Trading Update

July 12, 2011
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Computacenter PLC
12 July 2011

Computacenter plc

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Computacenter plc ("Computacenter" or the "Group"), the independent provider of IT infrastructure services and solutions is today providing an update on trading for the six months ended 30 June 2011, in advance of the announcement of its interim results on Tuesday, 30 August 2011.

Group

Overall, Group profitability in the first half will be comfortably ahead of the same period last year and trading at this stage remains in line with management expectations for the year as a whole.

The first half of the financial year ending 31 December 2011 saw revenue growth of approximately 6%. Excluding acquisitions, revenue grew by approximately 4% and in constant currency terms, without acquisitions, revenue growth was similarly in the region of 4%.

The second quarter was consistent with the first quarter with growth in Services across all of our geographies, but with weak Product revenues from our more financial services oriented client base in the UK, contrasting with much stronger growth from our predominantly industrially oriented customer base in both France and, more specifically, Germany.

Cash Position

Cash flow generation in the period has been positive, offset by the ongoing investments in the business. Net cash at the period end, before Customer Specific Financing (CSF) was £103.2 million, a reduction of £36.3 million since 31 December 2010 and a year on year increase of £7.6 million since 30 June 2010. In addition to working capital growth, as a consequence of the strong performance of our German business in particular, we have had cash outflows of £24 million to finance two acquisitions during this period; an enlarged dividend payment; as well as the £11 million purchase of a freehold property in Braintree, Essex, to consolidate existing facilities and aid the growth of our IT recycling subsidiary RDC. The net cash position continues to be flattered (currently to the extent of £30.8 million), by the ongoing extended credit facilities from one of our major suppliers which at this stage, we expect will remain in place for most of the second half of the year. At the end of the period, CSF stood at £21.5 million (£38.5 million at 30 June, 2010).

UK

Whilst the UK saw Services growth in the first half of 1%, during the period we have had several new contract signings and we exit the first half with a strong pipeline. As a result, we expect the growth rate to return to more normal levels, when the new contracts commence service and billing in the months ahead. Product sales have declined in the first half by 23% as our customers have been cautious on capital expenditure, compared to a very buoyant period in the previous year. This decline in Product revenue has not had a corresponding impact on the profitability, due to increased margins in both Product and Services. While some of this improvement in margin has come from a change in mix to Services from Product, underlying improvements within both businesses themselves are clearly evident.

Germany

In constant currency, excluding the acquisition, Germany has achieved strong revenue growth in the first half of 10% in Services and 38% in Product, in both cases greater in the second quarter than in the first. Much of our growth in Germany in the first quarter was due to a softer comparator, but the same was not as true for the second quarter, making the growth rate even more impressive. For the first time we will report larger revenues in Germany for the period than the UK. It would be unrealistic to expect to continue this level of Product growth in the second half of the year, particularly as the comparisons get increasingly more difficult due to the improving environment we experienced in the latter half of 2010. The HSD acquisition in Germany completed in the second quarter and did not have a material impact on the first half. We remain confident that we will see growth in Germany in both Product and Services in the second half and we are particularly encouraged by the strength of our Services pipeline.

France

In France, excluding the effects of the Top Info acquisition, we grew our Services business by 7% and our Product business by 16%, in constant currency. Following the acquisition, which is included in our results from the beginning of the second quarter, growth rates are 39% and 15% for Product and Services, respectively. We are likely to report a small profit in France for the first half, something we have not done for many years. This bodes well for the year as a whole, as the second half has traditionally been the more profitable period. Whilst much remains to be done to integrate Top Info, the early signs are encouraging.

Outlook

The Group remains on track to deliver results in line with the Board's expectations for the year as a whole. As we have previously indicated, the second half of the year will be held back somewhat by an increase in the depreciation charge, as we roll out our new ERP system. Additionally, due to the improving performance in 2010 as we went through the year, the second half of 2011 presents us with a less easy set of comparators than the first half. As we look out beyond 2011, we are encouraged by our progress, particularly in our Managed Services business, which we believe can present a cornerstone for Computacenter's growth in the years ahead.

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Conference call

There will be a conference call for analysts and investors this morning at 8.30am

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