



Half Year Pre-Close Update

July 16, 2013
RNS Number : 3764J
Computacenter PLC
16 July 2013

Computacenter plc

Trading Update - Overall trading in line with expectations

16 July 2013

Computacenter plc ("Computacenter" or the "Group"), the independent provider of IT infrastructure services and solutions is today providing an update on trading based on unaudited financial information for the six months ended 30 June 2013, in advance of the announcement of its interim results on Friday, 30 August 2013.

Group

Group revenue for the first half was flat on an as reported basis and reduced by 2% in constant currency. Group Services revenue increased by 4% on a reported basis and 2% in constant currency. Group Supply Chain revenue reduced by 2% on a reported basis and by 4% in constant currency.

Cash Position

We announced a one-off return of value to shareholders of £75 million on 24 May 2013. This resulted in a £31 million outflow in the first half, and therefore our net cash position before customer specific financing (CSF) reduced to £80 million at the end of that period. This outflow masks an underlying improvement of £9 million on a like-for-like basis compared with the position on 30 June 2012 of £102 million. The return of value will impact the Group's cash position in the third quarter, due to the remaining £44 million having been paid out to shareholders in early July, following the successful completion of the transaction. The Group has the benefit of a committed facility of £40 million, which is wholly unutilised.

Net funds excluding CSF in £ million	June 2013	June 2012	Change
Net funds prior to return of capital	111	102	9
Return remitted in late June 2013	(31)	0	(31)
As reported at 30 June 2013	80	102	(22)
Return remitted in early July 2013	(44)	0	(44)
Net funds post return of capital	36	102	(66)

We expect the return of value to reduce our interest income by approximately £1 million annually, with earnings per share augmented by around 9%. In 2013, the impact felt will amount to approximately half of these annual amounts.

Including CSF of £16 million (2012 : £18 million), our net funds position reduced to £64 million (2012: £84 million). Our cash position is enhanced by £26 million (£26 million in 2012) due to the ongoing improved payment terms from one of our major vendors.

UK

UK revenue grew by 2% in the first half of the year with Services revenue increasing by 5% and Supply Chain revenue flat. As we indicated at the time of our interim management statement on 24 April 2013, a substantial volume of take-on billing during the second quarter of last year has produced a very challenging comparison for the same period in 2013. This means that, despite a strong UK Services performance during the second quarter of 2013, Services revenue has been flat against that achieved during the second quarter of 2012. The comparison in the second half of the year is somewhat easier and we are confident that our Services growth rate will return to levels broadly in line with those experienced in the first quarter of the year. Within the last few weeks we have successfully reached exclusive negotiations on a number of new contracts within the UK which, if successfully concluded, should enable us to maintain our Services growth into 2014 and beyond.

Supply Chain margins have seen a small improvement relative to the same period in 2012, as the product mix has remained similar between our high end products and our lower margin PC sales.

Germany

German total revenue fell by 1% in constant currency during the first half, with a 1% reduction in Services and 2% reduction in Supply Chain. We saw a strong recovery in the second quarter with Services revenue flat and Supply Chain revenue growing by 15%. Excluding the three loss-making contracts, we are pleased that after some time, our Services business is stabilising and we are seeing an improvement in margins. Whilst we still have a long way to go to reach an acceptable level, we are making meaningful progress. We are stepping up our campaigning for new Services contracts and while we are still in the early stages of that process, the prospect pipeline looks substantial. The recent implementation of new Group processes in our German business has significantly increased our confidence that if we are able to secure these contracts we will on-board them successfully, from both a customer service perspective and in respect of the Group's financial position.

Turning specifically to our three loss-making contracts, whilst they have performed in line with our recent expectations in the second quarter, we are of the belief that these contracts are now highly likely to be loss-making from 1 July 2013 until the end of life. There is further work to do and customer negotiation to be undertaken to assess the full quantum of these losses. However, we expect that, once finalised, these losses will require an additional provision to be made, which due to its nature and size will be stated as an exceptional item. As previously stated in our interim management statement on 24 April 2013, we will give further details on the potential quantum of any provision that will be made at the time of our interim results on Friday, 30 August 2013.

France

French revenue declined by 12% in constant currency in the first half of the year, with Services revenue falling 5% and Supply Chain revenue falling 13%. The revenue performance of the business deteriorated in the second quarter, with relative growth rates showing a 20% reduction in Supply Chain and a 9% reduction in Services against those seen for the same period last year. We are pleased to note that our French business successfully migrated to our Group ERP system at the beginning of June. This completes our Group ERP roll-out on time and in line with our agreed financial plan excluding the impact of currency fluctuation. While this migration has been consistent with the successes in Germany and the UK, its timing has meant some orders could not be processed by the end of June. There will be a catch up early in the third quarter, which we estimate could account for up to half of the revenue decline in Supply Chain during quarter two. In the second half of 2013, we will endeavour to implement our Group Operating model within the French business. Market conditions within France are clearly challenging but we are confident that our new ERP system now in place and our Group Operating model will go some way to improving the financial performance in the business over the medium term. We believe that the financial performance during the first half of the year will prompt a non-cash impairment to non-current assets in the French cash-generating unit, principally relating to goodwill and acquired intangibles from the Top Info acquisition back in 2011. On a positive note, we are particularly encouraged by a significant large Services contract within the French market where we are at the final contract negotiation stage.

Outlook

With the finalisation of the exceptional provision we expect to make for the three German loss-making contracts at the time of our interims, we will better be able to understand the positive impact this is likely to have on expectations for 2013 and 2014.

The UK business continues to perform in line, supported by some improvement within our German business, which is offset by a further deterioration in France.

The continued strong performance of our UK business is encouraging for the future, along with the improvement we are starting to see in Germany, both of which are supported by significant new business pipelines.

We will be announcing our interim results for the six months to 30 June 2013 on Friday, 30 August 2013.

Enquiries:

Computacenter plc

Mike Norris, Chief Executive: 01707 631601

Tony Conophy, Finance Director: 01707 631515

Simon Pereira, Company Secretary: 01707 639072

Tulchan Communications

James Macey White

020 7353 4200

Conference call

There will be a conference call for analysts and investors this morning at 9.30am.

Appendix

Revenue growth summary by segment for Q2 2013 vs Q2 2012 and H1 2013 vs H1 2012

Change vs 2012	Q2 Change As Reported	Q2 Change Constant Currency	H1 Change As Reported	H1 Change Constant Currency
<i>Supply Chain</i>				
<i>Revenue</i>				
UK	-3%	-3%	0%	0%
Germany	19%	15%	2%	-2%
France	-17%	-20%	-10%	-13%
Group	1%	-1%	-2%	-4%
<i>Services Revenue</i>				
UK	0%	0%	5%	5%
Germany	3%	0%	3%	-1%
France	-6%	-9%	-2%	-5%
Group	1%	0%	4%	2%
<i>Total Revenue</i>				
UK	-2%	-2%	2%	2%
Germany	14%	10%	2%	-1%
France	-15%	-18%	-9%	-12%
Group	1%	-1%	0%	-2%

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

END

TSTEANXSFELDEFF