

## Datatec

### Strong performance drives increased dividend payout policy

FY25 results

Software and comp services

27 May 2025

Datatec reported a strong set of results for FY25, with gross profit, adjusted EBITDA and underlying EPS all ahead of our forecasts. All three divisions reported strong growth in adjusted EBITDA, highlighting improving conversion of gross profit to adjusted EBITDA. Net debt reduced materially as the company generated a strong operating cash inflow of \$286.8m. This better performance has prompted an increase in the dividend payout ratio. The company expects the trend towards higher software sales and annuity services to continue, which should further benefit Datatec's margins and cash profile. The board expects all divisions will continue to improve their financial performance in FY26 and remains focused on unlocking shareholder value through its ongoing strategic review. We are reviewing our forecasts.

Year end	Revenue (\$m)	PBT (\$m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
2/23	5,143.1	86.5	24.06	77.68	14.3	22.5
2/24	3,992.4	76.5	19.66	7.05	17.5	2.0
2/25	3,639.7	136.6	34.10	15.23	10.1	4.4
2/26e	5,509.0	141.5	35.27	11.20	9.8	3.2

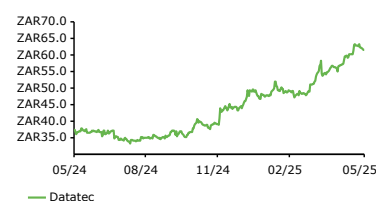
Note: PBT and diluted EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. FY23 and FY26e revenues are on previous basis before restatement of Westcon revenue.

For FY25, Datatec reported gross profit of \$910.3m, up 6% y-o-y and 1% ahead of our \$899.7m forecast. Adjusted EBITDA of \$246.2m was 28% higher y-o-y and 5% ahead of our forecast. Underlying basic EPS of 30.5 cents was 78% higher y-o-y and 9% ahead of our 27.9 cents forecast. The company announced that as a result of improved profitability and cash flow, it was raising its dividend payout target to 50% from 33% of underlying EPS and announced a 200 ZAR cents/11.2 US cents final dividend, making a total dividend of 275 ZAR cents/15.2 US cents for the year. Net debt reduced 58% y-o-y to \$52.1m, from a combination of lower working capital and higher profitability.

Reflecting the growing impact of net revenue reporting on its financials, for the first time the company has disclosed gross invoiced income for each division. It has also restated Westcon revenue for FY24, now treating software revenue as earned on an agency rather than principal basis. Based on this new disclosure, Westcon reported FY25 revenue of \$2.0bn, down 11.3% y-o-y, gross profit up 9.4% to \$441.2m (vs our \$437.3m) and adjusted EBITDA up 24.7% to \$149.9m (vs our \$145.5m). Logicalis International reported FY25 revenue of \$1.2bn, down 5.9% y-o-y, gross profit up 5.5% to \$357.2m (vs our \$349.5m) and adjusted EBITDA up 26.9% to \$94.0m (vs our \$88.0m). Logicalis Latin America reported FY25 revenue of \$455.1m, down 11.3% y-o-y, gross profit down 12.1% to \$103.6m (vs our \$104.1m) and adjusted EBITDA up 59.5% to \$20.1m (vs our \$18.8m).

<b>Price</b>	<b>ZAR61.54</b>
<b>Market cap</b>	<b>ZAR14,691m</b>
	ZAR17.86:US\$1
Net cash/(debt) at end FY25	\$(52.1)m
Shares in issue	236.2m
Free float	81.0%
Code	DTCJ
Primary exchange	JSE
Secondary exchange	OTCQX

#### 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 International (IT services); and Logicalis Latam (IT services in Latin America).

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