

Full Year Results 2011

Mike Norris

13 March 2012



Track Record

Mike Norris

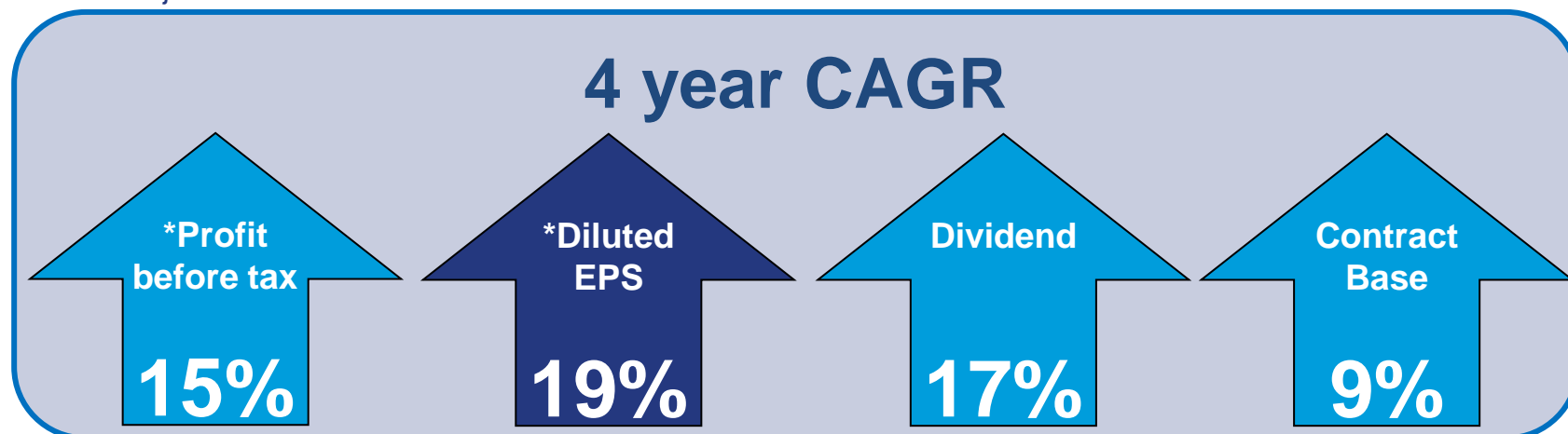
13 March 2012



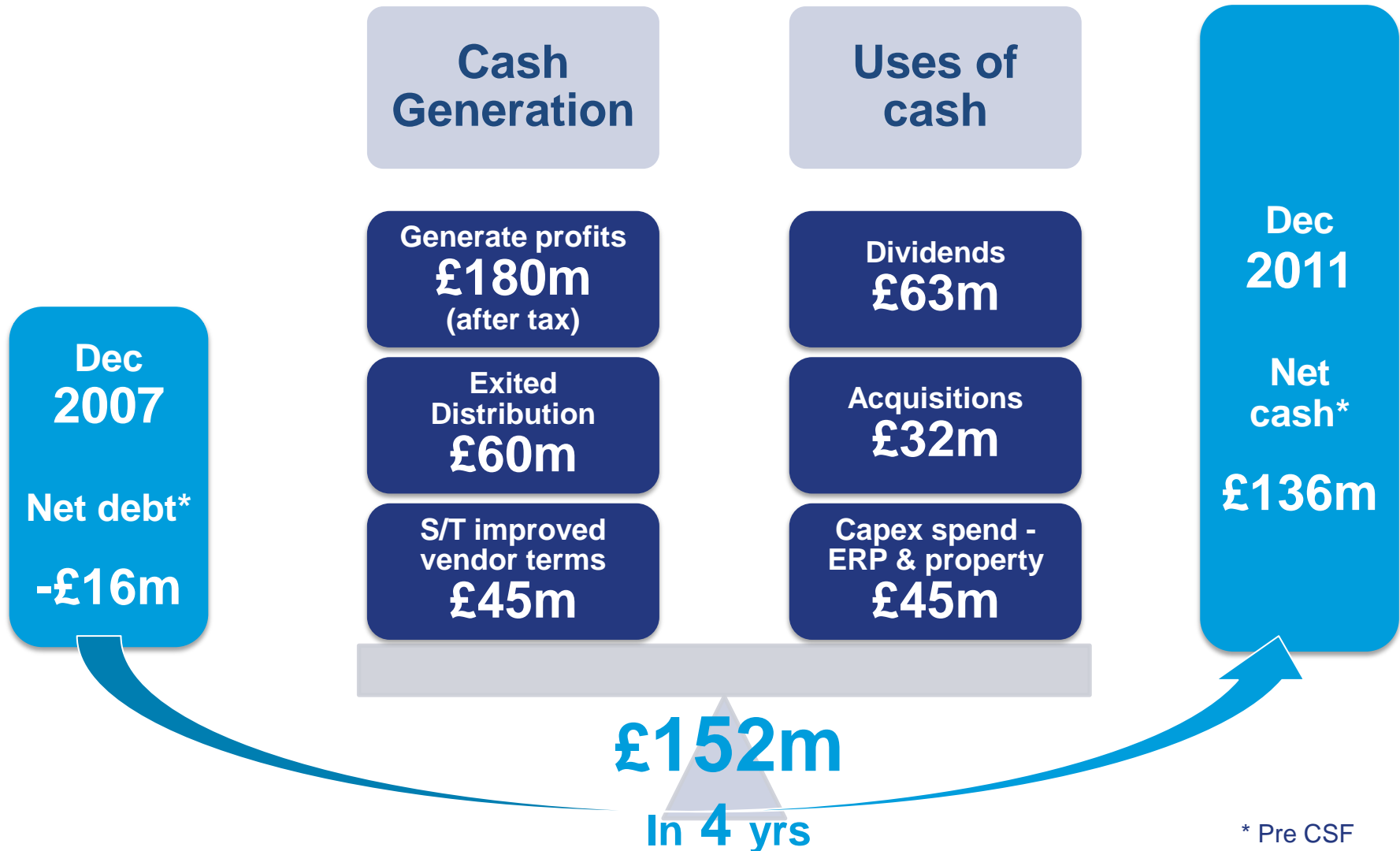
2011: continuing our track record

	2007	2008	2009	2010	2011
Turnover (£m)	2,379.1	2,560.1	2,503.2	2,676.5	2,852.3
*Profit before tax (£m)	42.7	43.1	54.2	66.1	74.2
*Diluted EPS (pence)	18.5	21.0	27.7	33.0	37.4
Dividend per share (pence)	8.0	8.2	11.0	13.2	15.0
Contract Base (£m)	403.7	446.4	486.3	531.9	563.6
*Operating Cash flow (£m)	38.0	79.0	138.0	108.0	95.5

* Adjusted measure



And continuing to generate cash to sustain future growth



* Pre CSF

Financial Results

Tony Conophy

13 March 2012



2011: Group financial results

	FY 2011 £m	FY 2010 £m	Change
Like-for-like	2,736.2	2,676.5	2.2%
Acquisitions	116.1	0.0	n/a
Total Revenue	2,852.3	2,676.5	6.6%
Adjusted gross profit	379.9	345.0	10.1%
<i>Adjusted gross profit %</i>	13.3%	12.9%	0.4%
Other operating expenses	(307.4)	(280.6)	9.6%
Adjusted operating profit	72.5	64.4	12.6%
<i>Adjusted operating profit %</i>	2.5%	2.4%	0.1%
Adjusted net interest	1.7	1.6	3.9%
Adjusted profit before tax	74.2	66.1	12.4%
Adjusted tax expense	(16.1)	(15.3)	5.6%
<i>Adjusted tax rate</i>	(21.7%)	(23.1%)	1.4%
Adjusted profit after tax	58.1	50.8	14.4%
<u>Diluted earnings per share</u>			
– Adjusted	37.4p	33.0p	13.3%
– Statutory	39.3p	32.6p	20.6%

No material impact from exchange rate changes

Income statement rate

2011 : £1 = € 1.152

2010 : £1 = € 1.166

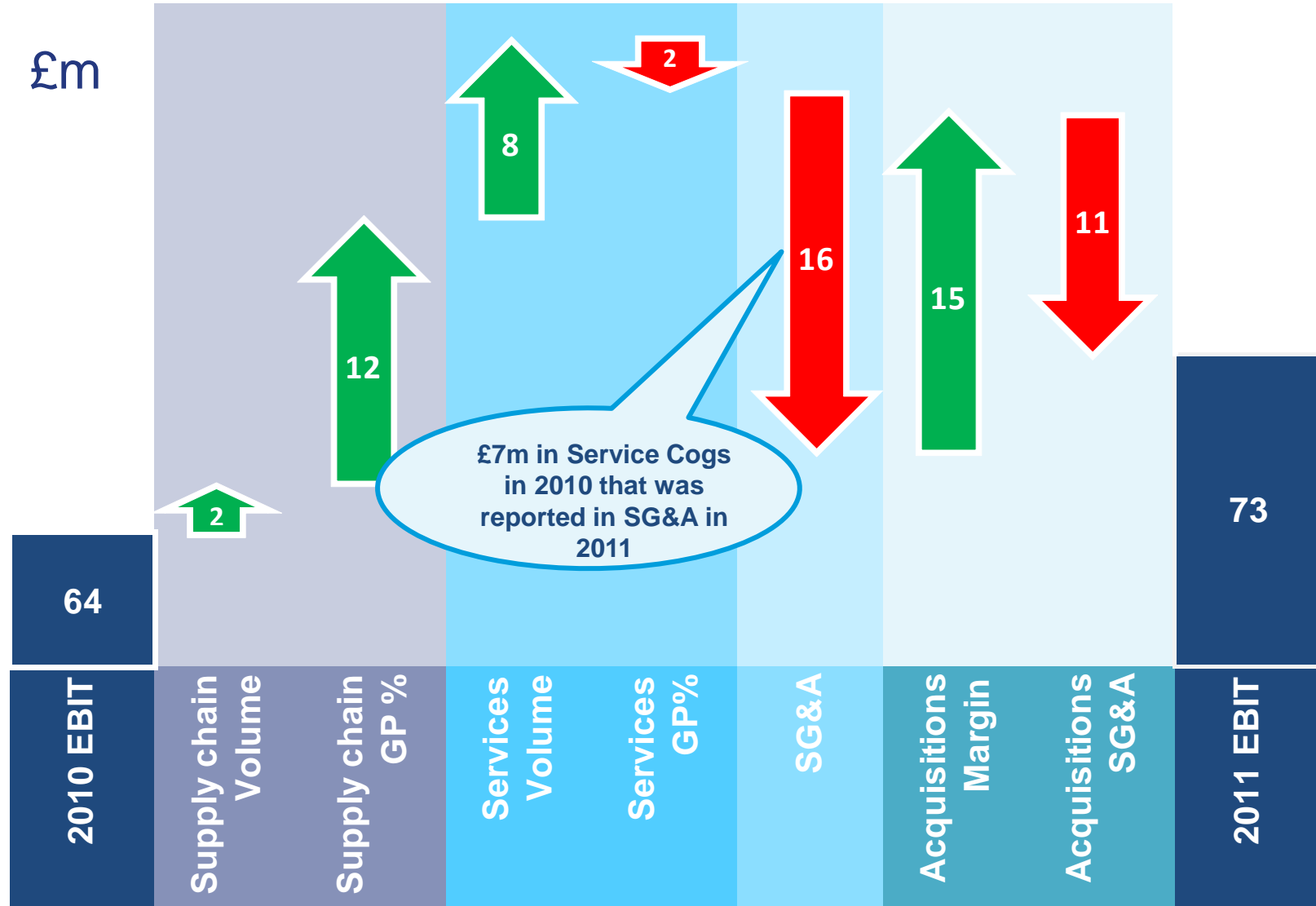
Adjusted profit before tax, income tax expense and EPS are stated prior to amortisation of acquired intangibles and exceptional items. Adjusted operating profit and adjusted gross profit is also stated after charging finance costs on CSF

2011: Results by segment

	FY 2011			FY 2010	Change		
	Like-for-Like £m	Acquisitions £m	Total £m	£m	Like-for-Like %	Incl acquisitions %	
Revenue							
UK	1,102.2	-	1,102.2	1,265.4	(12.9%)	(12.9%)	
Germany	1,203.1	25.5	1,228.6	1,008.9	19.2%	21.8%	
France	388.0	90.6	478.6	359.6	7.9%	33.1%	
Belgium	43.0	-	43.0	42.6	0.9%	0.9%	
Total Group	2,736.2	116.1	2,852.3	2,676.5	2.2%	6.6%	
Adjusted operating profit							
UK	37.3	-	37.3	43.3	(14.0%)	(14.0%)	
Germany	25.1	2.6	27.7	19.7	27.7%	40.9%	
France	4.4	1.6	6.0	1.0	343.9%	504.7%	
Belgium	1.6	-	1.6	0.4	268.2%	268.2%	
Total Group	68.3	4.2	72.5	64.4	6.1%	12.6%	

- Organic revenue growth in Europe offset by revenue decline in the UK
- Operating profit improvement driven by France, Germany and Belgium
- Operating profit margin % in the UK maintained despite the revenue decline
- Acquisition impact more than offsets amortisation on new ERP platform.

Group EBIT Walk



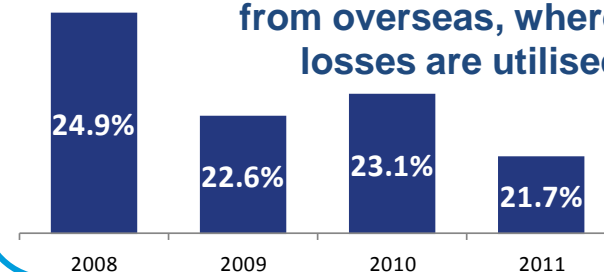
2011: reconciliation to statutory results

	FY 2011 £m	FY 2010 £m	Change %
Adjusted profit before tax	74.2	66.1	12.4%
Amortisation of acq. intangibles	(2.0)	(0.7)	203.3%
Exceptional items	(0.1)	0.0	n/a
Statutory profit before tax	72.1	65.4	10.3%
Adjusted tax expense	(16.1)	(15.3)	5.6%
<i>Adjusted tax %</i>	<i>21.7%</i>	<i>23.1%</i>	<i>-1.4%</i>
Exceptional tax items	4.4	0.0	n/a
Tax on exceptional items	0.2	0.0	n/a
Tax on amort'n of acq. intangibles	0.4	0.2	131.8%
Income tax expense	(11.1)	(15.1)	-26.4%
<i>Tax %</i>	<i>15.4%</i>	<i>23.1%</i>	<i>-7.7%</i>
Statutory profit after tax	61.0	50.3	21.2%

- **Exceptional items** in operating profit net to insignificant level
- £1.0m of acquisition fees offset by a write back of £0.9m of previously recognised deferred consideration

- **Exceptional tax items** to remove the impact of the exceptional revaluation of deferred tax assets for future loss utilisation in Germany and France

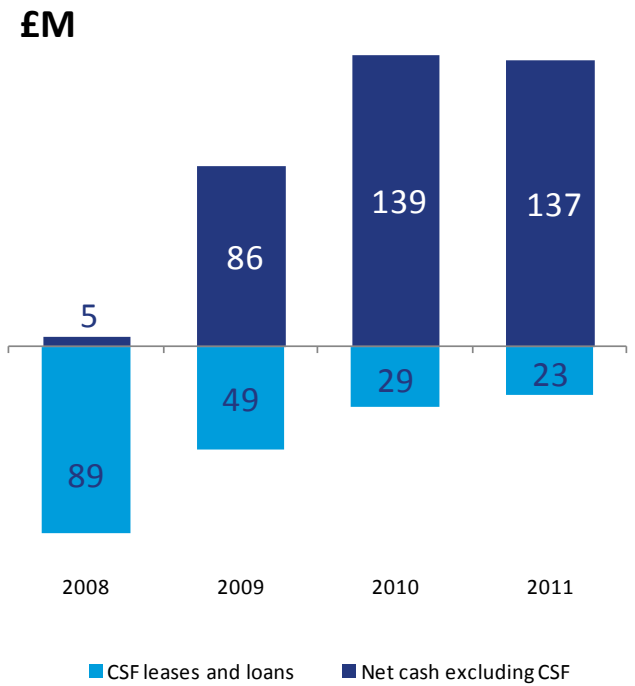
- **Adjusted tax rate** lower in 2011, due to higher mix of earnings from overseas, where losses are utilised



- **Increased amortisation from acquired intangibles** arises from acquisitions in the year

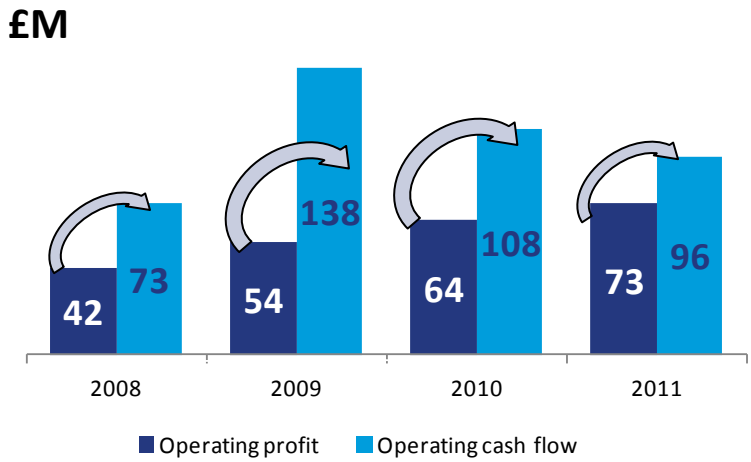
Our record of positive cash flows continued...

Cash balance remained strong in 2011 (and CSF continued to decrease)

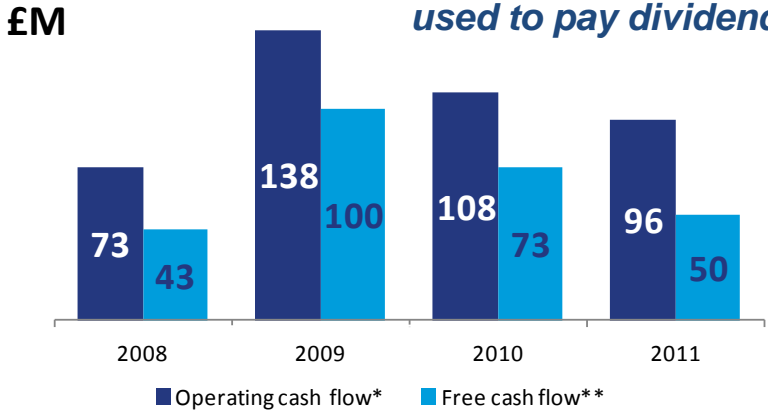


Operating cash flow is stated inclusive of factor financing and excluding customer-specific related transactions (see note 30 of the Annual Report and Accounts)
*** Free cash flow is defined as the operating cash flow less net interest, tax paid and capital investment*

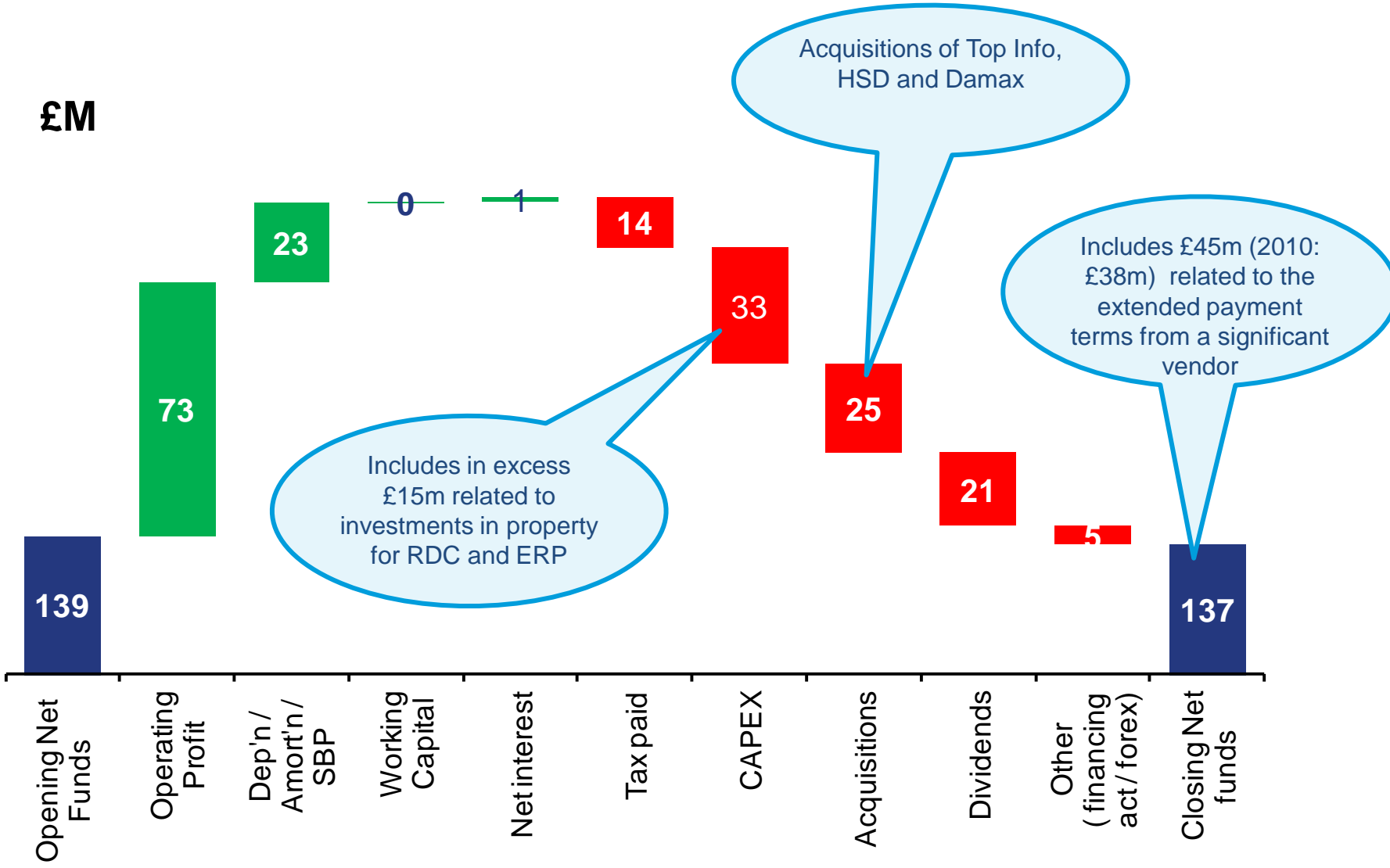
From strong operating profit conversion into operating cash



With strong free cash flow generated and reinvested in the business acquisitions and used to pay dividends...

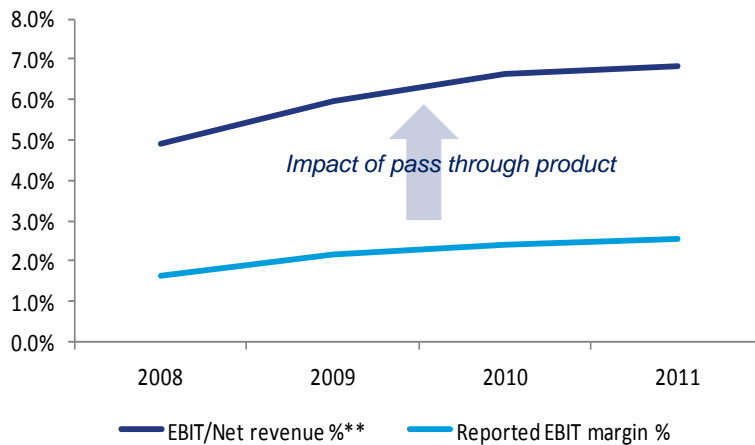


... Allowing us to further invest in our business



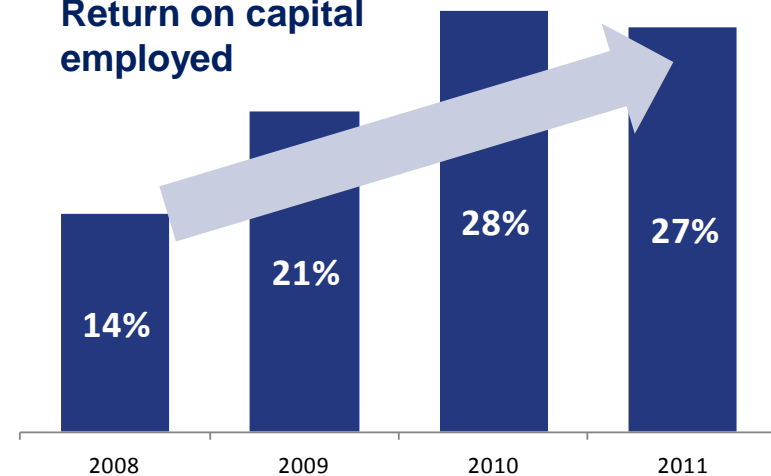
Resulting in a strong record of financial returns

EBIT margin improvement



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

Return on capital employed



* ROCE is defined as adjusted operating profit divided by net assets excluding net cash before customer-specific financing

- Operating profit % has increased to 2.5% in 2011 but is diluted by supply chain revenues, which are typically “pass through”
- Operating profit when expressed as a of “net revenue” (excluding pass through product) has increased to 6.9% in 2011
- This, together with strong funding position, results in 27% Return on Capital Employed.

FY12 modelling considerations

Net interest

- No material changes expected

Tax

- Dependant on mix in earnings as we utilise losses in European operations. As the share of profits generated outside of the UK increased in 2011, adjusted tax rate is lower than normally expected
- Tax rate is normally expected at around 23%

Exceptional

- No exceptional items expected, but unusual costs will be incurred to moving the French and RDC businesses to new properties will be incurred in 2012
- As ERP benefits start being realised, we expect to incur some exceptional costs

Capital expenditure

- Non CSF capex is circa £20m pa, approximately 50% run-rate capex, and 50% discretionary (e.g. investments in ERP, customer-facing datacentres and support systems)

Depreciation & Amortisation

- Excluding amortisation on acquired intangibles, the underlying charge will increase circa £1.5m in 2012 due to full year of ERP depreciation and amortisation in UK and Germany

Dividends

- Our dividend policy is to set dividends to maintain a dividend cover of 2 – 2.5 times (2.5 times in 2011 and 2010)

Acquisitions

- The full year impact of our acquisitions should add a further £2m to the Group's profit before tax in 2012.

Financial summary

- Revenue growth outside of the UK
- Operating profit increased in Europe, operating profit margins maintained in the UK
- Tax rate lower than usual
- Continued double digit EPS growth
- Increased dividend to 15.0p per share
- Strong cash generation, prior to circa £40 million of investment in our business

Appendix

A glossary

Adjusted results

- PBT and EPS are adjusted for exceptional items and amortisation on acquired intangibles
- Operating profit is stated after charging finance costs on CSF, and excludes the transfer of internal ERP implementation costs between segments

Customer-specific financing (“CSF”)

- Finance costs for CSF are charged after operating profit for statutory purposes
- These costs are considered to be contract specific costs, and operating profit is adjusted to charge for these costs
- Net finance costs are also adjusted in this presentation

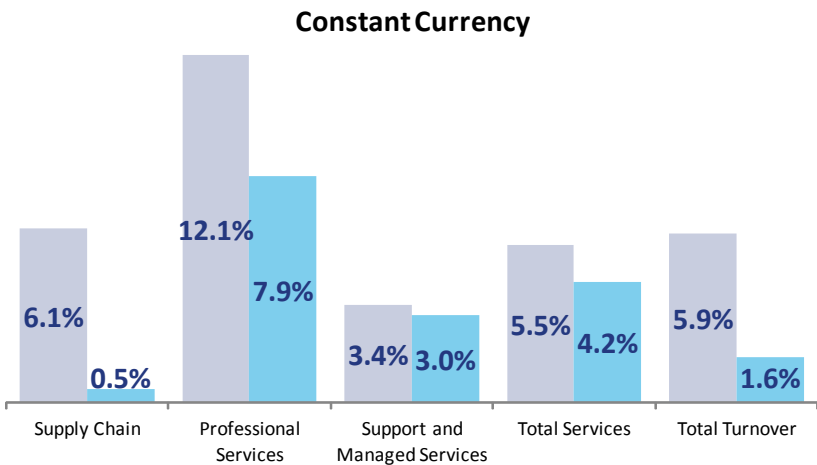
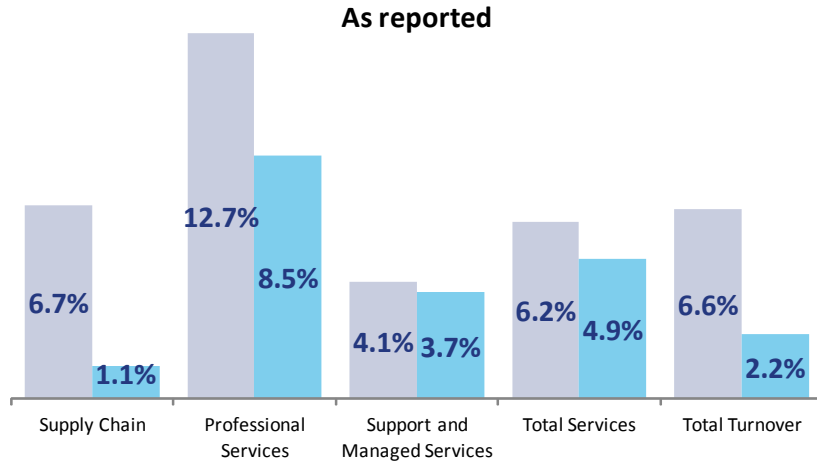
Net funds

- Net funds prior to CSF is monitored internally by the Group
- Included in this measure are current asset investments, where the group deposits cash, access to which is subject to a notice period
- Statutory net funds includes future obligations for CSF, that are covered by future income streams
- All CSF facilities are committed

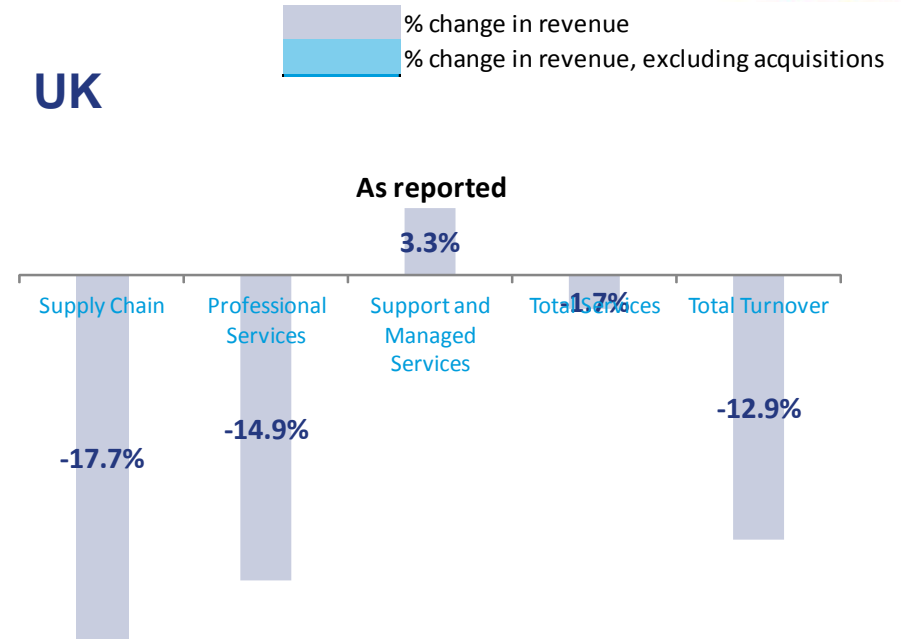
Sources of revenue (1/2):

% change by revenue type

Group



UK



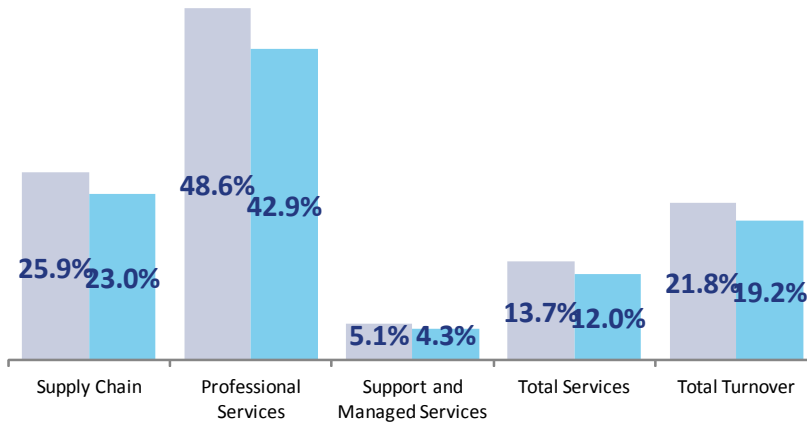
Sources of revenue (2/2):

% change by revenue type

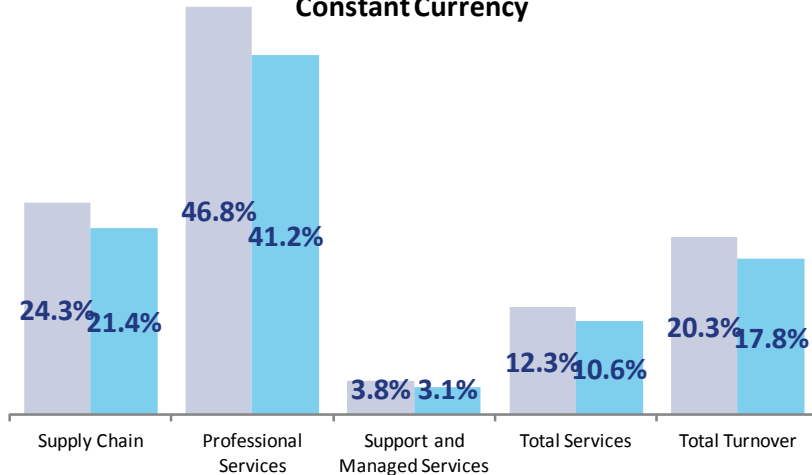
% change in revenue
 % change in revenue, excluding acquisitions

Germany

As reported

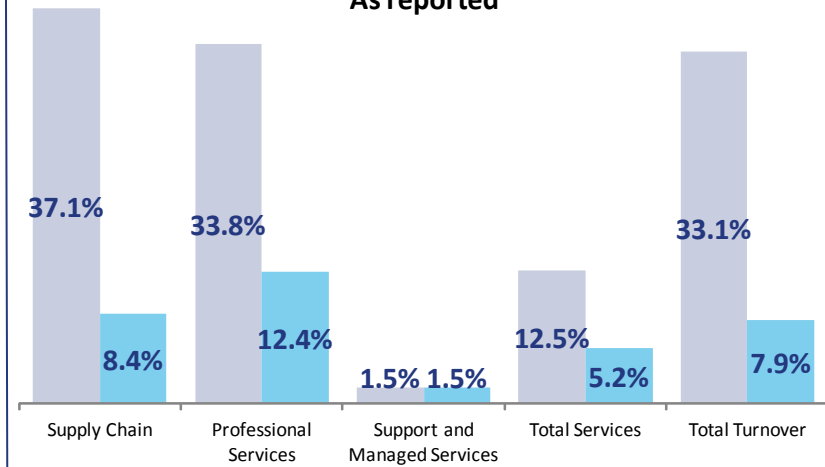


Constant Currency

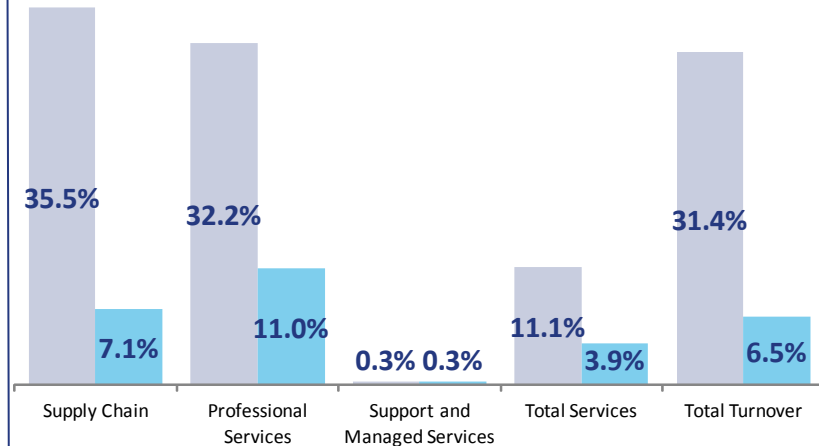


France

As reported



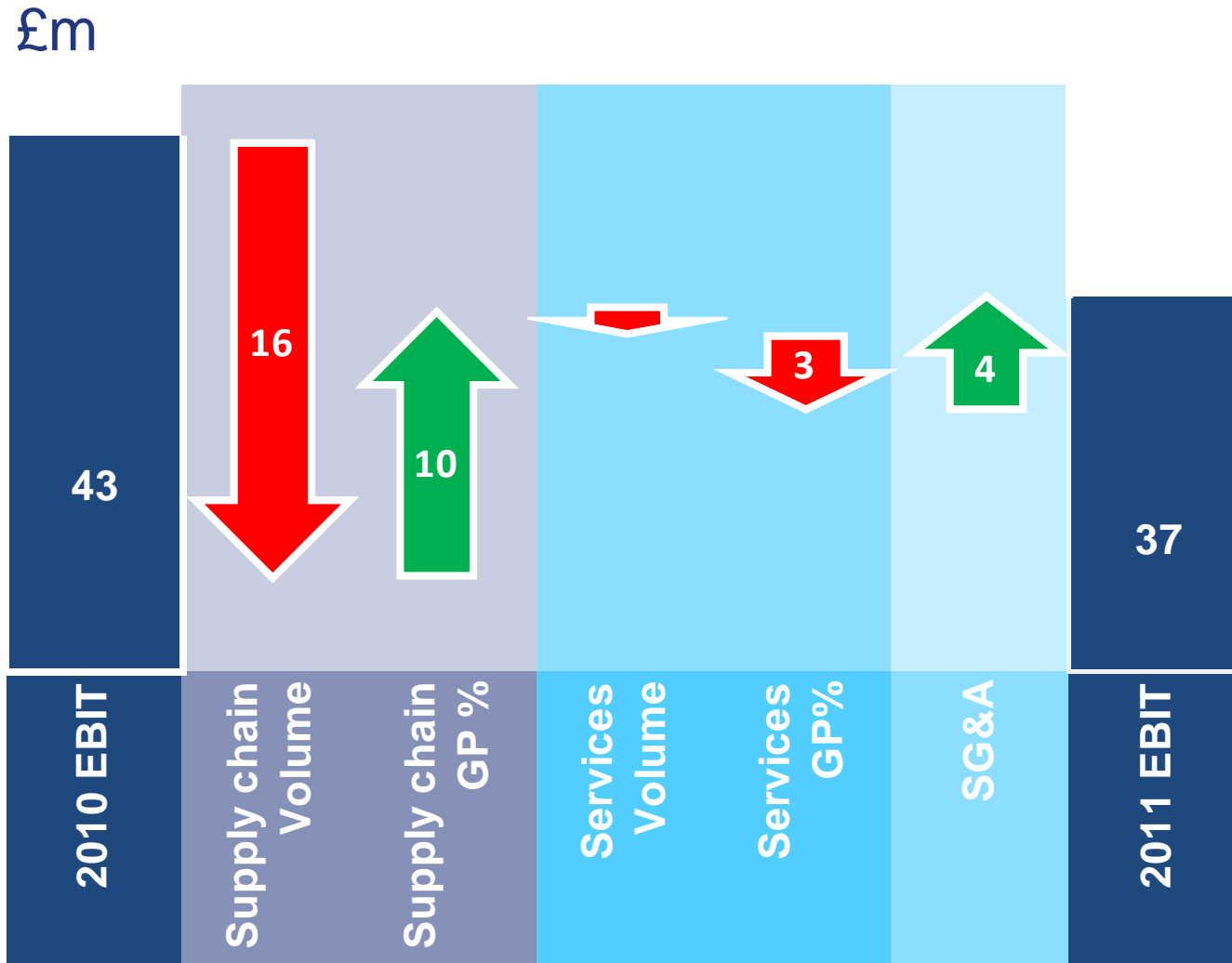
Constant Currency



UK – income statement

	FY 2011 £m	FY 2010 £m	Change %
Revenue	1,102.2	1,265.4	(12.9%)
Adjusted gross profit	167.3 15.2%	177.5 14.0%	(5.8%) 1.1%
SG&A	(130.0) (11.8%)	(134.2) (10.6%)	(3.1%) (1.2%)
Adjusted operating profit	37.3 3.4%	43.3 3.4%	(14.0%) (0.0%)
Headcount: *			
Direct	3,688	3,588	2.8%
Indirect	1,313	1,396	(6.0%)
* period end headcount			

UK EBIT Walk

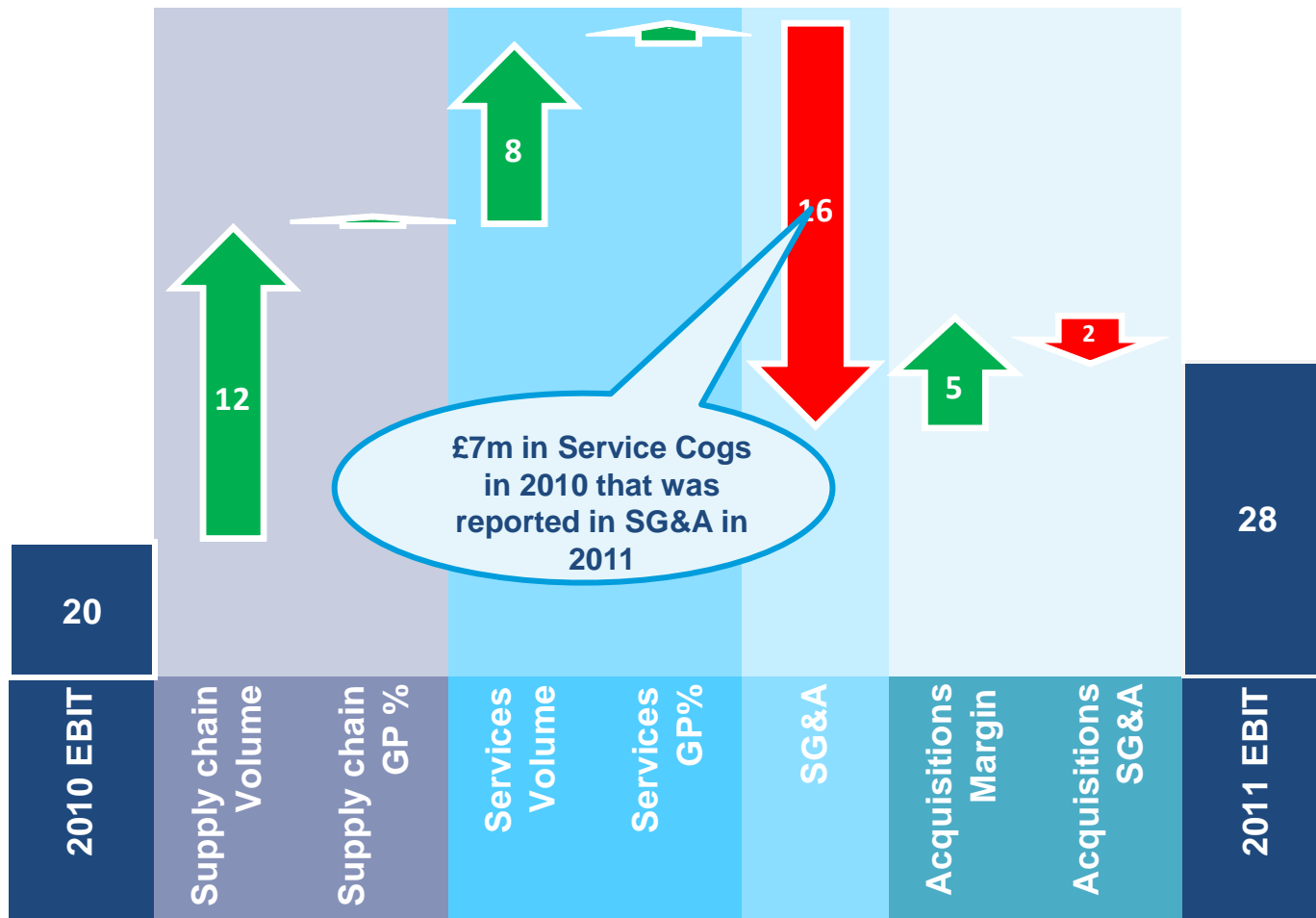


Germany – income statement

	FY 2011 £m	FY 2010 £m	Change %	FY 2011 €m	FY 2010 €m	Change %
Like-for-like revenue	1,203.1	1,008.9	19.2%	1,386.0	1,176.7	17.8%
Acquisitions	25.5	0.0	n/a	29.3	0.0	n/a
Revenue	1,228.6	1,008.9	21.8%	1,415.3	1,176.7	20.3%
Adjusted gross profit	157.4	128.9	22.0%	181.3	150.4	20.5%
	12.8%	12.8%	0.0%	12.8%	12.8%	0.0%
Other operating expenses	(129.6)	(109.3)	18.6%	(149.3)	(127.5)	17.2%
	(10.6%)	(10.8%)	0.3%	-10.6%	-10.8%	0.3%
Adjusted operating profit	27.7	19.7	40.9%	31.9	22.9	39.2%
	2.3%	2.0%	0.3%	2.3%	2.0%	0.3%
Headcount: *						
Direct	3,526	3,021	16.7%			
Indirect	1,292	1,158	11.5%			
* period end headcount						

Germany EBIT Walk

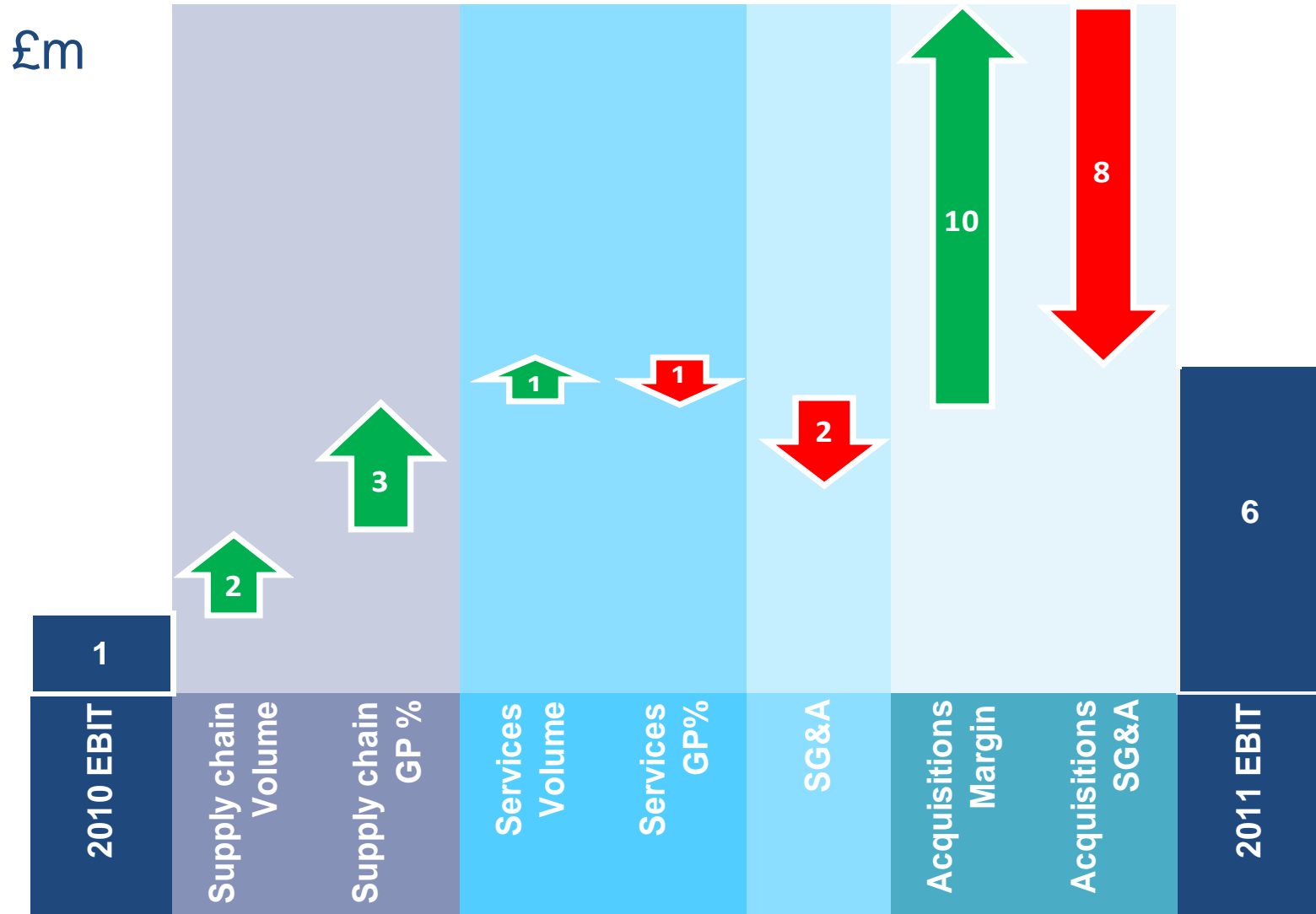
£m



France – income statement

	FY 2011 £m	FY 2010 £m	Change %	FY 2011 €m	FY 2010 €m	Change %
Like-for-like revenue	387.9	359.6	7.9%	446.9	419.4	6.5%
Acquisitions	90.7	0.0	n/a	104.4	0.0	n/a
Revenue	478.6	359.6	33.1%	551.3	419.4	31.4%
Adjusted gross profit	50.6	35.2	43.7%	58.3	41.1	41.9%
	10.6%	9.8%	0.8%	10.6%	9.8%	0.8%
Other operating expenses	(44.7)	(34.2)	30.4%	(51.4)	(39.9)	28.8%
	(9.3%)	(9.5%)	0.2%	-9.3%	-9.5%	0.2%
Adjusted operating profit	6.0	1.0	(504.7%)	6.9	1.2	-497.3%
	1.3%	0.3%	1.0%	1.3%	0.3%	1.0%
Headcount *:						
Direct	1,150	847	35.7%			
Indirect	484	364	33.0%			
* period end headcount						

France EBIT Walk



Net funds improved in the year

	Dec 11 £m	Dec 10 £m	Change £m
Cash and cash equivalents	126.8	155.9	(29.1)
Own loans and leases	10.0	(0.0)	10.0
Factor financing	0.0	(16.5)	16.5
Net funds prior to CSF	136.8	139.4	(2.7)
Finance leases	(21.6)	(24.9)	3.3
Other loans	(1.5)	(3.5)	2.0
Total CSF	(23.1)	(28.4)	5.3
Net cash / (debt)	113.6	111.0	2.6

- The Group's primary measure when managing the cash position of the business is net funds pre CSF.
- Cash is broadly flat in the year due to:
 - Profit growth and a low tax rate
 - Strong profit-to-cash conversion
 - An additional £7m from the extension of a temporary improvement in credit terms with a significant vendor over the course of the year. Year end position benefitted by £45 million (2009: £38 million) due to these terms
- Offset by investments related to :
 - Acquisitions of £25m
 - Property for RDC of £10m
 - Remainder of our investment in ERP to support go live in German and UK Dividends of £21m

Adjusted cash flow

	FY 2011 £m	FY 2010 £m
Adjusted operating profit	72.5	64.4
<i>Adjustments to reconcile Group adjusted operating profit to net cash inflows from operating activities</i>		
Depreciation and amortisation	20.6	19.5
Share-based payment	2.5	2.6
Working capital movements	0.3	21.4
Other adjustments	(0.4)	0.3
Adjusted operating cashflow	95.5	108.2
Income taxes paid	(14.4)	(11.3)
Net interest received	1.3	1.2
Capital expenditure and investments	(33.2)	(25.3)
Acquisitions and disposals	(25.3)	0.0
Equity dividends paid	(21.2)	(17.0)
Cash out flow before financing	2.7	55.9
Financing		
Proceeds from issue of shares	0.0	0.8
Purchase of own shares	(3.6)	(2.5)
Change in net debt pre CSF in the period	(0.9)	54.2
Net debt pre CSF at beginning of period	139.4	86.4
Effect of exchange rates on net funds pre CSF	(1.8)	(1.2)
Net debt pre CSF at end of period	136.8	139.4

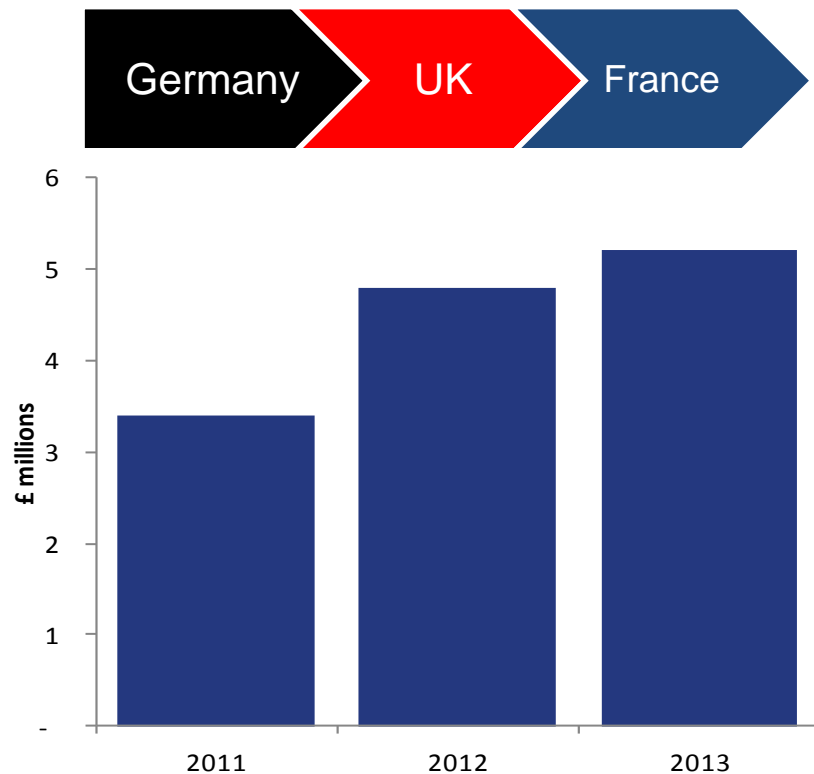
Group – balance sheet

	FY 2011 £m	FY 2010 £m	FY 2009 £m
<u>Non-current assets</u>			
Property, plant and equipment	98.3	88.9	105.3
Goodwill & Intangibles	104.2	78.5	73.0
Investments in associates	0.5	0.0	0.0
Deferred income tax asset	15.6	15.6	16.4
	218.6	183.0	194.7
<u>Current assets</u>			
Inventories	97.4	81.6	67.1
Trade & other receivables	549.0	471.1	475.6
Prepayments & accrued income	90.1	84.2	85.3
Forward currency contracts	0.3	0.6	0.7
Cash and short-term deposits	138.4	159.3	108.0
	875.2	796.7	736.8
<u>Current liabilities</u>			
Trade payables	309.0	258.9	227.6
Deferred income	115.4	100.8	123.9
Forward currency contracts	0.5	0.0	0.0
Financial liabilities	12.3	37.9	48.6
Other liabilities & provisions	229.1	190.5	157.4
	666.1	588.2	557.5
<u>Non-current liabilities</u>			
Financial liabilities	12.5	10.3	22.0
Other liabilities & provisions	11.4	11.7	13.5
	24.0	22.0	35.5
Net assets	403.7	369.6	338.5

- **PP&E UP** : purchase of property for the RDC business
- **Intangibles UP**: acquired intangibles
- **Working capital balances UP 15-20%**:
In-line with increased supply chain revenues, notably Germany and France, and acquisitions – resulting in Q4 revenues c8% higher than 2010
Overall working capital was broadly flat comparing December 2010 and 2011
- **Cash and financial liabilities DOWN** : short-term bank overdraft borrowings now offset against cash balances due to Group cash pooling arrangements

Impact from our ERP implementation

Amortisation & depreciation increases as our countries go live on our new ERP system



But the long term benefits to the Group are significant

- Introduce a clear control structure for the Computacenter operating model.
- Lower cost through increased automation, greater use of central resources, internal benchmarking etc.
- Improved risk management & controls on inventory, debtors etc.
- Enhanced acquisition integration capability.