31 October 2023

Q323 Market Update

AUSTRALIA, Sydney – 31 October 2023: Dicker Data (ASX: DDR) (Company) today provides an update on the Company's Q3 2023 earnings result and operational trading update for the period ended 30 September 2023.

Q3 2023 Results

Unaudited gross revenue for the 9 months ending 30 September 2023 finalised at $2.4b, representing an increase of $179m, or 8.0% increase on the previous comparative period.

Summary of results and highlights for the 9 months ended 30 September 2023:

Unaudited 9 months to:	$m Sep-23	$m Sep-22	$m Increase	% Increase
Total Gross Revenue*	2,413.9	2,234.9	179.0	8.0%
EBITDA	109.0	92.0	17.0	18.5%
Net Operating Profit Before Tax	84.7	76.7	8.0	10.4%

*Sales represented on gross basis. Year end statutory accounts will be reported on net basis for software and virtual services in line with Interim Financial Report.

- Strong revenue growth year to date, with unaudited gross revenue finalising at approximately $2,413.9m, an increase of 8.0% on the prior corresponding period.
- YTD gross revenue is split between Australia at $1,996.3m and New Zealand of $417.6m
- Growth in gross revenue is attributable to growth in demand for software, network and storage categories and growth in Dicker Data Access and Surveillance (DAS), despite continued declines in PC demand.
- It is expected for Q423 that the decline in PC demand to have bottomed out with strong indications towards growth and refresh in the later half of FY24.
- YTD gross profit margin finalised at 9.6%, benefiting from improved profit margins in NZ.
- YTD EBITDA for the 9 months finalised at $109.0m, an increase of 18.5%, as a result of sales growth and improved margins.
- The net operating profit for the 9 months finalised at $84.7m, an increase of 10.4%.
- The Company is pleased with its profit performance for the period to date, particularly when factoring in that overall profitability has been impacted by costs associated with rising interest rates and increased depreciation and amortisation as a result of recent acquisitions.

Commenting on the result, Chairman and CEO, David Dicker, said "Our team outperformed the market again in Q3, delivering a pleasing uplift in revenue and profitability. Despite weaker demand for certain products, our strategy to build a portfolio of diverse technologies continues to pay dividends. Our outlook remains optimistic and our team are now focused on closing out the FY23 period in the best possible shape."

Operational Update

Strong demand for software, networking and storage buoyed the Company as at end of the Q323 period, delivering high levels of growth and offsetting the continued decline in demand for PCs. Gross sales finalised 7.8% higher on the prior corresponding period (PCP), with net operating profit before tax surging by over 10% in comparison to the PCP, as the Company focused on margin quality during the period. In particular, the Company's New Zealand operation delivered a triple digit increase in its Operating Profit Before Tax contribution versus the PCP. The Australian business delivered $1,996.3m in gross sales, with the New Zealand operation delivering a further $417.6 in gross sales in the period.

Demand for PCs remained in decline across both Australia and New Zealand during Q323. This trend is expected to continue into the Company's fourth quarter, as a byproduct of the accelerated PC refresh cycles caused by the demands of hybrid working as a result of the pandemic. Despite the traditional three-year device refresh cycle being significantly impacted by the pandemic, there are a number of factors expected to send the Company's PC numbers back into growth in FY24, namely Microsoft's end of support for Windows 10 and the advent of Artificial Intelligence (AI).

Microsoft is officially ending support for Windows 10 in October 2025**. Beyond that date, Microsoft will no longer provide security updates or technical support for the product. As with previous end of life events, it is expected that many organisations will begin their PC refresh cycles to modernise their PC fleets to run the current supported version of Windows, Windows 11, ahead of the end of support date. Furthermore, the coupling of increased cybersecurity attacks in both Australia and New Zealand with underwriters placing even stricter requirements on cybersecurity insurance policyholders is expected to drive further demand for modern PCs with the latest cybersecurity features.

The arrival of AI has created a tremendous amount of noise in almost every industry. However, the ability for organisations and individuals to begin to truly leverage the benefits of AI are closer than ever before. As Microsoft works to bring its much-awaited CoPilot product to general availability, the Company's device partners are working closely with chipset manufacturers to access the technology containing enough compute power to handle the demands of generative AI, running locally on a user's PC. This again is expected to create a catalyst for device refresh as organisations will need to access the latest technology in order to unleash the full potential of generative AI at a user-level. Further to this, Microsoft has officially announced that access to its CoPilot and generative AI products will come at an additional cost per user, per month, on top of the existing subscription fees the Company benefits from today. Enterprise-grade AI solutions are also being considered by more governments and organisations and as one of the only distributors that represents all of the required technologies to deliver enterprise-grade AI solutions, the Company is expected to benefit in FY24.

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The Company's access and surveillance business (DAS) delivered over 126.7% growth in the 9 months to September 2023, with full 9 months contribution from Hills, being only 5 months in the PCP and 7 months contribution from CSP in NZ not in comparative period. The DAS team have continued to on board new vendors and technologies in line with the broader Company's promise to provide its extensive partner network with access to the world's leading solutions. Notable DAS vendor additions in the Q323 period includes AJAX Systems and i-PRO.

The Company's supply chain has returned to normal as of Q323, with delivery cycles now in line with those experienced pre-COVID. Backorders have also normalised at approximately $200m. Despite the backorder total being higher than those experienced pre-COVID, the Company believes the total of backorders is now in line with the current position of the business when factoring in the growth in sales, vendors and technologies in recent years.

Authorised for release by the Board of Dicker Data Ltd.

David Dicker
Chairman & CEO

References:
**[Windows 10 Home and Pro - Microsoft Lifecycle | Microsoft Learn](#)

ABOUT DICKER DATA

Dicker Data (ASX: DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, [cloud, access control and surveillance](#) distributor with over 44 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 10,000 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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