

# Datatec

H124 results

## Solid H124 performance supports FY24 outlook

Software and comp services

For H124, Datatec reported 15% y-o-y revenue growth, gross margin expansion, EBITDA growth of 39% and adjusted EBITDA growth of 2%. Underlying EPS increased 336% to 9.6c. After incurring restructuring charges and elevated share-based compensation in FY23, H124 provided a cleaner set of numbers. Supply chain issues eased during H1 allowing Datatec to reduce its order backlog by 21% from the end of FY23. The company is seeing strong demand for cyber security and networking solutions, and while challenges still persist in Latin America, it expects FY24 performance to improve versus FY23 for all divisions.

23 October 2023

Price **ZAR35.6**

Market cap **ZAR8bn**

ZAR19.09:\$1

Net debt (\$m) at end H124 174.8

Shares in issue 229.5m

Free float 86%

Code DTCJ

Primary exchange JSE

Secondary exchange N/A

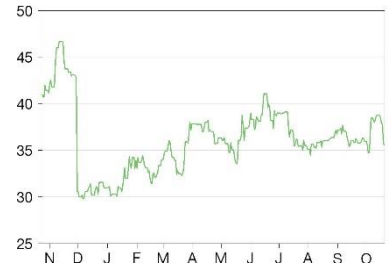
Year end	Revenue (\$m)	PBT* (\$m)	Diluted EPS* (c)	DPS (c)	P/E (x)	Yield (%)
02/22	4,546	69.1	14.2	39.3	13.1	21.1
02/23	5,143	86.7	24.1	77.7	7.7	41.7
02/24e	5,499	89.6	21.5	7.0	8.7	3.8
02/25e	5,761	113.0	27.6	8.9	6.8	4.8

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

For H124, Datatec reported 14.7% y-o-y revenue growth (16.3% in constant currency (cc)) to \$2.76bn, 1.1pp gross margin expansion to 15.1%, EBITDA growth of 39.3% to \$80.6m (2.9% margin) and adjusted EBITDA growth of 2.1% to \$89.4m (3.2% margin). Adjusted EBITDA excludes share-based payments and one-off charges – in H124 these were \$7.1m and \$1.8m, respectively, compared to \$16.0m and \$13.7m in H123. For continuing operations, headline EPS of 6.3c was 80% higher y-o-y and underlying EPS of 9.6c was 336% higher y-o-y. Net debt at the end of H124 was \$174.8m, up from \$111.0m a year ago, reflecting higher working capital requirements as shipments from order backlogs accelerated and the \$59m settlement of share-based payment liabilities (accrued in FY22 and FY23).

All divisions reported double-digit revenue growth. Westcon International saw year-on-year growth of 14.9% (15.7% cc) for revenue, 15.9% for EBITDA and a 3.6% decline in adjusted EBITDA (EBITDA and adjusted EBITDA included FX gains of \$32.1m in H123 versus FX losses of \$4.6m in H124). Logicalis International saw revenue growth of 12.1% (12.4% cc), EBITDA growth of 40.9% and adjusted EBITDA growth of 7.2%. Logicalis Latin America saw revenue growth of 20.2% (31.0% cc), EBITDA moving from -\$1.0m to \$5.8m and adjusted EBITDA growth of 50%. A more detailed note will follow shortly where we will review our forecasts.

### Share price performance



### Business description

Datatec is a South Africa-listed multinational ICT business, serving clients globally, predominantly in the networking and telecoms sectors. The group operates through three main divisions: Westcon International (distribution); Logicalis International (IT services); and Logicalis LatAm (IT services in Latin America).

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