Interim results for the 6 months to 31 January 2016

Martin Hellawell, CEO
Graham Charlton, CFO

17 March 2016

Who we are

Softcat

Leading IT infrastructure provider for UK SMOs

100% UK Focused

794
Employees at 31 July 2015

11,400
Customers in FY15

200+
vendors

£596m
FY15 revenue

£41m
FY15 Adjusted operating profit

(1) Glasgow office opened in February 2016.

H1 2016 summary results

Softcat

IPO successfully completed

- Admission in November 2015

Strong top-line AND profitability

- Revenue up 10.4% to £293.6m
- Gross profit up 15.1% to £53.7m
- Gross profit margin up 0.8% pts to 18.3% (H1 2015: 17.5%)
- Adjusted operating profit* up 12.9% to £19.5m

Significant cash generation and returns to shareholders

- Strong cash conversion at 142% **
- The Company remains debt free with a cash balance of £54.9m
- Adjusted diluted earnings per share up from 7.02p to 8.18p (+16.5%)
- Interim dividend of 1.70p per share to be paid on 29 April 2016

* Adjusted operating profit is defined as operating profit before exceptional items and share-based payments charges.

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

Our proven growth strategy

Significant untapped growth potential

Progress against plan

Softcat

1 Sell more to existing customers

- Strong growth from existing customer base
- Particularly buoyant demand for solutions based part of the portfolio (Security & Networking, Data Centre Infrastructure)
- Lower demand, in line with market, for PCs

2 Win new customers

- Customer numbers up approximately 600 (6.7%) on H1 FY15
- Strong growth across all our main sectors

3 Scale the platform and develop offering

- Acceleration of recruitment
- Front line account managers increased from 316 to 397 to Jan 31st year on year
- Launch of Glasgow office Jan 2016

Rose to #3 from #5 in Nov 2015 CRN Top 100 VARs, Cisco UK Commercial Partner of the Year, VMware European Solution Provider Partner of the Year, Tableau Rising Star award.

H1 2016 financial review

Graham Charlton, CFO

Summary income statement

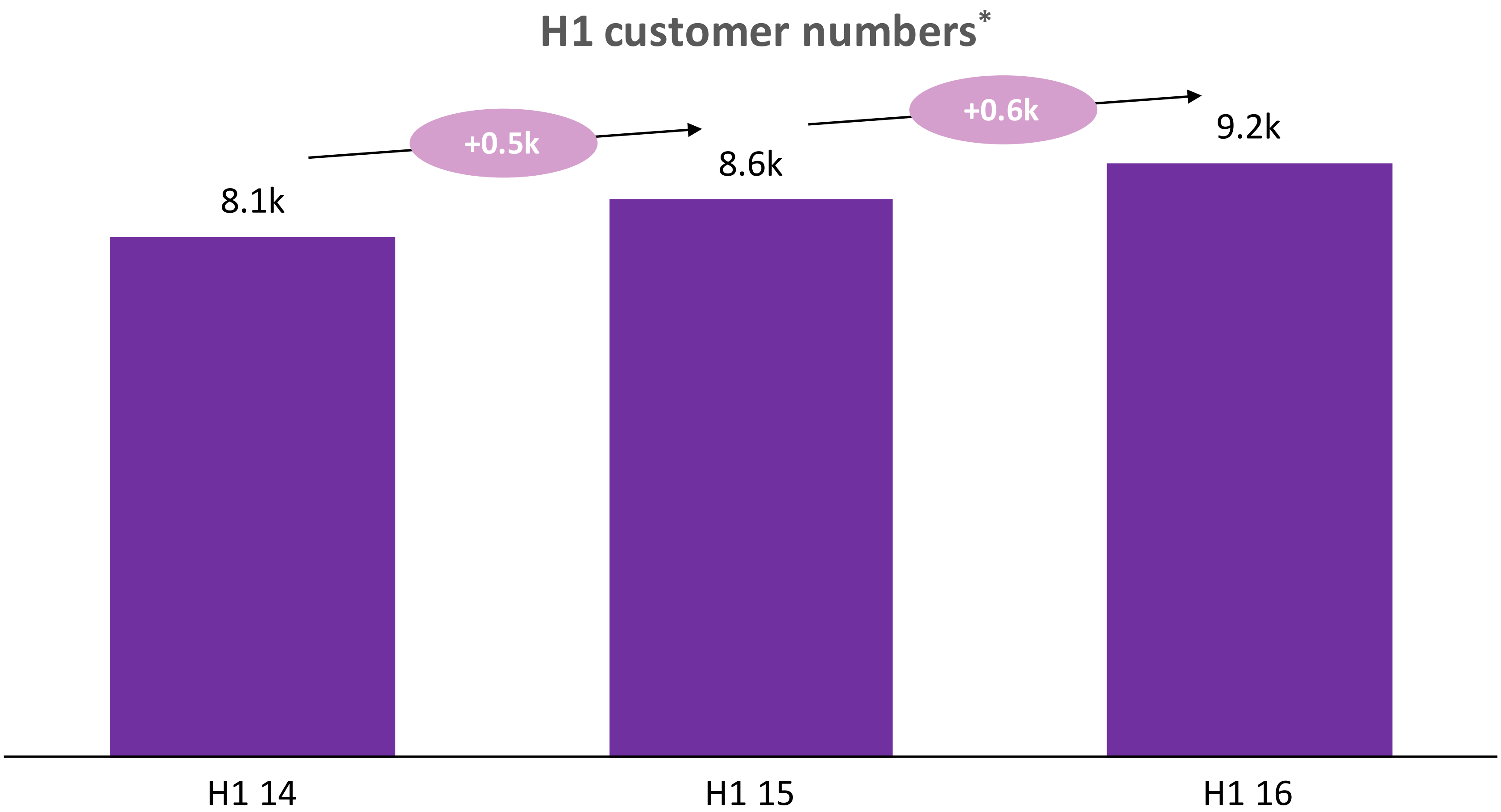
£m	H1 FY16	H1 FY15	Growth
Revenue	**293.6**	**265.8**	**10.4%**
Gross profit	**53.7**	**46.6**	**15.1%**
GP %	18.3%	17.5%	
Administrative expenses	(34.1)	(29.3)	16.3%
Adj operating profit	**19.5**	**17.3**	**12.9%**
Adj OP %	6.7%	6.5%	
Adj OP/GP %	36.4%	37.1%	
Share-based payment charges	(0.5)	(0.0)	
IPO exceptional costs	(3.7)	(0.1)	
Operating profit	**15.3**	**17.2**	**(11.1%)**
Interest	0.1	0.1	
Tax	(3.5)	(3.8)	
Profit after tax	**11.9**	**13.5**	**(11.8%)**

- Strong GP growth and margin reflects customer demand for solutions-rich products and services.
- GP margin includes c.£1m non-recurring procurement benefits – excluding which FY16 margin is 17.9%

- Admin expenses include incremental costs of plc governance of £0.5m.
- Growth excluding these elements is 14.6% and reflects increased commission costs on higher gross profit, together with investments in new recruits and the full year effect of the Leeds office (opened Feb 2015).
- Adj OP/GP % is slightly down on prior period due to the impact of the plc costs and investments for growth, in line with expectations

- The effective tax rate for H1 FY16 is 22.7%, up from 21.8% in FY15 due to the impact of non-deductible IPO expenses, partly offset by a drop in the statutory rate of tax from 20.67% to 20.00%.

Customer numbers



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

Revenue and GP per customer

Cash flow

Softcat

£m	H1 FY16	H1 FY15
Operating profit	**15.3**	**17.2**
Depreciation and amortisation	1.1	1.1
Net capital expenditure	(1.0)	(1.4)
Movements in working capital	6.2	(4.7)
Other	0.2	0.0
Cash from operations before tax, after capex	**21.7**	**12.2**
As % of operating profit	142%	71%
Income taxes paid	(4.3)	(4.0)
Finance income	0.1	0.1
Net proceeds from equity transactions	2.7	(1.3)
Dividends paid	(40.1)	(7.3)
Net decrease in cash during the period	**(19.8)**	**(0.3)**
Closing cash balance	**54.9**	**37.4**

- Net movements in fixed assets close to nil illustrates the relative lack of capital investment required for further growth.
- Reduction in working capital reflects beneficial phasing of sales year on year together with disciplined control of receipts and payments.
- Also aided by a temporary increase in creditors due to exceptional IPO costs – this will reverse during Q3
- Cash conversion flattered somewhat by exceptional IPO expense payments falling due in H2. Adjusting for this conversion still very healthy at 113%.
- £40.1m payment in H1 FY15 represents the exceptional pre-IPO dividend.

Dividend

- A dividend of 1.70p per share will be paid on 29 April 2016 to shareholders on the register at the close of 1 April 2016
- Total dividend payment will be £3.3m
- The shares will trade ex dividend on 31 March 2016
- For this first year the dividend payments will be pro rata to mirror the portion of the financial year that the Company has been listed

Closing remarks

Martin Hellawell, CEO

Summary

- Smooth transition to life as a public company
- OP and GP growth higher in Q2 than Q1
- Strong GP growth of 15%
- Increase in new customers and business from existing customers
- Good revenue growth at 10%
  - Lower than GP growth due to positive shift in mix
- Increased gross profit margin to 18.3% from 17.5%
- Strong adjusted OP growth of 13%
  - While investing significantly for future growth
- Strong cash conversion

Outlook

- Strong momentum in the business and a good start to Q3
- Well placed against competition
- Expect mix shift to maintain in H2
- Continued investment for future growth
- Mindful of economic and political uncertainty in H2
- Confident of meeting the Board's profit expectations for the full year