DATATEC LIMITED
Incorporated in the Republic of South Africa
Registration number: 1994/005004/06
Share code JSE: DTC
ISIN: ZAE000017745
("Datatec", the "Company" or the "Group")

Condensed unaudited interim results for the six months ended 31 August 2018

Highlights

- Improved operational execution in all divisions
- Good Logicalis performance
- Westcon International recovery on track
- Group revenue US$2.00 billion (H1 FY18: US$1.84 billion)
- EBITDA US$42.6 million (H1 FY18: US$7.7 million)
- Underlying* earnings per share 3.6 US cents (H1 FY18: loss per share 8.7 US cents from continuing operations)
- Strong balance sheet despite weaker Rand and Brazilian Real

Enquiries

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Commentary

Jens Montanana, Chief Executive of Datatec, commented:
"The Group's first half results came in ahead of our expectations, backed by improved operational execution across all divisions.
"Logicalis performed well in the first half and produced good results despite emerging market currency headwinds, especially in its key Latin America region.
"Westcon International's recovery is underway and we are delivering on our commitments for this division with the ERP system now stable, the BPO reversal almost complete and central cost reductions on track.
"Looking ahead, we expect the improved operational and financial performance to continue for the remainder of the year. We are addressing the valuation gap through improved execution at Westcon International and the ongoing share buy-back programme. We continue to pursue small acquisitions that enhance Logicalis' positioning in the long term."

GROUP ACTIVITIES

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, distribution, integration and consulting sectors of the ICT market.

Datatec operates two main divisions:

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

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.

STRATEGIC OVERVIEW

Datatec's strategy remains to deliver long-term, sustainable and above average returns to shareholders through portfolio management and the development of its principal subsidiaries providing technology solutions and services to targeted customers in identified markets around the world.

Logicalis is the largest contributor to the Group in terms of profitability. The division also continues to provide the widest geographical exposure and Datatec intends to continue to develop and grow Logicalis globally.

In H1 FY19, Logicalis delivered a good performance while executing on its strategy. Revenue grew by 14.4% and EBITDA by 37.2% in relation to H1 FY18, supported by a significant multi-year project in Latin America.

Westcon International is 90% owned by Datatec following the sale of Westcon Americas to SYNNEX Corporation (“SYNNEX”) together with 10% of Westcon International in FY18. As highlighted in the prior year, the Group’s strategy to reshape the Westcon International business in order to restore profitability and reduce the central cost base which was retained after the SYNNEX transaction, is well underway.

In H1 FY19, Westcon International continued to deliver on its commitments to organisational renewal and restructuring. The ERP system is now stabilised after a long and disruptive multi-year implementation process. The BPO reversal is complete in Asia-Pacific and nearing finalisation in EMEA with in-house shared service centres in the Philippines and South Africa now in place to drive operational efficiency. Importantly, good progress has been made with the reduction in central costs to a level appropriate for the business post the disposal of Westcon Americas.

The quantum of the earn-out payment relating to the disposal of Westcon Americas to SYNNEX has not yet been agreed and the parties are currently engaged in an arbitration process through an independent accountant as provided for in the sale and purchase agreement. Datatec will update shareholders once this process is finalised.

Group revenues were US$2.00 billion in H1 FY19, up 8.7% on the US$1.84 billion revenues recorded in the six-month financial period ended 31 August 2017 (“the Comparable Period” or “H1 FY18”). EBITDA for H1 FY19 was US$42.6 million, representing a 5.5 times increase on H1 FY18: US$7.7 million.

Underlying* earnings per share (“UEPS”) were 3.6 US cents in H1 FY19 compared to an underlying* loss per share of 8.7 US cents from continuing operations for H1 FY18 (Combined underlying* earnings per share H1 FY18: 1.4 US cents).
The comparative results for H1 FY18 are reported in the form of “continuing operations” which exclude the Westcon Americas and Logicalis SMC business which were classified as a “disposal group” in accordance with IFRS 5 in the prior year. Where comparative figures are stated as “Combined” they include the disposal group.

The Group balance sheet is strengthened in comparison with H1 FY18 pre the disposal of Westcon Americas: net debt at 31 August 2018 is US$63.1 million compared to US$273.4 million at 31 August 2017. Losses arising from translation to presentation currency resulted in a reduction in tangible net asset value to US$397 million, from US$452 million at February 2018.

The Company resumed a share repurchase programme during H1 FY19 after securing a shareholder mandate at a general meeting on 24 July 2018. A new shareholder mandate was provided at the annual general meeting (“AGM”) on 20 September 2018 allowing the repurchase programme to continue.

CURRENT TRADING AND OUTLOOK

The Board expects the improved financial performance of H1 FY19 across all divisions to continue in H2 FY19.

Logicalis’ financial performance is expected to be maintained throughout the rest of FY19 although its results may continue to be impacted by currency weakness especially in Latin America.

Westcon International will benefit further from the reorganisation, targeting monthly operating profitability by early next year.

The Company will continue with its general share repurchase programme, subject to market conditions.

GROUP RESULTS

Revenue

Group revenues for the period were US$2.00 billion (H1 FY18: US$1.84 billion) and are shown below.

Contribution to Group revenue

	H1 FY19	H1 FY18
Westcon International	**60%**	62%
Logicalis	**39%**	37%
Consulting and Financial Services	**1%**	1%
	100%	100%

Revenue % contribution by geography

	H1 FY19	H1 FY18
North America	**10%**	10%
Latin America	**13%**	11%
Europe	**48%**	51%
Asia-Pacific	**21%**	18%
Middle East and Africa (“MEA”)	**8%**	10%
	100%	100%

Group gross margins in H1 FY19 were 15.9% (H1 FY18: 16.2%). Gross profit was US$319.4 million (H1 FY18: US$299.4 million).

Contribution to Group gross profit

	H1 FY19	H1 FY18
Westcon International	**38%**	41%
Logicalis	**59%**	57%
Consulting and Financial Services	**3%**	2%
	100%	100%

Gross profit % contribution by geography

	H1 FY19	H1 FY18
North America	**17%**	17%
Latin America	**18%**	16%
Europe	**40%**	43%
Asia-Pacific	**19%**	18%
Middle East and Africa	**6%**	6%
	100%	100%

Overall operating costs were US$276.8 million (H1 FY18: US$291.7 million). Included in the operating costs are total restructuring costs of US$9.4 million (H1 FY18: US$4.9 million). EBITDA was US$42.6 million (H1 FY18: US$7.7 million) and EBITDA margin was 2.1% (H1 FY18: 0.4%).

Operating profit was US$24.1 million contrasting with a US$19.0 million operating loss in H1 FY18.

The net interest charge decreased slightly to US$9.6 million (H1 FY18: US$9.9 million) and profit before tax was US$13.9 million (H1 FY18: US$28.5 million loss before tax).

A tax charge of US$7.3 million has arisen on half year profits of US$13.9 million. The effective tax rate of 52.7% continues to be adversely affected by losses arising in Westcon International's UK, Africa and Asia operations for which no deferred tax assets have been recognised. As at 31 August 2018, there are estimated tax loss carry forwards of US$203.2 million with an estimated future tax benefit of US$45.1 million, of which only US$13.1 million has been recognised as a deferred tax asset.

Underlying* earnings per share were 3.6 US cents (H1 FY18: loss per share 8.7 US cents). Headline earnings per share were 0.7 US cents (H1 FY18: loss per share 14.4 US cents). For H1 FY18, the Combined underlying* earnings per share were 1.4 US cents and the Combined headline loss per share was 5.8 US cents.

Cash

The Group utilised US$21.7 million of cash in operations during H1 FY19 (H1 FY18: US$29.3 million cash generated from operations) and ended the period with a net debt of US$63.1 million (FY18: US$6.4 million, H1 FY18: US$273.4 million). The net debt has been calculated as: cash of US$86.3 million (FY18: US$161.3 million); short-term borrowings and current portion of long-term debt of US$105.9 million (FY18: US$106.0 million); and long-term debt of US$43.5 million (FY18: US$61.7 million).

Acquisitions

Effective 17 July 2018, Analysys Mason Limited acquired 100% of the issued share capital of Access Markets International-Partners (AMI-Partners) based in the US for US$3.6 million; a SMB ICT focused global research and consulting firm that specialises in go-to-market (GTM) opportunity assessment, tracking buying behaviour, customer segmentation, channel partner ecosystem dynamics and sales enablement enhanced with predictive analytics.

As a result of this acquisition, goodwill and other intangible assets increased by US$2.1 million. None of the goodwill recognised is expected to be deductible for income tax purposes. The revenue and EBITDA included from this acquisition in H1 FY19 are negligible. The fair value assessment of assets and liabilities acquired and the amounts recognised as goodwill and intangible assets have only been determined provisionally due to the timing of the acquisition.

Liquidity

The Group is expected 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.

Net working capital days improved in both Logicalis and Westcon International as detailed in the divisional reviews below.

Shareholder distributions: dividend policy and share repurchases

The Group's policy is to maintain a fixed three times cover relative to underlying* earnings when declaring dividends. The level of underlying* earnings in H1 FY19 would only support a small dividend under this policy and as a result, no interim dividend for FY19 is declared.

The Board has instituted a structured programme of general share repurchases in order to return cash to shareholders. In the period ended 31 August 2018, 4 249 064 shares were repurchased and a further 721 948 were purchased in September 2018 up to the Company's AGM on 20 September 2018. The repurchases effected during the Company's closed period were undertaken in terms of a fixed mandate to the Company's broker in accordance with paragraph 5.72(h) of the JSE Listings Requirements and notified to the JSE prior to the commencement of the closed period. In total 4 971 012 shares (being 2.06% of the Company's issued share capital) were repurchased up to 19 September 2018 at a cost of US$8.1 million and were thereafter cancelled. A new shareholder mandate was provided at the annual general meeting on 20 September 2018 allowing the repurchase programme to continue under the fixed mandate to the Company's broker until the end of the closed period today and thereafter at the Company's discretion. Between 20 September 2018 and 16 October 2018, 3 162 431 shares were repurchased.

The Company has limited the shareholder mandates for repurchase to 5% of the issued share capital having obtained legal advice that section 48(8) of the South African Companies Act 71 of 2008 ("Companies Act") would be applicable to a general repurchase of shares undertaken in accordance with the JSE Listings Requirements.

Section 48(8) of the Companies Act stipulates that any decision by the board of directors of a company that involves the repurchase of more than 5% of the company's issued securities of a particular class must be approved by a special resolution of the shareholders of the company compliant with sections 114 and 115 of the Companies Act, which require inter alia an independent expert report on the repurchase.

The Department of Trade and Industry in South Africa has recently proposed changes to the Companies Act among which is a proposal to specifically exclude share repurchases undertaken on a recognised stock exchange from the scope of section 48(8). The proposed changes to the Companies Act will align the Companies Act to the JSE Listings Requirements in this regard, which will allow general share repurchases up to 20% of the issued share capital. These proposals are currently available for public comment.

Foreign exchange translation

Losses of US$68.8 million (H1 FY18: US$8.5 million gains) arising on translation to presentation currency are included in total comprehensive loss of US$59.4 million (H1 FY18: loss US$0.3 million). The bulk of these losses arise from weakening in the Rand/US$ exchange rate from 11.76 at FY18 to 14.74 at H1 FY19 and weakening in the Brazilian Real/US$ exchange rate from 3.25 at FY18 to 4.05 at H1 FY19.

Divisional reviews

Logicalis

Logicalis accounted for 39% of the Group's revenues (H1 FY18: 37%).

Logicalis is an international multi-skilled solution provider providing digital enablement services to help customers harness digital technology and innovative services to deliver powerful business outcomes.

Revenue from operations increased by 14.4% to US$775.5 million (H1 FY18: US$677.6 million). Services revenues were up 18.8% with growth in both professional services and annuity revenue. Revenue contribution by geography is shown below:

Logicalis revenue % contribution by geography

	H1 FY19	H1 FY18
North America	**25%**	27%
Latin America	**32%**	30%
Europe, Middle East and Africa	**27%**	31%
Asia-Pacific	**16%**	12%
	100%	100%

Revenue increased across all regions in absolute terms.
The improvement in Europe was driven mainly by Germany and Spain. Latin America showed improvement notably in Brazil which was supported by a large multi-year deal, despite currency headwinds. North America also returned to growth and Asia-Pacific benefited from the impact of M&A activity in Indonesia in H2 FY18.
Revenues from product were up 11.7% driven by Latin America, with increases in Cisco, partially offset by decreases in HPE and IBM.
Logicalis' gross margins were 24.3% (H1 FY18: 25.3%). This reduction was driven in part by a large multi-year Latin American contract and the Asia-Pacific acquisition.

Gross profit was up 10.2% to US$188.8 million (H1 FY18: US$171.4 million).

Logicalis' gross profit contribution by geography is shown below:

Logicalis gross profit % contribution by geography

	H1 FY19	H1 FY18
North America	**28%**	29%
Latin America	**30%**	28%
Europe, Middle East and Africa	**27%**	30%
Asia-Pacific	**15%**	13%
	100%	100%

EBITDA was US$38.7 million (H1 FY18: US$28.2 million), with a corresponding EBITDA margin of 5.0% (H1 FY18: 4.2%). Operating profit was US$25.6 million (H1 FY18: US$16.0 million).

Logicalis has operations in Argentina. During the course of the current financial period, the country has entered into hyperinflation. As this affected two months of the results, the impact was not considered to be material for the H1 FY19 results. The impact of any hyperinflationary adjustments for the full year can only be determined based on the year-end inflation indices.

The net interest charge increased by US$3.2 million, partly as a result of higher working capital utilisation in Latin America on the large multi-year project.

Net debt of US$164.1 million (FY18: US$139.5 million, H1 FY18: US$78.0 million) consisted of: net overdrafts of US$31.0 million (FY18: US$7.1 million net cash); short-term borrowings and current portion of long-term debt of US$103.8 million (FY18: US$102.4 million); and long-term debt of US$29.3 million (FY18: US$44.2 million). The increase in net debt compared to FY18 was driven by seasonal outflows associated with the Americas and the temporary working capital requirements associated with the large multi-year Latin American contract. The temporary elevated working capital requirements of the contract are expected to unwind from FY20 onwards.

Logicalis continues to have a contingent liability in respect of a possible tax liability at its subsidiary in Brazil.

In September 2018, Logicalis completed the acquisition of Coasin Group, which was originally announced on 15 May 2018. Coasin Group is a Chilean ICT system integrator offering technological solutions to industries such as mining, financial services, telecommunications and retail, with operations both in Chile and Peru. Logicalis also acquired Clarotech, a South African IP telephony ("IPT") cloud and managed services business, offering Open Source IPT solution as a managed cloud service. In October 2018, Logicalis' Australian operation, Thomas Duryea Logicalis acquired CNI, a Microsoft Certified Gold Partner.

Logicalis will continue with its strategy of making smaller bolt-on acquisitions. These will be financed using its own balance sheet.

Digital innovation is accelerating; business technology is undergoing a major shift. Logicalis is transitioning itself into a digital enabler for its customers, driven by the expansion of data, the rise of mobile and the cloud and many opportunities exist to tap into themes such as security to augment its strong networking heritage.

Logicalis is also investing in areas such as business intelligence and data analytics to grow its data centre infrastructure offerings for customers. Cloud continues to be a key feature in the business and IT strategies of customers and Logicalis is well positioned to support customers regardless of their cloud strategy.

Logicalis remains confident about the prospects for the industry and its positioning within it. Emerging markets currencies are expected to remain volatile over the short term.

Westcon International
Westcon International accounted for 60% of the Group's revenues (H1 FY18: 62%).

Westcon International is a value-added specialty distributor of industry leading cyber security and network infrastructure, unified communications products, data centre solutions and channel services with a global network of service providers, systems integrators and speciality resellers. Westcon International has operations in 50-plus countries. The company goes to market under the Westcon and Comstor brands. Westcon International's portfolio of market-leading vendors includes: Cisco, Avaya, Juniper, Check Point, F5, Palo Alto and Symantec.
Westcon International's revenues increased by 5.1% to US$1 206.6 million (H1 FY18: US$1 148.0 million) with higher revenue in Europe and double-digit growth in Asia-Pacific offset by lower sales in MEA.
Westcon International's gross profit increased by 0.7% to US$121.7 million (H1 FY18: US$120.9 million) with increases in Europe and Asia-Pacific offset by lower profit in MEA. Gross margins decreased to 10.1% (H1 FY18: 10.5%) largely driven by lower margins in Asia-Pacific.

Westcon International revenue % contribution by geography

	H1 FY19	H1 FY18
Europe	**62%**	64%
Asia-Pacific	**25%**	21%
Middle East and Africa	**13%**	15%
	100%	100%

Westcon International gross profit % contribution by geography

	H1 FY19	H1 FY18
Europe	**60%**	60%
Asia-Pacific	**27%**	26%
Middle East and Africa	**13%**	14%
	100%	100%

Westcon International revenue % by technology category

	H1 FY19	H1 FY18
Security	**31%**	26%
Networking	**28%**	29%
Unified communications	**24%**	27%
Data centre and other	**17%**	18%
	100%	100%

Operating expenses decreased to US$115.8 million (H1 FY18: US$132.9 million) with lower expenses across all regions except Europe. The 12.9% decrease is primarily driven by lower central costs offset by higher restructuring costs. Operating expenses also benefited from US$15.0 million of central costs which were accrued against the profit on disposal of Westcon Americas to SYNNEX in the prior year, representing costs incurred in terms of the transitional service obligations to SYNNEX during H1 FY19. Group costs (before this US$15.0 million reallocation) were US$20.8 million (H1 FY18: US$30.6 million).

Restructuring expenses of US$9.3 million (H1 FY18: US$2.5 million) were incurred, mainly as a result of costs associated with the termination of the BPO in Europe, MEA and Asia-Pacific coupled with continued cost-cutting initiatives particularly at the central cost base. EBITDA was US$5.9 million (H1 FY18: US$12.0 million loss) with improved results across all regions except Europe (which was impacted by US$7 million restructuring costs).

Net working capital days decreased to 26 days (FY18: 35 days) primarily due to a significant improvement in DSO in both Europe and Asia-Pacific. The improvement in net working capital days, partially offset by US$8.2 million of capital expenditures resulted in a decrease in net debt to US$75.8 million (FY18: US$131.8 million, H1 FY18: US$207.5 million).

The net debt consisted of: net overdrafts of US$61.4 million (FY18: US$113.8 million); short-term borrowings and current portion of long-term debt of US$0.7 million (FY18: US$0.9 million); and long-term debt of US$13.7 million (FY18: US$17.1 million).

Corporate, Consulting and Financial Services

This segment accounted for 1% of Group's revenues (H1 FY18: 1%).

The Consulting unit comprised: Analysys Mason, a provider of strategic, trusted advisory, modelling and market intelligence services to the telecoms, media and technology industries.

Consulting revenues were US$22.4 million (H1 FY18: US$18.5 million) and EBITDA was US$2.2 million (H1 FY18: US$0.9 million).
Datatec Financial Services is in a development phase of its business providing financing/leasing solutions for ICT customers. The business recorded revenues of US$0.2 million in H1 FY19 (H1 FY18: US$0.7 million) and an EBITDA loss of US$1.0 million (H1 FY18: US$0.8 million).

Corporate includes the net operating costs of the Datatec head office entities which were US$8.1 million (H1 FY18: US$8.6 million). These costs include the remuneration of the Board and head office staff, consulting and audit fees. In H1 FY19, foreign exchange gains were US$4.9 million (H1 FY18: US$0.1 million).

As at 31 August 2018, Datatec head office entities held cash of US$171.1 million of which US$71.0 million (the equivalent of R1 046.1 million) is held in South Africa and subject to the SA Reserve Bank regulations. These cash balances resulted in interest receivable in the Corporate segment increasing US$3.5 million above the Comparable Period.

Subsequent events

Effective 3 September 2018, Logicalis acquired Clarotech, an IPT cloud and managed services business based in Cape Town.

Effective 3 September 2018, Logicalis completed the acquisition 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.

Effective 8 October 2018, Logicalis acquired Computer Network Integration Pty. Ltd (CNI), a Microsoft Certified Gold Partner based in Melbourne, Australia.

CHANGES TO THE BOARD (previously announced)

Ekta Singh-Bushell was appointed to the Board as an independent non-executive director with effect from 1 June 2018.

On 20 September 2018, Chris Seabrooke and Nick Temple retired from the Board.

REPORTING

This interim financial report was prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This interim report complies with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008, of South Africa. This report was compiled under the supervision of Ivan Dittrich CA(SA) (Chief Financial Officer).

The accounting policies applied in the preparation of these interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except as stated below:

The Group has applied both IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 March 2018. The adoption of the above standards had an immaterial impact on the Group's financial performance for H1 FY19 as well as on the opening reserves as at 1 March 2018.

DISCLAIMER

This announcement may contain statements regarding the future financial performance of the Group which may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty, and although the Group has taken reasonable care to ensure the accuracy of the information presented, no assurance can be given that such expectations will prove to have been correct.

The Group has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. It is important to note, that:

(i) unless otherwise indicated, forward-looking statements indicate the Group's expectations and have not been reviewed or reported on by the Group's external auditors;
(ii) actual results may differ materially from the Group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove inaccurate;
(iii) the Group cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements; and
(iv) the Group disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available, as a result of future events or for any other reason, other than as required by the JSE Limited Listings Requirements.

On behalf of the Board
SJ Davidson
Chairman
JP Montanana
Chief Executive Officer
IP Dittrich
Chief Financial Officer
18 October 2018

DIRECTORS

SJ Davidson# (Chairman), JP Montanana (CEO)#, IP Dittrich (CFO), O Ighodaro†, JF McCartney°, MJN Njeke, E Singh-Bushell°
°American #British †Nigerian

** Excluding 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, SYNNEX deal-related expenses and the taxation effect on all of the aforementioned.*

Condensed consolidated statement of comprehensive income
for the six months to 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Revenue	**2 004 839**	1 844 823	3 923 715
Continued operations	**2 004 662**	1 843 819	3 881 547
Revenue from acquisitions	**177**	1 004	42 168
Cost of sales	**(1 685 466)**	(1 545 460)	(3 287 670)
Gross profit	**319 373**	299 363	636 045
Operating costs	**(265 022)**	(284 602)	(586 277)
Restructuring costs	**(9 423)**	(4 885)	(16 873)
Share-based payments	**(2 356)**	(2 174)	(6 198)
Operating profit before interest, tax, depreciation, amortisation and impairment ("EBITDA")	**42 572**	7 702	26 697
Depreciation	**(12 499)**	(13 648)	(27 548)
Amortisation of capitalised development expenditure	**(355)**	(7 209)	(11 375)
Amortisation of acquired intangible assets and software	**(5 626)**	(5 828)	(12 640)
Impairment of investment in joint venture	**–**	–	(1 000)
Impairment of capitalised development expenditure	**–**	–	(55 112)
Operating profit/(loss)	**24 092**	(18 983)	(80 978)
Interest income	**4 456**	1 705	8 670
Finance costs	**(14 061)**	(11 625)	(27 073)
Share of equity-accounted investment (losses)/earnings	**(620)**	231	(276)
Acquisition-related fair value adjustments	**36**	66	48
Fair value movements on put option liabilities	**–**	*	*
Fair value adjustment on deferred and/or contingent purchase consideration	**36**	66	48
Other income/expenses	**24**	115	257
Profit/(loss) before taxation	**13 927**	(28 491)	(99 352)
Taxation	**(7 345)**	(860)	(18 465)
Profit/(loss) for the period from continuing operations	**6 582**	(29 351)	(117 817)
Profit for the period from discontinued operations	**–**	18 162	159 608
Profit/(loss) for the period	**6 582**	(11 189)	41 791

** Less than US$1 000.*

Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation to presentation currency	**(68 813)**	8 498	13 942
Translation of equity loans net of tax effect	**3 123**	149	8 795
Translation reserve reclassified to profit on disposal of foreign operation	**–**	–	57 345
Transfers and other items	**(247)**	2 244	2 265
Total comprehensive (loss)/income for the period	**(59 355)**	(298)	124 138
Profit/(loss) attributable to:			
Owners of the parent	**1 726**	(12 363)	44 359
Non-controlling interests	**4 856**	1 174	(2 568)
	6 582	(11 189)	41 791
Total comprehensive (loss)/income attributable to:			
Owners of the parent	**(53 359)**	(296)	130 480
Non-controlling interests	**(5 996)**	(2)	(6 342)
	(59 355)	(298)	124 138
Earnings/(losses) per share ("EPS") (US cents)			
Basic	**0.7**	(5.8)	20.5
Continuing operations	**0.7**	(14.4)	(53.3)
Discontinued operations	**–**	8.6	73.8
Diluted basic	**0.7**	(5.8)	20.3
Continuing operations	**0.7**	(14.3)	(52.6)
Discontinued operations	**–**	8.5	72.9

Salient financial features
for the six months to 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Headline earnings/(losses)	**1 752**	(12 284)	(41 337)
Continuing operations	**1 752**	(30 446)	(64 604)
Discontinued operations	**–**	18 162	23 267
Headline earnings/(losses) per share (US cents)			
Headline	**0.7**	(5.8)	(19.1)
Continuing operations	**0.7**	(14.4)	(29.9)
Discontinued operations	**–**	8.6	10.8
Diluted headline	**0.7**	(5.8)	(18.9)
Continuing operations	**0.7**	(14.3)	(29.5)
Discontinued operations	**–**	8.5	10.6
Underlying earnings/(losses)	**8 809**	3 033	(12 156)
Continuing operations	**8 809**	(18 355)	(37 135)
Discontinued operations	**–**	21 388	24 979
Underlying earnings/(losses) per share (US cents)			
Underlying	**3.6**	1.4	(5.6)
Continuing operations	**3.6**	(8.7)	(17.2)
Discontinued operations	**–**	10.1	11.6
Diluted underlying	**3.6**	1.4	(5.6)
Continuing operations	**3.6**	(8.6)	(17.0)
Discontinued operations	**–**	10.0	11.4
Net asset value per share (US cents)	**276.8**	404.3	297.0
KEY RATIOS			
Gross margin (%) – continuing operations	**15.9**	16.2	16.2
EBITDA (%) – continuing operations	**2.1**	0.4	0.7
Effective tax rate (%) – continuing operations	**52.7**	(3.0)	(18.6)
Exchange rates			
Average Rand/US$ exchange rate	**13.1**	13.2	13.0
Closing Rand/US$ exchange rate	**14.7**	13.0	11.8
Number of shares issued (millions)			
Issued	**239**	212	243
Weighted average	**243**	212	216
Diluted weighted average	**246**	214	219

Condensed consolidated statement of financial position
as at 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
ASSETS			
Non-current assets	**404 607**	671 821	417 370
Property, plant and equipment	**57 109**	59 425	59 731
Goodwill	**222 580**	403 530	227 321
Capitalised development expenditure	**6 612**	84 596	1 665
Acquired intangible assets and software	**34 696**	41 060	40 661
Investments	**25 799**	27 266	26 613
Deferred tax assets	**40 845**	40 624	41 104
Finance lease receivables	**10 143**	6 819	12 283
Other receivables	**6 823**	8 501	7 992
Current assets	**2 170 519**	2 966 452	2 244 228
Inventories	**288 257**	256 431	238 537
Trade receivables	**1 134 276**	1 049 965	1 192 237
Current tax assets	**8 197**	7 401	9 492
Prepaid expenses and other receivables*	**340 175**	320 906	322 241
Finance lease receivables	**4 403**	2 679	5 479
Cash resources	**395 211**	233 504	476 242
Assets classified as held for sale	**–**	1 095 566	–
Total assets	**2 575 126**	3 638 273	2 661 598
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	**660 808**	855 412	721 603
Stated capital	**200 499**	152 396	258 461
Non-distributable reserves	**96 023**	66 105	45 331
Foreign currency translation reserve	**(112 400)**	(132 030)	(58 378)
Share-based payment reserve	**3 822**	3 440	4 883
Distributable reserves	**472 864**	765 501	471 306
Non-controlling interests	**62 762**	52 097	69 217
Total equity	**723 570**	907 509	790 820
Non-current liabilities	**98 646**	119 430	120 685
Long-term liabilities	**43 558**	56 136	61 723
Liability for share-based payments	**705**	3 075	1 517
Amounts owing to vendors	**991**	190	211
Deferred tax liabilities	**25 203**	40 429	30 240
Provisions	**5 596**	8 413	10 685
Other liabilities	**22 593**	11 187	16 309
Current liabilities	**1 752 910**	2 611 334	1 750 093
Trade and other payables+	**1 299 800**	1 218 685	1 296 578
Short-term interest-bearing liabilities	**105 884**	58 944	105 999
Provisions	**18 073**	5 265	16 026
Amounts owing to vendors	**197**	1 343	1 029
Current tax liabilities	**20 090**	2 378	15 561
Bank overdrafts	**308 866**	391 813	314 900
Liabilities directly associated with assets classified as held for sale	**–**	932 906	–
Total equity and liabilities	**2 575 126**	3 638 273	2 661 598

** Includes contract assets and contract costs identified under IFRS 15.*
+ Includes contract liabilities and deferred revenue identified under IFRS 15.

Condensed consolidated statement of cash flows
for the six months to 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Operating profit before working capital changes	**31 282**	42 255	91 275
Working capital changes	**(62 251)**	(11 754)	(60 184)
(Increase)/decrease in inventories	**(62 024)**	3 465	28 831
Increase in receivables	**(66 829)**	(125 052)	(258 056)
Increase in payables	**66 602**	109 833	169 041
Other working capital changes	**9 226**	(1 217)	(13 466)
Cash (utilised in)/generated from operations	**(21 743)**	29 284	17 625
Net finance costs paid	**(10 282)**	(13 125)	(24 784)
Taxation paid	**(10 479)**	(14 861)	(43 446)
Net cash (outflow)/inflow from operating activities	**(42 504)**	1 298	(50 605)
Cash outflow for acquisitions	**(2 011)**	(5 262)	(10 749)
Net cash inflow from disposal of discontinued operations	**–**	–	744 832
Additions to investments	**–**	(2 118)	(3 002)
Additions to property, plant and equipment	**(12 978)**	(13 149)	(26 004)
Additions to capitalised development expenditure	**(5 315)**	(12 433)	(20 043)
Additions to software	**(539)**	–	(2 668)
Proceeds on disposal of property, plant and equipment	**–**	89	821
Net cash (outflow)/inflow from investing activities	**(20 843)**	(32 873)	683 187
Proceeds on disposal of 10% of Westcon International	**–**	–	30 000
Share repurchases	**(6 967)**	–	(34 629)
Dividends paid to shareholders	**–**	–	(244 193)
Amounts paid to vendors	**(886)**	(210)	(609)
Proceeds from short-term liabilities	**31 556**	21 584	93 282
Repayment of short-term liabilities	**(17 512)**	(13 695)	(39 185)
Proceeds from long-term liabilities	**6 439**	39 846	51 398
Repayment of long-term liabilities	**(8 950)**	(20 414)	(31 551)
Net cash inflow/(outflow) from financing activities	**3 680**	27 111	(175 487)
Net (decrease)/increase in cash and cash equivalents	**(59 667)**	(4 464)	457 095
Cash and cash equivalents at the beginning of the year	**161 342**	(299 852)	(299 852)
Translation differences on cash and cash equivalents	**(15 330)**	(259)	4 099
Cash and cash equivalents at the end of the period(*)	**86 345**	(304 575)	161 342
Cash flows from discontinued operations			
Net cash outflow from operating activities	**–**	(49 747)	(49 747)
Net cash outflow from investing activities	**–**	(2 700)	(2 700)
Net cash inflow from financing activities	**–**	8 240	8 240
Net decrease in cash and cash equivalents	**–**	(44 207)	(44 207)
Opening cash	**–**	(101 122)	–
Translation differences	**–**	(937)	–
Net decrease in cash and cash equivalents	**–**	(44 207)	–
Cash and cash equivalents at the end of the period(*) – discontinued operations	**–**	(146 266)	–
Cash and cash equivalents at the end of the period(*) – continuing operations	**–**	(158 309)	–

(*) Comprises cash resources, net of bank overdrafts.

Condensed consolidated statement of changes in total equity
for the six months to 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Balance at the beginning of the period	**790 820**	906 875	906 875
Transactions with equity holders of the parent			
Comprehensive (loss)/income	**(53 359)**	(296)	130 480
Special dividend	**–**	–	(244 193)
Share repurchases	**(6 967)**	–	(34 629)
Share-based payments	**(301)**	722	1 784
Prior year IFRS 15 adjustment	**(168)**	–	–
Disposal of 10% of Westcon International without loss of control	**–**	–	13 175
Transactions with non-controlling interests			
Comprehensive loss	**(5 996)**	(2)	(6 342)
Acquisitions of additional interests from non-controlling interests	**(459)**	210	6 845
Disposal of 10% of Westcon International without loss of control	**–**	–	16 825
Balance at the end of the period	**723 570**	907 509	790 820

Determination of headline and underlying earnings
for the six months to 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Profit/(loss) attributable to the equity holders of the parent	**1 726**	(12 363)	44 359
Headline earnings adjustments	**26**	79	(80 080)
Impairment of capitalised development expenditure	**–**	–	55 112
Impairment of investment in joint venture	**–**	–	1 000
Profit on disposal of investment	**–**	–	(136 341)
Loss on disposal of property, plant and equipment	**26**	131	170
Tax effect	**–**	(52)	(21)
Non-controlling interests	**–**	–	(5 616)
Headline earnings/(losses)	**1 752**	(12 284)	(41 337)
Continuing operations	**1 752**	(30 446)	(64 604)
Discontinued operations	**–**	18 162	23 267
DETERMINATION OF UNDERLYING EARNINGS			
Underlying earnings adjustments	**10 321**	20 299	41 845
Unrealised foreign exchange (gains)/losses (continuing and discontinued operations)	**(4 033)**	4 311	11 131
Acquisition-related fair value adjustments	**(36)**	(66)	(48)
SYNNEX deal-related costs	**–**	3 442	–
Restructuring costs (continuing and discontinued operations)	**9 423**	6 713	18 701
Amortisation of acquired intangible assets (continuing and discontinued operations)	**4 967**	5 899	12 061
Tax effect	**(1 860)**	(4 650)	(9 949)
Non-controlling interests	**(1 404)**	(332)	(2 715)
Underlying earnings/(losses)	**8 809**	3 033	(12 156)
Continuing operations	**8 809**	(18 355)	(37 135)
Discontinued operations	**–**	21 388	24 979

Condensed segmental analysis
for the six months to 31 August 2018

For management's internal purposes, the Group is currently organised into three operating divisions which are the basis on which the Group reports its primary segmental information.
Principal activities are as follows:
Westcon International: Distribution of security, collaboration, networking and data centre products and solutions;
Logicalis: ICT infrastructure solutions and digital enablement services; and
Corporate, Consulting and Financial Services: Includes strategic and technical consulting, capital/leasing business, Group head office companies and Group consolidation adjustments.

	Westcon International			**Logicalis**			**Corporate, Consulting and Financial Services**			**Datatec Group Total**		
US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Revenue	**1 206 631**	1 147 968	2 316 650	**775 515**	677 650	1 563 714	**22 693**	19 205	43 351	**2 004 839**	1 844 823	3 923 715
Revenue from product sales	**1 158 774**	1 092 597	2 205 713	**461 580**	411 194	993 916	**–**	–	–	**1 620 354**	1 503 791	3 199 629
Revenue from sales of hardware	**855 313**	826 046	1 625 816	**420 142**	375 381	915 932	**(16 572)**	(14 870)	(26 850)	**1 258 883**	1 186 557	2 514 898
Revenue from sales of software	**296 713**	257 726	558 411	**43 076**	36 995	76 486	**(5 055)**	(5 700)	(10 406)	**334 734**	289 021	624 491
Revenue from vendor resold services and product maintenance sales	**26 320**	27 722	58 742	**417**	491	1 498	**–**	–	–	**26 737**	28 213	60 240
Inter-segmental revenue	**(19 572)**	(18 897)	(37 256)	**(2 055)**	(1 673)	–	**21 627**	20 570	37 256	**–**	–	–
Revenue from services	**32 063**	29 672	66 129	**129 765**	90 588	193 213	**22 693**	19 205	43 351	**184 521**	139 465	302 693
Revenue from professional services	**10 705**	10 385	22 149	**129 765**	89 718	196 431	**22 693**	20 075	40 133	**163 163**	120 178	258 713
Revenue from other services	**21 358**	19 287	43 980	**–**	–	–	**–**	–	–	**21 358**	19 287	43 980
Inter-segmental revenue	**–**	–	–	**–**	870	(3 218)	**–**	(870)	3 218	**–**	–	–
Revenue from annuity services	**15 794**	25 699	44 808	**184 170**	175 868	376 585	**–**	–	–	**199 964**	201 567	421 393
Revenue from cloud services	**15 794**	25 699	44 808	**22 252**	15 755	35 484	**–**	–	–	**38 046**	41 454	80 292
Revenue from other annuity services	**–**	–	–	**161 918**	160 113	341 101	**–**	–	–	**161 918**	160 113	341 101
EBITDA	**5 859**	(11 999)	(48 123)	**38 698**	28 186	86 165	**(1 985)**	(8 485)	(11 345)	**42 572**	7 702	26 697
Reconciliation of operating profit / (loss) to profit / (loss) after taxation												
Operating profit/(loss)	**1 037**	(25 986)	(127 934)	**25 564**	15 968	59 483	**(2 509)**	(8 965)	(12 527)	**24 092**	(18 983)	(80 978)
Interest income	**756**	679	1 609	**59**	839	1 444	**3 641**	187	5 617	**4 456**	1 705	8 670
Finance costs	**(6 176)**	(6 160)	(12 833)	**(7 882)**	(5 463)	(14 227)	**(3)**	(2)	(13)	**(14 061)**	(11 625)	(27 073)
Share of equity-accounted investment (losses)/earnings	**(823)**	146	(440)	**64**	–	(51)	**139**	85	215	**(620)**	231	(276)
Fair value movements on put option liabilities	**–**	*	*	**–**	–	–	**–**	–	–	**–**	*	*
Fair value adjustments on deferred and/or contingent purchase consideration	**–**	–	–	**36**	66	48	**–**	–	–	**36**	66	48
Other income/expenses	**(100)**	–	–	**–**	–	–	**124**	115	257	**24**	115	257
Profit/(loss) before taxation	**(5 306)**	(31 321)	(139 598)	**17 841**	11 410	46 697	**1 392**	(8 580)	(6 451)	**13 927**	(28 491)	(99 352)
Taxation	**(2 650)**	1 681	(7 649)	**(411)**	(3 361)	(7 311)	**(4 284)**	820	(3 505)	**(7 345)**	(860)	(18 465)
Profit / (loss) for the period from continuing operations	**(7 956)**	(29 640)	(147 247)	**17 430**	8 049	39 386	**(2 892)**	(7 760)	(9 956)	**6 582**	(29 351)	(117 817)
Profit for the period from discontinued operations	**–**	17 930	(433 629)	**–**	232	26 340	**–**	–	566 897	**–**	18 162	159 608
Profit / (loss) for the period	**(7 956)**	(11 710)	(580 876)	**17 430**	8 281	65 726	**(2 892)**	(7 760)	556 941	**6 582**	(11 189)	41 791
Total assets	**1 124 828**	2 465 006	1 088 316	**1 225 067**	1 121 801	1 253 824	**225 231**	51 466	319 458	**2 575 126**	3 638 273	2 661 598
Total liabilities	**(951 201)**	(1 909 526)	(957 802)	**(879 154)**	(812 352)	(890 820)	**(21 201)**	(8 886)	(22 156)	**(1 851 556)**	(2 730 764)	(1 870 778)

** Less than US$1 000.*

Sales and purchases between Group companies are concluded at arm's length in the ordinary course of business. The inter-group sales of goods and provision of services for the period ended 31 August 2018 amounted to US$21.6 million (H1 FY18: US$19.9 million).
The prior period's revenue has been re-presented to reflect the impact of IFRS 15.

Capital expenditure and commitments
as at 31 August 2018

US$'000	**Unaudited Six months to 31 August 2018**	Unaudited Six months to 31 August 2017	Audited Year ended 28 February 2018
Capital expenditure incurred in the current period (including capitalised development expenditure)	**18 832**	25 584	48 715
Continuing operations	**18 832**	22 961	48 715
Discontinued operations	**–**	2 623	–
Capital commitments at the end of the period	**20 526**	29 359	23 129
Lease commitments at the end of the (continuing operations)	**114 911**	126 033	128 789
Payable within one year	**28 935**	31 429	31 711
Payable after one year	**85 976**	94 604	97 078

Acquisitions made during the year
as at 31 August 2018

The following table sets out the assessment of the fair value of assets and liabilities acquired in the acquisition made by the Group during the period. The fair value assessments of assets and liabilities acquired and the amounts recognised as goodwill and intangible assets have only been determined provisionally due to the timing of the acquisitions and future amendments may impact classification in these categories.

US$'000	Unaudited Six months to 31 August 2018
Non-current assets	44
Current assets	1 805
Current liabilities	(386)
Net assets acquired	**1 463**
Goodwill	2 098
Fair value of acquisition	**3 561**
Purchase consideration	
Cash	3 357
Deferred purchase consideration	204
Total consideration	**3 561**
Cash outflow for acquisitions	
Cash and cash equivalents acquired	1 346
Cash consideration paid	(3 357)
Net cash outflow for acquisitions	**(2 011)**

Registered office: Ground Floor, Sandown Chambers, Sandown Village, 16 Maude Street, Sandown Johannesburg
18 October 2018

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)