Computacenter


Our people


Our communities


Our customers

Our technology providers

Computacenter plc half year results to 30 June 2020

ENABLING SUCCESS

2020 Interim Highlights

Revenue £m — **1.5%**

2,462.2

2020	2,462.2
2019	2,427.0

Dividend per share Pence — **21.8%**

12.3

2020	12.3
2019	10.1

Profit before tax £m — **42.5%**

72.4

2020	72.4
2019	50.8

Adjusted[1] profit before tax £m — **39.4%**

74.6

2020	74.6
2019	53.5

Diluted earnings per share Pence — **36.4%**

45.3

2020	45.3
2019	33.2

Adjusted[1] diluted earnings per share Pence — **35.4%**

46.7

2020	46.7
2019	34.5

The Group has experienced significant operational and financial impacts from the unprecedented effect of the COVID-19 crisis. All results in these Interim Report and Accounts include these COVID-19 impacts and no attempt has been made to adjust for or exclude these impacts whether they be positive or negative. Further information on the COVID-19 impacts on the Group, and our response, can be found on page 3 of the CEO's Performance Review. The continued adoption of the going concern basis by the Directors in the preparation of the Interim Condensed Consolidated Financial Statements is set out on page 29 of the Notes to the Interim Condensed Consolidated Financial Statements.

A reconciliation to adjusted[1] measures is provided on page 17 of the Group Finance Director's review. Further details are provided in note 5 to the Interim Condensed Consolidated Financial Statements, Segment Information.

1. Adjusted operating profit or loss, adjusted net finance income or expense, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or losses on business acquisitions and disposals, 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. A reconciliation to adjusted measures is provided on page 17 of the Group Finance Director's review which details the impact of exceptional and other adjusted items when compared to the non-Generally Accepted Accounting Practice financial measures in addition to those reported in accordance with IFRS. Further detail is provided within note 4 to the Interim Condensed Consolidated Financial Statements.

2. We evaluate the long-term performance and trends within our strategic objectives 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-period local currency financial results using the current period average exchange rates and comparing these recalculated amounts to our current period 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, or equivalent local currency amounts, the equivalent prior-period measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2020 Interim Highlights, as shown above are provided in the reported pound sterling equivalent.

3. Adjusted net funds or adjusted net debt includes cash and cash equivalents, other short or long-term borrowings and current asset investments. Following the adoption of IFRS 16 this measure excludes all finance lease liabilities. A table reconciling this measure, including the impact of finance lease liabilities, is provided within note 12 to the Interim Condensed Consolidated Financial Statements.

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ENABLING SUCCESS
by building long-term trust

Our Purpose is to enable success by building long-term trust. This means enabling the success of our:

- customers, by helping them to navigate the complex digital environment and to Source, Transform and Manage their digital technology;
- people, by creating a business framework and culture, underpinned by strong values, which allows them to build rewarding careers;
- Technology Providers, by providing the scale, reach and stable infrastructure to successfully deploy their technologies; and
- communities, by acting responsibly and building a sustainable business.

If we do this, we will earn the trust and loyalty of our shareholders.

Strategic Report

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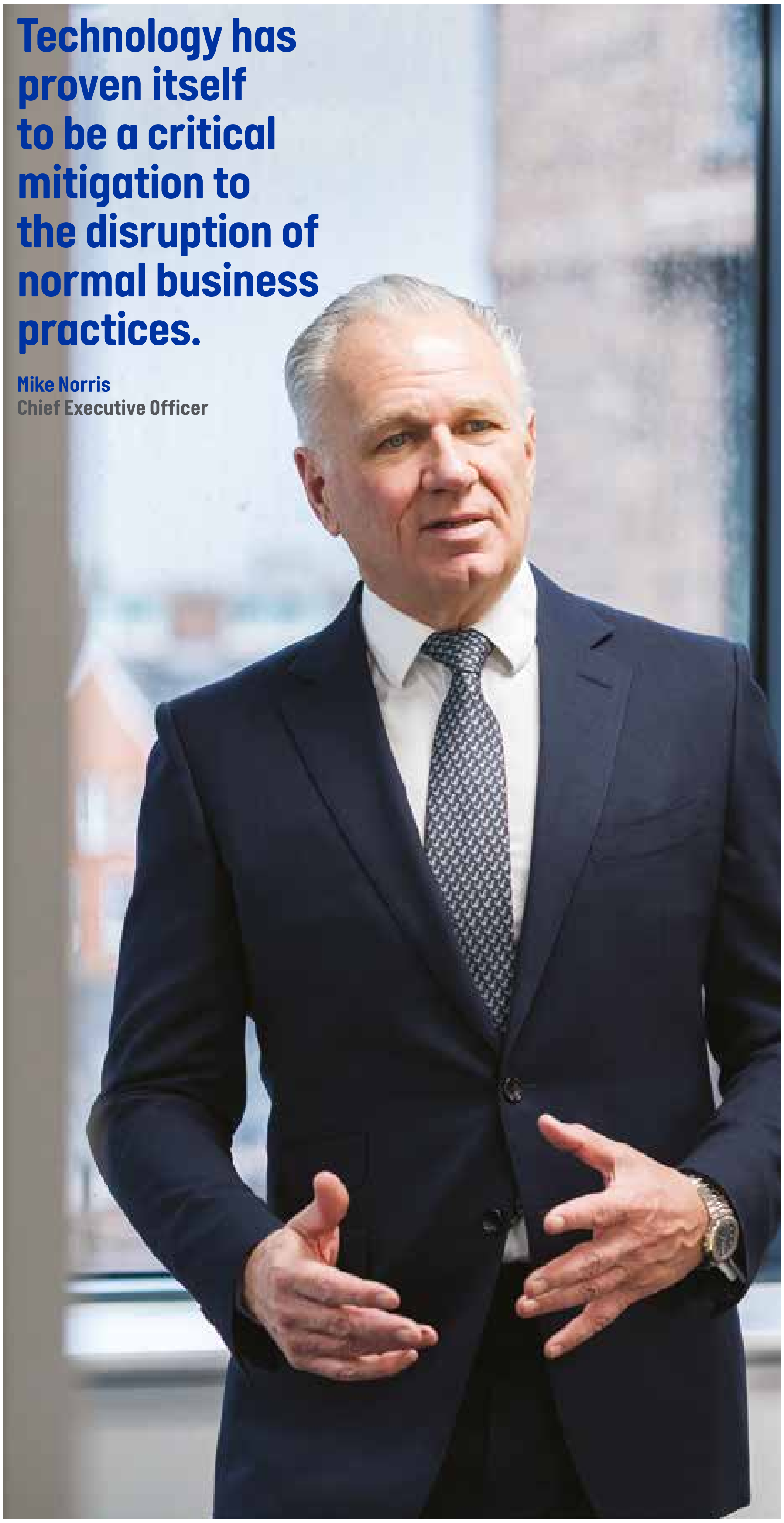
OPERATIONAL HIGHLIGHTS

- The Group's total revenues grew 1.5 per cent during the first half of the year, and by 0.6 per cent in constant currency[2]. Significant reductions in expenditure from industrial customers have been offset by new business within the government and financial services sector. COVID-19 related cost reductions and improving Services and Technology Sourcing margins has resulted in an increase in adjusted[1] profit before tax of 39.4 per cent during the period.
- The UK saw an increase in revenues of 7.2 per cent as Technology Sourcing revenues surged to cope with the demand generated by the COVID-19 crisis. Strong Services margins, due to increased utilisation and reduced external contractor costs and improving Technology Sourcing margins have resulted in an increase in adjusted[1] operating profit of 95.3 per cent during the period.
- Germany saw overall revenues decline by 2.8 per cent with falls in Managed Services and Technology Sourcing partially offset by another strong performance in Professional Services. The increase in Professional Services volumes, at higher margins, coupled with overall margin improvements and static administrative expenses have resulted in an increase of 15.4 per cent in adjusted[1] operating profit, on a constant currency[2] basis.
- France has had a difficult start to the year, being more impacted by a slow-down of its large industrial private sector customer base and the downturn in its Services business which resulted in flat revenues but decreasing gross profits and a reduction in adjusted[1] operating profit of 55.2 per cent on a constant currency[2] basis.
- The USA saw a slowdown in the second quarter with a marked reduction in activity by its higher-margin mid-market customer base which resulted in flat revenues for the period overall in constant currency[2]. Significantly reduced administrative expenses as part of a broader programme in the USA that began before, but was accelerated by, the COVID-19 pandemic, have contributed an increase of $4.3 million in adjusted[1] operating profit for the six months to 30 June 2020 against a poor comparative period.

Our Interim Performance in 2020



Technology has proven itself to be a critical mitigation to the disruption of normal business practices.

Mike Norris
Chief Executive Officer

Financial performance

The Group's revenues increased by 1.5 per cent to £2,462.2 million (H1 2019: £2,427.0 million) and were 0.6 per cent higher in constant currency[2].

The Group made a profit before tax of £72.4 million, an increase of 42.5 per cent (H1 2019: £50.8 million). The Group's adjusted[1] profit before tax increased by 39.4 per cent to £74.6 million (H1 2019: £53.5 million) and by 37.9 per cent in constant currency[2].

The difference between profit before tax and adjusted[1] profit before tax relates to the Group's net charge of £2.2 million (H1 2019: charge of £2.7 million) from exceptional and other adjusting items. These relate principally to the amortisation of the acquired intangible assets resulting from the Group's 2018 acquisition of FusionStorm. Further information on these can be found on page 19.

With the increase in the Group's profit after tax, the diluted earnings per share ('EPS') increased by 36.4 per cent to 45.3 pence for the period (H1 2019: 33.2 pence). Adjusted[1] diluted EPS, the Group's primary EPS measure, increased by 35.4 per cent to 46.7 pence (H1 2019: 34.5 pence) in the first half of 2020.

The six months of trading to 30 June 2020 have demonstrated the resilience of the Computacenter business model, which is built on the three primary business lines of Technology Sourcing, Professional Services and Managed Services.

The flat overall revenues belied the Group's underlying performance. With a large number of very significant industrial customers rapidly reducing their IT spend on both equipment and services, there was significant difficulty in forecasting how the business would perform as the COVID-19 crisis escalated through the end of the first quarter of the year. The surge in revenues from other customers has compensated for this but this could not be predicted at the beginning of the crisis. In markets where we operate at scale, notably the UK and Germany, we have been able to leverage our world-class Integration Centers beyond normal operating capacities, thereby proving ourselves as one of the few resellers that could rapidly react to serve customers' needs, as they transformed from an office-based IT operating environment to a remote-working environment.

The UK, in particular, has seen very strong demand within Government and Financial Services, as organisations relied heavily on the Group to support urgently their Technology Sourcing needs to enable working from home and other emergency IT responses. Professional Services in Germany has grown spectacularly against a very strong comparative period as the business supported customers transitioning to remote working. This business is one of the key drivers for the Group as a whole. The US business has shown considerable improvement, albeit against a weak comparative. The French business has slowed after a record couple of years, with a customer base that has reduced spending more than that seen in Germany and the UK. The International Segment was the only part of the business that was disappointing in the first half of the year. Technology Sourcing revenues were impacted as industrial customers reduced expenditure, whilst Services revenues, driven by lower volumes, also fell. In the Netherlands and Belgium in particular, the business suffered from not having sufficient scale in the market to quickly replace volumes with new customers. Expenditures to grow the business with additional sales capacity in Switzerland and new organic sales capacity in Spain continued as planned, which also contributed to reduced profitability in the period within the International Segment.

Whilst overall revenues held up in the challenging environment, margins and profits increased as costs naturally reduced across the business. Overall Group gross margins increased by 53 basis points during the first half of the year and administrative expenses were reduced by 2.6 per cent in constant currency[2], when compared to the prior period. A combination of good-quality Technology Sourcing deals supporting pricing, with lower volumes from lower margin customers, and a reduction in costs to serve our customers across the Services business, as we moved to a remote-working environment, all contributed. As the business moves to a more normal operational footing we expect costs to return, but at a potentially permanently lower level than before the COVID-19 crisis. We therefore continue to analyse and review individual cost reductions, to ensure that we only incur costs truly necessary for the performance of the Group.

COVID-19 impact

We are a technology company operating across the globe in support of our customers, at a time when technology has proven itself to be a critical mitigation to the disruption of normal business practices. We have also executed our own business continuity plans to great effect and remained sufficiently agile to deal with issues as they arose.

The safety and wellbeing of our staff is our highest priority. As the COVID-19 crisis intensified, we followed all available government and scientific guidance and implemented remote-working for all employees where possible, ensuring that their health and safety was paramount in our decision-making. We used leading technology solutions that we were implementing for our customers to ensure the continued integrity of our working environment, whilst standing up response teams to ensure the physical and mental wellbeing of our employees. Remote working has been an unqualified success but we believe that, when the time is right, employees will return to an office environment at least part-time.

At the same time as we were rapidly transitioning nearly our entire workforce to home working, we were supporting and enabling our customers to do the same with their employees. The challenge was immense and we were pleased to accomplish it with minimal disruption. Additionally we have redeployed field engineers to support our Integration Centers, which have seen a surge in activity and moved, for a period, to a 24/7 working pattern to meet demand. We have seen other benefits in utilisation, with previously on-site or mobile employees able to use time previously spent travelling to solve issues remotely for our customers, increasing their billable hours. This has had a material impact on our Services margins.

The 'near-shore' location strategy for our offshore internal service providers and Service Centers has proven successful, with regional workforces able to support customers in the correct time zone with the right capacity. Locating these centers in areas with pervasive internet connectivity, both in an office and home working environment, has meant little to no disruption to our services. Further, the single worldwide telecommunications system and unified software toolsets used by our Service Centers has allowed seamless capacity flows between Service Centers, enabling us to rapidly adapt to short-term spikes in utilisation from our customer base.

The Chief Information Officers of our customers have had an incredibly busy six months, leading their organisations through the challenges presented by the COVID-19 crisis to quickly transform their business's IT architecture and ways of working. In partnership with these leaders, Computacenter has provided the solutions to these challenges. The performance in the first half, with resilient revenues, improving margins and a reduced cost base, reflects both the demand seen by the IT sector and the quality of our support for our customers, who recognise our ability to respond fully in a crisis.

At the beginning of the crisis, the Group decided to participate in various national employee retention schemes. These schemes primarily supported our operations in the UK, Germany and France, with minor participation in our smaller markets including Spain, Belgium, Switzerland and the Netherlands. Over the period we have had, on average, approximately 1,300 employees supported by one of the schemes. We are clear that participation in these schemes allowed Management to avoid otherwise necessary redundancies in late March and early April, in the face of an unfolding and unpredictable crisis, whose impact on Computacenter was not fully known at that point. At the same time Computacenter's CEO, Mike Norris, and Group Finance Director, Tony Conophy, voluntarily elected to forego their base salary for the second quarter, alongside the Founder Non-Executive Directors, Peter Ogden and Philip Hulme, who waived their Directors' fees for the remainder of the year.

As the extent of the Group's performance and resilience through the second quarter became known, we reassessed our participation in the employee retention schemes. The Group decided to make no further claim on the UK Job Retention Scheme, following the first monthly claim made for April 2020. Some UK Employees remained supported on furlough, at enhanced rates, but entirely at the Group's expense. In the period to 30 June 2020, the cost to the Group of furloughed employees' remuneration has been approximately £15 million. Against this, the Group has received approximately £5.4 million in direct government grants as outlined on page 30 of the Condensed Consolidated Financial Statements. Of this £5.4 million in grants, £1.1 million was received from the UK Government and £4.3 million from other European governments. The Group benefited further from £2.8 million in indirect savings such as reduced social charges and a reduction of £1.8 million in furloughed employee remuneration. Against a normal year, after reducing the cost of furloughed employee remuneration by the grants received and other changes outlined above, this has had a residual net negative impact of approximately £5 million. All of these grants and costs are included in our adjusted[1] results. Following a further review, the Group has, subsequent to 30 June 2020, decided to repay the £1.1 million received from the UK Government for the April claim on the Job Retention Scheme and has committed to make no claim under the Job Retention Bonus scheme. This proposed repayment is not included in our results to 30 June 2020.

There are certain COVID-19 related one-off benefits included in the H1 2020 cashflow and net cash positions including extended free-of-charge supplier credit with a major vendor of approximately £29.2 million and temporary payment timing benefits from various governments of £22.2 million as well as improvements arising from customer mix.

Today, the long-term impact of the COVID-19 crisis remains unknown. This uncertainty means we could see ongoing volatility within our markets and worldwide locations. Continued customer investment in technology has provided short-term growth opportunities and proven the strength of our business model. We continue to monitor the impact on the Group and maintain our focus on controlling costs. Adjusted net funds[3] of £149.1 million as at 30 June 2020, including £222.1 million of cash and cash equivalents, enable a robust platform to manage the business in support of our customers through challenging market conditions.

Segmental reporting structure changes

Management reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis, from 1 January 2020 the Group has revised where the results of certain Managed Services contracts are reported within its operating Segments. The change in Segmental reporting has no impact on reported Group results.

Operational responsibility for a significant European customer was transferred from the German to the French business from 1 January 2020. The French Senior Management targets now include the results from this customer. This has no impact on Group results but does impact the Segment results, including revenue and profitability. We have therefore restated the results for the French and German Segments for the year ended 31 December 2019 and the period ended 30 June 2019, to assist with understanding the growth in each business and to ensure period-on-period results are comparable.

Computacenter USA performs Managed Services work for other Computacenter entities, on behalf of several key European contracts. From 1 January 2019, with the creation of the USA Segment, these revenues were recorded in the USA Segment, where the associated underlying subsidiary recognises the revenues in its statutory accounts. Following a review, and to be consistent with practices across the Group, Management decided to reallocate these revenues from the USA Segment to the UK, German, French and International Segments which own the responsibility for the customer contracts. This reflects better where the portfolio coordination and operational responsibility lies and where the benefits should accrue. This treatment also means that for Segmental analysis, Computacenter USA, within the USA Segment, is now treated similarly to the remainder of our offshore internal service provider entities that are grouped within the International Segment. We have therefore restated the Managed Services revenues for the year ended 31 December 2019 and the period ended 30 June 2019, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects.

This new Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group in accordance with IFRS 8.25. Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The operating Segments remain unchanged in all other regards from those reported at 31 December 2019. As noted on page 19, Central Corporate Costs continue to be disclosed as a separate column within the Segmental note.

Further information on this Segmental restatement can be found in note 5 to the Condensed Consolidated Financial Statements where, to enable comparisons with prior year performance, historical segment information for the year ended 31 December 2019 and the period ended 30 June 2019 has been restated in accordance with the revised Segmental reporting structure.

All discussion within this Interim Report and Accounts on Segmental results reflects this revised structure and the resultant prior-year and prior-period restatements.

Technology Sourcing performance

The Group's Technology Sourcing revenue increased by 2.0 per cent to £1,867.8 million (H1 2019: £1,831.3 million) and by 1.1 per cent on a constant currency[2] basis.

The UK Technology Sourcing business has seen exceptional growth, particularly in the second quarter of the year, driven by workplace contracts to support our customers' emergency transition to home working. Rather than cancellation, the crisis has driven a number of our customers to increase the pace of their technological change. The strength and scale of our logistics and Configuration Center capabilities have enabled us to efficiently address this growth.

In Germany, Technology Sourcing revenue declined, in particular as automotive and other industrial customers reduced spend through large framework agreements in response to COVID-19. More positively, the business benefited from ad hoc procurements to help customers overcome the crisis, especially from public sector customers.

The French Technology Sourcing revenue was stable, against an exceptional prior-period performance, with activity from the largest customers being higher than expected. The business also benefited from its ability to expand existing public sector frameworks. Although revenues from large private sector industrial accounts declined, there was growth with smaller customers, which were often less affected by the COVID-19 crisis.

We saw higher than expected activity from our largest Technology Sourcing customers. We are pleased about our ability to expand existing public frameworks. At the same time, we saw a reduction in our large private accounts and a slight growth in some of our smaller customers who were often less impacted by the crisis.

The USA Technology Sourcing business saw revenues remain flat. It recorded a solid performance in the first quarter of 2020, as COVID-19 did not significantly impact the business until mid-March. There was little customer attrition and the beginning of the year also benefited strongly from the investments made in 2019, to establish a formal Partner Management function in the region. Mid-market customers greatly curtailed their spending in the second quarter, however.

Overall Group Technology Sourcing margins increased 65 basis points during the first half of the year, when compared to the prior period, partially due to customer mix changes.

Services performance

The Group's Services revenue decreased by 0.2 per cent to £594.4 million (H1 2019: £595.7 million) and was down 0.9 per cent on a constant currency[2] basis. Within this, Group Professional Services revenue increased by 14.0 per cent to £192.0 million (H1 2019: £168.4 million), and by 13.2 per cent on a constant currency[2] basis, whilst Group Managed Services revenue decreased by 5.8 per cent to £402.4 million (H1 2019: £427.3 million), and by 6.4 per cent on a constant currency[2] basis.

UK Services revenue reduced primarily due to a decline in Managed Services volumes, which was attributable to contract attrition and COVID-19 impacts. The pipeline for new opportunities remains healthy however and the business continues to benefit from investment in new and improved offerings. Professional Services revenues were up slightly during the half, which was pleasing given the constraints on face-to-face working in the first half of the year. Further activity in the second half of the year is planned, as customers ramp up investments in their IT estates and need expert advice on cloud migration, security and infrastructure improvements to support the new way of working.

German Services revenues have followed a similar but more pronounced pattern to the UK business. Managed Services has declined as customer volumes have decreased due to COVID-19. Significant reductions have been seen particularly in industrial customers, which experienced full manufacturing site closures and had little to no opportunity to transition to remote working. The Professional Services business has seen very strong growth, with all existing contracted commitments met by our teams working remotely and with significant increases in utilisation, driven by time saved not travelling to customer sites. Further demand for our Professional Services skills emerged during the crisis, to support new and existing customers with their transition to remote working. This included a material four-year public sector framework contract, which has a minimum value of €20 million per annum.

Our French Services business saw sharp falls in Professional Services, with nearly half of our deployable specialists placed on government job retention schemes as demand fell away due to the COVID-19 crisis, as the French Professional Services business is more reliant on onsite activity than the equivalent business in the UK or Germany. These individuals are now returning to work, as the order book for consultancy returns to a more normal level. The Managed Services business performed better than expected following the loss of a large global outsourcing contract at the end of last year, the impact of which was partially seen during the first half. The business has done well to make up the volumes by winning another significant global contract, which has been successfully transitioned during the COVID-19 crisis. Other contract extensions and additions have also materially assisted the recovery in the Managed Services business.

In the USA, Professional Services revenue fell as COVID-19 led to delays or cancellation of projects. Mid-market customers, which generate much of the Professional Services revenue in the USA, was the weakest business area.

Overall Group Services margins increased by 33 basis points during the first half of the year, when compared to the prior period. The reduction of travel costs, lower subcontractor costs and improved Professional Services utilisation has contributed to this increase.

Outlook

As previously stated, our business has performed well this year to date and proven to be flexible in these extraordinary times.

While nothing can be taken for granted, it is the Board's view that, based on current business activity levels, our adjusted[1] profit before tax for the year is unlikely to be less than £180 million. We feel it is important to give specific guidance given the broad range of market expectations concerning our likely results.

Obviously, our markets have proved resilient as our customers have invested in their infrastructure to support their businesses, they have utilised the skills of our people and we have managed our cost base.

It is impossible to predict exactly how the world will recover in 2021, and beyond, and the implications for our customer base. We do believe that our customers will continue to invest in technology and that we have built a substantial reseller business with the largest service capability of any reseller in the world and the most substantial international footprint which should enable us to deliver a reliable and consistent business for our customers, employees and shareholders.

UNITED KINGDOM

Revenue £m +7.2%

858.8

Adjusted[1] operating profit £m +95.3%

45.9

Members of the UK leadership team

Customers invested more significantly during the period in technologies to support their business continuity execution.

Neil Hall
Managing Director, UK and Ireland

Group headquarters – Hatfield, UK

Financial performance

Revenues in the UK business increased by 7.2 per cent to £858.8 million (H1 2019: £800.8 million).

Technology Sourcing grew strongly in the second quarter, as our customers accelerated transformation programmes they had already planned and invested to keep their businesses running during the COVID-19 pandemic. The product mix was weighted towards workplace demand, as many organisations moved their staff to working from home.

To keep our people safe during the pandemic and comply with government guidelines, we switched most of our employees to remote and home working. We were able to rapidly re-engineer many of our ways of working, to meet these changing requirements and ensure our services were unaffected. We also created and launched several new service solutions, which both existing and new customers quickly adopted, and provided vital infrastructure and end user support to over 45 critical national infrastructure organisations.

Professional Services revenue increased during the period, as we continued to deliver project and consultancy engagements for many of our customers, despite the difficulties of gaining access to their premises during lockdown.

Managed Services revenue decreased slightly during the first half. We saw some contracts come to an end as expected and other customers also spent less as they adapted to the impact of the virus. We also reduced service charges for some customers, reflecting our commitment to nurturing long-term relationships.

We have successfully retained our contract base, as we renewed and extended existing agreements. We also grew new business, securing wins across all of our service lines.

We remain committed to attracting, retaining and developing a diverse and talented workforce. We recruited additional people during the first half and will continue to grow our workforce through the remainder of the year.

Adjusted[1] gross profit grew by 20.8 per cent to £122.6 million (H1 2019: £101.5 million). This performance was above our initial expectations.

Administrative expenses decreased by 1.7 per cent to £76.7 million (H1 2019: £78.0 million). Increases in variable pay, functional changes and investments to broaden our capabilities and skills were more than offset by savings on travel and other costs due to COVID-19.

This resulted in adjusted[1] operating profit increasing 95.3 per cent to £45.9 million (H1 2019: £23.5 million).

The investment in our operating model will make our Professional Services delivery more agile and help us to convert a strong pipeline for Managed Services.

Technology Sourcing performance
Technology Sourcing revenue increased by 11.0 per cent to £643.2 million (H1 2019: £579.7 million).

Customers increased investment during the period, particularly in workplace technologies to help them adapt to new ways of working during COVID-19. The strength and scale of our Integration Center helped us to meet this demand effectively. We particularly benefited from large increases in local and central government spend, to support both remote working and a large number of nationally important infrastructure initiatives related to COVID-19. We expect growth in enterprise technology sales during the second half of the year.

Margins improved during the first half, due to larger volumes and increased sales of high-value added services such as bespoke configuration in our Integration Center. This facility has the scale to support customers nationally and, combined with recent improvements we have made which make it easier for customers to order directly through our systems, reflects the operating leverage we enjoy in the UK market and our investments to improve our offering. We have also adapted rapidly to offer new higher-value services, such as shipping directly to the homes of our customers' employees. Senior management at several customers have praised the commitment of our people to delivering a high-quality service during a fast-changing environment.

Technology Sourcing margins grew by 144 basis points compared to the prior period. This reflected the ongoing improvement in our relationships with a broad range of established and emerging vendor partners and a change in product mix. This means that the UK is now only slightly behind the Technology Sourcing margins seen in our French and German businesses.

Services performance
Services revenue declined by 2.5 per cent to £215.6 million (H1 2019: £221.1 million). This resulted from an increase in Professional Services revenue of 0.5 per cent to £54.9 million (H1 2019: £54.6 million) and a decline in Managed Services revenue of 3.5 per cent to £160.7 million (H1 2019: £166.5 million). Our Services revenue performance was in line with expectations, given the effects of COVID-19.

Despite the challenging conditions, Professional Services volumes increased and we see this continuing in the second half of the year, as COVID-19 related restrictions continue to lift. Our customers' investment in Public and Multi-Cloud and in Security services continues to generate both short-term engagements and longer-term strategic projects.

Managed Services revenue reduced in the period, as some existing projects came to an end and as a consequence of COVID-19. We were able to offset much of this impact by quickly switching to services that address the new way of working for our customers. Our Managed Services portfolio continues to perform well and we have a strong pipeline for large, simple services with both existing and new customers. Our continued investment in central operational and service management efficiency has improved customer satisfaction and margin performance.

We have seen additional demand for COVID-related services, to help reduce the impact on our customers and move them to remote working. This ensured high utilisation of our services teams throughout the crisis. Our work to reduce over-capacity within Professional Services, in preparation for the completion of several contracts, enabled us to enter the crisis with the right number of people and an appropriate skillset.

The Services business focused relentlessly on cost throughout the period, in particular by reducing the use of contractors and by not replacing employees who left, as we continue to shape the workforce to meet the near-term challenges. Reduced travel to customer sites has saved money and freed up time which our people have spent supporting our customers. This has helped to offset the cost of under-utilised employees, who remain ready to re-engage as demand picks up again.

Services margins increased by 346 basis points over the period.

GERMANY

Revenue €m -2.8%

966.4

Adjusted[1] operating profit €m +15.4%

40.5

Members of the German leadership team

The crisis has helped to strengthen many of our customer relationships.

Reiner Louis
Managing Director, Germany

German headquarters – Kerpen, Germany

Financial performance

Total revenue decreased by 2.8 per cent to €966.4 million (H1 2019: €994.3 million) and by 2.2 per cent in reported pound sterling equivalents[2].

The first half of the year was the most extraordinary and challenging period in the history of Computacenter Germany, as a result of the COVID-19 situation and the necessary crisis management, which overshadowed all other business concerns.

The German business has come through the crisis well, so far, and the financial figures for the first half show a very good result. However, the new realities have led to a rethinking of some aspects of business life, in particular relating to mobile working and travel and meeting culture.

The longer-term effects on customer relationships and customer contacts are not clear. The crisis has helped to strengthen many of our customer relationships, especially among our key larger customers, and we have received praise from our customers for our professional support and pragmatic approach. However, new customer wins have suffered, as these customers have focused on existing partnerships during the crisis. Even so, not all of our competitors have succeeded and we have seen some successes with new customers. We need to observe how customer behaviour continues to change and how addressing more complex issues onsite with customers can evolve to function in a remote-collaboration environment.

The crisis has created winners and losers in the German customer base. The losers are primarily companies in the automotive and automotive supply industry, which were already challenged before COVID-19 and whose situation has now deteriorated dramatically. In addition, some retail companies and the chemical industry have suffered. The clear winners are the technology companies, the health industry, insurance companies and the entire public sector. The demands on our public sector account teams have been particularly challenging due to the crisis and we have significantly improved our reputation in this area due to the capabilities demonstrated in our response to urgent requests for support.

Computacenter Germany's customer base covers a broad spectrum of all these industries. On the one hand, we are directly affected by the automotive crisis, as we serve almost the entire range of customers here. The closure of customer plants and production facilities has also prompted us to resort to short-time working, in order to avoid compulsory redundancies. At peak times we had around 800 employees on short-time working. This has now reduced and will fall further in the second half. On the other hand, we benefited in particular from our strong public sector client base, which also made additional investments in infrastructure during the crisis.

A survey on the effects of the COVID-19 crisis on the business activities of Computacenter Germany's Top 100 customers has shown that only around 23 per cent have been significantly affected by the crisis. This has also been confirmed in our business development to date. What we also see, however, is that the companies affected by the crisis are again using classic outsourcing methods in order to reduce costs. This includes extensive asset transfers, employee takeovers and above all global delivery requirements. For Computacenter, this is both an opportunity and a risk, and is why the current Managed Services pipeline is substantial.

Looking ahead, we believe we can still achieve the expectations we set ourselves at the beginning of the year despite the circumstances. This is based on a somewhat weaker Technology Sourcing business and a stronger Professional Services business, helped by lower administrative costs.

The first half of the year was characterised by a cautious start, then the emerging COVID-19 crisis and three strong months to finish the first half. In particular, the positive trend of growing Professional Services from 2019 was confirmed despite the crisis. The additional infrastructure requirements that arose at the beginning of the crisis have boosted the Technology Sourcing business, while the last two months have shown that customers are acting more carefully in regard to additional hardware investments. Our Managed Services business performed in line with expectations, although there were positive and negative fluctuations within this business. The cost base benefited from reductions in travel, meetings and events. Adjusted[1] gross profit grew by 5.1 per cent to €135.3 million (H1 2019: €128.7 million) and by 6.0 per cent in reported pound sterling equivalents[2].

Total contribution was slightly above the target for the first half of the year and also showed good year-on-year growth. While we had to accept a small absolute decline on the Technology Sourcing side despite higher margins, strong Services growth in particular led to significant overall contribution growth.

Administrative expenses increased by 1.3 per cent to €94.8 million (H1 2019: €93.6 million), and by 1.8 per cent in reported pound sterling equivalents[2].

Indirect costs increased only slightly compared to the previous period and were well below target, as a result of reduced travel, meetings and events. In addition, the indirect headcount was kept almost flat compared to the previous period.

Adjusted[1] operating profit for the German business increased by 15.4 per cent to €40.5 million (H1 2019: €35.1 million) and by 17.1 per cent in reported pound sterling equivalents[2].

Taking into account the market conditions described above, we consider the operating result to be very positive, as it is well above target and the previous period.

Technology Sourcing performance

Technology Sourcing revenue reduced by 5.6 per cent to €655.3 million (H1 2019: €694.0 million) and by 5.0 per cent in reported pound sterling equivalents[2].

Technology Sourcing margins remained strong and were up by 56 basis points over the same period last year.

Technology Sourcing saw a decline in sales compared to the previous period, but also a stronger relative margin position. This was due to weaker COVID-19-related demand from large framework agreements, especially from customers in the automotive industry. These frameworks typically do not generate high margins. On the other hand, we benefited from customers' additional ad hoc procurements to overcome the crisis, especially in the public sector. We made every effort to prioritise service to our critical information infrastructure and security customers in particular, which was very well received by them.

Services performance

Services revenue grew by 3.6 per cent to €311.1 million (H1 2019: €300.3 million) and by 4.2 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 29.8 per cent to €129.4 million (H1 2019: €99.7 million), an increase of 30.7 per cent in reported pound sterling equivalents[2], and a Managed Services decline of 9.4 per cent to €181.7 million (H1 2019: €200.6 million), a decrease of 9.0 per cent in reported pound sterling equivalents[2].

Two different pictures emerge in relation to Services revenue development. Our Professional Services business showed strong growth, while our Managed Services business saw a significant decline. We succeeded in serving all Professional Services framework agreements and projects, despite a massive switch by customers towards remote working. Additional customer requirements, especially at the beginning of the crisis, further boosted growth. In addition, we won another large framework contract in the public sector, which guarantees approximately €20 million of revenue per year for at least four years. In Managed Services, COVID-19 resulted in revenue shortfalls with some large customers. This was mainly caused by plant closures or the significant shift to home working. Consolidated across both areas, revenues increased significantly.

A similar picture emerges on the margins side. While we benefited from growth in Professional Services, the decline in Managed Services affected the margin position. Despite the use of government sanctioned reduced-time working, we were not able to compensate for all revenue shortfalls on the cost side. The use of reduced-time work prevented redundancies that would otherwise have been necessary, which is the right approach as we assume that the needs of these customers will recover. We achieved all our targets in relation to the critical contracts existing from 2019. Nevertheless, a new contract won in 2019 is in a critical transformation phase and requires increased attention. We expect to have this under control by the end of the year.

Services margins increased by 167 basis points over the period.

FRANCE

Revenue €m **+0.2%**

346.5

Adjusted[1] operating profit €m **-55.2%**

4.3

Members of the French leadership team

To support our customers' continuity plans during this period, we demonstrated agility, flexibility and innovation in order to adapt our Services to circumstances.

Arnaud Lepinois
Managing Director, France

New Service Center – Perpignan, France

Financial performance

Total revenue was flat at €346.5 million (H1 2019: €345.9 million). In reported pound sterling equivalents[2], total revenue was up by 1.4 per cent.

The COVID-19 outbreak is causing widespread concern and economic hardship for businesses across the globe. Most companies already have business continuity plans, but those may not fully address the fast-moving and unknown variables of such an outbreak. Typical contingency plans are intended to ensure operational effectiveness following events such as natural disasters, cyber incidents and power outages, among others.

To support our customers' continuity plans during this period, we demonstrated agility, flexibility and innovation in order to adapt our services to circumstances. Whether in the field of healthcare, industry or essential services for the government, our teams were present and ensured a very good transition of services. In this unique context, we have seen several major upheavals in our ecosystem of public and private sector customers. The large private sector customer base has suffered the most, notably in sectors such as transportation, manufacturing, retail and hospitality.

Product distribution in France has been affected quite heavily in all segments, with a greater impact than in some other European countries such as the UK and Germany. We are satisfied with our performance in Technology Sourcing, which remained stable compared to last year, which was an exceptional year. Nevertheless, the mix of products distributed over the period saw growth in Workplace and a fairly significant drop in infrastructure sales which has affected our total contribution. On the Services side, Professional Services activities suffered heavily because many projects were stopped and the employees at customer locations were not all able to work from home.

Despite government action in implementing the chômage partiel, a government assistance scheme to support employees unable to work via a partial unemployment program, the earnings and especially the profitability of these activities were significantly affected. Our teams in the Service Centers all switched to home working in less than 48 hours and adapted to maintain the quality of services for Managed Services customers.

Overall, despite a stable total revenue performance, the French business saw a significant impact to its contribution for the first half.

Overall adjusted[1] gross profit reduced by 13.7 per cent to €35.4 million (H1 2019: €41.0 million) and by 12.4 per cent in reported pound sterling equivalents[2].

During the same period, we were able to keep our administrative expenses broadly flat by balancing a reduction in some central costs such as travel and accommodation, while continuing to invest in our sales capabilities to support our growth plan.

To continue our development in the modern workplace management world and in order to allow our customers to build very open devices strategy, we decided to invest to obtain the Apple Authorized Enterprise Reseller certification in the first half of 2020. We were awarded the certification by Apple in the second quarter of the year and have built an Apple practice to expand our footprint in that new landscape. We continue to invest to get accredited for the Apple Education reseller programme.

Based on the Cisco Gold Certification we received last year and our investments to develop our networking business, we have continued to expand our Networking and Security teams, as our business has grown significantly over the past few months in this space. This is also encouraging in anticipation of the BT Services France acquisition, which is planned to complete by the end of this year and will reinforce our Services capabilities. We have a dedicated team working on the integration project.

As we anticipate some challenges with a couple of very large private sector accounts, we need to continue to develop our customer portfolio targeting large French organisations, to ensure we can create new opportunities. The business will continue to recruit sales specialists and business development managers in the second half of the year, to further support our long-term development plan and enable us to exploit addressable opportunities within the marketplace and start leveraging the BT Services France acquisition in early 2021.

Whilst Management continued to focus on cost control within the French business, these investments resulted in administrative expenses reducing by 1.0 per cent to €31.1 million (H1 2019: €31.4 million). Administrative expenses increased 0.4 per cent in reported pound sterling equivalents[2].

Adjusted[1] operating profit for the French business decreased by 55.2 per cent to €4.3 million (H1 2019: €9.6 million), and by 54.2 per cent in reported pound sterling equivalents[2].

The strong comparative period means the second half of the year remains challenging but we are pleased with the business's resilience, as it continues to develop its breadth of customers, to increase stability and the potential for growth.

Technology Sourcing performance

Technology Sourcing revenue increased by 0.6 per cent to €268.3 million (H1 2019: €266.6 million) and by 1.8 per cent in reported pound sterling equivalents[2].

In the first half of the year, we saw higher than expected activity from our largest Technology Sourcing customers. We are pleased that our ability to expand existing public frameworks is benefiting us. At the same time, we saw a reduction in revenue from our large private sector accounts and some growth from our base of smaller customers, who were often less affected by the crisis.

As noted earlier, the mix between Workplace and Enterprise product lines affected our contribution rate in the period.

As usual at this time of year, there is still much work to do to secure Technology Sourcing business in the second half and traditionally there is considerable focus on the last quarter of the year. Despite a very difficult economic climate in France, we have a strong short-term pipeline and with the recent wins of some high-volume framework tenders in the public and private sectors, we are confident about our chances of reproducing the overall Technology Sourcing revenue achieved in the second half of last year.

Technology Sourcing margins decreased by 79 basis points, due to the change in product mix towards higher-value product with more value-add Technology Sourcing activities.

Services performance

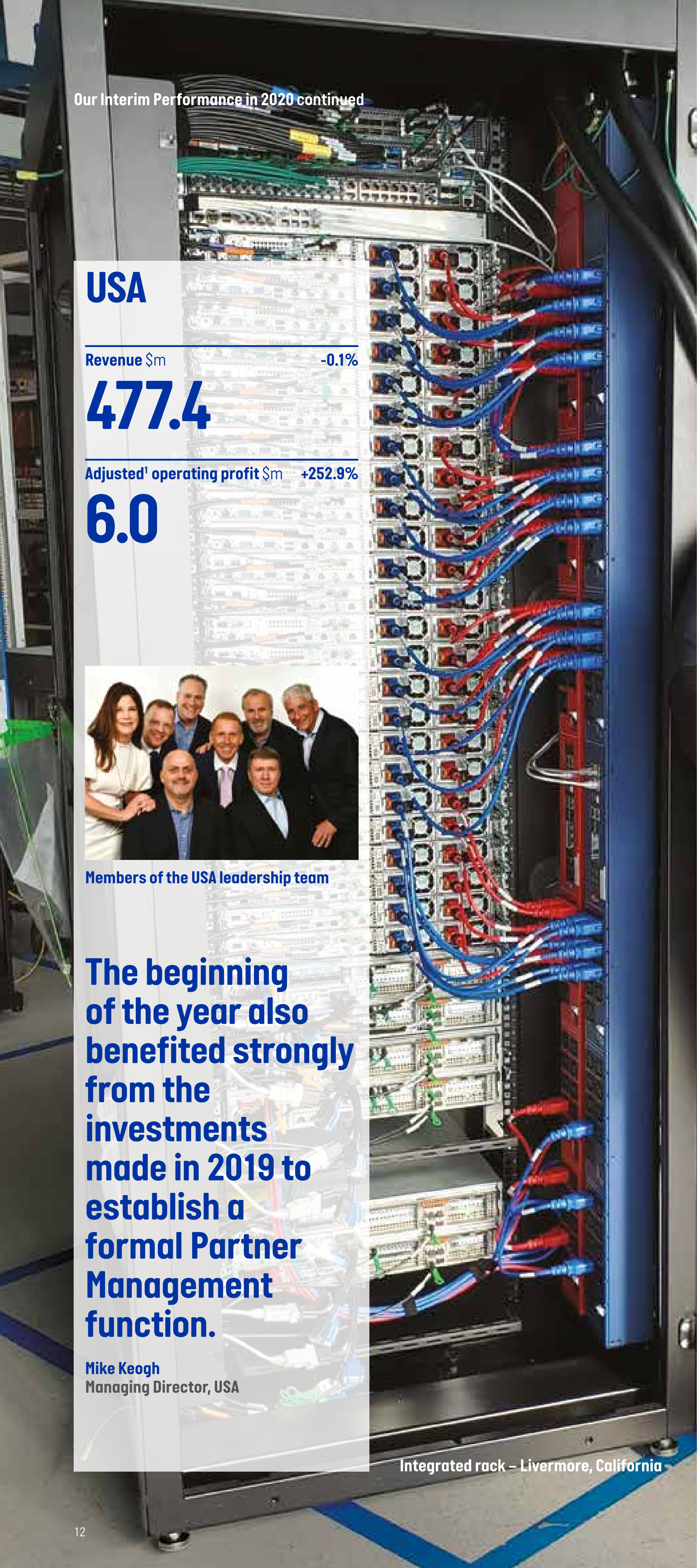
Services revenue decreased by 1.4 per cent to €78.2 million (H1 2019: €79.3 million) and was flat in reported pound sterling equivalents[2]. Professional Services revenue decreased by 14.3 per cent to €17.4 million (H1 2019: €20.3 million), which was a decrease of 13.1 per cent in reported pound sterling equivalents[2]. Managed Services revenue increased by 3.1 per cent to €60.8 million (H1 2019: €59.0 million), an increase of 4.5 per cent in reported pound sterling equivalents[2].

As a direct consequence of the national 'lockdown' in response to COVID-19 and the subsequent hesitancy for companies to implement on-site return strategies, our Professional Services activities were significantly affected, particularly where resources were supplied on demand to customers in an on-site situation. Almost 50 per cent of our technical resources were involved in the chômage partiel partial unemployment programme during the second quarter, with a strong impact on the utilisation rate and revenue. Despite the unprecedented global situation, we have won more transformation and deployment projects for the months to come, allowing us to envisage a slightly less difficult second half of the year but without resuming the normal level of activities in this area.

In Managed Services, we anticipated the loss of a large global outsourcing contract at the end of last year, and while the contract ended in the first half of the year, it generated some extensions partly linked to COVID-19. At the same time, we won a new global user support contract, distributed in more than 50 countries, and we have successfully transitioned the service worldwide during the crisis and the containment period. We are very proud of the work of our transition team in collaborating well with the customer and the start is encouraging. We also have several extensions of scope on some large international accounts, which should help to reduce the impact on revenue associated with the end of the contract mentioned above. Finally, after an exemplary move to home working for our teams, we have to deal with a more complicated return plan linked to the various health constraints in each country and the operational conditions for some customers.

In the second half of the year, the new business will not cover the reduction in the contract base, so we continue to expect a decrease in our Services revenue for 2020 along with the negative impact of the COVID-19 crisis on our margins.

Services margins decreased by 436 basis points over the same period last year, due primarily to the very low usage of our internal resources and one loss-making contract.



Integrated rack – Livermore, California

USA

Revenue $m -0.1%

477.4

Adjusted[1] operating profit $m +252.9%

6.0

Members of the USA leadership team

The beginning of the year also benefited strongly from the investments made in 2019 to establish a formal Partner Management function.

Mike Keogh
Managing Director, USA

Financial performance

Total revenue was flat at $477.4 million (H1 2019: $477.8 million). In reported pound sterling equivalents[2], total revenue was up by 2.2 per cent.

The USA performance was driven by Technology Sourcing, due to its relative size within the Segment, with revenue remaining flat in the period. Revenue was affected by the COVID-19 crisis, which had a material impact in the second quarter. In particular, new sales order performance fell from over $24 million gross margin in the first quarter to $18 million in the second quarter of 2020. This was materially behind plan, being around 25 per cent less than our original forecast. Particular weakness was seen in the mid-market customer segment, as multiple customers curtailed hardware spending in the face of uncertain business conditions. This was partially offset by the strength of the large enterprise segment, which saw greater resilience in spend levels particularly in hyperscale SaaS providers.

Overall Services revenues were flat during the first half of the year, with particular challenges in the Professional Services business, as project activity dramatically slowed as customers either delayed expected spend or cancelled projects while they responded to COVID-19. Several globally managed customer engagements went live successfully during the period with support from the USA Managed Services business and revenue-based headcount reached an all-time high in the second quarter, as we hired staff to fulfil new Group contract requirements. The overall business backlog has remained relatively healthy and gives us some confidence about our expectations for the second half of the year in 2020 with further global contracts providing the potential for further work to be performed in the USA.

Overall adjusted[1] gross profit reduced by 3.7 per cent to $39.1 million (H1 2019: $40.6 million) and by 1.6 per cent in reported pound sterling equivalents[2].

Administrative expenses reduced by 14.9 per cent to $33.1 million (H1 2019: $38.9 million), and were down 13.2 per cent in reported pound sterling equivalents[2]. There were cost reductions of more than $1 million in the Managed Service business, as well as the COVID-19 impact on travel, customer entertainment and corporate events. Simultaneously, we continued our long-term investment programmes, including in our new Livermore Integration Center and deployment of our Group ERP system, which will underpin our future systems strategy in the region.

Adjusted[1] operating profit for the USA business increased by 252.9 per cent to $6.0 million (H1 2019: $1.7 million), and by 291.7 per cent in reported pound sterling equivalents[2], following a difficult H1 2019. Performance materially improved versus the prior period, given a combination of cost controls implemented in 2019 that effectively lowered the break-even point for the business and above-plan results in vendor rebate levels.

Overall, the performance in the first half has been challenging and has been flattered by a relatively easy comparison to H1 2019. We are cautious regarding the second half, as our new order book is a leading indicator and has been weaker than expected. We do expect continued administrative expenses savings that should help offset some of the volume decline, but we are closely monitoring utilisation and capacity within our delivery engines.

Technology Sourcing performance

Technology Sourcing revenue increased by 0.7 per cent to $467.7 million (H1 2019: $464.6 million) and by 3.0 per cent in reported pound sterling equivalents[2].

The Technology Sourcing business saw a solid performance in the first quarter of 2020, as COVID-19 did not significantly impact our business until mid-March. We saw very little customer attrition and the beginning of the year also benefited strongly from the investments made in 2019 to establish a formal Partner Management function in the region. That team has increased rebate performance by nearly 40 per cent versus the prior year. Our mix of partners remained broadly the same with our 'go-to-market' focused heavily on networking and data center technology. It is also worth noting that we have also successfully ramped up the beginnings of a workplace practice, including launching two customer engagements in this space.

USA Technology Sourcing margins increased by 70 basis points over the period ended 30 June 2020, with the mix of hardware OEM vendors a key driver of our margins. At a customer segmentation level, our largest SaaS hyperscale customers continued their spend but given their scale and size these customers tend to be lower margin by nature. Greatly curtailed spending by our mid-market customers in the second quarter also had a negative effect on margins, as that sector tends to drive a higher margin profile.

Services performance

Services revenue decreased by 26.5 per cent to $9.7 million (H1 2019: $13.2 million) and was down 25.2 per cent in reported pound sterling equivalents[2]. Professional Services decreased by 34.7 per cent to $6.6 million (H1 2019: $10.1 million), which was a decrease of 33.3 per cent in reported pound sterling equivalents[2]. Managed Services revenues were flat at $3.1 million (H1 2019: $3.1 million) and represent the USA Segment portion of the revenue recognised from work performed on contracts for Western European customer accounts that are primarily reported through the European Segments.

The overall Services performance was a mixed result. Our Professional Services business contracted, driven by COVID-19 delaying or cancelling previously budgeted technology projects. In addition, much of the Professional Services business is with by our mid-market customers and that segment was the weakest in the period. A bright spot remains our rack fabrication business, which is delivered from our new Integration Center and experienced a strong first half of the year.

The Managed Services business primarily operates as an internal service provider to the Group's European Segments who retain responsibility for the global operation of significant Managed Services contracts. While the Group's largest customer ended its contract during the period, and therefore the associated activity performed in the USA Segment, we were able participate in the go-live with three new major global contracts during the first half.

We also continue to invest in training and developing our people in order to continue scaling up this business, with a combination of leveraging Group best practices and resources as well as continuing to support a number of expatriate employees to bring critical experience to our local market.

Services margins have decreased materially as a result of the reduction in Professional Services activity and are now 876 basis points below the overall combined Group Services margin.

Integration Center – Bodegraven, Netherlands

INTERNATIONAL

Revenue £m -17.2%

77.2

Adjusted[1] operating profit £m -95.7%

0.2

Members of the Rest of Europe leadership team – part of International

We are seeing many investment decisions that were put on hold in the first half now being approved.

Lieven Bergmans
Managing Director, Rest of Europe

International Segment

The International Segment comprises a number of trading entities and offshore Global Service Desk delivery locations.

The trading entities include Computacenter Switzerland, Computacenter Belgium and Computacenter Netherlands. In addition to their operational delivery capabilities, these entities have in-country sales organisations, which enable us to engage with local customers. During the year, we started to develop a sales and trading entity in Spain, with offices in Madrid and Barcelona.

These trading entities are joined in the Segment by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, Poland, China and Mexico, which have limited external revenues.

Financial performance

Revenues in the International business decreased by 17.2 per cent to £77.2 million (H1 2019: £93.2 million) and by 18.1 per cent in constant currency[2].

On a like-for-like basis, revenues declined in each of the trading entities, broadly following the local market trend of reduced IT spending due to the COVID-19 crisis. In absolute numbers, Swiss revenues remained flat but this was due to the inclusion of a full period of Pathworks' revenues. Pathworks was acquired in March 2019 and was therefore only included for four months in H1 2019.

Adjusted[1] gross profit decreased by 27.6 per cent to £14.7 million (H1 2019: £20.3 million), and by 27.2 per cent in constant currency[2].

Belgian business performance declined mainly because of a reduced contribution in Technology Sourcing. The Belgian business is traditionally strong in the private sector and has limited activities in the public sector. As we believe that the public sector was less affected by the COVID-19 crisis, we faced an extra challenge in Belgium to keep profitability under control. Services contributions were less impacted, as we were able to keep a good level of activity and control personnel costs through government support.

Our Swiss business performance was mainly impacted by a decline in Managed Services profitability and a utilisation decline in Professional Services.

As we knew that the Dutch business would not be able to maintain the same Service revenues as in 2019, we planned to compensate for this with increased Technology Sourcing business. Unfortunately, this did not materialise in the current challenging market conditions.

Administrative expenses decreased by 7.6 per cent to £14.5 million (H1 2019: £15.7 million) and by 7.1 per cent in constant currency[2].

Our investment plans drove increases in our administrative expenses that were offset by COVID-19 reductions related to reduced travel expenditure. The Belgian team increased its sales capacity significantly in 2019. Towards the end of 2019, we opened a new regional sales office in St Gallen in Switzerland and we are gradually growing the local sales and consultancy teams. In early 2020, we started to build a sales team in Spain. This business has currently onboarded a team of around ten account managers and specialist salespeople. Their focus is to develop a Spanish sales pipeline based on leveraging locally some existing international contracts and the development of local customer relationships. Our Dutch business is now fully integrated into the Group ERP systems and the corresponding Group Operating model.

Whilst short-term performance is under pressure, we remain confident that these investments are the right thing to do, as they will help us improve our international footprint and profitability in the long term.

Overall adjusted[1] operating profit decreased by 95.7 per cent in both actual and constant currency[2] to £0.2 million (H1 2019: £4.6 million).

Technology Sourcing performance

Technology Sourcing revenue decreased by 20.3 per cent to £46.6 million (H1 2019: £58.5 million) and by 20.9 per cent in constant currency[2].

Technology Sourcing business in Belgium and the Netherlands was not immune to the declining local markets during the COVID-19 crisis. Moreover, we struggled at the start of the year in Belgium with component shortages from some of our main vendors in the workplace area. Overall, we have been able to keep margins stable compared to last year.

Our acquired business in Switzerland continued to deliver solid results in the Technology Sourcing area, mainly in education and other public sector customers.

We are encouraged by an improved pipeline for the second half. We are seeing many investment decisions that were put on hold in the first half now being approved. Additionally, we see an important pipeline of public tenders and the implementation of some framework contracts with large organisations, mainly in the Netherlands.

Technology Sourcing margins have decreased by 28 basis points.

Services performance

Services revenue decreased by 11.8 per cent to £30.6 million (H1 2019: £34.7 million) and by 13.6 per cent in constant currency[2].

Professional Services revenue increased by 88.9 per cent to £3.4 million (H1 2019: £1.8 million) and by 78.9 per cent in constant currency[2]. Managed Services revenue decreased by 17.3 per cent to £27.2 million (H1 2019: £32.9 million), which was a decrease of 18.8 per cent in constant currency[2].

In Belgium, local government support for working time reduction allowed us to keep our cost base in the Services departments under control and to keep Services margins healthy, despite a small revenue decline.

Whilst we also benefited from government support in the Netherlands and Switzerland, there was less opportunity to align our Services cost base with the reduced Services income in both countries.

We have been successful in leveraging Group offerings, mainly around the mobile workplace. For the second half we have an improved Services pipeline in all countries. However, much needs to be done to reach the same level of Services opportunities and contribution as before the COVID-19 crisis.

Services margins have decreased by 847 basis points.

The Group's ability to hold overall revenues flat has been more than pleasing.

Tony Conophy
Group Finance Director

Technology Sourcing growth in the UK and continuing strong growth of Professional Services volumes in Germany offset revenue slowdowns elsewhere across the Group, due to the COVID-19 crisis. The Group's ability to hold overall revenues flat has been more than pleasing, given the significant reduction of spend seen in a number of key industrial customers, as they look to preserve cash and to delay, rather than cancel, required IT investments and upgrades. We are immensely proud of the way that the business has responded to replace these volumes with other sales, supporting our customers in both the private and public sectors through their migration to a remote-working IT environment.

The revenue performance was supported by increases in gross margins across all business lines and was driven by our biggest markets, the UK and Germany. This margin performance was due both to a changed customer mix within the Technology Sourcing business and a natural erosion of administrative expenses and costs of goods sold, benefiting both Technology Sourcing and the Services businesses. Whilst some of these costs such as travel, fleet and contractor costs will return over time, when the Group returns to its pre-COVID-19 mode of operation, we aim to control this to prevent unnecessary costs returning within certain of these cost categories and therefore permanently lower the overall cost base.

The Group result saw significant double-digit increases in adjusted[1] operating profit across the UK and Germany, more than compensating for reductions in the French and International Segments. The USA saw significant growth in profitability, against a poor comparative period.

Professional Services revenue was very strong in Germany, with continuing high demand for our highly skilled people to work on digital transformation, cloud and security projects for customers. The German business is increasingly the leader in this area for the Group and has proven more resilient to demand fluctuations through the COVID-19 crisis. There remains significant appetite to increase the capacity of the local workforce, whilst rolling out developed skill sets across the Group. The UK Professional Services revenue was flat, whilst modest decreases were seen elsewhere, mainly due to the inability to access customer sites.

Managed Services saw revenue reductions across all geographies. This business's top line has been affected by a number of contracts which are based on price times quantity, rather than a fixed fee. As call volumes to our Service Centers surged at the beginning of the crisis, the field engineer workforce saw significant reductions in activity due to customer sites being closed. However as revenue has fallen, margins have improved due to the increased utilisation of our now remote-working engineers, who no longer have to spend otherwise billable time travelling to customer sites.

A reconciliation to adjusted[1] measures is provided below. Further details are provided in note 4 to the Interim Condensed Consolidated Financial Statements, adjusted measures. For the avoidance of duplication, further information on the Group's financial performance can be found on pages 2 to 15 of this Strategic Report.

Reconciliation to adjusted[1] measures for the period ended 30 June 2020

	Interim results £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] interim results £'000
Revenue	**2,462,184**	–	–	–	**2,462,184**
Cost of sales	**(2,144,385)**	–	–	–	**(2,144,385)**
Gross profit	**317,799**	–	–	–	**317,799**
Administrative expenses	**(242,685)**	2,184	–	–	**(240,501)**
Operating profit	**75,114**	2,184	–	–	**77,298**
Finance income	**324**	–	–	–	**324**
Finance costs	**(3,030)**	–	–	–	**(3,030)**
Profit before tax	**72,408**	2,184	–	–	**74,592**
Income tax expense	**(20,394)**	(592)	–	–	**(20,986)**
Profit for the period	**52,014**	1,592	–	–	**53,606**

Reconciliation to adjusted[1] measures for the period ended 30 June 2019

	Interim results £'000	Amortisation of acquired intangibles £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	Adjusted[1] interim results £'000
Revenue	**2,427,014**	–	–	–	**2,427,014**
Cost of sales	**(2,126,523)**	–	–	–	**(2,126,523)**
Gross profit	**300,491**	–	–	–	**300,491**
Administrative expenses	**(246,663)**	2,175	–	79	**(244,409)**
Operating profit	**53,828**	2,175	–	79	**56,082**
Finance income	**992**	–	–	–	**992**
Finance costs	**(3,971)**	–	–	400	**(3,571)**
Profit before tax	**50,849**	2,175	–	479	**53,503**
Income tax expense	**(13,002)**	(570)	275	(918)	**(14,215)**
Profit for the period	**37,847**	1,605	275	(439)	**39,288**

Profit before tax

The Group's profit before tax increased by 42.5 per cent to £72.4 million (H1 2019: £50.8 million). Adjusted[1] profit before tax increased by 39.4 per cent to £74.6 million (H1 2019: £53.5 million) and by 37.9 per cent in constant currency[2].

The difference between profit before tax and adjusted[1] profit before tax relates to the Group's net costs of £2.2 million (H1 2019: net costs of £2.7 million) from exceptional and other adjusting items, which is principally the amortisation of acquired intangibles as a result of the acquisition of FusionStorm on 30 September 2018. Further information on these items can be found on page 19.

Profit for the period

The profit for the period increased by 37.6 per cent to £52.0 million (H1 2019: £37.8 million). The adjusted[1] profit for the period increased by 36.4 per cent to £53.6 million (H1 2019: £39.3 million) and by 34.3 per cent in constant currency[2].

Net finance charge

Net finance charge in the period amounted to £2.7 million (H1 2019: £3.0 million). The charge includes £2.3 million of interest charged on lease liabilities (H1 2019: £1.9 million). A further £0.5 million of cost relates to interest on the term loan drawn down for the FusionStorm acquisition (H1 2019: £1.0 million), with £0.2 million of cost on the term loan for the Kerpen facility (H1 2019: £0.1 million). In the prior period, the charge included £0.1 million of cost for the unwinding of the discount on the deferred consideration for the purchase of TeamUltra and cITius AG (H1 2020: nil). The H1 2019 charge also included exceptional interest costs of £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm (H1 2020: nil), which was excluded on an adjusted[1] basis.

In addition to the items above, net finance income of £0.2 million was recorded (H1 2019: £0.4 million). On an adjusted[1] basis, the net finance cost was £2.7 million during the period (H1 2019: £2.6 million).

Taxation

The tax charge was £20.4 million (H1 2019: £13.0 million) on profit before tax of £72.4 million (H1 2019: £50.8 million). This represents a tax rate of 28.2 per cent (H1 2019: 25.6 per cent).

In the first half of 2019, a tax credit of £0.9 million (H1 2020: nil) was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which resulted in an in-year tax benefit in that period.

The tax credit related to the £2.2 million amortisation of acquired intangibles primarily recognised as a result of the FusionStorm acquisition was £0.6 million (H1 2019: £0.6 million). As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also reported outside of our adjusted[1] tax charge.

The adjusted[1] tax charge during the period was £21.0 million (H1 2019: £14.2 million), on an adjusted[1] profit before tax of £74.6 million (H1 2019: £53.5 million). The effective tax rate (ETR) was therefore 28.1 per cent (H1 2019: 26.6 per cent) on an adjusted[1] basis. The increase in the ETR was primarily due to the significant decrease in profitability in France, where historical tax losses are readily available for use and which offset some of the prior period charge. This has combined with the increase in the German cash tax rate, which has risen due to the final part of the German tax losses being utilised during the period. The utilisation of the asset in the prior period of £0.3 million reduced the tax rate by 0.5 per cent but was considered to be outside of our adjusted[1] tax measure.

The table below reconciles the tax charge to the adjusted[1] tax charge for the period ended 30 June 2020.

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Tax charge	**20,394**	13,002	39,397
Adjustments to exclude:			
Utilisation of German deferred tax assets	–	(275)	(733)
Exceptional tax items	–	879	839
Tax on amortisation of acquired intangibles	**592**	570	1,149
Tax on exceptional items	–	39	39
Adjusted[1] tax charge	**20,986**	14,215	40,691
ETR	**28.2%**	25.6%	27.9%
Adjusted[1] ETR	**28.1%**	26.6%	27.8%

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the period was £1.6 million (H1 2019: loss of £1.5 million). Excluding the tax items noted above, which resulted in a gain of £0.6 million (H1 2019: gain of £1.2 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £2.2 million (H1 2019: loss of £2.7 million).

There were no exceptional items in the period to 30 June 2020. An exceptional loss during the prior period of £0.1 million resulted from costs directly relating to the acquisition of FusionStorm. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm was also removed from the adjusted[1] net finance expense and classified as exceptional interest costs in the prior period (H1 2020: nil).

We have continued to exclude the effect of amortisation of acquired intangible assets in calculating our adjusted[1] results. Amortisation of intangible assets is non-cash and is significantly affected by the timing and size of our acquisitions, which distorts the understanding of our Group and Segmental operating results. The amortisation of acquired intangible assets was £2.2 million (H1 2019: £2.2 million), nearly all related to the amortisation of the intangibles acquired as part of FusionStorm.

Earnings per share

Diluted earnings per share increased by 36.4 per cent to 45.3 pence (H1 2019: 33.2 pence). Adjusted[1] diluted earnings per share increased by 35.4 per cent to 46.7 pence (H1 2019: 34.5 pence).

	H1 2020	H1 2019	Year 2019
Basic weighted average number of shares (excluding own shares held) (no.'000)	**112,930**	112,616	112,514
Effect of dilution:			
Share options (no.'000)	**1,707**	1,215	1,655
Diluted weighted average number of shares (no.'000)	**114,637**	113,831	114,169

Profit for the period attributable to equity holders of the Parent (£'000)	**51,987**	37,847	101,655
Basic earnings per share (pence)	**46.0**	33.6	90.3
Diluted earnings per share (pence)	**45.3**	33.2	89.0

Adjusted[1] profit for the period attributable to equity holders of the Parent (£'000)	**53,579**	39,288	105,654
Adjusted[1] basic earnings per share (pence)	**47.4**	34.9	93.9
Adjusted[1] diluted earnings per share (pence)	**46.7**	34.5	92.5

Dividend

The Group announced on 23 April 2020 that as a result of the COVID-19 crisis, the previously proposed 2019 final dividend would not be paid.

Whilst the Group's cash position at the time was strong and trading was in-line with our expectations, we continued to explore all opportunities to maintain cashflow and preserve cash balances, in light of the heightening uncertainty about the scale and duration of the macroeconomic impact of COVID-19. The Group has received and approved a number of requests from customers for extended payment terms and continues to look for ways to support the short-term cashflow of smaller customers or those that have been materially affected by the impact of COVID-19.

Accordingly, the Board believed at the time of the announcement that it was prudent not to pay a final dividend in respect of the financial year ended 31 December 2019. Resolution 4 set out in the Notice of Annual General Meeting 2020 was therefore not put to a vote at the AGM and the 2019 final dividend was not paid.

The Board recognises the importance of dividends to shareholders and the Group prides itself on a long track record of paying dividends and other special one-off in nature cash returns. The Group continues to monitor the COVID-19 crisis and the resultant cash flow implications. However, with the results for the period to 30 June 2020 and the corresponding cash flow performance, the Board now considers it appropriate to resume distributing cash to shareholders by returning to the Group's normal interim and full-year dividend cycle.

We are therefore pleased to announce an interim dividend of 12.3 pence per share (H1 2019: 10.1 pence per share). Whilst the 2019 full-year dividend was not paid, we have continued with our normal policy that the interim dividend will be approximately one third of the previous year's full dividend. The interim dividend will be paid on Friday 23 October 2020. The dividend record date is Friday 25 September 2020, and the shares will be marked ex-dividend on Thursday 24 September 2020.

Central corporate costs

Certain expenses are not specifically allocated to individual Segments because they are not directly attributable to any single Segment. These include the costs of the Board itself, related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic initiatives that benefit the whole Group.

Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the Segmental note. These costs are borne within the Computacenter (UK) Limited legal entity and have been removed for Segmental reporting and performance analysis, as they form part of the overall Group administrative expenses.

During the period, total Central Corporate Costs were £12.9 million, an increase of 8.4 per cent (H1 2019: £11.9 million). Within this:

- Board expenses, related public company costs and costs associated with Group Executive members not aligned to a specific geographic trading entity were slightly reduced at £3.3 million (H1 2019: £3.4 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, increased from £1.1 million in H1 2019 to £1.3 million in H1 2020, due to the increased cost of Computacenter plc ordinary shares and the overall increased performance of the Group; and
- strategic corporate initiatives increased from £7.4 million in H1 2019 to £8.3 million in H1 2020, primarily due to greater spend on projects designed to increase capability and therefore competitive position, enhance productivity or strengthen systems which underpin the Group.

Cashflow

The Group delivered an operating cash inflow of £47.0 million for the period to 30 June 2020 (H1 2019: £1.1 million outflow).

There are certain COVID-19 related one-off benefits included in the H1 2020 cashflow and net cash positions including extended free-of-charge supplier credit with a major vendor of approximately £29.2 million and temporary payment timing benefits from various governments of £22.2 million as well as improvements arising from customer mix.

Capital expenditure in the period was £13.2 million (H1 2019: £18.9 million), with the decrease primarily relating to the investment in our German headquarters in the prior period. The current period expenditure represents other investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

The Group continued to manage its cash and working capital positions appropriately using standard mechanisms, to ensure that cash levels remained within expectations throughout the year. The Group had no debt factoring at the end of the year outside the normal course of business. From time to time, some customers request credit terms longer than our standard of 30-60 days. In certain instances we will arrange for the sale of the receivables on a true sale basis to a finance institution on the customers' behalf. We would typically receive funds on 45-day terms from the finance institution, who will then recover payment from the customer on terms agreed with them. The cost of such an arrangement is borne by the customer, either directly or indirectly, enabling us to receive the full amount of payment in line with our standard terms. The benefit to the cash and cash equivalents position of such arrangements as at 30 June 2020 is £43.5 million (31 December 2019: £33.8 million).

Cash and cash equivalents and net funds/(debt)

Cash and cash equivalents as at 30 June 2020 were £222.1 million, compared to £119.3 million at 30 June 2019. Cash and cash equivalents increased by £4.2 million from £217.9 million as at 31 December 2019.

Net funds as at 30 June 2020 was £24.3 million, compared to net debt of £114.1 million as at 30 June 2019 and net funds of £20.3 million as at 31 December 2019.

Adjusted net funds[3] as at 30 June 2020 was £149.1 million, compared to adjusted net debt[3] of £3.1 million as at 30 June 2019 and adjusted net funds[3] of £137.1 million as at 31 December 2019.

Net funds/(debt) as at 30 June 2020, 30 June 2019 and 31 December 2019 were as follows:

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Cash and short-term deposits	**222,058**	114,314	217,881
Cash and cash equivalents	**222,058**	114,314	217,881
Current asset investments	**–**	5,000	–
Bank loans	**(72,948)**	(122,442)	(80,772)
Adjusted net funds/(debt)[3] (excluding lease liabilities)	**149,110**	(3,128)	137,109
Lease liabilities	**(124,767)**	(111,003)	(116,766)
Net funds/(debt)	**24,343**	(114,131)	20,343

For a full reconciliation of net funds and adjusted net funds[3], see note 12 to the Interim Condensed Consolidated Financial Statements, net funds.

The Group had two specific term loans in place throughout the period and no other material borrowings.

The Group drew down a £100 million term loan on 1 October 2018 to complete the acquisition of FusionStorm. This loan is on a seven-year repayment cycle, with a renewal of the loan facility due on 30 September 2021. The Group had intended to take advantage of stronger than anticipated cash generation to make an unplanned repayment of £20 million of this loan during the period, in addition to the unplanned repayment of £30 million in the second half of 2019. However, the Group elected to retain the balance as cash at this time, as part of a wider cash-preservation strategy. As at 30 June 2020, £48.8 million remained of the loan (H1 2019: £93.3 million).

The Group also has a specific term loan for the build and purchase of our German headquarters and Integration Center in Kerpen, which stood at £23.9 million at 30 June 2020 (30 June 2019: £28.6 million).

The Group excludes finance lease liabilities from its non-GAAP adjusted net funds[3] measure, due to the distorting effect of the capitalised lease liabilities on the Group's overall liquidity position under the IFRS 16 accounting standard.

There were no interest-bearing trade payables as at 30 June 2020 (30 June 2019: nil).

The Group's adjusted net funds[3] position contains no current asset investments (30 June 2019: £5 million).

Currency

The Group reports its results in pounds sterling. The ongoing weakness in the value of sterling against most currencies during the first half of 2020, in particular the euro, continued to benefit our revenues and profitability as a result of the conversion of our foreign earnings. However, the exchange rates seen during the period were not materially dissimilar to those seen in the first half of 2019.

Restating the first half of 2019 at 2020 exchange rates would increase H1 2019 revenue by approximately £19.8 million and H1 2019 adjusted[1] profit before tax by approximately £0.6 million.

If the 30 June 2020 spot rates were to continue through the remainder of 2020, the impact of restating 2019 at 2020 exchange rates would be to increase 2019 revenue by approximately £58.5 million and 2019 adjusted[1] profit before tax by approximately £1.9 million.

Planning for the United Kingdom exiting the European Union

Computacenter's target clients are large corporate customers and large Government departments. We operate in four principal geographies, the UK, Germany, France and the USA. This allows us to manage European Union (EU) requirements from our EU locations and we have a long history of trading with the subsidiaries of large global Western European headquartered organisations, in many diverse locations across the world. Therefore, the ability to export to and import from multiple countries, with the related systems requirements, is already functioning across the business.

As described in our 2019 Annual Report and Accounts, there remains considerable uncertainty around the structure of the future trading relationship between the UK and EU, following the UK's legal departure from the EU on 31 January 2020, which continues to make it difficult to develop specific plans for the various potential outcomes. However, we established a Committee for Planning for the United Kingdom exiting the European Union in 2017, to consider the key risks and changes that may be required, and work continues to prepare the Group for a range of scenarios.

We are not alone in our sector in facing these challenges. A number of our European competitors have strong presences within the EU and sell from this base into the UK. Equally, a number of our global competitors have their European headquarters in the UK and address the EU market from there. Once the details of the trade deal following the UK's departure from EU are known, we will work with our major Technology Providers to address any residual concerns they may have about end-customers currently serviced by other resellers with single country operations or those stranded on either side of the UK-EU border. It is likely that there will be additional investment required in IT systems to manage the transition. Whilst this will be a cost to us it will also be an opportunity, as some customers may need to increase investment in a similar manner.

We have already reviewed the changes, and proposed changes, by our major vendors to manage supply into the UK in the event of a no-deal Brexit. We have implemented changes with two major UK customers where goods destined for EU 27 countries will be shipped from our German Integration Center rather than our UK Integration Center.

Principal risks and uncertainties

The Group's activities expose it to a variety of economic, financial, operational and regulatory risks. Our principal risks continue to be concentrated in the availability and resilience of systems, our people, our cost base, technology change, and in the design, entry into service and running of large Services contracts. The principal risks and uncertainties facing the Group are set out on pages 63 to 68 of the 2019 Annual Report and Accounts, a copy of which is available on the Group's website.

The Group's risk management approach and the principal risks, potential impacts and primary mitigating activities are unchanged from those set out in the 2019 Annual Report and Accounts. Our risk management approach operated effectively in the six months to 30 June 2020, with systems and controls functioning as designed even though this period included the unprecedented challenges imposed by the COVID-19 pandemic and the utilisation of previously well-tested business continuity processes for remote working arrangements. Whilst we have not identified any new principal risks during the period, we acknowledge the heightened level of overall risk across several risk categories, due to the nature of the pandemic and its impact on our operating environment in general, particularly in relation to our identified Strategic, Infrastructure and Financial Risks. The Group continues to concentrate efforts and resources into its risk management processes in order to monitor adequately the impact of COVID-19 across the business. Whilst the longer-term effects on customer relationships and customer contracts are not clear, to date, the Group has not been adversely impacted by any material market or operational risk events associated with the COVID-19 pandemic.

This Strategic Report was approved by the Board on 8 September 2020 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Directors' Responsibilities

Responsibility statement of the Directors in respect of the half-yearly financial report.

We confirm that to the best of our knowledge:
- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU;
- the interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

Independent Review Report
to the members of
Computacenter plc

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

David Neale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
8 September 2020

Consolidated Income Statement

For the six months ended 30 June 2020

	Note	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Revenue	5	**2,462,184**	2,427,014	5,052,779
Cost of sales		**(2,144,385)**	(2,126,523)	(4,389,665)
Gross profit		**317,799**	300,491	663,114
Administrative expenses		**(242,685)**	(246,663)	(516,090)
Operating profit		**75,114**	53,828	147,024
Finance income		**324**	992	980
Finance costs		**(3,030)**	(3,971)	(7,046)
Profit before tax		**72,408**	50,849	140,958
Income tax expense		**(20,394)**	(13,002)	(39,397)
Profit for the period/year		**52,014**	37,847	101,561
Attributable to:				
Equity holders of the Parent		**51,987**	37,847	101,655
Non-controlling interests		**27**	–	(94)
Profit for the period/year		**52,014**	37,847	101,561

Earnings per share:				
– basic for profit for the period/year	10	**46.0p**	33.6p	90.3p
– diluted for profit for the period/year	10	**45.3p**	33.2p	89.0p

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Profit for the period/year	**52,014**	37,847	101,561
Items that may be reclassified to Consolidated Income Statement:			
(Loss)/gain arising on cash flow hedge, net of amount transferred to Consolidated Income Statement	**(2,554)**	263	(915)
Income tax effect	**510**	(51)	176
	(2,044)	212	(739)
Exchange differences on translation of foreign operations	**24,079**	(392)	(18,175)
	22,035	(180)	(18,914)
Items not to be reclassified to Consolidated Income Statement:			
Remeasurement of defined benefit plan	**–**	–	(786)
Other comprehensive income for the period/year, net of tax	**22,035**	(180)	(19,700)
Total comprehensive income for the period/year	**74,049**	37,667	81,861
Attributable to:			
Equity holders of the Parent	**74,022**	37,667	81,956
Non-controlling interests	**27**	–	(95)
Total comprehensive income for the period/year	**74,049**	37,667	81,861

Consolidated Balance Sheet

As at 30 June 2020

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Non-current assets			
Property, plant and equipment	**222,261**	213,296	212,325
Intangible assets	**180,560**	188,169	175,670
Investment in associate	**58**	57	54
Deferred income tax assets	**9,508**	9,364	9,204
Prepayments	**4,231**	2,787	3,520
	416,618	413,673	400,773
Current assets			
Inventories	**153,214**	126,144	122,189
Trade and other receivables	**826,775**	841,781	996,462
Prepayments	**92,053**	86,095	82,315
Accrued income	**112,951**	105,310	94,030
Derivative financial instruments	**1,298**	4,027	3,218
Current asset investments	**–**	5,000	–
Cash and short-term deposits	**222,058**	114,314	217,881
	1,408,349	1,282,671	1,516,095
Total assets	**1,824,967**	1,696,344	1,916,868
Current liabilities			
Trade and other payables	**797,303**	782,685	978,220
Deferred income	**179,969**	147,972	174,258
Financial liabilities	**58,716**	54,435	56,606
Derivative financial instruments	**1,924**	769	1,707
Income tax payable	**45,045**	34,146	39,278
Provisions	**4,564**	8,240	7,703
	1,087,521	1,028,247	1,257,772
Non-current liabilities			
Financial liabilities	**138,999**	179,010	140,932
Provisions	**15,280**	13,470	13,982
Deferred income tax liabilities	**11,385**	12,391	11,698
	165,664	204,871	166,612
Total liabilities	**1,253,185**	1,233,118	1,424,384
Net assets	**571,782**	463,226	492,484
Capital and reserves			
Issued share capital	**9,270**	9,270	9,270
Share premium	**3,942**	3,942	3,942
Capital redemption reserve	**74,957**	74,957	74,957
Own shares held	**(107,876)**	(110,068)	(113,563)
Translation and hedging reserves	**36,063**	32,761	14,028
Retained earnings	**555,477**	452,347	503,928
Shareholders' equity	**571,833**	463,209	492,562
Non-controlling interests	**(51)**	17	(78)
Total equity	**571,782**	463,226	492,484

Approved by the Board on 8 September 2020.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to equity holders of the Parent								
	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000	Shareholder's equity £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2019	9,270	3,942	74,957	(113,474)	32,941	440,119	447,755	17	447,772
Profit for the period	–	–	–	–	–	37,847	37,847	–	37,847
Other comprehensive income	–	–	–	–	(180)	–	(180)	–	(180)
Total comprehensive income	–	–	–	–	(180)	37,847	37,667	–	37,667
Cost of share-based payments	–	–	–	–	–	3,095	3,095	–	3,095
Tax on share-based payments	–	–	–	–	–	565	565	–	565
Exercise of options	–	–	–	6,637	–	(4,913)	1,724	–	1,724
Purchase of own shares	–	–	–	(3,231)	–	–	(3,231)	–	(3,231)
Equity dividends	–	–	–	–	–	(24,366)	(24,366)	–	(24,366)
At 30 June 2019	9,270	3,942	74,957	(110,068)	32,761	452,347	463,209	17	463,226
Profit for the period	–	–	–	–	–	63,808	63,808	(94)	63,714
Other comprehensive income	–	–	–	–	(18,733)	(786)	(19,519)	(1)	(19,520)
Total comprehensive income	–	–	–	–	(18,733)	63,022	44,289	(95)	44,194
Cost of share-based payments	–	–	–	–	–	3,680	3,680	–	3,680
Tax on share-based payments	–	–	–	–	–	1,225	1,225	–	1,225
Exercise of options	–	–	–	9,161	–	(5,158)	4,003	–	4,003
Purchase of own shares	–	–	–	(12,656)	–	–	(12,656)	–	(12,656)
Asset Reunification	–	–	–	–	–	210	210	–	210
Equity dividends	–	–	–	–	–	(11,398)	(11,398)	–	(11,398)
At 31 December 2019	**9,270**	**3,942**	**74,957**	**(113,563)**	**14,028**	**503,928**	**492,562**	**(78)**	**492,484**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**51,987**	**51,987**	**27**	**52,014**
Other comprehensive income	**–**	**–**	**–**	**–**	**22,035**	**–**	**22,035**	**–**	**22,035**
Total comprehensive income	**–**	**–**	**–**	**–**	**22,035**	**51,987**	**74,022**	**27**	**74,049**
Cost of share-based payments	**–**	**–**	**–**	**–**	**–**	**3,799**	**3,799**	**–**	**3,799**
Tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**417**	**417**	**–**	**417**
Exercise of options	**–**	**–**	**–**	**5,687**	**–**	**(4,654)**	**1,033**	**–**	**1,033**
At 30 June 2020	**9,270**	**3,942**	**74,957**	**(107,876)**	**36,063**	**555,477**	**571,833**	**(51)**	**571,782**

Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Operating activities			
Profit before tax	**72,408**	50,849	140,958
Net finance cost	**2,706**	2,978	6,066
Depreciation of property, plant and equipment (excluding right-of-use assets)	**11,368**	10,556	21,456
Depreciation of right-of-use assets	**22,182**	–	40,266
Amortisation of intangible assets	**5,712**	5,586	11,543
Share-based payments	**3,799**	3,095	6,775
Loss on disposal of intangibles	**7**	–	116
(Profit)/loss on disposal of property, plant and equipment	**(37)**	11	347
Net cash flow from inventories	**(23,251)**	(26,373)	(27,422)
Net cash flow from trade and other receivables (including contract assets)	**191,026**	306,584	136,682
Net cash flow from trade and other payables (including contract liabilities)	**(223,278)**	(326,633)	(108,799)
Net cash flow from provisions	**3,757**	(5,114)	10,670
Other adjustments	**(3,282)**	(4,611)	(2,414)
Cash generated from operations	**63,117**	16,928	236,244
Income taxes paid	**(16,135)**	(18,054)	(34,231)
Net cash flow from operating activities	**46,982**	(1,126)	202,013
Investing activities			
Interest received	**490**	992	980
Increase in current asset investments	**–**	(5,000)	–
Acquisition of subsidiaries, net of cash acquired	**–**	(2,865)	6,116
Purchases of property, plant and equipment	**(11,210)**	(8,905)	(30,132)
Purchases of intangible assets	**(1,990)**	(7,108)	(8,737)
Proceeds from disposal of property, plant and equipment/Intangibles	**219**	211	1,009
Net cash flow from investing activities	**(12,491)**	(22,675)	(30,764)
Financing activities			
Interest paid	**(929)**	(3,971)	(3,318)
Interest expense on lease liabilities	**(2,267)**	–	(3,728)
Dividends paid to equity shareholders of the parent	**–**	(24,366)	(35,764)
Asset reunification	**–**	–	210
Proceeds from share issues	**1,033**	1,724	5,727
Purchase of own shares	**–**	(3,231)	(15,887)
Payment of lease liabilities	**(23,424)**	(19,401)	(42,346)
Repayment of loans	**(9,725)**	(9,644)	(51,755)
New borrowings	**287**	–	–
Net cash flow from financing activities	**(35,025)**	(58,889)	(146,861)
(Decrease)/increase in cash and cash equivalents	**(534)**	(82,690)	24,388
Effect of exchange rates on cash and cash equivalents	**4,711**	(3,438)	(6,949)
Cash and cash equivalents at the beginning of the period/year	**217,881**	200,442	200,442
Cash and cash equivalents at the end of the period/year	**222,058**	114,314	217,881

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2020

1 Corporate information

The Interim Condensed Consolidated Financial Statements (Financial Statements) of the Group for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 8 September 2020. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

2 Basis of preparation

The Financial Statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. They do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2019 Annual Report and Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Financial Statements are presented in pound sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

During the six months ended 30 June 2020 and the subsequent period up to the date of approval of the Financial Statements, the COVID-19 pandemic has caused unprecedented changes to the way that business is conducted with considerable disruption to global economic patterns and local business performance. The pandemic situation, as it impacts the Group's trading performance and operational requirements, remains under ongoing review by the Directors and Senior Management. Further discussion in relation to COVID-19 is included in the Chief Executive Officer's Performance Review on page 3.

The Group prepares a Three-Year Plan (the 'Plan') annually by aggregating top down expectations of business performance across the Group in the second and third year of the Plan with a detailed 12 month 'bottom-up' budget for the first year. The first year of the Plan is subject to reforecasting during the year, the most recent of which occurred in advance of the Trading Update statement on 22 July 2020. This reforecast of the first year of the Plan has been updated into the Plan alongside a revision of cashflow assumptions for the year. The Plan is subject to rigorous downside sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast. The forecast cash flows from the Plan are aggregated with the current position, to provide a total three-year cash position against which the impact of potential risks and uncertainties can be assessed. In the absence of significant external debt, the analysis also considers access to available committed and uncommitted finance facilities, the ability to raise new finance in most foreseeable market conditions and the ability to restrict dividend payments.

The potential impact of the principal risks and uncertainties, as set out on pages 63 to 68 of the 2019 Annual Report and Accounts, is then applied to the sensitised Plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions.

The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the cash position generated throughout the sensitised three-year plan, to assess whether the business will be able to continue in operation. For the current period, the primary downside sensitivity relates to a modelled, but not predicted, severe downturn in Group revenues, beginning in the second half of 2020, due to a worsening impact on our customers from the COVID-19 crisis. This sensitivity analysis models a general prolonged market downturn scenario that represents the 'worst-case' impact from COVID-19 crisis.

Our cash and borrowing capacity provides sufficient funds to meet the foreseeable needs of the Group. At 30 June 2020, the Group had cash and cash equivalents of £222.1 million. In addition, the Group has in place a three-year committed facility of £60 million that was originally entered into during 2013 for a value of £40 million and has never been drawn upon.

The Group has a resilient balance sheet position, with net assets of £571.8 million as at 30 June 2020. The Group made a profit after tax of £52.0 million, and delivered net cash flows from operating activities of £47.0 million, for the period ended 30 June 2020.

As the analysis continues to show a strong forecast cash position, even under the severe economic conditions modelled in the sensitivity scenario, the Directors continue to consider that the Group is well placed to manage business and financial risks in the current economic environment. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of not less than 12 months from the date of this announcement and therefore have prepared the financial statements on a going concern basis.

3 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2019 Annual Report and Accounts except for IAS 20 - Accounting for government grants and disclosure of government assistance.

IAS 20 - Accounting for government grants and disclosure of government assistance

IAS 20 defines government grants as assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. If the conditions are met, then a company recognises government grants in profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate.

3 Significant accounting policies continued

The Group has recognised unconditional government grants relating to short-term schemes introduced by governments within Europe, including the UK, Germany, France and the Netherlands as a result of COVID-19 crisis for the purpose of protecting employment. These grants compensate the Group for expenses incurred and are recognised in the Consolidated Income Statement on a systematic basis in the periods in which the expenses are recognised.

The total government grants received amounted to £5.4 million for the period ended 30 June 2020.

4 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. The Directors believe that these non-GAAP measures, set out below, assist in providing additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

These non-GAAP measures comprise of:
Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, 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, expenses related to material acquisitions, 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.

A reconciliation to adjusted measures is provided on page 17 of the Group Finance Director's Review which details the impact of exceptional and other adjusting items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 5, Segment information.

5 Segment information

Management reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), during the first half of the year. As a result of this analysis, from 1 January 2020 the Group has revised where the results of certain Managed Services contracts are reported within its operating Segments. The change in Segmental reporting has no impact on reported Group results.

Operational responsibility for a significant European customer was transferred from the German to the French business from 1 January 2020. The French Senior Management targets now include the results from this customer. This has no impact on Group results but does impact the Segment results, including revenue and profitability. We have therefore restated the results for the French and German Segments for the year ended 31 December 2019 and the period ended 30 June 2019, to assist with understanding the growth in each business and to ensure period-on-period results are comparable.

Computacenter USA performs Managed Services work for other Computacenter entities, on behalf of several key European contracts. From 1 January 2019, with the creation of the USA Segment, these revenues were recorded in the USA Segment, where the associated underlying subsidiary recognises the revenues in its statutory accounts. Following a review, and to be consistent with practices across the Group, Management decided to reallocate these revenues from the USA Segment to the UK, German, French and International Segments which own the responsibility for the customer contracts. This reflects better where the portfolio coordination and operational responsibility lies and where the benefits should accrue. This treatment also means that for Segmental analysis, Computacenter USA has now been aligned to the remainder of our offshore internal service provider entities that are grouped within the International Segment. We have therefore restated the Managed Services revenues for the year ended 31 December 2019 and the period ended 30 June 2019, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects.

This new Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group in accordance with IFRS 8.25. Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The operating Segments remain unchanged in all other regards from those reported at 31 December 2019. As noted on page 19, Central Corporate Costs continue to be disclosed as a separate column within the Segmental note.

To enable comparisons with prior year performance, historical segment information for the year ended 31 December 2019 and the period ended 30 June 2019 has been restated in accordance with the revised Segmental reporting structure. All discussion within this Interim Report and Accounts on Segmental results reflects this revised structure and the resultant prior-year and prior-period restatements.

Segmental performance for the periods to H1 2020, H1 2019 and Full Year 2019 were as follows:

Six months ended 30 June 2020

	UK £'000	Germany £'000	France £'000	USA £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	643,160	572,045	235,494	370,495	46,605	–	**1,867,799**
Services revenue							
Professional Services	54,893	113,186	15,325	5,203	3,390	–	**191,997**
Managed Services	160,689	158,481	53,521	2,462	27,235	–	**402,388**
Total Services revenue	215,582	271,667	68,846	7,665	30,625	–	**594,385**
Total revenue	858,742	843,712	304,340	378,160	77,230	–	**2,462,184**
Results							
Adjusted[1] gross profit	122,626	118,456	31,060	30,921	14,736	–	**317,799**
Administrative expenses	(76,689)	(82,901)	(27,263)	(26,216)	(14,567)	(12,865)	**(240,501)**
Adjusted[1] operating profit	45,937	35,555	3,797	4,705	169	(12,865)	**77,298**
Adjusted[1] net interest	(597)	(1,081)	(187)	(270)	(571)	–	**(2,706)**
Adjusted[1] profit before tax	45,340	34,474	3,610	4,435	(402)	(12,865)	**74,592**
Exceptional items:							
– unwinding of discount relating to acquisition of a subsidiary							**–**
– costs relating to acquisition of a subsidiary							**–**
Total exceptional items							**–**
Amortisation of acquired intangibles							**(2,184)**
Profit before tax							**72,408**

The reconciliation for adjusted[1] operating profit to operating profit, as disclosed in the Interim Consolidated Income Statement, is as follows:

Six months ended 30 June 2020

	Total £'000
Adjusted[1] operating profit	**77,298**
Amortisation of acquired intangibles	**(2,184)**
Exceptional items	**–**
Operating profit	**75,114**

5 Segment information continued

Six months ended 30 June 2019

	UK (Restated) £'000	Germany (Restated) £'000	France (Restated) £'000	USA (Restated) £'000	International (Restated) £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	579,694	602,192	231,365	359,638	58,415	–	**1,831,304**
Services revenue							
Professional Services	54,608	86,550	17,589	7,823	1,844	–	**168,414**
Managed Services	166,524	174,143	51,219	2,480	32,930	–	**427,296**
Total Services revenue	221,132	260,693	68,808	10,303	34,774	–	**595,710**
Total revenue	800,826	862,885	300,173	369,941	93,189	–	**2,427,014**
Results							
Adjusted[1] gross profit	101,524	111,725	35,548	31,368	20,326	–	**300,491**
Administrative expenses	(78,091)	(81,288)	(27,276)	(30,151)	(15,737)	(11,866)	**(244,409)**
Adjusted[1] operating profit	23,433	30,437	8,272	1,217	4,589	(11,866)	**56,082**
Adjusted[1] net interest	(2,311)	114	(126)	(179)	(77)	–	**(2,579)**
Adjusted[1] profit before tax	21,122	30,551	8,146	1,038	4,512	(11,866)	**53,503**
Exceptional items:							
– unwinding of discount relating to acquisition of a subsidiary							**(400)**
– costs relating to acquisition of a subsidiary							**(79)**
Total exceptional items							**(479)**
Amortisation of acquired intangibles							**(2,175)**
Profit before tax							**50,849**

The reconciliation for adjusted[1] operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

Six months ended 30 June 2019

	Total £'000
Adjusted[1] operating profit	**56,082**
Amortisation of acquired intangibles	**(2,175)**
Exceptional items	**(79)**
Operating profit	**53,828**

Year ended 31 December 2019

	UK (Restated) £'000	Germany (Restated) £'000	France (Restated) £'000	USA (Restated) £'000	International (Restated) £'000	Central Corporate Costs £'000	Total £'000
Revenue							
Technology Sourcing revenue	1,142,746	1,344,423	479,423	732,009	123,626	–	**3,822,227**
Services revenue							
Professional Services	117,685	191,866	39,016	13,512	4,004	–	**366,083**
Managed Services	336,595	350,885	106,586	5,074	65,329	–	**864,469**
Total Services revenue	454,280	542,751	145,602	18,586	69,333	–	**1,230,552**
Total revenue	1,597,026	1,887,174	625,025	750,595	192,959	–	**5,052,779**
Results							
Adjusted[1] gross profit	221,208	253,222	75,650	69,493	43,541	–	**663,114**
Administrative expenses	(156,673)	(173,721)	(58,362)	(60,369)	(35,358)	(27,139)	**(511,622)**
Adjusted[1] operating profit	64,535	79,501	17,288	9,124	8,183	(27,139)	**151,492**
Adjusted[1] net interest	(1,286)	(1,987)	(524)	(871)	(573)	–	**(5,241)**
Adjusted[1] profit before tax	63,249	77,514	16,764	8,253	7,610	(27,139)	**146,251**
Exceptional items:							
– unwinding of discount relating to acquisition of a subsidiary							**(825)**
– costs relating to acquisition of a subsidiary							**(94)**
Total exceptional items							**(919)**
Amortisation of acquired intangibles							**(4,374)**
Profit before tax							**140,958**

The reconciliation for adjusted[1] operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

Year ended 31 December 2019

	Total £'000
Adjusted[1] operating profit	**151,492**
Amortisation of acquired intangibles	**(4,374)**
Exceptional items	**(94)**
Operating profit	**147,024**

6 Seasonality of operations

Historically, revenues have been higher in the second half of the year than in the first six months. This is principally driven by customer buying behaviour in the markets in which we operate. Typically this leads to a more pronounced effect on operating profit. In addition, the effect is compounded further by the tendency for the holiday entitlements of our employees to accrue during the first half of the year and to be utilised in the second half. The Company tempers the preceding guidance by noting that the impact of COVID-19 remains unpredictable and that the historical seasonality of operations could be materially impacted by changes in customer buying behaviour impacting the timing of sales volumes between the first and second halves of the year.

7 Dividends paid and proposed

The Company announced on 23 April 2020 that it was withdrawing its 2019 final dividend resolution from the voting at the Annual General Meeting held on 14 May 2020 and that the 2019 final dividend would not be paid. For further information refer to page 19 of this Interim Report and Accounts.

An interim dividend in respect of 2020 of 12.3 pence per ordinary share, amounting to a total dividend of £14.1 million, was declared by the Directors at their meeting on 7 September 2020. The expected payment date of the dividend declared is 23 October 2020. This interim report does not reflect this dividend payable.

8 Income tax

Tax for the six-month period is charged at 28.1 per cent (six months ended 30 June 2019: 25.6 per cent; year ended 31 December 2019: 27.9 per cent), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period.

9 Exceptional items

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Operating profit			
Costs relating to acquisition of a subsidiary	–	(79)	(94)
Exceptional operating loss	–	(79)	(94)
Interest cost relating to acquisition of a subsidiary	–	(400)	(825)
Loss on exceptional items before taxation	–	(479)	(919)
Income tax			
Tax credit on exceptional items	–	39	39
Tax credit relating to acquisition of a subsidiary	–	879	839
Gain/(loss) on exceptional items after taxation	–	439	(41)

H1 2020:
There were no exceptional items reported within the H1 2020 period.

H1 2019:
An exceptional operating loss during the period of £0.1 million resulted from residual costs directly relating to the acquisition of FusionStorm. The majority of these costs were incurred in the year to 31 December 2018 and included a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction. These costs were non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. The current period loss resulted from social charges relating to the severance payment for the FusionStorm Chief Executive Officer and has been treated as an exceptional item. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

A credit of £0.04 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional item. A further tax credit of £0.9 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in an in-year tax benefit. This activity was settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified as an exceptional tax item.

YE 2019:
An exceptional operating loss during the year of £0.1 million resulted from residual costs directly relating to the acquisition of FusionStorm These costs were non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. The current year loss resulted from social charges relating to the severance payment for the FusionStorm Chief Executive Officer and has been treated as an exceptional item for consistency with the disclosure in the year to 31 December 2018. A further £0.8 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.

A credit of £0.04 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional item. A further tax credit of £0.8 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in an in-year tax benefit. This activity was settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified as an exceptional tax item.

10 Earnings per share

Earnings per share ('EPS') amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period (excluding own shares held).

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the period are considered to be dilutive potential shares.

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Profit attributable to equity holders of the Parent	**51,987**	37,847	101,655

	H1 2020 '000	H1 2019 '000	Year 2019 '000
Basic weighted average number of shares (excluding own shares held)	**112,930**	112,616	112,514
Effect of dilution:			
Share options	**1,707**	1,215	1,655
Diluted weighted average number of shares	**114,637**	113,831	114,169

	H1 2020 pence	H1 2019 pence	Year 2019 pence
Basic earnings per share	**46.0**	33.6	90.3
Diluted earnings per share	**45.3**	33.2	89.0

11 Fair value measurements recognised in the consolidated balance sheet

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
3. Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2020 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net liability of £626,000 (30 June 2019: net asset of £3,258,000, 31 December 2019: net asset of £1,511,000).

The net realised gains from forward currency contracts in the period to 30 June 2020 of £2,363,000 (30 June 2019: £3,541,000, 31 December 2019: £3,278,000) are offset by broadly equivalent realised losses/gains on the related underlying transactions.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Financial Statements is not materially different from their carrying amount.

12 Net funds

	H1 2020 £'000	H1 2019 £'000	Year 2019 £'000
Cash and short-term deposits	**222,058**	114,314	217,881
Cash and cash equivalents	**222,058**	114,314	217,881
Current asset investments	**–**	5,000	–
Bank loans	**(72,948)**	(122,442)	(80,772)
Adjusted net funds/(debt)[3] (excluding lease liability)	**149,110**	(3,128)	137,109
Lease liability	**(124,767)**	(111,003)	(116,766)
Net funds/(debt)	**24,343**	(114,131)	20,343

Bank loans	**(20,066)**	(19,882)	(20,032)
Lease liability	**(38,650)**	(34,553)	(36,574)
Financial liabilities - Current	**(58,716)**	(54,435)	(56,606)
Bank loans	**(52,882)**	(102,560)	(60,740)
Lease liability	**(86,117)**	(76,450)	(80,192)
Financial liabilities - Non-current	**(138,999)**	(179,010)	(140,932)

13 Provisions

	Customer contract provisions £'000	Retirement benefit obligation £'000	Property provisions £'000	Other provisions £'000	Total provisions £'000
At 1 January 2020	7,815	8,311	5,114	445	21,685
Arising during the period	1,093	–	–	–	1,093
Utilised	(3,710)	–	(47)	–	(3,757)
Exchange adjustment	215	577	–	31	823
At 30 June 2020	**5,413**	**8,888**	**5,067**	**476**	**19,844**
Current	**2,645**	**–**	**1,443**	**476**	**4,564**
Non-current	**2,768**	**8,888**	**3,624**	**–**	**15,280**
	5,413	**8,888**	**5,067**	**476**	**19,844**

Customer contract provision
During the period £3.7 million of customer contract provisions had been utilised in line with individual contract forecasts.

14 Publication of non-statutory accounts

The financial information contained in the Interim Report and Accounts does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

The comparative figures for the financial year ended 31 December 2019 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

15 Events after the reporting period

On 24 March 2020, the Group announced that they had entered in to exclusive negotiations on the acquisition of BT plc's domestic operations in France. Following completion of the consultations process with works councils, the Group announced on 16 July 2020 that they had agreed the acquisition with BT. The transaction, which is complementary to our existing French business in the areas of networking and data center capabilities, could add up to €100 million of revenue whilst being immaterial to the Group's adjusted[1] profitability in the short to medium term, is expected to complete before the end of 2020.

The Group announced today that on 8 September it entered into an Arrangement Agreement pursuant to which Computacenter has agreed to directly or indirectly acquire the entire issued share capital of Pivot Technology Solutions, Inc. ("Pivot"), a company listed on the Toronto Stock Exchange (TSX:PTG), by way of a Canadian Plan of Arrangement with an all cash offer of CAD 2.60 per share. The offer has the unanimous recommendation of Pivot's board. The directors and officers of Pivot have provided support undertakings in respect of the shares held or controlled by them, for a potential total of 4.86 million shares, (including options and Restricted Stock Units), representing circa 12 per cent of the fully diluted share capital.

The cash consideration of CAD 2.60 per share (the "Consideration") represents CAD 105.8 million on a fully diluted basis of 40,688,650 shares, options, and Restricted Stock Units, payable upon completion of the acquisition. The arrangement is subject to the approval by 66 $^{2}/_{3}$ per cent of the votes cast by Pivot's shareholders at a special meeting of Pivot's shareholders held to approve the arrangement, currently anticipated for 23 October 2020, the approval by the Canadian court of the Plan of Arrangement, and certain other conditions precedent to closing. The Consideration will be funded from Computacenter's existing cash resources (Computacenter held cash and cash equivalents of £222.1 million at 30 June 2020). Pivot has a credit facility from a lending group represented by JPMorgan Chase Bank, N.A. ("JPMC"), which provides Pivot with a USD 225.0 million senior secured asset based revolving credit facility ("JPMC Credit Facility"). The JPMC Credit Facility may be used for revolving loans, letters of credit, protective advances, over advances, and swing line loans. Amounts owing by Pivot under the JPMC Credit Facility were USD 103.7 million and USD 106.7 million as at June 30, 2020 and December 31, 2019, respectively; and average undrawn availability was USD 47.8 million and USD 65.3 million for the periods ended June 30, 2020 and December 31, 2019, respectively. Computacenter has agreed with JPMC to retain the JPMC Credit Facility following completion of the acquisition.

For the year ended 31 December 2019, Pivot reported a statutory profit before tax of USD 20.7 million on reported revenue of USD 1,218.1 million. The profit before tax figure for the year ended 31 December 2019 includes USD 6.0 million of finance expense, USD 8.0 million of amortisation of acquired intangibles, restructuring and other non-recurring charges of USD 4.6 million and a gain on disposal of USD 22.3 million. Pivot reported profit before depreciation and amortisation, finance expense, restructuring and other non-recurring costs, change in fair value of liabilities, gains on disposal and other income of USD 26.8 million for the year ended 31 December 2019. As at 30 June 2020, Pivot reported Gross Assets of CAD 541.0 million. Computacenter expects that this acquisition will be accretive to the Group's primary measure, adjusted[1] diluted earnings per share, in 2021.

Disclaimer: forward-looking statements
This Interim Report and Accounts includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should' or 'will', or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Interim Report and Accounts and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, amongst other things, results of operations, prospects, growth, strategies and expectations of its respective businesses.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this Interim Report and Accounts. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this Interim Report and Accounts, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of this Interim Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.

Forward-looking statements speak only as of the date of this Interim Report and Accounts and may, and often do, differ materially from actual results. Any forward-looking statements in this Interim Report and Accounts reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

Neither Computacenter plc nor any of its subsidiaries undertakes any obligation to update the forward-looking statements to reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by applicable law or regulation.

Corporate information

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Peter Ryan (Non-Executive Chairman)
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Tony Conophy (Group Finance Director)
Rene Haas (Non-Executive Director)
Philip Hulme (Non-Executive Director)
Ljiljana Mitic (Non-Executive Director)
Peter Ogden (Non-Executive Director)
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Computacenter is a leading independent technology partner, trusted by large corporate and public sector organisations. We help our customers to source, transform and manage their IT infrastructure to deliver digital transformation, enabling users and their business. Computacenter is a public company quoted on the London FTSE 250 (CCC.L) and employs over 16,000 people worldwide.

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