

27 February 2024

FY 2023 Results

AUSTRALIA, Sydney – 27 February 2024: Dicker Data (ASX: DDR) (Company) is pleased to release the Company's financial results for the full year ended 31 December 2023.

2023 Results

Dicker Data remained focused on its objectives in FY23, further integrating the recently acquired businesses and achieving synergies, resulting in an increase in net profit after tax of 12.5%.

Summary of results and highlights for 2023 are as follows:

	Dec-23 \$'000	Dec-22 \$'000	Increase \$'000	Increase %
Non-IFRS				
Gross Revenue ²	3,278,063	3,104,408	173,654	5.6%
Statutory Results				
Statutory Revenue	2,267,711	2,213,157	54,553	2.5%
EBITDA ¹	150,731	129,849	20,882	16.1%
Net Operating Profit Before Tax ¹	117,325	106,977	10,348	9.7%
Net Profit Before Tax	116,412	104,853	11,559	11.0%
Net Profit After Tax	82,145	73,047	9,098	12.5%

¹ Excludes one off acquisition and integration costs of \$0.9m (2022: \$2.1m)

² Gross sales is non-IFRS financial information and does not represent revenue in accordance with Australian Accounting Standards.

This represents gross proceeds from sale of goods and services, both as agent and principal.

Speaking on the result, Chairman and CEO, David Dicker said "The last few years have been somewhat difficult. Last year, another one. However, we still increased gross sales by over 5% and after tax profits by 12.5%. Our NZ operation continues to improve and our security business has great growth potential. All in all, a very satisfying result, especially when compared to our direct competitors, and the more general market. Things are starting to look up on the general front and 2024 looks promising."

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Revenue

With changes to our vendor software programs, the Company undertook a detailed review of new and updated software agreements to reassess if the Company is acting as principal or agent in the resale of software licensing, warranty and maintenance products. It was concluded that the Company does not control the service before it is transferred to the customer, and therefore it has been determined that the Company is acting as an agent in respect of these sales.

The Company revised its presentation of the revenue from sales of software licences and virtual services to that of acting as an agent and therefore recognises revenue as the agency fee made up of standard commission and other incentives driven by volume and other metrics.

As a result of this change in revenue recognition, total statutory revenue for the year was \$2,267.7, up 2.5%. Whilst there is a change in presentation of statutory revenue, the underlying gross revenue as reported in previous years was \$3,278.1m (Dec22: \$3,104.4m), up by 5.6%. Increase in gross revenue partly attributed to a full 12 month's contribution from the Hills Security and IT division (SIT) acquisition, which was completed on 1 May 2022, with the balance attributable to organic growth from existing and new vendors. Having only eight months contribution in the comparative period the Hills SIT acquisition, together with the Connect Security Products (CSP) acquisition in NZ which was completed 28 February 2023, contributed incremental \$70.5m, which includes the addition of new vendors in the Dicker Access and Surveillance (DAS) business unit, with a full year contribution from DAS business in FY23 of \$153.3m (2022: \$82.8m).

At a sector level, we experienced growth across all product segments, with hardware and virtual services gross sales at \$2,357.1m (+\$79.1m, +3.5%), software sales at \$900.3m (+\$86.5m, +10.6%) and representing 27.5% of our underlying gross sales, with our services revenue increasing to \$12.3m (+\$0.5m, +4.0%). We continue to see strong growth in both subscription and recurring revenue software businesses (+10.7%), reflecting the ongoing trend toward recurring revenue models by vendors, as well as Dicker Data's increased market share.

Vlad Mitnovetski, Executive Director and Chief Operating Officer, Dicker Data added "Our team did a fantastic job of weathering the difficult market conditions in FY23, delivering growth across all key metrics. We have an optimistic outlook for FY24, with many core technology segments predicted to return to growth, coupled with our increased focus on accelerating the market convergence of the IT and access and surveillance markets."

Profit

Gross profit for the reporting period was up 11.2% at \$315.5m (2022: \$283.7m). Gross profit margins as measured against net revenue improved in the current year at 13.9% (2022: 12.8%), with improvement in gross margins in our New Zealand business. In addition to the improvement in margins in New Zealand, margin improvement was also attributable to an increase in breadth of higher margin vendors, with Australian gross profit margin finishing at 14.6% (2022: 13.7%) and New Zealand improving to 10.6% (2022: 8.8%).

Operating expenses (excluding one-off costs) were \$172.1m (2022: \$154.0m) for the reporting period, up by 11.8%, also increasing as a proportion to revenue at 7.6% (2022: 7.0%), as the Company continues to invest in servicing the customer and vendor relationships it has added as a result of the acquisition of the Exeed, Hills SIT division and CSP businesses.

Finance costs increased materially in the reporting period and were up \$9.3m finalising at \$20.4m attributed to the full year effect of incremental interest rate rises, significantly increasing the Company's cost of debt.

Operating profit before tax finalised at \$117.3m (2022: \$107.0m) up by 9.7%, after adding back one-off costs of \$0.9m (2022: \$2.1m), related to cost restructure initiatives associated with the recent acquisitions continuing from the prior year. However, net profit after tax increased to \$82.1m (2022: \$73.0m), up by \$9.1m, increasing by 12.5%.

Mary Stojcevski, Executive Director and Chief Financial Officer, said "The Company's financial position at the end of FY23 was one of the strongest on record. Working capital efficiency improved significantly and the profitability of the business has continued to improve. The Company and our people have demonstrated remarkable resiliency and adaptability in an otherwise challenging market."

Statement of Financial Position

Total investment in net working capital was \$384.5m, up by \$25.4m from previous year (2022: \$359.1m). Whilst inventory and receivables balances reduced, this was offset by reduced payables days as the Company has taken advantage of vendor early payment discount options. Trade and other receivables were down from the previous year to \$485.7m (2022: \$525.6m), a decrease of \$39.9m. The Company also continued to improve its inventory efficiency, with inventories finishing at \$218.9m (2022: \$261.7m), down by \$42.8m. Inventory days decreased to 27.0 days (2022: 33.8 days). Trade and other payables finalised at \$320.0m (2022: \$428.1m), down by \$108.1m.

Investment in property, plant and equipment increased to \$96.7m during the period (2022: \$87.6m), an increase of \$9.1m, as the company completed works on the expansion of its distribution centre.

Current borrowings comprising the drawn amount on the receivables purchase facility with Westpac was at \$197.0m as at 31 December 2023, \$12.0m higher than the prior year (2022: \$185.0m). A \$50.0m acquisition facility remains for the Exeed acquisition maturing in August 2024. The balance of drawn debt of \$53.9m relates to a Bank of New Zealand (BNZ) cash advance facility used to fund the NZ operations. Overall borrowings are \$300.9m, up \$9.2m (2022: \$291.7m), representing an improvement to the debt to equity ratio of 1.18 (2022: 1.27).

Cash Flow

Cash finalised at \$11.6m, down by \$0.7m (2022: \$12.3m). Cashflow from operations was significantly up to \$70.1m (2022: \$1.1m), reflecting a significant improvement in working capital efficiency as supply chains normalised in 2023.

Operational Update

Despite the year being marred by ongoing economic uncertainty, intensified competition, and deferred demand, our people demonstrated remarkable resilience, delivering year on year growth in revenue and profit yet again. They adapted to our partners' needs, enhanced the value we provide, and maximised every opportunity to the benefit of our entire ecosystem. We forged new partnerships with key technology vendors, including AJAX, Cloudflare, Eaton, NetApp, Netgear, Riverbed and WatchGuard, among others. We also expanded our Australian distribution agreement with Juniper into New Zealand, laying the groundwork to become one of the country's largest networking distributors. These additions align with our strategy to offer a diversified portfolio of technologies from the world's leading brands to enable our partners to design and deploy comprehensive, best-practice solutions to meet their end-customers' needs.

As forecasted in our FY22 Annual Report, demand for devices softened in 2023. However, PC refresh cycles have not yet returned to pre-pandemic levels. The advent of Artificial Intelligence (AI), and the potential for PCs to natively run the burgeoning technology, have contributed to the delay in refresh cycles. Major manufacturers have announced plans to launch versions of the "AI PC", which is expected to materialise in the second half of 2024 and trigger PC refresh projects.

The Company saw a 20% increase in active partners in Australia in 2023, reaching over 10,000 active partners in the period. In New Zealand, there was also significant growth in active partners of over 15% in 2023 to 2,300, coupled with an increase in partners purchasing from our marketplace. However, the YoY number of active partners on our marketplace in Australia was relatively flat, attributable to market consolidation and increased competitive pressures in the SMB segment. Overall, these trends highlight the growing demand for the Company, the importance of our team's adaptability and the value our locally-based teams bring via their continued engagement with the Company's partners.

The Company's access and surveillance (DAS) division achieved strong results in FY23, reaching several milestones and expanding its portfolio of brands. The division completed a branch network overhaul in FY23, covering 10 sites across the country, including the launch of four new locations and six renovations. The division also integrated into the Kurnell distribution centre, saving on costs by closing the Seven Hills warehouse. Revenue contribution from the DAS business was \$153.3m, which includes \$6.7m contribution from New Zealand with the CSP acquisition.

Webcast

The Company will host a teleconference and webcast of its FY23 full year results on Tuesday, 27 February 2024 at 11.00am AEDT. The teleconference and webcast will be hosted by the following members of the Dicker Data Board:

- David Dicker, Chairman and Chief Executive Officer
- Mary Stojcevski, Executive Director and Chief Financial Officer
- Vlad Mitnovetski, Executive Director and Chief Operating Officer

Shareholders can register for the conference call with the below links:

Option 1 – View the webcast

Option 1 is most suitable if you do not wish to ask a verbal question during the Q&A session. The presentation will be streamed live at: <https://webcast.openbriefing.com/ddr-fyr-2024/>

Option 2 – Participate in the teleconference

Option 2 is most suitable if you wish to actively participate in the teleconference and ask verbal questions during the Q&A session. All participants wishing to use this option must pre-register at the link provided below. Once registered, participants will receive a calendar invitation that includes dial-in details, the required passcode and a unique access PIN. On the day, dial the number provided and follow the prompts to enter your passcode and PIN and you will immediately join the conference with no need to wait for an operator.

To ask a question during the Q&A session, participants will need to dial "*1" (star, 1) on their telephone pad. To cancel your question, participants will need to dial "#" (hash) on their telephone pad. For help during the teleconference, participants will need to dial "*0" (star, 0) on their telephone pad.

Conference call pre-registration link: <https://s1.c-conf.com/diamondpass/10036216-hjb83n.html>

Authorised for release by the Board of Dicker Data Ltd.

David Dicker
Chairman & CEO



ABOUT DICKER DATA

Dicker Data (ASX: DDR) is an Australian-owned and operated, ASX-listed technology hardware, software, cloud, cybersecurity, access control and surveillance distributor with over 45 years of experience. Our sales and presales teams are experienced product specialists who are dedicated to helping you tailor solutions to suit your client's needs.

As a distributor, we sell exclusively to our valued partner base of over 12,300 resellers across ANZ. We pride ourselves on developing strong long-term relationships with our customers, and helping them grow. This customer-first approach means we are proactive in engaging with our resellers and allows us to dynamically shift with changing market conditions, in turn helping to increase profitability.

Dicker Data distributes a wide portfolio of products from the world's leading technology vendors, including Cisco, Citrix, Dell Technologies, Hewlett Packard Enterprise, HP, Lenovo, Microsoft, and other Tier 1 global brands. As the leading Australian distributor for many of these vendors, Dicker Data is dedicated to helping our partners deliver industry-leading solutions built on the world's best technologies. <https://www.dickerdata.com.au/>

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PH: 1800 688 586
www.dickerdata.com.au
investors@dickerdata.com.au