

FY24 Results Briefing

Presented by



Brad Colledge
CEO



Cherie O'Riordan
CFO

About Data#3

- ASX 200 listed IT Services and Solutions provider in Australia and the Pacific Islands
- Our vision is to harness the power of people and technology for a better future
- 47 years evolving solutions and services to enable customers' success, combined with world-leading vendor technologies
- Delivering the digital future through cloud, modern workplace, security, connectivity, data & analytics solutions, combined with consulting, project and managed services

Agenda

FY24 Highlights

FY24 Financial Performance

Sector Trends and AI

FY25 Strategy & Outlook

Q&A

FY24 Highlights

FY24 Financial Highlights



NPBT
\$62.1M
Up 16.6%



EBIT
\$53.5M
Up 5.0%



Gross Sales
\$2.8B
Up 7.6%



Gross Profit
\$270.1M
Up 7.8%



Basic EPS
28.0 cents
Up 16.9%



Dividends per share
25.5 cents
Up 16.4%
Payout ratio of 91.1%

FY24 Overview

Gross Sales



\$2.8B

Gross Sales growth of

7.6%

in line with IT spend forecasts¹

Recurring Gross Sales



67%

People



1,400+

- **In line with strategy, strong sales growth in Managed and Maintenance Services and Software Solutions, supporting recurring Gross Sales**
- **Achieved solid top line growth in line with market and maintained overall gross margin in subdued and competitive market**
- **Profit before tax of \$62.1M up 16.6% on prior period**
- **Leading market position, strength of supplier relationships, long-term customer base**
(*>300 customers with tenure of 13+ years*)

Key awards + certifications



- **HRD Employer of Choice – 9th year in a row**
- **Great Place to Work – Workplaces in Technology**
- **Worldwide Surface Reseller Partner of the Year**
- **Microsoft ANZ Modern Work Partner of the Year**
- **Cisco Global Software Partner of the Year**

ESG update



- **Environmental goals - Continuing to develop Net Zero Strategy**
- **APAC winner of Frost & Sullivan's Enlightened Growth Leadership Best Practices Recognition 2024**

FY24 Operational Highlights



Multi-cloud Growth AI Accelerating

Cloud is now ubiquitous in our customer solutions



Security Growth

Fastest growing solution and top customer priority
ISO 27001 certified



Services

Continued moderate growth in Services should improve future profitability
High interest in Gen AI



Working Capital

Normalised inventory levels
Improved DSOS
Strong cash position



Customer Experience

↑ Customer Satisfaction ratings
Investment in systems and people driven by data and analytics

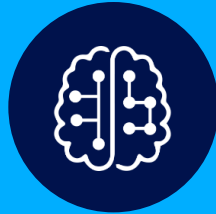


Global Vendors

Awards, certifications and incentives



Digital Transformation



**Artificial
Intelligence**



Internet of Things

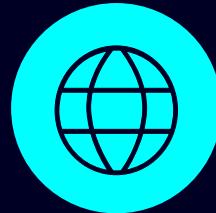


3D Printing

Foundation Layer



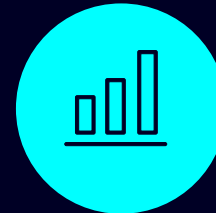
Multi-cloud



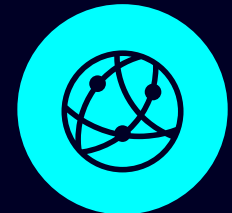
**Modern
Workplace**



Security



Data & Analytics



Connectivity



#1 partner in Australia

**Top five partner
in Australia**

**Strategic partnerships
with global leaders**

**Significant investment in
technical capability and
certifications**

**400+ other partnerships
with emerging vendors**

Our FY24 Awards



Data#3 named as winner of 2024 Worldwide Microsoft Surface...



Palo Alto Networks awards top accolade to Data#3 for outstanding...



Data#3 named Veeam ProPartner of the Year ANZ for fifth...



Teamwork takes the trophy: Data#3 wins HRD Employer of Choice...



Leading the future of hybrid work: Data#3 named HP Greater Asia...



Data#3 receives security award at Cisco Live, recognising...



Acknowledging excellence: Data#3 secures prestigious HPE Aruba...



Data#3 honoured with dual Snow distinctions for 2023: Global...



Data#3 CEO & MD, Laurence Baynham, inducted into the HP Hall...



Fifteen years of enterprise excellence: Data#3 named ARN...



Data#3 crowned six-time Cisco global champions: clinching Cisco...



Data#3 earns prestigious title: Cisco Customer Experience Partner...



Data#3 Awarded Mimecast's Reseller Partner of the Year for 2023...



Data#3 wins 2023 TasICT Best Security Initiative Award

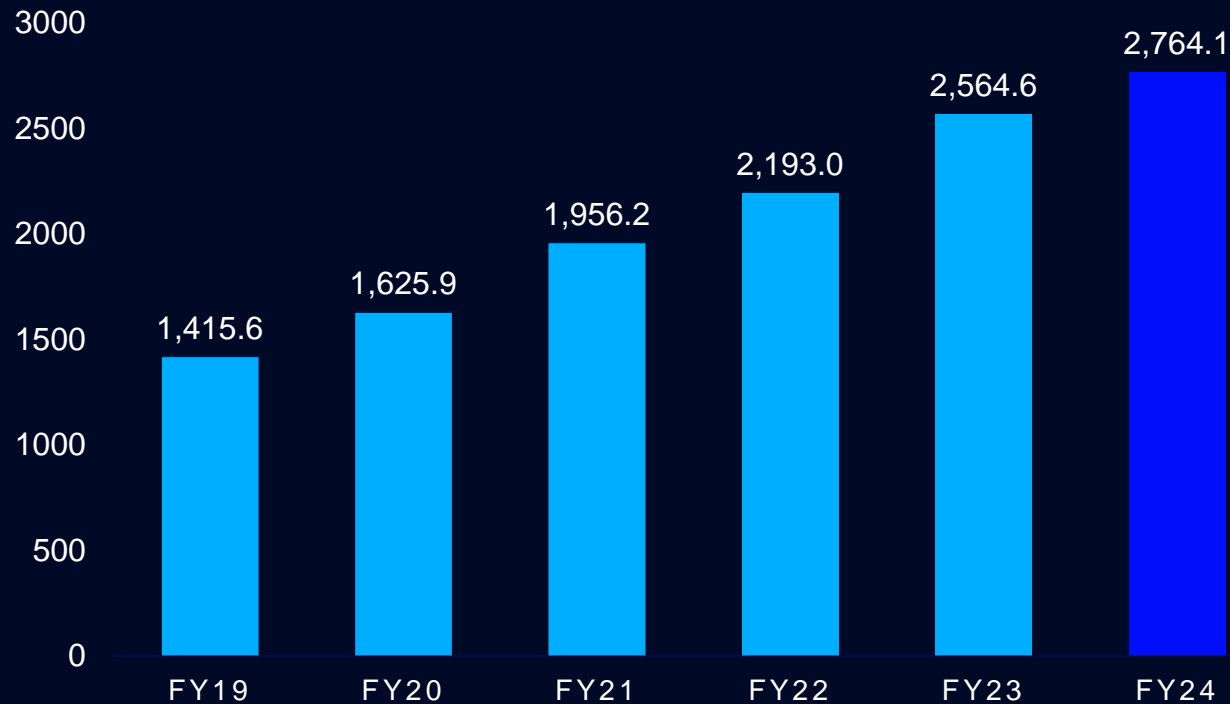


Tech triumph: Great Place To Work® names Data#3 as one of...

FY24 Financial Performance

Sustained growth in gross sales

Total Gross Sales (\$M)



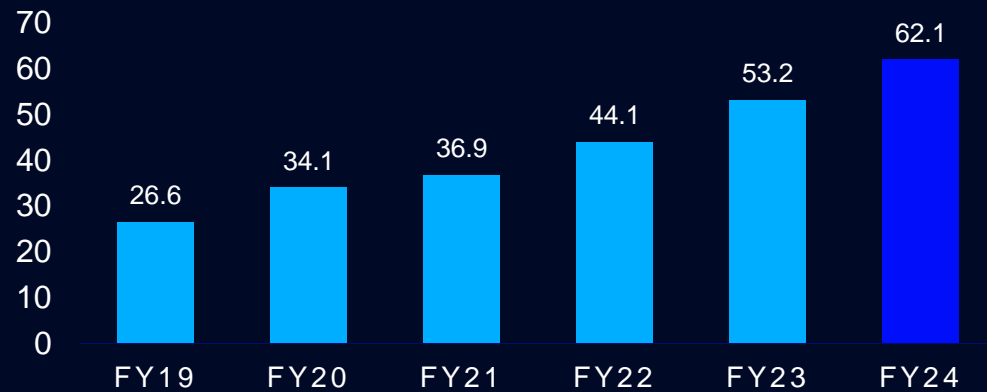
Gross sales CAGR of 14.3%¹ fuelled by software licensing, multi-cloud solutions and services.

Strong customer spend in higher growth education, health and resource sectors.

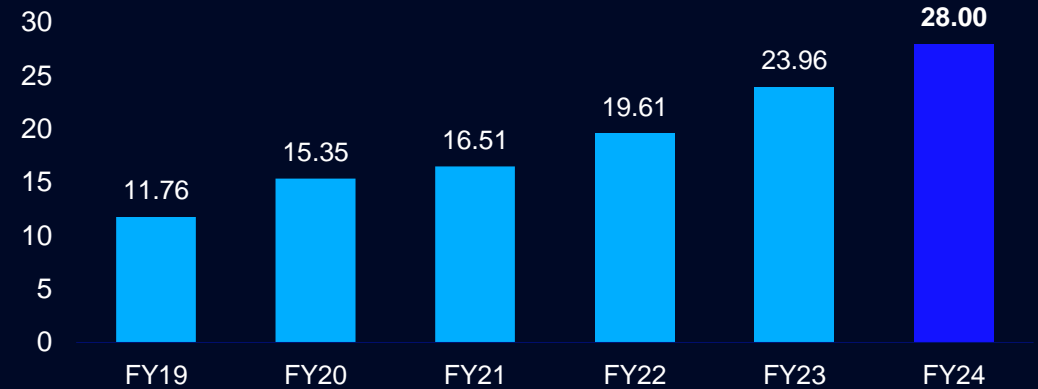
~67% of gross sales are recurring, meaning under term-based contracts.

Sustained earnings growth

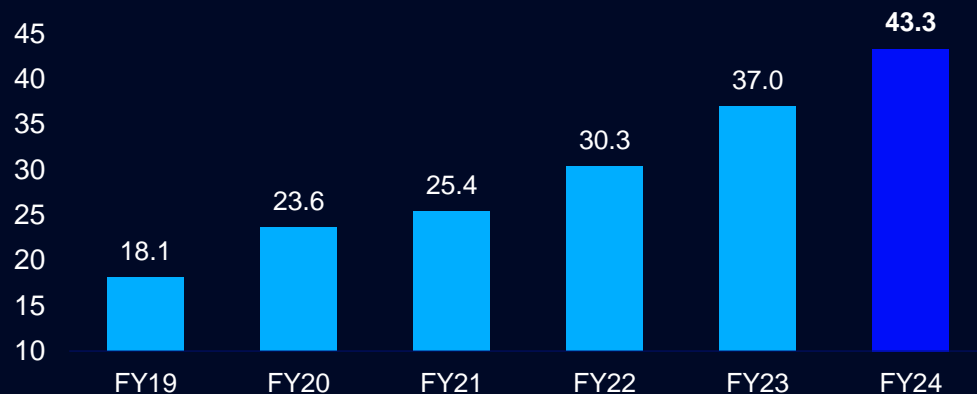
NPBT (\$M)



Basic EPS (cents)



NPAT (\$M) - excluding minority interests



DPS (cents)



Change in revenue presentation

Starting in FY24, certain revenues will be presented on a net basis.

- A review has determined that Data#3 is acting as an agent in respect of software licensing and vendor delivered maintenance support agreements
- Resulted in a change to the Company's revenue accounting policy effective 1 July 2023
- Statutory revenue presented includes the reclassification of these revenues on a net basis
- Comparatives have been restated per table

This is a statutory presentation change only, and the Company will continue to measure operational performance on a Gross Sales* basis.

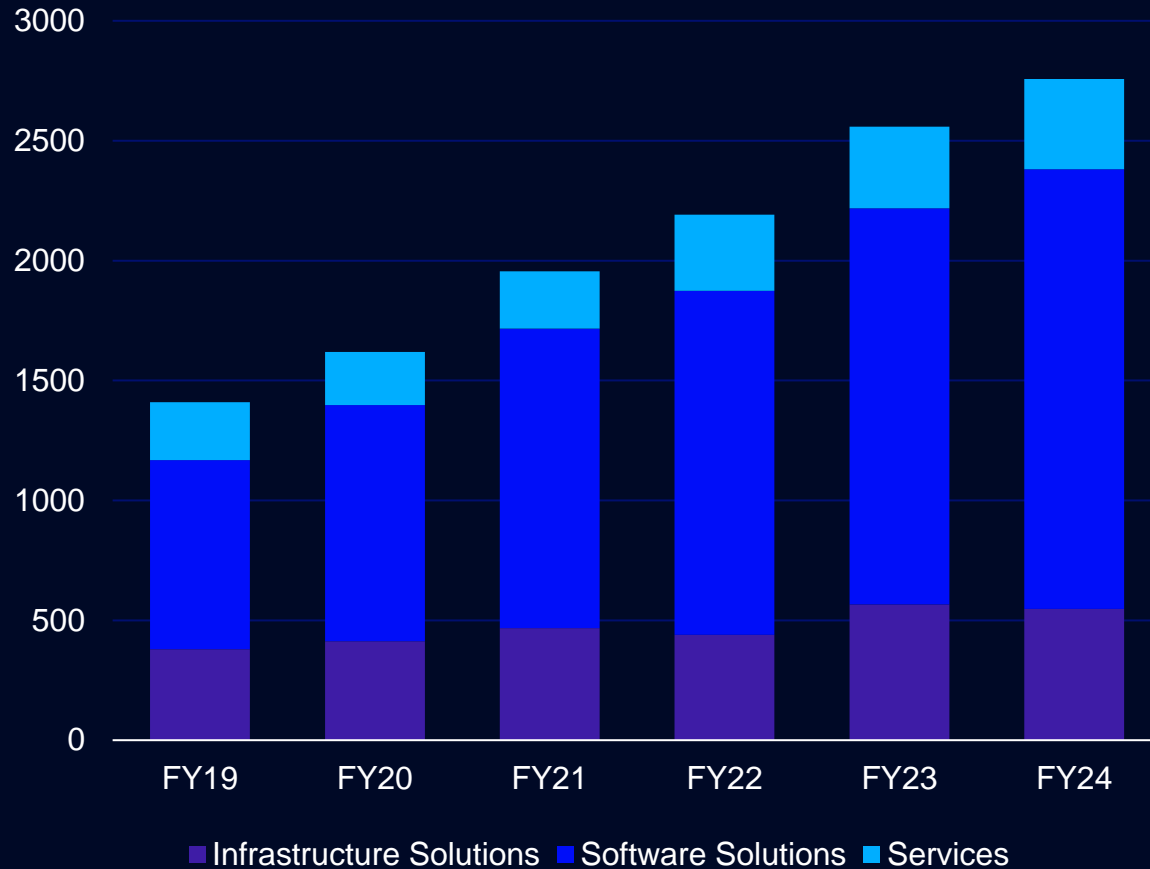
\$M	FY24	FY23	Growth %
Gross Sales*	2,754.2	2,560.7	7.6%
Gross Profit	270.1	250.7	7.8%
Margin on gross sales	9.8%	9.8%	
Statutory Revenue**	805.7	808.6	-0.4%
Gross Profit	270.1	250.7	7.8%
Gross Margin (Statutory Revenue)	33.5%	31.0%	

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

** Including the reclassification of Software licensing and vendor delivered maintenance support revenues on a net basis, and excludes other income.

Sales by functional area

Gross Sales trend by functional area (\$M)



Business unit	FY24 Gross Sales (\$M)	Change vs. FY23	Relative Gross Margin %
Business Aspect Consulting	31.4	- 5.5%	MED - HIGH
Project Services	79.0	+ 6.0%	MED
Maintenance Services	158.5	+ 26.8%	LOW - MED
Managed Services	43.9	+ 11.6%	HIGH
People Solutions (recruitment)	60.2	- 11.6%	LOW - MED
Total Services (excluding Other)	373.0	+ 9.6%	
Software Solutions	1,833.8	+ 11.0%	LOW
Infrastructure Solutions	547.4	- 3.6%	LOW - MED
Total	2,754.2	7.6%	

Gross margin and Gross profit

Overall Gross Margin % varies with changing sales mix.

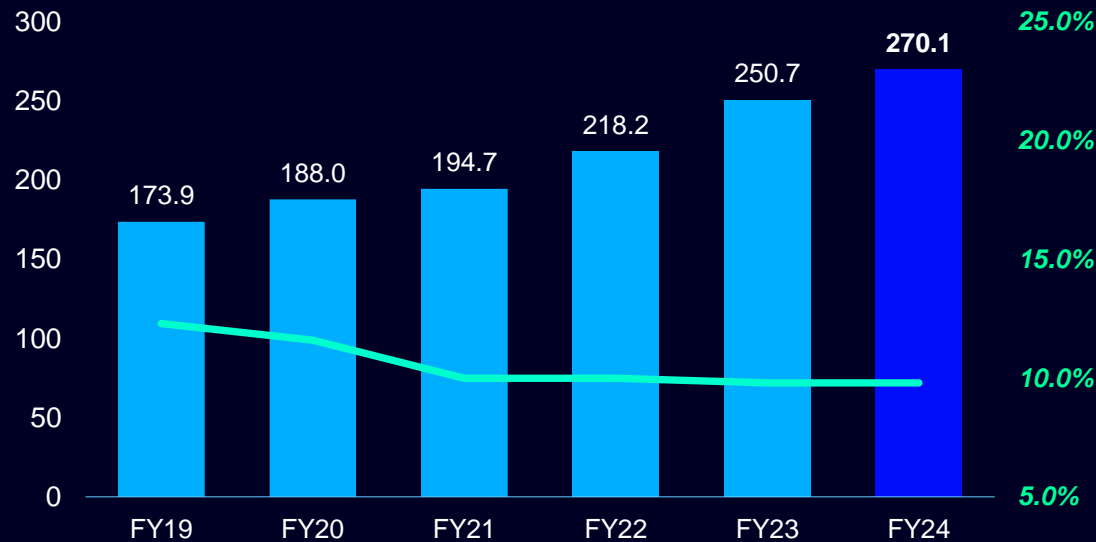
- Infrastructure Solutions growth constrained by delayed decision making by customers and consumption of goods ordered ahead of requirements in FY23, resulting in fewer deals in a competitive market
- End User Computing up 3% in declining market
- Sales of collaboration tools up year on year
- Strong growth in software licensing and multi-cloud sales, particularly Public Sector and Education
- Increase in subscription offerings, delivering consistent annuity-based growth
- Services growth, including product Maintenance and Managed Services, has boosted total Gross Profit

Objective continues to be to deliver sustained growth in total Gross Profit.

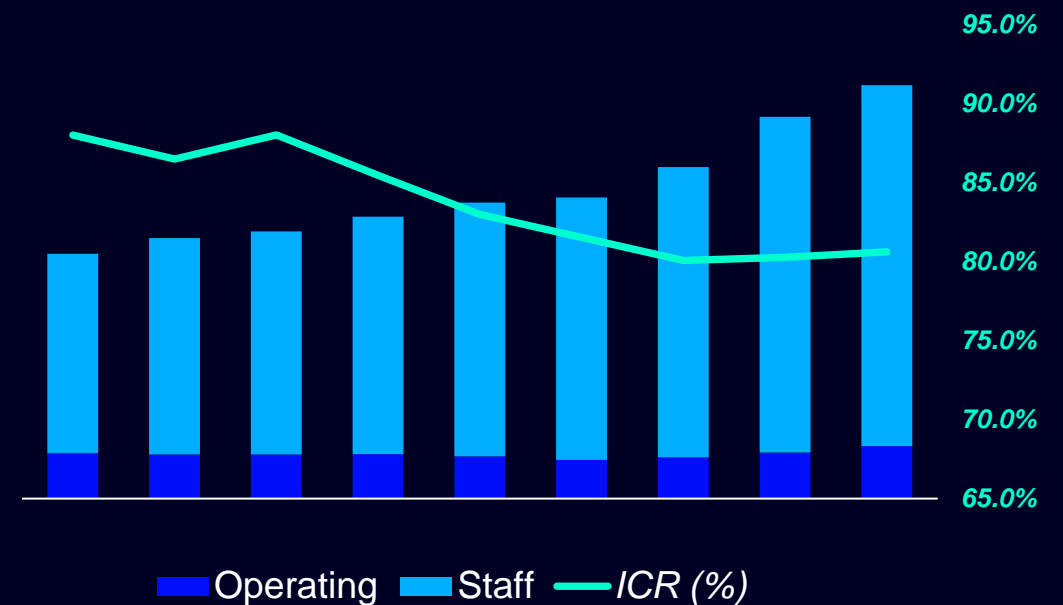
\$M	FY24	FY23	Growth %
Product Gross Sales	2,378.3	2,217.7	7.2%
Product Gross Profit	134.4	125.9	6.7%
Product Margin on Gross Sales	5.7%	5.7%	
Services Gross Sales	375.9	343.0	9.6%
Services Gross Profit	135.4	124.7	8.6%
Services Margin on Gross Sales	36.0%	36.4%	
Total Gross Profit	270.1	250.7	7.8%
Total Gross Margin	9.8%	9.8%	

Steady improvement in operating leverage

Total gross profit (\$M) & Total gross margin (%)



Internal expenses (Staff & Operating costs \$M)



- Steady gross margin % in recent years, despite strong growth in lower margin Software and competitive market conditions
- Expect to increase over time as Services contribution increases, but always subject to sales mix and contractor mix in Services cost of sales – focus on gross profit growth rather than gross margin %

- Internal Cost Ratio (Internal expenses / Gross profit) has improved from 88.0% in FY16 to 80.6% in FY24
- FY24 slightly up vs FY23 (80.3%) due to inflationary operating environment and continued investment in people and systems, particularly in Managed Services

Statement of profit or loss

	Notes	2024 \$'000	2023 \$'000
Revenue			
Revenue from contracts with customers	3	805,746	808,625
Other revenue	3	9,937	3,870
		815,683	812,495
Expenses			
Change in inventory		(312)	(13,665)
Purchase of goods		(414,630)	(413,876)
Employee and contractor costs directly on-charged (cost of sales on services)		(88,083)	(99,148)
Other cost of sales on services		(32,877)	(31,285)
Internal employee and contractor costs		(190,321)	(176,941)
Telecommunications		(2,239)	(2,073)
Rent		(1,777)	(1,780)
Travel		(1,474)	(1,299)
Professional fees		(1,022)	(1,304)
Depreciation and amortisation	4	(6,303)	(6,280)
Finance costs	4	(1,114)	(1,247)
Other		(13,458)	(10,363)
		(753,610)	(759,261)
Profit before income tax expense		62,073	53,234
Income tax expense	5	(18,762)	(16,204)
Profit for the year attributable to the ordinary equity holders of the company		43,311	37,030
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(191)	231
Total comprehensive income attributable to the ordinary equity holders of the company		43,120	37,261
Earnings per share for profit attributable to the ordinary equity holders of the company:			
		Cents	Cents
Basic earnings per share	13	28.00	23.96
Diluted earnings per share	13	27.90	23.88

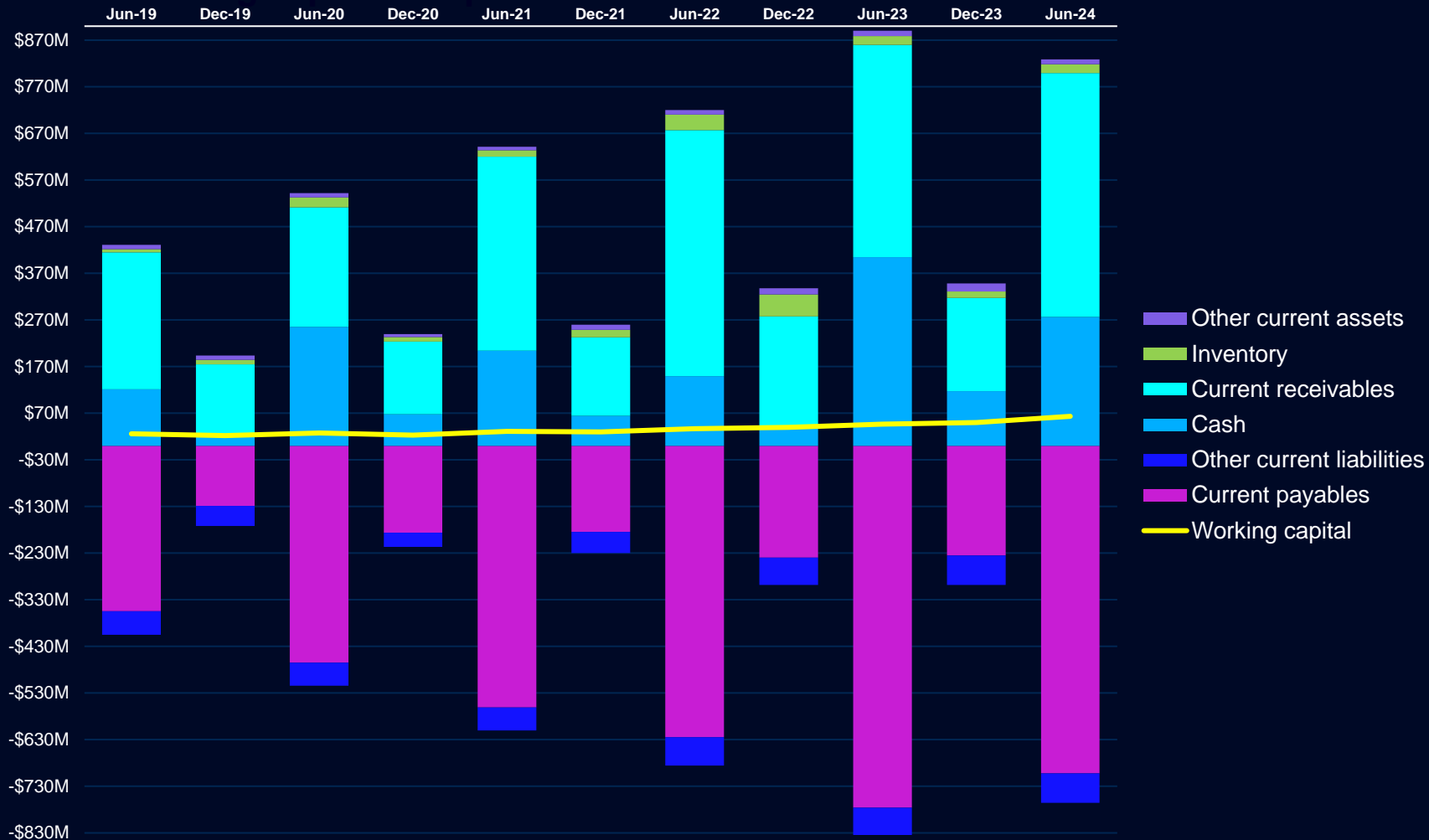
- Interest income \$9.7M vs \$3.5M predominately due to higher interest rates earned on deposits
- Internal staff costs increased by 7.6% (from \$176.9 million to \$190.3 million) reflecting 2% headcount growth (predominantly in billable Services and Infrastructure sales) and general remuneration increases
- Other operating expenses increased by 13.3% (from \$27.6 million to \$24.3 million)
 - ✓ General price increases driven by inflationary economy
 - ✓ Increase in travel costs relative to increased sales activity
 - ✓ Internal systems investments
 - ✓ Increase in licensing costs, both internal and to service new managed services contracts
- Basic EPS increased by 16.9%
- Return on equity 57.8% (FY23 54.2%)

Balance sheet

	Notes	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents	6	276,381	404,766
Trade and other receivables	7	519,148	454,788
Contract assets		3,351	5,855
Inventories – at net realisable value		19,101	19,413
Other	8	6,133	5,214
Total current assets		824,114	890,036
Non-current assets			
Trade and other receivables	7	744	217
Property and equipment		2,605	3,202
Right-of-use assets	16	17,399	21,064
Deferred tax assets	5	8,033	5,879
Intangible assets	9	13,252	15,207
Total non-current assets		42,033	45,569
Total assets		866,147	935,605
Current liabilities			
Trade and other payables	10	704,365	775,582
Contract liabilities	11	46,786	52,120
Lease liabilities	16	3,990	3,587
Current tax liabilities		7,219	4,159
Provisions	12	8,008	7,806
Total current liabilities		770,368	843,254
Non-current liabilities			
Lease liabilities	16	16,605	20,296
Provisions	12	4,258	3,710
Total non-current liabilities		20,863	24,006
Total liabilities		791,231	867,260
Net assets		74,916	68,345
Equity			
Contributed equity	15	12,577	11,861
Share-based payments reserve	22	960	323
Foreign currency translation reserve		(403)	(212)
Retained earnings		61,782	56,373
Total equity		74,916	68,345

- Strong balance sheet with no borrowings
- Q4 sales spike in line with normal customer spend patterns inflated Trade receivables and Trade payables at year end
- As in prior periods, this created a large temporary cash surplus at 30 June but lower than PCP due to timing of customer billing
- Average Day Sales Outstanding (DSOS) of 26 days lowest in several years (FY23 = 33 days)
- Inventory holdings returned to normal levels late FY23 and remained consistent in FY24. All inventory is allocated to non-cancellable customer orders

Working capital analysis



Efficient working capital model.

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

Inventory stable in FY24 following significant improvements in FY23 post pandemic.

Average collection cycle approx. 26 days.

Favourable trade terms with suppliers.

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

Statement of cash flows

	Notes	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers and agency arrangements (inclusive of GST)		2,969,179	2,886,667
Payments to suppliers and employees (inclusive of GST)		(3,013,776)	(2,555,014)
GST paid		(32,766)	(29,162)
Interest received		9,923	2,777
Interest and other borrowing costs paid		(1,086)	(1,219)
Income tax paid (net of refunds)		(17,664)	(13,033)
Net cash inflow (outflow) from operating activities	6	(86,190)	291,016
Cash flows from investing activities			
Payments for property and equipment		(607)	(981)
Proceeds from sale of equipment		2	13
Net cash (outflow) from investing activities		(605)	(968)
Cash flows from financing activities			
Payment of dividends	14	(37,902)	(31,925)
Lease liability payments	16	(3,497)	(3,047)
Net cash (outflow) from financing activities		(41,399)	(34,972)
Net increase/(decrease) in cash and cash equivalents held		(128,194)	255,076
Cash and cash equivalents, beginning of financial year		404,766	149,459
Effect of exchange rate changes on cash and cash equivalents		(191)	231
Cash and cash equivalents, end of financial year	6	276,381	404,766

- Cash flow 'seasonality' consistent with previous years
- Timing differences in collections from customers and payments to suppliers around 30 June generate temporary cash surpluses
- FY23 higher than normal cash inflow due to more customers paying pre 30 June 2023 and realisation of carried forward debtors following pandemic
- FY24 average daily cash balance \$216.7M (FY23 = \$120.9M)
- Cash net of current receivables and payables has increased in FY24, but historically trends around \$15M-\$20M
- Cash conversion of 258%[#] for 7-year period (FY18 to FY24)

[# Total Free Cash Flow \$494M / Total NPAT \$192M]
- Low capital expenditure
- High dividend payout ratio of ~91%

Sector Trends and AI

2024 Global Technology Industry Trends¹



IT Industry Growth

Global spend on IT expected to grow 7.5% in 2024
Organisations to invest in planning and use of GenAI



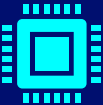
Software

13% growth expected
> US\$1Trillion globally



Devices

5% growth expected
(decrease of 6.5% in 2023)



IT Services

7% growth expected
Organisational efficiency & optimisation projects



Data Centre

24% growth expected



Communication Services

3% growth expected
Peaked during pandemic with remote work solutions

Data#3's Generative AI Journey – one year on

Microsoft CoPilot

- Invited to Microsoft Early Adopter Program
- Offering Development – Consulting, Readiness Assessments, Proof of Concepts, Adoption
- Highest selling Microsoft Copilot Licensing partner in Australia
- Millions in services gross sales underpinning services growth
- Awarded ANZ Modern Work Partner of the Year

Healthcare Customer Solution example



- Business Aspect consulting engagement
- Copilot licences
- Copilot Readiness Assessment
- Copilot Pilot support
- Copilot Adoption services
- M365 training

Legal Customer Solution example

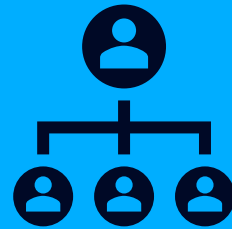


The solution included workshops, analysis of SharePoint Online, OneDrive, and Teams content and permissions, a detailed report to help the customer remediate oversharing before deploying Copilot for M365. Change Management advice.

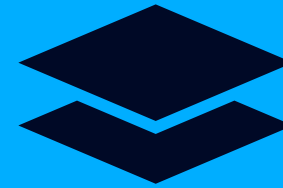
Data#3's Generative AI Journey – one year on



**Information
Governance
and Security**



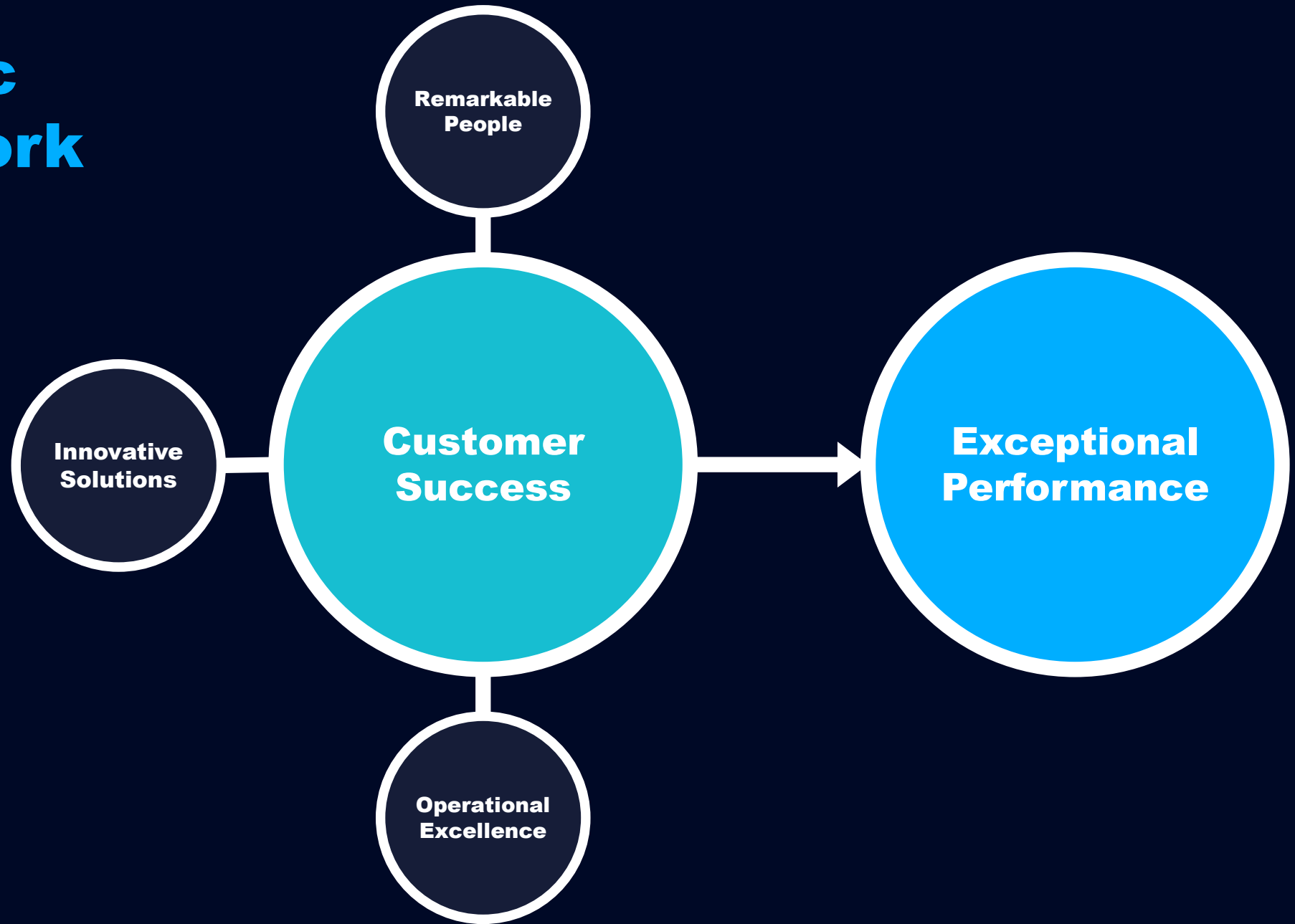
**Organisational
Change
Management**



**Technology
Platform
Software, Device,
and Multi-cloud**

FY25 Strategy and Outlook

Strategic Framework



Integrated Solutions embedded with AI



Multi-cloud

Modern Data Centre

Public Cloud

Private Cloud



Modern Workplace

Collaboration

End User Devices

Printing

Systems Management



Security

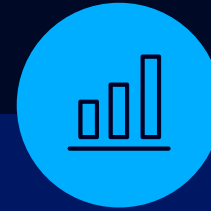
Cloud Security

Data Security and Privacy

Identity and Access
Management

Infrastructure and
Endpoint Security

Security Monitoring and
Analytics



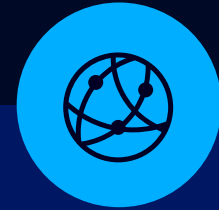
Data & Analytics

Business Analytics

Customer Management

Internet of Things

Location-Based Analytics



Connectivity

IT-OT Networking

Software-Defined Networks

Software-Defined WAN

Wireless Networks

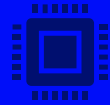
Consulting

Project Services

Managed Services

Lifecycle

The Opportunity



\$500Bn¹
in global AI-driven
infrastructure by 2027



91%²
facing the challenge of
building a multi-cloud
strategy



73%³
becoming a “truly
sustainable and responsible
business” is a top priority



73%⁴
expect a cyber security
incident in next 12-24 months
and only 4% are ready



Millions⁵
devices not ready for
Windows 11, not AI-enabled,
or up for refresh

1. IDC FutureScape report 2024

2. Innovation Catalysts, Dell Technologies, February 2024

3. Accenture analysis of executive and employee/consumer/citizen survey 2022

4. 2024 Cisco Cybersecurity Readiness Index

5. Data#3 vendor partners and customer surveys



Data#3 Competitive Advantages



Our People

Ability to attract and retain the best people



Our Partners

Partnerships with leading global vendors



Our Expertise

Expertise and breadth of solutions across the customer lifecycle



Our Innovation

At the forefront of industry change



Our Agility

Agility internally and externally to respond to changing market dynamics



Our Financial Stability

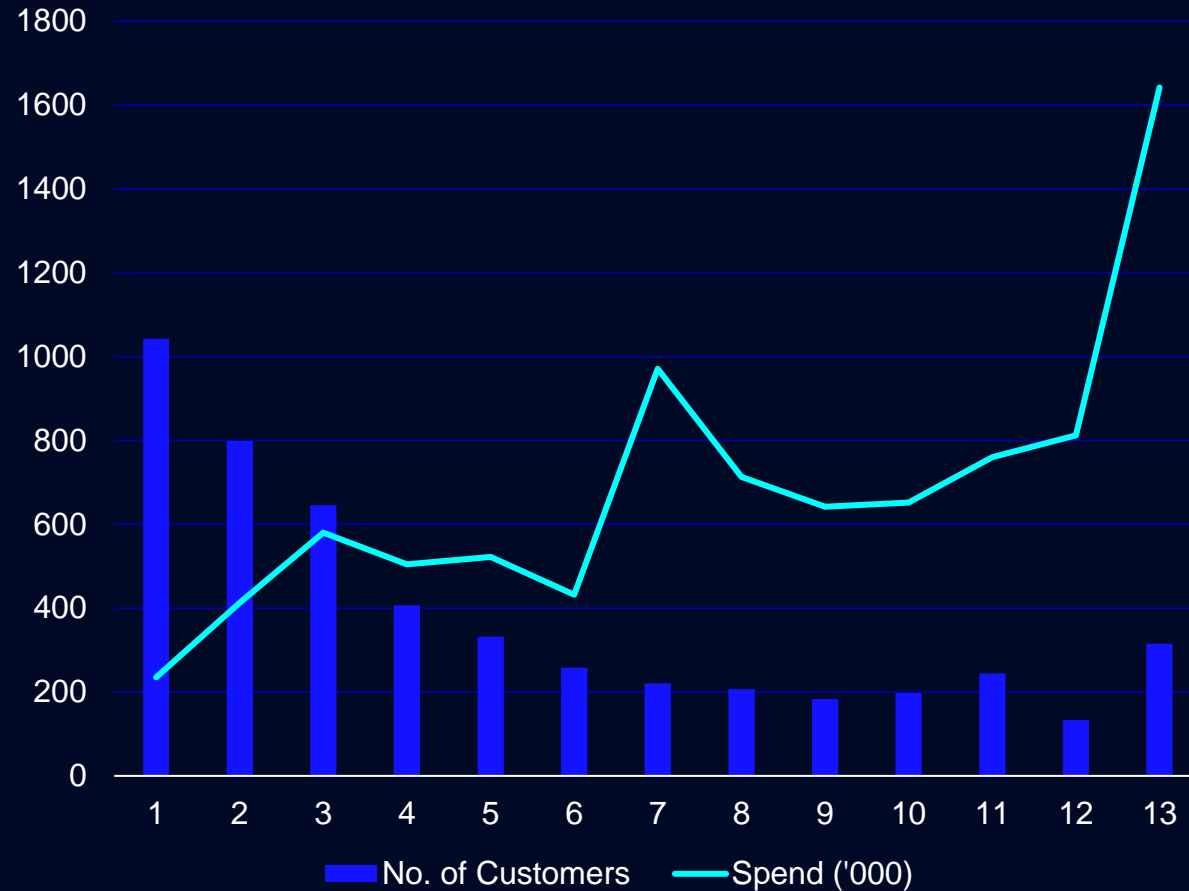
Financial stability with strong balance sheet



Our Brand

Market-leading brand and reputation

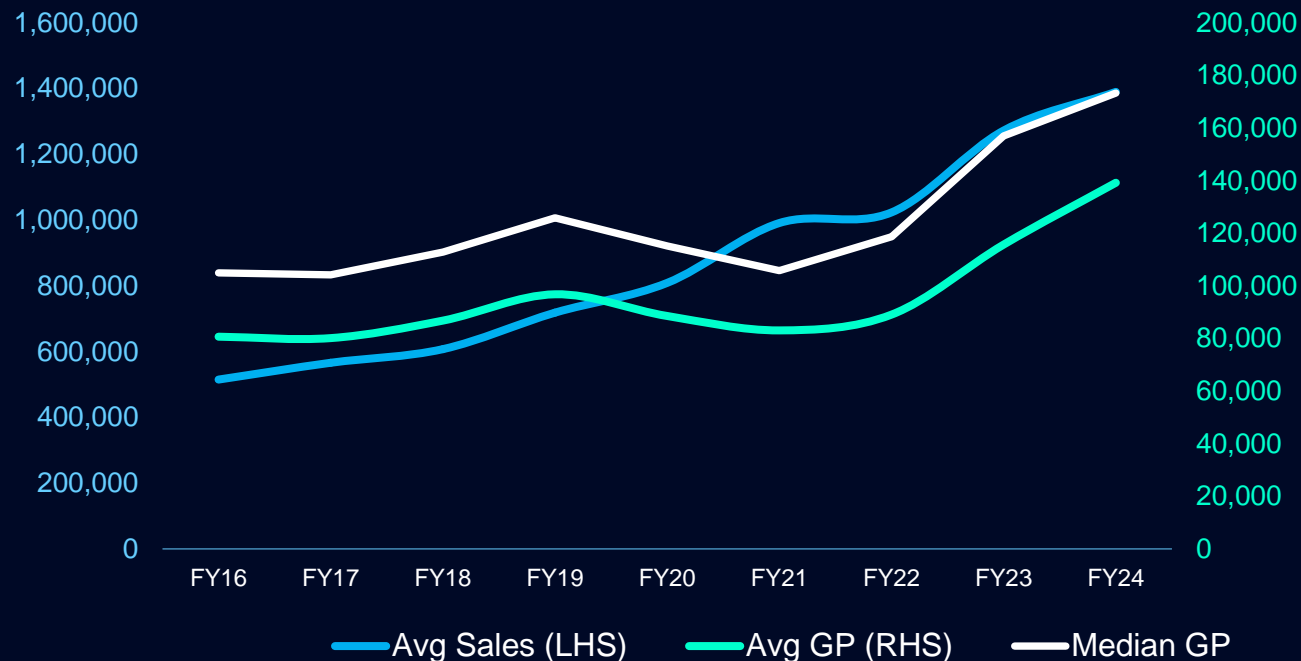
Long term customer relationships



- Number of customers by length of tenure over a 13-year period
- Average spend increases significantly over time
- Over 300 customers with tenure of over 13 years a testament to Data#3's customer service and value proposition

Increasing customer engagement

Average Sales & Average Gross Profit per Customer



- Average sales and GP per customer group has increased as we extend engagement across our portfolio of solutions, including higher GP services.
- Average GP per customer group returned to growth after pandemic spend shift toward lower margin product.
- Almost 5,000 active customer accounts and the largest customer groups are State and Federal Government accounts in the health and education sectors.

Outlook



Services Growth

Accelerated by Generative AI plus continued interest in Managed Services across Devices, the Network and Cloud.



Multi-cloud and Security Growth

Continued growth in multi-cloud solutions and cyber security. Continued trend towards annuity offerings.



Infrastructure Growth

Continued delayed decision making based on economic drivers and analysis of the correct way forward. We are, however, expecting growth in Devices, Networking and Data centre.



Data#3 is well placed to leverage the AI opportunity and to continue to provide sustainable growth, while having a positive impact on the local economies and communities in which we operate.

Brad Colledge
CEO and MD, Data#3

Outlook

Consistent with previous practice, we won't be providing specific FY25 guidance.

In line with previous years, we continue to expect a sales peak in the months of May and June, and our goal remains to continue to deliver sustainable earnings growth.

Q&A

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A photograph of a modern white building with a large glass facade. The 'Data#3' logo is mounted on the building's exterior in large, blue, 3D letters. The sky is clear and blue.

Data#3