Data#3

FY23 Interim Results Briefing

16th February 2023

Agenda

Data#3 Overview

1H FY23 Operational Overview

1H FY23 Financial Performance

Strategy & Outlook

Q&A

1H FY23 Financial Highlights

Revenue **$1.2B** Up 16.7%	**Gross Profit** **$120.0M** Up 13.8%	**NPBT** **$24.6M** Up 32.4%
NPAT **$17.1M** Up 38.1%	**Basic EPS** **11.04 cents** Up 37.8%	**Dividends per share** **10.00 cents** Up 37.9% Payout ratio of 90.6%

1H FY23 Overview

Total Revenue

$1.2B

up 16.7%

Cloud Revenue

>50%

of Total Revenue

Recurring Revenue

65%

People

1,300+

- Australian IT market remains strong with growing pipeline of large integration projects
- Strong Infrastructure and Software Licensing revenues as demand for public and private cloud services continues
- Continue to benefit from high recurring revenue base with Government and large Corporate customers
- Improved operating efficiencies driving further improvements in operating leverage, despite continued investment in people
- No material change to order backlog from supply chain delays - further supports the underlying strength of the result

Key awards + certifications

- Microsoft Surface+ Worldwide Partner of the Year
- Cisco Global Partner of the Year for Security
- Dell Top Performer 2022 for Australia
- Palo Alto Security Growth Partner of the Year for 2022
- HP Aruba Service Partner of the Year for Asia Pacific and Japan

ESG update

- Frost & Sullivan 2022 Enlightened Growth Leadership Award
- Women in Technology Awards
- Aim to be carbon-neutral by 2032

Integrated Solutions

Multi-cloud

Modern Data Centre

Public Cloud

Private Cloud

Modern Workplace

Collaboration

End User Devices

Printing

Systems Management

Security

Cloud Security

Data Security and Privacy

Identity and Access Management

Infrastructure and Endpoint Security

Security Monitoring and Analytics

Data & Analytics

Business Analytics

Customer Management

Internet of Things

Location-Based Analytics

Connectivity

IT-OT Networking

Software-Defined Networks

Software-Defined WAN

Wireless Networks

Consulting

Project Services

Support Services

Lifecycle

1H FY23 Operational Overview

1H FY23 Operational Highlights

Multi-cloud Growth

Public & Private Cloud growth.
Customers have multiple clouds.

Security Growth

Fastest growing solution.
Combined D3 and BA offerings.
Complements other solutions.

Services

Strong growth in Managed Services with new contract wins.
Supports rest of business.

Customer Experience

Investment in systems and people.
Data and analytics driven.
Global recognition with Cisco.

Software Growth

Strong demand for Software and Services supports growing margin and recurring revenues.

1H23 External Factors

Australian IT market growing strongly

Global chip shortages continue

Supply chain improving gradually

Microsoft

#1 partner in Australia

#1 partner in Australia

#1 partner in Australia

Top five partner in Australia

Strategic partnerships with global leaders

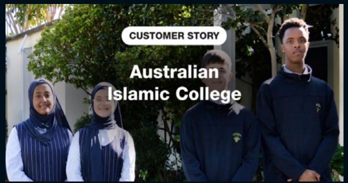
Significant investment in technical capability and certifications

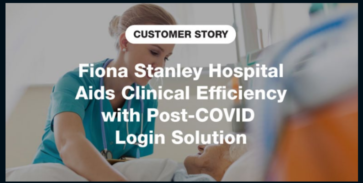
Cisco Global Partner of the Year for Security 2022

Microsoft Surface+ Worldwide Partner of the Year 2022

400+ other partnerships with emerging vendors

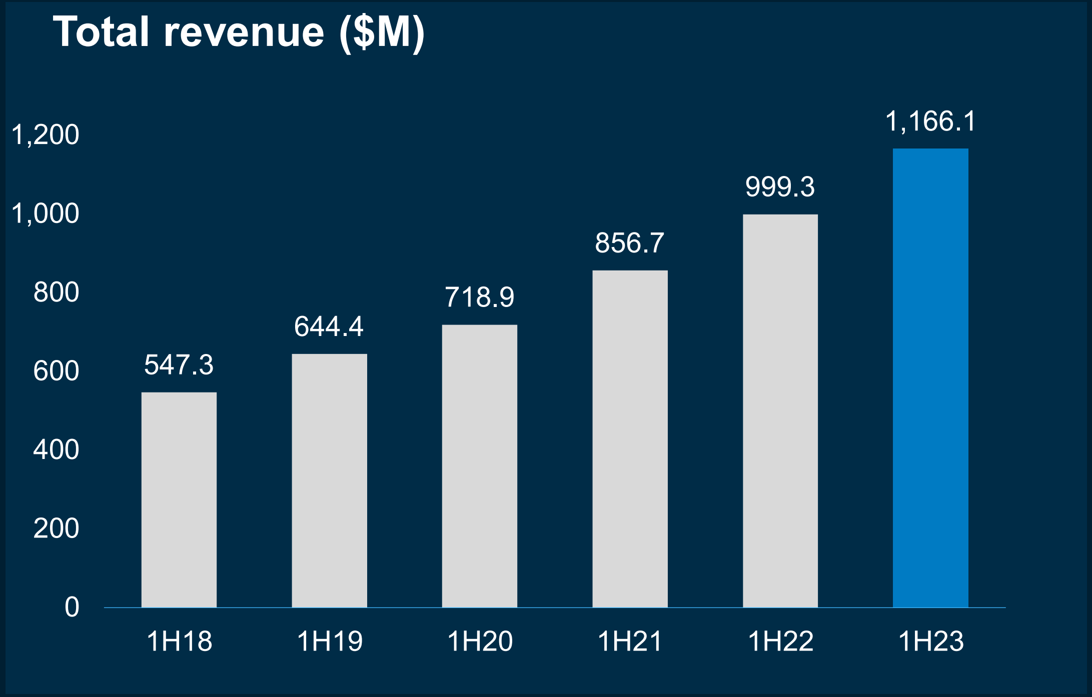
Customer Stories

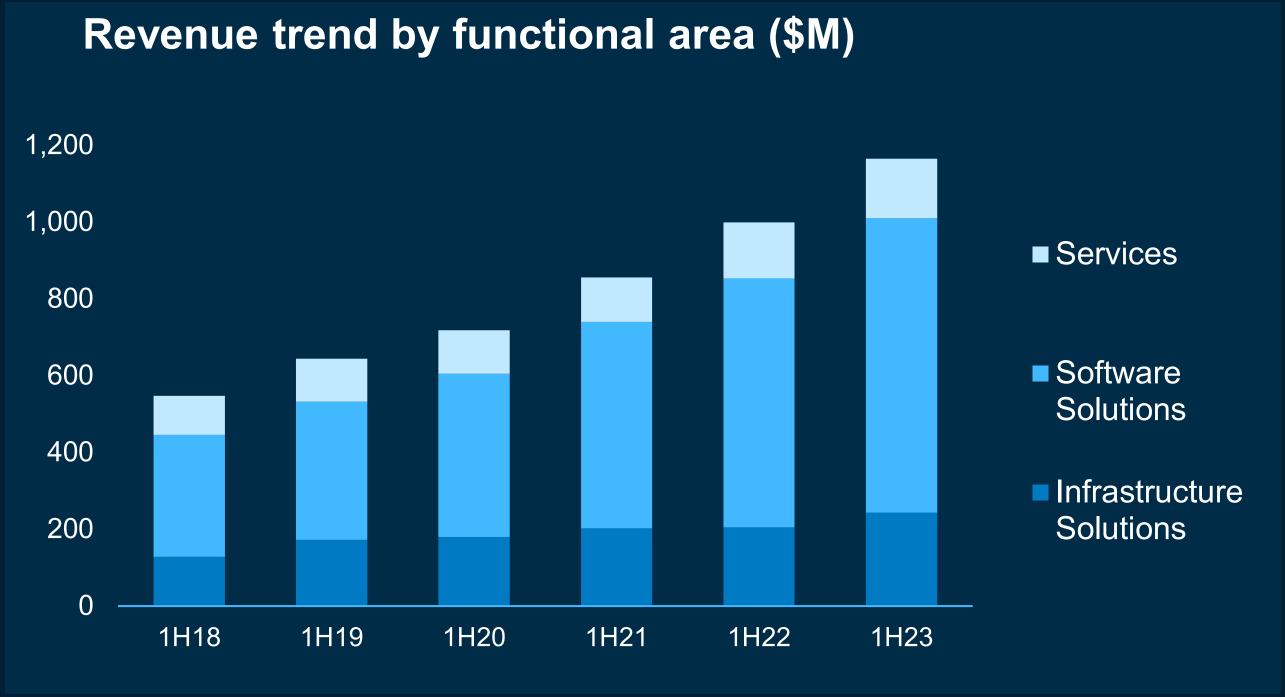




1H FY23 Financial Performance

Sustained revenue growth





Strong revenue growth CAGR of 16.3%[1] fuelled by software licensing, cloud-based solutions and services.

Revenue growth driven by strategy to accelerate growth in software and services, which are largely recurring in nature

~65% of revenue is recurring, meaning under term-based contracts (consistent with PCP).

1. CAGR growth from 1H FY18 – 1H FY23

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Gross Margin and Gross Profit

Overall Gross Margin % varies with the changing revenue mix:

- Strong growth in Managed Services more than offset by lower Maintenance Services revenues
- Outperformance of Software Solutions and Infrastructure Solutions driven by demand for public and private cloud solutions
- Steady growth in Consulting and People Solutions

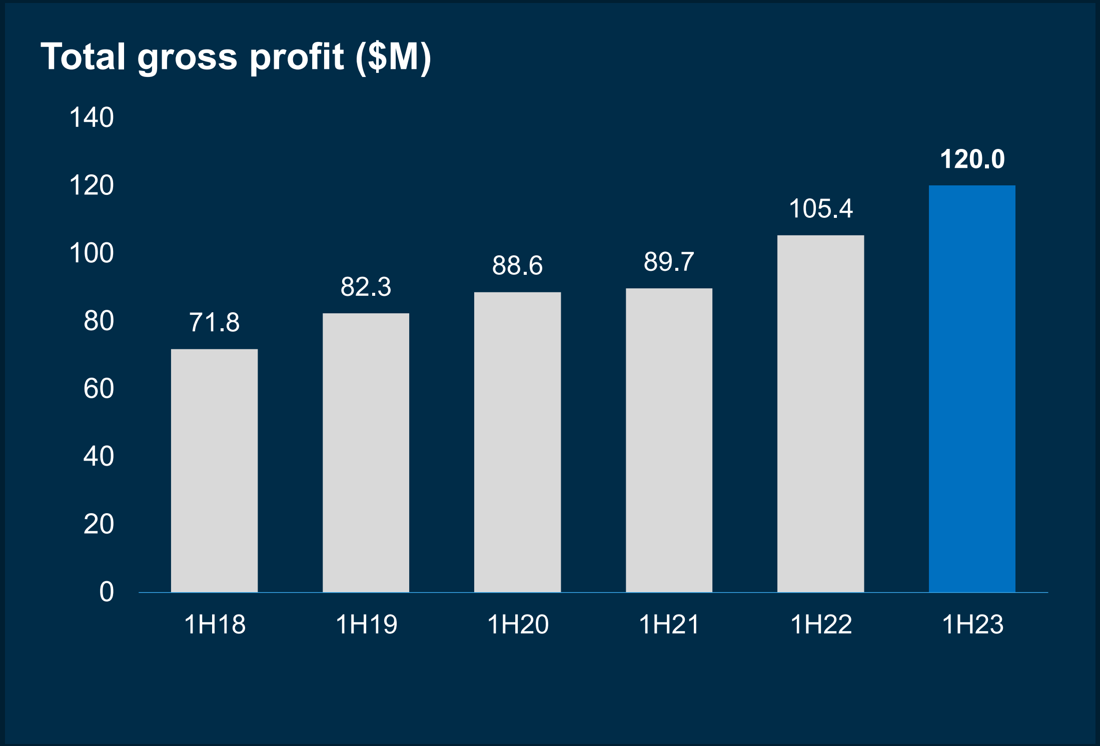
Total Gross Profit up 13.8% to $120.0M with Gross Margin % decreasing slightly from 10.6% to 10.3%:

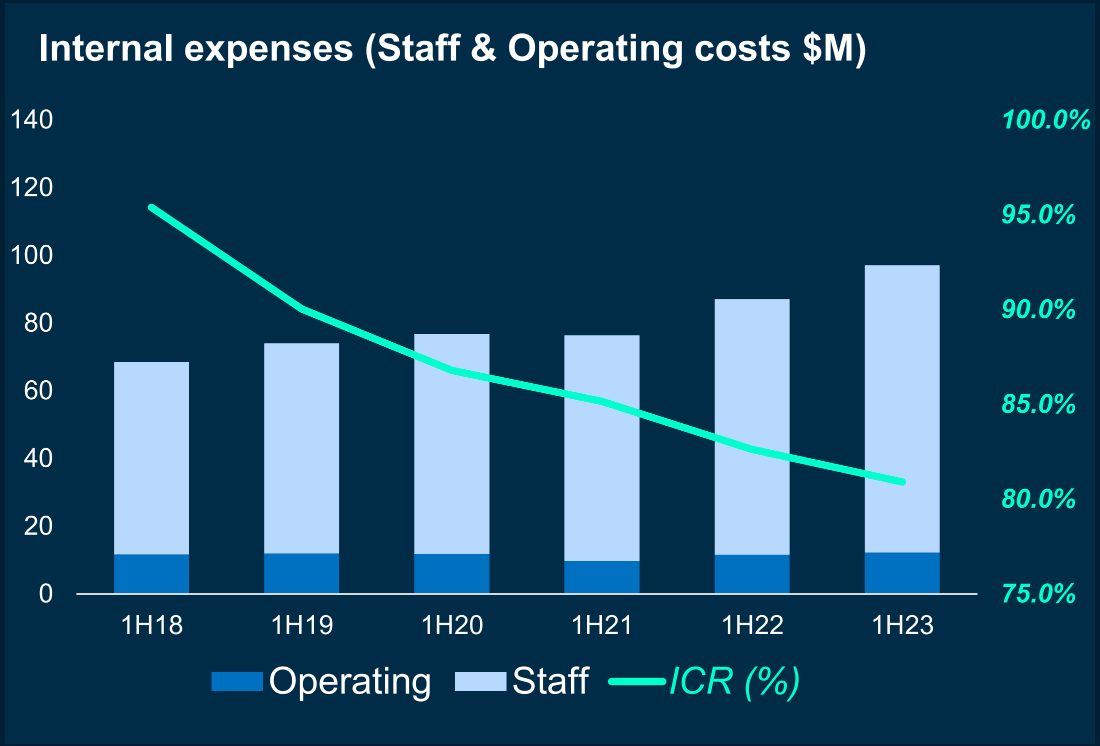
- Services Gross Profit up 26.4% to $57.8M with Gross Margin % increasing from 31.4% to 37.3%
- Product Gross Profit $ up 4.2% to $62.2M with Gross Margin % decreasing from 7.0% to 6.2%

Objective is to deliver steady, sustained growth in total Gross Profit $

	1H FY23 revenue ($M)	**Change vs. 1H FY22**	**Relative Gross Margin %** **LOW MED HIGH**
Consulting	15.9	+ 22.8%	**MED - HIGH**
Project Services	36.3	+ 11.8%	**MED**
Support Services	65.0	- 6.0% #	Maintenance **LOW – MED** Managed **HIGH** *# Decrease in Maintenance Services & increase in Managed Services*
People Solutions	36.5	+ 22.5%	**LOW - MED**
Other services	1.4	0%	
Total Services	**155.1**	**+ 6.4%**	
Software	**766.5**	**+ 18.3%**	**LOW**
Infrastructure	**242.3**	**+ 18.4%**	**LOW to MED**
Discovery Tech. product	0.5	- 33.8%	

Steady improvement in operating leverage





Internal Cost Ratio (Internal expenses / Gross profit) has improved from 95.4% in 1H18 to 80.9% in 1H23 (1H22: 82.6%)

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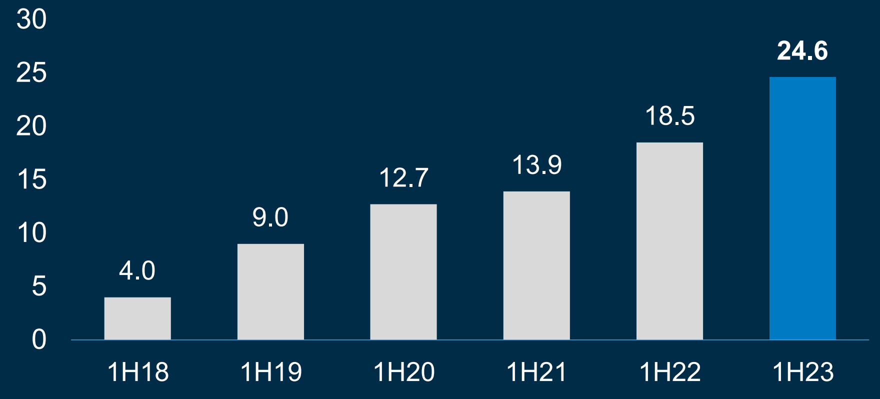
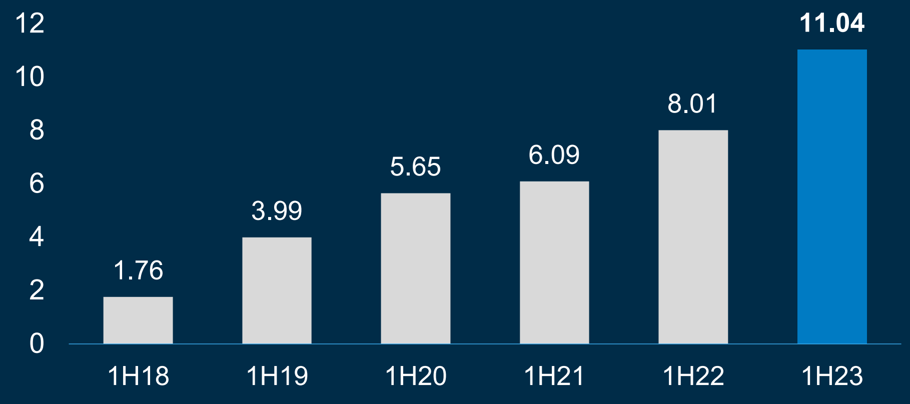
Sustained earnings growth

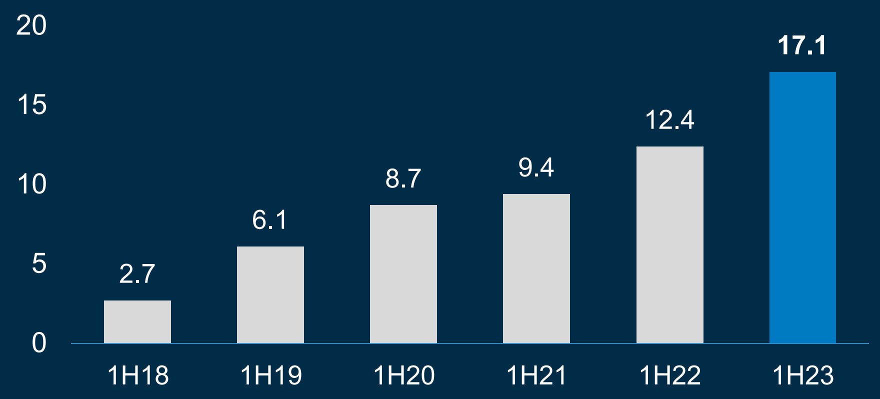
NPBT ($M)



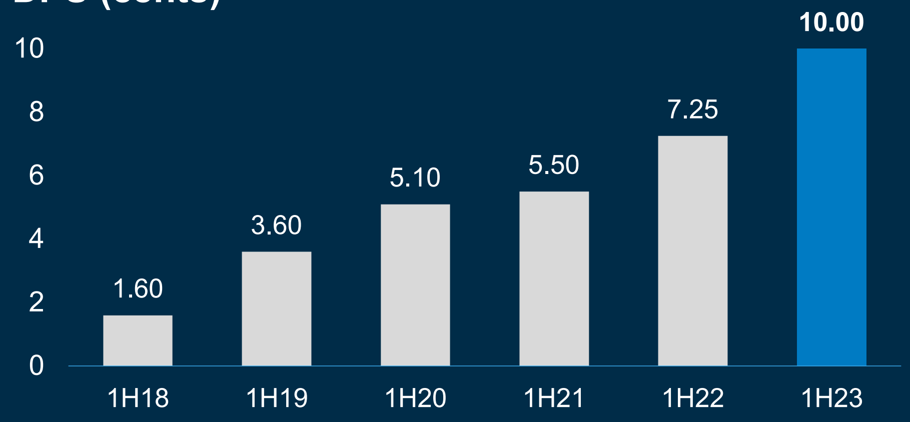
Basic EPS (cents)



NPAT ($M)



DPS (cents)



Statement of profit or loss

		Half year to December 2022 $'000	2021 $'000	*Change %*
Revenue				
Revenue from contracts with customers		1,164,401	999,089	*+ 16.5*
Other		1,689	208	*+ 712.0*
		1,166,090	999,297	*+ 16.7*
Expenses				
Changes in inventories of finished goods	*Cost of sale*	14,089	2,700	*+ 421.8*
Purchase of goods		(961,243)	(796,381)	*+ 20.7*
Employee and contractor costs directly on-charged		(52,008)	(42,393)	*+ 22.7*
Other cost of sales on services		(45,202)	(57,570)	*- 21.5*
Other employee and contractor costs		(84,828)	(75,538)	*+ 12.3*
Telecommunications		(1,022)	(1,143)	*- 10.6*
Rent		(850)	(940)	*- 9.6*
Travel		(644)	(67)	*+ 861.2*
Professional fees		(864)	(803)	*+ 7.6*
Depreciation and amortisation		(3,129)	(2,450)	*+ 27.7*
Finance costs		(593)	(736)	*- 19.4*
Other		(5,239)	(5,432)	*- 3.6*
		(1,141,532)	(980,753)	*+ 16.4*
Profit before income tax		24,558	18,544	*+ 32.4*
Income tax expense		(7,496)	(6,191)	*+ 21.1*
Profit for the half year attributable to owners of Data#3 Limited		17,062	12,353	*+ 38.1*
Other comprehensive income (loss) for the half year, net of tax				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		244	125	*+ 95.2*
Total comprehensive income for the half year attributable to owners of Data#3 Limited		17,306	12,478	*+ 38.7*
Earnings per share for profit attributable to the ordinary equity holders of the company:		**Cents**	**Cents**	
Basic earnings per share		11.04c	8.01c	*+ 37.8*
Diluted earnings per share		11.02c	7.98c	*+ 38.1*

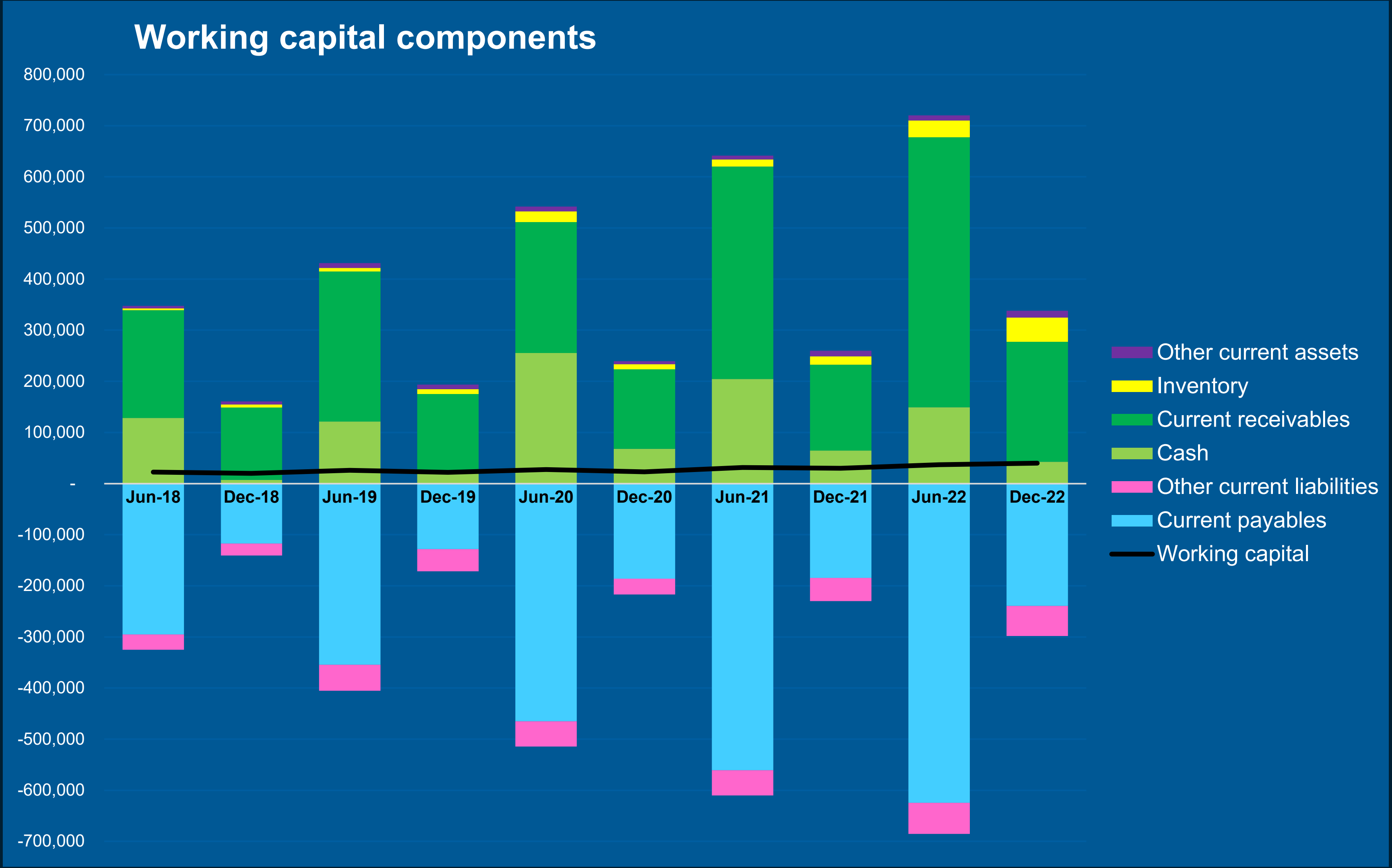
- Revenue increased by 16.7%
- Gross profit increased by 13.8% from $105.4M to $120.0M
- Total gross margin decreased slightly from 10.6% to 10.3% with changes in the revenue mix
- Internal staff costs increased by 12.3% from $75.5M to $84.8M with headcount growth (predominantly in Services) and general remuneration increases
- Other operating expenses grew by 6.6% from $11.6M to $12.3M with increases in travel and software amortisation expenses
- Basic EPS increased by 37.8%

Balance sheet

	31 December 2022 $'000	30 June 2022 $'000
Current assets		
Cash and cash equivalents	42,455	149,459
Trade and other receivables	234,944	527,888
Contract assets	4,951	5,776
Inventories	47,167	33,078
Other	8,723	3,955
Total current assets	338,240	720,156
Non-current assets		
Trade and other receivables	216	1,072
Property and equipment	3,283	3,388
Right-of-use assets	22,749	23,585
Deferred tax assets	6,149	5,292
Intangible assets	16,278	17,394
Total non-current assets	48,765	50,731
Total assets	386,915	770,887
Current liabilities		
Trade and other payables	239,479	622,698
Contract liabilities	46,359	49,710
Lease liabilities	3,354	3,002
Current tax liabilities	1,411	705
Provisions	7,827	7,236
Total current liabilities	298,430	683,351
Non-current liabilities		
Lease liabilities	21,814	22,643
Provisions	3,419	3,196
Total non-current liabilities	25,233	25,839
Total liabilities	323,663	709,190
Net assets	63,252	61,697
Equity		
Contributed equity	11,861	10,313
Share-based payments reserve	(275)	559
Foreign currency translation reserve	(199)	(443)
Retained earnings	51,865	51,268
Total equity	63,252	61,697

- Strong balance sheet with no borrowings
- 4th quarter revenue spike inflates Trade receivables and Trade payables at 30 June
- Inflated temporary cash surplus at 30 June
- Average DSOS of 33.1 days (1H FY22 = 26.8 days)
- Inventory is inflated at $47.2M due to supply chain delays and partial shipments (PCP $16.6M). Inventory is allocated to non-cancellable customer orders, and holdings will reduce as the supply chain issues ease.

Working capital analysis



Efficient working capital model.

Short or negative working capital cycles underpin self-funding of business.

Inventory inflated due to supply chain delays, but allocated to non-cancellable customer orders.

Average collection cycle approx. 33 days.

Favourable trade terms with suppliers.

Stable working capital position, despite significant seasonal fluctuations at period end.

Statement of cash flows

	Half year ended December 2022 $'000	2021 $'000	*Change %*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	1,542,140	1,310,997	*+ 17.6*
Payments to suppliers and employees (inclusive of GST)	(1,608,611)	(1,403,653)	*+ 14.6*
GST paid	(15,800)	(18,714)	*- 15.6*
Interest received	1,457	176	*+ 728.4*
Interest and other borrowing costs paid	(579)	(715)	*- 19.0*
Income tax paid (net of refunds)	(7,402)	(9,702)	*- 23.7*
Net cash outflow from operating activities	(88,795)	(121,611)	*- 27.0*
Cash flows from investing activities			
Payments for property and equipment	(465)	(357)	
Payments for software assets	-	(1,834)	
Net cash outflow from investing activities	(465)	(2,191)	*- 78.8*
Cash flows from financing activities			
Payment of dividends	(16,465)	(14,663)	*+ 12.3*
Proceeds from issue of shares	1,548	2,035	*- 23.9*
Payments for shares acquired by the Data#3 Employee Share Trust	(1,548)	(2,035)	*- 23.9*
Repayment of principal on lease liabilities	(1,523)	(1,385)	*- 10.0*
Net cash outflow from financing activities	(17,988)	(16,048)	*+ 12.1*
Net decrease in cash and cash equivalents held	(107,248)	(139,850)	*- 23.3*
Cash and cash equivalents at the beginning of the reporting period	149,459	204,323	*- 26.9*
Effect of exchange rate changes on cash and cash equivalents	244	125	*+ 95.2*
Cash and cash equivalents at the end of the reporting period	42,455	64,598	*- 34.3*

- Cash flow 'seasonality' consistent with previous years.
- Timing differences in the collections from customers and payments to suppliers around 30 June generate large temporary cash surpluses at year-end, which are paid out in 1H .
- 1H FY23 average cash balance $147M (1H FY22 = $190M)
- Low capital expenditure
- High dividend payout

Strategy & Outlook

Digital Transformation

Artificial Intelligence

Internet of Things

3D Printing

Foundation Layer

Multi-cloud

Modern Workplace

Security

Data & Analytics

Connectivity

Strategic Focus Areas

Customer Experience

Long term view,
not transactional

Lifecycle approach

Joint investments with
global vendors

Security

Protecting our business

Market opportunity

Embedded in all our
solutions

Accelerating Services

Strong growth in
Managed Services

Steady growth in Consulting

Complementing vendor
incentive programs

Outlook

Well positioned to capitalise on growing IT market and industry tailwinds, with biggest opportunity in software, services & security

Focus on driving growth in our services and software businesses to increase recurring revenues and improve our margins

Growth in cloud business provides data and insights to enhance lifecycle services

Maintaining strong backlog while supply chain improvements set to continue throughout 2023, well placed to grow market share

Strong pipeline of major integration project opportunities as large corporates and government drive transformation agendas

"The strong trading performance has continued with a strong pipeline of large integration projects. While we have experienced a gradual improvement in supply chain conditions, the overall backlog has not changed materially due to an increased volume of business.

At this stage it would not be prudent to provide specific guidance for FY23. In line with previous years, we continue to expect a sales peak in the months of May and June and a profit skew in the second half. Our goal remains to deliver sustainable earnings growth."

- Laurence Baynham, CEO

Q&A

Appendix

Recent Awards

- Cisco Global Security Partner of the Year
- Microsoft Device Distributor/ Reseller Partner of the Year 2022
- Jabra – APAC Top Public Sector Sales
- 2022 Employer of Choice, HRD Magazine
- HPE Platinum Partner of the Year
- Palo Alto Networks Security Growth Partner of the Year
- HP Services Partner of the year for 2022
- ARN Enterprise Partner Innovation Award
- ANZ Veeam Pro Partner of the Year
- Cisco ANZ Partner of the Year
- Dell Technologies Channel Services Delivery Excellence Partner Award 2022
- Aruba Greenlake Partner of the Year
- Worldwide Microsoft Surface+ Partner of the Year
- Aruba as a Service Partner of the Year
- Palo Alto Networks Growth Partner of the Year
- 2022 Enlightened Growth Leadership Award by the Frost & Sullivan Institute

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