Results for the 6 months ended 31 January 2019

Graeme Watt, CEO
Graham Charlton, CFO

19 March 2019

Who we are

Softcat

Leading IT infrastructure solutions provider

1,188
Employees at 31 July 2018

11,900
Customers in FY18

200+ vendors

£797m
FY18 revenue

£175m
FY18 gross profit

£68.0m
FY18 operating profit

CASH
DEBT

98%
FY18 cash conversion

H1 2019 summary results

Softcat

Strong growth and profitability

- Gross profit up 27% to £94.7m
- Operating profit up 40% to £33.9m
- Gross invoiced income* up 29% to £607.8m
- IFRS15 restated revenue up 21% to £434.0m
- Gross profit per customer up by 19%
- Customer numbers up 620 (+6.5%)
- 54 consecutive quarters of organic top line and bottom line year over year growth

Significant cash generation and returns to shareholders

- Strong cash conversion of 103%**
- The Company remains debt free with £52.8m of cash
- Interim dividend of 4.5p per share, up 36%

* Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items and is consistent with our previously applied revenue policy.

** Defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit

Strategic update

Softcat

Acquire More Customers

- Customer numbers up 620 (+6.5%)
- Revenue and gross profit from new customers up on prior period
- Growth coming from both corporate and public sector

Sell More to Existing Customers

- Strong growth from existing customer base
- Increase of 19% in GP per customer
- Positive trends in business lines purchased per customer

People and Culture

- Strengthened leadership team with the addition of new CIO, Rob Parkinson
- Average headcount up 15% period-on-period, with further recruitment planned for H2
- Further investments in development, benefits and office space

Operational Excellence

- Further vendor awards during the period, and winner of CRN Reseller of the Year
- Multinational sales fulfilment
- Accelerated customer eCat adoption
- Back-office systems, data and processes evolution underway

Addressable Market Expansion

- Ireland
- Security and cyber assessment services
- Managed SIEM
- Cloud Assessment and Cloud Intelligence services
- Multinational sales fulfilment

Softcat

H1 2019 financial review

Graham Charlton, CFO

Impact of IFRS 15 on revenue

Softcat

£m	H1 FY19	H1 FY18	Growth
Gross Invoiced Income	**607.8**	**472.8**	**29%**
IFRS 15 Revenue Adjustments	(173.8)	(114.5)	(52%)
Revenue	**434.0**	**358.3**	**21%**

- Presentational impact on revenue only, no impact on any measure of profit or cash

£m	H1 FY19	H1 FY18	Growth	Share of Business H1 FY19	Share of Business H1 FY18
Software	328.4	239.9	37%	54%	51%
Hardware	201.7	164.7	22%	33%	35%
Services	77.7	68.2	14%	13%	14%
Gross Invoiced Income	**607.8**	**472.8**	**29%**		
Software	200.9	168.3	19%	46%	47%
Hardware	195.0	156.4	25%	45%	44%
Services	38.1	33.6	13%	9%	9%
Revenue	**434.0**	**358.3**	**21%**		

Summary income statement

£m	H1 FY19	H1 FY18	Growth
Revenue	**434.0**	**358.3**	**21.1%**
Gross profit	**94.7**	**74.8**	**26.5%**
GP %	21.8%	20.9%	
Admin. expenses	(60.8)	(50.7)	19.9%
Operating Profit	**33.9**	**24.1**	**40.4%**
OP /GP %	35.8%	32.2%	
Interest	0.1	0.0	
Tax	(6.5)	(4.7)	
Profit after Tax	**27.5**	**19.4**	**41.3%**

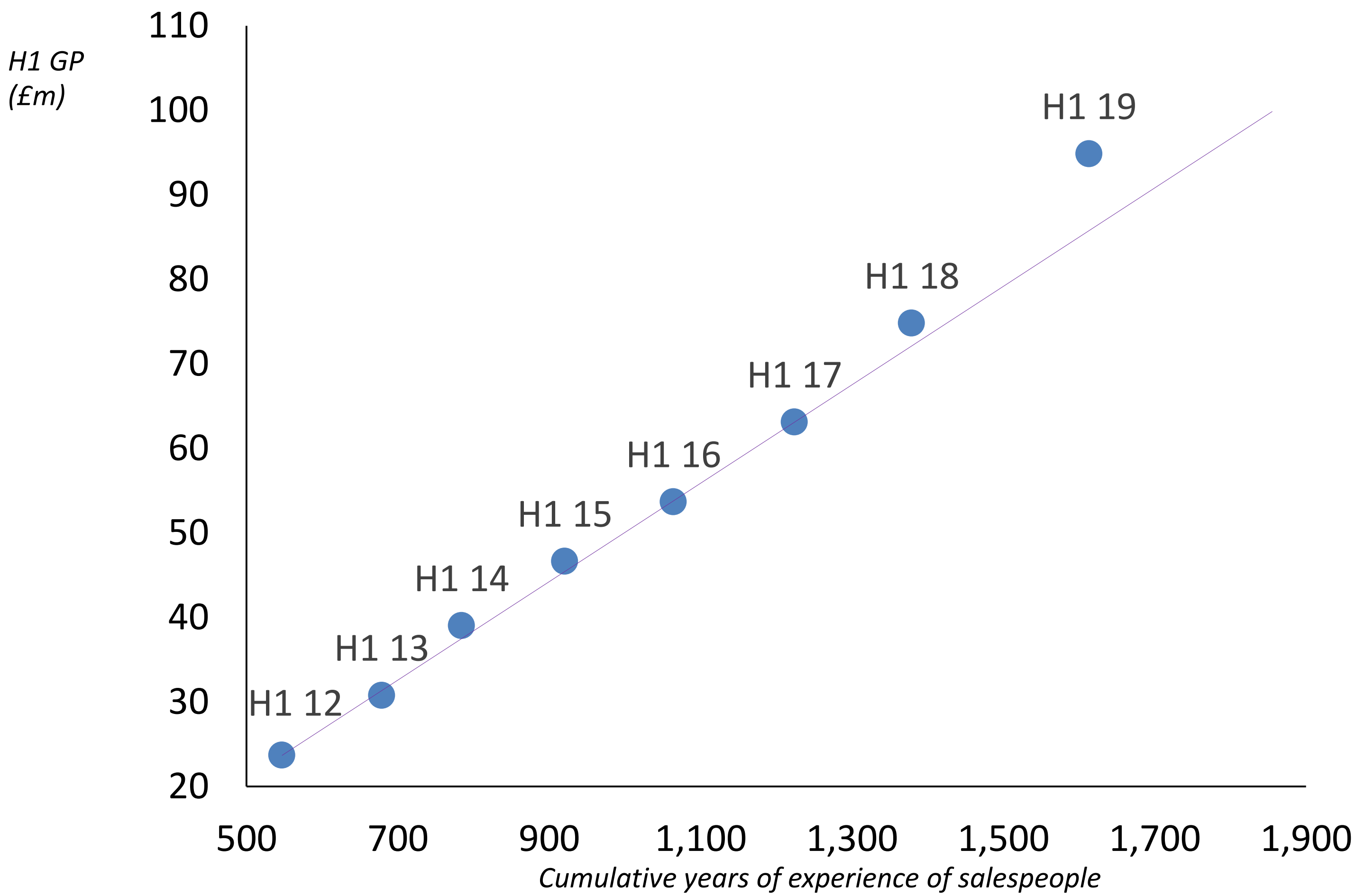
- Strong revenue and gross profit growth reflect another period of successful execution of the strategy
- Upswing in gross margin reflects higher proportion of gross invoiced income coming from cloud-based software, meaning more revenue recognised as agent (net) under IFRS15.
- Gross profit growth materially ahead of expectations entering the year, as communicated in the January update

- Operating profit growth of 40% driven by higher than expected GP growth, delivering a resultant short-term spike in operating leverage.

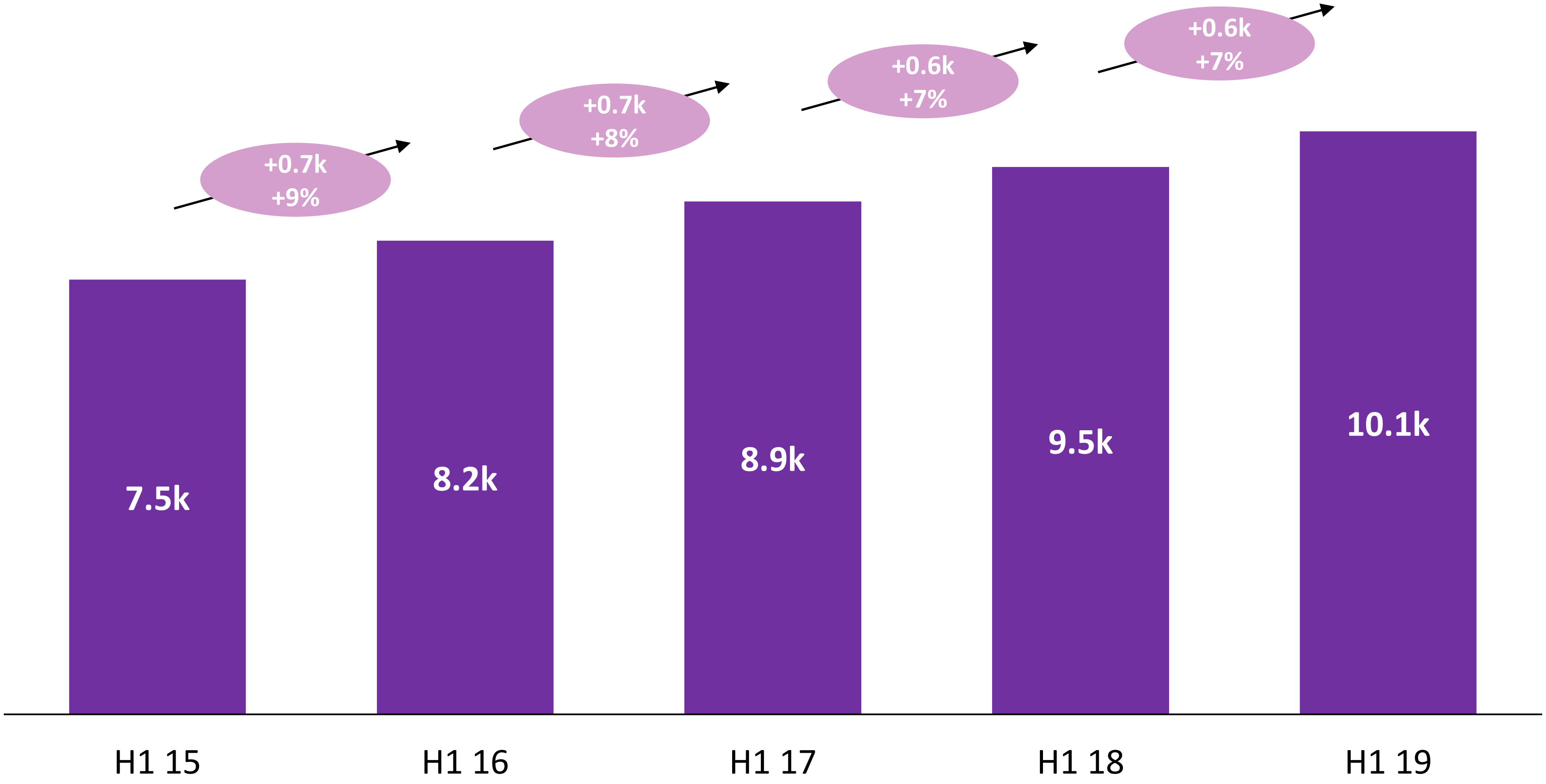
- The increase in the ratio of OP to GP is expected to normalise in the second half as investment in people and capabilities continues.

- The effective tax rate is 19.2% (FY18: 19.5%). In both periods the statutory tax rate is 19.0%
- The ETR is slightly higher than the statutory tax rate because of non-deductible expenses

Sales experience and longevity of customer relationships continue to drive profits



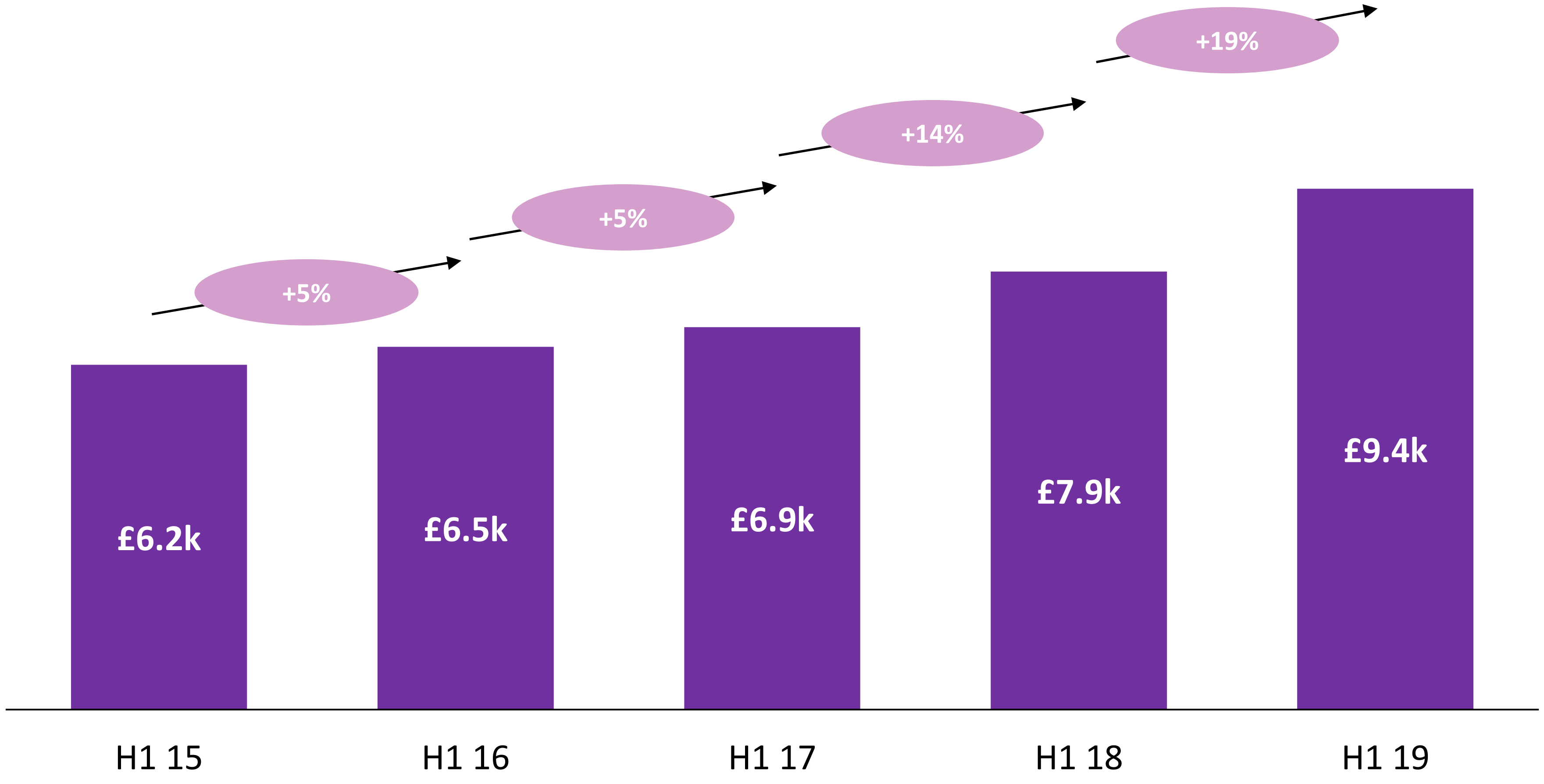
Customer numbers



* A customer is defined as a unique trading entity that has transacted with Softcat during the period

Gross profit per customer

Softcat



Cash flow

Softcat

£m	H1 FY19	H1 FY18
Operating profit	**33.9**	**24.1**
Depreciation and amortisation	0.8	0.9
Net capital expenditure	**(1.3)**	**(0.6)**
Movements in working capital	1.0	(0.5)
Other	**0.7**	**1.0**
Cash from operations before tax, after capex	35.0	24.9
As % of operating profit	103%	103%
Income taxes paid	(7.9)	(4.9)
Finance income	0.1	0.0
Net proceeds from equity transactions	0.0	0.4
Dividends Paid	(47.3)	(38.8)
Net decrease in cash during the period	**(20.1)**	**(18.3)**
Closing cash balance	**52.8**	**43.3**

- Capital expenditure requirements have remained limited, and mainly relate to general office and computer equipment.
- The slight increase period on period is in line with expectations on entering the year. Some further growth in capital investment is anticipated in H2.
- The net working capital movement reflects roughly equal and offsetting growth in receivables and payables, broadly in line with growth in gross invoiced income, indicating a consistent business model.
- Cash conversion is in line with prior period and we continue to target a long-run average for the full year in the range of 90-95%
- £47.3m payment in H1 FY19 represents the FY18 full year ordinary and special dividends of 8.8p and 15.1p per share, respectively.
- The FY19 interim dividend of 4.5p per share declared today will create a cash outflow in H2 of £8.9m

Dividend

	H1 FY19	H1 FY18	Growth
Interim Dividend	**4.5p**	**3.3p**	**36%**
Total	£8.9m	£6.5m	37%
Ex Dividend Date	4 April 2019		
Payment Date	10 May 2019		

Closing remarks

Graeme Watt, CEO

Summary and Outlook

- Our simple strategy remains unchanged and continues to serve us well
- Strong growth reflects further gains in market share
- Significant headroom for further growth in the UK market
- Performance continues to be broad-based
- Continued investment in people and capacity for future growth
- Excellent cash conversion and progressive dividend policy maintained
- Achievements recognised by a number of prestigious awards

Outlook for the full year

The Board expects a full year outcome marginally ahead of previous expectations