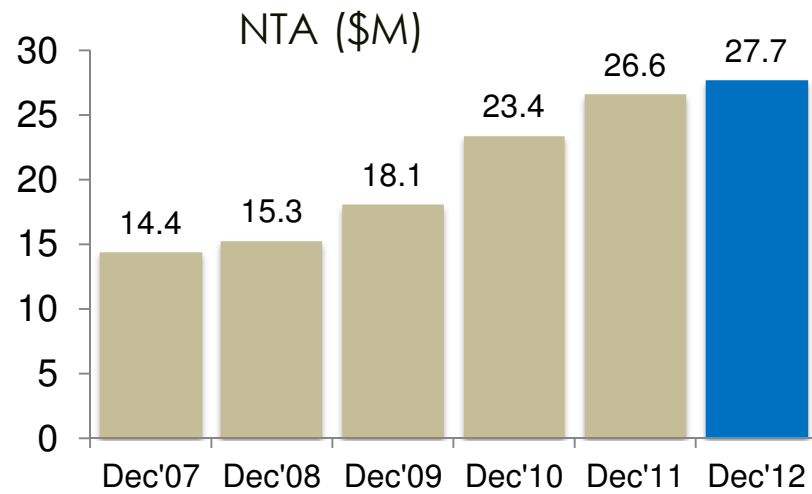


- Interim fully franked dividend of 3.45 cps – consistent with 1HFY12 payment
- Share price in line with overall market

# 1H BALANCE SHEET AND CASHFLOW

- Strong balance sheet with no material debt
- Sector leading ROE of 20.1%
- Cash flow 'seasonality' in line with trend aside from once-off contract funding impact
- Average 1H cash balance down from \$55.3M to \$50.4M

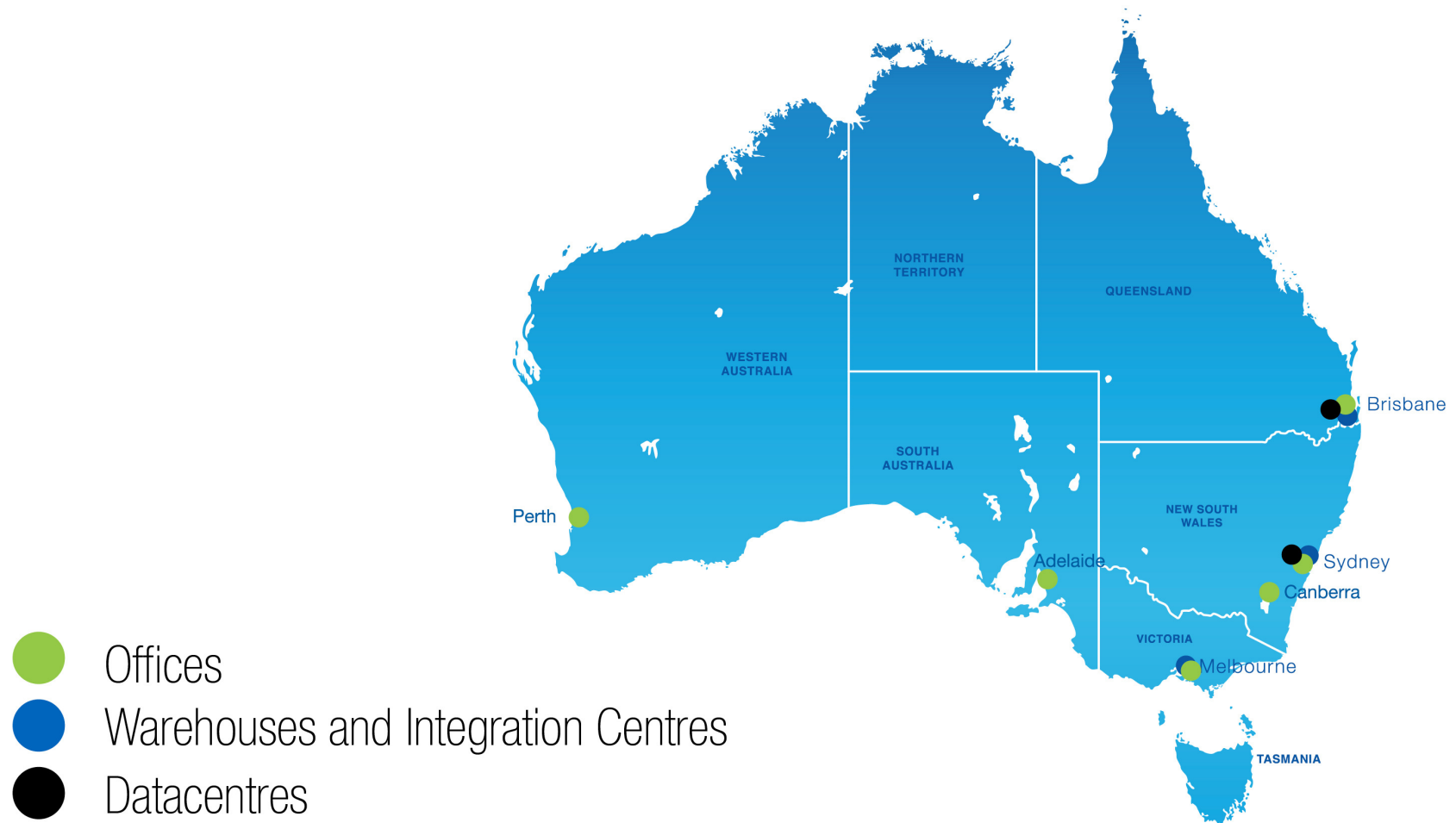
# BALANCE SHEET & CASH FLOW TRENDS



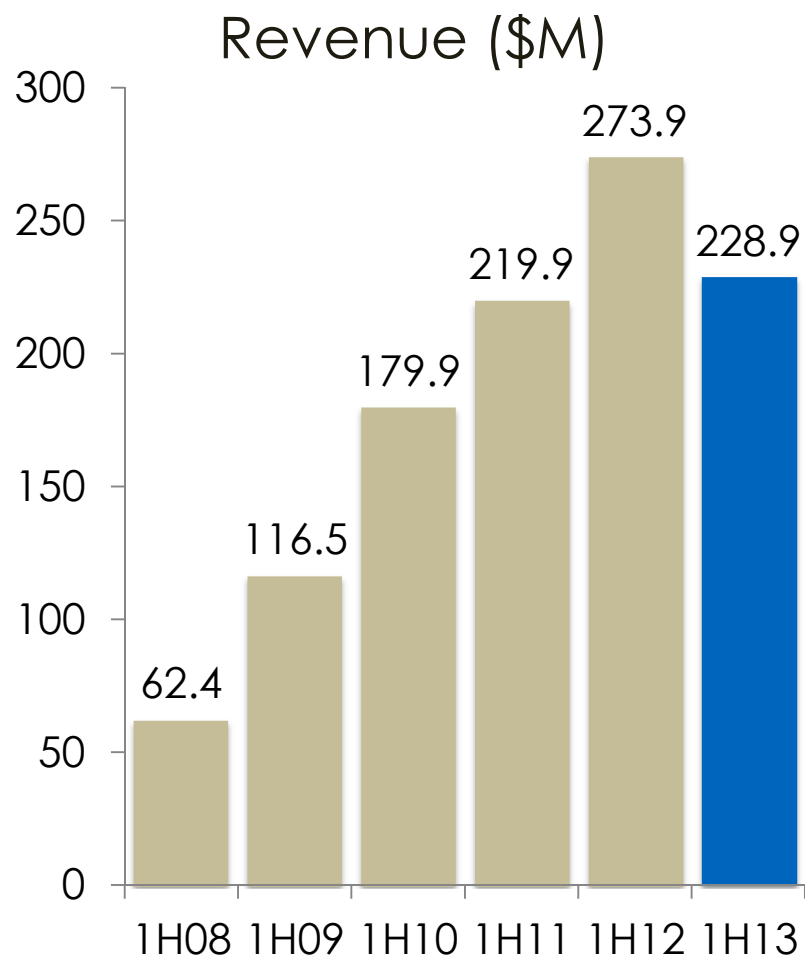
# OUR BUSINESS



# OUR NATIONAL FOOTPRINT

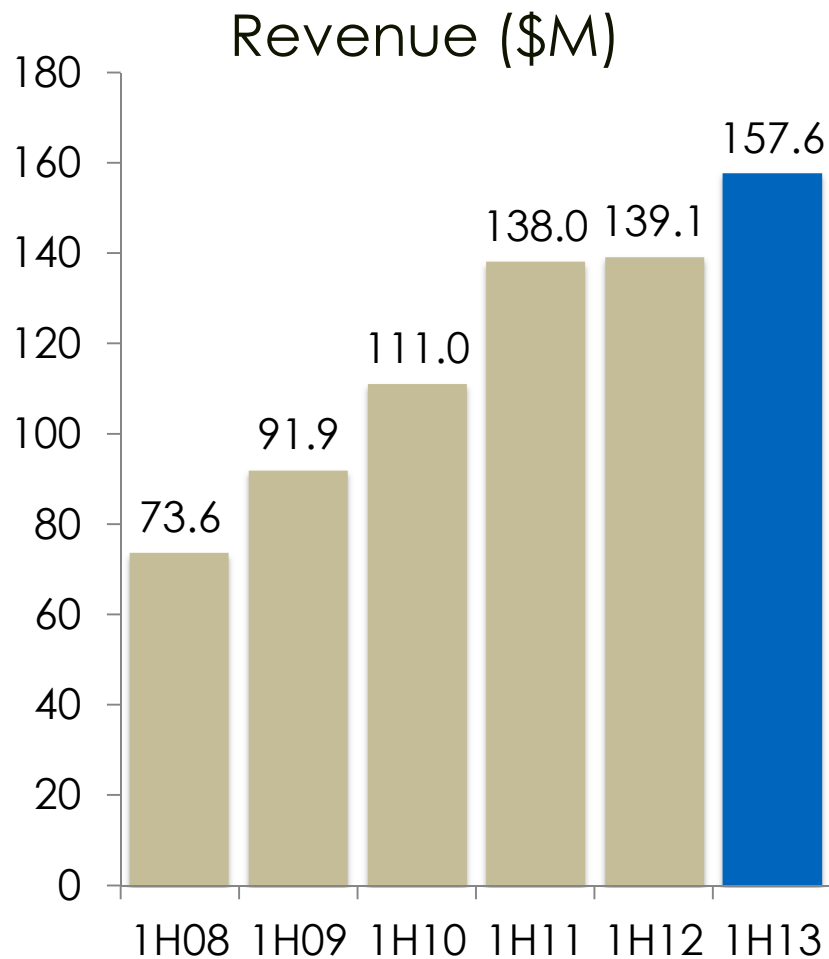


# SOFTWARE LICENSING – REVENUE TIMING CHANGES BUT UNDERLYING PROFIT GROWTH



- Total revenue down 16.4% to \$228.9M due to change in timing of billing for some contract renewals
- Improved gross margins and increased profit contribution
- Some growth in asset management and business productivity services

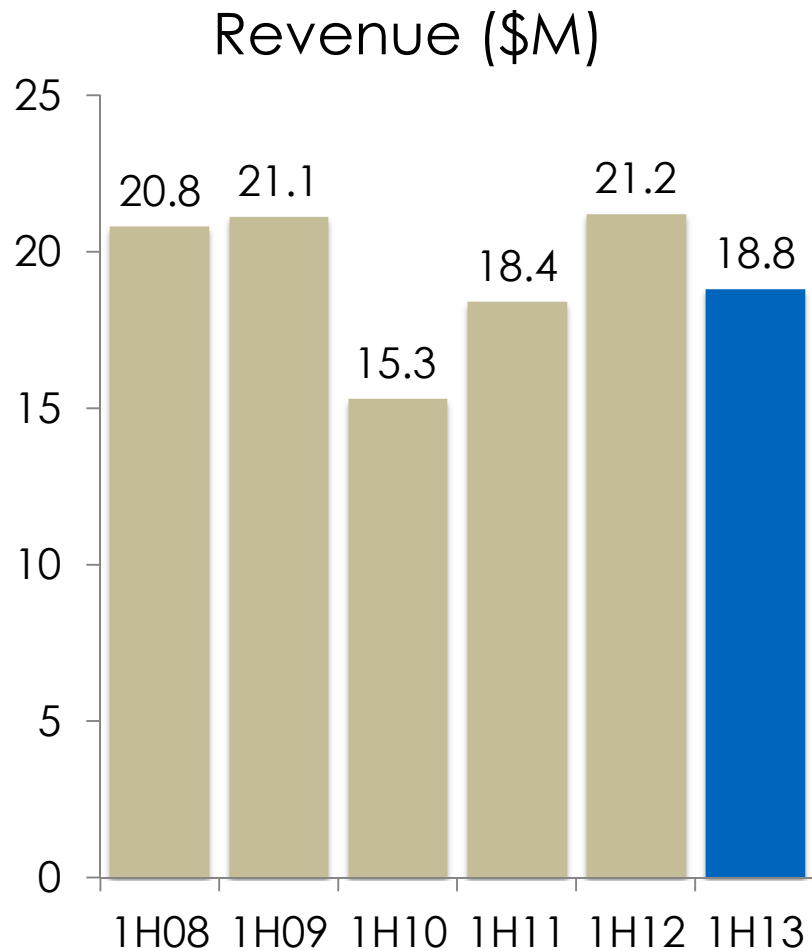
# INFRASTRUCTURE SOLUTIONS – WA FSH CONTRACT OFFSETS POOR PROJECT MARKET



- Total revenue up 13.3% to \$157.6M
- Products up 8% to \$110.7M, helped by FSH infrastructure contract win
- Project services down 2% to \$14.9M reflecting ongoing market constraint
- Managed services up 50% to \$32.0M with strong growth in maintenance services fuelled by FSH contract, and slower than expected growth in outsourcing and as-a-service



# PEOPLE SOLUTIONS – IMPACTED BY DIFFICULT CONTRACTING MARKET



- Total revenue down 11.6% to \$18.8M
- Contracting revenue impacted by spending cut-backs, particularly in Qld Govt.
- Permanent placement revenues up
- Contractor numbers down 10%
- Placement rate steady at 34%

# STATES ECHO BROAD MARKET VIEWS

- Qld impacted by constrained Govt expenditure and declined marginally on pcp
- NSW and VIC both demonstrating poor sentiment for technology investment and declined against pcp
- SA solid growth on back of very strong licensed software sales
- All businesses strong in WA with very strong growth on pcp

# TENDER FLOW SLOWING AND CONVERSION REMAINS SLOW

	1H FY12	Full Year FY12	Oct (AGM)	1H FY13
Submitted bids	207	386	140	179
Decided bids	69	249	21	72
Won	42	121	13	35
% won	61%	49%	62%	49%
Undecided	138	137	119	107
% undecided	67%	35%	85%	60%

# STRATEGIC INITIATIVES MOSTLY ON TRACK

Strategic Initiative	Status
Licensing Solutions	
Customers to extract more value from licensed software	Contract renewal and new contract acquisition on track
Accelerate growth in services	Slower growth than planned
Infrastructure Solutions - Product	
Migrate product sales to online portal	Portal now live and online; transaction rates increasing
Renew Qld Government procurement contract	Not yet finalised
Infrastructure Solutions – Project Services	
Accelerate growth in project (Microsoft / Cisco) & consulting services	Poor market sentiment for project investment; prices under pressure

# STRATEGIC INITIATIVES MOSTLY ON TRACK

Strategic Initiative	Status
Infrastructure Solutions - Managed Services	
Extend Trusted Cloud infrastructure and Service Desk	Completed
Build out sales team for 'as a service' offerings	Completed but sales slow
People Solutions	
Accelerate growth outside Queensland	Stymied by difficult market and small scale of our business
Minimise implications of Qld Government cuts	On track

# 1H13 IN SUMMARY

- Customers have low appetite for major investment without short term return
  - Continuing delay in project investment
- Mixed performance from different business areas and locations
  - WA and SA performing ahead of plan; NSW market continues as most challenging
  - Strong performance from Software Licensing
  - FSH win in WA was a significant contributor to the product and maintenance services businesses
- All strategic initiatives mostly on track

# 2H13 OUTLOOK

# DATA#3 REMAINS WELL POSITIONED

- Operate in large markets
- Strong and interdependent relationships with global market leaders
- Capacity and capability to compete and grow in all markets
- Viewed as a preferred employer
- Strong financial position and track record



# 2H13 MARKET FACTORS

- General investment conditions unchanged
  - Global uncertainty remains
  - Federal election
- Pressure to reduce costs and constrain expenditure in private and public sectors
- CIOs uncertain and delaying commitments
  - ROI
  - Cloud as a strategic option?
  - The demands of the mobile workforce
  - Microsoft Windows 8 emerging as a strategic option

# ADDRESSING THIS MARKET

- Primary focus – optimising the current business
  - Continuing investment to drive productivity
  - Increasing demand generation activities
  - Improving the sales process
  - Tuning costs where possible to market opportunity
- Secondary focus – redefining the current business
  - Restructuring and consolidation

# 2H13 OUTLOOK

## Licensing Solutions

Continuing solid performance

## Infrastructure Solutions

Hardware procurement to remain flat

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Expect decision on Qld Govt hardware procurement contract

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Project services and associated data centre and networking hardware to remain flat

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Solid pipeline for outsourcing and as a service but conversion to sales taking time

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Lesser contribution from maintenance services

## People Solutions

In line with 1H; expect clarity on Qld Govt contractor procurement

# 2H13 OUTLOOK STATEMENT

*“We see the uncertain market conditions in both the private and public sectors continuing for the remainder of this financial year.*

*Under these circumstances we are not in a position to provide guidance for the full year and we will keep shareholders informed.”*

**Q & A**

# APPENDIX 1 – FINANCIAL SUMMARY

	<b>1H13 \$'000</b>	<b>1H12 \$'000</b>	<b>% Change</b>
Revenue by segment:			
Product	338,647	375,153	-9.7%
Services	66,629	59,109	+12.7%
Other revenue	937	1,582	-40.8%
Total revenue	406,213	435,844	-6.8%
Revenue by area of specialisation:			
Software Licensing	228,863	273,882	-16.4%
Infrastructure Solutions (project services, hardware product and managed services)	157,639	139,135	+13.3%
People Solutions	18,773	21,245	-11.6%
Total gross profit	61,646	59,359	+3.9%
Total gross margin %	15.2%	13.7%	
Total expenses	52,763	50,527	+4.4%
EBITDA	9,917	9,528	+4.1%
EBIT	9,046	9,164	-1.3%
EBIT margin %	2.2%	2.1%	
NPBT	9,820	10,414	-5.7%
NPAT	6,819	7,188	-5.1%
	<b>1H13</b>	<b>1H12</b>	<b>% Change</b>
Earnings per share	4.4 cents	4.7 cents	-5.1%
Dividend per share	3.45 cents	3.45 cents	0%
Return on equity %	20.1%	22.9%	

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