



Driving Technology



AUDITED PROVISIONAL RESULTS  
FOR THE YEAR ENDED 28 FEBRUARY 2017 AND  
RENEWAL OF CAUTIONARY ANNOUNCEMENT





[www.datatec.com](http://www.datatec.com)

[www.westconcomstor.com](http://www.westconcomstor.com)

[www.logicalis.com](http://www.logicalis.com)

**Datatec Limited:** Incorporated in the Republic of South Africa Registration number 1994/005004/06 Share code JSE and LSE: DTC ISIN: ZAE000017745 (“Datatec” or the “Group”) Registered office: Ground Floor, Sandown Chambers, Sandown Village, 16 Maude Street, Sandown

# Financial results and key features

Group revenue

**US\$6.08 billion**

(FY16: US\$6.45 billion)

EBITDA

**US\$118.9 million**

(FY16: US\$162.1 million)



Gross margin

**13.7%**

(FY16: 13.5%)



Underlying\* earnings per share

**11.0 US cents**

(FY16: 32.0 US cents)



**Strategic value**

of the Group's businesses maintained despite poor performance in FY17

Final stages of Westcon-Comstor's

**SAP/BPO**

implementation in Europe Middle East and Africa ("EMEA") materially impacted the last few months of **FY17**



**Strong growth** in

Westcon-Comstor security segment

**Logicalis**

continued increase in services mix driving higher gross margin

# Commentary

Jens Montanana, *Chief Executive of Datatec*, commented:

*“The year ended with a very challenging set of circumstances as Westcon-Comstor’s SAP and BPO implementation negatively impacted the results of the EMEA region.*

*“Logicals’ performance was satisfactory with a continuing trend towards a higher margin services business.*

*“The strategic value of our businesses is affirmed by the unsolicited approach<sup>#</sup> for a major share of Westcon-Comstor’s operations.”*

*<sup>#</sup>Subject to a cautionary announcement last renewed on 7 April 2017 and renewed in this announcement.*

## GROUP ACTIVITIES

Datatec is an international ICT solutions and services group operating in more than 70 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific. The Group’s service offering spans the technology, integration and consulting sectors of the ICT market.

Datatec operates two main divisions:

- **Technology distribution – Westcon-Comstor:** distribution of security, unified communications, networking and data centre products; and
- **Integration and managed services – Logicals:** ICT infrastructure solutions and services.

The specialist activities of **Consulting and Datatec Financial Services** are included with the corporate head office functions in the “Corporate, Consulting and Financial Services” segment of the Group.

## STRATEGY

Datatec’s strategy is to deliver long-term, sustainable and above average returns to shareholders through portfolio management and the development of its principal subsidiaries in technology solutions and services to targeted customers in identified markets.

The Group’s businesses are managed on a standalone basis, able to respond quickly to technology changes and focused on collective strategic initiatives based on the Group’s shared strategy. Datatec executives contribute actively to the management of the subsidiaries. The key operational imperatives being driven throughout the Group to execute on the strategy are improving operating margins, increasing return on invested capital, growing managed services and embracing new and disruptive cloud technologies.

## OVERVIEW

The Group’s trading was materially affected in the last quarter by the roll out of the SAP ERP system and business process outsourcing (“BPO”) across Westcon-Comstor’s operations in EMEA and Asia-Pacific which saw revenue decline US\$338 million year on year to US\$6.08 billion from US\$6.45 billion

and Group EBITDA was US\$118.9 million (FY16: US\$162.1 million). Underlying\* earnings per share (“UEPS”) was 11.0 US cents compared to 32.0 US cents for the financial year ending 29 February 2016 period (“FY16”).

As the Board’s stated dividend policy is to maintain a fixed three times cover relative to underlying\* earnings when declaring dividends, no final dividend for FY17 is being declared.

Over the last five years, the Group’s focus has been on modernising Westcon-Comstor’s operations through the implementation of a global SAP ERP system and BPO which continued during FY17.

These two transformation processes are now nearing completion with the final implementations expected in the first half of FY18. North America, EMEA and Asia-Pacific regions will then be on SAP and BPO.

## RENEWAL OF CAUTIONARY ANNOUNCEMENT

Datatec released a cautionary announcement on 25 January 2017, which was renewed on 8 March 2017, advising shareholders that negotiations are in progress in relation to a transaction, which, if successfully concluded, may have a material effect on the price of Datatec’s shares. This was updated on 7 April 2017 when Datatec disclosed the additional information that the cautionary announcement relates to a possible sale of a major share of Westcon-Comstor’s operations for a consideration (current and deferred) of more than US\$800 million.

Negotiations are continuing and the proposed transaction is subject to contract and exclusivity provisions. There can be no certainty that the transaction will be completed, nor as to the precise terms on which the transaction might be completed. Shareholders are therefore advised to continue to exercise caution when dealing in Datatec’s securities.

## CURRENT TRADING AND OUTLOOK

The Group has been challenged in FY17 by the implementation of BPO and SAP within Westcon-Comstor which has had an adverse impact on profitability, working capital and cash generation. The Group is in the final phase of this process and expects an improved performance in the financial year ahead.

## GROUP RESULTS

### Revenue

Group revenues for the period were US\$6.08 billion, down 5.8% compared to FY16. In constant currency\*\* terms, Group revenues for FY17 decreased by 4.0% to US\$6.2 billion with Westcon-Comstor constant currency\*\* revenues down 5.9% and Logicalis constant currency\*\* revenues up 2.1%.

Group gross margins improved to 13.7% (FY16: 13.5%). Gross profit was US\$833.1 million (FY16: US\$868.7 million).

Overall operating costs were US\$714.2 million (FY16: US\$706.6 million). Included in operating costs are total restructuring costs of US\$16.6 million. EBITDA was US\$118.9 million (FY16: US\$162.1 million) and EBITDA margin was 2.0% (FY16: 2.5%).

Adjusted EBITDA<sup>^</sup> (including the same adjustments as used for underlying earnings per share\*, where relevant) was US\$139.0 million (FY16: US\$182.1 million). This excludes restructuring costs of US\$16.6 million, unrealised foreign exchange losses of US\$1.9 million and other items of US\$1.0 million.

Depreciation and amortisation were higher at US\$58.4 million (FY16: US\$51.5 million) primarily as a result of increased capital expenditure and investment in systems in Westcon-Comstor.

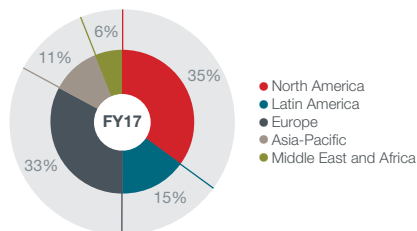
Operating profit was US\$60.5 million (FY16: US\$110.5 million).

The net interest charge increased slightly to US\$24.2 million (FY16: US\$23.9 million).

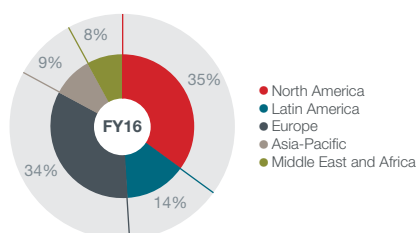
Profit before tax was US\$41.7 million (FY16: US\$88.4 million).

The Group's reported effective tax rate for FY17 is 74.2% (FY16: 45.2%). This is higher than the South African rate of 28% due to the profits arising in jurisdictions with higher tax rates, in particular North and Latin America. The effective tax rate in FY17 is abnormally high, reflecting the pattern of taxable profits earned in North America and Latin America but losses arising in Westcon-Comstor's Middle East and Africa and Asia-Pacific regions with a lower rate of tax benefit or no tax benefit at all. As in FY16, limited deferred tax assets have been recognised in respect of losses which have arisen in Africa and Asia-Pacific.

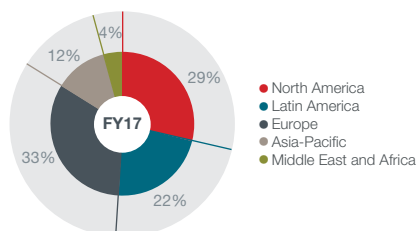
Revenue % contribution by geography



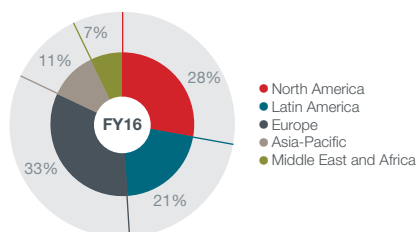
Revenue % contribution by geography



Gross profit % contribution by geography



Gross profit % contribution by geography



# Commentary continued

UEPS\* were 11.0 US cents (FY16: 32.0 US cents). Headline earnings per share ("HEPS") were 2.0 US cents (FY16: 19.4 US cents).

## Cash

The Group utilised US\$37.3 million of cash from operations during FY17 (FY16 cash generated: US\$129.1 million) and ended the period with net debt of US\$396.5 million (FY16: US\$205.4 million). The increase in net debt is due to reduced cash earnings and funding of increased working capital and capital expenditure.

## Acquisitions

The Group made one acquisition during FY17. Effective 1 June 2016, Logicalis acquired 100% of the share capital of Lantares Europe, S.L. ("Lantares"), a leader in the implementation of strategic solutions for corporate performance management and information management, in Madrid, Spain.

## Shareholder distributions and dividend policy

The Group paid US\$28.9 million (paid during FY16: US\$33.2 million) to shareholders during the year: a final scrip distribution with cash dividend alternative in respect of FY16 in July 2016; and an interim scrip distribution with cash dividend alternative in respect of FY17 in November 2016.

The total value returned to shareholders in the FY16 final distribution was US\$19.9 million of which US\$5.2 million (26.4%) was distributed to shareholders in the form of scrip (1.7 million new shares issued) and US\$14.7 million (73.6%) was settled in cash to those shareholders who had elected the cash dividend alternative.

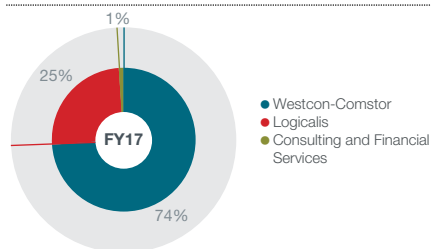
The total value returned to shareholders in the FY17 interim distribution was US\$9.0 million of which US\$2.8 million (30.1%) was distributed to shareholders in the form of scrip (0.8 million new shares issued) and US\$6.2 million (69.9%) was settled in cash to those shareholders who had elected the cash dividend alternative.

The Board has stated that it intends to maintain a fixed three times cover relative to underlying\* earnings when declaring dividends. In accordance with this policy no final dividend for FY17 is declared.

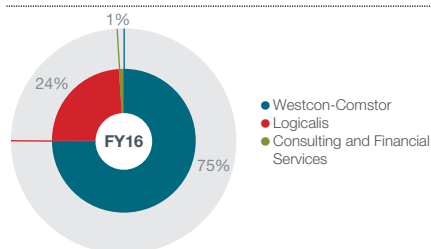
## Foreign exchange translation

Gains of US\$56.9 million (FY16: losses US\$87.4 million) arising on translation to presentation currency are included in total comprehensive income of US\$58.3 million (FY16: loss US\$39.9 million).

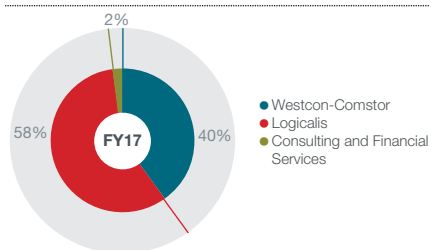
Contribution to Group revenue



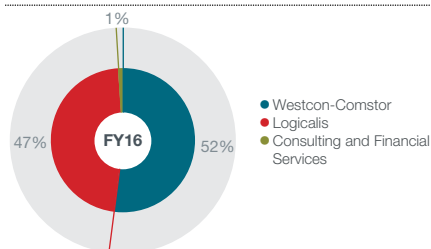
Contribution to Group revenue



Contribution to Group EBITDA



Contribution to Group EBITDA



# Divisional reviews

## Westcon-Comstor

Westcon-Comstor accounted for 74% of the Group's revenues (FY16: 75%) and 40% of its EBITDA (FY16: 52%).

Westcon-Comstor is a value-added distributor of category-leading security, unified communications, network infrastructure and data centre solutions with a global network of specialty resellers. Westcon-Comstor is represented across six continents, distributes to 180 plus countries and territories, operates more than 20 logistics/staging facilities and transacts with more than 20 000 customers globally. It creates unique programmes and provides support to grow the business of its global partners. Westcon-Comstor's portfolio of market-leading vendors includes: Cisco, Avaya, Polycom, Juniper, Check Point, F5, Palo Alto and Symantec.

Westcon-Comstor's revenues declined by 6.9% to US\$4.5 billion (FY16: US\$4.9 billion) with lower revenues across all regions except Latin America and Asia-Pacific. Constant currency\*\* sales were 5.9% lower.

Westcon-Comstor revenue by technology category reflected continuing growth in the security sector.

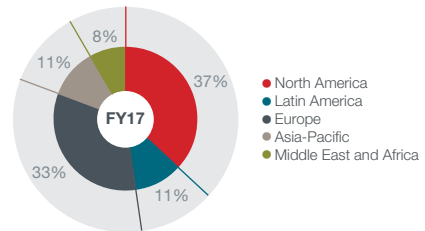
Westcon-Comstor's gross margins were 10.1% (FY16: 10.2%) due to unfavourable geographic mix with lower margins in Latin America and MEA. Gross profit was US\$456.0 million (FY16: US\$497.1 million) as a result of lower revenues.

Operating expenses were reduced to US\$402.5 million (FY16: US\$408.6 million). The 1% decrease is due to lower foreign exchange losses in Africa and a reduction in bad debt expense offset by increased headcount costs. Operating expenses as a proportion of revenue increased to 8.9% (FY16: 8.4%).

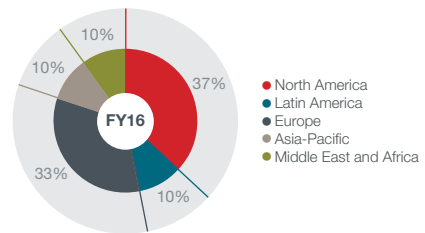
Restructuring expenses of US\$14.1 million (FY16: US\$14.9 million) were incurred, mainly in North America, Europe and Asia-Pacific, primarily relating to the BPO transformation.

EBITDA was US\$53.5 million (FY16: US\$88.5 million).

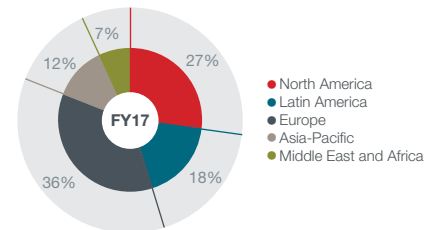
Westcon-Comstor revenue % contribution by geography



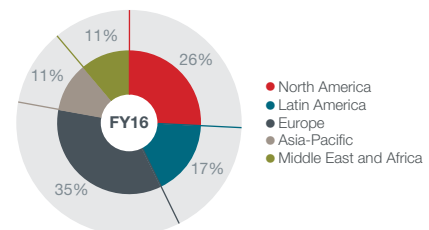
Westcon-Comstor revenue % contribution by geography



Westcon-Comstor gross profit % contribution by geography



Westcon-Comstor gross profit % contribution by geography



# Divisional reviews continued

Adjusted EBITDA<sup>^</sup> by geography is shown below:

	FY17 US\$m	FY16 US\$m	Movement US\$m
<b>Adjusted EBITDA<sup>^</sup></b>			
North America	66	70	(4)
Latin America	26	24	2
Europe	49	54	(5)
Middle East and Africa	(12)	6	(18)
Asia-Pacific	6	14	(8)
Central costs	(63)	(59)	(4)
<b>Total adjusted EBITDA<sup>^</sup></b>	<b>72</b>	<b>109</b>	<b>(37)</b>

	FY17 US\$m	FY16 US\$m
<b>Adjusted EBITDA<sup>^</sup></b>	<b>72</b>	<b>109</b>
Restructuring costs	(14)	(15)
Unrealised foreign exchange losses	(3)	(5)
Other	(1)	-
<b>EBITDA</b>	<b>54</b>	<b>89</b>

<sup>^</sup> Adjusted EBITDA includes the same adjustments as used for underlying earnings per share\*, where relevant.

There was a notable decline in the financial performance in the EMEA region. Transformation challenges in EMEA led to a drop in revenues of US\$262.7 million (12%) in FY17, which constituted 77.9% of the overall year over year revenue decline for Westcon-Comstor.

The drop in revenue resulted in a reduction in gross profit of US\$31.4 million in EMEA, representing 76.4% of the overall year over year gross profit decline for Westcon-Comstor.

Europe went live on SAP during November 2016, resulting in transitional challenges and delayed financial reporting, exacerbated by BPO implementation in that region. Trading conditions in MEA were weak, resulting in a poor performance across the region, with additional receivables write-offs in Africa and the Middle East.

North America revenues were down US\$111.1 million or 6.7% year over year. This was mainly due to softer Cisco and Avaya sales. The year over year decrease in EBITDA was mainly as a result of lower gross profits associated with the lower revenues.

Latin America performed well, with revenues up US\$24.0 million (4.6%) to US\$517.8 million, and adjusted EBITDA increasing by 7.8% to US\$26.3 million.

In the Asia-Pacific region revenues were up 2.6% and gross profits were up slightly over the prior year.

This was mainly attributable to a strong performance in the Asia security business. EBITDA was lower than the prior year, due to higher operating costs, which included additional one-time employee-related costs, sales tax reserves and increased investment costs in China.

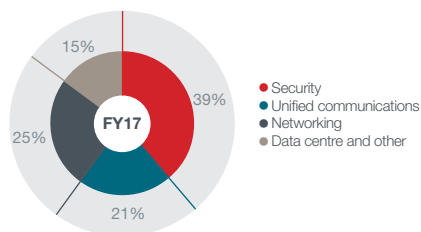
Depreciation and amortisation were US\$33.2 million (FY16: US\$26.3 million) resulting in operating profit of US\$20.3 million (FY16: US\$62.2 million).

Net working capital days increased to 39 days (FY16: 34 days) due to a combination of extended collection days and lower inventory turns. The combination of lower cash earning, higher net working capital requirements, US\$40.0 million of capital expenditures and the further purchase of US\$9.2 million Angola government bonds resulted in an increase of US\$132.4 million in net debt to US\$403.4 million.

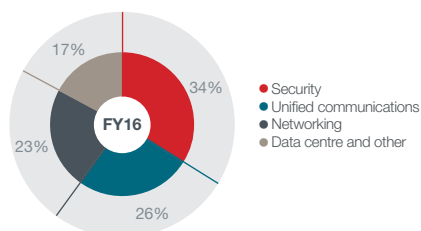
Of the US\$27.9 million incurred in capitalised development expenditure during FY17, the majority is attributable to the SAP ERP system transition, cloud development and digital transformation.

Westcon-Comstor has invested US\$19.2 million (FY16: US\$10.0 million) of its cash which is trapped in Angola in US Dollar-indexed Angolan government bonds, to mitigate the risk of foreign exchange fluctuations. The coupon rate on all the bonds is

Westcon-Comstor revenue % by technology category



Westcon-Comstor revenue % by technology category





7.0% and the US Dollar equivalent will be settled in Kwanza. Westcon-Comstor intends to roll the bonds into new issues of the same type when they mature until such time as the economic situation in Angola improves.

Westcon-Comstor is well positioned to benefit from its global reach, continued growth in security and mobile networks, investments in its cloud practice as well as improving conditions in emerging markets.

**Logicalis**

Logicalis accounted for 25% of the Group’s revenues (FY16: 24%) and 58% of its EBITDA (FY16: 47%).

Logicalis is an international IT solutions and managed services provider with expertise in IT infrastructure and networking solutions, communications and collaboration, data centre, cloud solutions and managed services.

Revenues were US\$1.5 billion (FY16: US\$1.5 billion), including US\$2.2 million of revenue from acquisitions made during the period. Services revenues were up 9.3% with strong growth in both professional services and annuity revenue.

Revenue decreases in Europe and North America were offset by increases in Latin America and Asia-Pacific.

In Europe, the UK results were impacted by the continuing restructuring of the UK operation. Latin America was adversely impacted by weak trading conditions in Brazil in the first half and the strong performance of the US Dollar which was mitigated by increased performance in Argentina following relaxation of exchange controls and the subsequent buoyant trading environment.

Revenues from product were down 6.2%, with decreases in Cisco, HPE and IBM, offset by strong growth in other vendor categories including Oracle, NetApp, VMware and ServiceNow.

Logicalis’ gross margins were 24.1% (FY16: 23.1%), benefiting from the improved services mix.

Gross profit was up 2.8% to US\$363.3 million (FY16: US\$353.4 million).

Operating expenses in Logicalis increased by 4.3%, due in part to incremental integration costs of acquisitions incurred during the period.

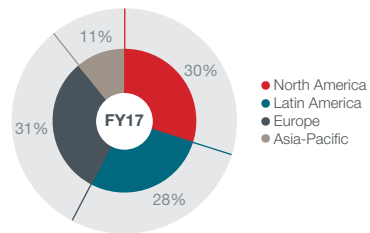
EBITDA was US\$79.0 million (FY16: US\$80.9 million), with a corresponding EBITDA margin of 5.2% (FY16:5.3%). EBITDA before restructuring charges was US\$81.2 million. Operating profit was US\$54.4 million (FY16: US\$56.3 million).

Logicalis remained in a net cash position of US\$13.1 million (FY16: US\$77.6 million). The reduction in net cash was caused primarily by significant prepaid expenses in Latin America.

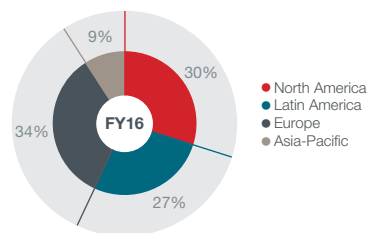
Logicalis continues to have a contingent liability in respect of a possible tax liability at its PromonLogicalis subsidiary in Brazil.

The transition to cloud-based infrastructure solutions

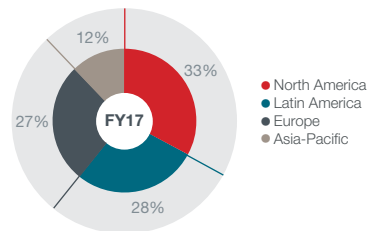
Logicalis revenue % contribution by geography



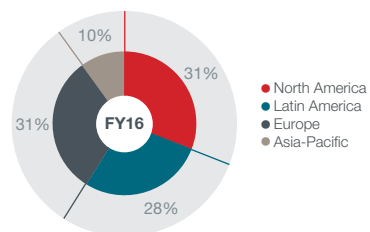
Logicalis revenue % contribution by geography



Logicalis gross profit % contribution by geography



Logicalis gross profit % contribution by geography



# Divisional reviews continued

remains a dominant feature of the ICT market and Logicalis continues to adapt its go-to-market model and develop its services to address this change.

The global market for IT products and services remains stable and Logicalis is seeking to build on its position in higher growth segments such as analytics and security.

## Corporate, Consulting and Financial Services

This segment accounted for 1% of Group revenues (FY16: 1%).

The Consulting unit comprised: Analysys Mason, a provider of strategic, trusted advisory, modelling and market intelligence services to the telecoms, media and technology industries; and Mason Advisory, an independent and impartial IT consultancy providing related strategic, technical and operational advice to the public and private sectors.

Consulting revenues were US\$39.1 million (FY16: US\$51.4 million) with growth in EBITDA to US\$2.3 million (FY16: US\$1.9 million).

Effective 1 March 2016, the Via Group was transferred to Logicalis and, effective 1 September 2016, Datatec's shareholding in Mason Advisory decreased to 44.7%, from which date Mason Advisory is classified as an associate and accordingly equity accounted.

Datatec Financial Services is continuing its development of financing/leasing solutions for ICT customers through proof of concept to business model and growth prospects. The business recorded revenues of US\$1.9 million in FY17 (FY16: US\$1.0 million) and an EBITDA loss of US\$1.4 million (FY16: loss US\$1.1 million).

Corporate includes the net operating costs of the Datatec head office entities which were US\$11.2 million (FY16: US\$12.3 million). These costs include the remuneration of the Board and head office staff, consulting and audit fees. In addition, foreign exchange losses of US\$3.3 million (FY16: US\$4.1 million gains) are included in this segment.

## SUBSEQUENT EVENTS

There are no material events arising after the Period to report.

## REPORTING

The provisional summarised consolidated financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the requirements of the Companies Act of South Africa and the JSE Limited's Listings Requirements applicable for provisional reports. The provisional summarised consolidated financial statements also

contain the minimum requirements of IAS 34 – Interim Financial Reporting.

The accounting policies are in terms of IFRS and consistent with those applied in the financial statements for FY16, except for the adoption of the revised amendments to accounting standards below in FY17. The adoption of these amendments did not have a material impact on the Group annual financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* resulting from the Disclosure Initiative (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 16 *Property, Plant and Equipment* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (effective for periods beginning on or after 1 January 2016)
- Amendments to IAS 38 *Intangible Assets* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 *Joint Arrangements* (effective for accounting periods beginning on or after 1 January 2016)
- Amendments resulting from Annual Improvements 2012 – 2014 Cycle (effective for accounting periods beginning on or after 1 January 2016)

Following an unsolicited approach, Datatec is considering a proposal for a possible disposal of a major share of Westcon-Comstor's operations for a consideration (current and deferred) of more than US\$800 million. Negotiations are continuing and any transaction is subject to regulatory and commercial approvals, including those of the Board and shareholders. There is no certainty that any transaction will be completed, nor is there clarity on the precise terms that may be agreed. In preparing the provisional summarised consolidated financial statements, the Group took particular care to assess whether the provisions of IFRS 5 should be applied to disclose all or part of Westcon-Comstor as a disposal group. The criteria set out in IFRS 5 for applying this disclosure were scrutinised and discussed with the auditors and the Board concluded that it was not appropriate to present Westcon-Comstor as a disposal group at the reporting date.

The provisional summarised consolidated financial statements are not themselves audited, however, the consolidated financial statements from which the provisional summarised consolidated financial statements have been extracted have been audited by the Company's auditors, Deloitte & Touche. The consolidated financial statements and the auditor's unmodified report on the consolidated financial statements and the ISA 810 opinion on the summarised financial statements are available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of these provisional summarised consolidated financial statements and that they have

been correctly extracted from the underlying audited consolidated financial statements. The preparation of these summarised financial statements for FY17 was supervised by the Chief Financial Officer, Mr Ivan Dittrich, CA(SA).

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the issuer's registered office.

## DISCLAIMER

This announcement may contain statements regarding the future financial performance of the Group which may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty, and although the Group has taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct.

The Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. It is important to note, that:

- (i) unless otherwise indicated, forward-looking statements indicate the Group's expectations and have not been reviewed or reported on by the Group's external auditors;
- (ii) actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate;
- (iii) the Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements; and
- (iv) the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, other than as required by the JSE Limited Listings Requirements and/or the AIM Rules.

On behalf of the Board

**SJ Davidson**  
Chairman

**JP Montanana**  
Chief Executive Officer

**IP Dittrich**  
Chief Financial Officer

22 May 2017

## DIRECTORS

SJ Davidson<sup>••</sup> (Chairman), JP Montanana<sup>•</sup> (CEO), IP Dittrich (CFO), O Ighodaro<sup>†‡</sup>, JF McCartney<sup>†‡</sup>, MJN Njeke<sup>°</sup>, CS Seabrooke<sup>°</sup>, NJ Temple<sup>••</sup>

<sup>°</sup>Non-executive <sup>•</sup>British <sup>†‡</sup>American <sup>†</sup>Nigerian

<sup>†</sup> Excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.

<sup>\*\*</sup> The pro forma constant currency information, which is the responsibility of the directors of Datatec, presents the Group's revenue for the current year had it been translated at the average foreign currency exchange rates of the prior year. This information is for illustrative purposes only and because of its nature, may not fairly present the Group's revenues. The Group's auditors, Deloitte & Touche have issued an unmodified reasonable assurance report (ISAE 3420: Reasonable Assurance Engagements to Report on the Compilation of Pro Forma Financial Information) on the pro-forma financial information presented, a copy of which is available for inspection at the Company's registered office.

To determine the revenues in constant currency terms, the current financial reporting period's monthly revenues in local currency have been converted to US Dollar at the average monthly exchange rates prevailing over the same period in the prior year. The calculation has been prepared for each of the Group's material currencies listed below using the average exchange rates against the US Dollar shown:

Average US Dollar exchange rates	FY17	FY16
British Pound	1.32	1.51
Euro	1.10	1.10
Brazilian Real	0.30	0.28
Australian Dollar	0.75	0.74
Canadian Dollar	0.76	0.76
Singapore Dollar	0.72	0.72
Mexican Peso	0.05	0.05
South African Rand	14.17	13.68

# Independent auditor's report on summary consolidated financial statements

## TO THE SHAREHOLDERS OF DATATEC LIMITED

### Opinion

The summary consolidated financial statements of Datatec Limited, which comprise the summary consolidated statement of financial position as at 28 February 2017, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Datatec Limited for the year ended 28 February 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of Datatec Limited, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the "Reporting" note to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Datatec Limited and the auditor's report thereon.

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 19 May 2017. That report also include:

- The communication of other key audit matters as reported in the auditor's report of the audited consolidated financial statements.

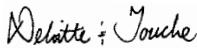
### Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the "Reporting" note to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



### Deloitte & Touche

Per: MH Holme  
Partner

19 May 2017

Building 1 and 2, Deloitte Place, The Woodlands  
Woodlands Drive, Woodmead, Sandton  
Riverwalk Office Park, Block B  
41 Matroosberg Road, Ashlea Gardens X6  
Pretoria

National Executive: \*LL Bam Chief Executive Officer  
\*TMM Jordan Deputy Chief Executive Officer  
\*MJ Jarvis Chief Operating Officer \*GM Pinnock Audit  
\*N Sing Risk Advisory \*NB Kadar Tax  
TP Pillay Consulting S Gwala BPaaS \*K Black Clients  
& Industries \*JK Mazzocco Talent & Transformation  
\*MJ Comber Reputation & Risk \*TJ Brown Chairman of  
the Board

A full list of partners and directors is available on request

\* Partner and registered auditor

BBBEE rating: Level 2 contributor in terms of DTI Generic  
Scorecard as per the amended Codes of Good Practice

Associate of Deloitte Africa, a member of Deloitte Touche  
Tohmatsu Limited

# Summarised consolidated statement of comprehensive income

for the year ended 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
<b>Revenue</b>	<b>6 083 383</b>	6 454 782
Continued operations	<b>6 081 167</b>	6 401 171
Revenue from acquisitions	<b>2 216</b>	53 611
Cost of sales	<b>(5 250 251)</b>	(5 586 043)
<b>Gross profit</b>	<b>833 132</b>	868 739
Operating costs	<b>(696 842)</b>	(691 673)
Restructuring costs	<b>(16 559)</b>	(15 285)
Share-based payments	<b>(861)</b>	329
<b>Operating profit before interest, tax, depreciation and amortisation ("EBITDA")</b>	<b>118 870</b>	162 110
Depreciation	<b>(31 430)</b>	(28 589)
Amortisation of capitalised development expenditure	<b>(13 812)</b>	(7 660)
Amortisation of acquired intangible assets and software	<b>(13 087)</b>	(15 255)
Intangible asset impairment	<b>–</b>	(75)
<b>Operating profit</b>	<b>60 541</b>	110 531
Interest income	<b>3 994</b>	3 670
Finance costs	<b>(28 197)</b>	(27 549)
Share of equity-accounted investment losses	<b>(793)</b>	(252)
Acquisition-related fair value adjustments	<b>5 565</b>	1 768
Fair value adjustments on put option liabilities	<b>658</b>	22
Fair value adjustments on deferred and/or contingent purchase consideration	<b>4 907</b>	1 746
Other income	<b>230</b>	266
Profit on disposal of associate/loss of control of subsidiary	<b>319</b>	–
<b>Profit before taxation</b>	<b>41 659</b>	88 434
Taxation	<b>(30 910)</b>	(39 956)
<b>Profit for the year</b>	<b>10 749</b>	48 478
<b>Other comprehensive income/(loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Exchange differences arising on translation to presentation currency	<b>56 947</b>	(87 401)
Translation of equity loans net of tax effect	<b>(9 994)</b>	(1 075)
Transfers and other items	<b>622</b>	64
<b>Total comprehensive income/(loss) for the year</b>	<b>58 324</b>	(39 934)
<b>Profit attributable to:</b>		
Owners of the parent	<b>3 038</b>	39 949
Non-controlling interests	<b>7 711</b>	8 529
	<b>10 749</b>	48 478
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the parent	<b>44 732</b>	(37 505)
Non-controlling interests	<b>13 592</b>	(2 429)
	<b>58 324</b>	(39 934)

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
<b>Number of shares issued (millions)</b>		
Issued	212	209
Weighted average	211	206
Diluted weighted average	212	207
<b>Earnings per share ("EPS") (US cents)</b>		
Basic	1.4	19.3
Diluted basic	1.4	19.3
<b>SALIENT FINANCIAL FEATURES</b>		
<b>Headline earnings</b>	<b>4 293</b>	40 016
<b>Headline earnings per share (US cents)</b>		
Headline	2.0	19.4
Diluted headline	2.0	19.3
<b>Underlying earnings</b>	<b>23 142</b>	66 160
<b>Underlying earnings per share (US cents)</b>		
Underlying	11.0	32.0
Diluted underlying	10.9	32.0
Net asset value per share (US cents)	403.5	396.7
<b>KEY RATIOS</b>		
<b>Gross margin (%)</b>	<b>13.7</b>	13.5
<b>EBITDA (%)</b>	<b>2.0</b>	2.5
<b>Effective tax rate (%)</b>	<b>74.2</b>	45.2
<b>Exchange rates</b>		
Average Rand/US\$ exchange rate	14.2	13.7
Closing Rand/US\$ exchange rate	13.0	16.2

# Summarised consolidated statement of financial position

as at 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>786 361</b>	766 142
Property, plant and equipment	73 742	76 204
Goodwill	461 651	462 577
Capitalised development expenditure	80 843	66 411
Acquired intangible assets and software	48 620	59 798
Investments	24 887	16 092
Deferred tax assets	67 644	51 062
Finance lease receivables	8 885	7 994
Other receivables	20 089	26 004
<b>Current assets</b>	<b>2 698 539</b>	2 616 800
Inventories	438 503	434 669
Trade receivables	1 548 003	1 510 327
Current tax assets	17 849	12 154
Prepaid expenses and other receivables	340 696	242 744
Finance lease receivables	7 854	4 052
Cash resources	345 634	412 854
<b>Total assets</b>	<b>3 484 900</b>	3 382 942
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>	<b>854 986</b>	830 366
Share capital and premium	151 947	115 090
Non-distributable reserves	63 299	90 727
Foreign currency translation reserve	(141 816)	(182 777)
Share-based payment reserve	2 681	1 733
Distributable reserves	778 875	805 593
Non-controlling interests	51 889	39 054
<b>Total equity</b>	<b>906 875</b>	869 420
<b>Non-current liabilities</b>	<b>127 056</b>	112 645
Long-term liabilities	31 902	21 252
Liability for share-based payments	2 080	5 174
Amounts owing to vendors	580	2 762
Deferred tax liabilities	78 959	73 491
Provisions	8 376	9 215
Other liabilities	5 159	751
<b>Current liabilities</b>	<b>2 450 969</b>	2 400 877
Trade and other payables	1 720 391	1 778 908
Short-term interest-bearing liabilities	64 787	51 461
Provisions	8 634	9 307
Amounts owing to vendors	512	7 742
Current tax liabilities	11 159	7 920
Bank overdrafts	645 486	545 539
<b>Total equity and liabilities</b>	<b>3 484 900</b>	3 382 942



# Summarised consolidated statement of cash flows

for the year ended 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
<b>Operating profit before working capital changes</b>	<b>134 535</b>	185 687
Working capital changes	<b>(184 576)</b>	(59 433)
(Increase)/decrease in inventories	<b>(11 995)</b>	18
Increase in receivables	<b>(83 753)</b>	(142 708)
(Decrease)/increase in payables	<b>(88 828)</b>	83 257
Other working capital changes	<b>12 720</b>	2 816
<b>Cash (utilised in)/generated from operations</b>	<b>(37 321)</b>	129 070
Net finance costs paid	<b>(25 264)</b>	(21 176)
Taxation paid	<b>(43 299)</b>	(39 876)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(105 884)</b>	68 018
Cash outflow for acquisitions	<b>(1 854)</b>	(46 181)
Net cash outflow from other investing activities	<b>(67 819)</b>	(73 108)
Net cash inflow/(outflow) from other financing activities	<b>17 422</b>	(29 221)
Net proceeds from shares issued	<b>–</b>	18 014
Dividends paid to shareholders	<b>(20 949)</b>	(22 200)
<b>Net decrease in cash and cash equivalents</b>	<b>(179 084)</b>	(84 678)
Cash and cash equivalents at the beginning of the year	<b>(132 685)</b>	(22 101)
Translation differences on cash and cash equivalents	<b>11 917</b>	(25 906)
<b>Cash and cash equivalents at the end of the year*</b>	<b>(299 852)</b>	(132 685)

\*Comprises cash resources, net of bank overdrafts.

# Summarised consolidated statement of changes in total equity

for the year ended 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
<b>Balance at the beginning of the year</b>	<b>869 420</b>	912 449
<b>Transactions with equity holders of the parent</b>		
Comprehensive income/(loss)	44 732	(37 505)
New share issues	–	18 014
Dividends	(20 949)	(22 200)
Treasury shares purchased by the share trust	–	(352)
Share-based payments	837	1 042
Acquisitions of additional interests from non-controlling interests	–	517
<b>Transactions with non-controlling interests</b>		
Comprehensive income/(loss)	13 592	(2 429)
Acquisitions of additional interests from non-controlling interests	–	(116)
Disposals of additional interests from non-controlling interests	(757)	–
<b>Balance at the end of the year</b>	<b>906 875</b>	869 420

## Determination of headline and underlying earnings

for the year ended 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
Profit attributable to the equity holders of the parent	3 038	39 949
<b>Headline earnings adjustments</b>	<b>1 262</b>	68
Intangible asset impairment	–	75
Property impairment	1 600	–
Profit on disposal of associate/loss of control of subsidiary	(319)	–
Profit on disposal of property, plant and equipment	(36)	(9)
Tax effect	17	2
Non-controlling interests	(7)	(1)
<b>Headline earnings</b>	<b>4 293</b>	40 016
<b>DETERMINATION OF UNDERLYING EARNINGS</b>		
<b>Underlying earnings adjustments</b>	<b>24 677</b>	32 314
Unrealised foreign exchange losses	1 854	4 679
Acquisition-related fair value adjustments	(5 565)	(1 768)
Restructuring costs	16 559	15 285
Amortisation of acquired intangible assets	11 829	14 118
Tax effect	(5 488)	(5 898)
Non-controlling interests	(340)	(272)
<b>Underlying earnings</b>	<b>23 142</b>	66 160

# Summarised segmental analysis

for the year ended 28 February 2017

US\$'000	Westcon-Comstor		Logicalis		Corporate, Consulting and Financial Services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue	4 532 083	4 869 592	1 510 299	1 532 766	41 001	52 424	6 083 383	6 454 782
EBITDA	53 503	88 538	79 009	80 947	(13 642)	(7 375)	118 870	162 110
<b>Reconciliation of operating profit/(loss) to profit/(loss) after taxation</b>								
Operating profit/(loss)	20 323	62 212	54 422	56 355	(14 204)	(8 036)	60 541	110 531
Interest income	2 395	1 243	1 273	1 708	326	719	3 994	3 670
Finance costs	(21 042)	(19 882)	(7 112)	(7 132)	(43)	(535)	(28 197)	(27 549)
Share of equity-accounted investment earnings	(933)	(252)	-	-	140	-	(793)	(252)
Fair value movements on put option liabilities	658	22	-	-	-	-	658	22
Fair value adjustments on deferred purchase consideration	-	1 750	4 907	(4)	-	-	4 907	1 746
Other income	-	13	-	-	230	253	230	266
Profit on disposal of associate/loss of control of subsidiary	-	-	-	-	319	-	319	-
Profit/(loss) before taxation	1 401	45 106	53 490	50 927	(13 232)	(7 599)	41 659	88 434
Taxation	(11 883)	(23 048)	(16 808)	(13 743)	(2 219)	(3 165)	(30 910)	(39 956)
<b>Profit/(loss) after taxation</b>	<b>(10 482)</b>	<b>22 058</b>	<b>36 682</b>	<b>37 184</b>	<b>(15 451)</b>	<b>(10 764)</b>	<b>10 749</b>	<b>48 478</b>
Total assets	2 405 604	2 311 200	986 291	958 854	93 005	112 888	3 484 900	3 382 942
Total liabilities	(1 861 416)	(1 769 655)	(685 867)	(684 826)	(30 742)	(59 041)	(2 578 025)	(2 513 522)

Sales and purchases between Group companies are concluded at arm's length in the ordinary course of business. The inter-group sales of goods and provision of services for the year ended 28 February 2017 amounted to US\$97.5 million (FY16: US\$105.7 million).

## Capital expenditure and commitments

as at 28 February 2017

US\$'000	Audited Year ended February 2017	Audited Year ended February 2016
Capital expenditure incurred in the current year (including capitalised development expenditure)	61 453	63 227
Capital commitments at the end of the year	36 155	45 247
Lease commitments at the end of the year	133 202	158 621
Payable within one year	33 894	36 434
Payable after one year	99 308	122 187

## Acquisitions made during the year

as at 28 February 2017

ACQUISITIONS MADE IN FY17	US\$'000
<b>Assets acquired</b>	
Non-current assets	45
Current assets	1 466
Current liabilities	(1 246)
<b>Net assets acquired</b>	<b>265</b>
– Intangible assets	110
– Goodwill	1 194
<b>Fair value of acquisition</b>	<b>1 569</b>
<b>Purchase consideration</b>	
Cash	1 569
<b>Total consideration</b>	<b>1 569</b>
<b>Cash outflow for acquisitions</b>	
Net overdraft acquired	285
Cash consideration paid	1 569
<b>Net cash outflow for acquisition</b>	<b>1 854</b>

# Enquiries

## **Datatec Limited ([www.datatec.com](http://www.datatec.com))**

Jens Montanana – Chief Executive Officer	+44 (0) 1753 797 118
Ivan Dittrich – Chief Financial Officer	+27 (0) 11 233 3301
Wilna de Villiers – Investor Relations Manager	+27 (0) 11 233 1013

## **Jefferies International Limited – Nominated adviser and broker**

Nick Adams/ Simon Hardy	+44 (0) 20 7029 8000
-------------------------	----------------------

## **finnCap – Broker**

Stuart Andrews	+44 (0) 20 7220 0500
----------------	----------------------

## **Instinctif Partners**

Frederic Cornet/Pietman Roos (SA)	+27 (0) 11 447 3030
Adrian Duffield/Chantal Woolcock (UK)	+44 (0) 20 7457 2020



[www.datec.com](http://www.datec.com)

[www.westconcomstor.com](http://www.westconcomstor.com)

[www.logicalis.com](http://www.logicalis.com)

---