

Data#3 maintains full year outlook

BRISBANE, Wednesday 21 February 2018: Australian business technology solutions leader Data#3 Limited (ASX: DTL) today announced its results for the six months ended 31 December 2017 (1H FY18).

Consistent with guidance, the first half profit was impacted by a number of once-off events, both planned and unplanned, however the company still expects to achieve its overall financial goal for FY18, being to improve on FY17's best ever profit result.

1H FY18 – key metrics:

- **Total revenue up 8.2% to \$547.3 million, including \$86.1 million of cloud-based revenues**
- **NPBT down 50.2% to \$4.0 million**
- **NPAT down 52.5% to \$2.7 million**
- **EPS down 52.5% to 1.76 cents per share**
- **Strong balance sheet with no material debt**
- **Interim fully franked dividend of 1.60 cents per share**

The total first half revenue increased by 8.2% to \$547.3 million, with increases in both product and services revenues, and the combined cloud-based revenues grew strongly to \$86.1 million.

However, as reported previously, the first half profit was substantially lower than the strong result in the previous corresponding period (PCP), reflecting both planned and unplanned events, which affected the product and services segments. Net profit before tax decreased by 50.2% from \$8.1 million to \$4.0 million, and net profit after tax (excluding minority interests) decreased by 52.5% from \$5.7 million to \$2.7 million. This represented basic earnings per share of 1.76 cents, a decrease of 52.5% from 3.71 cents in the PCP.

Segment profit performance

A number of customer delays and supplier delivery constraints in November and December caused sizeable transactions to slip into the second half. These unplanned timing delays, combined with the negative flow-on effect on supplier rebate entitlements, resulted in a material shift in product profit to the second half.

The planned decommissioning of the Data#3 Cloud platform contributed to the services profit decline, and this will continue throughout the second half. This project is expected to be completed by the end of FY18, thereby positioning the Support Services businesses for solid improvement in profitability in FY19. Data#3 is continuing with its strategy of offering customers public or private cloud solutions from its market-leading, global vendor partners.

The lack of a large-scale integration project in the first half, compared to two substantial projects in the PCP, and lower utilization levels attributable to project delays, put pressure on the Professional Services profit contribution. In addition, Business Aspect Consulting's negative profit performance in the first half was well below plan due to lower than expected utilisation across the recently expanded national operation.

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The second half pipeline includes two large integration projects which will help achieve the planned full year profit for Professional Services, and positive steps are underway that are expected to deliver a significant improvement in Business Aspect's profit contribution in the second half.

Interim dividend of 1.6 cents

Reflecting the company's financial performance for the first half, Data#3's directors declared an interim fully franked dividend of 1.6 cents per share, a 52.2% decrease on the prior corresponding period. This represents a payout ratio of 90.8% of net profit after tax. The record and payment dates for the interim dividend are 15 March 2018 and 29 March 2018 respectively.

Data#3's Chairman Richard Anderson said: "While Data#3's profit performance in the first half was lower than expected, the second half is forecast to be strong, and we remain on track to achieve an improved full-year result. The company intends to maintain a consistent dividend payout ratio."

Positive outlook; still expect to improve on FY17's result

Commenting on the result, Data#3 Chief Executive Officer & Managing Director Laurence Baynham said: "We are confident that our strategy will underpin sustainable growth in long term shareholder returns. Despite the disappointing first half performance, our pipeline of opportunities supports the achievement of our full year objective, being to improve on the record FY17 profit result."

Mr Baynham added: "Despite the temporary difficulties experienced in the first half, we remain confident about delivery of the company's longer-term strategy. Data#3's strategic transition from primarily product centric to increasingly service centric positions us well to continue growth in shareholder value. We have a robust business, no material debt, long-term customer relationships, committed supplier partnerships, and a highly productive team. We continue to see growth in the Australian IT market, and believe we are well positioned to capitalize on that growth."

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About Data#3

Data#3 Limited (ASX: DTL) is a leading Australian IT services and solutions provider, focused on helping its customers solve complex business challenges using innovative technology solutions.

Built on a foundation of 40 years' experience, combined with world-leading vendor technologies, Data#3 delivers an integrated array of solutions spanning cloud, mobility, security, data & analytics and IT lifecycle management. These technology solutions are delivered by combining Data#3's services across consulting, project services and support services.

Listed on the ASX in 1997, Data#3 reported revenues of \$1.1 billion in the 2017 financial year and has more than 1,100 employees. Headquartered in Brisbane, it has facilities across 12 locations in Australia and Fiji.

More information about Data#3 and its solution and service offerings is available at <http://www.data3.com.au>