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Softcat Limited

Intention to Float on the London Stock Exchange

Softcat Limited ("Softcat", or the "Company"), a leading UK IT infrastructure and services provider, today announces its intention to proceed with an initial public offering (the "IPO"). The Company intends to apply for admission of its Ordinary Shares to the premium listing segment of the Official List of the FCA (the "Official List") and to trading on the main market for listed securities of the London Stock Exchange (together "Admission"). It is expected that Admission will occur in November 2015.

Softcat provides corporate and public sector organisations with IT infrastructure solutions, including the products and services needed to design, implement, support and manage these solutions, on premise, in the cloud or both. Softcat has successfully evolved from a software licensing reseller to now offer a broad range of products and services for its customers' workplace technology, datacentre infrastructure and networking and security requirements, significantly increasing the addressable market for Softcat.

Over 200 vendor partners, either direct or through their distributors (including Apple, Cisco, Citrix, Dell, HP, Lenovo, Microsoft, Mimecast, Snow, Sophos, Symantec, Veeam and VMware), enjoy strong relationships with Softcat, which in turn offers their products and services to customers. By working with Softcat, customers are able to reduce the complexity, burden and cost of managing their IT infrastructure needs. Working as a customer's IT infrastructure and services provider, Softcat seeks to improve the efficiency, effectiveness, choice and experience of the procurement process, enabling customers to choose the IT solution best suited to them from one source, in addition to managed and professional services.

Softcat commenced operations as a software reseller in 1993, and by 1997 had become the largest supplier of Microsoft Open software licensing (Microsoft's volume licensing programme for small and midsize organisations) in the United Kingdom. Since then, Softcat has expanded its customer base beyond small-to-medium-sized business ("SMB") customers (those with up to 1,999 personal computers) to include public sector customers and enterprise customers (those with 2,000 or more personal computers) and has opened regional offices in Manchester, London, Bristol and Leeds to support its growth. In the three years ended 31 July 2015, Softcat increased its revenue organically from £395.8 million to £596.1 million and adjusted

operating profit from £28.1 million to £40.6 million. Softcat's average cash conversion rate for the three years ended 31 July 2015 was 109.2 per cent.

The Directors believe that Softcat differentiates itself from its competitors by being passionate about two things – employee satisfaction and customer service – the former driving the latter. In May 2015, Softcat was named by the Great Place to Work Institute as the No. 2 Best Workplace in the United Kingdom. By nurturing its open, supportive and vibrant culture, Softcat has steadily increased its share of the top 100 UK IT value-added reseller ("VAR") market from 2.7 per cent. in 2011, to 4.8 per cent. in 2014, making it one of the top five VARs in the United Kingdom by revenue according to ChannelWeb^{iv}.

Softcat business highlights

Differentiated culture fostering motivated and empowered employees to deliver outstanding customer service

- The Directors believe that Softcat's open, supportive and vibrant culture differentiates Softcat from its competitors and fosters an employee base that is empowered and motivated to deliver the highest levels of customer service.
- The Directors believe that Softcat's success in motivating and empowering its employees through its culture is evidenced by its high levels of employee and customer satisfaction, long-term employee retention rate and multiple awards received by it.

Leading UK IT infrastructure and services provider operating in a growing market and well-placed to continue to gain market share

- Softcat's largest customer segment, SMBs, represents the largest and fastest growing segment within the UK IT infrastructure and services market. The Company has also successfully expanded its solutions range across new segments of the market, thus significantly increasing its addressable market.
- For the year ended 31 July 2015, revenue from SMB customers, public sector customers and enterprise customers represented 56.2 per cent, 26.1 per cent. 17.7 per cent., respectively, of Softcat's total revenue.
- The Directors believe that Softcat's ability to successfully capitalise on these market opportunities through a sales driven approach and world class customer service, a method which is highly attractive to both customer and vendor partners, has enabled it to develop a strong track record of market share growth, and creates significant potential to increase its share of the total addressable market going forward.

Strong relationships with a growing and diversified customer base

- Softcat's customer base has grown significantly, from 3,965 customers for the year ended 31 July 2007 to 11,413 customers for the year ended 31 July 2015. In addition to focusing on its large and loyal SMB customer base, today Softcat provides its solutions to public sector and enterprise customers.
- As the relationship with Softcat matures, a customer will typically purchase additional, and more complex, products and services, generally resulting in increased spend over time. For the six-year period ended 31 July 2015, average revenue per customer in respect of customers who traded for the first time with Softcat at any point during the period and remained customers during the period increased at a compound annual growth rate ("CAGR") of approximately 35 per cent.^{i,ii}

Growing range of solutions supported by strong vendor partnerships

- Based on the foundation of Softcat's strong relationships with over 200 vendor partners and their distributors, Softcat has significantly diversified its solutions offering to better enable it to serve its customers' evolving IT infrastructure and services needs.

- The Company has a proven ability to win share with the largest technology vendors, but still has substantial headroom given its symbiotic relationships, by providing cost effective access to a widely-dispersed customer base, offering valuable customer feedback to vendors, and collaborating with them to drive joint marketing and sales initiatives.
- The strength of Softcat's vendor partner relationships is evidenced by its accreditations, which include being a VMware Premier Partner, Cisco Gold Partner, Dell Partner Direct, HP Platinum Partner and many "Gold" and "Silver" accreditations from Microsoft.

Track record of strong and resilient financial performance through organic growth

- Softcat has increased its revenue ten-fold over the past ten years, delivering 40 quarters uninterrupted organic revenue growth since 2005. Its revenue increased from £89.1 million for the year ended 31 July 2007ⁱⁱ to £145.8 million for the year ended 31 July 2010ⁱⁱ to £596.1 million for the year ended 31 July 2015 (2014: £504.8 million).
- Softcat has also effectively managed its costs, contributing to continuous increases in its adjusted operating profit. Adjusted operating profit increased from £35.5 million for the year ended 31 July 2014 to £40.6 million for the year ended 31 July 2015, and represented a 6.8 per cent. margin on revenue for the year ended 31 July 2015.ⁱⁱⁱ Profit after tax for the year ended 31 July 2015 amounted to £31.1 million an increase of 13.8 per cent. from the previous year (2014: £27.4 million).
- Softcat has been able to support its growth through the opening of branch offices for limited incremental investment.

Highly experienced and cohesive management team

- The management team is comprised of a combination of long-standing employees, many of whom started their careers at Softcat, and more recent joiners with extensive industry experience and specialist expertise who have joined the business from other IT infrastructure and services providers or UK public companies.

Softcat's growth strategy

The Directors believe that Softcat's track record of gaining market share from its competitors in its core customer markets is largely attributable to its simple strategy:

- increase revenue from existing customers; and
- win business from new customers.

Softcat has a diverse and extensive list of customers, many of which typically purchase a number of products and services from Softcat every year. Maintaining and growing its customer relationships is critical to Softcat's future success, and Softcat aims to achieve this objective through the following activities:

- recruit, train and motivate highly qualified employees;
- deliver the highest level of customer service in the UK IT infrastructure and services industry;
- develop its solutions offerings;
- grow presence within existing and new customer segments; and
- leverage customer and vendor partner relationships.

The Directors believe that the IPO will further enhance the Company's profile and brand recognition with customers, vendor partners and distributors, provide a platform from which the Company may pursue its growth strategy and aid in the recruitment, retention and incentivisation of members of the senior management team and employees at all levels of the Company.

Brian Wallace, Non-executive Chairman of Softcat said:

"Softcat is a leading IT infrastructure provider that has demonstrated an ability to grow rapidly and deliver market leading customer service. The Board believes that the Company's plan for an IPO provides a natural step forward for the business, whilst retaining its culture and ethos. The IPO will enhance the public profile of Softcat, help attract new customers and support growth through the ability to attract and retain high quality employees. After delivering an impressive 33% CAGR for revenues in the period FY2010-2015ⁱⁱ, I believe that Softcat is well placed to continue on its growth path."

Martin Hellawell, Chief Executive Officer of Softcat said:

"We have successfully grown Softcat with a clear vision and purpose. Softcat is a people-centric, sales driven organisation, focused on delivering world class customer service in the attractive IT infrastructure market. For the last decade we've done just that, delivering a track record of strong financial performance and demonstrated an ability to evolve our customer offerings. Our growth model is simple but effective - grow our business with existing customers and win new customers, while continuing to offer a world class service. By continuing to focus on these key areas, we believe that we can continue to drive the growth of our business and, as a consequence, create shareholder value."

Softcat is a people business. We have won numerous awards for our workplace, reflecting our unique culture and, with that in mind, I'd like to thank all our colleagues for bringing us to this strong position. We each share the same vision for our business – and the team can be extremely proud of the Company they have helped to build."

Overview of the Global Offer

- Intention to list on the premium listing segment of the Official List and to be admitted to trading on the main market for listed securities of the London Stock Exchange
- The Global Offer will consist of the sale of shares currently held by the founders of Softcat, senior members of the management team, and certain current and former employees (the "Selling Shareholders"). The Company will not receive any of the proceeds of the Global Offer.
- Each of the Company, the Selling Shareholders and the Directors will agree to lockup arrangements with respect to their shareholdings following Admission:
 - the Company will undertake not to issue any Ordinary Shares, other than pursuant to the operation of any share schemes in existence at the date of Admission, for a period of 180 days after the date of the Underwriting Agreement;
 - each Director will enter into a 365 day lock-up arrangement;
 - each Shareholder (other than set out above) who is an employee of the Company and who has a holding of 0.5 per cent. or more of the Company's share capital prior to Admission is expected to enter into a 365 day lock-up arrangement; and
 - each other Selling Shareholder who has a holding of 0.5 per cent. or more of the Company's share capital prior to Admission is expected to enter into a 180 day lock-up arrangement.
- Immediately following Admission, the Company is expected to have a free float of at least 25 per cent.
- It is intended that an over-allotment option will be provided by certain significant shareholders.
- Admission is expected in November 2015, after which Softcat expects to be eligible for inclusion in the FTSE UK Index Series at the quarterly review in March 2016.
- The Global Offer will comprise an offer of shares to (i) institutional investors in the United Kingdom and other qualifying jurisdictions outside the United States in reliance on Regulation S under the US Securities Act of 1993, as amended (the "US Securities Act"), and (ii) "qualified institutional buyers" in the United States as defined in and in reliance on Rule 144A or pursuant to another exemption from the registration requirements under the US Securities Act.
- Full details of the Global Offer will be included in the Prospectus, expected to be published in due course.

- In relation to the Global Offer, Credit Suisse International and Jefferies International Limited ("Jefferies") are acting as Joint Sponsors and Credit Suisse Securities (Europe) Limited ("Credit Suisse") and Jefferies are acting as Joint Global Co-ordinators and Joint Bookrunners.

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Notes to Editors

Softcat's key highlights

Financial highlights and key performance indicators

Unaudited, except where indicated	Year ended 31 July		
	2013	2014	2015
Revenue (£000) (audited)	395,756	504,797	596,084
Gross profit (£000) (audited)	70,511	88,521	102,775
Gross profit margin ⁽¹⁾ (%)	17.8%	17.5%	17.2%
Operating profit (£000) (audited)	27,368	35,528	39,582
Adjusted operating profit (£000) ⁽²⁾	28,103	35,528	40,586
Adjusted operating profit margin ⁽³⁾ (%)	7.1%	7.0%	6.8%
Adjusted operating profit /gross profit margin ⁽⁴⁾ (%)	39.9%	40.1%	39.5%
Profit after tax (£000) (audited)	20,586	27,353	31,117
Cash generated from operations after capex (£000) (audited)	19,760	43,866	52,225
Cash conversion rate ⁽⁵⁾ (%)	72.2%	123.5%	131.9%
Customers ⁽⁶⁾	9,820	10,712	11,413
Average revenue per customer ⁽⁷⁾ (£000)	40,301	47,124	52,229

(1) "Gross profit margin" is a non-IFRS financial measure that Softcat defines as gross profit as a percentage of revenue.

- (2) "Adjusted operating profit" is a non-IFRS measure that Softcat defines as operating profit before exceptional items and share-based payment charges.
- (3) "Adjusted operating profit margin" is a non-IFRS financial measure that Softcat defines as adjusted operating profit as a percentage of revenue.
- (4) "Adjusted operating profit / gross profit margin" is a non-IFRS financial measure that Softcat defines as adjusted operating profit as a percentage of gross profit.
- (5) "Cash conversion rate" is a non-IFRS financial measure that Softcat defines as cash generated from operations after capex as a percentage of operating profit. Softcat defines "capex" as purchase of property, plant and equipment plus purchase of intangible assets.
- (6) "Customers" is an operating metric that Softcat defines as a sales account, with a unique post code, that has traded with Softcat in the relevant financial period.
- (7) "Average revenue per customer" is an operating metric that Softcat defines as revenue divided by customers for the period.

Softcat's key strengths

Differentiated culture fostering motivated and empowered employees to deliver outstanding customer service

- The Directors believe that Softcat's open, supportive and vibrant culture differentiates Softcat from its competitors and fosters an employee base that is empowered and motivated to deliver the highest levels of customer service.
- The Directors believe that Softcat's success in motivating and empowering its employees through its culture is evidenced by its high levels of employee and customer satisfaction, long-term employee retention rate and multiple awards received by it to date.
- In May 2015, Softcat was named by the Great Place to Work Institute as the No. 2 Best Workplace in the United Kingdom (Large Category) and No. 8 in Europe.
- For the year ended 31 July 2015, respondents to Softcat's annual customer satisfaction survey rated Softcat with a "Net Promoter Score"^{iv} ("NPS") of 73 per cent.

Leading UK IT infrastructure and services provider operating in a growing market and well-placed to continue to gain market share

- Softcat operates within the growing UK IT infrastructure and services market. Further, Softcat's largest customer segment, SMBs, represents the largest and fastest growing segment within the UK IT infrastructure and services market.
- The Directors believe that Softcat's ability to successfully capitalise on these market opportunities has enabled it to develop a strong track record of market share growth.
- From 2011 to 2014, Softcat increased its share of the total revenue of the top 100 UK VARs from 2.7 per cent. in 2011 to 4.8 per cent. in 2014^v, according to ChannelWeb, representing a CAGR of 31.8 per cent., and became the fifth largest UK VAR by revenue^v.
- Despite this strong performance, Softcat's share of the revenue of the top 100 UK VARs remains relatively low and, given that the largest UK VAR had only a 12.2 per cent. share in 2014 (which decreased from 14.8 per cent. in 2011)^{vi}, the Directors believe that there is significant opportunity for Softcat to continue to increase its share of the total revenue of the top 100 UK VARs in the future.
- In addition, Softcat has increased its share of several of its key vendor partners' sales through the IT channel. For example, according to Context World Limited, from July 2013 to July 2015, Softcat increased its share of monthly UK sales through the IT channel of VMware, Microsoft, Dell, HP and Cisco by 120.1 per cent., 11.1 per cent., 10.8 per cent., 32.0 per cent. and 12.3 per cent. respectively^{vii}.
- The Directors believe that this growth demonstrates the strength of Softcat's vendor partner relationships, which are underpinned by Softcat's sales and customer service model. In particular, as certain of Softcat's vendor partners, such as Dell, shift away from a direct sales only model towards use of the IT channel, the Directors believe that Softcat is well-placed to continue to grow its share of their UK sales.

Strong relationships with a growing and diversified customer base

- Softcat has a long track record of growing its customer base and developing long-term relationships with its customers. Softcat's customer base grew from 3,965 customers as at 31 July 2007 to 11,413 customers as at 31 July 2015.
- Growth in Softcat's customer base has partly been driven by the diversification of Softcat's customer base over time. In addition to focussing on its large and loyal SMB customer base, today Softcat provides its solutions to public sector and enterprise customers.
- For the year ended 31 July 2015, revenue from SMB customers, public sector customers and enterprise customers represented 56.2 per cent, 26.1 per cent. and 17.7 per cent., respectively, of Softcat's total revenue. The Directors believe that this diversity provides Softcat with multiple opportunities for growth and a balanced customer base.
- The diversification of Softcat's customer base also has contributed to the increase in average revenue per customer. Average revenue per customer increased from £22,482 for the year ended 31 July 2007ⁱ to £52,229 for the year ended 31 July 2015.
- Softcat's account managers play a significant role in the growth and development of Softcat's customer relationships. Many of Softcat's customers (particularly SMBs) have limited in-house IT resource, and so rely on Softcat to advise them as to what is the best IT solution for them. This requires Softcat to be "vendor agnostic", meaning that it seeks to recommend to its customers the most appropriate IT solution based on their specific needs.
- Being vendor agnostic helps an account manager to develop more trusted relationships, which, as they mature, typically results in the account manager being able to sell additional, and more complex, solutions to customers, resulting in increased customer spend over time.
- Since the six-year period ended 31 July 2015, average revenue per customer in respect of customers who traded for the first time with Softcat at any point during the period and remained customers during the period increased at a CAGR of approximately 35 per cent.ⁱⁱ.

Growing range of solutions supported by strong vendor partnerships

- Softcat has significantly diversified its solutions offering to better enable it to serve its customers' evolving IT infrastructure needs. Today, Softcat's solutions include a broad range of products and services for its customers' workplace technology, data centre infrastructure and security and networking requirements.
- The Directors believe that Softcat's customers benefit from the efficiency of having a single IT infrastructure and services provider that enables them to choose the optimal IT solution for their specific business needs from Softcat's broad solutions offering.
- From a vendor partner's perspective, Softcat provides cost effective access to a widely-dispersed customer base. Furthermore, Softcat is able to provide valuable customer feedback to its vendor partners, and collaborate with them to drive joint marketing and sales initiatives.
- Softcat enjoys strong relationships with over 200 vendor partners and their distributors including Apple, Cisco, Citrix, Dell, HP, Lenovo, Microsoft, Mimecast, Snow, Sophos, Symantec, Veeam and VMware.
- The strength of Softcat's vendor partner relationships is evidenced by its accreditations, which include being a VMware Premier Partner, Cisco Gold Partner, Dell Partner Direct and HP Platinum Partner.
- Softcat also holds eleven accreditations from Microsoft, including four "Gold" (the highest level attainable) accreditations for messaging, volume licensing, software asset management and devices and deployment, and seven "Silver" accreditations for hosting, cloud productivity, midmarket solutions, original equipment manufacturer, small and midmarket cloud solutions, data centre and cloud platform.
- Generally, attainment of higher levels of accreditation is rewarded with preferential commercial terms.
- Softcat has received numerous awards from its vendor partners, including being named Dell's Platinum Partner of the Year, UK Partner of the Year and EMEA Partner of the Year in 2014, Sophos' UK and Ireland Mid-Market Partner of the Year in 2014 and 2015 and Mimecast's Partner of the Year every year since 2008.

Track record of strong and resilient financial performance through organic growth

- Softcat has increased its revenue ten-fold over the past ten years, delivering uninterrupted organic revenue growth since 2005; its revenue increased from £89.1 million for the year ended 31 July 2007ⁱⁱ to £145.8 million for the year ended 31 July 2010ⁱⁱ to £596.1 million for the year ended 31 July 2015.
- During this period Softcat has also effectively managed its costs, contributing to continuous increases in its adjusted operating profit. Adjusted operating profit increased from £3.3 million for the year ended 31 July 2007ⁱⁱ to £10.0 million for the year ended 31 July 2010ⁱⁱ to £40.6 million for the year ended 31 July 2015.
- Softcat has delivered strong operating profit margins, which increased from 3.7 per cent. for the year ended 31 July 2007ⁱⁱ to 6.6 per cent. for the year ended 31 July 2015. For the year ended 31 July 2015, adjusted operating profit was £40.6 million and adjusted operating profit margin was 6.8 per cent.
- Softcat's business model has also resulted in robust cash generation coupled with strong returns on invested capital. For the three-year period ended 31 July 2015, Softcat's average cash conversion rate was 109.2 per cent. and Softcat's average return on invested capital was 38.3 per cent.
- Softcat's strong cash generation is particularly supported by its relatively low capital expenditure requirements. In particular, Softcat has been able to support its growth through the opening of branch offices for limited incremental investment.
- Softcat's strong and resilient financial performance has largely been driven by its sales and customer service model, which the Directors believe makes Softcat better placed than its competitors to win new business and earn more business from its existing customers, even in periods of weaker economic conditions.
- Softcat's business model is centred on delivery of the best customer service while broadening its solutions offering. Furthermore Softcat has continued to grow its employee and customer bases during such difficult economic periods, whereas certain of its competitors may have contracted during these times.
- As a result of its business model, the Directors believe that Softcat will be able to continue to demonstrate resilience across economic cycles.

Highly experienced and cohesive management team

- The Directors believe that Softcat has a strong senior management team, many of whom have significant experience and knowledge of Softcat's industry.
- In particular, the senior management team is comprised of a combination of long-standing employees, many of whom started their careers at Softcat, and more recent joiners with extensive industry experience and specialist expertise who have joined the business from other IT infrastructure and services providers or UK public companies.
- Softcat also seeks to ensure its senior hires demonstrate an ability to integrate into and enhance Softcat's culture. This is important to Softcat because the senior management team plays a critical role in cultivating Softcat's open, supportive and vibrant culture, motivating its employees for success, and contributing to a high long-term retention rate of key staff.
- In 2015, the Great Place to Work Institute awarded Softcat with the "Delivering Excellence in Leadership" special award for the large business category for the second year in a row.

Softcat's Strategy for Growth

The Directors believe that Softcat's track record of gaining market share from its competitors in its core customer markets is largely attributable to its simple strategy:

- increase revenue from existing customers; and
- win business from new customers.

Softcat has a diverse and extensive list of customers, many of which typically purchase a number of products and services from Softcat every year. Maintaining and growing its customer relationships is critical to Softcat's future success. As the relationship matures, customers typically will purchase additional, and more complex, products and services, generally resulting in increased spend over time. As Softcat seeks to continue to strengthen its relationships with its growing customer base, it will continue to execute its strategy by doing the following.

Deliver the highest level of customer service in the UK IT infrastructure and services industry

- The Directors believe that when products and services are otherwise competitively priced, customer service is the differentiating factor for organisations, particularly SMBs, when selecting their IT infrastructure and services provider.
- In 2014, Gartner reported that mid-size businesses rank customer service above price, and would not hesitate to replace their IT infrastructure and services provider if it failed to deliver high levels of customer service^{viii}.
- Softcat's employees are trained from day one that delivery of exceptional customer service is critical to the success of its business because it enables Softcat to attract new customers and build long-term customer loyalty.
- Softcat intends to continue to deliver outstanding levels of customer service by ensuring that it has a team of employees who are properly trained and motivated to offer customers the best solution for them, from as wide a range of solutions possible, so that prospective customers view Softcat as an attractive alternative to their incumbent and/or other IT infrastructure and services providers, and existing customers increase their spend with Softcat.

Recruit, train and motivate highly qualified employees

- The Directors believe that growth in Softcat's employee base over time will enable it to grow and further develop its loyal customer base willing to increase its spend with Softcat. Therefore, Softcat intends to continue to recruit, train and motivate high quality employees, particularly across its sales and service teams, to support its growth.
- Further expansion of Softcat's employee base may be achieved, in part, through continued expansion of its geographical footprint across the United Kingdom, particularly in locations that have a large population of high quality graduates and other prospective employees from which Softcat can recruit.
- In the year ending 31 July 2016, Softcat intends to open a new office in Scotland. However, the Directors do not intend to expand Softcat's employee base at the expense of its culture, which they believe is critical to Softcat being able to empower and motivate its employees to deliver high levels of customer service.
- To instil Softcat's culture into the bedrock of new offices, Softcat typically posts a group of experienced existing employees to each new office and continues to apply its rigorous recruitment criteria and commission and reward schemes for new hires.
- Softcat also intends to grow its professional services and managed services teams in the medium-to-long term as more of its customers look for additional external support for their IT functions.

Develop solutions offering

- Softcat's strong existing customer relationships, which provide it with enhanced knowledge of customer requirements, have helped Softcat to offer an increasing array of solutions which are relevant to its customers.
- Softcat operates in an industry which is subject to continuous and fast-paced technological change, with new products and services being introduced to the market frequently and existing products and services becoming outdated or obsolete at an increasing rate. Particularly as external factors, such as new product releases by vendor partners and wider technological changes (such as the shift to cloud-based solutions), prompt customers to seek new or additional IT solutions, it is important that Softcat is seen as a trusted partner that will not only provide high quality advice as to what is the best solution for them, but also has the capacity to design, implement and manage that solution.

- Softcat intends to keep pace with technological change by monitoring the market and evolving its solutions offering in line with customer demands.
- In the future, Softcat may achieve this by developing new expertise in-house through training of existing employees, hiring employees who already have such specific new expertise or developing additional partnerships with specialist IT infrastructure and services providers to supplement Softcat's own solutions offering.

Grow presence within existing and new customer segments

- Softcat's customer base largely comprises SMBs, which represented 56.2 per cent. of its total revenue for the year ended 31 July 2015.
- There remains substantial headroom in the SMB segment for Softcat to grow its SMB customer base, as there were approximately 60,000 small-and-medium-sized organisations, approximately 3,000 enterprise organisations and approximately 33,000 public sector organisations in the United Kingdom as at May 2015^{ix}, whereas Softcat had a total of 11,413 customers as at 31 July 2015.
- Therefore, Softcat estimates that there is a large pool of UK corporate organisations that are potential new customers. Softcat intends to seek to generate new business from these corporate organisations by identifying them for prospecting by sales team members, particularly new account managers, who are responsible for developing their own new customer relationships.
- Softcat has been able to build on its historical strength in the SMB segment to establish a strong presence in the small-and-medium-sized public sector segment in recent years. This was accomplished in part through developing its expertise specific to the areas of healthcare, education and local government and has more than 20 framework accreditations to be able to tender for public sector business.
- Softcat intends to continue to grow its presence in the overall public sector segment to include large public sector customers, particularly in the areas of central government.
- Softcat has also had some high-profile contract wins from large enterprise customers, in part due to its more senior account managers becoming more focused on prospecting larger customer accounts, and will seek to continue to grow its presence in this customer segment.

Leverage customer and vendor partner relationships

- Softcat's strong existing customer and vendor partner relationships are critical to it being able to grow and develop new customer relationships.
- Account managers seek to establish and develop close relationships with customers' IT managers (or other relevant purchasing decision makers), so that Softcat becomes their preferred IT infrastructure and services provider.
- The Directors believe that Softcat's success in building relationships with these IT managers, increasing their spend with Softcat and delivering exceptional customer service to them has made them more likely to recommend Softcat to another organisation.
- For the year ended 31 July 2015, respondents to Softcat's annual customer satisfaction survey rated Softcat with an NPS of 73 per cent.^{iv}, which was significantly higher than the average NPS ratings reported by Satmetrix (the co-developer of the NPS model) in its 2015 UK consumer study.
- In addition, when IT managers at Softcat's customers move to other organisations, the Directors believe that Softcat is well-placed to maintain the relationship and earn new business from those organisations.
- Softcat's vendor partners also benefit from the strength of its customer relationships, because Softcat is better placed to sell more of their products.
- Coupled with Softcat's high levels of vendor partner accreditation, driving higher sales makes vendor partners more likely to recommend Softcat to potential customers as a preferred VAR.
- Softcat intends to continue to leverage its customer and vendor partner relationships to achieve customer revenue and profit growth.

Dividend Policy

Softcat currently has net cash. To reflect the long term earnings and cash generation potential of the Company, and on the basis that Softcat has sufficient distributable reserves at the time, the Board initially intends to target an annual dividend of between 40 per cent. and 50 per cent. of Softcat's profits after tax in each financial year before any exceptional items. Subject to any cash requirements for ongoing investment, the Board will consider returning excess cash to Shareholders over time.

Interests in shares/voting rights/controllers

Shareholders holding 5% or more of the Company's issued share capital as at the date of this announcement are listed below.

Shareholder	Approximate % of issued share capital
Peter Kelly ¹	52%
Martin Hellowell ²	12%
Gilbert John Chalk and John Alan Putt ³	11%

¹ Includes shares held by family members of Peter Kelly.

² Includes shares held by, or in trust for, Martin Hellowell or his family members.

³ Shares held as trustees of a trust of which John Nash, a former director of the Company, is the ultimate beneficiary.

Board of Directors

At Admission, the Board of Directors will be compliant with the UK Corporate Governance Code and will comprise the following members:

Name	Position
Brian Wallace	Chairman
Martin Hellowell	Executive Director and Chief Executive Officer
Graham Charlton	Executive Director and Chief Financial Officer
Lee Ginsberg	Senior Independent Director and Independent Non-executive Director
Peter Ventress	Independent Non-executive Director

The Company intends to appoint an additional Independent Non-executive Director following Admission.

Peter Kelly has recently stood down from the Board as part of his gradual stepping back from the business over time. It has been agreed with Softcat that, with effect from Admission, for so long as Peter (together with any of his associates) holds 10 per cent. or more of Softcat's issued share capital, he shall have a right entitling him to appoint a director to the Board. In the event that Peter exercises this right at any time following Admission, and this results in the Board not being compliant with the UK Corporate Governance Code, Softcat will seek to restore the independence of the Board as soon as reasonably practicable after such appointment.

Director Biographies

Brian Wallace, Chairman

Brian joined Softcat in 2011 as a Non-executive Director and was appointed Chairman on 1 August 2014. He is also Chairman of Travelodge and a Non-executive Director of Firstgroup plc. Previously, Brian held executive board positions with a number of FTSE 100 and FTSE 250 companies, most recently as Group Finance Director of Ladbrokes plc. Prior to re-joining Ladbrokes, he was Group Finance Director and Deputy Chief Executive of Hilton Group plc. A Chartered Accountant, he began his career at Price

Waterhouse and went on to perform senior finance roles at Geest, APV and Schlumberger. He also previously served as a non-executive director at Scottish and Newcastle plc, Hays plc, Camelot Entertainments plc and the Miller Group.

Martin Hellowell, Executive Director and Chief Executive Officer

Martin joined Softcat in 2006 as Managing Director and was appointed Chief Executive Officer in 2014. Previously, Martin spent thirteen years at Computacenter plc, where he was responsible for the marketing function, ran Computacenter's French subsidiary and led acquisitions in the United Kingdom, Belgium and Germany. He was part of Computacenter's initial public offering team in 1998, ran operations, chaired Computacenter's international joint venture, ICG, and was Chief Operating Officer of the dot com spin-off Biomni Limited. Martin has also worked for Specialist Computer Centres PLC and for Canalsys.com limited as an independent consultant. Martin started his career at Miles 33, a software solutions provider for the publishing industry. Martin earned a BA (Hons) in Management Studies (Marketing) and French from Lancaster University.

Graham Charlton, Executive Director and Chief Financial Officer

Graham joined Softcat in January 2015. Previously, he spent four years as Finance Director at comparethemarket.com (a trading name of BISL Limited). Prior to that, Graham spent one year as Finance Director at See Tickets (the trading name of See Group Limited) and over five years in various roles, including Group Financial Accountant, Finance Manager and Finance Director, Decision Analytics, at Experian Ltd. Graham is a Chartered Accountant and began his career with Andersen. Graham earned an MA in Natural Sciences from King's College, Cambridge University.

Lee Ginsberg, Senior Independent Director and Independent Non-executive Director

Lee joined Softcat in September 2015. He is also a Non-executive Director at Mothercare plc, On The Beach Group plc and Trinity Mirror plc, Deputy Chairman and Senior Independent Director at Patisserie Valerie Holdings plc and Non-executive Chairman at Oriole Restaurants Limited. Prior to joining Softcat, he spent ten years as Chief Financial Officer of Domino's Pizza Group plc and held the post of Group Finance Director at Health Club Holdings Limited, formerly Holmes Place plc, where he also served for 18 months as Deputy Chief Executive. Lee earned a Bachelor of Accounting (Hons) from UNISA (University of South Africa) and qualified as a chartered accountant at Price Waterhouse.

Peter Ventress, Independent Non-executive Director

Peter joined Softcat in October 2015. He is also Deputy Chairman and Senior Independent Director of Galliford Try plc and a Non-executive Director of Premier Farnell plc. Prior to joining Softcat he spent five years as Chief Executive Officer of Berendsen plc, held several senior executive roles, including International President, at Staples Inc., held several senior executive roles, including Chief Executive Officer, at Corporate Express NV prior to its acquisition by Staples Inc. and held a number of other general management positions across a number of different businesses in a variety of industries. Peter earned an MA in Modern History and Modern Languages from Oxford University and an MBA from the Open University.

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This announcement contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will" or, in each case, their negative or other variations or similar terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding the Directors' intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial position, liquidity, prospects, growth and strategies, and the development of the industry in which the Company operates.

By their nature, such forward-looking statements involve unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition, liquidity, prospects, growth and strategies, and the development of the industry in which the Company operates, may differ materially from those expressed or implied by the forward-looking statements set out in this announcement. In addition, even if the Company's results of operations, financial condition, liquidity, prospects, growth and strategies, and the development of the markets and the industry in which the Company operates, are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

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The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilising measures, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the offer price. Save as required by law or regulation, neither the Stabilisation Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

In connection with the Global Offer and pursuant to applicable law and regulation, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilisation period, the Stabilising Manager will enter into over-allotment arrangements pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Ordinary Shares (the "Over Allotment Shares") at the offer price. The over-allotment arrangements will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30th calendar day after the commencement of conditional trading of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the over-allotment arrangements, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, would rank *pari passu* in all respects with any Ordinary Shares being sold in the Global Offer and would be purchased on the same terms and conditions as the Ordinary Shares being sold in the Global Offer and will form a single class for all purposes with the other Ordinary Shares.

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arrangements or lending arrangements in connection with which the Joint Bookrunners may from time to time acquire, hold or dispose of shareholdings in the Company.

The Joint Sponsors, the Joint Bookrunners and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company for which they would have received customary fees. The Joint Sponsors, Joint Bookrunners and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

ⁱ Softcat defines "average revenue per customer" as revenue divided by customers for the period.

ⁱⁱ Financial information and metrics in respect of years ended prior to 31 July 2013 were prepared, or calculated from information prepared, under UK GAAP. UK GAAP financial information may not be comparable with other financial information relating to later periods that has been prepared in accordance with IFRS.

ⁱⁱⁱ Adjusted operating profit for the year ended 31 July 2015 is stated before the impact of IPO project costs and share-based payment charges.

^{iv} "Net Promoter Score" is a customer loyalty metric developed by (and a registered trademark of) Fred Reichheld, Bain & Company, and Satmetrix which Softcat defines as the percentage of customers who answer "9" or "10" less the percentage of customers who answer "1" to "6" in response to the question, "On a scale of 1-10 (with 1 being not likely at all and 10 being very likely), what is the likelihood that you would recommend Softcat as a supplier, either to other parts of your business or to another organisation?"

^v ChannelWeb, Top VARs 2014, http://www.channelweb.co.uk/digital_assets/8362/CRN_Top_VARS_2014.pdf; Top VARs 2013, http://www.channelweb.co.uk/digital_assets/7232/CRN_Top_VARS_2013.pdf; Top VARs 2012, http://www.channelweb.co.uk/digital_assets/6017/CRN_Top_VARS_2012.pdf; and Top VARs 2011, http://www.channelweb.co.uk/digital_assets/3671/CRN_2011_Top_VARS.pdf.

^{vi} ChannelWeb, Top VARs 2014, http://www.channelweb.co.uk/digital_assets/8362/CRN_Top_VARS_2014.pdf; and Top VARs 2011, http://www.channelweb.co.uk/digital_assets/3671/CRN_2011_Top_VARS.pdf.

^{vii} Context World Limited, Vendor Shipment Reports, August 2013 to July 2015.

^{viii} Gartner, *Market Insight: Midsized-Business Primer*, 2 July 2014

^{ix} DueDil, Customer Market data, May 2015.