

Data#3 delivers another record first half result

BRISBANE, Thursday 17 February 2022: Australia's leading IT services and solutions provider, Data#3 Limited (ASX: DTL) today announces its results for the six months ended 31 December 2021 (1H FY22). These results saw the company deliver sustained earnings growth, consistent with its long-term strategy.

1H FY22 Highlights

- **Revenue up 16.6% to \$999.3 million, with public cloud up 34.8 % to \$466.7 million**
- **Gross profit up 17.5% to \$105.4 million, boosted by services growth**
- **NPBT up 33.0% to \$18.5 million**
- **NPAT up 31.7% to \$12.4 million**
- **Basic EPS up 31.5% to 8.01 cents per share**
- **Interim fully franked dividend up 31.8% to 7.25 cents per share**
- **Strong balance sheet with no borrowings**

Commenting on the 1H FY22 result, Data#3 Chief Executive Officer and Managing Director Laurence Baynham said: "We are very pleased with the strong first half performance, which reflects solid contributions from each of our business units and regions. This was underpinned by diligent execution of our strategy as we grew our software and services businesses and recurring revenue base. We maintained strong levels of service to our large, long-term customer base while further strengthening key supplier relationships through our highly experienced and committed team."

1H revenue and earnings growth

Total revenue increased by 16.6% to \$999.3 million reflecting growing demand for Data#3's solutions in a rapidly evolving market. This included strong growth in public cloud revenues, up 34.8% to \$466.7 million as major organisations and Government departments migrate to cloud-based infrastructure. Growth in the cloud business, while being at lower margins, is a major competitive advantage as it provides essential data for the solutions provided to Data#3's customers.

Recurring revenues grew to reach approximately 65% of total revenue, up from 62% in the previous corresponding period, derived from contracts with government and large corporate customers and reflective of the deliberate growth in the services and software businesses.

The consolidated net profit before tax (NPBT) increased by 33.0% to \$18.5 million, slightly ahead of the guidance provided on 18 January 2022. The consolidated NPAT (excluding minority interests) increased by 31.7% to \$12.4 million. Basic earnings per share also increased by 31.5% to 8.01 cents.

While the FY21 backlog caused by the global shortage of computer chips and integrated circuits provided a fast start to FY22, the group experienced a similar backlog at the end of December. The overall impact on the first half result was therefore not material, underlining the strength of the result.

Along with its customers and suppliers, Data#3 has adapted to continued supply chain shortages and delays, with early ordering and contingency planning now being widely adopted, resulting in a return to more predictable business activities.

Pandemic-related impacts on Data#3's people continue to be well managed, and the company has increased direct headcount by 10% compared to the previous corresponding period, predominantly in the services teams. This ability to attract and retain talent in a highly competitive market reflects the company's leading market position and attractiveness as a place to work. In addition, the company has benefitted from having a specialist recruitment business, Data#3 People Solutions.

The company continues to be recognised by its global vendor partners with recent national and international awards including Cisco Global Software Partner of the Year, Cisco APJC Security Partner of the Year, Dell Technologies Solution Provider of the Year for Australia 2021, Dell Technologies 2021 APJ Channel Excellence in Cloud Sales Award, Aruba As a Service Partner of the Year and Trend Micro Security Partner of the Year.

Dividend

The directors declared a fully franked interim dividend of 7.25 cents per share. This represents an increase of 31.8% and a payout ratio of 90.5%.

The interim dividend will be paid on 31 March 2022, with a record date of 17 March 2022.

Outlook

Data#3 is well positioned to capitalise on a growing market and an ongoing trend for large scale digital transformation projects, particularly in software and services.

Mr Baynham added: "The Australian IT market is predicted to grow at a record rate this calendar year, allowing us to further cement our market leadership and expand our services businesses. The pipeline of large integration project opportunities continues to build, and services growth is an integral part of our software and infrastructure offering while further improving our margins."

"The ongoing supply constraints caused by the global shortage of computer chips and integrated circuits is expected to continue into FY23, however the industry has adapted to these longer lead times, thereby minimising their impact. Conversely, we are well placed to capitalise on the opportunities this provides by working closely with customers and suppliers and leveraging the strength of our vendor relationships."

"While our strong trading performance has continued at the start of the second half, given that pandemic-related uncertainties remain, at this stage it would not be prudent to provide specific guidance for FY22. In line with previous years, we continue to expect a sales peak in the months of May and June and a higher profit skew in the second half, and to deliver sustainable earnings growth."

Financial results summary

	1H FY22 \$'000	% Change	1H FY21 \$'000
Sales revenue	999,089	+ 16.7%	856,145
Other revenue	208	- 64.9%	593
Total revenue	999,297	+ 16.6%	856,738
Public cloud revenue included above	466,686	+ 34.9%	346,082
Total gross profit (excluding other revenue)	105,445	+ 17.5%	89,711
<i>Total gross margin %</i>	<i>10.6%</i>		<i>10.5%</i>
Total staff & operating expenses	87,109	+ 14.1%	76,361
NPBT	18,544	+ 33.0%	13,943
NPAT (excluding minority interests)	12,353	+ 31.7%	9,379
EBIT	19,114	+ 35.9%	14,062
<i>EBIT margin %</i>	<i>1.9%</i>		<i>1.6%</i>
	1H FY22	% Change	1H FY21
Basic earnings per share	8.01 cents	+ 31.5%	6.09 cents
Dividend per share	7.25 cents	+ 31.8%	5.50 cents
<i>Dividend payout ratio</i>	<i>90.5%</i>		<i>90.3%</i>

Investor briefing

The company will present a market briefing on the results starting at 11:30am (AEDT) on 17 February 2022.

The following URL will provide access to the live event, and to an archived webcast following the event:
<https://webcast.openbriefing.com/8302/>

Approved for distribution by the Data#3 Limited board.

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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 more than 40 years' experience, combined with world-leading vendor technologies, Data#3 delivers an integrated array of solutions spanning cloud, modern workplace, security, data & analytics and connectivity. These technology solutions are delivered by combining Data#3's services across consulting, project services and support services.

Listed on the ASX in 1997, Data#3 reported revenues of \$1.96 billion in FY21. Headquartered in Brisbane, it has more than 1,200 staff, and facilities across 12 locations in Australia and Fiji.

For more information about Data#3 visit <http://www.data3.com.au>