



**INVESTOR PRESENTATION  
INTERIM RESULTS 2011/12  
15 NOVEMBER 2011**

**Cable&Wireless**  
Worldwide

# FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. Undue reliance should not be placed on any such statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and Cable&Wireless Worldwide's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. A summary of some of the potential risks faced by Cable&Wireless Worldwide is set out in the Company's most recent Annual Report.

Forward-looking statements speak only as of the date they are made and Cable&Wireless Worldwide undertakes no obligation to revise or update any forward-looking statement contained within this presentation or any other forward-looking statements it may make, regardless of whether those statements are affected as a result of new information, future events or otherwise (except as required by the UK Listing Authority, the London Stock Exchange, the City Code on Takeovers and Mergers or by law).



**JOHN BARTON**  
**CHAIRMAN**

**Cable&Wireless**  
Worldwide

# AGENDA

## H1 2011/2012

Overview

**John Barton**  
Chairman

H1 Financials

**Ian Gibson**  
Chief Financial Officer

Strategy Update

**John Pluthero**  
Chief Executive Officer

Q&A

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**IAN GIBSON**  
**CHIEF FINANCIAL OFFICER**

**Cable&Wireless**  
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# OVERVIEW

## Trading

**Sound trading performance, in line with consensus**

**EBITDA broadly in line with last year, variance due to one-offs**

**Hosting & Applications margin up, pricing pressure in IP & Data**

**Trading cash flow up 19% to £38m**

## Balance Sheet

**Asset write-downs of £624 million**

**Pension discussions completed - £125m of resources freed up**

**Interim dividend of 0.75p per share – cost of £20m**

**Dividends to be suspended until cash flow covered**

# INCOME STATEMENT

	H1 2011/12 £m	H1 2010/11 £m	Better/(worse) %
Revenue	1,072	1,123	(5)%
Gross margin	511	522	(2)%
Operating costs <sup>1</sup>	(321)	(308)	(4)%
EBITDA	190	214	(11)%
Depreciation & amortisation	(137)	(141)	
Other operating (expense)/income	(3)	4	
Pre-exceptional operating profit	50	77	(35)%
Exceptional items	(478)	(11)	
Operating (loss)/profit after exceptionals	(428)	66	n/a
Net finance expense/other	(15)	(13)	
Profit/(loss) before tax	(443)	53	n/a
Taxation (charge) / credit	(147)	34	
Profit/(loss) after tax	(590)	87	n/a

<sup>1</sup> Excluding exceptionals charge

# REVENUE AND MARGIN BY PRODUCT

	H1 2011/12			H1 2010/11		
	Revenue £m	Gross Margin £m	Gross Margin %	Revenue £m	Gross Margin £m	Gross Margin %
IP & Data	480	280	58%	493	309	63%
Hosting & Applications	142	103	73%	121	88	73%
Traditional Voice & Legacy	450	128	28%	509	125	25%
<b>Total Worldwide</b>	<b>1,072</b>	<b>511</b>	<b>48%</b>	<b>1,123</b>	<b>522</b>	<b>46%</b>

# REVENUE AND MARGIN BY MARKET CHANNEL

		H1 2011/12			H1 2010/11		
		Revenue £m	Gross Margin £m	Gross Margin %	Revenue £m	Gross Margin £m	Gross Margin %
UK	Enterprise	405	195	48%	404	217	54%
	Public sector	154	100	65%	138	78	57%
	Mid-market	96	46	48%	106	49	46%
	Carrier	142	51	36%	199	63	32%
	<b>Total UK</b>	<b>797</b>	<b>392</b>	<b>49%</b>	<b>847</b>	<b>407</b>	<b>48%</b>
Global	Enterprise	98	49	50%	92	46	50%
	Carrier	177	70	40%	184	69	38%
	<b>Total Global</b>	<b>275</b>	<b>119</b>	<b>43%</b>	<b>276</b>	<b>115</b>	<b>42%</b>
<b>Total Worldwide</b>		<b>1,072</b>	<b>511</b>	<b>48%</b>	<b>1,123</b>	<b>522</b>	<b>46%</b>

# CASH FLOW

	H1 2011/12 £m	H1 2010/11 £m	Better/(worse) £m	Better/(worse) %
<b>EBITDA</b>	<b>190</b>	<b>214</b>	<b>(24)</b>	<b>(11)%</b>
<b>Cash CAPEX</b>	<b>(115)</b>	<b>(118)</b>	<b>3</b>	
<b>Exceptionals</b>	<b>(8)</b>	<b>(23)</b>	<b>15</b>	
<b>Working capital and other<sup>1</sup></b>	<b>(29)</b>	<b>(41)</b>	<b>12</b>	
<b>Trading cash flow</b>	<b>38</b>	<b>32</b>	<b>6</b>	<b>19%</b>
<b>Pension deficit funding</b>	<b>(27)</b>	<b>(3)</b>	<b>(24)</b>	
<b>LTIP</b>	<b>-</b>	<b>(9)</b>	<b>9</b>	
<b>Net cash flow before financing</b>	<b>11</b>	<b>20</b>	<b>(9)</b>	
<b>Interest</b>	<b>(12)</b>	<b>(12)</b>	<b>-</b>	
<b>Finance lease repayments</b>	<b>(16)</b>	<b>(9)</b>	<b>(7)</b>	
<b>Free cash flow</b>	<b>(17)</b>	<b>(1)</b>	<b>(16)</b>	

<sup>1</sup> Other includes £5m of proceeds from asset disposals and finance income in H1 2010/11

# FINANCIAL SUMMARY

Trading performance in-line with expectations

Challenges and opportunities across products and markets

Strong balance sheet



**JOHN PLUTHERO**  
**CHIEF EXECUTIVE OFFICER**

**Cable&Wireless**  
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# THE LAST 18 MONTHS

A combination of market and business challenges:

## Market environment

**Headwind in traditional voice**  
c. £30m p.a. margin impact

**Faster market commoditisation of data connectivity**  
c. £20m p.a. margin impact

**New types of demand in the telco space**



## CWW Specifics

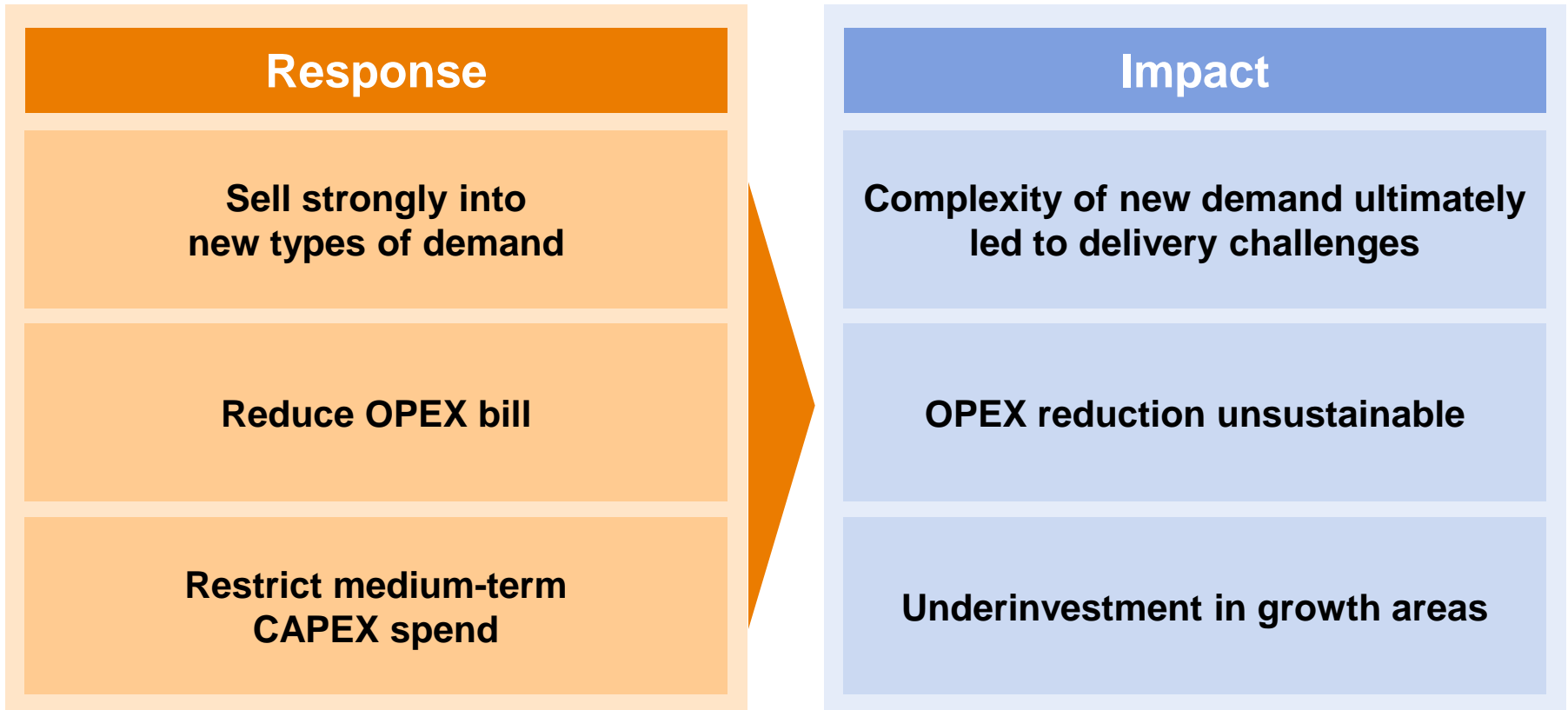
**Significant non-repeating items:**  
margin c. £30m p.a.  
OPEX c. £15m p.a.

**Investment in new technologies**

**People and role changes**

# THE LAST 18 MONTHS

The business response mitigated the impact, but created its own issues:



“Held the line” in 2010/11 (and grew yoy) but unsustainable thereafter

# OUR PERFORMANCE UNDERLYING<sup>1</sup> PRODUCT PERFORMANCE

		H1 09/10 to H1 10/11	H1 10/11 to H1 11/12	CWW Performance
IP & Data	Revenue	0%	+1%	Circa market trends
	Margin	+2%	-1%	
Hosting & Applications	Revenue	+14%	+2%	Below market trends
	Margin	+17%	0%	
Traditional Voice & Legacy	Revenue	-7%	-12%	Above market trends
	Margin	-15%	-1%	

Scope for improvement

<sup>1</sup>Excludes regulatory settlements, significant one-off projects and credits

# TAKING STOCK

## A business that:

- Was short-term driven
- Had lost its focus on core product set
- Was capacity/proposition constrained in growth areas
- Significant cost pressure

## But:

- Has an enviable client base
- Has growth opportunities across the business
- Can solve the capacity challenge quickly

**Requirement: Package of actions to reset the business**

# RESETTING THE BUSINESS FOUR COMPONENTS

The package of measures:

1

Leadership through the next 5 years

Delivered

2

Improve marketplace performance

Underway

3

Reduce cost base without jeopardising delivery

Underway

4

Ensure a strong and liquid balance sheet

Delivered

# IMPROVE MARKETPLACE PERFORMANCE TWO ELEMENTS

Underway

Voice & Data  
“Drive the 80”

Growth Areas  
“Go for Growth”

Phase 1. Will need £50m capex/opex over 18 months

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# IMPROVE MARKETPLACE PERFORMANCE VOICE & DATA

Underway

- **Market trend tough but low market share gives opportunity**
- **Focused approach**
  - Sub-markets
  - Specialist products
- **Fresh thinking**
  - Pricing methodology
  - Tighter deal governance / investment criteria
  - Professional services
- **Better infrastructure loading / service matching**

Minimal investment

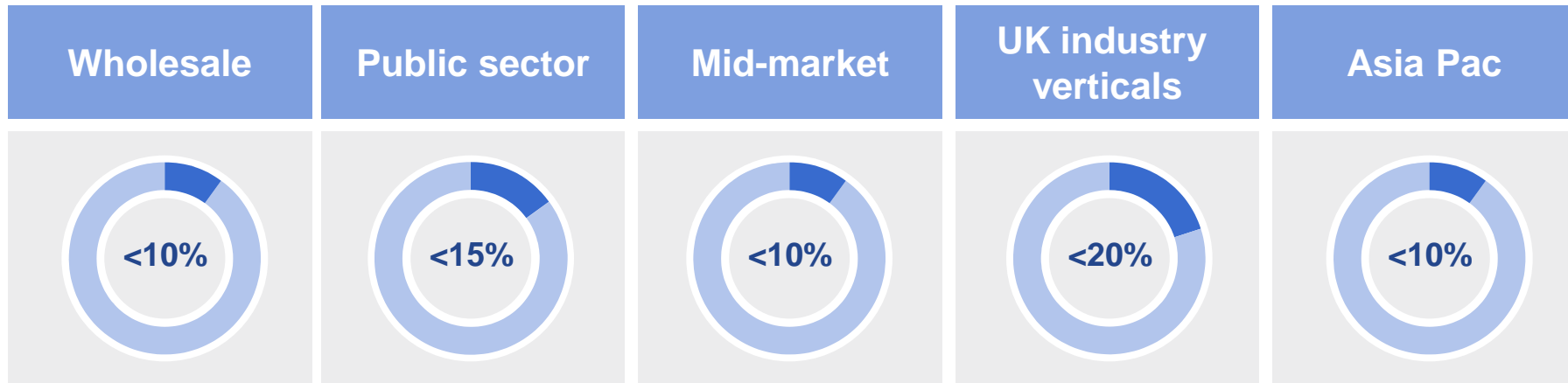
Benefits through next year and beyond

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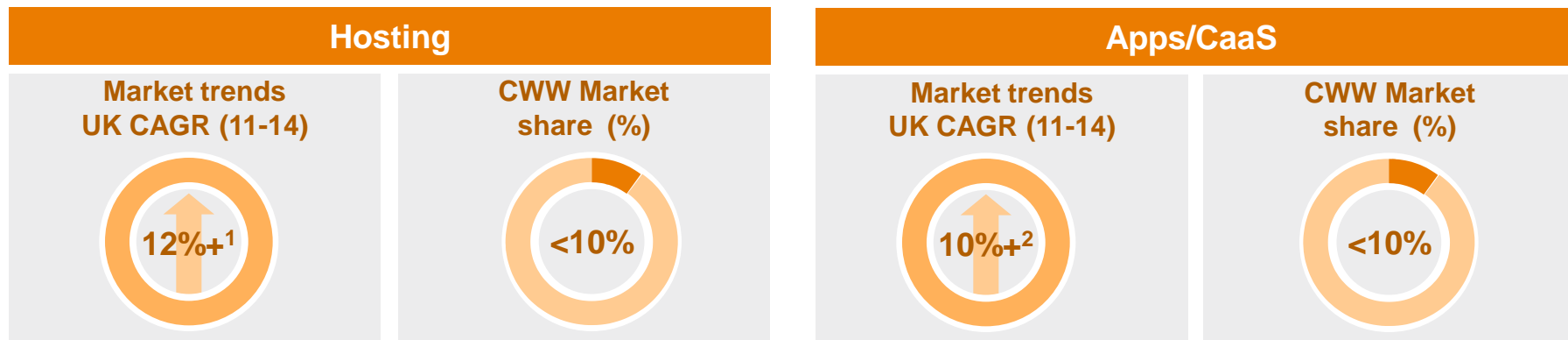
# IMPROVE MARKETPLACE PERFORMANCE GROWTH AREAS

Underway

## Markets



## Products and Services



<sup>1</sup> Sources: IDC, OC&C. Includes: Web hosting, Managed storage services & consulting, Co-location & Hosting, Security

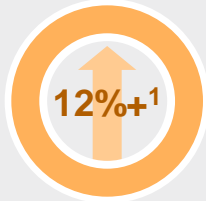
<sup>2</sup> Sources: Gartner, Forrester, Ovum, OC&C. Includes: IPVoice, IP Contact Centre, Video conferencing, Unified Comms

# IMPROVE MARKETPLACE PERFORMANCE GROWTH AREAS – PRODUCTS & SERVICES

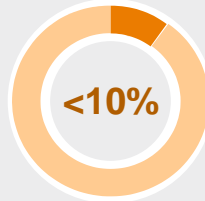
Underway

## Hosting

Market trends  
UK CAGR (11-14)



CWW Market  
share (%)

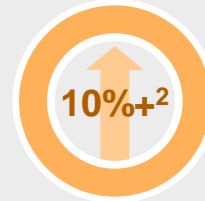


- Data centre capacity – 35% increase
  - 1.4MW on stream in early 2012
  - 4.3MW 2012/13 phased
- New products/services/processes

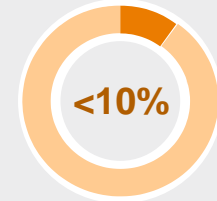
Revenue potential  
Co-lo £300-400 per month per KW  
Managed equiv. £2-3,000 per month per KW

## Apps/CaaS

Market trends  
UK CAGR (11-14)



CWW Market  
share (%)



- Cisco / Storm platforms
- Q4 2011/12 100K initial user build
  - Scaled to deliver on-demand
- Solutions design / deployment/In-life

Revenue potential  
£5-20+ per user per month dependent  
on feature set

c.80% of total investment in these areas

<sup>1</sup> Sources: IDC, OC&C. Includes: Web hosting, Managed storage services & consulting, Co-location & Hosting, Security

<sup>2</sup> Sources: Gartner, Forrester, Ovum, OC&C. Includes: IPVoice, IP Contact Centre, Video conferencing, Unified Comms

# REDUCE COST BASE WITHOUT JEOPARDISING DELIVERY

Underway

- **Minimise how much investment is incremental**
- **Mitigate upward cost pressures**
- **Little scope operationally in short-term**
- **Phase ONE**
  - **Central + Overhead**
  - **Supply chain**
  - **Capex efficiencies**
    - stop / redirect
    - more partnering / less self-build
- **Phase TWO**
  - **Structural, longer term, to follow**

# ENSURE A STRONG AND RESILIENT BALANCE SHEET

Delivered

- **Challenging macro environment**
  - Increasing economic uncertainty
  - Heightened market volatility
- **Board favours prudent approach**
- **Pension - Agreed forward funding plan**
  - £100m payment in H2
  - Reduced annual contributions thereafter
  - Release of contingent funding arrangement
- **Dividend**
  - Payment of 2011/12 interim dividend – 0.75p per share
  - Intention to suspend future dividend payments

# SUMMARY AND OUTLOOK

- **Sound first half trading performance**
- **A package of measures aimed at**
  - **Fixing underperformance in the business – cost reduction, margin growth**
  - **Creating a platform for the future – balance sheet, leadership**
- **Trading in line with expectations**
  - **But some moderate incremental cost in H2**
- **Update on progress at the full year results – Gavin Darby**



**Q&A**

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# APPENDIX

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# REVENUE AND MARGIN BY PRODUCT

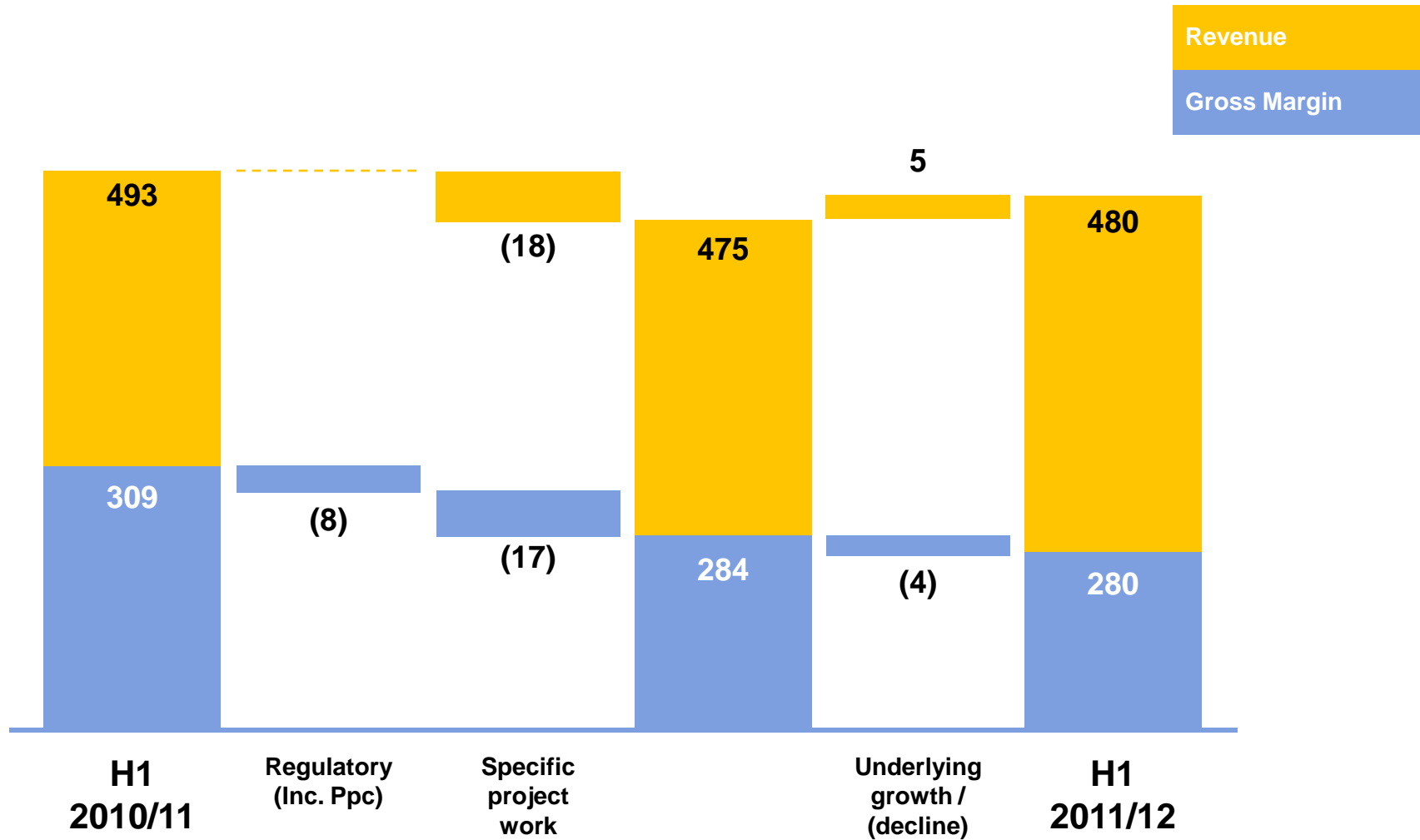
	H1 2011/12			H2 2010/11			H1 2010/11		
	Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %
IP & Data	480	280	58%	506	301	59%	493	309	63%
Hosting & Applications	142	103	73%	142	103	73%	121	88	73%
Strategic Product Set	622	383	62%	648	404	62%	614	397	65%
Traditional Voice & Legacy	450	128	28%	486	139	29%	509	125	25%
<b>Total Worldwide</b>	<b>1,072</b>	<b>511</b>	<b>48%</b>	<b>1,134</b>	<b>543</b>	<b>48%</b>	<b>1,123</b>	<b>522</b>	<b>46%</b>

# REVENUE AND MARGIN MARKET CHANNELS

		H1 2011/12			H2 2010/11			H1 2010/11		
		Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %	Revenue £m	Gross margin £m	Gross margin %
UK	Enterprise	405	195	48%	445	229	51%	404	217	54%
	Public sector	154	100	65%	147	92	63%	138	78	57%
	Mid-market	96	46	48%	106	49	46%	106	49	46%
	Carrier	142	51	36%	155	50	32%	199	63	32%
	<b>Total UK</b>	<b>797</b>	<b>392</b>	<b>49%</b>	<b>853</b>	<b>420</b>	<b>49%</b>	<b>847</b>	<b>407</b>	<b>48%</b>
Global	Enterprise	98	49	50%	103	54	52%	92	46	50%
	Carrier	177	70	40%	178	69	39%	184	69	38%
	<b>Total Global</b>	<b>275</b>	<b>119</b>	<b>43%</b>	<b>281</b>	<b>123</b>	<b>44%</b>	<b>276</b>	<b>115</b>	<b>42%</b>
<b>Total Worldwide</b>		<b>1,072</b>	<b>511</b>	<b>48%</b>	<b>1,134</b>	<b>543</b>	<b>48%</b>	<b>1,123</b>	<b>522</b>	<b>46%</b>

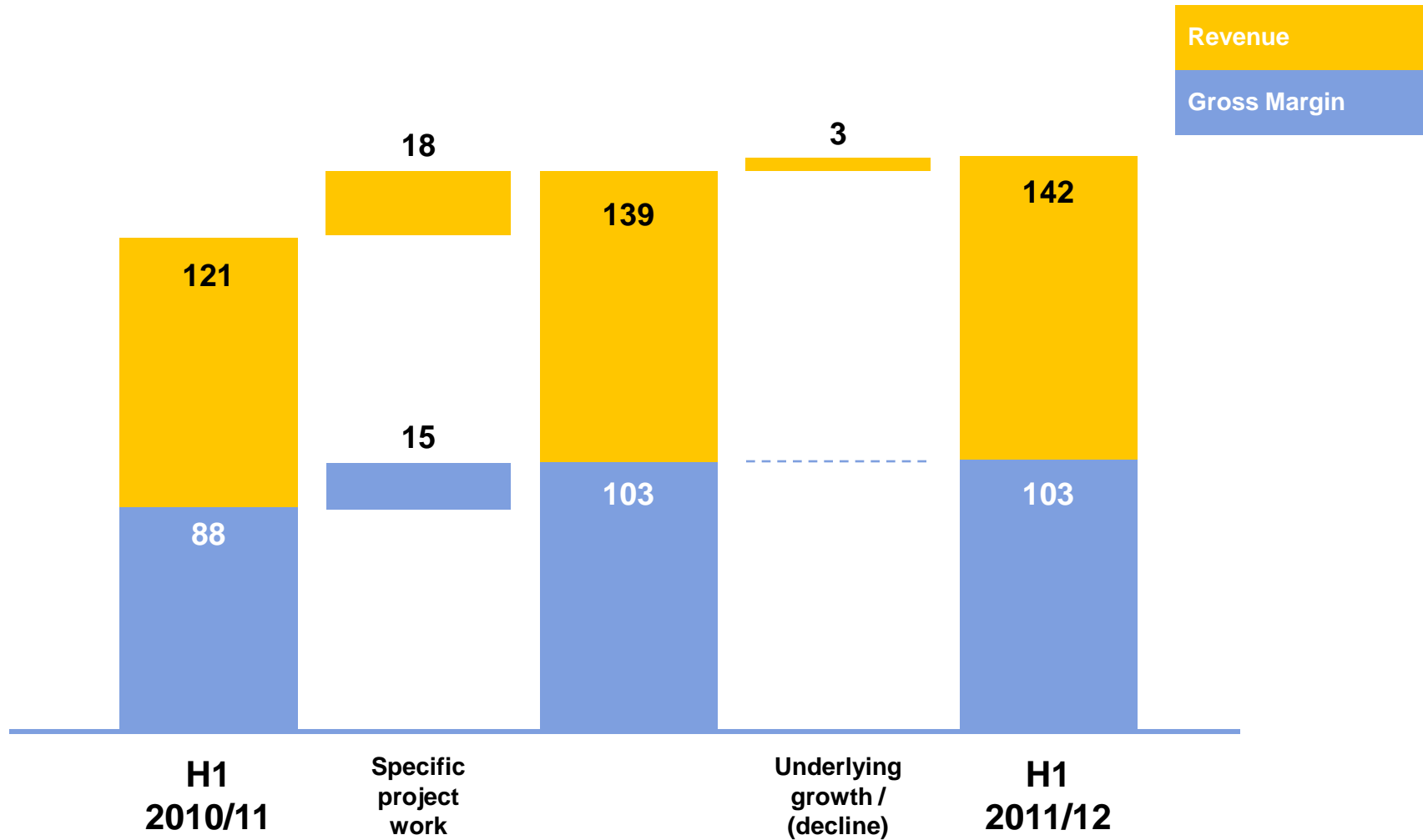
# REVENUE AND MARGIN IP & DATA PRODUCTS

£m not to scale



# REVENUE AND MARGIN HOSTING & APPLICATION PRODUCTS

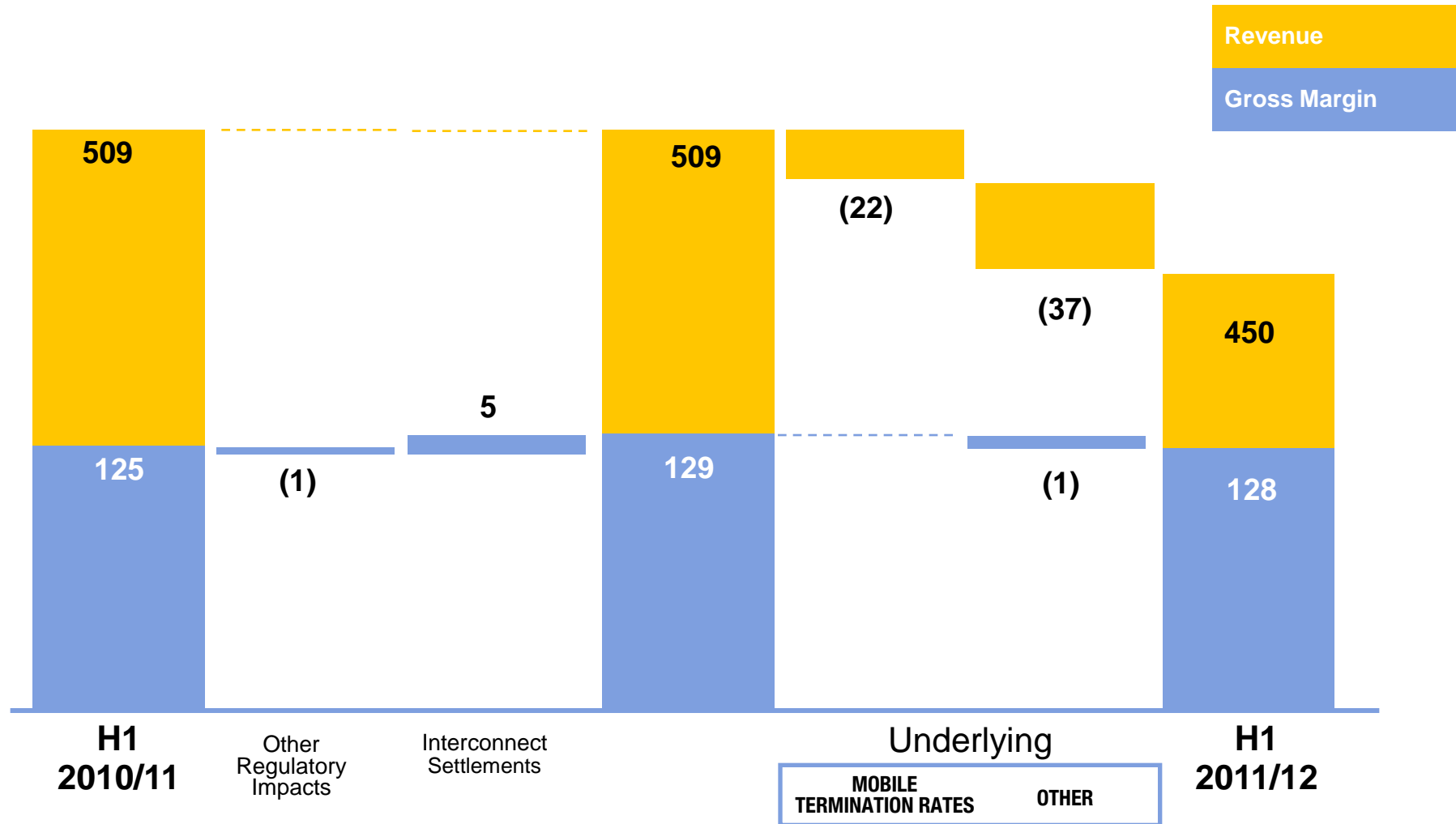
£m not to scale



# REVENUE AND MARGIN

## TRADITIONAL VOICE & LEGACY PRODUCTS

£m not to scale



# OPERATING COSTS

## IMPROVED CONTROL & INCREASED INVESTMENT

£m

350

300

250

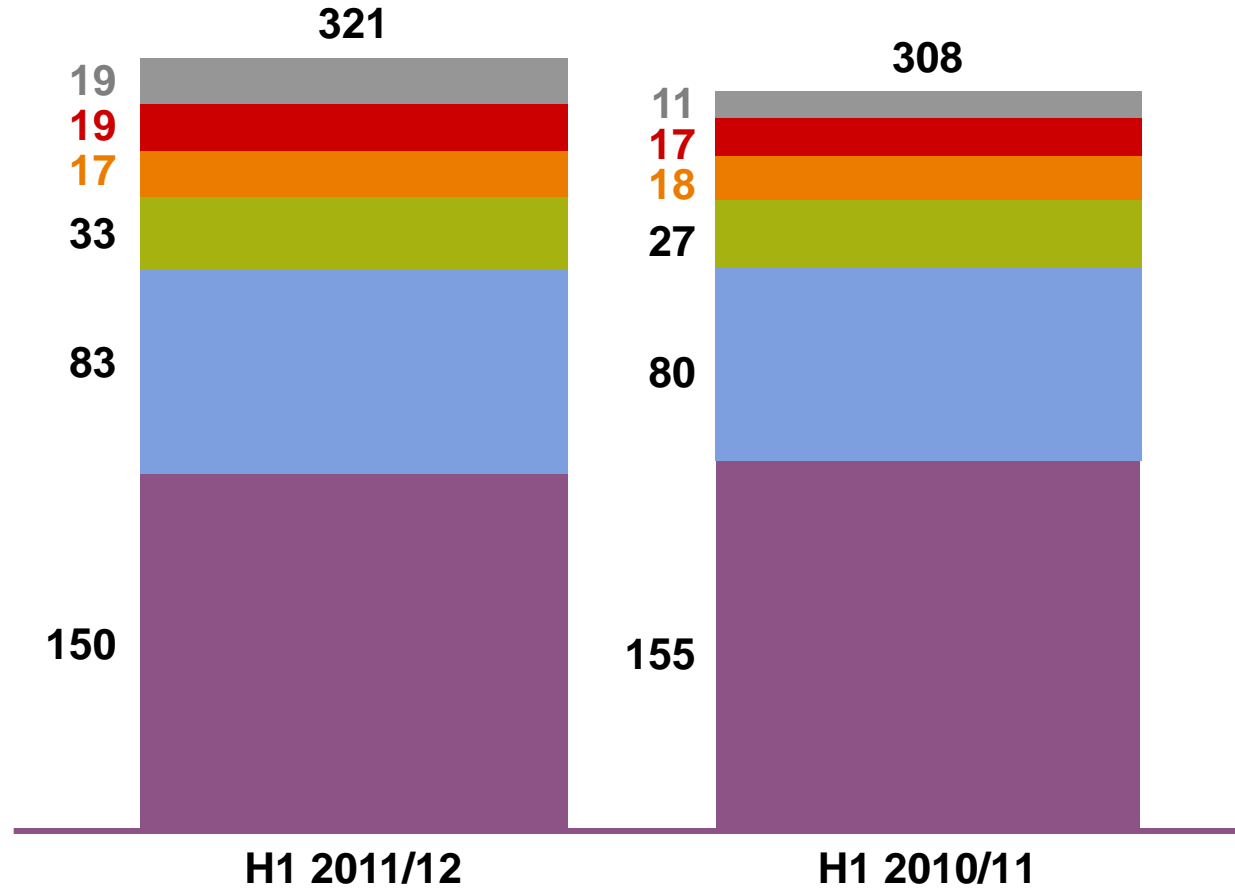
200

150

100

50

0



# CAPITAL EXPENDITURE

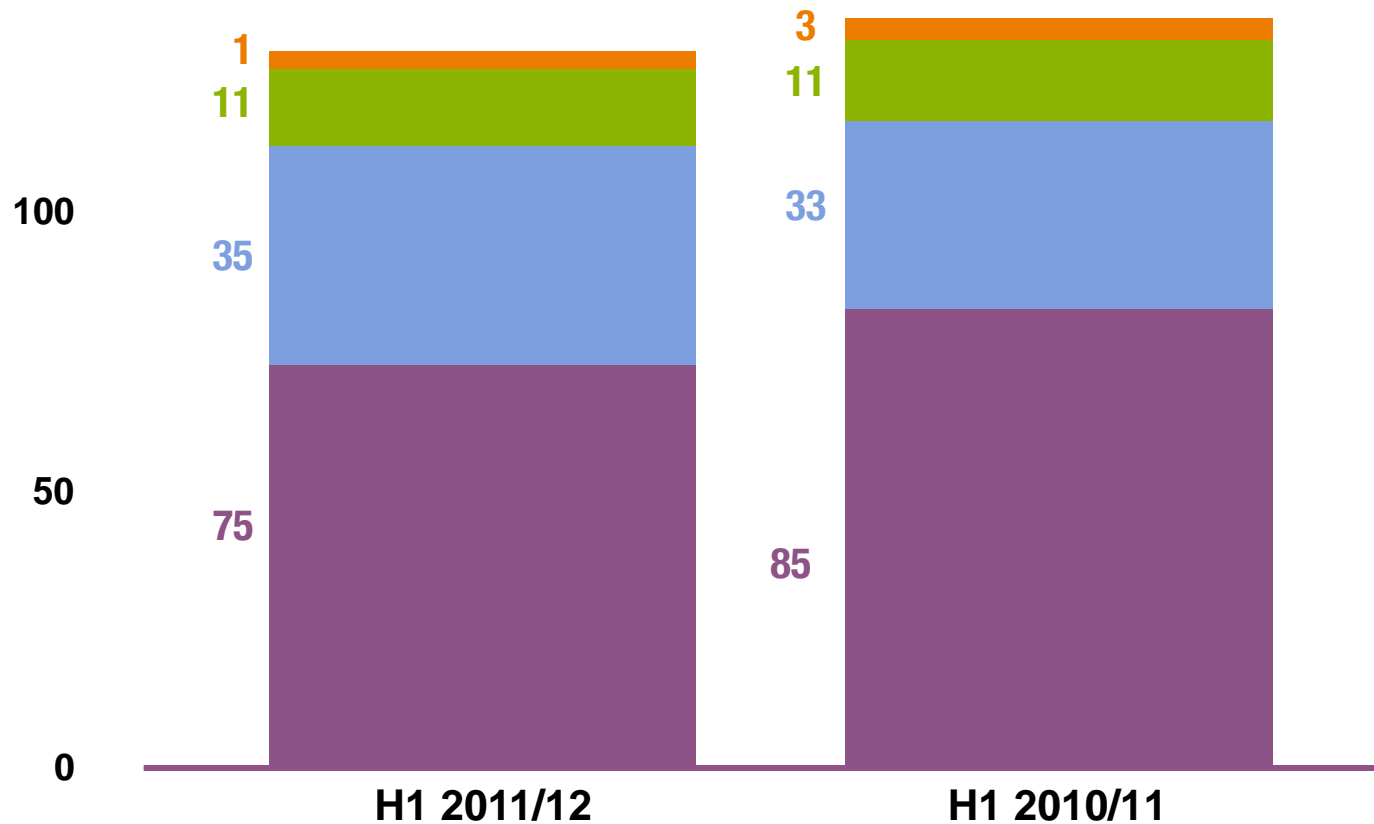
## Balance sheet CAPEX

£m

150

122  
11% of revenue

132  
12% of revenue



Integration  
& Cost out

Maintenance

New  
capability

Customer  
growth

Balance sheet capital expenditure excludes capitalised borrowing costs and asset retirement obligation movements

# TRADING CASH FLOW CAPEX & WORKING CAPITAL

	H1 2011/12 £m	H1 2010/11 £m
<b>EBITDA</b>	<b>190</b>	<b>214</b>
Balance sheet CAPEX <sup>1</sup>	(122)	(132)
Finance leases	10	31
Movement in CAPEX creditor	(3)	(17)
<b>Cash CAPEX</b>	<b>(115)</b>	<b>(118)</b>
<b>Cash exceptionals</b>	<b>(8)</b>	<b>(23)</b>
<b>Working capital and other<sup>2</sup></b>	<b>(29)</b>	<b>(41)</b>
<b>Trading cash flow</b>	<b>38</b>	<b>32</b>

<sup>1</sup> Balance sheet capital expenditure excludes capitalised borrowing costs and asset retirement obligation movements

<sup>2</sup> Other includes £5m of proceeds from asset disposals and finance income for FY10/11