

# Financial Results Presentation

## Q3 FY2006

2 August 2006

# Cautionary Note on Forward-Looking Statements

Any statements regarding the potential future performance of the Group are based upon a range of assumptions which Datacraft's management, from their experience, believe are reasonable. However, these statements are estimates only and no assumption can be guaranteed. Any differences between actual conditions and the assumptions may result in a material variance between the actual future performance of the Group and that estimated in this presentation.



# Agenda

- CEO Bill Padfield
  - Q3 FY2006 Overview
  
- CFO Philip Chu
  - Financial Highlights
  
- CEO Bill Padfield
  - Operational Highlights
  - Summary
  
- Q&A

- Highest profit in 15 quarters
  - Net after-tax operating profit US\$5.3m (+85% y/y)
  - Strong margin performance and lower effective tax rate, on lower revenue base
- US\$113.5m revenue
  - 6% y/y decline - growth in Services revenue (+7%) offset by lower Hardware revenue (-12%)
  - Focus on higher margin business
  - Product shipment delays in late Q3 impacted about US\$6m revenue
  - Strong backlog US\$142m, +US\$15m from prior quarter

- Strong margin expansion
  - Gross margin increased 2.4 percentage points y/y (19.5% vs 17.1% a year ago)
  - More than half of increase due to Services and Hardware margin improvements
  - Balance due to revenue mix – Services revenue accounted for 37% of revenue, up from 33% in Q3 last year
  - Reflects focus on higher margin business
  
- Strong cash flow
  - Generated US\$19.2m cash from operations in Q3 driven by
    - Earnings growth
    - Working capital improvements – leveraging on strong balance sheet
  - Utilised US\$7.8m for repurchase of 8.0m shares in Q3
  - Net cash increased to US\$145.9m, +28% in 9 months



# Financial Highlights

# Q3 FY2006 Operating Results

<b>US\$M</b>	<b>Q3'06</b>	<b>Q3'05*</b>	<b>Y/Y %</b>	<b>Q2'06</b>	<b>Sequential %</b>
<b>Revenue</b>	<b>113.5</b>	<b>120.4</b>	<b>-6%</b>	<b>116.9</b>	<b>-3%</b>
<b>Gross Profit</b>	<b>22.2</b>	<b>20.6</b>	<b>+8%</b>	<b>22.0</b>	<b>+1%</b>
<b>GM %</b>	<b>19.5%</b>	<b>17.1%</b>		<b>18.8%</b>	
<b>EBITDA</b>	<b>8.5</b>	<b>6.1</b>	<b>+39%</b>	<b>8.6</b>	<b>-1%</b>
<b>EBIT</b>	<b>6.5</b>	<b>4.3</b>	<b>+50%</b>	<b>6.5</b>	<b>--</b>
<b>PBT</b>	<b>7.6</b>	<b>5.0</b>	<b>+54%</b>	<b>7.4</b>	<b>+2%</b>
<b>PBT %</b>	<b>6.7%</b>	<b>4.1%</b>		<b>6.4%</b>	
<b>PATMI</b>	<b>5.3</b>	<b>2.9</b>	<b>+85%</b>	<b>5.1</b>	<b>+4%</b>

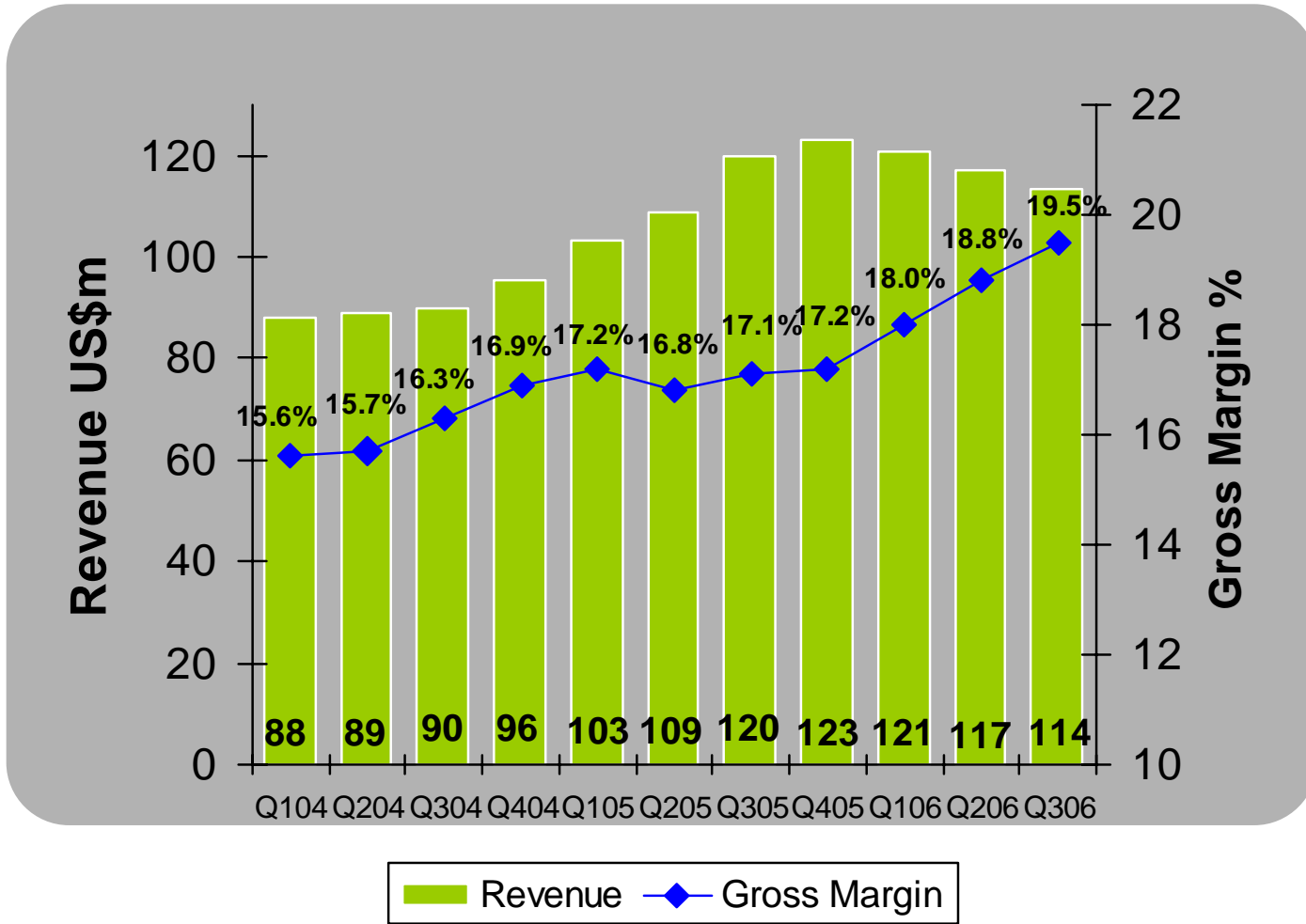
\* Q3'05 comparatives have been adjusted to include share options expensing

# 9 Months Operating Results

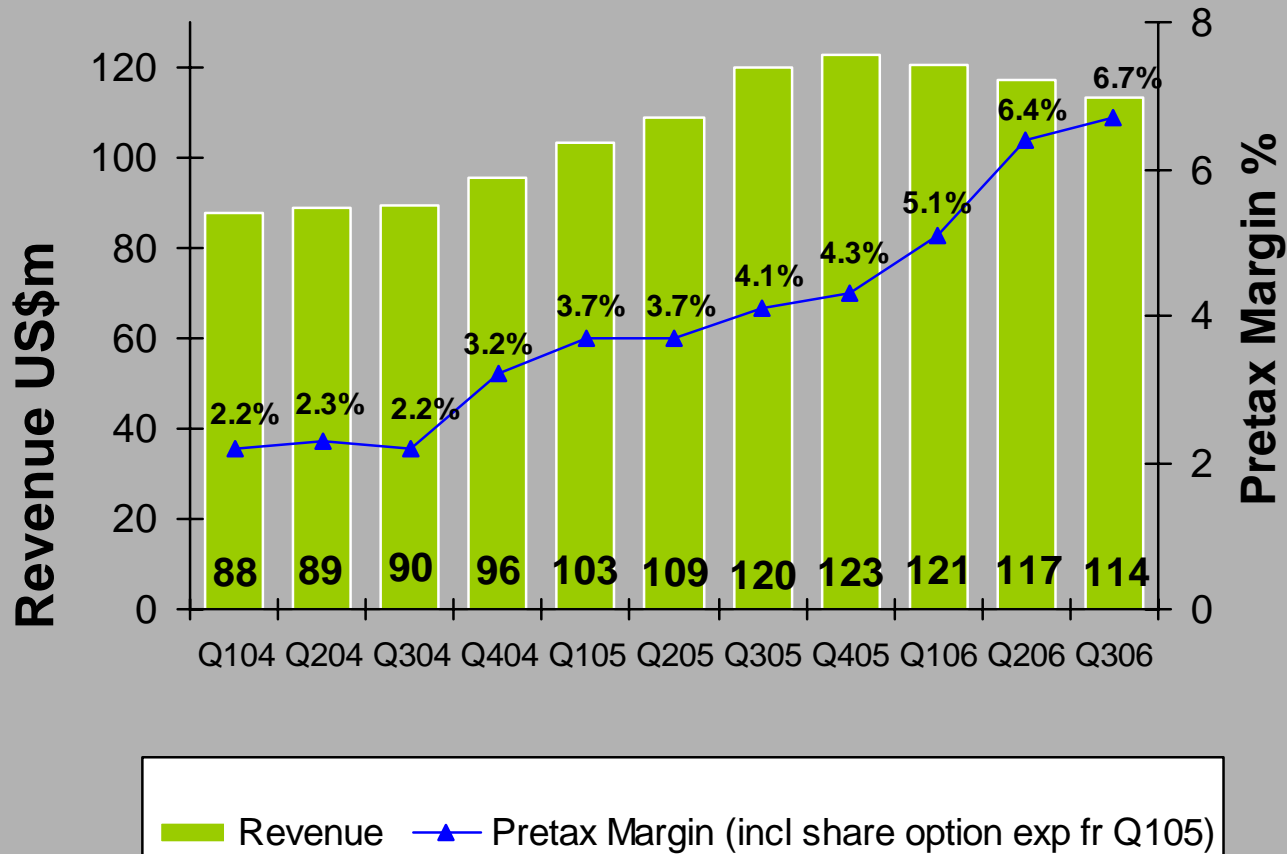
US\$M	9 months to Jun'06	9 months to Jun'05*	Y/Y %
Revenue	351.2	332.9	+5%
Gross Profit	66.0	56.6	+16%
<i>GM %</i>	<i>18.8%</i>	<i>17.0%</i>	
EBITDA	24.5	16.6	+47%
EBIT	18.5	11.0	+67%
PBT	21.2	12.8	+66%
<i>PBT %</i>	<i>6.0%</i>	<i>3.8%</i>	
PATMI	14.7	7.1	+106%
<b>Including US\$5.2m insurance settlement received:</b>			
PBT	26.3	12.8	+106%
PATMI	19.9	7.1	+179%

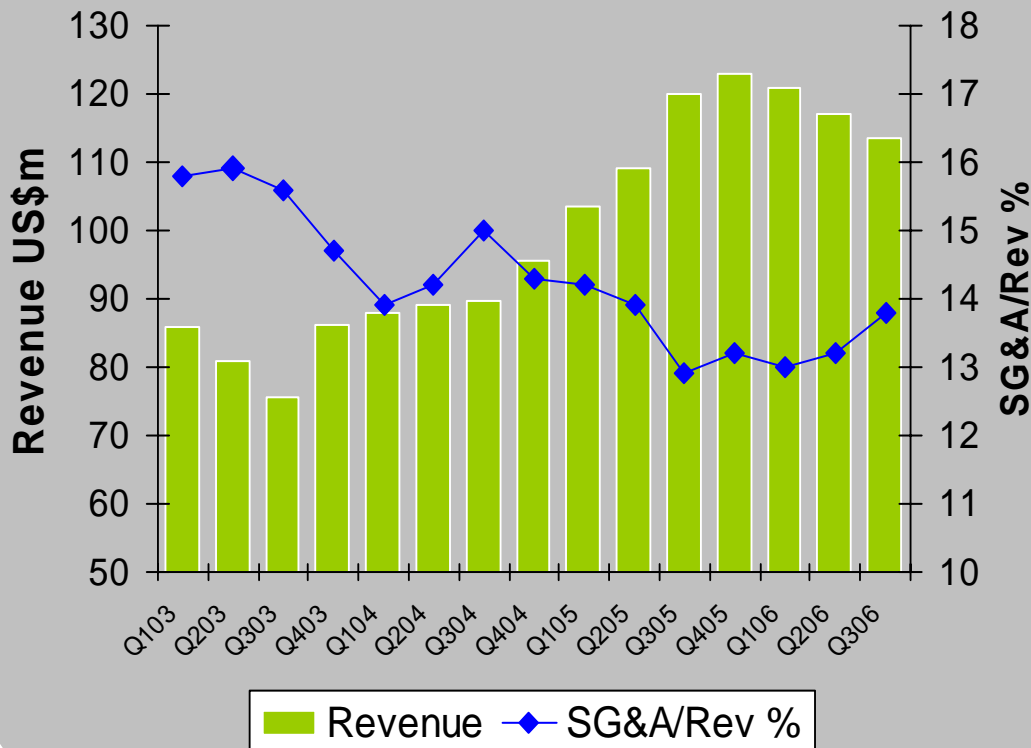
\* FY05 comparatives have been adjusted to include share options expensing

# Revenue and Gross Margin



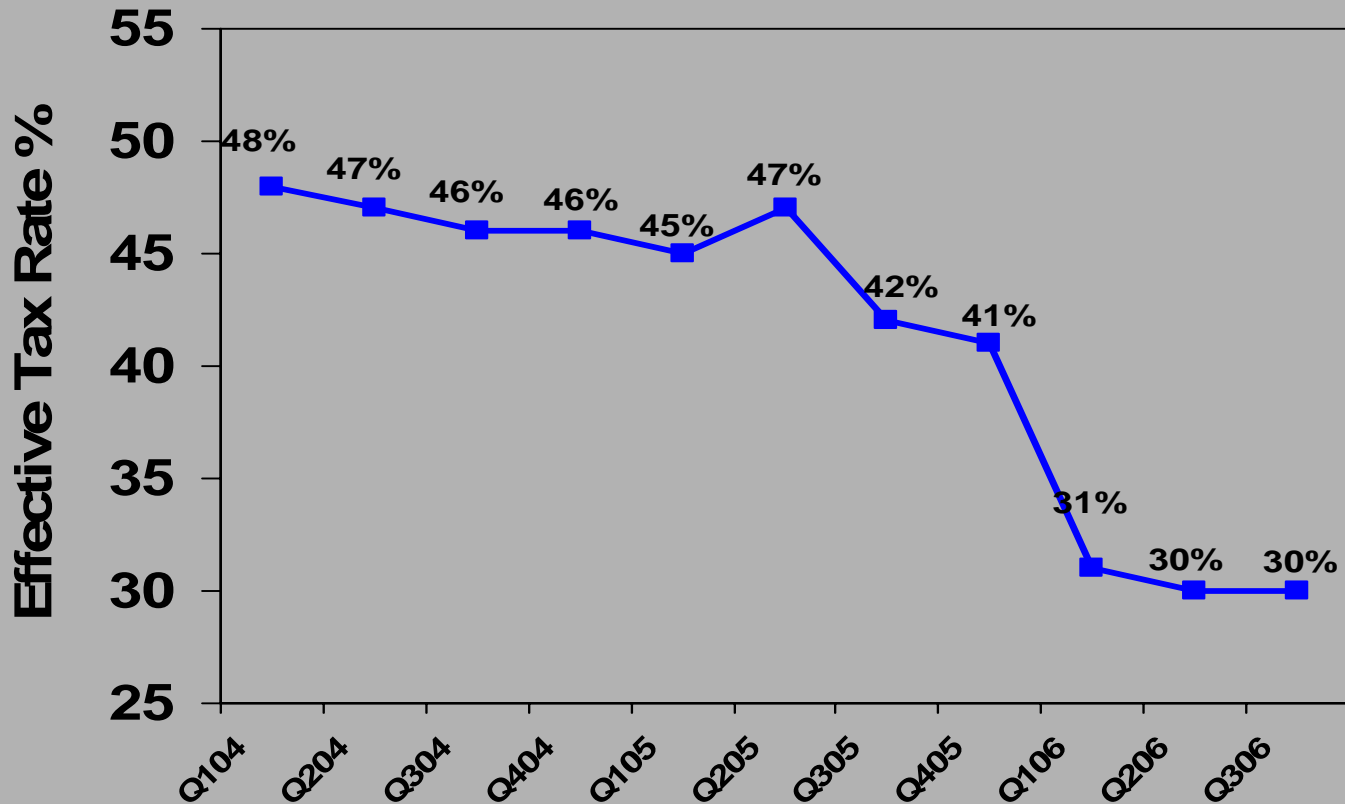
# Revenue and Pretax Margin





- Q3 SG&A expense totalled US\$15.7m or 13.8% of revenue
- Compared to 13.2% in Q2'06 and 12.9% in Q3'05
- Uptick in % ratio mainly due to Q3's lower revenue base
- In terms of \$ comparison, SG&A increased 0.7% y/y and 1.9% sequentially

# Effective Tax Rate



Note: Analysis includes impact of share options expensing from Q105

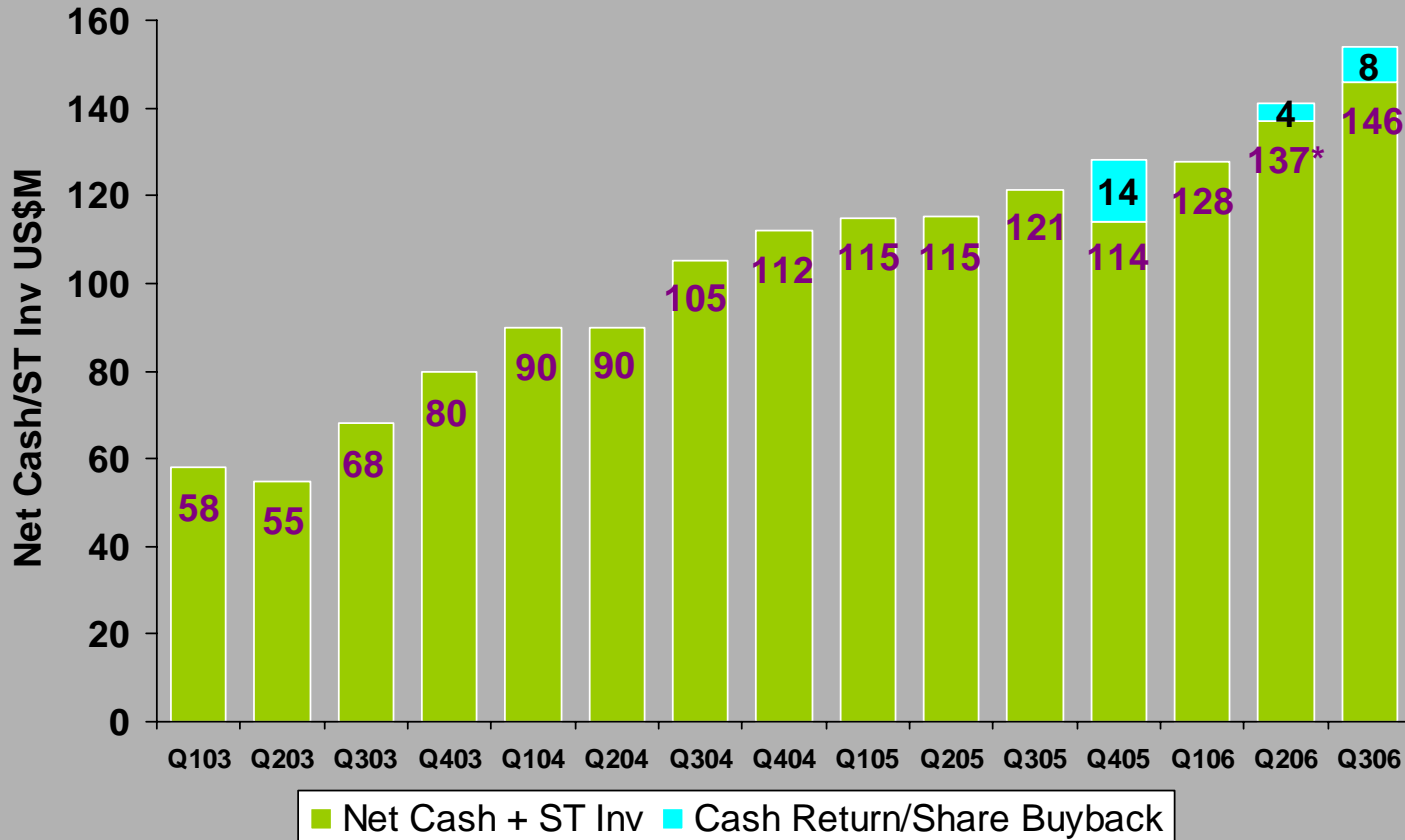
# Balance Sheet Highlights

<b>US\$M</b>	<b>Jun '06</b>	<b>Mar '06</b>	<b>Sep '05</b>
<b>DSO</b>	<b>70 days</b>	<b>69 days</b>	<b>70 days</b>
<b>- Trade Debtors</b>	<b>93.9</b>	<b>93.2</b>	<b>92.5</b>
<b>Trade Creditors</b>	<b>62.8</b>	<b>54.9</b>	<b>53.2</b>
<b>Fixed Assets</b>	<b>12.8</b>	<b>13.0</b>	<b>14.7</b>
<b>Inventory</b>	<b>10.3</b>	<b>10.0</b>	<b>15.7</b>
<b>Net Cash + ST Inv</b>	<b>145.9</b>	<b>137.2</b>	<b>113.7</b>
<b>Shareholders Funds</b>	<b>188.1</b>	<b>191.0</b>	<b>175.9</b>

# Cash Flow Summary

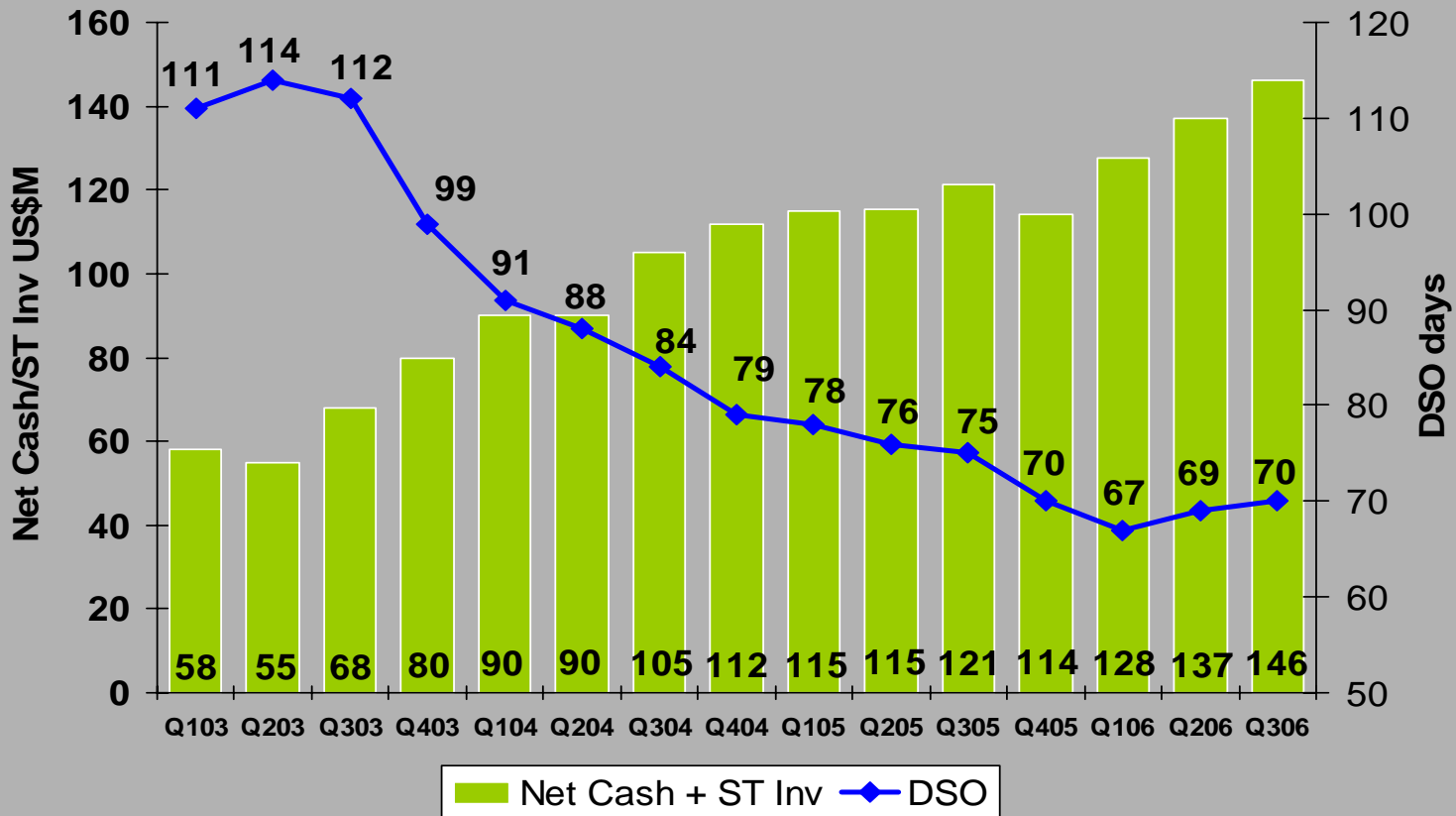
<b>US\$M</b>	<b>3 months to Jun 06</b>	<b>9 months to Jun 06</b>
<b>Beginning Net Cash + ST Investments</b>	<b>137.2</b>	<b>113.7</b>
<b>Cash flow from operations</b>	<b>19.2</b>	<b>42.5</b>
<b>Insurance settlement</b>	<b>--</b>	<b>5.2</b>
<b>Share Buyback</b>	<b>(7.8)</b>	<b>(12.1)</b>
<b>Capex/Others</b>	<b>(2.6)</b>	<b>(3.3)</b>
<b>Ending Net Cash + ST Investments</b>	<b>145.9</b>	<b>145.9</b>

# Net Cash/ST Investments



\* Includes US\$5.2m from insurance settlement

# Net Cash/ST Investments and DSO



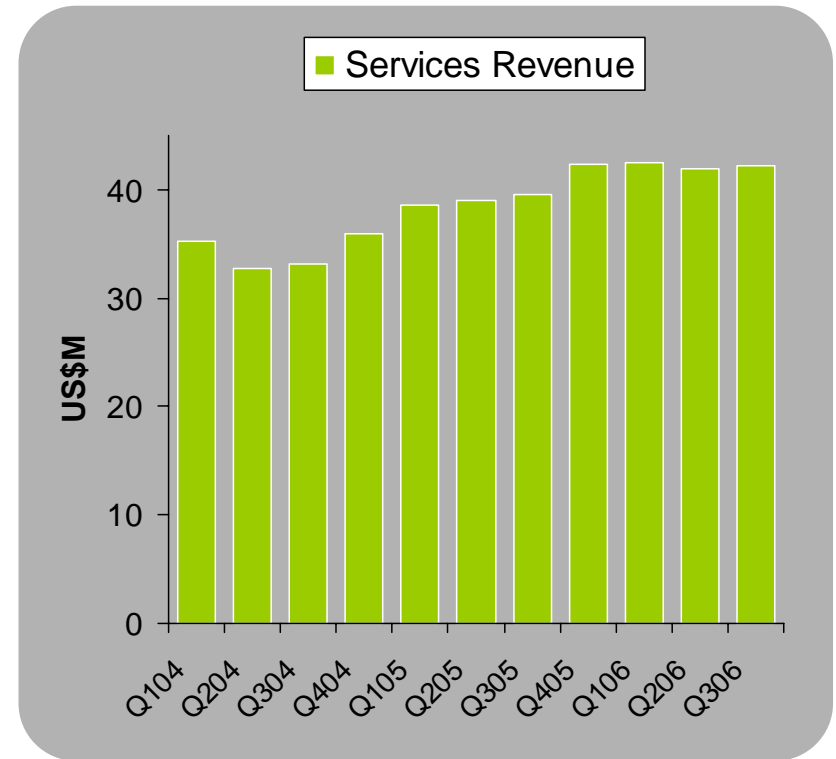
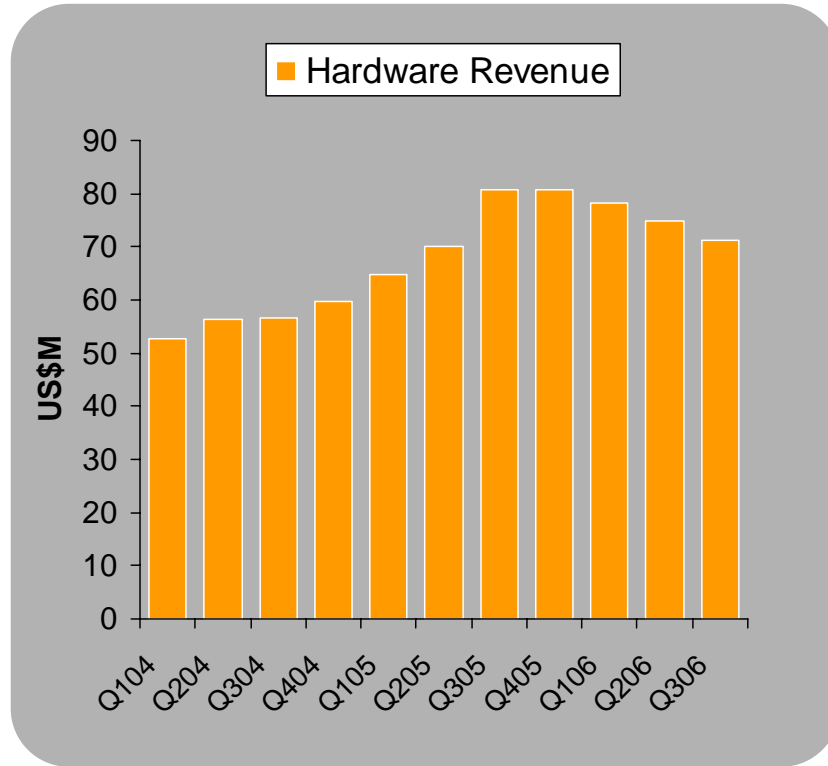
# Update on Share Buyback

- Share buyback approved at 20 Jan 2006 EGM
- US\$15m set aside for on-market share buyback
- To-date repurchased 11.8m shares for US\$12.1m (average price = US\$1.03)
- Repurchased shares held in treasury
- Current shares outstanding, excluding treasury shares = 456.4m (reduced by 2.5%)
- Program has worked well. Likely to continue depending on
  - Share price
  - Deployment of cash – Dividend, M&A



# Operational Highlights

# Hardware & Services Revenue

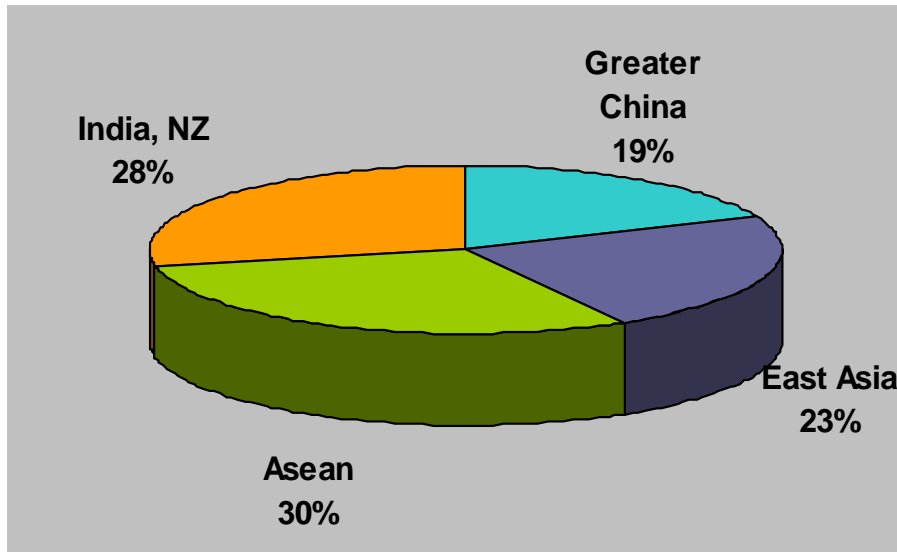


- Q3 HW rev accounted for 63% of group rev
- ↓12% y/y; ↓5% q/q

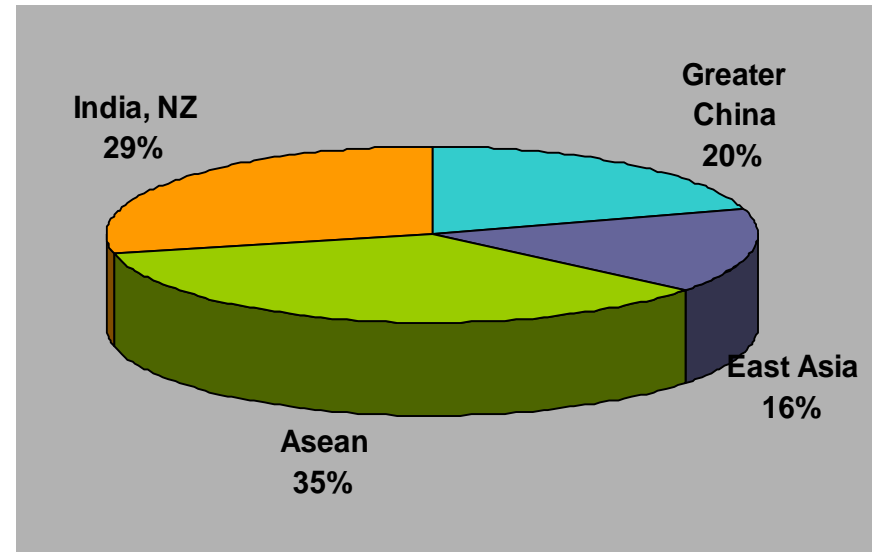
- Q3 SVCE rev accounted for 37% of group rev
- ↑7% y/y; ↑1% q/q

# Revenue by Geographic Regions

Q3'05



Q3'06



## Q3'06 Performance

- Good results from Asean, Greater China, India & NZ

- Korea – lumpy service provider projects
- Japan - business conditions challenging

## Enterprise

- MNC in Japan – US\$2.4m multi-year regional maintenance contract
- Major software vendor based in India – US\$2.2m IP Telephony deployment
- Leading bank in Malaysia – US\$4m design and deployment of IP Telephony and security systems
- Global banking & financial corporation – US\$1.4m network upgrade
- Leading bank in India – US\$ 1.1m network deployment for 300 branches
- Utility organization in Asia – US\$1.1m network design, deployment and maintenance
- Airport in Asean – US\$900K deployment of wireless network and services

## Service Provider

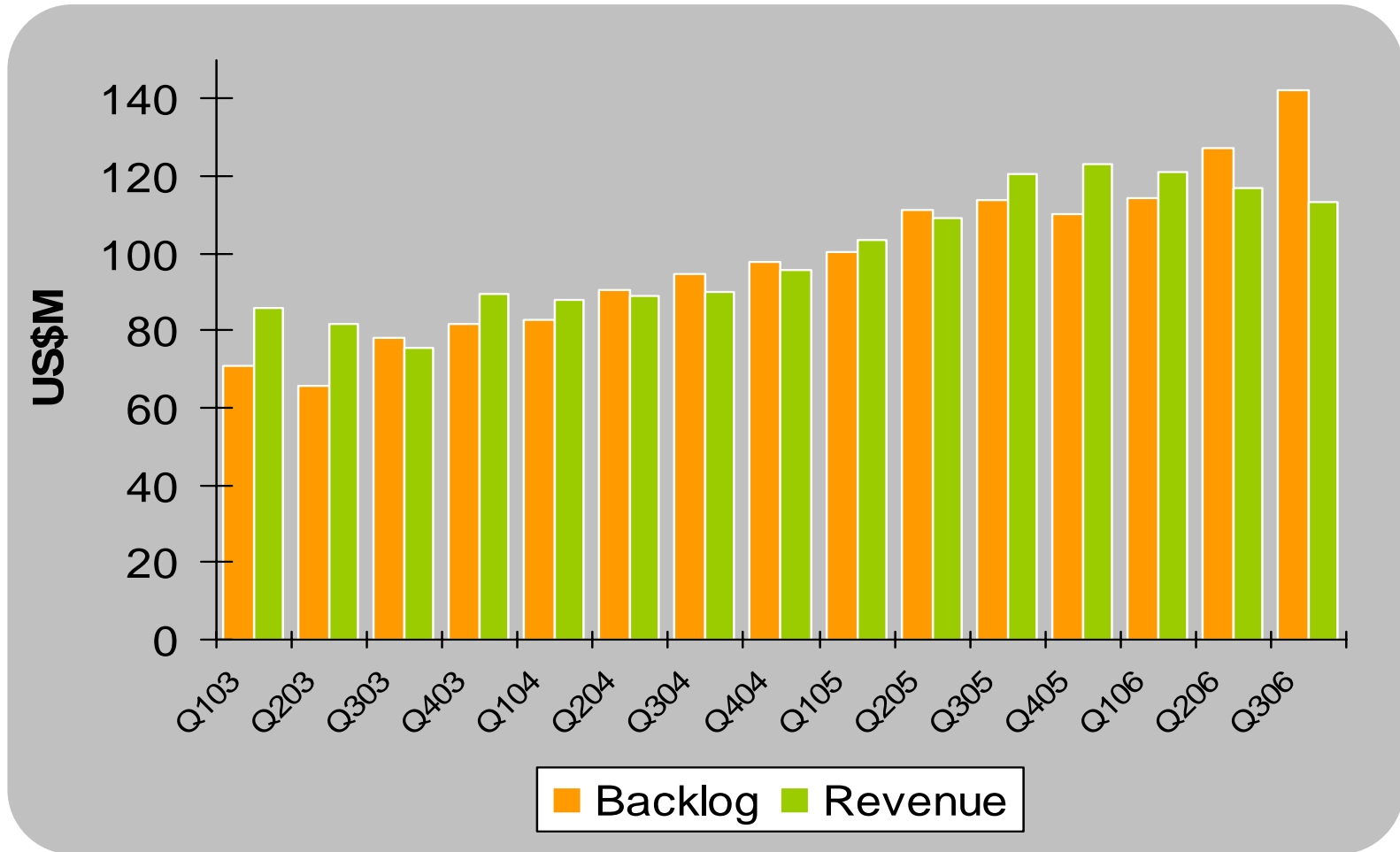
- Major service provider in Asia – US\$6.5m multi-year services contract
- hanarotelecom – US\$4.5m deployment of terabit capacity infrastructure and operation outsourcing services
- Global service provider – US\$2.8m deployment of new branch systems and infrastructure
- Major service provider in Asean– US\$2.3m Internet Exchange deployment
- Leading service provider in Malaysia – US\$1.4m service control system
- Leading service provider in Singapore – US\$1.2m maintenance services contract



# Future Outlook

- Highest backlog in 15 quarters
  - Q3 ending backlog of US\$142m
  - +12% (US\$15m) from prior quarter
  - Higher annuity service backlog and hardware backlog
  - Bodes well for Q4 revenue outlook
- Stronger flow of hardware business
  - May impact revenue mix => impact blended gross margin
- Outlook optimistic

# Backlog and Revenue



- Q3 delivered strong earnings (+85% y/y) and cash flow generation (US\$19.2m)
  - Growth driven by margin expansion and lower effective tax rate, on lower revenue base
  - Healthy cash flow and balance sheet
- Strong backlog bodes well for Q4
  - US\$142m backlog reflects increase in both annuity service and hardware backlog
  - Stronger hardware business may impact revenue mix and gross margin
  - Outlook optimistic



**THANK YOU**