

Data#3

# FY23 Results Briefing

22<sup>nd</sup> August 2023

Presented by



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CEO



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CFO

# FY23 Financial Highlights



**Revenue**  
**\$2.5B**  
Up 16.9%



**Gross Profit**  
**\$250.7M**  
Up 14.9%



**NPBT**  
**\$53.2M**  
Up 20.7%



**NPAT**  
**\$37.0M**  
Up 22.4%



**Basic EPS**  
**23.96 cents**  
Up 22.2%



**Dividends per share**  
**21.90 cents**  
Up 22.3%  
Payout ratio of 91.4%

# Agenda



**Data#3 Overview**

**FY23 Operational Overview**

**FY23 Financial Performance**

**FY24 Strategy**

**Customer Success**

**Summary and Outlook**

# FY23 Operational Overview



# FY23 Overview

## Revenue

**\$2.5B**



## Revenue growth rate relative to IT market

**>3x**

## Recurring Revenue

**65%**



## People

**1,400+**



- In line with strategy, strong revenue growth in Managed Services and Software Solutions, supporting recurring revenue
- Improvement in supply chain and normalisation of backlog
- Large integration projects across multiple years
- Leading market position, strength of supplier relationships, long-term customer base

## Key awards + certifications

- HRD Employer of Choice – 8th year in a row
- Cisco Global Partner of the Year - Security
- Microsoft Surface PC Reseller Worldwide Partner of the Year
- Microsoft Surface+ Worldwide Partner of the Year



## ESG update

- Environmental goals - Defining and Improving Net Zero Strategy
- Delivered Reconciliation Action Plan vision and direction



# FY23 Operational Highlights



## Multi-cloud Growth

Cloud is now ubiquitous in our customer solutions



## Security Growth

Fastest growing solution and top customer priority  
ISO 27001 certified



## Services

Strong growth in Consulting and Managed Services should improve future Gross Margins



## Major Contract Wins

e.g. Multi-year Enterprise Managed Services contract with Future Fund Management Agency



## Customer Experience

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

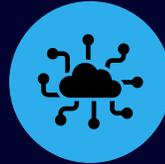


## Growth Markets

In line with our strategy growing in NSW (+15%) and VIC (+13%), Australia's two largest IT markets



**Digital Transformation**



**Internet of Things**



**Robotics**



**Extended Reality**

**Operational Technology**



**Multi-cloud**



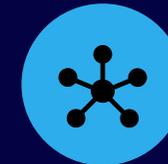
**Hybrid Work**



**Security**



**Data & Analytics**



**Connectivity**

**Foundational Technology**



**Computers**



**The Internet**



**Artificial Intelligence**

**Digital Milestones**



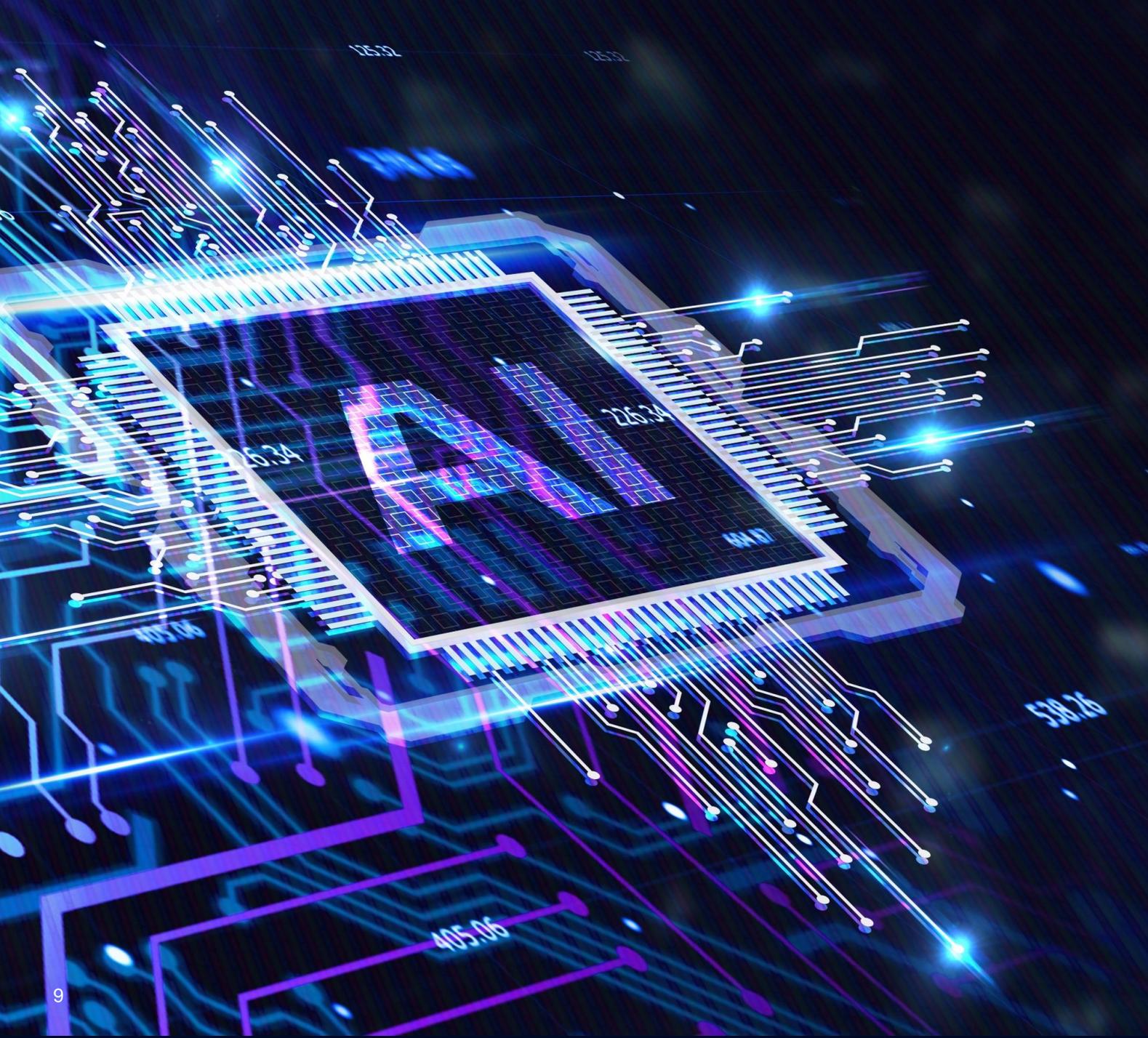
**Artificial Intelligence**



**We are at the beginning of a new era of IT.**

**Generative AI will be as impactful as cloud or the internet.**

**Satya Nadella,**  
CEO of Microsoft



→ **AI is a major digital milestone with operational technologies like robotics becoming integral to our transformation solutions.**

→ **We are already seeing rapid product development incorporating cloud, hybrid work, security, connectivity and data analytics.**

→ **We are assessing widespread applications across our customers' transformation projects.**

→ **We are aligning ourselves with the global market leaders in AI so are at the forefront of this change as customer technology is increasingly AI-driven.**

→ **We are also looking at opportunities to apply AI within our own business to further improve operational efficiencies.**

# 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**

**Support Services**

**Lifecycle**



**#1 partner in Australia**

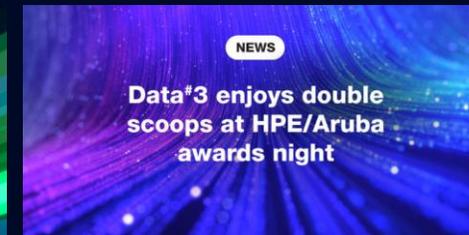
**Top five partner  
in Australia**

**Strategic partnerships  
with global leaders**

**Significant investment in  
technical capability and  
certifications**

**400+ other partnerships  
with emerging vendors**

# FY23 Awards

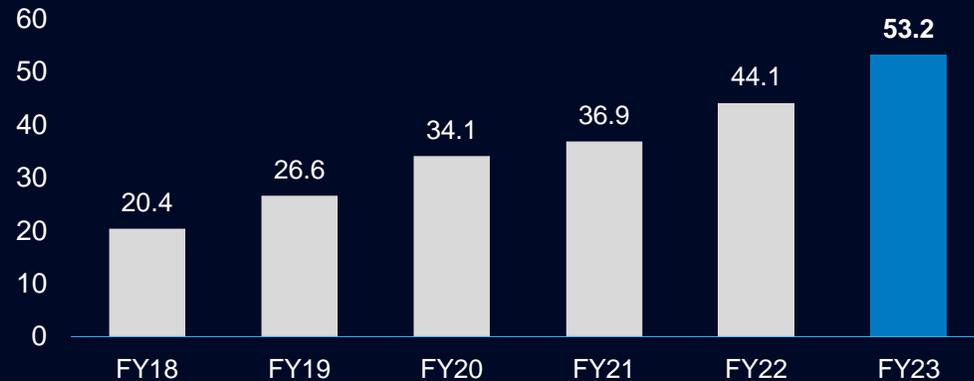




# FY23 Financial Performance

# Sustained earnings growth

## NPBT (\$M)



## Basic EPS (cents)



## NPAT (\$M) - excluding minority interests

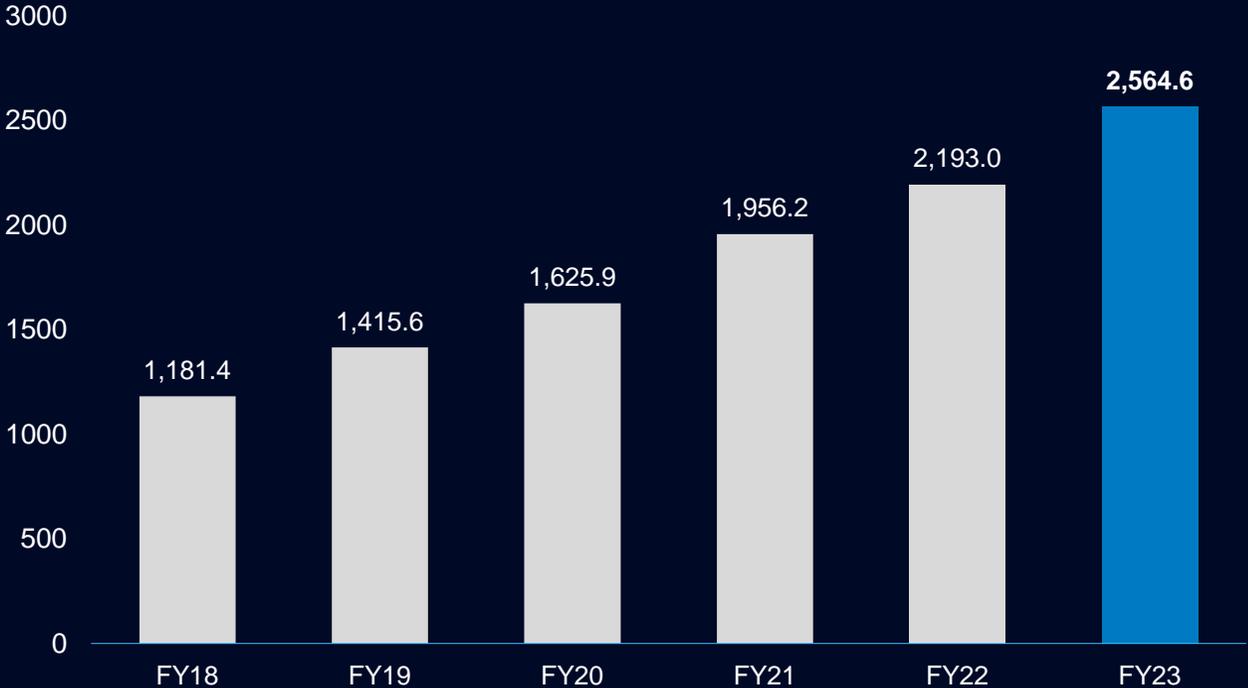


## DPS (cents)



# Sustained revenue growth

Total revenue (\$M)



Revenue CAGR of 15.3%<sup>1</sup> fuelled by software licensing, multi-cloud solutions and services.

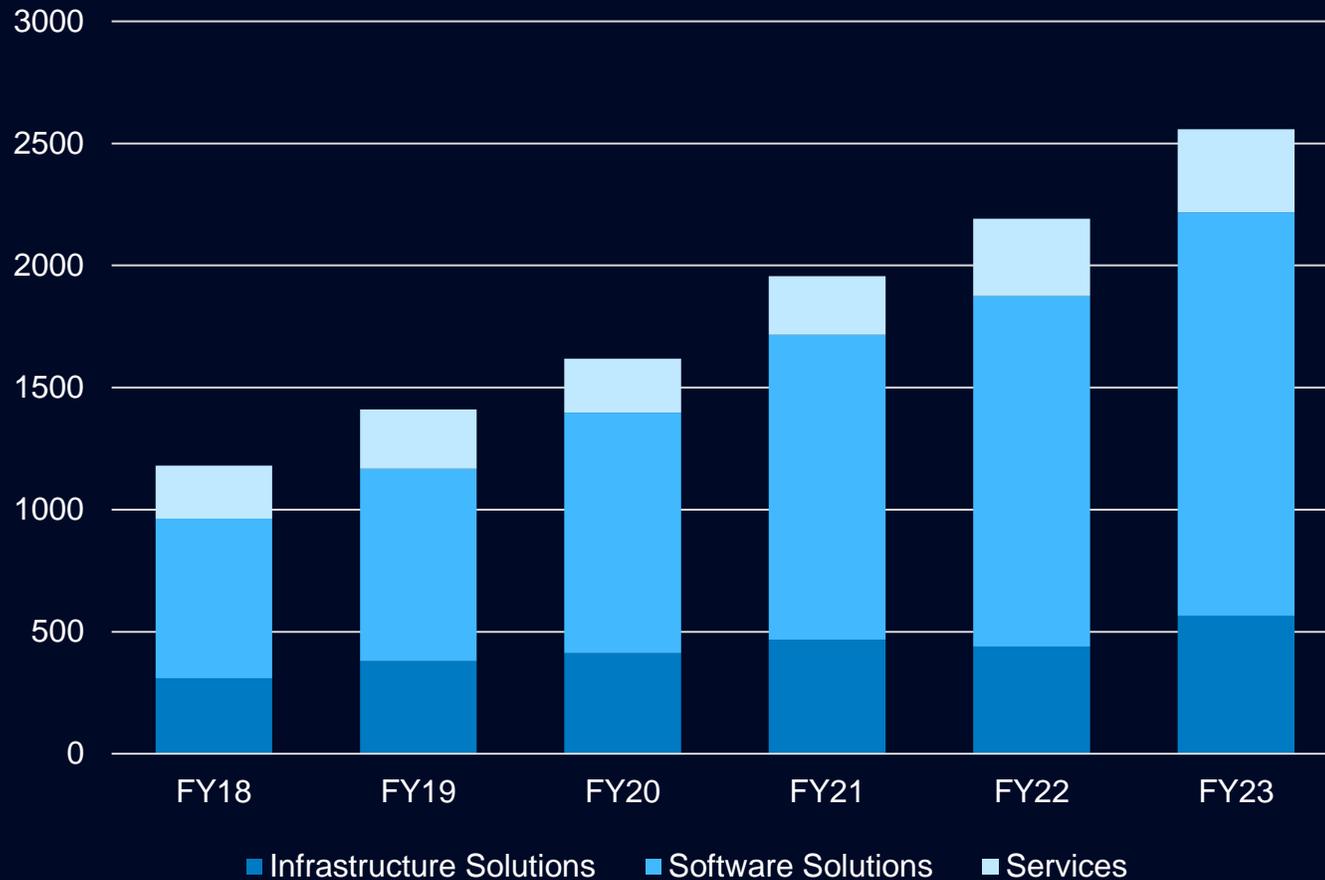
Strong customer spend in higher growth education, health and resource sectors.

~65% of revenue is recurring, meaning under term-based contracts.

1. CAGR growth from FY18-FY23

# Changing sales mix

Revenue trend by functional area (\$M)



Business unit	FY23 revenue (\$M)	Change vs. FY22
Business Aspect Consulting	33.2	+ 25.0%
Project Services	74.5	+ 11.9%
Maintenance Services	125.0	- 3.9%
Managed Services	39.3	+ 31.1%
People Solutions (recruitment)	68.1	+ 9.3%
<b>Total Services</b>	<b>340.1</b>	<b>+ 7.7%</b>
<b>Software Solutions</b>	<b>1,652.5</b>	<b>+ 15.3%</b>
<b>Infrastructure Solutions</b>	<b>566.2</b>	<b>+ 28.6%</b>

# Gross margin and Gross profit

Overall Gross Margin % varies with changing revenue mix.

- Infrastructure Solutions benefiting from strong growth in networking and storage, and easing supply chain constraints
- Strong growth in software licensing and multi-cloud revenues
- Services growth has boosted total Gross Profit \$

Total Gross Profit up 14.9% to \$250.7M with Gross Margin % down slightly from 10.0% to 9.8%:

- Services Gross Profit up 24.8% to \$124.7M with Gross Margin % increasing from 31.4% to 36.4%
- Product Gross Profit up 6.5% to \$125.9M with Gross Margin % decreasing from 6.3% to 5.7% due to relative mix of higher volume, lower margin products and gradual shift in vendor rebates to services

**Objective continues to be to deliver steady, sustained growth in total Gross Profit \$**

Business unit	FY23 revenue (\$M)	FY23 revenue growth	Relative Gross Margin %
Business Aspect Consulting	33.2	+ 25.0%	<b>MED - HIGH</b>
Project Services	74.5	+ 11.9%	<b>MED</b>
Maintenance Services	125.0	- 3.9%	<b>LOW - MED</b>
Managed Services	39.3	+ 31.1%	<b>HIGH</b>
People Solutions	68.1	+ 9.3%	<b>LOW - MED</b>
Software Solutions	1,652.5	+ 15.3%	<b>LOW</b>
Infrastructure Solutions	566.2	+ 28.6%	<b>LOW to MED</b>

# Steady improvement in operating leverage

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



Internal expenses (Staff & Operating costs \$M)



- Steady gross margin % despite higher than expected Software growth
- Expect to increase over time as Services contribution increases

- Internal Cost Ratio (Internal expenses / Gross profit) has improved from 88.0% in FY16 to 80.3% in FY23
- FY23 slightly up vs FY22 (80.1%) due to travel costs and investment in people and systems, particularly in Managed Services, which will generate future leverage.

# Statement of profit or loss

	Notes	2023 \$'000	2022 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	3	2,560,700	2,192,421
Other revenue	3	3,870	576
		2,564,570	2,192,997
<b>Expenses</b>			
Change in inventory		(13,665)	19,206
Purchase of goods		(2,078,047)	(1,774,938)
Employee and contractor costs directly on-charged (cost of sales on services)		(99,148)	(88,789)
Other cost of sales on services		(119,189)	(129,682)
Internal employee and contractor costs		(176,941)	(152,996)
Telecommunications		(2,073)	(2,216)
Rent		(1,780)	(1,717)
Travel		(1,299)	(258)
Professional fees		(1,304)	(1,023)
Depreciation and amortisation	4	(6,280)	(5,288)
Finance costs	4	(1,247)	(1,376)
Other		(10,363)	(9,827)
		(2,511,336)	(2,148,904)
<b>Profit before income tax expense</b>		53,234	44,093
Income tax expense	5	(16,204)	(13,831)
<b>Profit for the year attributable to the ordinary equity holders of the company</b>		37,030	30,262
Other comprehensive income, net of tax:			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		231	214
<b>Total comprehensive income attributable to the ordinary equity holders of the company</b>		37,261	30,476
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	16	23.96	19.61
Diluted earnings per share	16	23.88	19.55

- Revenue increased by 16.9%
- Interest income \$3.5M vs \$273K predominately due to higher interest rates earned on deposits
- Internal staff costs increased by 15.7% (from \$153.0 million to \$176.9 million) reflecting headcount growth (predominantly in Services) and general remuneration increases
- Other operating expenses increased by 12.2% (from \$21.7 million to \$24.3 million)
  - ✓ Amortisation of ERP project costs
  - ✓ Increase in travel costs post pandemic
- Basic EPS increased by 22.2%
- Return on equity 54.2% (FY22 49.0%)

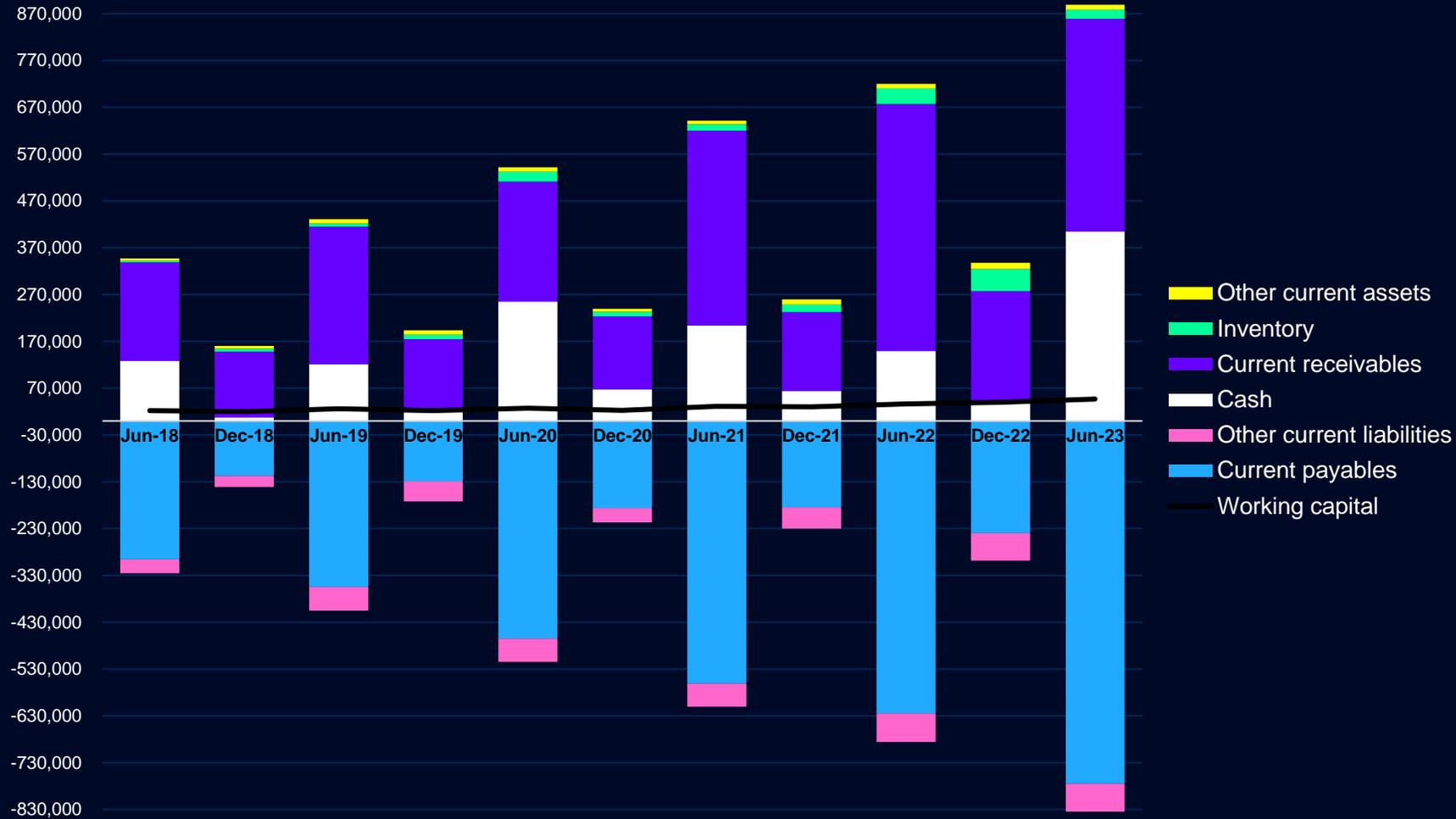
# Balance sheet

	Notes	2023 \$'000	2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	404,766	149,459
Trade and other receivables	7	454,788	527,888
Contract assets	8	5,855	5,776
Inventories	9	19,413	33,078
Other	10	5,214	3,955
Total current assets		890,036	720,156
<b>Non-current assets</b>			
Trade and other receivables	7	217	1,072
Property and equipment	11	3,202	3,388
Right-of-use assets	19	21,064	23,585
Deferred tax assets	5	5,879	5,292
Intangible assets	12	15,207	17,394
Total non-current assets		45,569	50,731
<b>Total assets</b>		<b>935,605</b>	<b>770,887</b>
<b>Current liabilities</b>			
Trade and other payables	13	775,582	622,698
Contract liabilities	14	52,120	49,710
Lease liabilities	19	3,587	3,002
Current tax liabilities		4,159	705
Provisions	15	7,806	7,236
Total current liabilities		843,254	683,351
<b>Non-current liabilities</b>			
Lease liabilities	19	20,296	22,643
Provisions	15	3,710	3,196
Total non-current liabilities		24,006	25,839
<b>Total liabilities</b>		<b>867,260</b>	<b>709,190</b>
<b>Net assets</b>		<b>68,345</b>	<b>61,697</b>
<b>Equity</b>			
Contributed equity	18	11,861	10,313
Share-based payments reserve	26	323	559
Foreign currency translation reserve		(212)	(443)
Retained earnings		56,373	51,268
<b>Total equity</b>		<b>68,345</b>	<b>61,697</b>

- Strong balance sheet with no borrowings
- 4Q revenue 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
- Average Day Sales Outstanding (DSOS) of 33.0 days (FY22 = 28.1 days)
- Inventory holdings reduced at the end of FY23 with easing of supply chain constraints. All inventory is allocated to non-cancellable customer orders

# Working capital analysis

## Working capital components



Efficient working capital model.

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

Inventory reduced in FY23.

Average collection cycle approx. 33 days.

Favourable trade terms with suppliers.

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

# Statement of cash flows

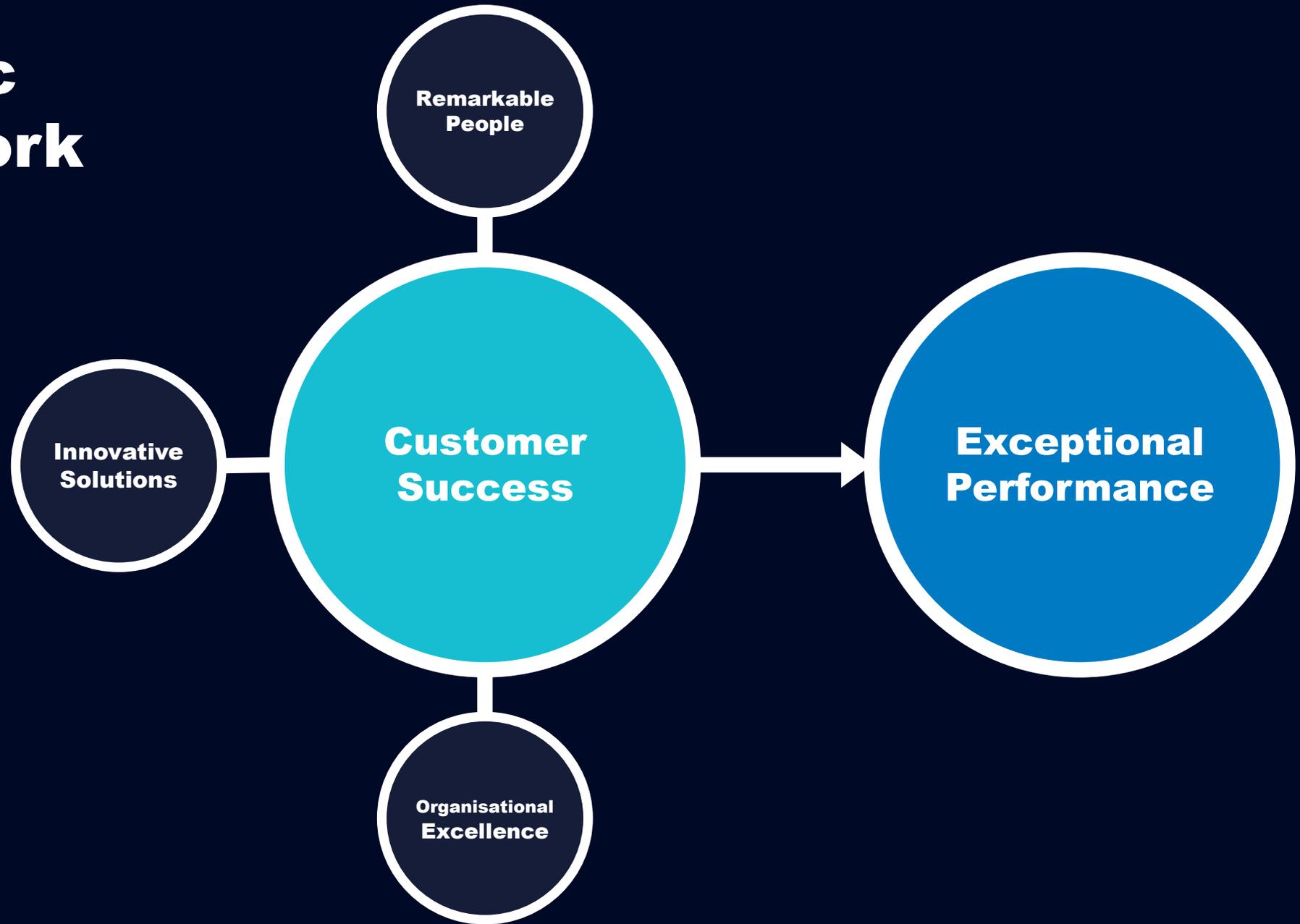
	Notes	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		2,886,667	2,313,048
Payments to suppliers and employees (inclusive of GST)		(2,555,014)	(2,291,312)
GST paid		(29,162)	(29,364)
Interest received		2,777	245
Interest and other borrowing costs paid		(1,219)	(1,334)
Income tax paid (net of refunds)		(13,033)	(13,906)
Net cash inflow (outflow) from operating activities	6	291,016	(22,623)
<b>Cash flows from investing activities</b>			
Payments for property and equipment	11	(981)	(997)
Payments for software assets	12	-	(2,878)
Proceeds from sale of equipment		13	-
Net cash (outflow) from investing activities		(968)	(3,875)
<b>Cash flows from financing activities</b>			
Payment of dividends	17	(31,925)	(25,853)
Proceeds from issue of shares	26	1,548	2,035
Payments for shares acquired by the Data#3 Employee Share Trust	26	(1,548)	(2,035)
Lease liability payments	19	(3,047)	(2,727)
Net cash (outflow) from financing activities		(34,972)	(28,580)
<b>Net increase/(decrease) in cash and cash equivalents held</b>			
Cash and cash equivalents, beginning of financial year		149,459	204,323
Effect of exchange rate changes on cash and cash equivalents		231	214
<b>Cash and cash equivalents, end of financial year</b>	6	404,766	149,459

- 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 average daily cash balance \$120.9M (FY22 = \$117.2M)
- Underlying 'free cash' is typically around \$15M, however this was temporarily reduced during FY23 as supply chain delays inflated inventory and receivables
- Cash conversion of 280%# for 7-year period (FY17 to FY23)  
*[# Total Free Cash Flow \$459M / Total NPAT \$164M]*
- Low capital expenditure
- High dividend payout ratio of ~91%

# FY24 Strategy and Outlook



# Strategic Framework



# FY23 Customer stories

CUSTOMER STORY

Queen's Wharf  
Brisbane

CUSTOMER STORY

Knight Frank revolutionises  
user experience with Microsoft  
DaaS program from Data#3

CUSTOMER STORY

Main Roads  
Western Australia

CUSTOMER STORY

Teachers Mutual  
Bank Limited

CUSTOMER STORY

Cloud transition:  
An Azure success story  
for Knight Frank

CUSTOMER STORY

Kubota

CUSTOMER STORY

Pernod Ricard  
Winemakers

CUSTOMER STORY

Future Fund  
Management Agency

CUSTOMER STORY

City of Fremantle

CUSTOMER STORY

The Southport School:  
Four years on

CUSTOMER STORY

Hydro  
Tasmania

# Leading the Future of Digital Transformation in Australia

- Design and implement an innovative digital network for Queen's Wharf Brisbane, a \$3.6 billion integrated resort development by Destination Brisbane Consortium.
- 4 towers, 50 restaurants/bars, 2,000 apartments, 1,000 hotel rooms, bridge to South Bank, and retail areas.
- 60,000 items on network, 2,200 switches, 2,000 wireless access points, 3,000 security cameras, 140 communications rooms.
- Multi-year project that will transform Brisbane CBD.

# 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

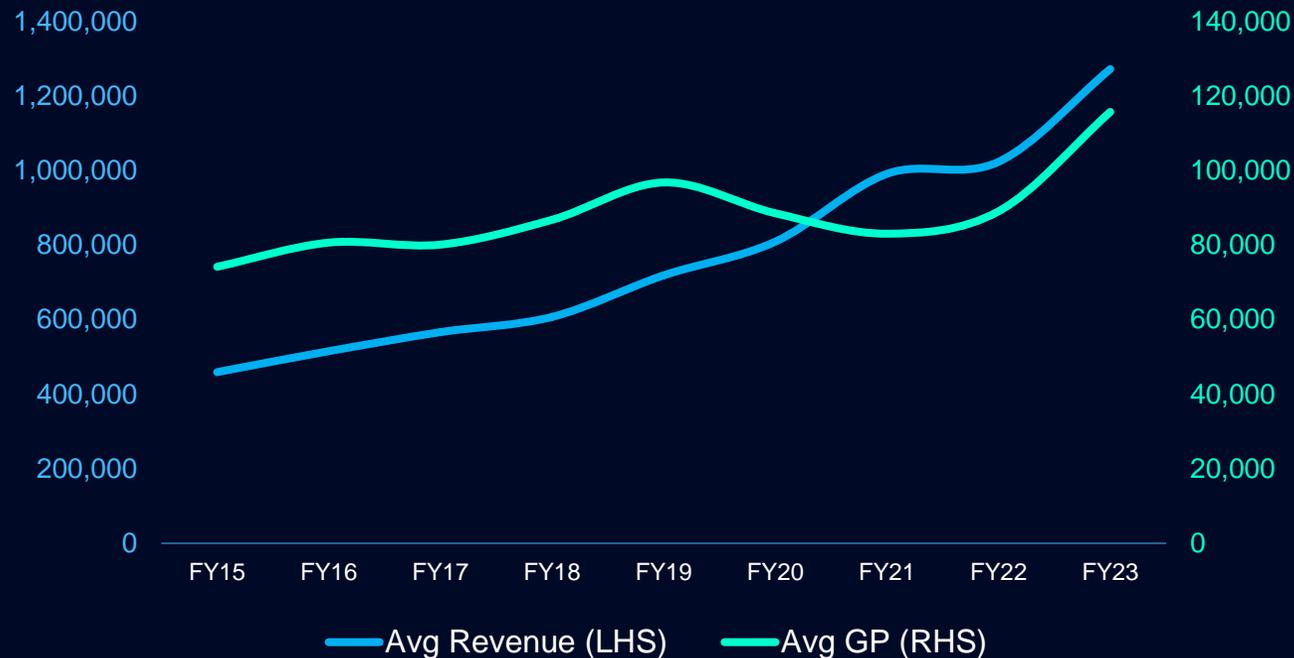


## Our Brand

Market-leading brand and reputation

# Increasing customer engagement

Average Revenue & Average Gross Profit per Customer



- Average revenue 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 returning 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.

# Strategic Focus Areas



## Customer Experience

Long-term view,  
not transactional

Lifecycle approach

Joint investments with  
global vendors



## Security

Protecting our business

Market opportunity

Go to market with  
Business Aspect



## Accelerating Services

Continued investment in  
Managed Services

Strong revenue growth in  
Consulting & Managed  
Services

Complementing vendor  
incentive programs



## ESG

To further develop and  
enhance our initiatives  
across ESG

To benchmark in our  
sector

Increased ESG  
commitment with  
increased financial  
growth

Continued focus on driving growth in Services and Software to increase recurring revenues and improve margins

# Outlook



**Services growth will continue to complement Software and Infrastructure divisions, while improving recurring revenue and margins**



**Growth in multi-cloud solutions and cyber security continues to provide data and insights to enhance lifecycle services**



**Gen AI fuelling digital transformation growth**



**Growing pipeline of major integration project opportunities as large corporates and government drive transformation agendas; and planned infrastructure projects**



**We continue to experience a steady increase in the pipeline of large integration project opportunities across our corporate and public sector customers, and are seeing strong growth in our higher margin Managed Services business, complementing our growing Software and Infrastructure business units.**

**With our leading market position, strong supplier relationships, long-term customer base and experienced team we are confident in our outlook as we enter FY24, despite an expected slowdown in general economic activity. The industry is rapidly progressing and we are well positioned to benefit.**

**Laurence Baynham**  
**Chief Executive Officer, Data#3**

# Q&A



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