

30 August 2023

H1 FY 2023 Interim Results

AUSTRALIA, Sydney – 30 August 2023: Dicker Data (ASX: DDR) (Company) today releases its Interim Financial Report for the half year ended 30 June 2023 (H1 2023).

H1 2023 Results

Summary of results and highlights for H1 2023 are as follows:

6 months to:	\$m Jun-23	\$m Jun-22	\$m Increase	% Increase
Non-IFRS				
Gross Sales ²	1,596.4	1,459.4	137.0	9.4%
Statutory Results				
Statutory Revenue	1,107.9	1,052.0	55.9	5.3%
EBITDA ¹	70.6	61.2	9.4	15.4%
Net Operating Profit Before Tax ¹	54.9	51.8	3.1	6.0%
Net Profit Before Tax	54.1	50.2	3.9	7.8%

¹ Excludes one off acquisition and integration costs of \$0.8m (Jun22: \$1.6m)

² Gross sales is non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards.
This represents gross proceeds from sale of goods and services, both as agent and principal.

Revenue

- Strong growth in underlying gross sales, as reported in previous years, finalised at \$1,596m for the half year, an increase of 9.4%, representing a new Company record for the half year period.
- With changes to our vendor software programs, the Company undertook a detailed review of new and updated software agreements to reassess if the Company is acting as principal or agent in the resale of software licensing and warranty and maintenance products. It was concluded that the Company does not control the service before it is transferred to the customer, and therefore it has been determined that the Company is acting as an agent in respect of these sales.
- The Company revised its presentation of the revenue from sales of software licences and virtual services to that of acting as an agent and therefore recognises revenue as the agency fee made up of standard commission and other incentives driven by volume and other metrics.



- As a result of this change in revenue recognition, total statutory revenue for the first half year was \$1,107.9m, up 5.3%.
- The increase in underlying gross sales as reported in previous years, is partly attributed to a full six month contribution from the Hills acquisition which was completed on 1 May 2022, with the balance attributable to organic growth from existing and new vendors.
- The first half revenue contribution from the Dicker Access and Surveillance (DAS) business was \$73m, from both the security and IT vendors acquired, and includes the addition of new vendors in this segment.
- The highly-diverse nature of the Company's vendor and technology portfolios enabled it to offset declines in traditionally strong portfolios with surging demand in other segments.

Commenting on the results, Chairman and CEO, David Dicker said "We performed well in the first half of 2023. Gross sales are up over 9%, despite a challenging market where traditionally strong segments, such as devices, went into decline. Our team continues to outperform the market and we are well-positioned for the remainder of our FY23."

Gross Profit

- Gross profit (excluding other revenue) was \$150.7m (Jun22: \$128.0m), an increase of \$22.7m, representing growth of 17.7%.
- Based on the changed presentation in recognising some of our revenue as agent, statutory gross profit margin for the half year was 13.6% (Jun22: 12.2%).
- Based on underlying gross sales as reported in previous years the gross profit margin was 9.4% (Jun22: 8.8%), representing a strong increase attributable to increases in front end margins driven by product mix including the impact of the higher margin DAS business.

Operating Expenses

- Excluding one-off acquisition and restructure costs of \$0.8m (Jun22: \$1.6m), operating costs have increased by \$16.1m (+23.3%).
- The largest increase in expenses related to increased salary costs with the full half year effect of the Hills acquisition. Salary related expenses were up by \$10.2m (+17.3%), to \$69.5m being 6.3% of revenue (Jun22: 5.6%).
- Other operating costs (excluding one-off costs) have increased by \$5.8m (+60.0%) including increases in bad debt and related provisions. Overall, our operating expenses increased as a percentage of revenue to 7.7%, comparable to 6.6% for Jun22.
- Depreciation and amortisation expense increased by \$1.1m to \$6.8m (Jun22: \$5.7m), which included \$2.3m (Jun22: \$2.3m) for amortisation of intangible assets related to identifiable intangibles from acquisitions.
- Finance costs in the reporting period were \$9.4m, up \$5.4m from the prior year (Jun22: \$4.0m) driven predominantly by increases in the cost of borrowing.

Profit

- Statutory net profit before tax finalised at \$54.1m (Jun22: \$50.2m) including one-off acquisition and integration costs of \$0.8m (Jun22: \$1.6m), representing increase of 7.8%.
- Net Profit after tax increased to \$37.6m (Jun22: \$34.3m), up by 9.4%.
- This represents basic earnings per share of 20.86 cents, an increase of 5.1% (Jun22: 19.85 cents).

Statement of Financial Position

- The statement of financial position reflected a slight increase in working capital investment since the last balance date. Total investment in net working capital was \$363.5m, up by \$4.4m (Dec22: \$359.1m).
- Supply chain disruptions have begun to ease and with recent acquisitions further bedding down, total inventory holdings decreased from the prior balance date to \$252.2m (Dec22: \$261.7m), a decrease of \$9.5m.
- Trade and other receivables finalised at \$562.6m (Dec22: \$581.8m) a decrease of \$19.2m, with improvement in collections days.
- This was offset by trade and other payables also decreasing to \$451.3m (Dec22: \$484.4m), down \$33.1m.
- Property, plant and equipment increased to \$93.4m (Dec22: \$87.6m), an increase of \$5.7m relating to building costs for the distribution centre extension in Kurnell.
- Total borrowings increased to \$308.3m (Dec22: \$291.7m), however net debt position finalising at \$279.1m, flat against last balance date.

Cash Flow

- Net cash generated from operating activities was \$36.6m (Jun22: \$34.8m), an increase of \$1.8m.
- Net cash used in investing activities related to cash outflow for increase in property plant and equipment mainly related to building the warehouse extension, and payment for the acquisition of the business of Connect Security Products Ltd in New Zealand.

Operational Update

Following almost three years of continuous supply chain disruption and chip shortages, H1 2023 exhibited the strongest signals yet of a normalising supply-side market. Underlying gross sales as reported in previous years, finalised 9.4% higher than H1 2022 at \$1,596m, representing a new Company record for the half year period. Outstanding backorders have decreased as supply improved, adding to the total closed revenue in H1 2023. However, the total value of open backorders still remains well above \$200m. Underlying gross profit as measured against underlying gross sales increased to 9.4% for the half, up from 8.8% in the prior corresponding period. Profit before tax also grew in the half, up 7.8% on the previous period.

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Commenting on the financial performance for the first half of FY23 Mary Stojcevski CFO said "Profitability in our first half improved by over 7% and inventory holdings decreased as the supply chain disruptions of recent years abated. The Company's net debt position remained flat despite continued growth and small increase in net working capital investment".

Demand from the Company's base of over 10,200 partners across Australia and New Zealand (ANZ) has remained strong, however, the performance of certain technology segments, such as devices, continued to be impacted by accelerated technology refresh cycles undertaken by businesses and governments in recent years to enable hybrid

work. Due to the Company's highly diversified portfolio and range of technologies represented, the Company was able to offset the decline in certain technology segments and meet the emerging needs of the ANZ market with growth in others, such as networking, datacentre infrastructure and software. Software continues to outperform expectations, delivering 21% growth in the half.

The Company marked its first full year of operating in the access and surveillance market in May under the Dicker Access and Surveillance (DAS) banner. The DAS business across ANZ delivered \$73m in the first half and, as forecasted, yielded a profitable result in Q223. Following a period of focus on operational improvements and the business realising the full potential of the shared services model offered within the Dicker Data business, DAS due to increased market demand is now in acceleration mode and is expected to continue delivering top and bottom-line growth.

"Our strategy of building a highly diversified business played a key role in our success in the first half. Our role in enabling the digital transformation of Australian and New Zealand businesses, governments and communities requires us to represent a wide range of technologies and as IT continues to converge with many adjacent markets, we are well-placed to continue expanding to meet the evolving technology needs of the markets we service. Also, as the technologies we represent become increasingly complex and interconnected, our role as the technical and sales enablers for our partners continues to grow" said Vlad Mitnovetski COO.

The appetite for digital transformation amongst Australian and New Zealand businesses remains strong and the Company stands to continue benefitting from the demand. The investment into building a highly diversified range of technologies and brands underpinned the Company's resiliency in the first half and solidified the Company's position as the leading technology distributor in both Australia and New Zealand. The Company also continues to benefit from market convergence as the role of technology in helping businesses and governments achieve their goals grows. Cybersecurity continues to be a key focus for all sectors in 2023, with intelligent solutions such as Zero Trust and Secure Access Service Edge (SASE) enabling secure, compliant, and protected technology environments. Cyber-attacks continue to increase as businesses and consumers centre more of their lives around technology, in turn driving awareness and demand for modern cybersecurity solutions. We are anticipating a high level of growth in the adoption of automation, machine learning and data capture and analysis tools as businesses and governments prioritise efficiency and productivity within their operations. The Company is in a strong position to continue to leverage local knowledge and portfolio diversification to address this next phase of digital transformation.

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Webcast

The Company will host a teleconference and webcast of its FY23 half year results on Wednesday, 30 August 2023 at 11.00am AEST. The teleconference and webcast will be hosted by the following members of the Dicker Data Board:

- David Dicker, Chairman and Chief Executive Officer
- Mary Stojcevski, Executive Director and Chief Financial Officer
- Vlad Mitnovetski, Executive Director and Chief Operating Officer

Shareholders can register for the conference call with the below links:

Conference Call Registration: <https://s1.c-conf.com/diamondpass/10031991-c2s9hm.html>

Audio Webcast with synchronised slides: <https://webcast.openbriefing.com/ddr-hyr-2023/>

Authorised for release by the Board of Dicker Data Ltd.

David Dicker
Chairman & CEO

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ABOUT DICKER DATA

Dicker Data (ASX: DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, cloud, cybersecurity, access control and surveillance distributor with over 45 years of experience. Our sales and presales teams are experienced product specialists who are dedicated to helping you tailor solutions to suit your client's needs.

As a distributor, we sell exclusively to our valued partner base of over 10,200 resellers across ANZ. We pride ourselves on developing strong long-term relationships with our customers, and helping them grow. This customer-first approach means we are proactive in engaging with our resellers and allows us to dynamically shift with changing market conditions, in turn helping to increase profitability.

Dicker Data distributes a wide portfolio of products from the world's leading technology vendors, including Cisco, Citrix, Dell Technologies, Hewlett Packard Enterprise, HP, Lenovo, Microsoft, and other Tier 1 global brands. As the leading Australian distributor for many of these vendors, Dicker Data is dedicated to helping our partners deliver industry-leading solutions built on the world's best technologies. <https://www.dickerdata.com.au/>

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