

Interim results for the 6 months to 31 January 2018

Martin Hellowell, CEO
Graham Charlton, CFO

21 March 2018



H1 2018 results summary and business update

Martin Hellowell, CEO

Who we are

Softcat

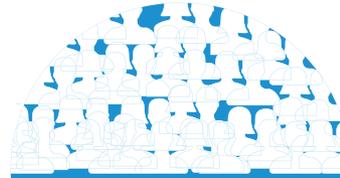
Leading IT infrastructure provider



1,046



Employees at 31 July 2017



13,000
Customers in
FY17

£832m

FY17 revenue

£136m

FY17 gross profit

£51.5m

FY17 adjusted operating profit



97%

FY17 cash conversion

H1 2018 summary results

Softcat

Strong growth and profitability

- Gross profit up 22.2% to £74.8m
- Adjusted operating profit* up 19.1% to £25.4m
- Revenue up 24.9% to £472.8m
- Gross profit per customer up by 15.3%
- 600 new customers added in the period, up 6.0%

Significant cash generation and returns to shareholders

- Strong cash conversion of 103%**
- The Company remains debt free with £43.3m of cash
- Interim dividend of 3.3p per share (H1 2017: 2.9p) to be paid on 11 May 2018
- Fifty quarters of consecutive organic top line and bottom line growth

* 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

- 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
- Customer demand has remained robust with no noticeable impact from Brexit
- Good growth from both corporate customers and public sector
- Consistent growth across Q1 and Q2 and performance reflects the strength of underlying momentum rather than large individual deals

Our proven growth strategy

Significant untapped growth potential



Progress against plan

Softcat

1

Sell more to existing customers

- Strong growth from existing customer base
- Increase of 15% in GP per customer
- Positive trends in business lines purchased per customer
- All individual business lines growing well

2

Win new customers

- Customer numbers up 600 to 10.6k
- Revenue and gross profit from new customers up on prior period
- Growth coming from both corporate and public sector

3

Build scale, develop the offering

- Further recruitment planned for H2
- South coast office opened
- Ireland office planned in the next 12 months
- Security and cloud development focus
- Strengthened leadership team with the addition of new HRD, Rebecca Monk

Cisco UK&I Services Partner of the Year, Nutanix European Partner of the Year, Cylance Emerald Partner of the Year, Veritas Top Performing Back-up Exec Partner

H1 2018 financial review

Graham Charlton, CFO

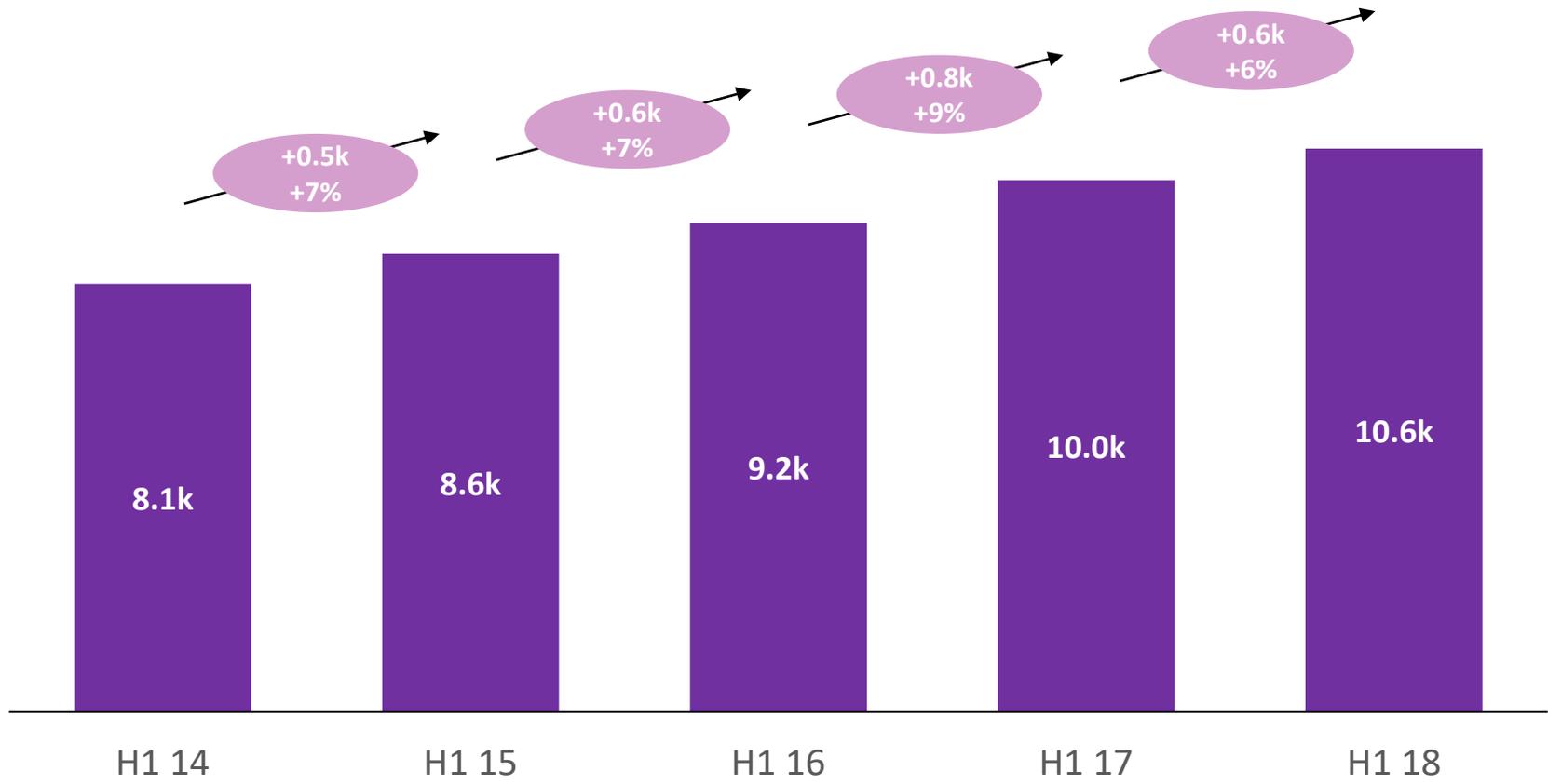
Summary income statement



£m	FY18	FY17	Growth
Revenue	472.8	378.5	24.9%
Gross profit	74.8	61.3	22.2%
GP %	15.8%	16.2%	
Administration expenses	(49.4)	(39.9)	23.9%
Adj operating profit	25.4	21.4	19.1%
Adj OP %	5.4%	5.6%	
Adj OP/GP %	34.0%	34.9%	
Share-based payment charges	(1.3)	(0.5)	
Operating Profit	24.1	20.9	15.4%
Interest	0.0	0.1	
Tax	(4.7)	(4.2)	
Profit after Tax	19.4	16.7	16.0%

- Consistent, measured investment in key areas since IPO has delivered consistent growth and developed a platform for sustainable, profitable growth in market share
- This is reflected in 22% gross profit growth, our primary measure of business expansion
- Gross profit margin slightly down due to an increase in business mix from our public sector partner business together with good growth in the sale of client devices
- Adjusted operating profit growth of 19.1% reflects the growth in gross profit and our continued investment for growth
- Ongoing investment in our offering and to build the scale of our operations creates a slight reduction in our key profitability measure, but this is in line with our expectations
- The effective tax rate is 19.5% (FY17: 20.2%). The reduction is due 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

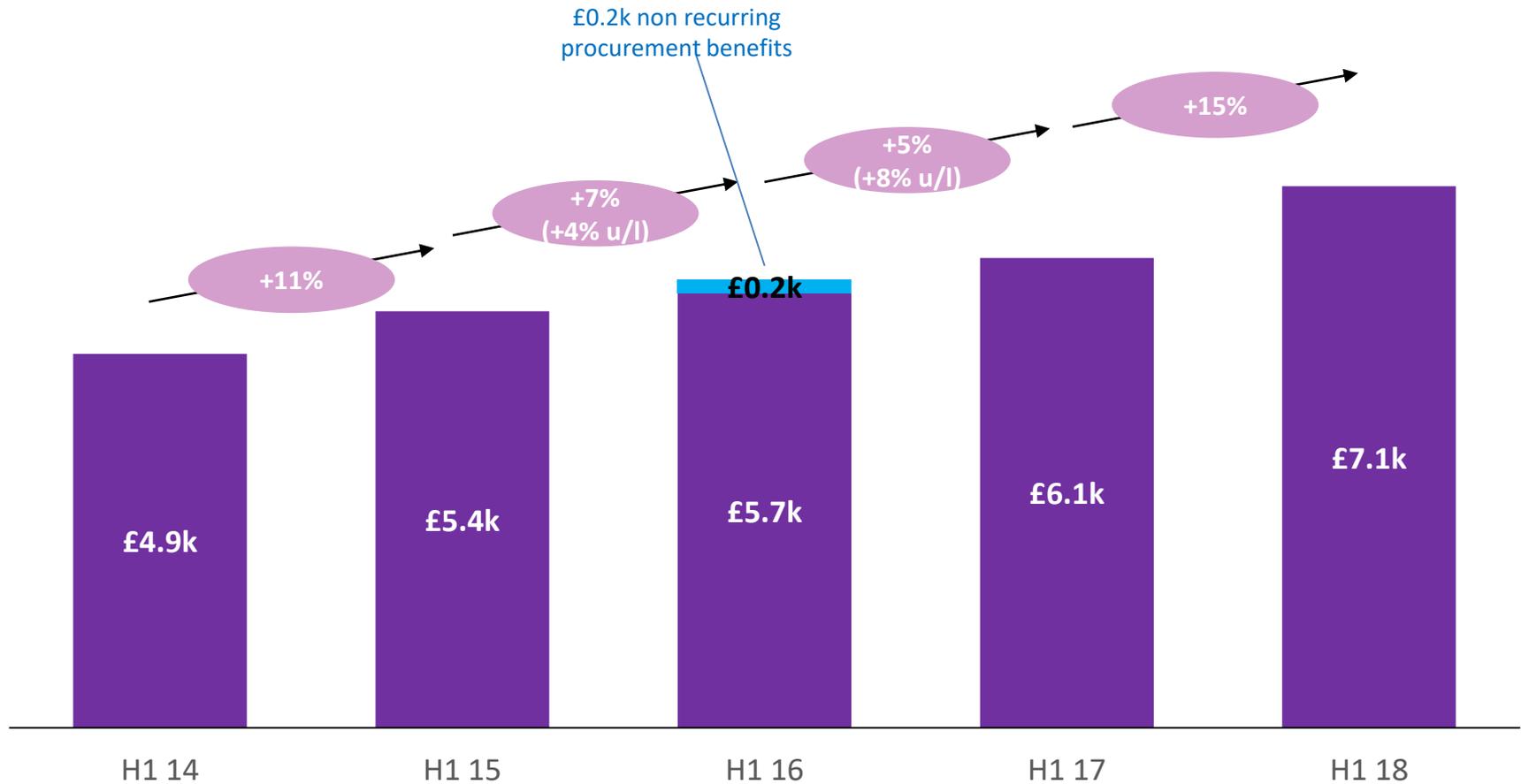
Customer numbers



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

H1 Gross profit per customer

Softcat



Cash flow

£m	H1 FY18	H1 FY17
Operating profit	24.1	20.9
Depreciation and amortisation	0.9	1.0
Net capital expenditure	(0.6)	(1.1)
Movements in working capital	(0.5)	2.2
Other	1.0	0.5
Cash from operations before tax, after capex	24.9	23.5
As % of operating profit	103%	112%
Income taxes paid	(4.9)	(4.4)
Finance income	0.0	0.1
Net proceeds from equity transactions	0.4	0.3
Dividends Paid	(38.8)	(35.2)
Net decrease in cash during the period	(18.3)	(15.7)
Closing cash balance	43.3	46.6

● Capital expenditure requirements have remained relatively limited, and mainly relate to general office and computer equipment requirements

● 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 sustainable full year conversion 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

- Our stated policy is to return 40% to 50% of profit after tax to shareholders in the form of dividends. We aim to split this c. 1/3rd interim and 2/3rd final. In line with this policy:
 - A dividend of 3.3p (2017: 2.9p) per share will be paid on 11 May 2018 to shareholders on the register at the close of 3 April 2018
 - Total dividend payment will be £6.5m (2017: £5.7m)
 - The shares will trade ex dividend on 29 March 2018
 - The DRIP election date is 16 April 2018

Closing remarks

Martin Hellowell, CEO

- Our simple strategy remains unchanged and continues to serve us well
- The market has remained robust
- Strong growth reflects 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

Board Changes

The Softcat logo is a purple oval with the word "Softcat" written in white, bold, sans-serif font.

- Graeme Watt starts as CEO on 3rd April
- He joins us from Tech Data and has an outstanding reputation within the industry
- I will step into the Non-executive Chairman role at the same time
- Brian Wallace to step down from the Board
- This brings my 12 year tenure as CEO to a close, but I look forward to working with Graeme towards further growth and success for Softcat

- The second half of the year has started well and the Board is confident of meeting its expectations for the full year
- Some important months ahead and we remain very focused on continuing to deliver outstanding service for our customers