

Directors' report

for the year ended 28 February 2019

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PROFILE AND GROUP STRUCTURE

Datatec is an international ICT solutions and services group operating in more than 50 countries across North America, Latin America, Europe, Africa, Middle East and Asia-Pacific. The Group's service offering spans the technology, integration and consulting sectors of the ICT market.

Datatec operates two main divisions:

- **Technology** – Westcon International: distribution of security, collaboration, networking and data centre products and solutions; and
- **Integration and managed services** – Logicalis: ICT infrastructure solutions and services.

The specialist activities of Consulting and Datatec Financial Services are included with the corporate head office functions in the "Corporate, Consulting and Financial Services" segment of the Group.

Datatec Limited (the "Company"), a South African company with registration number 1994/005004/06, is the parent company of the Group. The Company's shares are listed on the JSE Limited with share code DTC and ISIN ZAE000017745.

GROUP FINANCIAL RESULTS

Commentary on the financial position and financial performance of the Group are set out in the Integrated Report on pages 22 to 25.

STATED SHARE CAPITAL

Authorised stated share capital

The authorised stated capital of the Company as at 28 February 2019 and 28 February 2018 is R4 000 000 made up of 400 000 000 ordinary shares.

Issued stated capital

As at 28 February 2019, the issued stated capital amounted to R2 192 000, divided into 219 200 000 ordinary shares (FY18: R2 429 600 divided into 242 960 000 ordinary shares).

STATED CAPITAL CHANGES DURING THE YEAR

Share repurchase

In total, the Company repurchased 23 760 000 shares for cancellation during FY19 at a total cost of US\$43.9 million:

- 4 971 012 shares under the terms of a general authority given by shareholders at a general meeting on 24 July 2018
- 11 888 988 shares under the terms of a general authority given by shareholders at the AGM on 20 September 2018
- 6 900 000 shares under the terms of a general authority given by shareholders at a general meeting on 15 January 2019.

Share cancellation expenses relating to the shares repurchased for the year amounted to US\$0.2 million. These were accounted for in equity.

Financial details of the movement in share capital have been reflected in the Group statement of changes in equity and in Note 16 in the consolidated annual financial statements.

DIRECTORS

Brief *curricula vitae* of the directors are included on pages 12 and 13 of the Integrated Report and further information on the directors, including their interests in the shares of the Company and share-based remuneration schemes, is provided in the remuneration report on pages 72 to 95 and in Note 26 to these consolidated annual financial statements on pages 161 to 164.

All directors are subject to election by shareholders at the first AGM after their appointment. Subsequently, the terms of the Company's Memorandum of Incorporation requires one-third of all directors to retire annually (ensuring each director retires at least once every three years) when they may offer themselves for re-election by shareholders.

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GOING CONCERN

Having undertaken a thorough solvency and liquidity test and review of going concern assertions across the Group, the directors believe that the Group has adequate financial resources to continue in operation for the 12 months after the date of this report and accordingly the financial statements have been prepared on a going-concern basis.

The Group has no need to undertake a capital restructuring and key executive management is in place. The Board is not aware of any new material changes that may adversely impact the Group relative to customers, suppliers, services or markets. The Board is not aware of any material non-compliance with statutory or regulatory requirements and there are no pending legal proceedings other than in the normal course of business.

Solvency

The Group has determined from the solvency tests that the Group is solvent with net assets at 28 February 2019 of US\$648.9 million (2018: US\$721.6 million) and tangible net assets of US\$364.1 million (2018: US\$452.0 million). The Group is expected to remain solvent over the next 12 months.

Liquidity

The Group is anticipated to generate sufficient cash to settle liabilities as they fall due. Working capital remains well controlled. Trade receivables and inventory are of a sound quality and adequate provisions are held against both.

The Group is expected to have sufficient liquidity and borrowing capacity to meet its ongoing operating needs, including approved capital expenditure.

INVESTMENTS AND SUBSIDIARIES

Financial information relating to the Group's investments and interests in subsidiaries is contained in Annexure 1 of the consolidated annual financial statements (see pages 190 to 195).

ACQUISITIONS

The Group made the following acquisitions during the financial year ended 28 February 2019:

Effective 17 July 2018, Analysys Mason Limited acquired 100% of the issued share capital of Access Markets International Partners, Inc. (US) ("AMI Partners") based in the United States for US\$3.5 million; a SMB ICT-focused global research and consulting firm that specialises in GTM opportunity assessment, tracking buying behaviour, customer segmentation, channel partner ecosystem dynamics and sales enablement enhanced with predictive analytics.

Effective 3 September 2018, Logicalis acquired 100% of the issued share capital of Clarotech Holdings (Pty) Ltd, an IPT cloud and managed services business based in Cape Town, for a cash consideration of US\$3.4 million. This acquisition enables Logicalis to combine a focused managed services operation with its existing business in South Africa, to support SMBs as well as larger corporates.

Effective 3 September 2018, Logicalis completed the acquisition of 100% of the issued share capital of Coasin Chile S.A., a Chilean ICT services and solutions provider, which also owns 100% of C2 Mining Solutions S.A.C. based in Peru. This interest was acquired for a cash consideration of US\$17.3 million. Coasin's experience in the mining and financial services verticals creates opportunities for Logicalis to better serve its multinational clients while broadening its services scope to new customer groups.

Effective 8 October 2018, Logicalis acquired 100% of the issued share capital of Corporate Network Integration Pty Ltd ("CNI"), a Microsoft-certified gold partner based in Melbourne, Australia, for a cash consideration of US\$3.1 million (including US\$1.3 million deferred purchase consideration). The acquisition of CNI brings Logicalis a full suite of leading Microsoft cloud service capabilities, strengthening Logicalis' position in this growing market segment and enabling Logicalis to deliver a broader scope of services to new and existing customers.

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SHARE-BASED PAYMENTS AND OTHER MANAGEMENT INCENTIVE SCHEMES

Details of the Group's share-based payment schemes and other management incentive schemes are set out in the remuneration report and Note 2 of the consolidated annual financial statements on pages 126 to 131.

EVENTS OCCURRING SUBSEQUENT TO THE YEAR-END

Between 1 March and 14 May 2019, the Company repurchased 3.1 million shares, under the terms of a fixed mandate to its broker, for cancellation.

On 1 March 2019, Analysys Mason Limited acquired Stelacon Holdings AB ("Stelacon"), a Swedish consulting company. This is an important further step in building a pan-Scandinavian presence, after Analysys Mason's successful expansion into Norway. Stelacon brings experience including smart cities, regional development, digital services, policy, regulation, telecoms and digital communications.

There are no other material subsequent events to report.

ANNUAL GENERAL MEETING

The AGM of shareholders of Datatec will be held at the JSE, 1st Floor Training Room, One Exchange Square, Gwen Lane, Sandown, Sandton, 2196, Republic of South Africa, at 12:00 on Thursday, 29 August 2019.



JP Montanana
Chief Executive Officer
Authorised director



IP Dittrich
Chief Financial Officer
Authorised director

15 May 2019