

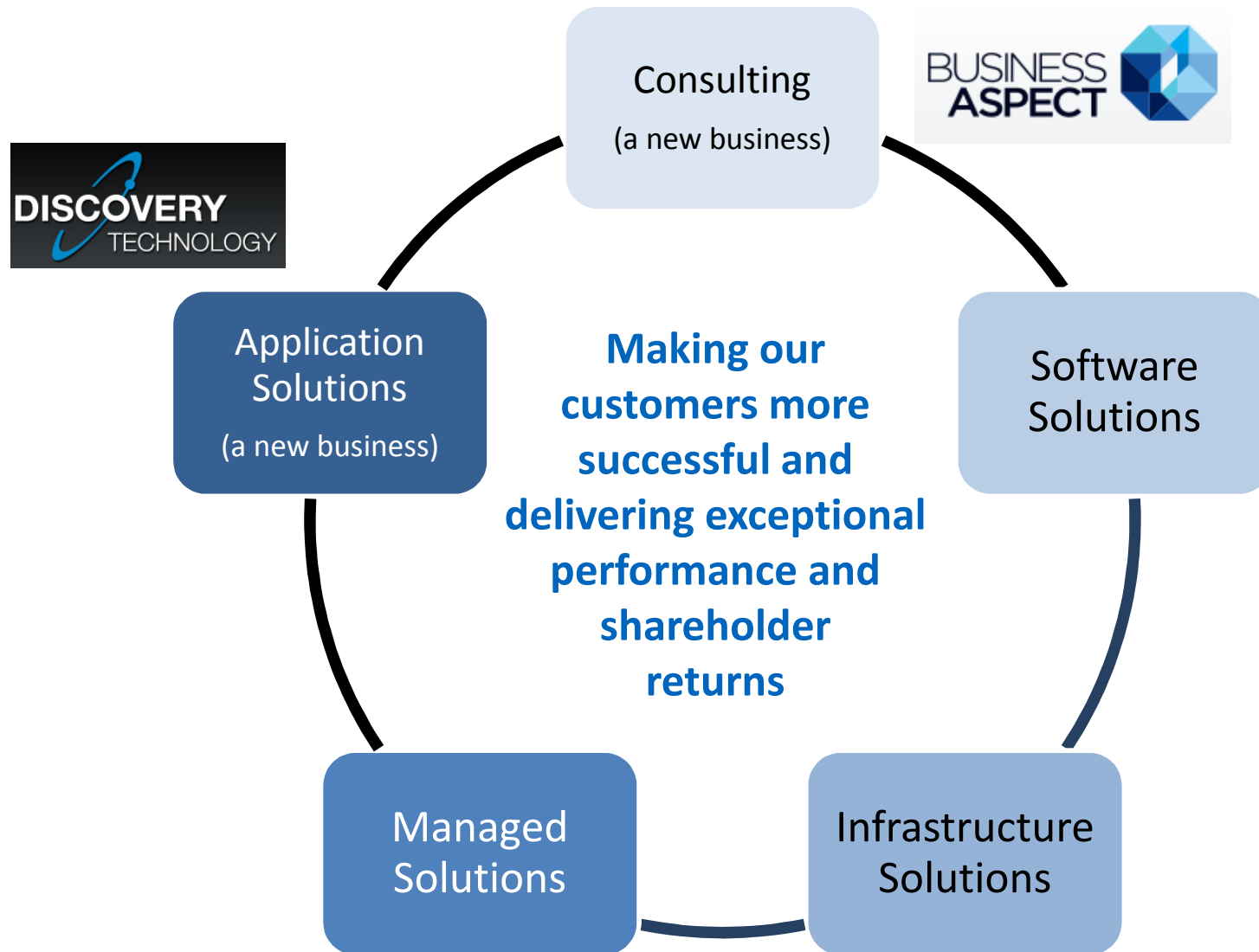
Data#3

FY15 INTERIM RESULTS BRIEFING

23rd February 2015

DATA#3 LIMITED (DTL)

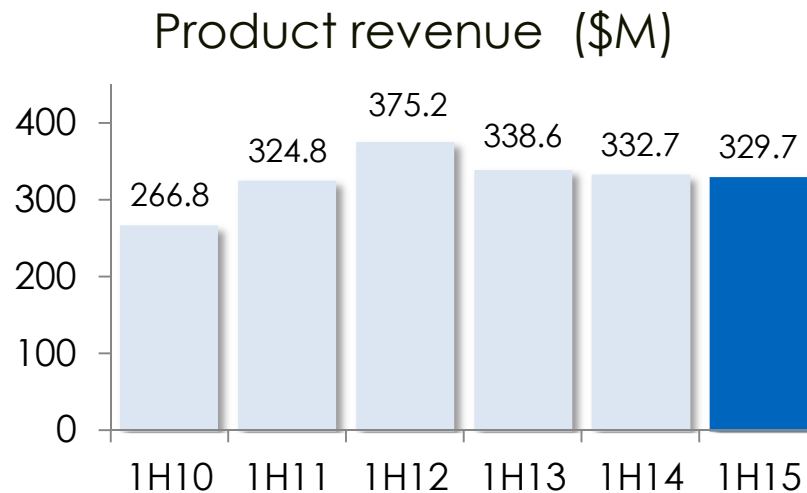
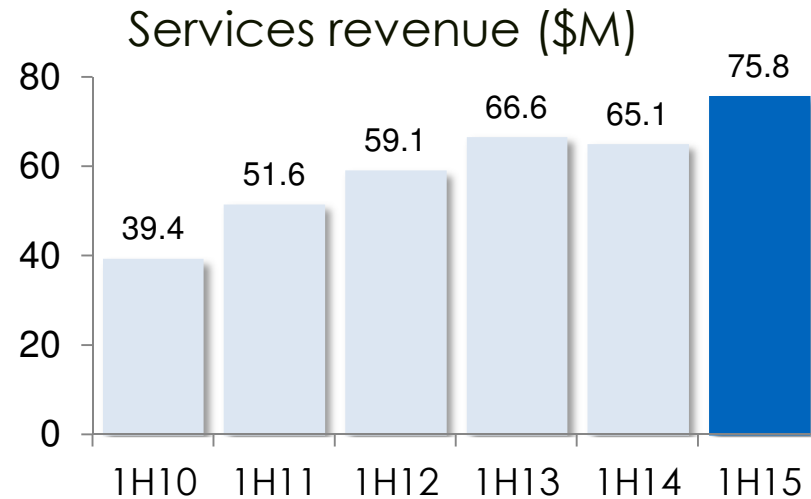
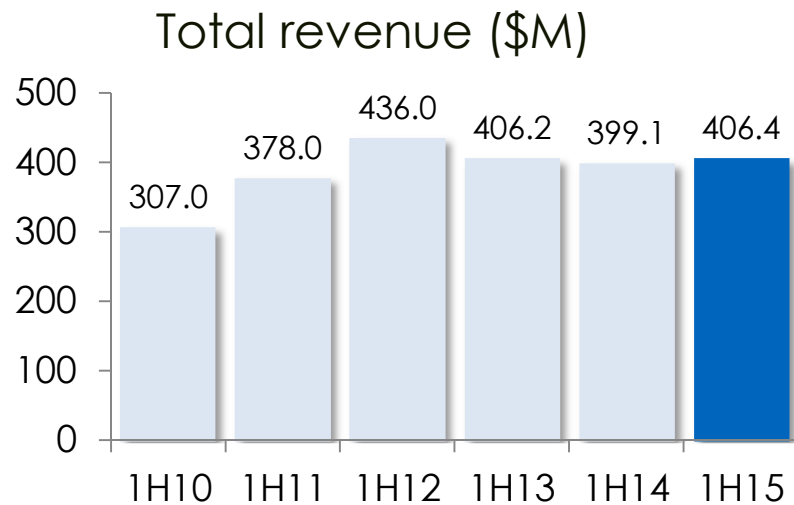
Our business



Key metrics return to growth

Revenue	Up 1.8%	\$406.4M
Product	Down 0.9%	\$329.7M
Services	Up 16.4%	\$75.8M
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Gross Profit	Up 8.6%	\$62.4M
Product	Up 6.6%	\$30.6M
Services	Up 10.6%	\$31.9M
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Gross margin	Up 1.0 pp	15.4%
Product	Up 0.7 pp	9.3%
Services	Down 2.2 pp	42.0%
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Expenses	Up 5.7%	\$58.1M
People	Up 5.4%	\$49.2M
Opex	Up 7.1%	\$8.9M
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NPBT	Up 40.1%	\$5.2M
NPAT	Up 39.2%	\$3.6M
Dividend	Up 40.0%	2.1 cps

Growth reflects strategic shift in business mix



Maintenance, software and consulting (Business Aspect) revenues drove strong growth in services revenues.

Product revenues held in a competitive and challenging market.

Growth reflects strategic shift in business mix

Software Solutions

- Revenue down 3.1% to \$241.2M but with improvement in gross profit
- Product down 4.1% to \$230.6M
- Services up 25.3% to \$10.6M

Infrastructure Solutions

- Revenue up 8.2% to \$122.1M at higher gross margin %
- Product up 7.5% to \$99.1M
- Services up 11.5% to \$23.0M

Other revenue down 27.4% to \$0.9M

Managed Solutions

- Revenue up 4.7% to \$36.0M
- Continued investment impacted profitability

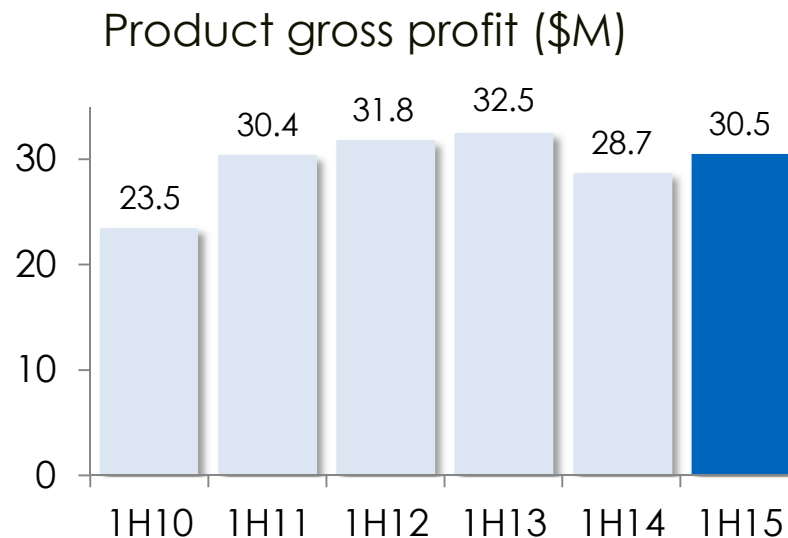
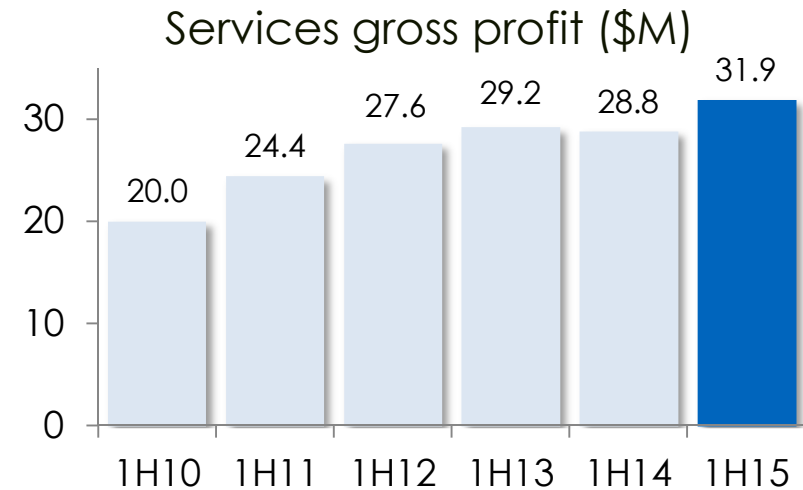
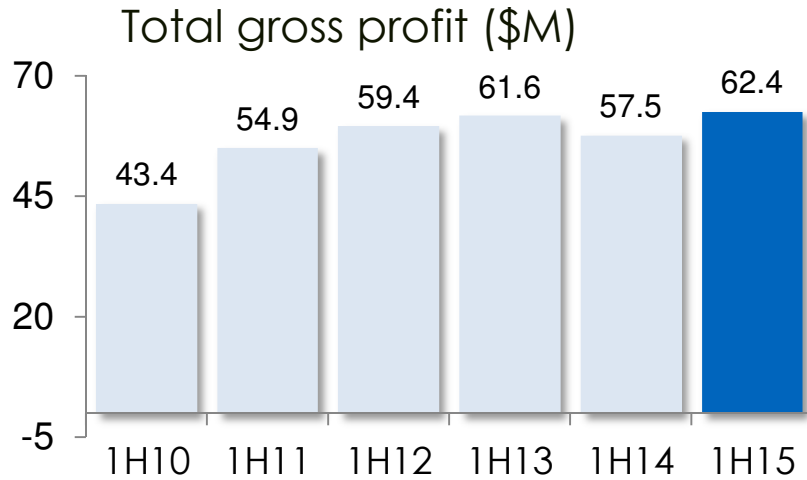
Application Solutions

- Revenue up 51.4% to \$1.6M

Consulting

- Revenue up to \$4.6M
- Business Aspect contributed \$4.3M from September to December

Return to growth in gross profit

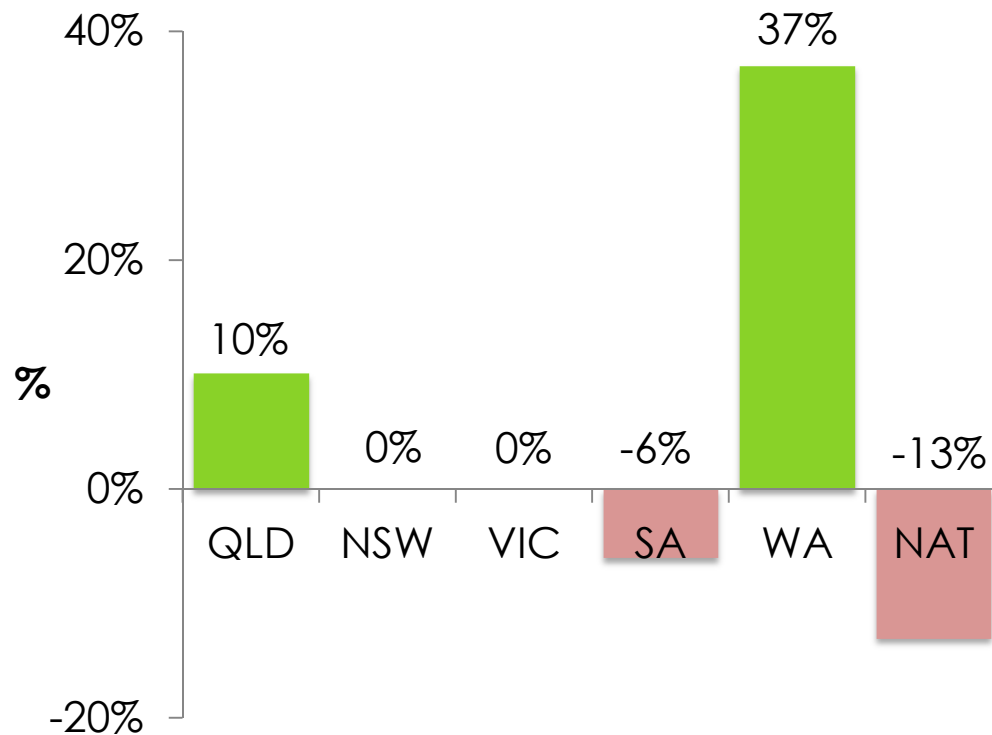


Services gross margin decreased as mix changed but on higher revenues drove a 10.6% increase in services gross profit.

Product gross margin increased driving a 6.6% increase in product gross profit.

Strong growth in QLD and WA underpinned overall result

% change in gross profit
1H15 vs. 1H14



Solid growth for our QLD business led by growth in Managed Services and hardware product sales into state government.

A flat result in NSW underpinned by strong sales in software solutions.

A flat result in VIC underpinned by solid contribution from software and maintenance solutions.

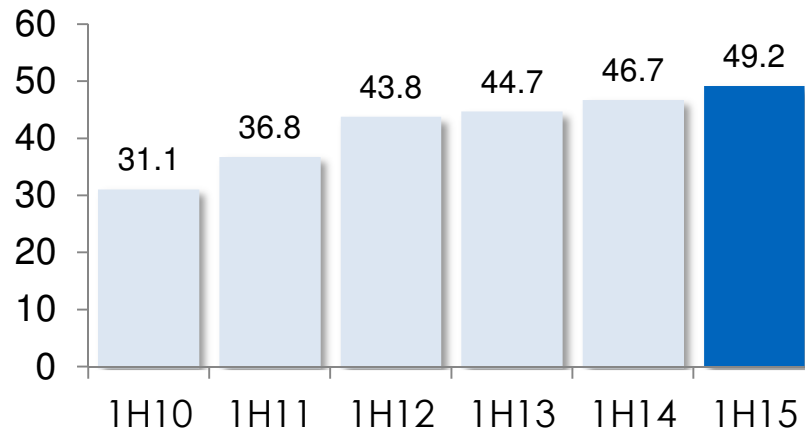
A 6% decline in SA attributed to slowing sales of software into the state government.

Very strong growth in hardware product and related services in WA saw it return to FY13 levels.

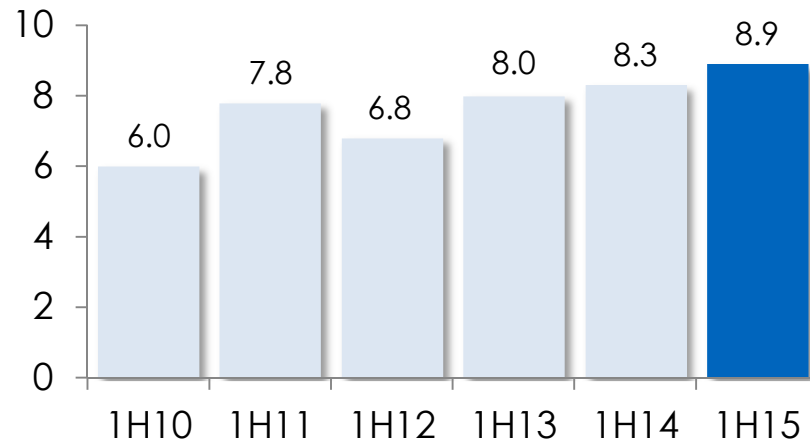
The national businesses absorbed more cost as we increased presales resources across the business and increased investment in our managed services operations.

Expenses track in line with broader market

Internal staff costs (\$M)



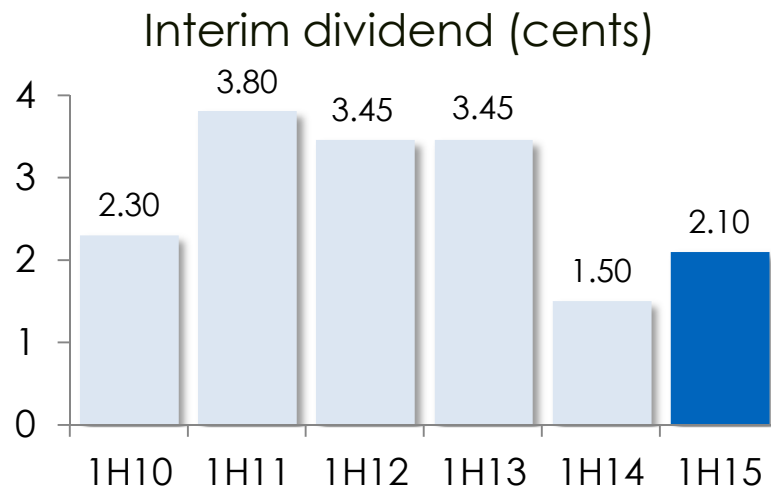
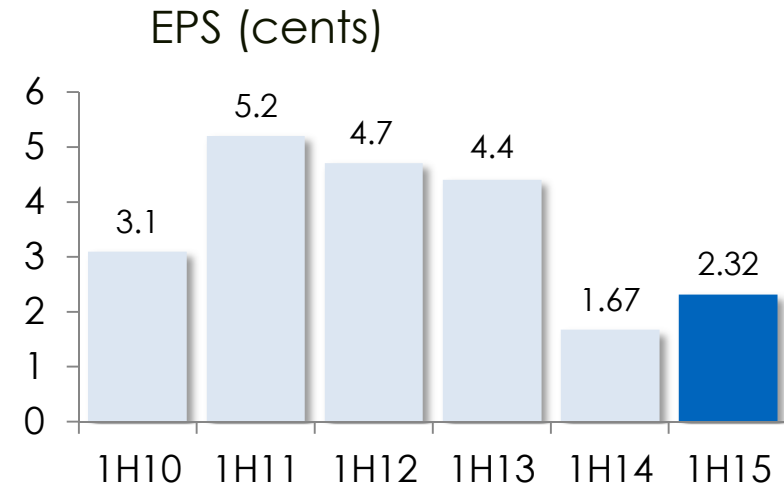
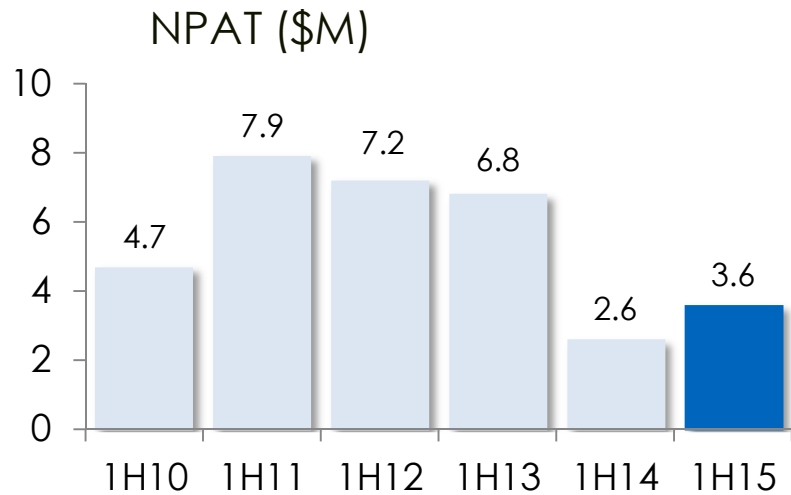
Operating expenses (\$M)



Internal staff costs up 5.4% as headcount increased to support the sales focused plan and in line with increases in the broader market.

Operating expenses up 7.1% due to professional fees, amortisation expense and other costs relating to the acquisition and investment activity, and rent increases.

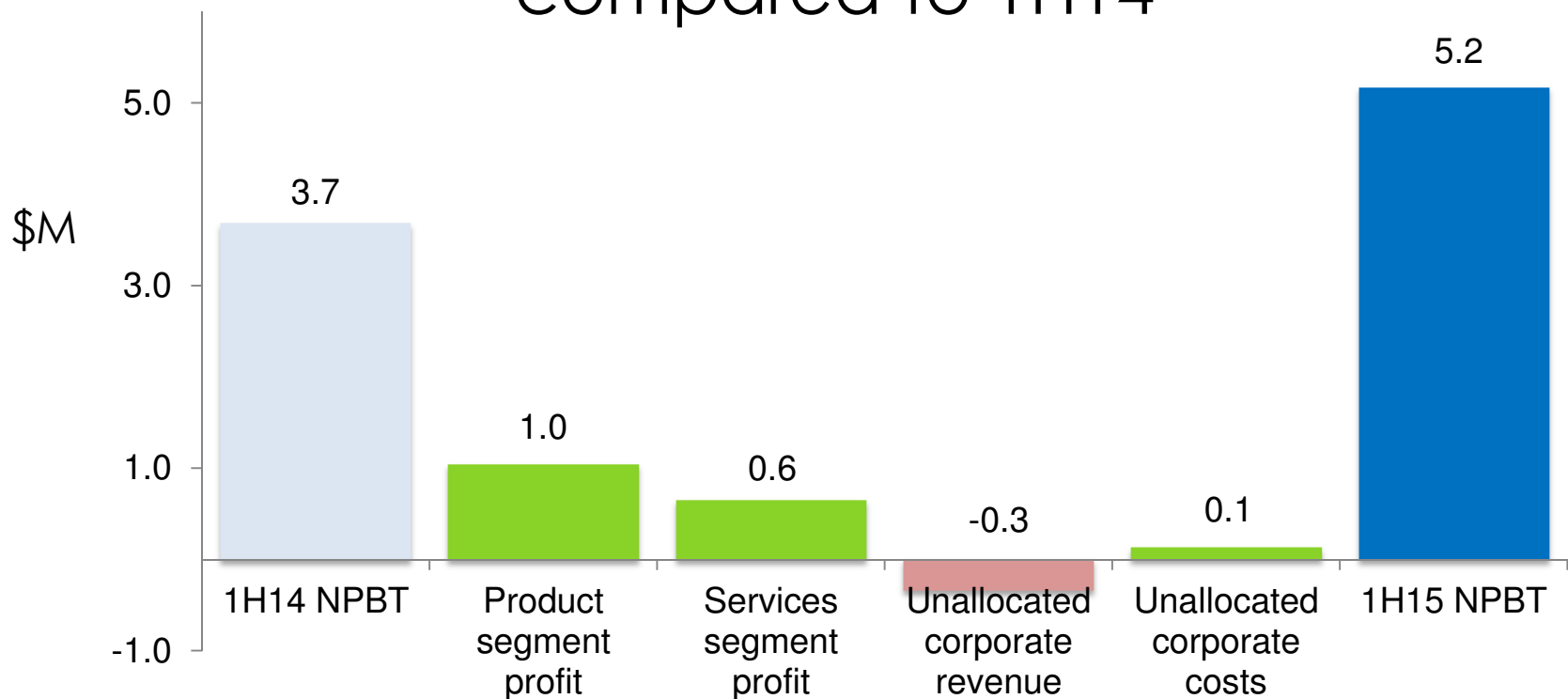
Profit and earnings reflect improved performance



Solid growth in gross profit in line with our sales focused strategy generated a pleasing return to growth in profit and earnings with the interim dividend up 40%.

Improving product margins and solid services growth drove increased profit

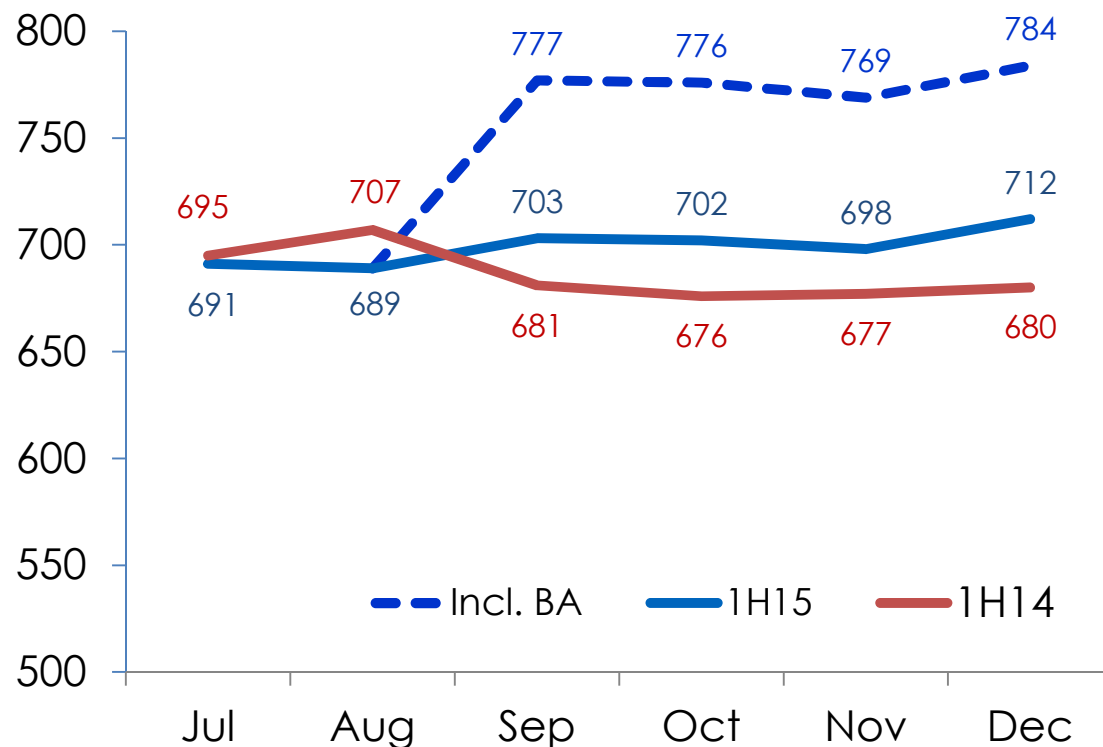
Movement in NPBT elements compared to 1H14



Solid cashflow management allowed internal funding of investments

- Strong balance sheet
- No material debt
- Cash flow 'seasonality' in line with trend
- Average daily 1H cash balance up from \$60.2M to \$60.8M
- Payments for acquisitions and investments (net of cash acquired) of \$7.8M

Increased people numbers reflect market share focus and growth in services

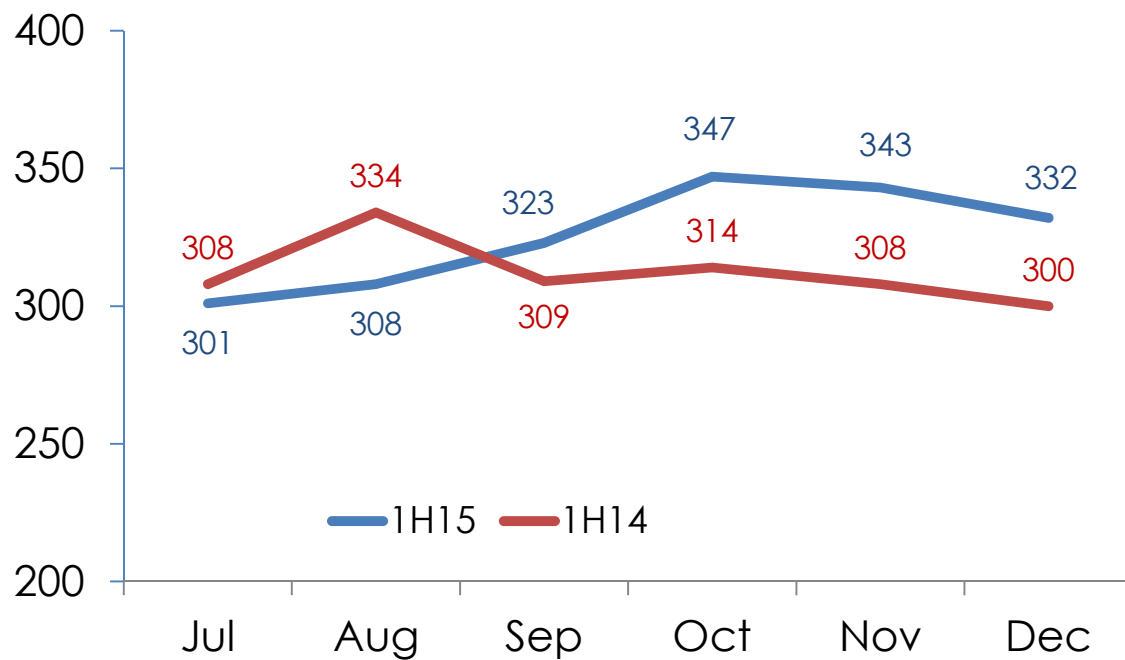


1H15 average headcount 699 excluding Business Aspect (BA), or 748 including BA.

Increases only in revenue driving business units.

1H14 average headcount 686.

Contractor numbers reflect solid growth particularly in augmentation



1H15 average contractor numbers up 4.5% to 326.

One augmentation contract transitioned to outsourcing.

Stable market pricing.

Seasonality in Q2 in line with pcp.

1H14 average contractor headcount 312.

Acquisitions and investments

Business Aspect



- Effective 5th September 2014
- Fully relocated into Data#3 offices but separately branded and managed
- Expansion of consulting capability into NSW, ACT and VIC progressing
- Integration activities largely completed with some additional costs in 1H
- Pipeline and sales now building strongly

- 42.5% investment effective 1st August 2014
- Additional 14.2% available until 30th June 2015
- Not integrated into Data#3 but fully engaged with Data#3 as a reseller with significant opportunities in pipeline
- Start up business not yet in profit
- Very strong national and international pipeline building with wins expected to flow in 2H

1H FY15 SUMMARY

1H FY15 SUMMARY

“Our strategy remains well articulated, relevant and its execution saw us finish the half well ahead of the pcp.

The board was pleased to declare a dividend of 2.1 cps, an increase of 40% on pcp”

Significant success
in 1H15

Major retail centre owner

AMP Capital – Macquarie Centre

- \$440M centre
- Design, implementation and management of Wi-Fi and Wi-Fi Analytics
- Discovery Technology CCeX application
- 5 year contract
- Extend to other centres



“New customer services and real-time customer analytics”

Healthcare



- Largest not for profit health care provider
- 10,000 staff
- Wide ranging provision of product and services
- Bendigo Hospital
 - Wi-Fi networking
 - Clinical apps – nurse call / duress / workflows



Staff augmentation transitions to a managed service

British American Tobacco

- Shift from contractor provision to long term contract with service levels
- 5 year contract
- One supplier, fixed price, one invoice and cost savings



“Cost savings combined with improved service”

Infrastructure as a service Cloud Panel

- Government preferred direction
- Whole of Government
- Complements existing panel arrangements
- Opex/consumption pricing



Strategy and Outlook

Strategic assumptions for FY15

- Technology investment will remain subdued but will increasingly shift to outsourcing and cloud in a Hybrid IT environment
- The 'product centric' sectors will continue to suffer the impact of commoditisation and demand scale to grow profitably
- IT spend outside IT budgets will continue to grow
- The best people will be highly sought after

Our FY15 strategy



Our strategy is the pathway to enable our customers' success. It unites Outstanding Solutions (which will increasingly transition from product centric to service centric), Remarkable People and Organisational Excellence through our Solutions Framework.

We believe that making our customers more successful consistently over time will deliver exceptional performance for Data#3.

Our FY15 strategy

5 Key priorities



Outstanding Solutions transitioning from primarily product centric to increasingly service centric in a Hybrid IT world



Remarkable People who are high performing, innovative, skilful and confident of their future



Organisational Excellence through optimisation, alignment and continuous improvement



Customer Success for Business IT and the Business Consumer



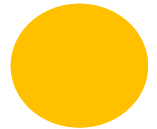
Exceptional Performance that consistently improves returns to shareholders

Our FY15 strategy

5 Key priorities



Outstanding Solutions transitioning from primarily product centric to increasingly service centric in a Hybrid IT world



Increasingly service centric solutions underpinned by service centric partner technologies

Relevant to Business IT and the Business Consumer

Increasingly incorporate Data#3 IP and consumption funding

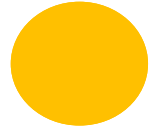
Align customer benefit with cost via Opex and increase our solution profitability

Our FY15 strategy

5 Key priorities



Remarkable People who are high performing, innovative, skilful and confident of their future



Understand and adapt to the environment in which we operate

Clear development pathways that transition skills and capabilities

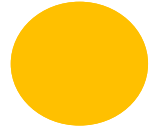
Compensation plans that serve the interests of both Data#3 and the individual

Our FY15 strategy

5 Key priorities



Organisational Excellence through optimisation, alignment and continuous improvement



Simplify and improve

Rationalise structures to align with and drive our transition

New systems to automate business processes

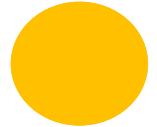
Enhanced management processes that monitor, measure and correct

Our FY15 strategy

5 Key priorities



Customer Success for Business IT and the Business Consumer



Increasingly valued in helping customers transition and achieve their business objectives

Offer thought leadership and innovation, consistency and flexibility

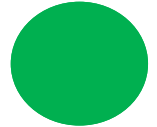
Lower risk through our longevity, experience and financial strength

Our FY15 strategy

5 Key priorities



Exceptional Performance that consistently improves returns to shareholders



Exceed FY14 profit from organic business as the foundation for continued growth

Increase profit via new partnerships and complementary acquisitions

FY15 Guidance

“Even given difficult conditions in the government sectors, the solid 1H result and high activity levels helps underpin our full year guidance to improve on last year’s NPBT of \$10.9 million”

Q & A

APPENDIX 1 – FINANCIAL SUMMARY

	1H FY15 \$'000	1H FY14 \$'000	% Change
Revenue by segment:			
Product	329,726	332,747	- 0.9%
Services	75,816	65,113	+ 16.4%
Other revenue	896	1,234	- 27.4%
Total revenue	406,438	399,094	+ 1.8%
Total gross profit	62,411	57,469	+ 8.6%
Total gross margin %	15.4%	14.4%	
Product gross profit	30,547	28,669	+ 6.6%
Product gross margin %	9.3%	8.6%	
Services gross profit	31,864	28,800	+ 10.6%
Services gross margin %	42.0%	44.2%	
Total expenses	58,141	55,016	+ 5.7%
EBITDA	5,761	3,906	+ 47.5%
EBIT	4,487	2,632	+ 70.5%
EBIT margin %	1.1%	0.7%	
NPBT	5,166	3,687	+ 40.1%
NPAT	3,576	2,569	+ 39.2%
	1H FY15	1H FY14	% Change
Earnings per share	2.32 cents	1.67 cents	+ 39.2%
Dividend per share	2.10 cents	1.50 cents	+ 40.0%

APPENDIX 2 – SEGMENT SUMMARY

	Product Half-year to December		Services Half-year to December		Total Half-year to December	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue						
Total revenue	329,726	332,747	79,408	67,341	409,134	400,088
Inter-segment revenue	-	-	(3,592)	(2,228)	(3,592)	(2,228)
External revenue	329,726	332,747	75,816	65,113	405,542	397,860
Costs of sale						
Cost of goods sold	(299,179)	(304,078)	-	-	(299,179)	(304,078)
Employee and contractor costs directly on-charged	-	-	(25,436)	(21,064)	(25,436)	(21,064)
Other cost of sales on services	-	-	(18,516)	(15,249)	(18,516)	(15,249)
Gross profit	30,547	28,669	31,864	28,800	62,411	57,469
Gross margin	9.3%	8.6%	42.0%	44.2%	15.4%	14.4%
Other expenses	(23,065)	(22,245)	(30,223)	(27,804)	(53,289)	(50,033)
Segment profit	7,482	6,424	1,641	996	9,122	7,436
Unallocated items						
Interest and other revenue					896	1,234
Other employee and contractor costs					(2,198)	(2,459)
Rent					(661)	(664)
Depreciation and amortisation					(1,196)	(1,035)
Other					(797)	(825)
					(3,956)	(3,749)
Profit before income tax					5,166	3,687

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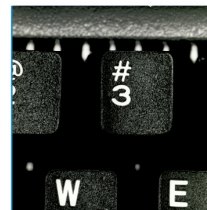
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