

Datatec

Management buyout of Analysys Mason

Management buyout

IT services

As a first step in its ongoing strategic review, Datatec has announced the management buyout of Analysys Mason, its TMT research and management consultancy arm, backed by Bridgepoint Development Capital for an EV of up to £210m (US\$260m), 2.9x FY22 EV/sales and 14.4x FY22 EV/adjusted EBITDA (excluding share-based payment charges). Management's strategic review, which has not necessarily concluded, has started to unpick the group's embedded value, with the sale of Analysys Mason leaving Datatec as a simpler group with two principal businesses, Logicalis (IT services) and Westcon International (IT distribution). The maximum proceeds receivable by Datatec are US\$176m (c 38% of its current market capitalisation), with the net proceeds to be returned to shareholders. As a Johannesburg-listed, global ICT play, Datatec trades at a substantial discount to both its global peer group and our sum-of-the-parts valuation. Assuming continued strong operating performance, we expect this discount to continue to narrow over time.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
02/21	4,109	73.1	13.6	6.6	15.3	3.2
02/22	4,637	85.0	18.7	39.3	11.1	18.9
02/23e	4,919	95.9	19.6	6.5	10.6	3.1
02/24e	5,117	107.3	25.2	8.4	8.3	4.0

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

For its 71.2% fully diluted shareholding, Datatec will receive c £128m in cash and £7.1m in loan notes payable after three years, as well as a potential earnout based on FY23e EBITDA of up to £7.1m. Completion is conditional on 1) Datatec shareholders approving the sale by way of an ordinary resolution, 2) UK and French government approvals and 3) excluding Datatec's shareholding, 75% of shareholders (by value) agreeing to the sale. A break fee has been agreed if either of conditions 1) or 3) are not met. Datatec has received irrevocable undertakings or letters of support from shareholders holding or managing 44.16% of the total issued share capital (excluding treasury shares) which, together with CEO Jens Montanana's holding of 14.16%, takes irrevocable undertakings and letters of support to 58.3%, sufficient to pass the ordinary resolution.

With offices across Europe, Asia Pacific and the Middle East, Analysys Mason is a TMT-focused management consultancy and research business, with services including strategy, transaction support, transformation, regulation and policy. It delivered FY22 revenues of US\$90m (23% growth year-on-year), gross profit of US\$41m (a 45% margin), adjusted EBITDA (excluding share-based payments) of US\$18m (a 20% margin) and EBITDA of US\$11m (a 12% margin).

30 June 2022

Price **ZAR33.63**

Market cap **ZAR7.3bn**

ZAR16.21/US\$

Net debt (US\$m) at 28 February 2022 130.1

Shares in issue 217.0m

Free float 86%

Code DTCJ

Primary exchange Johannesburg

Secondary exchange N/A

Share price performance



Business description

Datatec is a South Africa-listed multinational information communication technology (ICT) business, serving clients globally, predominantly in the networking and telecoms sectors. The group operates through three main divisions: Westcon International (distribution); Logicalis (IT services); and Analysys Mason (consulting).

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