Data#3

FY14 Results Briefing

21 August 2014

DATA#3 LIMITED (DTL)

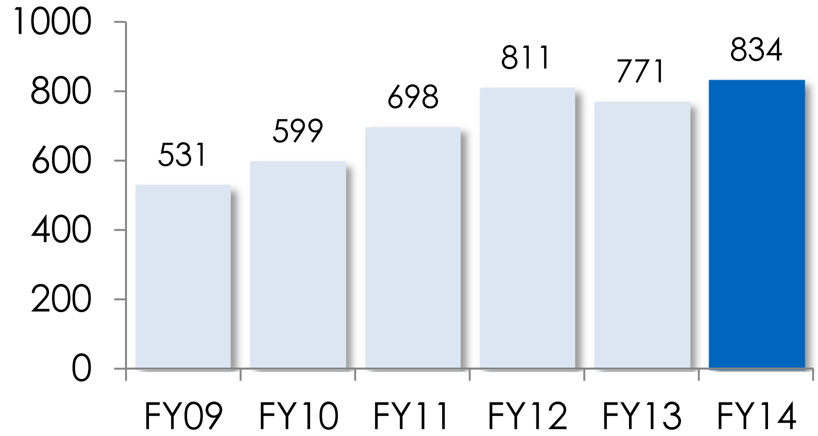
FY14 FINANCIAL PERFORMANCE

ROBUST BUSINESS MODEL SAW TOP LINE GROWTH

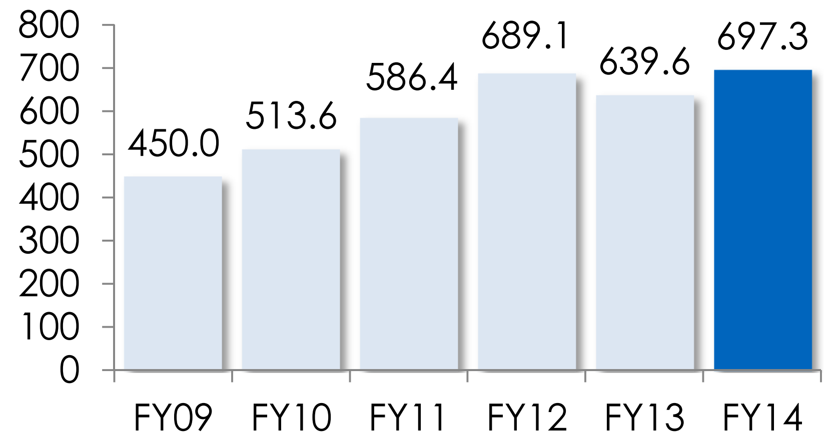
- Total revenue up 8.1% to $833.6M
  - Product revenue up 9.0% to $697.3M
  - Services revenue up 3.5% to $134.8M
  - Other revenue up 23.4% to $1.5M
- Total gross profit down 2.7% to $119.2M
  - Product GP down 3.4% to $66.0M
  - Services GP down 2.5% to $56.8M
  - Gross margin down from 15.9% to 14.8% due to change in sales mix and general pressure on margins
- Reflected by
  - Solid contribution from Software Licensing, contract maintenance services and recruitment & contracting
  - Continued investment in building our Managed Solutions & Cloud offerings and expertise

FULL YEAR REVENUE UP

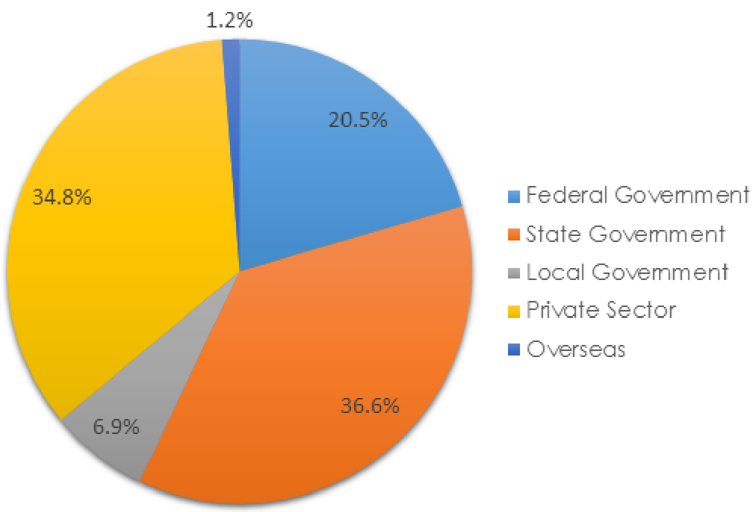
Total revenue ($M)



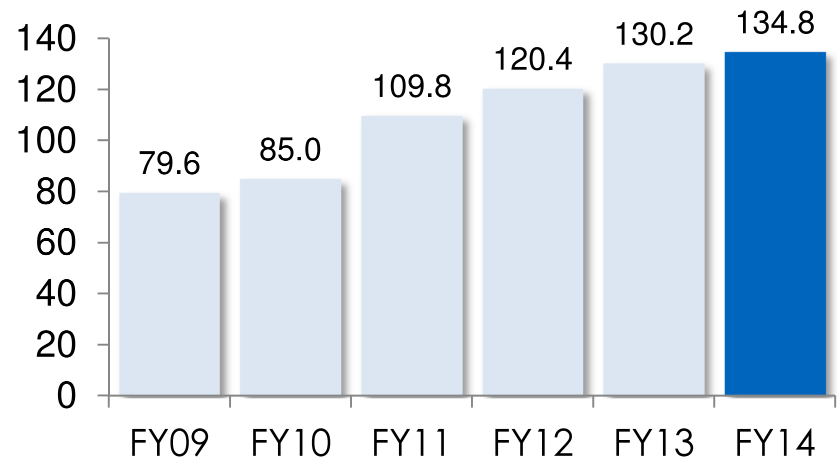
Product revenue ($M)



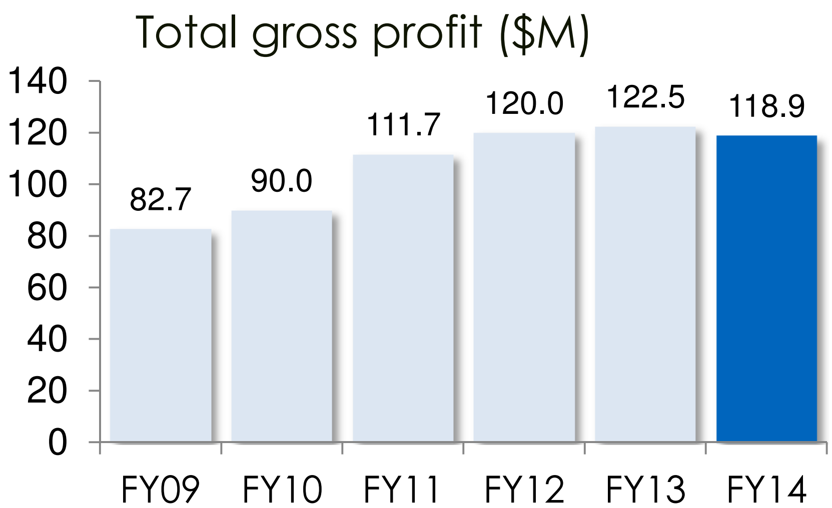
FY14 Total Revenue by Sector

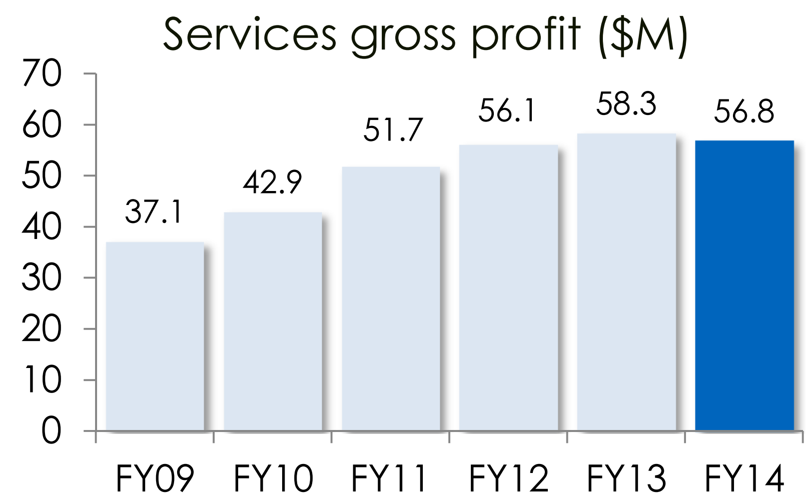


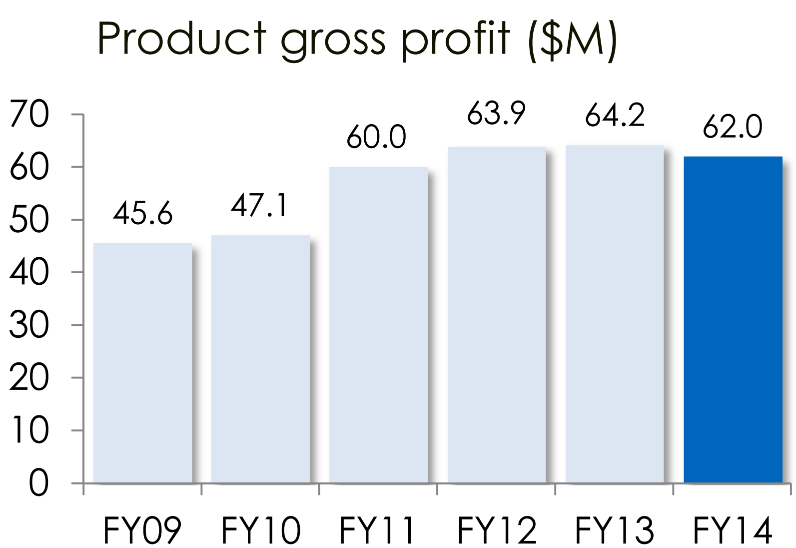
Services revenue ($M)



MARGINS HELD UP REASONABLY WELL GIVEN MARKET CONDITIONS







Product and services gross profits and margins albeit declining, held up reasonably well given the competitive market and change in mix

REGIONAL MOVEMENT IN GP

% change in gross profit
FY14 vs. FY13

No significant lift in Qld Government IT investment and a subdued corporate sector saw QLD slow further.

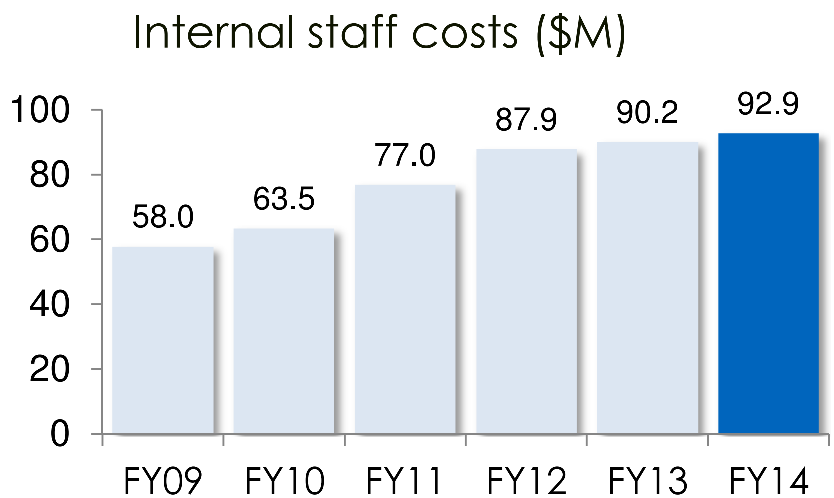
Solid growth in NSW and VIC

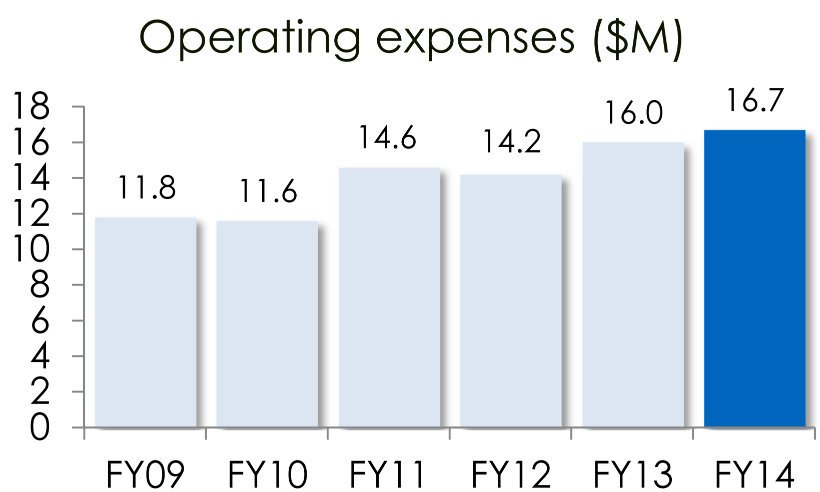
SA was most challenged location

Underlying GP in WA grew solidly particularly given 'once-off' benefit from the Fiona Stanley Hospital contract in FY13

The niche national services businesses declined as they struggled for traction with our sales business

MARKET DEMANDS & INVESTMENT DROVE EXPENSES UP

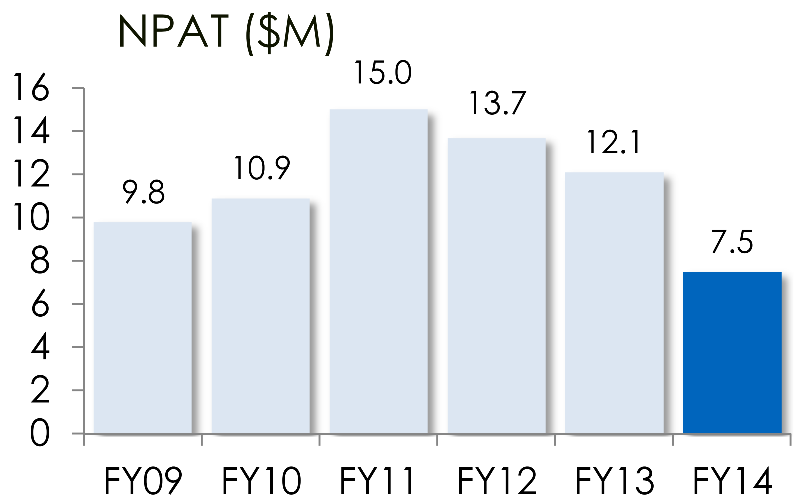


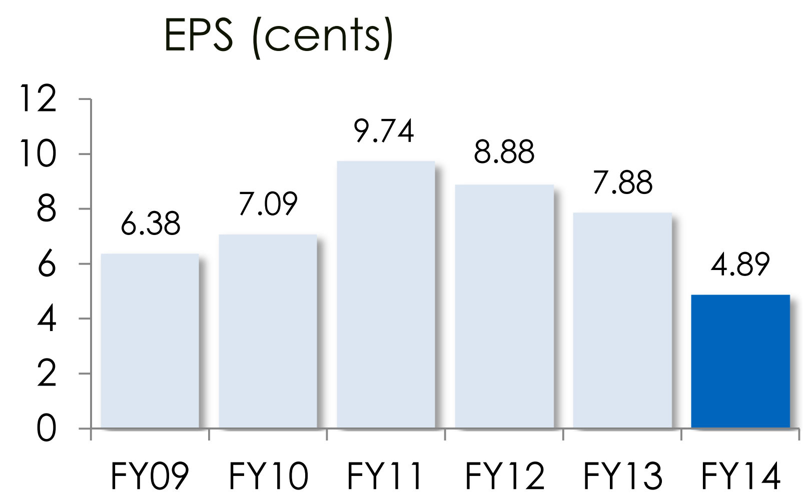


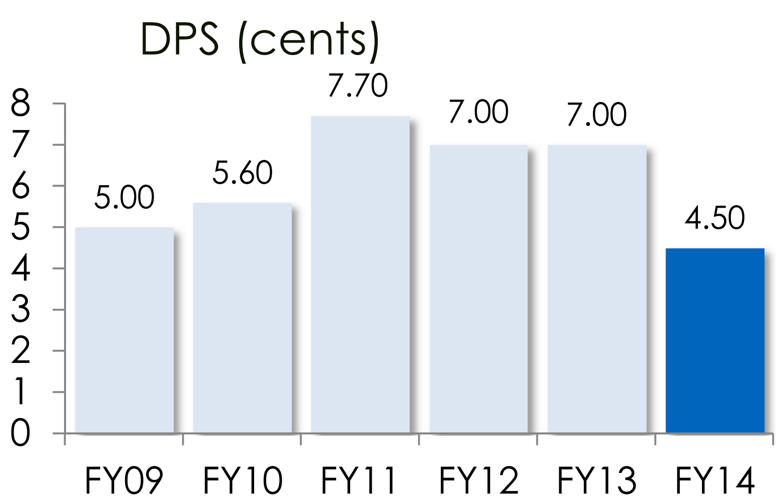
Internal staff costs up 2.9% due to higher selling costs to deliver revenue and the need to retain competitive scale in all locations

Operating expenses up 3.8% due to additional depreciation & amortisation for investments (systems, premises, cloud) that provide leverage as growth returns

LOWER GROSS PROFIT & HIGHER EXPENSES DROVE PROFIT, EARNINGS, DIVIDENDS DOWN







NPAT decreased 38% to 7.5m

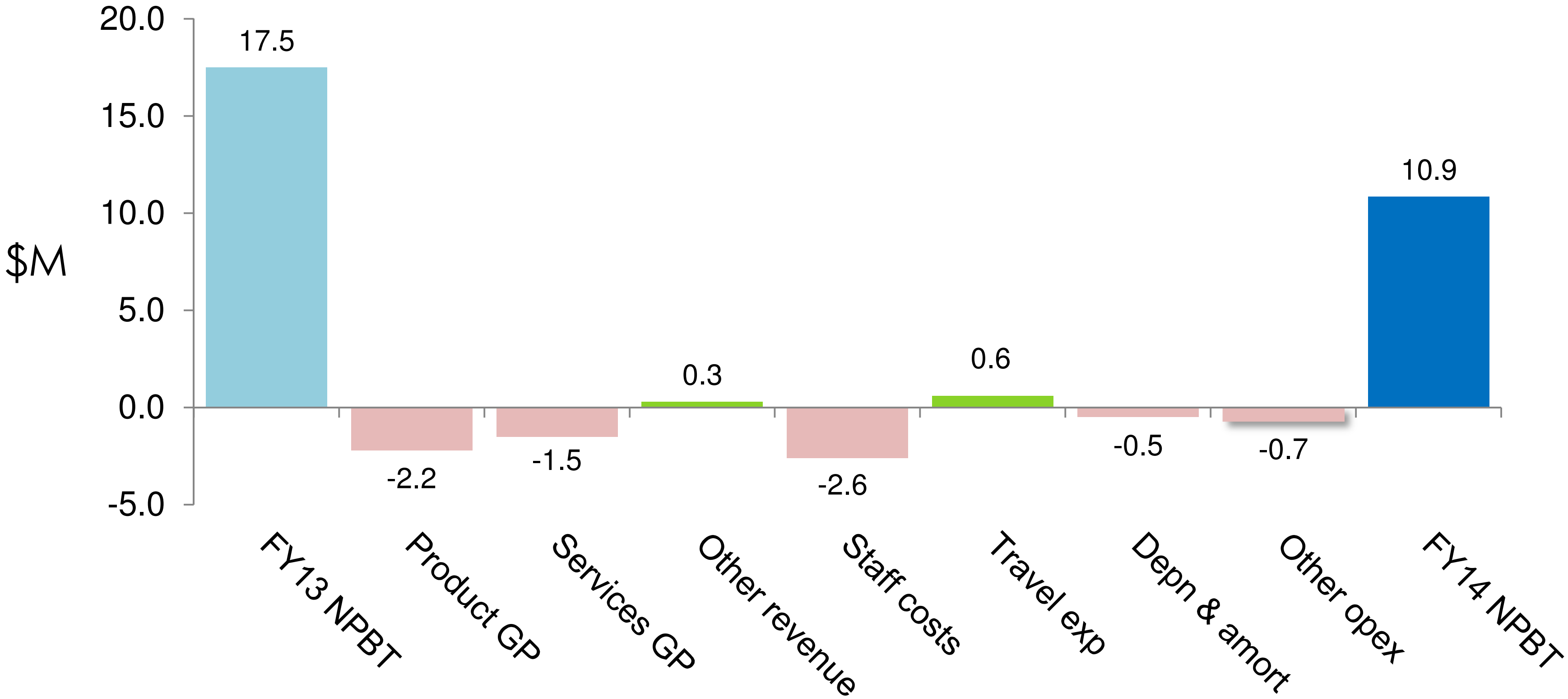
EPS declined 38% to 4.89 cents

Dividend payout 4.5 cents (3.0 cents in 2H)

Payout ratio 92%

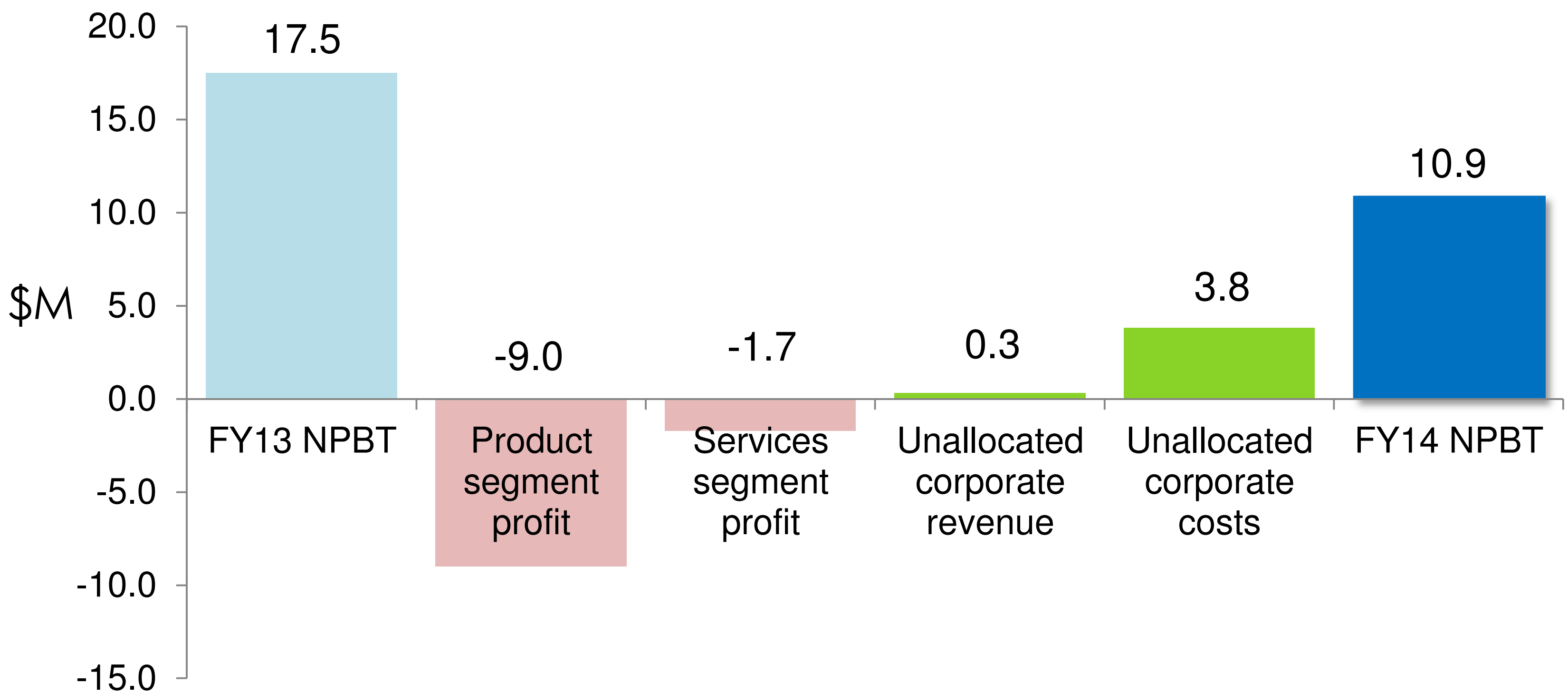
MOVEMENT FY13 TO FY14

Consolidated comparison FY13 to FY14



MOVEMENT FY13 TO FY14

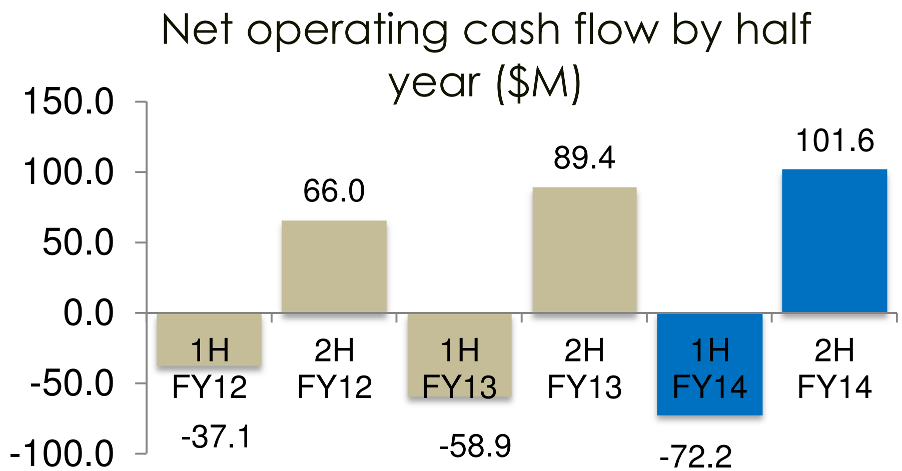
Segment comparisons FY13 to FY14

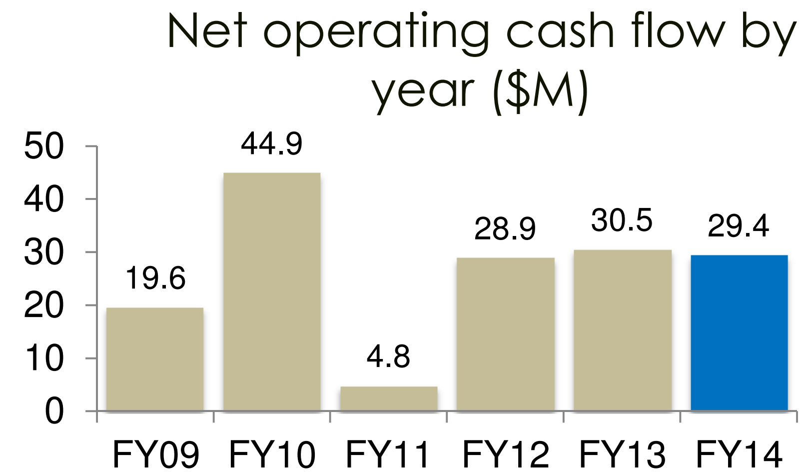


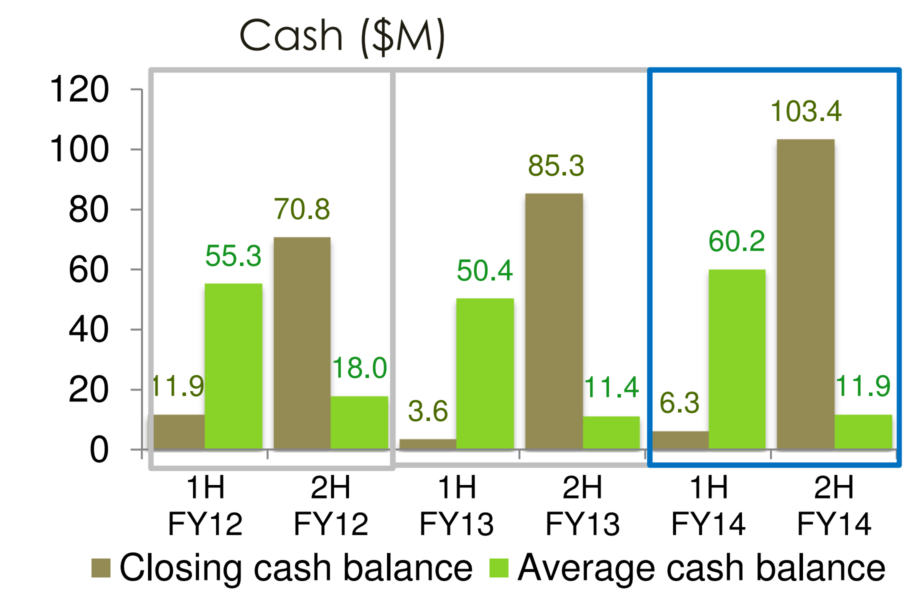
BALANCE SHEET FUNDAMENTALS REMAIN STRONG

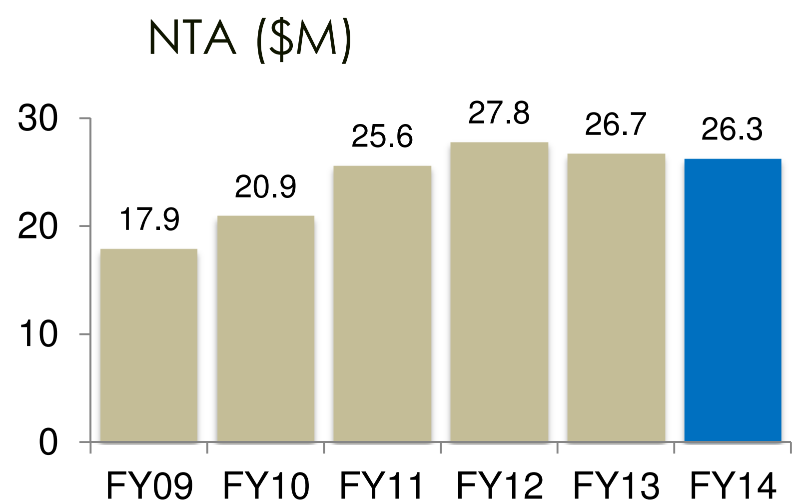
- Cash flow ‘seasonality’ consistent with previous years
- Strong operating cash flow of $29.4 million, with cash flow conversion of 3.9 times
- Full year average daily cash balance up from $31.1M to $36.3M
- Closing cash balance $103.4M up 21%
- Debtors DSOS industry best practice at 29 days
- Net Tangible Assets down 1.6% to $26.3M
- No material debt

CASHFLOW & BALANCE SHEET TRENDS









OUR BUSINESS

FY14 STARTED WITH STRUCTURAL REALIGNMENT AND CONSOLIDATION

- Aligned around our customers' movement to HYBRID IT a combination of on premise, outsourced and cloud
- Realigned the 5 areas of specialisation into 3
  - Software Solutions
  - Infrastructure Solutions
  - Managed Solutions
- Consolidated all 'back office' functions into 2 businesses
  - Shared Services (HR, Systems, Marketing, Logistics)
  - Corporate Services (F&A, Legal)

FY14 STRUCTURE

National Initiatives
Telstra, Supply Chain
Education

States

Business technology solutions From product to cloud

Software Solutions

Infrastructure Solutions

Managed Solutions

Project Services

Service Desk

Cloud Consulting

Cloud Delivery

Shared Services

HR

Supply Chain

Group Administration

Marketing & Partners

Information Systems

Corporate Services

Finance

Legal/Compliance

Board

STRONG NATIONAL FOOTPRINT

STRONG PARTNERSHIPS
With leading global vendors

IBM Premier Business Partner

CISCO PARTNER Gold Certified

Microsoft GOLD CERTIFIED Partner

EMC²

Premier Business Partner hp

vmware PARTNER
PREMIER SOLUTION PROVIDER

symantec.
Symantec Platinum Partner

lenovo

LEXMARK

CITRIX PARTNER
Gold Solution Advisor

Adobe GOLD Partner

websense PLATINUM CHANNELCONNECT PARTNER

TOSHIBA

ca

McAfee SecurityAlliance Premier Partner

NetApp

STRONG PARTNERSHIPS
Endorsed by many awards

Global award

- Microsoft - Devices and Deployment Partner of the Year

National awards

- Lenovo – Innovation Partner of the Year
- Microsoft - Enterprise Partner of the Year
- Sophos – LAR Partner of the Year (for Australia and New Zealand)
- Symantec – Partner of the Year (for Australia and New Zealand)
- VMware – Solution Provider of the Year (for Asia Pacific Japan)
- VMware – End User Computing Partner of the Year (for Australia and New Zealand)
- ARN Enterprise Reseller of the Year – 7th consecutive year

OPERATIONAL PERFORMANCE

SOFTWARE SOLUTIONS
Offerings…

A complete software solution from on premise to outsourced to cloud

- Supply and manage the license
- Deploy and manage the software, and
- Customise and improve user adoption of software

SOFTWARE SOLUTIONS
FY14 performance…

- Growth in revenue & gross profit in an, at best, flat market
- Combination of increasing market share, maximising vendor channel program incentives, and further gains in operational efficiency
- Increased selling costs to service contracts
- Moved more customers to licensed software in the public cloud - Microsoft, Symantec, VMWare & Adobe
- Remained a member of Microsoft's Worldwide Licensing Partner Engagement Board
- Won major awards including a global Microsoft award

INFRASTRUCTURE SOLUTIONS
Offerings…

- Lifecycle hardware asset management services
  - Procurement, quality control, deployment, tracking, & disposal
  - Multi-vendor maintenance services
- Unified communication & collaboration for mobile business users
- Hybrid IT infrastructure for delivery of IT Services, on premise, outsourced and in the cloud

INFRASTRUCTURE SOLUTIONS
FY14 performance…

- Revenues declined 10% and gross profit declined 8%
- Market conditions impacted hardware procurement
- Strong contract maintenance services offsetting the Fiona Stanley Hospital contract in FY13
- Project services gross profit increased 4%
- Member of the Hewlett-Packard Global Partner Advisory Board + Cisco Advisory Board for Asia Pacific

MANAGED SOLUTIONS
Offerings…

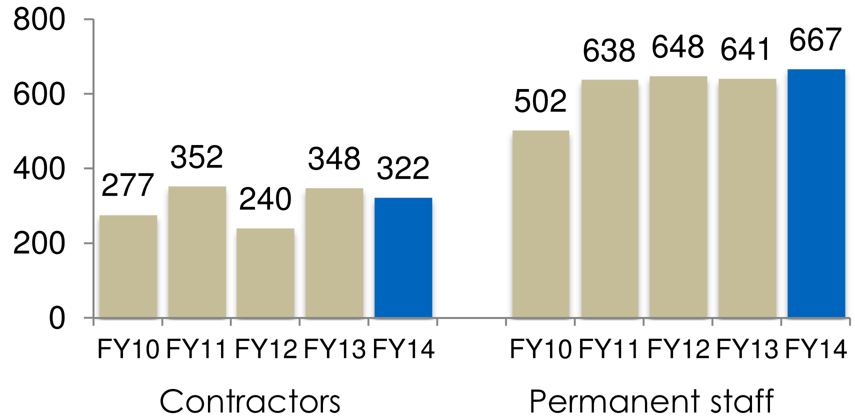
- Workforce recruitment, contracting, augmentation
- Business user operational support
- Full operational infrastructure outsourcing
- Development and delivery of Data#3's Hybrid cloud infrastructure-as-a-service

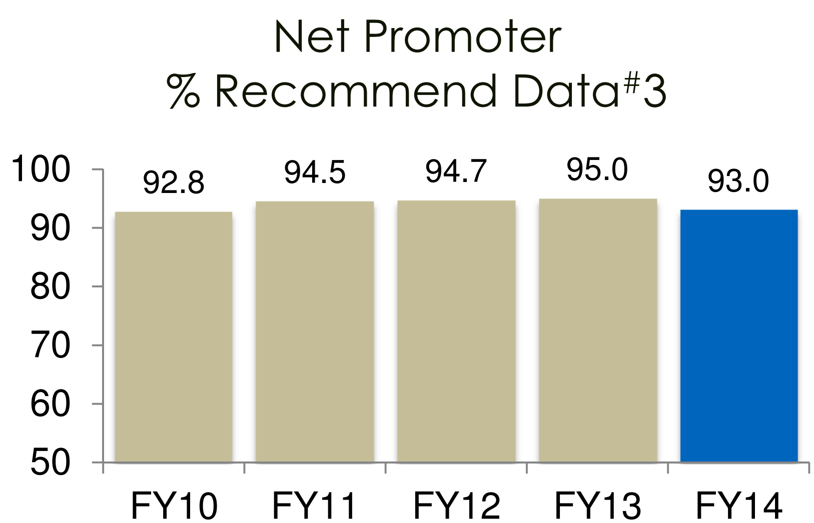
MANAGED SOLUTIONS
FY14 performance…

- Workforce solutions strong in a challenging market - revenue up 9%, and gross profit up 5%
- Outsourcing revenues up 3% but onboarding & transition projects drove gross profit down by 3%. Contracts structured to provide increasing returns over their term
- Develops and delivers Data#3's hybrid as-a-service cloud
  - Upfront investment in future cloud based revenues
  - Some strategic customers and an increasing pipeline
  - With continuing investment, returns limited in the year.

PEOPLE SATISFACTION
Held to prior years…

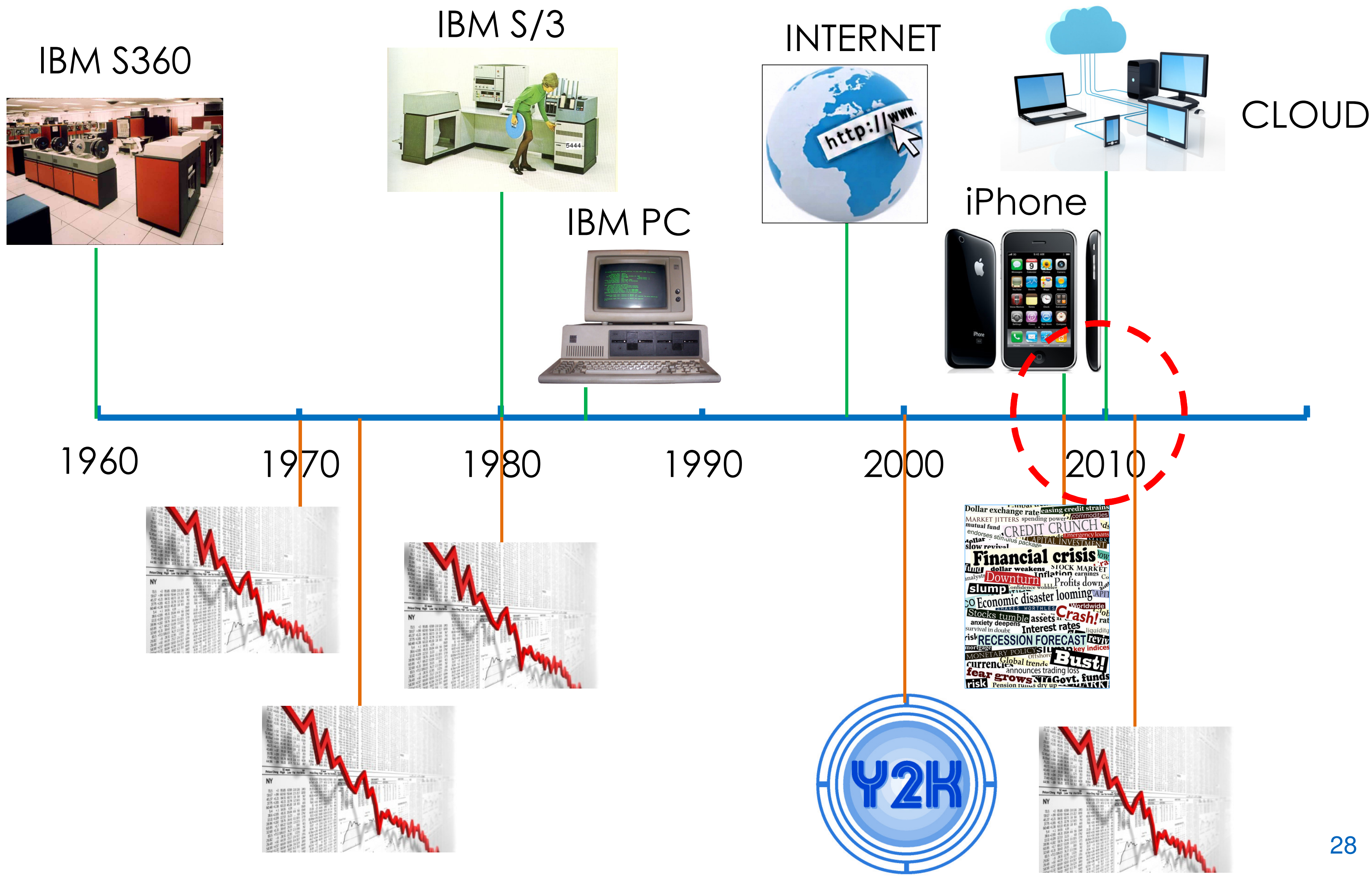
667 permanent
23 casual
322 contractors
>1,000 people





FY15

A MARKET UNIQUELY IN TRANSITION



THREE ELEMENTS TO THE TRANSITION

IT commoditising	IT consumption changing	Risk shifting

IMPLICATIONS OF THE TRANSITION

IT commoditising	IT consumption changing	Risk shifting
Data centre desktop product and related services	HYBRID IT From product to outsource to cloud	From implementation to adoption
Competitive and price sensitive	From Capex to Opex	New apps and service types
Demands solution packaging & operational efficiency	Demands solution breadth, integration and financing	Demands investment and trusting relationships

OUR RESPONSE TO THE TRENDS

IT commoditising	IT consumption changing	Risk shifting
Sales efficiency	People augmentation	New Consulting services
Investment in supply chain automation	Maturing selective sourcing solutions	Business Productivity Services
'Rapid' service packaging	Investing in aaS	Investing in aaS
Investing in aaS	Finance partner	Investing in apps

SUPPORTING REFERENCES

IT commoditising

Queensland Government

Bendigo Bank

IT consumption changing

Brisbane Airport

Ipswich
Queensland Australia

Risk shifting

sparQ SOLUTIONS

FUJI xerox

DISCOVERY TECHNOLOGY

SHAREHOLDER PERSPECTIVE

In a market in transition, is DTL positioned to grow revenues, profit and dividends?

We think we are and as our customers re-architect their IT strategies, we believe we're positioned strongly with new solutions and references

SHAREHOLDER PERSPECTIVE

When can we expect this to happen?

We're seeing conditions improving which should translate in time to more positive sentiment toward investment.

This in turn will lead to more significant take-up in apps, aaS and transformational services

ACQUISITION OF INTEREST IN DISCOVERY TECHNOLOGY

INVESTMENT DETAILS

- $2.5M for 42.5% ownership
- Funding from cash flow with no impact on dividends
- Option to June 2015 for additional 16.2%
- Option to June 2017 for balance
- Board position

+ Reseller rights for CCX - Connected Customer eXperience – Wi-Fi content management and analytics

MARKET OPPORTUNITY

- 68% adults own a smartphone
- 86% users look for info
- 88% take action as a result
- CCX delivers meaningful content from which mobile visitors can take action
- Ground floor opportunity in a fast growing market
- Strategic repositioning to apps and services
- Immediate return as a reseller + mid term return on equity investment

FY15
OUTLOOK

FY15 GUIDANCE

"Having taken costs and capacity out in the previous two years, the 2015 plan targets growth through market share gain and the introduction of additional complementary revenues.

Our financial objective is to improve on the 2014 result."

Q & A

APPENDIX – FINANCIAL SUMMARY

	FY14 $'000	FY13 $'000	% Change
Product revenue	697,319	639,644	+9.0%
Services revenue	134,776	130,182	+3.5%
Other revenue	1,500	1,216	
Total revenue	833,595	771,042	+8.1%
Total gross profit (excluding other revenue)	118,869	122,525	-3.0%
Total gross margin %	14.3%	15.9%	
Total expenses	109,517	106,269	+3.1%
EBITDA	12,219	18,700	-34.7%
EBIT	9,703	16,664	-41.8%
EBIT margin %	1.2%	2.2%	
NPBT	10,852	17,472	-37.9%
NPAT	7,524	12,138	-38.0%
Net operating cash flow	29,419	30,489	-3.5%
Cash flow conversion (Net op cash flow/NPAT)	3.9 times	2.5 times	
	FY14	**FY13**	**% Change**
Earnings per share	4.89 cents	7.88 cents	-38.0%
Dividend per share	4.50 cents	7.00 cents	-35.7%
Dividend payout ratio	92%	89%	
Return on equity %	22.4%	35.8%	

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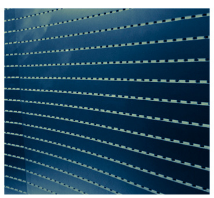

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