

Datatec Group

Unaudited results for the six months ended
31 August 2013

TECHNOLOGY INTEGRATION CONSULTING



Driving Technology

Datatec Group

Agenda

1

Highlights, market conditions & strategy
Jens Montanana, Datatec Group CEO

2

Group financial performance
Rob Evans, Datatec Group CFO

3

Operational review and outlook
Jens Montanana, Datatec Group CEO

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Highlights

Revenue

↑ 6%

to US\$2.77bn

H1 FY13: US\$2.62bn

EBITDA

↓ 3%

to US\$89.2m

H1 FY13: US\$91.9m

Underlying* EPS

↓ 18%

to 19.2 US¢

H1 FY13: 23.5 US¢

Interim capital distribution

→ 0%

to 8 US¢

H1 FY13: 8 US¢

- Solid revenue growth
- ERP transition issues in US
- Strong Logicalis performance
- Weaker EM currencies
- EPS reduction
- Dividend unchanged

** Excluding goodwill and intangibles impairment, amortisation of acquired intangible assets, acquisition related adjustments, profit or loss on sale of assets and businesses, fair value movements on acquisition related financial instruments and unrealised foreign exchange movements*

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Market conditions

- Gradual global recovery seems underway, risks remain in US + EU
- Emerging markets still showing better growth but offset by currency volatility
- Cloud adoption is becoming real, creating new opportunities while challenging incumbents
- Networking and security markets are beneficiaries of ICT industries evolution

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Strategy

- Continued targeted expansion in Asia Pacific and parts of the Middle East and Africa
- Opportunities being explored in North America as market confidence builds
- Develop further managed and infrastructure services
- Drive better business mix and margins through regional scale

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Financial performance

US\$m	H1 2014	H1 2013	Growth %
Revenue	2,765.5	2,621.3	6%
Gross profit	413.5	377.0	10%
<i>Gross margin %</i>	<i>15.0%</i>	<i>14.4%</i>	
Operating costs	(324.3)	(285.1)	14%
<i>Operating cost margin %</i>	<i>11.7%</i>	<i>10.9%</i>	
EBITDA	89.2	91.9	(3%)
<i>EBITDA%</i>	<i>3.2%</i>	<i>3.5%</i>	
Depreciation	(15.3)	(13.7)	12%
Amortisation of intangible assets	(6.9)	(7.2)	(4%)
Operating profit	67.0	71.0	(6%)
<i>Operating profit %</i>	<i>2.4%</i>	<i>2.7%</i>	

- Revenue growth driven by Logicalis
- Gross margin expands
- Majority of operating cost growth is due to acquisitions

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Financial performance

US\$m	H1 2014	H1 2013	Growth %
Operating profit	67.0	71.0	(6%)
Net finance costs	(10.4)	(11.4)	(9%)
Profit before tax	57.7	60.4	(4%)
Underlying* EPS (US cents)	19,2	23,5	(18%)
HEPS (US cents)	18,2	20,7	(12%)

- Reduced finance costs
- Non controlling interest impacts underlying earnings

* Excluding goodwill and intangibles impairment, amortisation of acquired intangible assets, acquisition related adjustments, profit or loss on sale of assets and businesses, fair value movements on acquisition related financial instruments and unrealised foreign exchange movements

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Divisional financial performance H1 2014

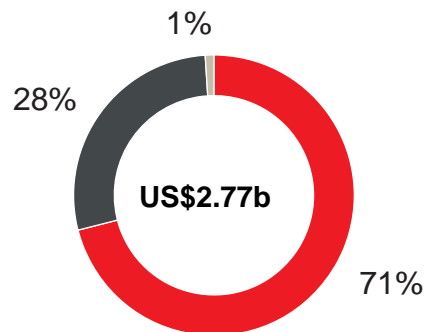
US\$m	Revenue	% change	Gross profit	% change	EBITDA	% change	Operating profit	% change
Westcon	1,961.1	3%	222.2	4%	45.7	(26%)	35.0	(34%)
Logicalis	767.3	12%	176.9	19%	43.7	28%	32.7	45%
Consulting	37.1	(3%)	14.4	4%	2.2	42%	1.7	71%
Corporate	-		-		(2.4)		(2.4)	
Total	2,765.5	6%	413.5	10%	89.2	(3%)	67.0	(6%)

- Westcon underperforms
- Logicalis performs strongly
- Analysys Mason bounces back
- Overall EBITDA flat

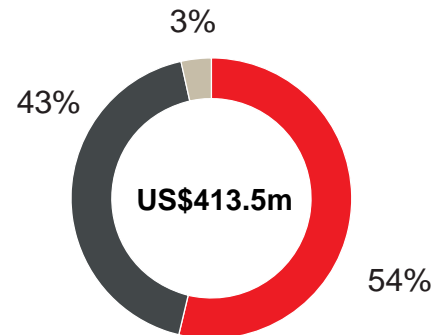
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Contribution per division

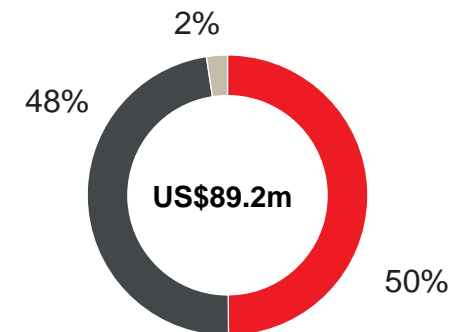
Revenue | H1 2014



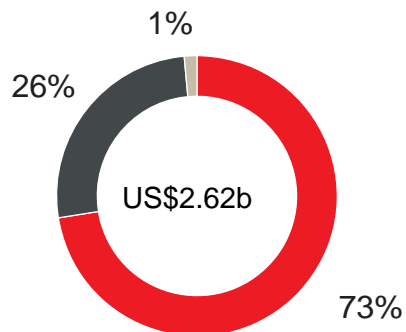
Gross profit | H1 2014



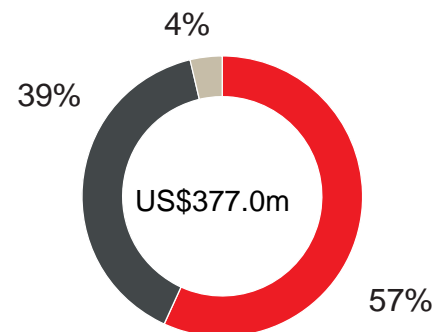
EBITDA | H1 2014



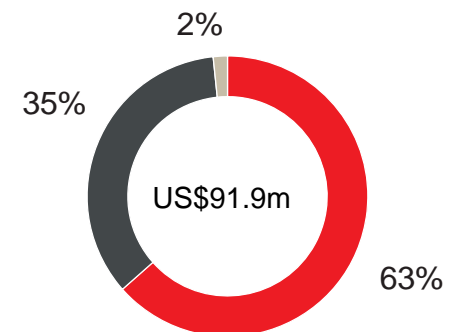
Revenue | H1 2013



Gross profit | H1 2013



EBITDA | H1 2013

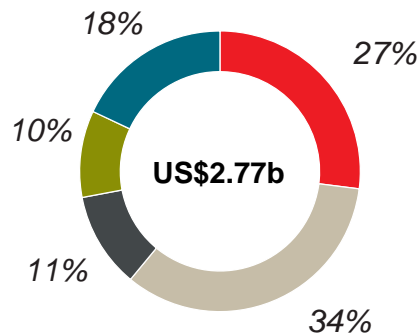


■ Westcon ■ Logicalis ■ Consulting

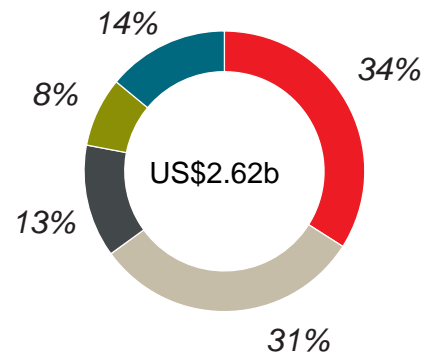
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Revenue and gross profit % contribution by geography

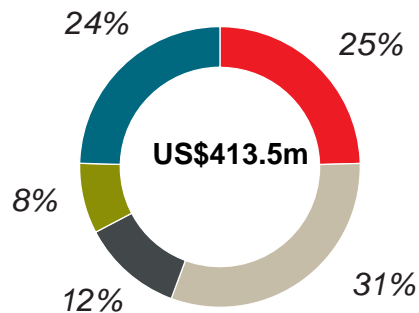
Revenue | H1 2014



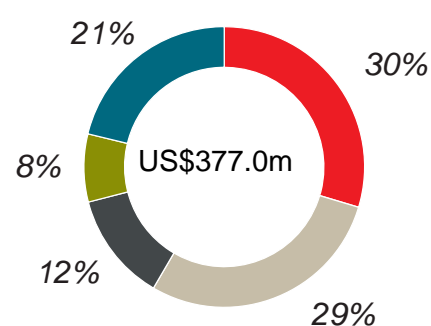
Revenue | H1 2013



Gross profit | H1 2014



Gross profit | H1 2013



■ North America
 ■ Europe
 ■ Asia Pacific
 ■ AME
 ■ Latin America

- Better geographic mix
- ROW outstrips NA and EU
- Latam has higher margins
- Improving gross profit mix

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Cash flow

US\$m	H1 2014	H1 2013
EBITDA	89.2	91.9
Working capital changes	(102.6)	(48.0)
Non-cash items	(5.7)	13.9
Cash (utilised by) generated from operations	(19.1)	57.8
Net finance costs paid	(10.4)	(11.4)
Taxation paid	(17.4)	(25.1)
Net cash (outflow) inflow from operating activities	(46.9)	21.3
Net cash outflow for acquisitions	(0.4)	(73.5)
Net cash outflow from other investing activities	(19.1)	(21.4)
Net cash inflow/(outflow) from financing activities	0.2	(8.0)
Net cash inflow from disposal of investments	*	-
Capital distribution to shareholders	(16.2)	(17.2)
Decrease in cash and cash equivalents	(82.4)	(98.8)
Cash & cash equivalents at beginning of period	73.3	1.8
Translation difference on opening cash position	(8.2)	(2.9)
Cash and cash equivalents at end of period	(17.3)	(99.9)
Net cash (debt)	(56.7)	(135.5)

- Net debt improves
- Reduced finance costs
- Afina acquisition in H1 2013

* Less than \$100 000

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Balance sheet summary

US\$m	FY 2013	H1 2014	H1 2013
Equity and Liabilities	2,690.1	2,830.1	2,579.6
Shareholders funds	865.4	859.9	844.2
Non-controlling interests	51.6	50.9	45.4
Long term liabilities	81.3	94.0	74.1
Amounts due to vendors	12.7	1.6	19.9
Current liabilities	1,679.1	1,823.7	1,596.0
Assets	2,690.1	2,830.1	2,579.6
Non current assets			
Goodwill	426.6	430.7	413.5
Acquired intangible assets	50.7	52.9	58.5
Other non-current assets	184.0	190.9	164.4
Current assets	2,028.8	2,155.6	1,943.2

- Acquisitions contribute to balance sheet expansion
- Increased payables in Westcon Europe

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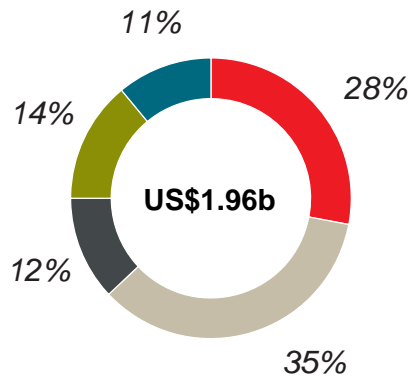
Financial performance

US\$m	H1 2014	H1 2013	Growth %	
Revenue	1,961.1	1,900.6	3%	• Revenues increase 3%
Gross profit	222.2	214.0	4%	› Down in US and Asia
<i>Gross margin %</i>	11.3%	11.3%		• Gross profit increases 4%
Operating costs	(176.5)	(151.9)	16%	• Operating expenses up 16%
<i>Operating cost margin %</i>	9.0%	8.0%		› Including \$17m of acquired
EBITDA	45.7	62.1	(26%)	• EBITDA decreases 26%
<i>EBITDA%</i>	2.3%	3.3%		
Operating profit	35.0	53.4	(34%)	
<i>Operating profit %</i>	1.8%	2.8%		

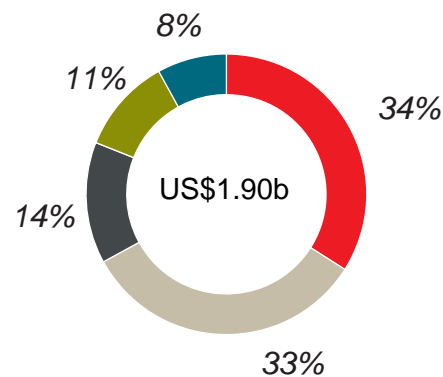
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Revenue and gross profit contribution % by geography

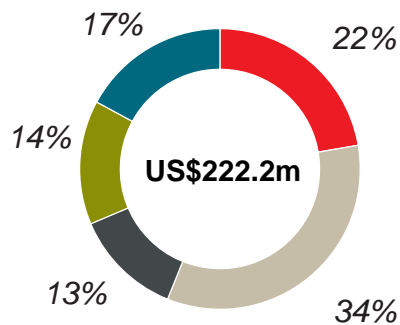
Revenue | H1 2014



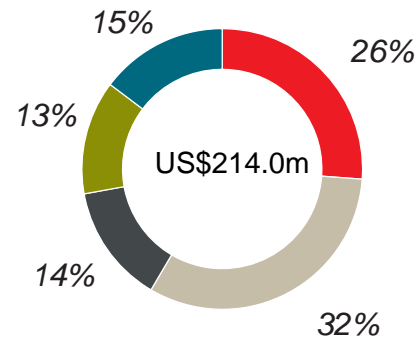
Revenue | H1 2013



Gross profit | H1 2014



Gross profit | H1 2013



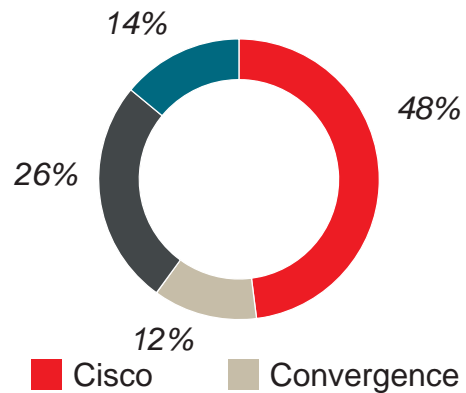
■ North America
 ■ Europe
 ■ Asia Pacific
 ■ AME
 ■ Latin America

- Drop in revenue contribution from North America
- Increased revenue contribution from Latin America and AME
- Decrease in gross profit contribution in North America was volume related
- Overall growth

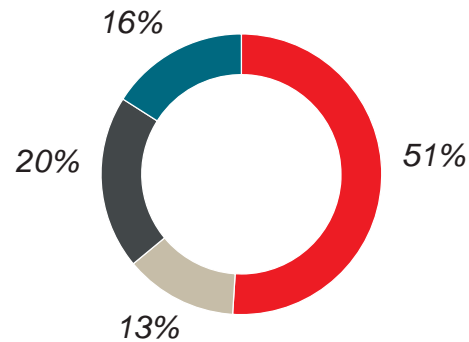
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Revenue % by product category and customer

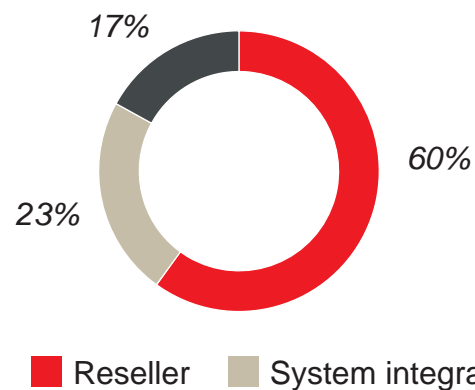
Product category | H1 2014



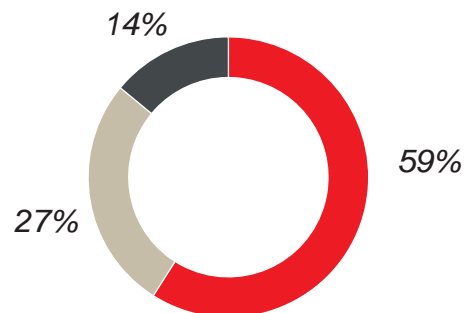
Product category | H1 2013



Customer | H1 2014



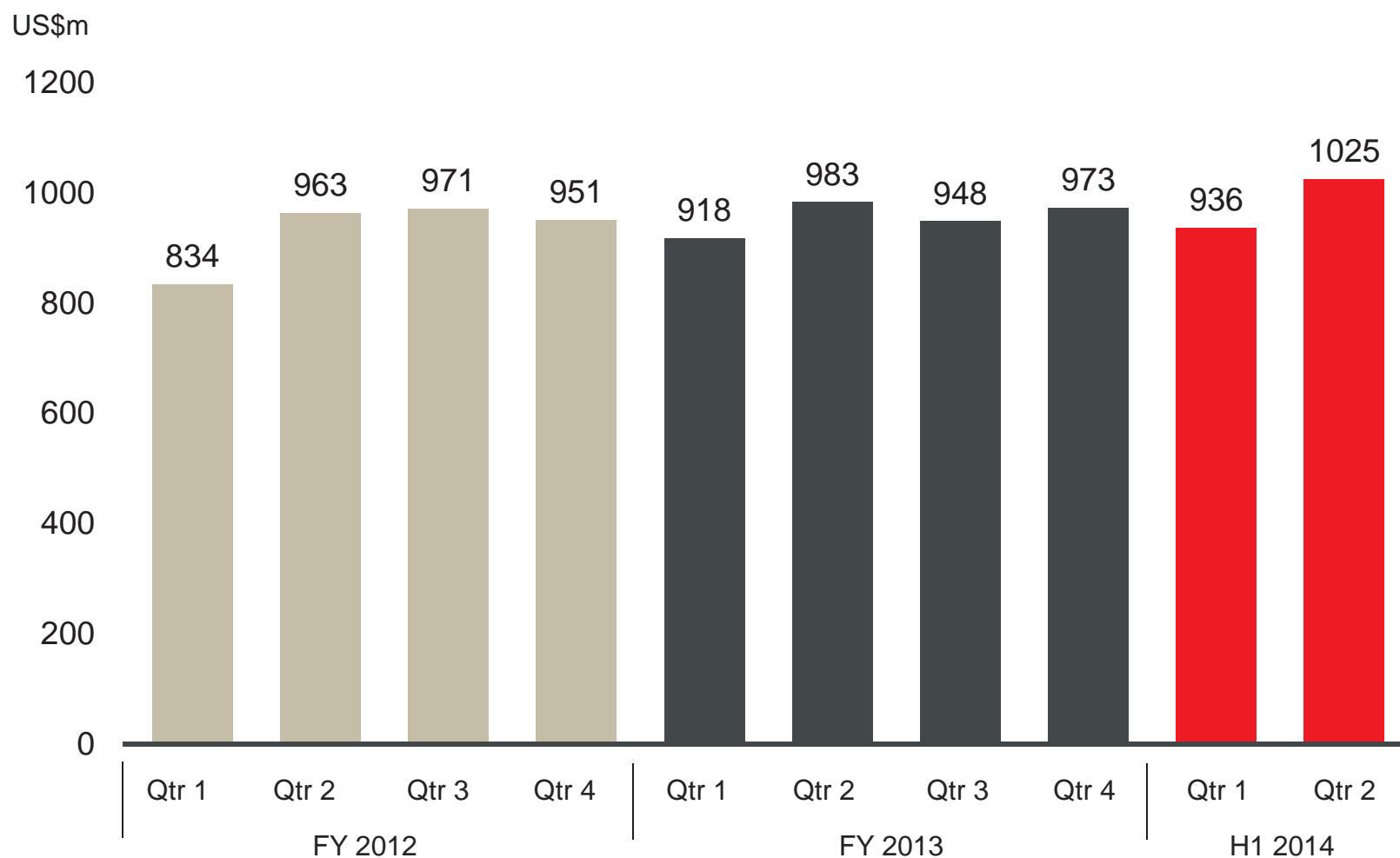
Customer | H1 2013



- Reduction in US Cisco sales
- Continued growth in Security
- Increase in Service Provider sales
- Decrease in System Integrator sales

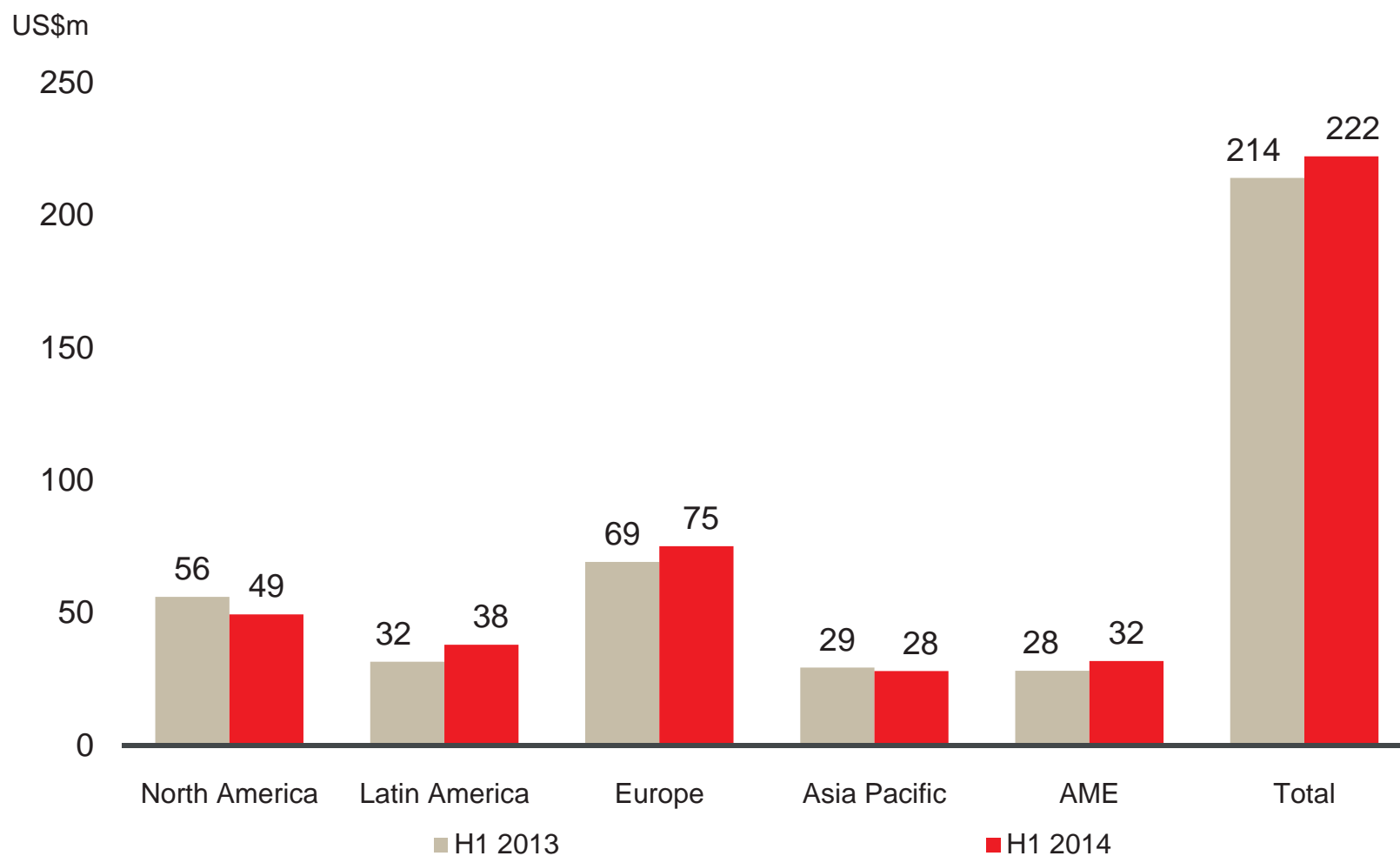
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Historical quarterly sales



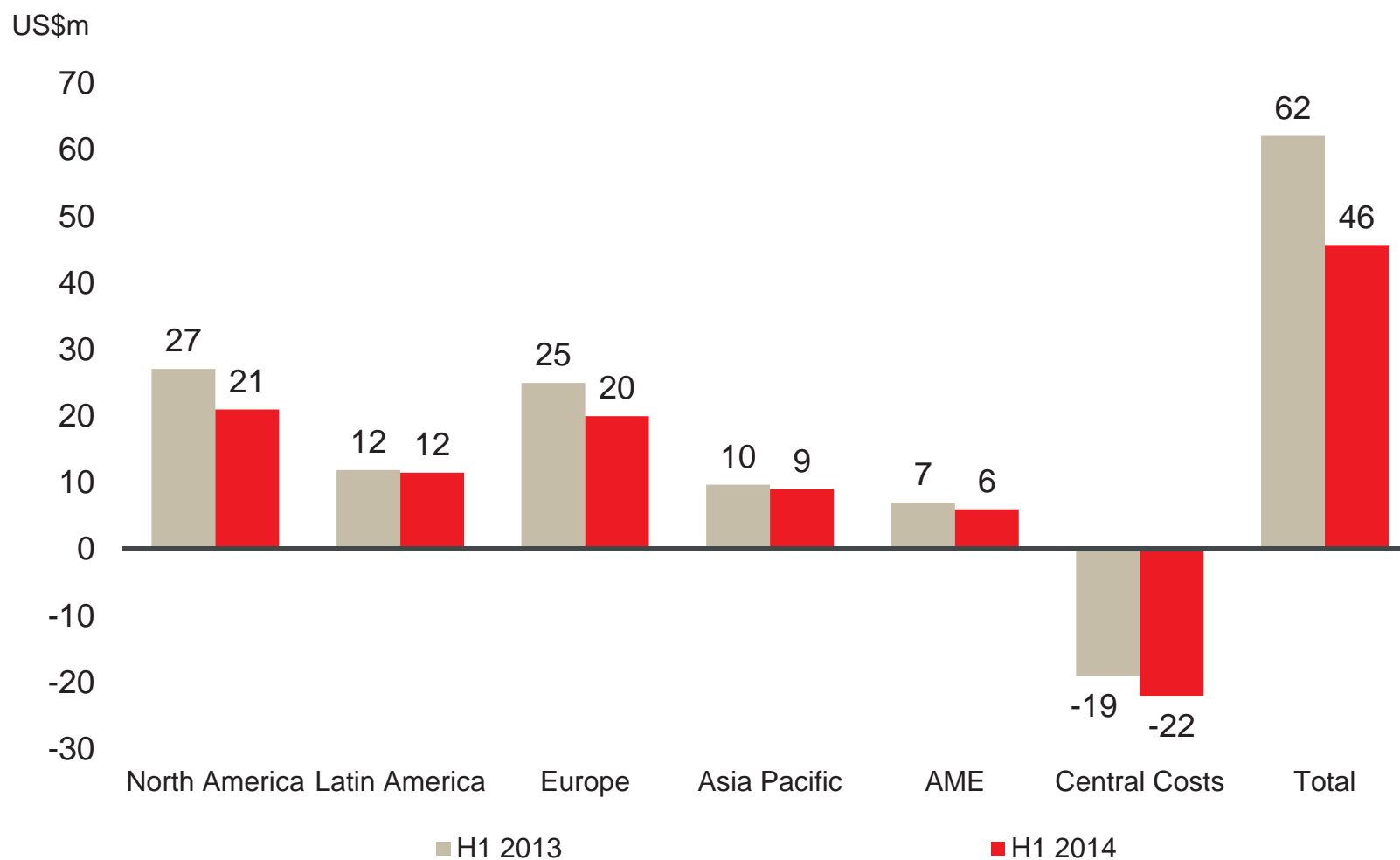
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Gross profit contribution



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EBITDA



Note: H1 2013 central costs have been restated to include infrastructure, systems and other global support costs

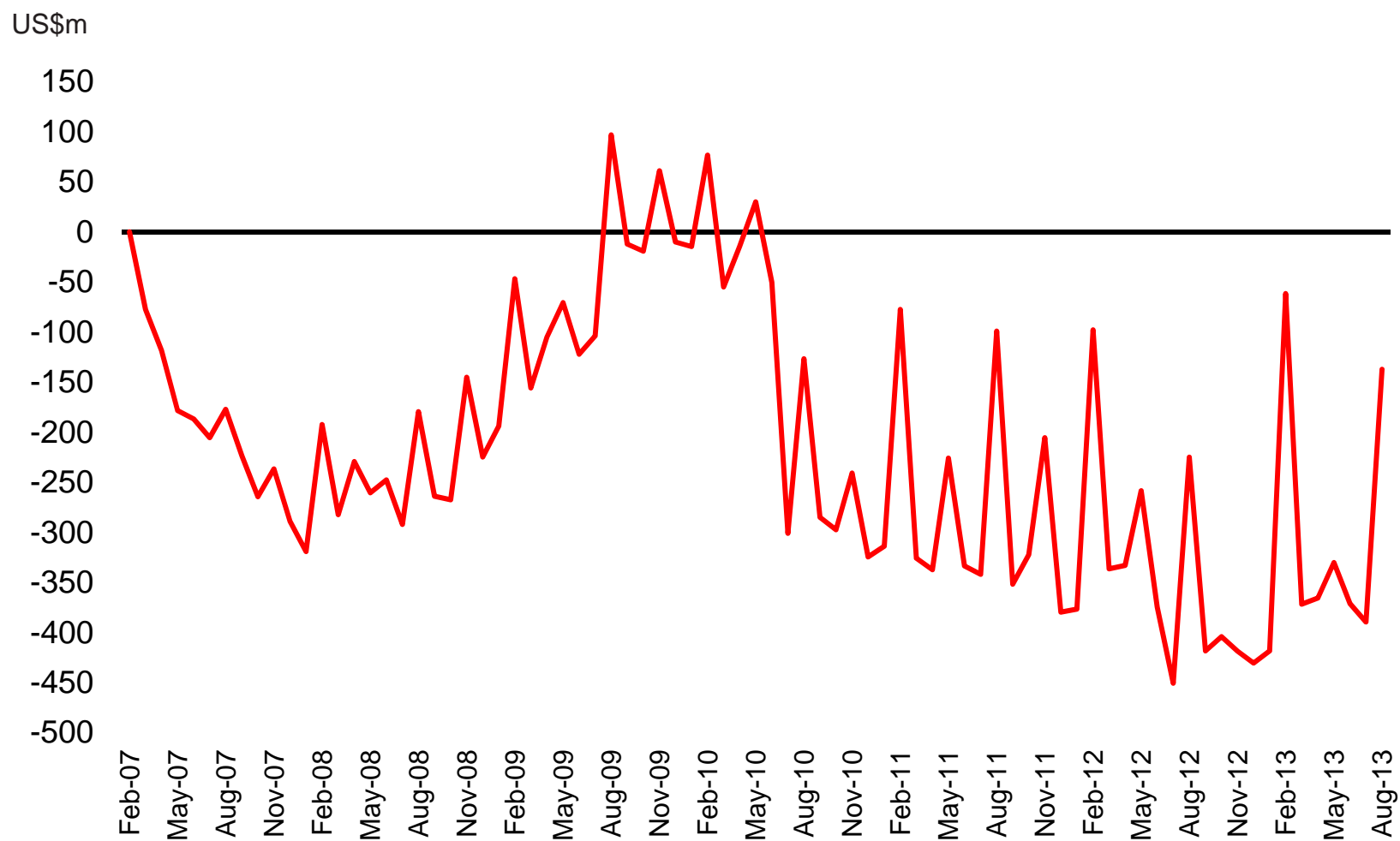
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Working capital

US\$m	H1 2014	H1 2013	
Accounts receivable	885.8	829.2	• Net working capital decreases by favourable US\$93m
DSO (days)	78	74	
Inventory	335.2	309.7	• NWC days improved 11 days
Inventory turns	11.0x	11.7x	› DSO pressure in emerging markets offset by increased payable days in Europe
Accounts payable	791.2	616.1	
DPO (days)	78	62	
Net working capital	429.8	522.8	• Net debt improved by US\$60m
NWC (days)	32	43	
Current ratio	1.2	1.3	
Net (debt) cash	(116.3)	(176.3)	

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Net cash / (debt)



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Future outlook

- Continued focus on driving return to operating leverage and profit margin expansion
- Afina acquisition starting to bed down and contribute profitably
- Developing integrated networking and security offerings to focus on Cloud and BYOD
- Resolving challenges associated with the deployment of ERP system in North America
- Expect revenue growth with H2 profitability improvement over H1

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Financial performance

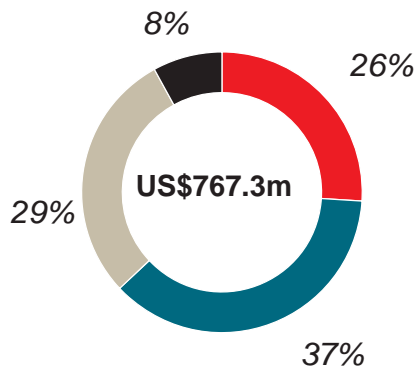
US\$m	H1 2014	H1 2013	Growth %
Revenue	767.3	682.3	12%
Gross profit	176.9	149.0	19%
<i>Gross margin %</i>	23.1%	21.8%	
Operating costs	(133.2)	(114.8)	16%
<i>Operating cost margin %</i>	17.4%	16.8%	
EBITDA	43.7	34.2	28%
<i>EBITDA%</i>	5.7%	5.0%	
Operating profit	32.7	22.6	45%
<i>Operating profit %</i>	4.3%	3.3%	

- Revenue up 12% to US\$767.3m
- Services revenue up 29%
- Services now 30% of revenues
- EBITDA up 28% to US\$43.7m
- Strong performance in Latam
- Acquired 2e2 European businesses in March 2013

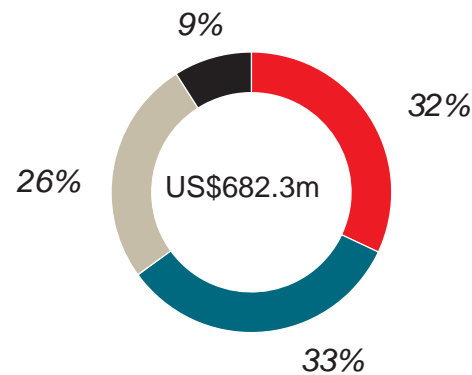
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Revenue and gross profit contribution % by geography

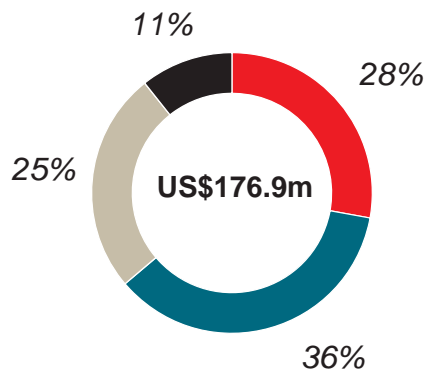
Revenue | H1 2014



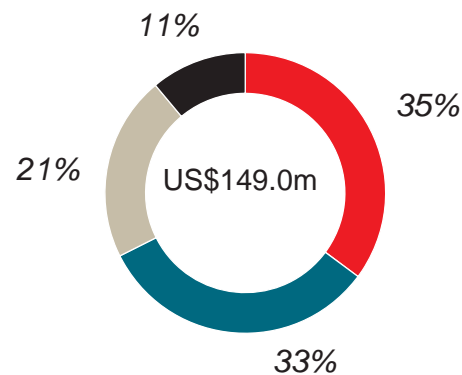
Revenue | H1 2013



Gross profit | H1 2014



Gross profit | H1 2013



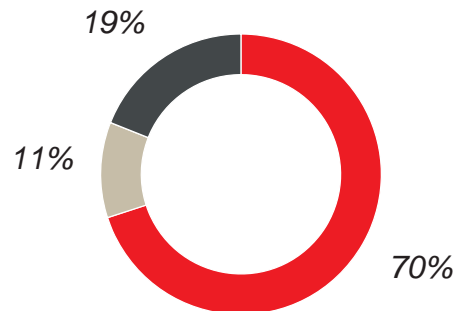
■ North America ■ Latin America ■ Europe ■ Asia Pacific

- Strong revenue growth in Latam
- Europe boosted by acquisitions
- Services mix improved gross margin %
- Brazil boosted by large Service Provider business

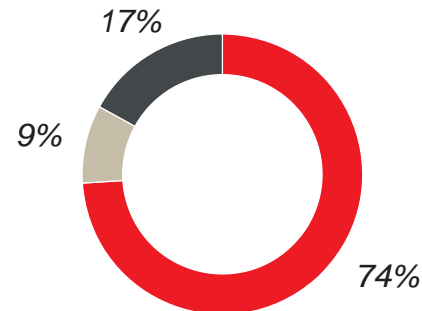
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Revenue by segment and product by vendor

Segment | H1 2014

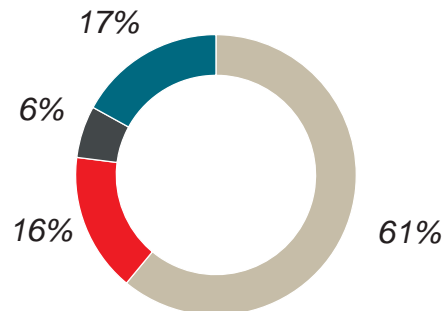


Segment | H1 2013

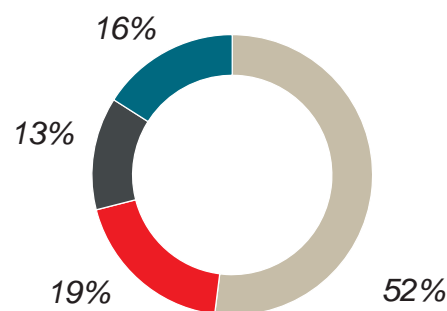


■ Product ■ Professional services ■ Maintenance and managed services

Vendor | H1 2014



Vendor | H1 2013

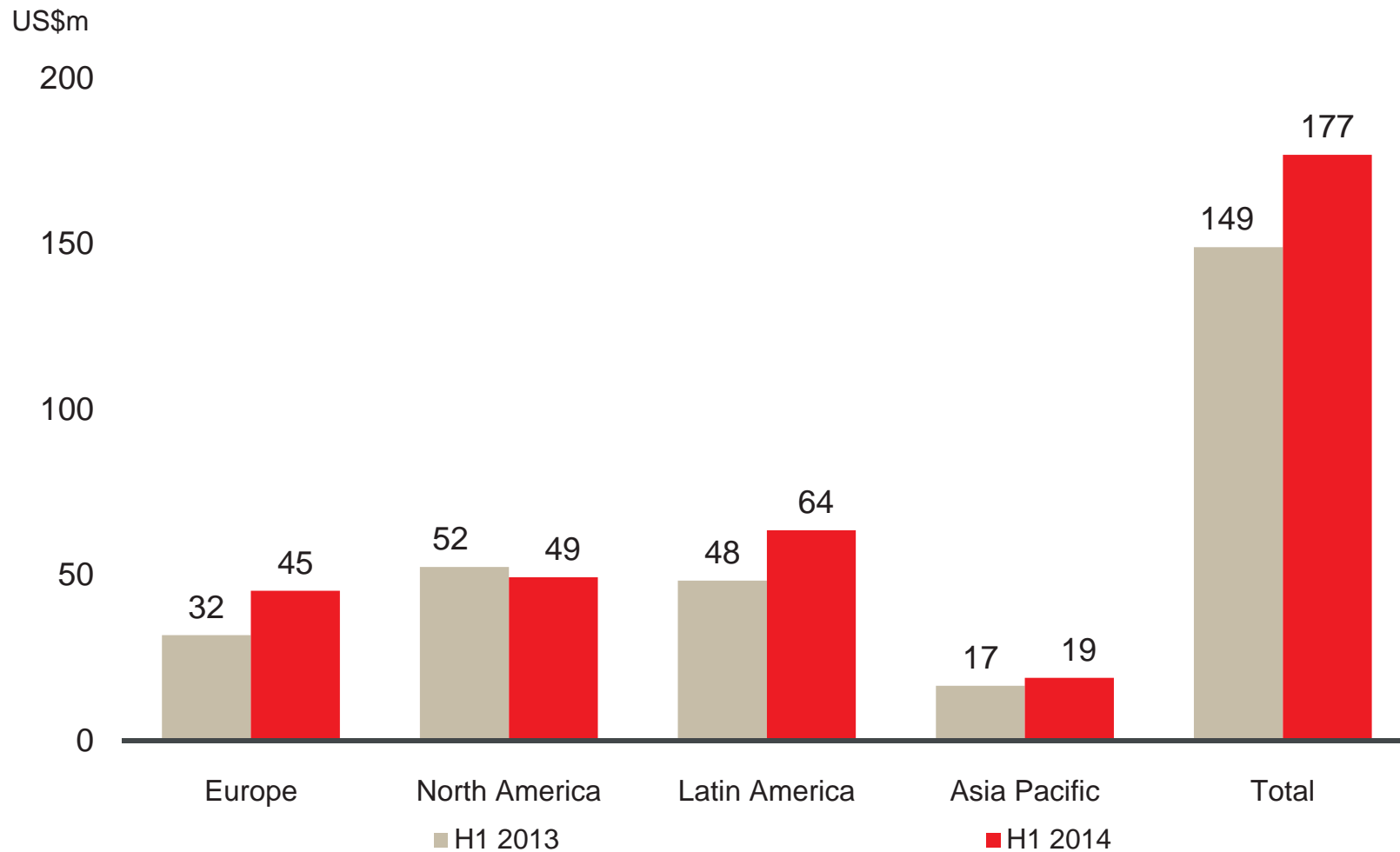


■ IBM ■ Cisco ■ HP ■ Other

- Services now 30% of revenues
- Annuity revenues up 27%
- Product sales up 6%
- Cisco growth in all regions
- Strong NetApp growth

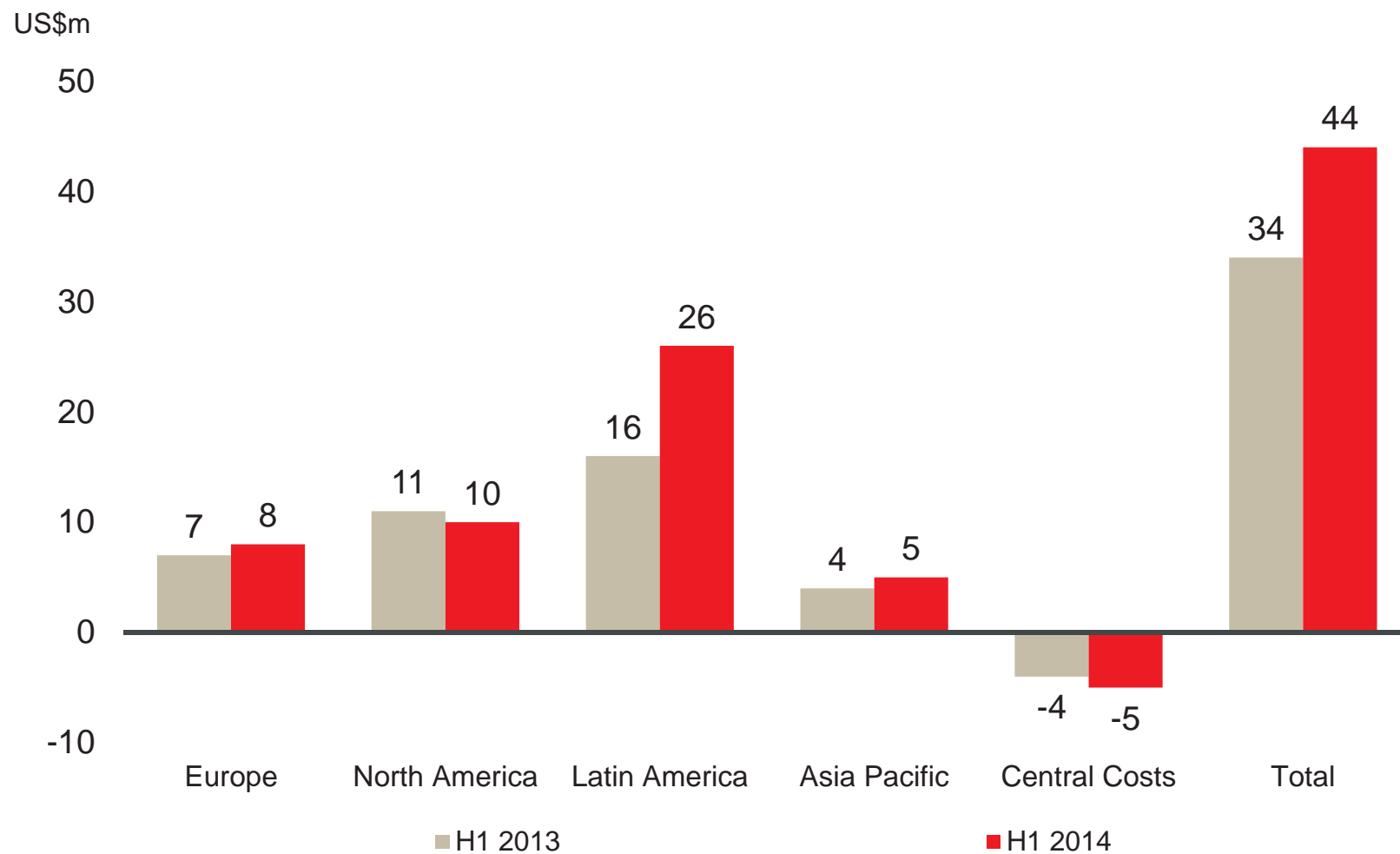
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Gross profit contribution



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EBITDA



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Key financial measures

US\$m	H1 2014	H1 2013	
Deferred revenue	74.5	61.9	• Overall good working capital management
Inventory	67.5	56.6	• H1 2014 impacted by acquisitions
Inventory days (excluding spares stock)	22	17	• Inventory also up on large projects
Accounts receivable	330.4	300.5	• Improvement in DSO and net cash
DSO (days)	54	57	
Accounts payable	275.4	245.1	
DPO (days)	91	87	
Net cash *	59.6	47.2	

* Excluding lease liabilities and Datatec loans

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Future outlook

- Trading conditions remain stable - core EU markets and US expected to improve
- Positive outlook in Latin America despite import restrictions in Argentina
- IT capex continues to be tightly controlled by large enterprises
- Reviewing acquisition opportunities in Asia Pacific
- Second half expected to be seasonally better than first half

Consulting Services

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Consulting Services

Financial performance

US\$'000	H1 2014	H1 2013	Growth %
Revenue	37,112	38,287	(3%)
Gross profit	14,394	13,903	4%
<i>Gross margin %</i>	38.8%	36.3%	
Operating costs	(12,164)	(12,336)	(1%)
<i>Operating cost margin %</i>	32.8%	32.2%	
EBITDA	2,230	1,567	42%
<i>EBITDA%</i>	6.0%	4.1%	
Operating profit	1,743	1,020	71%
<i>Operating profit %</i>	4.7%	2.7%	

- Sales decrease 3%
- Gross profit increases 4%
- EBITDA increases 42%
- Exceptional results from
Analysys Mason
- Intact weaker with exception
of German subsidiary

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Current trading and prospects

- H1 shortfall in Westcon will impact full year expectations
- Shortfall has been mainly execution driven and only partly market
- Continued strong performance expected in Logicalis
- H2 overall should show solid sequential and comparative growth
- Full year UEPS revised down to similar to last year - approximately US 43¢

Questions

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