

DATACENTRIX HOLDINGS LIMITED
INCORPORATED IN THE REPUBLIC OF SOUTH AFRICA
(REGISTRATION NUMBER: 1998/006413/06)
SHARE CODE: DCT
ISIN: ZAE 000016051
("Datacentrix" or "the Group" or "the Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2015 AND DIVIDEND DECLARATION

Key financial indicators

- Revenue increased by 11.3% to R1.23 billion
- Earnings increased by 15.4% to R54.5 million
- Earnings per share increased by 15.4% to 27.8 cents and headline earnings per share increased by 14% to 27.7 cents
- Cash generated from operations of R107 million
- Cash on hand of R261 million
- Interim gross cash dividend declared of 9.23 cents per share

Condensed Consolidated Statements of Comprehensive Income for the six months ended 31 August 2015

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
Revenue	1 227 418	1 102 340	2 249 661
Operating profit	70 361	65 963	143 802
Net investment income	6 649	1 028	2 655
Profit before taxation	77 010	66 991	146 457
Taxation	(22 542)	(19 786)	(42 980)
Total comprehensive income attributable to ordinary shareholders	54 468	47 205	103 477
Basic earnings per ordinary share (cents)	27.8	24.1	52.9
Diluted basic earnings per ordinary share (cents)	27.7	23.9	52.6
Gross dividend per share (cents)	9.23	8.09	17.55
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	86 894	78 924	170 438
Headline earnings per ordinary share (cents)	27.7	24.3	53.0
Diluted headline earnings per ordinary share (cents)	27.6	24.1	52.8
Weighted average number of shares in issue* (000s)	195 798	195 798	195 798
Weighted average number of shares in issue for purpose of dilution* (000s)	196 689	197 241	196 780
<i>*adjusted for treasury shares</i>			
Reconciliation between earnings for the period attributable to ordinary shareholders and headline earnings			
Earnings attributable to ordinary shareholders	54 468	47 205	103 477
(Profit)/loss on sale of property and equipment	(161)	327	324
Headline earnings	54 307	47 532	103 801

Condensed Consolidated Statements of Financial Position as at 31 August 2015

	Unaudited 31 August 2015 R'000	Unaudited 31 August 2014 R'000	Audited 28 February 2015 R'000
ASSETS			
Non-current assets	261 959	203 899	200 179
Property and equipment	67 213	66 459	68 421
Intangible assets – software	10 684	12 531	9 803
Intangible assets – business combination	148 873	90 154	88 854
Investment in joint venture	-	103	-
Finance lease receivables	1 965	1 675	-
Deferred taxation assets	33 224	32 977	33 101
Current assets	823 803	775 376	780 739
Current taxation assets	2 633	5 785	1 998
Finance lease receivables	1 289	13 948	7 191
Inventories	38 563	72 888	31 122
Trade and other receivables	520 472	548 197	448 936
Cash and cash equivalents	260 846	134 558	291 492
TOTAL ASSETS	1 085 762	979 275	980 918
EQUITY AND LIABILITIES			
Capital and reserves	649 297	570 973	612 425
Share capital	21	21	21
Share premium	36 020	36 100	36 092
Treasury shares	(36 585)	(35 983)	(35 983)
Equity-settled share scheme reserve	40 808	38 178	39 208
Retained earnings	609 033	532 657	573 087
Non-current liabilities	14 937	21 593	19 889
Loans payable	-	8 859	13 338
Deferred revenue	12 958	11 071	6 438
Deferred taxation liabilities	14	-	113
Finance lease payables	1 965	1 663	-
Current liabilities	421 528	386 709	348 604
Trade and other payables	335 085	291 697	265 096
Deferred revenue	69 517	67 635	67 580
Finance lease payables	1 289	13 783	7 157
Current tax liabilities	1 086	528	304
Loans payable	13 362	10 381	6 405
Lease smoothing liability	1 189	2 685	2 062
TOTAL EQUITY AND LIABILITIES	1 085 762	979 275	980 918
Net asset value (adjusted for treasury shares) per share (cents)	331.6	291.6	312.8
Tangible net asset value (adjusted for treasury shares) per share (cents)	250.1	239.2	262.4
Weighted average number of shares in issue* (000s)	195 798	195 798	195 798

Condensed Consolidated Statement of Changes in Equity for the six months ended 31 August 2015

	Share capital R'000	Share premium R'000	Treasury shares R'000	Equity-settled share scheme reserve R'000	Retained earnings R'000	Total R'000
Balance at 28 February 2014	21	36 079	(35 983)	36 378	501 448	537 943
Total comprehensive income	-	-	-	-	47 205	47 205
Treasury shares movement	-	21	-	-	-	21
Share-based payments	-	-	-	1 800	-	1 800
Dividend paid	-	-	-	-	(15 996)	(15 996)
Balance at 31 August 2014	21	36 100	(35 983)	38 178	532 657	570 973
Total comprehensive income	-	-	-	-	56 272	56 272
Treasury shares movement	-	(8)	-	(70)	-	(78)
Share-based payments	-	-	-	1 100	-	1 100
Dividend paid	-	-	-	-	(15 842)	(15 842)
Balance at 28 February 2015	21	36 092	(35 983)	39 208	573 087	612 425
Total comprehensive income	-	-	-	-	54 468	54 468
Treasury shares movement	-	(72)	(602)	-	-	(674)
Share-based payments	-	-	-	1 600	-	1 600
Dividend paid	-	-	-	-	(18 522)	(18 522)
Balance at 31 August 2015	21	36 020	(36 585)	40 808	609 033	649 297

Condensed Consolidated Statement of Cash Flows for the six months ended 31 August 2015

	Unaudited 6 months ended 31 August 2015 R'000	Unaudited 6 months ended 31 August 2014 R'000	Audited 12 months ended 28 February 2015 R'000
Profit before taxation	77 010	66 991	146 457
Adjusted for non-cash items	10 225	13 008	25 057
Working capital changes	19 344	(90 612)	27 534
- Inventories	(4 337)	(28 480)	13 286
- Trade and other receivables	(23 357)	(70 067)	29 194
- Finance lease receivables	(3 903)	10 839	19 271
- Deferred revenue and trade and other payables	50 941	(2 904)	(34 217)
Cash generated/(utilised) from operations	106 579	(10 613)	199 048
Net interest received	6 805	1 905	3 997
Dividend paid	(18 522)	(15 996)	(31 838)
Taxation paid	(22 275)	(18 452)	(38 094)
Net cash inflow/(outflow) from operating activities	72 587	(43 156)	133 113
Net cash outflow from investing activities	(91 303)	(11 453)	(22 956)
Net cash outflow from financing activities	(11 930)	(13 370)	(21 202)
Net (decrease)/increase in cash and cash equivalents	(30 646)	(67 979)	88 955
Cash and cash equivalents at the beginning of the period	291 492	202 537	202 537
Cash and cash equivalents at the end of the period	260 846	134 558	291 492

Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 31 August 2015 are prepared as a going concern on a historical cost basis except for certain financial instruments, which are stated at fair value as applicable. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the information as required by IAS 34: Interim Financial Reporting, the Listings Requirements of JSE Limited, and the Companies Act of South Africa (Act 71 of 2008), as amended. The principal accounting policies, which comply with IFRS, have been consistently applied in all material respects in the current and comparative years. All new interpretations and standards were assessed and adopted with no material impact.

The board of directors of Datacentrix (“the Board”) takes full responsibility for the preparation of this interim report.

The condensed consolidated financial statements of the Group have not been reviewed or audited by the Group’s auditors. The condensed consolidated financial statements of the Group were prepared under the supervision of Mrs Elizabeth Naidoo CA (SA), the Financial Director of the Group. The condensed consolidated financial statements comprise the condensed statement of financial position as at 31 August 2015 and the condensed statements of comprehensive income, changes in equity and cash flows for the year then ended.

Subsequent events

No material events have occurred between the six-month period ended 31 August 2015 (“interim period”) and the date of this announcement.

The business of Datacentrix

Datacentrix is an integrated information and communications technology (“ICT”) systems and services provider to both private and public sector organisations in South Africa. The Group’s comprehensive portfolio, proven execution capability and value-driven strategy underpin its position as one of the leading local players within this space. The Group comprises three operating divisions namely: Managed Services, Technology and Business Solutions. The integrated nature of some solutions means that these three operating divisions are inextricably linked.

Group financial performance

The Board is pleased to announce the financial results for the interim period ended 31 August 2015. Group revenue increased 11.3% to R1.23 billion. Earnings attributable to shareholders grew by 15.4% to R54.5 million and headline earnings per share (“HEPS”) increased by 14% from 24.3 cents to 27.7 cents. Working capital was well managed resulting in cash generated from operations of R107 million, with cash conversion of earnings at 196%. The Group had a closing cash balance of R261 million. Cash utilisation includes acquisitions (R80 million), dividends (R18.5 million) and payment of profit warranties (R8 million).

Divisional performance

The Managed Services division contributed 35% to the Group’s earnings, with the Technology division responsible for 46%, and the Business Solutions division, 10%. The recently acquired company, Infrasol Proprietary Limited (“Infrasol”), is reflected within the Managed Services’ segment results. Divisional performances varied, with Managed Services and Technology reflecting growth, while Business Solutions’ performance was constrained. During our last reporting period, the Group noted that it had secured multi-year contracts outside of the renewal contracts. Revenue realised from these new contracts was limited over the reporting period with the bulk expected to flow in the next 12 months.

Unaudited six months ended	Managed Services		Technology		Business Solutions		Corporate		Total Group	
	31 Aug '15 R'000	31 Aug '14 R'000	31 Aug '15 R'000	31 Aug '14 R'000	31 Aug '15 R'000	31 Aug '14 R'000	31 Aug '15 R'000	31 Aug '14 R'000	31 Aug '15 R'000	31 Aug '14 R'000
Revenue	277 526	253 407	871 864	763 531	78 028	85 402	-	-	1 227 418	1 102 340
EBITDA	34 301	29 834	43 220	38 848	9 373	10 242	-	-	86 894	78 924
Operating profit	26 173	23 964	36 113	33 325	8 075	8 674	-	-	70 361	65 963
Net interest	(108)	(805)	-	-	-	-	6 757	1 833	6 649	1 028
Profit before taxation	26 065	23 159	36 113	33 325	8 075	8 674	6 757	1 833	77 010	66 991
Taxation	(6 853)	(6 841)	(11 120)	(9 845)	(2 488)	(2 562)	(2 081)	(538)	(22 542)	(19 786)
Total comprehensive income for the period	19 212	16 318	24 993	23 480	5 587	6 112	4 676	1 295	54 468	47 205

Managed Services

The division's revenue grew by 9.5% and earnings by 18% for the reporting period. Operating margin was maintained at 9.4%. The Internet Service Provider ("ISP"), Network Service Provider ("NSP") and communications business, eNetworks, performed well; and in particular the division's Managed Talent Solutions and Managed Print and Document Solutions businesses produced good growth.

The Managed Services division's portfolio encompasses: service aggregation; service desk solutions; managed systems; managed networks; managed end user devices; network and system monitoring and control; managed hosting; colocation; managed print and document solutions; security operations centre (SOC); IT facilities management; and managed talent solutions. The division also houses the Group's cloud offering.

Technology

Revenue in this division grew by 14% in a constrained IT market. Good revenue growth was particularly achieved in the datacentre, storage, security, and networking areas. Earnings grew by 6.4% with operating margin at 4.1%.

The Technology division's portfolio includes: unified communications; networking and datacentre capability – including the ability to deploy cloud solutions; complex storage solutions; server platform solutions; security solutions; eLearning solutions; and end user computing, incorporating a customisable procurement portal.

Business Solutions

Revenue and earnings in the Business Solutions division declined by 8.6%, largely due to delayed licencing revenue. The division achieved an operating margin of 10.3% and contributed 10% to total earnings for the period. Good growth was achieved within the Enterprise Information Management ("EIM") business. Performance by the Enterprise Resource Planning ("ERP") and Business Intelligence ("BI") and Analytics business units was constrained. The capability of the ERP and BI and Analytics business units has been boosted with the appointment of experienced management resources.

The Business Solutions division aims to allow businesses to better utilise the information generated and stored within their ICT infrastructures through solutions such as EIM, ERP and BI and analytics.

Acquisitions

On 30 July 2015, it was announced on SENS that, as the requisite approvals for the acquisition of Infracol had been received from the Competition Commission, the acquisition had become unconditional. Infracol designs, deploys, manages and supports ICT infrastructure for organisations across South Africa. This acquisition has strengthened the Group's positioning in the managed services space and will contribute to the growth of the Managed Services division. The purchase price related to the acquisition was R85 million and the related goodwill has been accounted for on a provisional basis in terms of IFRS 3: Business Combinations. In terms of the contractual agreement, the purchase consideration has been settled in full.

Prospects

The economy is contending with strong headwinds as a consequence of a global economic slowdown, power shortages, a weakening rand, bureaucracy and labour disputes. The resources and manufacturing sectors are seemingly the hardest hit, leading to constrained expenditure in the IT market.

Datacentrix has performed well and the Board remains positive about the long-term prospects of the Group as the key drivers of IT remain robust. This combined with the Group's financial and market position will drive organic growth. Datacentrix is cash generative, enabling acquisitive growth.

The Group will continue on its path as a skilled, services and solutions-led organisation. People are key to the growth of the business and Datacentrix will support the on-going development of the right skills to deliver intelligent, complex solutions to the market in an ever-changing IT landscape. Datacentrix' technology partners remain core to its strategy.

The Group is encouraged by the opportunities in Africa and its strategy is to follow its customers further north into the continent. Datacentrix is cognisant of the complexities of operating in Africa and has entered into partnerships to strengthen its execution capability.

The acquisition of Infracol will complement the Group's existing capabilities and contribute to driving economies of scale in the Managed Services division. Synergies, including integration into Datacentrix' premises, financial, logistical and operational systems are being leveraged and new business wins have been secured utilising the combined capability within the Group.

Black Economic Empowerment

Datacentrix has maintained its Level Two (AAA) B-BBEE Contributor status, with 125% procurement recognition.

Dividend

In respect of the six-month period ended 31 August 2015, the Board has declared a gross cash dividend of 9.23 cents per share payable on Monday, 9 November 2015 to all shareholders on the Register of Members as at Friday, 6 November 2015.

In terms of the dividends tax, effective 1 April 2012, the following additional information is disclosed:

- the local dividend tax rate is 15%;
- the dividends will be payable from income reserves;
- the dividend to utilise in determining the dividends tax is 9.23 cents per share;
- the dividend tax to be withheld by the Company amounts to 1.3845 cents per share;
- therefore the net dividend payable to shareholders who are not exempt from dividends tax amounts to 7.8455 cents per share while the gross dividend payable to shareholders who are exempt from dividends tax amounts to 9.23 cents per share;
- the issued share capital of the Company at the declaration date comprises of 205 265 683 ordinary shares; and
- the Company's income tax reference number is 9739/002/71/6.

Declaration date:	Tuesday, 13 October 2015
Last day to trade:	Friday, 30 October 2015
Share trade ex-dividend:	Monday, 2 November 2015
Record date:	Friday, 6 November 2015
Payment date:	Monday, 9 November 2015

Share certificates may not be dematerialised or rematerialised between Monday, 2 November 2015 and Friday, 6 November 2015, both days inclusive.

The Board would like to thank the management and staff at Datacentrix for their commitment and hard work that has resulted in a positive performance for the period.

For and on behalf of the Board:

Nolitha Fakude
Independent Non-executive
Chairman

Ahmed Mahomed
Chief Executive Officer

13 October 2015

Nolitha Fakude* (Chairman), Ahmed Mahomed (Chief Executive Officer), Alwyn Martin*, Arnold Fourie#, Dudu Nyamane*, Elizabeth Naidoo (Group Financial Director), Richard Lyon# (*independent, non-executive) (#non-executive)

Company secretary:	iThemba Governance and Statutory Solutions Proprietary Limited
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Sponsor:	Merchantec Capital