

22 May 2017

# Datatec Limited

## Results for the year ended 28 February 2017

Datatec Limited ("Datatec" or the "Group", JSE and LSE: DTC), the international information and communications technology (ICT) group, is today publishing its audited provisional results for the year ended 28 February 2017 ("the Period" or "FY17").

### Financial results

- Group revenue \$6.08 billion (FY16: \$6.45 billion)
- EBITDA \$118.9 million (FY16: \$162.1 million)
- Gross margin 13.7% (FY16: 13.5%)
- Underlying\* earnings per share 11.0 US cents (FY16: 32.0 US cents)

### Key features

- Strategic value of the Group's businesses maintained despite poor performance in FY17
- Strong growth in Westcon-Comstor security segment
- Logicalis continued increase in services mix driving higher gross margin
- Final stages of Westcon-Comstor's SAP / BPO implementation in Europe Middle East and Africa ("EMEA") materially impacted the last few months of FY17

**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.***

***"Logicalis' 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# for a major share of Westcon-Comstor's operations."***

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

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### **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** – Logicalis: 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 \$338 million year on year to \$6.08 billion from \$6.45 billion and Group EBITDA was \$118.9 million (FY16: \$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 \$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 \$6.08 billion, down 5.8% compared to FY16. In constant currency\*\* terms, Group revenues for FY17 decreased by 4.0% to \$6.2 billion with Westcon-Comstor constant currency\*\* revenues down 5.9% and Logicalis constant currency\*\* revenues up 2.1%.

Revenue contribution by division:

	FY17	FY16
Westcon-Comstor	74%	75%
Logicalis	25%	24%
Consulting and Financial Services	1%	1%
	100%	100%

Revenue contribution by geography:

	FY17	FY16
North America	35%	35%
Latin America	15%	14%
Europe	33%	34%
Asia-Pacific	11%	9%
Middle East & Africa (MEA)	6%	8%
	100%	100%

Profitability: gross profit contribution by geography:

	FY17	FY16
North America	29%	28%
Latin America	22%	21%
Europe	33%	33%
Asia-Pacific	12%	11%
MEA	4%	7%
	100%	100%

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

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

Contribution to Group EBITDA:

	FY17	FY16
Westcon-Comstor	40%	52%
Logicalis	58%	47%
Consulting and Financial Services	2%	1%
	100%	100%

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

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

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

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

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

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 \$37.3 million of cash from operations during FY17 (FY16 cash generated: \$129.1 million) and ended the period with net debt of \$396.5 million (FY16: \$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. Details of the acquisition are shown in the table below.

### Shareholder distributions and dividend policy

The Group paid \$28.9 million (paid during FY16: \$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 \$19.9 million of which \$5.2 million (26.4%) was distributed to shareholders in the form of scrip (1.7 million new shares issued) and \$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 \$9.0 million of which \$2.8 million (30.1%) was distributed to shareholders in the form of scrip (0.8 million new shares issued) and \$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 \$56.9 million (FY16: losses \$87.4 million) arising on translation to presentation currency are included in total comprehensive income of \$58.3 million (FY16: loss \$39.9 million).

## 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 \$4.5 billion (FY16: \$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 contribution by geography is shown below:

	<b>FY17</b>	<b>FY16</b>
<b>Revenue</b>	<b>%</b>	<b>%</b>
North America	37%	37%
Latin America	11%	10%
Europe	33%	33%
Middle East and Africa ("MEA")	8%	10%
Asia-Pacific	11%	10%
<b>Total Revenue</b>	<b>100%</b>	<b>100%</b>

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

	<b>FY17</b>	<b>FY16</b>
Security	39%	34%
Networking	25%	23%
Unified	21%	26%
Data centre and other	15%	17%
	100%	100%

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 \$456.0 million (FY16: \$497.1 million) as a result of lower revenues.

	<b>FY17</b>	<b>FY16</b>
<b>Gross profit</b>	<b>%</b>	<b>%</b>
North America	27%	26%
Latin America	18%	17%
Europe	36%	35%
Middle East and Africa	7%	11%
Asia-Pacific	12%	11%
<b>Total gross profit</b>	<b>100%</b>	<b>100%</b>

Operating expenses were reduced to \$402.5 million (FY16: \$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 \$14.1 million (FY16: \$14.9 million) were incurred, mainly in North America, Europe and Asia-Pacific, primarily relating to the BPO transformation.

EBITDA was \$53.5 million (FY16: \$88.5 million). EBITDA margins were 1.2% (FY16: 1.8%). Adjusted EBITDA^ by geography is shown below:

	<b>FY17</b>	<b>FY16</b>	<b>Movement</b>
	<b>\$'m</b>	<b>\$'m</b>	<b>\$'m</b>
Adjusted EBITDA^			
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^</b>	<b>72</b>	<b>109</b>	<b>(37)</b>

	<b>FY17</b>	<b>FY16</b>
	<b>\$'m</b>	<b>\$'m</b>
Adjusted EBITDA <sup>^</sup>	72	109
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 \$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 \$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 the 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 \$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 \$24.0 million (4.6%) to \$517.8 million, and adjusted EBITDA increasing by 7.8% to \$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 \$33.2 million (FY16: \$26.3 million) resulting in operating profit of \$20.3 million (FY16: \$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, \$40.0 million of capital expenditures and the further purchase of \$9.2 million Angola government bonds resulted in an increase of \$132.4 million in net debt to \$403.4 million.

Of the \$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 \$19.2 million (FY16: \$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 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 \$1.5 billion (FY16: \$1.5 billion), including \$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 contribution by geography is shown below:

	<b>FY17</b>	<b>FY16</b>
North America	30%	30%
Latin America	28%	27%
Europe	31%	34%
Asia-Pacific	11%	9%
	<b>100%</b>	<b>100%</b>

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 \$363.3 million (FY16: \$353.4 million).

Logicalis' gross profit contribution by geography is shown below:

	<b>FY17</b>	<b>FY16</b>
North America	33%	31%
Latin America	28%	28%
Europe	27%	31%
Asia-Pacific	12%	10%
	<b>100%</b>	<b>100%</b>

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

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

Logicalis remained in a net cash position of \$18.1 million (FY16: \$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 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 \$39.1 million (FY16: \$51.4 million) with growth in EBITDA to \$2.3 million (FY16: \$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 \$1.9 million in FY17 (FY16: \$1.0 million) and an EBITDA loss of \$1.4 million (FY16: loss \$1.1 million).

Corporate includes the net operating costs of the Datatec head office entities which were \$11.3 million (FY16: \$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 \$3.3 million (FY16: \$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 \$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 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 provisional summarised consolidated financial statements are not themselves audited however the consolidated financial statements from which the 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 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>o</sup>• (Chairman), JP Montanana<sup>•</sup> (CEO), IP Dittrich (CFO), O Ighodaro<sup>o‡</sup>, JF McCartney<sup>o†</sup>, MJN Njeke<sup>o</sup>, CS Seabrooke<sup>o</sup>, NJ Temple<sup>o</sup>•

Non-executive •British †American ‡Nigerian

\* *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.*

\*\* *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 dollars 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:

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

## Summarised consolidated statement of comprehensive income

for the year ended 28 February 2017

<b>\$'000</b>	<b>Audited Year ended February 2017</b>	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	–	(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)
<b>Number of shares issued (millions)</b>		
Issued	<b>212</b>	209
Weighted average	<b>211</b>	206
Diluted weighted average	<b>212</b>	207
<b>Earnings per share ("EPS") (US cents)</b>		
Basic	<b>1.4</b>	19.3
Diluted basic	<b>1.4</b>	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	<b>2.0</b>	19.4
Diluted headline	<b>2.0</b>	19.3
Underlying earnings	<b>23 142</b>	66 160
<b>Underlying earnings per share (US cents)</b>		
Underlying	<b>11.0</b>	32.0
Diluted underlying	<b>10.9</b>	32.0
Net asset value per share (US cents)	<b>403.5</b>	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	<b>14.2</b>	13.7
Closing Rand/US\$ exchange rate	<b>13.0</b>	16.2

**Summarised consolidated statement of financial position**

as at 28 February 2017

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

<b>\$'000</b>	<b>Audited Year ended February 2017</b>	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	–	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

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

<b>\$'000</b>	<b>Audited Year ended February 2017</b>	Audited Year ended February 2016
Profit attributable to the equity holders of the parent	<b>3 038</b>	39 949
<b>Headline earnings adjustments</b>	<b>1 262</b>	68
Intangible asset impairment	–	75
Property impairment	<b>1 600</b>	–
Profit on disposal of associate/loss of control of subsidiary	<b>(319)</b>	–
Profit on disposal of property, plant and equipment	<b>(36)</b>	(9)
Tax effect	<b>17</b>	2
Non-controlling interests	<b>(7)</b>	(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	<b>1 854</b>	4 679



Acquisition-related fair value adjustments	<b>(5 565)</b>	(1 768)
Restructuring costs	<b>16 559</b>	15 285
Amortisation of acquired intangible assets	<b>11 829</b>	14 118
Tax effect	<b>(5 488)</b>	(5 898)
Non-controlling interests	<b>(340)</b>	(272)
<b>Underlying earnings</b>	<b>23 142</b>	66 160

## Summarised segmental analysis

for the year ended 28 February 2017

\$'000	Westcon-Comstor		Logicalis		Corporate, Consulting and Financial Services		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	Revenue	<b>4 532 083</b>	4 869 592	<b>1 510 299</b>	1 532 766	<b>41 001</b>	52 424	<b>6 083 383</b>
EBITDA	<b>53 503</b>	88 538	<b>79 009</b>	80 947	<b>(13 642)</b>	(7 375)	<b>118 870</b>	162 110
<b>Reconciliation of operating profit/(loss) to profit/(loss) after taxation</b>								
Operating profit/(loss)	<b>20 323</b>	62 212	<b>54 422</b>	56 355	<b>(14 204)</b>	(8 036)	<b>60 541</b>	110 531
Interest income	<b>2 395</b>	1 243	<b>1 273</b>	1 708	<b>326</b>	719	<b>3 994</b>	3 670
Finance costs	<b>(21 042)</b>	(19 882)	<b>(7 112)</b>	(7 132)	<b>(43)</b>	(535)	<b>(28 197)</b>	(27 549)
Share of equity-accounted investment earnings	<b>(933)</b>	(252)	–	–	<b>140</b>	–	<b>(793)</b>	(252)
Fair value movements on put option liabilities	<b>658</b>	22	–	–	–	–	<b>658</b>	22
Fair value adjustments on deferred purchase consideration	–	1 750	<b>4 907</b>	(4)	–	–	<b>4 907</b>	1 746
Other income	–	13	–	–	<b>230</b>	253	<b>230</b>	266
Profit on disposal of associate/loss of control of subsidiary	–	–	–	–	<b>319</b>	–	<b>319</b>	–
Profit/(loss) before taxation	<b>1 401</b>	45 106	<b>53 490</b>	50 927	<b>(13 232)</b>	(7 599)	<b>41 659</b>	88 434
Taxation	<b>(11 883)</b>	(23 048)	<b>(16 808)</b>	(13 743)	<b>(2 219)</b>	(3 165)	<b>(30 910)</b>	(39 956)
<b>Profit/(loss) after taxation</b>	<b>(10 482)</b>	22 058	<b>36 682</b>	37 184	<b>(15 451)</b>	(10 764)	<b>10 749</b>	48 478
Total assets	<b>2 405 604</b>	2 311 200	<b>986 291</b>	958 854	<b>93 005</b>	112 888	<b>3 484 900</b>	3 382 942
Total liabilities	<b>(1 861 416)</b>	(1 769 655)	<b>(685 867)</b>	(684 826)	<b>(30 742)</b>	(59 041)	<b>(2 578 025)</b>	(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 \$97.5 million (FY16: \$105.7 million).

## Capital expenditure and commitments

as at 28 February 2017

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

## Acquisitions made during the year

as at 28 February 2017

<b>ACQUISITIONS MADE IN FY17</b>	\$'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>