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DICKER DATA

26 August 2021

Interim Financial Results HY21

Dicker Data Limited (**ASX: DDR**) (Company) is pleased to release the Company's (HY21) results for the half year ended 30 June 2021.

HY21 Results Key Highlights

6 months to:	Jun-21 $'000	Jun-20 $'000	Increase
Revenues from ordinary activities	1,069,291	1,006,138	6.3%
Net profit before tax	45,931	42,047	9.2%
Net profit after tax	32,094	29,390	9.2%

- Total revenue for the 6 months to 30 June 2021 was $1,069.3m (Jun20: $1,006.1m), up by $63.2m (+6.3%)
- The Company has maintained its strong revenue growth trajectory on what was a positively disrupted HY20 and despite the supply constraints experienced in HY21
- Gross profit increased by 3.3% to $99.6m as gross margin finalised at 9.3% (Jun20: 9.6%)
- Whilst gross margin is above long-term averages, margins have abated against comparative period following strong margin opportunity in first half of FY20
- Operating costs as a percentage of sales have seen a small improvement at 4.8% (June20: 4.9%)
- Net profit before tax finalised at $45.9m, up 9.2%
- Basic earnings per share increased to 18.58 cents per share, up 8.8%

Commenting on the result, David Dicker, Chairman and Chief Executive Officer said, "We are pleased with the HY21 results which represents over 43 years of the Company's consistent and strong results. Despite ongoing changes in the current environment we're operating in, we will continue to focus on executing strategic decisions that ensure we continue to grow, meet challenging requirements and deliver value-added services to our vendors and reseller partners. The recent Exeed acquisition further demonstrates the commitment to take on new opportunities, deliver results for our people, investors, resellers and uphold our value proposition. Our recent record share price further consolidates our place as Australia's leading distributor and a fast growing and high returning tech stock."

Balance Sheet

- Total assets as 30 June 2021 increased to $639.4m (Dec20: $581.9m), with cash finalising at $45.2m up by $14.8m (Dec20: $30.4m)
- Total investment in net working capital was $165.9m, down by $1.1m from previous year (Dec20: $167.0m)
- Investment in Inventory at $110.3m (-$2.9m on Dec20) and Trade and Accounts Receivable at $372.7m (+$45.8m on Dec20), were offset by Accounts Payable increases at $317.3m (+$44.1m on Dec20)
- Property, plant and equipment increased to $81.0m (Dec20: $78.0m), an increase of $3.0m relating to some additional fit out costs of the new distribution centre completed in January 2021
- Total current borrowings increased to $130.0m (Dec20: $120.0m) up by $10.0m, comprising of a receivables purchase facility with Westpac
- Equity has increased to $166.2m during the period (Dec20: $161.6m), representing an increase of $4.6m

Cashflow

- Net cash generated from operating activities was $38.7m (Jun20: $30.3), an increase of $8.4m on the comparative period last year

The Company experienced growth across most sectors, with hardware and virtual services sales at $803.7m (+$56.9m, +7.6%), software sales at $258.0m (+$4.6m, +1.8%), and services revenue at $4.9m (-0.7m, -13.1%), with the services business seeing a number of larger enterprise projects deferred and a key customer undergoing a restructure. In the software business, Dicker Data maintained strong growth in perpetual software sales (+ 10.7%) and subscription software business (+14.8%). This was offset by decline in renewable software products after surge in these products particularly software security business in the HY20 due to the large work-from-home (WFH) migration that took place in quarter two of the 2020 financial year.

Building on the Company's long history of strong performance, total gross profit (excluding other revenue) was $99.6m (Jun20: $96.5m), an increase of $3.1m or 3.3%, and total gross margin decreased marginally against comparative period at 9.3% (Jun20: 9.6%). Whilst tracking above long-term averages, gross margin slightly abated following the strong margin opportunity in first half FY20.

Operating expenses have increased by $1.6m, an increase of 3.3% on the previous corresponding period being lower than the revenue increase for the period. Operating costs as a percentage of sales have seen a small improvement at 4.8% (June20: 4.9%).

Dicker Data's dedication to its people is reflected as salary related expenses accounted for most of the increase, up by $1.9m (+4.4%) due to increases in achievement-based commissions, increases in employee-related provisions and higher headcount. Number of staff increased from 454 to 540 (+18.9%) as the Company continues to invest in growth portfolios with the addition of 5 new vendors and new segments in HY21, for which full value is yet to be realised.

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Dividend

The total dividends declared and paid during the half financial year were 19.5 cents per share or a total of $33.6m, fully franked.

Mary Stojcevski, CFO and Executive Director, Dicker Data said, "The Company's dividend policy provides for fully franked dividends to be paid on a quarterly basis, with the intent to pay out 100% of the underlying after-tax profits from operations after taking into account projected capital expenditure and cash requirements. The Dividend Reinvestment Plan (DRP) introduced in March 2014 has been retained for the 2021 year."

The Company continued to offer participation in the Dividend Reinvestment Plan (DRP) in the reporting period. Of the total $33.6m dividends paid in the period, $27.3m was paid as cash dividends and $6.2m participated in the DRP.

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Exeed Group Acquisition

On 30 July 2021 Dicker Data entered into a binding Sale and Purchase Agreement (SPA) to acquire the Exeed Group business (Exeed) operating across Australia and New Zealand. The transaction was completed on 6 August 2021 with a purchase price of $68 million on a cash free, debt free basis, other than existing working capital debt which will be assumed by the Company as part of the working capital balance at completion.

With funding supported by a cash advance facility from Westpac, the deal represents combined revenues of approximately NZD $380m, with FY21 full year normalized EBITDA earnings expected to be approx. $15m, of which we expect five months contribution to Dicker Data's FY21 results. In addition to NZD $310m of revenue in the NZ market, this acquisition also gives Dicker Data access to NZD $70m revenue in Australia, across a vendor base that has no overlap with the existing Australian vendor portfolio.

Dicker Data's New Zealand operation is expected to more than double in size to over NZD $500m in annual revenue with the introduction of several tier one vendor partnerships with brands such as HP, Apple and Hewlett Packard Enterprise. Furthermore, the acquisition brings 1,200 resellers under one roof, growth in market share and revenue, plus the immediate gain of skilled and specialist experts and a cultural synergy between the two companies. For the first time, Dicker Data will also have operational expertise in servicing the retail sector across Australia and New Zealand, a significant untapped revenue opportunity for the Company.

Outlook

As Australia experiences another wave of the COVID-19 pandemic and ongoing health and economic challenges, the need for digital and innovative solutions are critical to business continuity, resilience and survival. Locally, ongoing lockdowns have forced businesses to accelerate the next phase of their digital transformation agendas.

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Ongoing uncertainty in the economy and SMB market due to ongoing restrictions and subsequent Government incentives means IT hardware, software and internet services will continue to be critical for today's remote and digital workforce.

To date, Dicker Data has proved its resilience to local and global economic impacts, including the global chip shortage demonstrating strength and resilience of the Company, its people and our operating model. Working with over 6,900 resellers and managed service providers across ANZ, supporting hundreds of thousands of businesses and representing world leading technology vendors across all walks of technology, the demand for technology and value-added services offered by Dicker Data remains strong. This demonstrates the Company's significant place in the IT supply chain as an essential component for broader business continuity and digital transformation.

As previously advised, the global chip shortage is expected to continue for the foreseeable future as manufacturers work at a global level to manage the available inventory. To date and over the course of the first half of 2021, Dicker Data has demonstrated the ability to pivot its strategy, manage the changing supply chain challenges and improve its ability to forecast and work with vendors to secure stock allocations whilst better managing customer expectations.

Despite current shortages, we are experiencing strong demand with a backlog of orders to fulfil and as supply improves, we expect to continue to meet this demand in the second half of 2021. We've been in shortage now since late last year. We are well placed and continue to successfully operate, plan and forecast under these circumstances. Orders are still being placed with no cancellations. We are also identifying significant opportunities within the technology sector as digital transformation continues to accelerate and the evolving hybrid and modern workforce is becoming dependent on more intelligent, faster and collaborative technology solutions.

Vladimir Mitnovetski, COO and Executive Director, Dicker Data said, "The company sees its greatest opportunity in the next 12 months in supporting reseller partners who are building and delivering return to work solutions and strategies that are compliant with evolving Government guidelines. The commercialisation of edge technologies will accelerate as home offices become office sub-branches that require connectivity, security and device management solutions.

"Furthermore, the proliferation of 5G technology and solutions continues as the work-from-anywhere movement shows no signs of slowing. The revolutionary bandwidth 5G connectivity provides is enabling businesses to unlock the full potential of Artificial Intelligence (AI) and machine learning technologies whilst also assisting them to cope with the exponential growth in their data.

"Demand for cloud solutions also remains strong as businesses look for scalability to accommodate their changing needs amidst the disruption caused by the pandemic. Public and hybrid cloud solutions are the major growth drivers in the cloud segment, particularly as the technology, and our partner's skillsets in delivering these solutions, is maturing."

Dicker Data also continues to demonstrate commitment to corporate social responsibility and ethical business processes throughout our entire organisation. We aim to foster community engagement, environmental sustainability, and economic development. The recently opened 17ha headquarters and distribution facility located at 238 Captain Cook Drive, Kurnell NSW, embraces environmentally friendly initiatives and offers a modern workplace environment that's designed to attract and retain the best talent with 80 percent more capacity.

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In line with these initiatives, Dicker Data recently partnered with Ocean Impact Organisation (OIO) to help transform ocean health. The partnership will see Dicker Data sponsor the inaugural 'Ocean Monitoring Spotlight Award' in The Ocean Impact Pitchfest 2021 with a $10,000 cash prize that includes major exposure through OIO and their networks.

Dicker Data will continue to evolve and differentiate its offerings and be the catalyst for the adoption of new, cutting-edge technologies, as part of our commitment and role supporting the Australian and New Zealand technology channel, including our vendors and reseller partner community.

The second half of the year presents significant opportunity for the technology sector with Dicker Data at the centre of this next phase of digital transformation connecting companies and people within the SMB, Enterprise and Government and selected retail sectors through its extensive network of reseller partners.

Experience is the difference.

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, and cloud distributor with over 43 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 6,900 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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