

Datacentrix Holdings Limited is a black controlled IT infrastructure, solutions and services company focused exclusively on the South African enterprise market. The group listed on the JSE Securities Exchange in September 1998. The group conducts its business through the following business units:

#### **Infrastructure**

Datacentrix's Infrastructure division emphasises the importance of the supply of quality, yet affordable, IT infrastructure hardware and software solutions. The Infrastructure business is the partner of choice with Compaq, HP and IBM for the supply, installation, integration, maintenance and support of infrastructure requirements. The division continues to be the largest financial contributor to the group.

The division also specialises in enterprise storage solutions, enterprise infrastructure optimisation solutions, particularly in data storage, data and document management for SAP R3, data exchange as well as security solutions. A comprehensive range of modular managed services is also included in the division's offering.

**Gerhard Uys**  
*Group Managing Director*



## Operational review

The company has also established a new Security division in response to clients' security needs. The division will open up new markets and extend the company's service offering to customers by consolidating existing security products. In keeping with the group's strategy to represent leading vendors, Datacentrix has elected to strengthen its partnership with Symantec.

## **Solutions**

Datacentrix' Solutions division, which focuses on hosted services and the consulting, supply and implementation of business applications for the Microsoft platform, was recently strengthened with the award of a revised three-year, R108 million contract with Premier Foods.

The division's already extensive skills base has been enhanced through the procurement of Microsoft integration and development skills with effect from 1 March 2002. Solutions will be a high growth area going forward, including the already acquired skills to complement existing offerings and to take advantage of the Microsoft .Net strategy.

## **Services**

A new stand-alone Services division has also been created to operate in tandem with the existing Infrastructure and Solutions divisions. The new division ensures that Datacentrix can now provide a more efficient one-stop service; supplying services ranging from the traditional vendor warranty work, software upgrades and migration to infrastructure outsourcing. The focus is to expand our service offering to our existing clients to become their single most valued IT partner and to bring new customers into the group leading with services.

## **Financial overview**

The group continues to show growth at both the revenue and earnings levels in spite of a depressed IT environment. Revenue for the last year increased by 32% from R394 million to R521 million. The operational performance of the group as measured by EBITDA increased from R24 million to R39 million, an increase of 62%. The effect of the above was that headline earnings per share increased by 48% to 16,7 cents and earnings per share by 39% to 13,5 cents.

We continue to focus actively on working capital management and this focus was rewarded by cash generated from operations of R25.2 million with R71 million net cash on hand at the end of our financial year. Datacentrix has produced a compound annual growth rate for headline earnings over the last five years of 43%.

## **Share capital**

In February 2002 an additional 20 982 924 ordinary shares were issued to CNI, Datacentrix's black empowerment partner, bringing their control to 49%.

## **Acquisitions and disposals**

### **Landmark**

The disposal of the Landmark agency was concluded in November 2001 to Leon Theron and his business partner, JMR Consulting. Landmark is a performance

# Operational review continued

measurement software suite for mainframe systems. The disposal had no material impact on the results of the group.

## **Supported Software**

The 1999 acquisition of Supported Software (Proprietary) Limited included a warranted profit contribution measurable to 28 February 2002. This period has now ended and resulted in an amount of R7,4 million being transferred to a non-distributable reserve. The acquired business has been fully integrated and is performing above expected levels.

## **Commerce Centre**

Management took a strategic decision to exit its involvement in e-community initiatives due to slow growth in the marketplace. To give effect to this decision, the group purchased the 30 percent of Commerce Centre of Southern Africa held by ParaNet LLC and exited all e-community management projects, including the fast-moving consumer goods (FMCG) National Product Catalogue initiative. This acquisition was concluded to enable the group to discontinue timeously and in an orderly fashion the loss making community based projects in which Commerce Centre was involved.

## **Empowerment**

Datacentrix continues to entrench itself as a truly South African company, embracing black economic empowerment at all levels within the organisation and through its equity structure. During February 2002 the issue of new shares raised the black economic empowerment shareholding control to 49%. Datacentrix has successfully moved to the second phase of strengthening its empowerment credentials. In addition to the assumption of an executive office by Gary Morolo as executive chairman, senior management appointments have been made. These include Ahmed Mahomed, as managing director of Infrastructure; Lolo Tshaka as divisional director in charge of the government business unit; Debbie Maguire as divisional director in charge of the logistics unit and Idris Cassim as manager of the Security division. Significant progress has been made in the general employment equity profile, resulting in 42% of all personnel being black and 61% from the designated group.

Datacentrix set up a R1 million educational trust two years ago for the purpose of educating disadvantaged students in the fields of IT and marketing. Five black students from the bursary programme joined the company in December 2001. This programme is integral to Datacentrix's black economic empowerment strategy.

## **Industry overview**

Consolidation in the IT industry is a process whereby the weaker products, solutions and players are weeded out of the market, increasing the existing opportunities for those companies, like Datacentrix, who represent the industry's leading players and who will remain fully operational after the shakeout in the industry draws to a close.

The HP and Compaq merger, which typifies the industry consolidation, will result in Datacentrix becoming the merged company's largest partner in the South African market.

This merger will also result in an impressive solution offering across all IT infrastructure requirements, on which Datacentrix is well positioned to capitalise.

Serious cash constraints are causing the liquidation of many players that operate in the same IT market space as Datacentrix. Our strong balance sheet and long-standing direct vendor relationships isolate us from these channel problems. The volatility in the channel is an opportunity to grow our business at the expense of our competitors and will result in Datacentrix becoming the employer and strategic partner of choice for staff, customers and technology vendors alike.

## **Future**

With the significant growth initiatives identified in our Infrastructure business and the growth experienced in the Solutions and Services divisions, Datacentrix has successfully implemented its growth strategy and remains poised to make judicious and opportune acquisitions.

To date, our focus on business-critical solutions has shielded Datacentrix from the global and local slowdown in IT expenditure and we remain well positioned to take advantage of the continued shakeout and consolidation of the IT industry.

We are positive that with the foundation we have, the products and services we represent and the quality of our customer base, we will maintain our track record of growth during the coming financial year. With our current market share of the local market, we believe growth will continue for many years without detracting from our South African enterprise focus.



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*Group Managing Director*