

COMPUTER WAREHOUSE GROUP POSTS NGN12b REVENUE IN NINE MONTHS

Computer Warehouse Group Plc. (“CWG” or “the Company”), a leading pan African ICT Company, this week released its unaudited 9 months (YTD Q3) financial results for the period ended Sept 30, 2015 to the Nigerian Stock Exchange.

So far, 2015 has been a challenging year for the Company amid various economic challenges including but not limited to the declining crude oil prices, unstable foreign exchange market, increasing inflation and interest rate amongst many others. Nevertheless, CWG recorded a revenue growth of 9% to close at ₦12.32 billion compared to ₦11.24 billion in YTD Q3 2014. Unfortunately, the upward trend at the topline did not translate to a commensurate bottom line due to increase in costs which resulted to slim margins and a drop in profit margin from 21% to 16%. In the same vein, gross profit declined by 13.2% to close at ₦2 billion compared to ₦2.3 billion recorded in YTD Q3 2014.

Given the company’s dependence on foreign inputs, the volatility in the foreign exchange market impacted negatively on the bottom line. The growth in exchange differences coupled with the squeeze in dollar liquidity exacerbated as the value of the Naira continued to fluctuate, leading to an increase in operational expenses by 11% to close at ₦2.15 billion compared to ₦1.9 billion recorded in YTD Q3 2014. In addition, an income reversal of ₦103 million due to the cancellation of a transaction duly recognized in Q4 2014 also impacted negatively on the bottom line.

Furthermore, a combination of negative CBN policies around foreign trade increased our borrowing cost, which led to growth in interest and finance charges by 77% to close at ₦123 million compared to ₦69 million recorded in Q3 2014. Besides from the high interest rate charges during the period, other factors such as transaction volumes, use of financial instruments for hedging foreign exchange risks in Q1 2015 and borrowings in Q1 to confirm Letters of Credit contributed to the growth in charges. The above factors affected the YTD Q3 2015 profitability, resulting in a loss of ₦516 million compared to a profit of ₦153 million for the same period in 2014.

With the ongoing changes in the global ICT space, CWG is taking proactive measures to improve the Company’s growth indices through her cloud and subscription based business in addition to its traditional reseller business. The Company has begun to roll out the new initiatives under the subscription business and subscribers are gradually growing on these platforms which are designed to empower and improve businesses across Africa.

The Company has made significant in-road with the Electricity Theft Detection & Prevention Systems as purchase of about 3,000 units of our anti-theft solutions has been received from a leading Electricity Distribution Company (“Disco”). We expect significant uptake in the next year as the solution will boost the revenues of the Disco and reduce losses in the electricity network. Given the challenges in boosting Internally Generated Revenue (“IGR”) for all tiers of government, CWG introduced an IGR solution to help state and local governments more efficiently manage various streams of activities that enable them define, issue, collect payment, validate and enforce various permits. One of the large Northern States has started using the system to help out with managing third party insurance issuance in the state. An expected 700,000 policies will be managed through the system in the next one year. Discussions are in advanced stages with other states.

Our Multi-wallet mobile solution (“VERiCASH”) in partnership with CIT VERiCASH, is driving the emergence of a new ecosystem of collaborative mobile financial services that enables financial

inclusion in emerging markets. This solution has now been deployed in one of the largest banks in Nigeria and significant transaction revenue is expected as the number of users and transactions grow in the coming months.

Also, CWG-SMERP, the group's cloud based ERP offering for SMEs has now been launched with quite a number of SMEs on the platform. First Master Retailer Limited (the promoters of Citydia Supermarkets), which has a vision to roll-out 5 stores in 2015 and 50 stores in 2 years is currently running on this platform. CWG-SMERP has been developed to support retailers, small manufacturers, hospitality providers and healthcare industries.

The Company's combined strategy of growing the traditional business, albeit at lower margins, aggressively rolling out its subscription business at better margins and restructuring its cost profile would ensure profitable operations in 2016 and beyond. Management is confident of increased subscription penetration in 2016, especially on the back of her FinEdge Platform, which is being white labelled by MTN Nigeria to provide Mobile Banking for Banks. Within a year of launching Diamond Y'ello Account in conjunction with Diamond Bank and MTN, the number of accounts on-boarded onto the platform has soared to about six million. Two other banks are lined up to be brought onto the platform within the next year. Finally, Management is confident of improved macroeconomic indices on the back of various reforms by the new government and restored confidence of institutional investors in the country.