

Softcat

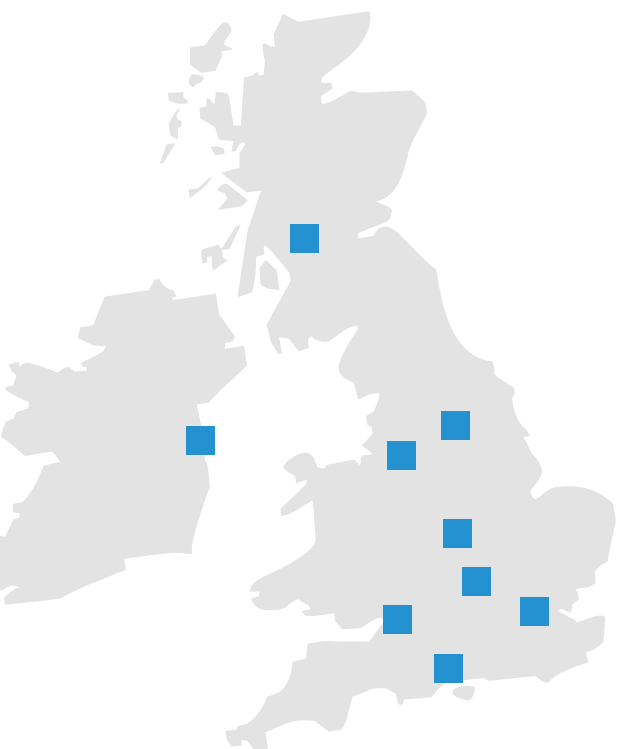
RESULTS FOR THE 6 MONTHS ENDED
31 JANUARY 2020

Graeme Watt, CEO
Graham Charlton, CFO
17 March 2020



Who we are

We are a leading reseller of infrastructure technology solutions to customers in the UK&I, with multinational fulfilment capabilities



1,483

Employees at 31 January 2020

£992m

FY19 revenue

£84.5m

FY19 operating profit

9,500

Customer base at 31 January 2020

£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

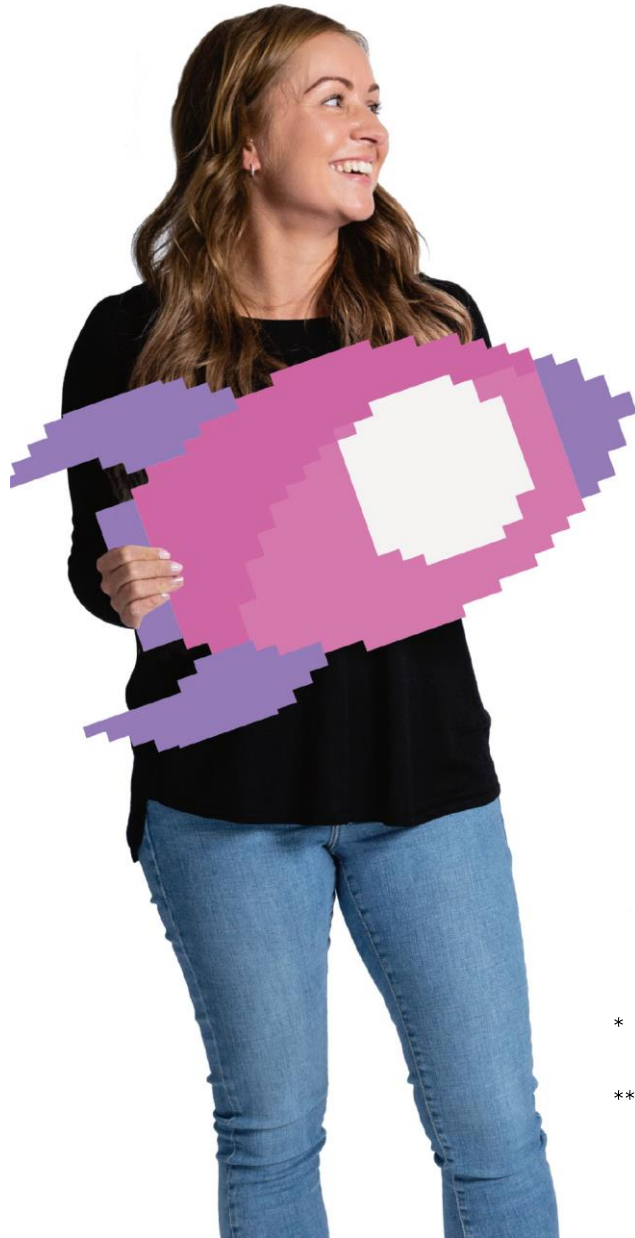
snow
SOFTWARE



vmware

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

H1 2020 summary results



Sustained profitable growth

- Gross profit growth of 18.0% to £112m
- Operating profit up 19.5% to £40.5m
- Revenue* up 20.8% to £524m
- Gross invoiced income* up 19.7% to £728m
- Gross profit per customer growth of 12.2% to £24.1k
- Customer base increased 4.2% to 9,500
- 29 consecutive 6 month periods of organic year-on-year income and profit growth

Strong cash generation and shareholder returns

- Strong cash conversion of 100%**
- Strong balance sheet with £49.4m of cash and no debt
- Interim dividend of 5.4p per share, up 20%

* Gross invoiced income is retained as an alternative performance measure, and represents the full value of invoices raised to customers before 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

Business update



- Structural growth in the market continues, driven by hybrid and cloud computing, digital transformation, the proliferation of connected devices, distributed IT at the edge and security
- Ongoing investment in headcount with the skills and expertise required by our customers
- Growth remains broad-based and entirely organic, with double-digit expansion across all key technologies and customer segments
- Software grew by 24% and now comprises 56% of GII
- Enterprise was our fastest growing segment and now makes up 24% of GII
- Expanding multinational capabilities are a significant element of our enterprise segment growth strategy

Strategy update and progress

ACQUIRE MORE CUSTOMERS

- Customer base up 400 (+4.2%)
- Growth coming from both corporate and public sector

SELL MORE TO EXISTING CUSTOMERS

- Gross profit per customer up 12.2%
- Product penetration metrics increasing across all sales force cohorts

PEOPLE AND CULTURE

- Record recruitment in H1
- New purpose statement launched: we help customers use technology to succeed, by putting our employees first
- 5th in Glassdoor list of best places to work in the UK 2019

OPERATIONAL EXCELLENCE

- Notable awards from vendors, trade journals and financial institutions
- Finance system and data upgrade progressing to plan

EXPANDING OUR ADDRESSABLE MARKET

- New office opened in Birmingham
- Multinational development
- Public sector expansion

Market size and wallet share – new analysis and data

Large and growing market

- The most recent CRN Top 350 VARs report comprises businesses reporting a total of £22bn in income
- Gartner estimate that the UK (non-consumer) IT market was worth £100bn in 2019
- Company analysis of these and other sources suggest that our addressable market is worth around £46bn
- With gross invoiced income of £1.4bn in FY19 our market share was 3.1%
- Gartner estimate the IT market will grow at 4% CAGR 2019 to 2023 – our experience is that actual growth has outpaced forecast growth consistently in recent times

Lots of wallet share to go for

- The current customer base of 9,500 represents around 20% of the UK&I target universe, estimated to be 50k
- This analysis puts our average share of wallet across the existing customer base in the region of 15%
- Our experience with long-standing customers is that a wallet share of >60% is achievable

Source: Gartner Market Databook June-19; Company analysis

H1 2020 FINANCIAL REVIEW

Graham Charlton, CFO



Summary income statement

£m	H1 FY20	H1 FY19	Growth
Revenue	524.1	434.0	20.8%
<i>Gross invoiced income</i>	727.7	607.8	19.7%
Gross profit	111.7	94.7	18.0%

- Revenue, GII and gross profit growth reflective of broad-based growth and not impacted by any large one-off items
- Growth once again driven by both increased income per customer and growth in customer base
- H1 growth was ahead of expectations entering the year, especially considering the strength of H1 FY19 comparatives

GP % 21.3% 21.8%

Admin. expenses	(71.2)	(60.8)	(17.1%)
Operating Profit	40.5	33.9	19.5%
OP /GP %	36.2%	35.8%	

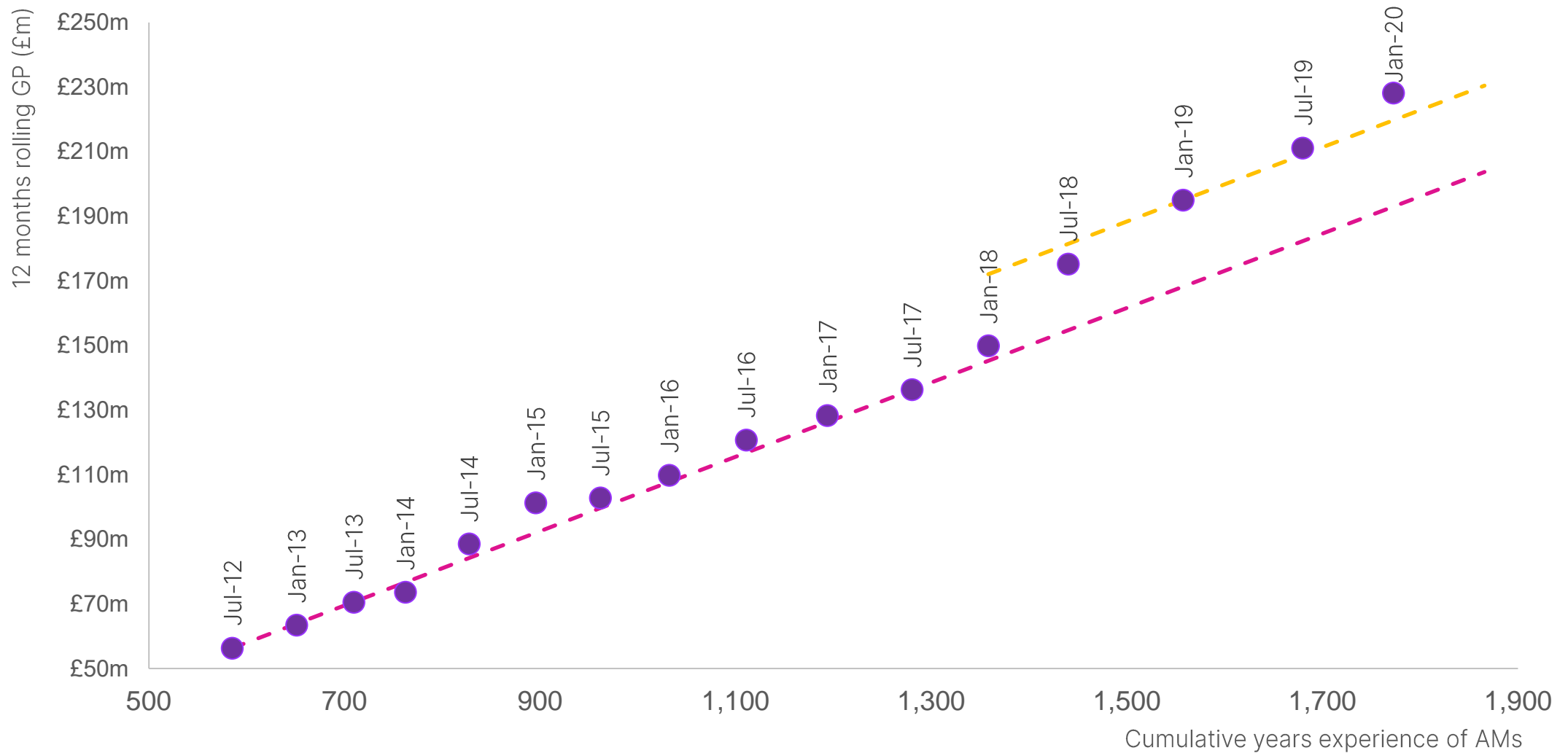
- Growth in the cost base results from our on-going investment in scale and capabilities. People costs continue to comprise approx. 85% of the cost base, and average headcount was up 13% period-on-period

- GP to OP conversion rate is slightly up period-on-period, resulting in operating profit growth being slightly ahead of GP growth

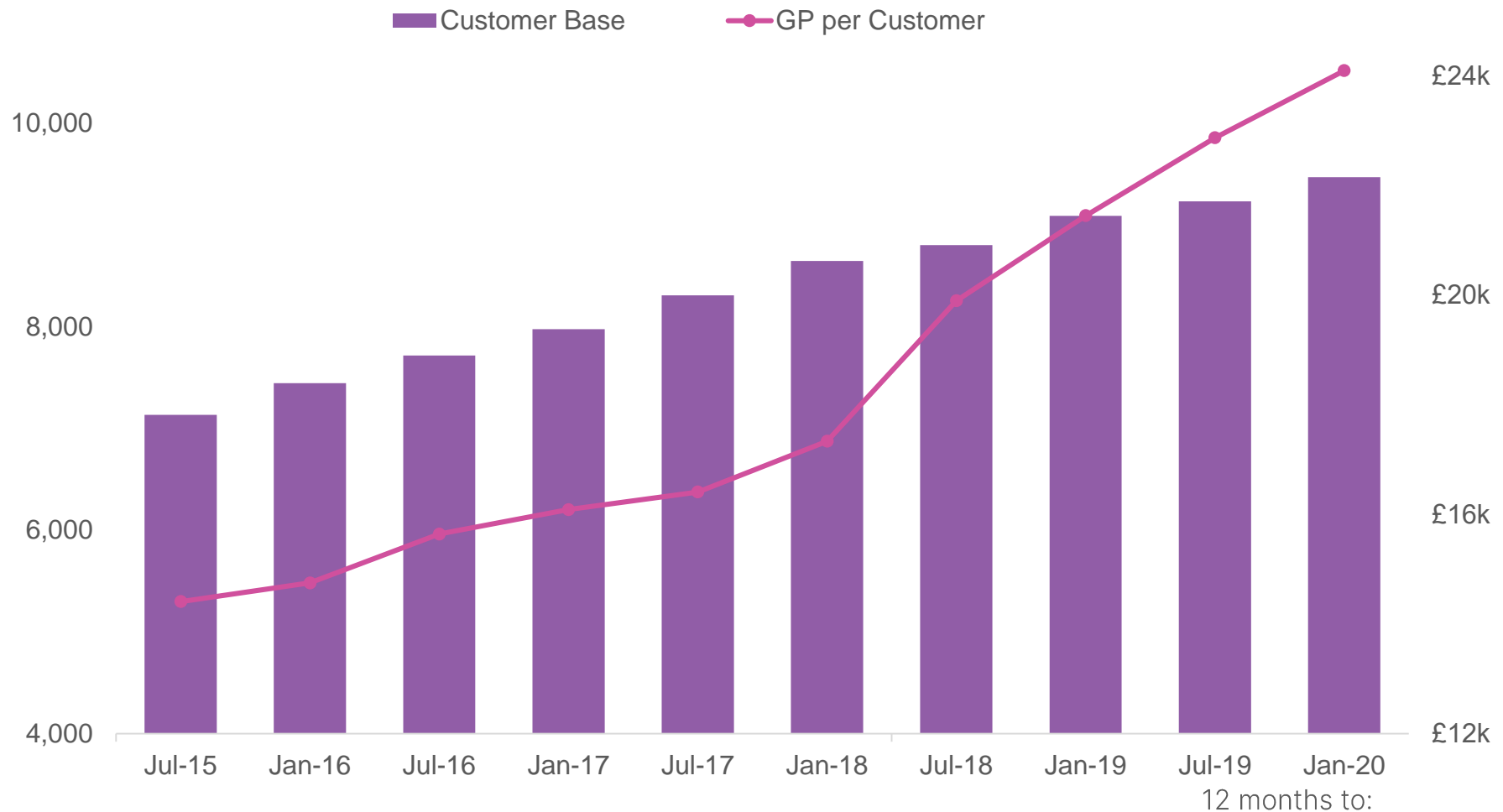
Interest	0.0	0.1	
Tax	(7.5)	(6.5)	
Profit after Tax	33.0	27.5	20.3%

- The effective tax rate is 18.3% (H1 FY19: 19.2%), slightly higher than the statutory tax rate in both periods because of the impact of some non-deductible expenses
- For FY20 the statutory tax rate is a blended tax rate of 19.0% for the 8 months to 31 March 2020 and 17% for the 4 months to 31 July 2020, in line with current government legislation at the balance sheet date

Step-change in FY18 & FY19 sales productivity maintained in FY20



Customer base & 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	
Operating profit	40.5	33.9	
Depreciation and amortisation	1.6	0.8	
Net capital expenditure	(2.0)	(1.3)	<ul style="list-style-type: none"> Capital expenditure requirements have increased as expected due to implementation of the new finance system and major refurbishment of the Marlow and Manchester offices
Movements in working capital	(0.4)	1.0	<ul style="list-style-type: none"> 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
Other	0.7	0.7	
Cash from operations before tax, after capex	40.4	35.0	
As % of operating profit	100%	103%	<ul style="list-style-type: none"> Cash conversion of 100% in line with historic performance and slightly ahead of Company target for the full year Cash conversion in FY20 is expected to be 80-85%
Income taxes paid	(17.5)	(7.9)	
Finance income	0.2	0.1	
IFRS 16 lease payments	(0.6)	-	
Dividends paid	(52.3)	(47.3)	<ul style="list-style-type: none"> The dividend policy and general approach remains unchanged
Net (decrease) in cash during the period	(29.8)	(20.1)	
Closing cash balance	49.4	52.8	

Dividend

	FY20	FY19
Interim	5.4p	4.5p
Ex Dividend Date	2 April 2020	
Payment Date	15 May 2020	

- 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 the first half and we think the structural growth drivers will continue in the medium term
- Strong growth also reflects further gains in market share
- Growth was again broad-based with all business lines and customer segments performing well
- Cash conversion maintained and dividend policy unchanged
- The opportunity ahead is still vast, despite our growth and current size – the market is as fragmented as ever
- Being a great place to work remains at the heart of how we operate to deliver success
- Our plans for 2020 include continued investment in skills and capacity
- Continually monitoring EU negotiations and the impact of the Covid-19 outbreak

Outlook



- The second half has started well and to date we have not seen a material impact from the ongoing Covid-19 outbreak, although this does create uncertainty for the remainder of our financial year. Given the strength of our business model, lack of any bank debt and a strong cash position, we will continue to invest in our business and are confident in our ability to continue to build market share and drive profitable growth over the longer-term.