

Data#3 continues strong growth with profit up 30%

BRISBANE, Monday 22 August 2016: Australian business technology solutions leader Data#3 Limited (ASX: DTL) today announced its results for the year ended 30 June 2016 (FY16). These results saw the company deliver continued sustainable profit growth and a further strategic shift towards services.

FY16 – growth across all key metrics

- Revenue up 13.0% to \$983.2 million
- Gross profit up 13.2 % to \$146.6 million
- NPBT up 28.2% to \$19.5 million
- NPAT up 30.4% to \$13.8 million
- EPS up 30.4% to 8.98 cents per share
- Strong balance sheet with minimal debt
- Total dividend up 27.0% to 8.0 cents per share, fully franked

Commenting on the FY16 result, Data#3 Chief Executive Officer Laurence Baynham said: “We are pleased to report another year of solid revenue growth and even stronger profit growth. We have now delivered four consecutive half year reporting periods of growth. In addition to delivering strong financial results, we are also pleased with our progress against our strategic objective to increase our services related business.”

Continued sustainable growth in FY16

In FY16, total revenue was up 13.0% to \$983.2 million, with product revenue up 12.0% to \$794.0 million and services revenue up 16.9% to \$187.4 million. Total cloud-based revenues increased by 110.5% from \$47.0 million to \$99.0 million.

Total gross profit (excluding other revenue) increased 13.2% to \$146.6 million, and total gross margin remained steady at 14.9%.

Product gross profit increased by 10.6% to \$73.2 million and services gross profit increased by 15.9% to \$73.4 million.

Staff costs increased largely due to the growth in head count from the inclusion for the first time of Discovery Technology on a consolidated basis. Operating expenses also increased, mostly due to higher rent, depreciation and amortisation costs.

The revenue and gross profit growth drove net profit after tax (excluding minority interests) up 30.4% to \$13.8 million.

Total dividend increased by 27%

Reflecting the company’s financial performance and strong balance sheet, Data#3’s directors declared a final fully franked dividend of 5.5 cents per share, bringing the total dividend for FY16 to 8.0 cents per share fully franked. This represents a payout ratio of 89.1%. The final dividend will be paid on 30 September 2016, with a record date of 16 September 2016.

Data#3's Chairman Richard Anderson said: "Data#3's performance both in increased profit and solid underlying cash flow has allowed a 27% increase in total dividend to 8.0 cents per share, and provides shareholders with a growing dividend return as part of overall shareholder value."

Delivering key operational milestones

Commenting on the company's FY16 performance, Mr Baynham said: "The FY16 results reflect the company's strategy of transitioning from primarily a product centric approach to an increasingly service centric approach in a rapidly changing IT environment. These results are also a testament to the very dedicated and skilled team of people we're proud to have at Data#3.

"We are very pleased to deliver another year of solid growth by managing our cost base while building market share," he said.

Long term objectives on track

Mr Baynham confirmed: "We are currently on track with our strategic plan which contains three long-term objectives, being to deliver sustained profit growth; to grow services revenue with an increase in annuity and an increase in margin; and to grow cloud services revenues."

Outlook for FY17

Mr Baynham added: "We see economic conditions remaining challenging in FY17 with traditional technology investments remaining flat. However, we are seeing digital technologies leading business transformation in both commercial and public sector organisations. Data#3, together with the consulting team at Business Aspect, are well positioned to enable this transformation and capture new investment.

"Our overall financial goal for FY17 is to continue to deliver earnings growth and returns to shareholders," he said.

	FY16 \$'000	FY15 \$'000	% Change
Revenue by segment:			
Product (including cloud solutions)	793,950	709,196	+ 12.0%
Services (including cloud services)	187,365	160,247	+ 16.9%
Other revenue	1,908	1,027	
Total revenue	983,223	870,470	+ 13.0%
Total cloud-based revenues included above	98,953	47,000	+ 110.5%
Total gross profit	146,574	129,484	+ 13.2%
Total gross margin %	14.9%	14.9%	
Product gross profit	73,160	66,155	+ 10.6%
Product gross margin %	9.2%	9.3%	
Services gross profit	73,414	63,329	+ 15.9%
Services gross margin %	39.2%	39.5%	
Total expenses	129,000	115,866	+ 11.3%
EBITDA	22,407	17,021	+ 31.6%
EBIT	18,869	14,377	+ 31.2%
EBIT margin %	1.9%	1.7%	
NPBT	19,482	15,193	+ 28.2%
NPAT (excluding minority interests)	13,830	10,604	+ 30.4%
Return on equity %	34.7%	29.2%	
	FY16	FY15	% Change
Earnings per share	8.98 cents	6.89 cents	+ 30.4%
Dividend per share	8.00 cents	6.30 cents	+ 27.0%
Dividend payout ratio	89.1%	91.5%	
Total shareholder return (based on dividends received)	41.4%	23.7%	

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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.

Business technology solutions from Data#3 are underpinned by market-leading expertise in technologies from global vendors. The specialised solution categories include Cloud, Data and Analytics, Mobility, Consulting, Security and IT Lifecycle Management. Through the use of these solutions, Data#3 helps its customers to achieve:

- access anywhere anytime,
- increased productivity, organisational agility and enterprise growth,
- enterprise cost control,
- IT systems, applications and infrastructure optimisation,
- security, integrity, compliance and risk management, and innovation.

Data#3 reported revenues of \$983.2 million in FY16. The company has more than 1,100 employees and contractors and is headquartered in Brisbane with offices, data centres, and configuration and warehousing facilities across Australia.

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