



# Annual Financial Results 2013

# Agenda



- Business overview
  - Gary Morolo (Chairman)
- Financial overview
  - Elizabeth Naidoo (Financial Director)
- Operational overview
  - Ahmed Mahomed (Chief Executive Officer)
- Questions



# Business Overview

# Overview



- Current organic growth strategy phase largely completed and implementation has progressed satisfactorily
- Performance from new investment areas starting to come through
- Improvement in second half profitability
- Managed Services and Business Solutions now account for 60% of profit after tax (“PAT”)
- Margin pressure in the commoditised end of the market
- Government contribution to group revenues and profitability less than 10% with scope for significant growth
- Group has made one acquisition with positive impact on the bottom line and evaluating other targeted opportunities

# Overview (continued)



- The key objective of repositioning the company as an integrated, cohesive services and solutions provider achieved
- A platform for sustainable growth established
- Balance sheet will enable growth as well as managing through expected industry cycles

# Changes to the Board



**Gary Morolo**  
Chairman



**Dudu Nyamane**  
Independent Director



**Alwyn Martin**  
Independent Director



**Thenjiwe Chikane**  
Independent Director



**Pete Backwell**  
Independent Director



**Antony Ball**  
Independent Director



**Ahmed Mahomed**  
Chief Executive Officer



**Elizabeth Naidoo**  
Group Financial Director



**Joan Joffe**

**Joan Joffe served the Board for the last 14 years, and will be retiring from the Board with effect 21 June 2013**



# Financial Overview

# Financial Highlights



- ↑ Revenue increased 9% to R1.919 billion
- ↓ EBITDA decreased 13% to R126.3 million
- ↓ Basic earnings per share (“EPS”) decreased by 15% to 39.5 cents
- ↓ Headline earnings per share (“HEPS”) decreased by 16% to 39.6 cents
- ↑ Cash on hand of R274 million, no interest-bearing debt
- ↑ Cash generated from operations of R57 million
- ↑ Net asset value per share increased by 4% from 240.6 to 251.1 cents per share
- ➡ Gross final dividend declared of 12.02 cents per share



# Comprehensive Income



	<b>February 2013 R'000</b>	<b>February 2012 R'000</b>
<b>Revenue</b>	<b>1 919 487</b>	1 757 762
<b>EBITDA</b>	<b>126 341</b>	145 227
<b>EBITDA margin</b>	<b>6.6%</b>	8.3%
Depreciation and amortisation	<b>(19 792)</b>	(21 706)
<b>Operating profit</b>	<b>106 163</b>	123 447
Net interest received	<b>6 356</b>	11 964
<b>Profit before taxation</b>	<b>112 519</b>	135 411
Taxation	<b>(35 199)</b>	(44 567)
<b>Total comprehensive income for year</b>	<b>77 320</b>	90 844

# Financial Position



	<b>February 2013 R'000</b>	<b>February 2012 R'000</b>
<b>Non-current assets</b>	<b>159 950</b>	<b>86 619</b>
Property and equipment	<b>66 682</b>	<b>38 845</b>
Intangible assets	<b>67 204</b>	<b>22 694</b>
Investment in joint venture	<b>744</b>	<b>1 022</b>
Long-term receivables	<b>-</b>	<b>284</b>
Deferred taxation assets	<b>25 320</b>	<b>23 774</b>
<b>Current assets</b>	<b>738 081</b>	<b>670 714</b>
Inventories	<b>36 500</b>	<b>34 764</b>
Trade and other receivables	<b>372 893</b>	<b>289 843</b>
Finance lease receivables – long- and short-term	<b>54 927</b>	<b>28 705</b>
Current taxation assets	<b>-</b>	<b>4 025</b>
Cash and cash equivalents	<b>273 761</b>	<b>313 377</b>

# Financial Position (continued)



	<b>February 2013 R'000</b>	<b>February 2012 R'000</b>
<b>Capital and reserves</b>	<b>491 630</b>	<b>471 053</b>
Share capital and premium	<b>35 983</b>	<b>37 543</b>
Treasury shares	<b>(42 335)</b>	<b>(39 720)</b>
Equity-settled share scheme reserve	<b>37 801</b>	<b>30 101</b>
Retained earnings	<b>460 181</b>	<b>443 129</b>
<b>Liabilities</b>	<b>406 401</b>	<b>288 353</b>
Trade and other payables	<b>235 620</b>	<b>184 530</b>
Deferred revenue (long- and short-term)	<b>61 901</b>	<b>73 246</b>
Finance lease payables (long- and short-term)	<b>52 265</b>	<b>24 080</b>
Current tax liabilities	<b>6 028</b>	<b>-</b>
Loan payable	<b>45 750</b>	<b>-</b>
Provisions	<b>1 800</b>	<b>1 640</b>
Lease smoothing liability	<b>3 037</b>	<b>2 784</b>

# Cash Flow



	February 2013 R'000	February 2012 R'000
Profit before taxation	112 519	135 411
Adjusted for non-cash items	11 765	14 285
Working capital changes	(67 737)	(70 587)
- Inventories	(1 736)	(23 887)
- Trade and other receivables	(75 402)	(36 884)
- Finance lease receivables	(26 222)	(28 705)
- Trade and other payables	35 623	18 889
<b>Cash generated from operations</b>	<b>56 547</b>	<b>79 109</b>
Net interest received	10 653	14 615
Dividend paid	(60 268)	(44 215)
Taxation paid	(28 406)	(50 701)
<b>Net cash outflow from operating activities</b>	<b>(21 474)</b>	<b>(1 192)</b>

# Segmental Performance



	Revenue			Earnings		
	Feb '13 R'000	Feb '12 R'000	%	Feb '13 R'000	Feb '12 R'000	%
Infrastructure	<b>1 375 218</b>	<b>1 342 838</b>	<b>2.4%</b>	<b>26 961</b>	<b>43 616</b>	<b>-38.2%</b>
Managed Service	<b>414 690</b>	<b>329 989</b>	<b>25.7%</b>	<b>29 110</b>	<b>27 731</b>	<b>5.0%</b>
Business Solutions	<b>129 579</b>	<b>84 935</b>	<b>52.6%</b>	<b>16 675</b>	<b>15 991</b>	<b>4.3%</b>



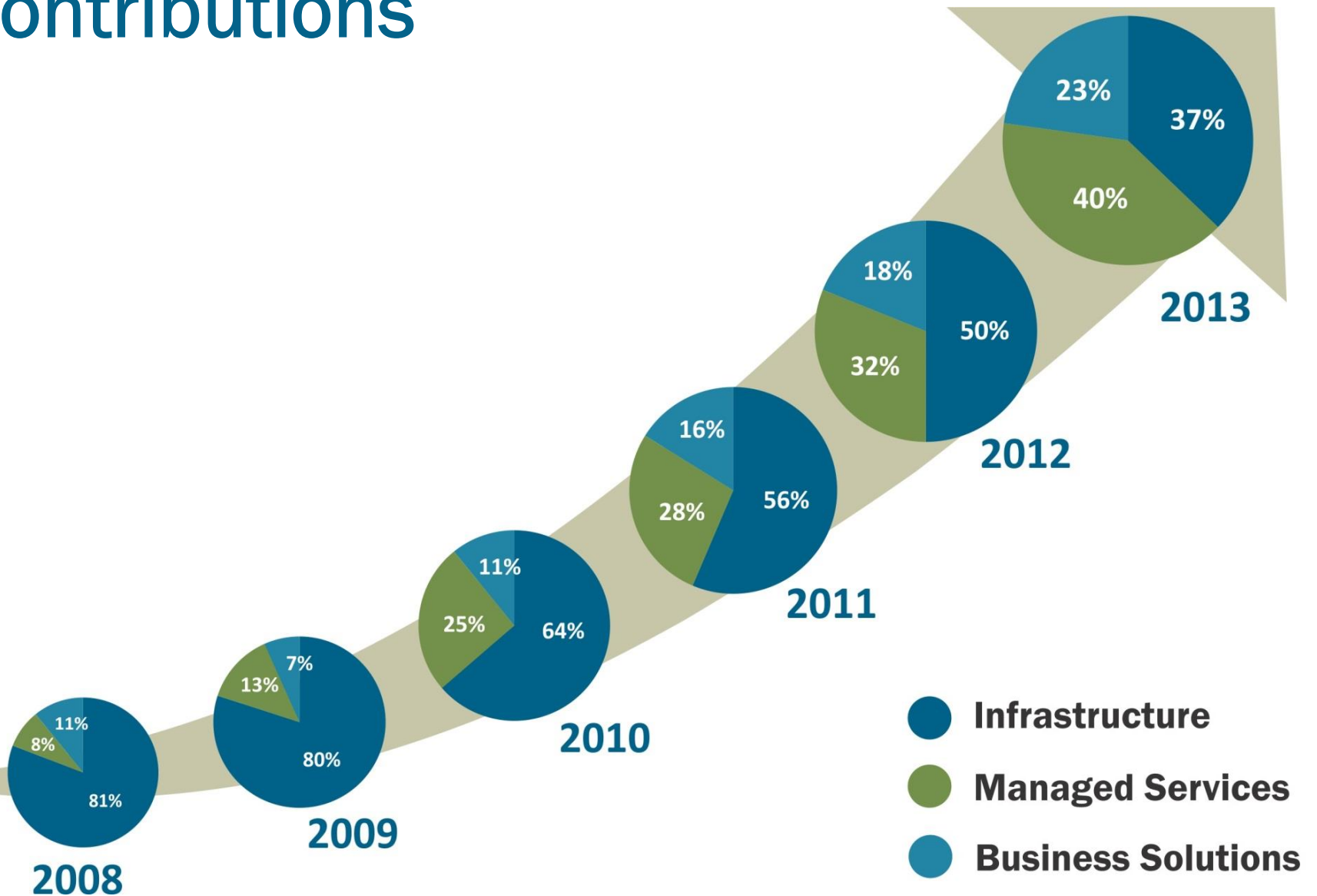
## Operational Overview

# Repositioning



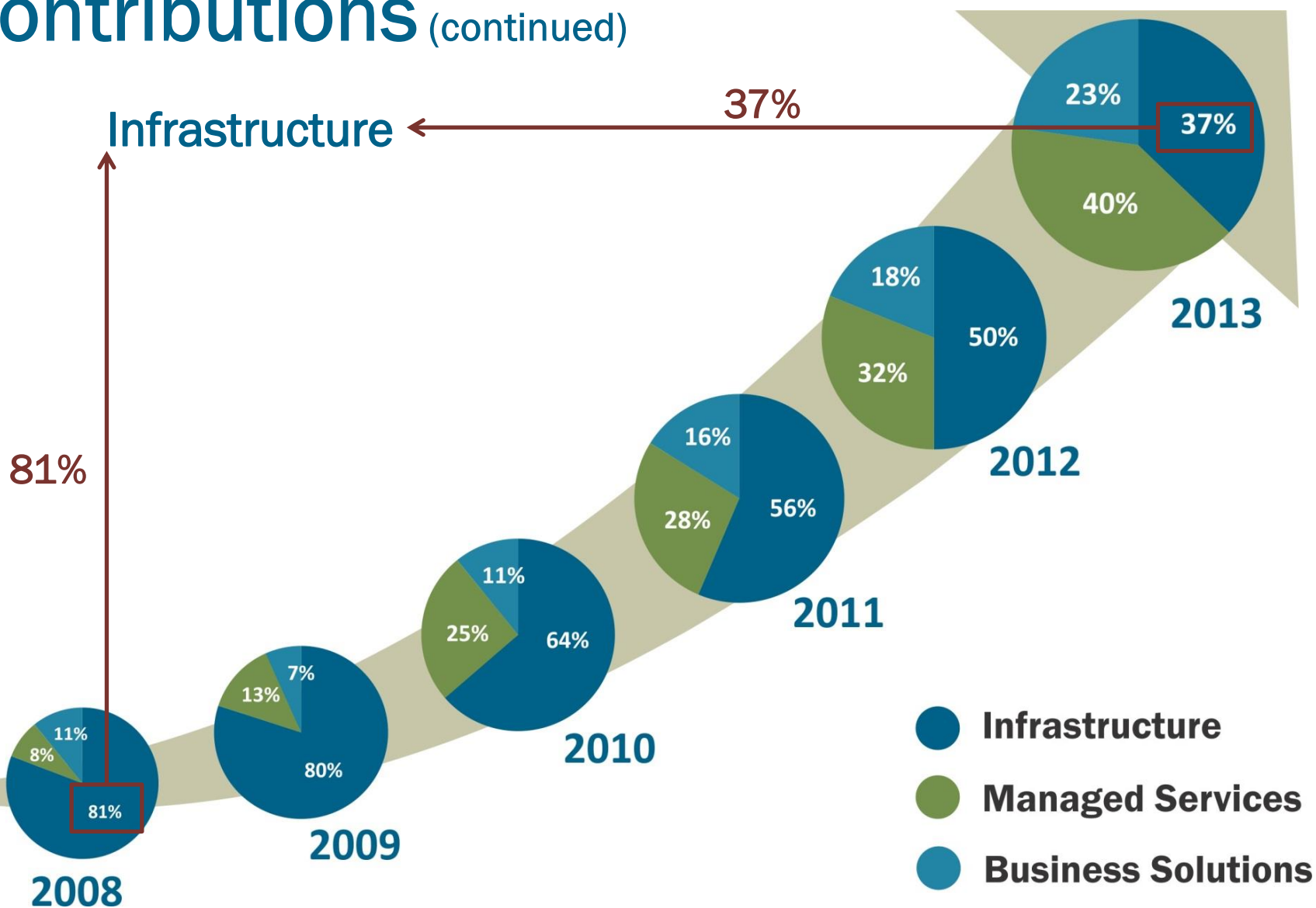
- Reasons
  - Diminishing barriers of entry
  - Diminishing hardware margins
  - Commoditisation
  - Technology price deflation
  - Disruptive technologies
- Strategy
  - Move to value business
  - Move to higher margin business
  - Annuity income streams
  - Creating differentiators (consultative selling, skills, vendor accreditation, credible execution capability, new solution areas)
  - Seamless and integrated client engagement

# Change in Segmental Contributions

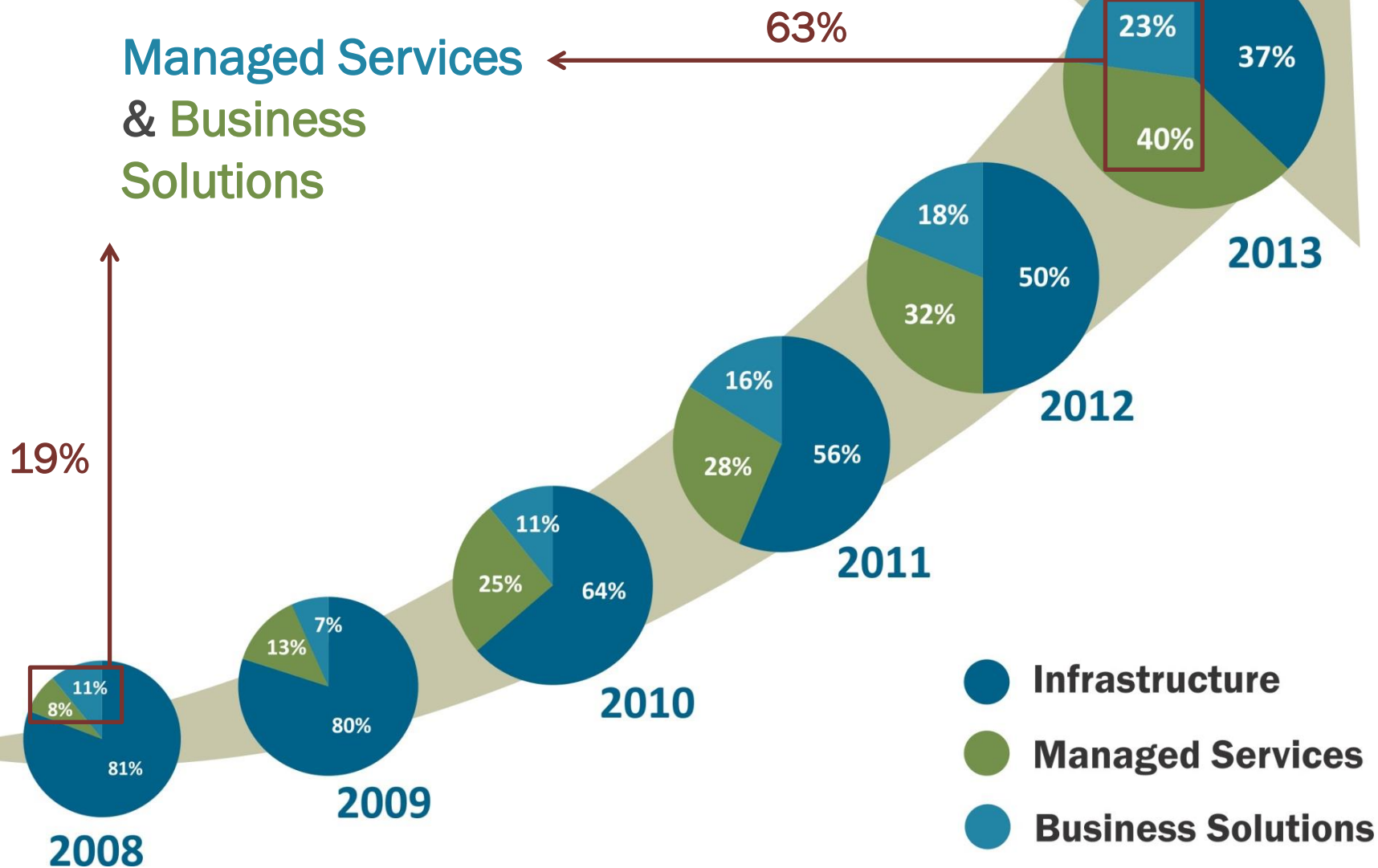




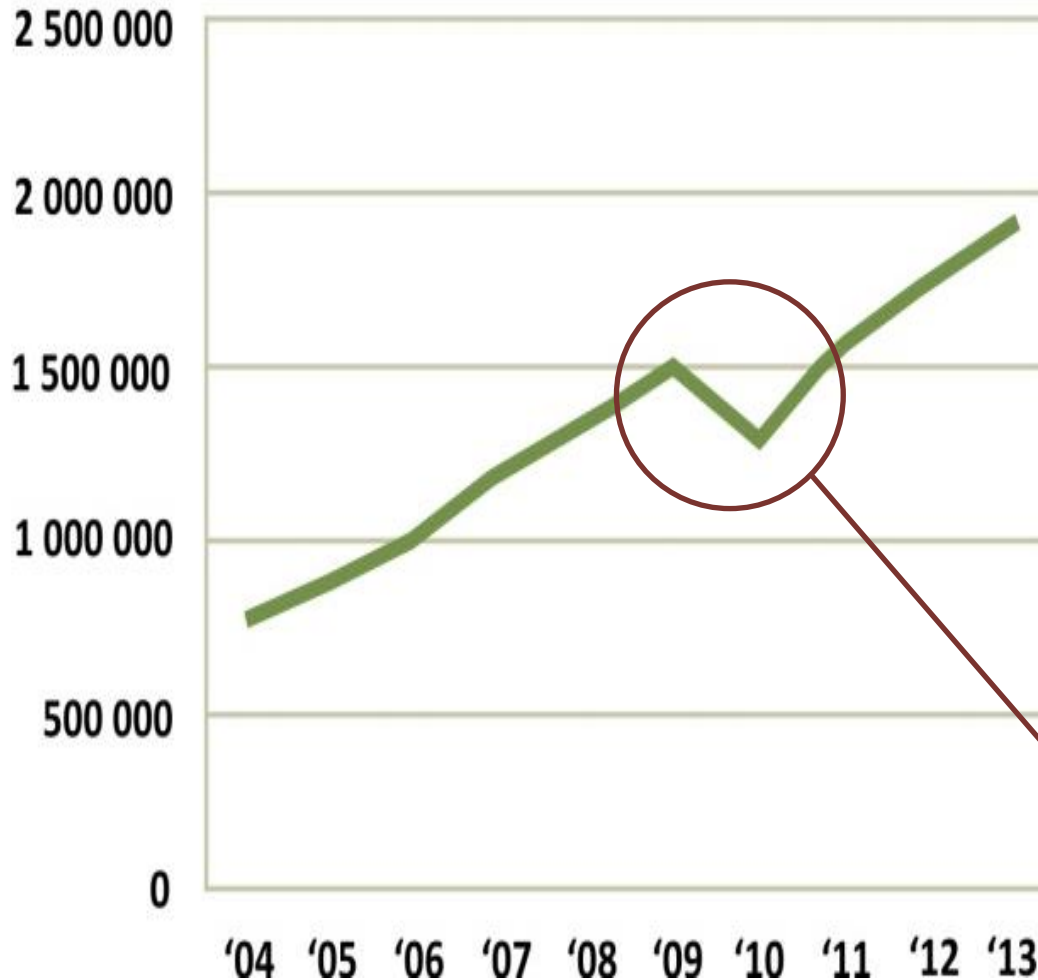
# Change in Segmental Contributions (continued)



# Change in Segmental Contributions (continued)



# Revenue



- Largely organic
  - Traditional hardware revenue declining as predicted
  - Change in portfolio mix
  - Growth achieved in new investment areas
- Loss of public sector business

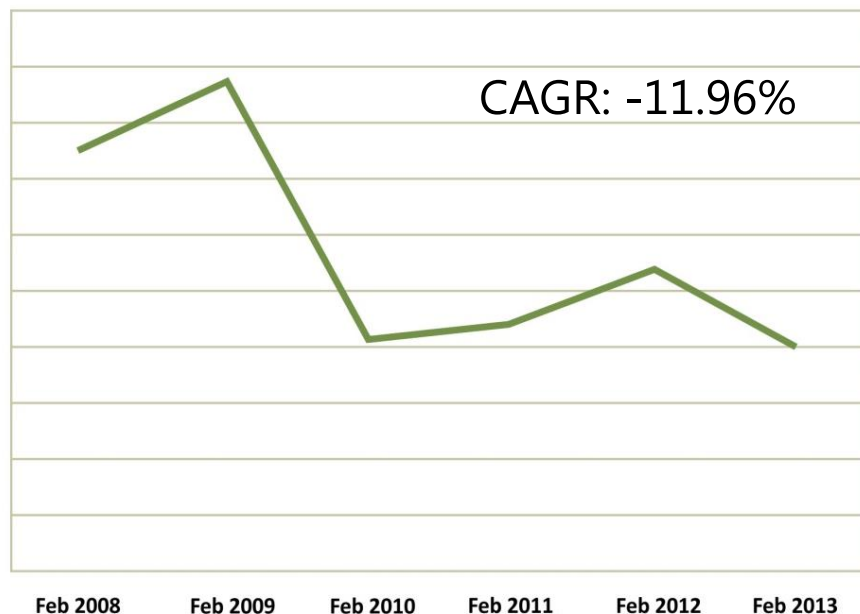
# Revenue Analysis

## Public Sector & Other



- Healthy private sector growth (including new offerings)
- Public sector
  - Less than 10% (current revenue largely from business solutions)
  - Historical revenue between 40 to 45%

### Public sector revenue



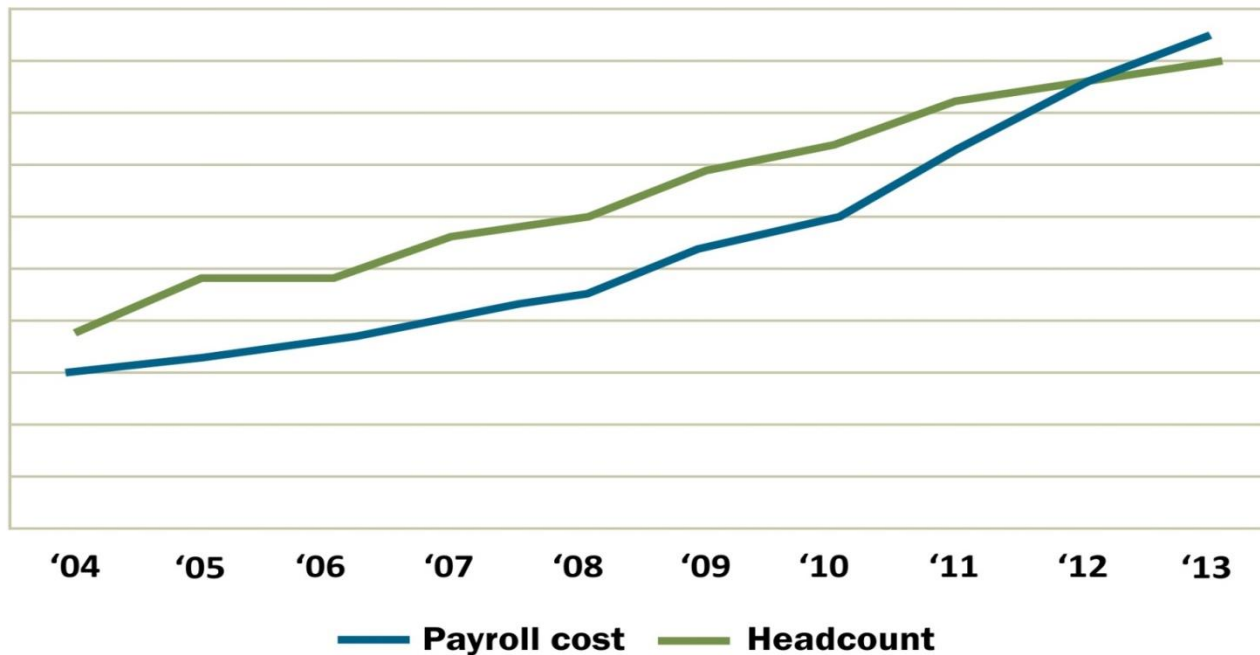
### Commercial & parastatal revenue



# Skills Investment

## Skills Investment & Headcount

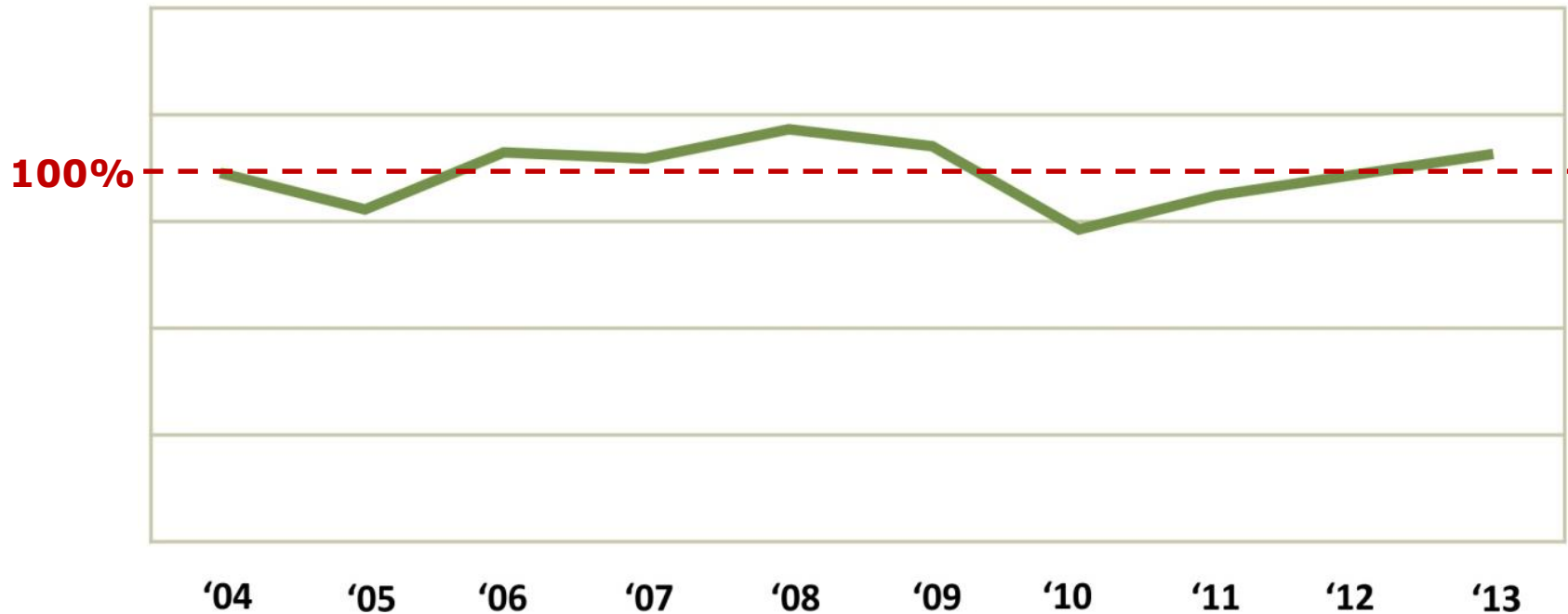
- Investments made in new competencies/lines of business
- Head count increased to support service revenue such as managed services
- Skills investment levelling out
- Scarcity of certain IT skills impacting payroll cost



# Skills Investment (continued)

## Revenue per employee

- Resource investment - revenue per employee steadily improving (revenue lags investments)

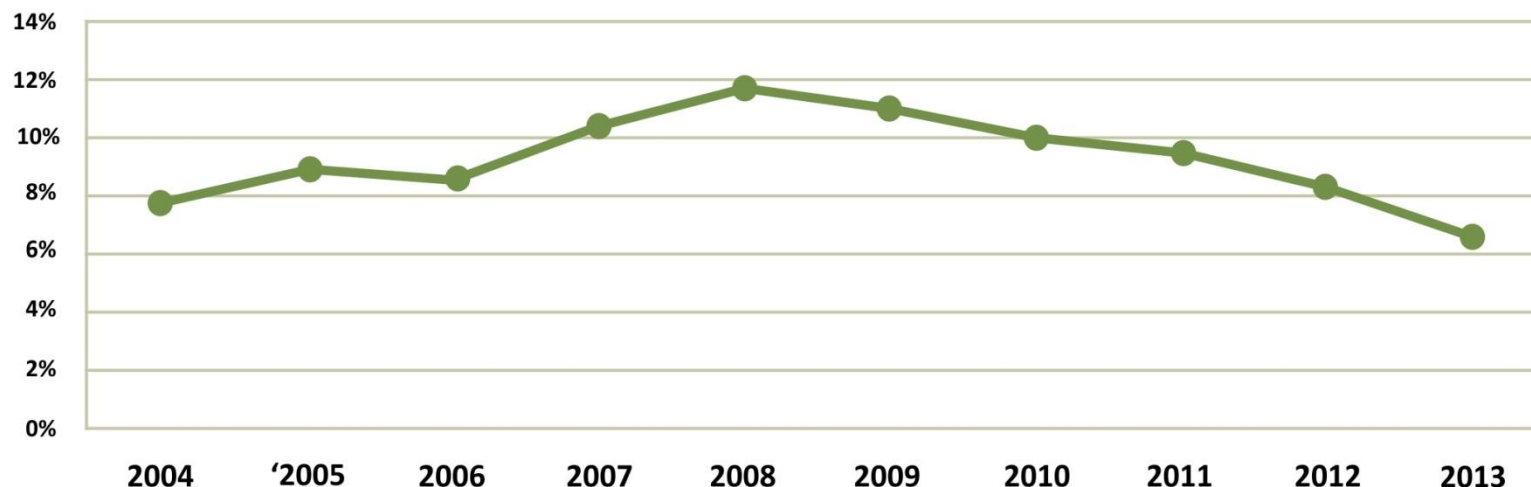


# EBITDA

## Factors influencing margin

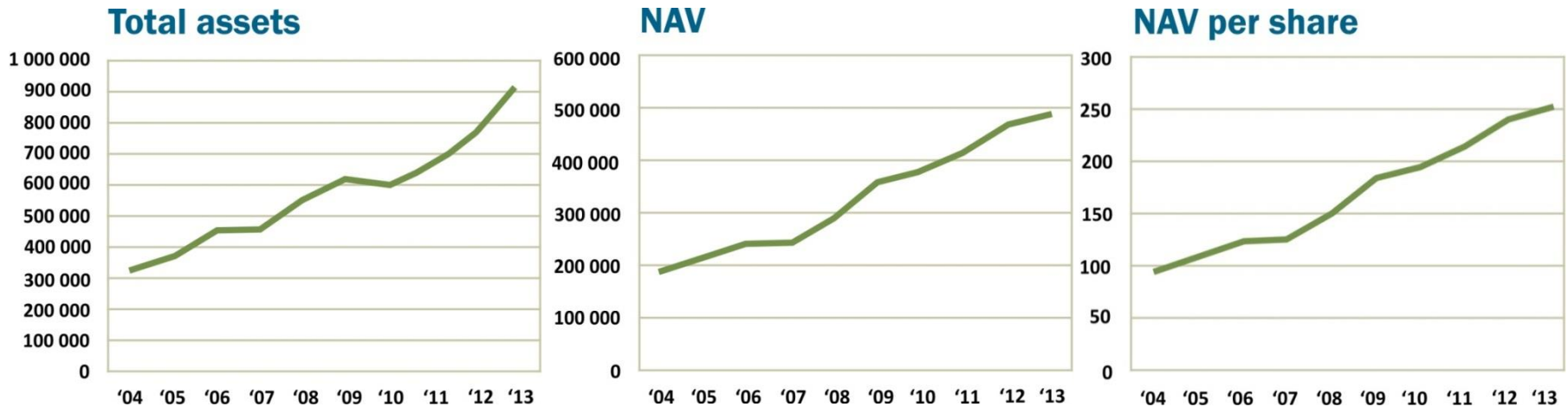
- Still invested in public sector - negative impact on profit in Infrastructure
- Investment - eroding margins in the short term as return lags investment
- Competitive market pressures due to current constrained market conditions

## EBITDA Margin



# Asset Value

- Full potential of investments not realised
- Despite investments:
  - Total asset value improved
  - Net asset value improved





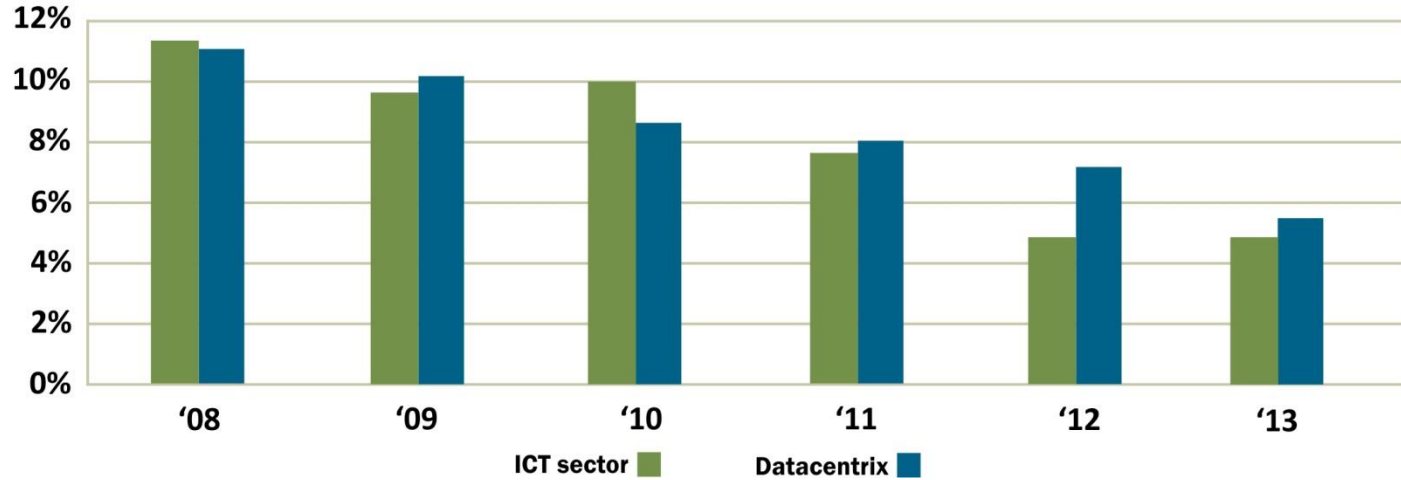
# Dividend



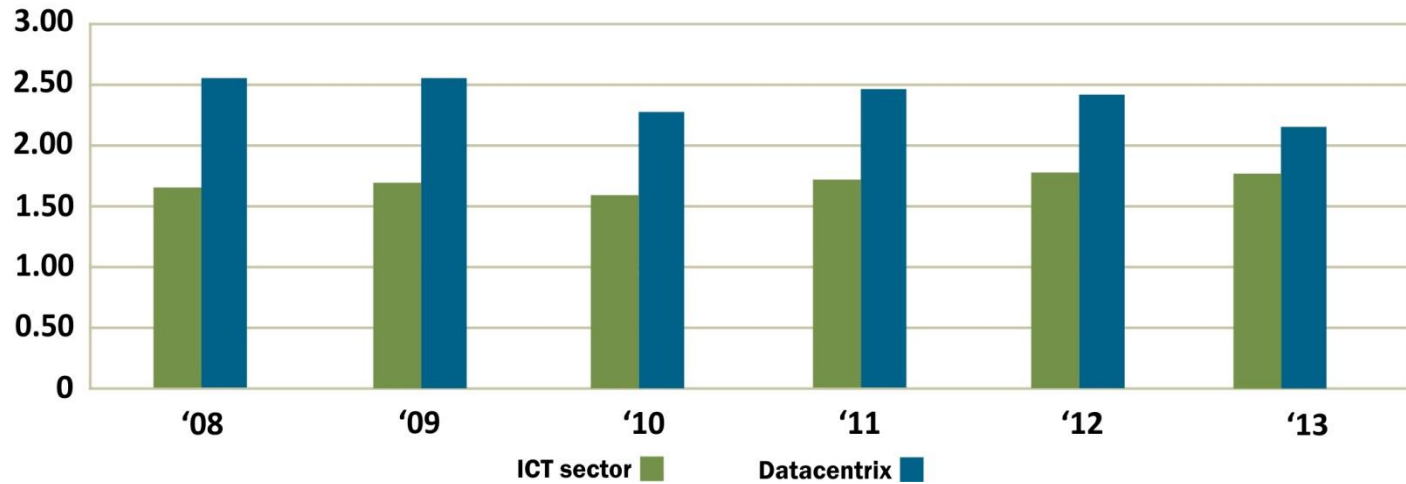
- Annual dividend flow
- Dividend policy: Two times cover on HEPS
- R460 million returned to shareholders since inception
- R301 million paid in the last 5 years

# Returns

## Operating Profit Margin

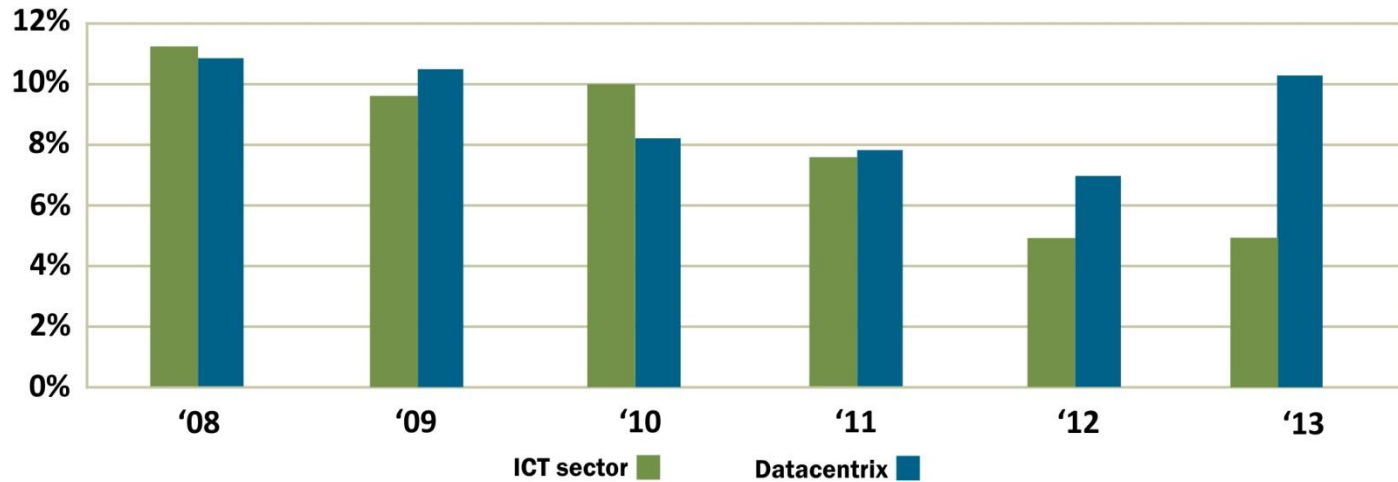


## Asset turnover

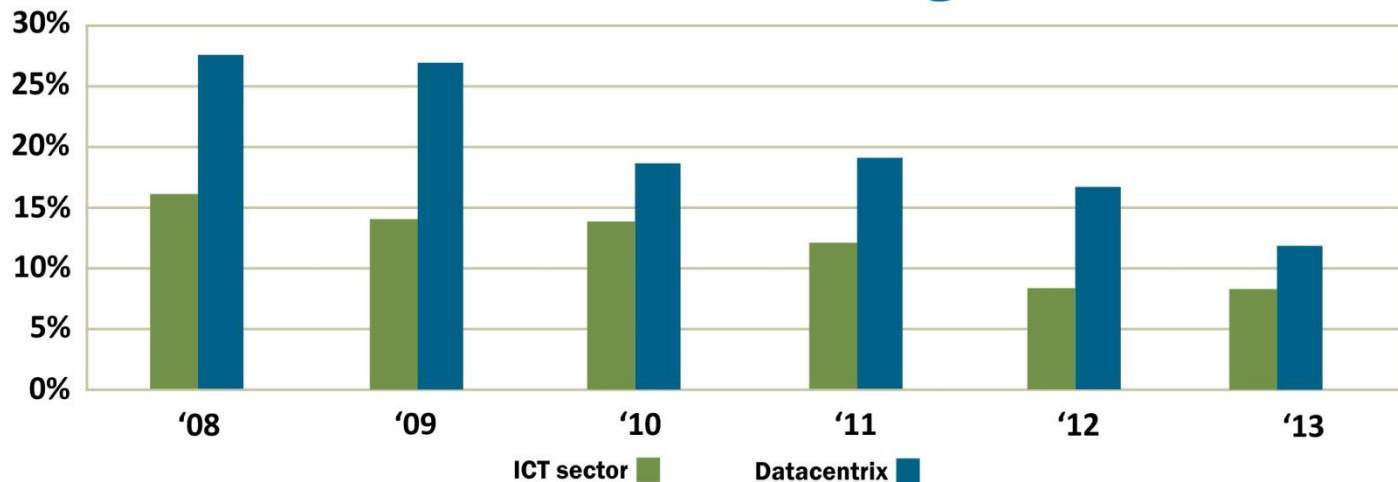


# Returns (continued)

## Return on sales



## Return on assets managed





IT Industry

# South African IT Market Size: 2012

7% ↑



Hardware  
spend  
R38.89 bn

12% ↑



Software  
Spend  
R33.11 bn

10% ↑



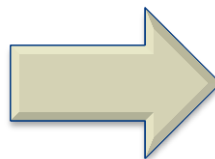
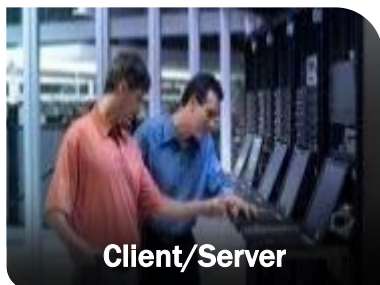
IT Services  
spend  
R16.89 bn

Total IT spend R 88.89 billion

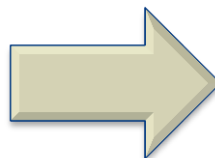
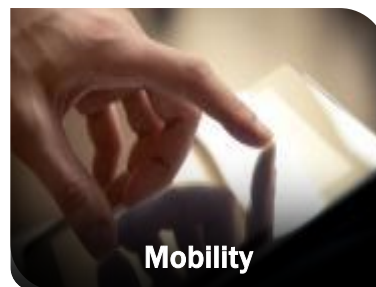
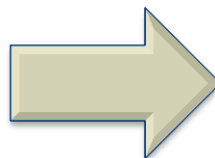
8% ↑

# Major Shifts Across the Industry

**From:**



**To:**





# Datacentrix Today

# Senior Management



**Johann Coetzee**  
MD: Commercial



**Vernon Tutton**  
MD: Managed Traditional & Print  
Services Gauteng



**Werner Lindemann**  
MD: Technology Solutions



**Abrie Peens**  
MD: Managed Services,  
Outsourcing Gauteng



**Juane Peacock**  
MD: Coastal Infrastructure and  
Enterprise Information  
Management



**Kenny Nkosi**  
MD: Government



**Rainer Jeske**  
MD: Transformational Solutions



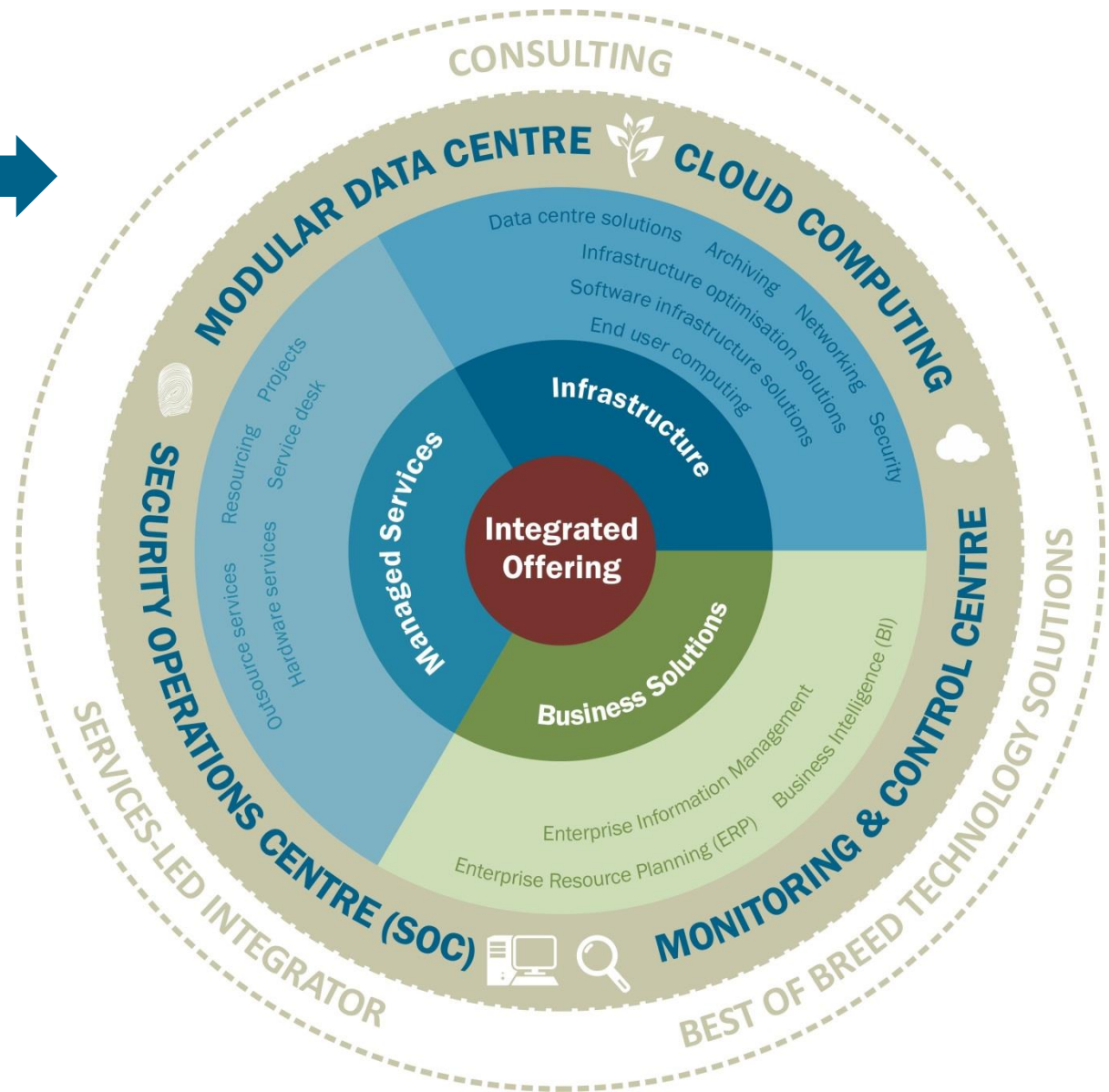
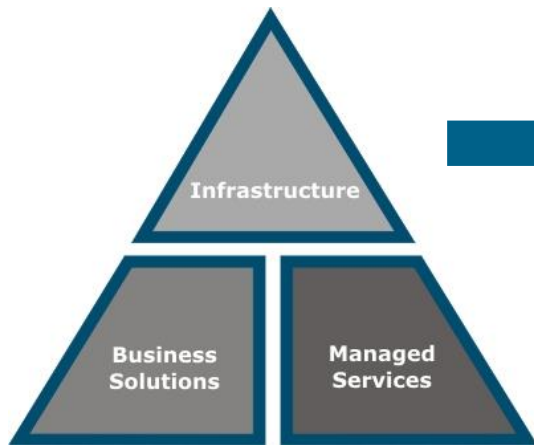
**Rejoice Mamphitha**  
Head: Human Resources

## Appointment of two MDs

- Improved focus on technology portfolio
- Improve focus on Managed Services particularly outsourcing



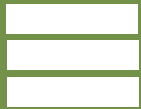
# Broad & Integrated Portfolio



# Datacentrix' Integrated Cloud Strategy



## Design, Build & Operate Cloud Services



Hardware



Software

## Consumption Based Cloud Services



Managed Cloud



Public Cloud

## Broker Cloud Services



White Labeling

Providers

**Choice**

**Client Platform**

**On/offsite**

**Design, Build, Deliver and Manage**

**As a Service**

**Confidence**

**Security Management**

**Scalability**

**Consumption based**

**Cloud as a Service**

**Multiple Providers**

**Consistency Delivery**

**Architecture**

**Portability**

**Consumption Based**

**Brokerage**

# Datacentrix today: A credible, competent technology company



**Hardware**



**Software**



**Services**



**Solutions**



**Broad portfolio**

**Reputable**

**Deep expertise**

**Providing value for money  
technology solutions that work in an  
integrated and seamless way**



# Solutions and Services Delivery Capacity



- Outsource solution partner to credible client base
- Excellent execution capacity

# Solutions and Services Delivery

## Capacity (continued)



POWERING POSSIBILITY

- **Exxaro Resources:** “As Exxaro's strategic infrastructure support partner for the past three years and main supplier of infrastructure for more than five years, Datacentrix has a good understanding of our business and has aligned itself to be our technology partner of choice.” **Ian Brown, General Manager of Information Management (CIO) at Exxaro Resources**

## *Remgro*

- **Remgro Management Services Limited:** “Supporting 140 users and 50 virtual servers running off 5 VMware hosts, Datacentrix is responsible for the end-to-end management and support of the ICT environment. When the expiry in 2011 of the ICT outsource contract with Datacentrix had to be considered, my renewal recommendation to Remgro Executive Management was made easy by the excellent service delivery experienced since commencement mid-2008. **Lieb Swiegers, IT Manager for Remgro**

# Solutions and Services Delivery

## Capacity (continued)



- **Engen:** “Datacentrix was awarded the Service Desk Outsource contract with Engen in October 2011. Service Level Agreements have been averaging 98% and the overall customer satisfaction has been very good. There is truly a good partnership between Engen IT specifically in the Service Management Division.”  
**Trudy Kumalo IT Manager – End User Support**



- **Virgin Active South Africa:** “Datacentrix now plays a key role in our Service Delivery Strategy and as such has crossed the divide from vendor to partner. This could not have transpired without the professionalism brought to the table by the Datacentrix team.” **Andre Mostert, National I.T. Manager Virgin Active South Africa (Pty) Ltd**

# Solutions and Services Delivery Capacity (continued)



**BRITISH AMERICAN  
TOBACCO**  
SOUTH AFRICA

- **British American Tobacco:** “Datacentrix is not seen as a national outsource service provider, but rather as a business partner and an integral part of the IT Services Team, ensuring that all services are delivered to the highest standards and within the required SLA. It has been a pleasure to work with the team and we look forward to continuing our relationship and strengthening our partnership.”  
**Nadir Kahn, Commercial Service Level Manager SA**



- **Western Cape Government Transport and Public Works:** “Datacentrix’ change management approach, which allowed for excellent user adoption, has provided us with exceptional improvements in service. Our programme has consistently achieved its short and long-term objectives and we feel that Datacentrix has always provided us with outstanding services and continues to do so.” **J A du Plessis, acting Assistant Executive Manager: Strategic Planning, Integration & Co-ordination**

# Acquisition Opportunities

## Portfolio Gaps



- Application skills
  - ERP (SAP, Oracle)
  - Software integration
- Business Process Outsourcing (BPO)





# The Way Forward



# Prospects



- Focus towards extracting benefits from investments
- Opportunities in public sector
- Migration from commoditised areas of business with margin pressures
- Targeted acquisitions

**Thank you**