

2022 Annual General Meeting

Chairman's Address 27 October 2022

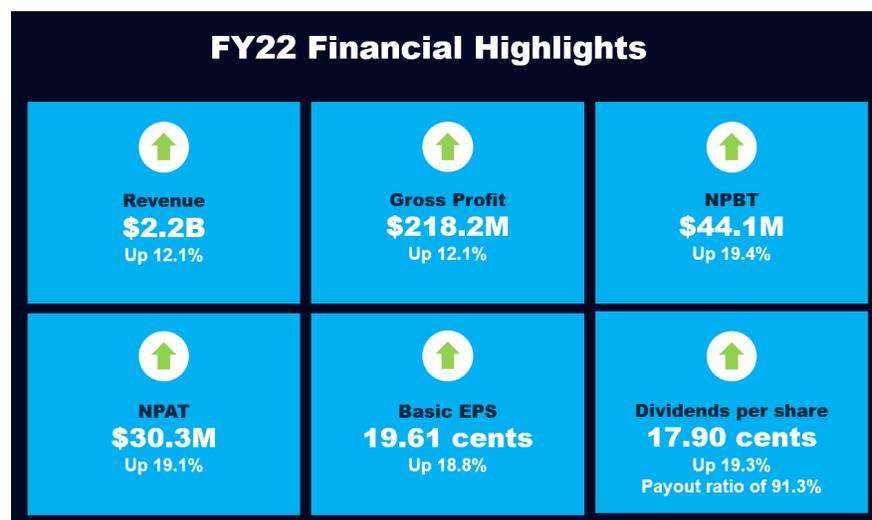
Ladies and gentlemen, good afternoon and welcome to this 2022 hybrid Annual General Meeting of Data#3 Limited shareholders.

The last year has been one of extraordinary circumstances for our people and our customers. We saw a number of significant and unexpected events take place, both nationally and globally: including severe weather events, the Russia/Ukraine crisis, and ongoing global supply chain constraints. These made for challenging conditions for our people, who adapted well to the changing work environments and practices.

We are pleased to report that despite these circumstances we delivered another record financial result and continued to deliver sustained earnings growth, consistent with our long-term strategy.

We continued to experience a return to market growth with gradual pipeline improvement. During the year we were pleased to see the acceleration of large integration projects that provide significant workstreams for our business across our solutions portfolio. We saw a steady increase in the pipeline across our corporate and public sector customers.

The increase in large infrastructure and digital transformation projects and growing contribution from our higher-value services offering supported the strong result. Our total revenue increased by 12% to \$2.2 billion, reflecting growing demand for Data#3's solutions in a rapidly evolving market. Once again, we are particularly pleased with the growth in the cloud-based business, as major organisations and Government departments accelerate the migration to cloud-based infrastructure.



Our gross profit increased by 12.1% to \$218.2 million which, combined with improved operating leverage, delivered an 19.4% increase in pre-tax profit, to \$44.1 million. Our pre-tax profit would have been at least \$6 million higher were it not for the global supply delays in computer chips, which our Chief Executive and Managing Director, Laurence Baynham will speak to further during his address.

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The consolidated after-tax profit increased by 19.1%, allowing the directors to declare a final fully franked dividend of 10.65 cents per share, bringing the total dividend for the 2022 financial year to 17.90 cents per share fully franked. This represents an increase of 19.3% and a pay-out ratio of 91.3% 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.

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

At our FY22 results, we announced that Brem Hill will retire as CFO at the end of calendar year 2023, having been with the company since 1991 and serving as CFO since 1999. Brem has provided exceptional financial leadership during a period where Data#3 has evolved from a small private company to a successful public company. On behalf of the board, we sincerely thank Brem for his outstanding commitment, loyalty, and contribution and we wish him well. A candidate search and selection process is progressing with a view to ensuring an orderly handover.

We also continued to implement our board succession plan, and in March 2022 we were pleased to announce the appointment of Susan Forrester to our Board of Directors.

Formal Resolutions

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

Resolutions		
<p>Resolution 1 Adoption of the remuneration report</p>	<p>Resolution 2 Election of Ms Susan Forrester</p>	<p>Resolution 3 Re-election of Mr Mark Esler</p>
<p>Resolution 4 Increase in Non-Executive Director fee pool</p>	<p>Resolution 5 Approval to issue Rights to a related party: Mr Laurence Baynham</p>	<p>Resolution 6 Amendments to the Company's constitution</p>

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.

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The second resolution for consideration today is, in accordance with the constitution, the election of Susan Forrester to the board. Susan was appointed as a non-executive director on 30 March 2022, bringing valuable non-executive director experience and insight to the board. You will hear from Susan later in the meeting.

The third resolution is the re-election of Mark Esler to the board. Mark joined the board in 2019 and brings extensive IT sector knowledge and experience to the board. You will also hear from Mark later in the meeting.

The fourth resolution seeks shareholder approval to increase the non-executive director fee pool, from \$600,000 to \$900,000, with effect from 1 January 2023. The current maximum aggregate fee pool was approved at the 2018 annual general meeting. Since that time the size and complexity of the company has grown, the size of the Board has increased and the fees paid to non-executive Directors have increased in line with market movements.

The fifth 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. The Board has decided to grant these Rights as part of Laurence Baynham's remuneration package, and in recognition of his contribution to the Company.

The sixth and final item seeks shareholder approval to amend the Company's constitution by way of a special resolution. The Existing Constitution was adopted at the 2014 annual general meeting and has not been amended since that time. As there have been a number of developments in law, corporate governance principles, terminology and general corporate and commercial practices since 2014, the Company is proposing to make changes to its Existing Constitution through the adoption of an amended version of the constitution.

I recommend all of these items for your approval.

In closing, our success in FY22 was supported by the dedication and resilience of our people who went above and beyond to help our customers during extraordinary circumstances, and we thank them for their ongoing commitment to our Company. We have a fantastic culture at Data#3, which has undoubtedly underpinned our continued success.

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

I will now ask Laurence Baynham to address in more detail the operational aspects of the Company's FY22 performance and the outlook for the current period.

Thank you for your continuing interest in Data#3 and your attendance at this 2022 Annual General Meeting.

Richard Anderson
Chairman
Data#3 Limited

CEO and Managing Director's Address

27 October 2022

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.

As Richard mentioned, the last year has been another year of remarkable circumstances for our people and our customers. Given the challenging backdrop, I am particularly pleased to report another record result, with strong growth in revenues and profits. In line with our over-arching goal of providing shareholders with sustainable earnings growth, in FY22 we increased earnings per share by 18.8%. In addition, we carried forward \$6 million of profit which would normally have been invoiced in FY22, however the supply chain constraints forced a carry-over into FY23. This compared to a \$3 million profit carry-over from the prior year.

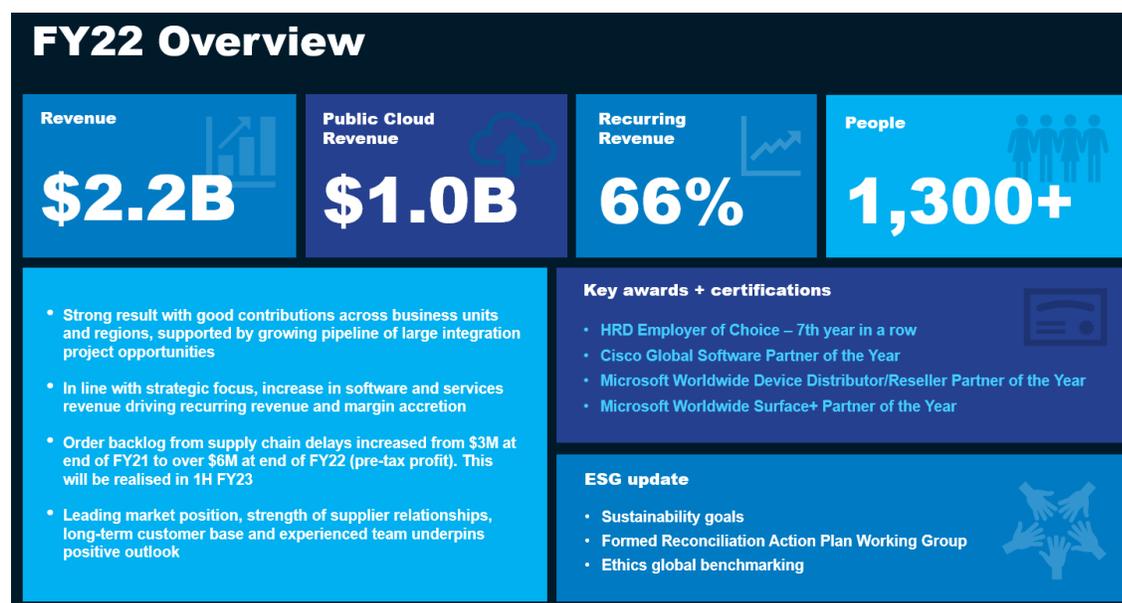
Our success was underpinned by the hard work, dedication, and resilience of our people who went above and beyond to help our customers. Our team coped extremely well with challenging circumstances, including lengthy lockdowns in 2021, high rates of COVID-19, supply chain constraints, and localised natural disasters such as floods. The Data#3 team has done an outstanding job managing these constraints while seamlessly progressing customer projects.

I would now like to provide an overview of our financial and operational performance, as well as our strategy. In doing so, I will break this down into three main elements:

1. Our FY22 financial and operational performance.
2. The key drivers of the Australian IT market.
3. Our outlook for the first half of FY23.

1. Overview of FY22 financial and operational performance

We are pleased with the strong FY22 result, which clearly demonstrates the inherent strength, and relevance of our solutions in an evolving market.



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Our total revenues increased to \$2.2 billion, up 12% on FY21. We increased our recurring business to two-thirds of our revenues – derived from contracts with government and large corporate customers. This growth demonstrates our customer's trust in Data#3 as their technology and services partner of choice. The longer the customer relationships, the more revenue and gross profit they generate, which is why we continue to focus on driving our recurring revenue base. This also helps improve our visibility of earnings. The 12% increase in total revenue flowed through to a 19% increase in net profit and dividends per share, which clearly demonstrates our strong operating leverage.

Additionally, we were pleased to see significant growth in our cloud business and particularly in the public cloud business. In FY22, we grew public cloud-based revenues to over \$1 billion, up 31% on the prior year, and now forming nearly half of our total revenue. This growth is consistent with the overall market growth in this segment and complements our growing services portfolio.

The global computer chip shortage and supply chain constraints have continued to impact our hardware vendor partners, with shortages and delivery delays experienced across the industry. This has been heightened by a general increase in global IT project demand and the spike in demand traditionally experienced during the fourth quarter, in line with customer procurement cycles. Major infrastructure projects tend to require networking systems from the leading global vendors, where backlogs have been more acute.

In the last quarter of FY22, we started to see improved supply for end-user computing as customers upgraded devices to connect to their own networks and public cloud. We ended FY22 with a significant backlog of orders that could not be delivered or invoiced, and we estimate that at least \$6 million of additional pre-tax profit would have been invoiced under normal circumstances, higher than the \$3 million backlog at the end of FY21. While we expect some of the profit associated with this backlog will be realised in the first half of FY23, we are constantly adding to the backlog by winning new business. At this stage we anticipate a similar level of backlog at the end of the first half. The supply constraints are expected to ease through the balance of this financial year.

Our team has done an outstanding job managing these supply constraints and progressing our customers' projects. We also have excellent working relationships with our global vendor partners that ensure we are best placed to manage the supply chain constraints and order backlog. I am pleased to say that in many critical circumstances, we have been able to secure customer deliveries and mitigate some of these supply chain delays.

Overall, we are pleased with the strong performance throughout the year, which reflects solid contributions from each of our business units and regions. This was underpinned by the diligent execution of our strategy as we grew our software and services businesses and recurring revenue base. We maintained strong levels of service to our large, long-term customer base while further strengthening key supplier relationships through our highly experienced and committed team.

2. The key drivers of the Australian IT market

We expect technology, and specifically digital transformation, to continue to play a leading role in Australia's economic future. According to world leading IT research and advisory firm Gartner, digital transformation is not a one- or two-year trend, rather it is systemic, and long term.

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Software and Services remain the areas of highest expected growth and this will allow us to continue to accelerate growth of our services businesses. We have continued to expand our offering across the service lifecycle with particular emphasis on growing the high value consulting and managed services businesses. We are especially pleased with the progress that has been made, with strong growth across consulting, project services and support services. The growth in services also aligns with the new global vendor incentive programs.

Growing Software and Services is central to our long-term strategy, and this is where our investment will continue to be concentrated. Our services growth strategy will continue to improve our margins and complement our growing software and infrastructure business units.

Data#3's customers are accelerating IT investments as they recognise the importance of flexibility and agility in responding to disruption. Cyber security has remained a top customer priority for the past three years and our security practice has been one of our fastest growing areas. In FY22 we consolidated our security focus, combining our security offerings across the group. Internally, our security committee continues to keep our business safe from the growing cyber threat, and in FY22 we achieved global international standards with ISO 27001.

As I discussed at last year's AGM, over the course of FY21 organisations had looked to achieve cost savings and improve productivity during the work-from-home revolution. This year, we were pleased to see a return to a more normal mix of activity and projects, with customers once again investing in larger scale integration-type projects aimed at transforming or reinventing their businesses. These projects extend across our solutions portfolio and typically span multiple financial years, the Sydney Football Stadium and Queen's Wharf development in Brisbane being two good examples. Queen's Wharf is one of Queensland's largest IT infrastructure projects, and Data#3 was selected to design and implement an innovative digital network. This combines the great skills of our people with world class digital technology to provide a platform for future digital transformation initiatives.

I am pleased to report there are other similar projects currently underway, and we have a healthy pipeline of opportunities across our corporate and public sector customers.

A key differentiator in winning these major projects is the strength of our leading global vendors. The most significant relationships being with Microsoft, Cisco, HP, and Dell. These vendors 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.

Data#3 has multi-million-dollar investments in these vendors' technologies which translates into many specialist certifications. This limits the number of partners endorsed by these global vendors and further strengthens our competitive position. In FY22, Data#3 won three prestigious global awards from Cisco and Microsoft. 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. Additionally, there are over 350,000 Microsoft partners globally, and for an Australian company to win their global awards is a significant achievement. We are pleased to be recognised by our vendor partners on the global stage and awards continue to form an important part of external validation for our work, which is beneficial in winning new customers and in attracting talent to our business.

We have a diverse base of customers, many large and high-profile Government and private sector organisations across many sectors, especially in the healthcare, education, and resource

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sectors. Our breadth of solutions and our highly skilled services teams remain key differentiators in the Australian IT market.

We have continued to gain competitive advantage using data within our solutions for customers to understand and measure every touchpoint and improve the overall customer experience. The lifecycle of services for our solutions continues to provide opportunities to expand our relationship with existing customers, as well as attract new customers. This lifecycle approach to improving the overall customer experience has helped deliver consistently high levels of customer satisfaction.

To place even greater emphasis on customers, we invested in the appointment of a Chief Customer Officer in July to further leverage our customer success teams, and to optimise services opportunities across all functional areas.

In addition, we recently appointed a Chief Technology Officer specifically to build solutions and strengthen our relationships with world-leading technology partners, to ensure we are ahead of the technology curve.

As mentioned previously, our people were incredibly resilient throughout FY22, which was a challenging year of disruption for our team. Following the phased and partial 'return-to-office' plans in each location that were introduced in FY21, we continued to operate very effectively with a flexible, hybrid working model across most of our business. Staff productivity remains high and our staff satisfaction at record levels, with staff valuing the flexibility of a hybrid model.

In addition to awards for our solutions and technical expertise, we were delighted to have been named as a winner of the Employer of Choice Award for 2022 by Human Resources Director Magazine. This is the seventh year in a row we have received a HRD employer of choice award for organisations with more than 500 employees. The award is not limited to the IT sector but covers all industries and includes many multinational entries.

In a constrained and extremely competitive labour market, we have been aware of the challenge in hiring the right talent, especially in technical services areas. Our in-house recruitment and contracting business, People Solutions, has been a major differentiator in attracting the best talent to the Data#3 group.

We work in a diverse community, and this is also reflected in our workforce. Over the past five years, female representation at Data#3 has increased and 33% of our people are now female. This is above the industry average; however, we recognise that we can do more to add diversity to our workforce.

One of our key business objectives is to lead our industry in ethical practices and we have increased our Environmental, Social and Governance (ESG) program focus. This week, our ESG strategy has gained global recognition by the Frost and Sullivan Institute who were impressed with our 2022 Sustainability Report.

This year, we were pleased to announce the formation of a Reconciliation Action Plan working group consisting of committed staff who are passionate about reconciliation and understand its cultural importance. Similarly, we have been pursuing environmentally sound practices to incorporate into our daily business activities, and we have a target for Data#3 to be carbon neutral by 2032.

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During the year we continued to enhance our operational efficiency and gain greater leverage from our cost base. The largest project was our ERP replacement which has spanned several years. We were pleased to report that the system went live in March 2022 and replaced an ageing legacy system. The new system is based on the Microsoft Dynamics 365 cloud platform, and we expect it to generate a solid return on investment over the long term.

3. Outlook for the first half of FY23

The Australian IT market continues to grow, and we are well positioned to capitalise on the return to large scale digital transformation projects. Even in challenging economic times our customers are looking to technology for increased productivity and competitive differentiation.

The ongoing global supply constraints are predicted to improve in the coming months; however, it is likely some constraint will continue through the remainder of FY23.

We are confident in the outlook for our business, as we continue to focus on delivering customer success, growing our security business, and accelerating services growth.

Outlook for 1H FY23

Solid first quarter performance, with positive momentum and backlog from FY22.

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 \$21M to \$25M
(PCP \$18.5M).

With that background in mind, we are pleased to have made a strong start to the year with a solid first quarter performance. 66% 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 FY22.

We expect to improve on last year's first half pre-tax profit of \$18.5 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 \$21 million to \$25 million, with the expectation that the backlog will not be materially different to the backlog at the start of FY23. This 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 16 February 2023. It is also our intention to maintain our usual dividend practice.

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Longer-term, we remain committed to delivering sustainable earnings growth underpinned by our leading market position, built up over 45 years, unrivalled vendor relationships, long-term customer base and highly experienced and committed team.

I would like to thank all our shareholders for their 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>