Datatec

H127 results

Strong demand and execution in H127

Software and comp services

16 November 2026

Datatec's H127 results confirmed continued strong demand for networking and cybersecurity infrastructure as ongoing enterprise AI adoption drives an increase in on-premise and hybrid cloud investment. This resulted in strong demand and profit growth for Westcon and Logicalis International, partially offset by a weaker performance from Logicalis Latin America. Trading remains robust and the group is focused on improving operating leverage, quality of earnings, cash generation and Logicalis Latin America's performance. Our EPS forecast changes reflect better underlying profit expectations offset by dilution arising from the Westcon refinancing.

Year end	Revenue ($m)	PBT ($m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
2/25	3,551.9	136.6	34.07	15.45	10.3	4.4
2/26	3,670.0	189.8	45.93	23.78	7.6	6.8
2/27e	4,028.4	205.8	47.06	206.29	7.5	58.8
2/28e	4,266.8	243.1	38.01	19.59	9.2	5.6

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

Westcon and Logicalis International drive EPS growth

The adoption of AI is driving increased investment in hardware and software, and the current wave of investment is expected to result in a higher installed base of IT infrastructure, which will require ongoing maintenance and replacement. For H127, Datatec reported year-on-year growth in gross profit of 5.8% (9.3% underlying), adjusted EBITDA of 16.6% and underlying basic EPS of 56.5%. Westcon and Logicalis International saw strong demand, with adjusted EBITDA growth of 13.5% and 36.3%, respectively, while Logicalis Latin America saw much weaker demand, resulting in a small adjusted EBITDA loss. The company announced an interim dividend of 15 US cents (ZAR2.50), with a scrip option.

Revising forecasts to reflect new structure and H127

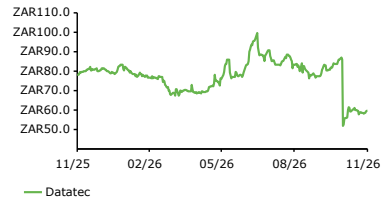
We previously assumed a 100% cash payout of the special dividend resulting from the Westcon refinancing. Our revised forecasts reflect H127 and the scrip election for the special dividend, with two-thirds of the payout taken as equity. The 39% higher share count reduces our EPS and DPS forecasts, and the cash retained reduces net debt. We assume that reduced costs in Logicalis Latin America return the business to profitability by FY28. Overall, we raise our underlying basic EPS forecast by 4.2% in FY27 and reduce it by 18.0% in FY28 and 16.4% in FY29. The lower EPS in FY28 and FY29 is due to the full year impact of the Westcon refinancing transaction, as well as tax credits in Latin America not repeating.

Valuation: Further upside potential

Datatec trades on EV/adjusted EBITDA multiples of 4.3x in FY27 and 3.7x in FY28, well below its peer group (average 8.6x across both years). On a conservative sum-of-the-parts valuation using peer group averages, we estimate that Datatec could be worth ZAR79.09 (slightly down from ZAR79.43, excluding the special dividend, in our last update note), reflecting lower peer multiples. Sustained recovery in Logicalis Latin America, gross profit growth and improving the conversion of gross profit to EBITDA across the group will be key to reducing the discount to peers.

Price	**ZAR59.43**
Market cap	**ZAR20,062m**
	ZAR16.52:$1
Net cash/(debt) at end H127 on a pro forma basis	$(256.6)m
Shares in issue	337.6m
Free float	60.7%
Code	DTCJ
Primary exchange	JSE
Secondary exchange	OTCQX

Share price performance



%	1m	3m	12m
Abs	9.1	12.5	29.0
52-week high/low		ZAR62.7	ZAR40.6

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

FY27 trading update	March 2027

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Edison profile page

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Strategy update

Datatec's strategy is focused on improving shareholder returns through operational improvements, business development and corporate transactions designed to reduce the persistent discount between the group's market valuation and the underlying value of its subsidiaries. H127 results demonstrated continued progress, with adjusted EBITDA increasing 16.6% and underlying EPS rising 56.5%, driven by strong growth at Westcon and record profitability at Logicalis International, partly offset by weakness in Logicalis Latin America.

A significant milestone in Datatec's value realisation strategy was the US$375m Westcon refinancing and minority investment by General Atlantic, which enabled a US$438m special dividend to shareholders. This brings cumulative shareholder distributions since inception to approximately US$1.5bn. Datatec's capital allocation policy combines investment in organic growth and selective acquisitions with shareholder distributions, maintaining an ordinary dividend policy based on two-times underlying EPS cover. Small bolt-on acquisitions made by Westcon and Logicalis International in CY26 have expanded the group's reach in Eastern Europe and strengthened Logicalis' position in the US cybersecurity market.

The H127 interim dividend increased 42.9% to ZAR250 cents per share. Looking ahead, management remains focused on improving operating leverage, cash generation and profitability, particularly at Logicalis Latin America, while continuing to evaluate further opportunities to unlock shareholder value.

Westcon refinancing: Financial impact

We previously wrote a note detailing the structure and rationale for the Westcon refinancing. As a reminder, on 19 June, Datatec announced that it had agreed the refinancing of its Westcon division, which included a small equity investment by General Atlantic (through two subsidiaries: Atlantic Park Strategic Capital II Designated Activity Company and Atlantic Park Strategic Master Fund III, LP). Datatec owns 92.1% of Weston International Limited (WIL), which on that date, owned 95% of Westcon International Group Holdings Limited (WIGHL). WIL had advanced a $450m shareholder loan/ fixed return instrument to WIGHL in 2023.

The transaction, which completed on 4 August, was made up as follows:

- **Refinancing of the shareholder loan to WIGHL**. General Atlantic provided a $375m loan (9% interest) and WIGHL also used $75m from existing financing facilities to repay the loan.
- **Cash equity investment in WIGHL by General Atlantic:** General Atlantic acquired a 5% stake in WIGHL from existing shareholders for a cash price of $25m.
- **Issue of warrants in WIGHL to General Atlantic:** General Atlantic was issued warrant shares for nominal consideration. The warrant shares have been structured to replicate the economic effect of 4% penny warrants and 8% at-the-money warrants whereby General Atlantic will share in Westcon's equity value accretion above $540m (the equity value when the transaction was announced of $500m plus the $40m price payable for the at-the-money warrants). A 4% penny warrant gives the holder the right to buy 4% of the shares of WIGHL at a price of $0.01 per share. The 8% at-the-money warrant gives the holder the right to buy 8% of the shares of WIGHL at a total cost of $40m. The 4% penny warrants are immediately effective**.**
- **Restructure of the WIGHL management incentive plan**. The reset management incentive plan aligns management incentives with the post-recapitalisation capital structure and the long-term interests of all shareholders.

With the proceeds from the repayment of the WIGHL loan, management chose to return capital to Datatec shareholders. Management expected to pay out the net cash proceeds of $438m in the form of a special dividend, equivalent to a dividend per share of $1.81/ZAR29. Datatec provided a scrip option for the special dividend, which was taken up by shareholders owning around two-thirds of outstanding shares. This reduced the cash payout to $138.5m and resulted in the issue of 94.3m shares (completed 19 October).

This leaves c $300m in cash at the group level that we would expect to be earmarked for shareholders. The minority interest deduction for Westcon increases and the higher number of shares outstanding and interest expense on the external loans reduces our EPS and DPS forecasts (see more detail below).

Review of H127 results

Exhibit 1 summarises Datatec's H127 results.

Exhibit 1: H127 financial highlights

$m	H126	H127	y-o-y
Revenue	1,777.2	2,024.1	13.9%
Gross profit	**483.4**	**511.2**	**5.8%**
EBITDA	139.0	128.1	-7.8%
Share-based payments	5.7	12.4	117.8%
Restructuring charges and other adjustments	(15.5)	10.3	-166.4%
Adjusted EBITDA	**129.2**	**150.7**	**16.6%**
Operating profit	107.8	95.5	-11.4%
Profit after tax	59.2	67.5	14.2%
Minority interests	(9.0)	(12.8)	43.1%
Net income to equity holders	50.2	54.7	9.0%
Adjustments	0.5	(2.0)	N/A
Headline earnings	50.7	52.7	3.9%
Adjustments	(6.1)	18.8	-407.0%
Underlying earnings	44.6	71.5	60.3%
Headline EPS (HEPS) - c	**22.0**	**22.3**	**56.5%**
Underlying EPS (uEPS) - c	**19.3**	**30.2**	**35.0%**
Net debt	54.4	553.1	917.5%
Net debt - pro forma	N/A	256.6	N/A
Gross margin	*27.2%*	*25.3%*	*-1.9pp*
EBITDA margin	*7.8%*	*6.3%*	*-1.5pp*
Adjusted EBITDA margin	*7.3%*	*7.4%*	*0.2pp*
Adjusted EBITDA/gross profit	*26.7%*	*29.5%*	*2.8pp*
Operating margin	*6.1%*	*4.7%*	*-1.3pp*

Source: Datatec

Datatec reported strong underlying earnings growth in H127, driven by continued momentum at Westcon International and record profitability at Logicalis International, partly offset by a significant deterioration at Logicalis Latin America.

Gross invoiced income (GII) increased 18.0% year-on-year, while reported revenue grew 13.9%. Gross profit increased 5.8%, although the prior-year period benefited from $15.5m of one-off indirect tax credits at Westcon; excluding these, underlying gross profit growth was 9.3%.

Operating costs increased 6.4%, resulting in positive operating leverage and a 16.6% increase in adjusted EBITDA. Adjusted EBITDA as a percentage of gross profit improved from 26.7% to 29.5%, demonstrating improved cost efficiency. Reported EBITDA declined 7.8%, reflecting higher share-based payment charges ($12.4m versus $5.7m in H126), restructuring costs of $3.1m and acquisition, integration and corporate action costs of $7.1m, as well as the absence of the prior-year tax credits. Operating profit consequently declined 11.4%.

However, profit after tax increased 14.0%, benefiting from lower net finance costs and a reduction in the effective tax rate from 31.5% to 23.7%, partly attributable to the recognition of recoverable tax credits and associated interest in Brazil ($21.3m and $17.1m respectively). Underlying earnings per share increased 56.5% to 30.2 US cents.

Operating cash flow declined to $27.9m from $62.3m due to increased working capital requirements. Reported net debt reached $553.1m following the Westcon refinancing and treating the $438m special dividend payable as debt, although pro forma net debt was $256.6m after adjusting for the subsequent scrip election. The board also increased the ordinary interim dividend by 42.9% to ZAR250 cents per share.

Divisional analysis

Exhibit 2: Divisional performance

$m	H127	H126	y-o-y	H127	H126	
Gross invoiced income						
Westcon	3,372	2,778	21.3%			
Logicalis International	1,226	1,037	18.2%			
Logicalis Latin America	219	261	-16.2%			
Corporate and management consulting	19	20	-5.8%			
	4,835	4,096	18.0%			
Gross profit				**Gross margin (%)**		y-o-y pp
Westcon	257	246	4.4%	22.8	26.7	-4.0
Logicalis International	211	183	15.3%	30.2	29.8	0.4
Logicalis Latin America	39	51	-24.0%	21.5	22.9	-1.4
Corporate and management consulting	5	4	38.0%	27.4	18.7	
	511	483	5.8%	25.3	27.2	-1.9
EBITDA				**EBITDA margin (%)**		
Westcon	76	90	-15.3%	6.8	9.8	-3.0
Logicalis International	64	51	25.9%	9.2	8.3	0.9
Logicalis Latin America	(2)	12	-115.6%	(1.0)	5.1	-6.1
Corporate and management consulting	(11)	(14)	-22.3%			
	128	139	-7.8%	6.3	7.8	-1.5
Adjusted EBITDA				**Adjusted EBITDA margin (%)**		
Westcon	87	76	13.5%	7.7	8.3	-0.6
Logicalis International	71	52	36.3%	10.2	8.5	1.7
Logicalis Latin America	(1)	12	-104.2%	(0.3)	5.3	-5.5
Corporate and management consulting	(7)	(11)	-39.4%			
	151	129	16.6%	7.4	7.3	0.2

Source: Datatec

Westcon: Strong volume demand and adjusted EBITDA growth

Westcon International delivered another strong period of growth, supported by demand for networking, cybersecurity and AI-related infrastructure. GII increased 21%, with growth across all geographic regions (Exhibit 3). Europe remained the largest market, with GII increasing by 18%, while Asia-Pacific grew 31%. GII by product type shifted in favour of annuity services (Exhibit 6) and by customer type, in favour of service providers (Exhibit 5). By product area, data centre and cloud infrastructure increased its share of GII (Exhibit 7). Reported revenue increased 22.5%, reflecting a higher proportion of hardware sales, with Asia-Pacific the strongest region (Exhibit 4).

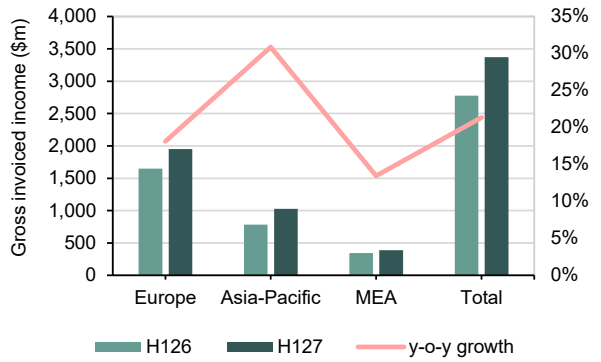
Gross profit increased 4.4%, or 11.4% excluding the $15.5m of indirect tax credits recognised in H126. The reported gross margin declined from 26.7% to 22.8%, reflecting the impact of several large, lower-margin transactions and the absence of the prior-year tax credits; on an adjusted basis H126 gross margin was 25.0%.

Adjusted EBITDA increased 13.5%, with conversion of gross profit into adjusted EBITDA improving from 31.1% to 33.8%. The adjusted EBITDA margin on reported revenue declined from 8.3% to 7.7%, reflecting the change in sales mix. Operating costs increased 15.7% on a reported basis, including $3.0m of restructuring costs, $5.6m of acquisition and corporate action costs and $1.7m of share-based payments, and were flat on an adjusted basis.

Westcon ended the period with net debt of $649.6m, compared with $133.4m at end-FY26, primarily reflecting the new $375m term loan and distributions to shareholders.

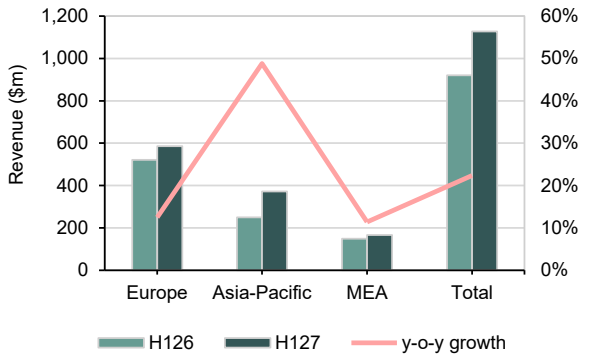
Management expects continued demand for cybersecurity, cloud and AI-related technologies to support trading in H227.

Exhibit 3: Gross invoiced income by region



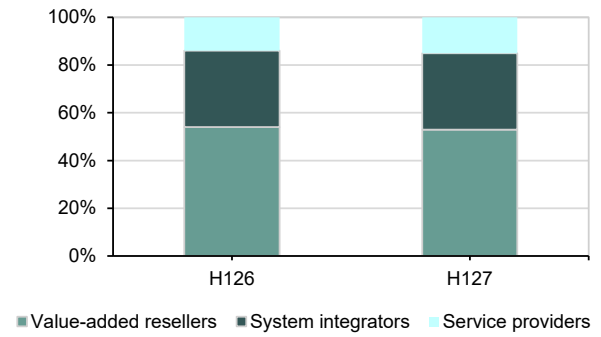
Source: Datatec

Exhibit 4: Revenue by region



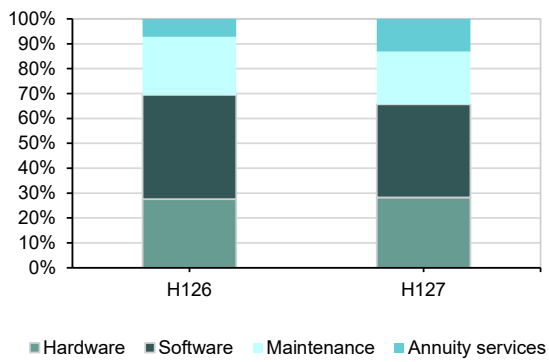
Source: Datatec

Exhibit 5: Gross invoiced income by customer type



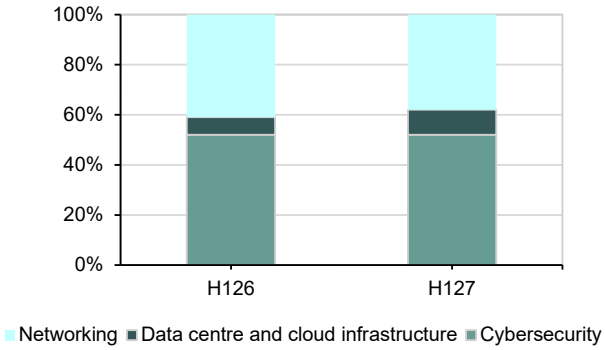
Source: Datatec

Exhibit 6: Gross invoiced income by product type



Source: Datatec

Exhibit 7: Gross invoiced income by product area



Source: Datatec

Logicalis International: Strong gross profit and adjusted EBITDA growth

Logicalis International saw growth across all regions and a particularly strong contribution from North America (GII +34% y-o-y). GII increased 18%, supported by strong order intake, increased product sales and growth in annuity services (Exhibit 8). Hardware and software both slightly increased their share of GII (Exhibit 10) and recurring income reduced slightly to 60% of GII, with cloud-based income flat at 23% (Exhibit 11).

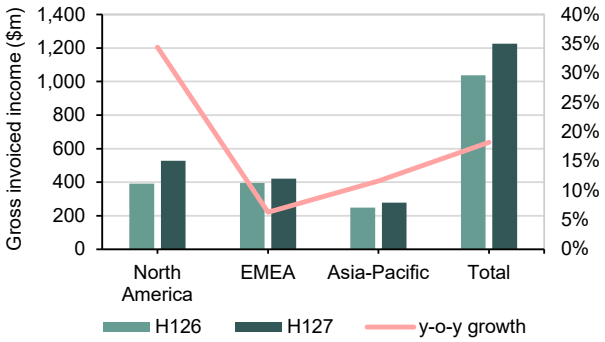
Reported revenue increased 13.7%, with 30% growth from North America, while EMEA growth was more subdued at 2% (Exhibit 9). Gross profit grew 15% and the gross margin improved by 0.4pp to 30.2%, benefiting from improved service delivery efficiency, higher volumes of vendor-resold maintenance and an increased contribution from products. Services continued to account for more than half of divisional gross profit, supporting the quality and recurring nature of earnings.

Operating costs increased 11% (7% on an adjusted basis), below gross profit growth, resulting in significant positive operating leverage. Adjusted EBITDA increased 36%, with the adjusted EBITDA margin expanding by 1.7pp to 10.2% and gross profit conversion improving from 28.7% to 33.9%. Reported operating profit increased 34% and included share-based payment costs of $6.7m (H126: $1.4m) and acquisition, integration and corporate action costs of $0.5m (H126 zero).

Strong trading and working capital management enabled the division to move from net debt of $2.8m at end-FY26 to net cash of $34.7m at the end of H127.

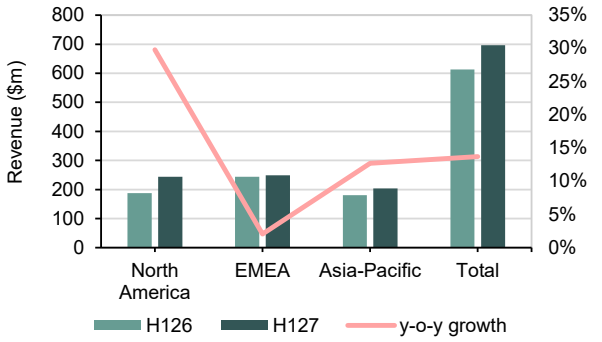
Management expects continued growth in software and services, with cybersecurity emerging as a key growth area and AI adoption stimulating enterprise infrastructure investment, including hybrid cloud and on-premise computing.

Exhibit 8: Gross invoiced income by region



Source: Datatec

Exhibit 9: Revenue by region



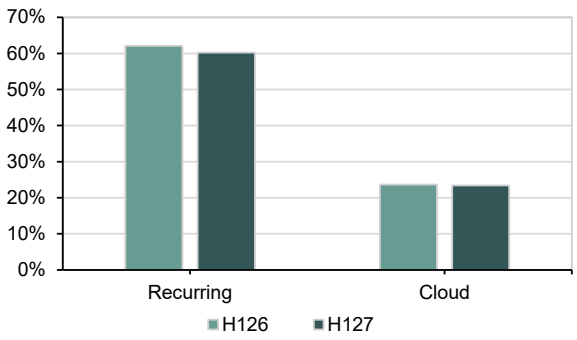
Source: Datatec

Exhibit 10: Gross invoiced income by product type



Source: Datatec

Exhibit 11: Recurring and cloud income as a proportion of gross invoiced income



Source: Datatec

Logicalis Latin America: Demand weakness hits profits

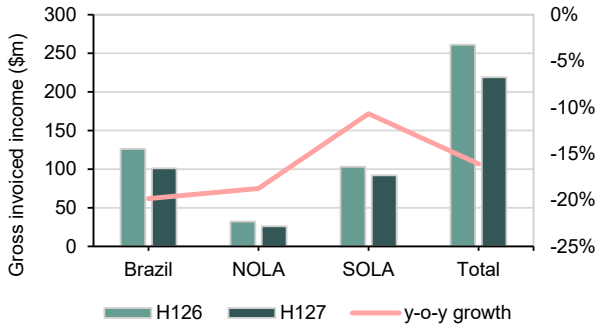
Logicalis Latin America experienced a difficult H127, reflecting weaker order intake and a lower opening backlog as the business continues to reduce its historical dependence on a relatively small number of telecom customers. GII declined 16.2%, while reported revenue fell 19.1%. GII and sales declined across all geographic regions (Exhibits 12 and 13), with Brazil recording the largest deterioration: GII declined 20% and revenue 21%. Northern Latin America (NOLA), which includes Mexico, also experienced weak trading, while Southern Latin America (SOLA) was more resilient, supported by an improvement in Argentina. Services made up a larger proportion of GII (Exhibit 14) reflecting lower sales of hardware and software. Recurring revenue as a percentage of total GII declined marginally to 59%, while cloud-based revenue increased slightly to 7% (Exhibit 15).

Gross profit declined 24.0%, with the gross margin falling 1.4pp to 21.5%, reflecting lower trading volumes and margin pressure in Mexico. Operating costs increased 2.5%, with the unexpected decline in revenue leaving insufficient time to adjust the cost base. Operating costs included $1.3m of share-based payments (H126: $0.3m) resulting in flat adjusted operating costs. Adjusted EBITDA fell from a profit of $11.8m in H126 to a loss of $0.5m, while reported operating profit deteriorated from $6.8m to a loss of $6.7m. Despite the operating weakness, PBT increased from $5.1m to $9.9m, benefiting from $17.1m of interest income recognised following a favourable Brazilian tax ruling, which also resulted in

$21.3m of recoverable tax credits.

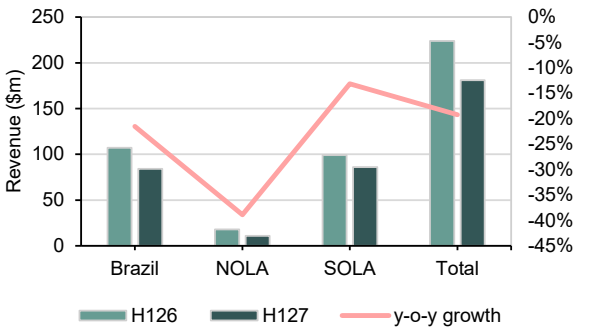
Working capital remained tightly managed despite lower trading volumes, with debtor days declining from 64 in H126 to 49, while inventory and creditor days remained broadly stable. The division ended H127 with net cash of $31.1m, compared with $43.7m at end-FY26. Management's priorities are to rebuild the sales pipeline, diversify the customer base beyond telecoms (management referenced financial services, oil and gas, and mid-market companies), expand higher-value services and improve operating efficiency and profitability.

Exhibit 12: Gross invoiced income by region



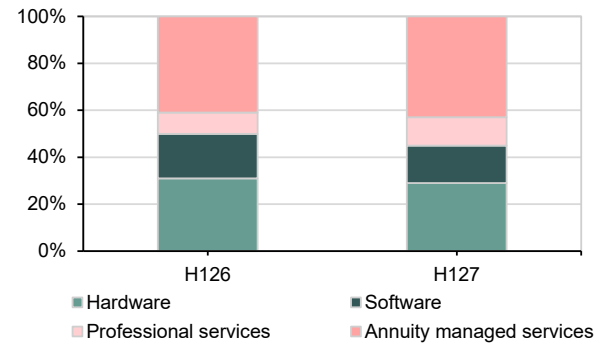
Source: Datatec

Exhibit 13: Revenue by region



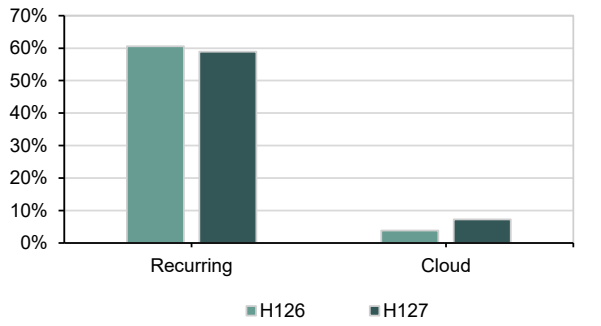
Source: Datatec

Exhibit 14: Gross invoiced income by product type



Source: Datatec

Exhibit 15: Recurring and cloud income as a proportion of gross invoiced income



Source: Datatec

Outlook and changes to forecasts

We have updated our forecasts for the H127 results and to reflect the scrip elections for the recent special dividend.

- **Westcon:** we have increased our revenue, GII and gross profit forecasts in all three years, which results in increases to our adjusted EBITDA forecasts in FY28 and FY29.
- **Logicalis International:** we have increased our revenue, GII and gross profit forecasts in all three years, while our opex forecasts are unchanged, resulting in upgrades to adjusted EBITDA in all years.
- **Logicalis Latin America:** we have reduced our FY27 forecast significantly to reflect the weaker-than-expected H127 performance. We assume some improvement at the revenue/gross profit level with flattish opex half-on-half. For FY28, we reflect reduced opex, reflecting current cost reduction plans, and recovering revenue/gross profit. We factor in more modest growth in FY29.
- **Share count:** average shares outstanding for EPS calculations increase by 15% in FY27 and 39% in FY28 and FY29, reflecting the 94.3m scrip shares from the special dividend.
- **EPS:** we raise our FY27 underlying EPS estimate 4%, with the increase in net income mostly offset by the higher average share count. FY27 net income benefits from the Brazilian tax credits that reduce the effective tax rate from the mid-30s to nearer 24%. We expect the rate to revert to 33.5% from FY28. We reduce our FY28 and FY29 EPS estimates by 18% and 16% respectively, with higher net income forecasts more than offset by the higher share

count.

- **Net debt:** our forecasts reduce significantly as we had previously assumed a 100% cash payout for the special dividend when, in fact, only around a third was paid in cash.

Exhibit 16: Changes to forecasts

$m	FY27e Old	FY27e New	Growth y-o-y	Change	FY28e Old	FY28e New	Growth y-o-y	Change	FY29e Old	FY29e New	Growth y-o-y	Change
Revenue	3,835	4,028	*9.8%*	*5.0%*	3,999	4,267	*5.9%*	*6.7%*	4,163	4,441	*4.1%*	*6.7%*
Gross Profit	1,056	1,044	*4.7%*	*-1.1%*	1,101	1,107	*6.0%*	*0.5%*	1,146	1,154	*4.3%*	*0.7%*
Adjusted EBITDA	330	320	*10.4%*	*-3.0%*	357	373	*16.5%*	*4.5%*	383	403	*8.0%*	*5.2%*
EBITDA	312	289	*7.3%*	*-7.4%*	338	352	*22.0%*	*4.1%*	364	382	*8.4%*	*4.8%*
Normalised operating profit	271	254	*9.0%*	*-6.4%*	296	313	*23.1%*	*5.4%*	321	340	*8.9%*	*6.2%*
Profit before tax (normalised)	203	206	*8.4%*	*1.2%*	214	243	*18.1%*	*13.3%*	239	276	*13.5%*	*15.6%*
Net income (normalised)	113	134	*21.7%*	*18.2%*	116	132	*-1.6%*	*13.8%*	131	152	*15.3%*	*16.0%*
EPS – basic reported (c)	41.1	40.5	*2.2%*	*-1.5%*	41.5	33.8	*-16.4%*	*-18.6%*	47.8	39.8	*17.7%*	*-16.7%*
Headline EPS – basic continuing (c)	41.1	39.7	*-0.4%*	*-3.3%*	41.5	33.8	*-14.8%*	*-18.6%*	47.8	39.8	*17.7%*	*-16.7%*
Company basic uEPS (c)	47.4	49.4	*2.4%*	*4.2%*	47.8	39.2	*-20.6%*	*-18.0%*	54.0	45.2	*15.3%*	*-16.4%*
Company diluted uEPS (c)	46.0	47.6	*1.9%*	*3.6%*	46.4	38.1	*-20.1%*	*-18.0%*	52.5	43.9	*15.3%*	*-16.4%*
EPS – diluted normalised (c)	46.0	47.1	*2.5%*	*2.2%*	46.4	38.0	*-19.2%*	*-18.1%*	52.5	43.8	*15.3%*	*-16.5%*
Dividend (c)	204.7	206.3	*767.5%*	*0.8%*	23.9	19.6	*-90.5%*	*-18.0%*	27.0	22.6	*15.3%*	*-16.4%*
Revenue growth (%)	*4.5*	*9.8*		*5.3pp*	*4.3*	*5.9*	*-3.8pp*	*1.6pp*	*4.1*	*4.1*	*-1.8pp*	*-2.4%*
Gross Margin (%)	*27.5*	*25.9*	*-1.3pp*	*-1.6pp*	*27.5*	*25.9*	*0.0pp*	*-1.6pp*	*27.5*	*26.0*	*0.0pp*	*-155.5%*
Adjusted EBITDA Margin (%)	*8.6*	*7.9*	*0.0pp*	*-0.7pp*	*8.9*	*8.7*	*0.8pp*	*-0.2pp*	*9.2*	*9.1*	*0.3pp*	*-13.0%*
Normalised Operating Margin (%)	*7.1*	*6.3*	*0.0pp*	*-0.8pp*	*7.4*	*7.3*	*1.0pp*	*-0.1pp*	*7.7*	*7.7*	*0.3pp*	*-3.7%*
Adjusted EBITDA/gross profit (%)	*31.3*	*30.7*	*1.6pp*	*-0.6pp*	*32.4*	*33.7*	*3.0pp*	*1.3pp*	*33.4*	*34.9*	*1.2pp*	
Operating cash flow	243	255	57%	5%	269	261	2%	-3%	284	286	10%	*1%*
Net debt/(cash)	393	95	*104%*	*-76%*	322	35	*N/A*	*-89%*	240	(57)	*N/A*	*-124%*

Source: Edison Investment Research

Exhibit 17: Changes to divisional forecasts

Revenue	FY27e Old	FY27e New	Growth y-o-y	Change	FY28e Old	FY28e New	Growth y-o-y	Change	FY29e Old	FY29e New	Growth y-o-y	Change
Westcon	2,019	2,235	15.5%	10.7%	2,100	2,391	7.0%	13.9%	2,184	2,487	4.0%	13.9%
Logicalis	1,775	1,754	3.4%	-1.2%	1,857	1,834	4.6%	-1.2%	1,936	1,912	4.2%	-1.3%
Logicalis International	1,325	1,375	10.0%	3.8%	1,384	1,436	4.5%	3.8%	1,440	1,494	4.0%	3.8%
Logicalis Latam	450	379	-15.0%	-15.8%	473	398	5.0%	-15.8%	497	418	5.0%	-15.8%
Corporate & Management Consulting	41	40	1.0%	-1.9%	42	41	3.0%	-1.9%	44	43	3.0%	-1.9%
Total	3,835	4,028	9.8%	5.0%	3,999	4,267	5.9%	6.7%	4,163	4,441	4.1%	6.7%
EBITDA												
Westcon	186	174	7.0%	-6.0%	200	213	22.2%	6.7%	215	229	7.3%	6.5%
Logicalis	152	138	4.0%	-9.6%	166	163	18.2%	-1.7%	177	177	8.9%	0.0%
Logicalis International	126	136	25.9%	7.5%	137	147	8.1%	7.2%	146	156	6.4%	7.0%
Logicalis Latam	26	2	-92.3%	-92.7%	28	16	744.2%	-44.2%	31	21	31.6%	-32.8%
Corporate & Management Consulting	(26)	(24)	-10.9%	-10.8%	(27)	(24)	1.6%	-11.5%	(28)	(24)	1.6%	-12.1%
Total	312	289	7.3%	-7.4%	338	352	22.0%	4.1%	364	382	8.4%	4.8%
Adjusted EBITDA												
Westcon	193	186	8.1%	-3.4%	207	216	16.1%	4.5%	222	232	7.2%	4.5%
Logicalis	159	153	10.1%	-3.7%	172	177	16.0%	3.2%	184	192	8.2%	4.5%
Logicalis International	133	150	30.7%	12.6%	144	160	7.0%	11.6%	153	170	5.9%	11.1%
Logicalis Latam	26	3	-87.0%	-87.8%	28	17	445.3%	-39.2%	31	22	29.3%	-28.2%
Corporate & Management Consulting	(22)	(19)	-8.3%	-9.9%	(22)	(21)	7.7%	-5.7%	(23)	(21)	1.8%	-6.6%
Total	330	320	10.2%	-3.1%	357	373	16.6%	4.5%	383	403	8.0%	5.2%
Adjusted EBITDA margin												
Westcon	9.6%	8.3%	-0.6pp	-1.2pp	9.9%	9.1%	0.7pp	-0.8pp	10.2%	9.3%	0.3pp	-0.8pp
Logicalis International	10.0%	10.9%	1.7pp	0.9pp	10.4%	11.2%	0.3pp	0.8pp	10.6%	11.4%	0.2pp	0.8pp
Logicalis Latam	5.7%	0.8%	-4.6pp	-4.9pp	6.0%	4.3%	3.5pp	-1.7pp	6.2%	5.3%	1.0pp	-0.9pp

Source: Edison Investment Research

Valuation: Minimal change

On a group basis, Datatec is valued on minority-adjusted EV/adjusted EBITDA multiples of 4.3x in FY27 and 3.7x in FY28 and on a normalised P/E basis of 7.5x in FY27 and 9.2x in FY28. To more accurately reflect the dynamics of the different divisions, we continue to value Datatec on a sum-of-the-parts (SOP) basis. We have revised our SOP valuation to reflect our new forecasts and current peer multiples as well as the post-special dividend net debt and share count. We use the EV/EBITDA peer multiples in Exhibit 18 and FY27e net debt (we add $100m to this as the group

typically operates at a higher level of net debt across the year). We have left the South Africa sovereign risk and holding company discount unchanged at 30%, but we will reassess this discount going forward. Slightly lower peer average multiples result in a new per-share valuation of ZAR79.09, down from ZAR79.43 (ex-special dividend) at the time of our August update. This implies 33% upside from the current share price.

Exhibit 18: Sum-of-the-parts valuation

Average peer EV multiples	Revenues (x)		EBITDA (x)	
	FY27e	FY28e	FY27e	FY28e
Logicalis International	1.0	0.9	9.7	8.9
Logicalis Latin America	0.9	0.8	8.7	8.0
Westcon	0.3	0.3	8.5	7.9
Central costs			8.0	7.5

	Implied EV based on					
Enterprise value	Revenues		EBITDA		Economic interest	Mean EV
(US$m)	FY27e	FY28e	FY27e	FY28e		
Logicalis International	1,397	1,331	1,456	1,421	91%	1,304
Logicalis Latin America	347	332	28	137	68%	56
Westcon	731	721	1,585	1,704	79%	1,299
Central costs			(155)	(157)	100%	(155)

Sum of the parts (EV)	2,504
FY27e net debt	(195)
SOTP – Equity value	2,309
Discount for: RSA sovereign risk, holding company risk	30%
Adjusted equity value	1,616
Shares in issue (m)	337.6
SOTP value per share (US$)	4.79
SOTP value per share (ZAR)	79.09
Latest share price (ZAR)	59.43
Upside from latest share price	33%

Source: Edison Investment Research, LSEG Data & Analytics (as at 12 November)

Exhibit 19: 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	4,028,371	4,266,801	4,441,039
Cost of Sales		(3,816,630)	(4,398,618)	(3,130,164)	(2,641,621)	(2,672,242)	(2,984,163)	(3,160,162)	(3,287,264)
Gross Profit		729,768	744,507	862,236	910,319	997,804	1,044,208	1,106,639	1,153,775
Adjusted EBITDA		158,922	180,182	192,085	246,229	290,084	320,154	372,912	402,568
EBITDA		143,457	98,246	177,589	221,309	269,089	288,625	352,003	381,659
Normalised operating profit		100,540	123,677	131,186	193,556	232,837	253,874	312,519	340,486
Amortisation of acquired intangibles		(10,100)	(11,629)	(3,599)	(7,064)	(5,618)	(6,000)	(6,000)	(6,000)
Exceptionals		0	(40,915)	(2,950)	(11,497)	(2,550)	(3,096)	0	0
Share-based payments		(15,465)	(52,641)	(8,277)	(15,765)	(18,525)	(20,909)	(20,909)	(20,909)
Reported operating profit		74,975	18,492	116,360	159,230	206,144	223,869	285,610	313,577
Net Interest		(31,051)	(38,090)	(54,966)	(56,932)	(43,060)	(48,113)	(69,428)	(64,568)
Joint ventures & associates (post tax)		(427)	882	251	0	0	0	0	0
Exceptionals		540	(1,333)	14,820	1,704	(392)	(20)	0	0
Profit Before Tax (norm)		69,062	86,469	76,471	136,624	189,777	205,761	243,091	275,918
Profit Before Tax (reported)		44,037	(20,049)	76,465	104,002	162,692	175,736	216,182	249,009
Reported tax		(9,470)	(13,375)	(25,527)	(34,720)	(53,964)	(42,177)	(72,421)	(83,418)
Profit After Tax (norm)		36,179	56,205	50,942	91,013	126,829	156,378	161,655	183,485
Profit After Tax (reported)		34,567	(33,424)	50,938	69,282	108,728	133,559	143,761	165,591
Minority interests		(6,431)	(3,209)	(5,137)	(10,103)	(16,955)	(22,679)	(30,035)	(31,717)
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	133,700	131,621	151,769
Net income (reported)		33,902	80,334	45,801	59,179	91,773	110,881	113,726	133,874
Average number of shares outstanding (m)		203.2	218.0	224.8	229.9	231.9	274.1	336.2	336.2
EPS - diluted normalised (c)		14.2	24.1	19.7	34.1	45.9	47.1	38.0	43.8
EPS - basic reported (c)		16.7	36.9	20.4	25.7	39.6	40.5	33.8	39.8
EPS - Company underlying uEPS (c)		16.0	6.1	17.1	35.7	48.2	49.4	39.2	45.2
Dividend (c)		39.3	77.7	7.1	15.5	23.8	206.3	19.6	22.6
Revenue growth (%)		10.6	13.1	(22.4)	(11.0)	3.3	9.8	5.9	4.1
Gross margin (%)		16.1	14.5	21.6	25.6	27.2	25.9	25.9	26.0
Adjusted EBITDA margin (%)		3.5	3.5	4.8	6.9	7.9	7.9	8.7	9.1
Normalised operating margin (%)		2.2	2.4	3.3	5.4	6.3	6.3	7.3	7.7
BALANCE SHEET									
Non-Current Assets		613,155	621,117	748,153	926,418	1,080,142	1,078,781	1,069,633	1,060,492
Intangible Assets		320,089	293,184	335,621	334,188	350,523	348,776	342,349	336,007
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	637,492	637,492	637,492
Current Assets		2,399,078	3,005,148	2,885,183	3,046,870	3,564,876	4,209,245	4,366,444	4,537,874
Stocks		309,227	411,059	324,868	269,788	273,355	313,439	340,582	363,287
Debtors		1,223,824	1,508,470	1,488,867	1,632,973	1,955,775	2,157,764	2,297,167	2,403,141
Cash & cash equivalents		453,926	584,683	569,035	584,113	704,114	1,105,649	1,095,464	1,137,295
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)	(3,775,083)	(3,829,193)	(3,873,182)
Creditors		(1,544,198)	(2,058,150)	(2,014,909)	(2,222,026)	(2,550,563)	(2,773,776)	(2,883,852)	(2,967,586)
Short term borrowings		(433,176)	(577,224)	(581,233)	(501,381)	(597,909)	(672,909)	(602,909)	(552,909)
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)	(301,229)	(315,263)	(325,519)
Long-Term Liabilities		(229,112)	(255,033)	(268,586)	(438,136)	(570,759)	(945,759)	(949,474)	(952,189)
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)	(493,201)	(496,916)	(499,631)
Net Assets		630,946	532,340	569,144	594,607	618,480	567,184	657,409	772,994
Minority interests		(67,516)	(60,331)	(67,911)	(73,669)	(78,186)	(111,865)	(141,899)	(173,616)
Shareholders' equity		563,430	472,009	501,233	520,938	540,294	455,319	515,510	599,378
CASH FLOW									
Op Cash Flow before WC and tax		162,842	191,840	188,816	248,571	290,164	312,630	372,912	402,568
Working capital		(76,807)	(18,203)	29,583	81,612	2,460	2,232	(38,721)	(31,974)
Exceptional & other		10,677	(231)	(42,829)	(43,370)	(73,724)	(17,198)	(837)	(921)
Tax		(26,282)	(24,182)	(27,108)	(40,338)	(56,054)	(42,177)	(72,421)	(83,418)
Operating cash flow		70,430	149,224	148,462	246,475	162,846	255,488	260,932	286,255
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)	(48,113)	(69,428)	(64,568)
Equity financing		(6,150)	(7,725)	6,633	(12,657)	(19,470)	(14,414)	0	0
Dividends		(43,136)	(154,399)	(13,925)	(12,421)	(20,700)	(189,029)	(74,445)	(70,915)
Other		(2,034)	(2,914)	(13,161)	(3,767)	(428)	(30,641)	(28,141)	(28,641)
Net Cash Flow		(53,420)	23,742	17,388	135,179	43,068	(48,465)	59,815	91,830
Opening net debt/(cash)		60,861	130,083	106,582	123,127	52,118	46,666	95,131	35,316
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	95,131	35,316	(56,515)

Source: Datatec, Edison Investment Research

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