

# Directors' report

for the year ended 29 February 2024

## 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, the Middle East and Asia-Pacific. The Group's service offering spans the technology distribution and integration sectors of the ICT market.

Datatec operates in four operating divisions:

- Westcon International: Technology distribution of security and networking products
- Logicalis International: ICT infrastructure solutions and services
- Logicalis Latin America: ICT infrastructure solutions and services
- Corporate and Management Consulting: Corporate includes Group head office companies, including the ultimate Logicalis holding company, Logicalis Group Limited and its associated costs, and Group consolidation adjustments. Management Consulting comprises Mason Advisory Limited in the current year as well as Analysys Mason which was disposed of during FY23, with its results are disclosed as discontinued operations in the prior year comparatives

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.

## Stated share capital

### Authorised stated share capital

The authorised stated share capital of the Company as at 29 February 2024 and 28 February 2023 is R4 000 000, made up of 400 000 000 ordinary shares.

### Issued stated capital

As at 29 February 2024, the issued share capital, excluding treasury shares and shares held throughout the period for equity-settled share schemes, amounted to R2 269 013.83, divided into 226 901 383 ordinary shares (28 February 2023: R2 196 533.16, divided into 219 653 316 ordinary shares). Of the issued share capital, 574 145 shares are held by the Company in treasury (FY23: 3 000 000).

## Dividend policy

The Group's policy is to maintain a three times cover relative to underlying\* earnings when declaring ordinary dividends.

## Dividends

On 23 May 2023, the Board declared a final dividend for FY23 of 195 ZAR cents per share equivalent to 10 US cents per share totalling US\$22.5 million with the customary form of a cash dividend with a scrip distribution alternative.

## Financial results

The Group recorded a profit after tax for the year ended 29 February 2024 of US\$50.9 million (FY23: US\$33.4 million loss after tax from continuing operations).

Full details for the financial results of the Group are set out in these consolidated annual financial statements and accompanying notes for the year ended 29 February 2024.

## Going concern

The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future. The Group currently has no need to undertake a capital restructuring and key executive management is in place. 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 or as disclosed in the consolidated annual financial statements.

## Solvency

The Board has determined that the Group is solvent with net assets at 29 February 2024 of US\$501.2 million (FY23: US\$472.0 million) and tangible net assets of US\$165.6 million (FY23: US\$178.8 million). The Group is expected to remain solvent over the next 12 months.

\* Underlying earnings exclude the following: impairments of goodwill and intangible assets, profit or loss on sale of investments and assets, amortisation of acquired intangible assets, unrealised foreign exchange movements, acquisition-related adjustments, fair value movements on acquisition-related financial instruments, restructuring costs relating to fundamental reorganisations, one-off tax items impacting EBITDA, costs relating to acquisitions, integration and corporate actions, and the taxation effect on all of the aforementioned.

# Directors' report continued

for the year ended 29 February 2024

## Liquidity

Westcon International has an invoice assignment facility of EUR390.6 million for its European subsidiaries, as well as an extended payables facility of US\$71.5 million. Westcon International has a securitisation facility of US\$130.0 million for its Asia-Pacific facilities. In addition, Westcon International utilises accounts receivable facilities in the Middle East (US\$15.0 million) and Indonesia (US\$11.0 million) as well as overdraft facilities in Europe (EUR4.0 million) and Africa (US\$1.0 million), and a securitisation facility in South Africa (ZAR200.0 million).

Logicalis International is supported by a corporate facility of US\$135 million, covering all its operations, comprising a rolling credit facility to fund working capital requirements and an acquisition facility.

Logicalis Latin America is supported separately via a number of uncommitted overdraft facilities and short-term lending arrangements and is predominantly sourced via Tier 1 banks in Brazil as it is the largest territory in the region.

The Group performed covenant projections to confirm that banking covenants are unlikely to be breached for the next 12 months.

The Group ended FY24 with net debt of US\$123.1 million compared to FY23 (US\$106.6 million), refer Note 31.2. Trade receivables are of a sound quality and adequate expected credit losses have been recorded. The Group's forecasts and projections of its current and expected financial performance show that the Group is expected to operate within the levels of its banking facilities for at least 12 months from the authorisation date of these consolidated annual financial statements.

## Conclusion

The Group's projections show that the Group has sufficient capital and liquidity to continue to meet its short-term obligations, and as a result, it is appropriate to prepare these annual financial statements on a going concern basis.

## Investments and subsidiaries

Financial information relating to the Group's investments are disclosed in Note 12 and interests in subsidiaries is contained in Note 43 to the consolidated annual financial statements.

### Mason Advisory Limited

Datatec PLC increased its shareholding in Mason Advisory Limited from 42.5% to 80% effective 1 December 2023 by acquiring additional shares in Mason Advisory Limited from its management team for a consideration of US\$18.2 million.

### Logicalis Latin America

In September 2023, Logicalis Latin America Holding repurchased 5.0% of its shares from Promon S.A. for subsequent cancellation for US\$8.6 million. This resulted in an effective shareholding of 68.42% (FY23: 65%) for Datatec and 31.58% (FY23: 35%) for Promon S.A.

### Westcon International

On 18 January 2024, Westcon Group European Operations Limited ("WGEO"), a 100% owned subsidiary of Westcon International Group Holdings Limited ("WIGHL"), acquired 100% of Reburra Holdings Limited ("Reburra"). WGEO purchased Reburra for US\$7.6 million, of which US\$6.5 million was paid in cash at completion. The remaining US\$1.1 million will be paid one year after the acquisition subject to conditions precedent within the contract.

## Share-based payments and long-term incentive schemes

Details of the Group's share-based payment schemes and long-term incentive schemes are set out in Note 2 of the consolidated annual financial statements.

## Management incentive plans

### Logicalis International

Logicalis International implemented the Logicalis International Long-Term Incentive Plan ("LILTIP") on 3 March 2023 following a corporate restructuring. An intermediate holding company called Logicalis International Group Holdings Limited ("LIGHL") was inserted and is owned by Logicalis Group Limited ("LGL"). The Logicalis International senior management purchased 5.26% of the ordinary equity of LIGHL and LGL holds the remainder. A further 1.04% of the ordinary equity is available for purchase by management up to a total limit of 6.3%. A fixed return equity instrument (intercompany loan note) was issued to Logicalis Group Limited in addition to its ordinary equity.

### Westcon International

Westcon International implemented the Westcon International Long-Term Incentive Plan ("WILTIP") on 1 September 2023 following a corporate restructuring. An intermediate holding company called Westcon International Group Holdings Limited ("WIGHL") was inserted and is owned by Westcon International Ltd ("WIL"). The Westcon International senior management purchased 5.0% of the ordinary equity of WIGHL and WIL holds the remaining 95%, with 1% earmarked for potential management participation in future. A fixed return equity instrument (intercompany loan note) was also issued to WIL. Datatec continues to own a 92.1% shareholding in WIL with TD Synnex as the minority shareholder.

US\$ million	LIGHL	WIGHL
Ordinary equity	50	118.5
Fixed return instrument	200	450
<b>Total equity</b>	<b>250</b>	<b>568.5</b>

## Events occurring subsequent to the year-end

### Increased shareholding in subsidiaries

In April 2024, Logicalis Group Limited purchased 7.04% of Cirrus Participações S.A.C. in Brazil ("Cirrus") from the minority shareholders. As the Group owns 68.4% of PromonLogicalis Latin America Limited, this resulted in a current effective shareholding in Cirrus of 67.4%. The Group will consolidate the results of Cirrus from this date in the FY25 financial year.

### Management Incentive plan - Mason Advisory

Mason Advisory implemented the Mason Advisory Long-Term Incentive Plan ("MALTIP") on 9 April 2024 following a corporate restructuring. Two intermediate holding companies called Mason Advisory Group Ltd ("MAGL") and Mason Advisory Group Holdings Ltd ("MAGHL") were incorporated into the Group structure. Management purchased shares in MAGHL constituting 6.25% of the ordinary equity and MAGL holds the remaining 93.75%. Datatec owns an 80.0% shareholding in MAGL. MAGHL also issued a fixed return instrument to MAGL.

### Dividend declared

On 27 May 2024, the Board declared a final dividend for FY24 of 130 ZAR cents per share (approximately 7 US cents per share) totalling US\$16.2 million with the customary form of a cash dividend with a scrip distribution alternative.

There were no other events that occurred subsequent to the reporting date that require disclosure or adjustment to these consolidated annual financial statements.

## Directors

Directors' interests in the shares of the Company, their remuneration and their interests in share-based remuneration schemes are provided in Note 30 to these consolidated annual financial statements.

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 require 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.

## Annual General Meeting

The AGM of shareholders of Datatec will be held as a virtual meeting at 14:00 South African time on Wednesday, 31 July 2024.

## Registered office

3rd Floor, Sandown Chambers, Sandown Village Office Park, 81 Maude Street, Sandton.