

Datacentrix Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 1998/006413/06)
Share code: DCT
ISIN: ZAE000016051
("Datacentrix")

Investor news

Datacentrix delivers another strong performance, operating profit up by 18 percent

October 07, 2014 – Datacentrix, an integrated ICT systems provider to corporate and public sector organisations in South Africa, has announced its interim results for the six months ended 31 August 2014.

"Datacentrix has undergone a transformational journey over the last few years," explains CEO, Ahmed Mahomed. "In 2008, product revenue accounted for the largest share of the business. The organisation recognised that the business model would come under pressure due to hardware commoditisation and technology prices declining. Today, the company predominantly delivers complex infrastructure solutions, with a growing managed service, application and cloud business. Its portfolio includes most of the significant enterprise hardware and software vendors. The Group has largely delivered on the implementation of its organic growth strategy, having built the capability to assist customers in navigating the ever-changing IT landscape. The Group will continue to complement its organic growth strategy with acquisitions moving forward."

Datacentrix' vision continues to enhance stakeholder value by optimising and enriching the performance of its existing business portfolio, and expanding those selected capabilities that offer the greatest potential for sustainable growth.

The Group's financial performance reflects the success of its strategy with operating profit increasing by 18% to R66 million, and revenue reaching R1.102 billion, up 9% year on year. Despite the market remaining under margin pressure, the Group's operating margins improved from 5.5% to 6%, driven by a shift to higher-value services revenue and focused cost management. Profit after tax ("PAT") increased by 15% from R40.9 million to R47.2 million and headline earnings per share ("HEPS") increased by 16% from 21 cents to 24.3 cents.

Datacentrix' comprehensive portfolio, proven execution capability and value-driven strategy underpin its position as one of the leading local ICT players. The Group comprises three operational divisions: Managed Services, Technology and Business Solutions.

The Group showed solid performance for the interim period, achieving revenue and PAT growth from all divisions. Says Mahomed: "The focus on building capability to deliver intelligent, complex solutions has positioned the Group favourably within the market. It is also contributing positively to group performance, with areas such as Enterprise Information Management ("EIM"), and sales into the datacentre and networking solutions spaces showing growth. From a cloud technology perspective, we have successfully launched both Infrastructure as a Service ("IaaS") and Platform as a Service ("PaaS") offerings during 2014."

The Managed Services division's revenue grew by 8% to R253 million, while PAT showed growth of 10% for the reporting period. Performance within this unit was not as high as expected due to a major outsource customer insourcing its services in line with its local and global strategy. The Internet Service Provider ("ISP"), Network Service Provider ("NSP") and communications business, eNetworks, continues to perform well; and the division's Managed Talent Services business enjoyed robust performance. The Group has developed a compelling cloud offering (Microsoft Exchange, IaaS, PaaS and application hosting) that delivers long-term growth opportunities for the Managed Services business. With data privacy and residency concerns being raised at a global level, organisations will turn to local cloud providers. This has the potential to be a driver for the local cloud industry.

The Managed Services division focuses on enabling customers to grow their businesses by enhancing processes and systems. This empowers customers to make meaningful management decisions and to operate their businesses effectively. The division provides services that include cloud computing, monitoring, managed systems and networks, electronic fraud management, managed print solutions, hosting and co-location.

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Revenue in the Business Solutions division increased by 17% and PAT by 331%. The division contributed 13% to total earnings for the period, with a strong performance in the six months. The EIM business performed well for the period, with more customers moving towards better decision making and governance, thus highlighting the need to maximise the value of their information assets. The Business Solutions division aims to allow businesses to better utilise the information generated, manipulated and stored within their ICT infrastructures. This encompasses three main solution areas: EIM; Enterprise Resource Planning ("ERP"); and analytics and business intelligence.

Revenue in the Technology division increased by 9% to R763.5 million and PAT was up by 13%. Tight cost management within the Technology division contributed to a slight improvement in operating margins from 4.3% to 4.4%. The investment in skills over the last few years has provided the unit with the capability to design and implement complex infrastructure solutions, resulting in improved margins. The Technology division helps customers drive their business strategies forward through the provision of integrated technology systems that simplify complex infrastructure solutions such as datacentre optimisation and transformation. Its offerings include communications, end user computing, storage and server platform solutions, Enterprise Systems Management ("ESM"), and datacentre and information security solutions.

"The Group believes that its people are key to the business and will continue to develop and nurture the right skills, in order to deliver business outcomes and to assist customers in transitioning their traditional IT infrastructure to the new style of IT," states Mahomed. "This is supported by top level vendor accreditations, attested to by accolades received recently, including a global award by HP and Microsoft as an 'Outstanding Frontline Partner (FLP) for 2014 in Unified Communications & Collaboration', and 'Canalys EMEA Infrastructure Growth Partner of the year'."

In respect of the six-month interim period ended 31 August 2014, the Board has declared a gross cash dividend of 8.09 cents.

Datacentrix has maintained its Level Two (AAA) B-BBEE Contributor status, with 125% procurement recognition. The Group was also named by ratings and research agency, Empowerdex, as South Africa's most empowered company within the ICT services sector. In addition, the organisation reached the number one spot in both the socio-economic development and management control categories, and was ranked as the 14th most empowered listed company overall.

About Datacentrix

Ranked by Empowerdex as South Africa's most empowered JSE-listed IT company, Datacentrix provides integrated solutions and services across the full information value chain to enterprise organisations. Its philosophy is to drive customers' business strategies through the use of technology. With an established reputation as an innovative solutions integrator, Datacentrix prides itself on its customer-centric approach, consistently high service delivery levels, and strong vendor and customer partnerships. For more information, please visit www.datacentrix.co.za

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