

# Datatec

Trading update

FY21 underlying EPS expected to rise by over 35%

In a trading update for the financial year ended 28 February 2021 (FY21), Datatec highlighted that it expected to report a 35–39% y-o-y rise in underlying EPS to 13.4–13.8c (FY20: 9.9c). Edison’s FY21 forecast conservatively reflects a slight fall in EPS year-on-year, due to uncertainties around the pandemic. Despite the impact of COVID-19, all the group’s divisions continued to perform strongly in H221, driven by the strength of the technology sector. Management also indicated the group’s strong operating cash flows and a ‘significant reduction’ in net debt (Edison’s estimates indicate only a small fall to US\$127m at FY21 year end). This looks like a very positive trading update in an uncertain global environment. We will review our forecasts after the FY21 results, expected on 25 May 2021.

| Year end | Revenue (US\$m) | PBT* (US\$m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|-----------------|--------------|----------|---------|---------|-----------|
| 02/19    | 4,332           | 65.7         | 3.0      | 0.00    | 70.9    | N/A       |
| 02/20    | 4,305           | 79.1         | 10.6     | 7.00    | 19.8    | 3.3       |
| 02/21e   | 4,258           | 67.0         | 10.1     | 3.44    | 20.7    | 1.6       |
| 02/22e   | 4,419           | 84.6         | 16.4     | 5.46    | 12.8    | 2.6       |

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

There are two key elements to reconcile the 35%+ y-o-y increase in underlying EPS with the c 80% y-o-y fall in statutory EPS. In FY21, Datatec incurred US\$22m (around 11c per share) of one-off COVID-19 and fundamental restructuring costs. Together with the prior year (FY20) benefiting from a well-disclosed multi-year tax credit for Logicalis Brazil, this totals c US\$21m with interest (around 4c per share post tax and minorities) and leads to the c 80% expected fall in statutory EPS to 1.2–1.6c (FY20: 6.8c).

IT services

13 May 2021

**Price** **ZAR29.49**
**Market cap** **ZAR5.9bn**

ZAR14.07:US\$

Net debt (US\$m) at 31 August 2020 73.2

Shares in issue 201.5m

Free float 63%

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).

## Analysts

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