

Datatec

A closer look at Logicalis International

Logicalis International is the second largest business within the Datatec group, generating a third of adjusted EBITDA in FY24. With international presence and strong vendor relationships, the business provides digital transformation services to companies across a wide range of sectors, specialising in networking, cybersecurity and cloud services. We calculate that the enterprise value (EV) of Logicalis International, based on average peer multiples, is similar to the current EV of the Datatec Group, highlighting the valuation discount at which the group is currently trading.

Year end	Revenue (\$m)	PBT (\$m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
2/23	5,143.1	86.5	24.06	77.68	11.2	28.8
2/24	5,457.9	76.5	19.66	7.05	13.7	2.6
2/25e	5,303.6	122.8	30.50	9.30	8.9	3.4
2/26e	5,509.0	141.5	35.27	11.20	7.7	4.1

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

Global presence, strong service offering

Logicalis International (LI) is well diversified on a geographic basis, operating across three regions – the US, Asia-Pacific (APAC) and Europe, the Middle East and Africa (EMEA) – with each generating a roughly equal EBITDA contribution. The business has strategic relationships with Cisco and Microsoft and works with a wide range of other vendors across its specialist areas of networking, security and cloud. As well as providing hardware and software solutions, the business generates nearly half of its revenue from providing professional and managed services.

Growth potential

The business is focused on gross profit growth, improving the conversion of gross profit to EBITDA and efficient cash generation. To provide better predictability, the business aims to grow the recurring element of revenue through increased adoption of its service offerings. The business has a strong focus on operational efficiency and leverages the best practice within each country across the division. While the division has grown through acquisition since inception, in recent years M&A was paused in favour of internal restructuring and improvement. As LI is making progress with strengthening its balance sheet through improved margins and working capital management, we believe bolt-on acquisitions may resume.

Valuation: A substantial valuation gap still exists

Using the average EV/adjusted EBITDA multiples for its peer group averaged across the current and next fiscal years, we arrive at a valuation for LI of \$764m/ZAR14.0bn. Based on the current share price of ZAR49.06 and a Datatec EV of \$742m/ZAR13.6bn, this implies that LI is worth more than the current group EV. Taking a more conservative approach by using median EV/EBITDA multiples, we calculate an EV of \$742m/ZAR13.6bn for LI. Our group sum-of-the-parts valuation values Datatec at ZAR77.0/share, providing 57% upside to the current share price.

Divisional update

Software and comp services

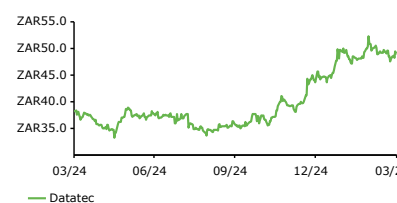
10 March 2025

Price ZAR49.06
Market cap ZAR11,587m

ZAR18.3/US\$

Net cash/(debt) at end H125	\$108.4m
Shares in issue	236.2m
Free float	81.0%
Code	DTCJ
Primary exchange	JSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(2.6)	13.2	30.1
52-week high/low	ZAR53.1	ZAR31.8	

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

FY25 results	27 May
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Introducing Logicalis International (LI)

Datatec operates through four divisions:

- Westcon International: provides specialist technology distribution through two principal brands, Westcon and Comstor.
- Logicalis International: provides IT services in Europe, North America, Asia-Pacific and Africa.
- Logicalis Latin America: provides IT services in Latin America.
- Corporate and management consulting: includes group head office companies and Mason Advisory.

In this pre-close update, we provide an in-depth view of LI, including an analysis of its valuation.

In the charts below we show LI's contribution to group revenue, gross profit and adjusted EBITDA in H125. LI is the second largest division by revenue and adjusted EBITDA, with the highest adjusted EBITDA margin (Exhibit 4).

Exhibit 1: Datatec H125 revenue by division



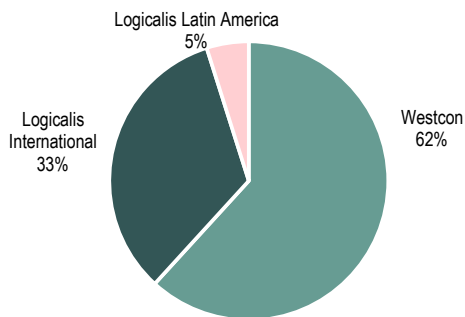
Source: Datatec

Exhibit 2: Datatec H125 gross profit by division



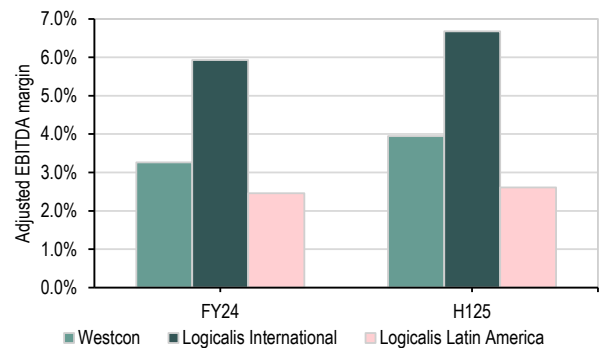
Source: Datatec

Exhibit 3: Datatec H125 adjusted EBITDA by division



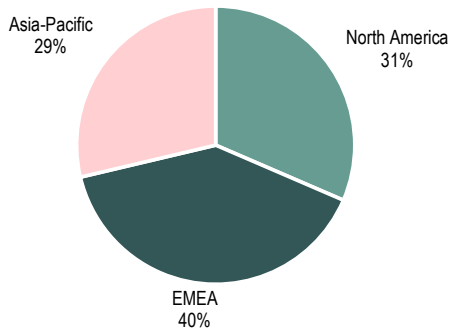
Source: Datatec. Note: Excludes Corporate & Management Consulting.

Exhibit 4: Adjusted EBITDA margin by division



Source: Datatec. Note: Excludes Corporate & Management Consulting.

Exhibit 5: Logicalis International H125 revenue by region



Source: Datatec

LI operates across more than 20 territories and generates revenue and EBITDA broadly equally across the three regions on which it reports:

- North America: the US;
- EMEA: Germany, Spain, the UK and Ireland, Portugal, South Africa; and
- APAC: Australia, Singapore, Taiwan, Indonesia, Vietnam, China, Hong Kong, Malaysia, the Philippines and Thailand.

Evolution of Logicalis International

Logicalis, headquartered in the UK, was founded 25 years ago and has grown through a combination of organic growth and 21 acquisitions over the last 10 years. In 2022, Datatec decided to split Logicalis into two separate businesses: Logicalis International and Logicalis Latin America. While the businesses now operate independently, there is some collaboration in areas such as providing services to multi-territory customers and using the same instance of the service management platform.

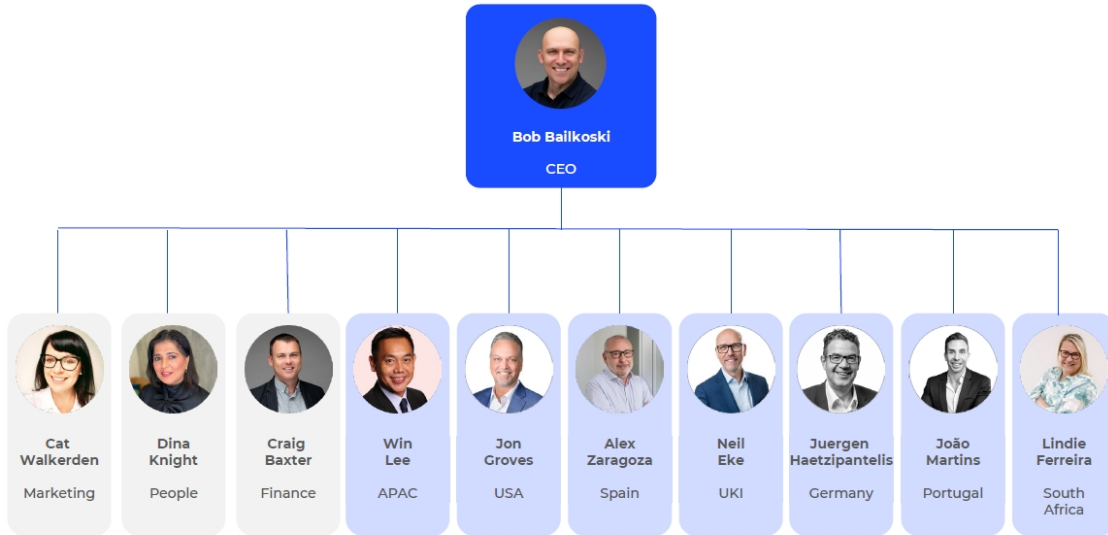
Streamlining the business

Five years ago, the business was made up of a group of disparate businesses that had individual supplier relationships. Since then, management has worked to increase collaboration between the individual businesses and consolidate some supplier relationships. LI has created dedicated resource pools in centres of excellence that the business can draw on. In FY23, the business undertook a major restructuring, as part of the process of splitting out LI and Logicalis Latin America, streamlining the cost base and matching the staff base to future requirements. A formal people strategy was put in place, with talent and succession planning, to help with staff hiring and retention.

Management

Exhibit 6 summarises the reporting structure for LI. CEO Bob Bailkoski has been with Logicalis since 2015, joining as CFO, moving into the COO role in 2018 and taking on the CEO role in 2020. CFO Craig Baxter has been with Logicalis in finance roles since 2009 and became CFO in 2023. As well as regional CEOs reporting into Bob Bailkoski, regional finance directors report to Craig Baxter.

Exhibit 6: Logicalis International management structure



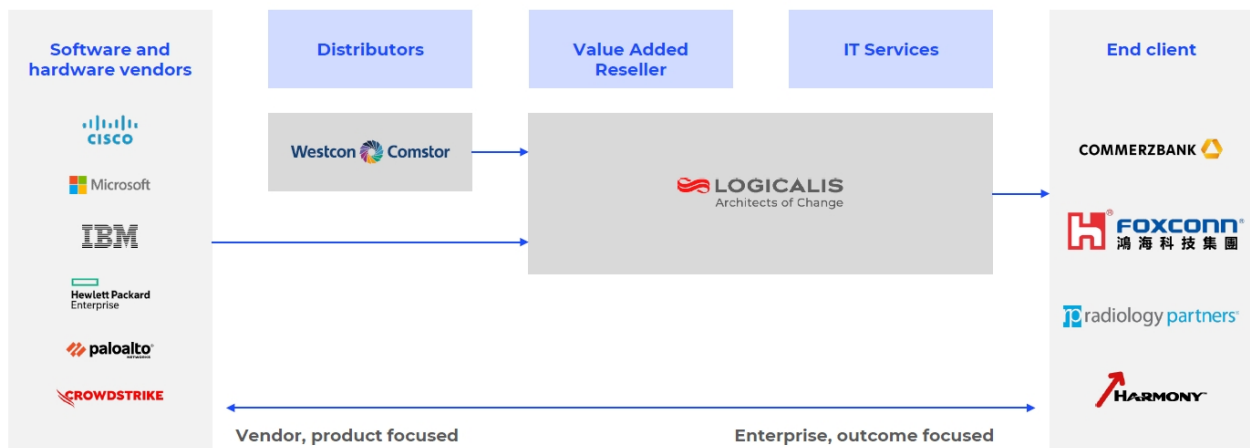
Source: Datatec

Logicalis International’s position in the IT value chain

LI helps businesses with their digital transformations. The majority of its revenue comes from reselling hardware and software solutions from vendors in the networking, security and cloud markets. LI also generates revenue from professional services, where it advises customers on technology and implements their chosen solutions, and managed services, which includes vendor-supplied maintenance as well as in-house customer support such as first-line support, managing customer networks via network operations centres (NOCs) and monitoring customer security via security operations centres (SOCs).

LI is focused on IT infrastructure rather than end user applications, helping customers to implement connectivity, cloud and security solutions. Exhibit 9 below shows the trend in the revenue split since FY22.

Exhibit 7: Logicalis International’s position in the ICT supply chain



Source: Datatec

Strategy: Profitable growth and cash generation

At a group level, Datatec has three medium-term strategic objectives:

- Structural improvement in profit margins and working capital;

- Position itself at the forefront of trends around cybersecurity and cloud; and
- Reduce the effective tax rate with better geographic profit mix.

This filters down to the following objectives for LI:

- Key strategic goals: 1) shift revenue mix so that revenue from recurring services increases as a percentage of gross profit, while building an agile organisation to stay competitive; and 2) be a leading responsible business (more detail in the section below).
- Continue to grow services across cloud, connectivity, security and workplace.
- Modernise the existing managed services environment through the digital fabric platform, providing customers with real-time insights and recommendations about their IT environment.
- Continue to deliver new solutions to market built around the hardware and software of strategic vendors.
- Manage operating expenses to ensure they remain at an optimum level.
- Focus on operating cash conversion to ensure maximum positive cash flows.

Management is focused on taking the best of what it does in the 20+ territories in which it operates and scaling this globally, whether this be expertise, customer relationships or relationships with vendors.

Expect bolt-on rather than transformational acquisitions

The business was built through a combination of organic growth and acquisitions. In recent years, the business has not made any acquisitions, instead focusing on internal improvements. However, we believe that management would consider bolt-on acquisitions to strengthen geographical presence, build out the solution set or add/strengthen vendor relationships. It has an active pipeline of deals, and we believe that expansion into currently unserved markets such as Eastern Europe or India could be under consideration.

Market drivers and positioning

LI provides key ICT infrastructure and related services to businesses. Trends that influence demand for LI's solutions and services include:

- **Hybrid working:** since COVID-19, many offices have adapted to higher levels of remote working, with employees needing access to corporate IT networks from home and in the office. This creates more complexity in designing networks and increases cybersecurity risk.
- **Hybrid cloud:** while there has been a consistent shift to implement software in the cloud, many companies prefer to operate certain software applications on-premise or in private data centres for security or data sovereignty reasons. This creates the requirement for management of the entire IT estate on a hybrid basis.
- **Cybersecurity risks:** the ever present threat to a company's data, whether from employees (either malicious or negligent) or external actors means that IT infrastructure must be designed with security at its heart.
- **Increasing adoption of AI:** companies are increasingly seeking advice as to how they should implement AI within their organisations. A first step to using AI tools is having well-organised, labelled and managed data. AI is increasingly being used in cyberattacks but can also be used to identify and respond to attacks.
- **Connectivity:** for businesses requiring low latency, high bandwidth wireless connectivity for applications such as manufacturing (including robotics, virtual reality (VR) devices), logistics and warehousing, and hospitality and venues, the company can supply private 5G networks.

Competition: Global and local

The business competes with numerous local providers as well as larger players with a multi-national presence. Management tracks LI's listed peers with the aim of being in the top quartile for two key metrics: conversion of gross profit to EBITDA and cash conversion.

In the table below we summarise a selection of listed peers, highlighting their geographic coverage, and where disclosed, the split of revenue by type. We provide further detail on financial performance in the valuation section.

Unlisted competitors include NTT Data, World Wide Technology (US), CAE Technology Services (UK), Natilik (UK) and SHD (Germany).

Exhibit 8: Listed competitor profiles

Company	HQ	Listing	Countries/regions	Revenue breakdown	Gross/net	FY24 gross sales (bn)	FY24 net revenue (bn)	FY24 gross sales (\$bn)	FY24 net revenue (\$bn)	Last reported year
Logicalis International	UK	N/A	EMEA, Americas, APAC	Hardware (42%), software (14%), professional services (17%), managed services (27%)	Net, H125	N/A	\$1.2*	N/A	1.2	29/02/2024
Atea	Norway	Oslo	Nordics, Baltics	Hardware (44%), software (37%), services (19%)	Gross	NOK53.9	NOK34.58	5.0	3.2	31/12/2024
Bechtle	Germany	Xetra	Europe - 14 countries	IT System House & Managed Services (63%), IT e-commerce (37%)	Net, 9M24	€ 8.0	€ 6.3	8.7	6.8	31/12/2024
Bytes	UK	London	UK & Ireland	Software (97%), hardware (1%), services (2%)	Gross, H125	£2.46**	£0.2***	3.1	0.3	28/02/2024
Cancom	Germany	Xetra	Germany, Austria, Switzerland, Czech Republic, Belgium, Romania, Slovakia	Germany (67%), International (33%)	Net, 9M24	N/A	€ 1.7	N/A	1.8	31/12/2023
CDW	US	Nasdaq	US, Canada, UK	Hardware (72%), software (18%), services (9%)	Net, FY24	N/A	\$21.0	N/A	21.0	31/12/2024
Computacenter	UK	London	EMEA, Americas, APAC	Technology sourcing (74%), professional services (12%), managed services (14%)	Net, H124	£9.9	£6.6^	12.7	8.5	31/12/2023
Econocom	Belgium	Euronext Brussels	France, Spain, Benelux, Italy, Germany, UK, the Americas, Poland	Products & solutions (44%), technology management & financing (38%), services (18%)	Net	N/A	€ 2.7	N/A	3.0	31/12/2024
Eplus	US	Nasdaq	US, UK, India	Products (78%), professional services (11%), managed services (8%), financing (3%)	Net, Apr-Dec 24	\$3.4	\$2.1^^	3.4	2.1	31/03/2024
Insight Enterprises	US	Nasdaq	US, Canada, UK, Europe, UAE, APAC	Hardware (63%), software (28%), services (19%)	Net	N/A	\$8.7	N/A	8.7	31/12/2024
Softcat	UK	London	UK & Ireland	Software (63%), hardware (20%), services (17%)	Gross	£2.9	£1.0	3.7	1.3	31/07/2024

Source: Edison Investment Research, company reports, LSEG Data & Analytics (as at 10 March). Note: *FY25 forecast. **2x H125. ***FY25 consensus forecast. ^FY24 consensus forecast. ^^Trailing 12 month.

Partner strategy: Building diverse vendor relationships

The business has two strategic channel partners, Cisco and Microsoft, as well as relationships with numerous other suppliers in different regions.

The business initially built up its relationship with Cisco for networking solutions and is now one of six gold partners globally. As a result of the close relationship with Cisco, LI is often selected to trial new solutions. If these prove successful in a given country, LI will work to scale the solution internationally.

As it built up its cloud offerings, Microsoft became a strategic partner (around six years ago), and LI has strong expertise in Azure. While most cloud services are provided by Azure, LI can also offer AWS, Alibaba and Google cloud services. Particularly in security, LI has built up partnerships with other vendors, with Microsoft also a key vendor. When advising customers, LI aims to be vendor agnostic, so relationships across a range of vendors for each technology are crucial. The chart below shows a selection of vendors that LI works with.

While the majority of business across the group is in the networking, cloud or security space, local teams have the flexibility to exploit other opportunities. For example, Germany has a strong Oracle database business and APAC offers ITSM (IT service management) solutions from companies such as ServiceNow and Atlassian.

Vendor recognition

The business has won multiple vendor awards and recognition (see page 81 of Datatec's Integrated Report FY24 for the detailed list). With its strategic partners:

- **Cisco:** LI has had global Gold status for the past seven years. LI has Cisco-powered validation for 11 solutions and Cisco environmental sustainability specialisation in all 15 available countries.
- **Microsoft:** LI has five Microsoft Solution Partner designations and 11 advanced Microsoft specialisations as well as elite specialist status in security.

As well as winning awards from Cisco and Microsoft, LI has also received awards from a wide range of other vendors including Fortinet, VMware, CheckPoint, Hitachi, Infinidat, NetApp, Oracle, Dell, Huawei, IBM and AWS.

Digital Fabric Platform provides customer insights

As part of its managed services offering, the company has developed an IT service management platform called Digital

Distributed by London South East

Fabric Platform, with version 2.0 launched in January 2024. The platform integrates all applications and business processes managed by LI and analyses the data going through the platform to provide insights to the customer. It measures five key performance indicators (KPIs): 1) reliability, 2) security and compliance, 3) user experience, 4) economics and 5) environment. It provides a score for each measure, as well as recommendations for how each measure could be improved.

The Digital Fabric Platform has been rolled out to around 10% of managed services customers, starting in the US and Australia, and will ultimately be rolled out to them all.

Responsible business

At a group level, Datatec formalised and adopted its Responsible Business strategy in FY22, formalised targets in FY23, aligned targets externally and engaged employees in FY24, and in FY25 is focused on monitoring and tracking targets. Datatec's strategy covers three areas:

- Communities
- People
- Planet

This filters down to the following strategy at the LI level:

Communities

LI's goals are to improve education for the next generation and to support local charities in the communities in which it operates. This includes providing scholarships and mentorship for STEM education, staff volunteering days and fund-raising for local charities.

People

Datatec's goal is to maintain a fair, inclusive culture that ensures employees have optimal working conditions and opportunities for growth and development. In South Africa, Logicalis has Level 1 B-BBEE status.

Strategic priorities for the people team are:

- **People engagement**, including optimising use of Workday HR software and designing an end-to-end cycle for global performance and development;
- **Responsible business**, including support for improved data quality linked to DE&I (diversity, equity and inclusion), support defining DE&I strategy, targets and KPIs, and managing the 'Revive and Thrive' programme;
- **Training and development**, including implementing the Logicalis global leadership framework, establishing a global learning management system (LMS) infrastructure and deployment strategy, and implementing action-focused talent panels.

Planet

At the group level, Datatec has committed to reduce scope 1 and 2 greenhouse gas (GHG) emissions by 50% by 2030 (2022 baseline), ensure 85% of suppliers by spend set science-based emission reduction targets by 2028, and achieve net zero GHG emissions by 2050. These targets have been validated by the Science Based Targets initiative (SBTi).

To help the group achieve its targets, LI has the same targets as well as these additional targets:

- Reduce absolute scope 1, 2 and 3 GHG emissions by 90% by 2030 (2022 baseline).
- Become carbon neutral on scope 1 and 2 by end FY25, using carbon offsetting where necessary.
- 75% of operations powered by renewable energy.
- Divert a minimum of 50% of waste generated by operations from landfill over the next three years.
- Continued implementation of a sustainable travel policy.

Activities underway to work towards these targets include switching to electric or biodiesel-powered vehicles, implementing an e-waste policy, switching to renewable power where possible and the development of a strategic plan to engage with top suppliers to support them setting their own science-based targets.

External agency EcoVadis assesses LI's performance. In FY24, 10 of LI's global operations achieved an EcoVadis sustainability rating, with some achieving a Gold Medal (top 5% of rated companies).

Financials

We discuss below LI's financial performance and drivers of profitable growth.

Cloud making up an increasing proportion of revenue

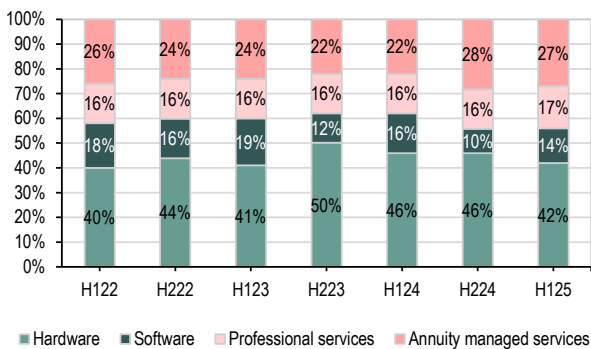
LI reports revenue from four sources:

- Hardware: this is usually sold on a one-off basis, recognised at a point in time.
- Software: typically software that is sold to be used with hardware purchases, although some software is sold standalone. This is usually recognised when sold.
- Professional services: these are typically recognised on a percentage of completion basis, calculated with respect to costs incurred to complete the project.
- Managed services: these are recognised over the life of a contract.

The charts below show the split of revenue on a half-yearly basis from H122 to H125. Exhibit 10 shows the percentage of revenue that is recurring and the percentage of revenue generated from cloud products and services.

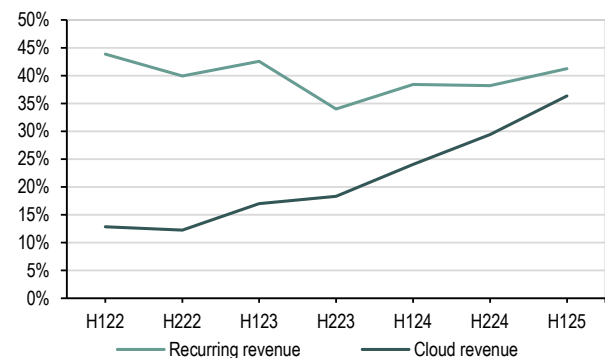
The trend has been for recurring and cloud revenue to increase as a percentage of revenue. However, in FY23 and FY24, the company shipped a higher proportion of hardware from the large backlog of orders that had built up while supply chain shortages made it hard to get hold of product. From FY25, we believe this has normalised, and we would expect both cloud and recurring revenues to continue to grow as a proportion of total revenue

Exhibit 9: Logicalis International revenue split by product



Source: Datatec

Exhibit 10: Logicalis International proportion of recurring revenue and cloud-related revenue



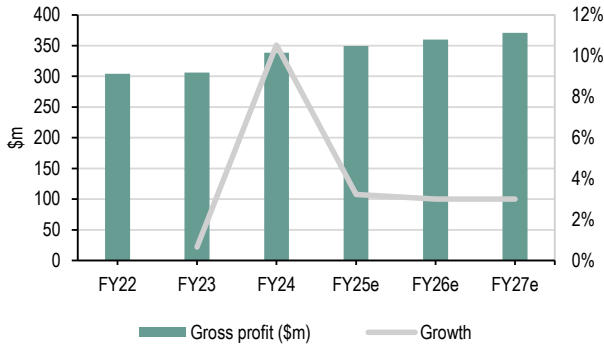
Source: Datatec

Financial performance and forecasts

A 2022 clarification to IFRS 15 relating to revenue accounting for software resulted in many companies revisiting how they account for software and related sales. LI must judge whether it is acting as agent or principal in the provision of vendor resold maintenance sales, software and cloud and software services. Where it is acting as agent, it reports the commission or gross profit earned as revenue with a corresponding 100% gross margin. The increasing proportion of revenues accounted for on a net basis makes reported revenue a poor indicator of progress, with gross profit a more accurate indicator. Net revenue accounting also makes gross margin and EBITDA margin performance a less accurate measure of performance, as a higher proportion of net revenue-accounted sales would drive margins up even if gross sales were flat. We believe that the growth in gross profit and the conversion of gross profit to EBITDA are the two most important indicators to track. While we forecast revenue to decline 6% in FY25, we forecast gross profit growth of 3%.

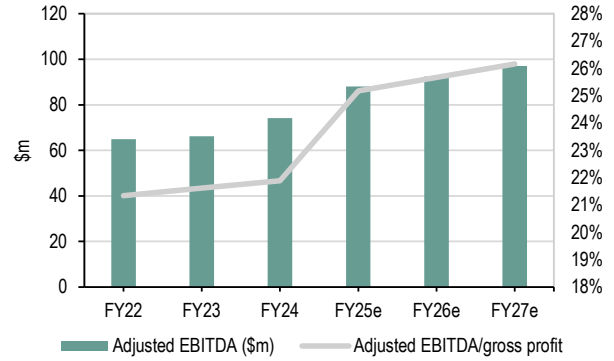
The conversion of gross profit to EBITDA was in the range 21–22% for FY22–24 but increased to 23.4% in H125 and we are forecasting it to increase to 26.2% by FY27.

Exhibit 11: Logicalis International gross profit and gross profit growth



Source: Datatec, Edison Investment Research

Exhibit 12: Logicalis International adjusted EBITDA and adjusted EBITDA/gross profit



Source: Datatec, Edison Investment Research

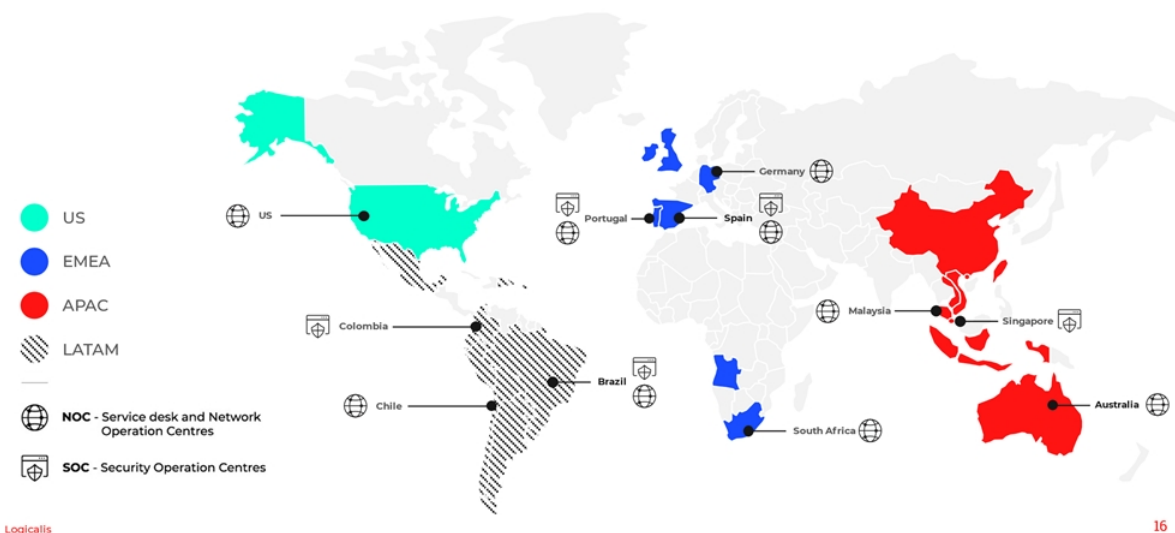
Profit drivers

In addition to driving growth in gross profit through increased volumes and focusing on overhead efficiency, the business has several other levers it can use to improve profitability:

- **Staff utilisation:** now that supply chains have normalised, the timing of projects has become more predictable, enabling more efficient staff planning and allocation.
- **Automation:** particularly in managed services, the increasing use of automation reduces costs.
- **AI tools:** use of genAI internally to improve information sharing.
- **Shared resource centres:** for recurring services, resources have been consolidated in particular countries. The map in Exhibit 13 shows where these are located.

Exhibit 13: Location of Logicalis shared service centres

Logicalis Global Services Delivery



Source: Datatec

Working capital management to improve cash generation

The business manages working capital tightly. For most contracts it signs, it aims to be cash neutral. Occasionally it receives money in advance of paying a supplier, or conversely is willing to extend payment terms for a high-return deal. Divisional net debt was \$96.3m at the end of H125 (\$60.3m excluding leases), down 15% y-o-y helped by good working capital control.

Management incentive plan

During FY24, Datatec set up a new scheme for the LI management team, incentivising management by offering them the chance to own shares in LI. In March 2023, LI implemented the Logicalis International long-term incentive plan (LILTIP) following a corporate restructuring. An intermediate holding company called Logicalis International Group Holdings Limited (LIGHL) was inserted and is owned by Logicalis Group Limited (LGL), a wholly owned subsidiary of Datatec plc. The LI senior management purchased 5.26% of the ordinary equity of LIGHL and LGL owns the remainder. A fixed return equity instrument (intercompany loan note) was issued to Logicalis Group Limited in addition to its ordinary equity. A further 1.04% of LIGHL will be available for purchase by management to allow for changes to the management team.

With country management now offered potential ownership of the division, the focus has shifted from country to divisional performance. This helps at an operational level, for example encouraging optimal team structures across geographies to service particular customer projects, and at a financial level, to maximise profitability and cash conversion.

Valuation

We value Datatec on a sum-of-the-parts basis to reflect the different dynamics in the three businesses.

For each business, we use the average EV/adjusted EBITDA multiples for a range of listed peers. There is no peer with an identical solution offering and geographical spread to LI, but there are peers providing similar services in multiple regions. The table below shows the financial performance and valuation metrics for this peer group.

Using EV/adjusted EBITDA multiples averaged across the current and next fiscal years, we arrive at a valuation for LI of \$764m/ZAR14.0bn. Based on the current share price of ZAR49.06 and a Datatec EV of \$742m/ZAR13.6bn, this implies that LI is worth more than the current group EV. Taking a more conservative approach by using the median EV/EBITDA multiples, we calculate an EV of \$742m/ZAR13.6bn for LI.

Exhibit 14: Logicalis International peer financial and valuation metrics

Company	Market cap (\$m)	Revenue growth (%)		EBITDA margin (%)		EBITDA/gross profit (%)		EV/Sales (x)		EV/EBITDA (x)	
		CY	NY	CY	NY	CY	NY	CY	NY	CY	NY
Logicalis International	N/A	(6.0)	3.0	7.5	7.6	25.2	25.7				
Atea ASA	1,372	8.8	5.0	6.0	6.2	24.1	25.0	0.4	0.4	6.7	6.2
Bechtle AG	5,353	(1.3)	4.6	7.6	7.6	43.8	43.7	0.8	0.8	10.3	9.9
Bytes Technology Group PLC	1,301	3.6	10.3	32.3	32.9	53.6	50.9	4.4	4.0	13.6	12.0
Cancom SE	928	11.9	3.5	6.8	7.2	17.3	18.8	0.5	0.4	6.8	6.2
CDW Corp	22,308	2.7	4.8	9.9	10.1	45.3	45.9	1.3	1.2	12.8	12.0
Computacenter PLC	3,308	(4.0)	5.2	4.8	4.9	30.3	30.4	0.3	0.3	7.1	6.7
Econocom Group SE	325	3.7	3.9	5.4	5.6	19.5	20.3	0.2	0.2	4.0	3.7
ePlus inc	1,746	(5.9)	5.2	8.2	8.0	32.0	31.1	0.7	0.7	8.9	8.7
Insight Enterprises Inc	4,967	1.6	5.2	6.6	6.7	32.3	32.8	0.6	0.6	9.6	8.9
Softcat PLC	4,001	11.3	11.0	16.5	16.4	38.8	38.3	2.8	2.5	16.7	15.1
Average		3.2	5.9	10.4	10.6	33.7	33.7	1.2	1.1	9.6	8.9
Median		3.1	5.1	7.2	7.4	32.1	31.9	0.7	0.6	9.2	8.8

Source: Edison Investment Research, LSEG Data & Analytics (as at 10 March)

We repeat the exercise for Westcon and Logicalis Latin America and arrive at a group sum-of-the-parts equity valuation of \$994m, with LI making up 40% of the EV before central costs are taken into account. This represents 57% upside to the current share price.

Exhibit 15: Datatec sum-of-the-parts valuation

Average peer EV multiples	Revenues (x)		EBITDA (x)	
	FY25e	FY26e	FY25e	FY26e
Logicalis International	1.2	1.1	9.6	8.9
Logicalis Latin America	0.4	0.4	4.7	3.9
Westcon	0.4	0.3	8.4	7.5
Central costs			8.0	8.0

Implied EV based on						
Enterprise value (US\$m)	Revenues		EBITDA		Economic interest	Mean EV
	FY25e	FY26e	FY25e	FY26e		
Logicalis International	1,405	1,339	849	825	91%	764
Logicalis Latin America	185	172	89	92	68%	62
Westcon	1,388	1,321	1,230	1,173	89%	1,075
Central costs			(150)	(153)	100%	(150)
				Sum of the parts (EV)		<u>1,751</u>
				FY25e net debt		(331)
				SOTP – Equity value		<u>1,420</u>
				Discount for: RSA sovereign risk, holding company risk		30%
				Adjusted equity value		<u>994</u>
				Shares in issue (m)		236.2
				SOTP value per share (US\$)		4.21
				SOTP value per share (ZAR)		77.00
				Latest share price (ZAR)		49.06
				Upside from latest share price		57%

Source: Edison Investment Research, LSEG Data & Analytics (as at 10 March)

Datatec initiated a strategic review in 2021 with the aim of closing the valuation gap. Since then, the company has sold one business (Analysys Mason), with receipts from the disposal returned to shareholders, and restructured the remaining businesses. It has also implemented new incentive schemes at a divisional level (as described above) for LI, Westcon and Mason Advisory. In November 2024, the company announced a share buyback scheme, which started on 28 November 2024; purchased shares will be cancelled. This was well received, with the stock appreciating 18% since then.

Exhibit 16: Datatec financial summary

Year end 28 February	\$'k	2020	2021	2022	2023	2024	2025e	2026e	2027e
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		4,214,421	4,109,463	4,546,398	5,143,125	5,457,947	5,303,600	5,508,977	5,703,590
Cost of Sales		(3,472,843)	(3,418,939)	(3,816,630)	(4,398,618)	(4,595,711)	(4,403,919)	(4,575,674)	(4,737,644)
Gross Profit		741,578	690,524	729,768	744,507	862,236	899,681	933,302	965,946
Adjusted EBITDA		166,280	152,490	158,922	180,182	192,085	233,598	252,738	267,799
EBITDA		158,657	118,619	143,457	98,246	177,589	226,254	242,738	257,799
Normalised operating profit		105,157	97,859	100,540	123,677	131,186	177,396	191,237	205,207
Amortisation of acquired intangibles		(11,297)	(8,635)	(10,100)	(11,629)	(3,599)	(8,000)	(5,500)	(4,000)
Exceptionals		(3,700)	(27,771)	0	(40,915)	(2,950)	(607)	0	0
Share-based payments		(7,623)	(11,493)	(15,465)	(52,641)	(8,277)	(10,000)	(10,000)	(10,000)
Reported operating profit		82,537	49,960	74,975	18,492	116,360	158,789	175,737	191,207
Net Interest		(25,874)	(25,692)	(31,051)	(38,090)	(54,966)	(54,610)	(49,695)	(49,695)
Joint ventures & associates (post tax)		(204)	908	(427)	882	251	0	0	0
Exceptionals		2,029	59	540	(1,333)	14,820	1,938	0	0
Profit Before Tax (norm)		79,079	73,075	69,062	86,469	76,471	122,787	141,543	155,513
Profit Before Tax (reported)		58,488	25,235	44,037	(20,049)	76,465	106,118	126,043	141,513
Reported tax		(31,809)	(19,540)	(9,470)	(13,375)	(25,527)	(35,019)	(41,594)	(46,699)
Profit After Tax (norm)		34,615	30,034	36,179	56,205	50,942	82,267	94,834	104,194
Profit After Tax (reported)		26,679	5,695	34,567	(33,424)	50,938	71,099	84,449	94,814
Minority interests		(13,772)	(3,103)	(6,431)	(3,209)	(5,137)	(9,358)	(9,888)	(10,415)
Discontinued operations		1,332	0	5,766	116,967	0	0	0	0
Net income (normalised)		20,843	26,938	29,748	52,996	45,805	72,909	84,946	93,779
Net income (reported)		14,239	2,592	33,902	80,334	45,801	61,741	74,561	84,399
Average number of shares outstanding (m)		210.5	198.8	203.2	218.0	224.8	230.8	232.6	232.6
EPS - diluted normalised (c)		9.7	13.2	14.2	24.1	19.7	30.5	35.3	38.9
EPS - basic reported (c)		6.8	1.3	16.7	36.9	20.4	26.8	32.0	36.3
EPS - Company underlying uEPS (c)		9.9	13.5	16.0	6.1	17.1	27.9	33.6	37.4
Dividend (c)		7.0	6.6	39.3	77.7	7.0	9.3	11.2	12.5
Revenue growth (%)		(2.7)	(2.5)	10.6	13.1	6.1	(2.8)	3.9	3.5
Gross margin (%)		17.6	16.8	16.1	14.5	15.8	17.0	16.9	16.9
Adjusted EBITDA margin (%)		3.9	3.7	3.5	3.5	3.5	4.4	4.6	4.7
Normalised operating margin (%)		2.5	2.4	2.2	2.4	2.4	3.3	3.5	3.6
BALANCE SHEET									
Fixed Assets		512,598	554,690	613,155	610,565	741,075	743,375	746,212	751,001
Intangible Assets		291,279	314,486	320,089	293,184	335,621	333,611	332,047	331,789
Tangible Assets		43,300	39,987	32,517	33,054	35,823	40,134	44,535	49,581
Right-of-use assets		83,953	94,837	80,639	56,248	55,991	55,991	55,991	55,991
Investments & other		94,066	105,380	179,910	228,079	313,640	313,640	313,640	313,640
Current Assets		2,083,928	2,242,568	2,399,078	3,015,700	2,892,261	2,870,273	2,991,719	3,110,993
Stocks		253,271	242,005	309,227	411,059	324,868	337,835	363,547	389,395
Debtors		1,110,510	1,108,105	1,223,824	1,508,470	1,488,867	1,511,163	1,584,774	1,656,385
Cash & cash equivalents		347,189	488,632	453,926	584,683	569,035	510,836	531,915	552,582
Other		372,958	403,826	412,101	511,488	509,491	510,440	511,483	512,631
Current Liabilities		(1,765,823)	(1,980,013)	(2,152,175)	(2,869,641)	(2,829,580)	(2,750,361)	(2,800,202)	(2,843,949)
Creditors		(1,275,690)	(1,401,804)	(1,544,198)	(2,088,899)	(2,048,883)	(1,974,129)	(2,018,029)	(2,056,146)
Short term borrowings		(338,945)	(392,877)	(433,176)	(577,224)	(581,233)	(581,233)	(581,233)	(581,233)
Lease liabilities		(34,325)	(36,398)	(32,870)	(27,005)	(26,243)	(26,243)	(26,243)	(26,243)
Other		(116,863)	(148,934)	(141,931)	(176,513)	(173,221)	(168,756)	(174,697)	(180,328)
Long-Term Liabilities		(187,610)	(176,624)	(229,112)	(224,284)	(234,612)	(233,385)	(235,018)	(236,565)
Long-term borrowings		(18,638)	(42,371)	(56,440)	(41,624)	(39,138)	(39,138)	(39,138)	(39,138)
Lease liabilities		(95,148)	(77,847)	(61,523)	(45,412)	(45,548)	(45,548)	(45,548)	(45,548)
Other long-term liabilities		(73,824)	(56,406)	(111,149)	(137,248)	(149,926)	(148,699)	(150,332)	(151,879)
Net Assets		643,093	640,621	630,946	532,340	569,144	629,903	702,712	781,480
Minority interests		(70,778)	(57,465)	(67,516)	(60,331)	(67,911)	(77,269)	(87,156)	(97,571)
Shareholders' equity		572,315	583,156	563,430	472,009	501,233	552,634	615,555	683,909
CASH FLOW									
Op Cash Flow before WC and tax		169,980	157,888	162,842	191,840	188,816	236,861	252,738	267,799
Working capital		57,231	79,903	(76,807)	(18,203)	29,583	(115,709)	(47,849)	(52,166)
Exceptional & other		19,330	(3,453)	10,677	(231)	(42,829)	382	(1,044)	(1,148)
Tax		(36,941)	(36,597)	(26,282)	(24,182)	(27,108)	(35,019)	(41,594)	(46,699)
Operating cash flow		209,600	197,741	70,430	149,224	148,462	86,516	162,251	167,787
Capex		(28,036)	(35,145)	(24,841)	(36,669)	(39,511)	(40,924)	(42,400)	(43,942)
Acquisitions/disposals		(9,179)	(3,694)	(16,424)	114,821	(16,849)	(1,403)	0	0
Net interest		(30,972)	(25,745)	(31,265)	(38,596)	(55,465)	(54,610)	(49,695)	(49,695)
Equity financing		(51,683)	(2,808)	(6,150)	(7,725)	6,633	(4,208)	0	0
Dividends		(15,137)	(4,905)	(43,136)	(154,399)	(13,925)	(16,132)	(21,640)	(26,045)
Other		20,019	1,880	(2,034)	(2,914)	(11,957)	(27,438)	(27,438)	(27,438)
Net Cash Flow		94,612	127,324	(53,420)	23,742	17,388	(58,199)	21,079	20,667
Opening net debt/(cash)		100,753	139,867	60,874	130,096	106,595	123,140	181,339	160,260
FX and non-cash movements		(133,726)	(48,331)	(15,802)	(241)	(33,933)	0	0	0
Closing net debt/(cash)		139,867	60,874	130,096	106,595	123,140	181,339	160,260	139,593

Source: Datatec, Edison Investment Research

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