

**Data#3**

# **FY13 Results Briefing**

*23<sup>rd</sup> August 2013*

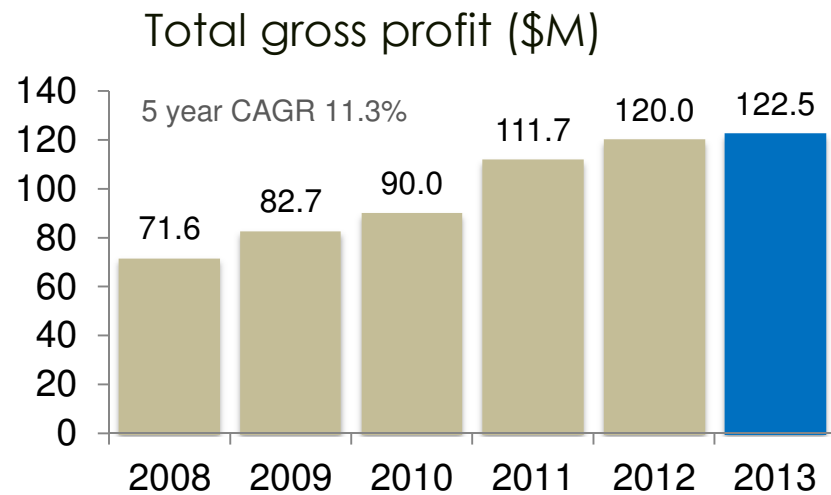
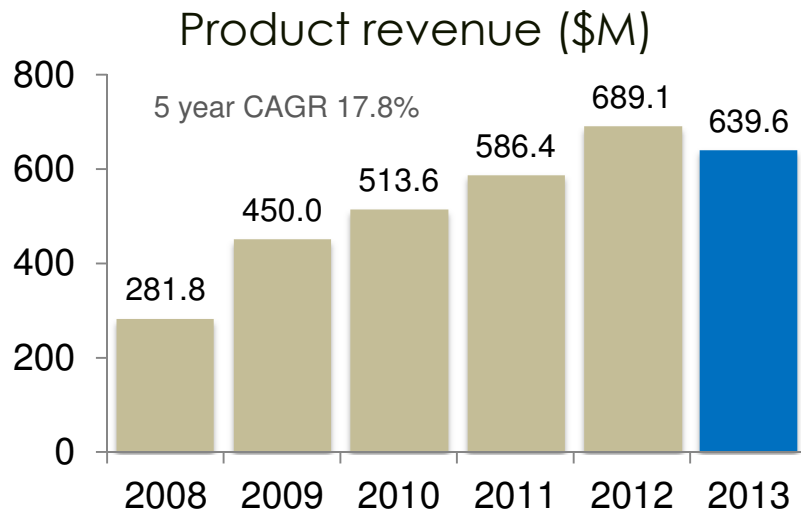
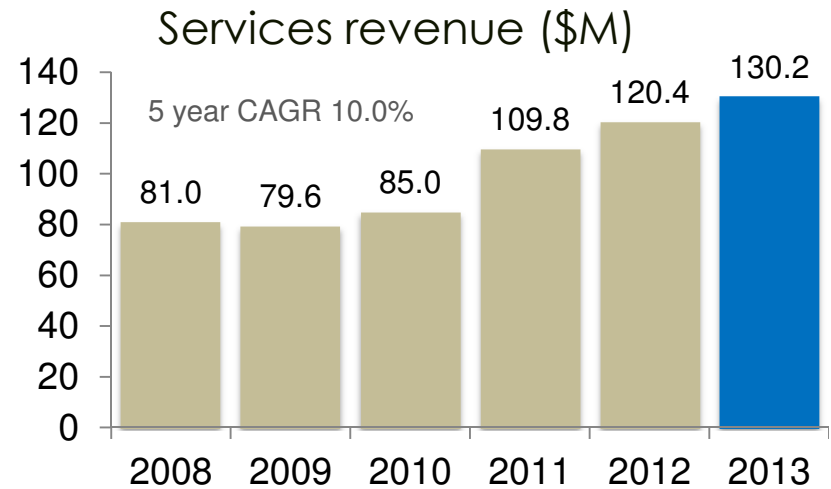
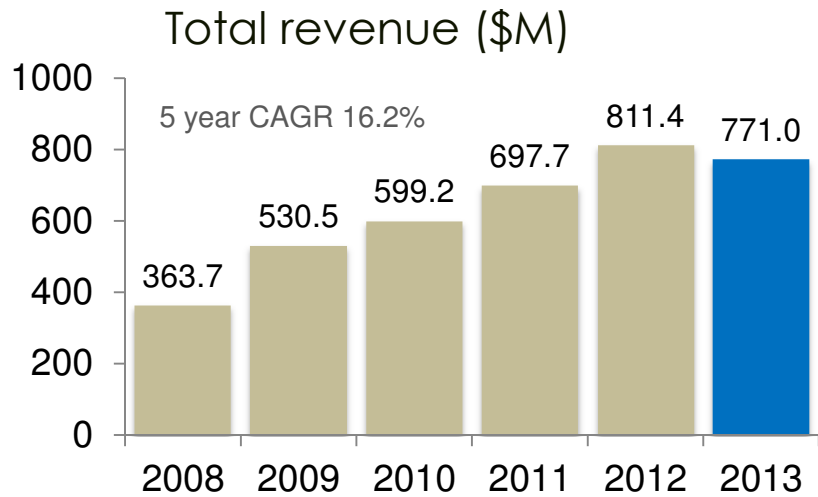
**DATA#3 LIMITED (DTL)**

# FY13 FINANCIAL PERFORMANCE

# REVENUE DOWN BUT GROSS PROFIT UP

- Total revenue down 5.0% to \$771.0M
  - Product revenue down 7.2% to \$639.6M due to changes in software licensing contracts
  - Services revenue up 8.1% to \$130.2M
  - Other revenue down 36.1% to \$1.2M
- Total gross profit up 2.1% to \$122.5M
  - Sales gross margin up from 14.8% to 15.9% due to shift in sales mix and improvement in product margins
- Underpinned by
  - Strong contribution from Software Licensing
  - A contract with Perth's Fiona Stanley Hospital that contributed significantly to product and contract maintenance services in the first half

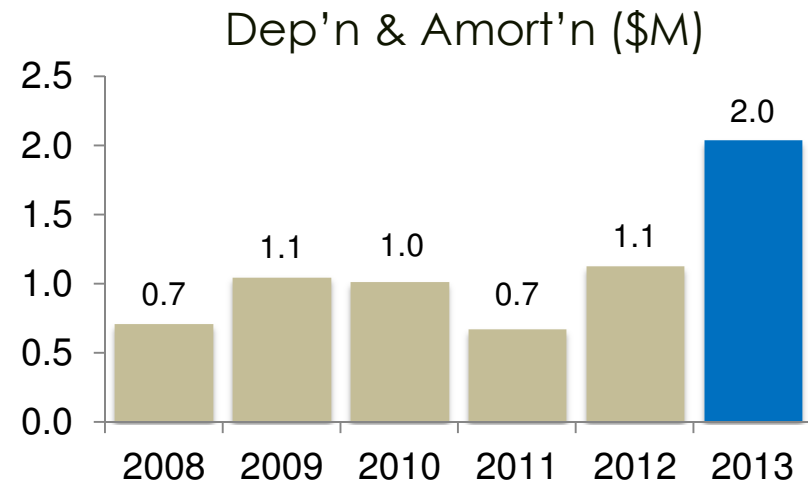
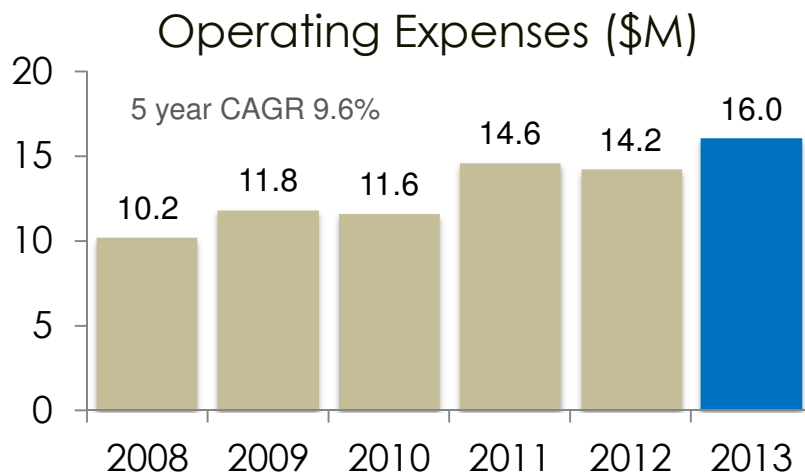
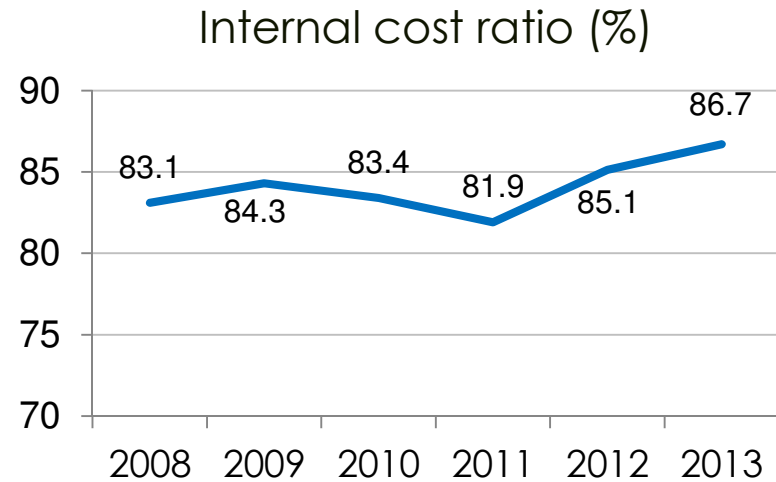
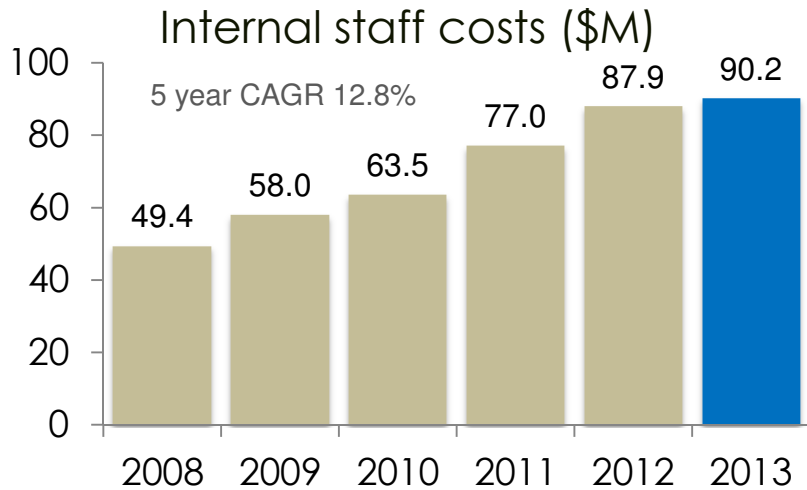
# REVENUE & GROSS PROFIT TRENDS



# EXPENSES REFLECTED INVESTMENT

- Internal staff expenses up \$2.3M or 2.7% to \$90.2M
- Operating expenses up \$1.8M or 12.7% to \$16.0M with additional \$1.9M cost for internal infrastructure, systems and premises
  - Rent up \$1.0M to \$6.0M
  - Depreciation & amortisation up \$0.9M to \$2.0M
  - Other operating expenses down \$0.1M
- Internal cost ratio [internal staff & operating costs as % of gross profit] increased 1.6% to 86.7%

# EXPENSE TRENDS



# MAINTAINING SHAREHOLDER RETURNS

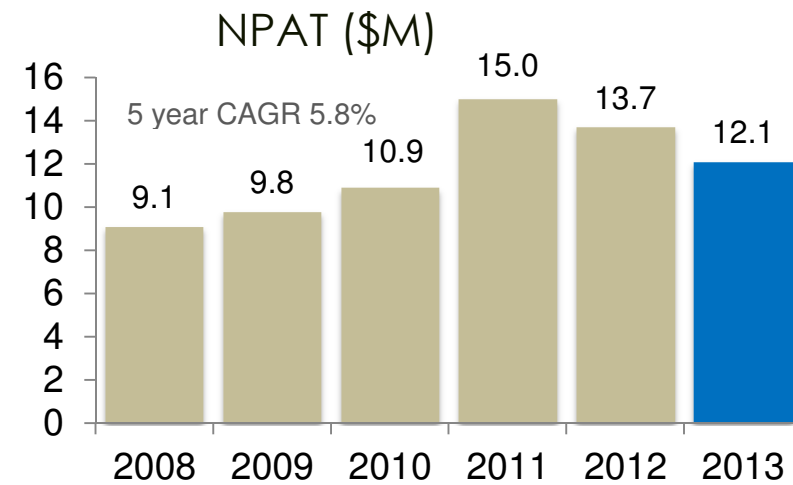
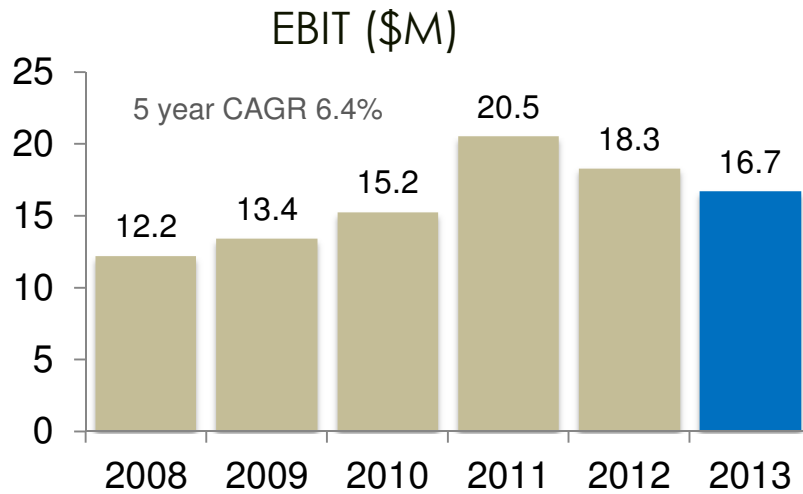
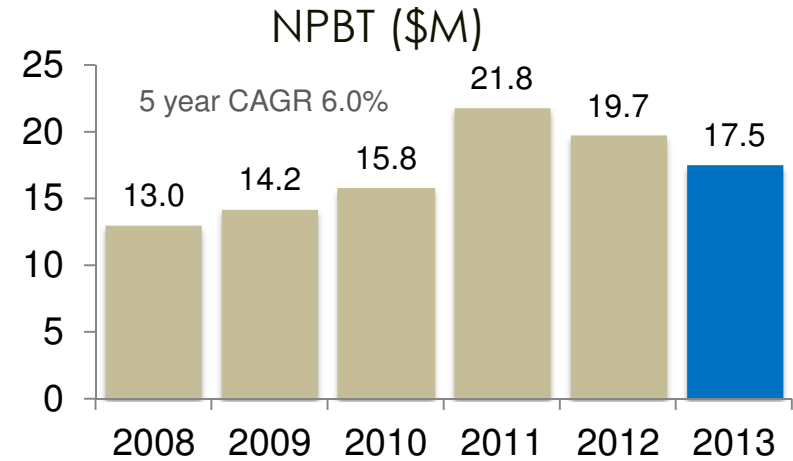
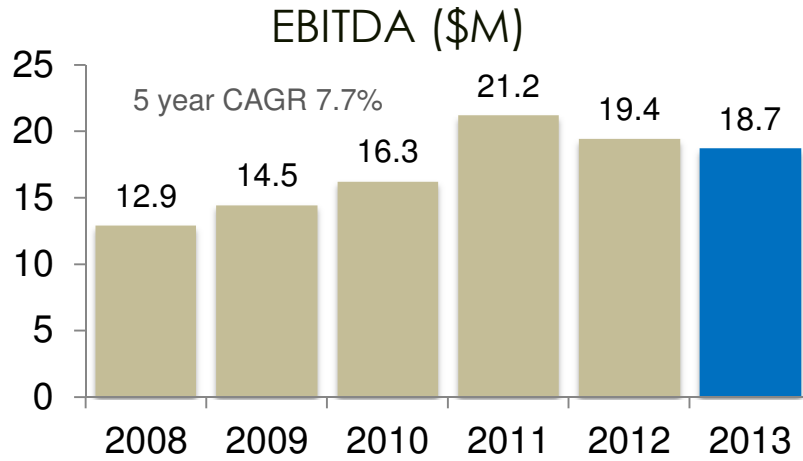
While profit and earnings declined ...

- EBITDA down 3.8% from \$19.4M to \$18.7M
- EBIT down 8.9% from \$18.3M to \$16.7M
- NPBT down 11.5% from \$19.7M to \$17.5M
- NPAT down 11.3% from \$13.7M to \$12.1M
- Earnings per share down 11.3% to 7.88 cents

... shareholder returns have been maintained:

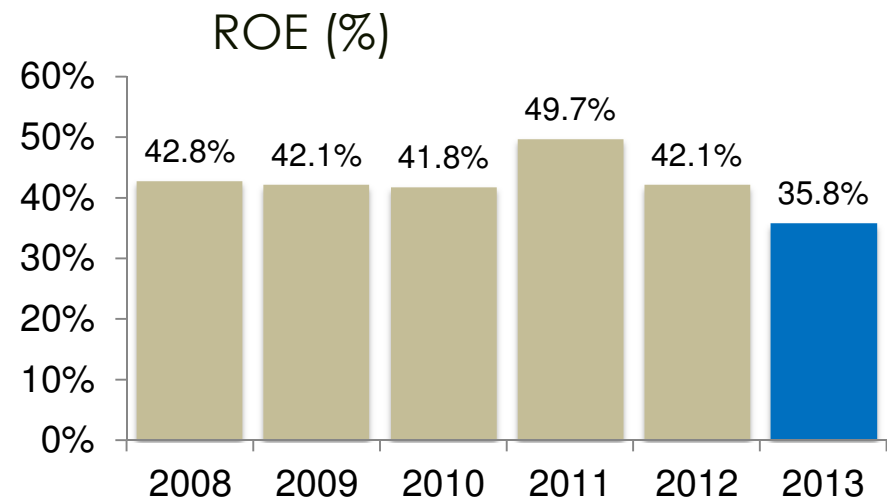
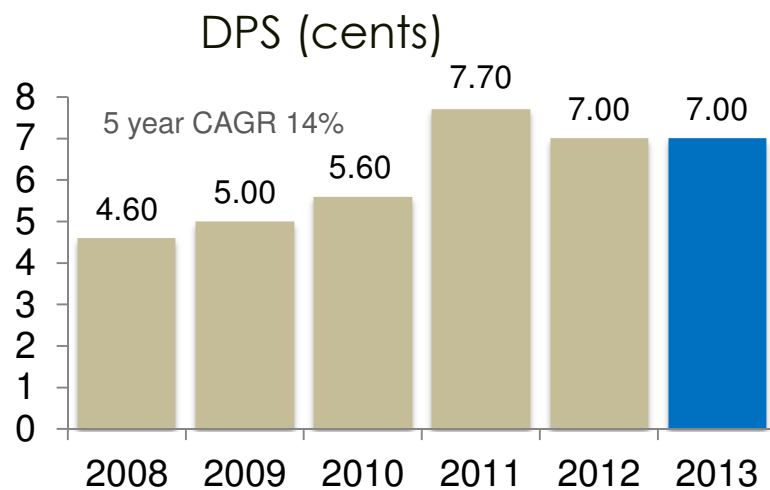
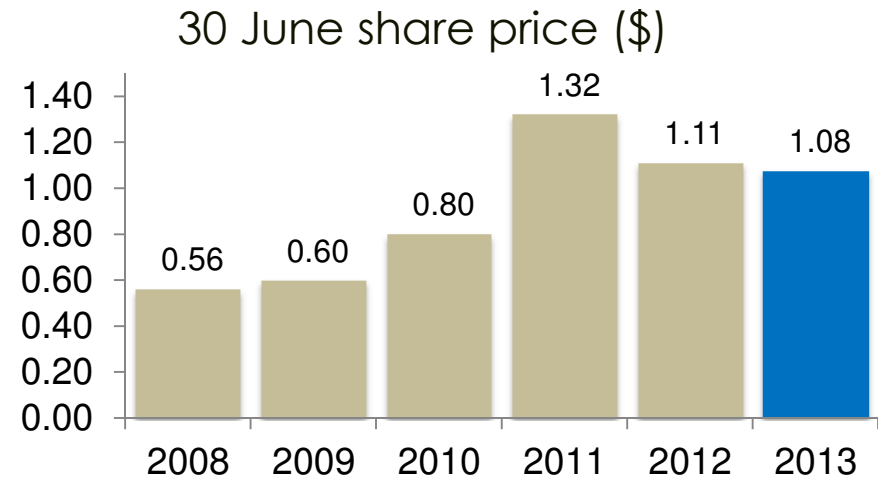
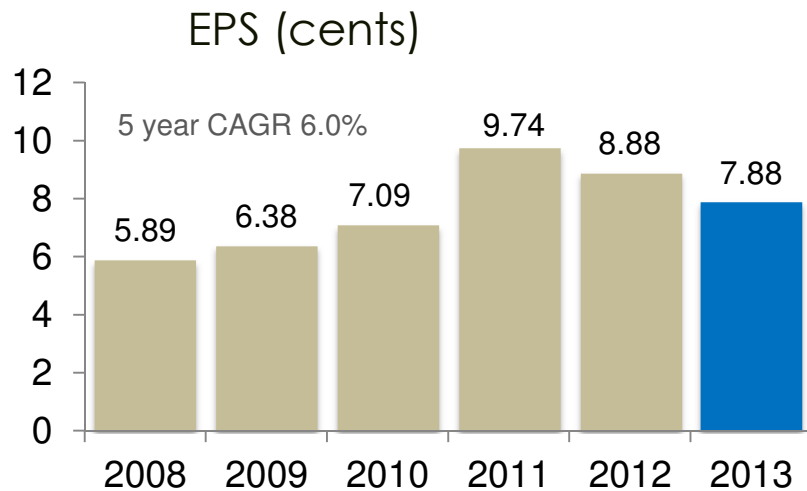
- Dividends of 7.0 cents per share fully franked
- Share price of \$1.075 at June 30, and has increased subsequently
- ROE of 35.8% - sector leading

# PROFIT TRENDS





# SHAREHOLDER RETURN TRENDS

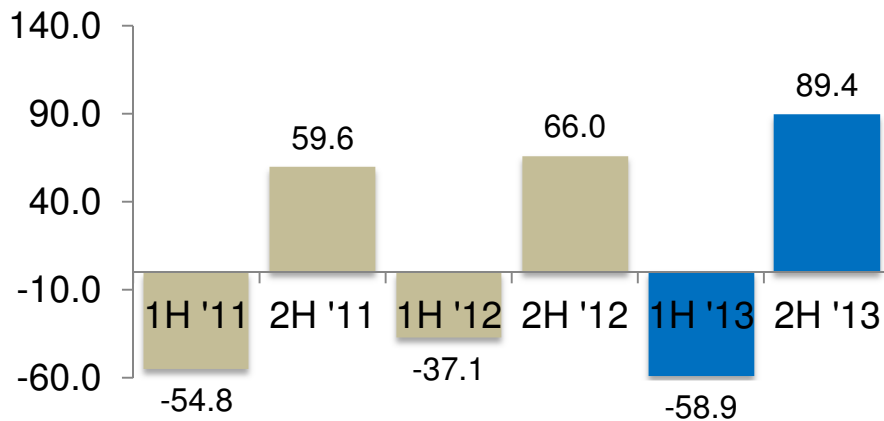


# STRONG CASHFLOW & BALANCE SHEET

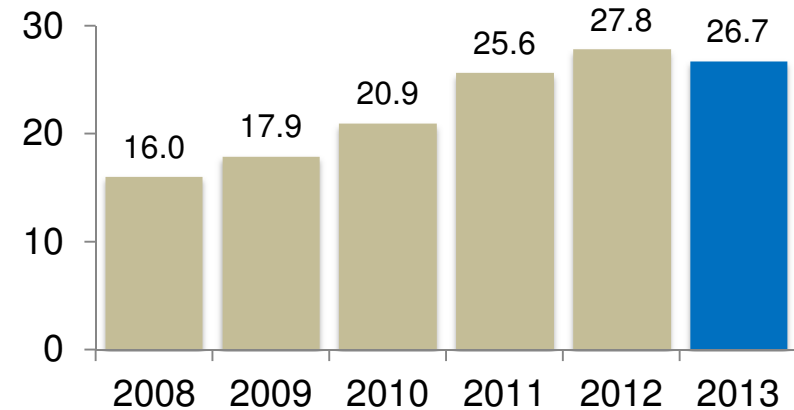
- Cash flow 'seasonality' consistent with previous years
  - Full year average cash balance of \$31.1M, down from \$36.7M due to temporary funding required for Fiona Stanley Hospital contract
  - Closing cash balance up 20% from \$70.8M to \$85.3M
- Net Tangible Assets down 4% to \$26.7M
- No material debt

# CASHFLOW & BALANCE SHEET TRENDS

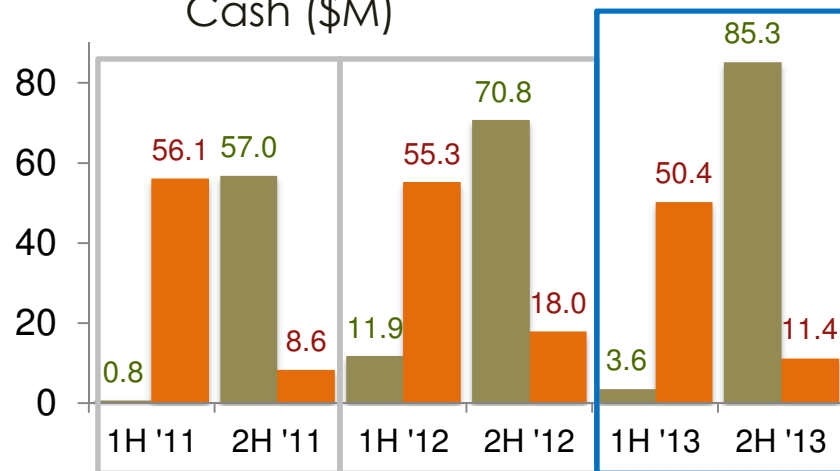
Net operating cash flow (\$M)



NTA (\$M)



Cash (\$M)



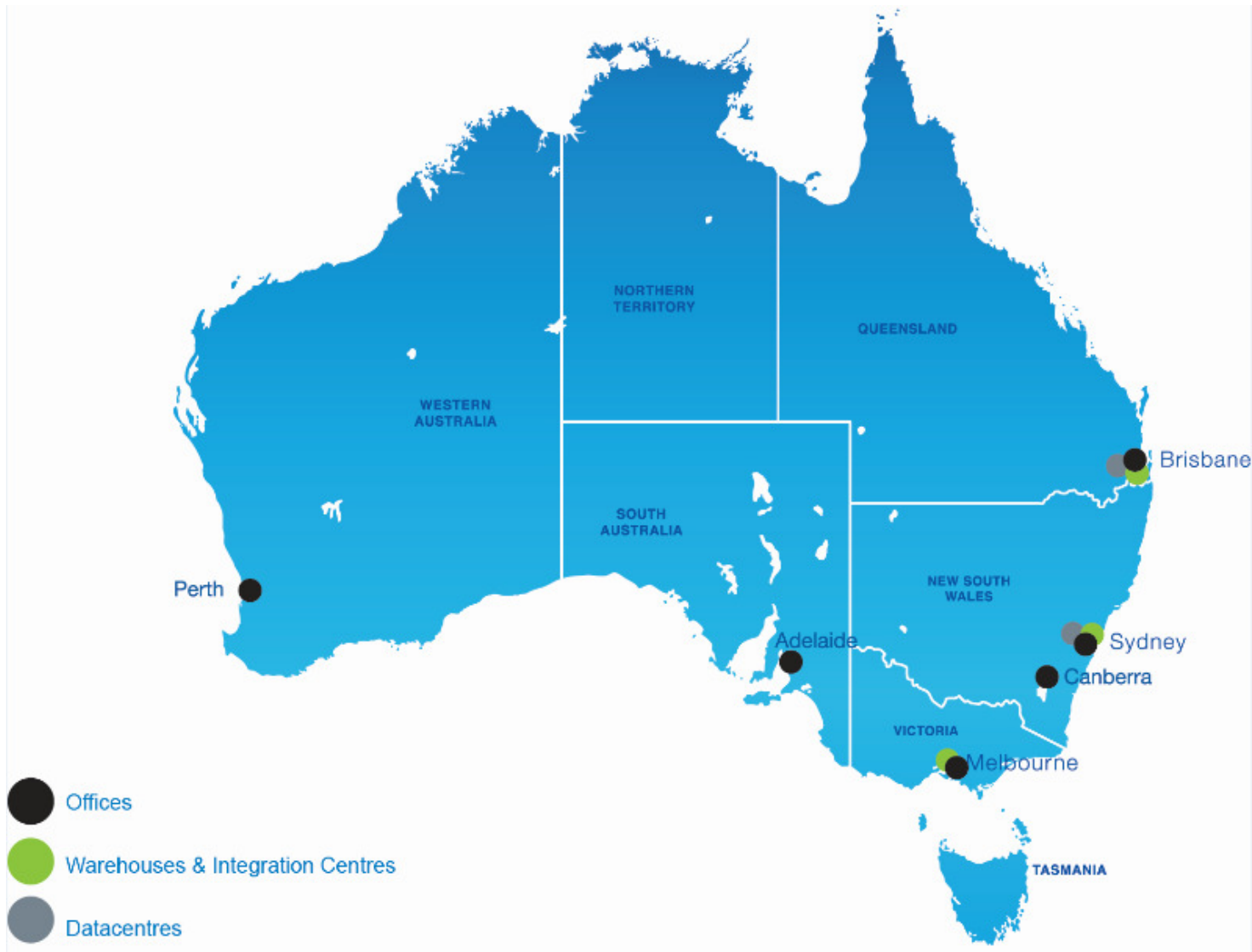
■ Closing cash balance ■ Average cash balance

OUR BUSINESS

# OUR BUSINESS



# OUR NATIONAL FOOTPRINT



# STRONG PARTNERSHIPS

## With leading global vendors



# STRONG PARTNERSHIPS

## Endorsed by many awards

### **Global awards**

- Microsoft - Devices and Deployment Partner of the Year

### **Regional awards**

- Autodesk – Highest Billings in ANZ for Volume Channel
- Cisco - Smart Services Partner of the Year for Asia Pacific Japan and Greater China
- HP - Total Highest Revenue Partner in Australia and New Zealand
- Sophos – Large Account Reseller Partner of the Year for ANZ
- Veeam - ANZ ProPartner of the Year

### **National awards**

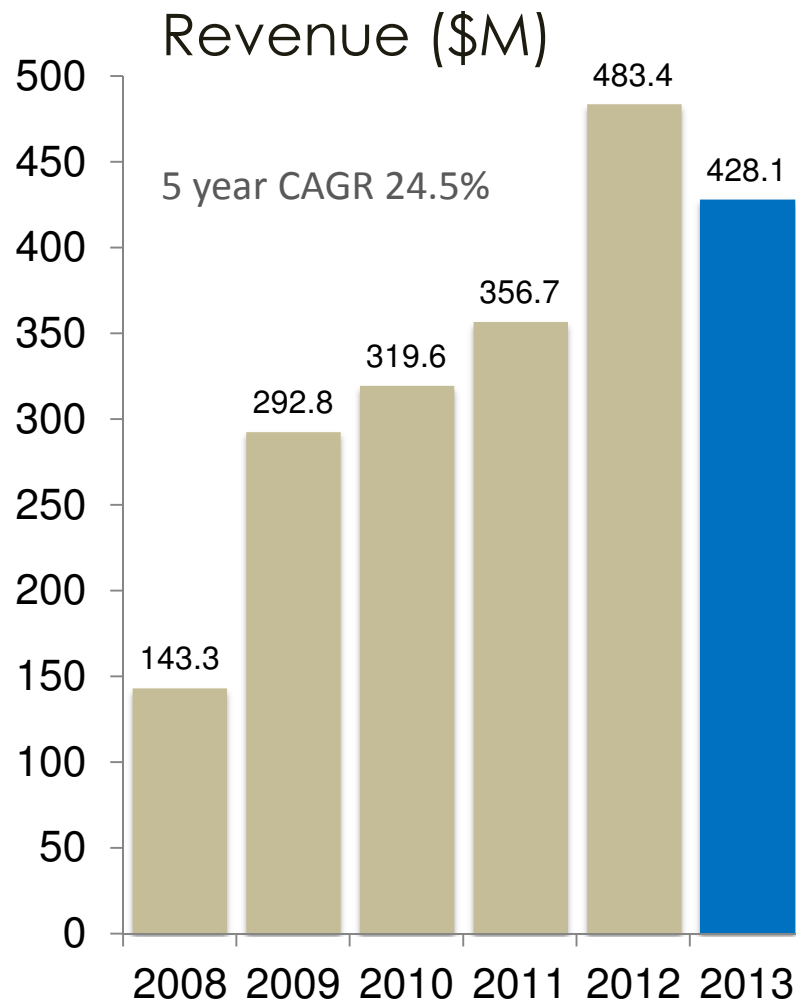
- Cisco - Services Partner of the Year
- Cisco - Alliance Manager of the Year
- Cisco - Borderless Technologies Partner of the Year
- EMC - New Partner of the Year Award
- HP and Microsoft - Frontline Partner for 2013 in Private Cloud and Virtualisation
- Microsoft Enterprise Partner of the Year 2013
- McAfee – Commercial Partner of the Year
- Websense – Australian Partner of the Year



# OPERATIONAL PERFORMANCE

# SOFTWARE LICENSING

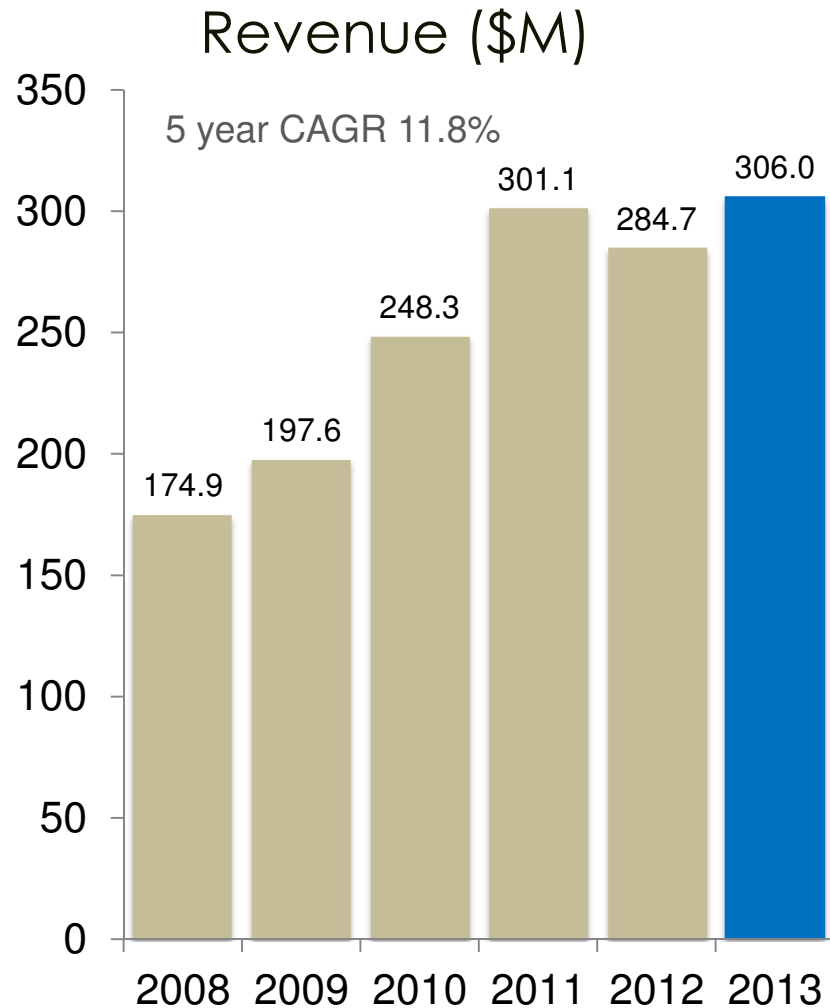
Revenue down but underlying profit grows



- Revenue down 11.4% to \$428.1M due to change in timing of invoicing and a shift to a commission structure
- Underlying gross profit has continued to grow for 18 consecutive years
- On Microsoft's worldwide partner engagement board

# INFRASTRUCTURE SOLUTIONS

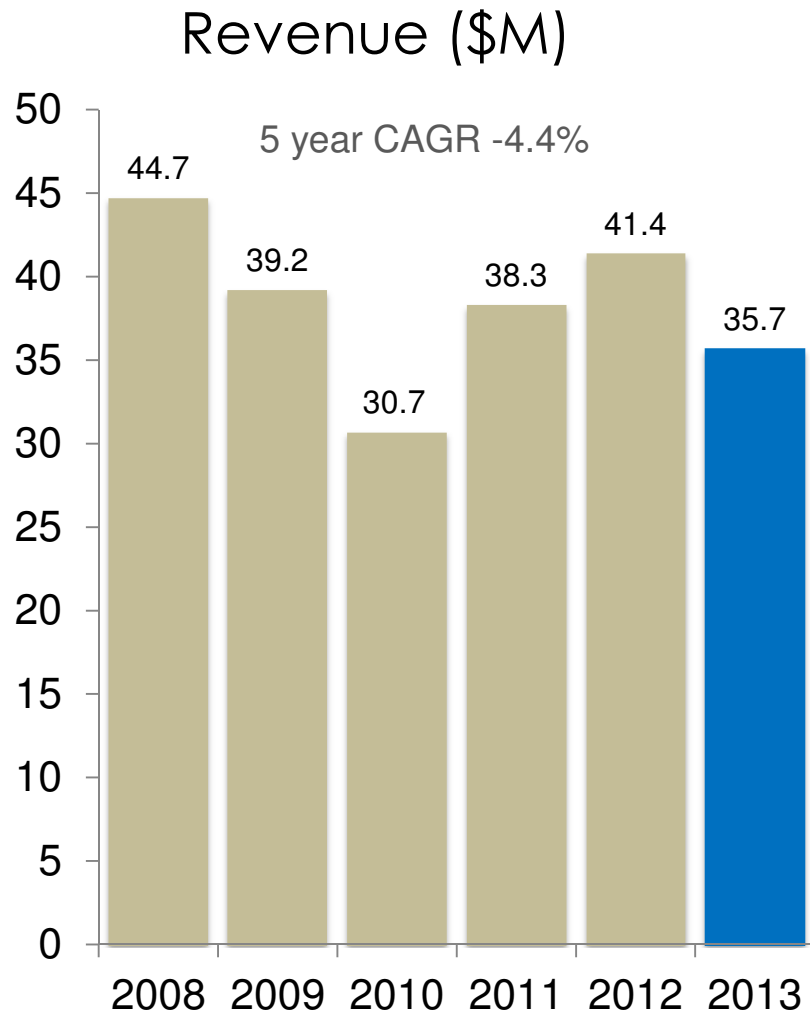
## WA contract offsets weak performance



- Total revenue up 7.5% to \$306.0M
  - Products up 3.2% to \$215.0M
  - Project services down 2.2% to \$30.0M
  - Managed services up 33.5% to \$61.0M
- Difficult market for product sales offset by Fiona Stanley Hospital contract win in first half
- Difficult market for project services
- Strong growth in managed services reflects increase in contract maintenance services

# PEOPLE SOLUTIONS

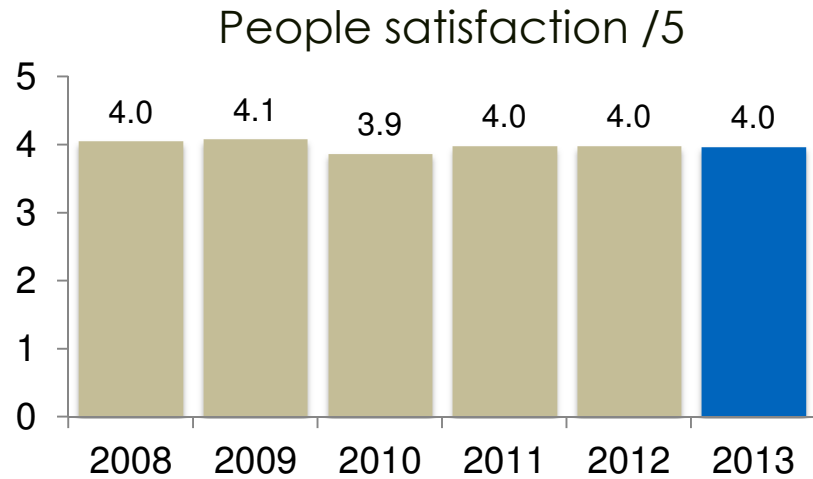
## 17% decline in contractor activity



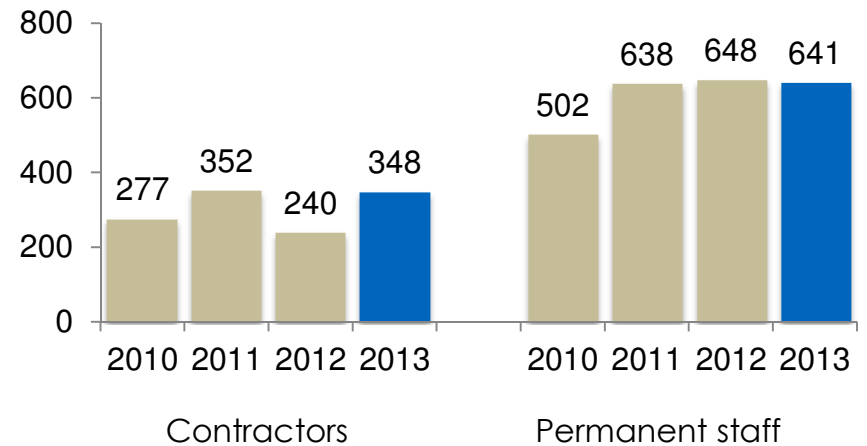
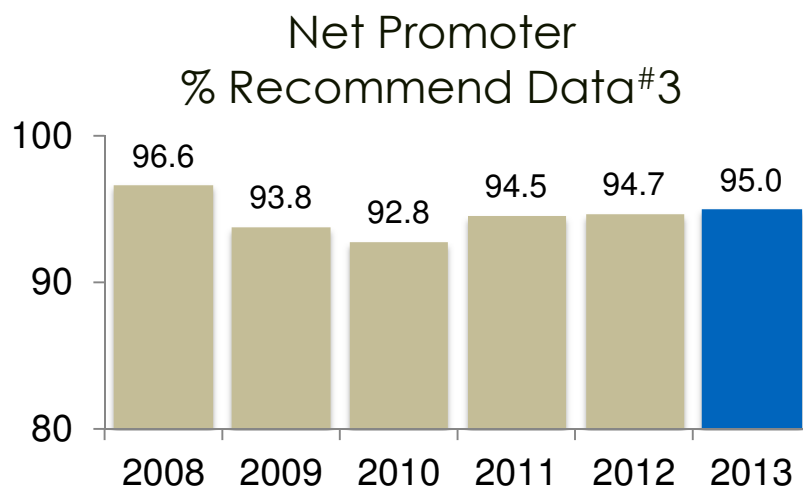
- Revenue down 13.7% to \$35.7M
- Contractor placement activity down 17% over the year but increased at year end
- Permanent placement activity remained steady

# PEOPLE SATISFACTION

## Held in difficult circumstances



641 permanent  
50 casual  
348 contractors  
>1,000 people



# STATE PERFORMANCE

## Echoed market and our positioning

### Queensland

- Significant scale and remained a leader
- Constrained government expenditure impacted product and contracting but offset by solid software licensing and managed services
- Reappointed as panel supplier to whole of government
- Significant 'cloud' win at Ipswich City Council
- Declined only slightly on FY12

### NSW

- Largest state by revenue
- Challenging market
- Declines in project services and contracting offset by growth in product, licensing and managed services
- Flat on FY12

# STATE PERFORMANCE

## Echoed market and our positioning

### Victoria

- Economy slowed rapidly to be our most challenging
- Several projects deferred or funding withdrawn
- Top line declined only 10% however with higher costs, contribution to profit declined more substantially

### South Australia

- Solid top line growth with declines in product and project services offset by solid licensing result
- Renewed SA Government contract for Microsoft software
- Higher expenses saw a small decline on FY12

### Western Australia

- Strongest growth of all states fuelled by significant win at Fiona Stanley Hospital and solid software licensing
- All businesses performed well delivering very strong growth on FY12

# STATE PERFORMANCE

## Significant contracts

### Fiona Stanley Hospital Perth

- Largest ever infrastructure contract
- Supply contract for Cisco communications infrastructure
- Configuration and implementation services
- 5 year contract maintenance agreement
- Several follow on contracts





# STATE PERFORMANCE

## Significant contracts

### Qld Government hardware and related services

- 3 years + 2 year option
- Covers all agencies and other approved entities
- Exclusive supply of
  - HP server, desktop PC and notebook equipment
  - A wide range of peripheral equipment from Ingram Micro
  - Selected other 'ruggedised' equipment
- Integration, maintenance & customised support services



# STATE PERFORMANCE

## Significant contracts

### Ipswich City Council

- Benchmark for cloud adoption
- Extension of existing user support contract
- New 5 year contract moving from on-premise to cloud
- Ownership of all data centre equipment and data centre lease transferred to Data#3
- Planning, design and transition services
- Data centre compute power and storage billed to ICC monthly as a service



# BID ACTIVITY AND CONVERSION

## Remained slow & competitive

	1H FY12	Full Year FY12	1H FY13	Full Year FY13
Submitted bids	207	386	179	397
Decided bids	69	249	72	248
Won	42	121	35	109
% won	61%	49%	49%	44%
Undecided	138	137	107	149
% undecided	67%	36%	60%	38%

# STRATEGIC PRIORITIES

## Solid performance

### Aligning our offerings with the changing market

Building out our cloud infrastructure and service desk and the associated sales capacity 

Increasing our capacity to deliver technology independent consulting services, and solutions incorporating Microsoft and Cisco technologies 

Developing Data#3 owned IP for resale 

### Lowering processing costs & increasing productivity

Implementing our customer procurement portal 

Automating manual processes 

### Maintaining the commitment of our people

Office refurbishments in Adelaide, Perth and Canberra 

Extending the range of benefits 

# FY13 SUMMARY

## In simple terms

Gross Profit (GP) to NPBT compared to FY13



# FY13 SUMMARY

## Solid performance in difficult market

- Challenging market, down on FY12 overall
- Solid underlying gross profit performance
  - Strong performance from Software Licensing
  - Fiona Stanley Hospital win in WA
- Higher cost base (investments in premises, infrastructure & systems) impacted profit & earnings
- Dividend \$ maintained with increased payout reflecting strong financial position and cash flow
- Strategic initiatives on track

FY 14

# PLANNING ASSUMPTIONS

## MARKETS

- No change in sentiment
- FY14 unchanged to FY13

## TECHNOLOGIES

- The big 'disruptors' and drivers of strategic IT decisions will be mobile, cloud, collaboration (incl. social) and 'Big Data'
- Cloud and commoditisation will create a *Hybrid IT* environment – a combination of on-premise, outsourced and as a service applications and infrastructure



# PLANNING ASSUMPTIONS

## CUSTOMERS

- Dynamic of negative sentiment and ‘disruptive’ technologies will continue to constrain investment
- Transformation of IT departments to *Business IT*; and business user to *Business Consumer*

## PEOPLE

- Aggressive competition for the best people will continue

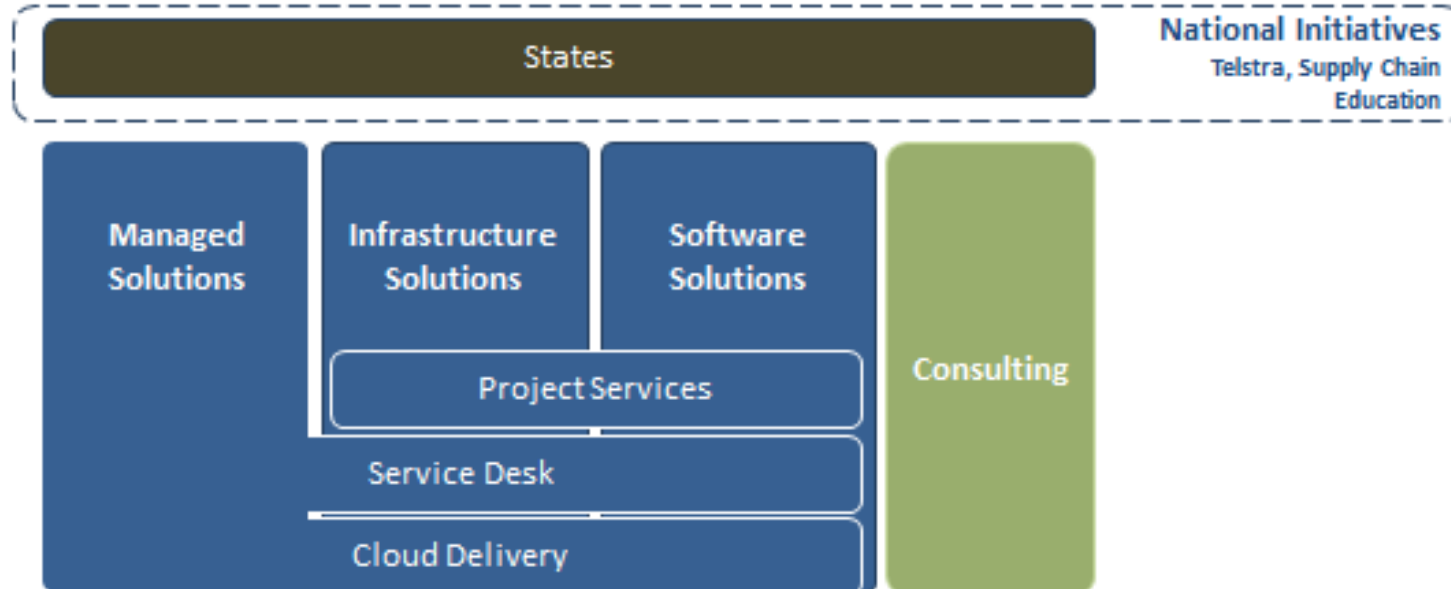
## SOLUTIONS

- Our Solutions Framework and Technology Consumption Model remains relevant
- Global vendors continue to use partners as their primary sales channel but offerings to extend from product to service

# MAXIMISING OUR PERFORMANCE

## Simplification

Simplification through a restructure from 5 areas of specialisation to 3 + a new consulting business



From IT Solutions to  
Business technology solutions  
From product to cloud

# MAXIMISING OUR PERFORMANCE

## Simplification

Simplification through a restructure from 5 areas of specialisation to 3 + a new consulting business



### **Software Solutions – product to cloud**

- Software licensing and asset management
- Software development, customisation, deployment and management
- Productivity services for the Business Consumer

# MAXIMISING OUR PERFORMANCE

## Simplification

Simplification through a restructure from 5 areas of specialisation to 3 + a new consulting business



### **Infrastructure Solutions – product to cloud**

- Sale, asset management and contract support of IT products
- Infrastructure design, deployment and management
- Unified communications and collaboration for the Business Consumer
- Hybrid IT for Business IT services

# MAXIMISING OUR PERFORMANCE

## Simplification

Simplification through a restructure from 5 areas of specialisation to 3 + a new consulting business



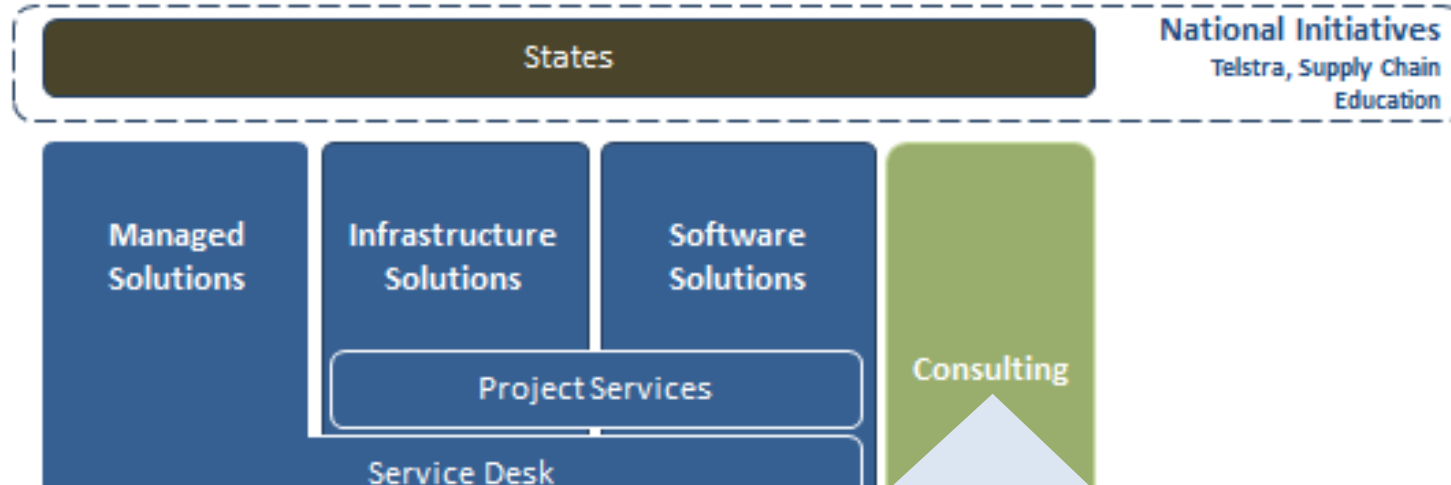
### **Managed Solutions – product to cloud**

- 'services delivered by people'
- Permanent and contract labour
- Labour augmentation
- Field services for end user computing support
- Onsite and remote Hybrid IT Service Management including a 24x7 domestic, ITIL based service desk
- Full cloud services, brokerage and integration

# MAXIMISING OUR PERFORMANCE

## Simplification

Simplification through a restructure from 5 areas of specialisation to 3 + a new consulting business



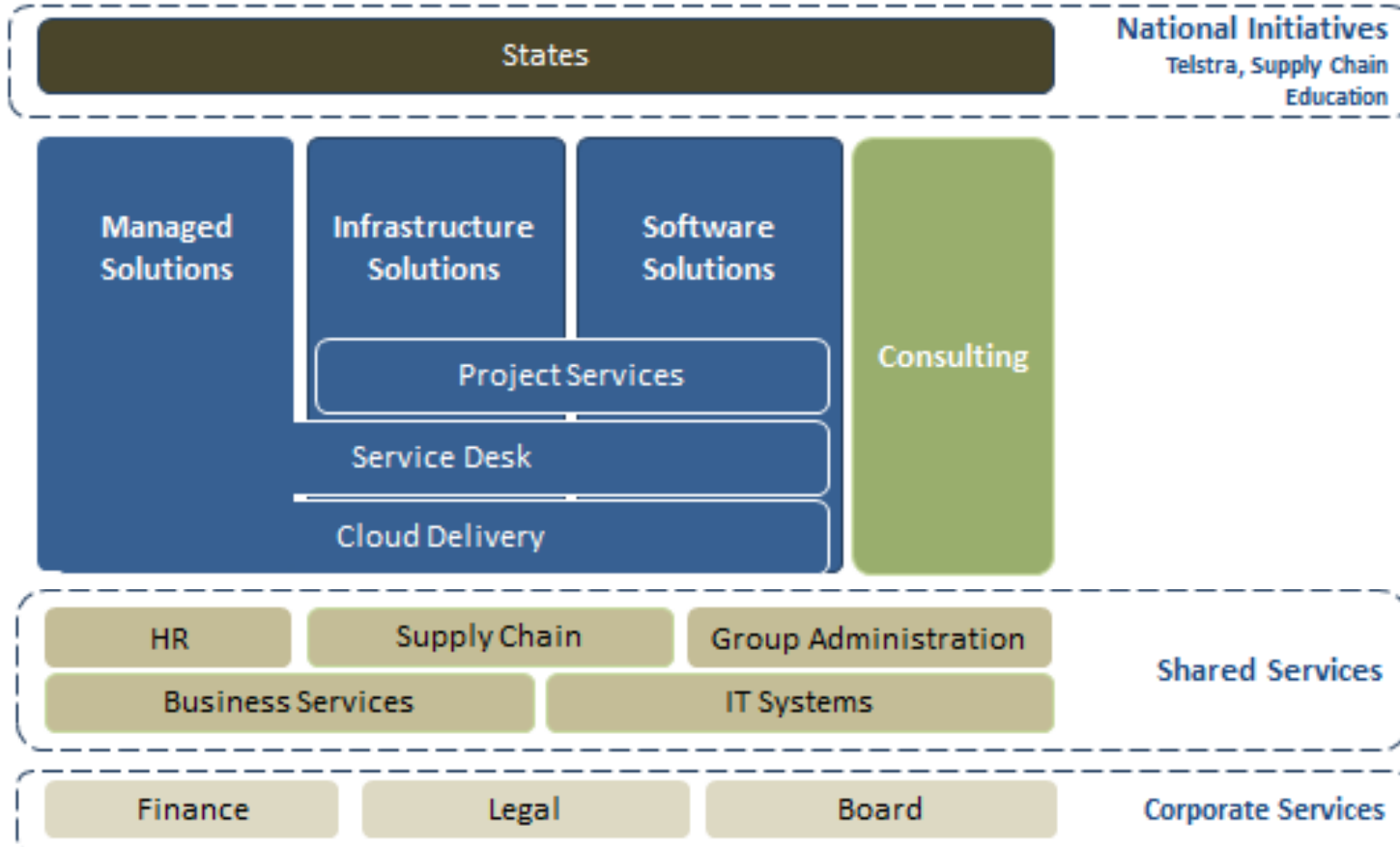
### Consulting services

- Roadmaps for our customers' transformation to Business IT and the Business Consumer
- Improving business performance through technology
- Augmenting and facilitating cost effective use of Data#3's business technology solutions

# MAXIMISING OUR PERFORMANCE

## Consolidation, productivity & lower cost

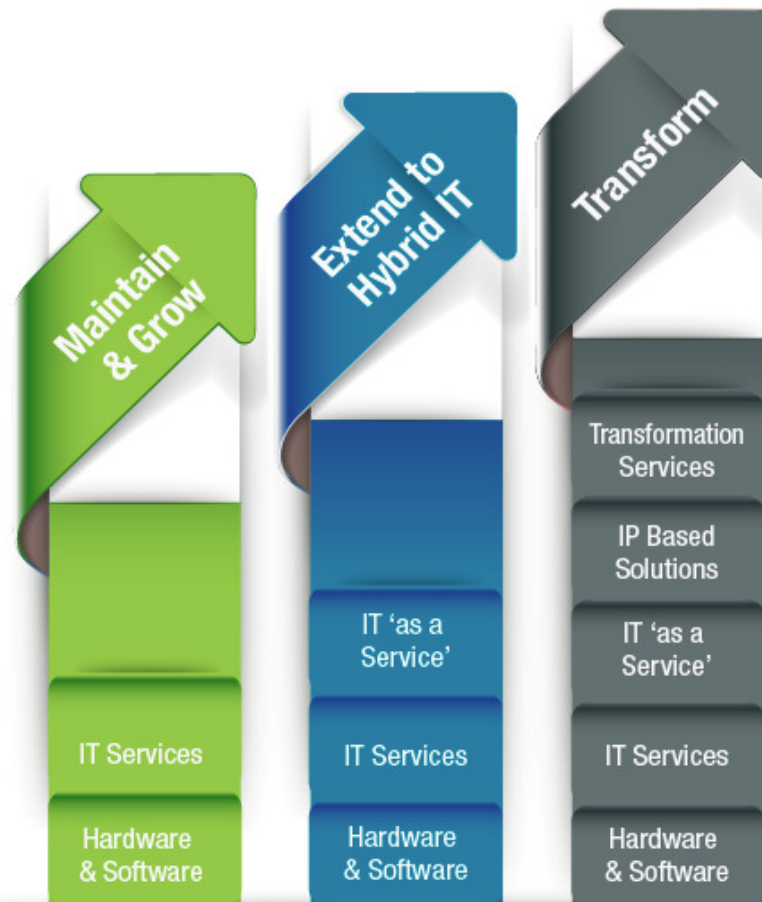
Consolidation of internal functions into 2 shared services business driving productivity and lowering cost



# MAXIMISING OUR PERFORMANCE

## Extending and transforming our solutions

Continued extension and transformation of the business technology solutions we offer





# MAXIMISING OUR PERFORMANCE

## By getting the big things right

### **MANAGED SOLUTIONS**

- Expanding in Western Australia
- Extending the self-service and management portals for 'as a service' to integrate other non-Data#3 cloud platforms into our customers' Hybrid IT environments
- Building sales capability and capacity

### **INFRASTRUCTURE SOLUTIONS**

- Improving the sale process to articulate and sell the value proposition from product to cloud
- Optimising returns from partner channel programs
- Capitalising on our automated supply chain to increase volume hardware under contract

# MAXIMISING OUR PERFORMANCE

## By getting the big things right

### SOFTWARE SOLUTIONS

- Improving the internet portal experience for our customers for purchasing; asset registration and management; and renewals
- Improving the sale process to articulate and sell the value proposition from product to cloud
- Leveraging the skill of our services people to enhance sales success

### CONSULTING

- Accelerating growth
- Improving profit

# FY14 OUTLOOK SUMMARY

“We see no change in market conditions in FY14.

The investments we are making position us well for improving business conditions.

We remain watchful for non-organic growth options.

Our overall financial objective for FY14 is to at least match FY13 performance.”

Q & A

# APPENDIX – FINANCIAL SUMMARY

	FY13 \$'000	FY12 \$'000	% Change
Revenue by segment:			
Product	639,644	689,060	-7.2%
Services	130,182	120,427	+8.1%
Other revenue	1,216	1,903	
Total revenue	771,042	811,390	-5.0%
Revenue by area of specialisation:			
Software Licensing	428,093	483,427	-11.4%
Infrastructure Solutions (project services, hardware product & managed services)	305,987	284,678	+7.5%
People Solutions	35,746	41,420	-13.7%
Total gross profit	122,525	119,957	+2.1%
Total gross margin %	15.9%	14.8%	
Total expenses	106,269	102,122	+4.1%
EBITDA	18,700	19,430	-3.8%
EBIT	16,664	18,302	-8.9%
EBIT margin %	2.2%	2.3%	
NPBT	17,472	19,738	-11.5%
NPAT	12,138	13,679	-11.3%
	<b>FY13</b>	<b>FY12</b>	<b>% Change</b>
Earnings per share	7.88 cents	8.88 cents	-11.3%
Dividend per share	7.00 cents	7.00 cents	0%
Dividend payout ratio	89%	79%	
Return on equity %	35.8%	42.1%	

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