

Datatec

H122 trading update

Operational gearing drives EPS growth

H122 underlying earnings per share (uEPS) is expected to be between 8.0 and 8.5 US cents, more than double the H121 comparator at the onset of the COVID-19 pandemic (H121: 3.9 US cents) and c 50% of our FY22 uEPS estimates (16.5 US cents). Under JSE rules, management is required to put out a further trading update (following the [15 September trading update](#)), since H122 EPS estimates are expected to be more than 20% above the H121 comparator. As we flagged in our 15 September note, Datatec's operational gearing magnified the top-line performance (H122 revenues rose 15% y-o-y to c US\$2.26bn) at the earnings level. Assuming momentum is carried into H222, and considering Datatec's historical seasonal weighting to the second half of the year, the group remains on track to meet and potentially exceed our FY22 earnings estimates.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
02/20	4,214	79.1	9.9	7.00	25.5	2.8
02/21	4,109	73.1	13.6	7.06	18.6	2.6
02/22e	4,317	79.1	16.5	5.50	15.3	2.2
02/23e	4,548	101.6	24.9	8.28	10.2	3.3

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

H122 uEPS is expected to be between 8.0 and 8.5 US cents (H121: 3.9 US cents), with headline EPS and statutory EPS both expected to be between 6.1 and 6.4 US cents (H121: 1.6 US cents). H122 uEPS is therefore anticipated to be more than 100% above H121 uEPS, with headline and statutory EPS 300% above H121 comparators. H121 uEPS (3.9 US cents) was 29% of FY21 uEPS (13.6 US cents).

Given Datatec's February year end, the H121 comparator period, starting 1 March 2021, coincided neatly with the onset of the COVID-19 pandemic, providing a relatively weak performance comparator.

Management provided no update on the strategic review announced in August (discussed in our note [Strategic review to unlock embedded value](#)). We expect to see an update with the H122 results.

We will look for any management comments relating to H222 progress and review our estimates after the full H122 results release, due on or around 28 October 2021.

IT services

6 October 2021

Price **ZAR38.0**
Market cap **ZAR7.7bn**

ZAR15.04/US\$

Net debt (US\$m) at 28 February 2021 60.9

Shares in issue 203.2m

Free float 62%

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).

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