

Interim Financial Results 2013



Agenda

- Welcome
 - Peter du Toit (IAS)
- Introduction and overview
 - Gary Morolo (Chairman)
- Financial and operational overview
 - Ahmed Mahomed (Chief Executive Officer)
- Questions

Introduction and Overview



Governance



- Changes to the board
 - Appointment of Pete Backwell as lead, independent director
 - Resignation of Thenjiwe Chikane
- Level 2 (AAA) B-BBEE Contributor status with 125% procurement recognition

Overview



- The results of the company's strategy are beginning to come through:
 - Refocus from a hardware-led company to a more solutions-focused systems integrator
 - Organic growth
- Margins are showing improvement
- Two key challenges for the company:
 - Acquiring our fair share of public sector business
 - Becoming more acquisitions focused for our growth strategy
- Dividend policy maintained

Overview (continued)



- Encouraging performance from Managed Services
 - Operational execution
 - Margins
 - Contribution to Group performance
- Infrastructure - consolidation of the movement from commoditised business to more solutions-led business
- Disappointing performance in the six months from Business Solutions
 - Gauteng performance
 - Contribution to Group performance

Financial Overview



Financial Highlights



- ↑ Revenue exceeds R1 billion
- ↑ EBITDA increased by 22% to R70.1 million
- ↑ Operating margin increased by 11% to 5.5%
- ↑ Earnings per share increased by 9.4% to 20.9 cents
- ↑ Headline earnings per share increased by 9.4% to 21.0 cents
- ↑ Cash generated from operations of R48.1 million
- ↑ Cash on hand of R245.6 million
- ↑ Interim gross cash dividend declared of 12.32 cents per share

Comprehensive Income



	August 2013 R'000	August 2012 R'000	February 2013 R'000
Revenue	1 008 924	976 726	1 919 487
EBITDA	70 082	57 374	126 341
EBITDA margin	6.9%	5.9%	6.6%
Depreciation and amortisation	(14 324)	(8 787)	(19 792)
Operating profit	55 991	48 559	106 163
Operating margin	5.5%	5.0%	5.5%
Net interest received	3 030	6 094	6 356
Profit before taxation	59 021	54 653	112 519
Taxation	(18 083)	(17 194)	(35 199)
Total comprehensive income for year	40 938	37 459	77 320

Financial Position



	August 2013 R'000	August 2012 R'000	February 2013 R'000
Non-current assets	223 888	131 117	190 216
Property and equipment	67 067	56 815	66 682
Intangible assets	101 864	25 081	67 204
Investment in joint venture	977	2 190	744
Finance lease receivable – long-term	29 727	19 435	30 266
Long-term receivables	-	116	-
Deferred taxation assets	24 253	27 480	25 320
Current assets	720 754	678 918	707 815
Inventories	57 310	30 194	36 500
Trade and other receivables	387 310	339 603	372 893
Finance lease receivables – short-term	30 576	16 896	24 661
Current taxation assets	-	4 511	-
Cash and cash equivalents	245 558	287 714	273 761

Financial Position (continued)



	August 2013 R'000	August 2012 R'000	February 2013 R'000
Capital and reserves	512 790	470 512	491 630
Share capital and premium	35 955	36 208	35 983
Treasury shares	(42 333)	(42 249)	(42 335)
Equity-settled share scheme reserve	41 581	34 201	37 801
Retained earnings	477 587	442 352	460 181
Liabilities	431 852	339 523	406 401
Trade and other payables	258 895	225 051	235 620
Deferred revenue (long & short-term)	56 480	76 124	61 901
Finance lease payables (long & short-term)	58 559	32 688	52 265
Current tax liabilities	11 858	11	6 028
Loans payable	41 575	-	45 750
Provisions	1 568	2 539	1 800
Lease smoothing liability	2 917	3 110	3 037

Cash Flow



	August 2013 R'000	August 2012 R'000	February 2013 R'000
Profit before taxation	59 021	54 653	112 519
Adjusted for non-cash items	12 188	6 407	11 765
Working capital changes	(23 103)	(8 350)	(67 737)
- Inventory	(20 163)	4 570	(1 736)
- Trade and other receivables	(10 242)	(49 592)	(75 402)
- Increase in finance lease receivables	(5 376)	(7 626)	(26 222)
- Trade and other payables	12 678	44 298	35 623
Cash generated from operations	48 106	52 710	56 547
Net interest received	5 654	6 094	10 653
Dividend paid	(23 532)	(38 236)	(60 268)
Taxation paid	(11 438)	(21 375)	(28 406)
Net cash inflow/(outflow) from operating activities	18 790	(807)	(21 474)

Segmental Performance



	Revenue			Earnings		
	Aug'13 R'000	Aug'12 R'000	%	Aug'13 R'000	Aug'12 R'000	%
Managed Service	234 864	193 809	21%	18 432	15 042	23%
Infrastructure	700 810	719 194	(3%)	17 217	13 796	25%
Business Solutions	73 250	63 723	15%	1 418	5 660	(74%)

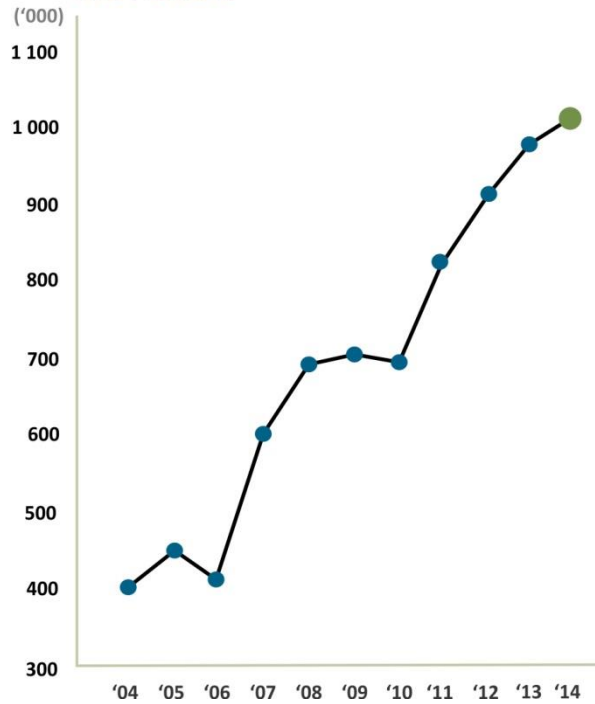
Operational Overview



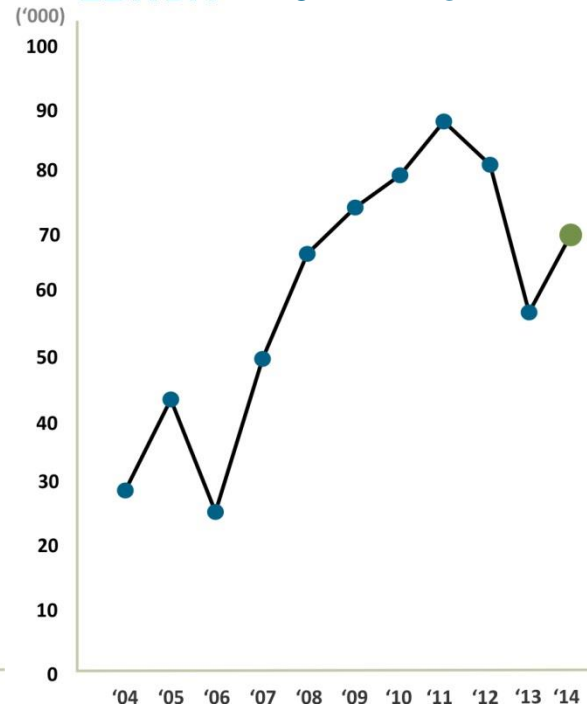
Financial Highlights



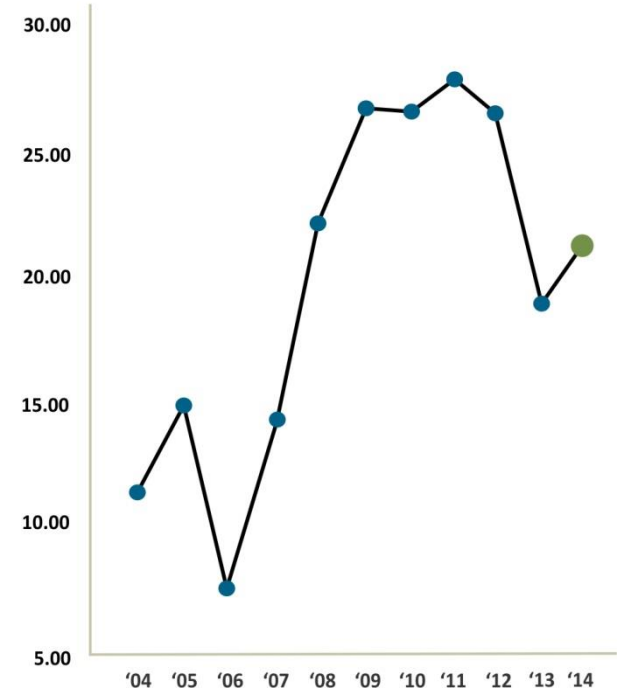
Revenue: R1 billion



EBITDA: R70.1 million



HEPS: 21 cents



Divisional Review



Managed Services

- Good revenue growth of 21%
- Good cost management
- Good EBITDA growth of 37% and EBITDA margin of 15.2%
- Capital expenditure increased depreciation cost resulting in PAT growth of 23%
- Of the nine contracts that were coming to term, the majority are already renewed with the balance still being negotiated without going to market

Business Solutions

- Good revenue growth of 15%
- Good growth in regions
- Margin is under competitive pressure
- Payroll cost increased due to acquisition
- Gauteng under performed for the six months

Divisional Review (continued)



Infrastructure

- Investment areas starting to be profitable or narrowing losses
- Good wins in the datacentre solutions space
- Infrastructure generating improved margins as a result of the change from commodity to solutions-type revenue
- Solution-type revenue putting pressure on working capital
- Private sector business, while constrained, still healthy
- Some public sector wins this period, but still underperforming and eroding profitability

Working Capital Management

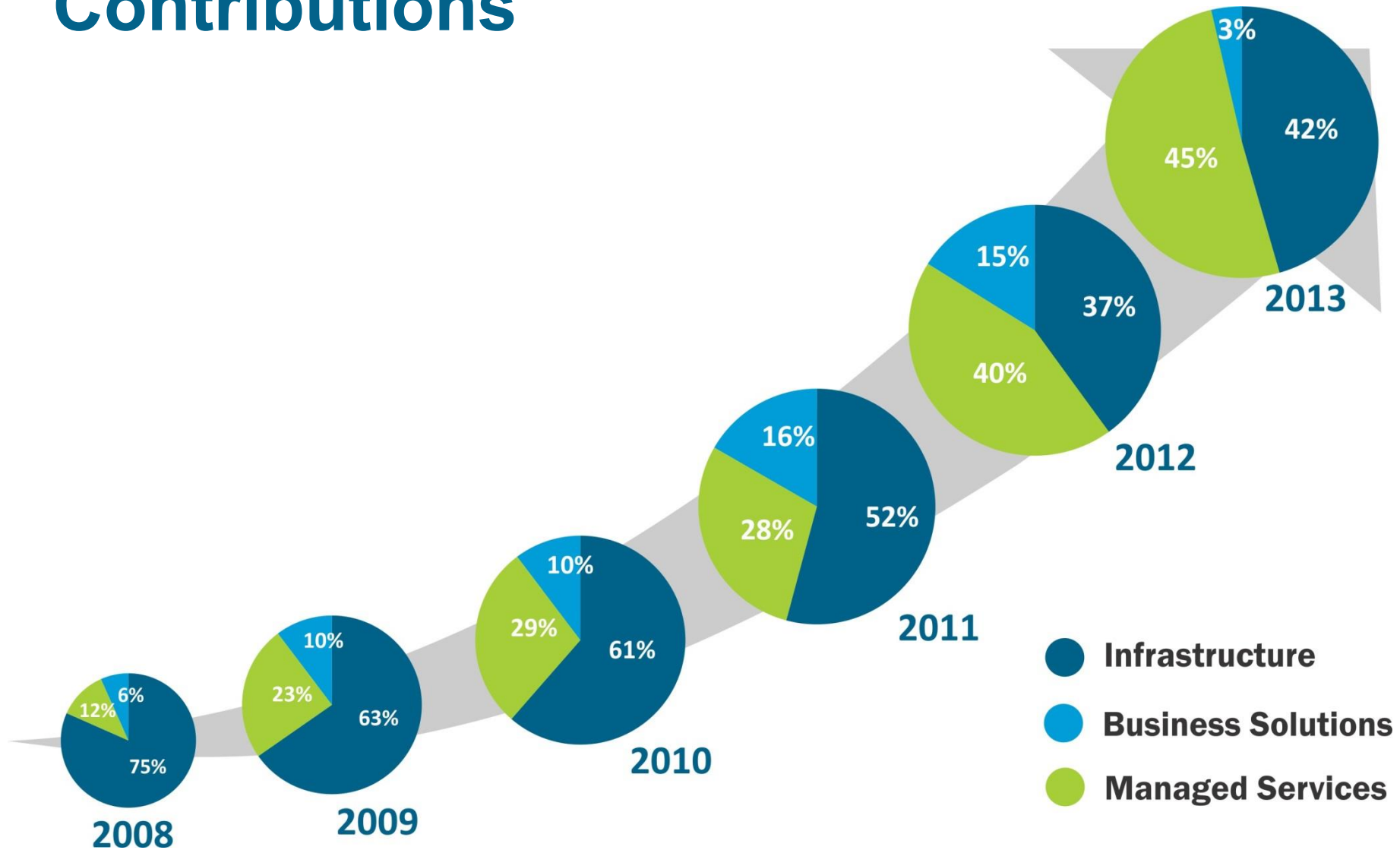


- Contained increase in payroll cost – growth largely because of acquisition
- Good total cost management
- Depreciation cost increased by 63% due to capital investment in:
 - general infrastructure
 - cloud computing
 - command centre
- Lower average cash balances due to:
 - acquisition
 - capex investment
 - dividend pay-out
 - increased working capital requirements
 - reduced interest income

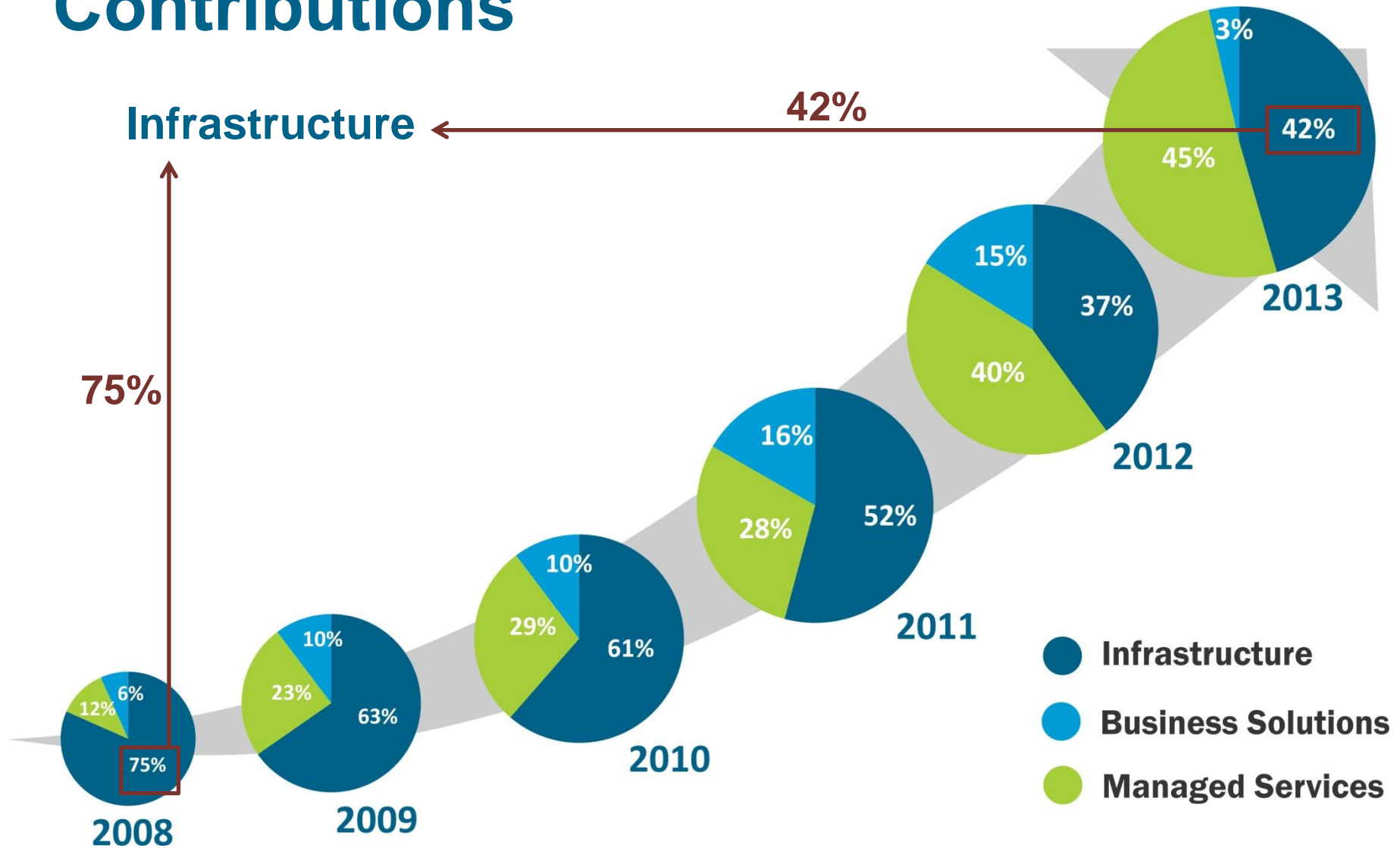
Datacentrix Today



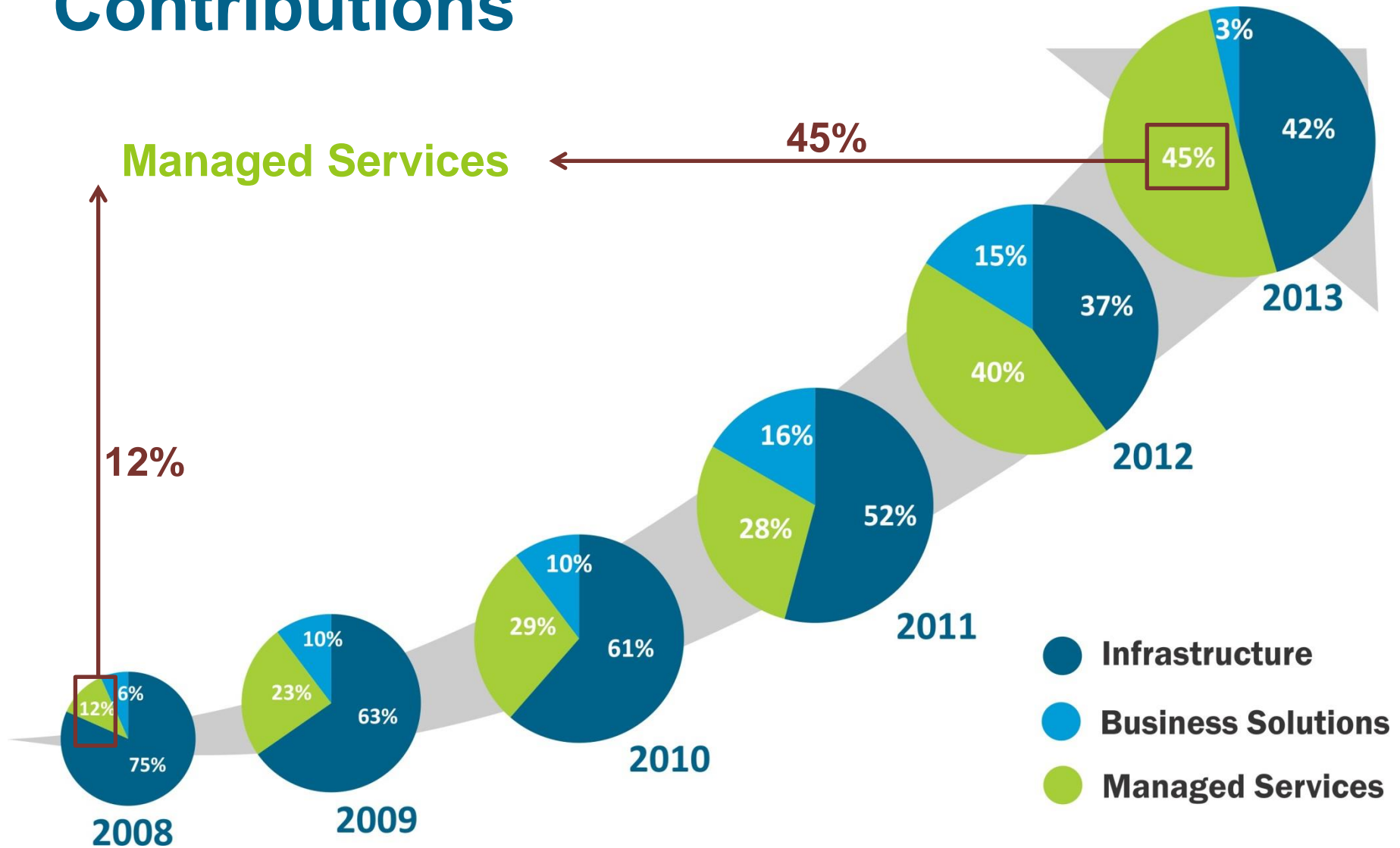
Change in Segmental Contributions



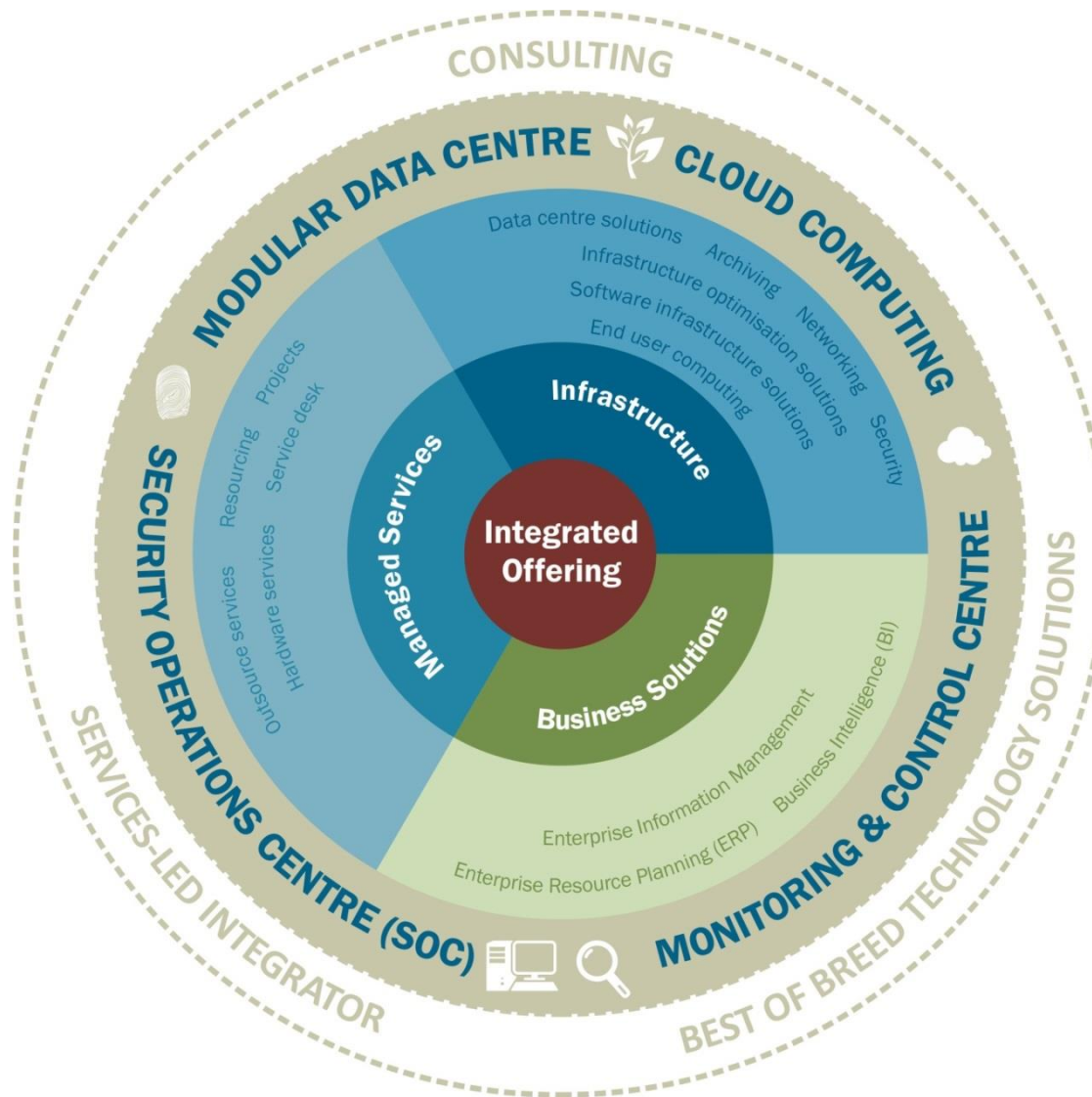
Change in Segmental Contributions



Change in Segmental Contributions



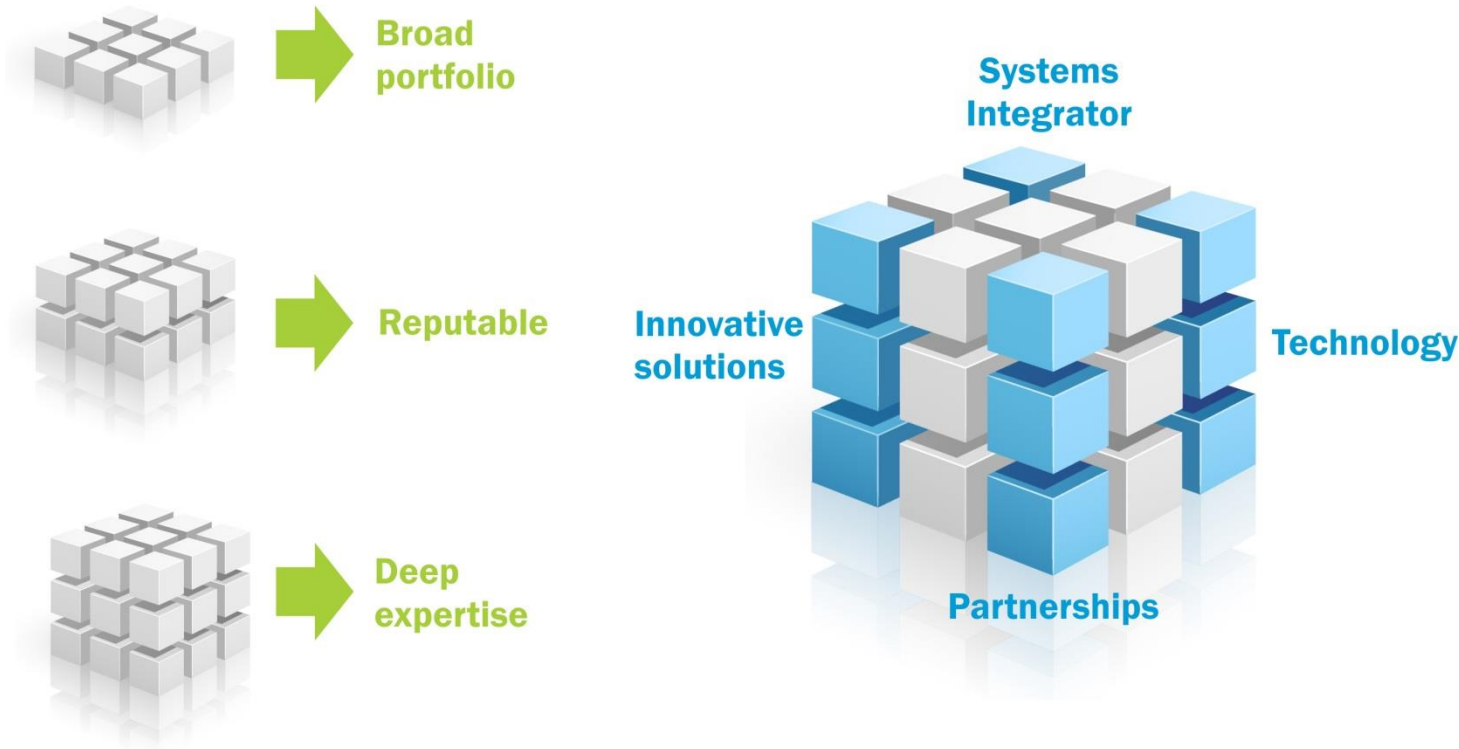
Broad and Integrated Portfolio



Vendors



Datacentrix: A credible, competent systems integrations company



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

Datacentrix Today



- 1100 permanent staff
- 248 contract staff
- 120 learnerships
- Strong market positioning
- Strong execution capability – renewed/renewing nine outsourcing contracts
- Change in mix - engaging more solutions and services sales rather than commodities
- Often invited to closed bids
- Outsource solution partner to credible client base
- Level 2 (AAA) B-BBEE Contributor status

Strategy



- Change in revenue mix - move to higher value, higher margin business
- Increasing annuity income streams
- Creating differentiators
 - The best, accredited skills
 - Excellent execution capability
 - Value for money
 - On-point solutions that enable business strategy
- Seamless and integrated client engagement
- Accelerate through acquisitions

A scenic photograph of a lighthouse on a rocky island at sunset. The lighthouse is white with black horizontal bands and a black top section. The sky is a mix of blue, orange, and pink, with some clouds. The water is calm and reflects the colors of the sky. In the foreground, there are dark, rocky areas with some water pools. The text "IT Industry" is overlaid in white on the left side of the image.

IT Industry

South African IT Market Size

 **12%**



**Hardware
spend
ZAR40 billion**

 **10%**



**Software
spend
ZAR18 billion**

 **4%**



**IT Services
spend
ZAR34 billion**

Total IT spend ZAR92 billion

Focus



Focus

- Extracting benefits from investments
- Maximising public sector opportunities
- Targeted acquisitions

Thank you

