

Data#3

FY16 RESULTS BRIEFING

22 AUGUST 2016

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FY16 SUMMARY



FY16 SUMMARY

"We continued to grow revenue and profit the year with NPAT 30% ahead of the pcp.

The board is pleased to declare a full year dividend of 8.0 cps, an increase of 27% on pcp.

FY16 total shareholder return was 41.4%"

Laurence Baynham
Data#3 Limited - CEO

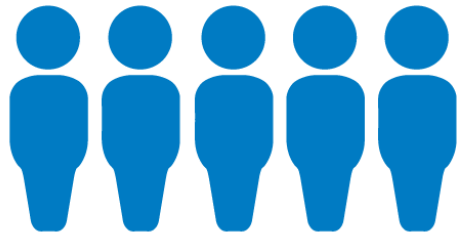
FY16 SUMMARY

- 3 year business plan on track
- Sustained revenue & profit growth
- Growth in traditional business with increasing shift to services / annuity
- Very strong growth in the emerging cloud-based business
- Mixed financial performance from recent acquisitions
- Restructured senior management team and simplified business structure
- Record staff satisfaction and national Employer of Choice award
- Board restructure / renewal program progressing

OUR BUSINESS



Data#3



1100+
EMPLOYEES IN 2016



8 OFFICES
3 INTEGRATION CENTRES
3 DATA CENTRES

FOUNDED IN
1977



LISTED ON
ASX
IN 1997

SCALE



983.2M
IN REVENUE IN FY16



17.4M
individual products
sold to customers



4,719
transacting
customers



43,120
service desk calls
by customers



2,275
professional
services projects

OUR SOLUTIONS

We offer a range of technology solutions to help customers achieve their business objectives.



PDO² Customer Solution Lifecycle – Position, Plan, Design, Deploy, Operate, Optimise

OUR BUSINESS – Strategic Partners



Top 10 worldwide, global advisory role



Top 10 Asia Pacific, advisory board



Top 10 worldwide, global advisory board with global HP CEO

Plus largest partner in Australia for several infrastructure and software suppliers

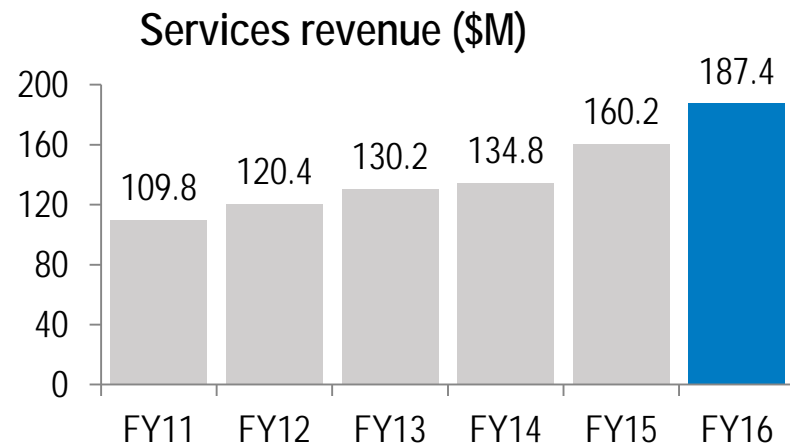
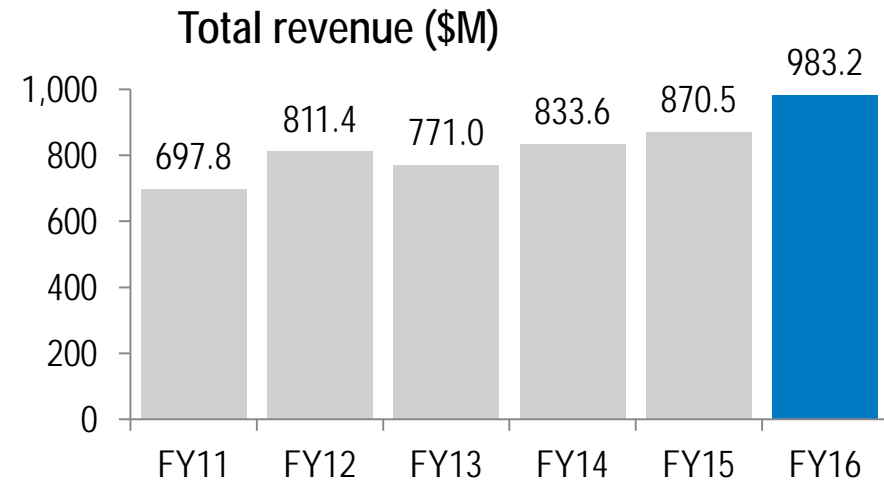
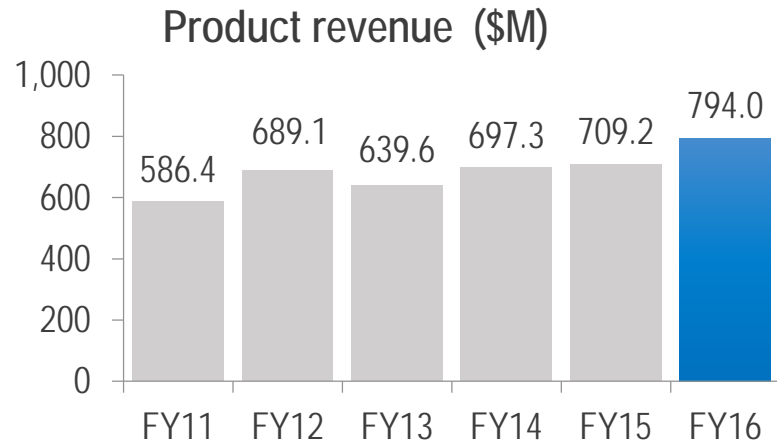
FY16 FINANCIAL PERFORMANCE



FY16 PERFORMANCE – SUSTAINED GROWTH

Revenue	Up 13.0%	\$983.2M
Product	Up 12.0%	\$794.0M
Services	Up 16.9%	\$187.4M
Cloud-based (included in Product & Services above)	Up 110.5%	\$99.0M
Other revenues		\$1.9M
<hr/>		
Gross Profit (excluding Other Revenue)	Up 13.2%	\$146.6M
Product	Up 10.6%	\$73.2M
Services	Up 15.9%	\$73.4M
Gross Margin	Unchanged	14.9%
<hr/>		
EBITDA	Up 31.6%	\$22.4M
EBIT	Up 31.2%	\$18.9M
NPBT	Up 28.2%	\$19.5M
NPAT (excluding minority interests)	Up 30.4%	\$13.8M
Earnings per share	Up 30.4%	8.98 cents
Dividend per share	Up 27.0%	8.00 cents

STRATEGIC SHIFT IN BUSINESS MIX

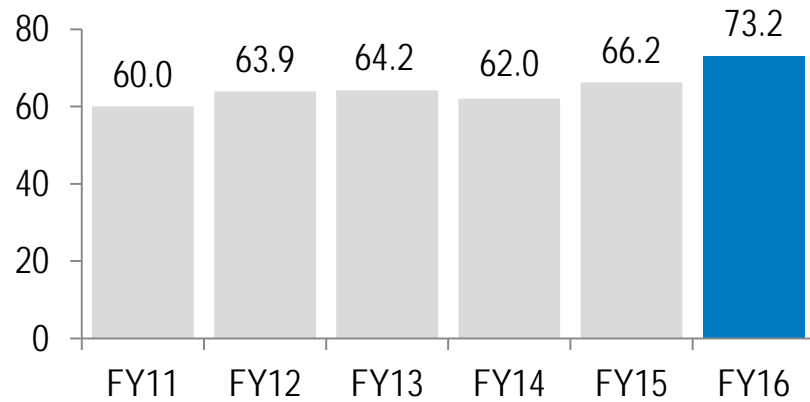


FY16 Product revenue included \$90M from reselling vendor cloud subscription services, up from \$47M in PCP.

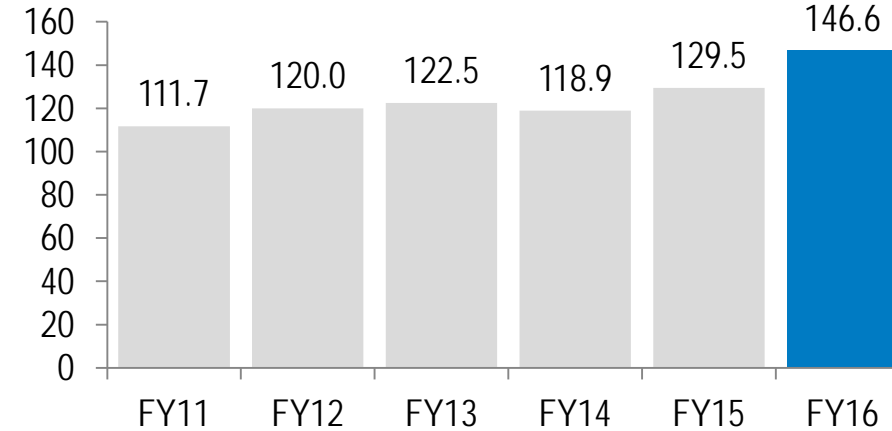
FY16 Services revenue included \$9M of cloud-based services.

STEADY GROWTH IN GROSS PROFIT

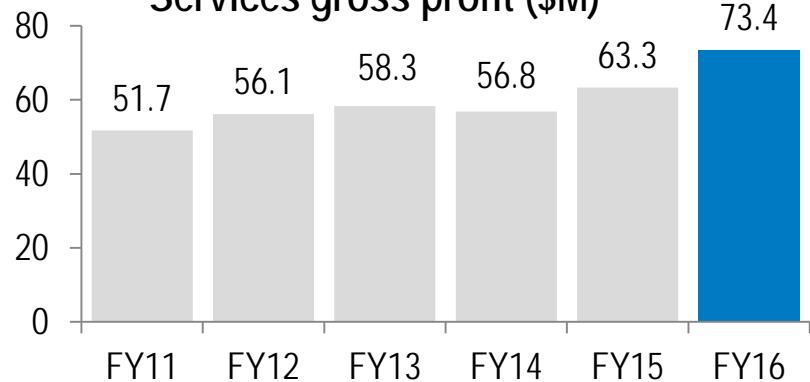
Product gross profit (\$M)



Total gross profit (\$M)



Services gross profit (\$M)



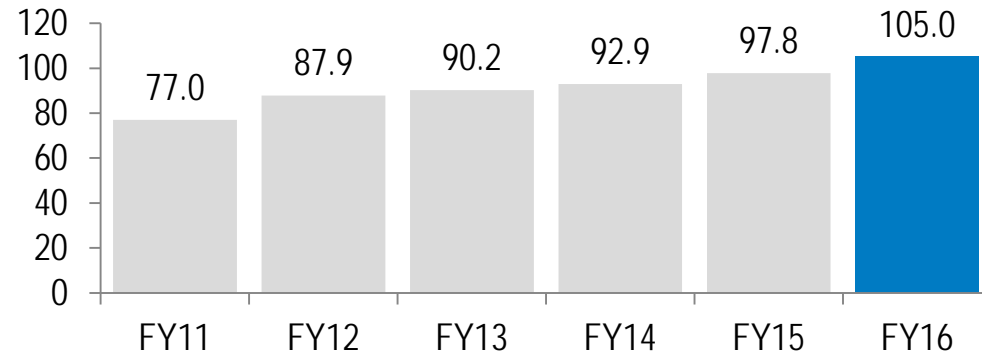
Product gross margin decreased fractionally from 9.3% to 9.2%, delivering a 10.6% increase in product gross profit.

Services gross margin decreased slightly as mix changed but on higher revenues delivered 15.9% increase in services gross profit.

Total gross margin held steady at 14.9%, and total gross profit increased by 13.2%

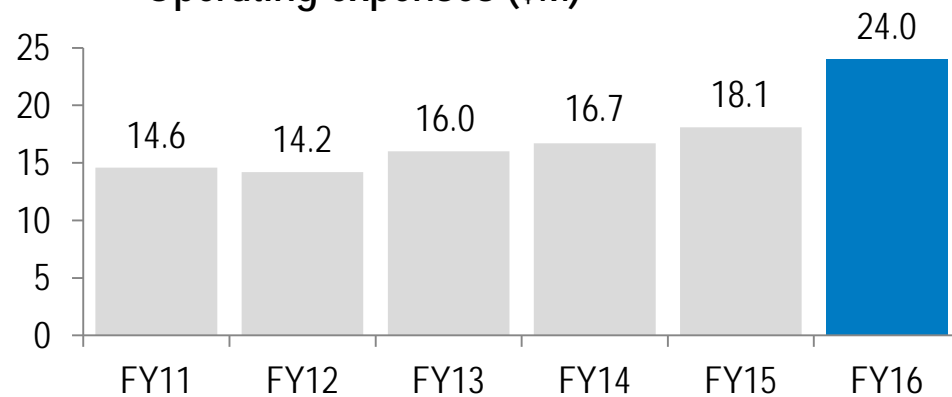
EXPENSES REFLECT GROWTH STRATEGY

Internal staff costs (\$M)



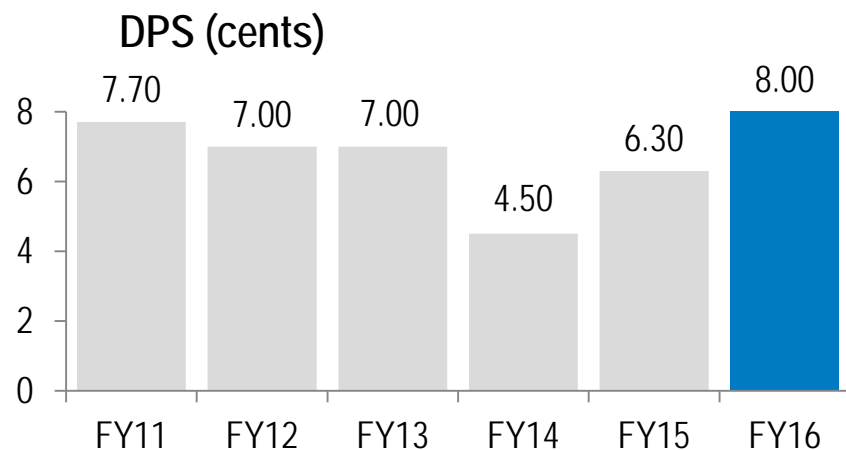
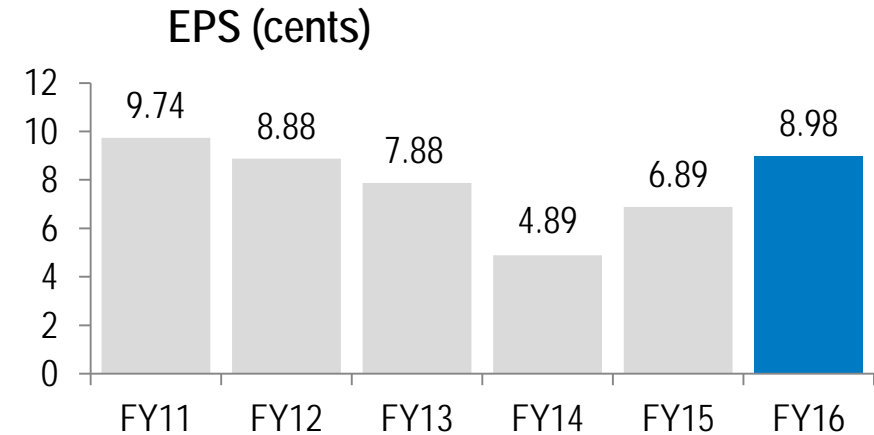
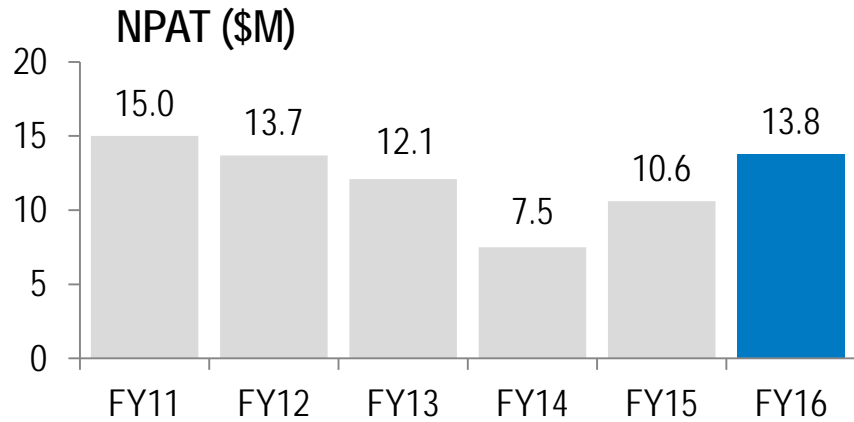
Internal staff costs up 7.4% with headcount increased by the Business Aspect acquisition and general organic growth.

Operating expenses (\$M)



Operating expenses up 32.5% mostly due to expansion from acquisition and investment activity.

SUSTAINED EARNINGS GROWTH



Solid growth in revenue and gross profit delivered strong growth in profit, with earnings per share up 30.4% and total dividend up 27.0%.

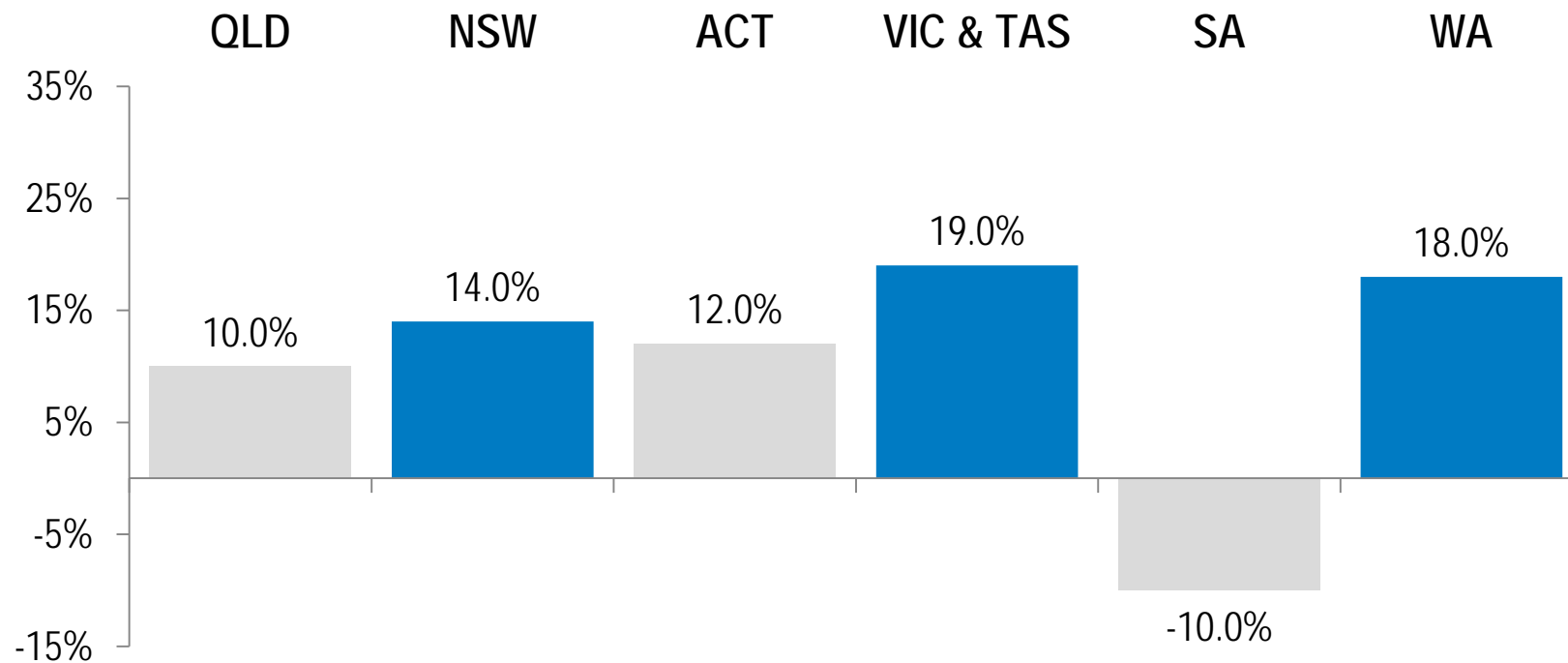
Total shareholder return during the year was 41.4%.

SOLID BALANCE SHEET & CASHFLOW

- Strong balance sheet with no material debt
- Any borrowings are back-to-back with customer contracts
- Cash flow 'seasonality' consistent with previous years
- Operating cash flow and inventory impacted by sizable infrastructure projects in progress at year-end.
- Average DSOS of 26 days - industry best practice

BROAD-BASED MARKET GROWTH

% change in gross profit
FY16 vs. FY15



FY16 PERFORMANCE – PEOPLE



Data#3 was also named Australia's Best Company in the 2016 Employer of Choice Award for the Human Resources Director (HRD) Magazine. Data#3 won the gold medal in the large category (500+ employees), followed by MYOB who received silver, and Johnson & Johnson who received the bronze medal.

UPDATE ON RECENT ACQUISITIONS



BUSINESS ASPECT



- Steady growth with national expansion
- First full year of operation in the group
- Year of investment for national growth
- Earn-out not achieved in FY16
- Increasing contribution to group profit
- Strategic positioning

DISCOVERY TECHNOLOGY



- Controlling interest acquired in July 2015, and fully consolidated in FY16 result
- Software developer of Wi-Fi content management and analytics application "CCX"
- Operates independently of Data#3
- FY16 financial performance disappointing due to abnormal expenses and long sales cycles
- Market demand is high and significant pipeline of opportunities is expected to drive improved contribution

FY17–19 STRATEGY



UNDERLYING FUNDAMENTALS INFLUENCING SECTOR GROWTH

- Economic outlook is mixed but overall neutral for commercial customers
- Education and health sectors will continue to grow
- A rapid shift to consumption-based and service-centric solutions is occurring
- Digital solutions will increasingly transform business models
- Security as the number one priority
- Public cloud usage will become mainstream

LONG TERM OBJECTIVES

1. Deliver sustained profit growth
2. Grow services revenue with an increase in annuity and an increase in margin
3. Grow cloud services revenues.

KEY PRIORITIES IN FY17

1. Investing in sales enablement to better position ourselves with our customer's digital transformation
2. Growing our Business Aspect consulting business and leveraging Data#3 where appropriate
3. Improving contribution from Discovery Technology
4. Establishing a health sector practice and emulating the success we have seen with our sector investment in education
5. Investing in new internal systems to improve operational efficiency

FY17 OUTLOOK

FY17 OUTLOOK

Our overall financial goal for FY17 is to continue to deliver earnings growth and returns to shareholders

Q&A

APPENDIX 1 – FINANCIAL SUMMARY

	FY16 \$'000	FY15 \$'000	% Change
Revenue by segment:			
Product (including cloud solutions)	793,950	709,196	+ 12.0%
Services (including cloud services)	187,365	160,247	+ 16.9%
Other revenue	1,908	1,027	
Total revenue	983,223	870,470	+ 13.0%
Total cloud-based revenues included above	98,953	47,000	+ 110.5%
Total gross profit	146,574	129,484	+ 13.2%
Total gross margin %	14.9%	14.9%	
Product gross profit	73,160	66,155	+ 10.6%
Product gross margin %	9.2%	9.3%	
Services gross profit	73,414	63,329	+ 15.9%
Services gross margin %	39.2%	39.5%	
Total expenses	129,000	115,866	+ 11.3%
EBITDA	22,407	17,021	+ 31.6%
EBIT	18,869	14,377	+ 31.2%
EBIT margin %	1.9%	1.7%	
NPBT	19,482	15,193	+ 28.2%
NPAT (excluding minority interests)	13,830	10,604	+ 30.4%
Return on equity %	34.7%	29.2%	
	FY16	FY15	% Change
Earnings per share	8.98 cents	6.89 cents	+ 30.4%
Dividend per share	8.00 cents	6.30 cents	+ 27.0%
Dividend payout ratio	89.1%	91.5%	
Total shareholder return (based on dividends received)	41.4%	23.7%	

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