

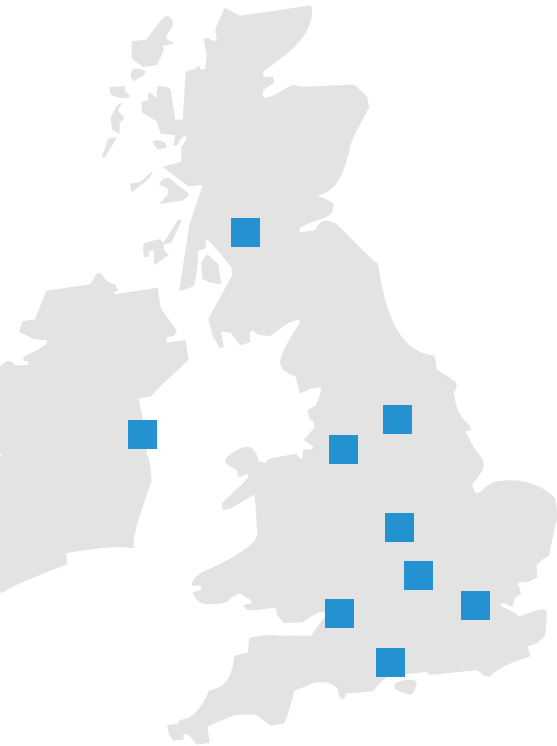
Softcat

RESULTS FOR THE YEAR ENDED
31 JULY 2019

Graeme Watt, CEO
Graham Charlton, CFO
23 October 2019



LEADING IT INFRASTRUCTURE SOLUTIONS PROVIDER



1,330

Employees at 31 July 2019

£992m

FY19 revenue

£84.5m

FY19 operating profit

12,300

Customers in FY19

£211m

FY19 gross profit

92%

FY19 cash conversion

200+

vendors



DELL EMC



NUTANIX

PURE STORAGE

SOPHOS

VEEAM



Hewlett Packard
Enterprise

lenovo

mimecast
unified email management

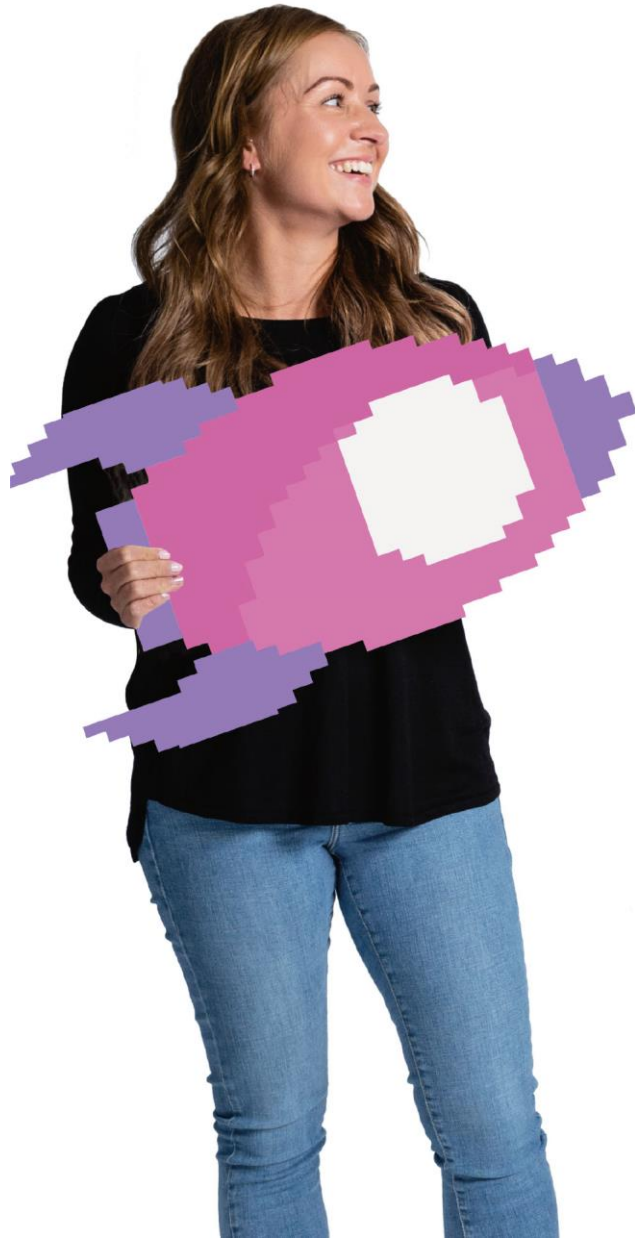
snow
SOFTWARE



vmware

Our purpose: We help customers use technology to succeed, by putting our employees first

2019 summary results



Softcat

Strong growth and profitability

- Gross profit up 20.5% to £211.1m
- Operating profit up 24.3% to £84.5m
- Revenue* up 24.4% to £991.8m
- Gross invoiced income* up 30.7% to £1.4bn
- Gross profit per customer up by 17.0%
- 400 new customers added in the period, up 3.4%
- 14 consecutive years of organic income and profit growth

Significant cash generation and returns to shareholders

- Strong cash conversion of 92%**
- Strong balance sheet with £79.3m of cash and no debt
- Final dividend of 10.4p per share and special dividend of 16.0p per share to be paid on 13 December 2019

* Revenue has been stated under IFRS15 for the first time, including the restatement of the FY18 comparatives. Gross invoiced income is retained as an alternative performance measure.

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

Business update



- Market conditions remained strong in 2019, with structural growth driven by evolving cloud-compute models, data proliferation and security. This is a trend we think will continue over the medium-term
- Our ongoing investment in new skills and scale underpinned our ability to advise and procure across all technology areas, enabling us to capitalise on the market opportunity
- Growth was broad-based, with double-digit growth across all key technology areas, business lines and customer segments
- Growth was delivered in all 4 quarters of the 2019 financial year

Strategy update and progress

ACQUIRE MORE CUSTOMERS

- Customer numbers up 400 (+3%)
- Gross profit from new customers up 16% on prior period
- Growth coming from both corporate and public sector

SELL MORE TO EXISTING CUSTOMERS

- Strong growth from existing customer base; gross profit from existing customers up 21%, accounting for 95% of total
- Positive trends in average business lines purchased per customer

PEOPLE AND CULTURE

- Strengthened leadership team with the addition of new CIO Rob Parkinson
- Implemented changes to working hours and flexible working arrangements
- A range of initiatives aimed at inclusion and diversity launched

OPERATIONAL EXCELLENCE

- Notable awards from vendors, trade journals and financial institutions
- Ecat (online sales platform) development
- System and process review project progressing well

EXPANDING OUR ADDRESSABLE MARKET

- New offices opened in Ireland and Birmingham
- Multinational fulfilment capability

Softcat

2019 FINANCIAL REVIEW

Graham Charlton, CFO



Summary income statement

£m	FY19	FY18	Growth
Revenue	991.8	797.2	24.4%
Gross profit	211.1	175.2	20.5%
GP %	21.3%	22.0%	
Admin. expenses	(126.7)	(107.1)	(18.3%)
Operating Profit	84.5	68.0	24.3%
OP /GP %	40.0%	38.8%	
Interest	0.3	0.1	
Tax	(16.4)	(13.1)	
Profit after Tax	68.5	55.0	24.5%

- Strong revenue and gross profit growth reflect successful execution of strategy and further market share gains
- Growth once again driven by both increased GP per customer and growth in customer numbers
- Gross margin slightly down year on year reflecting increase in mix from public sector
- Gross profit growth well ahead of expectations entering the year, especially considering the strength of 2018 comparatives
- Growth in the cost base reflects our on-going investment in scale and capabilities. People costs continue to comprise approx. 85% of the cost base, and average headcount was up 15% year-on-year and commission costs increased in line with gross profit growth
- Operating profit growth benefits from the leverage of above expectations gross profit growth
- The ratio of OP to GP increased significantly on 2018 (which itself was up from 36.8% in 2017).
- The effective tax rate is 19.3% (FY18: 19.3%), slightly higher than the statutory tax rate of 19.0% because of the impact of some non-deductible expenses

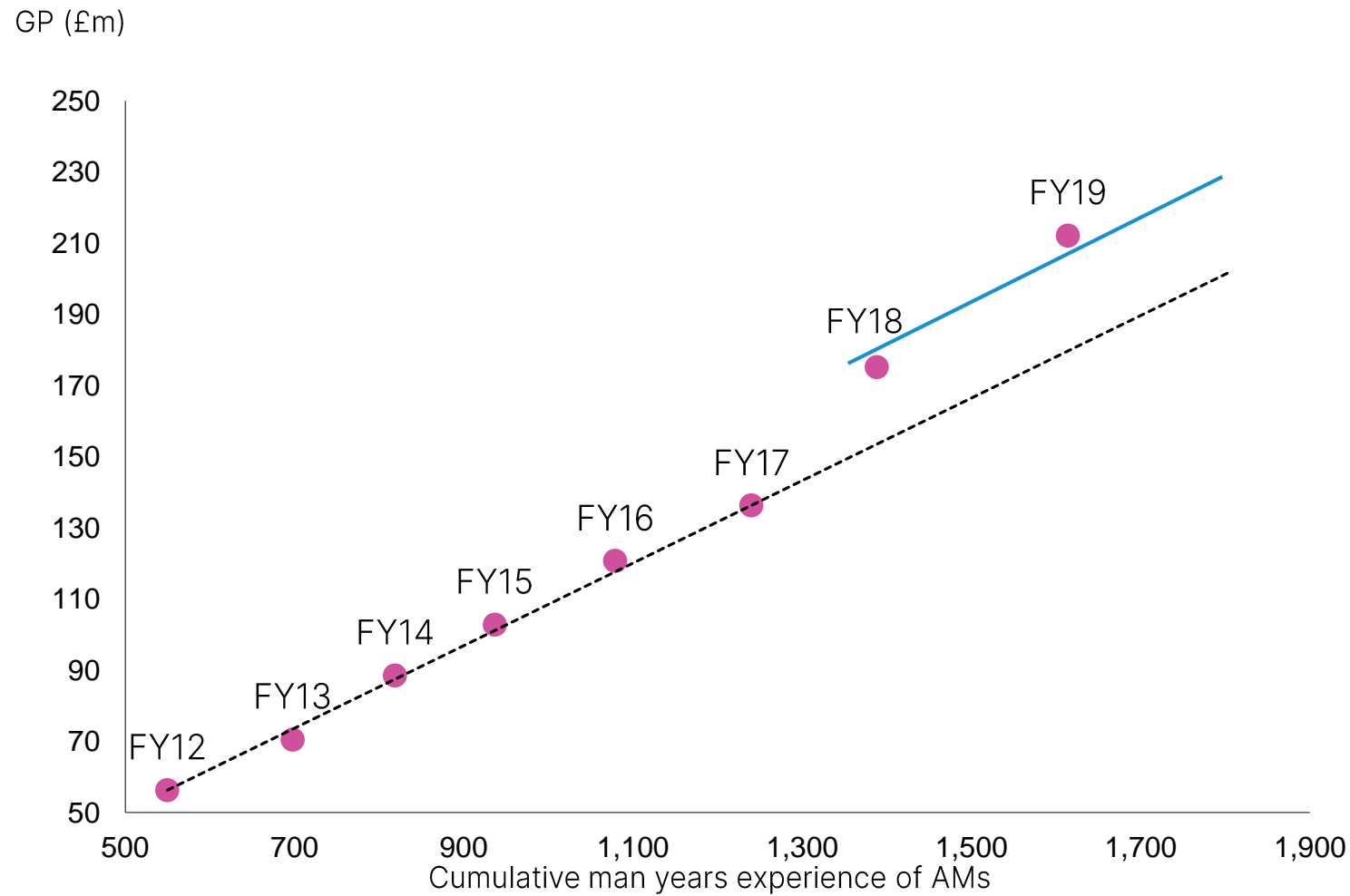
Impact of IFRS 15 on Revenue

£m	FY19	FY18	Growth
Gross Invoiced Income	1,414.1	1,081.7	30.7%
IFRS 15 Revenue Adjustments	(422.3)	(284.5)	(48.4%)
Revenue	991.8	797.2	24.4%

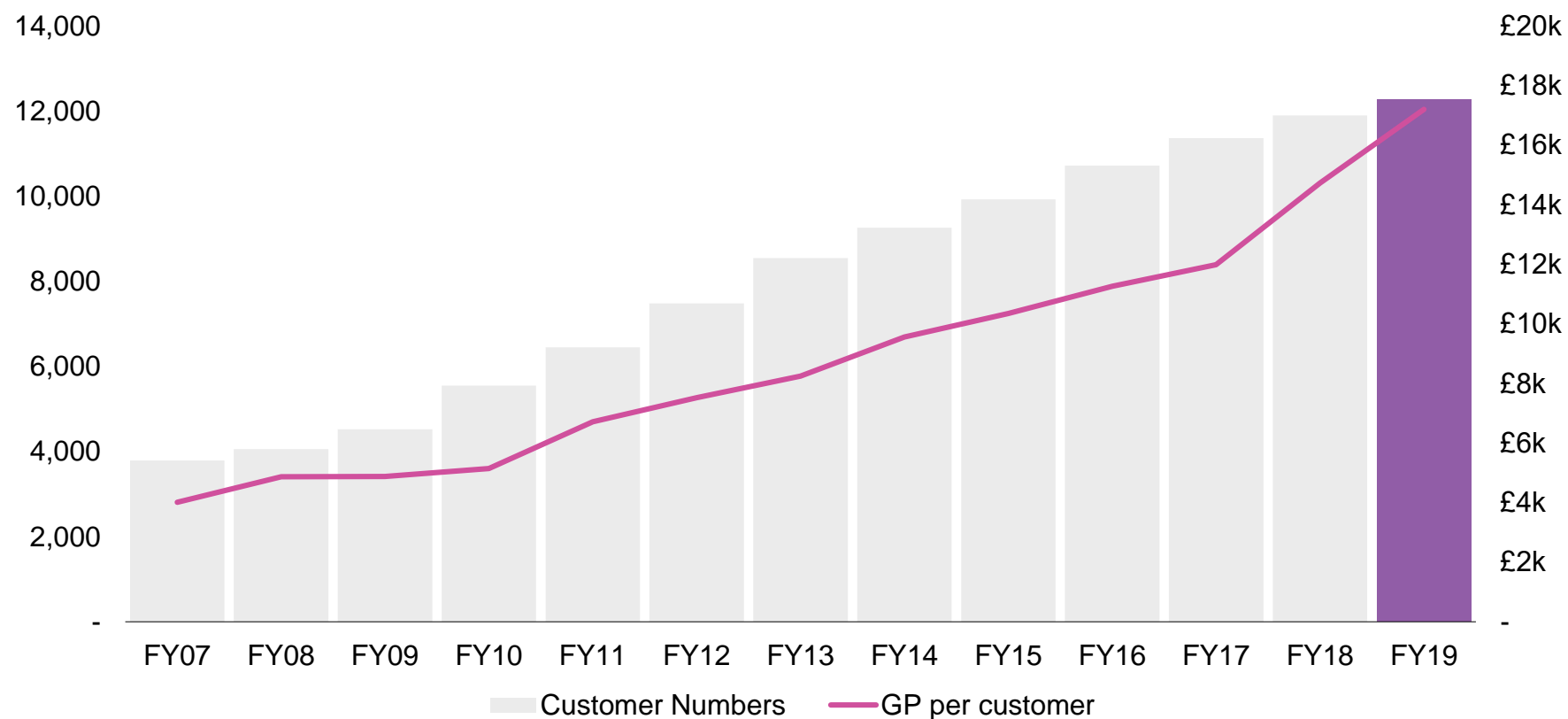
£m	FY19	FY18	Growth
Software	788.9	563.7	40.0%
Hardware	453.0	366.9	23.5%
Services	172.2	151.1	14.0%
Gross Invoiced Income	1,414.1	1,081.7	30.7%

Software	476.5	378.8	25.8%
Hardware	430.9	349.1	23.4%
Services	84.4	69.3	21.8%
Revenue	991.8	797.2	24.4%

Step-change in FY18 sales productivity maintained in FY19



Customer numbers & GP per customer



	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Customer Growth	7%	12%	23%	16%	16%	14%	7%	7%	8%	6%	5%	3%
GP per Customer Growth	22%	0%	5%	31%	12%	9%	17%	8%	9%	7%	23%	17%

Cash flow

£m	FY19	FY18
Operating profit	84.5	68.0
Depreciation and amortisation	1.5	1.8
Net capital expenditure	(2.3)	(1.1)
Movements in working capital	(7.4)	(4.0)
Other	1.6	1.8
Cash from operations before tax, after capex	77.9	66.5
As % of operating profit	92%	98%
Income taxes paid	(15.5)	(10.5)
Finance income	0.3	0.1
Foreign exchange difference on cash flow hedge	0.0	–
Net proceeds from equity transactions	–	0.4
Dividends Paid	(56.2)	(45.3)
Net increase in cash during the period	6.4	11.2
Closing cash balance	79.3	72.8

- Capital expenditure requirements have remained limited, although up year-on-year as anticipated. The increase relates to office openings and refurbishment
- Capital expenditure will rise again in FY20 due to major refurbishment of the Marlow and Manchester offices, together with the implementation of a new finance system
- The net working capital movement reflects growth in receivables and payables broadly in line with growth in gross invoiced income, indicating a consistent business model
- Cash conversion is above 90% for the third year running, and cumulatively for the last 5 years is 99%
- Cash conversion in FY20 is expected to be c.80% due to the increase in capital expenditure mentioned above
- The dividend policy and general approach remains unchanged
- The final and special dividend announced with these results amount to £52.3m and will be paid in December 2019

Dividend

	FY19	FY18
Interim	4.5p	3.3p
Final	10.4p	8.8p
Special	16.0p	15.1p
Total	30.9p	27.2p
Basic EPS	34.6p	27.9p
Ex Dividend Date	7 November	
Payment Date	13 December	

- The Company's dividend policy remains unchanged
- The normal dividend constitutes 40-50% of post tax profits
- The Company seeks to maintain a minimum cash balance of £30m but will periodically consider the payment of special dividends

CLOSING REMARKS

Graeme Watt, CEO



Summary



- Our straight-forward strategy remains unchanged and continues to serve us well
- Market conditions were again strong in 2019 and we think structural growth drivers will continue in the medium term
- Strong growth also reflects further gains in market share
- Growth again broad-based with all business lines, customer segments and branches performing well
- Cash conversion maintained, dividend policy unchanged
- The opportunity ahead is still vast, despite our growth and current size – the market is as fragmented as ever
- Our plans for 2020 include continued investment in skill and capacity

Outlook



- Softcat is in great health and strategically well-positioned
- We think the structural drivers for growth in our industry will continue despite current political and economic uncertainty
- The Board also remains confident in the Company's ability to gain market share and targets further growth during 2020
- Trading in the first eleven weeks of the new financial year has been on track and we look forward to the rest of the year with confidence