EDISON

Datatec

Special dividend details announced

As part of the refinancing of the Westcon division announced in June, the company had committed to paying out the proceeds of the transaction as a special dividend. It has now confirmed that it will pay out ZAR7.053bn/ $435m, which is equivalent to 2900 ZAR cents/181 US cents per share. In addition to updating our forecasts for the precise payout, we have also reflected the new shares issued in July in relation to the scrip dividend.

Year end	Revenue ($m)	PBT ($m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
2/25	3,551.9	136.6	34.07	15.45	15.4	3.0
2/26	3,670.0	189.8	45.93	23.78	11.4	4.5
2/27e	3,834.8	203.2	46.06	204.71	11.4	39.1
2/28e	3,998.9	214.5	46.49	23.92	11.3	4.6

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

Return of $435m to shareholders

On 19 June, Datatec announced that it had agreed the refinancing of its Westcon division, which includes a small equity investment by General Atlantic. The transaction completed on 4 August, establishing a standalone capital structure for Westcon with Datatec retaining control of the business. The Datatec board committed to return the $434m net proceeds of the transaction to shareholders in the form of a special dividend. Yesterday the company confirmed it will pay out ZAR7.053bn/$435m as a special dividend, equivalent to 2900 ZAR cents/181 US cents (at ZAR16.0/$1). The company is offering a scrip distribution alternative.

Revised forecasts reflect updated share count

We have updated our EPS and DPS forecasts to reflect the higher share count arising from scrip dividends paid in July relating to the FY26 final dividend. We have also reflected the precise amount of the special dividend payout. For the special dividend and all future dividends, we assume a 100% cash payout and will adjust for scrip dividends once paid.

Valuation: Further upside potential

Datatec currently trades on EV/adjusted EBITDA multiples of 4.5x in FY27 and 4.1x in FY28, well below its peer group (average of 8.9x across both years). On a conservative sum-of-the-parts valuation using peer group averages, we estimate that Datatec could be worth ZAR108.43 (up from ZAR104.43 when we last wrote reflecting higher peer multiples offset by higher share count and a weaker dollar versus the rand). Post the special dividend, this would reduce to ZAR79.43. Sustained recovery in trading in Logicalis Latam, gross profit growth and improving the conversion of gross profit to EBITDA across the group will be key to further reducing the discount to peers.

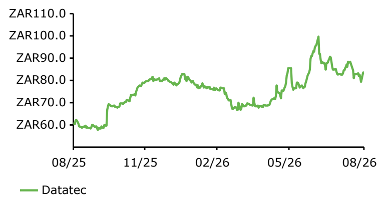
Special dividend

Software and comp services

25 August 2026

Price	**ZAR83.85**
Market cap	**ZAR20,397m**
	ZAR16.0:$1
Net cash/(debt) at end FY26	$(46.7)m
Shares in issue	243.3m
Free float	60.7%
Code	DTCJ
Primary exchange	JSE
Secondary exchange	OTCQX

Share price performance



%	1m	3m	12m
Abs	0.9	0.3	46.5
52-week high/low		ZAR97.2	ZAR54.9

Business description

Datatec is a South African-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

H127 results	29 October

Analyst

Katherine Thompson +44 (0)20 3077 5700

tmt@edisongroup.com
Edison profile page

Datatec is a research client of Edison Investment Research Limited

Special dividend details

The record date for the cash dividend and scrip distribution alternative will be 19 October. The share will go ex-dividend on 14 October.

The scrip alternative distribution will be priced based on the volume weighted average price (VWAP) of the share traded on the JSE during the 30-day trading period ending on 5 October, less the amount of the special cash dividend. Shareholders must make their election to receive a scrip distribution alternative by 16 October.

We have updated our forecasts to reflect the precise value of the special dividend. We assume a 100% cash take-up. We have also updated our forecasts to reflect the take-up of the scrip alternative distribution for the FY26 final dividend. This resulted in a cash payout of $8.9m and the issue of 4,596,165 shares. For all future dividends, we assume a 100% cash payout and only reflect shares arising from scrip dividend elections once issued.

The higher share count results in reduced EPS forecasts, and consequently dividend per share forecasts (as these are based on paying out 50% of underlying EPS). Net debt is slightly reduced reflecting the-lower-than-expected cash payout for the FY26 final dividend.

Exhibit 1: Changes to forecasts

$m	FY27e	FY27e	Growth		FY28e	FY28e	Growth		FY29e	FY29e	Growth	
	Old	New	y-o-y	Change	Old	New	y-o-y	Change	Old	New	y-o-y	Change
Revenue	3,835	3,835	*4.5%*	*0.0%*	3,999	3,999	*4.3%*	*0.0%*	4,163	4,163	*4.1%*	*0.0%*
Gross Profit	1,056	1,056	*5.8%*	*0.0%*	1,101	1,101	*4.3%*	*0.0%*	1,146	1,146	*4.1%*	*0.0%*
Adjusted EBITDA	330	330	*13.8%*	*0.0%*	357	357	*8.1%*	*0.0%*	383	383	*7.3%*	*0.0%*
EBITDA	312	312	*15.8%*	*0.0%*	338	338	*8.6%*	*0.0%*	364	364	*7.7%*	*0.0%*
Normalised operating profit	271	271	*16.5%*	*0.0%*	296	296	*9.2%*	*0.0%*	321	321	*8.2%*	*0.0%*
Profit before tax (normalised)	203	203	*7.1%*	*0.0%*	214	214	*5.5%*	*0.0%*	239	239	*11.3%*	*0.0%*
Net income (normalised)	113	113	*3.0%*	*0.0%*	116	116	*2.3%*	*0.0%*	131	131	*13.1%*	*0.0%*
EPS – basic reported (c)	41.7	41.1	*3.8%*	*-1.4%*	42.8	41.6	*1.2%*	*-2.8%*	49.2	47.8	*15.0%*	*-2.8%*
Headline EPS – basic continuing (c)	41.7	41.1	*3.0%*	*-1.4%*	42.8	41.6	*1.2%*	*-2.8%*	49.2	47.8	*15.0%*	*-2.8%*
Company basic uEPS (c)	48.1	47.4	*-1.6%*	*-1.4%*	49.2	47.8	*0.9%*	*-2.8%*	55.7	54.1	*13.1%*	*-2.8%*
Company diluted uEPS (c)	46.7	46.0	*-1.5%*	*-1.4%*	47.8	46.4	*0.9%*	*-2.8%*	54.0	52.5	*13.1%*	*-2.8%*
EPS – diluted normalised (c)	46.7	46.1	*0.3%*	*-1.4%*	47.8	46.5	*0.9%*	*-2.8%*	54.0	52.6	*13.1%*	*-2.8%*
Dividend (c)	206.1	204.7	*760.9%*	*-0.7%*	24.6	23.9	*-88.3%*	*-2.8%*	27.8	27.0	*13.1%*	*-2.8%*
Revenue growth (%)	*4.5*	*4.5*		*0.0pp*	*4.3*	*4.3*	*-0.2pp*	*0.0pp*	*4.1*	*4.1*	*-0.2pp*	0.0%
Gross Margin (%)	*27.5*	*27.5*	*0.3pp*	*0.0pp*	*27.5*	*27.5*	*0.0pp*	*0.0pp*	*27.5*	*27.5*	*0.0pp*	0.0%
Adjusted EBITDA Margin (%)	*8.6*	*8.6*	*0.7pp*	*0.0pp*	*8.9*	*8.9*	*0.3pp*	*0.0pp*	*9.2*	*9.2*	*0.3pp*	0.0%
Normalised Operating Margin (%)	*7.1*	*7.1*	*0.7pp*	*0.0pp*	*7.4*	*7.4*	*0.3pp*	*0.0pp*	*7.7*	*7.7*	*0.3pp*	0.0%
Adjusted EBITDA/gross profit (%)	*31.3*	*31.3*	*2.2pp*	*0.0pp*	*32.4*	*32.4*	*1.1pp*	*0.0pp*	*33.4*	*33.4*	*1.0pp*	
Operating cash flow	243	243	*50%*	*0%*	269	269	*10%*	*0.0%*	284	284	*6%*	*0.0%*
Net debt/(cash)	411	393	*743%*	*(4)%*	338	322	*N/A*	*(5)%*	252	240	*N/A*	*(5)%*

Source: Edison Investment Research

Exhibit 2: Financial summary

Year end 28 February $'k	2022	2023	2024	2025	2026	2027e	2028e	2029e
INCOME STATEMENT	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	4,546,398	5,143,125	3,992,400	3,551,940	3,670,046	3,834,832	3,998,942	4,163,207
Cost of Sales	(3,816,630)	(4,398,618)	(3,130,164)	(2,641,621)	(2,672,242)	(2,778,908)	(2,897,708)	(3,016,887)
Gross Profit	729,768	744,507	862,236	910,319	997,804	1,055,924	1,101,233	1,146,320
Adjusted EBITDA	158,922	180,182	192,085	246,229	290,084	330,113	356,816	382,812
EBITDA	143,457	98,246	177,589	221,309	269,089	311,588	338,291	364,287
Normalised operating profit	100,540	123,677	131,186	193,556	232,837	271,357	296,424	320,730
Amortisation of acquired intangibles	(10,100)	(11,629)	(3,599)	(7,064)	(5,618)	(4,000)	(4,000)	(4,000)
Exceptionals	0	(40,915)	(2,950)	(11,497)	(2,550)	0	0	0
Share-based payments	(15,465)	(52,641)	(8,277)	(15,765)	(18,525)	(18,525)	(18,525)	(18,525)
Reported operating profit	74,975	18,492	116,360	159,230	206,144	248,832	273,899	298,205
Net Interest	(31,051)	(38,090)	(54,966)	(56,932)	(43,060)	(68,113)	(81,946)	(81,946)
Joint ventures & associates (post tax)	(427)	882	251	0	0	0	0	0
Exceptionals	540	(1,333)	14,820	1,704	(392)	0	0	0
Profit Before Tax (norm)	69,062	86,469	76,471	136,624	189,777	203,244	214,477	238,784
Profit Before Tax (reported)	44,037	(20,049)	76,465	104,002	162,692	180,719	191,952	216,259
Reported tax	(9,470)	(13,375)	(25,527)	(34,720)	(53,964)	(58,734)	(62,384)	(70,284)
Profit After Tax (norm)	36,179	56,205	50,942	91,013	126,829	137,189	144,772	161,179
Profit After Tax (reported)	34,567	(33,424)	50,938	69,282	108,728	121,985	129,568	145,975
Minority interests	(6,431)	(3,209)	(5,137)	(10,103)	(16,955)	(24,069)	(29,065)	(30,360)
Discontinued operations	5,766	116,967	0	0	0	0	0	0
Net income (normalised)	29,748	52,996	45,805	80,910	109,874	113,121	115,707	130,819
Net income (reported)	33,902	80,334	45,801	59,179	91,773	97,916	100,503	115,615
Average number of shares outstanding (m)	203.2	218.0	224.8	229.9	231.9	238.5	241.9	241.9
EPS - diluted normalised (c)	14.2	24.1	19.7	34.1	45.9	46.0	46.4	52.5
EPS - basic reported (c)	16.7	36.9	20.4	25.7	39.6	41.1	41.5	47.8
EPS - Company underlying uEPS (c)	16.0	6.1	17.1	35.7	48.2	47.4	47.8	54.0
Dividend (c)	39.3	77.7	7.1	15.5	23.8	204.7	23.9	27.0
Revenue growth (%)	10.6	13.1	(22.4)	(11.0)	3.3	4.5	4.3	4.1
Gross margin (%)	16.1	14.5	21.6	25.6	27.2	27.5	27.5	27.5
Adjusted EBITDA margin (%)	3.5	3.5	4.8	6.9	7.9	8.6	8.9	9.2
Normalised operating margin (%)	2.2	2.4	3.3	5.4	6.3	7.1	7.4	7.7
BALANCE SHEET								
Non-Current Assets	613,155	621,117	748,153	926,418	1,080,142	1,077,781	1,070,633	1,063,492
Intangible Assets	320,089	293,184	335,621	334,188	350,523	350,776	346,349	342,007
Tangible Assets	32,517	33,054	35,823	31,587	31,187	28,574	25,852	23,053
Right-of-use assets	80,639	56,248	55,991	70,711	63,940	63,940	63,940	63,940
Investments & other	179,910	238,631	320,718	489,932	634,492	634,492	634,492	634,492
Current Assets	2,399,078	3,005,148	2,885,183	3,046,870	3,564,876	3,785,788	3,977,720	4,181,168
Stocks	309,227	411,059	324,868	269,788	273,355	291,880	312,297	333,407
Debtors	1,223,824	1,508,470	1,488,867	1,632,973	1,955,775	2,054,096	2,152,956	2,252,799
Cash & cash equivalents	453,926	584,683	569,035	584,113	704,114	807,419	879,236	960,810
Other	412,101	500,936	502,413	559,996	631,632	632,393	633,231	634,152
Current Liabilities	(2,152,175)	(2,838,892)	(2,795,606)	(2,940,545)	(3,455,779)	(3,617,644)	(3,709,086)	(3,799,659)
Creditors	(1,544,198)	(2,058,150)	(2,014,909)	(2,222,026)	(2,550,563)	(2,627,729)	(2,709,511)	(2,790,416)
Short term borrowings	(433,176)	(577,224)	(581,233)	(501,381)	(597,909)	(672,909)	(672,909)	(672,909)
Lease liabilities	(32,870)	(27,005)	(26,243)	(29,255)	(27,169)	(27,169)	(27,169)	(27,169)
Other	(141,931)	(176,513)	(173,221)	(187,883)	(280,138)	(289,837)	(299,497)	(309,166)
Long-Term Liabilities	(229,112)	(255,033)	(268,586)	(438,136)	(570,759)	(948,577)	(951,384)	(954,194)
Long-term borrowings	(56,440)	(41,624)	(39,138)	(36,369)	(28,057)	(403,057)	(403,057)	(403,057)
Lease liabilities	(61,523)	(45,412)	(45,548)	(53,363)	(49,501)	(49,501)	(49,501)	(49,501)
Other long-term liabilities	(111,149)	(167,997)	(183,900)	(348,404)	(493,201)	(496,019)	(498,826)	(501,636)
Net Assets	630,946	532,340	569,144	594,607	618,480	297,348	387,882	490,807
Minority interests	(67,516)	(60,331)	(67,911)	(73,669)	(78,186)	(113,255)	(142,320)	(172,679)
Shareholders' equity	563,430	472,009	501,233	520,938	540,294	184,093	245,563	318,127
CASH FLOW								
Op Cash Flow before WC and tax	162,842	191,840	188,816	248,571	290,164	330,113	356,816	382,812
Working capital	(76,807)	(18,203)	29,583	81,612	2,460	(27,162)	(25,029)	(27,570)
Exceptional & other	10,677	(231)	(42,829)	(43,370)	(73,724)	(761)	(837)	(921)
Tax	(26,282)	(24,182)	(27,108)	(40,338)	(56,054)	(58,734)	(62,384)	(70,284)
Operating cash flow	70,430	149,224	148,462	246,475	162,846	243,456	268,566	284,037
Capex	(24,841)	(36,669)	(39,511)	(26,371)	(26,855)	(27,955)	(29,103)	(30,300)
Acquisitions/disposals	(16,424)	114,821	(15,645)	690	(5,976)	6,200	0	0
Net interest	(31,265)	(38,596)	(55,465)	(56,770)	(46,349)	(68,113)	(81,946)	(81,946)
Equity financing	(6,150)	(7,725)	6,633	(12,657)	(19,470)	0	0	0
Dividends	(43,136)	(154,399)	(13,925)	(12,421)	(20,700)	(472,642)	(57,558)	(61,575)
Other	(2,034)	(2,914)	(13,161)	(3,767)	(428)	(27,641)	(28,141)	(28,641)
Net Cash Flow	(53,420)	23,742	17,388	135,179	43,068	(346,695)	71,818	81,574
Opening net debt/(cash)	60,861	130,083	106,582	123,127	52,118	46,666	393,361	321,544
FX and non-cash movements	(15,802)	(241)	(33,933)	(64,170)	(37,616)	0	0	0
Closing net debt/(cash)	130,083	106,582	123,127	52,118	46,666	393,361	321,544	239,970

Source: Datatec, Edison Investment Research

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom