

Results for the year ended 31 July 2018

Graeme Watt, CEO
Graham Charlton, CFO

17 October 2018



Who we are

Softcat

Leading IT infrastructure
solutions provider



1,188



Employees at 31
July 2018

£1,082m

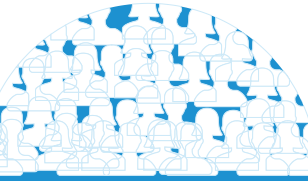
FY18 revenue

£175m

FY18 gross profit

£70.5m

FY18 adjusted
operating profit



11,900

Customers in
FY18



200+
vendors



98%

FY18 cash conversion


2018 summary results

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Strong growth and profitability

- Gross profit up 28.5% to £175.2m
- Adjusted operating profit* up 36.9% to £70.5m
- Revenue up 29.9% to £1,081.7m
- Gross profit per customer up by 23%
- 530 new customers added in the period, up 5%
- 52 consecutive quarters of organic top line and bottom line year over year growth



Significant cash generation and returns to shareholders

- Strong cash conversion of 98%**
- The Company remains debt free with £72.8m of cash
- Final dividend of 8.8p per share and special dividend of 15.1p per share to be paid on 14 December 2018

* 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

- Customer demand has remained robust in a particularly buoyant market
- All areas of our business are performing strongly, with double-digit growth across all key technology areas, business lines and office locations
- Security, networking and client devices among the strongest performers
- Good growth from both corporate customers and public sector
- Performance accelerated in the H2 with GP growth of 34% compared to 22% in H1

Our proven growth strategy

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Acquire more customers

- Customer numbers up 530 (+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 23% in GP per customer
- Positive trends in business lines purchased per customer

People and Culture

- Ireland sales office opened
- Strengthened leadership team with the addition of new Director of HR, Rebecca Monk
- Invested and plan to invest across all functions to support growth

Operational Excellence

- Notable awards from vendors, employment bodies and financial institutions
- Multinational sales fulfilment
- Accelerated customer Ecat adoption
- Review back-office systems and processes

Expanding our addressable market

- Ireland
- Security and cyber assessment services
- Asset intelligence offering expanded to include cloud consumption

2018 financial review

Graham Charlton, CFO

Summary income statement

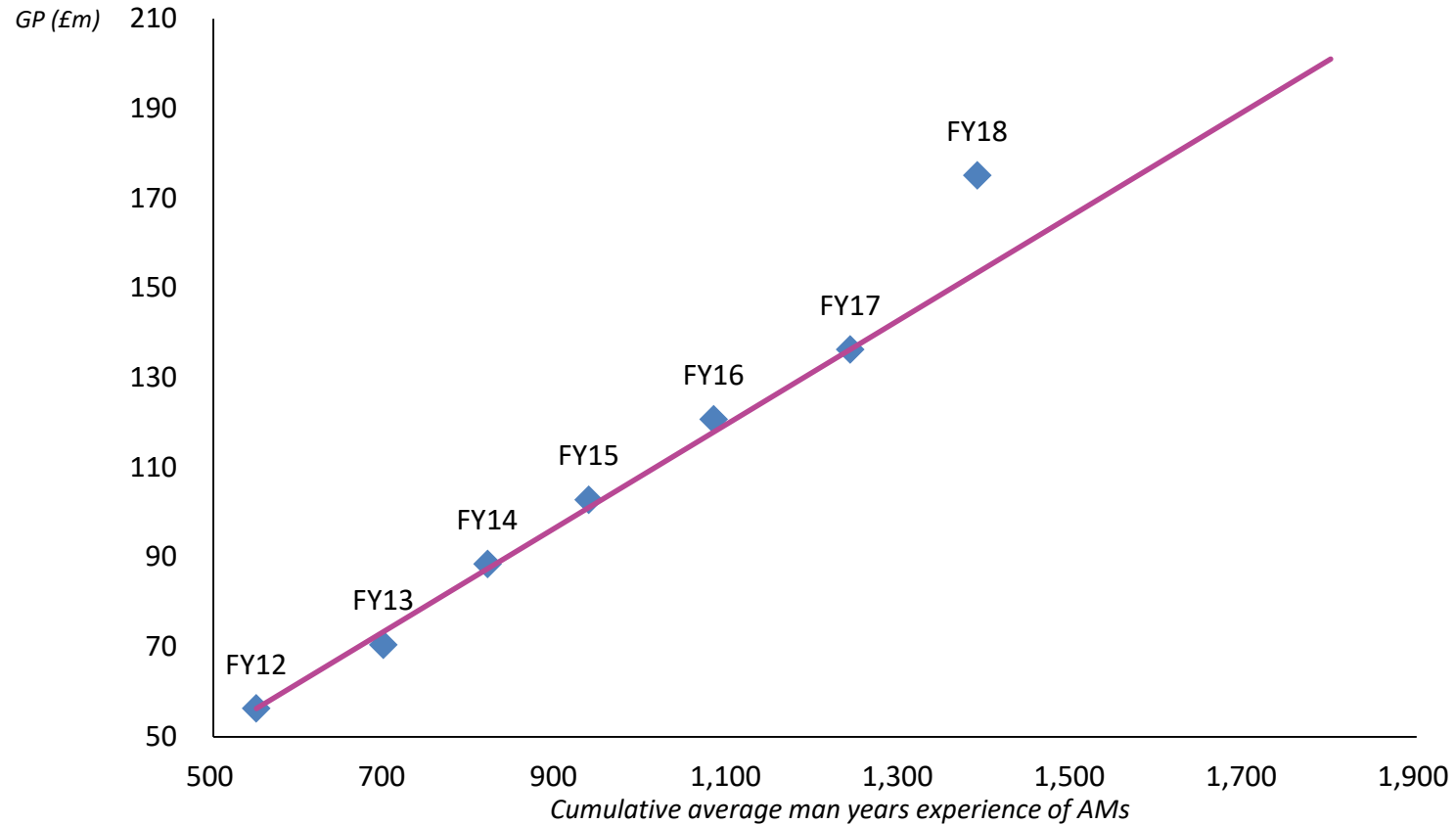
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£m	FY18	FY17	Growth
Revenue	1,081.7	832.5	29.9%
Gross profit	175.2	136.3	28.5%
GP %	16.2%	16.4%	
Administration expenses	(104.7)	(84.8)	23.5%
Adj operating profit	70.5	51.5	36.9%
Adj OP %	6.5%	6.2%	
Adj OP/GP %	40.2%	37.8%	
Share-based payment charges	(2.5)	(1.3)	
Operating Profit	68.0	50.2	35.6%
Interest	0.1	0.1	
Tax	(13.1)	(10.2)	
Profit after Tax	55.0	40.1	37.1%

- Strong revenue and gross profit growth reflect successful execution in a buoyant market
- Gross margin slightly down year on year reflecting strong performance by our public sector partner business and consequential small shift in mix
- Gross profit growth well ahead of expectations entering the year, especially during second half of the financial year when growth accelerated to 34%
- Growth in the cost base reflects our on-going investment in people across all areas of the business, together with increased commission costs associated with the rise in gross profit
- The ratio of OP to GP increased markedly due to very strong growth in the latter. Further people and systems investments in the coming year are expected to reduce this metric in FY19
- Share-based payment charges increased during the year due to maturation of the share schemes put in place on IPO, together with a crystallisation of LTIPs related to the CEO change. The SBC charge is expected to be relatively stable in FY19
- The effective tax rate is 19.3% (FY17: 20.3%). The reduction is due mainly to the decrease in the blended corporation tax rate from 19.7% to 19.0%
- The ETR is slightly higher than the statutory rate of 19.0% because of non-deductible expenses

Sales experience drives successful productivity

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Customer numbers

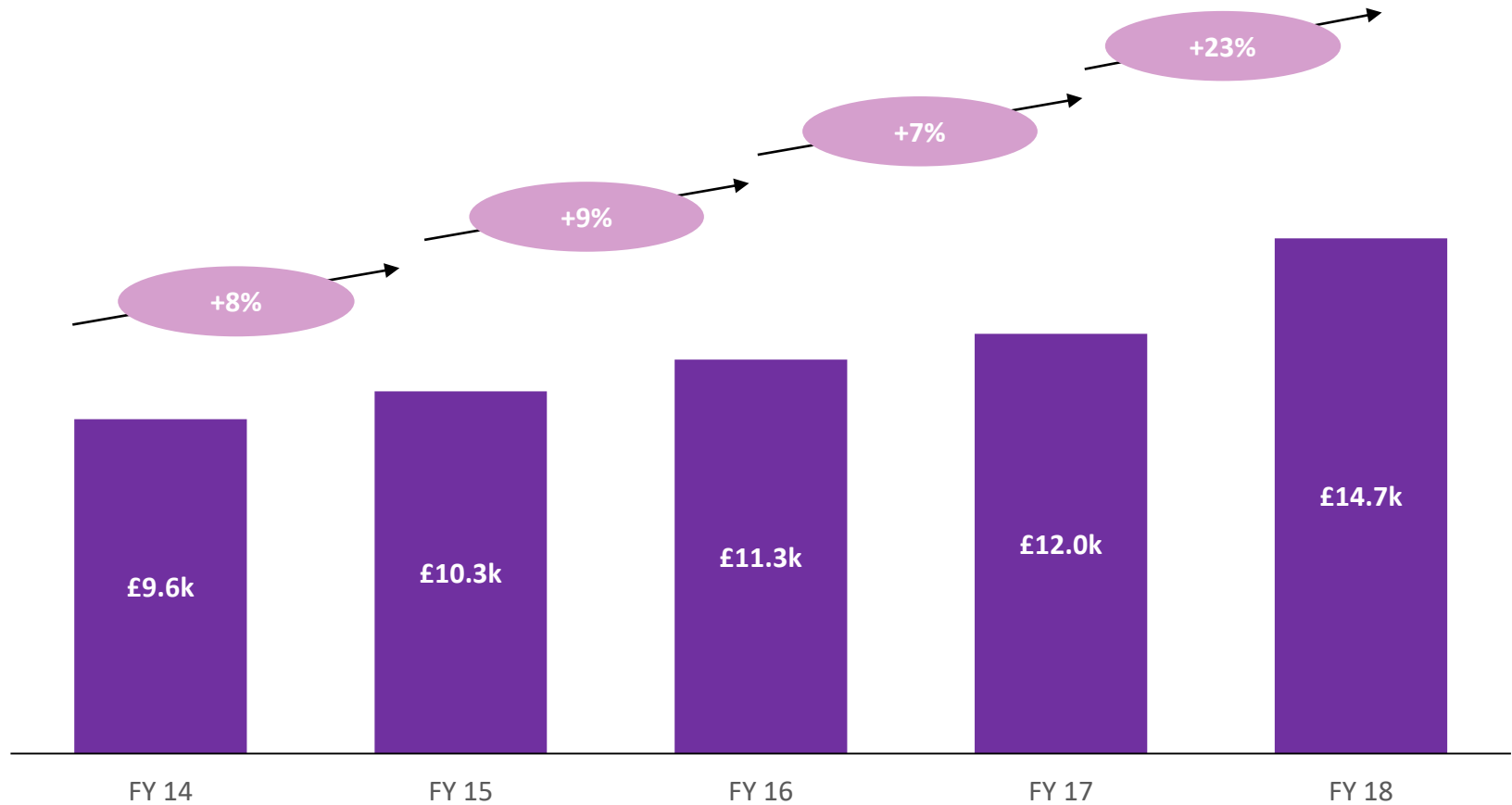
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* A customer is defined as a unique trading entity that has transacted with Softcat during the period

Gross profit per customer

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Cash flow

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£m	FY18	FY17
Operating profit	68.0	50.2
Depreciation and amortisation	1.8	2.0
Net capital expenditure	(1.1)	(1.5)
Movements in working capital	(4.0)	(3.4)
Other	1.8	1.5
Cash from operations before tax, after capex	66.5	48.8
As % of operating profit	98%	97%
Income taxes paid	(10.5)	(9.3)
Finance income	0.1	0.1
Net proceeds from equity transactions	0.4	0.5
Dividends Paid	(45.3)	(40.9)
Net decrease in cash during the period	11.2	(0.7)
Closing cash balance	72.8	61.6

● Capital expenditure requirements have remained limited, and mainly relate to general office and computer equipment requirements. A slight increase in capital spend is anticipated in FY19

● The net working capital movement reflects growth in receivables and payables broadly in line with P&L growth, indicating a consistent business model

● Cash conversion is broadly in line with prior period and we continue to target a long-run average in the range of 90-95%

● £38.8m payment in H1 FY18 represents FY17 full year ordinary dividend of 6.1p and FY17 special dividend of 13.5p per share. £6.5m payment in H2 FY18 represents the interim dividend of 3.3p per share

	2018	2017
Interim	3.3p	2.9p
Final	8.8p	6.1p
Special	15.1p	13.5p
Total	27.2p	22.5p
Basic EPS	27.9p	20.4p
Ex dividend	1 November	
Payment	14 December	

Since IPO in November 2015, total cash returned to shareholders will rise to
£136.8m

Closing remarks

Graeme Watt, CEO

- Our simple strategy remains unchanged and continues to serve us well
- Market conditions were particularly buoyant
- Strong growth also reflects some further gains in market share
- All business lines, customer segments and branches performing well
- Cash conversion maintained, dividend policy maintained
- Continued investment in people and capacity for future growth

We benefited from exceptional market conditions in 2018. Despite current political and economic uncertainty, and notwithstanding tough comparative figures, we are confident of achieving further profitable growth in 2019. Trading in the first ten weeks of the new financial year has been encouraging.