

# News Release

## Datacraft doubles profit in first quarter of FY2006

*Best result in 13 quarters*

**Singapore, 8 February 2006** – Datacraft, the region's leading independent IT solutions and services company, has doubled its profit for the quarter ended 31 December 2005, its first of Financial Year 2006. Compared to Q1 of FY2005, after-tax profit was up 100% to US\$4.2 million, and is the highest in 13 quarters. This comparison includes the impact of expensing share options in both periods.

The strong performance was achieved on the back of higher revenue, improvement in operating margins and lower effective tax rate. From the balance sheet perspective, the Group continued to make great strides in improving working capital efficiency and cash generation.

### Financial Highlights

First Quarter ended 31 Dec	2006 US\$ million	2005 US\$ million	y-o-y % improvement
Revenue	<b>120.8</b>	103.5	17
Pre-tax profit	6.1	3.8*	61
Profit attributable to shareholders	4.2	2.1*	100
Net Cash	127.8	115.0	11**

\*For comparison purposes, Q1 FY2005 has been adjusted to include the impact of share options expense.

\*\* Taking into account the US\$14.0 million returned to shareholders in Q4 FY2005, the year-over-year increase in net cash would have been US\$26.8 million or 23%.

"This is a great start to the financial year and shows that the momentum behind the improvement in the quality of our business continues," said Bill Padfield, CEO of Datacraft Asia. "Our focus on more profitable, high-value business benefits our hardware margin while the continued emphasis on productivity helps our services margin. As a result, gross margin rose to 18%, which is 80 basis points better than a year ago as well as the previous quarter.

"Looking ahead, we are well positioned to benefit from the prevailing favourable market trends and there remains a significant demand for the Group's solutions and services. Our near-term demand is underpinned by a healthy order backlog of US\$114 million as at the end of Q1. We will continue to execute on our priorities – maintaining high margins, further enhancing client experience, developing our people and culture, and driving sustainable profitable growth."

Revenue for Q1 FY2006 grew 17% year-over-year to US\$120.8 million, reflecting growth across most geographic regions as well as our solutions lines of business. Growth is led by India which achieved strong double-digit year-over-year growth as a result of continued, strong demand from both enterprise and service provider customers. Elsewhere, the operations in China and Japan have made good progress in their recovery programs.

Compared to the prior quarter, revenue dropped 2% or US\$2.2 million as a direct result of the Group being more selective with regard to low margin hardware business.

During the quarter, the Group's selling, general and administration (SG&A) expenses totalled US\$15.7 million, translating to an SG&A expense-to-revenue ratio of 13.0%. This compares to 14.2% in Q1 FY2005 and 13.2% in the prior quarter. Consequently, profit before tax increased 61% year-over-year to US\$6.1 million, which also represented a 17% increase from Q4 FY2005.

At the after tax and minority interests level, the Group generated a profit of US\$4.2 million, representing a 100% increase over the same quarter last year, and a 37% increase compared with the prior quarter. Accordingly, net profit margin has expanded from 2.0% for Q1 last year to 3.5% in Q1 FY2006.

The Group's effective tax rate has been declining progressively from 45.1% in Q1 last year to 31.4% in this quarter due to a combination of factors including the positive impact of operational and tax initiatives and reduced losses in some countries.

The Group's balance sheet and cash continue to strengthen. During the quarter, the Group generated operating cash flow of US\$15.0 million, driven by profit growth and improvements in working capital. At the end of the quarter, the Group's net cash and short term investments stood at US\$127.8 million, up from US\$115.0 million a year ago and US\$113.7 million at the end of the prior quarter.

Receivables collection continued to improve with Days Sales Outstanding declining to 67 days, compared to 78 days a year ago and 70 days in the previous quarter. Inventory was reduced by half to US\$8.1 million, compared to US\$16.5 million last year and US\$15.7 million in the prior quarter.

Several positive developments have taken place subsequent to the close of Q1 FY2006. At the Extraordinary General Meeting held on 20 January 2006, the mandate for a share buyback programme was approved by the shareholders and the Group will be setting aside US\$15 million for on-market purchases of its shares. Furthermore, the Board has approved a dividend policy and intends to commence a regular dividend programme with effect from this financial year, profitability and cash permitting.

On 25 January 2006, the Group received full and final settlement of US\$5.15 million from its insurers for losses previously suffered in relation to the China accounts receivables, provided for in full in FY2002/2003. The settlement will be recorded as other income in Q2 FY2006.

## **About Datacraft**

*"Best Asian Systems Integrator" for fifth consecutive year - Telecom Asia*

Datacraft is the leading independent IT services and solutions company in Asia Pacific. The company helps clients plan, build and support their IT infrastructures. Datacraft combines an expertise in networking, security, operating environments, storage and contact centre technologies, with advanced skills in consulting, integration and managed services, to craft IT solutions for businesses.

A member of the Dimension Data Group, Datacraft is listed on the main board of the Singapore Exchange and is a component company of the Straits Times Index. Headquartered in Singapore, Datacraft spans more than 50 major offices and has over 1,200 employees across 13 Asia Pacific markets. More information can be found at [www.datacraft-asia.com](http://www.datacraft-asia.com)

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