



Softcat

Together

Results for the 6 months ended
31 January 2022



Graeme Watt, CEO
Graham Charlton, CFO
22 March 2022

We are a leading reseller of IT infrastructure solutions, supporting UK and Irish customers with their global needs

Softcat



200+ vendors



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

1,779

Employees at 31 Jan 2022

£1.94bn

FY21 gross invoiced income

£119m

FY21 operating profit

9,700

Customer base at 31 Jan 2022

£276m

FY21 gross profit

90%

FY21 cash conversion



Sustained, organic and profitable growth

- Gross profit growth of 11.7% to £150m
- Operating profit up 12.4% to £64m
- Gross invoiced income* up 33.0% to £1.16bn
- Revenue up 33.6% to £771m
- Gross profit per customer growth of 12.4% to £30.2k
- Customer base increased 0.6% to 9,700
- Average headcount growth of 10% on prior year

Strong cash generation and shareholder returns

- Cash conversion of 85%**
- Strong balance sheet with £74.3m of cash and no bank debt
- Interim dividend of 7.3p, up 14.1%

* 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.



- **Delivered strong double-digit growth across all key segments and technologies.** GII on enterprise (+33%), SMB (+44%) and public sector (+15%); software (+20%), hardware (+56%) and services (+27%)
- **Emerging positively from pandemic restrictions.** Employee engagement and customer satisfaction remain very healthy
- **Continued investment.** Average headcount growth of 10% and closing headcount of 1,779. This is 20% up on our closing position two years ago which was pre-pandemic
- **Good momentum in many areas of the business.** Cloud, enterprise sales, and multinational sales are just some areas that pressed ahead
- **Growing market demand.** We are seeing customer investments in all areas of technology
- **Managing market and macroeconomic challenges.** Component shortages have led to a relatively modest build in order backlog and we are increasing headcount in spite of the more challenging employment market



ACQUIRE MORE CUSTOMERS

- Customer base up 0.6%
- We estimate that we trade with around 20% of our addressable market
- Target customers in all segments
- Sales Development Program having positive impact



SELL MORE TO EXISTING CUSTOMERS

- Gross profit per customer up 12.4%
- Estimated average share of wallet is around 20%
- Drive market leadership in cybersecurity, digital workspace and hybrid infrastructure
- Building larger presence in Financial Services / Central Government and Defence

PEOPLE AND CULTURE

- Ranked #1 Tech Super Large Category by Great Places to Work in the UK
- Employee NPS of 52
- 10% year-on-year average headcount growth with record recruitment levels
- Hybrid working is bedding in well
- Actions to address challenging market for talent

EASE OF DOING BUSINESS

- Robust systems and data upgrades roadmap
- Customer e-business portal enhanced
- Focus on customer experience
- Customer NPS of 59 and satisfaction at 95%

EXPANDING OUR ADDRESSABLE MARKET

- US expansion to drive multinational opportunities
- Device lifecycle management

Sustainability and Diversity & Inclusion



Softcat

H1 2022 Financial review

Graham Charlton, CFO



Summary income statement

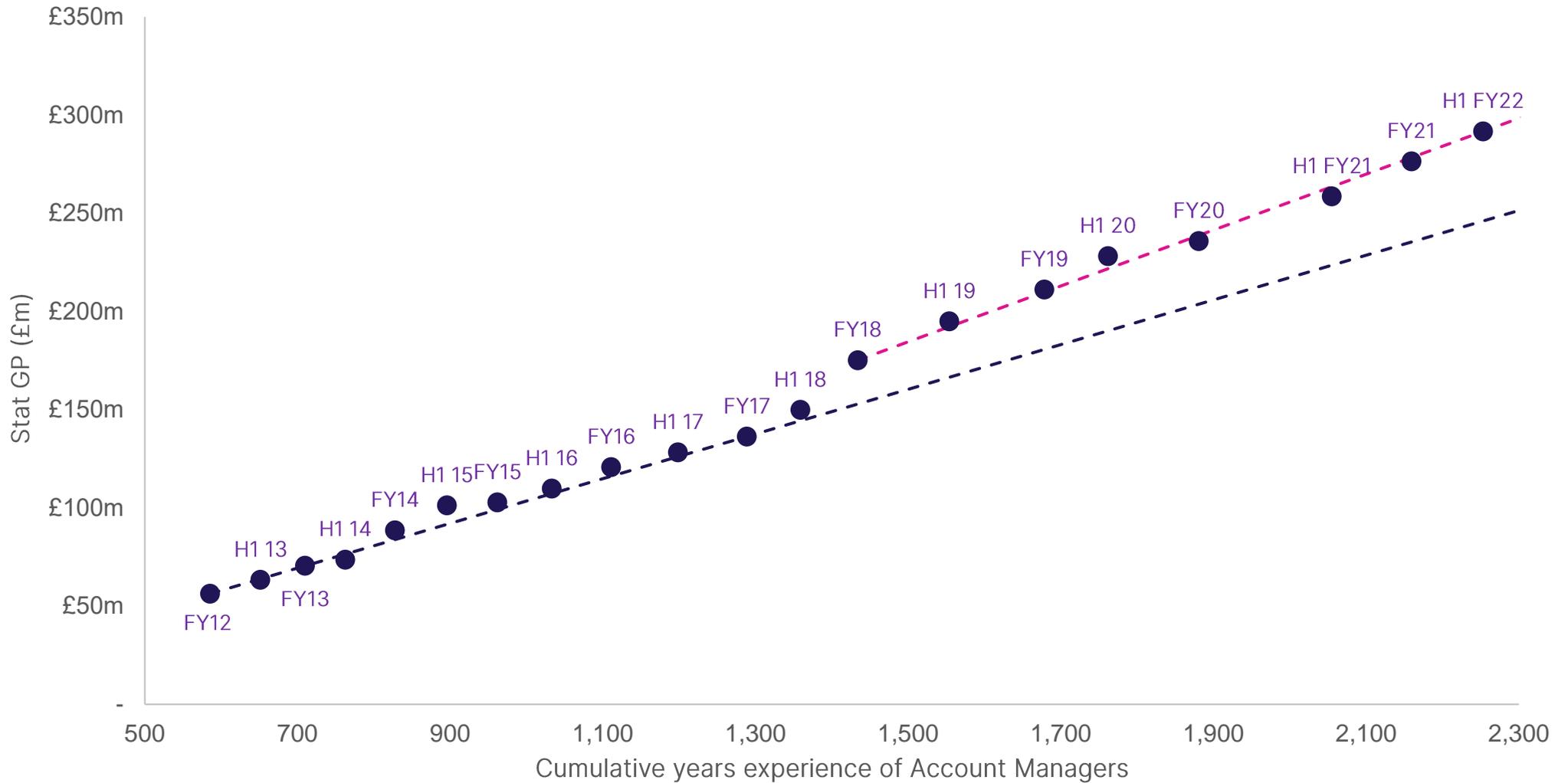
£m	H1 2022	H1 2021	Growth
Revenue	770.9	577.0	33.6%
<i>Gross invoiced income</i>	1,158.3	870.8	33.0%
Gross profit	150.2	134.5	11.7%
GP/GII %	13.0%	15.4%	
Admin. expenses	(86.1)	(77.4)	(11.2%)
Operating profit	64.1	57.1	12.4%
OP/GP %	42.7%	42.4%	
Interest	0.1	(0.1)	
Tax	(12.2)	(10.7)	
Profit after tax	52.0	46.2	12.5%

- Revenue and GII growth closely matched as a shift in mix towards hardware was offset by the structural trend within software towards SaaS / cloud-based solutions
- GP as a % of GII was 13.0% (H1 2021: 15.4%). This decline mainly reflects the impact of large, low-margin transactions with a major customer during the current period when compared to a handful of large, high-margin projects in the prior period
- GP growth once again driven strongly by increased income per customer as well as growth in the customer base

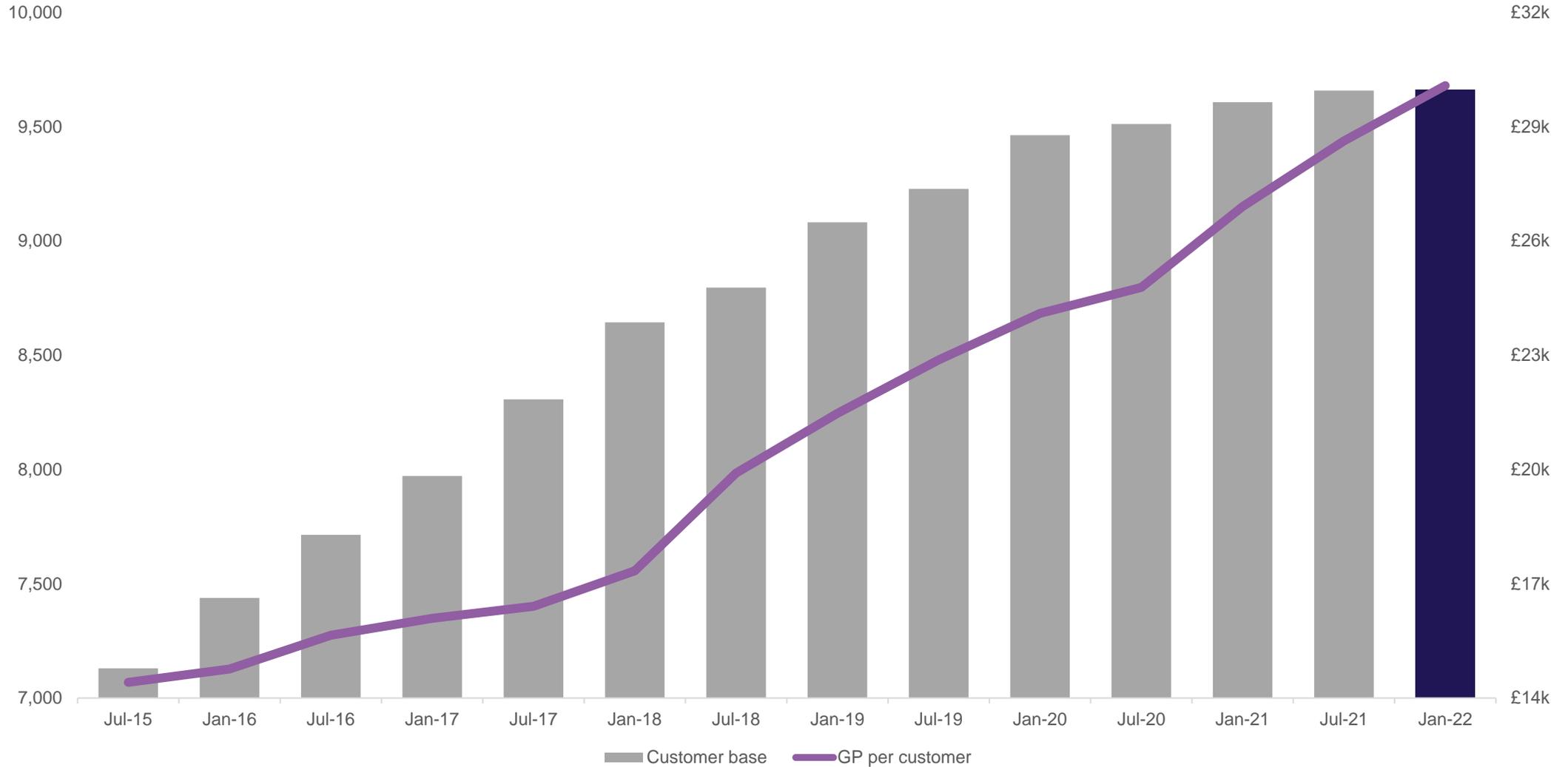
- Average headcount in the period up 10% was the key driver of cost growth, with recruitment across all areas of the business
- Commission costs rose broadly in line with GP
- Gradual return of travel and events costs as the pandemic begins to ease, although at a slightly slower rate than previously anticipated
- OP/GP ratio expected to normalise below 40% in FY23

- The effective tax rate is 19.0% (H1 2021: 19.2%), reflecting the statutory rate of 19.0% (FY20: 19.0%) at the reporting date and the relatively marginal impact of non-deductible expenses in the prior year

Productivity gains from selling deeper into customers



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.

£m	H1 FY22	H1 FY21
Operating profit	64.1	57.1
Depreciation and amortisation	2.5	2.5
Net capital expenditure	(2.8)	(3.6)
Net movement in working capital	(10.5)	(6.6)
Other	1.2	0.9
Cash from operations before tax, after capex	54.5	50.3
<i>As % of operating profit</i>	85%	88%
Income taxes paid	(11.2)	(9.9)
Finance income	0.1	0.0
IFRS 16 lease payments	(1.3)	(1.3)
Dividends paid	(69.4)	(48.1)
Net increase in cash during the period	(27.4)	(8.9)
Closing cash balance	74.3	71.2

- Capital expenditure reduced year on year due to completion of major office improvements works in FY21
- Spend in the current period includes implementation costs of the new finance system which is broadly consistent year on year

- The net working capital movement reflects net growth in receivables and payables broadly in line with growth in gross invoiced income

- Cash conversion of 85% is consistent with prior year and the Company's internal target

	FY22	FY21
Interim	7.3p	6.4p
Ex-dividend date	7 April 2022	
Payment date	13 May 2022	

- The Company is currently debt free and uses existing resources to fund operations and growth, seeking to maintain a minimum cash balance of c.£45m, which is unchanged from the prior year
- The dividend policy is to pay 40-50% of post-tax profits as a normal annual dividend
- We aim for our interim dividend to be about 1/3rd of our total dividend
- Excess cash will periodically be returned to shareholders

Timing	Goal	Progress	Summary
2022	Carbon neutral	● ● ● ● ●	Offset Scope 1, 2 and Operational Scope 3 emissions. Complete.
2024	Net Zero (Scope 1 & 2)	● ● ● ● ○	Softcat to become Carbon Net Zero across its Scope 1 & 2 emissions. In progress.
2040	Carbon net zero supply chain	● ○ ○ ○ ○	Working with vendors and suppliers, we are developing plans to deliver a carbon net zero supply chain by 2040. In progress.

SOFTCAT

- Make sustainability a core component of our business, what we do and why and how we do it.
- Support primary carbon reduction initiatives including SBTi plan submitted for review.
- Continued support of the UN SDGs

SUPPLY CHAIN

- Deliver a sustainable supply chain. Net Zero by 2040.
- Drive more efficient logistics and reduce waste.
- Sustainability workshops held across partner network with sustainable targets implemented.

SOLUTIONS

- Evolve our services and solutions to deliver sustainable outcomes for our customers.
- Help, support and influence others on their sustainability journey.
- Close the circular economy loop.



SUSTAINABILITY COMMITTEE

- Board-level Sustainability Committee established
- Executive-level Sustainability Steering Group being created



SCIENCE BASED TARGETS

- Carbon Reduction Plan submitted to SBTi
- Commitment made to near and long term targets
- Plans being assessed and ratified by scientists to reduce year-on-year CO₂ emissions



- Work underway to fully comply with TCFD
- Focus areas:
 - climate-related risks and opportunities
 - climate scenario modelling



- Softcat's second year of submission.
- B- score achieved, which is the best result of all top 10 UK VAR's (Value Added Resellers).

Softcat

Closing remarks

Graeme Watt, CEO





Drivers of our success

- We are confident in our straightforward strategy which remains consistent and continues to serve us well
- We continue to invest today to deliver future growth
- Our direction and priorities are led by our people and our customers
- Being a great place to work remains at the heart of how we operate

Delivered further growth

- Delivered strong profitable organic growth performance which exceeded expectations
- Growth was again broad-based by technology and customer segment
- We further increased our key measure of GP per customer
- Industry awards recognising success

Market trends

- There is a growing demand for the technology and services we provide including digital transformation, security, mobility and cloud adoption
- We have a relatively small portion of the addressable market which remains fragmented and continues to present a significant opportunity for future growth
- We are developing deeper customer relationships that go beyond technology



Operating profit in the first six months of the financial year has been ahead of the Board's initial expectations. While the current geopolitical and macroeconomic volatility make it more difficult to forecast performance, because of the outperformance in the first half the Board now believes that the outturn for the full year will be ahead of previous estimates.