Chairman's Address
28 October 2021

Ladies and gentlemen, good afternoon and welcome to this 2021 virtual Annual General Meeting of Data#3 Limited shareholders.

Our primary goal is to provide shareholders with sustainable earnings growth.

Perhaps needless to say the 2021 financial year (FY21) was a year of extraordinary circumstances for our customers and our people, and so from the outset we knew it would be a challenging period, particularly after a record profit performance in FY20. We are very pleased that we have been able to announce another record result.

The pandemic has spanned the latter part of FY20 and all of FY21, significantly impacting the economy and creating business and operating conditions never previously encountered, requiring significant adaptation. No less so by Data#3 and all its people.

Consequently, for example, large integration and transformation projects that typically provide significant workstreams for our business were put on hold. Instead, our customers worked with us on their more immediate, transactional requirements across cloud, connectivity, modern workplace, and security solutions.

Additionally, our people coped with significant changes to long established work environments and practices. These included working from home and virtual rather than face to face visits with customers, all in greatly varying conditions as governments across the country responded in different ways.

After a very difficult and unpredictable first half we started to experience a return to market growth in the second half with gradual pipeline improvement. Larger integration and infrastructure projects restarted, combining all elements of our solutions portfolio.

FY21 Financial Highlights

Revenue **$1.96B** Up 20.3%	**Gross Profit** **$194.7M** Up 3.6%	**NPBT** **$36.9M** Up 8.4%
NPAT **$25.4M** Up 7.5%	**Basic EPS** **16.51 cents** Up 7.5%	**Dividends per share** **15.0 cents** Up 7.9% Payout ratio of 90.9%

These shifting priorities changed the mix of business transacted throughout the year. Our total revenue increased by 20% to $1.96 billion, and once again we are particularly pleased with the growth in the cloud-based business, with public cloud revenues increasing by 36% to $792 million.

As a result of the changing sales mix our gross profit increased by 3.6% to $194.7 million which, combined with improved operating leverage, delivered an 8.4% increase in pre-tax profit, to $36.9 million.

The result reflects improving services profitability and demonstrates the inherent strength and relevance of our solution offerings in a rapidly evolving market. As previously disclosed, our pre-tax profit would have been approximately $3 million higher were it not for the global supply delays in computer chips, which our Chief Executive and Managing Director, Laurence Baynham will speak further to this during his address.

The consolidated after-tax profit and earnings per share increased by 7.5%, allowing the directors to declare a final fully franked dividend of 9.5 cents per share, bringing the total dividend for the 2021 financial year to 15 cents per share fully franked. This represents a 90.9% pay-out ratio for the full year.

The financial position of the company remains strong. We continue to be debt free and optimise the group's use of working capital through very effective management.

It is particularly pleasing that at the same time as delivering this strong financial performance we are also making good progress with our long-term strategic plan. The non-financial measures indicate that the underlying health of the business continues to strengthen. In a tough market we have achieved record satisfaction ratings from our customers and our people – both truly exceptional outcomes. Again, Laurence will provide more detail in his address.

Our success in FY21 was underpinned by the hard work and resilience of our people who went above and beyond to help our customers during the pandemic, and we thank them for their ongoing commitment to our Company. We have a great culture at Data#3, which has served us well throughout these recent turbulent times.

Likewise, we acknowledge and greatly appreciate the continued support from you, our shareholders. Many of you have been long-term investors in Data#3.

Formal Resolutions

There are four resolutions to be formally considered at today's meeting.

Resolution 1.	**Adoption of the remuneration report**
Resolution 2.	**Re-election of Ms Leanne Muller**
Resolution 3.	**Renewal of approval of the Data#3 Limited Long-Term Incentive Plan**
Resolution 4.	**Approval to issue Rights to a related party: Mr Laurence Baynham**

The first resolution relates to the remuneration report which is included in the annual report, and which will be put to the meeting for adoption. This report provides considerable disclosure on our remuneration philosophy and practices, as well as historical details of the fixed and variable components of remuneration.

As in previous years, targets have been established to produce earnings growth, and the management team's remuneration is structured in line with these targets, with a significant proportion comprised of short-term and long-term incentives. These are awarded based on the achievement of appropriate financial and operational targets.

We measure remuneration every year against industry benchmarks to ensure it is set competitively. During FY21 we also re-engaged with an external remuneration consultant to review the remuneration of the directors and senior executives. This external review confirmed that the structure and levels of remuneration are in line with the market and appropriate to produce the results we are targeting. The review included consideration of the long-term incentive plan approved by shareholders at the 2018 AGM. In the opinion of the Board, the experience over the three years since the plan's introduction has confirmed its success in achieving the desired objectives. I will comment further on this point in considering resolutions 3 and 4.

The second resolution for consideration today is, in accordance with the constitution, the re-election of Leanne Muller to the Board. Leanne joined the Board in 2016 and she chairs the Audit and Risk Committee, bringing valuable non-executive director insight. Information regarding Leanne Muller's qualifications, experience and responsibilities is provided in the explanatory notes which form part of the Notice of Meeting.

I recommend that shareholders vote in favour of this resolution.

The third resolution seeks shareholder approval to renew the existing Data#3 Long-Term Incentive Plan (LTIP) which was originally approved by shareholders at the Company's 2018 Annual General Meeting.

For employee incentive schemes, such as the LTIP, ASX Listing Rule 7.2 provides an exception to the requirement to obtain shareholder approval each time securities are issued under the plan. For this exception to apply, the ASX Listing Rules require shareholder approval in respect of any issues under the plan to be obtained every 3 years.

As it has been three years since the original shareholder approval was given, the Company is now seeking to refresh approval of the LTIP, including the issue of securities under the plan, for the purpose of ASX Listing Rule 7.2.

The LTIP was introduced to align the interests of eligible employees with the interests of shareholders by assisting the Company to attract and retain high quality staff by enabling eligible employees to share in the future growth of Data#3.

The Board has the discretion to grant either performance rights or options to participants under the LTIP. Since the plan was approved by shareholders at the 2018 AGM, a total of 729,114 performance rights have been granted to the four members of the senior leadership team in FY19, FY20 and FY21. To-date, 374,235 shares have been issued upon exercise of the FY19 performance rights, which vested at the end of FY21. No performance rights have been forfeited and 354,879 performance rights remain on issue, with vesting dates at the end of FY22 and FY23.

As I mentioned, the Board is satisfied that the introduction of the LTIP has been successful, and that the plan is achieving the desired outcome of aligning the interests of the executives in the senior leadership team with those of shareholders.

Also, as already said, and in accordance with good governance, the Board engaged an external remuneration consultant to review Board and executive remuneration arrangements. This included a review of the operation of the LTIP, to determine whether there was scope to improve the plan. The review confirmed that the plan is operating effectively and consistently with our expectations and endorsed the Board's intention to renew the plan, and to grant performance rights to the broader executive team.

Consequently, subject to approval of this resolution, the Board intends to increase the number of participants in the LTIP to include a total of 18 executives in FY22, each with entitlements appropriate to their position.

The maximum number of performance rights proposed to be issued under the plan over the three-year period from the date of this Annual General Meeting is approximately 750,000 performance rights (representing 0.49% of issued capital at the present date). This maximum is not intended to be a prediction of the actual number of performance rights to be issued under the LTIP, but is specified for the purposes of setting a ceiling on the number of performance rights approved to be issued under and for the purposes of ASX Listing Rule 7.2, Exception 13(b).

The fourth and final resolution for consideration is a request to approve the issue of performance rights to the Chief Executive Officer and Managing Director under the Long-Term Incentive Plan.

Details of the Chief Executive Officer and Managing Director's remuneration package are contained in the remuneration report and in the explanatory notes which form part of the Notice of Meeting.

The external remuneration consultant reviewed the remuneration of the senior executives in FY21, and recommended an increase to the value of the Chief Executive Officer and Managing Director's long-term incentive in FY22, from $160,000 to $256,000. This increases the at-risk component of the Chief Executive Officer and Managing Director's total FY22 remuneration package to 48%.

The Board intends to continue to grant performance rights with 3-year vesting periods to the Chief Executive Officer and Managing Director, and other executives, with their entitlements determined by performance against cumulative 3-year basic EPS targets.

These targets are set at a level that is considered suitably challenging, but achievable. Consequently, the entitlement is assessed on a straight-line basis from the minimum of 0% growth, through to a maximum 100% entitlement on achievement of the relevant 3-year target.

The historical target information relating to the FY19 performance rights, which vested at the end of FY21, is contained in the FY21 remuneration report. The four participants each received 100% of their entitlement. The cumulative 3-year basic EPS target was a minimum of 28.1 cents and a maximum of 34.8 cents. That represented annual EPS growth in a range of 10 to 15% each year. The actual cumulative 3-year basic EPS was 43.6 cents, with the overachievement mostly due to the exceptional FY20 performance, which, in that year, delivered a considerable 30.5% growth in basic EPS.

LTI target

3-year cumulative basic EPS target.

The Board's current expectation is that EPS growth in the range of 5 to 15% each year is reasonable and sustainable.

The Board has absolute discretion in setting the LTI targets and amending the targets, if considered appropriate, to reflect the dynamic operating environment. However, the historical performance gives shareholders a reasonable indication of likely future practice. The Board's current expectation is that EPS growth in the range of 5% to 15% each year is reasonable and sustainable, and well ahead of the projected growth of the IT sector. This information is intended to provide broad parameters of growth which shareholders can expect for the performance rights to vest. Please be aware that it is not intended to be, and should not be construed as, formal profit guidance.

I recommend this item for your approval.

During the year, the Board reviewed its skills mix and gave further consideration to management and Board succession planning. The search for new directors to progress the succession plan was paused temporarily due to the pandemic restrictions. The process to recruit another non-executive director is currently underway.

In summary, our key objective for the current year is to continue to deliver sustainable earnings growth for our shareholders. With the first quarter of the financial year behind us, we have made a good start to FY22 and remain very confident in our long-term strategy.

I will now ask Laurence to address in more detail the operational aspects of the Company's FY21 performance and the outlook for the current period.

Thank you for your continuing interest in Data#3 and your attendance at this 2021 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

CEO and Managing Director's Address
28 October 2021

Good afternoon ladies and gentlemen and thank you Richard. I would like to add my welcome to today's AGM and thank everyone for making the time to join us today.

The last year has been one of remarkable circumstances for our people and our customers with the ongoing impact of the pandemic. I am particularly pleased to report another record result, despite the challenges of FY21, with strong growth in revenues, profit and share price. This was in line with our over-arching goal of providing shareholders with sustainable earnings growth. In addition to the growth in earnings per share, Data#3 delivered a total shareholder return of nearly 27% in FY21.

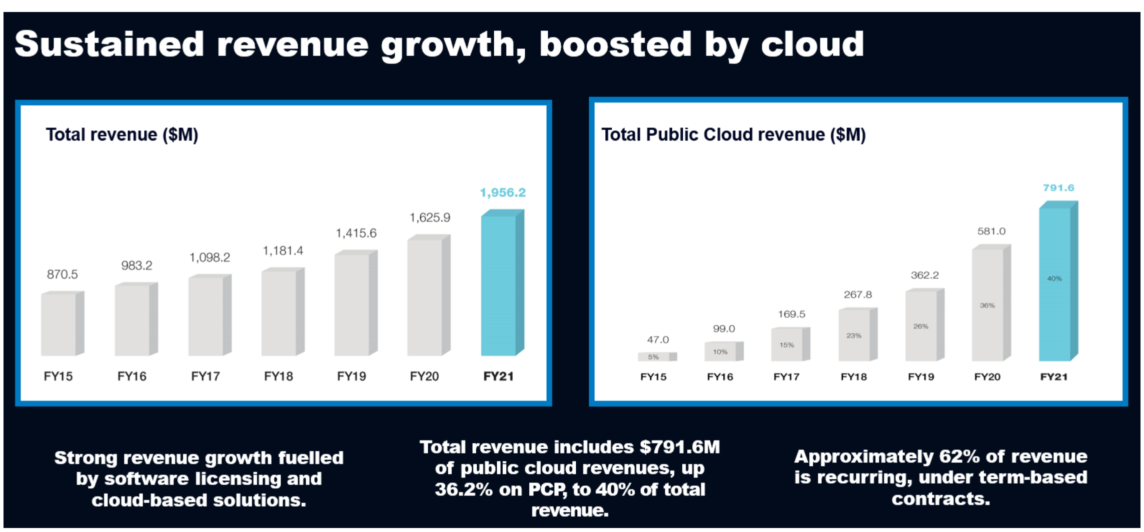
Echoing what Richard said, our success was underpinned by the hard work, dedication, and resilience of our people who went above and beyond to help our customers. I would especially like to thank our team for their commitment throughout this period and I am confident in the team's ability to continue to further our leadership position in the Australian IT market.

I would now like to provide an overview of our operations and strategy. In doing so, I will break this down into three elements:

1. An overview of our FY21 financial and operational performance.
2. A summary of the Australian IT market and key drivers.
3. Our outlook for the first half of FY22.

1. Overview of FY21 financial and operational performance

We are pleased with the full year performance of Data#3 and the result clearly demonstrates the inherent strength and relevance of our solutions in an evolving market.



Our total revenues have increased to $1.96 billion, up over 20% on FY20. The majority of business units grew revenue and increased market share. We continue to see recurring revenues climbing, now over 60% of our revenue base, derived from contracts with government and large corporate customers. Our cloud business was a particular driver of our overall growth, with $792 million of public cloud revenues, up 36% on the prior year, and it is now 40% of our total revenue.

Looking back to July 2020, we entered FY21 with a great deal of uncertainty. There was no vaccine, huge government stimulus packages were in place to counter the lockdowns and the Australian economy was in recession. Our customers faced a rapidly evolving landscape due to the pandemic. Many of our public sector customers did not have budgets approved until late into the second quarter, and many corporate enterprise customers had been told to freeze spending.

Planning for FY21 was therefore shaped by the uncertainty surrounding the impacts of the pandemic and the timing of a recovery. As the leading Australian IT solution provider, we continued to help our public sector and large corporate customers adapt to new ways of working. However, during the first half of FY21 we saw a high volume of mostly transactional activity, with large integration-type projects typically put on hold.

In the second half of FY21 we started to experience a more normal mix of activity. Market conditions steadily improved in both the public and private sectors, with some customers initiating larger scale digital transformation projects, combining all elements of our solutions portfolio. This helped drive growth in our core infrastructure, software, and services businesses. An example of this has been our work with the iconic Sydney Football Stadium to deliver a modern networking solution that encompasses a range of our offerings across Wi-Fi, data analytics, and security.

During the year, the global computer chip shortage had an increasing impact on the supply chains of our hardware vendor partners, with supply constraints experienced across the industry. This supply shortage coincided with an increase in demand for work-from-home devices as well as a spike in demand for devices traditionally experienced during the fourth quarter in line with customer procurement cycles.

We have excellent working relationships with our vendors and have actively lobbied to secure critical customer deliveries while managing their expectations. Our team has done an outstanding job managing these supply constraints and progressing our customers' projects.

We ended FY21 with a significant backlog of orders that could not be delivered or invoiced, representing approximately $3 million of additional pre-tax profit that would have been invoiced under normal circumstances. Despite that backlog we finished FY21 strongly and gained a fast start to FY22 as those orders have now been delivered and invoiced. There will be ongoing supply constraints caused by the global shortage of chips, and at this stage it is difficult to predict the extent of the backlog at the end of the first half, however we are well placed to deal with these challenges and opportunities by continuing to work closely with our customers and suppliers.

2. A summary of the Australian IT market and key drivers

World leading IT research and advisory firm Gartner has predicted the Australian IT market will have grown at a record rate of around 4% in calendar year 2021, breaking $100 billion. Of that, we estimate our total addressable market to be approximately $70 billion. We therefore have considerable upside opportunity in a growing market. Gartner has predicted the highest growth in enterprise software and services. This is a particularly promising as Data#3's current revenues constitute more than 80% enterprise software and services. Our Infrastructure business is also fast becoming a software and services business as companies like Cisco, HP and Dell increase their software research and development.

These predictions are in stark contrast to the declining market conditions I discussed this time last year and will allow us to accelerate growth of our services businesses and further cement our leadership position. At the highest level, digital transformation is playing a major role in Australia's economic recovery and is the major business priority for public sector and commercial customers.

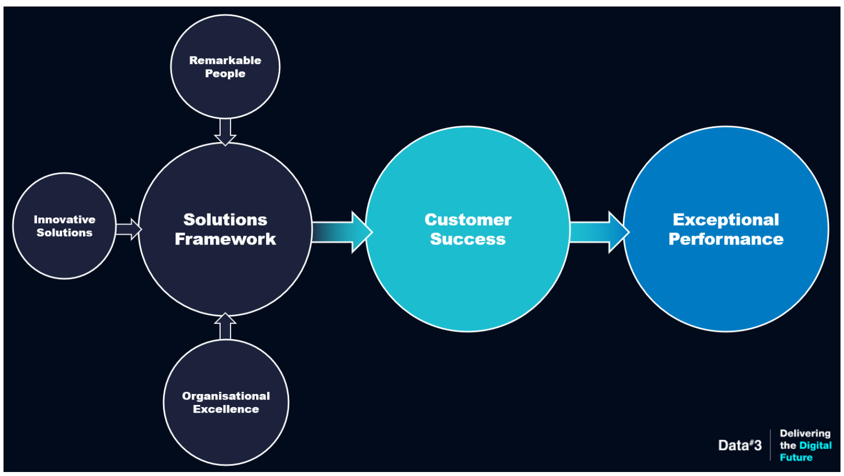
Now let us look at our competitive positioning and differentiation. One obvious point of difference is that we have been in business for more than 40 years, during which we have built up a large and loyal customer base. We now have more than 1,200 people across 14 locations, most of which are customer facing. The pandemic has forced us to work remotely and conduct business physically away from our customers. It has been a major test of the strength of our customer relationships. I am pleased to report that we have come through with flying colours, and we will only strengthen our customer interactions as we resume our face-to-face engagement.

Data#3 has a diverse base of customers, many large and high-profile Government and private sector organisations across many sectors, but especially the healthcare, education, and resource sectors. Our breadth of solutions and our highly skilled services teams remain key differentiators in the Australian IT market.

We continue to strengthen our partnerships with key vendors, the most significant relationships being with Microsoft, Cisco, HP, and Dell. These are leading global vendors that account for a large proportion of the addressable market in large corporate and public sector organisations and approximately 70% of our customers' total IT spend. In FY21, Data#3 was the leading Australian partner for Microsoft, Cisco, and HP – and in the top five for Dell.

We are pleased to be recognised by our vendor partners and awards continue to form an important part of external validation for our work. Cisco's Global Commercial Partner of the Year was a particularly pleasing award as Data#3 was selected ahead of 60,000 Cisco partners worldwide.

To achieve our objectives in FY21 we continued to build the connection with our people, customers, and business partners, to drive greater efficiency and effectiveness across our operations. We have made steady progress against each of our strategic priorities.



We enhanced our solutions to adapt to changing market demands. Every customer has a business strategy that includes digital technologies, all requiring a foundation of cloud, networks, end-user computing and security. We continued to help our customers build their digital foundations and thereby enable scalable and robust digital transformation.

We have partnered with specialists for leading edge digital transformation projects and with specialist service providers to industry sectors. We also continued to expand our solutions across consulting, design, deployment, and support services. Our role in digital transformation is around these integrated solutions, supporting our customers through their full lifecycle.

Our people are at the centre of every aspect of our business and provide Data#3 with the greatest market differentiation. We were delighted to announce that we succeeded in winning the HRD Employer of Choice Award for the 6th year in a row, and we have just been selected by the Australian Financial Review as a finalist in the Best Places to Work awards. This reflects the continued investment we place in our staff, internal systems, and tools to support our current growth as well as deliver on future opportunities. It is worth noting that these awards are not limited to the IT sector. They cover all industries and include many multinational entries.

We also enhanced our employee value proposition that harnesses our ability to attract, develop and retain the best talent. Our annual survey provided validation with 98% of our people recommending Data#3 as an excellent company to work for, our highest score since the survey began 15 years ago.

This is particularly important in a tight skills market given the international border closures and resources have been relatively scarce for certain skillsets, such as cyber security. We are placing a high priority on attracting the best talent in the market, while staff turnover levels are well below the industry average. A key differentiator is People Solutions, our own recruitment and contracting agency. Our talent sourcing strategy has a focus on the development and implementation of graduate recruitment, traineeships, and industry placement programs. We also running joint recruitment programs with some of our vendors, such as Microsoft and Cisco.

The demographics of our people is also changing. Whilst we have fantastic statistics on tenure, such as the senior executive team with an average of 28 years of service, we have attracted many talented individuals among the younger generation to our team. Our percentage of female representation continues to climb above the industry average. It is now 35% and I expect this to continue to improve. The gender and age diversity provides many new perspectives and makes us a stronger business. We work in a diverse community, and this is also reflected in our workforce. We see the many unique perspectives, skills, and experiences of our people as a strength to be nurtured. The Data#3 Embrace program brings together our diversity and inclusion policies, activities, and support services, and seeks new opportunities to ensure our people have a voice in the company's future.

As we grow our business, we believe it is increasingly important to support our local community. Data#3's Environmental, Social and Governance (or ESG) program works to support the communities we operate in and make a meaningful difference. Our people created the SOUL program to encourage passions and channel their efforts to create a real and lasting effect in the causes they care most about. Lifeline is the national charity partner that we work with, and the past 18 months proved to be a very worthwhile cause as mental health support became increasingly important because of lockdowns. In addition to our national charity support we also have smaller, local initiatives and every branch chooses activities that allow them to make a difference in their local communities.

Moving to our customers, enabling customer success is a key differentiator for Data#3. We have invested with vendor partners to help our customers maximise the value they get from their technology solutions, and we have increasingly embedded our data analysis into customer contracts and service level agreements. We aim to understand and measure every touchpoint and to continue to invest in technology to help us improve the overall customer experience.

In addition, the lifecycle of services for our solutions continues to provide opportunities to expand our relationship with existing customers, as well as attract new ones. This lifecycle approach to improving the overall customer experience by focusing on the long-term and has helped deliver record levels of customer satisfaction. In FY21 we achieved the highest scores in fifteen years, due to our ability to meet changing customer needs and assist in achieving their business outcomes.

In my experience, customer satisfaction and people satisfaction scores are an important lead indicator to financial performance.

During the year we continued to enhance our own operational efficiency and gain greater leverage from our investment in technology. Data#3's digital transformation is in full swing in FY22. The most significant project is the implementation of our new ERP system, which is based on the Microsoft Dynamics 365 cloud platform. This has been a multi-year project that is expected to be completed by the end of FY22.

Some costs have been capitalised, but a sizeable proportion is expensed, with $2 million of expense expected to be recognised in FY22. By the end of the project approximately $6 million will have been capitalised, to be amortised over the life of the application, and approximately $4 million will have been expensed. This is a substantial investment that will bring considerable long-term benefits.

Over the course of FY21 we saw the work-from-home revolution continue and evolve as organisations looked to achieve cost savings and improve productivity. Cyber security has remained a top priority for our customers and our security business is one of the fastest-growing parts of the Data#3 group, now generating over $100 million in revenue.

Building on the success of the security practice and our Business Aspect security consulting expertise, in FY22 we have consolidated our security focus under a unified executive leadership. Combining our security offerings across the group will allow us to grow more quickly than the market. In addition, our newly established security committee will continue to work on keeping our business safe from the growing cyber threat.

We remain Microsoft's largest partner in the region, and Data#3 is one of only four organisations in Australia to attain the very significant Azure Expert Managed Services Provider certification.

In addition, our cloud services strategy complements the massive growth that we are experiencing in Microsoft public cloud. Microsoft is taking the lead in public cloud globally and locally, and we are in a prime position to capitalise on this growth.

3. Outlook for the first half of FY22

The IT market outlook is buoyant, and we are well positioned to capitalise on the return to large scale digital transformation projects.

While some of the challenges we experienced in FY21 continue into FY22, we are better placed to navigate our path to success, and will be particularly focused on customer success, security, and accelerating services growth.

Outlook for 1H FY22

Solid first quarter performance, with positive momentum and backlog from FY21.

Dependent on timing of opportunities realised during the second quarter, and the impact of ongoing supply constraints.

Current first half projection is pre-tax profit in the range of $15M to $18M (PCP $13.9M).

As mentioned, we are pleased to have made a strong start to the year with a solid first quarter performance. 62% of our business is under contract and we have continued to secure new contracts and projects while benefiting from the positive momentum and order backlog from FY21.

We certainly expect to improve on last year's first half pre-tax profit of $13.9 million, however the extent to which we can do this remains dependent on opportunities that need to be realised in the second quarter, and the timing of product deliveries impacted by ongoing supply chain constraints. Our current first half projection is to deliver pre-tax profit in the range of $15 million to $18 million, which is in line with our full year objective of delivering sustainable earnings growth. As in the past we have a skew to the second half and our fourth quarter is again expected to contribute significantly to our annual profit.

The first half results and interim dividend will be announced on 17 February 2022. It is also our intention to maintain our usual dividend practice.

Our performance continues to be underpinned by our leading market position, unrivalled vendor relationships, long-term customer base and highly experienced and committed team. I would like to thank all our people for their incredible commitment and support during the last year and look forward to reporting on our progress in the months ahead.

Thank you.

Laurence Baynham
Chief Executive Officer and Managing Director
Data#3 Limited

This announcement has been authorised by the Data#3 Board.

More information about Data#3 and its offerings is available at: http://www.data3.com.au