

Datatec

FY24 results

Underlying earnings more than tripled in FY24

Software and comp services

Datatec reported FY24 revenue growth of 6%, with a strong performance from Westcon, a good performance in Logicalis International masked by a higher level of net revenue software sales and a mixed performance in Logicalis Latin America. Group gross profit grew 16% y-o-y and adjusted EBITDA grew 7%, resulting in a flat adjusted EBITDA margin of 3.5%. Underlying EPS of 20.2c more than tripled versus the prior year and good control of working capital resulted in year-end net debt of \$123m. The company announced a dividend of ZAR1.3/US\$0.07. Despite the difficult political and economic environment, management expects to see improved performances in each business in FY25 and continues to focus on unlocking shareholder value as part of its ongoing strategic review.

28 May 2024

Price ZAR37.90

Market cap ZAR8.68bn

ZAR18.45/\$

Net debt at end FY24 \$123.1m

Shares in issue 229.0m

Free float 84%

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	14.5	19.1
02/23	5,143	86.7	24.1	77.7	8.5	37.8
02/24	5,458	76.5	19.7	7.0	10.5	3.4
02/25e	5,833	112.1	27.6	8.7	7.4	4.2

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

As supply chain constraints eased through the course of FY24, Datatec was able to work through the backlog that had built up in each business over the two previous years, and now estimates that the ordering situation has normalised.

In FY24, Westcon International saw revenue growth of 7.7% to \$3.69bn (vs our \$3.73bn forecast), gross profit growth of 23% and adjusted EBITDA growth of 26%, resulting in an adjusted EBITDA margin of 3.3% (vs our 3.1% forecast), up 0.5pp y-o-y. Logicalis International saw revenue growth of 1.5% to \$1.25bn (vs our \$1.30bn forecast), with a higher level of net revenue software sales, mainly in North America, suppressing growth. Gross profit grew 11% and adjusted EBITDA grew 12%, resulting in an adjusted EBITDA margin of 5.9% (vs our 5.5% forecast), up 0.5pp y-o-y. Logicalis Latin America saw revenue growth of 4.5% to \$513m (vs our \$540m forecast), with demand in Brazil and Mexico below expectations. Gross profit grew 8% while adjusted EBITDA declined 49%, resulting in an adjusted EBITDA margin of 2.5% (vs our 5.1% forecast), down 2.6pp y-o-y. Adjusted EBITDA included unrealised losses linked to the devaluation of the Argentine peso versus the US dollar. Management noted that Brazilian interest rates are declining and the new government in Argentina could potentially stabilise the economic situation, providing a better trading environment in FY25.

At a group level, adjusted EBITDA included FX losses of \$21.7m (\$5.7m realised, \$15.9m unrealised) versus FX gains of \$15.3m in FY23 (realised gains \$24.1m, unrealised losses \$8.8m). Basic underlying EPS from continuing operations increased from 6.1c in FY23 to 20.2c in FY24, benefiting from a better trading performance and substantially lower share-based payment charges. Basic headline EPS from continuing operations improved from -10.8c in FY23 to 14.2c in FY24, reflecting a significantly lower level of restructuring and other one-off charges. We are currently reviewing 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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