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DATATEC SNAPS UP TWO E-BIZ FIRMS FOR \$60 MILLION

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By Rob Rose

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[Johannesburg, SOUTH AFRICA] South African Information Technology firm Datatec bolstered its share price by over six percent on Monday courtesy of two international acquisitions amounting to over \$60 million.

The company's US division, Logical, this week concluded arrangements for the acquisition of e-business solutions company US Puget Sound Systems (PSSG) for a maximum of \$52.5 million (R3 62,25-million). Simultaneously, the company announced the acquisition of the Swiss e-business firm Conexus Global Information (CGI) for up to 15 million Swiss Francs, an amount equating to \$8.8 million or R60 million although the eventual figures for both acquisitions will depend on the eventual year-end profits.

News of these acquisitions sent Datatec's share price up by over six percent in yesterday's trading, before settling at R55 a share, up by over 4.36%.

While this is still some way off this year's high of R146, this will have provided some consolation for jittery investors anxious to see the price approach the heights it achieved prior to a crash in April.

In addition to announcing the two acquisitions, the company extended its earlier cautionary notice and informed investors that separate negotiations are still in progress which, if successful, could materially affect the share price.

Logical has already parted with an initial \$26.4 million for PSSG, with a further \$1.5 million due to be transferred once the earnout consideration has been negotiated. This earnout consideration, a further maximum amount of \$24.6 million, will be paid provided that PSSG achieves after tax profit of between \$1.7 million and \$3 million for the financial year to end-June 2001.

A similar deal has been negotiated with CGI; an initial 7.5 million Swiss francs is to be supplemented with a further maximum of 7.5 million francs should the company achieve profits of between 400,000 and 750,000 francs for the year to end-December 2000.

Datatec explained that the acquisitions formed part of its strategy to reinvent Logical as an e-integration and services business. The company said that this move was part of a larger plan to develop e-solutions companies into higher margin value-added service offerings that could then be sold on.

Datatec has also been looking to expand its profile in the North American region through its U.S. based Logical division, and the PSSG acquisition represents the third major U.S. purchase in recent months. This could be seen as a strategic jostling for market visibility in preparation for a potential Nasdaq listing, an option which the company has been contemplating for some time already.

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