

Softcat

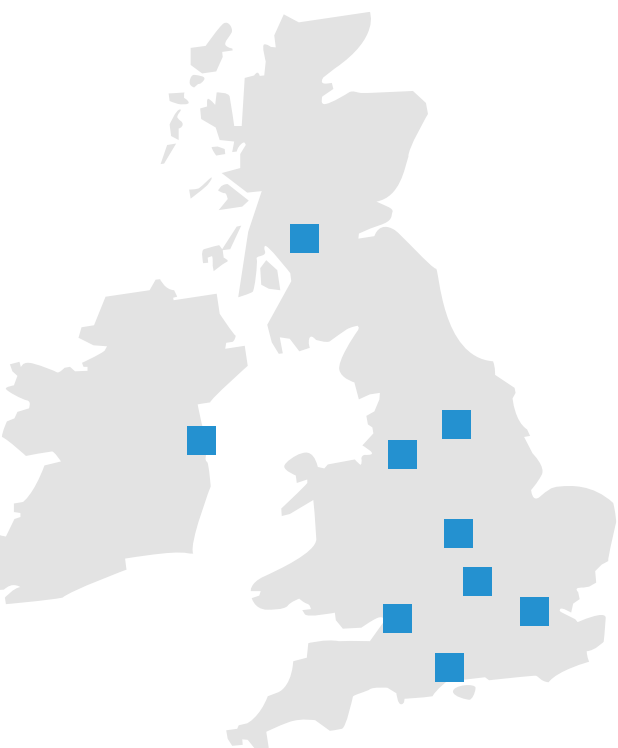
RESULTS FOR THE 6 MONTHS ENDED
31 January 2021



Graeme Watt, CEO
Graham Charlton, CFO
24 March 2021

Who we are

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



1,658

Employees at 31 Jan 2021

£1.6bn

FY20 gross invoiced income

£93.7m

FY20 operating profit

9,600

Customer base at 31 Jan 2021

£235.7m

FY20 gross profit

88%

FY20 cash conversion

200+

Vendors



aws



DELL EMC

Hewlett Packard
Enterprise



Lenovo

Microsoft

mimecast

NUTANIX



PURE STORAGE



SOPHOS

vmware

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

H1 2021 summary results



Sustained, organic and profitable growth

- Gross profit growth of 20.4% to £134m
- Operating profit up 41.0% to £57.1m
- Gross invoiced income* up 19.7% to £871m
- Revenue* up 10.1% to £577m
- Gross profit per customer growth of 11.5% to £26.9k
- Customer base increased 1.5% to 9,600
- Headcount growth of 12% on prior year

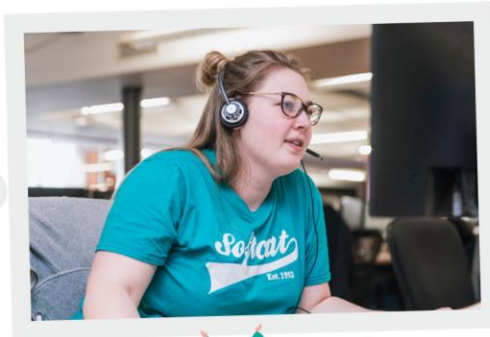
Strong cash generation and shareholder returns

- Strong cash conversion of 88%**
- Strong balance sheet with £71.2m of cash and no bank debt
- Interim dividend of 6.4p, up 18.5%

* 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.

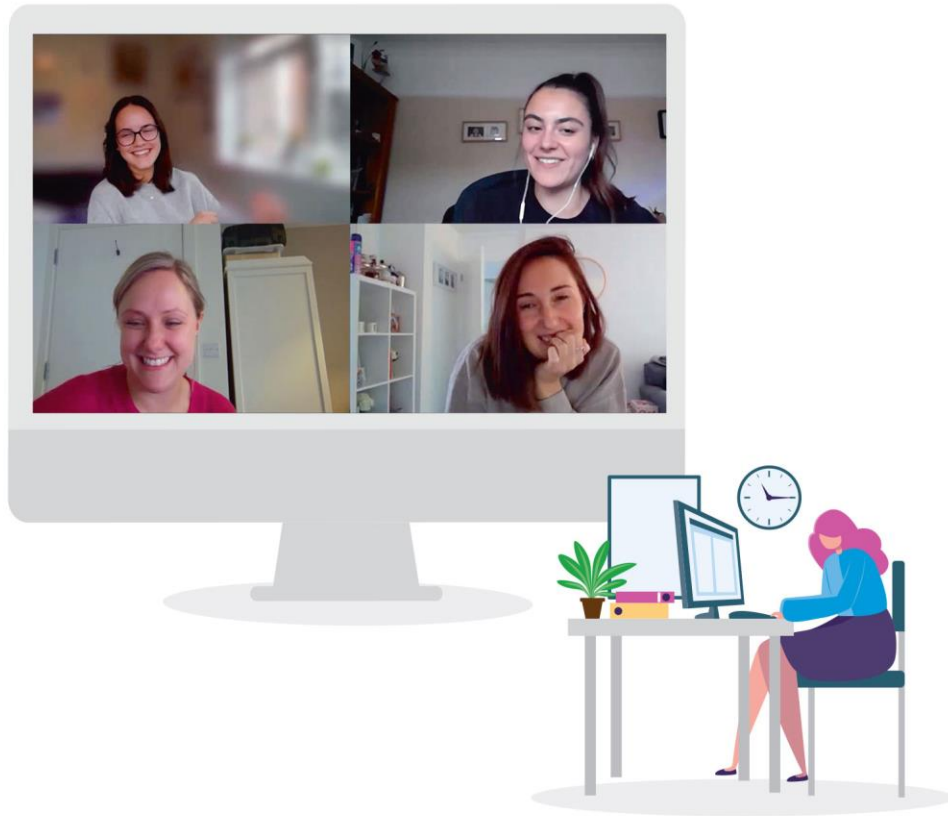
** Defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit.

Business update



- Technology breadth. GII on Software (+13%), hardware (+31%) and services (+23%) all grew at double digit
- Some corporate demand recovery. GII grew strongly from our mid-market (+32%) and public sector customers (+23%) whilst our enterprise segment declined (-9%)
- Continued investment. 12% headcount growth of 177 for the last 12 months building capacity and capabilities for the future
- Managed the pandemic well. Key customer and employee metrics are positive
- Stable demand. Technology has continued to be a focus for investment for many organisations as they have looked to accelerate the security of their operations, manage distributed workforces and migrate to the Cloud in a hybrid infrastructure

Our business during COVID-19 pandemic



Our People and Customers

- Focus on the wellbeing and safety of our people
- Our culture continues to serve us well
- Actively managed the benefits and challenges of remote working
- Increased customer base in more challenging environment for new customer acquisition
- Customer NPS from 60 to 66 and Employee NPS from 53 to 58
- Reinstated and backdated 1st August 2020 pay review in light of performance

Resilience in our model

- Some protection from the breadth of technologies we provide and the customer segments and verticals we serve
- Increased diligence around cash collection and bad debts, which have operated as normal
- Continued investment in people with modified onboarding
- Slower employee attrition
- No redundancies, furloughing or government support

Strategy update and progress



ACQUIRE MORE CUSTOMERS

- Customer base up 100 (+1.5%)
- We estimate that we trade with around 20% of our addressable market
- Target customers in all segments.



SELL MORE TO EXISTING CUSTOMERS

- Gross profit per customer up 11.5%
- Estimated average share of wallet is between 15% to 20%
- Evolve our offerings in cybersecurity, digital workspace and hybrid infrastructure
- Incremental investment in technical solution resources

PEOPLE AND CULTURE

- Ranked 5th in the UK by Glassdoor for 2nd year in a row
- 12% year on year headcount growth
- Continued focus and further progress on diversity and inclusion initiatives
- New public sector director

OPERATIONAL EXCELLENCE

- Export team development
- Systems and data upgrade project progressing well
- Corporate and public sector sales best practice brought together
- Customer satisfaction gains
- Sustainability

EXPANDING OUR ADDRESSABLE MARKET

- Multinational branch network expansion in USA and Netherlands
- End user device capabilities
- Further strengthened partnerships with Azure and AWS
- Investment in verticals including defence and central / secure government

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H1 2021 FINANCIAL REVIEW

Graham Charlton, CFO



Summary income statement

£m	H1 FY21	H1 FY20	Growth
Revenue	577.0	524.1	10.1%
<i>Gross invoiced income</i>	870.8	727.7	19.7%
Gross profit	134.5	111.7	20.4%
GP/GII %	15.4%	15.3%	

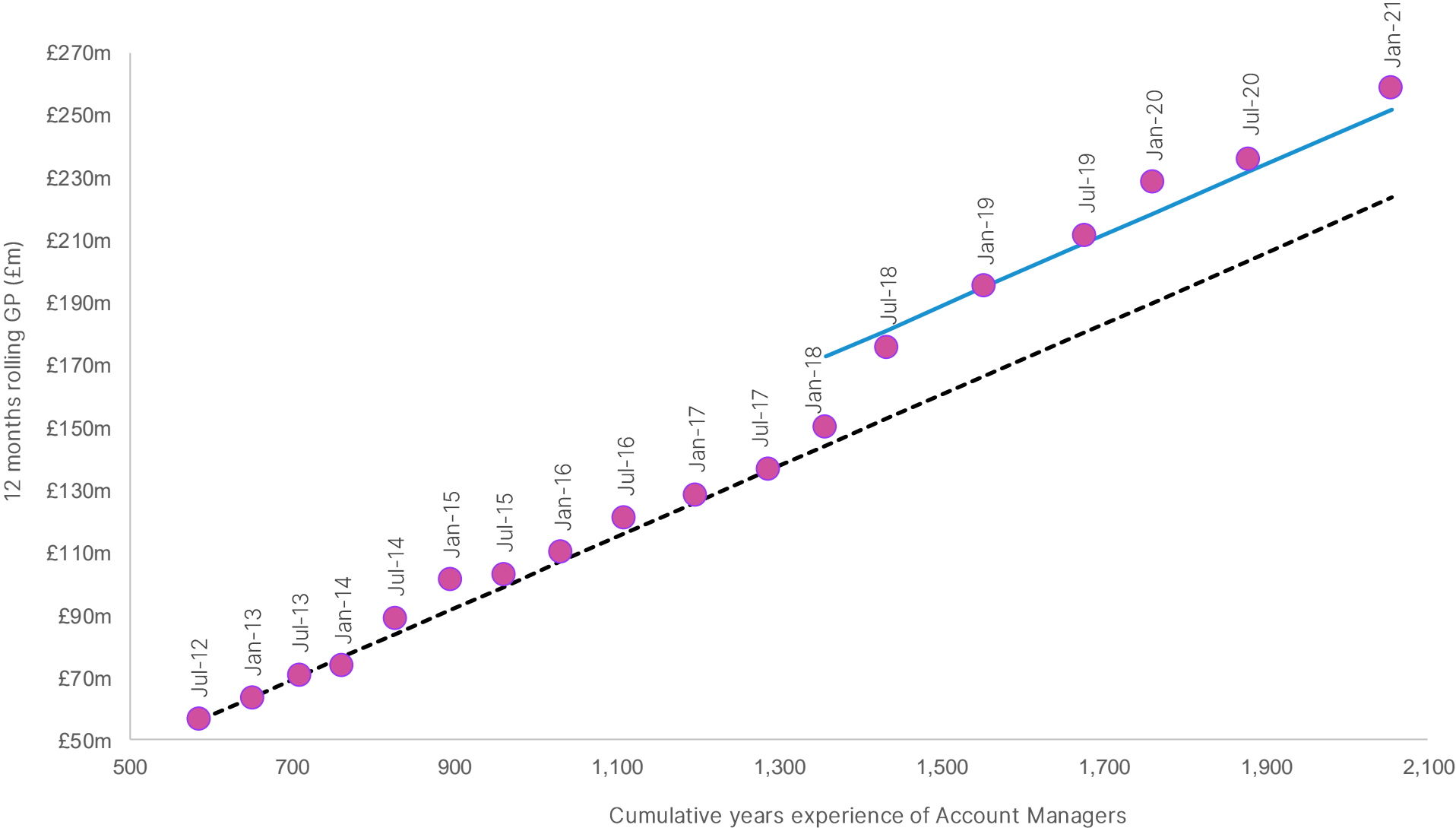
- Recovery in demand from corporate customers driving income growth, alongside sustained strength in public sector
- Revenue growth slower than GII growth reflects the continued shift towards cloud-based software and security, alongside strong performance from third party services
- GP growth once again driven strongly by increased income per customer as well as growth in the customer base
- Some pent-up demand and individual very large deals contributing to slightly higher customer concentration in the period (top 5 customers contributing 16% of GII, typically c.10% in H1)

Admin. expenses	(77.4)	(71.2)	(8.7%)
Operating profit	57.1	40.5	41.0%
OP/GP %	42.4%	36.2%	
Interest	(0.1)	0.0	
Tax	(10.7)	(7.5)	
Profit after tax	46.2	33.0	40.0%

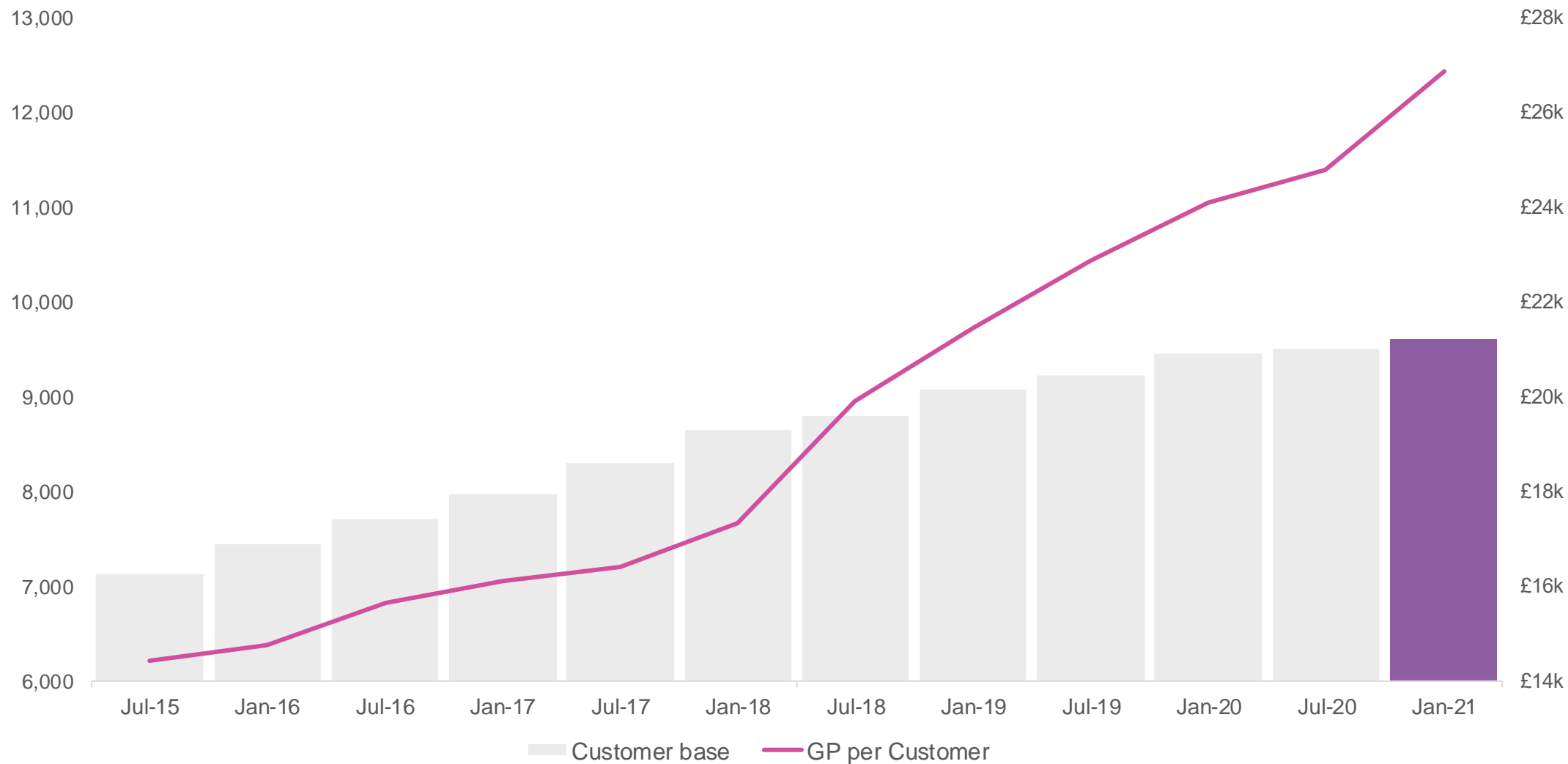
- Average headcount in the period up 12% was the key driver of cost growth, with investment once again across all areas of the business including sales, specialists, support, technical and business operations
- This was partly offset by cost savings on travel and staff events as a result of Covid restrictions
- Strong GP growth combined with the cost savings led to an increase in the conversion of gross profit to operating profit from 36.2% to 42.4%
- It is expected that this profitability ratio will normalise as restrictions ease over the coming months

- Net interest expense reflects the adoption of IFRS16 and the associated interest expense on lease liabilities
- The effective tax rate is 19.2% (H1 FY20: 18.5%), reflecting the statutory rate of 19.0% (H1 FY20: 18.3%) at the reporting date and the relatively marginal impact of non-deductible expenses

Step-change in sales productivity since FY18 maintained in FY21



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

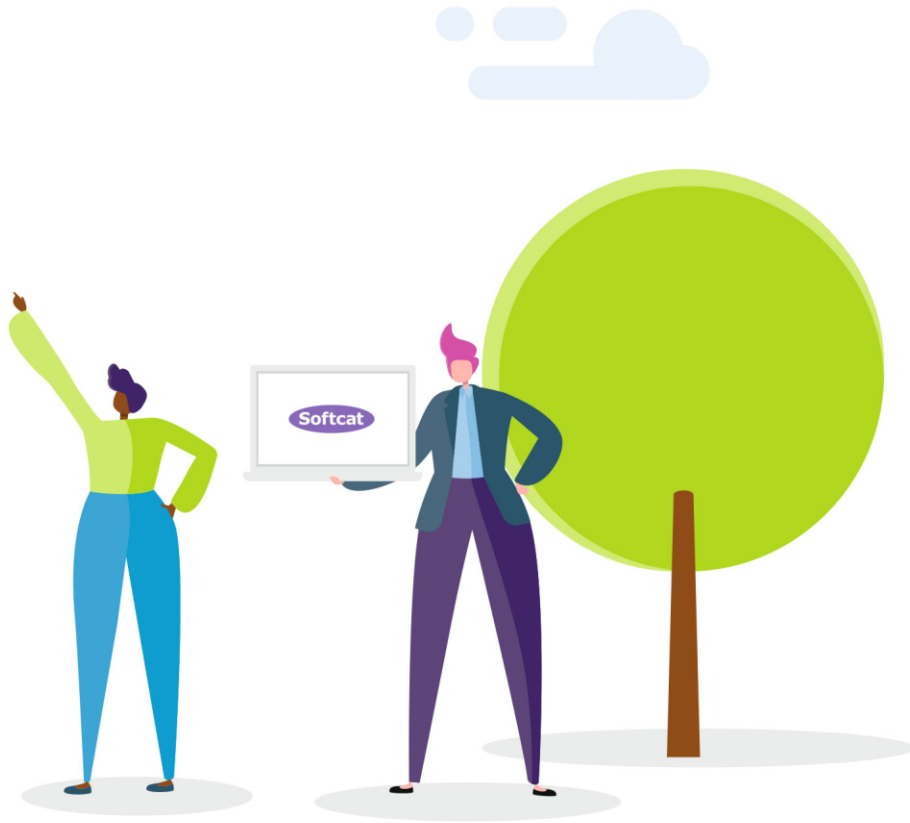
£m	H1 FY21	H1 FY20	
Operating profit	57.1	40.5	
Depreciation and amortisation	2.5	1.6	
Net capital expenditure	(3.6)	(2.0)	<ul style="list-style-type: none"> Capital expenditure increased year-on-year due mainly to the continued work on the implementation of our new finance system. This project will continue throughout H2 Spend in the current period also reflects the completion of refurbishment works to our Marlow and Manchester offices
Movements in working capital	(6.6)	(0.4)	<ul style="list-style-type: none"> The working capital movement reflects net growth in receivables and payables broadly in line with growth in gross invoiced income CV-19 has had no discernible impact on customer receipts or other elements of working capital
Other	0.9	0.7	
Cash from operations before tax, after capex	50.3	40.4	
As % of operating profit	88%	100%	<ul style="list-style-type: none"> Cash conversion of 88% is in line with cumulative cash conversion since IPO of 92% once allowance is made for the higher than trend capex Cash conversion for the full year is expected to be c.85% reflecting the continuation through H2 of the finance system implementation
Income taxes paid	(9.9)	(17.5)	<ul style="list-style-type: none"> Corporation tax payments have normalised down following the adjustment, in FY20, to the new payment programme for very large companies (which created a one-off accelerated outflow in the prior period of c.£10m)
Finance income	0.0	0.2	
IFRS 16 lease payments	(1.3)	(0.6)	
Dividends paid	(48.1)	(52.3)	
Net (decrease) in cash during the period	(8.9)	(29.8)	
Closing cash balance	71.2	49.4	

Dividend

	FY21	FY20 ⁽¹⁾
Interim	6.4p	5.4p
Ex-dividend date	31 March 2021	
Payment date	14 May 2021	

⁽¹⁾ The interim dividend of 5.4p, declared but subsequently cancelled in March 2020, was reinstated as part of the prior year final dividend of 16.6p

- 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 £45m but will periodically consider the payment of special dividends

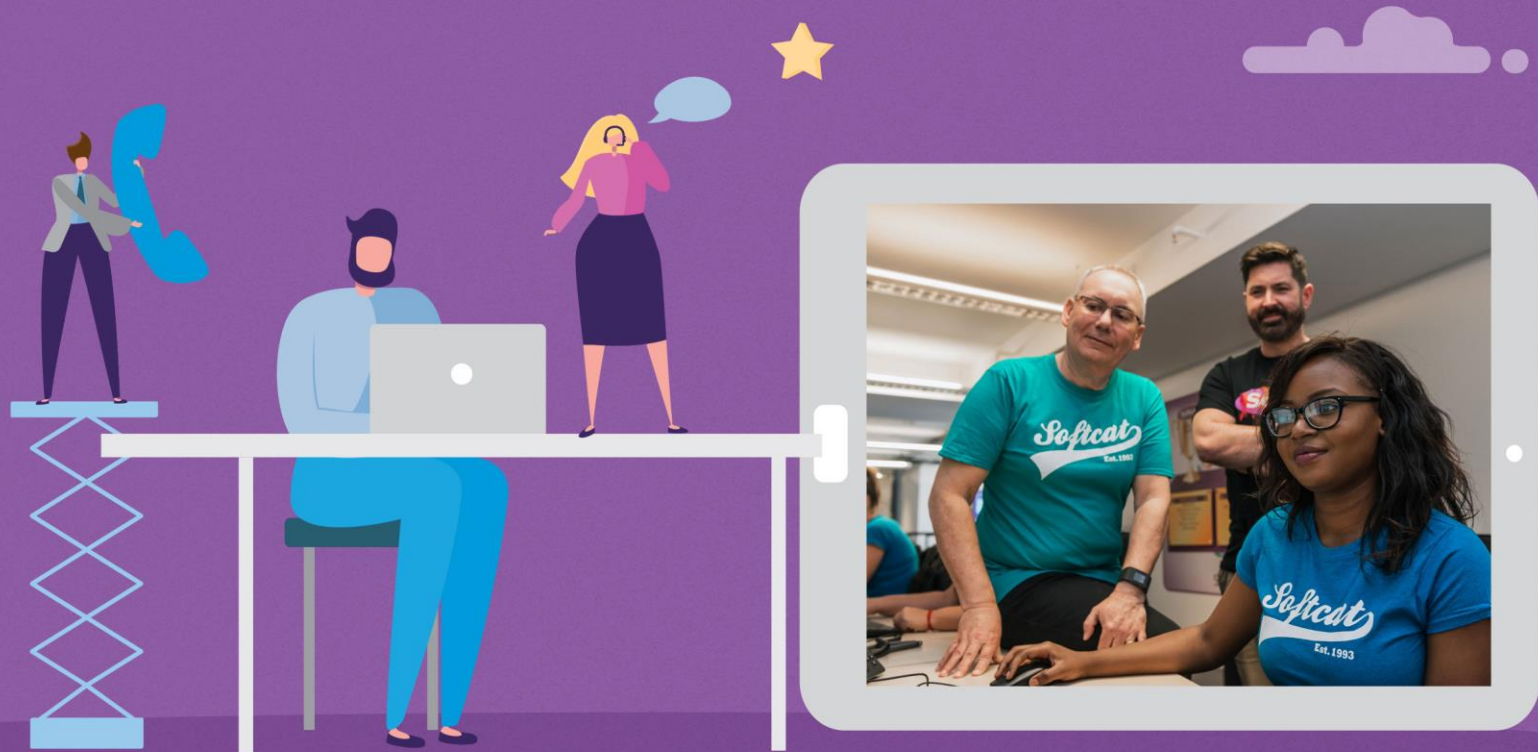


- Signed UN Global Compact
- Key targets set:
 - 2022 Carbon offset
 - 2024 Renewable energy usage
 - 2040 Net zero supply chain
- Working with the Science Based Target initiative to establish a publicly disclosed plan to align with the targets of the Paris Climate Change Agreement
- Developing robust carbon data reporting
- Collaboration with leading global technology manufacturers to ensure the sustainability of the industry in the long-term
- Building on existing lifecycle management capabilities to support and enhance customer's sustainability operations

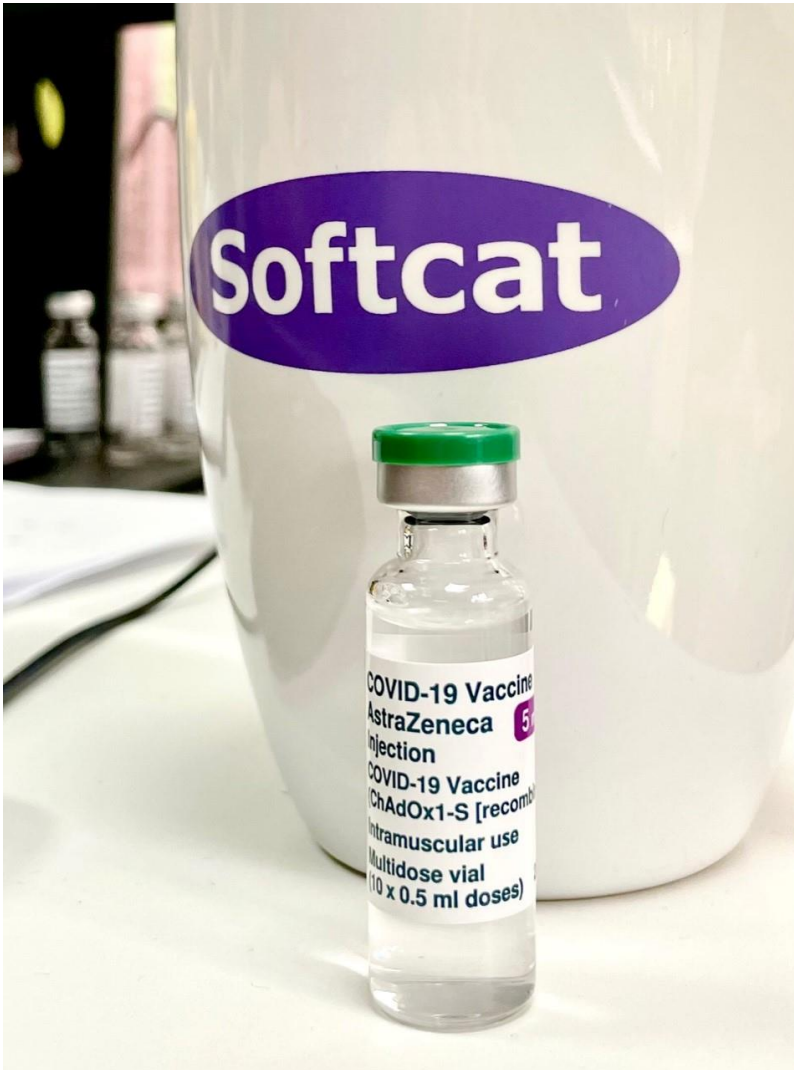
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CLOSING REMARKS

Graeme Watt, CEO



Social impact



- Diversity and inclusion through our internal community networks
 - Supporting Women in Business
 - BAME
 - Pride
 - Ex-Armed Forces
 - Family
 - Faith
- Allyship program for all employees
- Technology Channel Against Racism founding member
- Mental health and wellbeing
- Fundraising and project work with our lead charities
 - MIND
 - Bethesda Khanko Foundation
- Supporting others
 - Marlow vaccination centre
 - Digital poverty and exclusion
 - Volunteering

Summary



- Delivered profitable organic growth
- Growth was broad based with most business lines and all customer segments performing well
- Continued to invest
- Dealing effectively with challenges of CV-19 pandemic
- Our straightforward strategy remains unchanged and continues to serve us well
- The structural growth drivers of digital transformation, security, mobility and cloud adoption will continue and there is opportunity for market growth as pandemic restrictions lift
- The market remains fragmented and presents a significant opportunity for share growth
- We are driving further investment in skills and capacity
- Being a great place to work remains at the heart of how we operate to deliver success

Outlook



- Investment in our growth strategy has continued unabated throughout the pandemic and we now carry good momentum into the second half of our financial year.
- Cost savings related to Covid restrictions are expected to dissipate over the next six months but we are optimistic about the growth opportunity in our market.
- The Board is confident the company will deliver a full year result significantly ahead of its previous expectations.