



DICKER DATA LIMITED – ANNUAL RESULTS

DICKER DATA REPORTS ANOTHER RECORD YEAR

Newport Capital produced this report to provide Australian **wholesale clients and sophisticated investors** with an update on Dicker Data (ASX:DDR), a leading Australian wholesaler of IT products. Newport Capital acts as corporate advisors to Dicker Data and has had discussions with the Directors of Dicker Data on various occasions. However, all views and forecasts expressed in this report are based on publicly available information and reflect the analysts' estimates and opinion on Dicker Data. We provide no valuation and investment rating for Dicker Data.

DDR released its annual report for FY2012 to the market on 31st August 2012. Newport Capital's updated view on DDR's performance is as follows:

- **Revenue above \$450 million** – DDR announced revenues of \$457 million for the twelve months to 30 June 2012. This represents 18.5% increase from the prior corresponding period. The strong revenue growth was primarily driven by the improved logistics capacity that the company's new purpose built warehouse provides which opened in November 2010. This was not available to the company in the full PCP. Revenue growth was also driven by the new vendors such as ASUS, Buffalo and Lenovo that the company added to its products mix in the last 18 months.
- **Continued gross margin improvement** – Gross margin for the year increased 30 basis points to 7.4%. This increase is a result of a shift towards higher margin product groups in the revenue mix and DDR's capability to clear older inventory on more favourable terms in the beginning of the financial year. The new debtors finance facility also contributed to the margin improvement by enabling DDR to take advantage of some of the available settlement discounts from its major vendors.
- **Soaring operating profit** – EBITDA grew by 23.3% to \$16.1 million while reported EBIT was \$15.4 million which is a 24.8% increase from the previous financial year.
- **35.0% growth in reported NPAT** – Dicker Data reported net profit after tax of \$8.3 million for FY 2012 up from \$6.1 million in PCP. The growth was primarily driven by the increased revenue and the improvement in gross profit.
- **High dividend payout ratio** – Dicker Data paid total dividends of \$6.78 million (fully franked) during FY2012. This represents an approximate 82% payout ratio. The company announced a new dividend payment policy in December 2011 according to which the company will pay dividends of up to 100% of net profit after tax on a quarterly basis.

FY12A Income Statement – Summary

\$m	FY12A	FY11A	Chg. y/y
Revenue	456.6	385.2	18.5%
EBITDA	16.1	13.1	23.3%
EBITDA Margin	3.5%	3.4%	4.0%
EBIT	15.4	12.4	24.8%
NPAT	8.3	6.1	35.0%
Basic EPS – cents	6.5	4.9	33.4%

Equity Snapshot

A\$0.50

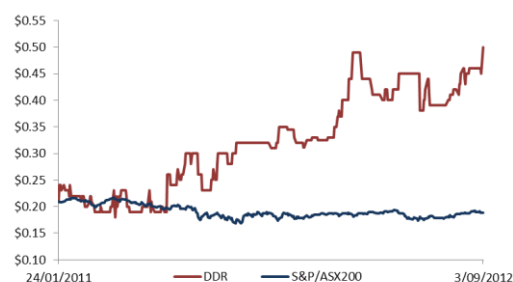
DDR AU, DDR.AX
4 September 2012

12-Month High (\$)	0.50
12-Month Low (\$)	0.28
Market Cap (\$m)	63.3
Enterprise Value (\$m)	110.4
Issued Share (m)	126.5
EPS FY2012F (cents)	6.54
Dividend Yield	10.7%
P/E	7.6x
EV/EBITDA	6.9x
P/BV	3.4x
P/OCF	n/a

Summary of Financials

\$m	FY10A	FY11A	FY12A	FY13E	FY14E
Revenue	286.7	385.2	456.6	497.7	532.6
EBITDA	8.8	13.1	16.1	18.4	20.8
EBIT	8.3	12.4	15.4	17.7	20.1
NPAT	4.5	6.1	8.3	9.8	11.4
Assets	82.6	121.1	127.5	119.6	126.0
Net Debt	30.6	28.6	46.9	47.7	48.6
Equity	14.2	16.8	18.5	20.8	23.1

Share Price Performance



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FY2012 was another successful year for Dicker Data. The company achieved significant growth from FY2011 and reported record annual sales and profits. Growth was primarily driven by increased revenues from the sale of existing vendors' products. Tier-1 vendors (Lenovo, Asus and Buffalo) that Dicker Data added to its mix in the last 18 months also helped the company to achieve strong growth. The 18.5% growth in sales revenues implies that the company increased its market share in a highly competitive market. It is also worthwhile noting that the company gained market share without having to offer heavy discounts that could have negatively impacted gross profits.

Following the 20 basis points improvement in FY2011, DDR managed to increase gross margin with a further 30 basis points compared to the previous financial year. We see the management's capability to raise gross margin as a very positive and crucial skill as the sector has experienced significant margin pressure in recent years.

During the reporting period Dicker Data declared and paid 5.36c dividend per share or a total of 6.78 million (fully franked). This implies a 21.4% dividend yield – excluding franking credits – based on the share price of \$0.25 as at 1st July 2011.

In December 2011, Dicker Data announced that it signed a new banking arrangement with St George Bank. The new \$57 million facility – that replaces a \$30 million overdraft – gives the company greater flexibility in funding its working capital needs. This new line of credit enabled Dicker Data to partially take advantage of the early settlement discounts ('ESD') offered by the company's suppliers. ESD is usually between 0.5-1.5% and is available to the buyer if the invoice is settled within a fortnight after the date of issue.

Financial Guidance and Outlook

Based on the reported numbers we have revised our FY2013 and FY2014 forecast for the company's financials.

Revised Earnings Estimates

\$m	FY12A	FY13E	FY13E	FY13E	FY14E	FY14E	FY14E
		Prior	Current	Change	Prior	Current	Change
Total Revenue	456.6	483.4	497.7	3%	517.2	532.6	3%
EBITDA	16.1	16.0	18.4	15%	17.1	20.8	22%
Dep. & Amort.	-0.7	-0.7	-0.7	0%	-0.7	-0.7	0%
EBIT	15.4	15.3	17.7	16%	16.4	20.1	23%
Net Interest Expense	-3.1	-3.7	-3.8	3%	-3.8	-3.8	0%
EBT	12.3	11.6	13.9	20%	12.6	16.2	29%
Tax Expense	-4.0	-3.5	-4.2	20%	-3.8	-4.9	29%
NPAT Before Abs.	8.3	8.1	9.8	20%	8.8	11.4	29%
NPAT After Abs.	8.3	8.1	9.8	20%	8.8	11.4	29%
Basic EPS – cents	6.5	6.4	7.6	20%	6.9	8.9	29%
DPS – cents	5.4	5.1	6.1	20%	5.5	7.1	29%
Dividend Payout Ratio	82%	80%	80%	0%	80%	80%	0%

Building on its solid fundamentals we anticipate Dicker Data to generate revenues close to the half billion mark in FY2013. The bottom line (NPAT before abnormals) is expected to increase by 17.7% in FY2013 (just below the 17.9% growth rate in FY2012). Fully exploiting the potential of recently signed major vendors like Lenovo and Asus will help the company to further increase revenues in FY2013. We see a number of opportunities for additional organic growth – e.g. adding new HP product lines to the company's offering, having access to a competitive tablet device or signing up new tier-1 brands – but as there has been no indication from the company to this point whether they would be actively exploring any of these or other options most of



these opportunities are not reflected in our forecast.

In Australia, HP appointed Sydney based IT products distributor Bluechip Infotech as a new authorised distributor of the HP PC product line in January 2012. We do not expect the appointment of a single new distributor to materially affect Dicker Data's market position particularly as HP has not given any indication that this is a first step in a new go-to-market strategy. However, the appointment of further new tier-1 distributors may have an adverse impact on DDR's operations and financial performance.

In February 2012, Toshiba, Dicker Data's second largest vendor, appointed Synnex Australia, the local subsidiary of global IT products distributor Synnex Technology International Corporation (TSE:2347), as an authorised reseller with access to the entire Toshiba IT product range. While this will likely have an effect on Dicker Data's revenue from Toshiba products the impact is not expected to be material in terms of the overall financial performance of the company.



Income Statement and Ratio Analysis

Income Statement

\$ in millions	FY11A	FY12A
Revenue	385.2	456.6
Other Income	0.0	0.0
Total Revenue	385.2	456.6
Consumables Used	-373.6	-423.9
Changes in inventory	15.7	1.2
Gross Profit	27.4	34.0
Employee Benefits Expense	-9.7	-12.8
Other Expenses	-4.6	-5.1
Total Operating Expenses	-14.3	-17.9
EBITDA	13.1	16.1
Depreciation and Amortisation	-0.7	-0.7
EBIT	12.4	15.4
Interest Expense	-2.3	-3.1
EBT Before Abs.	10.1	12.3
Income Tax Expense	-3.0	-4.0
NPAT Before Abs	7.0	8.3
Abnormals Before Tax	-1.3	0.0
Tax on Abnormals	0.4	0.0
Net Abnormals	-0.9	0.0
NPAT After Abs.	6.1	8.3
Balance Sheet		
\$ in millions	FY11A	FY12A
Cash	0.0	0.2
Accounts Receivables	63.6	68.7
Inventories	40.1	41.3
Other CA	0.0	0.0
Total Current Assets	103.7	110.2
PP&E	16.6	16.6
Other NCA	0.8	0.6
Total NCA	17.4	17.3
Total Assets	121.1	127.5
Accounts Payable	72.8	58.5
S/T Debt	27.6	46.1
Other CL	1.6	1.9
Total CL	102.1	106.6
L/T Debt	1.0	1.0
Other NCL	1.3	1.4
Total NCL	2.2	2.3
Total Liabilities	104.3	108.9
Shareholders' Equity	16.8	18.5

Source: Company data

Key Ratios

	FY10A	FY11A	FY12A	FY13E	FY14E
Profitability					
Gross Margin	6.9%	7.1%	7.4%	7.8%	8.0%
EBITDA Margin	3.1%	3.4%	3.5%	3.7%	3.9%
EBIT Margin	2.9%	3.2%	3.4%	3.6%	3.8%
EBT Margin	2.3%	2.6%	2.7%	2.8%	3.0%
NOPAT Margin	2.0%	2.4%	2.3%	2.5%	2.6%
Profit Margin Before Abs.	1.6%	1.8%	1.8%	2.0%	2.1%
Profit Margin After Abs.	1.6%	1.6%	1.8%	2.0%	2.1%
Return on Equity	31.9%	36.6%	44.6%	46.9%	49.2%
Return on Assets	5.5%	5.8%	6.5%	8.2%	9.0%
Growth					
Revenue Growth	6.9%	34.4%	18.5%	9.0%	7.0%
EBITDA Growth	11.3%	48.2%	23.3%	14.4%	12.8%
EBIT Growth	11.9%	48.8%	24.8%	14.9%	13.3%
EBT Growth	17.4%	54.6%	21.9%	13.7%	16.4%
NPAT Before Abs. Growth	18.3%	55.2%	17.9%	18.0%	16.4%
Reported NPAT Growth	18.3%	35.6%	35.0%	18.0%	16.4%
Leverage					
Debt/Equity	2.2x	1.7x	2.5x	2.3x	2.1x
Debt/Total Capital	0.7x	0.6x	0.7x	0.7x	0.7x
EBIT/Interest	4.6x	5.4x	4.9x	4.7x	5.2x
Asset Utilization					
Days in Receivables	48	48	53	47	42
Payables to COGS	13.2%	20.4%	13.8%	10.4%	10.4%
Days Payable O/s.	55	55	57	42	37
Inventories to COGS	9.1%	11.2%	9.8%	9.4%	9.4%
Inventory Turnover Days	36	33	35	34	33
Liquidity					
Current Ratio	1.0	1.0	1.0	1.1	1.1
Quick Ratio	0.6	0.6	0.6	0.6	0.6

Source: Company data, Newport Capital estimates



Summary of Financials

Financial year ending June, expressed in Australian Dollars

Income Statement (\$m)	FY10A	FY11A	FY12A	FY13E	FY14E
Total Revenue	286.7	385.2	456.6	497.7	532.6
EBITDA	8.8	13.1	16.1	18.4	20.8
D&A	-0.5	-0.7	-0.7	-0.7	-0.7
EBIT	8.3	12.4	15.4	17.7	20.1
Net Interest Expense	-1.8	-2.3	-3.1	-3.8	-3.8
EBT	6.5	10.1	12.3	13.9	16.2
Tax Expense	-2.0	-3.0	-4.0	-4.2	-4.9
Preference Dividends	0.0	0.0	0.0	0.0	0.0
NPAT Before Abs.	4.5	7.0	8.3	9.8	11.4
Reported NPAT	4.5	6.1	8.3	9.8	11.4
Number of Shares on Issue	120.0	125.0	126.5	127.7	127.7

Source: Company data, Newport Capital estimates

Cash Flow Statement (\$m)	FY10A	FY11A	FY12A	FY13E	FY14E
EBIT(Aft Abs.)	8.3	11.1	15.4	17.7	20.1
Dep. & Amor.	0.5	0.7	0.7	0.7	0.7
Net Interest (Exp.)/Inc.	-1.5	-2.3	-3.1	-3.8	-3.8
Tax (Exp.)	-1.5	-2.7	-4.0	-4.2	-4.9
Change in WC (Inc.)/Dec	-7.9	-3.4	-20.6	-3.7	-3.9
Other Operating Items	-0.2	1.5	-1.3	0.0	0.0
Operating Cash Flow	-2.3	5.0	-13.0	6.8	8.2
Cash Paid for PP&E	-7.2	-2.2	-1.1	0.0	0.0
Sale of PP&E	0.0	1.8	0.3	0.0	0.0
Net Capex.	-7.2	-0.4	-0.7	0.0	0.0
Purchase of Subsidiaries	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-7.2	-0.4	-0.7	0.0	0.0
Proceeds from Issues	0.0	0.5	0.3	0.0	0.0
Dividends Paid	-2.2	-2.4	-4.9	-7.8	-9.1
Inc./(Dec) in Borrowings	12.1	-2.7	18.5	0.9	0.9
Other Financing CF	-0.3	0.0	0.0	0.0	0.0
Financing Cash Flow	9.5	-4.6	14.0	-7.0	-8.2
Net Cash Flow	0.0	0.0	0.2	-0.2	0.0

Source: Company data, Newport Capital estimates

Per Share Statistics (\$)	FY10A	FY11A	FY12A	FY13E	FY14E
Reported EPS – cents	3.8	4.9	6.5	7.6	8.9
Normalised EPS – cents	3.8	5.6	6.5	7.6	8.9
DPS - Ex. Special – cents	1.8	1.0	5.4	6.1	7.1
DPS – cents	1.8	3.3	5.4	6.1	7.1
Dividend Payout Ratio	48.6%	58.5%	81.9%	80.0%	80.0%
Dividend Yield	3.7%	6.6%	10.7%	12.2%	14.2%
NTA Per Share	0.118	0.134	0.147	0.163	0.181

Source: Company data, Newport Capital estimates

Balance Sheet (\$m)	FY10A	FY11A	FY12A	FY13E	FY14E
Cash	0.0	0.0	0.2	0.1	0.1
Debtors	38.3	63.6	68.7	59.7	63.9
Inventories	24.4	40.1	41.3	43.1	46.1
Curr. Investments	0.0	0.0	0.0	0.0	0.0
Other CA	1.5	0.0	0.0	0.0	0.0
Total Curr. Assets	64.1	103.7	110.2	102.9	110.0
Investments	0.0	0.0	0.0	0.0	0.0
PP&E	18.2	16.6	16.6	15.9	15.2
Goodwill	0.0	0.0	0.0	0.0	0.0
FITB	0.3	0.8	0.6	0.8	0.8
Other NCA	0.0	0.0	0.0	0.0	0.0
Total NCA	18.4	17.4	17.3	16.7	16.0
Total Assets	82.6	121.1	127.5	119.6	126.0
Accounts Payable	35.2	72.8	58.5	47.7	51.0
Current Provisions	0.2	0.4	0.6	0.6	0.6
S/T Debt	30.4	27.6	46.1	46.8	47.7
Other CL	1.2	1.2	1.3	1.3	1.3
Total CL	67.0	102.1	106.6	96.5	100.6
Non-Current A/P	0.0	0.0	0.0	0.0	0.0
L/T Debt	0.3	1.0	1.0	1.0	1.0
Non-Current Provisions	0.1	0.1	0.2	0.2	0.2
Deferred Income Tax	1.0	1.2	1.2	1.2	1.2
Other NCL	0.0	0.0	0.0	0.0	0.0
Total NCL	1.4	2.2	2.3	2.3	2.3
Total Liabilities	68.4	104.3	108.9	98.8	103.0
Share Capital	0.0	0.5	0.8	1.1	1.1
Reserves Ex. SPR	0.4	0.4	0.4	0.4	0.4
Retained Profits	13.8	15.8	17.3	19.3	21.6
Convertible Equity	0.0	0.0	0.0	0.0	0.0
Outside Equity	0.0	0.0	0.0	0.0	0.0
Total Equity	14.2	16.8	18.5	20.8	23.1
ND/(ND+E)	68.3%	63.0%	71.7%	69.6%	67.8%

Source: Company data, Newport Capital estimates

Multiples	FY10A	FY11A	FY12A	FY13E	FY14E
EV/Sales	0.3x	0.2x	0.2x	0.2x	0.2x
EV/EBITDA	10.3x	7.0x	6.8x	6.1x	5.4x
EV/EBIT	10.9x	7.4x	7.1x	6.3x	5.6x
P/E	13.3x	10.2x	7.6x	6.5x	5.6x
P/E (Before Abs.)	13.3x	8.9x	7.6x	6.5x	5.6x
P/BV	4.2x	3.7x	3.4x	3.1x	2.8x
P/OCF	n/a	12.5x	n/a	9.4x	7.8x

Source: Company Data, Newport Capital estimates



Peer Comparison

Company Name	Ticker	LCY	EV (m)	EV/EBITDA	EV/EBIT	P/BV	Dividend	EPS CAGR	Collection	Inventory	Payable	
				(x)	(x)	P/E (x)	(x) Payout Ratio	2010-12	Period (Days)	Turnover (Days)	o/s. (Days)	
Ingram Micro	IM	USD	1,660	3.03	3.58	8.34	0.64	0.00%	6.7%	43.2	31.1	50.3
Synnex	SNX	USD	1,449	5.16	5.66	8.19	1.01	0.00%	6.2%	37.3	35.2	36.1
Synnex Tech	2347	TWD	98,964	13.37	22.50	13.70	2.24	0.00%	1.2%	42.6	58.4	39.9
Avnet	AVT	USD	5,799	5.48	6.06	8.28	1.14	0.00%	19.9%	57.4	34.3	50.0
Tech Data	TECD	USD	1,527	5.03	5.03	5.03	0.93	0.00%	4.0%	39.2	27.1	44.2
NetComm	NTC	AUD	16	3.09	6.24	9.13	0.89	39.68%	n/a	50.5	65.9	73.6
Median			n/a	5.09	5.86	8.28	0.93		6.2%	43.2	35.2	50.0
Mean			n/a	5.86	8.18	8.59	1.02		7.6%	45.8	41.4	50.3
Dicker Data	DDR	AUD	110	6.85	7.14	7.64	3.41	83.08%	31.3%	53.0	35.0	57.0

Source: Company data, Bloomberg, Newport Capital estimates

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