



## PEOPLE MESSAGE FROM THE CHAIRMAN



**Gary Morolo**  
Datacentrix Chairman

Datacentrix enters its second decade as a listed company in much the same depressed economic mood and financial and equities markets as when it listed a decade ago in 1998, albeit far more of a crisis now than was thought to be the case in 1998. Then Datacentrix had the courage to go ahead and list in an environment when the equities markets had collapsed.

As in the late nineties into the first couple of years of this century, the market has slowed down noticeably in the private sector, with IT projects pushed out or scaled down as companies freeze their spending and sweat out their infrastructure longer. Government spending on IT however

remains robust as various departments continue to pursue more effective and efficient service delivery and to satisfy governance requirements. However this arena is keenly contested.

Our FY 2009 results, though not of the order typical of Datacentrix, are positive and commendable in a year that has been undoubtedly tough for most companies, including IT companies. It is a testament to Datacentrix tenacity, discipline and proven business model that we have shown growth in an environment that turned negative with the explosion of the sub-prime bubble in 2007. In 2009, Datacentrix is much bigger and the strongest it has ever been.

Thanks to Datacentrix' avowed strategy of focussing on the basics, i.e. sticking to our knitting and competencies, and tight operational management and disciplined working capital management, we have remained operationally and financially strong through this cash strapped period. Our cash conversion remains of the first order, with no bad debts. Except for our deliberate and planned investment in new high-level skills, we remain a low cost company with tight control on costs. The only key area of concern has been the relative lacklustre performance on the top line.

Datacentrix' product and service mix has been slowly evolving from small transactional deals to bigger, more complex solutions as we increasingly sell into the data centre as opposed to primarily the desktop environment. This has meant that deal cycles have become longer, with each deal having proportionately more potential impact on the bottom line than has been the case in the past. Deal slippage has consequently become an issue with potential significant impact on the bottom line in any reporting period. On the positive side, an intended effect has been to begin to make Datacentrix a more strategic long-

term partner to clients as opposed to merely a purveyor of infrastructure hardware and services.

### Growth Strategy

Datacentrix has hitherto avoided acquisition as a primary growth strategy and we believe experience in the market place has vindicated our approach. We have therefore continued to grow organically and have in the past year invested significantly in targeted new skills and competencies higher up the value chain. This investment is evident in a higher salary cost than was expected. This has also had the unwelcome but expected consequence of depressing current profitability as this type of expense runs significantly ahead of revenues.

High-end expertise and more complex solutions have been reorganised and bundled to create new exciting offerings. Datacentrix now finds itself in a position to credibly bid for projects the size and complexity of which we would not have attempted a few years ago. These offerings remain within the core competencies and business model of Datacentrix but higher up the value chain. The resultant growth in one of our identified growth areas, enterprise, has been satisfying, with further sizable prospects under evaluation. The growing challenge for Datacentrix has been the ability to position ourselves effectively at both ends of the value chain continuum, and our move up the value chain is eroding our ability to position ourselves effectively at the lower or commoditised end as well. That said, the traditional infrastructure and services business continues to be the engine for Datacentrix and is providing both the competency and financial platform for the growth of our newer initiatives.

On the other hand, we have not seen the growth in the Solutions business that we would have liked to see and reasonably expect. Two other areas

## PROUD PAST, PROMISING FUTURE



identified as growth areas in the past, selective outsourcing and the Johannesburg region have, not surprisingly, experienced a fiercely competitive environment leading to an adjustment in the timing of our expectations.

### Black Economic Empowerment

Datacentrix has regained its EmpowerDex A rating and is again a Level Four (4) Contributor, with realistic prospects of achieving Level Three (3) Contributor status. Achievement on the majority of indices is high and is targeted for further improvement. However, no solution to black equity participation, the key area where Datacentrix underperforms relative to the other indices, was achieved in the year under review despite a variety of initiatives pursued by the board.

These efforts are ongoing albeit in a much tougher environment to raise either debt or equity, especially for empowerment transactions. A key goal for the board remains to find a solution that would preferably also bring staff into significant equity ownership as part of retention strategy of key management and technical staff.

### Board Changes

Datacentrix experienced unplanned rotation at board level, with the departure of Mr. Israel Skosana and Ms. Dudu Nyamane. During the course of the year, both Mr. Skosana and Ms. Nyamane respectively assumed additional responsibilities, which made

it difficult for them to continue serving on the board. Their contribution has been important and has helped guide Datacentrix through a difficult trading environment and grappling with key BEE and staff retention issues. The board wishes to extend its gratitude to Mr. Skosana and to Ms. Nyamane.

The board is happy to announce the appointment of Ms. Thenjiwe Chikane to the board. Ms. Chikane rejoins the board after serving for a brief period.

### Prospects

Datacentrix expects to hold its own and at least maintain market share in an evidently tough and deteriorating environment.

An integral part of Datacentrix' business model has always been to focus on "must have" instead of "nice to have" offerings. That way we ensure that we continue to play in that space that despite tough financial times and tight budgets, will continue to have at least a minimum level of budget necessary to keep corporate entities operational from an IT perspective. Indeed in some instances some corporates are looking to IT to achieve much needed operational savings.

We have targeted particular areas for growth, which we have invested in and continue to invest in a deliberate and controlled fashion. However most importantly, due regard will also be given in the coming year to the need to contain costs and to conserve capital.

The board has every expectation of remaining profitable and showing growth in the coming year and has the confidence in management to continue with the application, dedication, and execution capability that has ensured good results in the past.

### Acknowledgements

The staff of Datacentrix has excelled in ensuring that a decent performance was achieved in this year and the board wishes to acknowledge and to thank them. We also acknowledge our key technology partners that have helped us to remain competitive in our offerings.

Lastly, I thank the board for executing their responsibility throughout the year with fortitude and aplomb in challenging circumstances. Their support and counsel has been invaluable.

**Gary Morolo**  
Chairman