

Data#3

FY18 RESULTS BRIEFING

22nd AUGUST 2018

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FY18 SUMMARY



“Despite continued growth in revenue and cloud-based business, and a strong second half performance, the full year earnings were impacted by a number of one-off events, primarily in the services segment.

This reduced EPS by 8.4%, and the board declared a full year dividend of 8.2 cps, a decrease of 7.9% on FY17.”

Laurence Baynham

CEO & MD, Data#3 Limited.

FY18 SUMMARY

- Sustained revenue growth
- Strong growth in the emerging cloud-based business
- Earnings impacted by one-off events, both planned and unplanned
- Record staff satisfaction and national Employer of Choice awards
- Record customer satisfaction

OUR BUSINESS



Data#3



1100+
EMPLOYEES IN 2018



9 OFFICES ACROSS **AUSTRALIA** AND **FIJI**
3 INTEGRATION CENTRES
3 DATA CENTRES

FOUNDED IN
1977



LISTED ON
ASX
IN 1997



17.89M individual **products** sold to customers



4,867 transacting **customers**



60,950 **service desk calls** by customers



2,236 **professional services** projects



\$1.2 BILLION
IN REVENUE IN FY18

OUR SOLUTIONS

We work with our customers to enable their business objectives, utilising our **technology solution** categories:



Delivered under our *PDO²* Customer Solution Lifecycle methodology:
Position – Plan – Design – Deploy – Operate – Optimise

CONSULTING PROJECT SERVICES SUPPORT SERVICES

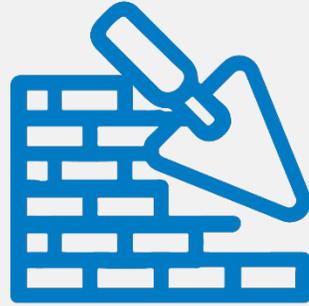
Foundation

Cloud

Mobile

Security

Data#3 leadership



Innovation

Blockchain

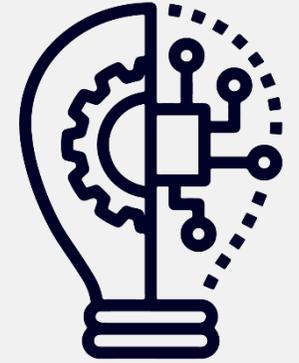
Cognitive Services

Internet of Things (IOT)

Data and Analytics

Artificial Intelligence

Robotics





Innovation Examples

Blockchain

AI Chatbot

IOT/Data Analytics



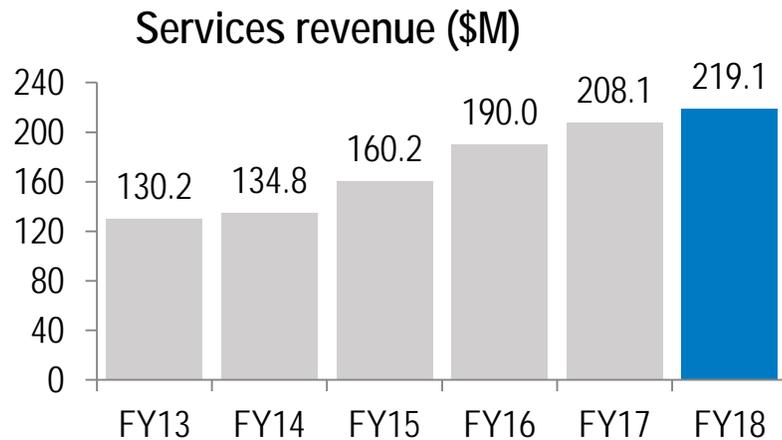
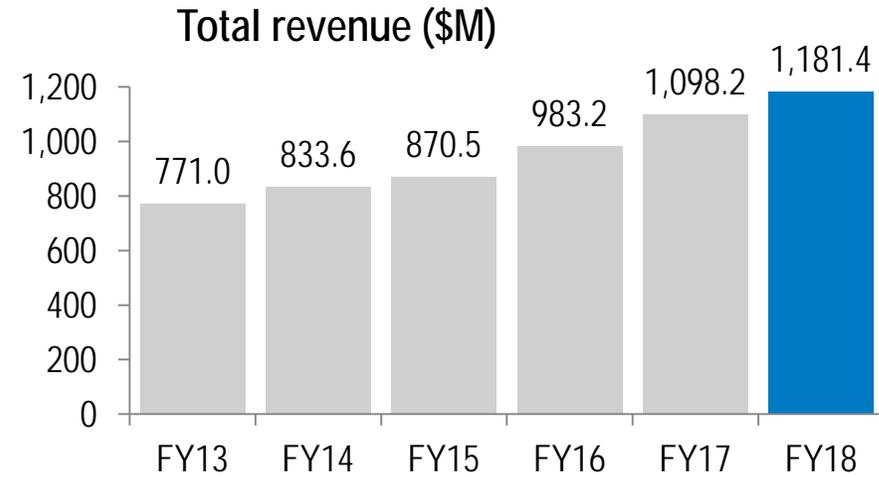
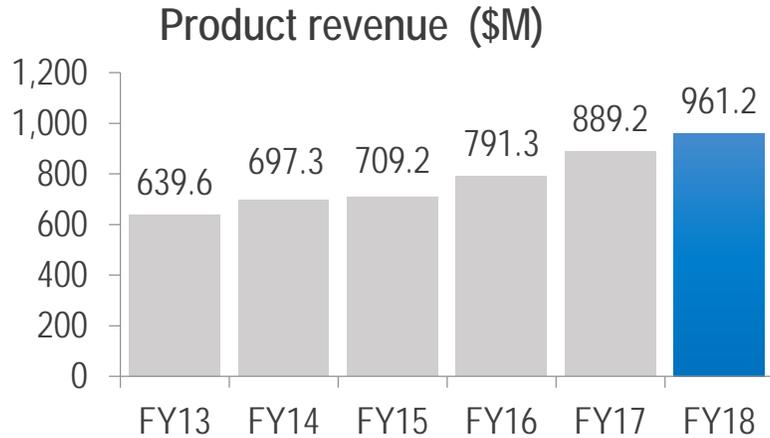
FY18 FINANCIAL PERFORMANCE



FY18 PERFORMANCE – MIXED RESULTS

Revenue	Up 7.6%	\$1,181.4M
Product	Up 8.1%	\$961.2M
Services	Up 5.3%	\$219.1M
Cloud-based (included in Product & Services above)	Up 58.0%	\$267.8M
Other revenues		\$1.1M
<hr/>		
Gross Profit (excluding Other Revenue)	Up 0.8%	\$160.1M
Product	Up 6.7%	\$77.4M
Services	Down 4.2%	\$82.7M
Gross Margin	Down 0.9 points	13.6%
<hr/>		
EBITDA	Down 9.3%	\$22.4M
EBIT	Down 10.0%	\$19.5M
NPBT	Down 8.9%	\$20.4M
NPAT (excluding minority interests)	Down 8.4%	\$14.1M
Earnings per share	Down 8.4%	9.14 cents
Dividend per share	Down 7.9%	8.20 cents

GROWTH IN REVENUE



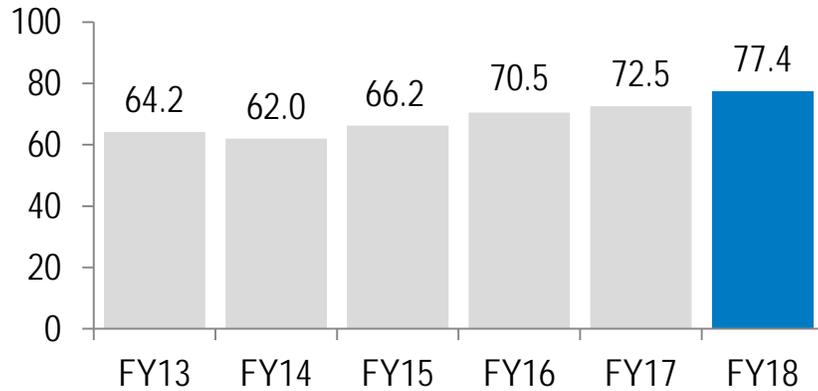
Product revenue increased by 8.1% and Services revenue increased by 5.3%

Continued market share gain in infrastructure and software licensing.

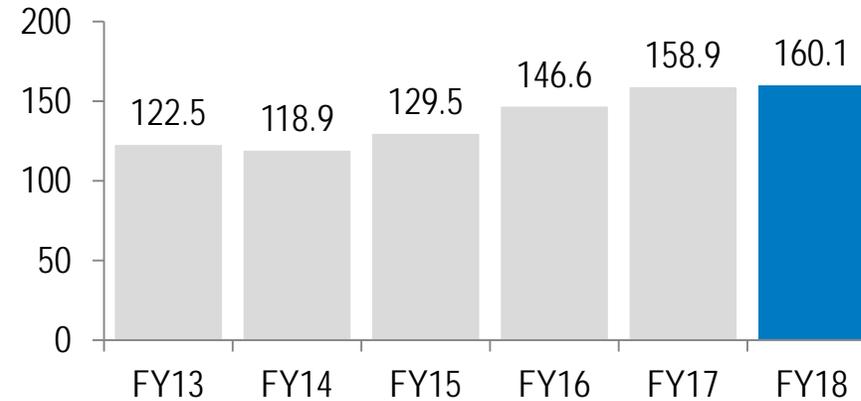
Strong growth in public cloud-based revenues, up 58% to \$267.8M.

SHIFT IN BUSINESS MIX

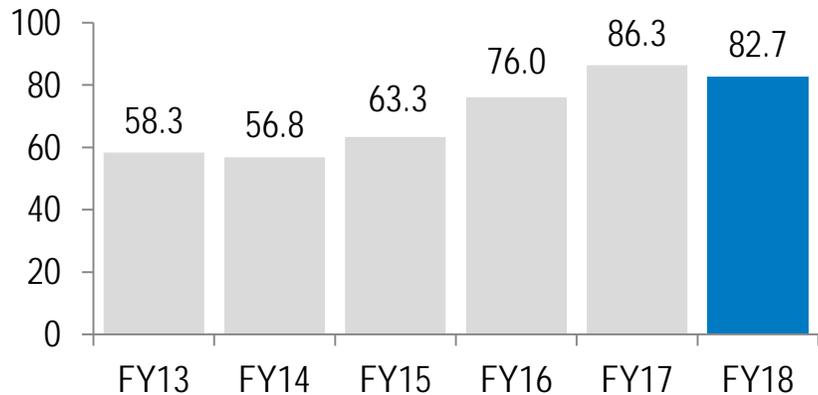
Product gross profit (\$M)



Total gross profit (\$M)



Services gross profit (\$M)

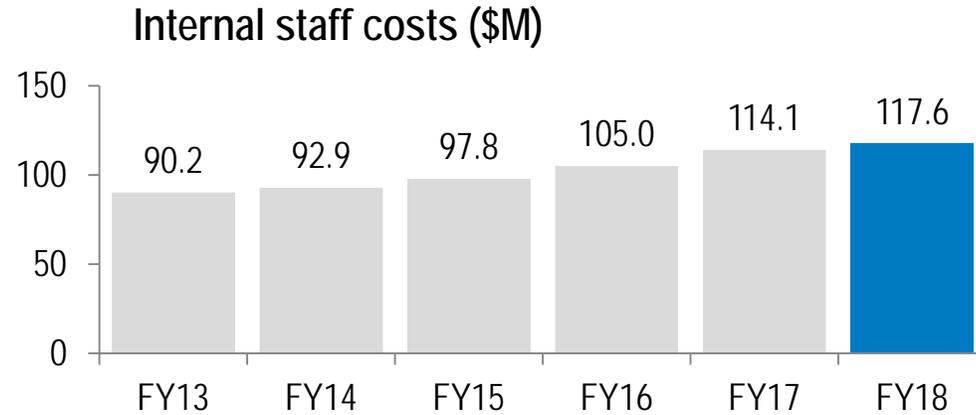


Product gross margin decreased slightly from 8.2% to 8.1% but on higher revenues delivered a 6.7% increase in product gross profit.

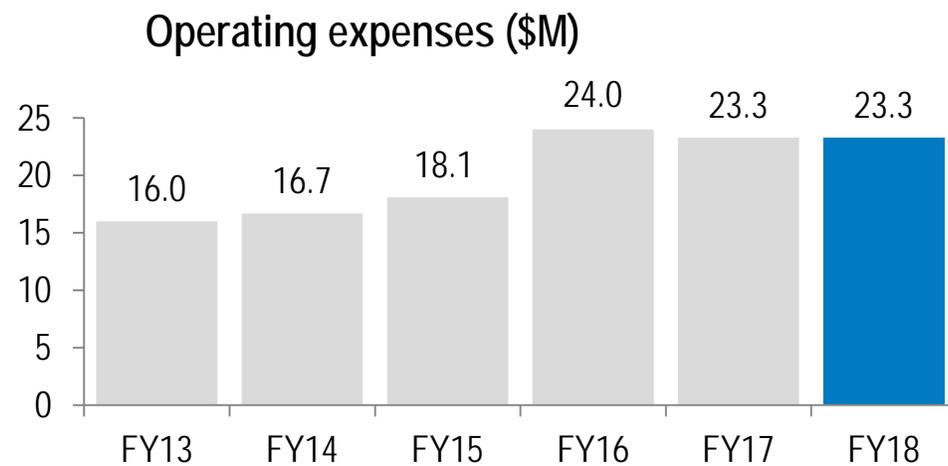
Services gross margin reduced from 41.5% to 37.8% by one-off events and a change in mix, delivering a 4.2% decrease in services gross profit.

Total gross margin decreased from 14.5% to 13.6%, and total gross profit increased by 0.8%

EXPENSES OPTIMISED

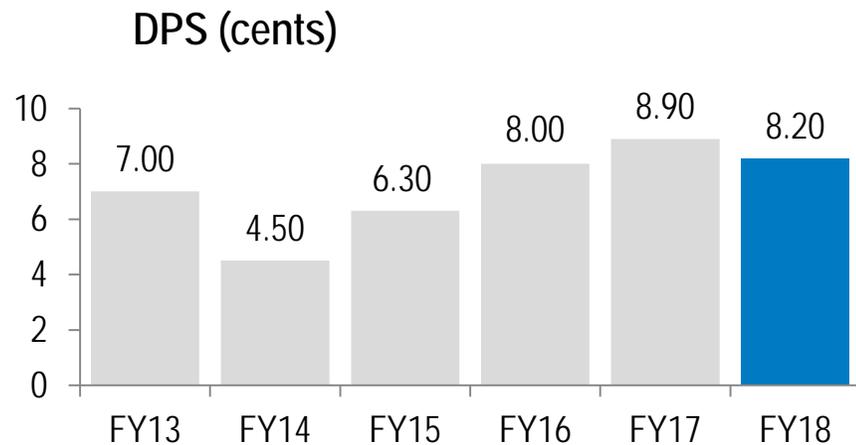
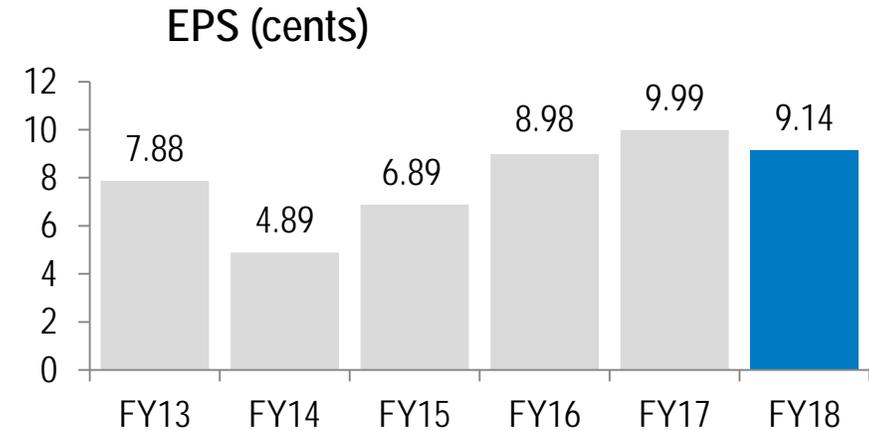
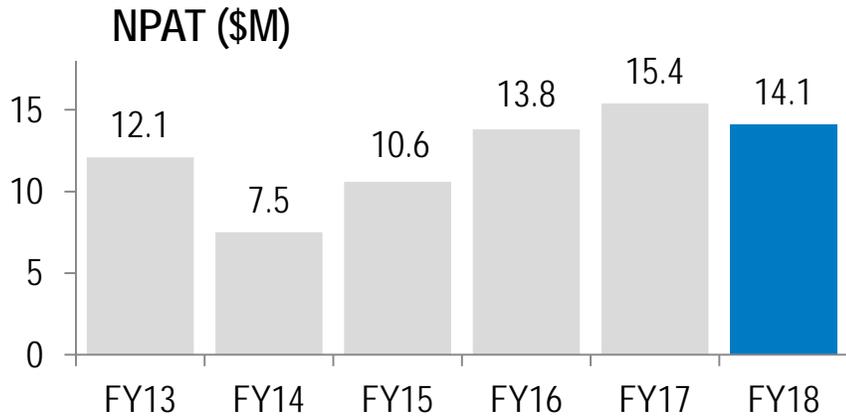


Internal staff costs up 3.1%, with general market increases and headcount growth from 1,177 to 1,210 during the year (increase of 2.8%).



Operating expenses held steady after 'step-up' from acquisitions in FY16.

EARNINGS IMPACTED BY ONE-OFF EVENTS



The decommissioning of Data#3's Cloud platform reduced the contribution from Managed Services, and lower than expected contributions from Business Aspect and Discovery Technology also impacted profit.

Earnings per share decreased by 8.4% and total dividends decreased by 7.9%.

SOLID BALANCE SHEET & CASH FLOW

- Strong balance sheet with no material debt
- Any borrowings are 'back-to-back' with customer contracts
- Cash flow 'seasonality' consistent with previous years
- \$8.2M operating cash inflow, with temporary surplus at year end slightly lower than PCP.
- Average DSOS of 25.3 days - industry best practice, and even better than PCP

FY18 PERFORMANCE – PEOPLE



Number of people
1,210



People satisfaction / 5
4.38



Employer of choice
(% recommended by Data#3)
95%

Independent Employer of Choice awards:



UPDATE ON ACQUISITIONS



BUSINESS ASPECT



- Powerful strategic positioning
- Structure fine-tuned following national growth, with focused service lines
- Revenue growth not yet matched with profit growth
- 1H loss largely recovered in 2H, with full year close to breakeven but below FY17.
- Improved profit contribution expected in FY19

DISCOVERY TECHNOLOGY



- Data#3 increased shareholding to 77.4% in July 2017; fully consolidated in FY17 & FY18 results
- Software developer of Wi-Fi content management and analytics application "CCX"
- Operates independently of Data#3
- Disappointing FY18 result with NBPT \$1.7M lower than FY17, largely due to early termination of 5-year supply contract, currently subject to legal proceedings
- Market demand remains strong, with significant pipeline of opportunities
- Commenced closer integration with Data#3

FY19–21 STRATEGY



MARKET FUNDAMENTALS

- Digital transformation is a high priority in business strategy.
- The overall IT market growth is fuelled by digital transformation.
- Industry consolidation is creating opportunity.
- Cyber security is our customers' number one priority.
- Data and analytics are leading drivers of competitive differentiation.
- Cloud provides the platform for automation, artificial intelligence, blockchain and many more innovative technologies.
- Skilled resources are becoming more scarce.

KEY PRIORITIES IN FY19

1. Services – improving margins
2. Digital Enablement – helping our customers succeed in their digital transformation
3. Customer Experience – unifying every customer touchpoint across our company to improve the overall customer experience

FY19 OUTLOOK

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.

Q&A

APPENDIX 1 – FINANCIAL SUMMARY

	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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