

Data#3

FY17 RESULTS BRIEFING

23 AUGUST 2017

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FY17 SUMMARY



FY17 SUMMARY

"We continued to grow revenue and profit in the year, with revenue reaching \$1.1 billion and a record EPS, 11.2% ahead of the pcp.

The board is pleased to declare a full year dividend of 8.9 cps, an increase of 11.3% on pcp.

FY17 total shareholder return was an outstanding 72.7%."

Laurence Baynham
Data#3 Limited - CEO & MD

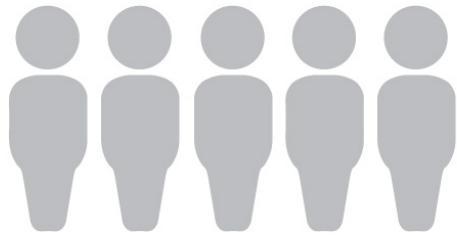
FY17 SUMMARY

- Major milestones achieved in 2017:
 - 40 years in business
 - 20 years on ASX
 - Over \$1B revenue
 - Record earnings & dividend
- Sustained revenue & profit growth with increasing shift to services / annuity
- 3 year business plan on track
- Strong growth in the emerging cloud-based business
- Record staff satisfaction and national Employer of Choice awards
- Record customer satisfaction

OUR BUSINESS



Data#3



1100+
EMPLOYEES IN 2017



8 OFFICES
3 INTEGRATION CENTRES
3 DATA CENTRES

FOUNDED IN
1977



LISTED ON
ASX
IN 1997



1.1B
IN REVENUE IN FY17



4,743
CUSTOMERS
ENTERPRISE AND PUBLIC SECTOR

OUR SOLUTIONS

We work with our customers to enable their business objectives, utilising our **technology solution** categories:



Delivered under our **PDO² Customer Solution Lifecycle** methodology:

Position, Plan, Design, Deploy, Operate, Optimise

CONSULTING

PROJECT SERVICES

MANAGED SERVICES

OUR FOCUS ON INDUSTRIES

The Anywhere Clinical Desktop



The Anywhere Classroom



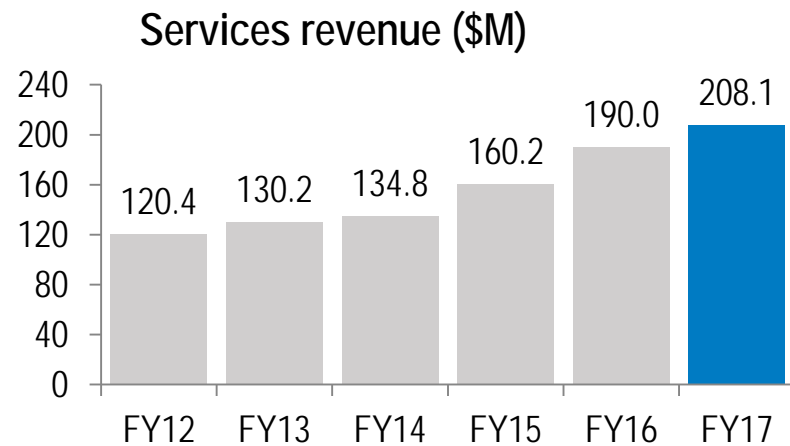
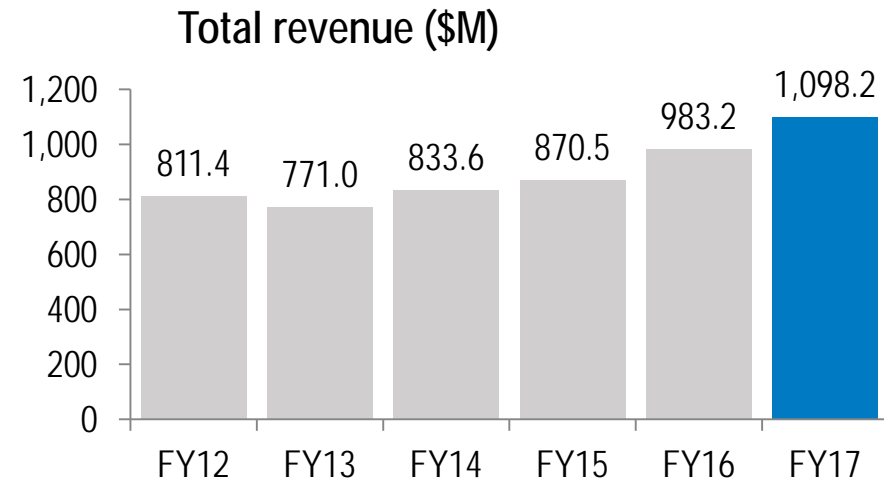
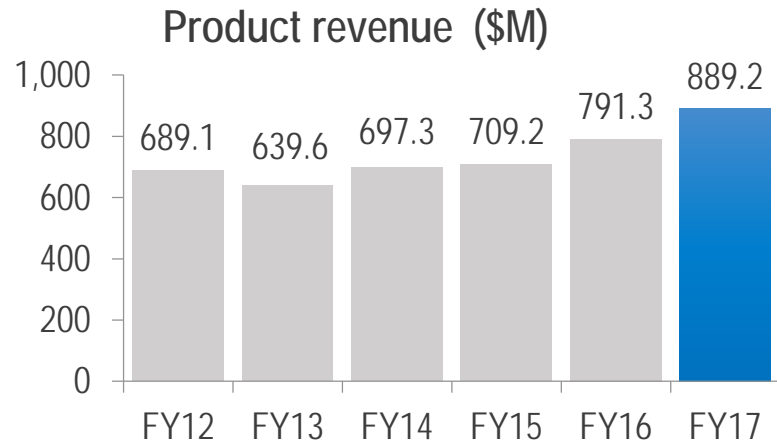
FY17 FINANCIAL PERFORMANCE



FY17 PERFORMANCE – SUSTAINED GROWTH

Revenue	Up 11.7%	\$1,098.2M
Product	Up 12.4%	\$889.2M
Services	Up 9.5%	\$208.1M
Cloud-based (included in Product & Services above)	Up 71.3%	\$169.5M
Other revenues		\$0.9M
<hr/>		
Gross Profit (excluding Other Revenue)	Up 8.4%	\$158.9M
Product	Up 2.8%	\$72.5M
Services	Up 13.6%	\$86.3M
Gross Margin	Down 0.4 points	14.5%
<hr/>		
EBITDA	Up 10.4%	\$24.7M
EBIT	Up 14.8%	\$21.7M
NPBT	Up 15.0%	\$22.4M
NPAT (excluding minority interests)	Up 11.2%	\$15.4M
Earnings per share	Up 11.2%	9.99 cents
Dividend per share	Up 11.3%	8.90 cents

STEADY GROWTH IN REVENUE



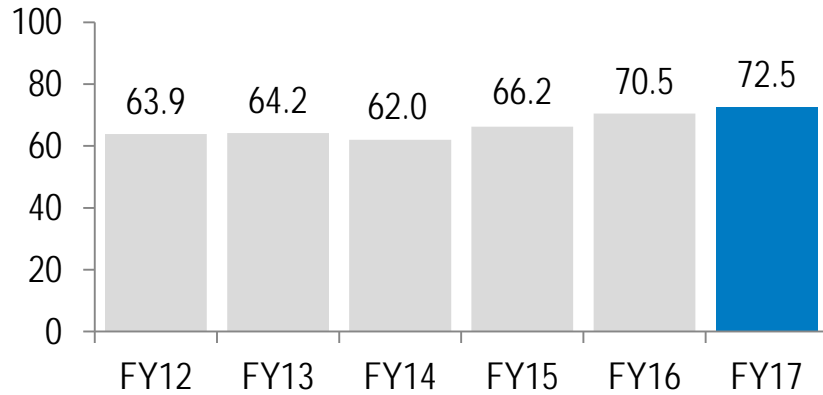
Product revenue increased by 12.4% and Services revenue increased by 9.5%

Continued market share gain.

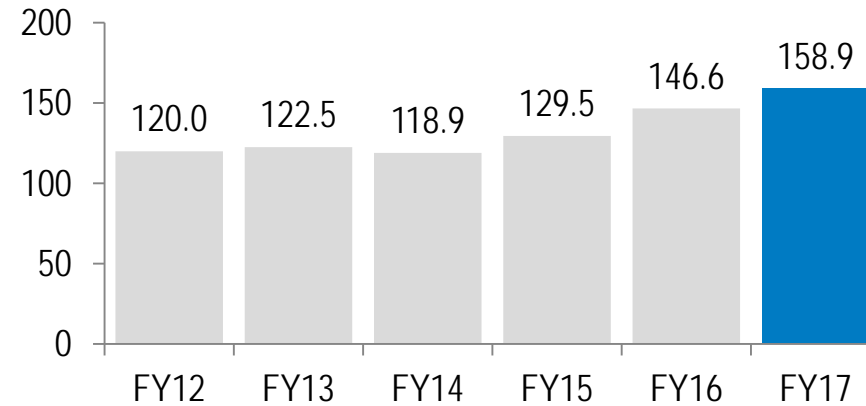
Increasing shift to as-a-service.

STRATEGIC SHIFT IN BUSINESS MIX

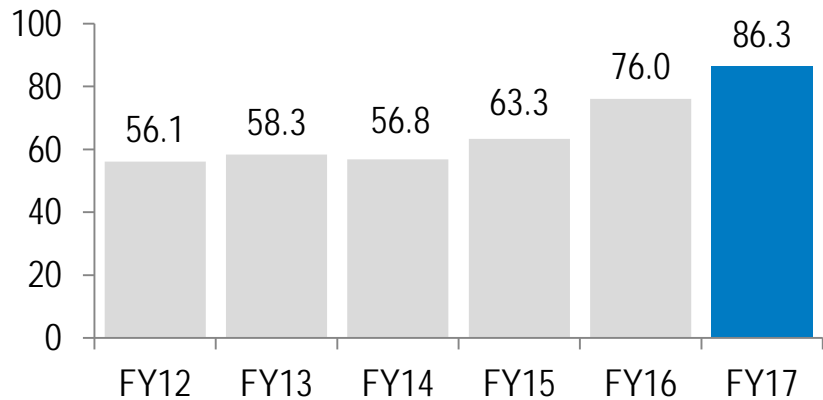
Product gross profit (\$M)



Total gross profit (\$M)



Services gross profit (\$M)

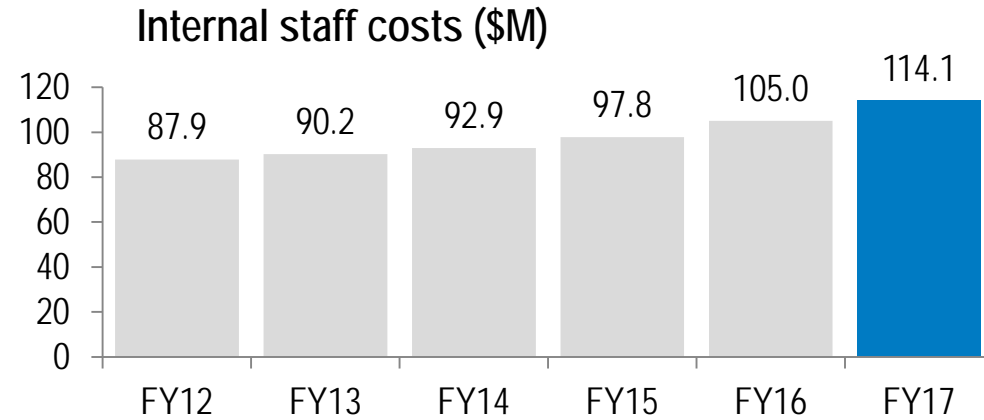


Product gross margin decreased slightly from 8.9% to 8.2% as mix changed but on higher revenues delivered a 2.8% increase in product gross profit.

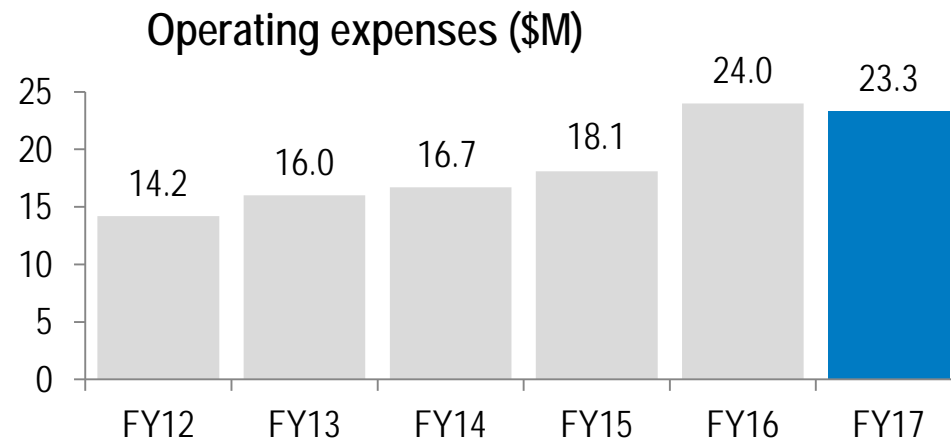
Services gross margin strengthened and delivered a 13.6% increase in services gross profit.

Total gross margin decreased from 14.9% to 14.5%, and total gross profit increased by 8.4%

EXPENSES REFLECT GROWTH STRATEGY



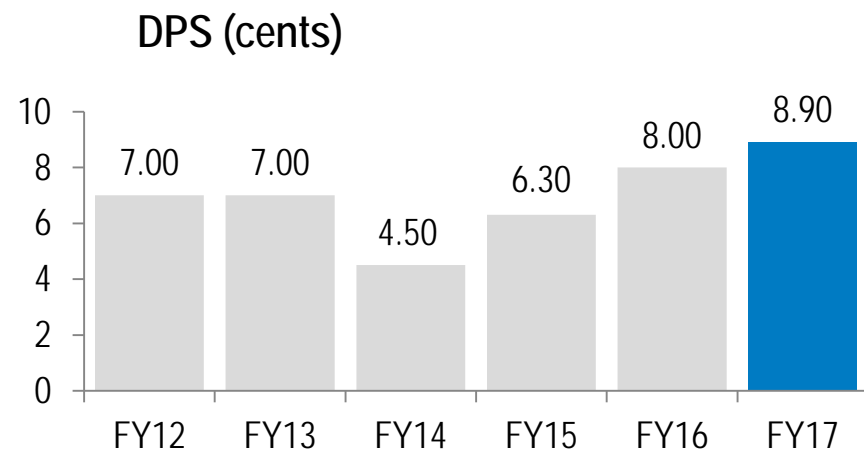
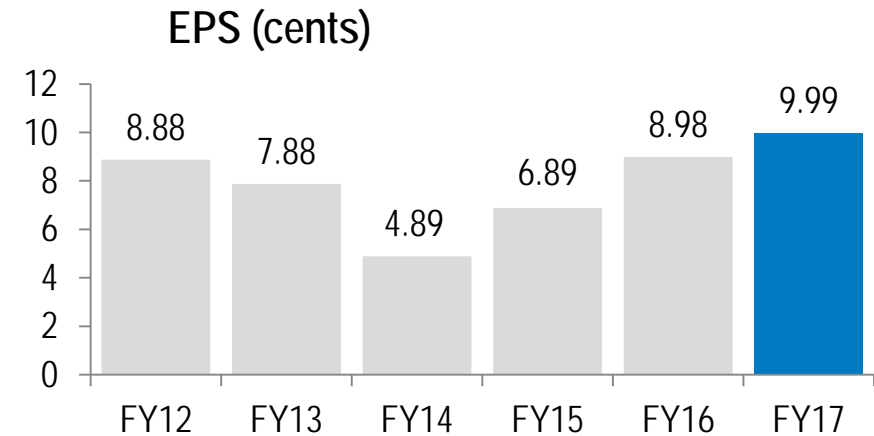
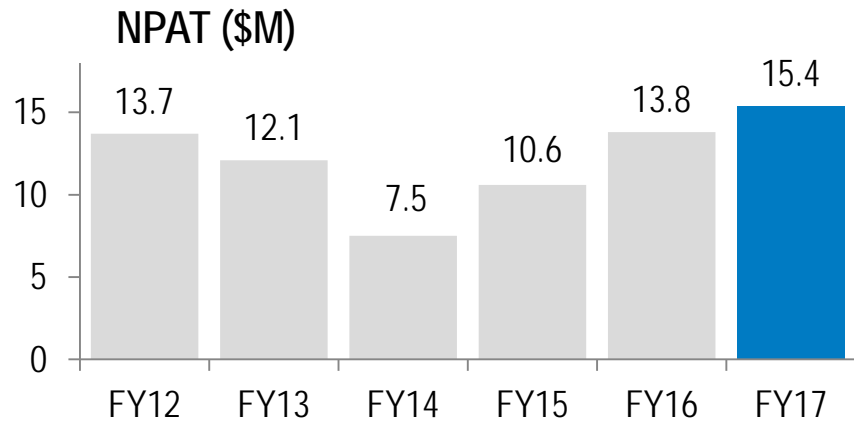
Internal staff costs up 8.6% with headcount relatively constant, but with continual rebalancing and increase in consulting staff.



Operating expenses down 2.6% after 'step-up' in FY16 from acquisition and investment activity.

Cost Ratio (staff & operating expenses as percentage of gross profit) decreased from 88.0% to 86.5%

SUSTAINED EARNINGS GROWTH



Growth in revenue and gross profit delivered solid growth in profit, with earnings per share up 11.2% and total dividend up 11.3%, both at record levels.

Total shareholder return during the year was 72.7%.

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
- Very strong \$51.3M operating cash inflow inflated the temporary surplus at year end.
- Average DSOS of 26.7 days - industry best practice

FY17 PERFORMANCE – PEOPLE



Number of people

1,177



People satisfaction / 5

4.27



Employer of choice
(% recommended by Data#3)

96.3%

Two independent Employer of Choice awards:



UPDATE ON ACQUISITIONS



BUSINESS ASPECT



- Powerful strategic positioning
- Continued investment for national growth
- Strong revenue growth not matched with profit growth at this early stage
- Improved profit contribution expected in FY18

DISCOVERY TECHNOLOGY



- Controlling interest (61.6%) acquired in July 2015, and fully consolidated in FY16 & FY17 results
- Software developer of Wi-Fi content management and analytics application "CCeX"
- Operates independently of Data#3
- Significant turn-around in FY17 financial performance
- Market demand remains strong, with significant pipeline of opportunities
- Since year-end Data#3 has increased shareholding to 77.4% (in July 2017)

FY18–20 STRATEGY



MARKET FUNDAMENTALS

- Digital transformation is more prevalent in business strategy
- Cyber security remains top priority
- Consumption of digital technology will continue to shift from capital expenditure to operating expenditure
- Industry consolidation is creating opportunity
- Demand for devices and networks will continue to increase to support cloud

KEY PRIORITIES IN FY18

1. Accelerate Services and improve margin
2. Accelerate cloud and grow annuity revenue
3. Continue to adapt and enhance our solutions
4. Improve internal systems for productivity

FY18 OUTLOOK

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Our overall financial goal for FY18 is to continue to deliver earnings growth and returns to shareholders

Q&A



APPENDIX 1 – FINANCIAL SUMMARY

	FY17 \$'000	FY16 \$'000	% Change
Revenue by segment:			
Product (including cloud solutions)	889,204	791,334	+ 12.4%
Services (including cloud services)	208,088	189,981	+ 9.5%
Other revenue	929	1,908	
Total revenue	1,098,221	983,223	+ 11.7%
Total cloud-based revenues included above	169,480	98,953	+ 71.3%
Total gross profit	158,879	146,574	+ 8.4%
Total gross margin %	14.5%	14.9%	
Product gross profit	72,539	70,544	+ 2.8%
Product gross margin %	8.2%	8.9%	
Services gross profit	86,340	76,030	+ 13.6%
Services gross margin %	41.5%	40.0%	
Total expenses	137,406	129,000	+ 6.5%
EBITDA	24,730	22,407	+ 10.4%
EBIT	21,665	18,869	+ 14.8%
EBIT margin %	2.0%	1.9%	
NPBT	22,402	19,482	+ 15.0%
NPAT (excluding minority interests)	15,375	13,830	+ 11.2%
Return on equity %	36.0%	34.0%	
	FY17	FY16	% Change
Earnings per share	9.99 cents	8.98 cents	+ 11.2%
Dividend per share	8.90 cents	8.00 cents	+ 11.3%
Dividend payout ratio	89.1%	89.1%	
Total shareholder return (based on dividends received)	72.7%	41.4%	

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