

**DICKER**

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ASX: DDR

**AGM 2017**

18 May 2017

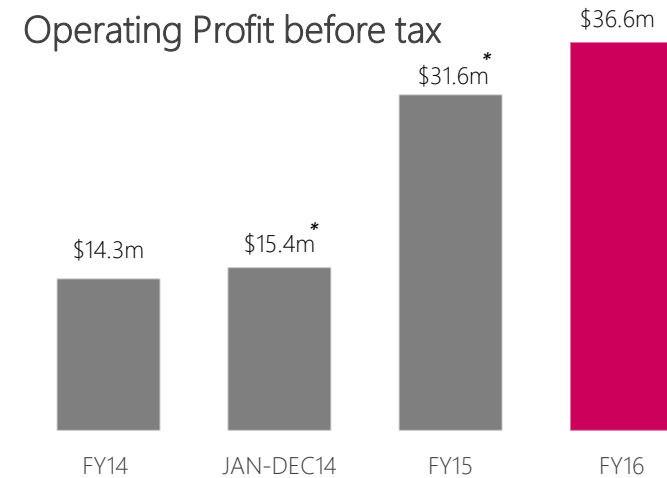
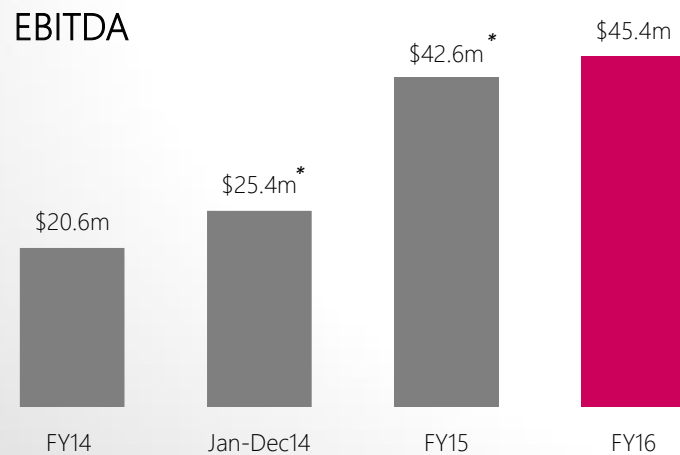
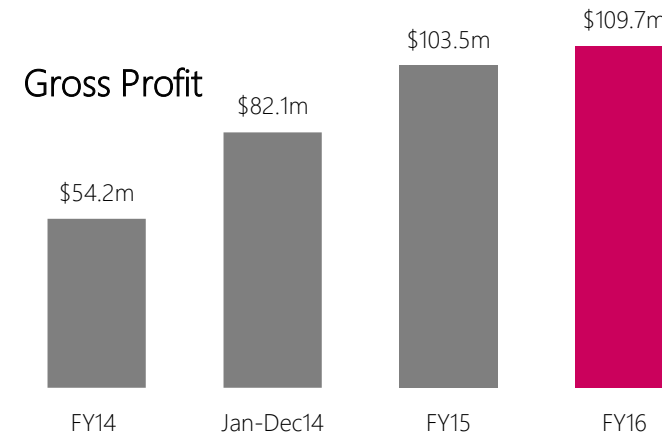
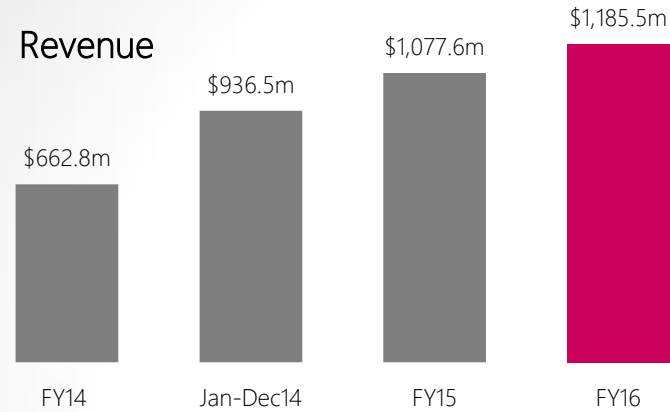
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# Financial Results FY16

# Financial Results

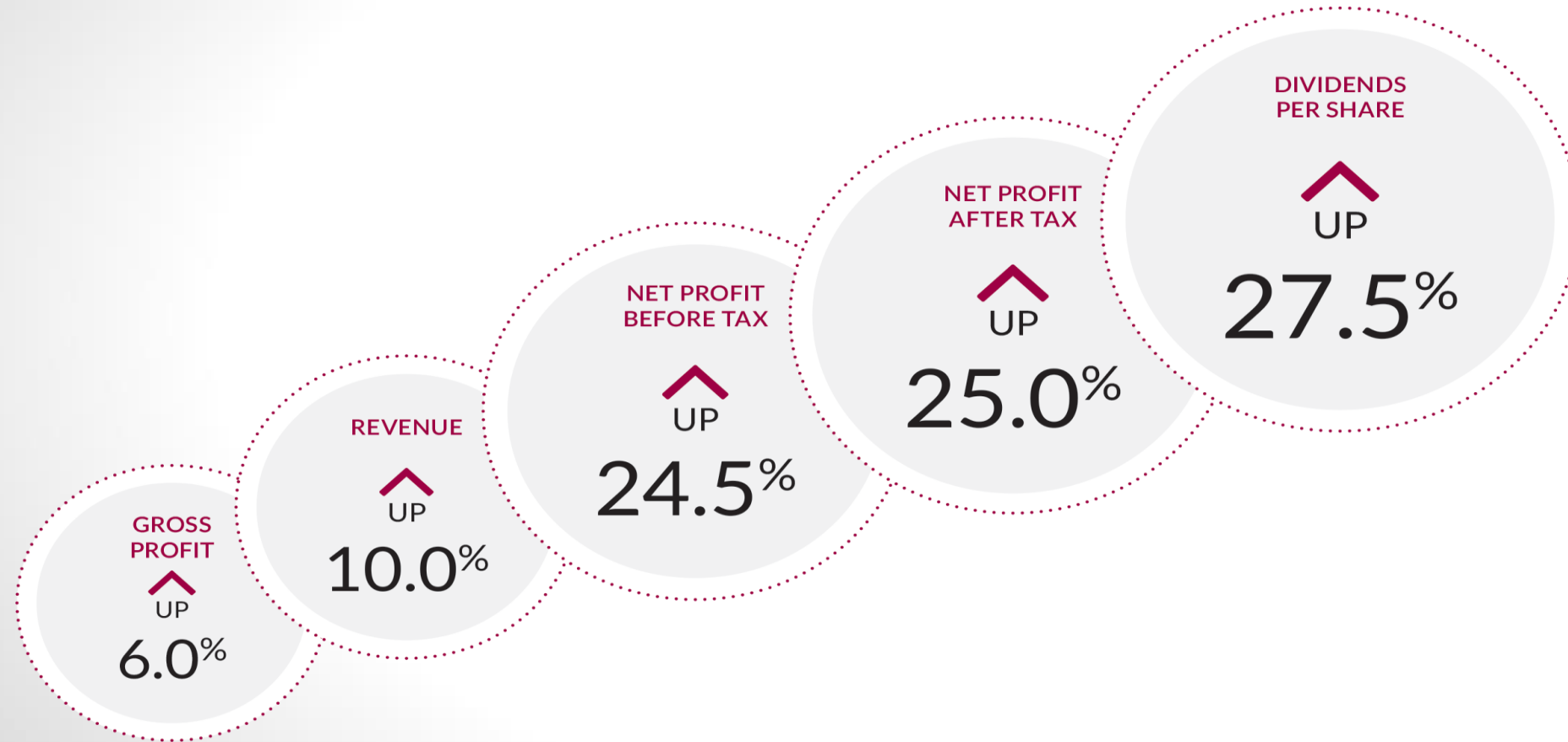
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\* Before tax, one-off integration and share acquisition costs

# FY16 Financial Results

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# FY16 Results

# AGM 2017

12 Months Results to 31 December 2016

Key Financial Data (in \$m)

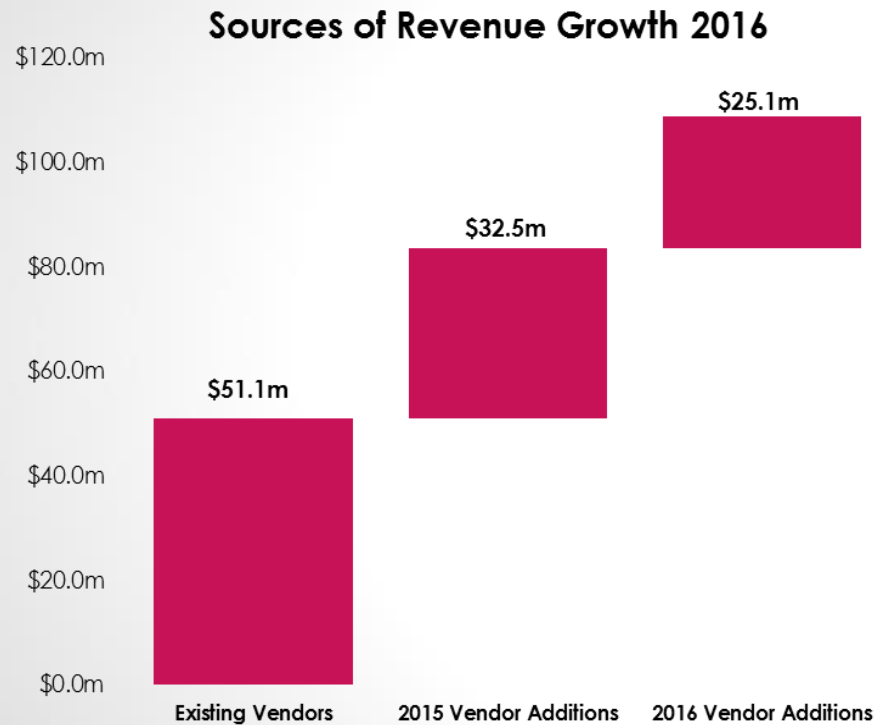
12 months to:	Dec-16	Dec-15	Variance
Total Revenue	1,185.5	1,077.6	10.0%
Gross Profit	109.7	103.5	6.0%
Gross Margin	9.3%	9.6%	
EBITDA	45.4	40.4	12.4%
One off costs	-	2.2	-100.0%
EBITDA	45.4	42.6 *	6.5%
Net operating profit before tax	36.6	31.6 *	15.6%
NOPBT margin	3.1%	2.9%	
Profit before tax (Statutory)	36.6	29.4	24.5%
PBT margin	3.1%	2.7%	
Net profit after tax (Statutory)	25.6	20.5	25.0%

\* Underlying

- Organic revenue growth achieved across existing vendors as well as new vendor additions.
- Profit margins have abated slightly after some opportunistic margin gains in 2015. In 2016 we saw increased market competition, but margins remain within expectation.
- The company continued to exercise its operational leverage with operating costs falling to 5.6% of revenues (2015: 5.9%), and salary related expenses falling to 4.5% of revenues (2015: 4.6%).
- Net profit before tax includes \$1.5m of amortisation expense relating to customer contracts.

# Sources of Revenue Growth

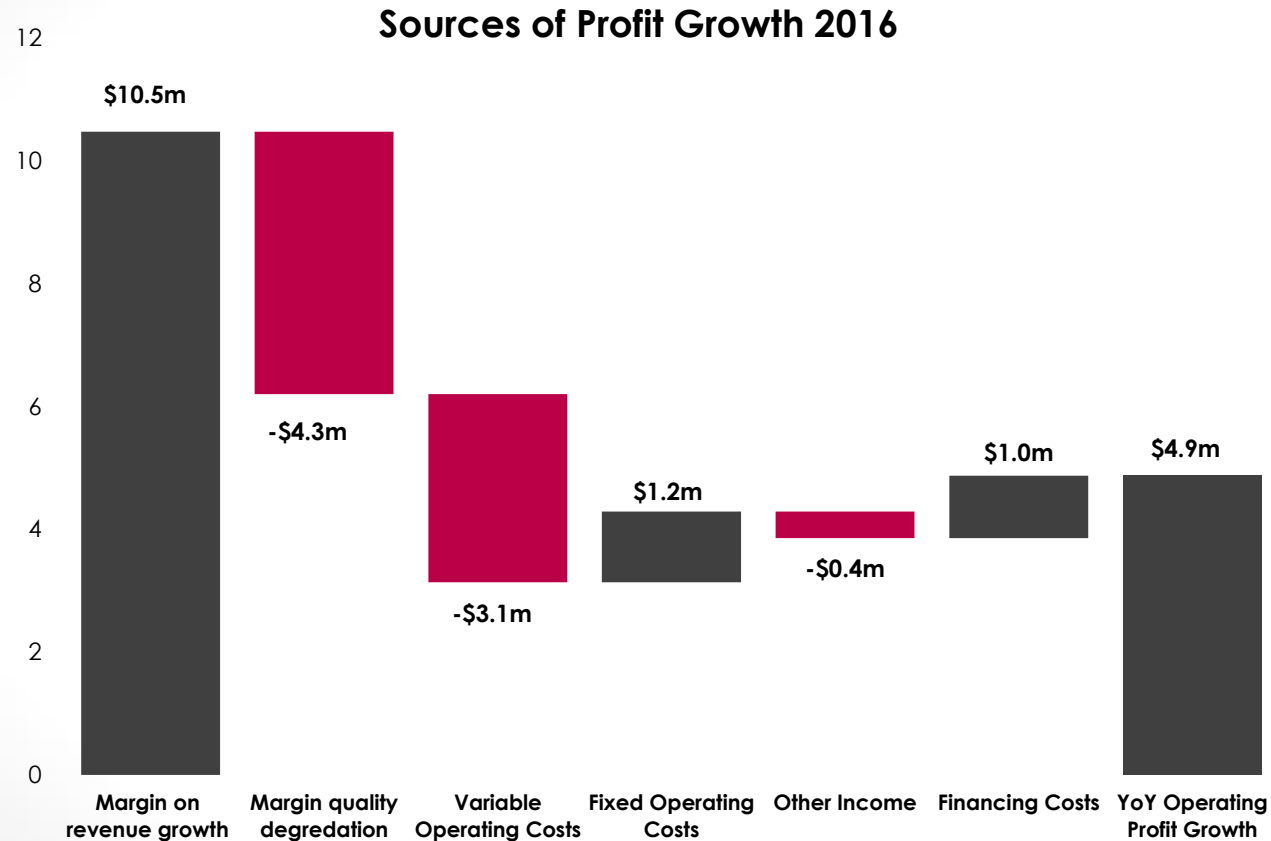
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- Dicker Data has continued to add new vendors and increased the breadth of products offered by existing vendors, as well as driving organic growth and market share in its existing vendor portfolios.
- 47% of revenue growth came from existing vendors which collectively grew at 4.8% YoY.
- 30% of revenue growth came from the first full year of trade for vendor additions made in 2015.
- 23% of revenue growth came from vendor additions made in 2016.
- At a country level (in AUD), Australia grew \$105.5m (+11.1%) and New Zealand grew \$3m (+3%).

# Sources of Profit Growth

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# FY16 Balance Sheet

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Net Assets (in \$m)	Dec-16	Dec-15	Dec-14	Dec-13
Cash and equivalents	17.5	15.8	16.4	0.2
Other current assets	269.7	280.3	215.6	98.1
Goodwill & Intangibles	30.5	31.9	34.0	0.0
Other assets	48.0	30.2	31.3	21.0
<b>Total Assets</b>	<b>365.7</b>	<b>358.3</b>	<b>297.3</b>	<b>119.2</b>
Borrowings	75.0	90.0	119.9	49.9
Other current liabilities	171.2	151.4	145.8	48.0
Borrowings	39.1	38.8	2.7	0.0
Other long-term liabilities	6.5	6.5	7.2	2.3
<b>Total liabilities</b>	<b>291.7</b>	<b>286.7</b>	<b>275.6</b>	<b>100.2</b>
<b>TOTAL NET ASSETS</b>	<b>74.0</b>	<b>71.6</b>	<b>21.7</b>	<b>19.0</b>
<b>Shareholders' Equity</b>				
Share Capital	56.0	55.0	6.9	1.1
Reserves	0.7	0.4	0.7	0.4
Retained earnings	17.2	16.2	14.1	17.5
<b>TOTAL EQUITY</b>	<b>74.0</b>	<b>71.6</b>	<b>21.7</b>	<b>19.0</b>

## Ratios

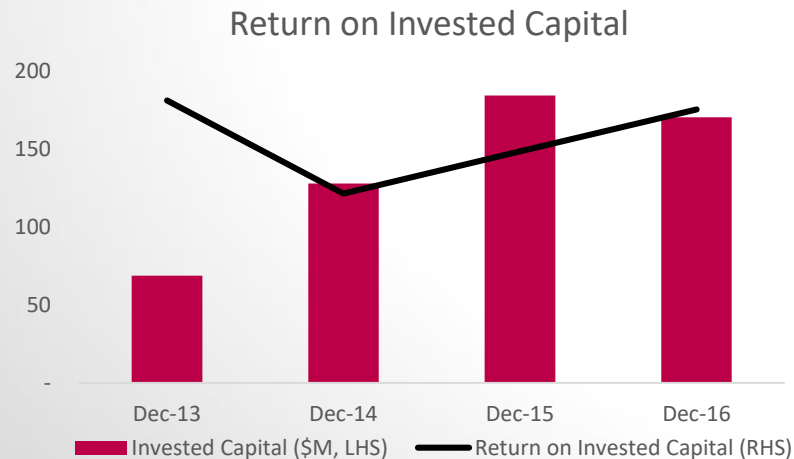
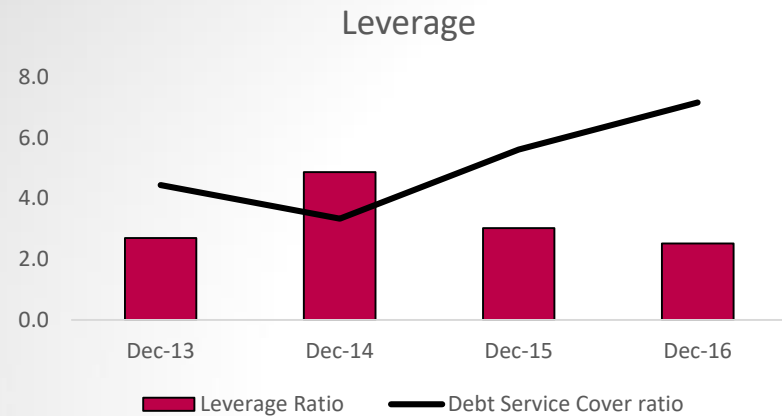
Debt to Equity	1.54	1.80	5.65	2.62
Net Tangible Assets (\$m)	43.5	39.7	-12.3	19.0
Debt Service Cover ratio	7.2	5.6	3.3	4.4

- Investment in working capital has decreased as at Dec 16 with reductions in inventory holdings and accounts receivable, and increases in accounts payable.
- Current debt reduced from \$90.0m to \$75.0m.
- Debt to Equity leverage ratio improved from 1.80x to 1.54x.
- Net Tangible Assets improved from \$39.7m to \$43.5m during the year.
- Debt Service Cover Ratio has improved from 5.6x to 7.2x.



# Leverage and Performance

## AGM 2017



- In 2014, the company acquired Express Data Holdings Limited for \$65.5m which was funded by an increase in debt facilities -significantly increasing the company's invested capital and balance sheet leverage.
- After the successful integration of the Express Data business, the company has reduced it's leverage in successive years, whilst still maintaining a 100% dividend for shareholders. As at Dec 2016 the company's leverage ratio is sitting at 2.5x EBITDA.
- In parallel, the company's ability to service it's debt has more than doubled in the past 2 years and at Dec 2016 sits at 7.2x.
- Since the combination of the two entities, the company has exercised it's operational expertise to continue to grow, but also derived productivity efficiencies to again achieve Returns on Invested Capital (ROIC) of 17.5%.

# NZ Trading Results

## AGM 2017

### Key Financial Data (in \$NZm)

12 months to:	Dec-16	Dec-15	Variance
Total Revenue	135.5	133.5	1.5%
Gross Profit	12.2	13.8	-11.5%
Gross Margin	9.0%	10.3%	
EBITDA	3.8	5.5	-30.7%
Profit before tax	3.6	5.4	-33.3%
PBT margin	2.6%	4.0%	
Net profit after tax	2.6	3.8	-32.6%

- In NZ we saw slight growth in revenue of 1.5% in local currency, with strong gains in our volume and software business, offset by a further decline in our networking business.
- During 2016, our largest Cisco partner continued to purchase Cisco product directly – negatively impacting the volumes and timing of Cisco related product in the channel.
- This also had the effect of creating heavy competition for the rest of the Cisco channel business and negatively impacted margins.
- Operating costs have increased only slightly in absolute terms and remain at 6.2% of revenue, with salary related expenses falling from 4.9% to 4.8% of revenue.

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# Financial Results

## Q1 FY17

# Q1 FY17 Results - Group

# AGM 2017

## Key Financial Data (in \$m)

3 months to:	Mar-17	Mar-16	Variance
Total Revenue	279.4	267.7	4.4%
Gross Profit	25.0	23.7	5.4%
Gross Margin	9.0%	8.9%	
EBITDA	9.5	9.1	4.8%
Profit before tax	7.5	6.8	9.3%
PBT margin	2.7%	2.6%	
Net profit after tax	5.2	4.8	9.3%

- Revenue grew 4.4% YoY to YTD March, with strong market competition in some existing vendors being compensated for by strong growth in new product ranges as well as growth from recently on-boarded vendors.
- Gross profit increased by 5.4% on the comparative period last year, and in line with our forecast.
- Profit before tax finalised at \$7.5m for the quarter, 9.3% higher than comparative period last year.
- PBT margin has increased slightly to 2.7%.

# Q1 FY17 Results - NZ

# AGM 2017

## Key Financial Data (in \$NZm)

3 months to:	Mar-17	Mar-16	Variance
Total Revenue	30.1	27.9	7.9%
Gross Profit	2.8	2.6	9.7%
Gross Margin	9.3%	9.1%	
EBITDA	1.0	0.6	61.5%
Profit before tax	1.0	0.5	81.4%
PBT margin	3.2%	1.9%	
Net profit after tax	0.6	0.4	60.9%

- Revenue grew 7.9% YoY (in local currency) to YTD March,
- Gross profit increased by 9.7% on the comparative period last year, with margin quality improving to 9.3%, mainly as a result of the additional volume vendors.
- Profit before tax finalised at \$1.0m for the quarter, benefiting from some FX gains.
- PBT margin has increased to 3.2%.

# Q1 FY17 Balance Sheet

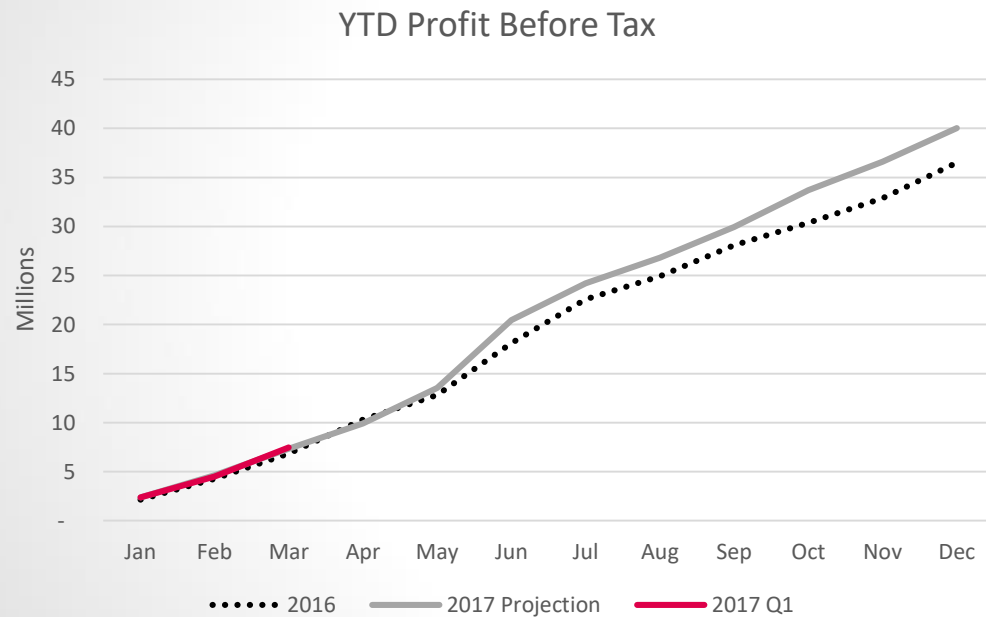
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Net Assets (in \$m)	Mar-17	Dec-16
Cash and equivalents	18.5	17.5
Other current assets	224.9	269.7
Goodwill & Intangibles	30.1	30.5
Other assets	47.9	48.0
<b>Total Assets</b>	<b>321.5</b>	<b>365.7</b>
Borrowings	70.0	75.0
Other current liabilities	134.1	171.2
Borrowings	39.1	39.1
Other long-term liabilities	6.4	6.5
<b>Total liabilities</b>	<b>249.7</b>	<b>291.7</b>
<b>TOTAL NET ASSETS</b>	<b>71.8</b>	<b>74.0</b>
<b>Shareholders' Equity</b>		
Share Capital	56.3	56.0
Reserves	0.1	0.7
Retained earnings	15.4	17.2
<b>TOTAL EQUITY</b>	<b>71.8</b>	<b>74.0</b>
<b>Ratios</b>		
Debt to Equity	1.52	1.54
Net Tangible Assets (\$m)	41.7	43.5

- Working capital investment reduced by \$12.7m during the period mainly driven by a reduction in inventory.
- This has been achieved by a continued focus on inventory holdings allowing further investment in new vendor portfolios.
- As a result, the company has been able to increase its cash holdings by \$1m and reduce its debt by a further \$5m.
- With the reduction in debt there was also further improvement in the leverage ratio. Debt to equity ratio falling to 1.54 from 1.52.

# Q1 FY17 Results

# AGM 2017



- In the 3 months to March Pretax Profit is tracking to forecast and ahead of the corresponding quarter last year.
- Full year PBT forecast remains at \$40m.

# 2017 Guidance

# AGM 2017

- The company remains well placed for FY17 to achieve both revenue and profit growth.
- We are forecasting revenue growth at just under 10% which is expected to be as a result of organic growth and full year contribution from 2016 vendor additions, plus partial contribution of new vendor alignments recently announced as well as new vendor prospects.
- Our margin assumptions assume the current competitive environment experienced late last year and in the first quarter this year will continue into 2017.
- Wage costs have been in a steady state in 2016 although we continue to invest to grow sectors of the business such as our Volume, Cloud and Software portfolios. With remuneration strongly tied to performance outcomes we are expecting some increase in wages costs during FY17.
- We are not anticipating any material capital costs relating to the construction of our new premises within the 2017 year, other than site clearing, planning and DA approval costs.
- Based on all the above assumptions for FY17 we expect to generate pre-tax profit of \$40.0m.
- Assuming an average tax rate of 30% NPAT is forecasted at \$28m, equating to 9.5% growth on the result achieved in 2016.



# Dividends

# AGM 2017

Record Date	Payment Date	Dividend (CPS)	Type	Amount Franked
8-Jun-16	16-Jun-16	0.0385	Interim	100%
7-Sep-16	16-Sep-16	0.0385	Interim	100%
7-Dec-16	15-Dec-16	0.0385	Interim	100%
9-Mar-17	17-Mar-17	0.0440	Final	100%
	<b>Total</b>	<b>0.1595</b>		

- Total dividends declared for FY16 were 15.95 cps with a final dividend for FY16 paid 17 March 2017 at 4.4 cps.
- In FY17 the company intends to continue to streamline its dividend payment policy by paying equal quarterly dividend instalments based on its annual profit guidance.
- Total proposed dividend for FY17 is 16.4 cps paid at 4.0 cps per quarter, subject to the company tracking to forecast.
- The DRP will be retained for FY17.

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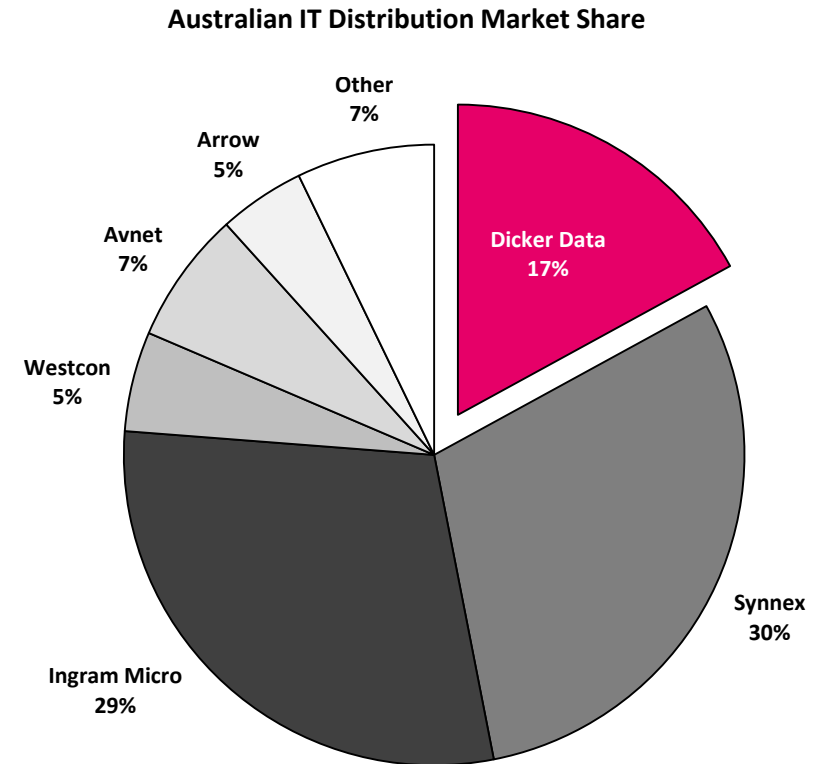
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# Company Update

# IT market and strategy

# AGM 2017

- Dicker Data is a leading Value Added Distributor, working in close partnership with our vendors to deliver their technologies into the corporate and SMB market channels.
- Focusing on reseller partners servicing the mid-market and SMB communities Dicker Data does not fulfil the retail channel, positioning ourselves instead as a value added distributor with specific focus on pre-sales capabilities, value added services and emerging hybrid end to end technology solutions.
- In recent years, the Company has targeted distribution agreements in software, high-end enterprise products and those that address the cloud computing environment.
- The industry is going through major transformation and evolving faster than ever, and we need to keep evolving to differentiate and offer unique value proposition to both vendors and reseller partners.



\*Based on latest published market information – distribution market worth ~\$7billion.

# 2017 Opportunities

# AGM 2017

- We will continue strengthening our enterprise and midmarket capabilities across ANZ, leveraging our existing and newly on boarded vendors to drive new market opportunities and innovation for our customers.
- Market trends such as cloud, digital transformation and Internet of Things (IOT) continue to present new market opportunities and new revenue streams for Dicker Data and our customers.
- We are seeing convergence of traditional Telco channel and IT which represents great cross sell opportunities for our ecosystem partners. This is driven by customers implementing hybrid IT strategies across their organization. Leveraging Dicker Data's strengths and capabilities, we are well positioned to support and grow this partner community.
- We are continuing to invest in our rapidly growing "as a service" recurring revenue streams. Dicker Data's stated position as a leading cloud aggregator continues to gain momentum in driving cloud adoption.
- After establishing a net new Volume Group within the NZ structure in mid 2016, our focus for 2017 is to continue to expand this division by adding more strong Tier 1 vendors to both the volume and enterprise portfolio. In addition our focus will be to grow the SMB customer base. Even though we are forecasting modest growth for NZ in 2017 the strategy now being put in place for vendor and SMB reseller expansion will form very solid platform for accelerated growth in 2018.

# Vendor Additions H216

# AGM 2017

## Microsoft CSP



- Access in Australia to Microsoft Indirect Cloud Solution Provider (CSP) program
- CSP program relevant for transitioning to subscription and consumption based billing

## Microsoft Surface



- Access to full commercial range of Microsoft Surface Pro4 and Microsoft Surface Book products

## Dell



- Access to wider Dell portfolio to include full notebook, PC, workstation, thin client, monitor, server, storage and networking ranges in Australia

## Quest



- Enterprise Software Vendor
- Provides comprehensive portfolio of solutions including data analytics, database management and data protection

## Logitech



- Peripheral commercial and gaming products
- Provide alternative options for resellers in areas of video conferencing

## ShoreTel Hosted Voice



- Exclusive appointment of ShoreTel's Hosted Voice product, enabling resellers of any size to sell voice solutions to their end users

# Vendor Additions YTD 2017

# AGM 2017

## Trend Micro



- Access to the complete range of Trend Micro security products in the Australian market

## Seagate



- Access to all Seagate high capacity drives and best-in-class storage solutions.

## BenQ



- Access to BenQ's LCD Monitor product range.

- To strengthen our enterprise and midmarket capabilities we are continually exploring opportunities to complement our existing offerings.
- It is our ongoing process to evaluate all channel vendor product sets and technology solutions to ensure we are providing our reseller partners with the diversified and best-in-class products and services to enable them to provide value to their customers.

# 2016 Industry Awards

# AGM 2017



APC APJ & Australian  
Distributor of the Year



ARN Hardware Distributor  
of the Year 2012 to 2016



HPE Aruba Best Distributor  
Asian Pacific Region 2016



Lenovo Distributor  
of the Year 2016



Cisco APJ & ANZ Distribution  
Partner of the Year 2016



Watchguard ANZ  
Distributor of the Year 2016



Veritas Distributor  
of the Year 2016



QNAP Top Growth  
Distributor APAC 2016



Intel Top Growth Sales  
Data Centre Group 2016

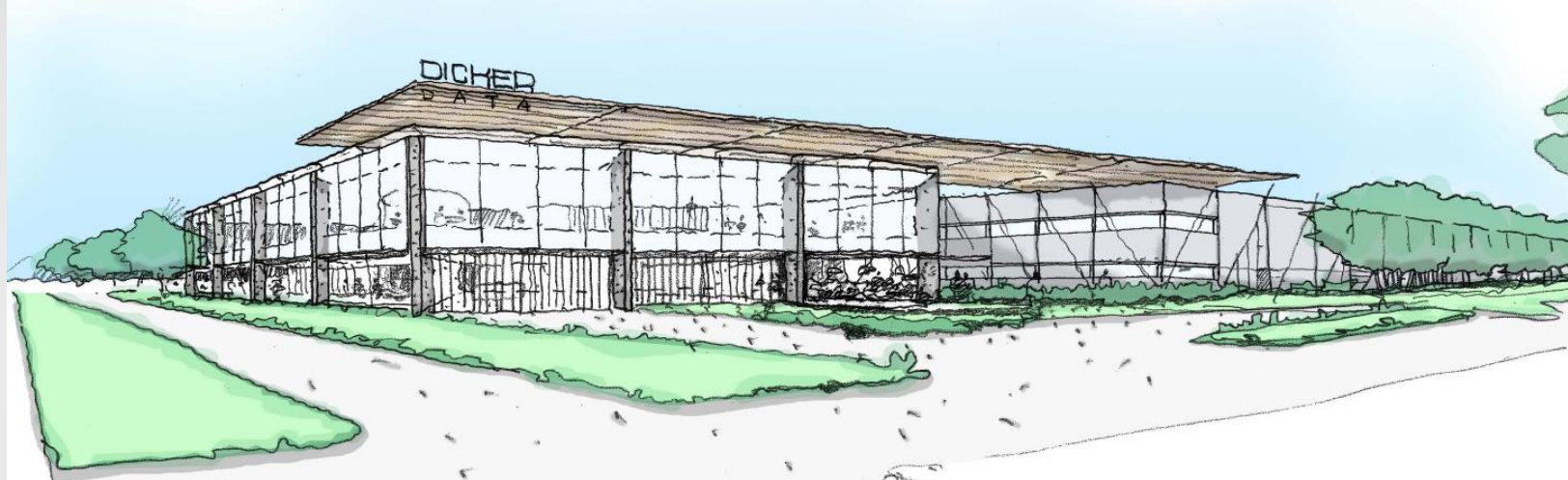


Citrix ANZ Distributor  
of the Year 2016



# New Premises

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- On 25 Feb 2016, Dicker Data announced the land purchase of the 17.2 hectare site adjacent to its existing premises, in preparation for expansion to a new distribution centre. The purchase price was \$17m.
- We are currently working through the planning process for both the proposed new facility as well as the existing facility.
- The demolition DA has been approved by authorities and demolition and site preparation has now begun.
- We have been working on some initial concept designs and based on this will proceed with preparation of the development application.



# Further Information

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## Contact Information

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