Data#3

FY24 Interim Results Briefing

15th February 2024

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Agenda

Data#3 Overview

1H FY24 Operational Overview

1H FY24 Financial Performance

IT Sector Trends and AI

FY24 Strategy & Outlook

Q&A

1H FY24 Financial Highlights

NPBT
$30.8M
Up 25.3%

NPAT
$21.4M
Up 25.5%

Gross Sales
$1.3B
Up 13.4%

Gross Profit
$130.6M
Up 8.8%

Basic EPS
13.85 cents
Up 25.5%

Dividends per share
12.60 cents
Up 26%
Payout ratio of 91%

1H FY24

Operational Overview

1H FY24 Overview

Gross Sales growth rate relative to IT market

>2x

Recurring Gross Sales up from 65% to

67%

People

1,400+

- Continued sustainable earnings growth across several years
- Strong growth in Gross Sales of 13% in Managed Services and 14% in Software Solutions, supporting recurring Gross Sales
- Winning market share through breadth of offering and strength of supplier and customer relationships
- Record interest income of $6.5m off strong cash position, improved stock and higher cash rate

Recent key awards + certifications

- HRD Employer of Choice – 9th year in a row
- Cisco Global Software Partner of the Year – 6th Global Cisco award in a row
- Microsoft Surface PC Reseller Worldwide Partner of the Year
- Microsoft Surface+ Worldwide Partner of the Year

Succession Planning

- New Chair announced October 2023
- Managing Director and CEO succession March 2024

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1H FY24 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
Strong interest in GenAI

Working Capital

Improved supply chain
Improved DSOS
Strong cash position

Customer Experience

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

Global Vendors

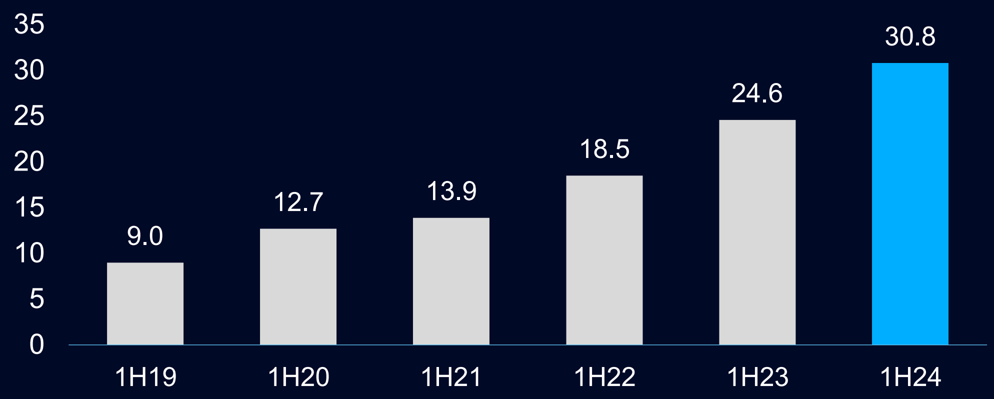
Awards, certifications and incentives

1H FY24

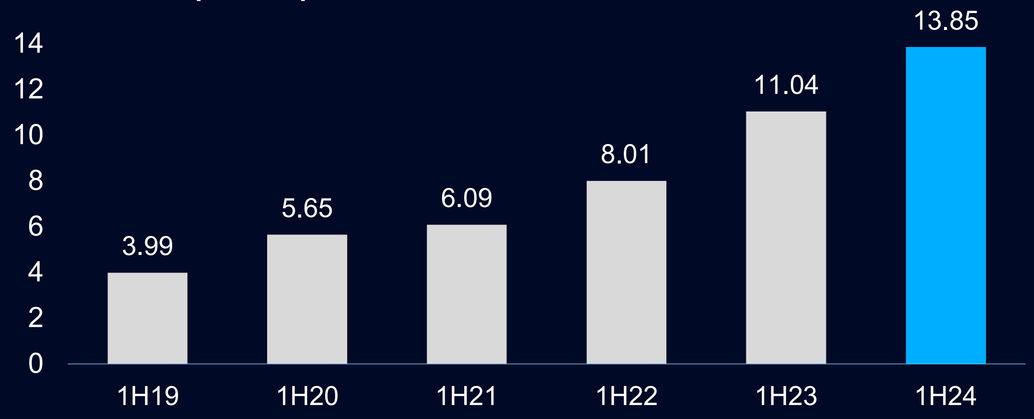
Financial Performance

Sustained earnings growth

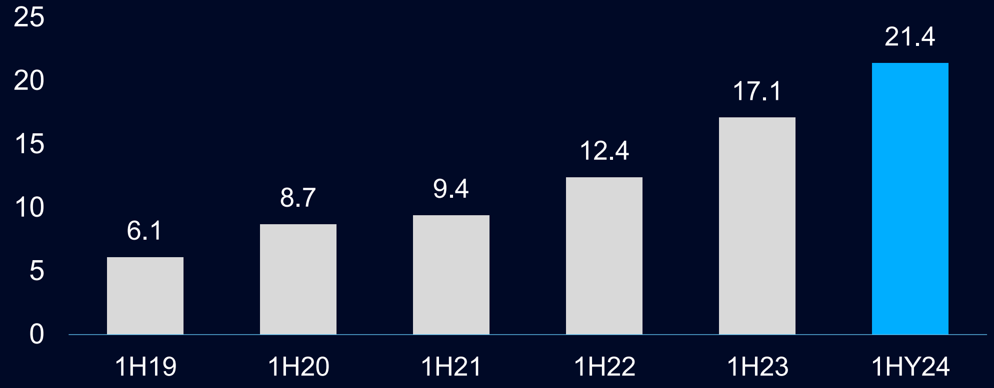
NPBT ($M)



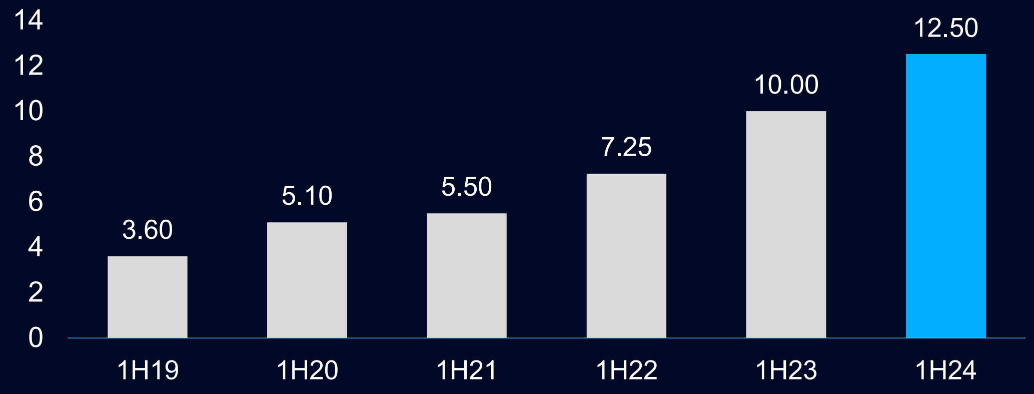
Basic EPS (cents)



NPAT ($M) - excluding minority interests



DPS (cents)



Change in revenue presentation

- Review of software licensing agreements to reassess whether the company is acting as principal or agent
- Determined that the company is acting as an agent in respect of these sales, which resulted in a change to the Company's revenue accounting policy effective 1 July 2023
- Statutory revenue presented includes the reclassification of software licensing revenues on a net basis
- Comparatives have been restated

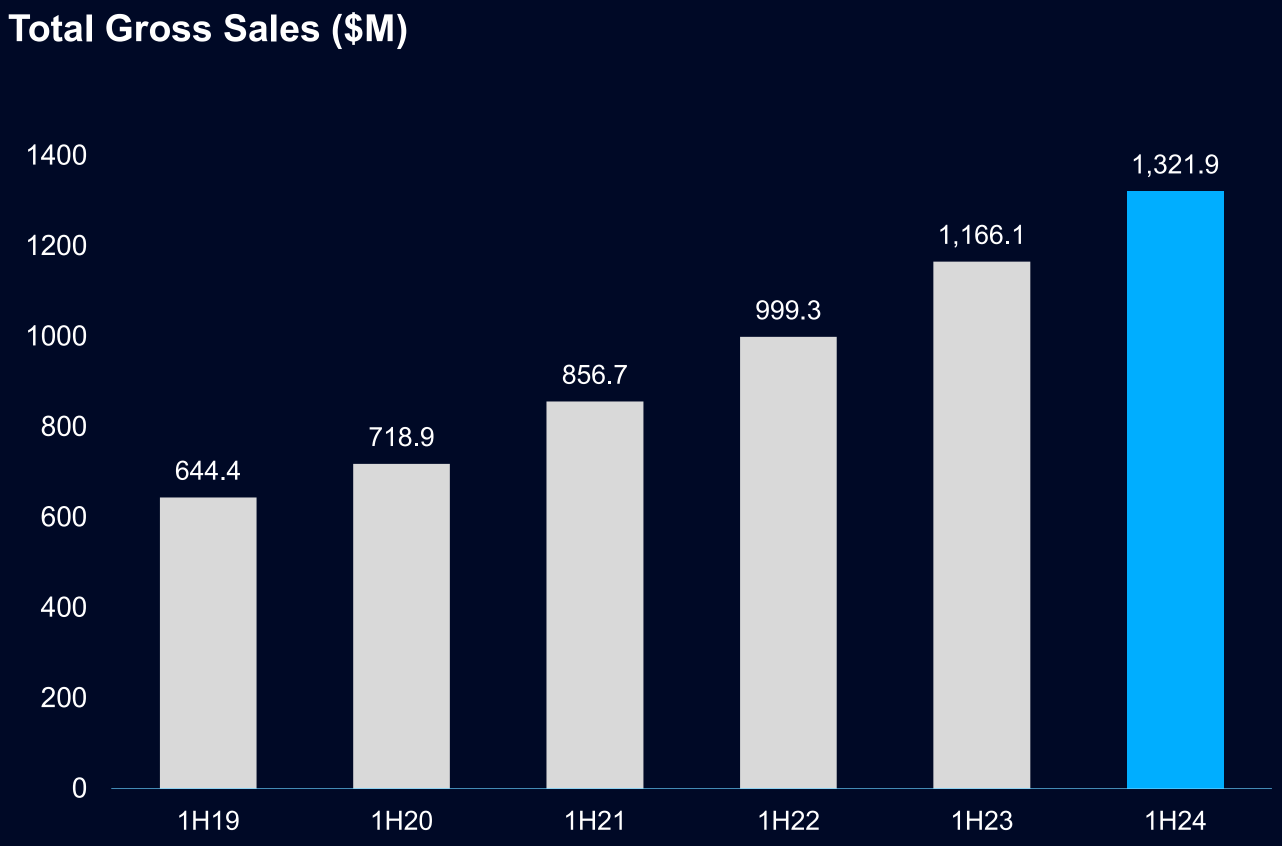
This is a statutory presentation change only, and the Company will continue to measure operational performance on a Gross Sales* basis.

$M	1H FY24	1H FY23	1H Growth %
Gross Sales*	1,315.3	1,164.4	13.0%
Gross Profit	130.6	120.0	8.8%
Margin on gross sales	9.9%	10.3%	
Statutory Revenue**	443.5	403.5	9.9%
Gross Profit	130.6	120.0	8.8%
Gross Margin (Statutory Revenue)	29.4%	29.7%	

* 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 revenues on a net basis and excluding other income.

Sustained growth in Gross Sales



Gross Sales CAGR of 15.5%[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 is recurring, meaning under term-based contracts.

1. CAGR growth from 1H FY19 – 1H FY24

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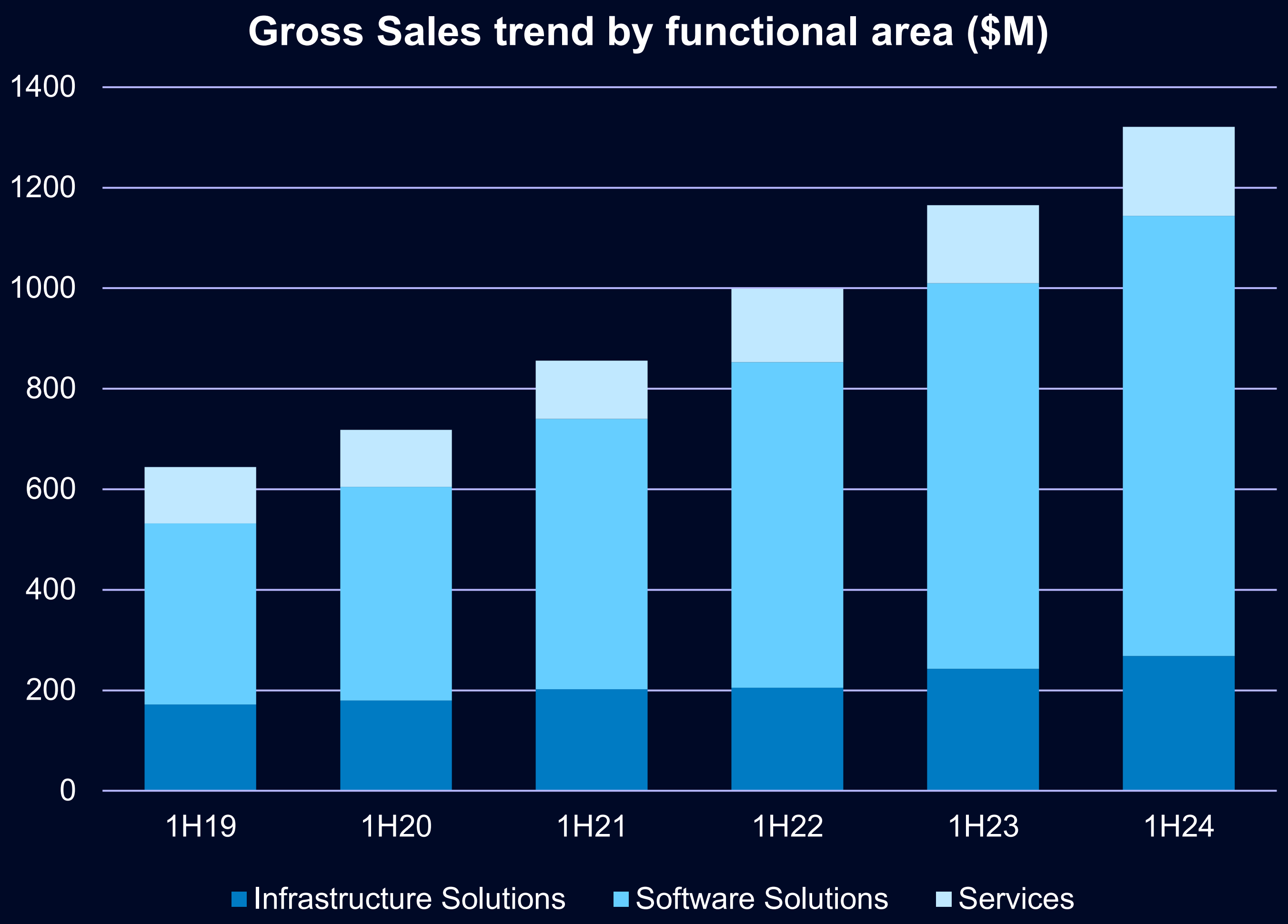
Changing sales mix



Business unit	1H FY24 Gross Sales ($M)	Change vs. 1H FY23
Business Aspect Consulting	16.1	+ 0.9%
Project Services	38.4	+ 5.9%
Maintenance Services	63.2	+ 36.1%
Managed Services	20.9	+ 12.6%
People Solutions (recruitment)	31.8	- 12.8%
Total Services	**172.2**	**+ 11.1%**
Software Solutions	**875.7**	**+ 14.2%**
Infrastructure Solutions	**268.5**	**+ 10.7%**

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Gross margin and Gross profit

Drivers of first half Gross Profit growth of 8.8%:

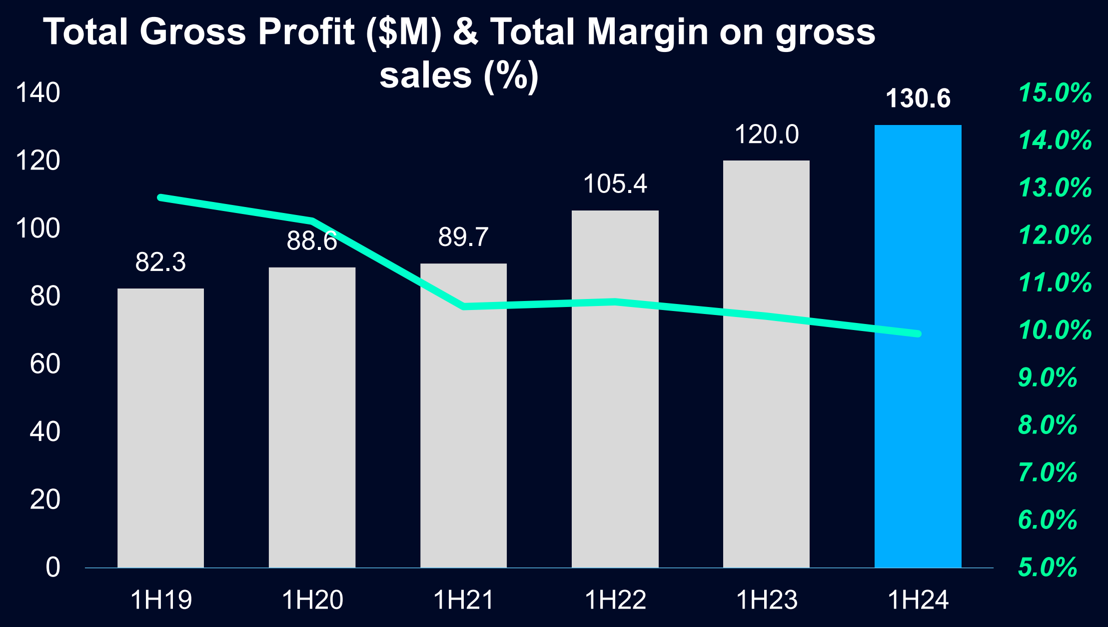
- Strong growth in software licensing and multi-cloud revenues
- Services growth has boosted total Gross Profit, in line with strategy
- Infrastructure Solutions impacted by customer pre ordering in prior year
- Competitive product market and rebates moving to service based, putting downward pressure on product margins, however pleasingly consistent with FY23
- Expect to see continued improvement in Services profitability, as contracts onboarded during FY23 complete transition and become more profitable

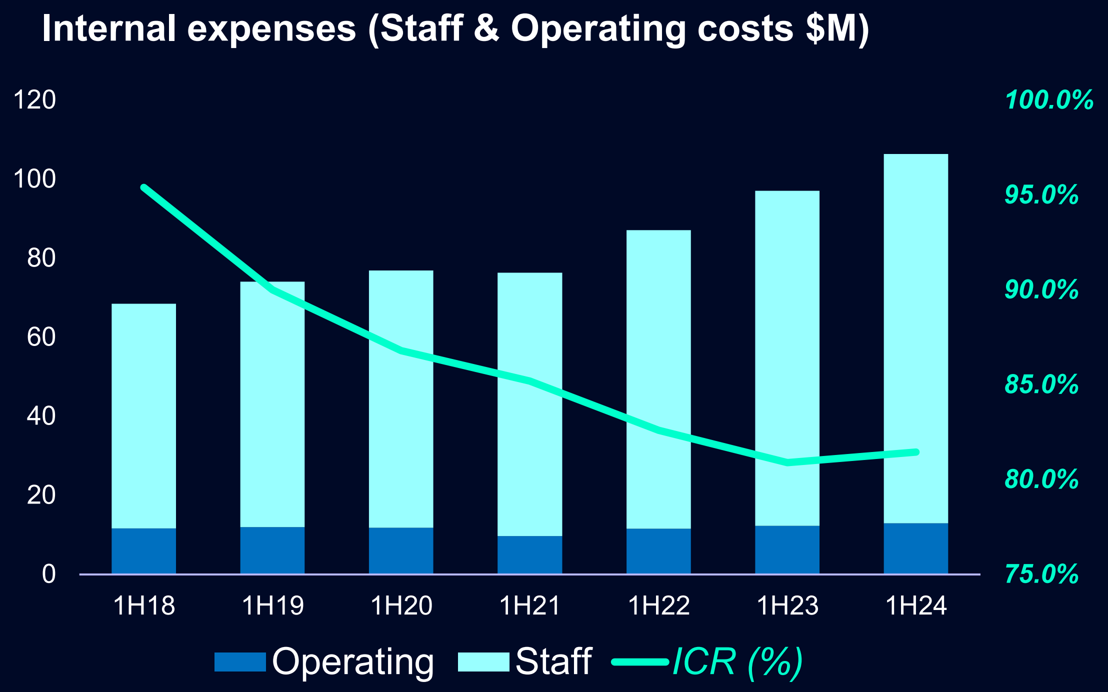
Objective continues to be to deliver steady, sustained growth in total Gross Profit $, as shown by several years of consistent financial performance.

	1H FY24	FY23	1H FY23	1H Growth %
Total Gross Profit ($M)	130.6		120.0	8.8%
Total Margin on gross sales	9.9%	9.8%	10.3%	
Product Gross Profit ($M)	64.9		62.2	4.3%
Product Margin on gross sales	5.7%	5.7%	6.2%	
Services Gross Profit ($M)	65.7		57.8	13.6%
Services Margin on gross sales	38.2%	36.4%	37.3%	

Overall Margin on gross sales % varies with changing revenue mix.

Steady improvement in operating leverage





- 1H FY24 Margin on gross sales consistent with FY23
- Relatively steady gross sales margin % since FY21, despite continued strong Software growth at lower margins
- Expect Margin on gross sales 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
- 1H FY24 slightly up 81.4% vs 1H FY23 (80.9%) due to wage inflation and annualised impact of 2H FY23 investment in people, automation and systems ahead of returns

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Statement of profit or loss

	Half year to December 2023 $'000	2022 [1] $'000	Change %
Revenue			
Revenue from contracts with customers	443,549	403,549	+ 9.9
Other	6,584	1,689	+ 289.8
	450,133	405,238	+ 11.1
Expenses			
Changes in inventories of finished goods (Cost of sale)	(5,559)	14,089	- 139.5
Purchase of goods (Cost of sale)	(200,930)	(200,391)	+ 0.3
Employee and contractor costs directly on-charged (Cost of sale)	(45,800)	(52,008)	- 11.9
Other cost of sales on services (Cost of sale)	(60,705)	(45,202)	+ 34.3
Other employee and contractor costs	(93,403)	(84,828)	+ 10.1
Telecommunications	(1,076)	(1,022)	+ 5.3
Rent	(926)	(850)	+ 8.9
Travel	(811)	(644)	+ 25.9
Professional fees	(443)	(864)	- 48.7
Depreciation and amortisation	(3,136)	(3,129)	+ 0.2
Finance costs	(577)	(593)	- 2.7
Other	(6,006)	(5,238)	+ 14.7
	(419,372)	(380,680)	+ 10.2
Profit before income tax	30,761	24,558	+ 25.3
Income tax expense	(9,340)	(7,496)	+ 24.6
Profit for the half year attributable to owners of Data#3 Limited	21,421	17,062	+ 25.5
Other comprehensive income for the half year, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	(335)	244	- 237.3
Total comprehensive income for the half year attributable to owners of Data#3 Limited	21,086	17,306	+ 21.8
Earnings per share for profit attributable to the ordinary equity holders of the company:	**Cents**	**Cents**	
Basic earnings per share	13.85c	11.04c	+ 25.5
Diluted earnings per share	13.80c	11.01c	+ 25.3

[1] Restated for the change in accounting policy. Refer to note 3.

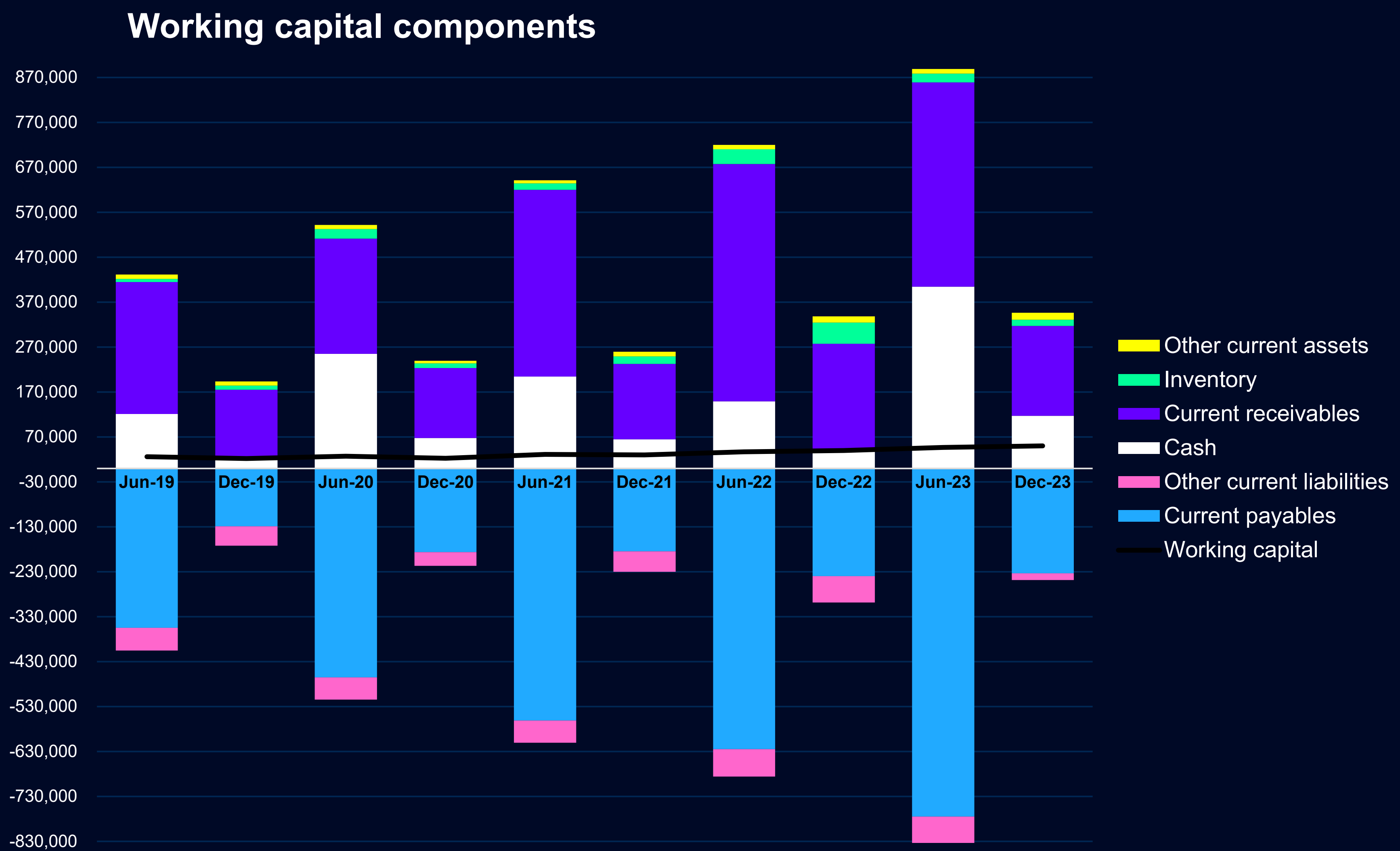
- Revenue increased by 11.1% (including other income)
- Interest income $6.5M vs 1H FY23 $1.6M.
  ~ $2.5M forecast for 2H FY24, assuming no change to cash rate or cash flow seasonality
- Internal staff costs increased by 10.1% on 1H FY23, due to increase in permanent employees (predominately related to investments in growing Services) and general remuneration increases/ wage inflation
- Other operating expenses increased by 5.1%:
  - Increase in travel costs
  - Software licensing (predominately Managed Services)
  - Internal IT projects
- Basic EPS increased by 25.5%
- Return on equity 29.9% (1H FY23 22.6%)

Balance sheet

	31 December 2023 $'000	30 June 2023 $'000
Current assets		
Cash and cash equivalents	117,127	404,766
Trade and other receivables	200,201	454,788
Contract assets	3,792	5,855
Inventories	13,854	19,413
Other	13,435	5,214
Total current assets	348,409	890,036
Non-current assets		
Trade and other receivables	771	217
Property and equipment	2,867	3,202
Right-of-use assets	19,113	21,064
Deferred tax assets	7,255	5,879
Intangible assets	14,170	15,207
Total non-current assets	44,176	45,569
Total assets	392,585	935,605
Current liabilities		
Trade and other payables	235,050	775,582
Contract liabilities	48,016	52,120
Lease liabilities	3,761	3,587
Current tax liabilities	3,525	4,159
Provisions	8,087	7,806
Total current liabilities	298,439	843,254
Non-current liabilities		
Lease liabilities	18,416	20,296
Provisions	4,050	3,710
Total non-current liabilities	22,466	24,006
Total liabilities	320,905	867,260
Net assets	71,680	68,345
Equity		
Contributed equity	12,577	11,861
Share-based payments reserve	266	323
Foreign currency translation reserve	(547)	(212)
Retained earnings	59,384	56,373
Total equity	71,680	68,345

- Strong balance sheet with no borrowings
- December sales spike (in line with normal customer spend patterns) inflated trade receivables and trade payables at half year end. As in prior periods, this created a large temporary cash surplus at 31 December, but to a lessor extent than 30 June
- Inventory holdings returned to pre pandemic levels. 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 reduced in 1H FY24.

Average collection cycle ~ 27 days (PCP 33 days).

Favourable trade terms with suppliers.

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

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Statement of cash flows

	Note	Half year ended December 2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers and agency arrangements (inclusive of GST)		1,653,576	1,542,140
Payments to suppliers and employees (inclusive of GST)		(1,901,793)	(1,608,611)
GST paid		(13,741)	(15,800)
Interest received		6,805	1,457
Interest and other borrowing costs paid		(564)	(579)
Income tax paid (net of refunds)		(11,219)	(7,402)
Net cash outflow from operating activities	4	(266,936)	(88,795)
Cash flows from investing activities			
Payments for property and equipment		(252)	(465)
Net cash outflow from investing activities		(252)	(465)
Cash flows from financing activities			
Payment of dividends	5	(18,410)	(16,465)
Repayment of principal on lease liabilities		(1,706)	(1,523)
Net cash outflow from financing activities		(20,116)	(17,988)
Net decrease in cash and cash equivalents held		(287,304)	(107,248)
Cash and cash equivalents at the beginning of the reporting period		404,766	149,459
Effect of exchange rate changes on cash and cash equivalents		(335)	244
Cash and cash equivalents at the end of the reporting period		117,127	42,455

- Cash flow 'seasonality' consistent with previous years
- Ended FY23 with higher than normal cash position due to customer prepayments, causing higher net outflow in 1H FY24
- 1H FY24 average daily cash balance $300M due to surplus carried over from June 2023 (1H FY23 = $147M)
- Low capital expenditure
- High dividend payout ratio of 91%

Sector Trends and AI

2024 Global Technology Industry Trends[1]

IT Industry Growth

Annual spend on IT expected to grow 6.8%

Organisations to invest in planning for use of GenAI

Software

13% growth expected
> US$1Trillion globally

Devices

5% growth expected (decrease of 9% in 2023)

IT Services

9% growth expected
Organisation efficiency & optimisation projects

Data Centre

7.5% growth expected

Communication Services

2% growth expected
Peaked during pandemic with remote work solutions

1. Gartner: Top 5 tech markets in 2024 by global spending

We've moved from talking about AI to applying AI at scale.

By infusing AI across every layer of our tech stack, we're winning new customers and helping drive new benefits and productivity gains across every sector.

Satya Nadella,
CEO of Microsoft

The Data#3 AI opportunity - M365 Copilot Readiness Assessments and associated services

Information Governance and Security

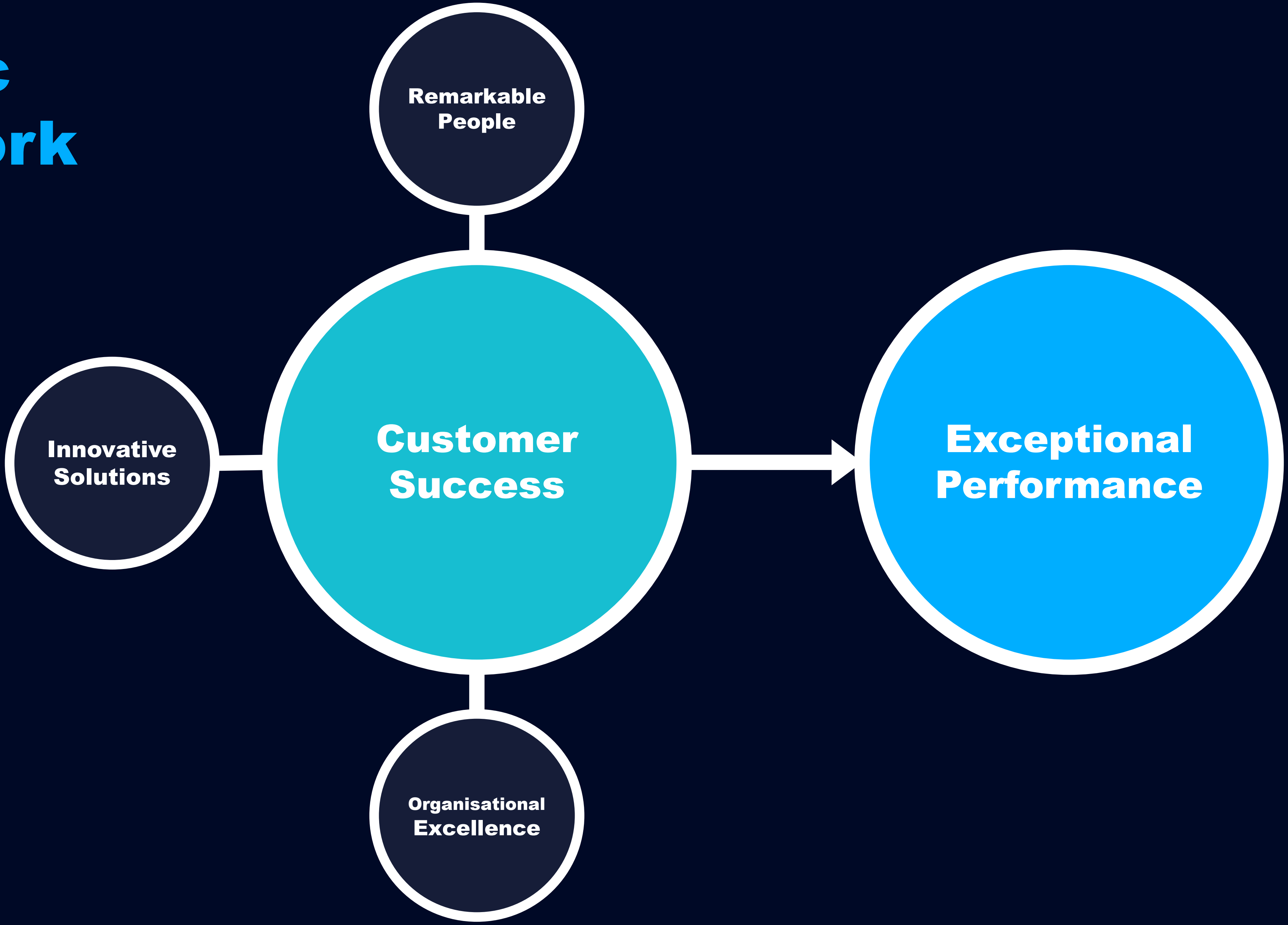
Organisational Change Management

Technology Platform

Significant services opportunity for consulting and adoption of AI Solutions
120 plus opportunities since November and growing

FY24 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

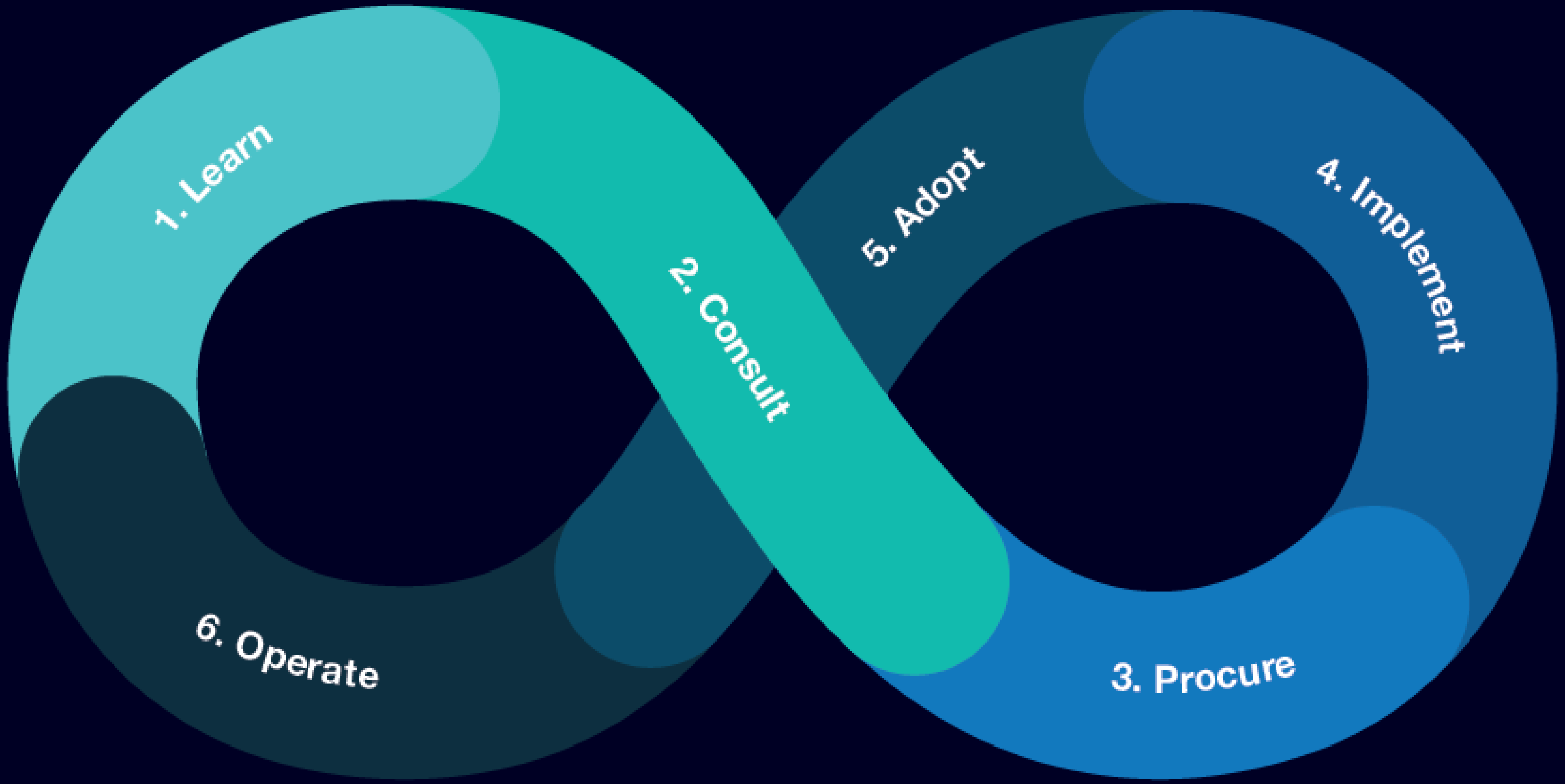
Consulting

Project Services

Support Services

Lifecycle

Lifecycle



Recent Customer Stories

https://www.data3.com/knowledge-centre

Royal Flying Doctor Service

A Cisco network modernisation success story

Community Safety Organisation

Knight Frank

Microsoft Surface Procurement Solution

A Cisco collaboration success story

Redbank Plains State School

A Microsoft 365 Optimiser Success Story

City of Fremantle

Pernod Ricard Winemakers

Department for Education

Westminster School

Melbourne Racing Club

Victorian Tertiary Admissions Centre

J.Blackwood & Son

Royal Flying Doctor Service

Business Problem
The Royal Flying Doctor Service (RFDS) (Queensland Section) was dependent on disparate data sources and wanted to integrate aircraft, patient, and crew data to give a clear picture of availability.

IT Outcome
- Access to integrated, real-time data
- Improved accuracy
- Increased data analytics capabilities

Business Outcome
- Accelerated ability to respond to calls
- Reliable information available at all locations
- Staff able to make better supported decisions under time pressure

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

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 growth in
Consulting & Managed
Services sales

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

Multi-Cloud & Security Growth
Continued growth in multi-cloud solutions and cyber security solutions

Services Growth
Services growth is expected to be accelerated by interest in AI and overall improvement in gross sales margins

Software and Infrastructure Growth
Steady growth in Software Solutions as public sector and large corporates continue their digital transformation journeys. Lower growth expected in Infrastructure Solutions where networking spend will slow, however End User Computing will continue to improve

Consistent with previous practice, we are unable to provide specific FY24 guidance at this stage.

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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