



Pre-Close Trading Update

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Computacenter plc

Pre-Close Trading Update

Computacenter is today holding an Investor and Analyst conference call to provide an update on trading for the six months to 30 June 2009.

Overall profitability in the first half (pre-exceptional charges) will be ahead of current market expectations.

The first half of 2009 has seen good growth in our Contractual Services across the Group and significant cost reductions, both of which have driven our increased profitability. Conversely, we have seen a significant negative impact of the reduction in our customers' capital budgets in product sales and in Professional Services which is involved with the implementation of new systems and projects. Overall revenues reduced by 3% in the period, but were down by 8% in constant currency.

Additionally, this combination of factors has not only improved the profitability in this period but this continuing trend in business mix increases our long term visibility and predictability of earnings.

As previously announced there is likely to be an exceptional charge of circa £5m for the year as a whole, the majority of which has been expensed in the first half.

Our continued focus on the rigorous management of working capital has resulted in strong cash generation in the period. At the end of the period Group net funds were circa £49 million before customer specific financing 'CSF' (net debt before CSF at H1 2008 was £29.7 million). The cash position was flattered on a one off basis by circa £10 million in the UK due to the timing of our quarter end. CSF at the end of the period was circa £65 million (£66.2 million at 30 June 2008). In January 2009 we announced our decision to cease the trade distribution of personal systems and expected a cash inflow of approximately £15 million, this was implemented successfully with an actual cash inflow of approximately £18 million.

We have realised the majority of our planned cost reductions in the UK. We implemented the organisational change, enhanced our competitive positioning and improved profitability as set out in our Pre-Close briefing on 13 January, 2009. Contractual Services revenue increased by 10% in the period which bodes well for profitability in the second half and years to come. Overall revenue in the UK was down 8% excluding the impact of exiting the trade distribution of personal systems. The combination of these factors in the UK together with the exiting of trade distribution will have a positive effect on margins.

In Germany, we are continuing to see further progress with increased services revenues of 4% in constant currency coupled with an increase in services margin. German product revenue was down only 4% but has been a little weaker towards the end of the period. Computacenter Germany has been successful in winning one of its largest Managed Services contracts to date, which will commence in the second half but will not make a significant contribution to the business until 2010.

Computacenter France has seen an improved performance against the first half of last year driven by 12% service revenue growth in constant currency and improved service margins combined with overhead cost reduction. These factors are encouraging for the future of our French business, however the second half of 2009 as previously highlighted will be challenging due to the start-up of new contracts with our largest customer in France.

At a Group level, our annual service contract base now stands in excess of £510 million on 30 June 2009 representing a growth in excess of 11% over 30 June 2008 on constant currency.

We are pleased with the progress achieved in the first six months and the consistent improvement in Group performance that we have been able to deliver. However, we are far from satisfied and much remains to be done to achieve the long term performance we desire.

Looking particularly at the second half of 2009, we are unlikely to see a return to growth in capital expenditure on IT equipment across our geography, however we are confident of further progress in our contractual services business where we save our customers money. We will also continue to be rigorous in the cost management of our business. We are obviously not immune to the broader economic environment but our performance to date gives us encouragement for the future.

Mike Norris, Chief Executive of Computacenter plc, commented:

"The trading environment remains very challenging and neither Computacenter nor its customers are immune. It is therefore no surprise that our product sales are down in the period. However the steps that we have taken to reduce our costs and win new service contracts have meant that we are again able to deliver another strong profit performance."

Computacenter will report its Interim results on 27 August 2009.

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Note

The financial information contained within this announcement is sourced from unaudited management accounts.

This information is provided by RNS
The company news service from the London Stock Exchange

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