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DataPro earnings up 41%

Presenter: Lindsay Williams **Guest(s):** Mike von Holdt

DataPro earnings per share move 41% up, and headline earnings per share move up 85% for the six months ended February 2007. Revenue is up 234% and operating profit is up over 150%. With DataPro chief financial officer Mike von Holdt

LINDSAY WILLIAMS: DataPro has brought out great results, and they're at the forefront of telecommunications de-regulation in South Africa. Mike, a nice set of numbers...

MIKE VON HOLDT: Yes, we are very pleased with the numbers. It's pretty much what we expected with the acquisition of Orion towards the end of last year that's really just become effective at the beginning of February.

LINDSAY WILLIAMS: Your stated aim is to become "the top alternative telecommunications provider." Has DataPro been able to achieve that, and is communications authority Icasa allowing you to do so?

MIKE VON HOLDT: Yes and no. It's a bit of a double-edged sword because they're competitors and suppliers to us in many respects - so we don't take them on in many ways as much as we would like to. On the one hand we have operational interconnects for outgoing traffic with Telkom that are in place, but on the other hand we are waiting now to get inbound call termination operational. All the infrastructure is in place - all we have to do is switch it on - but what's holding us back is that there's a tariff that has to be ratified by Icasa. We understand that a rate was lodged with Icasa last week, but that has yet to be ratified. We are confident that's going to happen - it's just a question of when.

LINDSAY WILLIAMS: What's the significance of this? You said outgoing is all in place, but there's a delay with incoming because of the ratification of these rates - why is that important from a layman's point of view?

MIKE VON HOLDT: What it means historically companies like DataPro has only been able to make money on outgoing call traffic - basically we pay Telkom an interconnect fee, because we are terminating calls on their network. Now from an incoming call

termination point of view we've been given our own number range by Icasa - because we've got a band licence. What that means for our customers is we will allocate them an 087 number, and if that number is called from a Telkom network Telkom will have to pay us a termination fee every time our 087 number is used. That opens up a whole new revenue stream that's never existed in this country before, and that's essentially the "blue sky" for us but it's very difficult to put a number to that at this point because we have no idea what it could be.

LINDSAY WILLIAMS: Let's hope that you, Icasa and the other telecommunications companies sort that out. Looking at Orion Telecom that was an ambitious acquisition - how much did it contribute to these numbers?

MIKE VON HOLDT: From a revenue point of view they contributed about R76million - which is really just one month - so we are comfortable that it's going to make a big difference, especially towards our year-end in August. With the full twelve months we anticipate revenues to be over the R1billion mark.

LINDSAY WILLIAMS: So that's extremely important in the future. Elsewhere you're placing an awful lot of focus on organic growth - can you tell us about the other areas of operation?

MIKE VON HOLDT: Our data businesses - which is the historical DataPro business, as well as the Atlantic consumer ISP business - have both grown organically very nicely at 47% and 43% respectively. So we are seeing a lot of growth in that market, which is quite interesting - you may have noticed if you are an active bandwidth user that prices are coming down, but usage and the number of users is also increasing exponentially - so we are seeing very nice growth on that side. Also, with the Orion acquisition we now have the ability to target customers that in the past were never really available to us. DataPro was always a small to medium-sized enterprise player, but we now have the ability to take on Orion level customers, and they have 60% of the top 200 JSE customers on the voice side. Now we have a way to access those customers we are confident we can start up-selling from the consumer all the way to the top corporates.

LINDSAY WILLIAMS: The DataPro share price outperformed the JSE up 1.2% to close at R1.67 per share on almost 4 million shares traded.

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