

Datatec

FY22 trading update

Operational gearing shines through

Today's trading update follows the group's post-close trading update in March 2022, where management confirmed FY22 group revenue would be up 13% year-on-year to US\$4.65bn. As a listing requirement, and as expected, Datatec has now been required to confirm EPS will be more than 20% above the FY21 figure. Underlying EPS (uEPS) is expected to be 18.0–19.0 US cents (FY21: 13.6 US cents), 32–40% higher than in FY21, with headline and reported EPS both multiples of their FY21 comparators. uEPS ranges from 6% to 12% above our forecast FY22 EPS of 17.0 US cents, reflecting robust global demand for technology solutions. With all three divisions contributing strongly and with demand underpinned by an expected unwinding of the record backlog in H223 and FY24, we remain positive about the group's prospects despite continuing economic and geopolitical uncertainties. Datatec trades on 3.9x our FY22e EV/EBITDA and 3.5x our FY23e EV/EBITDA, which we feel does not adequately recognise the group's performance or prospects. We expect an update on Datatec's [strategic review](#) with the full results on or around 24 May, when we also propose to review our estimates.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
02/20	4,214	79.1	9.9	7.0	24.0	2.9
02/21	4,109	73.1	13.6	6.6	17.5	2.8
02/22e	4,514	84.6	17.0	37.9	14.4	15.5
02/23e	4,757	107.6	24.3	8.1	10.1	3.3

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

Headline earnings per share are expected to be 15.5–16.5 US cents (FY21: 1.8 US cents), with reported earnings per share expected to be 16.0–17.0 US cents (FY21: 1.3 US cents).

Further commentary on global semiconductor shortages, supply chain constraints and Datatec's consequent inventory build-up and backlog growth is available in our notes [13% growth despite supply chain constraints](#) and [Westcon is key to unlocking upside potential](#).

IT services

11 May 2022

Price **ZAR38.28**
Market cap **ZAR8.3bn**

ZAR16.12/US\$

Net debt (US\$m) at 31 August 2021 152.5

Shares in issue 217.0m

Free float 62%

Code DTCJ

Primary exchange Johannesburg

Secondary exchange N/A

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 (IT services); and Analysys Mason (consulting).

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