

# Datatec

FY24 results

## Positive outlook for FY25

Datatec reported 6% revenue growth in FY24, with the backlog normalising after a period of tightness in the supply chain. Strong performances from Westcon and Logicalis International were partially offset by weaker profitability in Logicalis Latin America, resulting in flat adjusted EBITDA margins year-on-year. Management expects improved financial performance from all divisions in FY25; we forecast year-on-year growth in underlying EPS of 26%.

Year end	Revenue (\$m)	PBT* (\$m)	Diluted EPS* (c)	DPS (c)	P/E (x)	Yield (%)
02/23	5,143	86.5	24.1	77.7	8.7	37.0
02/24	5,458	76.5	19.7	7.0	10.7	3.4
02/25e	5,731	111.3	27.4	8.5	7.7	4.0
02/26e	5,991	127.1	31.6	9.9	6.6	4.7

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

## Earnings quality improved in FY24

Datatec reported FY24 revenue growth of 6% y-o-y, adjusted EBITDA growth of 7% and company underlying EPS (uEPS) growth of 230%, as trading performance improved and share-based payments materially declined versus FY23. Divisional performance was mixed; Westcon showed strong revenue and profit growth and Logicalis International grew profit, while net revenue-accounted software sales dampened revenue growth. Logicalis Latin America saw weaker demand from Brazil and Mexico and profitability was hit by unrealised FX losses relating to the devaluation of the Argentine peso. Better-than-expected control of working capital resulted in year-end net debt well below our forecast.

## Outlook: Further margin progress expected in FY25

Management confirmed that the group continues to benefit from secular technology growth trends, including strong demand for cyber security and hybrid working, and the adoption of generative artificial intelligence (GenAI). It expects all divisions to deliver improved financial performance in FY25. We have revised our forecasts to reflect FY24 results, with more conservative forecasts for Logicalis Latin America the main driver of reductions to uEPS of 2% in FY25 and 10% in FY26.

## Valuation: Working to unlock value

Datatec currently trades on an EV/adjusted EBITDA multiple of 3.0x FY25e and 2.8x FY26e, well below its peer group (c 8x for both years). On a conservative sum-of-the-parts (SOTP) valuation using peer group averages, we estimate that Datatec could be worth 88% more than the current share price. Sustained revenue growth in Logicalis Latin America and improving profitability across the group will be key to reducing the discount to peers. Management has introduced new incentive schemes for divisional management focused on ownership at the divisional rather than group level to further drive performance. The ongoing strategic review continues to seek ways to address the persistent valuation gap.

## Software and comp services

25 June 2024

Price **ZAR37.68**

Market cap **ZAR8,627m**

ZAR17.96/\$

Net debt (\$m) at end FY24 123.1

Shares in issue 229.0m

Free float 84%

Code DTCJ

Primary exchange JSE

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 0.8 (1.5) 1.0

Rel (local) (0.6) (10.1) (6.4)

52-week high/low ZAR41.62 ZAR33.61

## 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).

## Next events

AGM 31 July 2024

## Analyst

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## Review of FY24 results

Exhibit 1 summarises the FY24 results.

<b>Exhibit 1: FY24 results highlights</b>				
<b>\$m</b>	<b>FY24e</b>	<b>FY24</b>	<b>y-o-y growth</b>	<b>Diff</b>
Revenue	5,568	5,458	6%	(2%)
Gross Profit	844	862	16%	2%
Adjusted EBITDA	197	192	7%	(3%)
EBITDA	184	178	81%	(4%)
Normalised operating profit	137	131	6%	(4%)
Normalised profit before tax	87	76	(12%)	(12%)
Normalised net income	48	46	(14%)	(5%)
EPS – diluted normalised (c)	20.8	19.7	(18%)	(5%)
EPS – basic reported (c)	17.3	20.4	(45%)	17%
Headline EPS – basic continuing (c)	17.4	14.2	(232%)	(18%)
Company basic underlying uEPS (c)	21.2	20.2	230%	(5%)
Dividend (c)	7.1	7.0	N/A	(0%)
Revenue growth (%)	8.3	6.1	-7.0pp	-2.1pp
Gross Margin (%)	15.2	15.8	1.3pp	0.6pp
Adjusted EBITDA Margin (%)	3.5	3.5	0.0pp	0.0pp
Normalised Operating Margin (%)	2.5	2.4	0.0pp	-0.1pp
Net debt	205	123	16%	(40)%

Source: Datatec, Edison Investment Research

Datatec reported revenue growth of 6% for FY24, 2% below our forecast. We discuss divisional performance below. Despite lower-than-expected revenue growth, gross profit increased 16% y-o-y and was 2% ahead of our forecast. EBITDA increased 81% y-o-y and was 4% below our forecast. Adjusted EBITDA increased 7% y-o-y, resulting in an unchanged margin of 3.5%. Adjusted EBITDA excludes share-based payments of \$8.3m (FY23: \$52.6m) and restructuring and other one-off charges totalling \$6.2m (FY23: \$29.3m). Net finance costs increased from \$38.1m in FY23 to \$55.0m in FY24, reflecting higher interest rates on higher debt. Reported EPS includes a \$14.9m gain relating to the Mason Advisory acquisition (see below), which we had not forecast. Headline EPS from continuing operations, which excludes the post-tax gains and losses from the disposal of fixed assets, increased from -10.8 cents in FY23 to 14.2 cents in FY24. Underlying EPS from continuing operations (adjusts headline EPS by excluding impairment of intangible assets, amortisation of acquired intangibles, unrealised FX movements, acquisition-related adjustments and fair value movements, restructuring costs, one-off tax items affecting EBITDA, and costs relating to acquisitions, integrations and corporate actions), increased 230% y-o-y, reflecting a better trading performance and a significantly lower level of share-based payments than in FY23.

Net debt at year-end was \$123.1m, up from \$106.6m at the end of FY23 but well below our \$205.2m forecast due to better-than-expected management of working capital.

The company declared a final dividend of ZAR1.3/US\$0.07 for FY24, based on its policy of paying out one-third of underlying EPS. This is available as cash or with a scrip alternative.

### Bolt-on acquisitions

In December 2023, the company increased its shareholding in Mason Advisory Limited from 42.5% to 80% for a consideration of \$18.2m. It is now accounted for as a subsidiary rather than an associate and this resulted in a fair value adjustment of \$14.9m. Mason Advisory is included within the Corporate and Management Consulting division.

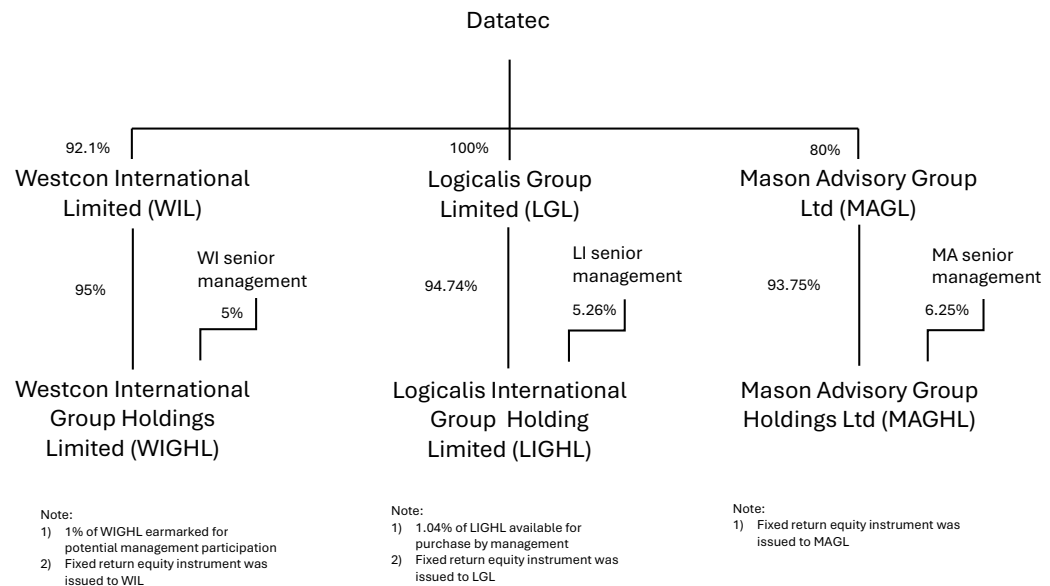
In September 2023, Logicalis Latin America acquired 5% of its shares held by Promon for \$8.6m and cancelled the shares. This reduced the minority interest in Logicalis Latin America from 35% to 31.58%.

In January 2024, Westcon acquired 100% of Rebura Holdings Limited for \$7.6m, of which \$6.5m was paid in cash on completion, with the remaining \$1.1m due one year after completion subject to certain conditions.

## New management incentive schemes

During FY24, the company put in place two new incentive schemes for the management teams of Westcon International and Logicalis International. Post year-end, the company set up a similar scheme for Mason Advisory. Exhibit 2 shows the key features of each scheme. Management will only be able to realise their shareholdings on the sale of the relevant business or similar exit event.

**Exhibit 2: Structure of new management incentive schemes**

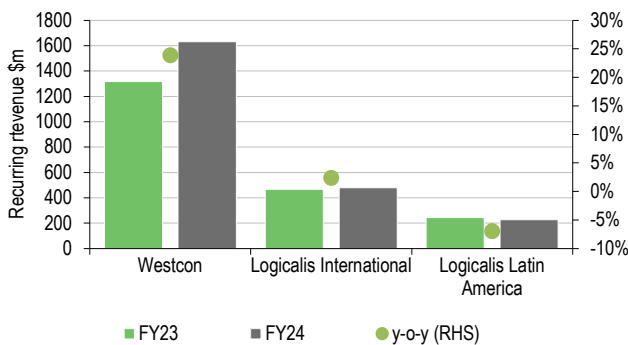


Source: Datatec

## Divisional performance

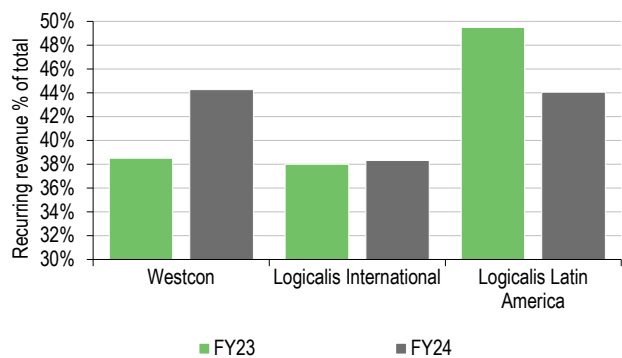
Exhibits 3 and 4 show recurring revenue by division.

**Exhibit 3: Recurring revenue and growth by division**



Source: Datatec

**Exhibit 4: Recurring revenue share of total revenue**



Source: Datatec

Exhibit 5 summarises divisional revenue and profitability.

Exhibit 5: Divisional performance										
\$m	FY23	FY24e	FY24	Diff	y-o-y					
<u>Revenue</u>										
Westcon	3,421	3,728	3,685	(1)%	8%					
Logicalis International	1,232	1,299	1,250	(4)%	2%					
Logicalis Latin America	491	540	513	(5)%	4%					
	5,143	5,568	5,458	(2)%	6%					
\$m	FY23	FY24e	FY24	Diff	y-o-y	FY23	FY24e	FY24	Diff (pp)	y-o-y (pp)
<u>Gross profit</u>										
						<u>Gross margin</u>				
Westcon	329	399	403	1%	23%	9.6%	10.7%	11.0%	0.2	1.3
Logicalis International	306	325	339	4%	11%	24.9%	25.0%	27.1%	2.1	2.2
Logicalis Latin America	110	120	118	(2)%	8%	22.3%	22.3%	23.0%	0.7	0.7
	745	844	862	2%	16%	14.5%	15.2%	15.8%	0.6	1.3
<u>EBITDA</u>										
						<u>EBITDA margin</u>				
Westcon	48	111	121	9%	150%	1.4%	3.0%	3.3%	0.3	1.9
Logicalis International	50	68	67	(2)%	32%	4.1%	5.2%	5.3%	0.1	1.2
Logicalis Latin America	21	27	12	(57)%	(46)%	4.3%	5.0%	2.2%	(2.7)	(2.1)
Central costs	(22)	(22)	(21)	(1)%	(2)%					
	98	184	178	(4)%	81%	1.9%	3.3%	3.3%	(0.1)	1.3
<u>Adjusted EBITDA</u>										
						<u>Adjusted EBITDA margin</u>				
Westcon	95	114	120	5%	26%	2.8%	3.1%	3.3%	0.2	0.5
Logicalis International	66	71	74	4%	12%	5.4%	5.5%	5.9%	0.4	0.5
Logicalis Latin America	25	27	13	(54)%	(49)%	5.1%	5.1%	2.5%	(2.6)	(2.6)
Central costs	(6)	(16)	(15)	(3)%	146%					
	180	197	192	(3)%	7%	3.5%	3.5%	3.5%	0.0	0.0

Source: Datatec, Edison Investment Research

## Westcon: Strong revenue and margin progression

Westcon reported revenue growth of 7.7% for FY24 (H124: +14.9% y-o-y; H224: +1.3%), with revenue slightly below our forecast. Revenues grew in every region as supply chain constraints eased and hardware availability improved, and the business worked its way through the backlog that had developed over previous years (Exhibit 6). Recurring revenue grew 24% y-o-y to 44% of total revenue, reflecting stronger growth in software sales. The business saw strong demand for cyber security, which grew 16% y-o-y to 42% of revenue (Exhibit 7). Software grew as a proportion of revenue, from 38% in FY23 to 43% in FY24 (Exhibit 8).

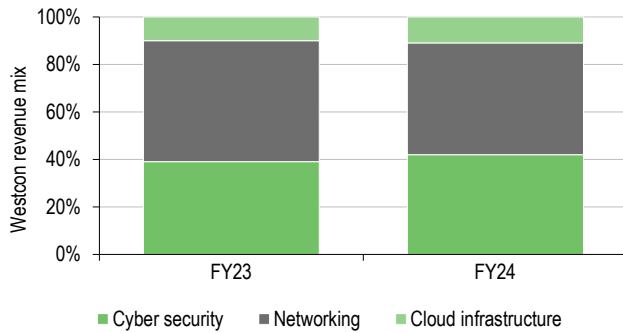
Gross profit grew 23% y-o-y and the gross margin expanded 1.3pp to 11.0%, helped by more stable exchange rates than in FY23. Adjusted EBITDA grew 26% y-o-y and was 5% ahead of our forecast, with the adjusted EBITDA margin expanding 0.5pp to 3.3%.

### Exhibit 6: Westcon backlog progression H122-H224



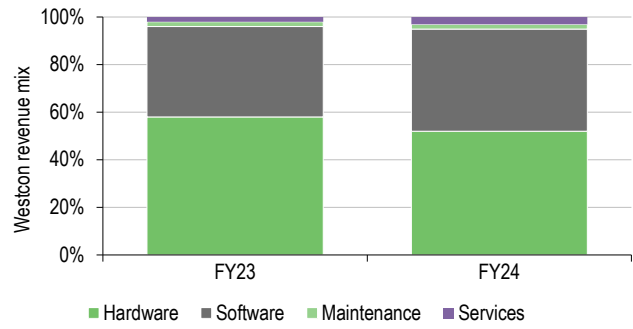
Source: Datatec

**Exhibit 7: Revenue by technology**



Source: Datatec

**Exhibit 8: Revenue by segment**



Source: Datatec

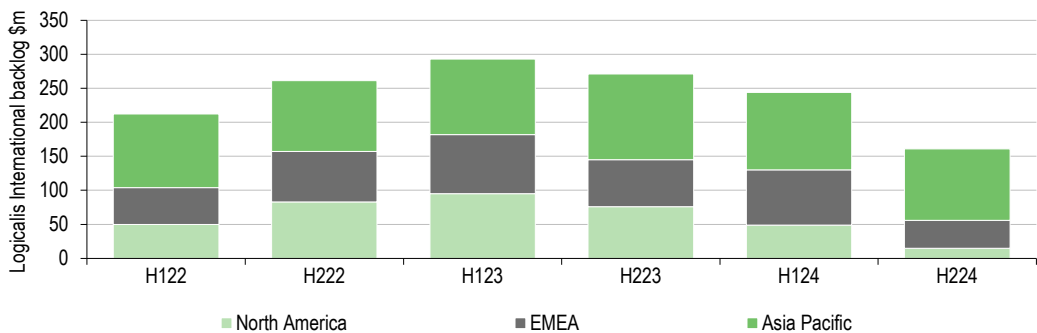
We have previously written about the extended payment terms offered by Cisco in recognition of the delays to delivery caused by supply chain constraints. These terms have now been reversed, which was the main reason for the \$21m increase in Westcon net debt in FY24 to \$88.9m. Partially offsetting this, the business saw an inventory reduction and faster inventory turns (from 8.8x in FY23 to 9.6x in FY24).

### Logicalis International (LI): Strong margin growth

LI grew revenue 1.5% y-o-y in FY24 (0.9% in constant currency) with 12.1% y-o-y growth in H124 and a 7.8% decline in H224. Recurring revenue increased 2% y-o-y to make up 38% of revenue. An increase in net revenue-accounted software sales, mainly in North America, dampened reported revenue growth, with North American revenue down 8% y-o-y, EMEA revenue up 11% and Asia-Pacific revenue flat, and software declining from 15% to 13% of sales. As for Westcon, the backlog continued to unwind (Exhibit 9) as delivery lead times have become more predictable. Asia-Pacific backlog often relates to long-term infrastructure-related projects and it can take longer to ship. Cloud revenue increased 53% y-o-y, making up 27% of revenue compared to 18% in FY23.

Gross profit increased 11% y-o-y with gross margin expanding 2.2pp to 27.1%, helped by the increased contribution from annuity services. Adjusted EBITDA increased 12% y-o-y with the adjusted EBITDA margin increasing 0.5pp to 5.9%. Adjusted EBITDA excluded share-based payments of \$2.4m (FY23: \$0.4m) and one-off tax items and M&A integration costs of \$5.2m (FY23: \$15.1m). Management noted that EBITDA growth was driven by strong performances in the US, the Asia-Pacific region and Spain, whereas the UK was at break-even and South Africa was loss-making.

**Exhibit 9: Logical International backlog, H122–H224**



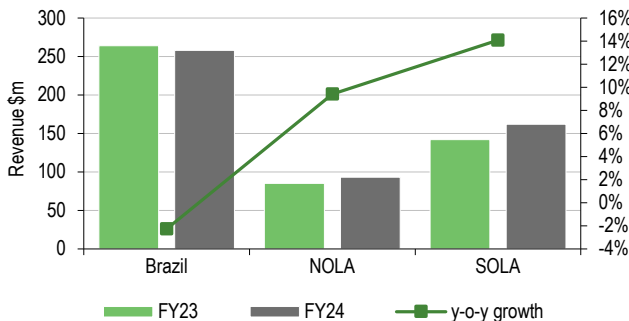
Source: Datatec

The absolute level of inventory declined and days of inventory outstanding reduced from 14 in FY23 to 11 in FY24. Net working capital was reduced by \$38m year-on-year, helping lower divisional net debt by \$8.7m to \$79.3m.

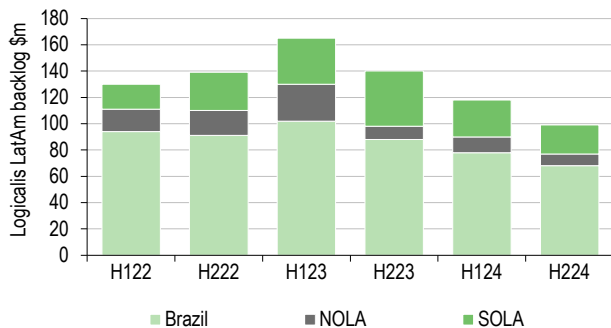
## Logicalis Latin America: Tough trading environment

Logicalis Latin America grew revenue 4.5% in FY24 (15.7% in constant currency) with 20.2% y-o-y growth in H124 and an 8.2% decline in H224. Revenue was 5% below our forecast due to lower-than-expected demand from Brazil and Mexico, with revenue from Brazil down 2% y-o-y, northern Latin America up 9% and southern Latin America up by 14%, despite the difficult economic situation in Argentina. The product backlog continued to reduce (Exhibit 11), although Brazil is taking longer than other countries to unwind. Recurring revenue declined by 7% y-o-y to 44% of revenue (FY23: 49%) mainly due to the reduction in scope or cancellation of some annuity contracts, particularly in Brazil. Cloud revenue increased 1% y-o-y making up 18% of revenue.

**Exhibit 10: Revenue and growth by geography**



**Exhibit 11: Backlog progression, H122–H224**



Source: Datatec Note: NOLA = North of Latin America, SOLA = South of Latin America.

Gross profit increased 8% y-o-y and the gross margin increased 0.7pp to 23.0%, helped by professional services and better product margins. Adjusted EBITDA declined by 49% y-o-y and was 54% below our forecast. Adjusted EBITDA includes a large proportion of the group's \$15.9m unrealised FX losses (which relate to the devaluation of the Argentine peso vs the US dollar) and excludes share-based payments of \$0.3m (FY23: \$0.5m) and restructuring and other one-off charges totalling \$0.7m (FY23: \$3.2m). The business saw a \$30m improvement from net debt of \$25.2m at the end of FY23 to net cash of \$5.2m at the end of FY24, helped by an improvement in net working capital days resulting from higher days' purchases outstanding (FY24: 166 days, vs FY23: 147 days) and lower days' sales outstanding (FY24: 56 days, vs FY23: 65 days).

## Outlook and changes to forecasts

Overall, the group continues to benefit from secular technology growth trends, including strong demand for cyber security and hybrid working, and the adoption of GenAI. As companies look to integrate GenAI into their internal and customer-facing processes, they will need help to build adequate hardware infrastructure and to integrate ChatGPT (or alternative) solutions into their existing IT estate, driving demand for both Westcon and Logicalis.

Management confirmed that it maintains its mid-term adjusted EBITDA margin targets. For Westcon, it is targeting a margin of 3.5–4.0% and, as it achieved a margin of 3.3% in FY24, management believes there is scope to exceed 4.0% in the medium term.

For both Logicalis businesses, it believes that the mid-term margin should be in the range of 6–7%. Logicalis International is very close to the bottom of the range at 5.9% in FY24. Logicalis Latin

America's profitability clearly declined significantly in FY24 to 2.5%, but achieved 5.1% in FY23 and 5.3% in FY22. Management noted that interest rates have been declining in Brazil (from 13.75% in July 2023 to 10.75% currently), which could help stimulate demand. In Argentina, the new government is working to stabilise the economy and currency controls have been relaxed somewhat, allowing Argentina operations to start paying their dollar-based suppliers.

We have revised our forecasts to reflect FY24 results and introduce forecasts for FY27.

- **Westcon and Logicalis International:** we have trimmed our revenue forecasts for FY25 and FY26 and slightly increased our EBITDA/adjusted EBITDA forecasts for FY25 reflecting FY24 performance. On lower revenue in FY26, we slightly reduce our EBITDA/adjusted EBITDA forecasts.
- **Logicalis Latin America:** we have reduced our revenue forecasts from the lower base in FY24. We assume that the worst of the currency losses relating to the devaluation of the peso were incurred in FY24 and we forecast improving profitability in FY25–27.
- **Corporate and Management Consulting:** we have factored in the consolidation of Mason Advisory, which we estimate will contribute EBITDA of \$5.5m in FY25.

Overall, our adjusted EBITDA forecasts increase marginally in FY25 but are 4% lower in FY26. Factoring in higher net debt as working capital requirements increase, we have increased net finance costs and reduced the tax rate slightly from 35% to 33%, resulting in uEPS 2% lower than our previous forecast in FY25 and 10% lower in FY26. This flows through to the dividend, which is based on one-third of uEPS.

**Exhibit 12: Changes to forecasts**

\$m	FY25e	FY25e	y-o-y		FY26e	FY26e	y-o-y		FY27e	y-o-y
	Old	New	growth	Change	Old	New	growth	Change	New	growth
<b>Revenue</b>	<b>5,833</b>	<b>5,731</b>	<b>5%</b>	<b>(2)%</b>	<b>6,111</b>	<b>5,991</b>	<b>5%</b>	<b>(2)%</b>	<b>6,264</b>	<b>5%</b>
Gross Profit	893	909	5%	2%	944	947	4%	0%	987	4%
<b>Adjusted EBITDA</b>	<b>222</b>	<b>224</b>	<b>17%</b>	<b>1%</b>	<b>250</b>	<b>240</b>	<b>7%</b>	<b>(4)%</b>	<b>257</b>	<b>7%</b>
EBITDA	213	214	20%	0%	241	230	7%	(5)%	247	7%
Normalised operating profit	162	164	25%	1%	188	178	9%	(5)%	194	9%
Profit before tax (normalised)	112.1	111.3	46%	(1)%	138	127	14%	(8)%	142	12%
Net income (normalised)	64.4	65.0	42%	1%	80	75	15%	(7)%	84	13%
EPS - diluted normalised (c)	27.6	27.4	39%	(1)%	34.5	31.6	15%	(8)%	35.6	13%
EPS - basic reported (c)	25.4	24.1	18%	(5)%	32.8	28.7	19%	(13)%	33.1	16%
Headline EPS - basic continuing (c)	25.4	24.1	69%	(5)%	32.8	28.7	19%	(13)%	33.1	16%
Company basic underlying uEPS (c)	26.0	25.4	26%	(2)%	33.2	29.7	17%	(10)%	33.9	14%
Dividend (c)	8.7	8.5			11.1	9.9			11.3	
<b>Revenue growth (%)</b>	<b>4.8</b>	<b>5.0</b>	<b>(1.1)pp</b>	<b>0.2pp</b>	<b>4.8</b>	<b>4.6</b>	<b>(0.4)pp</b>	<b>(0.2)pp</b>	<b>4.6</b>	
Gross Margin (%)	15.3	15.9	0.1pp	0.5pp	15.5	15.8	0.0pp	0.4pp	15.8	0.0pp
<b>Adj. EBITDA Margin (%)</b>	<b>3.8</b>	<b>3.9</b>	<b>0.4pp</b>	<b>0.1pp</b>	<b>4.1</b>	<b>4.0</b>	<b>0.1pp</b>	<b>(0.1)pp</b>	<b>4.1</b>	<b>0.1pp</b>
Normalised Operating Margin	2.8	2.9	0.5pp	0.1pp	3.1	3.0	0.1pp	(0.1)pp	3.1	0.1pp
Operating cash flow	160	54			159	164			172	
<b>Net debt</b>	<b>175</b>	<b>207</b>	<b>68%</b>	<b>18%</b>	<b>151</b>	<b>183</b>	<b>(11)%</b>	<b>21%</b>	<b>157</b>	<b>(14)%</b>
<b>Revenue</b>										
Westcon	3,915	3,869	5%	(1)%	4,111	4,063	5%	(1)%	4,266	5%
Logicalis	1,918	1,821	3%	(5)%	2,001	1,886	4%	(6)%	1,954	4%
Logicalis International	1,351	1,288	3%	(5)%	1,405	1,326	3%	(6)%	1,366	3%
Logicalis Latin America	567	533	4%	(6)%	596	560	5%	(6)%	588	5%
Corporate & Management Consulting	-	40	N/A	N/A	-	42	N/A	N/A	44	N/A
Total	5,833	5,731	5%	(2)%	6,111	5,991	5%	(2)%	6,264	5%
<b>EBITDA</b>										
Westcon	128.2	132.3	9%	3%	144.9	140.4	6%	(3)%	148.9	6%
Logicalis	106.0	97.7	25%	(8)%	117.7	105.8	8%	(10)%	114.3	8%
Logicalis International	75.5	76.7	15%	1%	83.3	81.7	7%	(2)%	86.9	6%
Logicalis Latin America	30.5	21.0	82%	(31)%	34.4	24.1	15%	(30)%	27.4	14%
Corporate & Management Consulting	(21.2)	(16.1)	-25%	(24)%	(21.8)	(16.2)	1%	(25)%	(16.4)	1%
Total	213.0	213.9	20%	0%	240.8	229.9	7%	(5)%	246.9	7%
<b>Adjusted EBITDA</b>										
Westcon	130.2	134.3	12%	3%	146.9	142.4	6%	(3)%	150.9	6%
Logicalis	108.2	100.4	16%	(7)%	119.9	108.5	8%	(9)%	117.1	8%
Logicalis International	77.2	79.1	7%	2%	85.0	84.1	6%	(1)%	89.3	6%
Logicalis Latin America	31.0	21.4	70%	(31)%	34.9	24.4	14%	(30)%	27.7	13%
Corporate & Management Consulting	(16.4)	(10.8)	-28%	(34)%	(16.9)	(11.0)	1%	(35)%	(11.1)	1%
Total	222.0	223.9	17%	1%	249.8	239.9	7%	(4)%	256.9	7%
<b>Adjusted EBITDA margin</b>										
Westcon	3.3%	3.5%	0.2pp	0.1pp	3.6%	3.5%	0.0pp	(0.1)pp	3.5%	0.0pp
Logicalis International	5.7%	6.1%	0.2pp	0.4pp	6.0%	6.3%	0.2pp	0.3pp	6.5%	0.2pp
Logicalis Latin America	5.5%	4.0%	1.5pp	(1.5)pp	5.9%	4.4%	0.4pp	(1.5)pp	4.7%	0.4pp

Source: Edison Investment Research

## Valuation

On a group basis, Datatec is valued on a minority-adjusted EV/adjusted EBITDA multiple of 3.0x FY25e and 2.8x FY26e and on a normalised P/E basis of 7.7x FY25e and 6.6x FY26. To more accurately reflect the dynamics of the different divisions, we continue to value Datatec on a SOTP basis. We have rolled forward our forecasts by one year. We note that peer multiples are broadly unchanged since we last published our valuation in November 2023 and we have adjusted our minority interest percentages to reflect the new management incentive schemes and the buy-back of a small amount of minority interest in Logicalis Latin America.

Using the EV/EBITDA peer multiples in Exhibit 13, FY25e net debt (we add \$150m to this as the group typically operates at a higher level of net debt across the year) and a 30% discount (South



Africa sovereign risk and holding company discount), we arrive at a per-share valuation of ZAR70.46. This implies 88% upside from the current share price.

### Exhibit 13: Sum-of-the-parts valuation

\$m	Revenues		Adjusted EBITDA			
	FY25e	FY26e	FY25e	FY26e		
Logicalis International	1,288	1,326	79	84		
Logicalis Latin America	533	560	21	24		
Westcon	3,869	4,063	134	142		
Mason Advisory and central costs			(11)	(11)		
Peer multiples (x)	Revenues		EBITDA			
	FY25e	FY26e	FY25e	FY26e		
Logicalis International	0.8	0.8	9.5	8.7		
Logicalis Latin America	0.5	0.4	5.0	4.5		
Westcon	0.4	0.4	9.1	8.4		
Mason Advisory and central costs			8.0	8.0		
\$m	Implied EV based on				Economic interest	Mean EV
	Revenues		EBITDA			
	FY25e	FY26e	FY25e	FY26e		
Logicalis International	1,094	1,058	749	734	92%	678
Logicalis Latin America	283	246	107	110	68%	74
Westcon	1,740	1,713	1,099	1,072	90%	974
Mason Advisory and central costs			(87)	(88)	100%	(87)
					<b>Group EV</b>	<b>1,640</b>
Assumed average net debt	(357)					
<b>SOTP – Equity value</b>	<b>1,283</b>					
Discount for: RSA sovereign risk, holding company risk	30%					
<b>Adjusted equity value</b>	<b>898</b>					
Shares in issue (m)	228.9					
SOTP value per share (US\$)	3.92					
<b>SOTP value per share (ZAR)</b>	<b>70.46</b>					
Latest share price (ZAR)	37.68					
<b>Upside from latest share price</b>	<b>88%</b>					

Source: Edison Investment Research, LSEG (as at 18 June)

Through the ongoing strategic review, management has started to unlock some of this value with the sale of Analysys Mason and the subsequent return of cash to shareholders. We believe further transactions may take place in the medium term when market conditions start to improve. In the meantime, the company continues to work on operational improvements across the three divisions.

**Exhibit 14: Financial summary**

Year end 28 February	\$000s	2020	2021	2022	2023	2024	2025e	2026e	2027e
<b>INCOME STATEMENT</b>									
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue		4,214,421	4,109,463	4,546,398	5,143,125	5,457,947	5,730,593	5,991,369	6,264,410
Cost of Sales		(3,472,843)	(3,418,939)	(3,816,630)	(4,398,618)	(4,595,711)	(4,821,980)	(5,044,299)	(5,277,170)
Gross Profit		741,578	690,524	729,768	744,507	862,236	908,614	947,070	987,240
Adjusted EBITDA		166,280	152,490	158,922	180,182	192,085	223,900	239,938	256,874
EBITDA		158,657	118,619	143,457	98,246	177,589	213,900	229,938	246,874
Normalised operating profit		105,157	97,859	100,540	123,677	131,186	164,436	178,437	194,282
Amortisation of acquired intangibles		(11,297)	(8,635)	(10,100)	(11,629)	(3,599)	(4,800)	(3,800)	(2,800)
Exceptionals		(3,700)	(27,771)	0	(40,915)	(2,950)	0	0	0
Share-based payments		(7,623)	(11,493)	(15,465)	(52,641)	(8,277)	(10,000)	(10,000)	(10,000)
Reported operating profit		82,537	49,960	74,975	18,492	116,360	149,636	164,637	181,482
Net Interest		(25,874)	(25,692)	(31,051)	(38,090)	(54,966)	(53,128)	(51,382)	(51,945)
Joint ventures & associates (post tax)		(204)	908	(427)	882	251	0	0	0
Exceptionals		2,029	59	540	(1,333)	14,820	0	0	0
Profit Before Tax (norm)		79,079	73,075	69,062	86,469	76,471	111,308	127,055	142,337
Profit Before Tax (reported)		58,488	25,235	44,037	(20,049)	76,465	96,508	113,255	129,537
Reported tax		(31,809)	(19,540)	(9,470)	(13,375)	(25,527)	(31,848)	(37,374)	(42,747)
Profit After Tax (norm)		34,615	30,034	36,179	56,205	50,942	74,576	85,127	95,366
Profit After Tax (reported)		26,679	5,695	34,567	(33,424)	50,938	64,660	75,881	86,790
Minority interests		(13,772)	(3,103)	(6,431)	(3,209)	(5,137)	(9,571)	(10,264)	(10,996)
Discontinued operations		1,332	0	5,766	116,967	0	0	0	0
Net income (normalised)		20,843	26,938	29,748	52,996	45,805	65,005	74,863	84,370
Net income (reported)		14,239	2,592	33,902	80,334	45,801	55,089	65,617	75,794
Average number of shares outstanding (m)		210.5	198.8	203.2	218.0	224.8	228.9	228.9	228.9
EPS - diluted normalised (c)		9.7	13.2	14.2	24.1	19.7	27.4	31.6	35.6
EPS - basic reported (c)		6.8	1.3	16.7	36.9	20.4	24.1	28.7	33.1
EPS - Company underlying (c)		9.9	13.5	16.0	6.1	20.2	25.4	29.7	33.9
Dividend (c)		7.0	6.6	39.3	77.7	7.0	8.5	9.9	11.3
Revenue growth (%)		(2.7)	(2.5)	10.6	13.1	6.1	5.0	4.6	4.6
Gross Margin (%)		17.6	16.8	16.1	14.5	15.8	15.9	15.8	15.8
Adj EBITDA Margin (%)		3.9	3.7	3.5	3.5	3.5	3.9	4.0	4.1
Normalised Operating Margin (%)		2.5	2.4	2.2	2.4	2.4	2.9	3.0	3.1
<b>BALANCE SHEET</b>									
Fixed Assets		512,598	554,690	613,155	610,565	741,075	745,172	749,709	755,698
Intangible Assets		291,279	314,486	320,089	293,184	335,621	335,408	335,544	336,486
Tangible Assets		43,300	39,987	32,517	33,054	35,823	40,134	44,535	49,581
Right-of-use assets		83,953	94,837	80,639	56,248	55,991	55,991	55,991	55,991
Investments & other		94,066	105,380	179,910	228,079	313,640	313,640	313,640	313,640
Current Assets		2,083,928	2,242,568	2,399,078	3,015,700	2,892,261	2,924,957	3,036,434	3,154,368
Stocks		253,271	242,005	309,227	411,059	324,868	340,863	356,578	373,040
Debtors		1,110,510	1,108,105	1,223,824	1,508,470	1,488,867	1,563,242	1,634,379	1,708,861
Cash & cash equivalents		347,189	488,632	453,926	584,683	569,035	510,412	533,994	559,836
Other		372,958	403,826	412,101	511,488	509,491	510,440	511,483	512,631
Current Liabilities		(1,765,823)	(1,980,013)	(2,152,175)	(2,869,641)	(2,829,580)	(2,805,677)	(2,853,141)	(2,900,798)
Creditors		(1,275,690)	(1,401,804)	(1,544,198)	(2,088,899)	(2,048,883)	(1,992,092)	(2,032,012)	(2,071,770)
Short term borrowings		(338,945)	(392,877)	(433,176)	(577,224)	(581,233)	(606,233)	(606,233)	(606,233)
Lease liabilities		(34,325)	(36,398)	(32,870)	(27,005)	(26,243)	(26,243)	(26,243)	(26,243)
Other		(116,863)	(148,934)	(141,931)	(176,513)	(173,221)	(181,109)	(188,653)	(196,552)
Long Term Liabilities		(187,610)	(176,624)	(229,112)	(224,284)	(234,612)	(236,779)	(238,852)	(241,023)
Long term borrowings		(18,638)	(42,371)	(56,440)	(41,624)	(39,138)	(39,138)	(39,138)	(39,138)
Lease liabilities		(95,148)	(77,847)	(61,523)	(45,412)	(45,548)	(45,548)	(45,548)	(45,548)
Other long term liabilities		(73,824)	(56,406)	(111,149)	(137,248)	(149,926)	(152,093)	(154,166)	(156,337)
Net Assets		643,093	640,621	630,946	532,340	569,144	627,672	694,150	768,244
Minority interests		(70,778)	(57,465)	(67,516)	(60,331)	(67,911)	(67,482)	(87,746)	(98,742)
Shareholders' equity		572,315	583,156	563,430	472,009	501,233	550,190	606,404	669,503
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		169,980	157,888	162,842	191,840	188,816	223,900	239,938	256,874
Working capital		57,231	79,903	(76,807)	(18,203)	29,583	(137,105)	(37,315)	(41,116)
Exceptional & other		19,330	(3,453)	10,677	(231)	(42,829)	(949)	(1,044)	(1,148)
Tax		(36,941)	(36,597)	(26,282)	(24,182)	(27,108)	(31,848)	(37,374)	(42,747)
Operating cash flow		209,600	197,741	70,430	149,224	148,462	53,999	164,205	171,862
Capex		(28,036)	(35,145)	(24,841)	(36,669)	(39,511)	(40,924)	(42,400)	(43,942)
Acquisitions/disposals		(9,179)	(3,694)	(16,424)	114,821	(16,849)	0	0	0
Net interest		(30,972)	(25,745)	(31,265)	(38,596)	(55,465)	(53,128)	(51,382)	(51,945)
Equity financing		(51,683)	(2,808)	(6,150)	(7,725)	6,633	0	0	0
Dividends		(15,137)	(4,905)	(43,136)	(154,399)	(13,925)	(16,132)	(19,403)	(22,696)
Other		20,019	1,880	(2,034)	(2,914)	(11,957)	(27,438)	(27,438)	(27,438)
Net Cash Flow		94,612	127,324	(53,420)	23,742	17,388	(83,623)	23,582	25,842
Opening net debt/(cash)		100,753	139,867	60,874	130,096	106,595	123,140	206,763	183,181
FX and non-cash movements		(133,726)	(48,331)	(15,802)	(241)	(33,933)	0	0	0
Closing net debt/(cash)		139,867	60,874	130,096	106,595	123,140	206,763	183,181	157,339

Source: Datatec, Edison Investment Research

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