

Data#3 confirms full year result

BRISBANE, Wednesday 22 August 2018: Australian business technology solutions leader Data#3 Limited (ASX: DTL) today announced its results for the year ended 30 June 2018 (FY18), which are consistent with the guidance provided on 18 July 2018.

FY18 – key metrics

- Revenue up 7.6% to \$1.2 billion
- NPBT down 8.9% to \$20.4 million
- NPAT (excluding minority interests) down 8.4% to \$14.1 million
- EPS down 8.4% to 9.14 cents per share
- Total dividend of 8.20 cents per share, fully franked
- Strong balance sheet with minimal debt

The full year revenue represents solid growth in Data#3's core product business and significant growth in public cloud-based revenues. However, full year earnings and dividend were impacted by mixed profit results, with growth in the core Data#3 businesses offset by lower than expected contributions from the Business Aspect and Discovery Technology acquisitions.

Following the challenging first half, the core Data#3 business delivered a strong second half result, ending the year ahead of FY17. Business Aspect also had a strong second half, recovering its first half loss to end the year close to break even, but below FY17. Discovery Technology's contribution decreased substantially, with full year pre-tax profit \$1.7 million lower than FY17.

Commenting on the FY18 result, Data#3 Chief Executive Officer and Managing Director Laurence Baynham said: "We had a particularly challenging first half due to a number of one-off events, primarily in the services segment, which resulted in a material shift in profit to the second half. Further details of these events are disclosed in our annual report. We are pleased to have achieved a significantly improved second half performance, which largely recovered the first half shortfall, but fell short of our full year objective to improve on FY17 earnings."

Mixed revenue and earnings growth in FY18

In FY18, total revenue was up 7.6% to \$1,181.4 million, with product revenue up 8.1% to \$961.2 million and services revenue up 5.3% to \$219.1 million. Total cloud-based revenues increased by 58.0% from \$169.5 million to \$267.8 million.

Total gross profit increased 0.8% to \$160.1 million, and total gross margin decreased from 14.5% to 13.6%. Product gross profit increased by 6.7% to \$77.4 million and services gross profit decreased by 4.2% to \$82.7 million.

The consolidated NPBT decreased by 8.9% to \$20.4 million, and NPAT (excluding minority interests) decreased by 8.4% to \$14.1 million.

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The directors declared a final fully franked dividend of 6.60 cents per share, compared to 5.55 cents in FY17, bringing the total dividend for FY18 to 8.20 cents per share fully franked. This represents a payout ratio of 89.7%. The final dividend will be paid on 28 September 2018, with a record date of 14 September 2018.

Data#3's Chairman Richard Anderson said: "Data#3's full year earnings and dividend reflect lower than expected contributions from the Discovery Technology and Business Aspect acquisitions. We are taking significant actions with a view to improving the financial contributions of both businesses in FY19."

Delivering key operational milestones

Commenting on the company's FY18 performance, Mr Baynham said: "The non-financial measures indicate the underlying health of the business has continued to strengthen. Our staff and customer satisfaction surveys also produced sustained high results, and we have had continued success in winning cross-industry Employer of Choice awards."

Long term objectives on track

Mr Baynham confirmed: "We remain confident about delivery of the company's longer-term strategy. We have a robust business, no material debt, solid long-term customer relationships, committed supplier partnerships, and a highly productive team."

Outlook for FY19

Mr Baynham added: "We see economic conditions in FY19 remaining steady, with a positive IT industry growth outlook. We continue to see digital technologies leading business transformation in both the commercial and public sectors. We remain well positioned to enable this transformation and to capture new business. Our overall financial goal remains to deliver earnings growth and improved returns to shareholders."

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	FY18 \$'000	FY17 \$'000	% Change
Revenue by segment:			
Product (including cloud solutions)	961,224	889,204	+ 8.1%
Services (including cloud services)	219,077	208,088	+ 5.3%
Other revenue	1,110	929	
Total revenue	1,181,411	1,098,221	+ 7.6%
Total cloud-based revenues included above	267,780	169,480	+ 58.0%
Total gross profit	160,112	158,879	+ 0.8%
Total gross margin %	13.6%	14.5%	
Product gross profit	77,395	72,539	+ 6.7%
Product gross margin %	8.1%	8.2%	
Services gross profit	82,717	86,340	- 4.2%
Services gross margin %	37.8%	41.5%	
Total expenses	140,823	137,406	+ 2.5%
EBITDA	22,437	24,730	- 9.3%
EBIT	19,498	21,665	- 10.0%
EBIT margin %	1.7%	2.0%	
NPBT	20,399	22,402	- 8.9%
NPAT (excluding minority interests)	14,078	15,375	- 8.4%
Return on equity %	31.6%	37.0%	
	FY18	FY17	% Change
Earnings per share	9.14 cents	9.99 cents	- 8.4%
Dividend per share	8.20 cents	8.90 cents	- 7.9%
Dividend payout ratio	89.7%	89.1%	

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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 managed services.

Listed on the ASX in 1997, Data#3 reported revenues of \$1.2 billion in the 2018 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>