

Datatec

FY23 results

On a growth track for FY24

Datatec reported solid results for FY23 with revenue and adjusted EBITDA ahead of our forecasts. As supply chain issues eased in H2, all divisions accelerated revenue growth as they started to work down order backlogs, and working capital was tightly managed to reduce net debt by 18% at year-end. Further unwind of the backlog combined with sustained strong demand drives our revenue and adjusted EBITDA upgrades for FY24 and FY25. After factoring in higher interest rates, our underlying EPS reduces by 8% in FY24 and 4% in FY25.

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	13.8	20.1
02/23	5,143	86.7	24.1	77.7	8.1	39.7
02/24e	5,499	89.6	21.5	7.0	9.1	3.6
02/25e	5,761	113.0	27.6	8.9	7.1	4.6

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

FY23 revenue and adjusted EBITDA ahead

FY23 revenue grew 13% y-o-y (20% in constant currency) and was 3% ahead of our forecast. Adjusted EBITDA also grew 13% y-o-y and was 3% ahead. Exceptionally high share-based payments of \$52.6m (vs our \$32.1m) reduced underlying EPS below our forecast. Better-than-expected working capital management resulted in operating cash flow 64% higher than forecast and an 18% reduction in net debt y-o-y. Datatec announced a final dividend of 10c/195 ZARc.

Revising up revenue and adjusted EBITDA

Based on FY23 results, we have revised up our group revenue forecasts by 4% for FY24 and FY25, resulting in adjusted EBITDA upgrades of 1% and 2%, respectively. We forecast adjusted EBITDA margin expansion from 3.5% in FY23 to 4.1% by FY26. Factoring in higher net finance costs, we reduce our underlying EPS forecasts by 8% in FY24 and 4% in FY25. We expect net debt to increase over FY24 as working capital requirements normalise before reducing again from FY25.

Valuation: Significant value to unlock

Datatec currently trades on an EV/adjusted EBITDA multiple of 2.8x FY24e and 2.5x FY25e, well below its peer group (c 8x for both years). On a conservative sum-of-the-parts valuation using peer group averages, we estimate that Datatec could be worth 98% more than the current share price. A return to revenue growth in Logicalis Latin America and improving profitability across the group will be key to reducing the discount to peers. The ongoing strategic review continues to seek ways address this persistent gap, with the recent sale of Analysys Mason a key example of unlocking value and returning it to shareholders. Management is introducing new incentive schemes for divisional management focused on ownership at the divisional rather than group level to further drive performance.

Software and comp services

5 June 2023

Price **ZAR38.27**
Market cap **ZAR8,607m**

ZAR19.56:\$1

Net debt (\$m) at end FY23 106.6

Shares in issue 224.9m

Free float 86%

Code DTCJ

Primary exchange JSE

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	6.2	10.1	4.5
Rel (local)	6.7	10.7	(3.8)

52-week high/low ZAR47.87 ZAR29.81

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 27 July 2023

Analyst

Katherine Thompson +44 (0)20 3077 5700

tech@edisongroup.com
[Edison profile page](#)

**Datatec is a research client of
Edison Investment Research
Limited**

Review of FY23 results

Exhibit 1: FY23 results highlights – continuing operations

\$m	FY22	FY23e	FY23a	y-o-y growth	Diff
Revenue	4,546	5,017	5,143	13%	3%
Gross Profit	730	717	745	2%	4%
Adj. EBITDA	158.9	175.2	180.2	13%	3%
EBITDA	143.5	129.5	98.2	(32)%	(24)%
Normalised operating profit	100.5	111.4	123.9	23%	11%
Profit before tax (normalised)	69.1	74.3	86.7	26%	17%
Net income (normalised)	29.7	45.4	53.2	79%	17%
EPS - diluted normalised (c)	14.2	20.2	24.1	70%	20%
EPS - company uEPS (c)	16.0	6.8	6.1	(62)%	(10)%
Dividend (c)	39.3	69.9	77.7	98%	11%
Revenue growth (%)	10.6	10.4	13.1		
Gross Margin (%)	16.1	14.3	14.5		
Adj. EBITDA Margin (%)	3.5	3.5	3.5		
Normalised Operating Margin	2.2	2.2	2.4		
Operating cash flow*	70	91	149	112%	64%
Net debt*	130	155	107	(18)%	(31)%

Source: Datatec, Edison Investment Research. *Note: Includes discontinued operations.

Exhibit 2: Earnings and EPS reconciliations

\$m	FY22	FY23	EPS (c)	FY22	FY23
Profit after tax	34,567	(33,424)			
Profit from discontinued operations	5,766	7,052	Basic	16.7	36.9
Gain on disposal of discontinued operations	0	109,915	Continuing operations	14.3	(16.1)
Minority interest	(6,431)	(3,209)	Discontinued operations	2.4	53.0
Net income for equity	33,902	80,334	Diluted	16.2	36.9
Net income for equity - continuing operations	29,109	74,804	Continuing operations	13.9	(16.1)
Net income for equity - discontinued operations	4,793	5,530	Discontinued operations	2.3	53.0
<u>Adjustments to calculate headline earnings</u>					
Impairment of fixed assets	0	11,620	Headline	16.2	(9.3)
Profit on disposal of investments	0	(111,438)	Continuing operations	13.9	(10.8)
Loss/(profit) on disposal of fixed assets	(82)	422	Discontinued operations	2.3	1.5
Realised FX gains on equity loans settled	(1,174)	0	Headline diluted	15.8	(9.3)
Tax effect	33	(794)	Continuing operations	13.5	(10.8)
Minority interests	329	(379)	Discontinued operations	2.3	1.5
Headline earnings	33,008	(20,235)			
Continuing operations	28,215	(23,451)	Underlying	18.7	7.9
Discontinued operations	4,793	3,216	Continuing operations	16.0	6.1
<u>Reconciliation from headline to underlying earnings</u>					
Unrealised FX losses/(gains)	(470)	9,115	Discontinued operations	2.7	1.8
Acquisition-related fair value adjustments	(567)	38	Underlying diluted	18.2	7.6
Restructuring costs	0	15,157	Continuing operations	15.5	5.9
Amortisation of acquired intangible assets	10,100	11,886	Discontinued operations	2.7	1.7
One-off tax items impacting EBITDA	0	11,863	Underlying excluding SPB	27.4	29.5
Acquisition, integration and corporate actions costs	0	2,318			
Tax effect	(3,009)	(7,258)			
Minority interests	(979)	(5,745)			
Underlying earnings	38,083	17,139			
Continuing operations	32,471	13,311			
Discontinued operations	5,612	3,828			

Source: Datatec

Exhibit 1 shows Datatec's FY23 results versus our forecasts for continuing operations. Revenue grew 13% y-o-y (20% in constant currency, cc) and was 3% ahead of our forecast. Adjusted EBITDA also grew 13% y-o-y and was also 3% ahead. As there were various one-off charges and adjustments that we had not forecast, EBITDA was below our estimate. Share-based payments totalling \$52.6m were charged in the year compared to our \$32.1m forecast – this was the main difference at the underlying EPS (uEPS) level. Better-than-expected working capital management

resulted in operating cash flow 64% higher than our forecast and a reduction in net debt of 18% y-o-y (or 20% compared to net debt from continuing operations at the end of FY22).

Datatec discloses EPS based on three measures: reported, headline (per Johannesburg Stock Exchange rules) and underlying. In Exhibit 2 we summarise the adjustments to arrive at headline and underlying earnings. Although underlying EPS usually takes account of share-based payment (SBP) charges, as the amount charged in FY23 was exceptionally high, the company used uEPS before share-based payment charges (29.5c) as the basis for its final dividend calculation. Based on dividend cover of 3x, it declared a final dividend of 10c/195 ZARc. This is in addition to the special dividend paid out in H223 using the proceeds of the sale of Analysys Mason (67c/1,250 ZARc).

Divisional performance

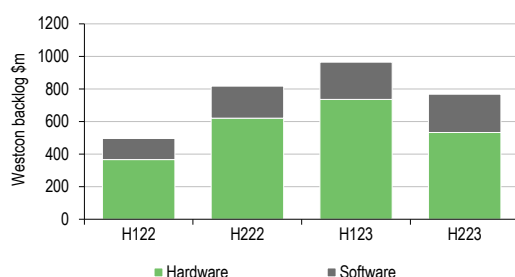
Exhibit 3 summarises performance by division down to adjusted EBITDA.

Exhibit 3: Divisional performance						
\$m	FY22	FY23	y-o-y	FY22	FY23	
Revenue						
Westcon	2,890	3,421	18%			
Logicalis International	1,133	1,232	9%			
Logicalis Latin America	523	491	-6%			
	4,546	5,143	13%			
Gross profit				Gross margin		y-o-y pp
Westcon	319	329	3%	11.0%	9.6%	-1.4
Logicalis International	304	306	1%	26.9%	24.9%	-2.0
Logicalis Latin America	107	110	3%	20.4%	22.3%	1.9
	730	745	2%	16.1%	14.5%	-1.6
EBITDA				EBITDA margin		
Westcon	68	48	-29%	2.4%	1.4%	-0.9
Logicalis International	64	50	-21%	5.7%	4.1%	-1.6
Logicalis Latin America	28	21	-26%	5.4%	4.3%	-1.1
Central costs	(17)	(22)	27%			
	143	98	-32%	3.2%	1.9%	-1.2
Adjusted EBITDA				Adjusted EBITDA margin		
Westcon	79	95	21%	2.7%	2.8%	0.1
Logicalis International	65	66	2%	5.7%	5.4%	-0.4
Logicalis Latin America	28	25	-11%	5.3%	5.1%	-0.3
Central costs	(12)	(6)	-52%			
	159	180	13%	3.5%	3.5%	0.0
Source: Datatec						

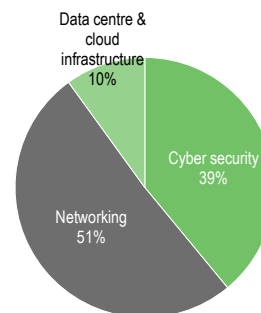
Westcon International

Westcon grew revenue 18.3% y-o-y (25.4% cc), with growth accelerating from 16.1% in H123 to 20.4% in H223. As flagged at H123 results, supply chain issues started to ease, making it possible to ship from the order backlog. Exhibit 4 shows how the backlog has developed over the last two years, with management noting that it started to decline from Q423 due to improved hardware shipments. The overall backlog declined 6% y-o-y but was down a more significant 20% from its peak at the end of H123, while the software backlog increased due to strong order intake.

The division has combined revenue from unified communications with networking revenue and together they made up just over half of FY23 revenue. Recurring revenue grew 32% over the same period, making up 38% of FY23 revenue.

Exhibit 4: Backlog on half-yearly basis


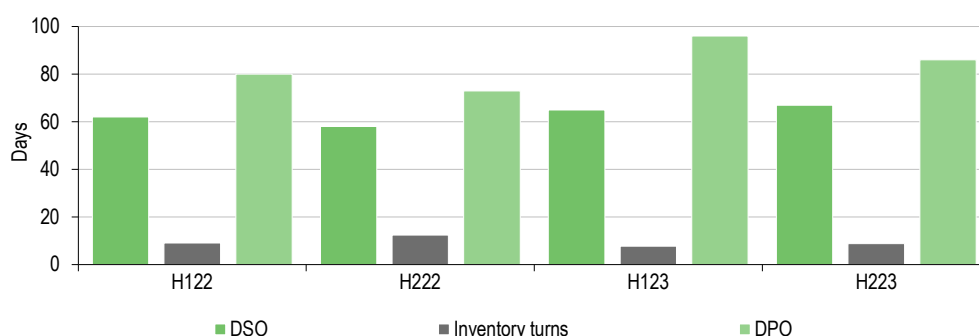
Source: Datatec

Exhibit 5: Revenue by technology


Source: Datatec

As was the case at the half-year, Westcon's gross margin was negatively affected by the strength of the US dollar – this was compensated for by hedging gains reported within operating costs. Most of these were recognised in H123, resulting in an adjusted EBITDA margin of 4.0% in H123, dropping to 1.7% in H223 and averaging out at 2.8% for the year compared to 2.7% in FY22.

The bulk of share-based payment charges were reported in Westcon (\$36.3m out of \$52.6m) resulting from the Westcon International Equity Appreciation Plan (WI EAP) that was put in place five years ago and has now finished, as has the Westcon SARS scheme. Based on a starting valuation of \$125m, 10% of the value of WI above the starting valuation is to be paid to the EAP pool. As WI was not sold within five years of the start of the scheme (ie by 1 March 2023), it was valued by an independent valuer. At the end of FY23, the company noted that \$61m of the \$63.5m short-term liability for share-based payments related to the WI EAP and Share Appreciation Rights schemes (of which \$11m relates to Datatec head office participants of the EAP) and will be paid out shortly. Based on the value of the EAP units for Datatec head office participants at the end of FY23 (\$287.15/unit), the threshold that had to be reached (\$125/unit base level grown at 10% pa over the five years = \$201.31) and the number of units (one million), we estimate that WI was valued at c \$488.5m at the end of FY23

Exhibit 6: Westcon working capital metrics H122–H223


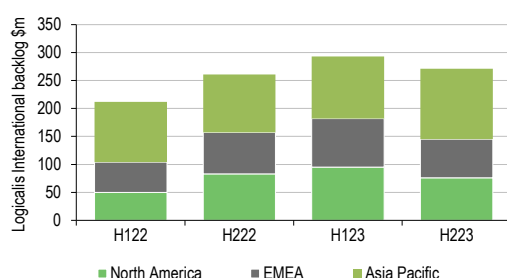
Source: Datatec. Note: DSO = days sales outstanding, DPO = days purchases outstanding.

The division reduced its net debt position from \$85.0m at the end of FY22 to \$68.4m at the end of FY23. Exhibit 6 shows the change in working capital metrics over the last two years. The main driver of reduced working capital requirements has been the extension of payment terms by suppliers, recognising the high level of part-finished inventory held by Datatec because of component shortages. As supply chain issues continue to recede and Westcon is able to ship more orders, we expect that any reduction in supplier payment terms will largely be offset by higher inventory turns and the ability to bill for completed projects.

Logicalis International

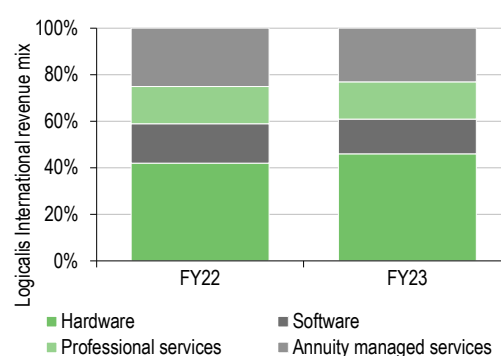
Logicalis International (LI) grew revenue 8.7% y-o-y in FY23 (16.0% cc), with growth of 5.6% in H123 and 11.5% in H223. Gross margin decreased by 2pp to 24.9% due to product mix and the strength of the US dollar. Adjusted EBITDA increased 2% y-o-y, resulting in a margin of 5.4%, down from 5.7% in FY22. The main driver of the margin decline was weaker performance in the UK and Germany. While the backlog increased y-o-y by 4%, it declined 8% from its peak at the end of H123. The company noted strength in orders from Asia and as these often relate to long-term infrastructure projects, this increased the backlog. As supply chain issues eased the division was able to ship more hardware, which made up 46% of FY23 revenue compared to 42% in FY22. Cloud revenue increased 54% y-o-y to make up 18% of revenue.

Exhibit 7: Backlog on half-yearly basis



Source: Datatec

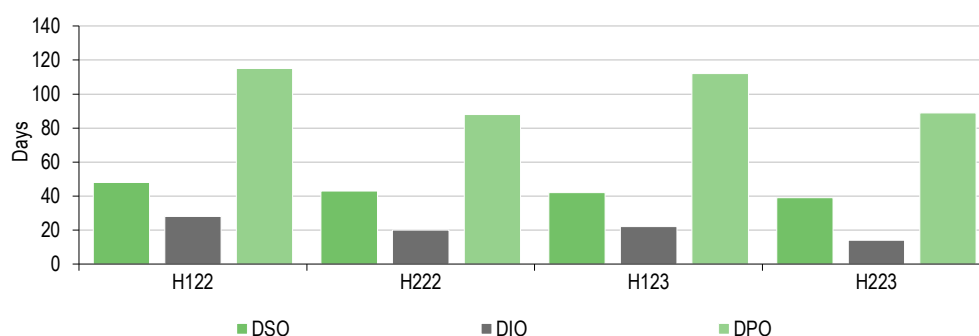
Exhibit 8: Revenue by segment



Source: Datatec

The division reduced its net debt position from \$110.9m at the end of FY22 to \$88.0m at the end of FY23. Inventory and receivables days reduced y-o-y and days payable were flat, resulting in a \$14m decrease in net working capital.

Exhibit 9: Logicalis International working capital metrics



Source: Datatec. Note: DIO = days inventory outstanding.

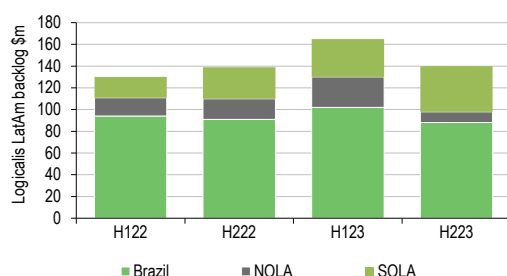
Logicalis LatAm

The division saw a revenue decline of 6.3% for FY23 (growth of 1.2% cc), mainly due to weakness in Brazil where revenue was down 16% as it suffered most from supply chain disruption. Over the same period, recurring revenue increased 7% to make up 49% of revenue (FY22: 43%) due to growth in managed services. Despite the revenue decline, gross profit increased 3%, resulting in a 2pp increase in gross margin to 22.3%, helped by a higher proportion of managed services. The adjusted EBITDA margin decreased marginally from 5.3% to 5.1%.

The order backlog increased 1% from the end of FY22 but was down 15% from the peak at the end of H123 (Exhibit 10). The division reduced its net debt position from \$40.4m at the end of FY22 to

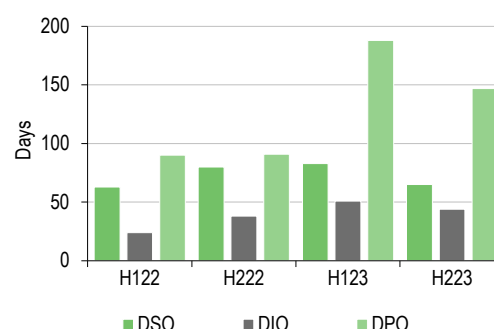
\$25.2m at the end of FY23. While DIO were higher y-o-y, DSO reduced and DPO increased, resulting in a reduction in working capital.

Exhibit 10: Backlog on half-yearly basis



Source: Datatec

Exhibit 11: Working capital metrics



Source: Datatec

Outlook and changes to forecasts

Supply chain issues continue to ease, although not yet normalised, and we expect each division to continue to reduce their order backlogs through the course of FY24.

New incentive schemes announced

With the completion of the WI EAP, the company has decided to change the way it incentivises divisional management by offering them the chance to own stakes in their respective divisions rather than incentive schemes based on Datatec shares. A scheme was launched for Logicalis International in March with a holding company set up between Datatec PLC and the division. Datatec PLC owns 94.6% of the holding company and the remaining 5.4% is held by divisional management, who will be able to monetise their stakes if the division is sold. A further 0.9% will be available for purchase by management to allow for changes to the management team. A similar scheme is being set up for Westcon (expected in Q224) and is planned for Logicalis LatAm.

There are still some incentive schemes operating at the group level, thus we continue to expect Datatec to report share-based payment charges, albeit at a significantly lower level than in FY22 and FY23. The new divisional incentive schemes will not attract any IFRS2 share-based payment charges although they will increase the minority interest deduction at the group level.

Changes to forecasts

We have revised our forecasts to reflect FY23 results and we introduce FY26 forecasts. We have revised up our revenue forecasts for FY24 and FY25 and our adjusted EBITDA increases marginally in both years. Higher net finance costs and slightly higher share-based payment forecasts reduce our uEPS forecast in FY24 and FY25. We assume that working capital requirements increase as supplier payment terms normalise through the course of the year, resulting in an increase in our net debt forecast. At the end of FY24, we estimate a net debt/EBITDA ratio of 1.0x, reducing to 0.7x by the end of FY25.

Exhibit 12: Changes to forecasts

\$m	FY24e	FY24e			FY25e	FY25e			FY26e	
	Old	New	y-o-y	Change	Old	New	y-o-y	Change	New	y-o-y
Revenue	5,282	5,499	7%	4%	5,534	5,761	5%	4%	6,036	5%
Gross Profit	794	830	11%	4%	842	879	6%	4%	932	6%
Adj. EBITDA	192	194	8%	1%	215	220	14%	2%	248	13%
EBITDA	185	186	90%	1%	208	212	14%	2%	240	13%
Normalised operating profit	137	135	9%	(2)%	160	158	18%	(1)%	184	16%
Profit before tax (normalised)	96	90	3%	(6)%	116	113	26%	(3)%	138	23%
Net income (normalised)	53	50	(6)%	(6)%	66	64	29%	(2)%	80	24%
EPS - diluted normalised (c)	23.3	21.5	(9)%	(8)%	28.7	27.6	29%	(4)%	34.3	24%
EPS - Company underlying uEPS (c)	22.6	20.9	242%	(8)%	28.1	26.8	29%	(5)%	33.6	25%
Dividend (c)	7.5	7.0			9.4	8.9			11.2	
Revenue growth (%)	5.3	6.9			4.8	4.8			4.8	
Gross Margin (%)	15.0	15.1			15.2	15.3			15.4	
Adj. EBITDA Margin (%)	3.6	3.5			3.9	3.8			4.1	
Normalised Operating Margin	2.6	2.4			2.9	2.7			3.0	
Operating cash flow	98	53			145	158			158	
Net debt	168	187			140	159			136	
Revenue										
Westcon	3,427	3,660	7%	7%	3,599	3,843	5%	7%	4,035	5%
Logicalis	1,855	1,839	7%	-1%	1,935	1,918	4%	-1%	2,001	4%
Logicalis International	1,278	1,299	5%	2%	1,329	1,351	4%	2%	1,405	4%
Logicalis LatAm	577	540	10%	-6%	606	567	5%	-6%	596	5%
Total	5,282	5,499	7%	4%	5,534	5,761	5%	4%	6,036	5%
EBITDA										
Westcon	106.8	106.2	119%	-1%	123.0	123.1	16%	0%	141.3	15%
Logicalis	98.6	100.1	40%	1%	106.2	110.3	10%	4%	120.7	9%
Logicalis International	70.6	71.5	42%	1%	75.7	77.4	8%	2%	83.4	8%
Logicalis LatAm	28.1	28.6	35%	2%	30.5	32.8	15%	8%	37.3	14%
Central costs	(20.2)	(20.1)	-8%	0%	(21.0)	(20.9)	4%	0%	(21.7)	4%
Total	185.3	186.3	90%	1%	208.2	212.5	14%	2%	240.3	13%
Adjusted EBITDA										
Westcon	107.8	108.2	14%	0%	124.0	125.1	16%	1%	143.3	15%
Logicalis	100.9	101.1	11%	0%	108.5	111.3	10%	3%	121.7	9%
Logicalis International	72.4	72.0	9%	-1%	77.5	77.9	8%	0%	83.9	8%
Logicalis LatAm	28.6	29.1	17%	2%	31.0	33.4	15%	8%	37.8	13%
Central costs	(17.0)	(15.6)	160%	-8%	(17.8)	(16.4)	5%	-8%	(17.2)	5%
Total	191.8	193.8	7%	1%	214.7	220.0	14%	2%	247.8	13%

Source: Edison Investment Research

Valuation

On a group basis, Datatec is valued on an EV/adjusted EBITDA of 2.8x FY24e and 2.5x FY25e and on a normalised P/E basis of 9.1x FY24e and 7.1x FY25. To more accurately reflect the dynamics of the different divisions, we continue to value Datatec on a sum-of-the-parts basis. Although Logicalis is now reported through two divisions (International and Latin America), we continue to combine them in the valuation as their business models are similar. Using the EV/EBITDA peer multiples in Exhibit 13, average net debt for FY23 (we add c \$100m to the year-end figure as the group typically operates at this 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 ZAR75.74. This implies 98% upside from the current share price.

Through the ongoing strategic review, management has started to unlock some of this value with the recent 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 13: Sum-of-the-parts valuation

	Revenues		Adjusted EBITDA			
	2024e	2025e	2024e	2025e		
Logicalis	1,839	1,918	101	111		
Westcon	3,660	3,843	108	125		
Central costs			(16)	(16)		
Peer multiples						
	Revenues		EBITDA			
	2024e	2025e	2024e	2025e		
Logicalis	0.8	0.7	8.6	8.0		
Westcon	0.3	0.3	8.2	7.6		
Central costs			8.0	8.0		
Implied EV based on						
Enterprise value (US\$m)	Revenues		EBITDA		Economic interest	Mean EV
	2024e	2025e	2024e	2025e		
Logicalis	1,443	1,419	874	894	83%	734
Westcon	1,168	1,320	888	946	92%	845
Central costs			(124)	(131)	100%	(128)
					Group EV	1,451
Assumed average FY23 net debt	(207)					
SOTP – Equity value	1,244					
Discount for: RSA sovereign risk, holding company risk	30%					
Adjusted equity value	871					
Shares in issue (m)	224.9					
SOTP value per share (US\$)	3.87					
SOTP value per share (ZAR)	75.74					
Latest share price (ZAR)	38.27					
Upside from latest share price	98%					

Source: Edison Investment Research, Refinitiv (as at 1 June)

Exhibit 14: Financial summary

28-February	\$'k	2020	2021	2022	2023	2024e	2025e	2026e
Revenue		4,214,421	4,109,463	4,546,398	5,143,125	5,499,402	5,761,380	6,035,937
Cost of Sales		(3,472,843)	(3,418,939)	(3,816,630)	(4,398,618)	(4,669,839)	(4,882,057)	(5,103,920)
Gross Profit		741,578	690,524	729,768	744,507	829,564	879,323	932,016
Adjusted EBITDA		166,280	152,490	158,922	180,182	193,767	219,982	247,819
EBITDA		158,657	118,619	143,457	98,246	186,267	212,482	240,319
Normalised operating profit		105,157	97,859	100,540	123,934	134,540	158,436	183,885
Amortisation of acquired intangibles		(11,297)	(8,635)	(10,100)	(11,886)	(4,894)	(2,186)	(977)
Exceptionals		(3,700)	(27,771)	0	(40,915)	0	0	0
Share-based payments		(7,623)	(11,493)	(15,465)	(52,641)	(7,500)	(7,500)	(7,500)
Reported operating profit		82,537	49,960	74,975	18,492	122,146	148,750	175,408
Net Interest		(25,874)	(25,692)	(31,051)	(38,090)	(44,973)	(45,389)	(45,389)
Joint ventures & associates (post tax)		(204)	908	(427)	882	0	0	0
Exceptionals		2,029	59	540	(1,333)	0	0	0
Profit Before Tax (norm)		79,079	73,075	69,062	86,726	89,567	113,047	138,496
Profit Before Tax (reported)		58,488	25,235	44,037	(20,049)	77,173	103,361	130,020
Reported tax		(31,809)	(19,540)	(9,470)	(13,375)	(27,010)	(36,176)	(45,507)
Profit After Tax (norm)		34,615	30,034	36,179	56,372	58,218	73,481	90,023
Profit After Tax (reported)		26,679	5,695	34,567	(33,424)	50,162	67,185	84,513
Minority interests		(13,772)	(3,103)	(6,431)	(3,209)	(8,258)	(9,028)	(9,827)
Discontinued operations		1,332	0	5,766	116,967	0	0	0
Net income (normalised)		20,843	26,938	29,748	53,163	49,960	64,453	80,196
Net income (reported)		14,239	2,592	33,902	80,334	41,904	58,156	74,686
Average number of shares outstanding (m)		210.5	198.8	203.2	218.0	224.1	224.9	224.9
EPS - diluted normalised (c)		9.7	13.2	14.2	23.5	21.5	27.6	34.3
EPS - basic reported (c)		6.8	1.3	16.7	36.9	18.7	25.9	33.2
EPS - Company underlying uEPS (c)		9.9	13.5	16.0	6.1	20.9	26.8	33.6
Dividend (c)		7.0	6.6	39.3	77.7	7.0	8.9	11.2
Revenue growth (%)		(2.7)	(2.5)	10.6	13.1	6.9	4.8	4.8
Gross Margin (%)		17.6	16.8	16.1	14.5	15.1	15.3	15.4
Adj. EBITDA Margin (%)		3.9	3.7	3.5	3.5	3.5	3.8	4.1
Normalised Operating Margin		2.5	2.4	2.2	2.4	2.4	2.7	3.0
BALANCE SHEET								
Fixed Assets		512,598	554,690	613,155	610,565	613,057	617,376	622,019
Intangible Assets		291,279	314,486	320,089	293,184	293,434	295,549	297,976
Tangible Assets		43,300	39,987	32,517	33,054	35,296	37,501	39,715
Right-of-use assets		83,953	94,837	80,639	56,248	56,248	56,248	56,248
Investments & other		94,066	105,380	179,910	228,079	228,079	228,079	228,079
Current Assets		2,083,928	2,242,568	2,399,078	3,015,700	2,981,993	3,104,375	3,225,430
Stocks		253,271	242,005	309,227	411,059	410,817	429,486	449,004
Debtors		1,110,510	1,108,105	1,223,824	1,508,470	1,554,899	1,628,971	1,706,599
Cash & cash equivalents		347,189	488,632	453,926	584,683	503,959	532,687	555,591
Other		372,958	403,826	412,101	511,488	512,318	513,231	514,235
Current Liabilities		(1,765,823)	(1,980,013)	(2,152,175)	(2,869,641)	(2,801,057)	(2,867,328)	(2,919,662)
Creditors		(1,275,690)	(1,401,804)	(1,544,198)	(2,088,899)	(2,009,175)	(2,067,255)	(2,111,006)
Short term borrowings		(338,945)	(392,877)	(433,176)	(577,224)	(577,224)	(577,224)	(577,224)
Lease liabilities		(34,325)	(36,398)	(32,870)	(27,005)	(27,005)	(27,005)	(27,005)
Other		(116,863)	(148,934)	(141,931)	(176,513)	(187,652)	(195,843)	(204,428)
Long Term Liabilities		(187,610)	(176,624)	(229,112)	(224,284)	(226,183)	(227,580)	(229,043)
Long term borrowings		(18,638)	(42,371)	(56,440)	(41,624)	(41,624)	(41,624)	(41,624)
Lease liabilities		(95,148)	(77,847)	(61,523)	(45,412)	(45,412)	(45,412)	(45,412)
Other long term liabilities		(73,824)	(56,406)	(111,149)	(137,248)	(139,147)	(140,544)	(142,007)
Net Assets		643,093	640,621	630,946	532,340	567,811	626,844	698,743
Minority interests		(70,778)	(57,465)	(67,516)	(60,331)	(68,589)	(77,617)	(87,444)
Shareholders equity		572,315	583,156	563,430	472,009	499,221	549,227	611,298
CASH FLOW								
Op Cash Flow before WC and tax		169,980	157,888	162,842	191,802	193,767	219,982	247,819
Working capital		57,231	79,903	(76,807)	(18,203)	(112,872)	(25,074)	(43,348)
Exceptional & other		19,330	(3,453)	10,677	(193)	(830)	(913)	(1,004)
Tax		(36,941)	(36,597)	(26,282)	(24,182)	(27,010)	(36,176)	(45,507)
Operating cash flow		209,600	197,741	70,430	149,224	53,054	157,819	157,960
Capex		(28,036)	(35,145)	(24,841)	(36,669)	(38,048)	(39,487)	(40,988)
Acquisitions/disposals		(9,179)	(3,694)	(16,424)	114,821	0	0	0
Net interest		(30,972)	(25,745)	(31,265)	(38,596)	(44,973)	(45,389)	(45,389)
Equity financing		(51,683)	(2,808)	(6,150)	(7,725)	0	0	0
Dividends		(15,137)	(4,905)	(43,136)	(154,399)	(22,192)	(15,651)	(20,114)
Other		20,019	1,880	(2,034)	(2,914)	(28,565)	(28,565)	(28,565)
Net Cash Flow		94,612	127,324	(53,420)	23,742	(80,724)	28,728	22,904
Opening net debt/(cash)		100,753	139,867	60,874	130,096	106,595	187,319	158,591
FX and non-cash movements		(133,726)	(48,331)	(15,802)	(241)	0	0	0
Closing net debt/(cash)		139,867	60,874	130,096	106,595	187,319	158,591	135,687

Source: Datatec, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by Datatec and prepared and issued by Edison, in consideration of a fee payable by Datatec. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2023 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.