

30 October 2024

Chairman's Address

Good morning ladies and gentlemen. As the Chair of your Board, I would like to extend a warm welcome to all shareholders and guests joining us today at the 2024 hybrid Annual General Meeting of Data#3 Limited.

The Notice of Meeting was dated 23 September 2024, and the meeting has been properly convened.

Resolution 1 Adoption of the remuneration report	Resolution 2 Re-election of Mr Mark Esler	Resolution 3 Appointment of new auditor
	Resolution 4 Renewal of approval of the Long-Term Incentive Plan	Resolution 5 Approval to issue rights to a related party: Mr Brad Colledge

In the notice of meeting, we set out five resolutions to consider. The Board recommends resolutions 2 and 3 for your approval, and the Board supports but abstains from voting on resolutions 1, 4 and 5 in the interests of good corporate governance.

I'd like to start my Chairman's Address with an overview of the leadership and Board changes completed during FY24. These changes have all been part of a comprehensive Succession Plan developed and implemented over the last two years.

I have just completed my first year as Chair of the Data#3 Board, following the retirement of Richard Anderson at last year's AGM. I note that Richard is here in attendance today, and I'd like to acknowledge his sterling service to the company over a long period of time.

I joined the Board in 2017 and am privileged to have been invited to take over the role of Chair. I'd personally like to thank my Board colleagues for their support during the year.

As announced on 10th September, Leanne Muller has chosen not to stand for re-election at today's AGM and will retire following its conclusion. Leanne has served as a Non-executive director since February 2016 and was appointed Chair of the Audit and Risk Committee in August of that year.

Leanne has made an enormous contribution to the Board and we wish her all the best in her future endeavours.

We are well advanced in recruiting for Leanne's replacement, assisted by an external board recruitment consultant, and hope to be in a position to make an announcement on this in the near future.

This year also saw Laurence Baynham step down from his role as CEO and Managing Director effective 1 March 2024, after almost 30 years with Data#3. I'd like to thank Laurence once again for the significant contribution he made to the ongoing success of the Company. Brad Colledge took the reins from Laurence, in accordance with our succession plan and a hands-on transition period.

Brad joined the Company in 1995, initially to start the Software Solutions business, before expanding his remit to encompass the entire business in his role as Executive General Manager in recent years. Having worked in most parts of the business, Brad is well known, highly regarded and widely supported across the company and the broader industry.

Brad has made a great start to his new role and the Board is delighted with the smooth and seamless transition which has occurred. Brad has brought his own style and perspective to the role, but the fundamental underlying strategic direction remains stable, consistent and enduring.

Both Brad and I have participated actively in the development and implementation of the Company's strategic plan in recent years, so we both have a strong ownership of, and an ongoing commitment to, delivering on this plan.

We continue to be focused on the sustainable growth of the business through quiet evolution, as we respond to the rapidly changing challenges across the world.

In accordance with good governance practice, the Board decided that it was an appropriate time to put our external audit engagement out to tender and, following a rigorous selection process overseen by the Chair of our Audit and Risk Committee, the Board is recommending to this AGM that PricewaterhouseCoopers be appointed as the Company's auditors today.

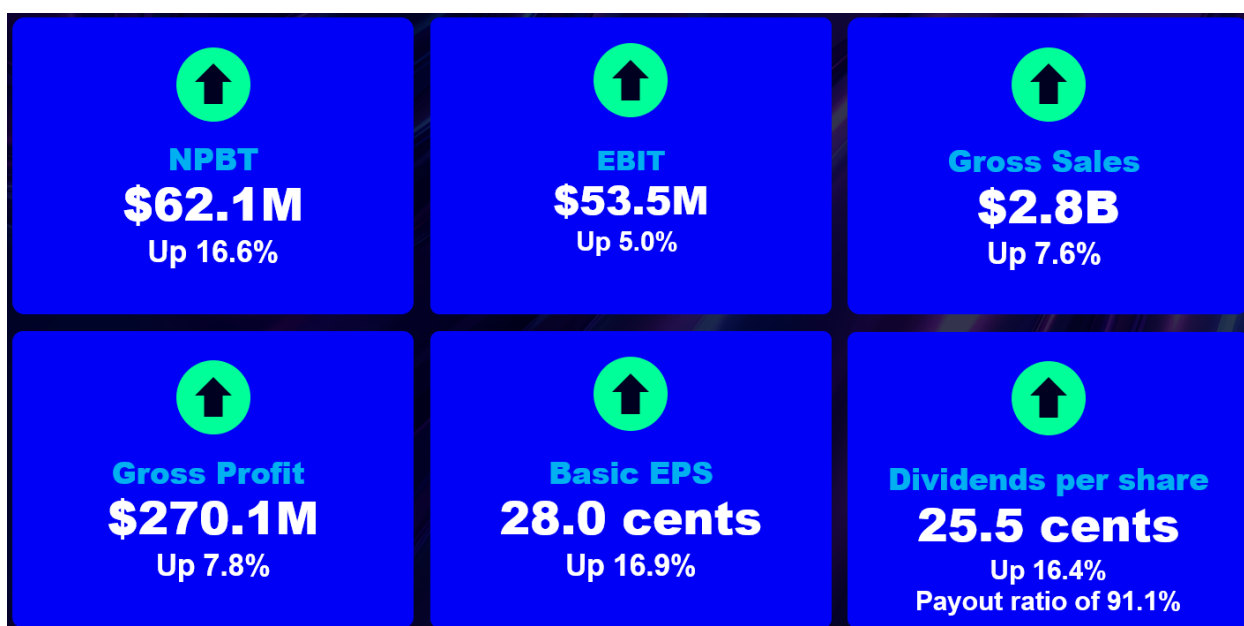
I'd like to acknowledge the high standard of service provided by Pitcher Partners, who have acted as our external auditors since listing in 1997. They have completed our external audits with great professionalism over many years, developing an in-depth understanding of our operations and seeing us through periods of substantial growth and change.

In short, they have been part of our journey in growing the business to what it is today.

Finally, there have been some questions raised about my other Board appointments and the impact on my workload as Chair of the Data#3 Board. As I foreshadowed at last year's AGM, I am in the process of stepping down from some of my other roles.

I resigned from the Board of Queensland Cricket with effect from 30 September this year, and I have tendered my resignation from the Board of the Northern Australia Infrastructure Facility with effect from 30 November this year. Over the next two years, I will be resigning from two other Boards when my current terms of appointment expire. All this means that I am freeing up additional time to ensure that I continue to devote sufficient priority to my role as Chair of your Company.

Moving on now to some financial highlights.



2024 was another successful year of growth, delivered in a challenging economic environment of persistent inflation, higher interest rates and geopolitical instability, which was also combined with changes in market buying behaviour in some areas post pandemic.

Overall, the business performed well in this environment, growing revenue and profitability while maintaining our skilled workforce, delivering strategic growth in our services business and onboarding new customers.

Our FY24 gross sales grew to a record \$2.8 billion, up 7.6% on FY23, despite isolated areas of uncertainty in our operating environment, which caused some customers to deliberate longer on large IT spending decisions.

Net profit before tax of \$62.1 million was up 16.6% in FY24. Earnings per share of 28.00 cents was up 16.9% and the Board declared a fully franked total dividend for the year of 25.50 cents per share, an increase of 16.4% on FY23, and representing a payout ratio of 91.1%.

Financial results were mixed across our diversified portfolio of business units this financial year, with the strongest growth achieved by our Software Solutions, Maintenance and Managed Services businesses.

Some key infrastructure projects completed this financial year include the Sydney Football Stadium, Stadium Australia, Queens Wharf and Griffith University.

Our expertise in the design and implementation of both wired and wireless networking equipment at large sites such as hospitals, stadiums and universities means that we are well placed to capitalise on upcoming opportunities, such as infrastructure projects for the 2032 Brisbane Olympics. We continue to build our large project pipeline.

Our success in FY24 was supported by the dedication and hard work of our people, and we thank them for their ongoing commitment to our Company. We have an enviable culture at Data#3, which continues to underpin our success.

Likewise, we acknowledge and greatly appreciate the support of our shareholders.

Before moving to the formal resolutions, I would like to hand over to Brad to address in more detail the operational aspects of the Company's FY24 performance and the outlook for the current financial period.

Mark Gray
Chairman
Data#3 Limited

CEO and Managing Director's Address

Good morning, ladies and gentlemen and thank you Mark.

I would like to add my welcome to Data#3's head office and today's AGM and thank everyone for making the time to join us here today.

Despite the challenging economic conditions experienced in FY24, I'm pleased to report that your company delivered record gross sales of \$2.8 billion for FY24 and growth in line with IT market forecasts. This was comprised of 7.2% growth in product sales and 9.6% growth in services sales. In addition, we maintained average gross margin earned on these sales to deliver gross profit growth of 7.8%, which was a considerable achievement.

We achieved growth across most customer sectors this financial year, including Government, Defence, Education and Mining. Geographically, we continued to expand in the ACT, Victoria, Western Australia

and Fiji, while sales in QLD and New South Wales were relatively flat year on year given the particularly competitive local markets.

I'll now touch on some of the financial and operational highlights from FY24.



The breadth of our offerings, our track record for delivering for our large private sector and government customers, and the strength of our supplier relationships are all factors contributing to our continued growth in gross sales. We are also pleased to report that our recurring business in FY24 has grown to 67%, boosted by growth in Managed Services and Software Solutions of 12% and 11% respectively, in line with our strategy. Down slightly on the prior year, our Infrastructure Solutions business was impacted by customers ordering in advance of requirements in prior periods, in turn slowing down growth in new orders and delaying decision making.

The company's balance sheet remains strong and debt free, with inventory and trade receivables returning to their pre-pandemic normal. We are also seeing the benefit of efficient working capital management and a growing average cash position in our record interest income.

Our people numbers increased slightly in FY24, as we strengthened our capabilities in Managed Services and technical product sales roles. Our employee value proposition continues to be enhanced so that we can attract, develop, and retain the best talent. We were proud to have been named as a winner of the 5-Star Employer of Choice Award for 2024 by Human Resources Director Magazine for the ninth year in a row. This award is not limited to the IT sector; it covers all industries and includes many multinational entries. We were also recognised as one of Australia's Best Workplaces in Technology by Great Place to Work for the first time, and our annual voluntary turnover rate remains below industry average.

This financial year, we again strengthened our partnerships with key global vendors such as Microsoft, Cisco, HP, Adobe and Dell, in addition to many others. By aligning with these partners, we are capturing a significant proportion of the addressable market in medium to large corporate and public sector organisations.

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Once again, we achieved huge success with national and international vendor and industry awards. Notably, global Software Partner of the year with Cisco and Microsoft Surface global awards and pleasingly awards focused on our People and Sustainability.

We continually enhance our solutions to adapt to changing market demands. Every customer has a business strategy that includes digital technologies, and all digital technologies require a foundation of multi-cloud, networks, end-user computing and security.

Customers continue to look at ways of optimising their IT environments and we are seeing a shift by customers from purely on premise or public cloud to a hybrid or multi-cloud environment in preparation for their adoption of artificial intelligence (“AI”) and to reduce the significant costs of public cloud computing. This evolution provides further opportunities for us to design, procure and implement hardware, software and services to enable our customers’ success.

Demand for our Security solutions remained strong as security was yet again our customers’ top priority in FY24. In response to increasing demand, we opened our own Security Operations Centre (or “SOC”) in Brisbane in July 2024 to meet the highest standards of data protection and sovereignty in delivering threat monitoring, detection and response. We expect this to present further opportunities in FY25 as protection against the threat of cyber attacks continues to be our customers’ number one priority. Having a local SOC provides comfort to customers who prefer their operations to be supported locally by an Australian company.

The launch of ChatGPT during FY23, followed by Copilot for Microsoft 365 in FY24, has sparked widespread interest in the future of generative AI. We are leading the Australian market for Copilot services and licenses and were one of only 600 organisations globally to have taken part in the Copilot Early Adopter’s Program in FY24. We’re helping our customers understand how they can use and apply Gen AI with our Copilot Readiness Assessments, while also helping them minimise any potential risks surrounding data governance and security through our specialised consulting services.

Our Strategy is to enable our customers’ digital transformation by continually evolving our solutions capability. Our Strategic Priorities remain the same with our focus on innovative solutions, people and community, customer experience and operational excellence.

Despite challenging economic conditions, the market opportunity remains strong. Gartner is forecasting overall IT spend growth in Australia to be 8.7% in calendar year 2025 and to exceed \$147 billion. Data#3’s solutions are well aligned to the growth sectors including multi-cloud, security, devices, datacentre, networking and of course AI.

Let’s now move to the outlook for FY25.

Outlook for 1H FY25

Strong sales pipeline and high sales activity in Q1.

Dependent on timing of opportunities realised during the second quarter.

Current first half projection is

Pre-tax profit in the range of \$31M to \$33M (PCP \$30.8M).

Inclusive of forecast interest income of \$6.2M (PCP \$6.5M).

Our sales pipeline in FY25 remains strong. Sales activity is high, and we are well placed to capitalise on the market growth opportunities. Investments by the public sector in new infrastructure projects, investments in public and private education and health plus the wave of advancements in AI, should all help to grow our pipeline across all lines of business.

We expect to provide earnings growth on last year's first half pre-tax profit of \$30.8 million. There are, however, many variables that can impact growth, including the timing of customer decision making, government elections, product shipments and services project milestones.

Our current first half projection is to deliver pre-tax profit in the range of \$31 million to \$33 million. This is in line with our full year objective of delivering sustainable earnings growth. As in the past we expect earnings to skew to the second half and our fourth quarter is again expected to contribute significantly to our annual profit. The first half projection is inclusive of \$6.2 million of forecast interest income, compared to \$6.5 million in the prior comparative period.

The first half results and interim dividend will be announced on 19 February 2025. It is our intention to maintain our usual dividend practice.

Our performance continues to be underpinned by our leading market position, unrivalled vendor relationships, large and long-term customer base serviced by a highly experienced and skilled Data#3 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.

Finally, I would like to thank all our shareholders and the Board for their support during the last year, and my first reporting season as CEO.

Brad Colledge
CEO and Managing Director
Data#3 Limited

Approved for distribution by the Data#3 Limited Board.

Steve Loxton Investor Relations Consultant Tel: 1300 23 28 23 Email: investors@data3.com.au	Cherie O’Riordan Chief Financial Officer Tel: 1300 23 28 23 Email: investors@data3.com.au
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About Data#3

Data#3 Limited (ASX: DTL) is a leading Australian IT services and solutions provider, focused on helping its customers solve complex business challenges using innovative technology solutions.

Built on a foundation of more than 45 years’ experience, combined with world-leading vendor technologies, Data#3 delivers an integrated array of solutions spanning cloud, modern workplace, security, data & analytics and connectivity. These technology solutions are delivered by combining Data#3’s services across consulting, project services and support services.

Listed on the ASX in 1997, Data#3 reported gross sales of \$2.6 billion in FY24. Headquartered in Brisbane, it has more than 1,400 staff, and facilities across 12 locations in Australia and Fiji.

For more information about Data#3 visit <https://www.data3.com.au>.

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