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Computer Warehouse Group

**FINANCIAL PERFORMANCE FOR THE HALF YEAR  
ENDED 30TH JUNE, 2014**

## HIGHLIGHTS OF HALF - YEAR (H1) 2014 FINANCIAL PERFORMANCE

A highlight of the Group's Half year (H1), 2014 financial results is shown below:

### COMPUTER WAREHOUSE GROUP PLC COMPREHENSIVE STATEMENT OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 30 JUNE, 2014

	H1 2014 N 'millions Unaudited	H1 2013 N 'millions Unaudited	Variance (%)
Turnover	8,388	9,992	-16%
Cost of Sales	6,701	7,808	-14%
<b>Gross Profit</b>	<b>1,687</b>	<b>2,185</b>	<b>-23%</b>
Other Income	45	43	6%
Operating Expenses	(1,268)	(1,425)	-11%
<b>EBITDA</b>	<b>465</b>	<b>802</b>	<b>-42%</b>
Depreciation & Amortisation	(171)	(225)	-24%
<b>EBIT</b>	<b>294</b>	<b>577</b>	<b>-49%</b>
Interest & Finance Charges	(40)	(98)	-64%
<b>Profit / (Loss) before Tax</b>	<b>254</b>	<b>479</b>	<b>-47%</b>
Taxation (Provisional)	(8)	(14)	
<b>Profit / (Loss) after Tax</b>	<b>246</b>	<b>465</b>	<b>-47%</b>
Earnings per share (Basic)	=N= 0.10	=N= 0.19	
Earnings per share (Diluted)	=N= 0.10	=N= 0.19	

CWG H1 2014 (Jan – June) revenue (N8.3b) is 16% below 2013 (N9.9b), while Gross Profit (N1.6b) is 23% below 2013 (N2.1b).

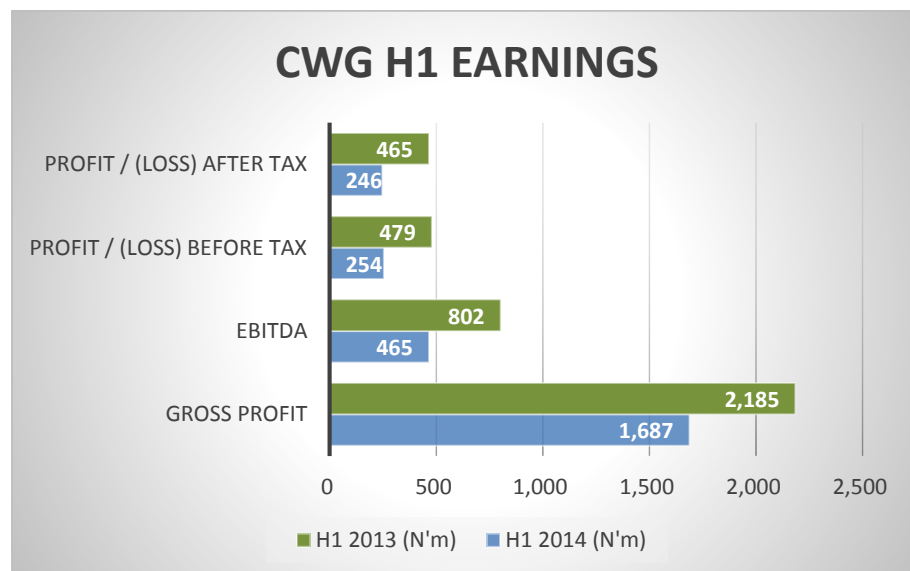
Lower H1 sales is partly explained by the late start of procurement in the Nigeria public sector, however the decline in gross profit is a reflection of the continued decline in margins on our IT infrastructure business.

This lower margins are caused by increased competitive pressures in the market due to influx of new players in the Nigerian market and the shift in consumer behavior with the increased availability of cloud service options.

However, CWG Plc, is investing in subscription based new lines of business, which would fully address the margin challenge, and the unpredictability of the current revenue streams. More details of these new lines of business tagged CWG2.0 are briefly discussed in the outlook section of this report.

## H1 2014 EARNINGS

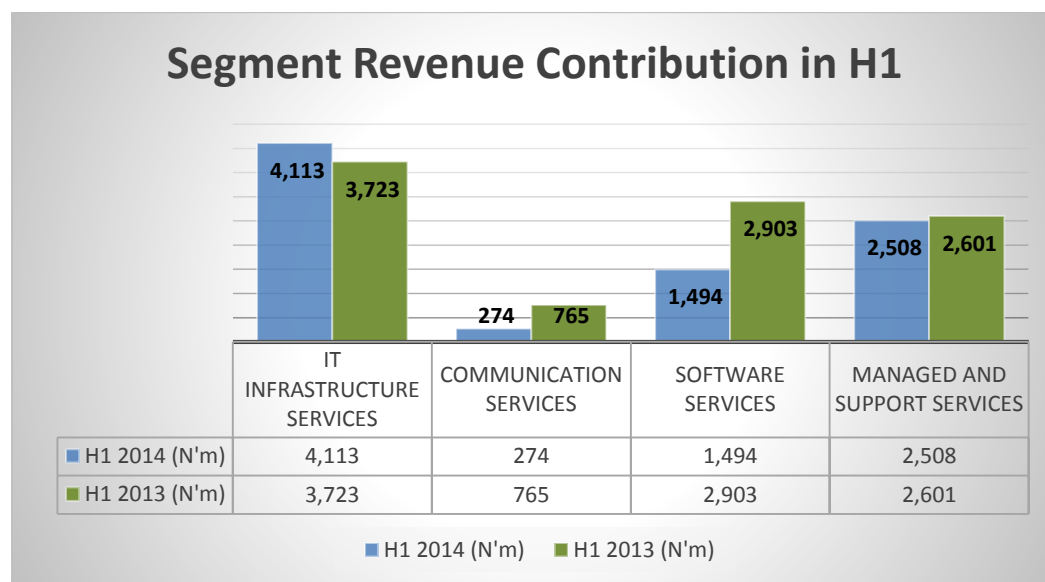
The summary of CWG's earnings are presented below;



To preserve net margins, CWG has continued to focus on reduction of operating costs and optimization of assets. In the period under review H1 2014 Operating Expenses (N1.26b) reduced by 11% compared with the same period in 2013 (N1.42b), while Depreciation Charge (N171m) & Interest & Finance Cost (N40m) reduced by 24% and 64% respectively against H1 2013.

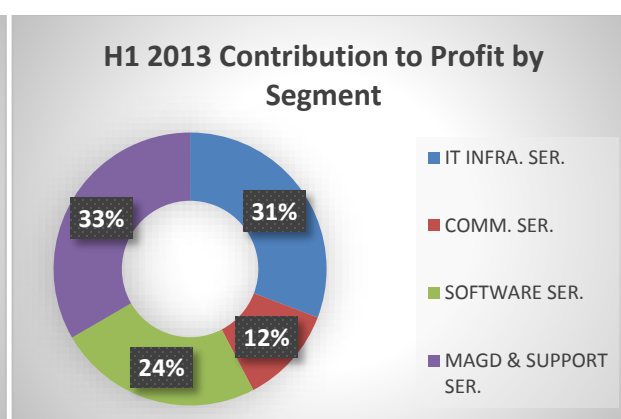
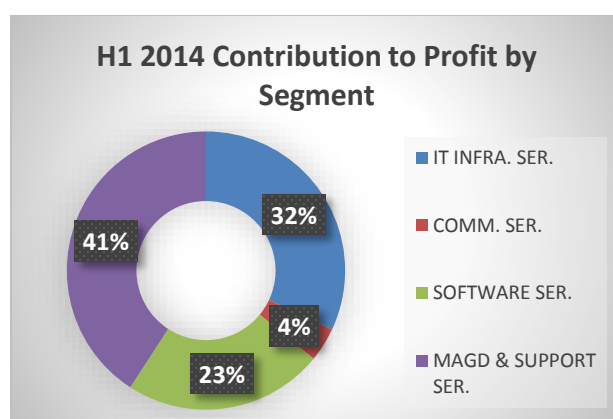
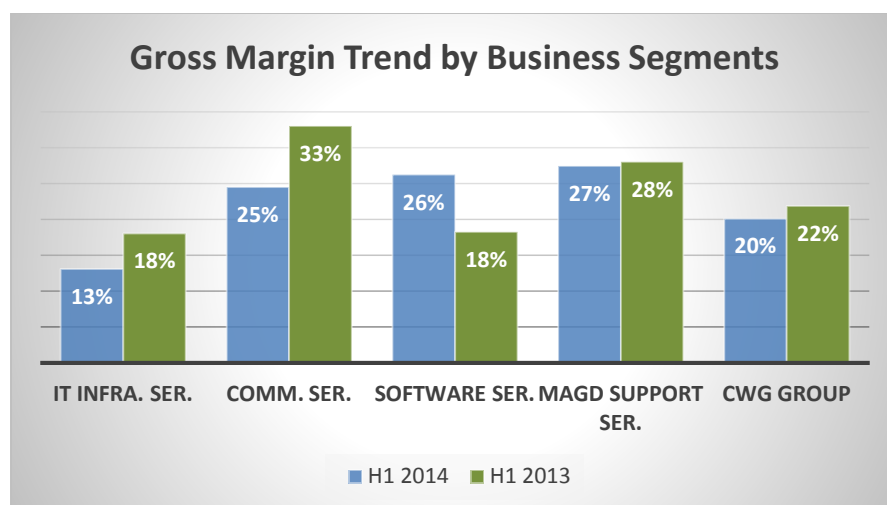
## SEGMENT HIGHLIGHTS

The Revenue contribution by the various business segments are highlighted as follows:



The 16% reduction in 2014 revenue below 2013 is majorly attributable to a decline in software services (-49%) and Communications services (-64%) revenue. Though the revenue from IT Infrastructure Services increase by (10%) in the period, this remains the weakest margin segment of the business as shown in the segment margin table below.

Profit Contribution of the various segments is shown below;



The relative contribution of Support and Managed Services segment to the Group's profit in H1 2014 (41%) is magnified due to a lower contribution and margin from Communication and Infrastructure services respectively, compared to H1 2013.

## FINANCIAL POSITION

Financial position of the group remains strong with adequate liquidity, leverage and efficiency ratios.

H1 2014 Current ratio improved to 1.5 (H1 2013: 1.4) signifying strong liquidity and adequacy of working capital to meet transactional needs.

CWG's leverage (Debt to Equity) ratio remain low at 9% (FY 2013:10%)

## **H2 2014 OUTLOOK & BEYOND**

While CWG expects stronger revenues in Q3 2014, we do not envisage changes in margin trends, in the traditional episodic lines of business. The company is focused on scaling her new subscription businesses in order to see a change in the profitability trend by H2 2015.

In order to achieve this, CWG has spent H1 2014 focusing on the launch of her various cloud based offerings and the development of other subscription based businesses.

1. The company's SMEERP product has received increasing interest and different channel partnerships are being developed for rapid deployment of the product.

SMERP is an enterprise resource planning solution specifically tailored to address the business operations of SMEs. It helps to manage the entire operation of the SME business and allows for proper book keeping of their sales, purchase, inventory, accounting, employee records, etc. A lot of interest has been shown by banks and other organizations that support SMEs on this solution and recently we partnered with SMEDAN to drive the solution to Small and Medium enterprises in the country starting with SMEs in Abuja for the pilot launch

2. CWG has also invested on an online e-commerce platform that would enable businesses in Nigeria to sell their products online.

Openshopen is an online e-commerce platform that provides an online presence for merchants and store owners to sell their products and increase their market reach. This comes integrated to a secured payment gateway thereby allowing online buyers to pay with their cards. There is a lot of interest for this service from individual merchant, banks and other organizations that support SME business. We have partnered with SMEDAN to drive the solution to SMEs in the country starting with SMEs in Abuja.

3. CWG's smart grid solution to Electricity distribution Companies (DISCOS) is at POC stage with 2 of the largest Discos in Nigeria and we expect that this new line of business will be at implementation stage by Q3 2015.
4. In addition, CWG has gone into strategic partnership with some satellite service providers to provide teleport and platform services for a new satellite based free to Air and free to View digital Television system that will come into operations in Q4 2014.