

# Datatec

FY22 results

## Strong year across the board despite challenges

IT services

25 May 2022

**Price** ZAR38.89

**Market cap** ZAR8.7bn

ZAR15.81/US\$

Net debt (US\$m) at 28 February 2022 130.1

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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FY22 could be characterised as a year of robust global demand for technology solutions, with the ability to meet that demand constrained by supply chain issues, semiconductor shortages and a growing backlog of pending orders. This led to a strong year for all three of Datatec's divisions, which would have been even stronger if orders could have been fully met. Datatec's reported revenue for FY22 was US\$4.64bn, up 13%, with adjusted EBITDA rising by 16% to US\$177m, representing a 3.8% margin (FY21: 3.7%). Highlighting the operational gearing of the business, underlying EPS rose 38% to 18.7 US cents per share versus our forecast FY22 EPS of 17.0 US cents. As a result, the group declared a dividend of ZAR1.11 (FY21: ZAR1.00) in addition to the special dividend, taking the total dividend paid for the year to c 39.2 US cents per share. Net debt at 28 February 2022 rose to US\$130m (FY21: US\$61m), beating our FY22 forecast of US\$166m, with strong cash generation partly mitigating the build-up of inventory. We remain positive about the group's prospects in FY23, despite continuing economic and geopolitical uncertainties. Datatec trades on c 3.8x FY22 EV/adjusted EBITDA, which we believe understates the group's performance and prospects. In light of the FY22 results, we propose to review to review our forecasts shortly.

| Year end | Revenue (US\$m) | PBT* (US\$m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|-----------------|--------------|----------|---------|---------|-----------|
| 02/21    | 4,109           | 73.1         | 13.6     | 6.6     | 18.1    | 2.7       |
| 02/22    | 4,637           | 84.6         | 18.8     | 39.2    | 13.1    | 15.9      |
| 02/23e   | 4,757           | 107.6        | 24.3     | 8.1     | 10.1    | 3.3       |
| 02/24e   | 5,029           | 130.5        | 32.6     | 10.9    | 7.5     | 4.4       |

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

The trends heading into FY23 are very similar to those reported in FY22, with heightened geopolitical uncertainty, including the war in Ukraine, lockdowns in China and global inflationary pressure expected to impact supply chains in the immediate future. Management highlighted that this is particularly expected to hold back Logicalis in Latin America, at least for H123.

As part of its strategic review, Datatec released a cautionary announcement confirming that the group has entered into negotiations in relation to a potential transaction for Analysys Mason. Analysys Mason delivered FY22 revenues of US\$90m (23% growth year-on-year), gross profit of US\$41m (a 45% margin), adjusted EBITDA (excluding share-based payments) of US\$18m (a 20% margin) and EBITDA of US\$11m (a 12% margin). Post year-end, Analysys Mason completed the acquisition of Northern Sky Research, a US-based research consultancy focused on the space and satellite sector.

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