

Data#3

FY18 INTERIM RESULTS BRIEFING

21 FEBRUARY 2018

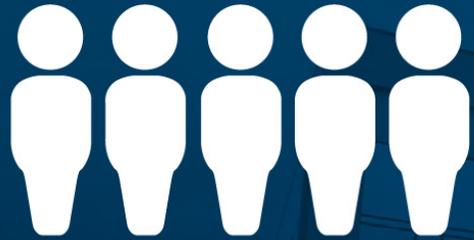
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OUR BUSINESS



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



17.5M individual **products** sold to customers



4,743 transacting **customers**



26,815 **service desk calls** by customers



\$1.1 BILLION
IN REVENUE IN FY17



1,642 **professional services** projects

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

RECENT CUSTOMER EXAMPLE



Department of Finance – Govdex replacement

Federal Government cloud-based enterprise file sharing and community collaboration solution.

Based on Microsoft Azure and Office 365, the new customised cloud service will replace the existing Govdex whole-of-government platform, which has amassed over 90,000 users since its establishment.

The cloud service will provide a single point for government employees and industry partners to collaborate, allowing them to share files, host discussion groups, manage tasks, conduct video broadcasts, run polls, translate messages in real-time, and work with users worldwide.



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1H FY18 SUMMARY



“Despite ongoing revenue growth with significant increase in cloud-based business, 1H earnings were impacted by planned and unplanned events.

NPAT and EPS decreased by 52.5% compared to the strong PCP result.

The board declared an interim dividend of 1.6 cps, representing a 90.8% payout ratio”

1H EARNINGS IMPACTS

As planned:

- Decommissioning of the Data#3 Cloud platform contributed to the services profit decline (FY18 impact only).
- Continuing the strategy of offering customers market-leading public or private cloud solutions from our global vendor partners.

1H EARNINGS IMPACTS

Unexpected events:

- Customer delays and product supplier delivery constraints in Nov/Dec caused a material shift in profit to 2H
- The lack of a large-scale integration project in 1H (compared to two substantial projects in the PCP)
- Business Aspect Consulting's negative profit performance was well below plan due to lower than expected utilisation across the recently expanded national operation

OPERATIONAL SUMMARY

- Steady progress with strategic shift towards services
- Strong growth in cloud-based revenues, up 48% to \$86M
- Continued investment in systems and people
- 2 more external employer of choice awards

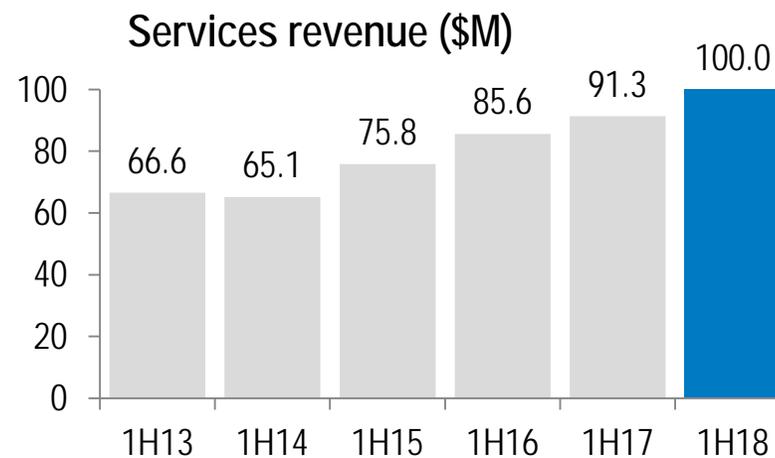
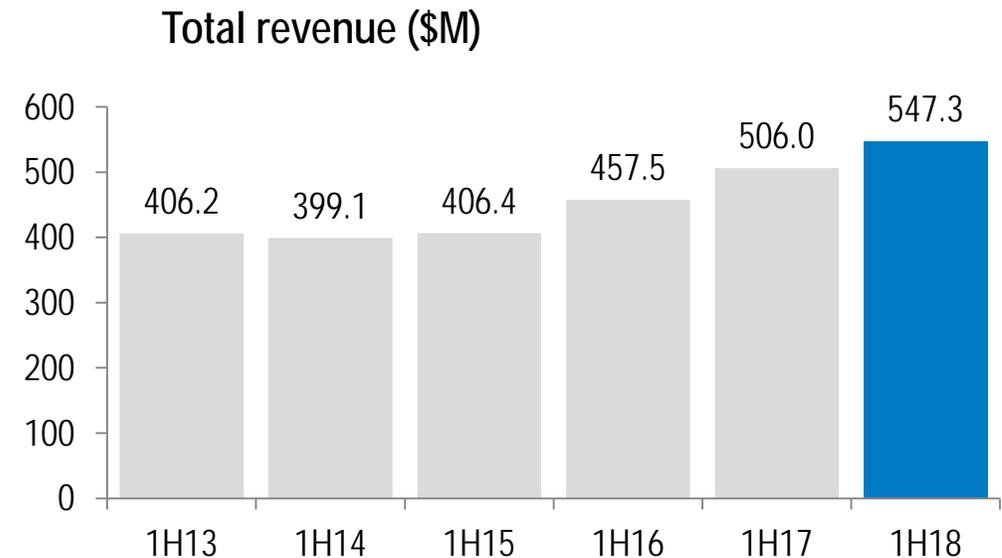
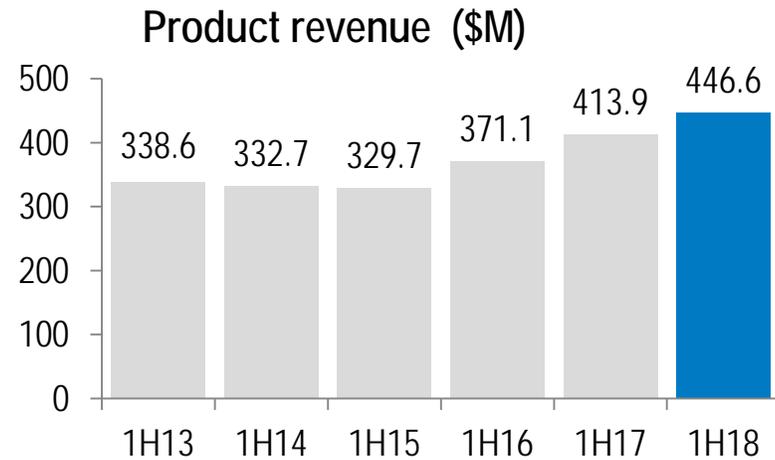
1H FY18 FINANCIAL PERFORMANCE



1H FY18 PERFORMANCE SUMMARY

Revenue	Up 8.2%	\$547.3M
Product	Up 7.9%	\$446.6M
Services	Up 9.6%	\$100.0M
Public cloud (included in Product & Services above)	Up 48.4%	\$86.1M
Other Revenue		\$0.7M
<hr/>		
Gross Profit (excluding Other Revenue)	Down 3.0%	\$71.8M
Product	Down 8.6%	\$31.7M
Services	Up 2.1%	\$40.0M
Gross Margin	Down 1.5 pp	13.1%
<hr/>		
EBITDA	Down 45.6%	\$4.9M
EBIT	Down 53.5%	\$3.5M
NPBT	Down 50.2%	\$4.0M
NPAT (excluding minority interests)	Down 52.5%	\$2.7M
Earnings per share	Down 52.5%	1.76 cents
Dividend per share	Down 52.2%	1.60 cents

STEADY STRATEGIC SHIFT IN BUSINESS MIX

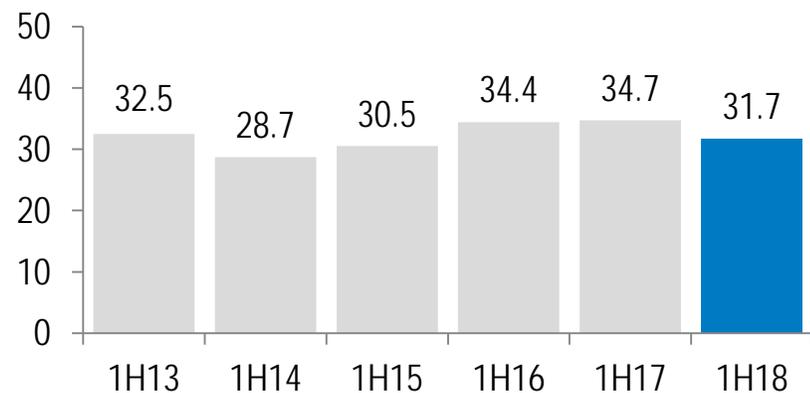


Strategy to shift to services, and grow cloud business. Services revenues grew 9.6%, faster than Product revenues.

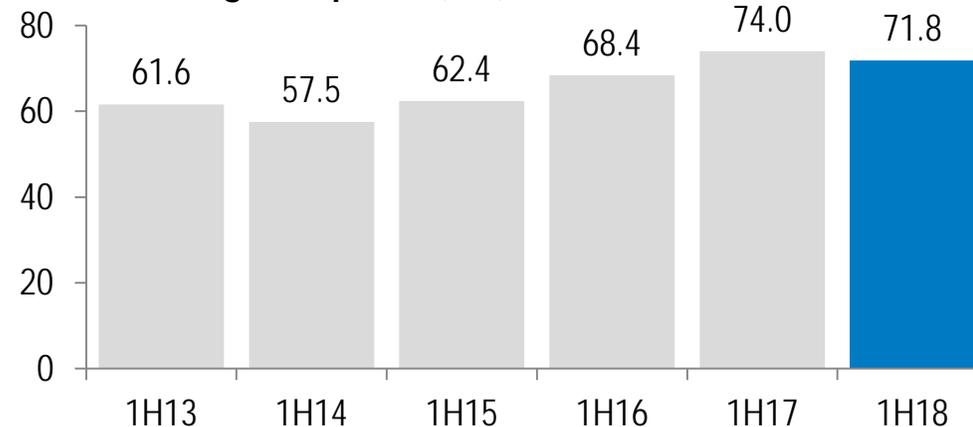
Total revenue included \$86.1M of cloud-based revenue – up 48.4% on PCP.

GROWTH IN SERVICES GROSS PROFIT

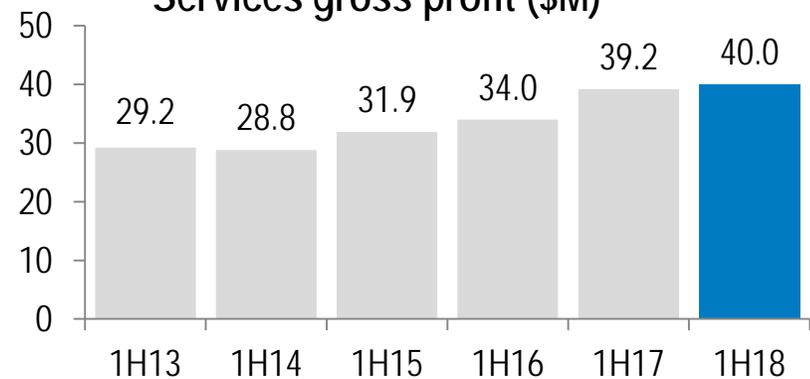
Product gross profit (\$M)



Total gross profit (\$M)



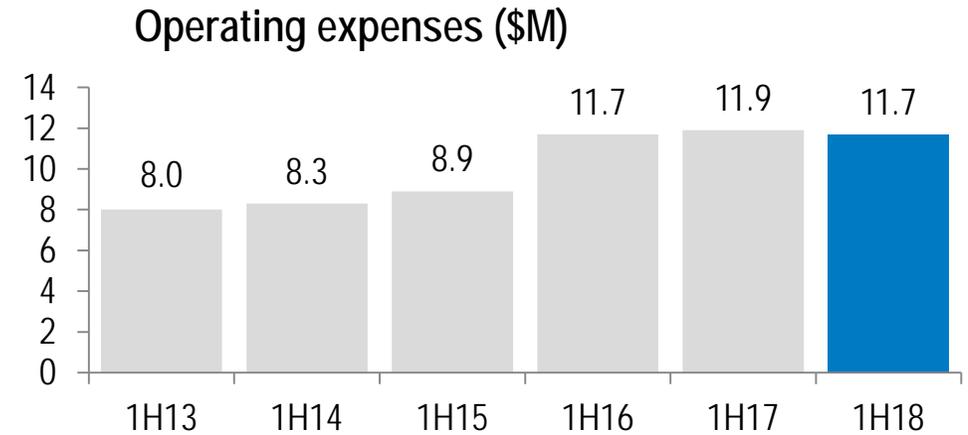
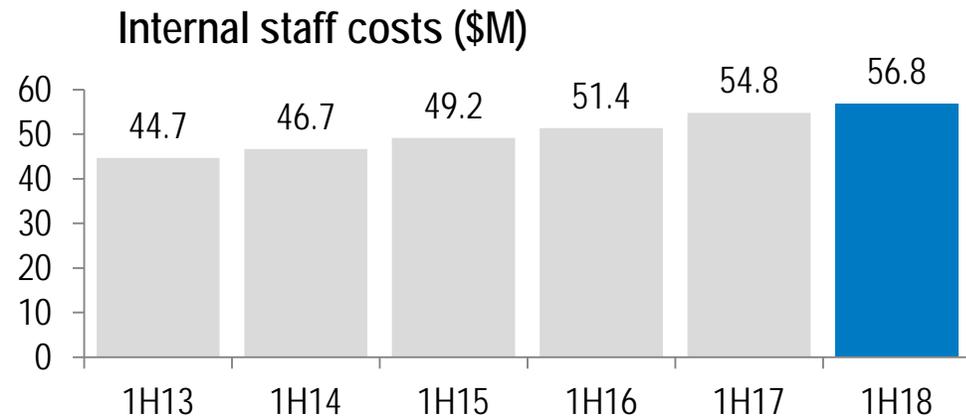
Services gross profit (\$M)



Product gross margin decreased due to transactions and rebates shifting to 2H, and total product gross profit decreased by 8.6%.

Services gross margin decreased with a change in mix, and services gross profit increased by 2.1%.

EXPENSES REFLECT GROWTH STRATEGY

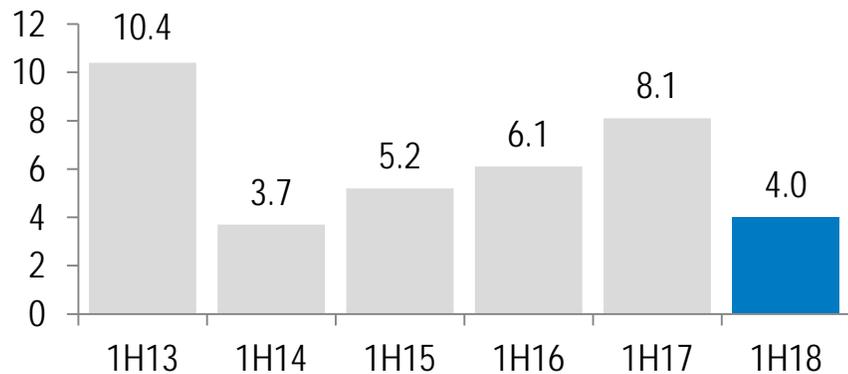


Internal staff costs up 3.6% with market-based increases and some change in mix.

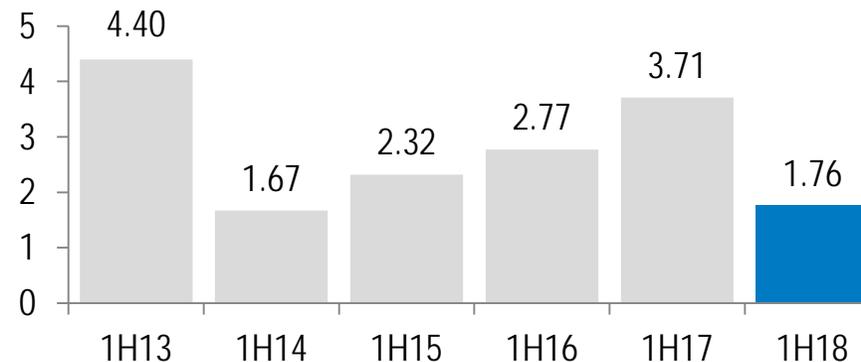
Operating expenses stabilized following acquisitions in FY15 & FY16.

EARNINGS

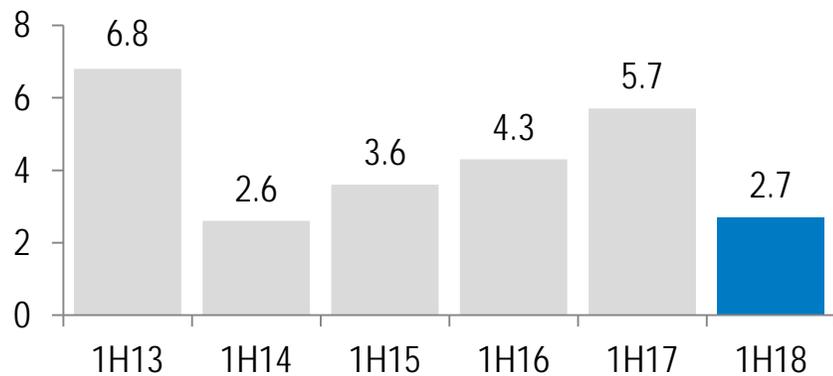
NPBT (\$M)



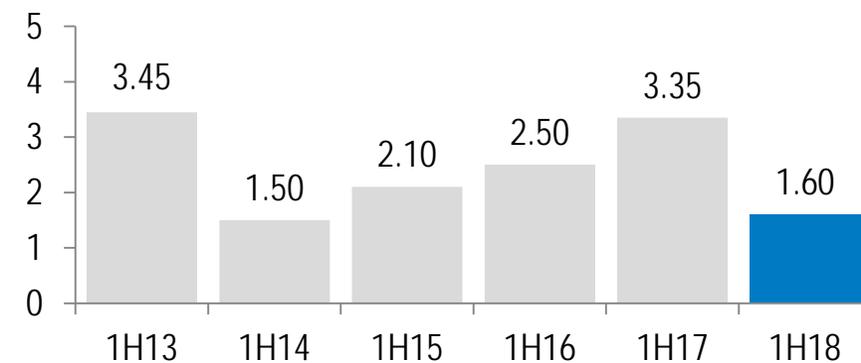
EPS (cents)



NPAT (\$M) – excluding minority interests



DPS (cents)



SOLID BALANCE SHEET & CASHFLOW

- Strong balance sheet with no material borrowings
- Any borrowings are back-to-back with customer contracts
- Cash flow 'seasonality' consistent with previous years
- Average DSOS of 25.2 days - industry best practice and better than PCP

FY18–20 STRATEGY



KEY PRIORITIES IN FY18

1. Accelerate Services
2. Accelerate cloud adoption
3. Engage our people
4. Engage our customers to enable their success
5. Continue to adapt and enhance our solutions
6. Improve internal systems for productivity
7. Sustain financial performance

MARKET FUNDAMENTALS UNCHANGED

- Digital transformation is more prevalent in business strategy
- Cyber security remains top priority
- Consumption of digital technology will continue to shift from capital expenditure to operating expenditure
- Industry consolidation is creating opportunity
- Demand for devices and networks will continue to increase to support cloud

FY18 OUTLOOK

2H BUSINESS OUTLOOK

- FY18 result will be more heavily skewed to 2H than originally planned
- January actual result was significantly ahead of plan and PCP
- The 2H pipeline includes two large integration projects (hardware, software and services)
- Positive steps are underway that are expected to deliver a significant improvement in Business Aspect's 2H profit

FY18 OUTLOOK

Despite lower than planned 1H earnings, we still expect to achieve our FY18 financial goal to improve on FY17's best ever profit result.

We are confident that we have the right strategy to underpin sustainable growth in long term shareholder returns.

Q&A



APPENDIX 1 – FINANCIAL SUMMARY

	1H FY18 \$'000	1H FY17 \$'000	% Change
Revenue by segment:			
Product (including cloud solutions)	446,598	413,948	+ 7.9%
Services (including cloud services)	100,042	91,266	+ 9.6%
Other revenue	706	809	- 12.7%
Total revenue	547,346	506,023	+ 8.2%
Total cloud-based revenue included above	86,121	57,957	+ 48.4%
Total gross profit	71,757	73,951	- 3.0%
Total gross margin %	13.1%	14.6%	
Product gross profit	31,720	34,720	- 8.6%
Product gross margin %	7.1%	8.4%	
Services gross profit	40,037	39,231	+ 2.1%
Services gross margin %	40.0%	43.0%	
Total expenses	68,432	66,670	+ 2.6%
EBITDA	4,934	9,072	- 45.6%
EBIT	3,459	7,442	- 53.5%
EBIT margin %	0.6%	1.5%	
NPBT	4,031	8,090	- 50.2%
NPAT (excluding minority interests)	2,712	5,708	- 52.5%
	1H FY18	1H FY17	% Change
Earnings per share	1.76 cents	3.71 cents	- 52.5%
Dividend per share	1.60 cents	3.35 cents	- 52.2%
Dividend payout ratio	90.8%	90.4%	

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