Interim Management Statement

October 12, 2012
RNS Number : 5421O
Computacenter PLC
12 October 2012

Computacenter plc

Interim Management Statement

'The Group's trading result is expected to be broadly in line with the Board's revised expectations for 2012'

12 October 2012

Computacenter plc ("Computacenter"), the independent provider of IT infrastructure services and solutions, today publishes its Interim Management Statement from 30 June 2012 to date. Figures below are based on unaudited financial information, for the third quarter.

Financial Performance

Overall revenue growth for the third quarter on an as reported basis, increased by 1% to £656 million (2011: £648 million). In constant currency, growth was 6%. The third quarter was unaffected by acquisitions. Revenue grew year-to-date by 3% to £2.07 billion (2011: £2.01 billion). On a constant currency basis, the growth was 7%, virtually unaffected by acquisitions.

Group Services revenue grew by 9% in the third quarter, 13% in constant currency, bringing the year-to-date position to 11% and 15% respectively.

Group Supply Chain revenue declined by 2% in the third quarter and grew by 2% in constant currency, bringing the year-to-date position to a decline of 1% and growth of 4%, respectively.

UK

The UK continued its revenue improvement with growth of 12% in the third quarter to £265 million (2011: £236 million), bringing the year-to-date growth to 8%, with Services growth of 18% in the third quarter, 16% year-to-date and Supply Chain growth of 9% in the third quarter and 3% year-to-date. While we are pleased with the Supply Chain revenue growth, it is worth noting that we are comparing it to a somewhat weaker period a year ago. As expected, our Services growth has continued to improve as new contracts have come on board, with the pipeline remaining strong for the rest of the year, boding well for growth into 2013. While the take-on of new contracts always comes with operational challenges we are satisfied with the performance of new contracts, particularly given the growth rate of our Services business.

Germany

German revenue in the third quarter declined 6% to £274 million (2011: £292 million) which represents flat revenue performance at constant currency. This brings the year-to- date position to a decline of 2% (constant currency : growth of 5%). Services revenue was flat in the third quarter (constant currency : growth of 7%), bringing the year-to date position to growth of 6% (constant currency : 13%). Supply Chain revenue in the quarter declined by 9% (constant currency : decline of 3%), bringing the year-to-date position to a decline of 5% (constant currency : growth of 1%). While the third quarter showed decline in the Supply Chain business, for the year-to-date position, this represents a stabilisation from the performance in the second quarter. We have stated before that the comparison was challenging, given the strong growth achieved in the second and third quarters in the German Supply Chain business in 2011 by 46% and 22%, respectively, in constant currency. As previously reported, the most challenging issue for the Group in 2012 has been the on-boarding of new Contractual Services contracts in Germany. While we have made some improvements in the performance of contracts that have been with us for a number of months, we have seen a material deterioration in the more recent contracts, as the transition stage demands increased volume, stabilisation and customer satisfaction is requiring more time and cost than anticipated. Much still remains to be done, particularly with three newer contracts, to bring the situation in line with our requirements.

France

In France, overall revenue performance was flat in the third quarter and 7% in constant currency. This brings the year-to date revenue growth position to 1% (constant currency : 8%). The third quarter was unaffected by the acquisition, however, year-to-date performance declined by 1% in constant currency, including the effect of the acquisition of Top Info at the beginning of the second quarter of last year. Services growth in France in the third quarter was 8% (constant currency : 16%) bringing the year-to-date position to 8% (constant currency : 16%) which is not materially affected by the acquisition. Supply Chain revenue in the third quarter declined by 2% (constant currency : growth of 5%), bringing the year-to-date position to a flat revenue performance (constant currency : growth of 7%). The third quarter is unaffected by the acquisition of Top Info, however the year-to-date position reflects a decline of 3% at constant currency, when taking in to consideration this acquisition. The Supply Chain performance showed improvement in the third quarter from the second and, as anticipated, performance strengthened through the quarter as the impact from the change in Government in France abated. In the third quarter, the majority of our Supply Chain operation moved to a new facility, the transition to which has had a short-term detrimental effect on performance, but pleasingly, this is predominantly behind us as we go into the all important fourth quarter.

Financial Position

At the end of the third quarter of this year, net cash excluding customer specific financing (CSF) was approximately £86 million, compared to £97 million at the end of the third quarter of 2011. We continue to benefit from the extended credit scheme with one of our major vendors by approximately £31 million (Sep 2011 : £30 million). The Group has made a number of significant capital investments over the last year to accommodate our Services growth, particularly relating to the expansion of our Services facilities in Barcelona, Berlin, Cape Town and Dallas, as well as our new logistical facilities in France. Working capital has increased, partially due to the growth in the business, particularly in Services, with some deterioration in customers' payment terms and incremental stock required in our French business, as we transitioned to our new facility, the latter of which is clearly of a temporary nature.

Group Outlook

While the costs being incurred remediating our new contracts in Germany are likely to be higher than we previously expected, these costs are expected to be largely offset by a stronger performance in other parts of the business, particularly in the UK.

Much remains to be done and whilst the Supply Chain business performance in the fourth quarter is not as critical as it once was to Computacenter's overall performance, it still remains an important factor. As a consequence, the Group's trading result is expected to be broadly in line with the Board's revised expectations for 2012.

Looking to 2013 and beyond, the momentum we have built up in the UK, particularly within our Services business, is highly encouraging. While in France the integration of Top Info and the facilities moves will be behind us, the migration to Group ERP system will need to be completed in 2013. In Germany, our focus will remain on improving the performance of the new contracts in the first half of the year, but thereafter, we will expect the position to improve.

Our next scheduled trading update will be the pre-close briefing, prior to our annual results, which is scheduled for 17 January 2013.

Enquiries

Computacenter plc

Mike Norris, Chief Executive 01707 631601

Tony Conophy, Finance Director 01707 631515

Tessa Freeman, PR Manager 01707 631514

Tulchan Communications 020 7353 4200

Christian Cowley

Rebecca Scott