

**Softcat**

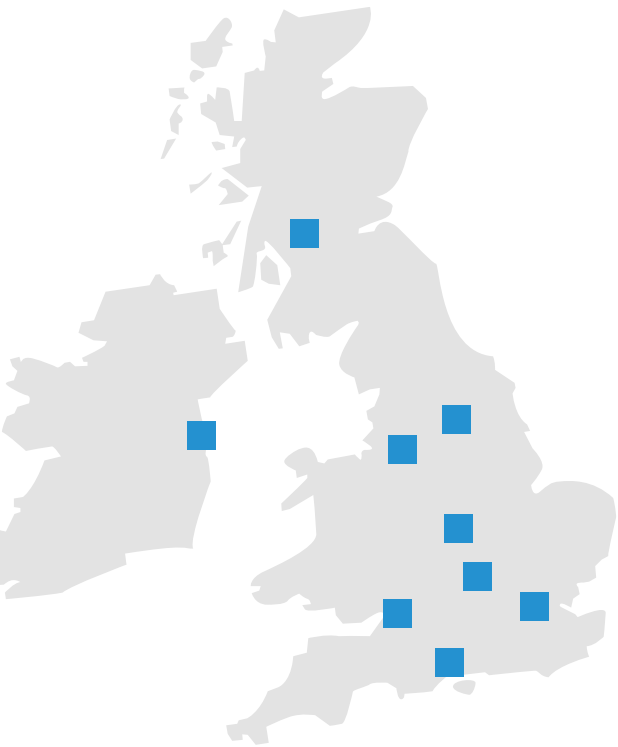
**RESULTS FOR THE YEAR ENDED  
31 JULY 2020**



Graeme Watt, CEO  
Graham Charlton, CFO  
20 October 2020

## Who we are

We are a leading reseller of infrastructure technology solutions to customers in the UK and Ireland



**1,534**

Employees at 31 July 2020

**£1.6bn**

FY20 gross invoiced income

**£93.7m**

FY20 operating profit

**9,500**

Customer base at 31 July 2020

**£235.7m**

FY20 gross profit

**88%**

FY20 cash conversion

**200+**

Vendors



aws



DELL EMC

Hewlett Packard  
Enterprise



Lenovo

Microsoft

mimecast

NUTANIX



PURE STORAGE

Red Hat

SOPHOS

vmware

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

# 2020 summary results



\* Gross invoiced income (GII) is retained as an alternative performance measure and represents the full value of invoices raised to customers before the IFRS 15 net down process overlaid on certain items such as cloud-based software. Working capital movements are therefore more closely correlated with GII than revenue.

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

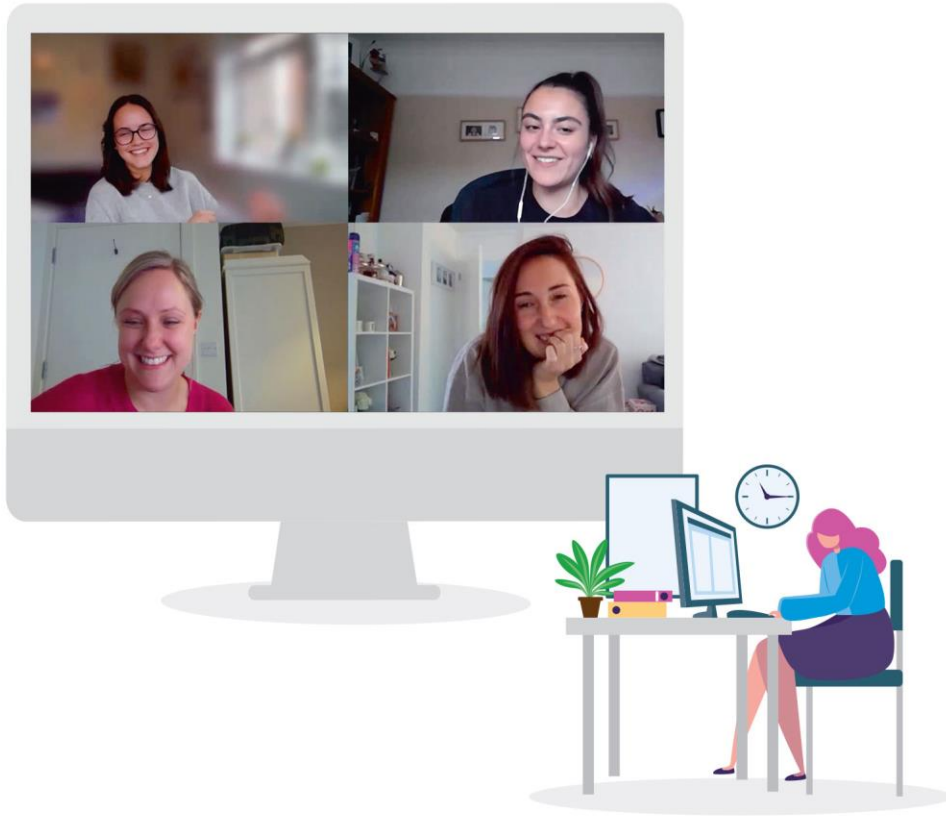
## Sustained profitable growth

- Gross profit growth of 11.6% to £236m
- Operating profit up 10.9% to £93.7m
- Revenue\* up 8.6% to £1.1bn
- Gross invoiced income\* up 16.4% to £1.6bn
- Gross profit per customer growth of 7.8% to £24.8k
- Customer base increased 3.3% to 9,500
- 15 consecutive years of organic income and profit growth

## Strong cash generation and shareholder returns

- Strong cash conversion of 88%\*\*
- Strong balance sheet with £80.1m of cash and no debt
- Total ordinary dividend of 16.6p per share, incl. reinstated interim dividend, up 11.4%
- Special dividend of 7.6p

# Our business during COVID-19 pandemic



## People, Customers and Communities First

- Focus on the wellbeing of our people and culture
- Transitioned seamlessly to remote working
- Further improved customer NPS from 60 to 66
- Charitable initiatives to support affected communities

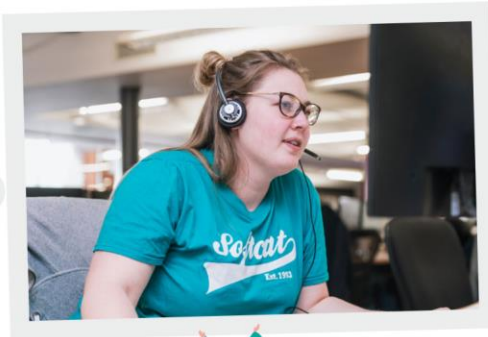
## Market Dynamics

- Public sector performed strongly whilst we experienced a softening of demand from corporate customers in the last four months of the year
- Spotlight on how IT infrastructure forms a vital component of modern economy

## Resilience in our model

- Cash collection largely unaffected
- Continued investment in people
- No redundancies, furloughing or government support

## Business update



- Structural growth in the market continues, driven by remote working, adoption of hybrid multi-cloud computing, digital transformation, the proliferation of connected devices, distributed IT at the edge and security
- Continued investment in headcount to enhance capacity and capabilities for now and the long term
- Broad-based organic growth with double-digit GII expansion across all customer segments
- Public Sector was our fastest growing segment growing by 26% and now makes up 39% of GII
- Software grew by 22% and now comprises 59% of GII

# Strategy update and progress



## ACQUIRE MORE CUSTOMERS

- Customer base up 300 (+3.3%)
- Growth coming from all customer segments
- We estimate that we trade with around 20% of our addressable market



## SELL MORE TO EXISTING CUSTOMERS

- Gross profit per customer up 7.8%
- Growth coming from all customer segments
- We estimate that our average share of wallet is around 15%

## PEOPLE AND CULTURE

- Ranked 5th by both Glassdoor and Great Places to Work organisation
- Recruiting apprentices and graduates for the long term
- Enhanced focus on diversity and inclusion

## OPERATIONAL EXCELLENCE

- Systems and data upgrade progressing well
- Corporate and public sector sales best practice brought together
- Customer satisfaction gains
- Set sustainability goals

## EXPANDING OUR ADDRESSABLE MARKET

- Multinational branch network expansion – Netherlands
- Accelerating cloud SaaS fulfilment and distribution
- Our cybersecurity services are gaining traction
- Investment in verticals including defence, central government and financial services



**Softcat**

# 2020 FINANCIAL REVIEW

Graham Charlton, CFO



# Summary income statement

£m	FY20	FY19	Growth
<b>Revenue</b>	<b>1,077.1</b>	<b>991.8</b>	<b>8.6%</b>
<i>Gross invoiced income</i>	1,646.2	1,414.1	16.4%
<b>Gross profit</b>	<b>235.7</b>	<b>211.1</b>	<b>11.6%</b>
GP/GII %	14.3%	14.9%	
Admin. expenses	(142.0)	(126.7)	(12.1%)
<b>Operating profit</b>	<b>93.7</b>	<b>84.5</b>	<b>10.9%</b>
OP/GP %	39.8%	40.0%	
Interest	(0.1)	0.3	
Tax	(18.0)	(16.4)	
<b>Profit after tax</b>	<b>75.7</b>	<b>68.5</b>	<b>10.5%</b>

- Shift in mix towards public sector drives particularly strong GII growth
- Revenue growth slower than GII growth reflects shift towards cloud software, strong growth in some third party service lines, as well as the CV-19 impact on hardware in Q4
- GP growth once again driven by both increased income per customer as well as growth in the customer base

- People costs, including commissions, continued to represent c.85% of administrative expenses
- Average headcount was up 13% and was the key driver of cost growth, with investment once again across all departments but focussed on building sales capacity backed by increased levels of technical and service capability
- CV-19 restrictions delivered cost savings from travel, expenses and establishment costs which partially offset reduced spending from some corporate customers in April and Q4
- Gross profit and administrative expenses growth were closely aligned, keeping our core profitability metric of OP as a % GP relatively stable

- Net interest expense reflects the adoption of IFRS16 and the associated interest expense on lease liabilities
- The effective tax rate is 19.2% (FY19: 19.3%), reflecting a stable statutory rate of 19.0% and the relatively marginal impact of non-deductible expenses



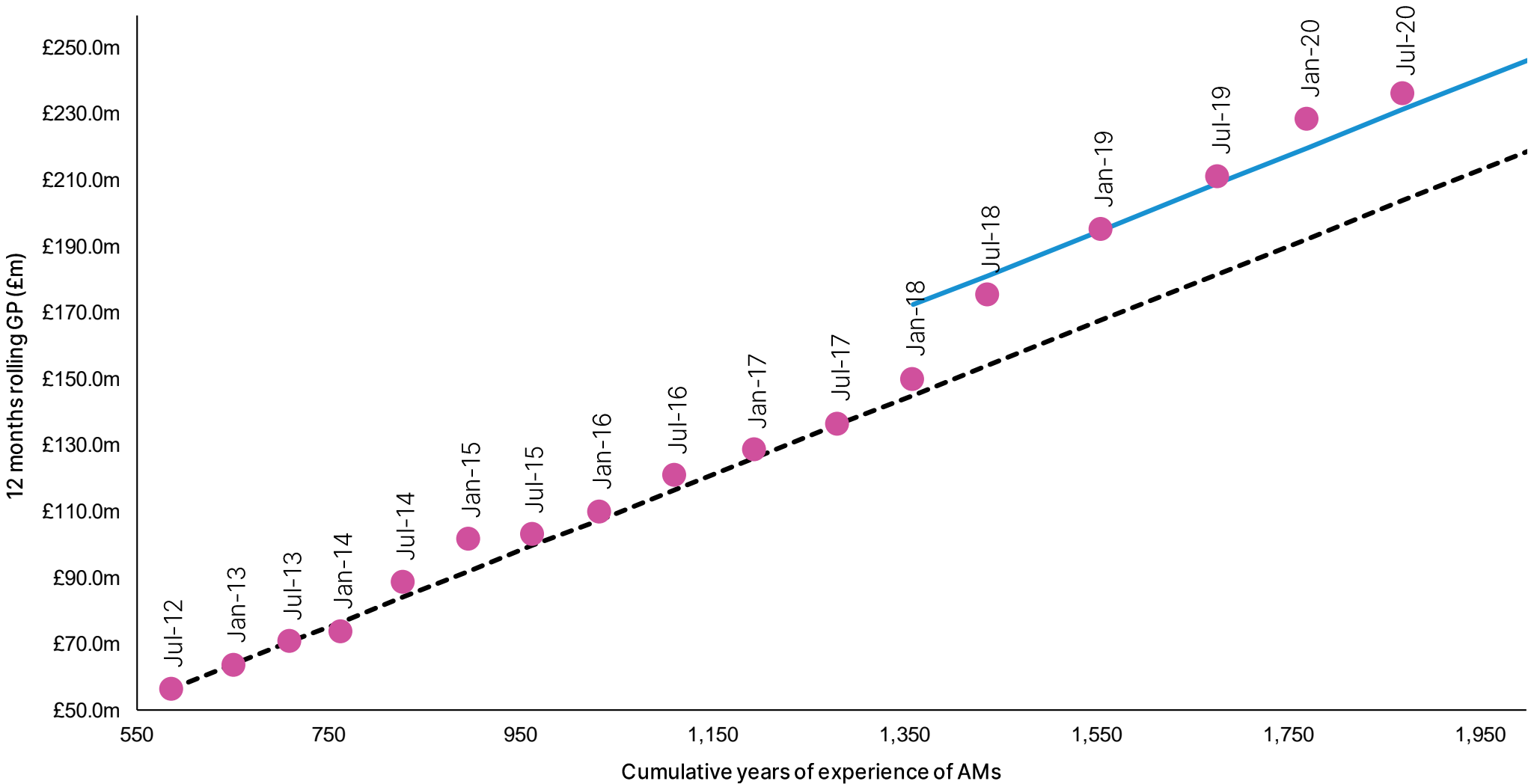
## H1/H2 split

£m	H1 20	H1 19	Growth
Gross invoiced income	727.7	607.8	19.7%
<b>Gross profit</b>	<b>111.7</b>	<b>94.7</b>	<b>18.0%</b>
GP/GII %	15.3%	15.6%	
Admin. expenses	(71.2)	(60.8)	(17.1%)
<b>Operating profit</b>	<b>40.5</b>	<b>33.9</b>	<b>19.5%</b>
OP/GP %	36.2%	35.8%	

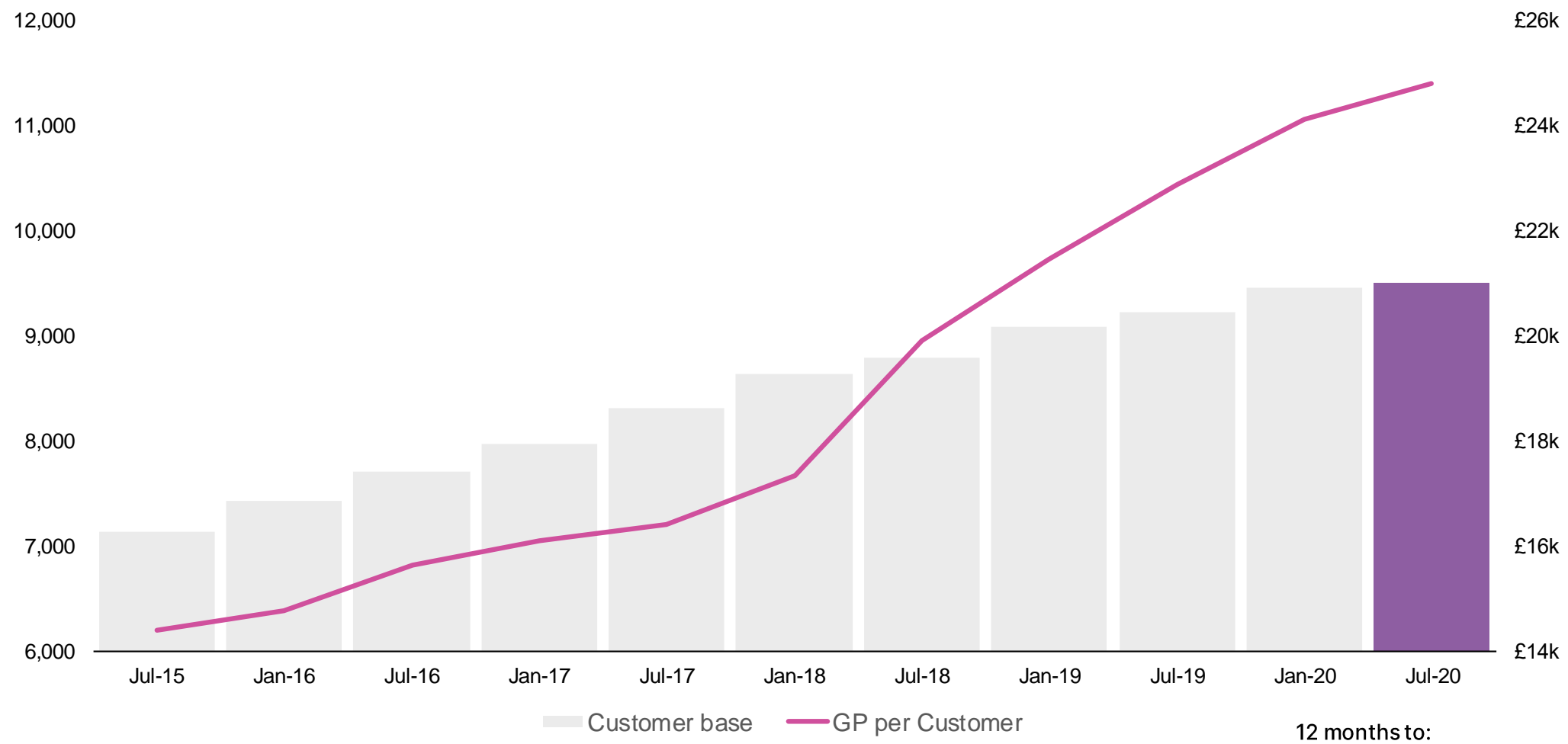
£m	H2 20	H2 19	Growth
Gross invoiced income	918.5	806.3	13.9%
<b>Gross profit</b>	<b>124.0</b>	<b>116.5</b>	<b>6.5%</b>
GP/GII %	13.5%	14.4%	
Admin. expenses	(70.8)	(65.8)	(7.5%)
<b>Operating profit</b>	<b>53.3</b>	<b>50.6</b>	<b>5.2%</b>
OP/GP %	42.9%	43.5%	

- Tough H2 comparative figures, with H2 19 gross profit being 55% up on H2 17
- Public sector performed well during H2 20 but we did see a softening of corporate customer demand as a result of CV-19 from April onwards
- This gross profit impact was partially offset by some natural cost savings as a result of both our model and CV-19 restrictions – an estimated c.40-50% offset

# Step-change in FY18 and FY19 sales productivity continued in FY20



# Customer base and GP per customer



Customer base: is defined as the number of entities which traded with Softcat in each of the two preceding 12-month periods. This better reflects the number of substantive customer relationships maintained by the Company, excluding potentially transient interactions from which a fuller relationship may or may not develop.

# Cash flow

£m	FY20	FY19
<b>Operating profit</b>	<b>93.7</b>	<b>84.5</b>
Depreciation and amortisation	3.6	1.5
Net capital expenditure	(9.0)	(2.3)
Movements in working capital	(7.9)	(7.4)
Other	1.8	1.6
<b>Cash from operations before tax, after capex</b>	<b>82.2</b>	<b>77.9</b>
As % of operating profit	88%	92%
Income taxes paid	(27.1)	(15.5)
Finance income	0.2	0.3
IFRS 16 lease payments	(2.2)	—
Dividends paid	(52.3)	(56.2)
<b>Net increase in cash during the period</b>	<b>0.9</b>	<b>6.4</b>
<b>Closing cash balance</b>	<b>80.1</b>	<b>79.3</b>

- Capital expenditure increased as expected during FY20 due to major refurbishment of the Marlow and Manchester offices, as well as progress through the first phase of the finance system implementation
- Expenditure on the office refurbishments was slightly above plan due to the work being able to be accelerated on the back of CV-19 restrictions
- Work on both locations is now complete, but implementation of the finance system will continue into 2021

- The net working capital movement reflects growth in receivables and payables broadly in line with growth in gross invoiced income, reflecting a consistent business model
- CV-19 had no discernible impact on customer receipts or other elements of working capital

- Cash conversion of 88% is broadly in line with cumulative cash conversion since IPO of 92%
- Cash conversion in FY21 is expected to be c.85% due to further capitalisation of the new finance system implementation

- The increase in taxes paid reflects the transition to the new corporation tax payment scheme for very large companies, and creates a one-off accelerated outflow in FY20 of an incremental c.£10m

# Dividend

	FY20	FY19
Interim (FY20 declared not paid)	5.4p	4.5p
Final (FY20 normalised)	11.2p	10.4p
<b>Total ordinary</b>	<b>16.6p</b>	<b>14.9p</b>
Special	7.6p	16.0p
Ex-dividend date	5 November 2020	
Payment date	11 December 2020	

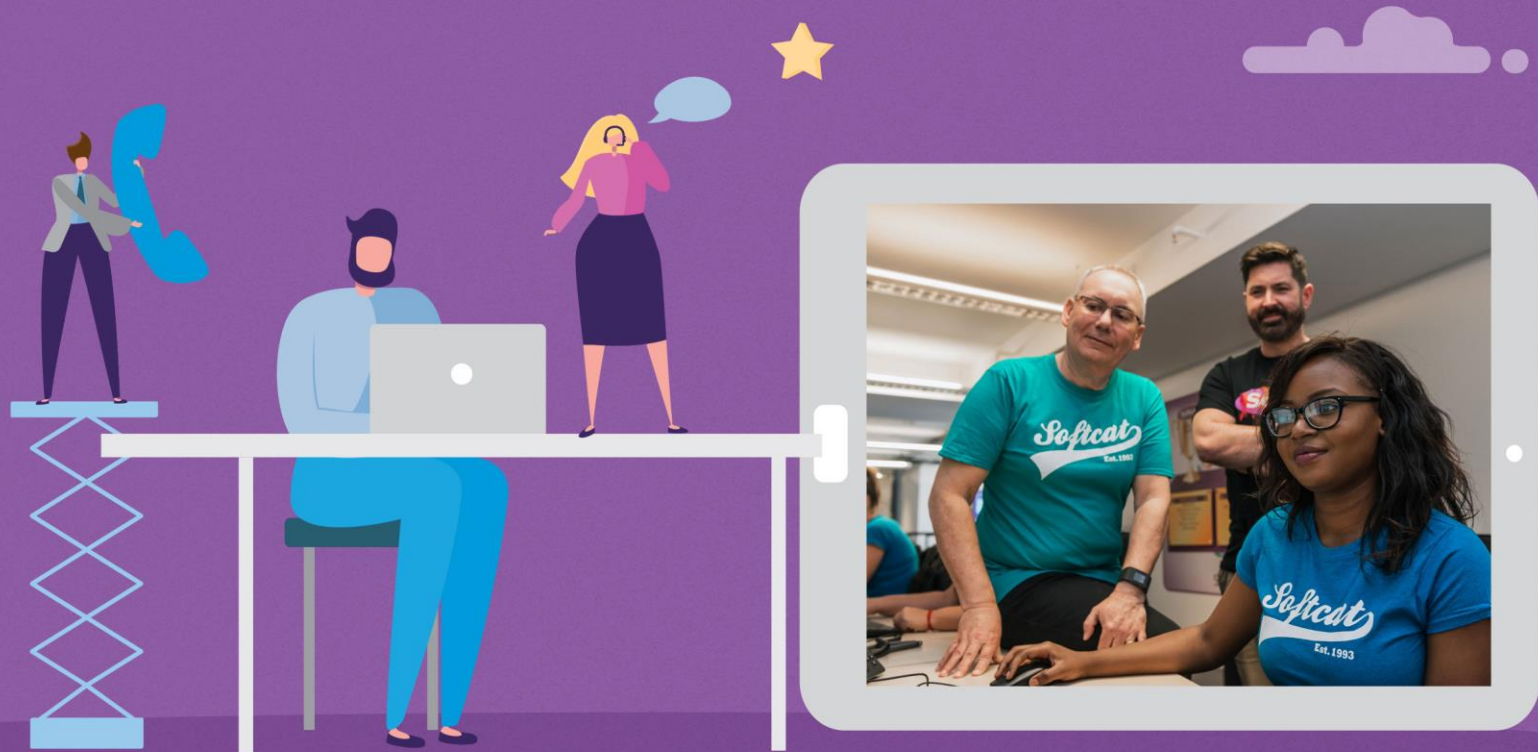
- The Company's dividend policy remains unchanged
- The normal dividend constitutes 40-50% of post-tax profits
- The interim dividend of 5.4p, declared but subsequently cancelled in March 2020, has been reinstated as part of the 16.6p proposed final dividend
- On a normalised basis the final dividend is therefore 11.2p
- The total ordinary dividend is, on aggregate, up 11% on prior year, in line with growth in PAT
- The special dividend has been calculated to increase the minimum cash balance of the business from £30m to £45m. This change partly reflects the increase in size and scale of the business since IPO and is considered prudent in light of the uncertainty created by COVID-19



Softcat

# CLOSING REMARKS

Graeme Watt, CEO



# Summary



- Record performance
- Dealing effectively with challenges of CV-19 pandemic
- Growth was again broad based with most business lines and all customer segments performing well
- Cash conversion maintained
- Ordinary and special dividend proposed
- Our straightforward strategy remains unchanged and continues to serve us well
- The structural growth drivers will continue and the opportunity for growth remains exciting – the market is as fragmented as ever
- Continued investment in skills and capacity in FY21
- Being a great place to work remains at the heart of how we operate to deliver success

# Outlook



During the last four months of our 2020 financial year our public sector business performed strongly, but we did experience a softening in demand from corporate customers.

This year has started well, however we do expect corporate customers to continue to be circumspect with their spending over the coming months. This may mean that market conditions remain challenging for a time, but we remain confident in our ability to gain market share and our view of the long-term opportunity is undiminished.

As a result, we will continue to pursue our strategy of organic investment in new capabilities and seek to take advantage of our financial strength and scale. We have every confidence in a bright future for our industry and Softcat in particular.