

Datatec Group

Reviewed provisional results for the year ended
28 February 2014

TECHNOLOGY INTEGRATION CONSULTING



Driving Technology

Datatec Group

Agenda

1

Results summary, 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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Results summary

Revenue

↑ 8%

to US\$5.69bn

FY 2013: US\$5.25bn

EBITDA

↓ 6%

to US\$175.3m

FY 2013: US\$185.5m

Underlying* EPS

↓ 17%

to 35.7 US¢

FY 2013: 43.1 US¢

Capital distribution

→ 0%

17 US¢

FY 2013: 17 US¢

- Solid revenue growth
- Strong Logicalis performance
- Weaker results from Westcon
- Lower EBITDA and earnings
- Capital distribution maintained

** 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

- Global recovery is mixed with modest growth in US and continental Europe
- UK recovery underway but commodities countries especially Australia weak
- Emerging markets showing some recovery but affected by slower China growth
- ICT infrastructure adoption and new trends becoming disruptive for some incumbents
- Growth in mobility and wireless networking driving new security and data centre solutions

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Financial performance

US\$m	FY 2014	FY 2013	Growth %
Revenue	5,688.0	5,246.7	8%
Gross profit	841.4	780.3	8%
<i>Gross margin %</i>	14.8%	14.9%	
Operating costs	(666.1)	(594.8)	12%
<i>Operating cost margin %</i>	11.7%	11.3%	
EBITDA	175.3	185.5	(6%)
<i>EBITDA%</i>	3.1%	3.5%	
Depreciation	(32.7)	(28.6)	14%
Amortisation	(15.1)	(15.5)	(3%)
Intangible impairment	(5.4)	-	100%
Operating profit	122.1	141.4	(14%)
<i>Operating profit %</i>	2.2%	2.7%	

- Reasonable revenue growth
- Gross margins stable
- Acquisitions add to opex
- Over half of operating cost growth is due to acquisitions

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Financial performance

US\$m	FY 2014	FY 2013	Growth %
Operating profit	122.1	141.4	(14%)
Net finance costs	(21.6)	(21.9)	(1%)
Profit before tax	101.8	127.2	(20%)
Underlying* EPS (US cents)	35.7	43.1	(17%)
HEPS (US cents)	31.6	40.8	(23%)

- Finance costs stable
- \$7m FY13 Afina P&L credit

* 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 FY 2014

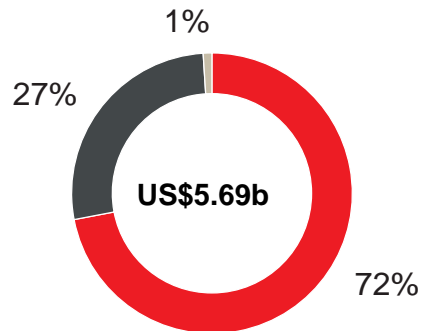
US\$m	Revenue	% change	Gross profit	% change	EBITDA	% change	Operating profit	% change
Westcon	4,065.1	6%	453.4	2%	91.3	(22%)	62.0	(37%)
Logicalis	1,550.3	15%	360.9	16%	90.3	15%	67.5	23%
Consulting	72.6	(2%)	27.1	(1%)	2.1	(34%)	1.0	(52%)
Corporate	-		-		(8.4)	(38%)	(8.4)	(38%)
Total	5,688.0	8%	841.4	8%	175.3	(6%)	122.1	(14%)

- Westcon underperforms
- Logicalis performs well
- Consulting impacted by Intact

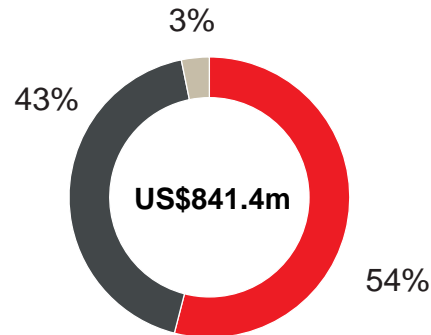
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Contribution per division

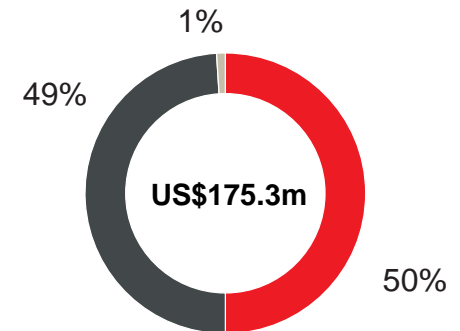
Revenue | FY 2014



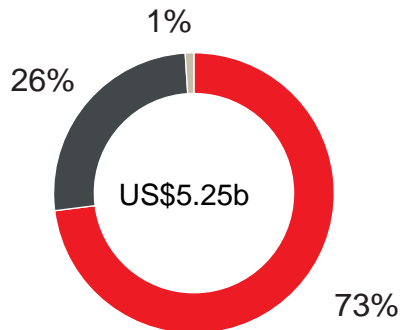
Gross profit | FY 2014



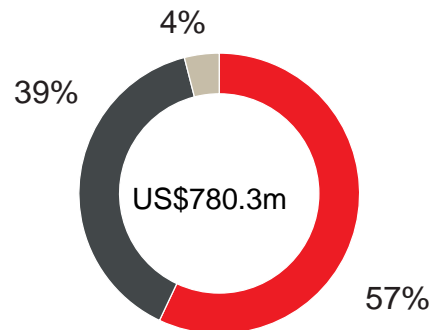
EBITDA | FY 2014 *



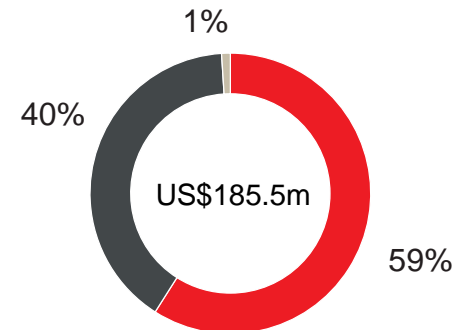
Revenue | FY 2013



Gross profit | FY 2013



EBITDA | FY 2013



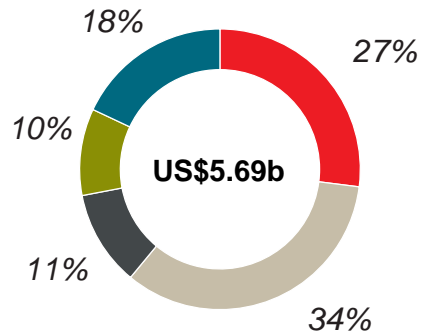
■ Westcon ■ Logicalis ■ Consulting

* Contribution to EBITDA is calculated before Corporate costs

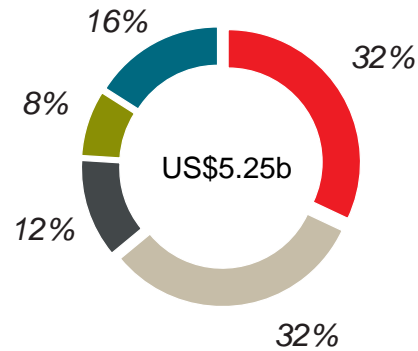
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Revenue and gross profit % contribution by geography

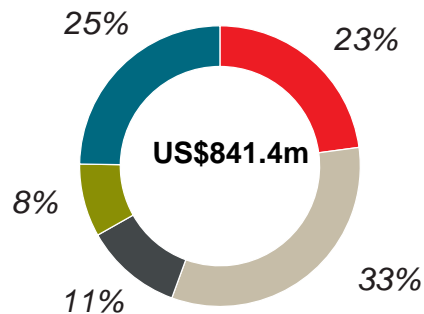
Revenue | FY 2014



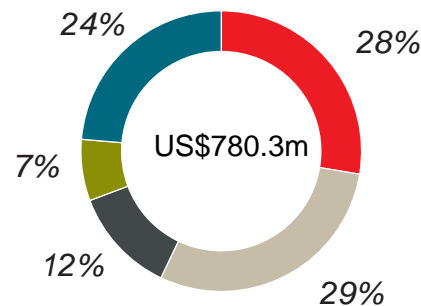
Revenue | FY 2013



Gross profit | FY 2014



Gross profit | FY 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	FY 2014	FY 2013
Operating profit before working capital changes	183.4	192.1
Working capital changes	(151.2)	124.7
Cash (utilised by) / generated from operations	32.2	316.8
Net finance costs paid	(21.6)	(21.9)
Taxation paid	(45.0)	(53.2)
Net cash (outflow) / inflow from operating activities	(34.4)	241.7
Net cash outflow for acquisitions	(16.5)	(74.5)
Net cash outflow from other investing activities	(42.6)	(44.9)
Capital distribution to shareholders	(31.6)	(32.4)
Net cash inflow/(outflow) from financing activities	15.2	(13.7)
(Decrease) / increase in cash and cash equivalents	(109.9)	76.2
Cash & cash equivalents at beginning of period	73.3	1.8
Translation difference on opening cash position	(5.2)	(4.7)
Cash and cash equivalents at end of period	(41.8)	73.3
Net (debt) / cash	(86.7)	47.6

- Westcon absorbs working capital
- Net cash moves to net debt

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Balance sheet summary

US\$m	FY 2014	FY 2013
Equity and Liabilities	2,992.0	2,690.1
Shareholders funds	871.6	865.4
Non-controlling interests	52.9	51.6
Long term liabilities	91.7	81.3
Amounts due to vendors	9.9	12.7
Current liabilities	1,965.9	1,679.1
Assets	2,992.0	2,690.1
Non current assets		
Goodwill	438.2	426.6
Acquired intangible assets & software	53.7	50.7
Other non-current assets	181.7	184.0
Current assets	2,318.4	2,028.8

- Acquisitions contribute to balance sheet expansion
- Longer payment terms in emerging markets

Westcon Group

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Financial performance

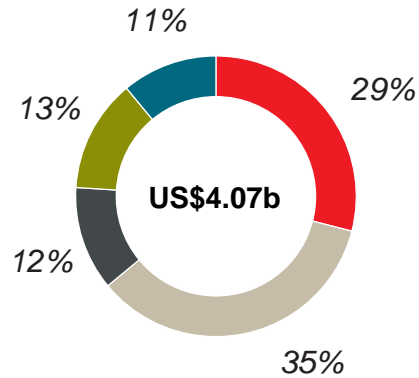
US\$m	FY 2014	FY 2013	Growth %
Revenue	4,065.1	3,822.2	6%
Gross profit	453.4	442.8	2%
<i>Gross margin %</i>	11.2%	11.6%	
Operating costs	(362.1)	(325.5)	11%
<i>Operating cost margin %</i>	8.9%	8.5%	
EBITDA	91.3	117.3	(22%)
<i>EBITDA%</i>	2.3%	3.1%	
Operating profit	62.0	98.2	(37%)
<i>Operating profit %</i>	1.5%	2.6%	

- Revenues increase 6%
- › Down in US
- Operating expenses up 11%
- EBITDA decreases 22%

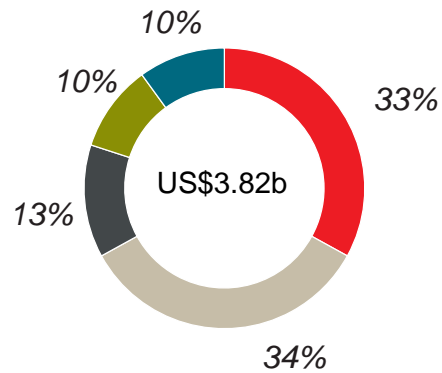
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Revenue and gross profit contribution % by geography

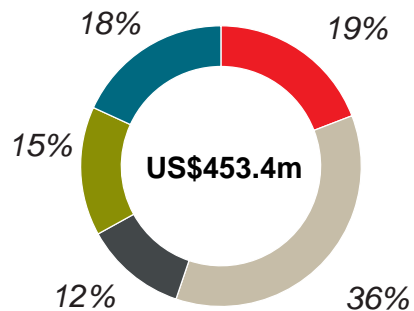
Revenue | FY 2014



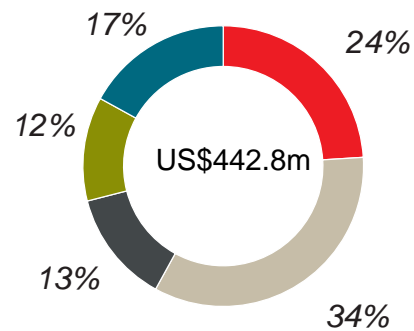
Revenue | FY 2013



Gross profit | FY 2014



Gross profit | FY 2013



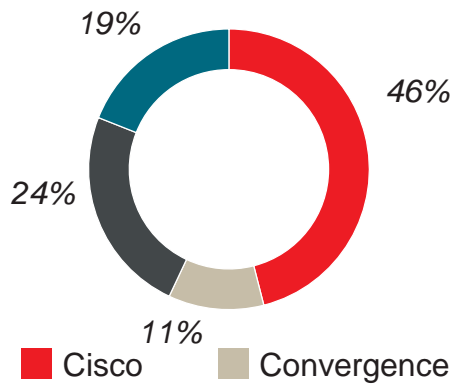
■ North America
 ■ Europe
 ■ Asia Pacific
 ■ AME
 ■ Latin America

- Drop in revenue contribution from North America
- Increased revenue contribution from Latin America and AME
- Asia Pac weaker due to poor Australia
- Overall growth

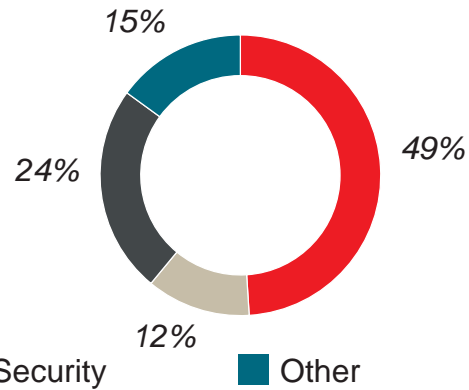
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Revenue % by product category and customer

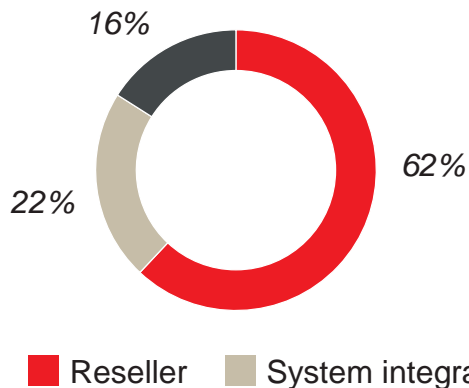
Product category | FY 2014



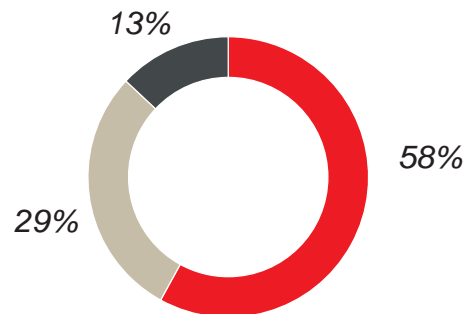
Product category | FY 2013



Customer | FY 2014



Customer | FY 2013



- Reduction in US Cisco sales
- Continued growth in security
- Gains in other s/w & storage
- Increase in Service Provider & Reseller sales
- Decrease in large System Integrator sales

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Historical quarterly sales

US\$m

1200

1000

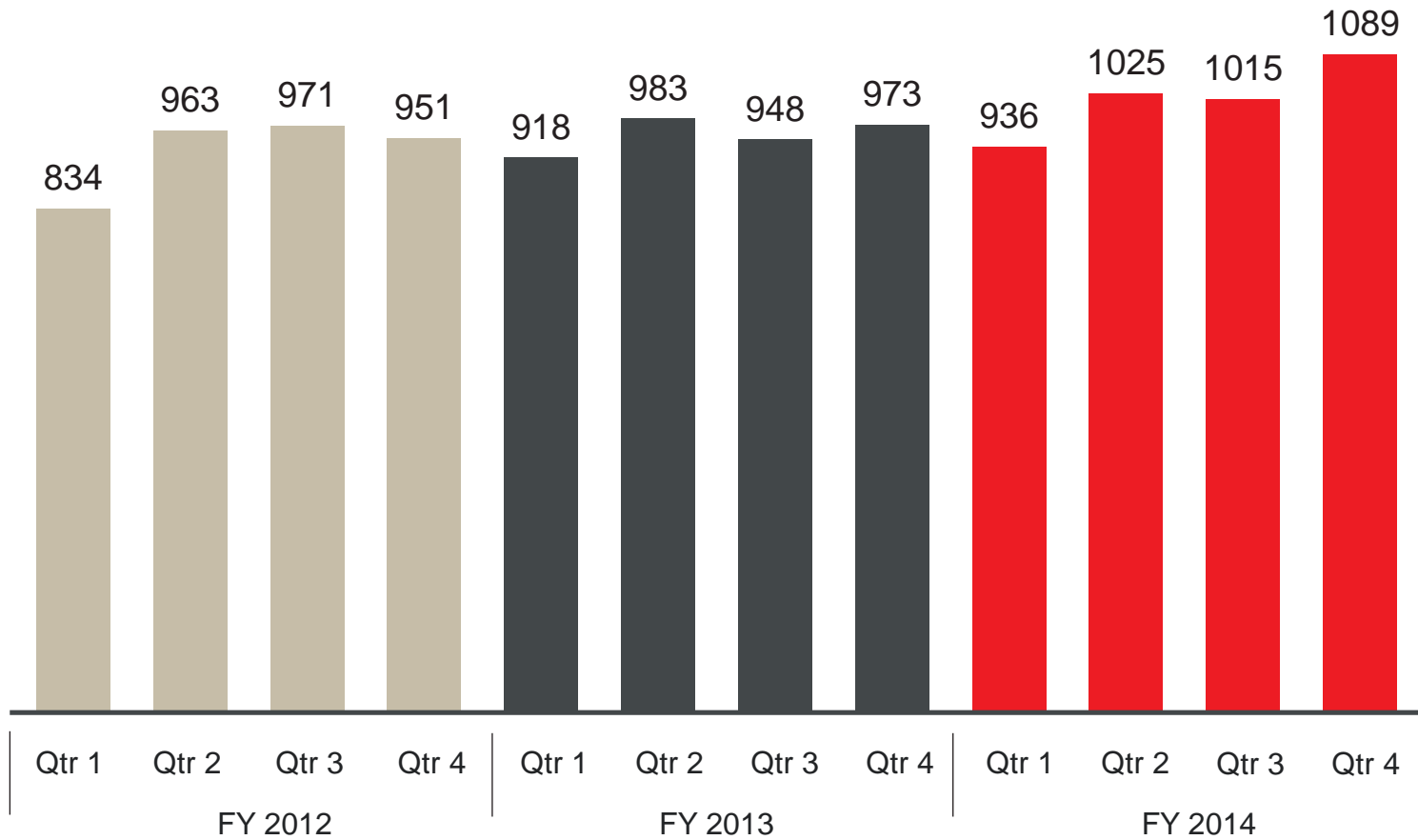
800

600

400

200

0



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Gross profit contribution

US\$m

500

450

400

350

300

250

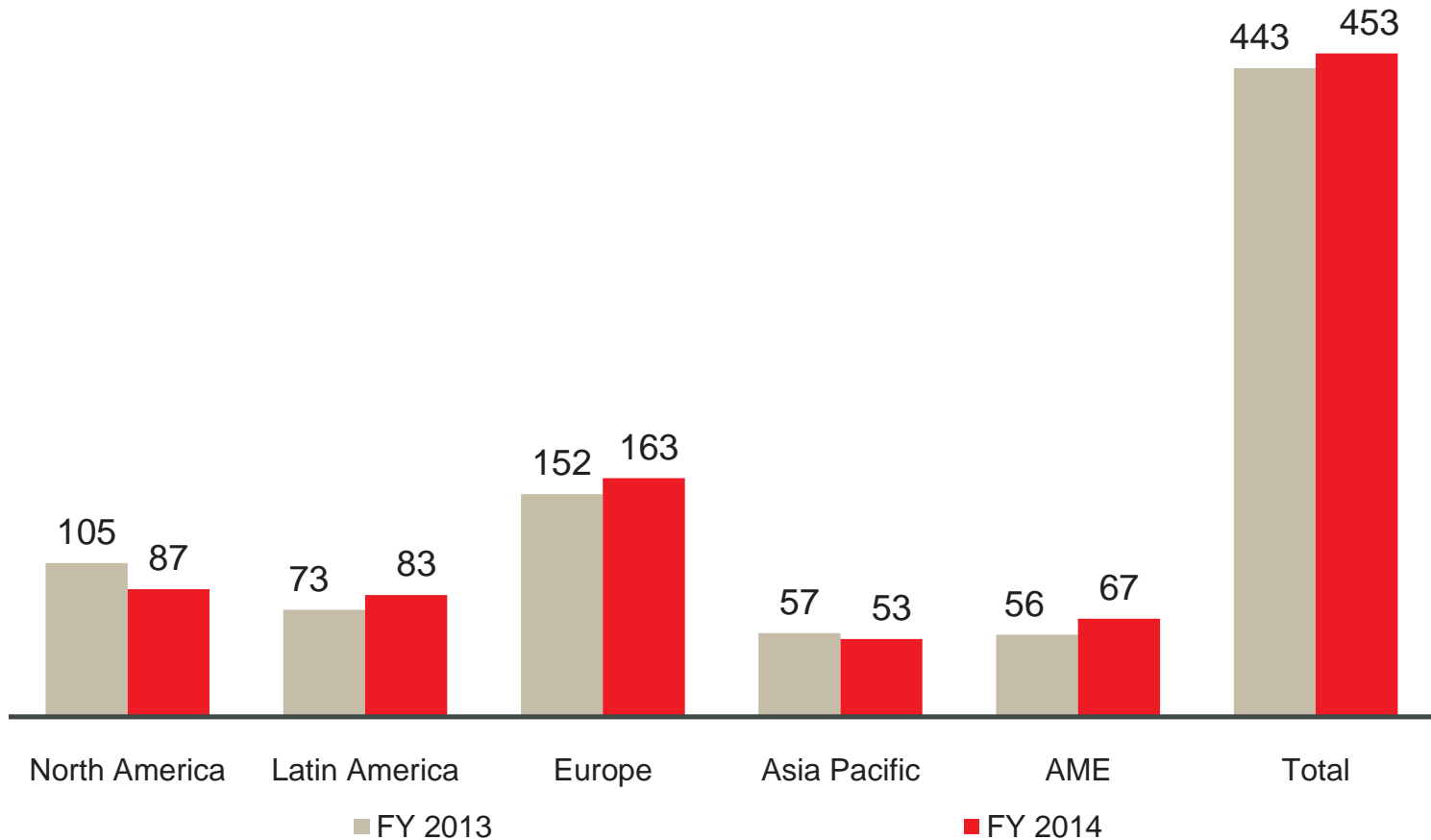
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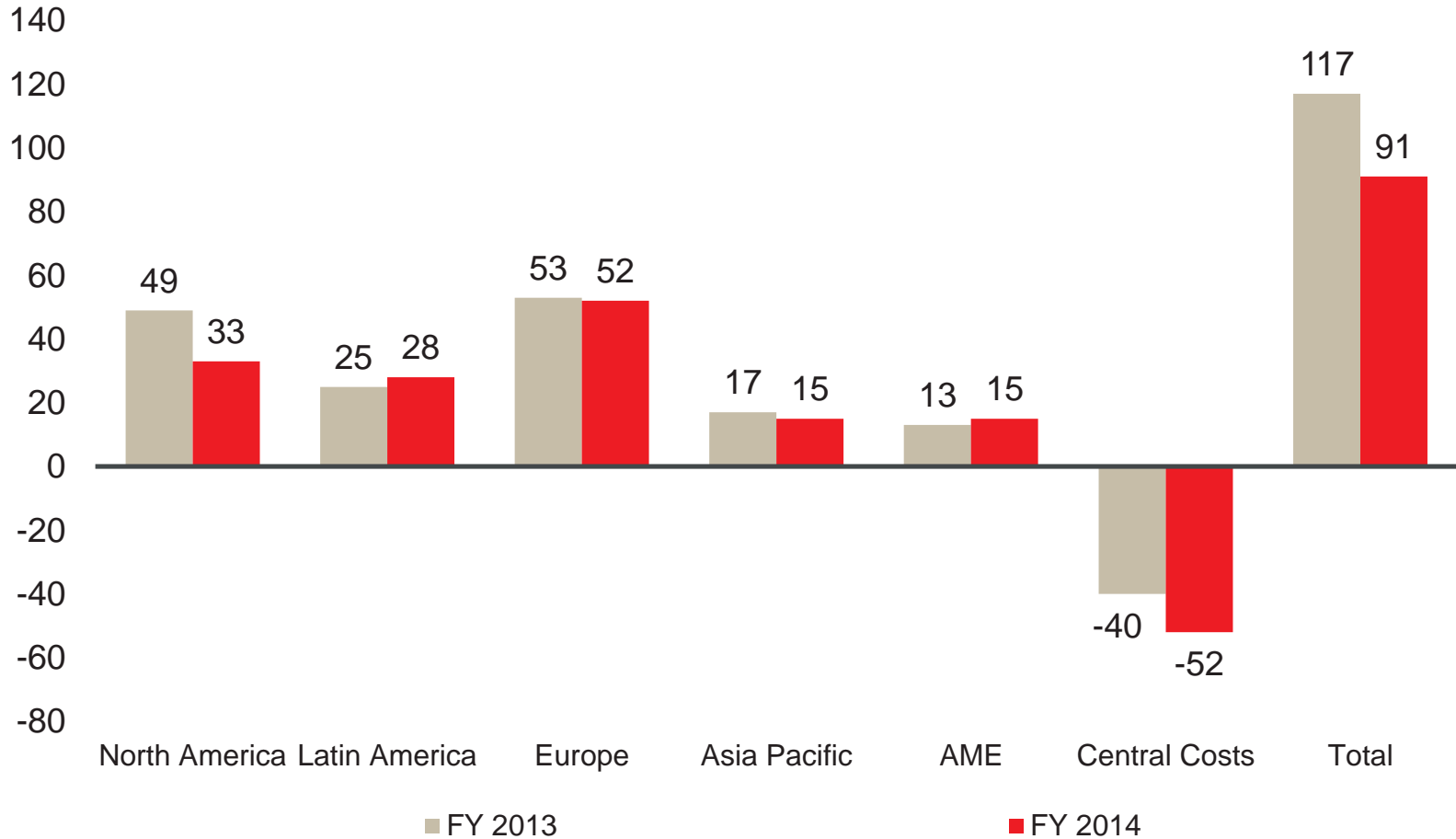
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EBITDA

US\$m



* FY13 central costs have been restated to include infrastructure, systems and other global support costs

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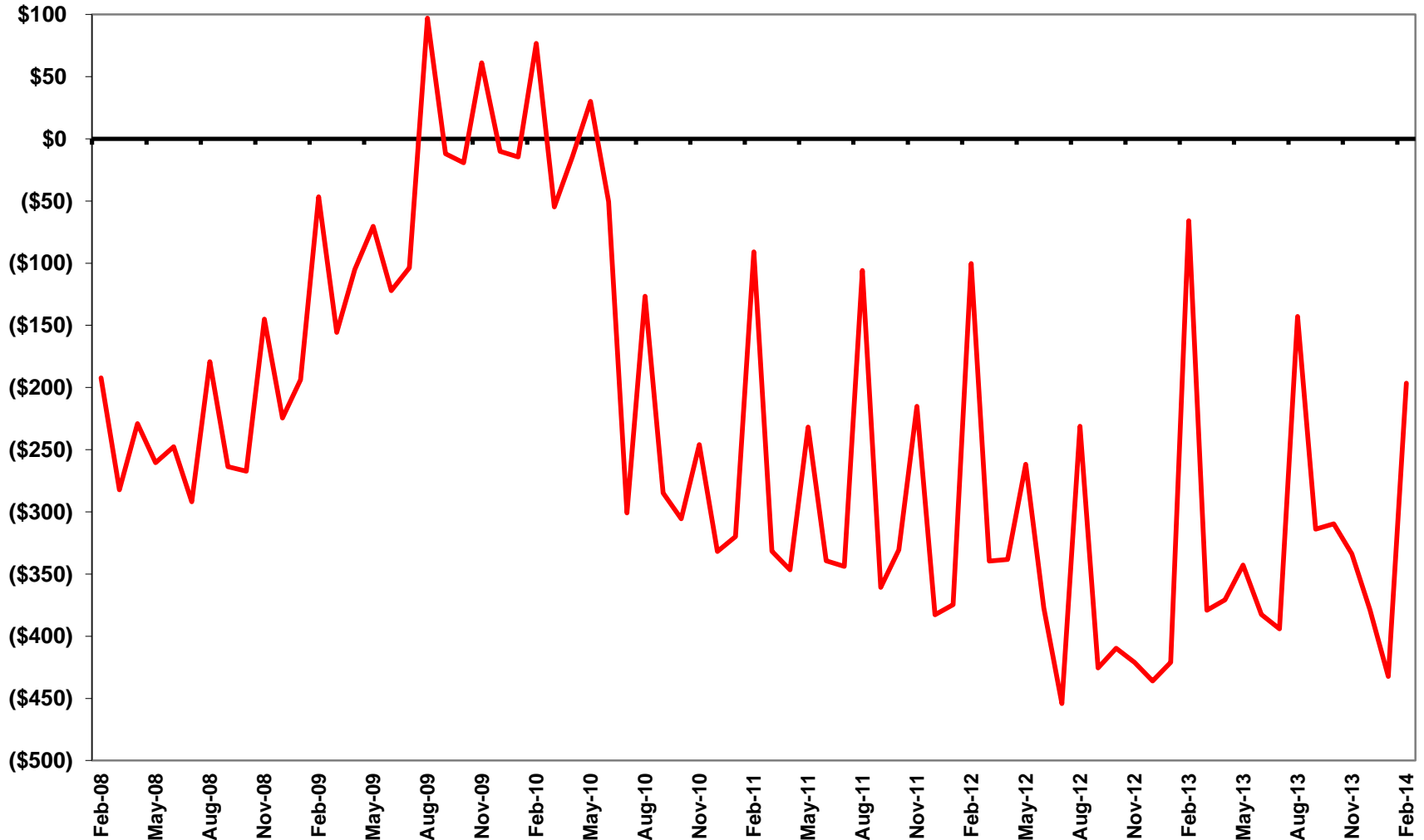
Working capital

US\$m	FY 2014	FY 2013
Accounts receivable	988.0	875.6
DSO (days)	82	81
Inventory	375.9	307.3
Inventory turns	10.4x	11.3x
Accounts payable	(855.1)	(824.4)
DPO (days)	80	86
Net working capital	508.8	358.5
NWC (days)	37	27
Current ratio	1.2	1.2
Net debt	(194.8)	(23.9)

- High year end inventory in Europe & Latam
- DPO falls
- Net debt rises

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Net (debt) / cash



Note: Including Datatec loan

Westcon Group

Future outlook

- Good start to year so far with focus on operating leverage and profit margin expansion
- Formation of Westcon Services unit to include Intact Networks
- Business disruption arising from ERP system transition in North America mainly resolved
- Australia, Canada and South Africa are challenging markets as resources remain weak
- Expect good overall revenue and profit growth with H2 profitability improvement over H1
- Resume SAP implementation in Asia Pac, 1st phase now successfully live in New Zealand

Logicalis Group

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Financial performance

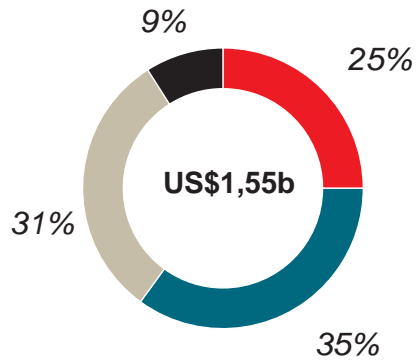
US\$m	FY 2014	FY 2013	Growth %
Revenue	1,550.3	1,350.4	15%
Gross profit	360.9	310.3	16%
<i>Gross margin %</i>	23.3%	23.0%	
Operating costs	(270.6)	(231.7)	17%
<i>Operating cost margin %</i>	17.5%	17.2%	
EBITDA	90.3	78.6	15%
<i>EBITDA%</i>	5.8%	5.8%	
Operating profit	67.5	54.7	23%
<i>Operating profit %</i>	4.4%	4.1%	

- Total revenue up 15%
- Services revenues up 31%
- EBITDA up 15%
- Strong performance in Brazil
- Includes 2e2 acquisition

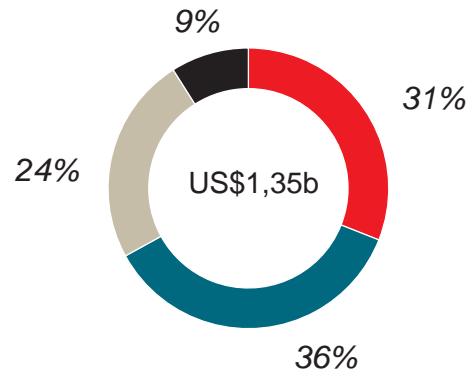
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Revenue and gross profit contribution % by geography

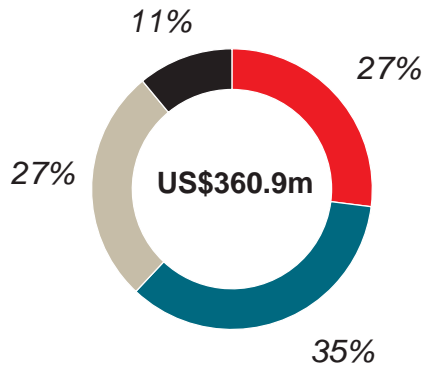
Revenue | FY 2014



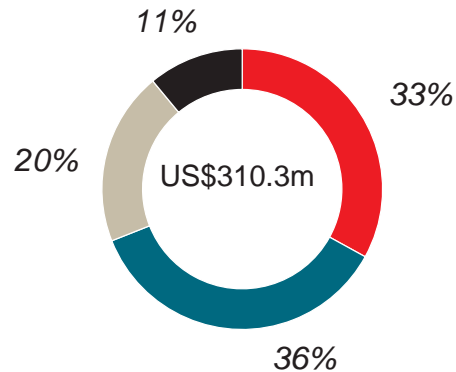
Revenue | FY 2013



Gross profit | FY 2014



Gross profit | FY 2013



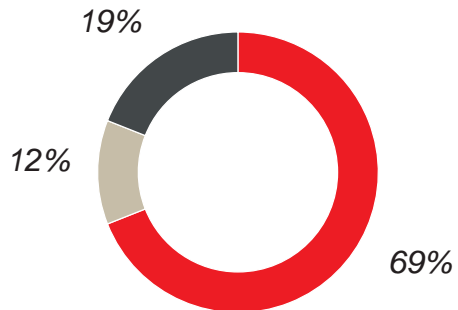
■ North America
 ■ Latin America
 ■ Europe
 ■ Asia Pacific

- Strong revenue growth in Latam and Asia Pacific
- 2e2 acquisitions drive Europe
- Services mix improves gross margin %
- Brazil lifted by Service Provider expenditure

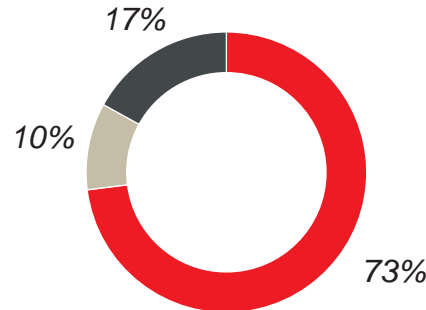
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Revenue by segment and product revenue by vendor

Segment | FY 2014

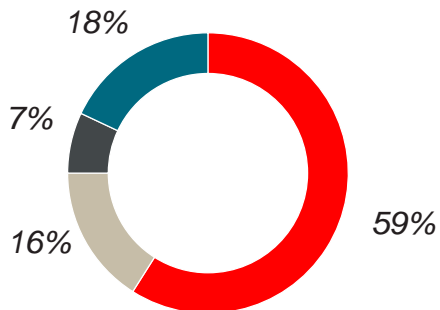


Segment | FY 2013

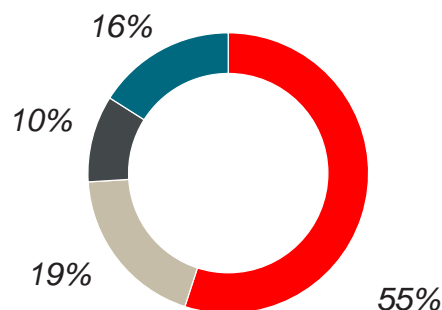


■ Product
 ■ Professional services
 ■ Maintenance and managed services

Vendor | FY 2014



Vendor | FY 2013



■ IBM
 ■ Cisco
 ■ HP
 ■ Other

- Service revenue now over 30%
 - › Annuity up 26%
 - › Professional Services up 40%
- Product sales up 9%

- Cisco growth in all regions
- Strong NetApp growth
- Poor IBM and HP revenues

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Gross profit contribution

US\$m

400

350

300

250

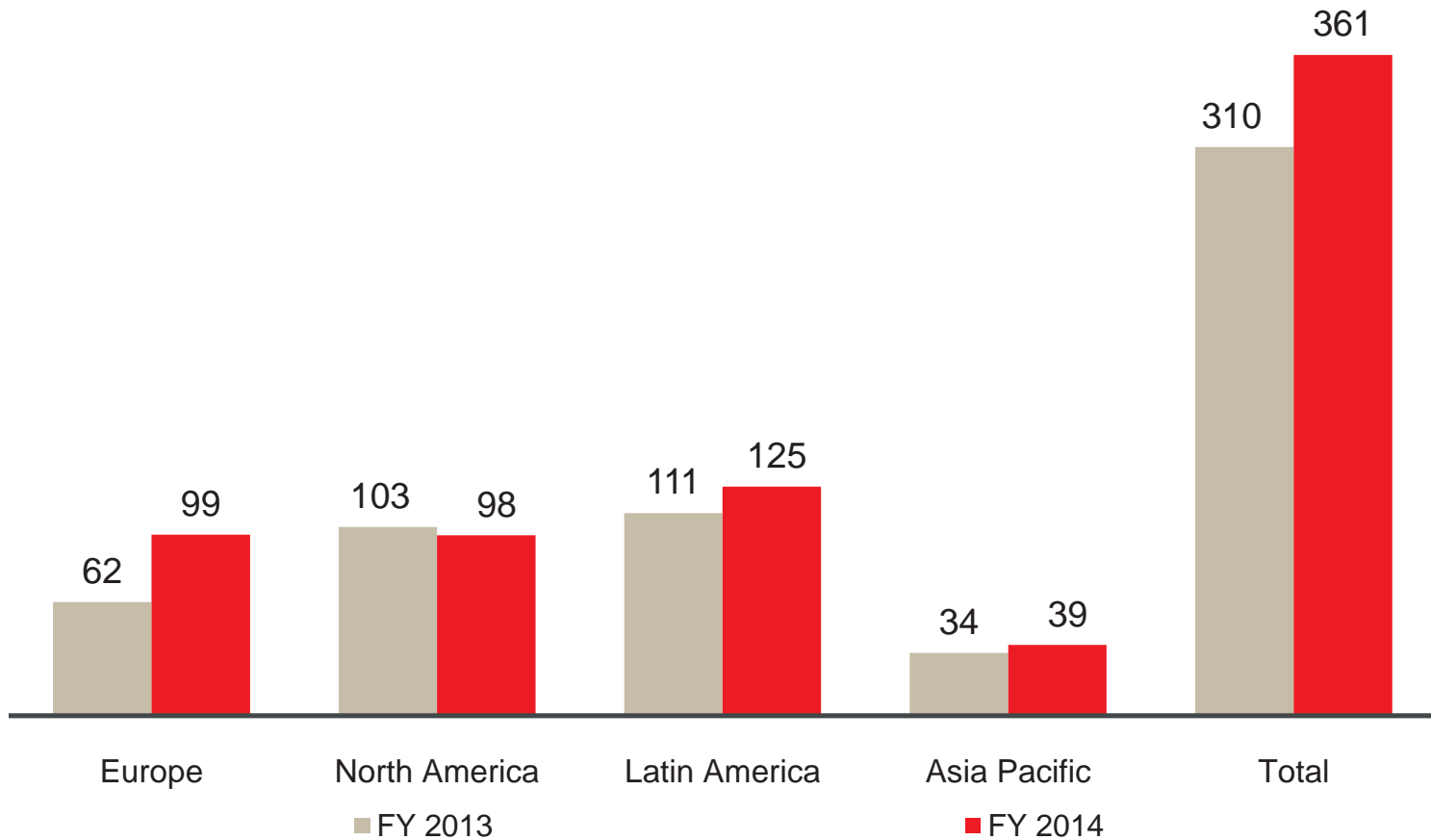
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EBITDA

US\$m

100

80

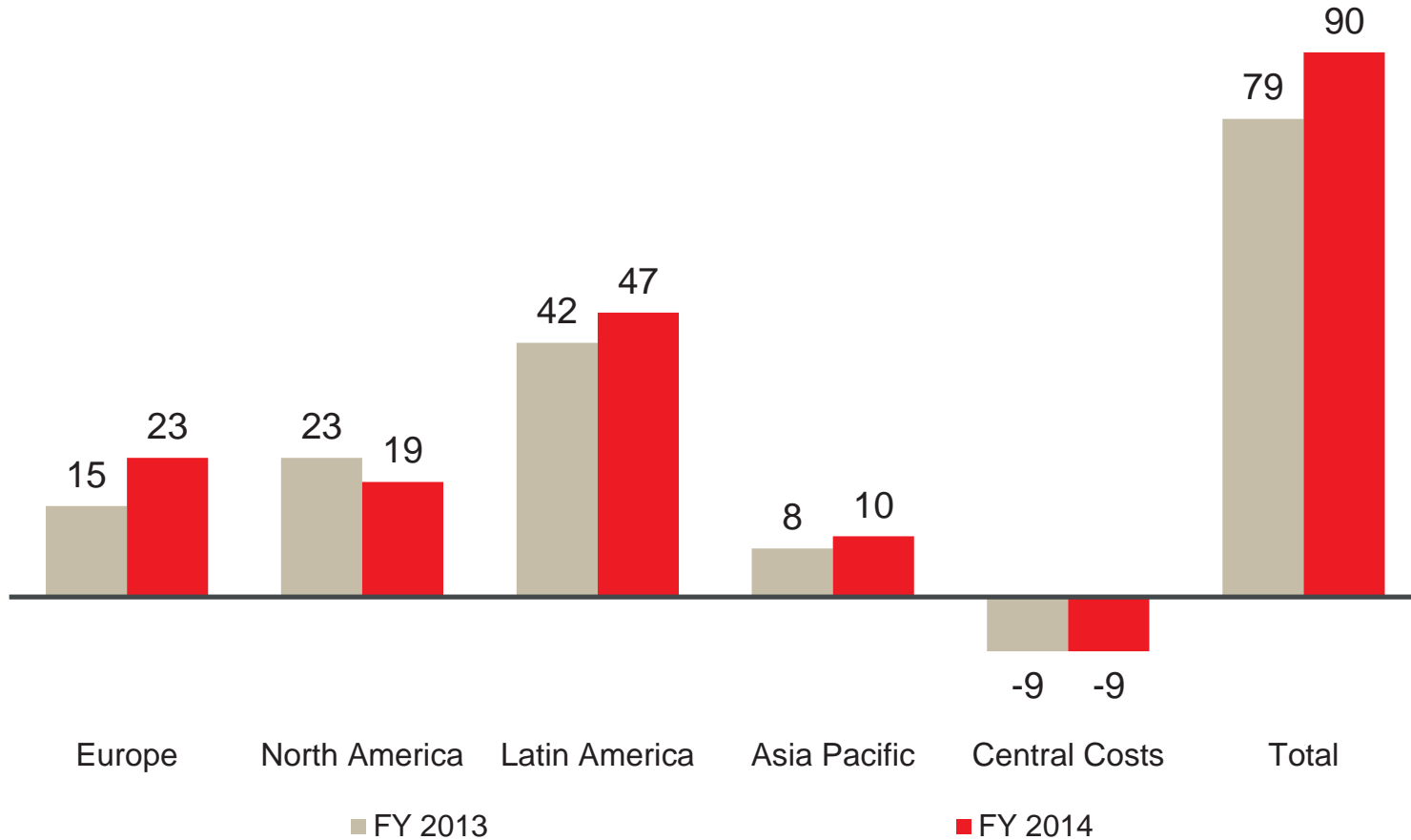
60

40

20

0

-20



Logicalis Group

Key financial measures

US\$m	FY 2014	FY 2013
Deferred revenue	78.9	62.5
Inventory	52.7	49.6
Inventory days (excluding spares stock)	18	18
Accounts receivable	309.3	282.9
DSO (days)	51	60
Accounts payable	242.5	230.8
DPO (days)	83	84
Net cash *	104.8	68.0

- Overall good working capital management
- Improvement in DSO reflected in net cash

* Excluding lease liabilities and Datatec loans

Logicalis Group

Future outlook

- General market for IT products and services is forecast to improve in 2014/15
- Strong growth in cloud infrastructure services expected to continue
- Group well positioned to drive annuity services and improve operating margins
- Latin America impacted by continuing import restrictions in Argentina
- Brazil world cup expected to impact performance in that region in H1
- Trading conditions remain stable

Consulting Services

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Consulting Services

Financial performance

US\$m	FY 2014	FY 2013	Growth %
Revenue	72.6	74.0	(2%)
Gross profit	27.1	27.2	(1%)
<i>Gross margin %</i>	37.3%	36.8%	
Operating costs	(25.0)	(24.0)	4%
<i>Operating cost margin %</i>	34.4%	32.4%	
EBITDA	2.1	3.2	(34%)
<i>EBITDA%</i>	2.9%	4.3%	
Operating profit	1.0	2.1	(52%)
<i>Operating profit %</i>	1.4%	2.8%	

- Strong Analysys Mason result
- Difficult year for Intact
- Gross margins trend up

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Strategy

- New services opportunities being developed in Westcon and Logicalis
- Acquisition focus in specific markets and geographies where scale can be achieved
- Developing a business model to provide ICT infrastructure Financial Services to clients
- Improve capital returns and profitability ratios, especially in Westcon
- Defensive dividend distribution policy

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Current trading and prospects

- Expect solid rebound after two disappointing years of declining earnings
- Most markets are continuing to show gradual recovery but not yet synchronised globally
- Resources countries such as Australia could remain weak
- Westcon's recovery should drive H2 sequential and comparative growth
- Expect revenues to exceed \$6bn
- Full year UEPS forecast expected to be above US 40¢

Questions

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