

## Full Year Results 2010

10 March 2011



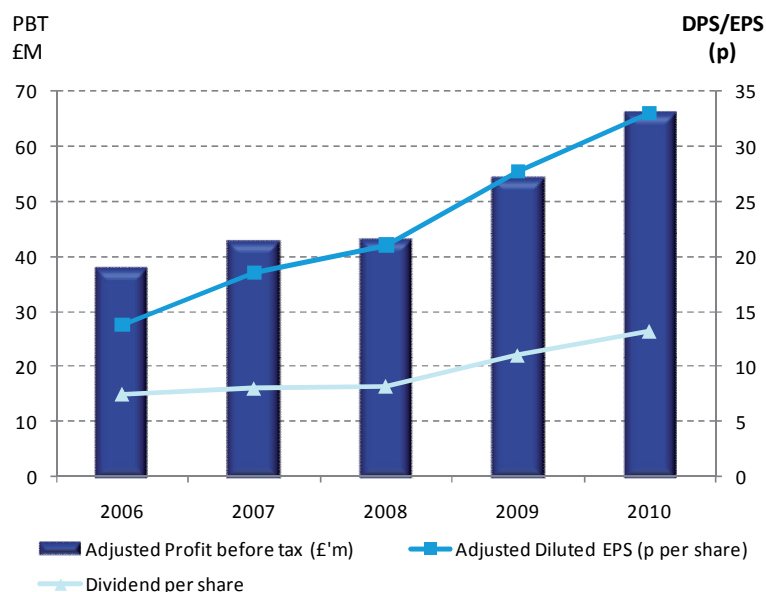
## Agenda

- Highlights Mike Norris
- Financial review Tony Conophy
- Operational review Mike Norris
- Outlook Mike Norris
- Summary and Q&A

# 2010 Financial highlights

- Group revenues increased 6.9% to £2.68 billion
- Ongoing Group revenues up 10.7%
- Adjusted profit before tax increased 21.8% to £66.1 million (2009: £54.2 million)
- Adjusted diluted EPS growth of 19.1% to 33.0 pence (2009: 27.7 pence)
- Adjusted EPS growth >20% CAGR over the past 3, 4 and 5 years
- Final dividend of 9.7 pence bringing the total dividend for the year to 13.2 pence (2009: 11.0 pence)
- Net cash prior to customer-specific financing (CSF) was £139.4 million (2009: £86.4 million)

# Another year of significant progress



**4 year CAGR  
PBT – 15%**

**4 year CAGR  
EPS – 24%**

**4 year CAGR  
DPS – 15%**



## Financial Review – Tony Conophy

## 2010: Group financial results

	FY 2010 £m	FY 2009 £m	Change
<b>Ongoing operations</b>			
Revenue	2,676.5	2,418.6	10.7%
Adjusted gross profit	363.7 13.6%	341.7 14.1%	6.4% (3.8%)
Other operating expenses	(299.3)	(288.8)	3.6%
Adjusted operating profit	64.4 2.4%	52.9 2.2%	21.9% 0.3%
<b>Including disposed business</b>			
Trade distribution	0.0	1.0	(100.0%)
Adjusted net interest	1.6	0.3	437.0%
Adjusted profit before tax	66.1	54.2	21.8%
Adjusted tax expense	(15.3)	(12.3)	24.6%
Adjusted tax rate	(23.1%)	(22.6%)	2.3%
Adjusted profit after tax	50.8	42.0	21.0%
<b>Diluted earnings per share</b>			
– Adjusted	33.0p	27.7p	19.1%
– Statutory	32.6p	24.9p	30.9%

Excludes prior year impact of Trade distribution business

Numbers shown are as reported. No material impact from exchange

Income statement exchange rate

2010 : £1 = € 1.166

2009 : £1 = € 1.123

*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*

# 2010: Revenue and operating profit by segment

	FY 2010 £m	FY 2009 £m	Change %
<b>Revenue</b>			
UK excl CCD	1,265.4	1,142.3	10.8%
Germany	1,005.8	930.7	8.1%
France	359.6	319.4	12.6%
Benelux	45.6	26.2	74.0%
<b>Total Group excl CCD</b>	<b>2,676.5</b>	<b>2,418.6</b>	<b>10.7%</b>
CCD	-	84.6	-
<b>Total Group</b>	<b>2,676.5</b>	<b>2,503.2</b>	<b>6.9%</b>
<b>Adjusted operating profit</b>			
UK excl CCD	43.3	36.9	17.6%
Germany	20.5	19.6	4.8%
France	1.0	(2.7)	-
Benelux	(0.4)	(0.8)	47.6%
<b>Total Group excl CCD</b>	<b>64.4</b>	<b>52.9</b>	<b>21.7%</b>
CCD	-	1.0	-
<b>Total Group</b>	<b>64.4</b>	<b>53.9</b>	<b>19.5%</b>

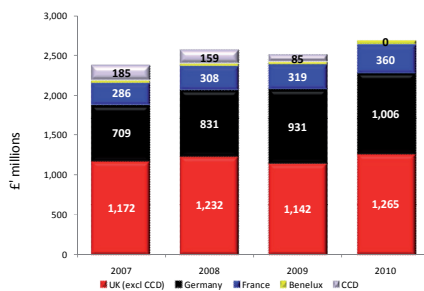
- Organic revenue growth in all countries and across all sources of revenue

- Operating profit improvement in all countries

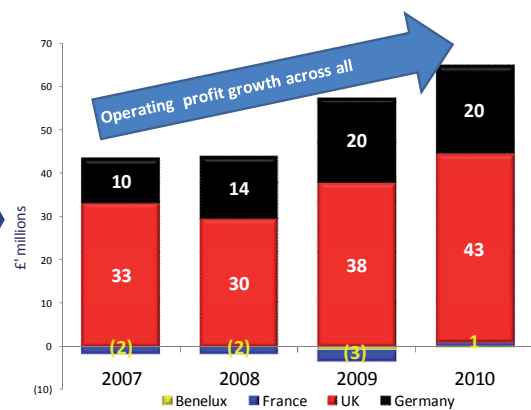
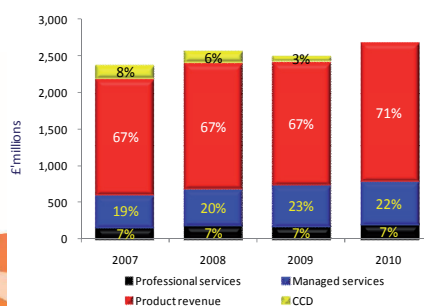
- France returns profit for the first time since 2001, albeit £0.9m is due to a tax reclassification

# 2010: A continuation of recent trends

Growth in revenue in all segments...

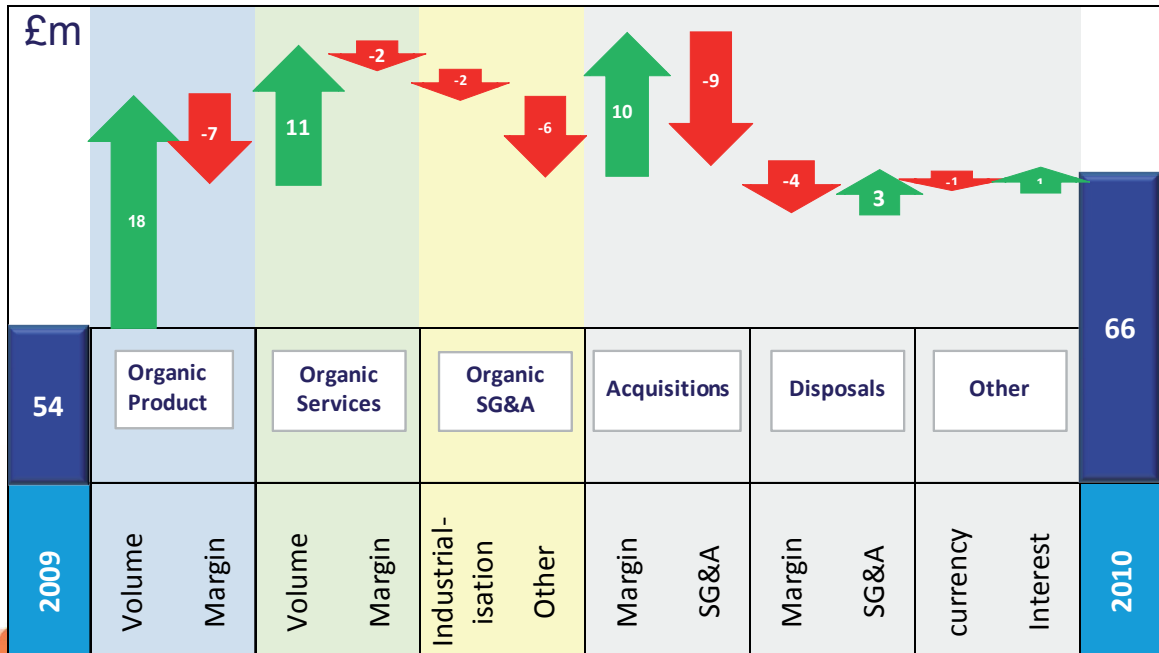


and all sources of revenue



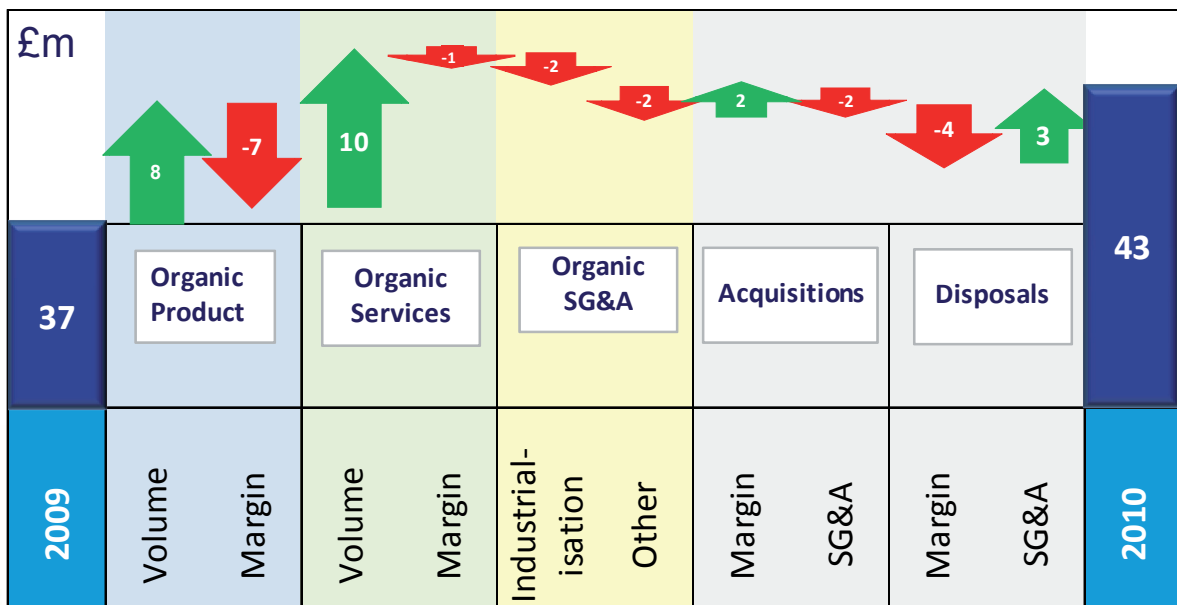
# Group PBT

– driven by strong organic product and services growth



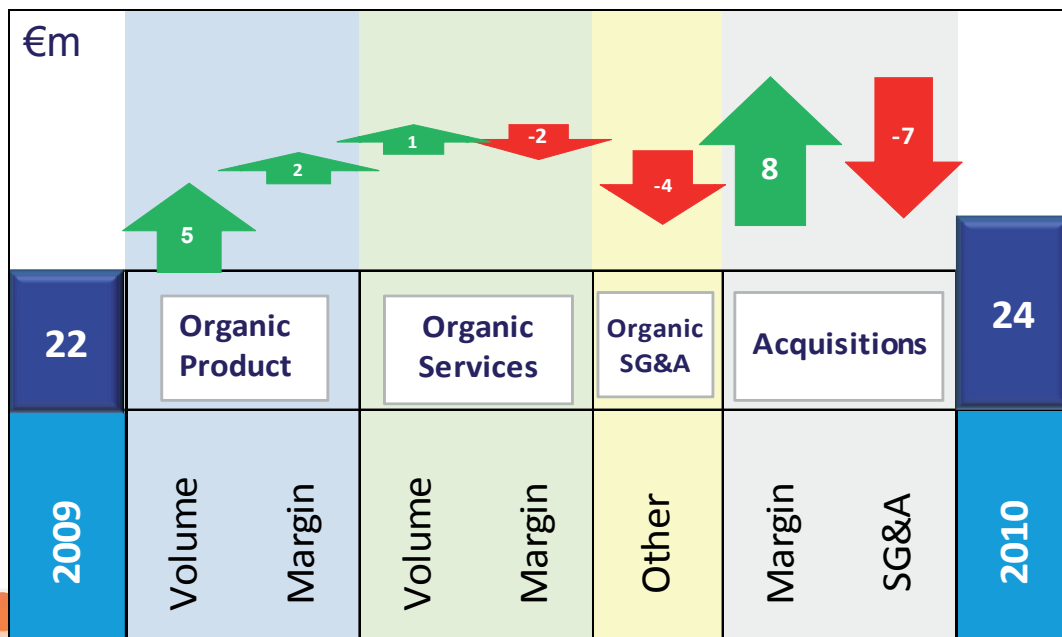
# UK EBIT

– boosted by strong services growth



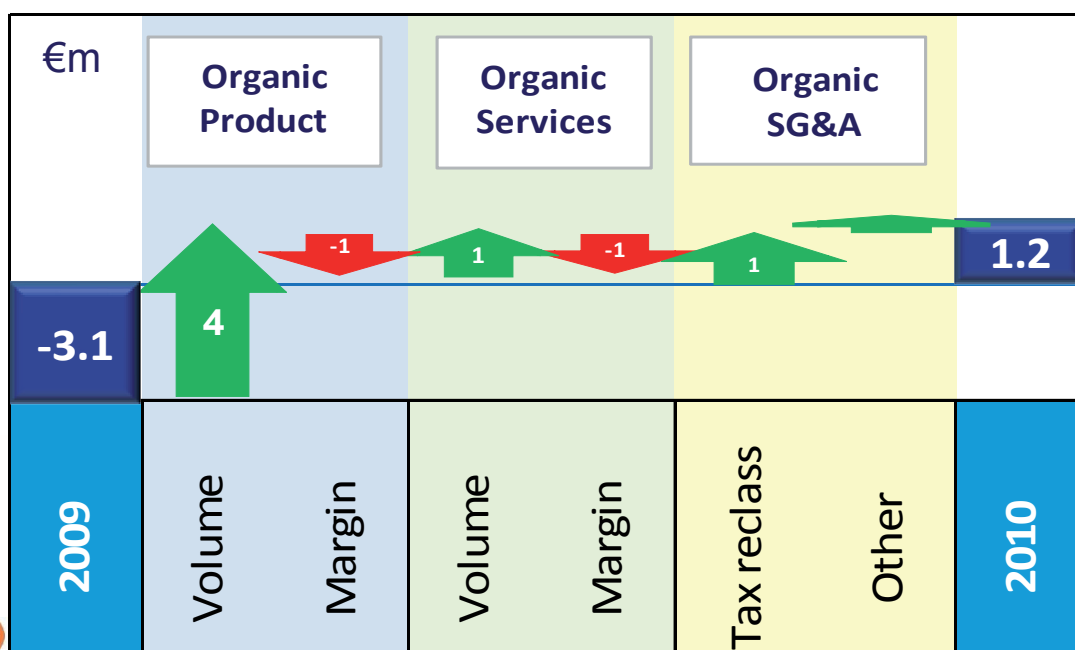
# Germany EBIT

- Strong services recovery from H1
- Overall year: strong organic product growth



# France EBIT

- moves into positive territory



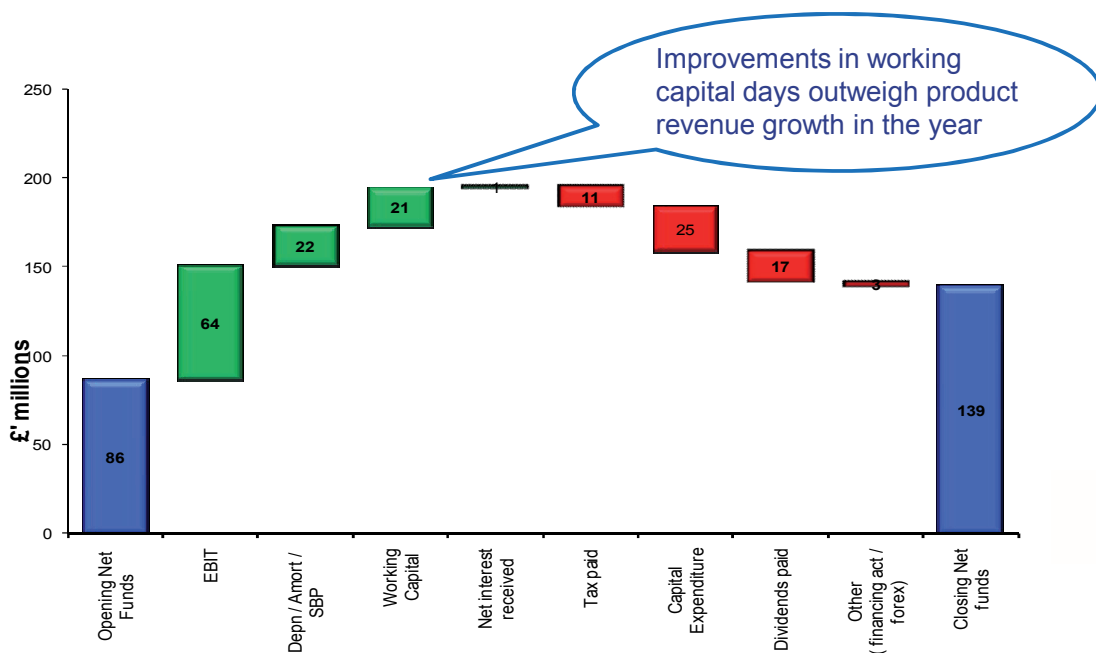
# Net funds improved in the year...

	Dec 10 £m	Dec 09 £m	Change £m
Cash and cash equivalents	155.9	105.0	51.0
Own loans and leases	(0.0)	(3.7)	3.7
Factor financing	(16.5)	(14.8)	(1.6)
<b>Net funds prior to CSF</b>	<b>139.4</b>	<b>86.4</b>	<b>53.0</b>
Finance leases	(24.9)	(42.6)	17.7
Other loans	(3.5)	(6.5)	3.0
<b>Total CSF</b>	<b>(28.4)</b>	<b>(49.1)</b>	<b>20.6</b>
<b>Net cash / (debt)</b>	<b>111.0</b>	<b>37.3</b>	<b>73.7</b>

• Cash growth is enhanced despite strong product revenue performance in the year by the following factors:

- the UK increased the mix of its purchases via distributors, resulting in lower stock holdings and improved credit terms
- Temporary extended credit terms from a major vendor, £38m impact at 31/12/2010 (2009: £30m)
- Strong profit growth and a low tax rate

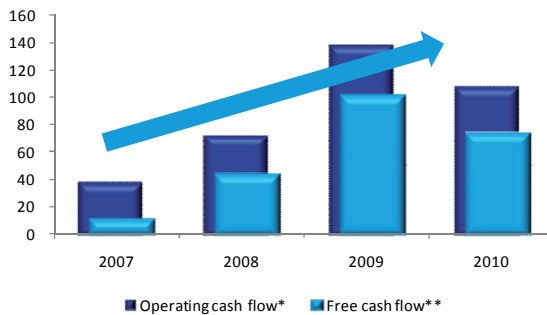
# ...due to profit and working capital improvements



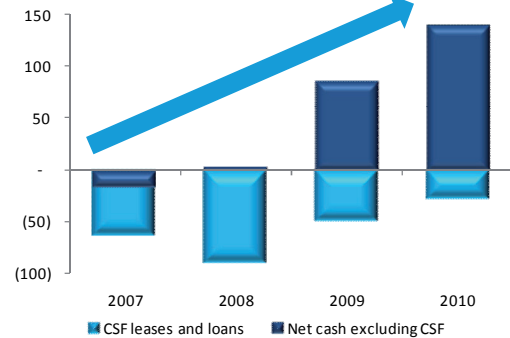
Based on adjusted cash flow

# ...which continues the record of positive cash flows

## Cash flow growth ahead of profit growth



## Leading to improved cash position



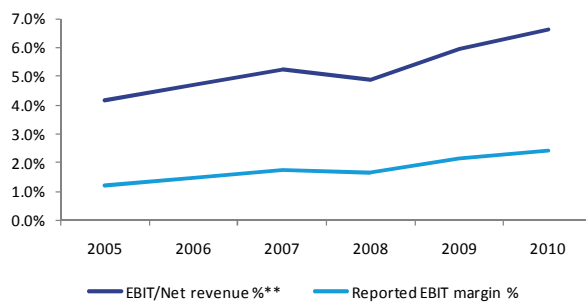
- Operating and free cash flow has grown ahead of operating profit growth
- Cash growth is net of dividends totalling £53.3 million over the past four years

\* Operating cash flow is stated inclusive of factor financing and excluding customer-specific related transactions (see note 29 of the Annual Report and Accounts)

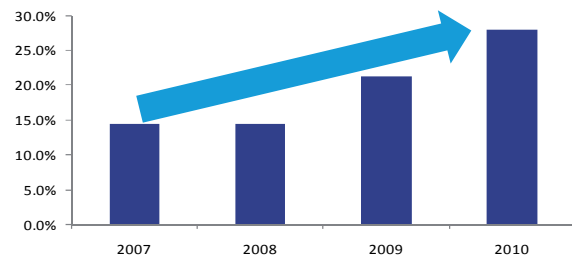
\*\* Free cash flow is defined as the operating cash flow less net interest, tax paid and capital investment

# Improving margin and returns

## EBIT margin improvement



## Return on Capital Employed\*



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

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

- Operating margin % has increased to 2.4% in 2010 but is diluted by pass through Product revenues
- EBIT as a % of "net revenue" (excluding pass through product) has increased to 6.6% in 2010
- This, together with strong funding position, results in 28% Return on Capital Employed



# FY11 modelling considerations

Net interest	<ul style="list-style-type: none"><li>No material changes expected</li><li>No material acquisitions or changes to the capital structure during the next 12 months</li></ul>
Tax	<ul style="list-style-type: none"><li>Dependant on mix in earnings as we utilise losses in European operations</li><li>Similar proportion of earnings should result in tax rate being 23 – 25%</li></ul>
Exceptional	<ul style="list-style-type: none"><li>No exceptional items expected until ERP benefits start being realised, unless we achieve early benefit realisation</li></ul>
Capital expenditure	<ul style="list-style-type: none"><li>Non CSF capex is circa £20m pa, approximately 50% run-rate capex, and 50% discretionary (e.g. investments in ERP infrastructure, customer-facing datacenters and support systems)</li></ul>
Depreciation	<ul style="list-style-type: none"><li>Will increase circa £3m in 2011 due to ERP implementation go live</li></ul>
Dividends	<ul style="list-style-type: none"><li>Our dividend policy is to set dividends to maintain a dividend cover of 2 – 2.5 times (2.5 times in 2010 and 2009)</li></ul>
Acquisitions – Top Info	<ul style="list-style-type: none"><li>In a full year Top Info should contribute an EBIT of approximately €4.5m</li></ul>



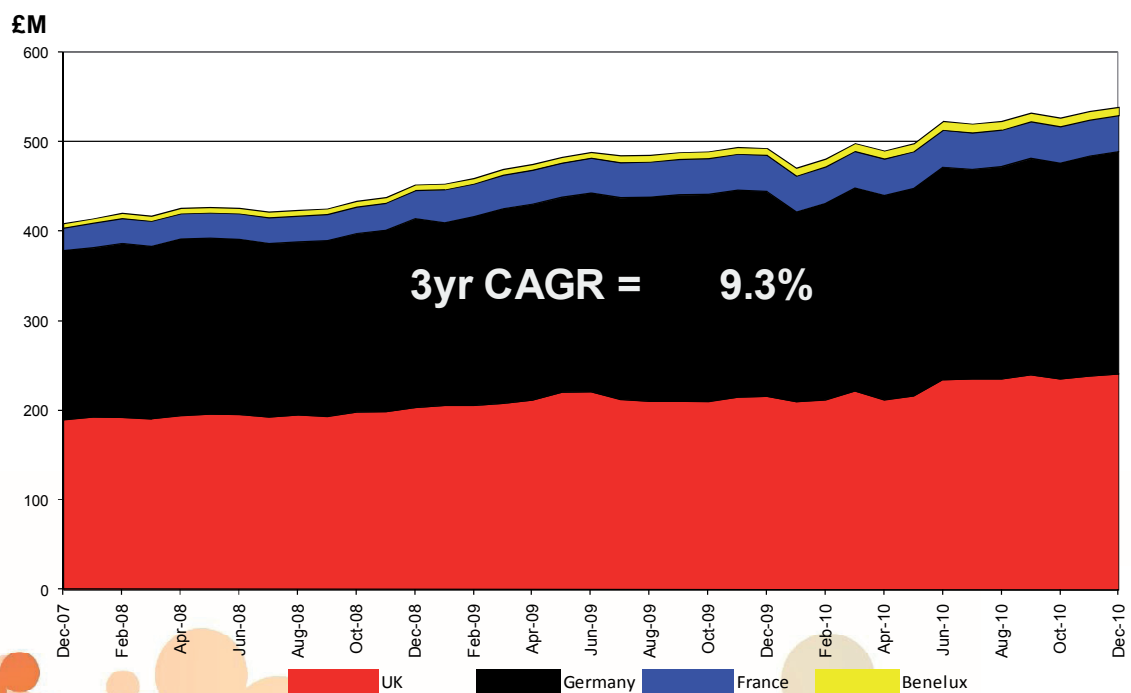
## Operational Review & Outlook – Mike Norris

# Operating highlights

- Revenues improved significantly in all our major geographies
- Ongoing group product revenue grew markedly, up 12.5% (14.7% in constant currency) as a result of strong customer demand
- Group annual services contract base grew over 7.1% (9.3% in constant currency)

# Contract base – Group\*

- continuing strong contract base growth



\* Stated at constant currency at exchange rates prevailing on 31 December 2010

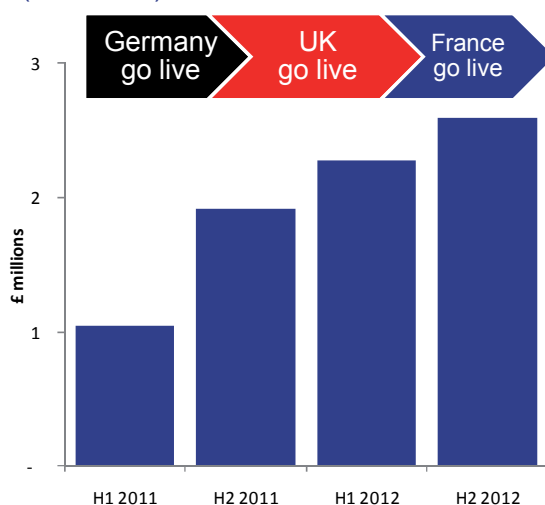
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- Ongoing group product revenue grew markedly, up 12.5% (14.7% in constant currency) as a result of strong customer demand
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- Group-wide ERP project remains on track with a successful migration onto the new platform implemented in Germany

# Impact from our ERP implementation

Amortisation & depreciation will increase as our countries go live on our new ERP system during 2011 (c£3million) and 2012 (c£5million)

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

## Operating highlights

- Revenues improved significantly in all our major geographies
- Ongoing group product revenue grew markedly, up 12.5% (14.7% in constant currency) as a result of strong customer demand
- Group annual services contract base grew over 7.1% (9.3% in constant currency)
- Group-wide ERP project remains on track with a successful migration onto the new platform implemented in Germany
- Pending acquisition in 2011 of Top Info, subject to the approval of the French Competition Board, for an initial debt free cash consideration of €21 million

## Acquisition of Top Info in France

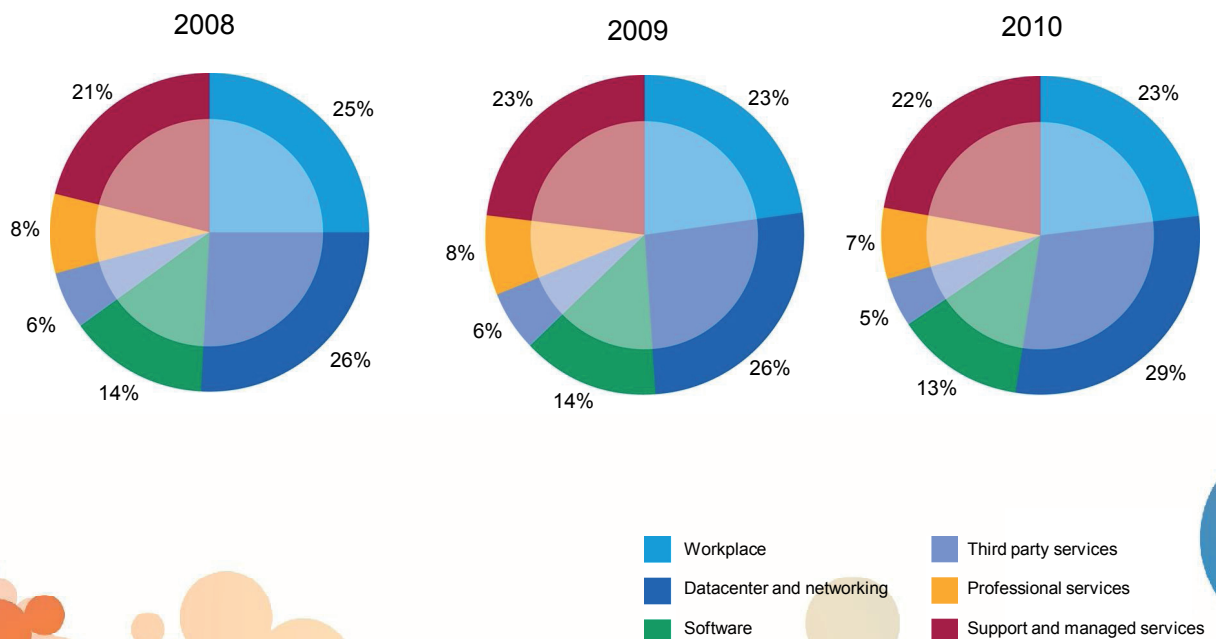
- We have tracked the company for many years
- Subject to Anti-trust Authority, should close by end March
- Product reseller with little service but a good customer base so cross selling opportunity
- Very low cost operation so few cost synergies
- We have tax losses to use in France
- Should add >5% to Group EPS in a full year

# Operating highlights

- Revenues improved significantly in all our major geographies
- Ongoing group product revenue grew markedly, up 12.5% (14.7% in constant currency) as a result of strong customer demand
- Group annual services contract base grew over 7.1% (9.3% in constant currency)
- Group-wide ERP project remains on track with a successful migration onto the new platform implemented in Germany
- In 2011 we acquired Top Info, subject to the approval of the French Competition Board, for an initial debt free cash consideration of €21 million
- Launch of C<sup>3</sup>Mail, the first in a suite of cloud based offerings

# Revenue by type – Group

Strong growth in datacenter and networking products

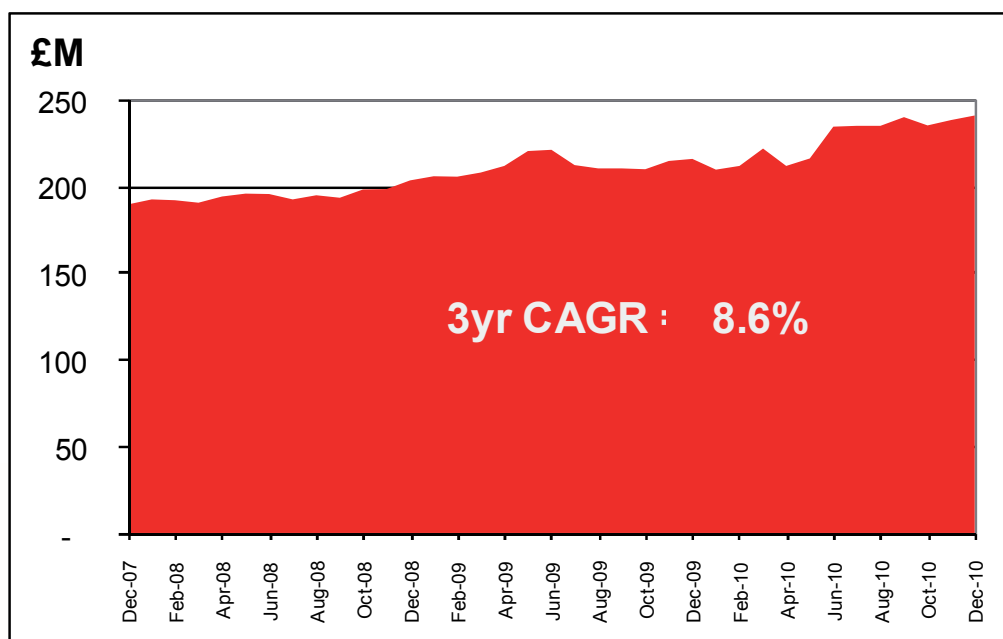


# UK highlights

- Ongoing revenues increased by 10.8%
- Operating profit grew by 14.5%
- Service revenue growth of 13.9%, which increased steadily throughout the year and beat the UK market
- Growth in contract base driven by new customer wins
- Increase in service margin due to better BTO and industrialisation, prior to the impact of new wins
- RDC revenue increased by 30.3% to £38.2 million

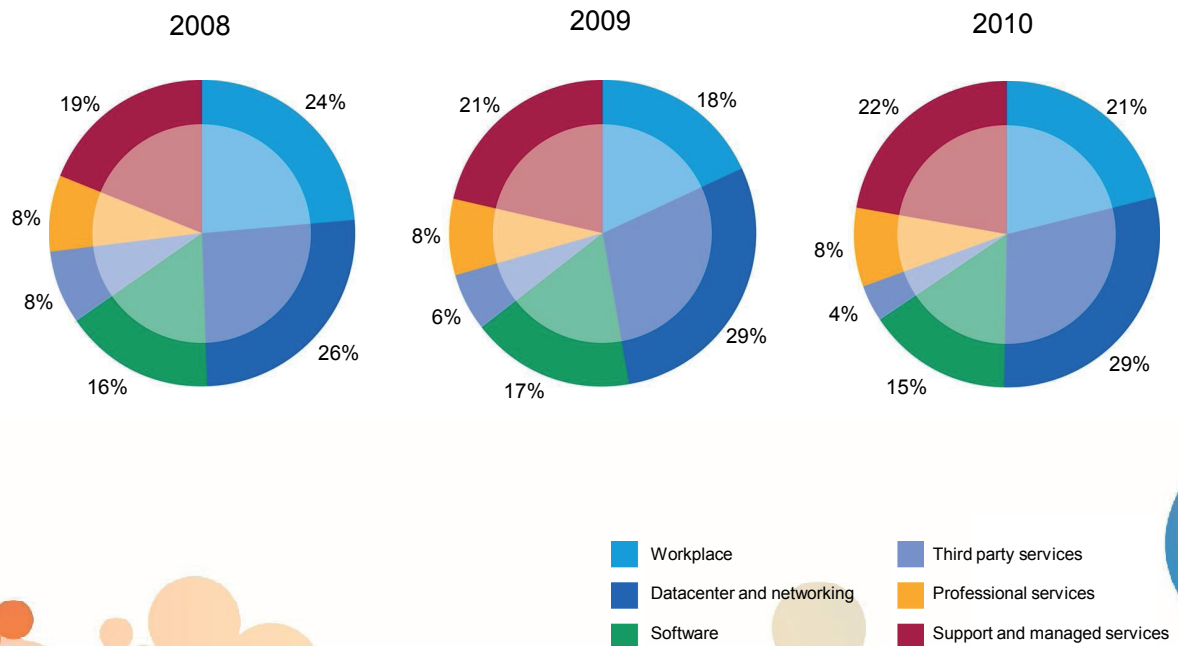
# Contract base – UK

Growth ahead of market



# Revenue by type – UK

Increase in workplace driven by Windows 7

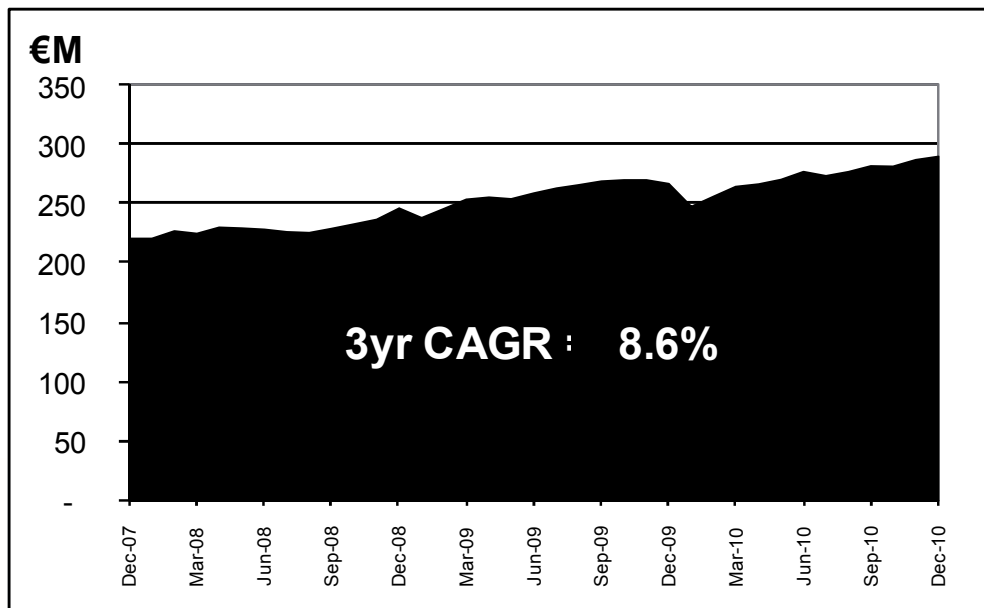


# Germany highlights

- Strong growth in H2 led by good economic environment
- Profit growth of 8.8% for the year, with growth in second half of circa 40% (compared to H2 2009)
- 12.2% growth in revenue with the acquired becom business
- Strong Windows 7 pipeline
- Cisco Enterprise Partner of the Year for Europe
- ERP has been a focus of management

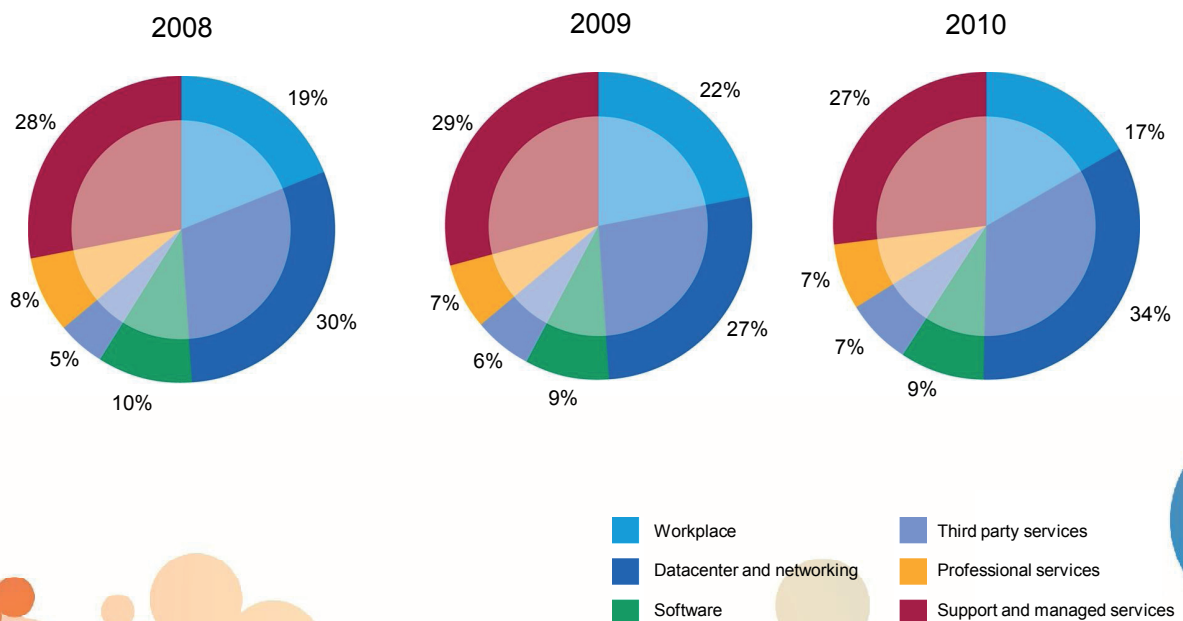
# Contract base – Germany

Growth ahead of market



# Revenue by type – Germany

Becom impact and strong recovery in datacenter and networking products



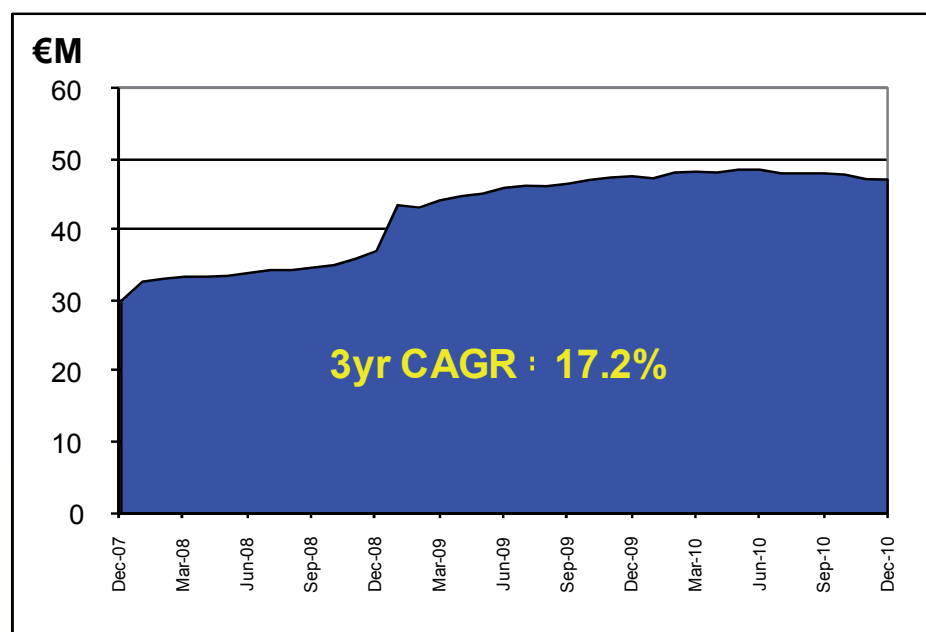


# France highlights

- France delivered an operating profit
- Strong revenue growth of 16.9% led by product growth of 19.7%
- We made a breakthrough in high end enterprise products
- Service growth of 4.6% slower than we would like
- Erosion of revenue from old maintenance contracts

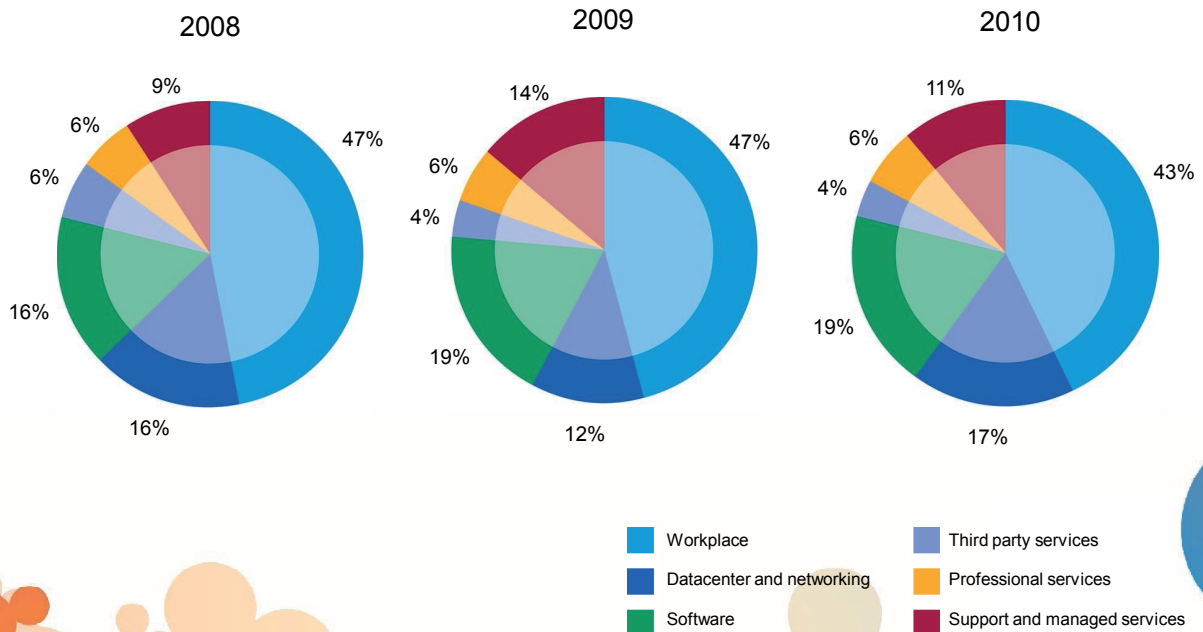
# Contract base – France

Growth well ahead of market



## Revenue by type – France

Strong product recovery and growth in datacenter and networking



## 2010 Financial highlights



- Group revenues increased 6.9% to £2.68 billion and
- Ongoing Group revenues up 10.7%
- Adjusted profit before tax increased 21.8% to £66.1 million (2009: £54.2 million)
- Adjusted diluted EPS growth of 19.1% to 33.0 pence (2009: 27.7 pence)
- Adjusted EPS growth >20% CAGR over the past 3, 4 and 5 years
- Final dividend of 9.7p bringing the total dividend for the year to 13.2 pence (2009: 11.0 pence), an increase of 20%
- Net cash prior to customer-specific financing (CSF) was £139.4 million (2009: £86.4 million)

# Outlook for 2011

- A year of continuing improvement
- ERP depreciation will hold us back until cost savings in 2012
- UK Q1 revenue in 2010 was buoyant with a large one off product contract
- Germany has easier comparatives for H1
- France will be aided by acquisition

# Drivers of profit growth

- Technology
- Economic
- Services market
- Cross selling
- Geographical expansion
- Cost and efficiency



# Full Year Results 2010

10 March 2011



## Appendix



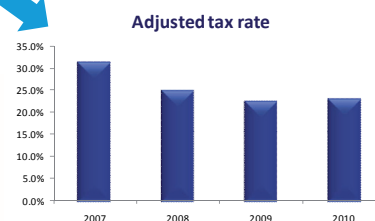
# A glossary

- **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
  - Statutory net funds includes future obligations for CSF, that are covered by future income streams
  - All CSF facilities are committed

# Group – reconciliation of adjusted to statutory profit after tax

	FY 2010 £m	FY 2009 £m	Change %
<b>Adjusted profit before tax</b>	<b>66.1</b>	<b>54.2</b>	<b>21.8%</b>
Amortisation of acquired intangibles	(0.7)	(0.5)	26.7%
Exceptional items	0.0	(5.3)	-100.0%
<b>Statutory profit before tax</b>	<b>65.4</b>	<b>48.4</b>	<b>35.1%</b>
<b>Adjusted tax expense</b>	<b>(15.3)</b>	<b>(12.3)</b>	<b>24.5%</b>
<i>Adjusted tax %</i>	<i>23.1%</i>	<i>22.6%</i>	<i>0.3%</i>
Tax on exceptional items	0.0	1.4	n/a
Tax on amortisation of acquired intang	0.2	0.1	26.5%
<b>Income tax expense</b>	<b>(15.1)</b>	<b>(10.7)</b>	<b>40.9%</b>
<i>Tax %</i>	<i>23.1%</i>	<i>22.1%</i>	<i>0.3%</i>
<b>Statutory profit after tax</b>	<b>50.3</b>	<b>37.7</b>	<b>33.4%</b>

- **No exceptional items in 2010**
- **Tax rate continues to benefit from a low tax rate in Germany**



## Group – sources of revenue

	Reported			In constant currency		
	FY 2010	FY 2009	Change	FY 2010	FY 2009	Change
	£m	£m	%	£m	£m	%
<b>Product revenue</b>						
Ongoing	1,888.4	1,678.6	12.5%	1,888.4	1,646.3	14.7%
Trade Distribution	0.0	84.6	(100.0%)	0.0	84.6	-100.0%
<b>Total product revenue</b>	<b>1,888.4</b>	<b>1,763.2</b>	<b>7.1%</b>	<b>1,888.4</b>	<b>1,730.9</b>	<b>9.1%</b>
<b>Services revenue</b>						
Professional services	192.4	175.4	9.7%	192.4	172.2	11.7%
Support and managed services	595.7	564.6	5.5%	595.7	552.7	7.8%
<b>Total services revenue</b>	<b>788.1</b>	<b>740.0</b>	<b>6.5%</b>	<b>788.1</b>	<b>724.9</b>	<b>8.7%</b>
<b>Total Revenue</b>						
Ongoing	2,676.5	2,418.6	10.7%	2,676.5	2,371.2	12.9%
Trade Distribution	0.0	84.6	(100.0%)	0.0	84.6	-100.0%
<b>Total Revenue</b>	<b>2,676.5</b>	<b>2,503.2</b>	<b>6.9%</b>	<b>2,676.5</b>	<b>2,455.8</b>	<b>9.0%</b>

## UK – income statement

	FY 2010	FY 2009	Change
	£m	£m	%
Revenue - Ongoing	1,265.4	1,142.3	10.8%
- CCD	-	84.6	(100.0%)
- Total	<b>1,265.4</b>	<b>1,226.9</b>	<b>3.1%</b>
<b>Adjusted gross profit</b>	<b>189.6</b>	<b>181.1</b>	<b>4.7%</b>
	15.0%	14.8%	0.2%
<b>Other operating expenses</b>	<b>(146.3)</b>	<b>(143.3)</b>	<b>2.1%</b>
	(11.6%)	(11.7%)	0.1%
<b>Adjusted operating profit</b>	<b>43.3</b>	<b>37.8</b>	<b>14.5%</b>
	3.4%	3.1%	0.3%
<b>Headcount: *</b>			
Direct	3,588	3,422	4.8%
Indirect	1,396	1,403	(0.4%)
* period end headcount			

# Germany – income statement

	Reported			In local currency		
	FY 2010 £m	FY 2009 £m	Change %	FY 2010 €m	FY 2009 €m	Growth %
Revenue	1,005.8	930.7	8.1%	1,173.1	1,045.1	12.2%
Adjusted gross profit	131.5 13.1%	124.4 13.4%	5.7% (0.3%)	153.4 13.1%	139.7 13.4%	9.8% -0.3%
Other operating expenses	(111.0) (11.0%)	(104.8) (11.3%)	5.9% 0.2%	(129.5) -11.0%	(117.7) -11.3%	10.0% 0.2%
Adjusted operating profit	20.5 2.0%	19.6 2.1%	4.8% (0.1%)	23.9 2.0%	22.0 2.1%	8.8% -0.1%
<b>Headcount: *</b>						
Direct	3,021	2,987	1.1%			
Indirect	1,158	1,153	0.4%			
* period end headcount						

# France – income statement

	Reported			In local currency		
	FY 2010 £m	FY 2009 £m	Change %	FY 2010 €m	FY 2009 €m	Growth %
Revenue	359.6	319.4	12.6%	419.4	358.7	16.9%
Adjusted gross profit	37.8 10.5%	37.4 11.7%	1.0%	44.1 10.5%	42.1 11.7%	4.9%
Other operating expenses	(36.8) (10.2%)	(40.2) (12.6%)	(8.3%) 2.3%	(43.0) -10.2%	(45.1) -12.6%	-4.8% 2.3%
Adjusted operating profit	1.0 0.3%	(2.7) (0.9%)	136.4% 1.1%	1.2 0.3%	(3.1) -0.9%	137.8% 1.1%
<b>Headcount **: *</b>						
Direct	847	790	7.2%			
Indirect	364	349	4.2%			
* period end headcount						

# Adjusted cash flow

	FY 2010 £m	FY 2009 £m
<b>Adjusted operating profit</b>	<b>64.4</b>	<b>53.9</b>
<b>Adjustments to reconcile Group adjusted operating profit to net cash inflows from operating activities</b>		
Depreciation and amortisation	19.5	17.7
Share-based payment	2.6	2.6
Working capital movements	21.4	65.3
Other adjustments	0.3	(1.6)
<b>Adjusted operating cashflow</b>	<b>108.2</b>	<b>137.9</b>
Income taxes paid	(11.3)	(17.5)
Net interest received	1.2	1.1
Capital expenditure and investments	(25.3)	(21.3)
Acquisitions and disposals	0.0	(6.8)
Equity dividends paid	(17.0)	(12.5)
<b>Cash out flow before financing</b>	<b>55.9</b>	<b>81.0</b>
<b>Financing</b>		
Proceeds from issue of shares	0.8	0.0
Purchase of own shares	(2.5)	(0.6)
<b>Change in net debt pre CSF in the period</b>	<b>54.2</b>	<b>80.5</b>
<b>Net debt pre CSF at beginning of period</b>	<b>86.4</b>	<b>4.6</b>
Effect of exchange rates on net funds pre CSF	(1.2)	1.3
<b>Net debt pre CSF at end of period</b>	<b>139.4</b>	<b>86.4</b>

# Group – balance sheet

	FY 2010 £m	FY 2009 £m	FY 2008 £m
<b>Non-current assets</b>			
Property, plant and equipment	88.9	105.3	123.3
Goodwill & Intangibles	78.5	73.0	51.6
Deferred income tax asset	15.6	16.4	16.7
	<b>183.0</b>	<b>194.7</b>	<b>191.5</b>
<b>Current assets</b>			
Inventories	81.6	67.1	105.8
Trade & other receivables	471.1	475.6	529.5
Prepayments & accrued income	84.2	85.3	97.7
Forward currency contracts	0.6	0.7	-
Cash and short-term deposits	159.3	108.0	53.4
	<b>796.7</b>	<b>736.8</b>	<b>786.4</b>
<b>Current liabilities</b>			
Trade payables	258.9	227.6	237.3
Deferred income	100.8	123.9	115.3
Financial liabilities	37.9	48.6	96.2
Other liabilities & provisions	190.5	157.4	154.4
	<b>588.2</b>	<b>557.5</b>	<b>603.2</b>
<b>Non-current liabilities</b>			
Financial liabilities	10.3	22.0	41.8
Other liabilities & provisions	11.7	13.5	11.8
	<b>22.0</b>	<b>35.5</b>	<b>53.6</b>
<b>Net assets</b>	<b>369.6</b>	<b>338.5</b>	<b>321.2</b>

- **PP&E DOWN:** NBV down to depreciation of CSF assets, offset by corresponding reduction in CSF. This hides investment in internal and customer facing datacenters
- **Intangibles UP:** ERP investment
- **Inventories UP:** In-line with increased product revenues
- **Payables UP:** Increased product volumes and extension of credit terms with major supplier
- **Deferred Income DOWN:** Lower Forward invoice balances in the UK
- **Financial liabilities DOWN:** reduced CSF, and overseas financing



# Working capital days

