

## Data#3 responding to changing industry dynamics

FY14 NPAT of \$7.5 million, consistent with guidance

**BRISBANE, Thursday 21 August 2014:** Australian business technology solutions leader Data#3 Limited (ASX: DTL) announced its results for the year ended 30 June 2014 (FY14), with headline results including:

- Revenue up 8.1% to \$833.6 million
- Gross profit down 3.0% to \$118.9 million
- EBITDA down 34.7% to \$12.2 million
- NPAT down 38.0% to \$7.5 million
- Earnings per share down 38.0% to 4.89 cents
- Return on equity of 22.4%
- Strong operating cash flow of \$29.4 million, with cash flow conversion of 3.9 times
- Strong balance sheet with no material debt
- Final fully franked dividend of 3.0 cents per share, bringing total FY14 dividend to 4.5 cents per share fully franked. This represents a payout ratio of 92%, up from 89% in FY13.

Total revenue was up 8.1% to \$833.6 million reflecting increased product revenues (up 9.0% to \$697.3 million) and services revenues (up 3.5% to \$134.8 million). Other revenue, comprised almost entirely of interest income, increased from \$1.2 million to \$1.5 million. Given the challenging market conditions the business has faced over the past 12 months, Data#3's ability to continue growing the top line reflects the robustness of the company's business model and ability to adapt to changing customer needs.

In a highly competitive market and with changes in sales mix within the product and services segments, total gross margin held up well albeit declining from 15.9% to 14.3%, resulting in total gross profit (excluding other revenue) of \$118.9 million.



EBITDA decreased by 34.7% to \$12.2 million due to the decline in gross profit combined with increased expenses. Staff costs increased by 2.9% driven by general market pressure, higher selling costs in the company's product related businesses, and the decision to maintain competitive scale in services across all locations.

NPAT decreased by 38.0% to \$7.5 million in line with the decreased earnings. This represented basic earnings per share of 4.89 cents. Importantly, while return on equity decreased to 22.4%, it remained sector-leading.

Cash flow conversion continued to remain very high at 391%, with operating cash flows of \$29.4 million generated over FY14. The company's balance sheet remained strong with no material debt.

Given the company's strong balance sheet and cash flow, Data#3's directors declared a final fully franked dividend of 3.0 cents per share, bringing the total dividend for FY14 to 4.5 cents per share fully franked. This represents a payout ratio of 92% which exceeds FY13's 89% payout. The final dividend will be paid on 30 September 2014, with a record date of 16 September 2014.

Commenting on Data#3's FY14 results, Chairman Richard Anderson said: "2014 has been one of Data#3's more challenging years. With sentiment towards IT investment remaining flat and in a highly competitive and transforming technology market, Data#3 has done well to deliver revenue growth albeit at reduced margins. Data#3 has continued to enhance its financial position through diligent management of its balance sheet and strong cash flow. Consequently we have been able to increase our payout ratio to 92%."

### **Operational performance**

Commenting on the company's FY14 operating performance, Managing Director John Grant said: "We are pleased to have been able to return to top line revenue growth, but with continued commoditisation of our traditional product centric businesses, margins came under significant pressure over the last 12 months. Responding to the changing industry dynamics, we have repositioned the business with investments in managed services and cloud. While we have had some notable success to date and customer take up of these new technologies and delivery models is growing, it is yet to reach significant scale. On balance, we see our result as a reasonable outcome in a particularly difficult market."

Commenting on the outlook for Data#3, Mr Grant said: "We see market conditions remaining challenging over FY15. However, Data#3 has access to a very large marketplace, and the company is aiming to drive organic growth through continued investment in Data#3's solutions platform and increased sales capacity."

"The formation of a new applications business centred on our investment in Wi-Fi Analytics company, Discovery Technology and our own Schools Information Suite will drive new revenues. Overall Data#3's goal for FY15 is to increase profit over FY14," added Mr Grant.

	FY14 \$'000	FY13 \$'000	% Change
Product revenue	697,319	639,644	+9.0%
Services revenue	134,776	130,182	+3.5%
Other revenue	1,500	1,216	
Total revenue	833,595	771,042	+8.1%
Total gross profit (excluding other revenue)	118,869	122,525	-3.0%
Total gross margin %	14.3%	15.9%	
Total expenses	109,517	106,269	+3.1%
EBITDA	12,219	18,700	-34.7%
EBIT	9,703	16,664	-41.8%
EBIT margin %	1.2%	2.2%	
NPBT	10,852	17,472	-37.9%
NPAT	7,524	12,138	-38.0%
Net operating cash flow	29,419	30,489	-3.5%
Cash flow conversion (Net op cash flow/NPAT)	3.9 times	2.5 times	
	FY14	FY13	% Change
Earnings per share	4.89 cents	7.88 cents	-38.0%
Dividend per share	4.50 cents	7.00 cents	-35.7%
Dividend payout ratio	92%	89%	
Return on equity %	22.4%	35.8%	

ENDS

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**About Data#3**

Data#3 Limited (ASX: DTL) is one of Australia's leading business technology solutions companies servicing customers across a wide range of industries throughout Australia and the Asia Pacific.

The company was established in 1977 and listed on the ASX in 1997.

Working with customer's business and technology teams, Data#3 addresses the **Hybrid IT** environment from **on-premise to outsourced to cloud**, through its software, infrastructure and managed solutions. These solutions leverage market-leading technologies from global vendors and Data#3's knowledge, expertise and experience to accelerate the achievement of customer business objectives:

- Software Solutions: for software licensing and deployment; asset management; and business productivity
- Infrastructure Solutions: for hardware lifecycle management; maintenance; and datacentre, network and desktop infrastructure
- Managed Solutions: for staffing; outsourcing; essential support; 'as a service'; cloud brokerage; and consulting.

Data#3 has over 1,000 employees and contractors, is headquartered in Brisbane, and operates from 12 locations across Australia.

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