# 2017 INTERIM RESULTS

Half year results to 30 June 2017

25 August 2017

# H1 2017 FINANCIAL HIGHLIGHTS

- ► Group revenue increased **15.0 per cent** to **£1.70 billion** (H1 2016: £1.48 billion) and by **8.7 per cent** in constant currency[2]
- ► Group adjusted[1] profit before tax increased by **65.6 per cent** to £41.9 million (H1 2016: £25.3 million) and by **58.7 per cent** in constant currency[2]
- ► Adjusted[1] diluted earnings per share (EPS) of **25.6 pence** (H1 2016: 15.3 pence), an increase of **67.3 per cent**
- ► Net funds[3] of **£137.3 million** (H1 2016: £96.6 million), an increase of **£40.7 million**
- ► Interim dividend of **7.4 pence** (H1 2016: 7.2 pence), an increase of **2.8 per cent**
- ► **We anticipate returning circa £100 million of excess cash to shareholders during Q4 2017**

# H1 2017 FINANCIAL HIGHLIGHTS

| | H1 2013 | H1 2014 | H1 2015 | H1 2016 | H1 2017 | H1 2017 vs H1 2016 |
|---|---|---|---|---|---|---|
| **Revenue (£m)** | 1,403.8 | 1,435.4 | 1,438.0 | 1,478.2 | 1,700.3 | 15.0% |
| **Adjusted[1] profit before tax** (£m) | 24.4 | 25.6 | 29.1 | 25.3 | 41.9 | 65.6% |
| **Adjusted[1] diluted EPS** (pence) | 11.7 | 13.2 | 17.0 | 15.3 | 25.6 | 67.3% |
| **Dividend per share** (pence) | 5.2 | 5.9 | 6.4 | 7.2 | 7.4 | 2.8% |
| **Services Contract Base[2]** (£m) | 648.7 | 661.3 | 670.3 | 703.6 | 728.3 | 3.5% |
| **Operating cash flow** (£m) | (9.8) | 10.3 | 1.0 | (1.1) | 11.4 | n/a |

## Four-Year Compound Annual Growth Rate

Adjusted[1] profit before tax
**14.5%**

Adjusted[1] diluted EPS
**21.6%**

Dividend per share
**9.2%**

Services Contract Base[2]
**2.9%**

# H1 2017: OPERATING HIGHLIGHTS

- ► Record adjusted[1] EPS of 25.6 pence (H1 2016: 15.3 pence), an increase of 67.3 per cent;
- ► The Group's first half performance was marginally ahead of our expectations for the period, as revised at the time of our Q1 Trading Update on 24 April 2017;
- ► The UK business achieved good revenue growth across the Supply Chain and Professional Services practices with improved Services margins dampened by Supply Chain margins which remain challenging;
- ► Strong revenue growth within the German business, led by key Supply Chain accounts and supported by continuing demand across our Services portfolio; and
- ► Continuing profit recovery in France with a materially improved revenue mix from Supply Chain towards Services in the first half, making the business more sustainable.

# FINANCIAL REVIEW

Tony Conophy

25 August 2017

# H1 2017: GROUP ADJUSTED FINANCIAL RESULTS

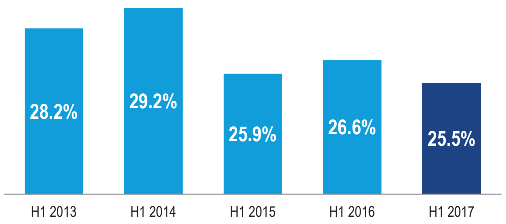
| | Actual currency[2] | | | Constant currency[2] |
|---|---|---|---|---|
| | H1 2017 £m | H1 2016 £m | Change | Change |
| **Revenue** | **1,700.3** | **1,478.2** | **15.0%** | **8.7%** |
| **Adjusted[1] gross profit** | **222.8** | **189.3** | **17.7%** | **11.6%** |
| *Adjusted[1] gross profit %* | *13.1%* | *12.8%* | *0.3%* | *0.3%* |
| Administrative expenses | (181.4) | (164.2) | (10.5%) | (4.6%) |
| **Adjusted[1] operating profit** | **41.4** | **25.0** | **65.6%** | **58.0%** |
| *Adjusted[1] operating profit[1] %* | *2.4%* | *1.7%* | *0.7%* | *0.8%* |
| Adjusted[1] net interest | 0.5 | 0.2 | 150.0% | 150.0% |
| **Adjusted[1] profit before tax** | **41.9** | **25.3** | **65.6%** | **58.7%** |
| Adjusted[1] tax expense | (10.7) | (6.7) | (59.7%) | (52.9%) |
| *Adjusted[1] tax rate* | *(25.5%)* | *(26.6%)* | *1.1%* | *1.1%* |
| **Adjusted[1] profit after tax** | **31.2** | **18.6** | **67.7%** | **60.8%** |
| **Diluted earnings per share** | | | | |
| – Adjusted[1] (pence) | 25.6 | 15.3 | 67.3% | |
| – Statutory (pence) | 28.3 | 13.2 | 114.4% | |

## Performance Headlines

- Revenue up 15.0 per cent, and by 8.7 per cent in constant currency[2]
- Adjusted[1] operating profit up 65.6 per cent, 58.0 per cent in constant currency[2]

## Adjusted[1] tax rate

reduces as the performance in France improves, offset by the increasing German share of profits and the underlying German cash tax rate.




## Exchange Impact

If the 30 June 2017 spot rates were to continue through the remainder of 2017, the impact of restating FY 2016 at FY 2017 exchange rates would be an increase of approximately £120 million in FY 2016 revenue and an increase of approximately £3 million in FY 2016 adjusted[1] profit before tax.

## Average Daily Rate

**H1 2017 : £1 = € 1.163**
H1 2016 : £1 = € 1.283

# H1 2017: RECONCILIATION TO STATUTORY RESULTS

| | H1 2017 Statutory results £m | CSF interest £m | Utilisation of DE Deferred Tax Asset £m | Exceptional and other adjusting items £m | H1 2017 Adjusted[1] results £m | H1 2016 Adjusted[1] results £m | Change % |
|---|---|---|---|---|---|---|---|
| **Revenue** | **1,700.3** | **-** | **-** | **-** | **1,700.3** | **1,478.2** | **15.0%** |
| Cost of sales | (1,477.4) | (0.1) | - | - | (1,477.5) | (1,289.0) | (14.6%) |
| **Gross profit** | **222.9** | **(0.1)** | **-** | **-** | **222.8** | **189.3** | **17.7%** |
| Administrative expenses | (181.4) | - | - | - | (181.4) | (164.2) | (10.5%) |
| Amortisation of acquired intangibles | (0.1) | - | - | 0.1 | - | - | |
| Exceptional items | 1.5 | - | - | (1.5) | - | - | |
| **Operating profit** | **42.9** | **(0.1)** | **-** | **(1.3)** | **41.4** | **25.0** | **65.6%** |
| Exceptional gain on disposal of an investment property | 4.3 | - | - | (4.3) | - | - | |
| Finance revenue | 0.7 | - | - | - | 0.7 | 0.7 | 0.0% |
| Finance costs | (0.4) | 0.1 | - | - | (0.2) | (0.4) | 50.0% |
| **Profit before tax** | **47.5** | **-** | **-** | **(5.7)** | **41.9** | **25.3** | **65.6%** |
| Income tax expense - before exceptional items | (12.7) | - | 2.0 | (0.0) | (10.7) | (6.7) | (59.7%) |
| Income tax expense - exceptional items | (0.4) | - | - | 0.4 | - | - | |
| **Profit for the period** | **34.5** | **-** | **2.0** | **(5.3)** | **31.2** | **18.6** | **67.7%** |

# H1 2017: EXCEPTIONAL AND OTHER ADJUSTING ITEMS

## Exceptional items

- A net gain of £5.6 million was recorded, resulting from exceptional and other adjusting items (H1 2016: net loss of £1.7 million). The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.
- The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of disposal costs, has been classified as exceptional.

## Other adjusting items

- The Group presents utilisation of deferred tax assets, where initial recognition was an exceptional item, or as a fair value adjustment on acquisition, as outside its adjusted[1] results. During the period, the German deferred tax asset has been reduced by £2.0 million due to the reduction in losses recognised over the foresight period. The majority of our readily available German losses will be utilised by the end of 2018, resulting in the full utilisation of the residual asset of £4.0 million.

# H1 2017: REVENUE BY SEGMENT

| | Actual currency[2] | | | Constant currency[2] | | |
|---|---|---|---|---|---|---|
| | H1 2017 £m | H1 2016 £m | Change % | H1 2017 £m/€m | H1 2016 £m / €m | Change % |
| **Supply Chain Revenue** | | | | | | |
| UK | 428.7 | 408.4 | 5.0% | 428.7 | 408.4 | 5.0% |
| Germany | 515.0 | 395.4 | 30.2% | 597.9 | 507.3 | 17.9% |
| France | 175.2 | 160.6 | 9.1% | 203.4 | 206.0 | (1.3%) |
| Belgium | 19.3 | 15.8 | 22.2% | 22.4 | 20.4 | 9.8% |
| **Total Group** | **1,138.2** | **980.2** | **16.1%** | **1,138.2** | **1,039.9** | **9.5%** |
| **Services Revenue** | | | | | | |
| UK | 249.6 | 236.7 | 5.4% | 249.6 | 236.7 | 5.4% |
| Germany | 247.9 | 212.4 | 16.7% | 288.3 | 272.5 | 5.8% |
| France | 53.4 | 40.2 | 32.8% | 62.1 | 51.6 | 20.3% |
| Belgium | 11.2 | 8.7 | 28.7% | 13.0 | 11.1 | 17.1% |
| **Total Group** | **562.1** | **498.0** | **12.9%** | **562.1** | **524.3** | **7.2%** |

*[2] Refer to the glossary for definitions.*
*Note that European Segments in constant currency[2] are shown in €m*

**Supply Chain revenue**

The UK Supply Chain performance continued the recovery displayed in the fourth quarter of 2016, with pleasing top-line growth tracking Management's expectations. German revenue growth has been very strong through the first half with growth across the portfolio but concentrated within the public sector. The decline in French Supply Chain volumes has continued but the decline has all but halted, in line with Management's strategy to exit low-margin generating business, particularly in Software. Opportunities in the second half appear numerous with optimism across the Group.

**Services revenue**

The UK Services business has been led by a rebounding Professional Services practice with customer transformations driving utilisation. The Managed Services business has had some encouraging wins and several critical renewals and has shown reasonable growth. The German business has seen balanced growth between the Professional Services and Managed Services areas with the Contract Base extension in 2016 leading to pull-through opportunities in Professional Services. Utilisation is high and further resource is scarce. French Managed Services has benefitted from several contracts that are critical to the Group. All of the Group revenues for these French-centric contracts are now recorded in this Segment, with adjustments made to prior period Segmental Managed Services revenues to allow appropriate comparative analysis.

# H1 2017: REVENUE & ADJUSTED OPERATING PROFIT BY SEGMENT

| | Actual currency[2] | | | Constant currency[2] | | |
|---|---|---|---|---|---|---|
| | H1 2017 £m | H1 2016 £m | Change % | H1 2017 £m / €m | H1 2016 £m / €m | Change % |
| **Revenue** | | | | | | |
| UK | 678.3 | 645.1 | 5.1% | 678.3 | 645.1 | 5.1% |
| Germany | 762.9 | 607.8 | 25.5% | 886.2 | 779.8 | 13.6% |
| France | 228.6 | 200.8 | 13.8% | 265.5 | 257.6 | 3.1% |
| Belgium | 30.5 | 24.5 | 24.5% | 35.4 | 31.5 | 12.4% |
| **Total Group** | **1,700.3** | **1,478.2** | **15.0%** | **1,700.3** | **1,564.2** | **8.7%** |
| **Adjusted[1] operating profit** | | | | | | |
| UK | 17.8 | 14.0 | 27.1% | 17.8 | 14.0 | 27.1% |
| Germany | 21.8 | 9.5 | 129.5% | 25.1 | 12.2 | 105.7% |
| France | 1.5 | 0.9 | 66.7% | 1.7 | 1.2 | 41.7% |
| Belgium | 0.3 | 0.6 | (50.0%) | 0.4 | 0.8 | (50.0%) |
| **Total Group** | **41.4** | **25.0** | **65.6%** | **41.4** | **26.2** | **58.0%** |

*[1,2] Refer to the glossary for definitions.*
*Note that European Segments in constant currency[2] are shown in €m*

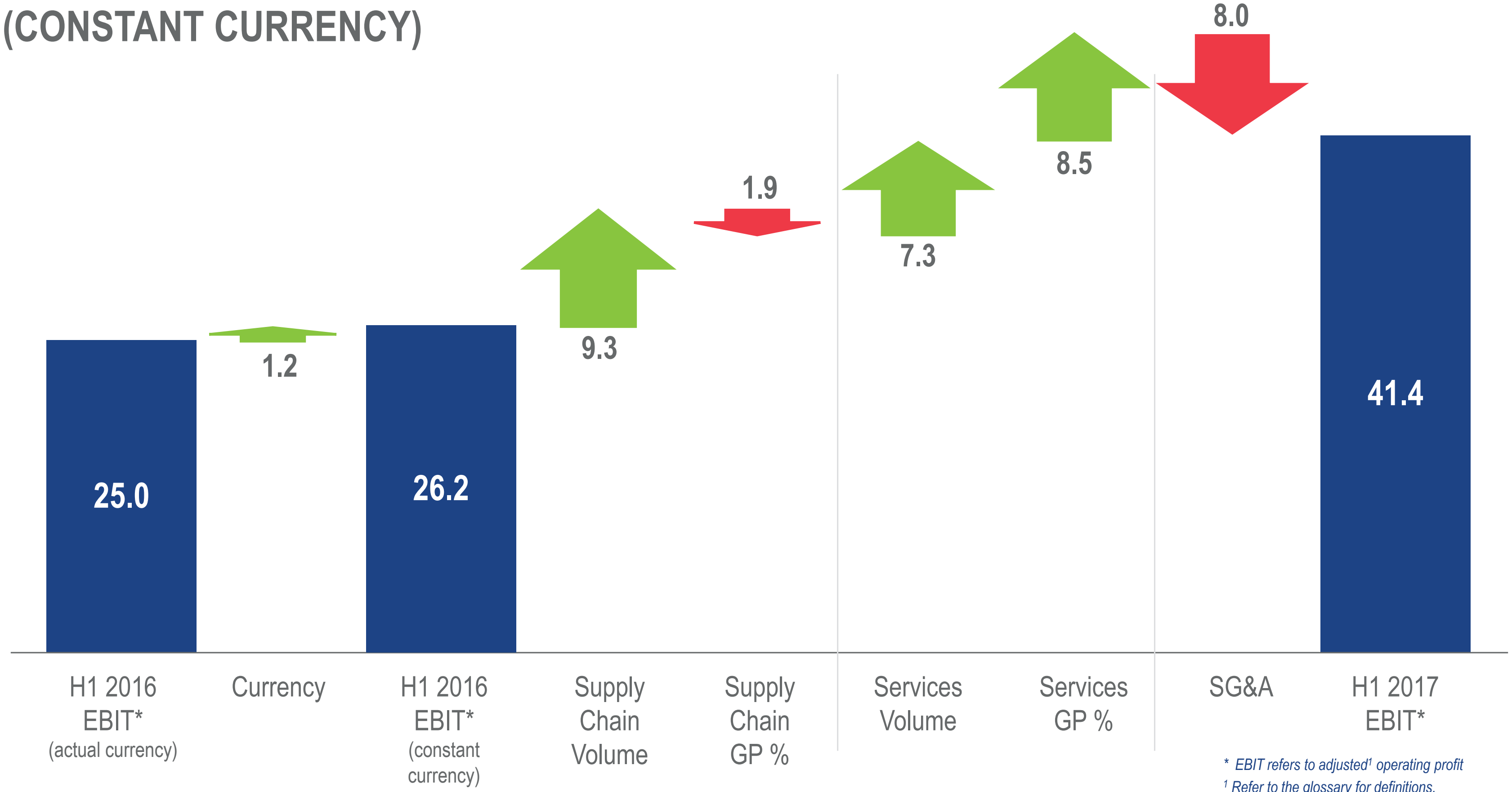
**UK performance** saw significant improvements in Services margins driven by several large projects in the Professional Services practice. Supply Chain margins remain under pressure and a small restoration to historical norms would have a material impact on Group performance. SG&A was impacted by increasing variable remuneration.

**German performance** was dominated by strong growth in Supply Chain margins accompanied by an improving margin. Several contracts remain challenging and continue to depress overall Services margins. Management remain focused on improving performance of these contracts to match customer outcomes. SG&A was impacted by increasing variable remuneration due to the growth in Supply Chain sales.

**French performance** has seen Supply Chain margins soften from the Group leading position in 2016 as the customer and product mix has changed through the first half. Services margins have increased slightly as our utilisation of staff has improved and as our Services business has increased both in Professional Services and Managed Services.

# H1 2017: GROUP ADJUSTED OPERATING PROFIT WALK (£M)

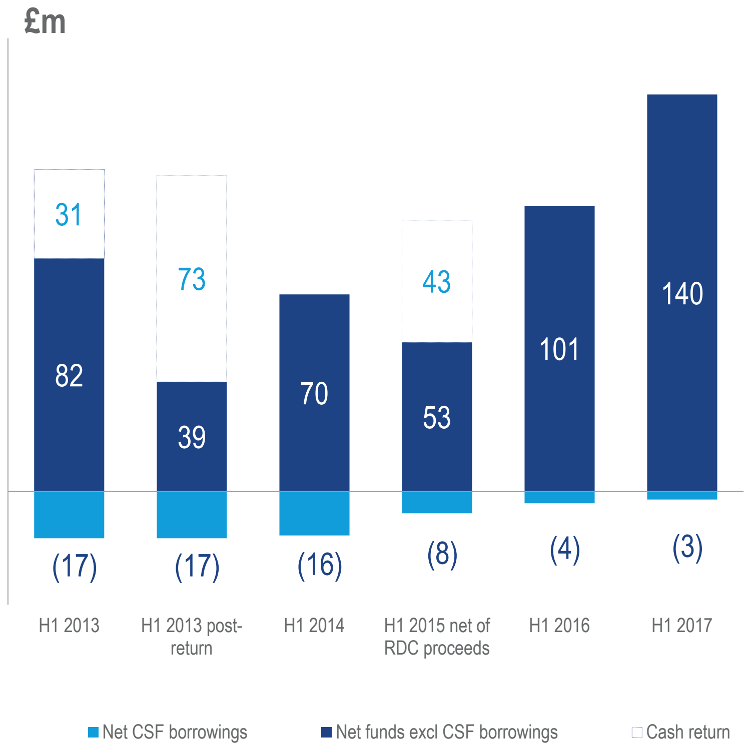
## (CONSTANT CURRENCY)




* EBIT refers to adjusted[1] operating profit
[1] Refer to the glossary for definitions.

# H1 2017: CLOSING NET FUNDS FOR THE PERIOD




- Net funds[3] have increased £40.7 million to £137.3 million in the twelve months to 30 June 2017
- £40 million three-year committed facility extended in Feb 2015 through to Feb 2018 is available and not yet utilised
- Net borrowings primarily consist of customer-specific financing (CSF)

# H1 2017: CASHFLOW SINCE DECEMBER 2016 (£M)


- Current asset investment of £30 million matured during the period returning to cash
- Free cashflow of c£11 million during the period
- Depreciation / Amortisation / SBP and Other includes a £4.3 million reduction for gain on disposal of an investment property
- Capital expenditure and investments includes the proceeds from disposal of an investment property for £14.5 million partially offset by the acquisition of subsidiaries for £7.7 million

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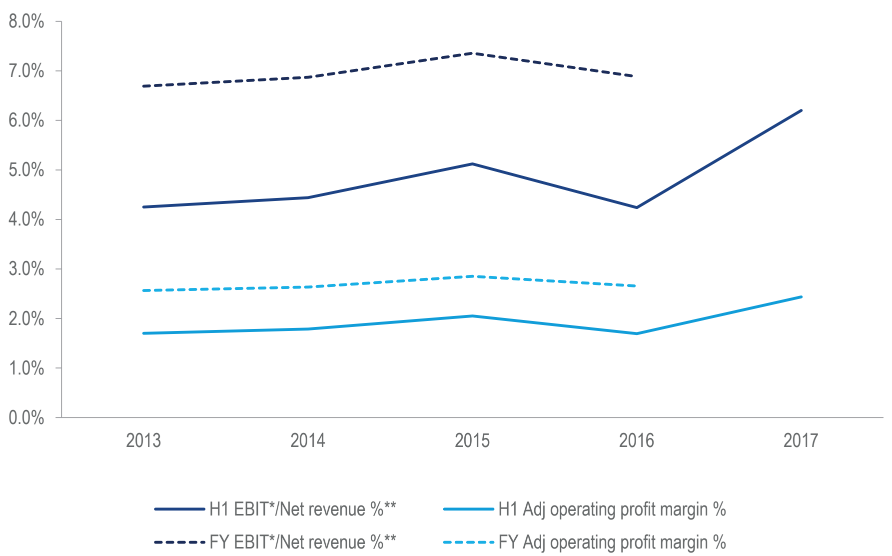
# H1 2017: NET REVENUE STRONG

## (AS ADJUSTED)

**Adjusted[1] operating profit margin - Gross v Net**




**EBIT refers to adjusted[1] operating profit*

*** Net revenue is defined as total revenue less product costs included in cost of goods sold*

- Adjusted[1] operating profit increased from 1.7% of revenue to 2.4%. Adjusted[1] operating profit margin percentage is always diluted by Supply Chain revenues, which are typically ‘pass-through’
- However, adjusted[1] operating profit when expressed as a percentage of ‘net revenue’ (excluding pass through product) is 6.2% in H1 2017 (H1 2016: 4.2%)
- The Group is currently finalising its approach to revenue accounting under the new international standard, IFRS 15. This is expected to have a material impact on top-line revenues as certain categories of product revenue change to be accounted for on a net basis. This is likely to have no impact on adjusted[1] operating profit but will increase the gross revenue margin from 1 January 2018

*[1] Refer to the glossary for definitions.*

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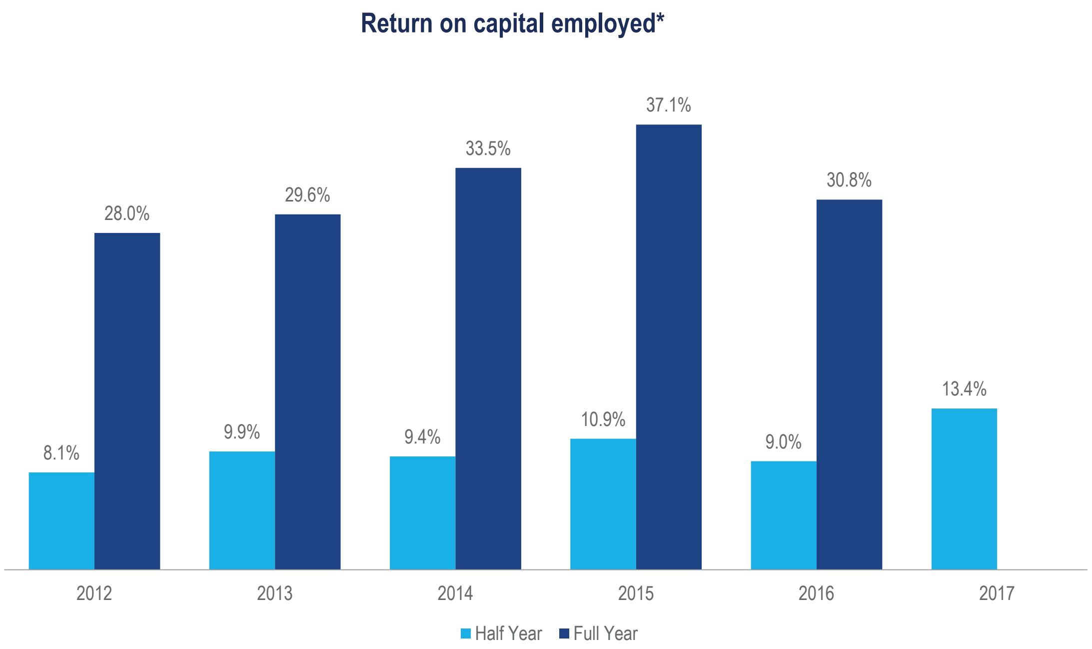
# H1 2017: FINANCIAL RETURNS STRONG




Return on capital employed has increased from the level seen in H1 2016 as adjusted[1] operating profit increased from £25.0 million to £41.4 million and capital employed grew from £277.0 million as at 30 June 2016 to £308.3 million as at 30 June 2017.

** ROCE is defined as adjusted[1] operating profit divided by net assets excluding net funds[3] before customer-specific financing*

# H1 2017: MODELLING CONSIDERATIONS

### Adjusted[1] net interest

As the net funds[3] increases, along with the proportion allocated to various current asset investments, adjusted[1] net interest will continue to be a positive contributor to profitability, however continuing record-low interest rates results in this being immaterial, and should therefore be relatively unaffected by a return of excess cash to shareholders.

### Tax

Dependent on mix of earnings as we utilise losses in European operations. Whilst France continues to show a material improvement in profitability in H1 2017, an increased German cash tax rate continues to be the main driver in the increased Group adjusted[1] tax rate from 22.8 per cent for FY 2015 to 23.8 per cent for FY 2016 and up to 25.5 per cent for H1 2017. The tax rate has been negatively impacted by the geographic mix as UK profits, where the corporate tax rate remains low, are reducing as a proportion of Group profits.

Several pools of German losses expired in 2015, leading to an increase in the German cash tax rate and therefore the Group adjusted[1] tax rate. The German cash tax rate has risen from circa 15 per cent in 2015, to 16 per cent in 2016 and is forecast to climb up to circa 22 per cent in 2017 before settling at 30-32 per cent in 2018 as the last of the readily available losses are utilised.

The Group adjusted[1] tax rate for 2017 is expected to be in the range of 24-26 per cent due to the increase in the German cash tax rate with variability primarily dependent on French performance.

Looking further ahead, the Group tax rate will be positively impacted by further reductions in the UK Corporation Tax rate as announced in the UK Government's Finance Act 2016.

The statutory reported tax rate will continue to be impacted by the write-down of the deferred tax asset in Germany.

### Capital Expenditure

Typically capex is circa £20-£25 million per annum with approximately 50 per cent run-rate capex, and 50 per cent discretionary (e.g. investments in IT tools to improve productivity, internal IT hardware for our staff etc).

### Depreciation and Amortisation

A one-off timing difference in 2016 saw the underlying charge decrease by circa £2.0 million from £32.4 million in 2015. This was reflected in the 2016 result and will not repeat in 2017.

### Dividends

Our dividend policy is to set dividends to maintain a dividend cover of 2-2.5 times.

### Capital Structure and Acquisitions

Computacenter's approach to capital management is to ensure that the Group has a robust capital base and to maintain a strong credit rating, whilst aiming to maximise shareholder value.

We have now replenished our cash reserves after the Return of Value completed on 10 March 2015 and we again now look to return excess cash to shareholders. We anticipate £100 million of excess cash being returned to shareholders during Q4 2017. We are currently reviewing the best mechanism and timing for this Return of Value.

# H1 2017: IFRS 15 REVENUE WITH CUSTOMERS

**Background**

International Financial Reporting Standard IFRS 15, Revenue from Contracts with Customers, becomes effective for the Group on 1 January 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

**Initial Impact Assessment**

In our 2016 Annual Report and Accounts, we highlighted an expected adjustment to our Supply Chain revenue where certain services will be presented as 'agency' revenue on a net basis compared to the current presentation as gross 'principal' revenue. Further analysis performed since the 2016 Annual Report and Accounts was published has identified that adjustments are also expected in relation to:

- Certain costs, such as win fees (a form of commission) will need to be capitalised and spread over the life of the contract, as opposed to being expensed as incurred;
- Certain elements of our Managed Services contracts, for example those relating to Entry Into Service, will no longer be treated as separate performance obligations for which revenue and costs are recognised as incurred, but rather will be treated as part of the ongoing performance obligations in the contract. This will result in the revenue and costs for Entry Into Service being deferred and spread over the life of the contracts; and
- Our analysis of which contracts are considered to be loss-making will change, resulting in fewer onerous contract provisions being recognised.

The impact of these items, individually or in aggregate, may be material to the revenue and profits in any given financial year, however there will be no impact on cash in any given financial year nor is there expected to be any ultimate long-term impact on the cumulative profits of the Group.

The Group's IFRS 15 impact assessment and implementation work remains ongoing, alongside a quantification exercise which is expected to be finalised coincidental with the 2017 Annual Report and Accounts.

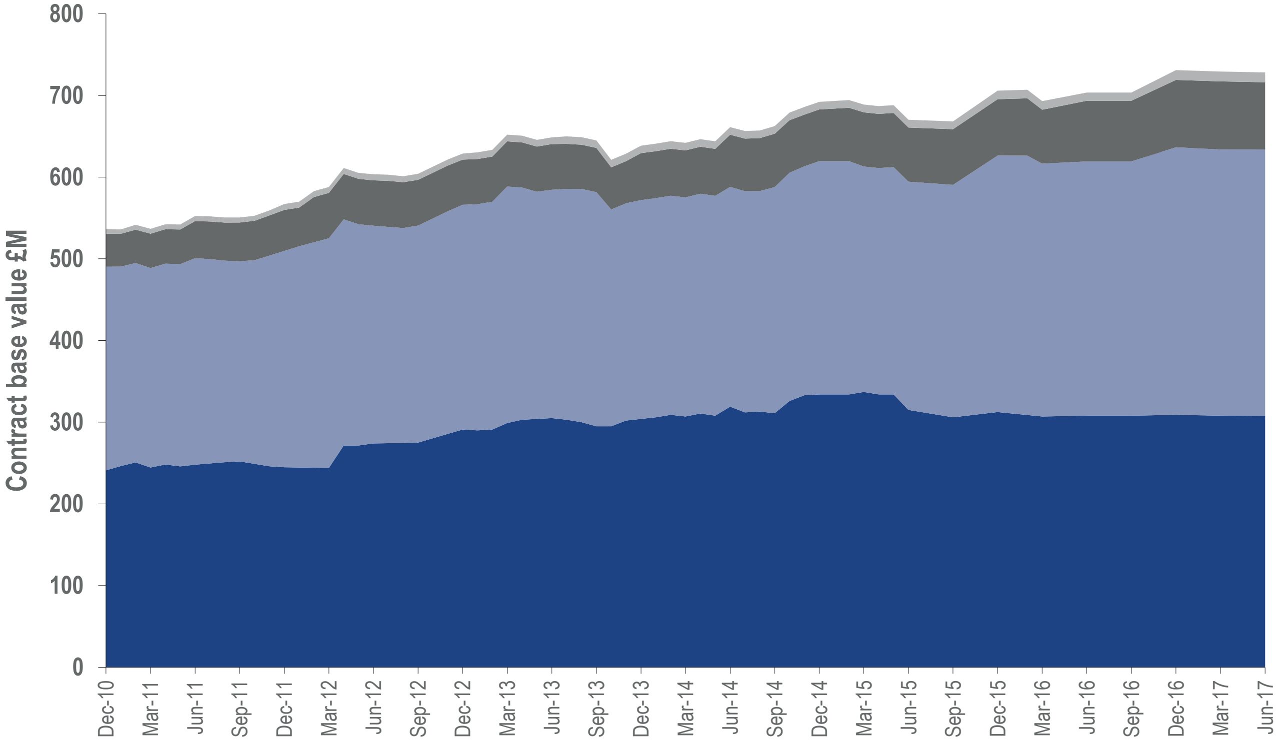
# OPERATING REVIEW

Mike Norris

25 August 2017

# LEADING THE GROWTH

## TO LEAD WITH AND GROW OUR SERVICES BUSINESS




**Germany continues its recent momentum. The pipeline in the UK for H2 2017 is encouraging whilst France continues to benefit from the significant wins in H2 2016.**

**H1 2017 vs H1 2016 Contract Base Growth**

Group: 3.5%

- UK: -0.1%
- DE: 4.8%
- FR: 10.6%
- BE: 19.7%

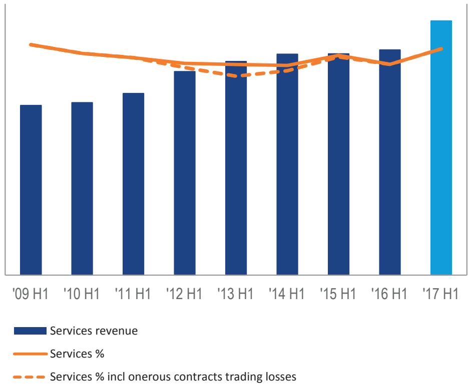
**Group 2.9% Contract Base 4yr CAGR**

 | 

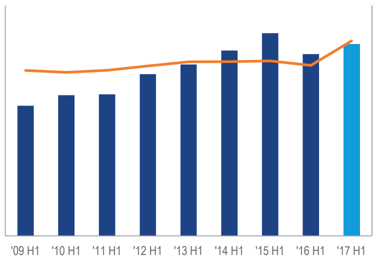
# DRIVING EFFICIENCY

## TO IMPROVE OUR SERVICES PRODUCTIVITY AND ENHANCE OUR COMPETITIVENESS

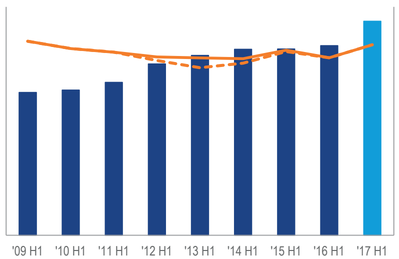
### GROUP
Margin improvement in the UK and a refreshed pipeline alongside increasing volumes in France and Germany.



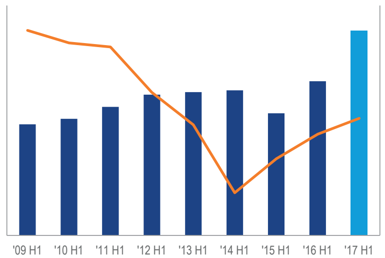

### UK
Professional Services has seen volumes increase significantly as projects that slipped from 2016 have now started. Managed Services margins have improved due to internal efficiencies. The pipeline is strengthening and the business remains optimistic about extending the Contract Base through the second half of 2017.




### GERMANY
Difficulties on several Managed Services contracts continues to suppress margins resulting in a relatively small percentage increase in H1 2017 margins. The business has reached full utilisation within the Professional Services practices with resource shortages creating constraints.




### FRANCE
Significant Managed Services wins in 2016 have generated significant volumes in the first half of 2017. As several large Managed Services contracts mature, margins should continue to strengthen. Utilisation and growth improvements in Professional Services which should also impact positively.



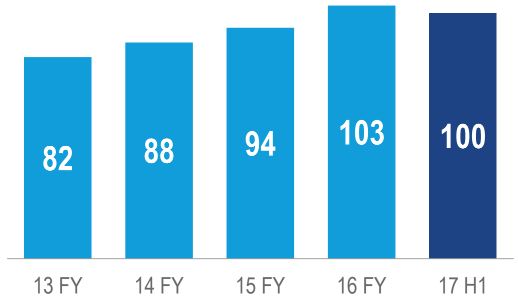

 

# AT THE HEART OF OUR BUSINESS

## TO RETAIN AND MAXIMISE THE RELATIONSHIP WITH OUR CUSTOMERS OVER THE LONG TERM

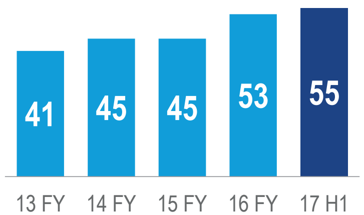
**GROUP**

Our customers with over £1 million of contribution are a Strategic Key Performance Indicator for Group performance.



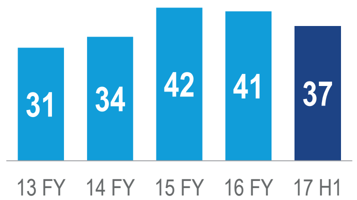

**UK**

The UK continues to bring a number of new customers into the KPI with increasing diversification across all sectors.



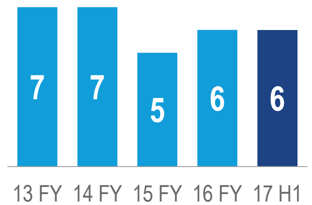

**GERMANY**

The business has a strong bench with a number of customers just below the £1 million contribution level that could be brought into the KPI.




**FRANCE**

Whilst we have seen an improvement in Services margin in France there is still scope for further gains and we remain over-reliant on a small number of very important customers.



# H1 2017: UK

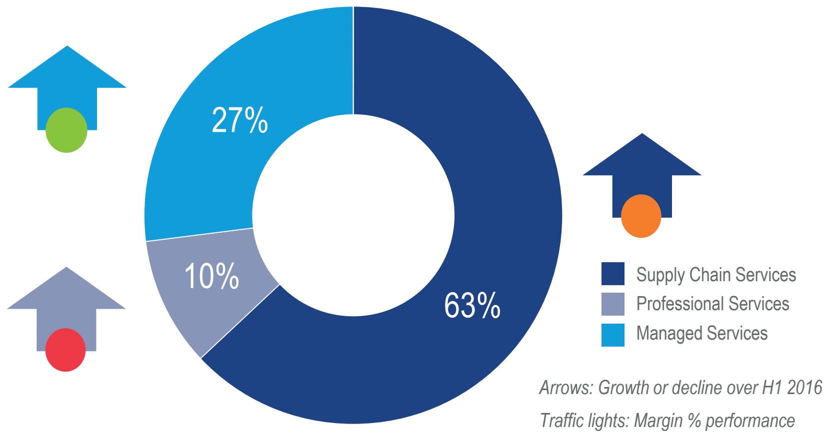
## FINANCIAL HIGHLIGHTS

- Revenue up 5.1%
- Adjusted[1] operating profit up 27.1%
- Adjusted[1] Supply Chain revenue up 5.0%
- Adjusted[1] Services revenue up 5.4%

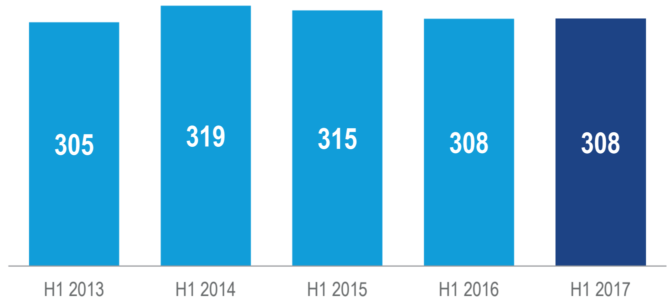
## OPERATIONAL HIGHLIGHTS

- Supply Chain margins remain depressed with a slight reduction on H1 2016 due to the volume of low-margin software in H1 2017 and maybe price rises are affecting this.
- Services has seen modest growth in 2017, however the focus on efficiencies has improved margins. The renewal of a number of key contracts has been pleasing with a strong pipeline indicating a healthy lift in the contract base through the second half of 2017.
- Professional Services has had excellent volumes through H1 2017 as project slippages from H2 2016 contribute to the number of material projects underway. Margins have fallen slightly, however the forward order book is encouraging.

**Share of H1 2017 Revenue Profile**




**Contract Base** (£m)




  [1,2] *Refer to the glossary for definitions.*

# H1 2017: GERMANY

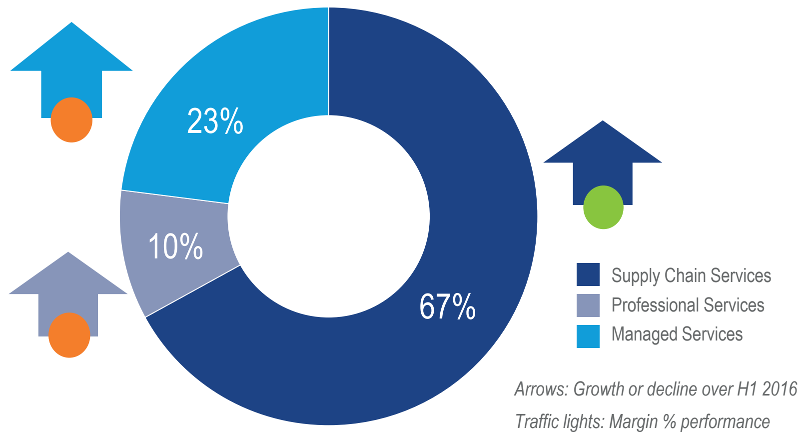
## FINANCIAL HIGHLIGHTS

- Strong revenue growth of 13.6%
- Adjusted[1] operating profit up by 105.7%
- Supply Chain revenue up by 17.9%
- Services revenue growth of 5.8%

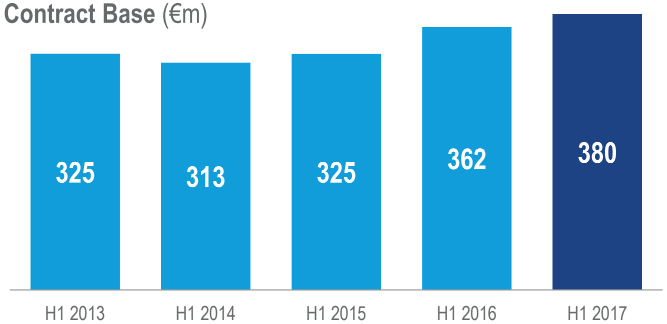
## OPERATIONAL HIGHLIGHTS

- Local market conditions continue to drive Supply Chain growth at pleasing margins.
- Growth has come from the current customers, we have not had the time or resource to grow the customer base.
- Strong Professional Services business at full utilisation, with resource scarcity beginning to constrain activity.
- Difficulties continue on several Managed Services contracts that dampen overall margins and remains the only disappointment in an otherwise great performance.

**Share of H1 2017 Revenue Profile**




**Contract Base** (€m)






NB. All figures in constant currency[2]

[1,2] *Refer to the glossary for definitions.*

# H1 2017: FRANCE

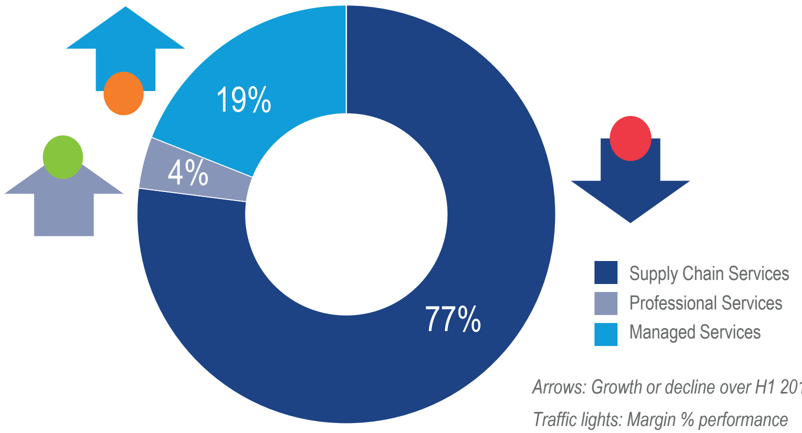
## FINANCIAL HIGHLIGHTS

- Revenue up 3.1%
- Adjusted[1] operating profit up 41.7% to €1.7 million
- Supply Chain revenue down 1.3%
- Services revenue up 20.3%

## OPERATIONAL HIGHLIGHTS

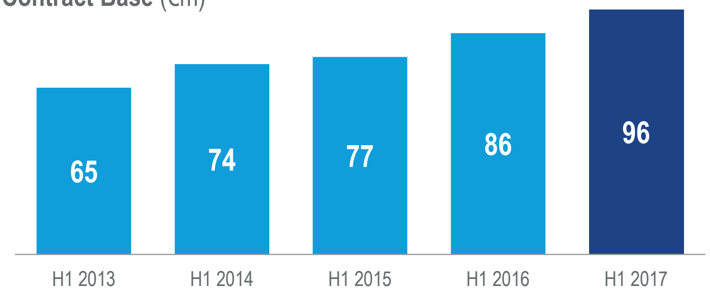
- Supply Chain revenue decline has slowed as the business reaches the completion of its strategy to reduce low margin product sales and 'high cost of service' customers. Margins have come off the record highs of 2016.
- Professional Services margins improving as the restructured business continues to leverage Managed Services wins but the business remains small.
- Managed Services revenue now a much stronger part of the French portfolio. The focus is now on deepening the Contract Base to reduce dependencies on several large contracts.

**Share of H1 2017 Revenue Profile**




*Arrows: Growth or decline over H1 2016*
*Traffic lights: Margin % performance*

**Contract Base** (€m)




 NB. All figures in constant currency[2] *[1,2] Refer to the glossary for definitions.*

# H1 2017: BELGIUM

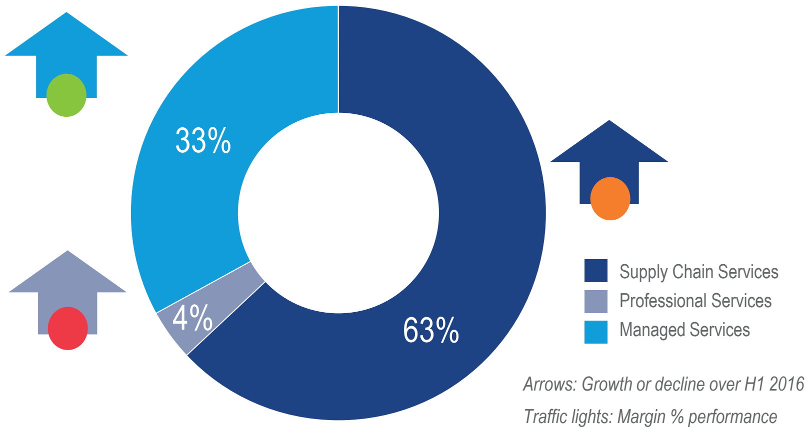
## FINANCIAL HIGHLIGHTS

- Revenue up 12.4%
- Adjusted[1] operating profit down 50.0% to €0.4 million
- Supply Chain revenue up 9.8%
- Services revenue up 17.1%

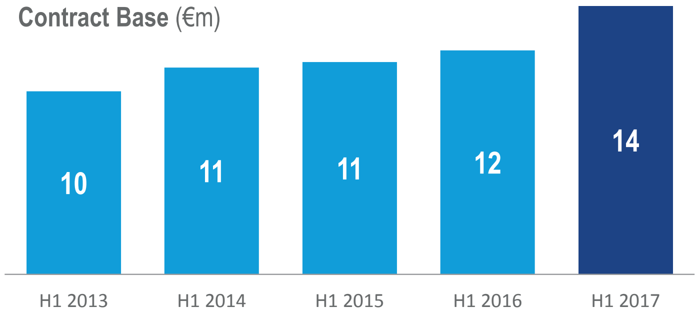
## OPERATIONAL HIGHLIGHTS

- Encouraging revenue growth in all areas.
- SG&A impacted by one-time restructuring costs, small in Group terms.

**Share of H1 2017 Revenue Profile**




**Contract Base** (€m)




 NB. All figures in constant currency[2] *[1,2] Refer to the glossary for definitions.*

# DEATH, TAX AND MICROSOFT UPGRADES

## (THE THREE THINGS THAT ARE CERTAIN IN LIFE!)


Windows 7

- End of Extended support
- No more monthly security patches
- DOING NOTHING IS NOT AN OPTION

# THE WIN10 EVERGREEN MARKET CHALLENGE

**The Microsoft View**

Evergreen ensures latest functionality

Easy to implement, no migration effort

Secure IT Environment

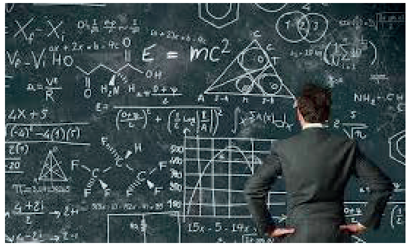
Source for continuous innovation

**The Customer View**

Uncertainty slows Enterprise adoption of Windows 10

Many customers not budgeting for the Evergreen aspect

Mixed response spanning appreciation to abject disgust




**The Service Provider View**

Complex service management challenge

Difficult (continuous) migration from app perspective

Requirement for strong User-Adoption framework

# OUTLOOK

The majority of our profit growth in the first half came from improved operational performance, with some help from currency movements. We also benefitted from a comparison with what was a weaker trading performance in the first half of the prior year, whereas the comparison for the second half of 2017 is challenging. We remain on track for a record performance, and marginally ahead of the upgraded board expectation expressed at our Trading Update in April 2017.

We have never been more optimistic about the market's potential, as customers invest capital, digitalise their businesses and require support to reduce their long-term operating costs. It remains critical that Computacenter invests too, in skills, tools, automation, infrastructure and customer satisfaction as we remain more focused on our long-term performance than the short term. As can be seen from recent results, our investments over the last few years have paid off but they are not guaranteed. However, market opportunity and competition makes this continuous investment both attractive and necessary.

It is also worthy of note that most of our investments are expensed through the Income Statement, rather than capitalised. Our cash generation over recent years has enabled us to have a strong dividend policy and to periodically return additional value to shareholders. We intend to do this again in the fourth quarter of 2017, with an anticipated Return of Value of approximately £100 million. This would bring the total returned to shareholders, via ordinary and special returns, to £648 million since listing on the London Stock Exchange on 21 May 1998.

# APPENDIX

 | 

# GLOSSARY

### 1. Adjusted measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS.

**Adjusted operating profit or loss**, **adjusted profit or loss before tax**, **adjusted tax**, **adjusted profit or loss for the period**, **adjusted earnings per share** and **adjusted diluted earnings per share** are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the segment or the Group as a whole.

Additionally, **adjusted gross profit or loss** and **adjusted operating profit or loss** includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided on slide 7 of this presentation.

***We believe that these non-GAAP measures are important when assessing the underlying financial and operating performance of the Group.***

# GLOSSARY (CONTINUED)

## 2. Constant currency

We evaluate the long-term performance and trends within our strategic key performance indicators (KPIs) on a constant currency basis. Further, the performance of the Group and its overseas segments are shown, where indicated, in constant currency.

The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance.

We calculate constant currency percentages by converting our prior-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts.

Wherever the performance of the Group, or its overseas segments, are presented in constant currency, the equivalent prior-year measure is also presented in actual currency using the exchange rates prevailing at the time.

Financial Highlights, as shown on slides 2-3 of this presentation, and statutory measures, are provided in actual currency, except where noted.

***We believe providing constant currency information provides valuable supplemental information regarding our results of operations, consistent with how we evaluate our performance.***

# GLOSSARY (CONTINUED)

## 3. Net funds

Net funds includes cash and cash equivalents, CSF, other short or long-term borrowings and current asset investments.

Net funds are monitored internally by the Group as a key measure.

## Customer-specific financing (CSF)

Finance costs for CSF are charged after operating profit for statutory purposes.

These costs are considered to be contract-specific costs, and operating profit is adjusted to charge for these costs.

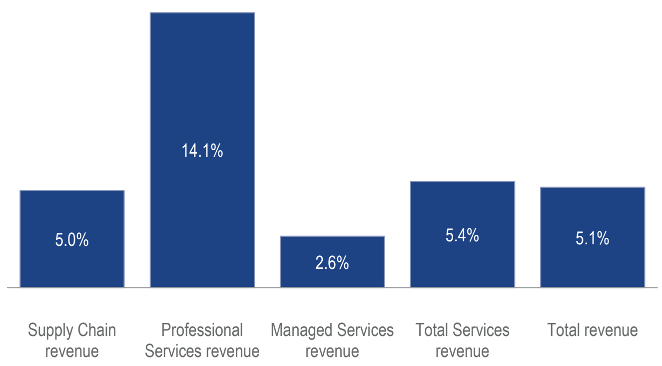
Net finance costs are also adjusted in this presentation.

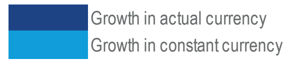
 

# SOURCES OF REVENUE: % CHANGE BY REVENUE TYPE

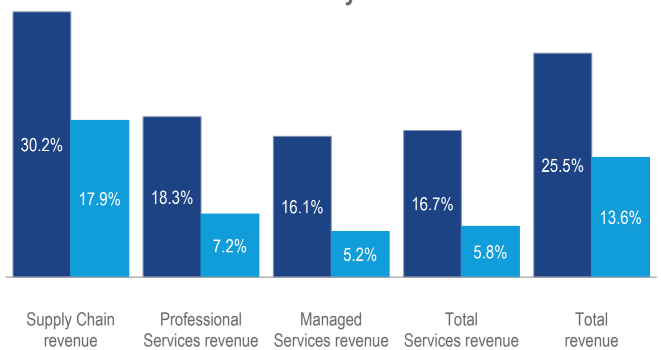
Group


UK

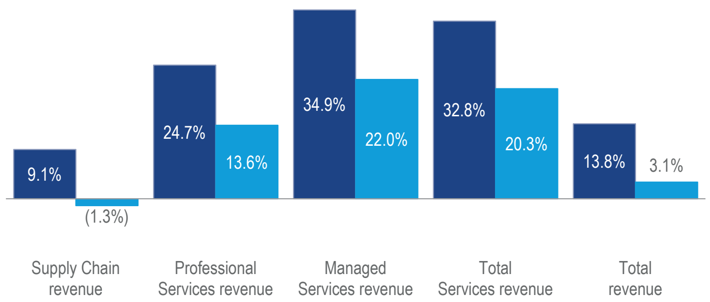



Germany




France




 | 

# UK: ADJUSTED INCOME STATEMENT

| | H1 2017 £m | H1 2016 £m | Change % |
|---|---|---|---|
| Revenue | 678.3 | 645.1 | 5.1% |
| Adjusted[1] gross profit | 101.6 | 91.1 | 11.5% |
| | *15.0%* | *14.1%* | *0.9%* |
| Administrative expenses | (83.7) | (77.1) | 8.6% |
| | *(12.3%)* | *(12.0%)* | *(0.3%)* |
| Adjusted[1] operating profit | 17.8 | 14.0 | 27.1% |
| | *2.6%* | *2.2%* | *0.4%* |
| Headcount*: | | | |
| Direct | 5,076 | 4,377 | 16.0% |
| Indirect | 1,575 | 1,476 | 6.7% |

** Period end headcount.*

*[1,2] Refer to the glossary for definitions.*

# UK: ADJUSTED OPERATING PROFIT WALK (£M)


** EBIT refers to adjusted[1] operating profit*
*[1] Refer to the glossary for definitions.*

 | 

# GERMANY: INCOME STATEMENT

| | Actual Currency[2] | | | Constant Currency[2] | | |
|---|---|---|---|---|---|---|
| | H1 2017 £m | H1 2016 £m | Change % | H1 2017 €m | H1 2016 €m | Change % |
| Revenue | 762.9 | 607.8 | 25.5% | 886.2 | 779.8 | 13.6% |
| Adjusted[1] gross profit | 96.3 | 75.2 | 28.1% | 111.9 | 96.5 | 16.0% |
| | *12.6%* | *12.4%* | *0.2%* | *12.6%* | *12.4%* | *0.2%* |
| Administrative expenses | (74.6) | (65.7) | 13.5% | (86.8) | (84.3) | 3.0% |
| | *(9.8%)* | *(10.8%)* | *1.0%* | *(9.8%)* | *(10.8%)* | *1.0%* |
| Adjusted[1] operating profit | 21.8 | 9.5 | 129.5% | 25.1 | 12.2 | 105.7% |
| | *2.9%* | *1.6%* | *1.3%* | *2.8%* | *1.6%* | *1.2%* |
| Headcount*: | | | | | | |
| Direct | 4,399 | 4,031 | 9.1% | | | |
| Indirect | 1,320 | 1,326 | (0.5%) | | | |

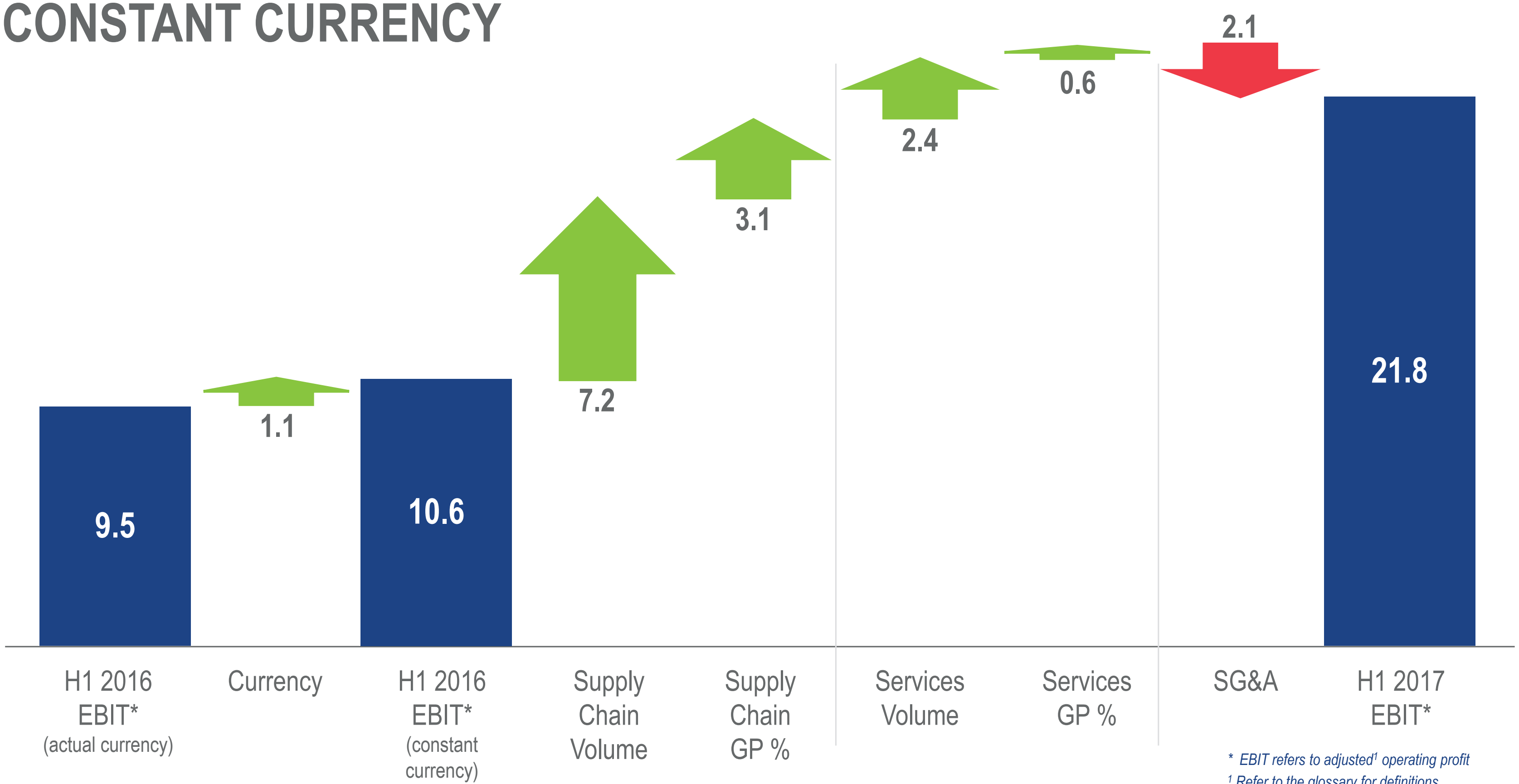
** Period end headcount.*

*[1,2] Refer to the glossary for definitions.*

# GERMANY: ADJUSTED OPERATING PROFIT WALK (£M)

## CONSTANT CURRENCY




* EBIT refers to adjusted[1] operating profit
[1] Refer to the glossary for definitions.

# FRANCE: INCOME STATEMENT

| | Actual Currency[2] | | | Constant Currency[2] | | |
|---|---|---|---|---|---|---|
| | H1 2017 £m | H1 2016 £m | Change % | H1 2017 €m | H1 2016 €m | Change % |
| Revenue | 228.6 | 200.8 | 13.8% | 265.5 | 257.6 | 3.1% |
| Adjusted[1] gross profit | 20.7 | 19.3 | 7.3% | 24.0 | 24.7 | (2.8%) |
| | *9.1%* | *9.6%* | *(0.5%)* | *9.0%* | *9.6%* | *(0.6%)* |
| Administrative expenses | (19.2) | (18.4) | 4.3% | (22.3) | (23.5) | (5.1%) |
| | *(8.4%)* | *(9.2%)* | *0.8%* | *(8.4%)* | *(9.1%)* | *0.7%* |
| Adjusted[1] operating profit | 1.5 | 0.9 | 66.7% | 1.7 | 1.2 | 41.7% |
| | *0.7%* | *0.4%* | *0.3%* | *0.6%* | *0.5%* | *0.1%* |
| Headcount*: | | | | | | |
| Direct | 1,202 | 1,211 | (0.7%) | | | |
| Indirect | 360 | 360 | 0.0% | | | |

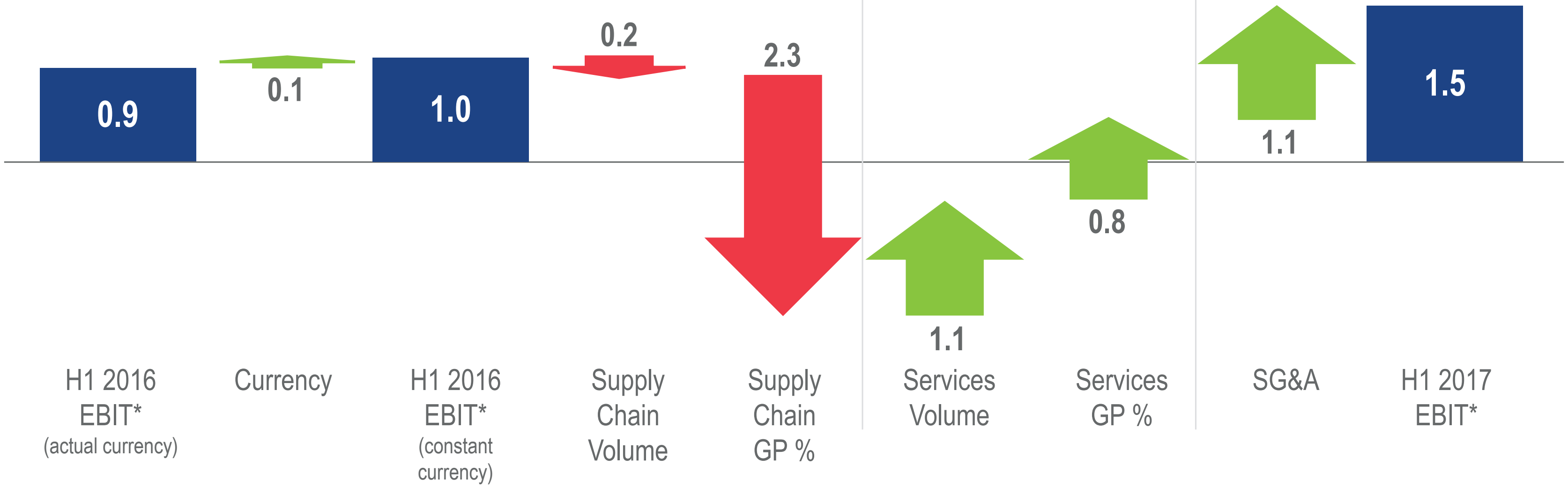
** Period end headcount.*

*1,2 Refer to the glossary for definitions.*

# FRANCE: ADJUSTED OPERATING PROFIT WALK (£M)

## CONSTANT CURRENCY




* EBIT refers to adjusted[1] operating profit
[1] Refer to the glossary for definitions.

 | 

# NET FUNDS

| Analysis of Net funds[3] | Jun 17 £m | Jun 16 £m | Change £m |
|---|---|---|---|
| Cash and cash equivalents | 140.1 | 65.8 | 74.4 |
| Current asset investment | - | 35.0 | (35.0) |
| Bank loans | - | - | - |
| Finance leases | (2.4) | (3.6) | 1.2 |
| Other loans and overdrafts | (0.5) | (0.6) | 0.1 |
| Net Borrowings | (2.8) | (4.2) | 1.3 |
| **Net funds[3]** | 137.3 | 96.6 | 40.7 |

- One of the Group's primary measures when managing the business is Net funds[3]
- Net funds[3] have decreased £7.2 million since 31 December 2016
- Operating cashflow for H1 2017 was an inflow of £11.4 million (H1 2016: outflow of £1.1 million)

# GROUP CASH FLOW

| | H1 2017 £m | H1 2016 £m |
|---|---|---|
| **Profit before tax** | **47.5** | **23.6** |
| Net finance income | (0.3) | (0.1) |
| Depreciation and amortisation | 14.9 | 13.9 |
| Share-based payments | 1.9 | 1.7 |
| (Gain)/loss on disposal of non-current assets | (1.2) | 0.1 |
| Exceptional gain on disposal of an investment property | (4.3) | - |
| Working capital and other movements | (37.7) | (33.0) |
| Net cash flow from provisions | (1.0) | (1.0) |
| Other adjustments | (0.5) | 0.2 |
| **Cash generated from operations** | **19.2** | **5.5** |
| Income taxes paid | (7.8) | (6.6) |
| **Net cash flow from operating activities** | **11.4** | **(1.1)** |
| Interest received | 0.7 | 0.7 |
| Decrease/(increase) in current asset investment | 30.0 | (20.0) |
| Acquisition of subsidiaries, net of cash acquried | (7.7) | - |
| Proceeds from disposal of an investment property | 14.5 | - |
| Capital expenditure and other investments | (7.7) | (8.5) |
| **Net cash flow from investing activities** | **29.8** | **(27.8)** |
| Interest paid | (0.4) | (0.6) |
| Dividends paid to equity shareholders of the parent | (18.2) | (18.1) |
| Proceeds from share issues | 0.9 | 0.1 |
| Purchase of own shares | (1.9) | (5.1) |
| Net borrowings | (1.4) | (2.2) |
| **Net cash flow from financing activities** | **(20.9)** | **(25.8)** |
| **Decrease in cash and cash equivalents** | **20.3** | **(54.7)** |
| Effect of exchange rates on cash and cash equivalents | 1.1 | 8.9 |
| Cash and cash equivalents at the beginning of the period | 118.7 | 111.7 |
| **Cash and cash equivalents at the end of the period** | **140.1** | **65.8** |

- Operating net cash inflow of £11.4 million (H1 2016: £1.1 million out flow)
- Working capital outflow increased by £4.7 million to £37.7 million during the period (H1 2016: £33.0 million)
- Current asset investment of £30 million as at 31 December 2016 matured and returned to cash
- The disposal of an investment property for £14.5 million was realised during the period

# GROUP BALANCE SHEET

| | H1 2017 £m | H1 2016 £m | Change £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 62.1 | 63.0 | (0.9) |
| Investment property | - | 10.1 | (10.1) |
| Goodwill & Intangibles | 80.0 | 75.8 | 4.2 |
| Deferred income tax asset | 8.4 | 12.0 | (3.5) |
| | **150.6** | **161.0** | **(10.4)** |
| **Current assets** | | | |
| Inventories | 50.1 | 40.5 | 9.6 |
| Trade & other receivables | 666.5 | 525.5 | 141.0 |
| Prepayments & accrued income | 188.0 | 161.7 | 26.3 |
| Forward currency contracts | 6.2 | 4.7 | 1.5 |
| Cash and short-term deposits | 140.1 | 100.9 | 39.3 |
| | **1,051.0** | **833.3** | **217.7** |
| **Current liabilities** | | | |
| Trade & other payables | 606.6 | 484.2 | 122.4 |
| Deferred income | 114.1 | 105.1 | 9.0 |
| Financial liabilities | 1.4 | 2.9 | (1.5) |
| Forward currency contracts | 1.5 | 1.2 | 0.3 |
| Income tax payable | 19.8 | 12.3 | 7.5 |
| Other liabilities & provisions | 1.7 | 4.0 | (2.4) |
| | **745.0** | **609.7** | **135.4** |
| **Non-current liabilities** | | | |
| Financial liabilities | 1.4 | 1.3 | 0.1 |
| Other liabilities & provisions | 6.7 | 5.4 | 1.3 |
| | **8.1** | **6.8** | **1.4** |
| **Net assets** | **448.4** | **377.8** | **70.6** |

- The disposal of an investment property for £14.5 million was realised during the period

## Balance sheet rate

**2017 H1: £1 = € 1.138**

2016 H1: £1 = € 1.203

# THANK YOU