

DATATEC LIMITED

Incorporated in the Republic of South Africa

Registration number: 1994/005004/06

JSE Share code: DTC

ISIN: ZAE000017745

("Datatec", the "Company" or the "Group")

Condensed unaudited interim results for the six months ended 31 August 2021 - special cash dividend with scrip alternative of \$70 million

Datatec Limited, an international information and communications technology (ICT) group, today publishes its Condensed unaudited interim results for the six months ended 31 August 2021 ("the Period" or "H1 FY22") on the Stock Exchange News Service ("SENS") which are available on www.datatec.com and via the JSE link: <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/DTC/H1FY22.pdf>

Highlights

	Unaudited Six months to 31 August 2021	Unaudited Six months to 31 August 2020	% Movement
Revenue (US\$ million)	2 257.0	1 962.9 [^]	15%
Gross profit (US\$ million)	374.4	324.2	15%
EBITDA (US\$ million)	75.0	60.7	24%
Underlying* earnings per share (US cents)	8.3	3.9	113%
Earnings per share (US cents)	6.3	1.6	294%
Headline Earnings per share (US cents)	6.3	1.6	294%
Special dividend per share (SA cents)	512	-	-
Net asset value per share (US cents)	290.5	287.9	0.9%

[^]H1 FY21 revenue restated

- Strong operational execution in all divisions
- Elevated demand for networking, cyber security and cloud infrastructure
- Growth in recurring software and services
- Global semiconductor shortage extending lead times and increasing backlog
- Special dividend of US\$70 million following repayment of Westcon International loans

Enquiries**Datatec Limited (www.datatec.com)**

Jens Montanana – Chief Executive Officer +27 (0) 11 233 1000

Ivan Dittrich – Chief Financial Officer +27 (0) 11 233 1000

Sharne Prozesky – Group Financial Controller +27 (0) 11 233 3235

Instinctif Partners

Frederic Cornet +27 (0) 11 447 3030

Commentary**Jens Montanana**, Chief Executive of Datatec, commented:

"Datatec's first half results were supported by excellent operational execution with all divisions delivering strong top and bottom-line growth as the positive impact of increased digitisation on recurring software and services continues."

"Based on the Group's healthy financial position and following the repayment of loans by Westcon International put in place at the time of the SYNEX transaction, the Board is pleased to return the proceeds to shareholders through a US\$70 million special dividend."

"The Strategic Review announced recently is also progressing with several options and initiatives under review to unlock and maximise further shareholder value. We are seeing pent-up demand in many forms across the world and expect a strong performance throughout the second half of the year, however the semiconductor shortage is expected to continue to result in significant backlogs across the Group well into 2022."

STRATEGIC OVERVIEW

Datatec's strategy is to improve shareholder returns over the medium term through a combination of corporate and business development actions aimed at enhancing the competitiveness and profitability of its subsidiaries and operating divisions. In executing its strategy, Datatec is cognisant of its corporate social responsibility.

The Group achieved a strong operational performance in the six-month period ended 31 August 2021 ("H1 FY22") as it continued to benefit from remote working, increased cloud usage and secured networking trends. All divisions delivered strong revenue and profit growth.

The global semiconductor shortage created extended lead times on certain hardware product deliveries in H1 FY22 which somewhat restricted revenue and resulted in significantly higher closing backlog (sales orders waiting to be fulfilled) in both Logicalis and Westcon International.

Datatec's divisions continue to focus on the products and services required to support the digitisation trend prevailing in the industry as demand for remote IT networking accelerated during the pandemic. Their businesses have already repositioned away from many forms of traditional hardware to software and services with growing annuity revenue.

Shareholders were previously advised that the Board of directors of Datatec ("Board") had engaged Lazard & Co., Limited to assist with a comprehensive evaluation of strategic options and initiatives (the "Strategic Review") to unlock and maximise shareholder value going forward.

The Strategic Review seeks to address the persistent gap between Datatec's valuation and the inherent value of its underlying assets while also ensuring that the Group is positioned to take full advantage of the positive market dynamics for its technology solutions and services.

As part of the Strategic Review, the Board is currently considering a number of potential options including, but not limited to, private equity participation, joint ventures, international listings, divisional asset unbundling and other value creating structures.

GROUP RESULTS

All divisions delivered solid performances with strong revenue and bottom-line growth. There were no restructuring costs incurred in H1 FY22 (H1 FY21: US\$6.0 million of restructuring costs).

Emerging markets such as Brazil and South Africa were positively impacted by local currencies strengthening in H1 FY22 against the US dollar which increased their dollar-reported contribution to the results. The Euro and Pound have also strengthened against the US dollar.

Revenue

Group revenue was US\$2.26 billion in H1 FY22, up by 15.0% on the US\$1.96 billion[^] restated revenue recorded in the financial period ended 31 August 2020 ("H1 FY21").

[^]H1 FY21 revenue restatement

The Group sells certain software, software services and cloud computing solutions which include Infrastructure as a Service ("IaaS") and Software as a Service ("SaaS"). As disclosed in the FY21 published results, these amounts grew in significance for the Group and the Group revisited the revenue recognition for these arrangements. The

Group's vendors continuously change the way in which they bring their products and services to market and there is a significant amount of judgement involved in determining whether or not the Group acts as an agent or principal with regards to these arrangements. In its reassessment, the Group concluded that in those arrangements where the software service is delivered entirely by the vendor, or where the updates and cloud access are critical to the effectiveness of the solution and there is no material on-premise component to the solution, the Group will recognise revenue at the time of invoice on a net basis as the Group is acting as an agent in the transaction.

As a result, the Group has restated its 31 August 2020 consolidated statement of comprehensive income to reflect only the fees earned, for acting as an agent in these arrangements, as revenue. This has resulted in a decrease in revenue and a corresponding decrease in cost of goods sold in H1 FY21. There was no impact on gross profit or items below gross profit in the consolidated statement of comprehensive income. In addition, there was no impact on earnings or earnings per share.

Note that despite the revenue being disclosed on a net basis, the Group has a contractual right to the gross amount of cash related to the gross revenue and therefore, for any amounts remaining unpaid at the period end, the Group continues to present these amounts as gross trade receivables in the consolidated statement of financial position. The restatement has no impact on the consolidated statement of financial position or consolidated statement of cash flows.

H1 FY 21	Before restatement	After restatement	Total restatement
Revenue (US\$ million)	2,031.2	1,962.9	(68.3)
Cost of sales (US\$ million)	(1,707.0)	(1,638.7)	68.3
Gross profit (US\$ million)	324.2	324.2	-
Gross margin (%)	16.0	16.5	0.5

The Group's backlog has risen across all sectors as digitisation-driven pent-up demand continues to grow for new technologies to enable increased cloud usage.

The Group's gross margin in H1 FY22 was 16.6% compared to 16.5% (restated) in H1 FY21. Gross profit was US\$374.4 million (H1 FY21: US\$324.2 million).

Overall operating costs were US\$299.4 million (H1 FY21: US\$263.5 million). Restructuring costs of US\$6.0 million were included in the prior period relating to fundamental reorganisations and Covid-19-related restructuring. There were no such restructuring costs in H1 FY22.

EBITDA was US\$75.0 million (H1 FY21: US\$60.7 million and H1 FY21 Adjusted** EBITDA: US\$66.7 million) and included US\$5.1 million of foreign exchange losses (H1 FY21: US\$2.2 million). EBITDA margin was 3.3% (H1 FY21: 3.1% restated).

Foreign exchange losses consisted of unrealised foreign exchange losses of US\$2.2 million (H1 FY21 unrealised foreign exchange gains: US\$4.1 million) and realised foreign exchange losses of US\$2.9 million (H1 FY21: US\$6.3 million). Unrealised foreign exchange differences are excluded from underlying* earnings per share.

Depreciation and amortisation increased to US\$35.9 million (H1 FY21: US\$32.7 million) and operating profit was US\$39.1 million (H1 FY21: US\$28.0 million).

The net interest charge increased slightly to US\$14.2 million (H1 FY21: US\$13.4 million) and profit before tax was US\$25.4 million (H1 FY21: US\$15.4 million).

A tax charge of US\$8.6 million has arisen on profits of US\$25.4 million. The effective tax rate of 34.0% has benefited from the revaluation of deferred tax assets arising from the increase in the UK corporation tax rate enacted earlier in the year. The effective tax rate continues to reduce as profits grow and the profit mix continues to improve. As at 31 August 2021, there are estimated tax loss carry forwards of US\$240.5 million with an estimated future tax benefit of US\$61.1 million, of which only US\$28.2 million has been recognised as a deferred tax asset.

DIVISIONAL SUMMARY

Logicalis

Logicalis is the largest contributor to the Group in terms of profitability. The division also has the widest geographical exposure and Datatec intends to continue to develop and grow Logicalis globally, both organically and through acquisitions.

Logicalis revenue increased by 18.7% to US\$822.9 million compared to US\$693.1 million^{^^} restated revenue for H1 FY21. EBITDA increased by 8.0% to US\$46.5 million (H1 FY21: US\$43.0 million).

Global trading uncertainties are expected to persist for some time but Logicalis is confident that it is positioned to continue to respond to changing market needs as society emerges from Covid-19 disruptions. Technology is set to play an even more integral role in the 'next normal' and Logicalis is ready to facilitate these fundamental changes.

Westcon International

Westcon International revenue increased by 12.3% to US\$1.4 billion (H1 FY21: US\$1.2 billion^{^^} restated revenue) due to strong demand for networked cloud computing, remote access solutions for mobile working and virtual office environments, unified collaboration and enhanced network security. EBITDA increased by 61.1% to US\$31.0 million (H1 FY21: US\$19.2 million).

Westcon International remains focused on profitability by driving business improvement through revenue growth and margin expansion supported by cost controls. While several macroeconomic risks exist, the H1 FY22 results highlight Westcon International's ability to capitalise on the stability of the system and process improvements made in recent years.

Management Consulting

Analysys Mason revenue increased by 37.1% to US\$43.6 million (H1 FY21: US\$31.8 million). EBITDA increased by 24.6% to US\$7.1 million (H1 FY21: US\$5.7 million).

Analysys Mason has a strategy focused on specialisation in the TMT sector where increasingly the industries of telecommunications and information technology are converging and driving rapid digitisation across many industries often brought about by the move to cloud computing. Analysys Mason's key priority is to grow revenue while continuing to improve profitability without diluting the significant value propositions delivered by the business' exceptional talent.

Cash and net debt

The Group utilised US\$4.6 million of cash in operations during H1 FY22 (H1 FY21: cash generated of US\$134.2 million) and ended the period with a net debt of US\$152.5 million (FY21: US\$60.9 million; H1 FY21: US\$73.2 million). Excluding lease liabilities, net debt would have been US\$49.8 million (H1 FY21: net cash of US\$75.6 million).

The operating cash outflows were mainly as a result of an increase in inventory in Westcon International, as well as increased receivables on the back of the very strong revenue growth.

US\$' million	Unaudited Six months to 31 August 2021	Unaudited Six months to 31 August 2020	Audited Year ended 28 February 2021
Cash resources	492.7	406.7	488.6
Bank overdrafts ^{^^} #	(143.3)	(271.1)	(131.4)
Short-term interest-bearing liabilities and short-term leases	(393.4)	(71.8)	(297.9)
Long-term interest-bearing liabilities and long-term leases	(108.5)	(137.0)	(120.2)
Net debt:	(152.5)	(73.2)	(60.9)

^{^^}The Group restated its statement of cash flows for H1 FY21 to exclude certain bank overdrafts from cash and cash equivalents. Bank overdrafts that are repayable on demand under certain circumstances, but not unconditionally repayable on demand have now been excluded from cash and cash equivalents and cash flows associated with these bank overdrafts are now shown as cash flows from financing activities. The restatement relates to banking arrangements that form an integral part of the Group's cash management. This restatement did not impact the statement of financial position or the net cash/debt of the Group or its subsidiaries.

#During the second half of FY21, Westcon International replaced its previous European invoice financing facility with a new invoice assignment facility. The new invoice assignment facility is accounted for as short-term debt compared to the previous facility which was accounted for as part of bank overdrafts.

Liquidity and borrowing facilities

The Group continues to closely monitor the outlook for liquidity in its divisions to ensure that sufficient cash will continue to be generated to settle liabilities as they fall due.

Logicalis is supported by a corporate facility of US\$155.0 million, covering all operations outside of Latin America, comprising a rolling credit facility to fund working capital requirements and an acquisition facility. The Latin America region is supported separately via a number of uncommitted overdraft facilities and short-term lending arrangements.

Westcon International has an invoice assignment facility of EUR275.0 million for its European subsidiaries and a securitisation facility of US\$80.0 million for its Asia-Pacific subsidiaries. In addition, Westcon International utilises accounts receivable facilities in the Middle East (US\$15.0 million) and Indonesia (US\$11.0 million) as well as overdraft facilities in Europe (GBP3.6 million) and Africa (US\$1.0 million), a securitisation facility in South Africa (ZAR50.0 million) and a line of credit in Singapore (US\$1.2 million) to finance the business.

Analysys Mason continues to have access to an overdraft supporting its working capital requirements.

The Group continues to monitor the funding needs of its individual operations and works closely with various financial institutions to ensure adequate liquidity.

The Group has performed covenant projections for the next twelve months to confirm that banking covenants are expected to be met.

CURRENT TRADING AND OUTLOOK

The robust performance and upward trend in all our divisions during H1 FY22 are expected to continue into the second half of the financial year as Westcon International and Logicalis look to satisfy the continuing demand for software and services in networking, security and cloud infrastructure.

Datatec's strong balance sheet provides a firm foundation to support growth and new initiatives as most economies start to rebound. The Group's well diversified business mix and global presence should result in significant opportunities despite the ongoing semiconductor shortage which is expected to continue to impact the supply chain well into 2022.

SUBSEQUENT EVENTS

There were no material events that occurred subsequent to the reporting date that require disclosure or adjustment to these results.

DIVIDEND POLICY

The Group's policy is to maintain a fixed three times cover relative to underlying* earnings when declaring ordinary dividends. The Board currently expects to pay a full year dividend.

SPECIAL CASH DIVIDEND WITH SCRIP DISTRIBUTION ALTERNATIVE

Following the sale of Westcon Americas to SYNEX in September 2017, Datatec advanced funds to Westcon International (the part of the Westcon business retained in the Group with a minority interest held by SYNEX) to fund working capital as the business restructured. During H1 FY22, Westcon International repaid approximately US\$70 million of intercompany loans to Datatec. The Board is pleased to return US\$70 million to ordinary shareholders (the "Shareholders") in the form of a cash dividend with a scrip distribution alternative. This is the same mechanism which was used to return US\$350 million to Shareholders after the original SYNEX transaction and subsequently US\$15 million from the earn-out.

Accordingly, notice is hereby given that the Board has declared a special distribution by way of a special cash dividend of 512 ZAR cents per Datatec ordinary share ("Special Cash Dividend") payable to the Shareholders, which will be in proportion to your ordinary shareholding in Datatec at the close of business on the Record Date, being Friday, 26 November 2021.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive new, fully paid ordinary Datatec shares in proportion to their ordinary shareholding on the Record Date as an alternative to the Special Cash Dividend (the "Scrip Distribution"). The Special Cash Dividend has been declared and paid out of Datatec's distributable retained profits. A dividend withholding tax of 20% will be applicable in respect of the Special Cash Dividend to all shareholders not exempt therefrom after deduction of which, the net Special Cash Dividend is 409.6 ZAR cents per share.

The new ordinary shares will, pursuant to the Scrip Distribution, not be subject to a dividend withholding tax, and the issue price of the Scrip Distribution (which will equal the volume weighted average price ("VWAP") of Datatec's ordinary shares traded on the JSE for the 30-day trading day period ending on Monday, 15 November 2021) will be settled by way of a capitalisation of Datatec's distributable retained profits.

The Company's total number of issued ordinary shares as at 28 October 2021 is 203,178,104. Datatec's income tax reference number is 9999/493/71/2.

Terms of the Special Cash Dividend and Scrip Distribution

The Shareholders will be entitled to receive the Special Cash Dividend of 512 ZAR cents per ordinary Datatec Share in respect of their shareholding as at the close of trading on the JSE at the close of business on the Record Date, being Friday, 26 November 2021, in proportion to their ordinary shareholding in Datatec and to the extent that such Shareholders have not elected to receive the Scrip Distribution alternative in respect of all or a part of their shareholding.

Shareholders will, however, be entitled to elect to receive a Scrip Distribution of new, fully paid Datatec ordinary shares in respect of their shareholding in Datatec as at the Record Date, in respect of all or part of their ordinary shareholding, instead of the Special Cash Dividend.

The number of Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (subject to their election thereto) will be determined by reference to such Shareholder's ordinary shareholding in Datatec (at the close of business on the Record Date, being Friday, 26 November 2021) in relation to the ratio that 512 ZAR cents bears to the VWAP of a Datatec ordinary share traded on the JSE during the 30-day trading period ending on Monday, 15 November 2021, provided that, where the application of this ratio gives rise to a fraction of an ordinary share, the rounding principles will be applied. Where a Shareholder's entitlement to new Datatec ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction of a new ordinary share will be rounded down to the nearest whole number, resulting in allocations of whole ordinary shares and a cash payment for the fraction. The applicable cash payment will be determined with reference to the VWAP of an ordinary Datatec share traded on the JSE on Wednesday, 24 November 2021, (being the day on which Datatec ordinary shares begin trading 'ex' the entitlement to receive the Special Cash Dividend or the Scrip Distribution alternative), discounted by 10%.

Details of the ratio will be announced on the Stock Exchange News Service ("SENS") of the JSE in accordance with the timetable below.

Circular and salient dates

A circular providing Shareholders with full information on the Special Cash Dividend or Scrip Distribution alternative, including a Form of Election to elect to receive the Scrip Distribution alternative will be distributed to Shareholders on or about Wednesday, 3 November 2021. The salient dates of events thereafter are as follows:

EVENT	2021
Interim financial results of Datatec for the six-month period ended 31 August 2021 and declaration of Special Cash Dividend with Scrip Distribution alternative announced on SENS on	Thursday, 28 October
Interim financial results of Datatec for the six-month period ended 31 August 2021 and declaration of Special Cash Dividend with Scrip Distribution alternative published in the South African press on	Friday, 29 October
Distribution of Circular announced on SENS on	Wednesday, 3 November
Circular and Form of Election distributed on	Wednesday, 3 November
Distribution of Circular announcement published in the South African press on	Thursday, 4 November

Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution alternative, based on the 30-day VWAP ending on Monday, 15 November 2021, by 11h00 on	Tuesday, 16 November
Announcement published in the South African press of the ratio applicable to the Scrip Distribution alternative, based on the 30-day VWAP ending on Monday, 15 November 2021 on	Wednesday, 17 November
Last day to trade in order to be eligible for the Special Cash Dividend and the Scrip Distribution alternative	Tuesday, 23 November
Shares trade "ex" the Special Cash Dividend and the Scrip Distribution alternative on	Wednesday, 24 November
Listing and trading of maximum possible number of Datatec ordinary shares on the JSE in terms of the Scrip Distribution alternative from the commencement of business on	Wednesday, 24 November
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the VWAP of a Datatec ordinary share traded on the JSE on Wednesday, 24 November 2021, discounted by 10%, by 11h00 on	Thursday, 25 November
Last day to elect to receive the Scrip Distribution alternative instead of the Special Cash Dividend, Forms of Election to reach the transfer secretaries, Computershare Investor Services Proprietary Limited, by 12h00 on	Friday, 26 November
Record Date in respect of the Special Cash Dividend and the Scrip Distribution alternative	Friday, 26 November
Special Cash Dividend payments made, and CSDP/broker accounts credited/updated with Scrip Distribution shares on	Monday, 29 November
Announcement relating to the results of the Special Cash Dividend and the Scrip Distribution alternative released on SENS on	Monday, 29 November
Announcement relating to the results of the Special Cash Dividend and the Scrip Distribution alternative published in the South African press on	Tuesday, 30 November
JSE listing of Shares in respect of the Scrip Distribution alternative adjusted to reflect the actual number of Datatec ordinary shares issued in terms of the Scrip Distribution alternative at the commencement of business on or about	Tuesday, 30 November

All times provided are South African local times. The above dates and times are subject to change. Any material change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 November 2021 and Friday, 26 November 2021, both days inclusive. If Datatec maintains a certificated register, then the register will be closed from Wednesday, 24 November 2021 to Friday, 26 November 2021, both days inclusive.

Payment of the Special Cash Dividend and the Scrip Distribution alternative has been approved by the Financial Surveillance Department of the South African Reserve Bank.

DISCLAIMER

This announcement may contain statements regarding the future financial performance of the Group which may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty, and although the Group has taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct.

The Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. It is important to note, that:

- (i) unless otherwise indicated, forward-looking statements indicate the Group's expectations and have not been reviewed or reported on by the Group's external auditors;
- (ii) actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate;
- (iii) the Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements; and

- (iv) the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, other than as required by the JSE Limited Listings Requirements.

On behalf of the Board

SJ Davidson

Chair

JP Montanana

Chief Executive Officer

IP Dittrich

Chief Financial Officer

28 October 2021

DIRECTORS

SJ Davidson (Chair), # JP Montanana (CEO), IP Dittrich (CFO), M Makanjee, o JF McCartney, # CRK Medlock, MJN Njeke, o E Singh-Bushell
o American #British

Short form announcement

The contents of this short form announcement are the responsibility of the Board of Directors of the Company. Shareholders are advised that this short form announcement represents a summary of the information contained in the full announcement, published on SENS via the JSE link and on Datatec's website <https://www.datatec-reports.co.za/interim-2021/index.php> on 28 October 2021, and does not contain full or complete details of the financial results.

The condensed consolidated interim results have not been reviewed or audited by the Company's external auditor, PwC.

Any investment decisions by investors and/or Shareholders should be based on consideration of the full announcement as a whole and Shareholders are encouraged to review the full announcement, which is available as set out above. The full announcement is also available for inspection at the registered office of the Company at no charge during normal business hours from 28 October 2021 to 26 November 2021 and at the offices of Datatec's sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited). Copies of the full announcement may be requested from ir@datatec.com.

** Excluding impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations and the taxation effect on all of the aforementioned.*

*** Adjusted EBITDA excludes restructuring costs.*

Registered office: Third Floor, Sandown Chambers, Sandown Village Office Park, 81 Maude Street, Sandown

Sponsor: Rand Merchant Bank (a division of FirstRand Bank Limited)

Transfer secretaries: Computershare Investor Services (Pty) Ltd