COMMUNITY

Results for the year ended
31 July 2022

Graeme Watt, CEO
Graham Charlton, CFO
25 October 2022

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

400+ vendors

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

1,921
Employees at 31 July 2022

£2.5bn
FY22 gross invoiced income

£136m
FY22 operating profit

9,900
Customer base at 31 July 2022

£327m
FY22 gross profit

£97m
Cash at 31 July 2022

2022 summary results

Sustained, organic and profitable growth

- Gross profit growth of 18.4% to £327m
- Operating profit up 14.0% to £136m
- Gross invoiced income* up 29.4% to £2.51bn
- Revenue up 37.5% to £1.08bn
- Gross profit per customer growth of 16.1% to £33.0k
- Customer base increased 2.1% to 9,900
- Closing headcount growth of 14% on prior year

Strong cash generation and shareholder returns

- Cash conversion of 76%**
- Strong balance sheet with £97.3m of cash and no bank debt
- Final dividend of 16.6p, up 15.3%
- Special dividend of 12.6p

* 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

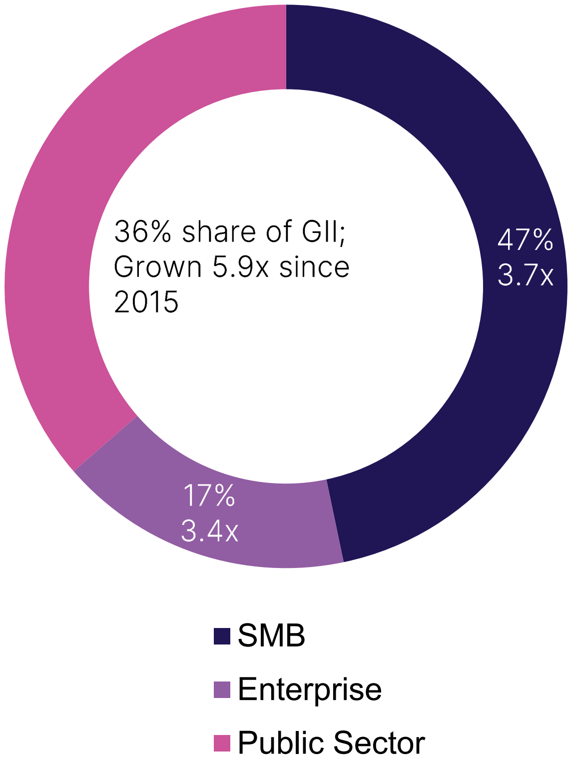
Softcat

- **Double-digit growth delivered across all key segments and technologies.** GII on enterprise (+27%), SMB (+39%), public sector (+19%); software (+23%), hardware (+43%) and services (+26%)
- **Emerged positively from pandemic restrictions.** The business has adapted to flexible working well. Employee engagement and customer satisfaction remain at very strong levels
- **Continued investment.** Delivered closing headcount growth of 14% finishing with headcount of 1,921. We delivered accelerating recruitment in the second half
- **Good momentum in many areas of the business.** Cloud, device solutions and multinational sales are just some areas that pressed ahead
- **Managing supply chain challenges.** Shortages led to a relatively modest build in order backlog early in the year which remained broadly flat throughout the year

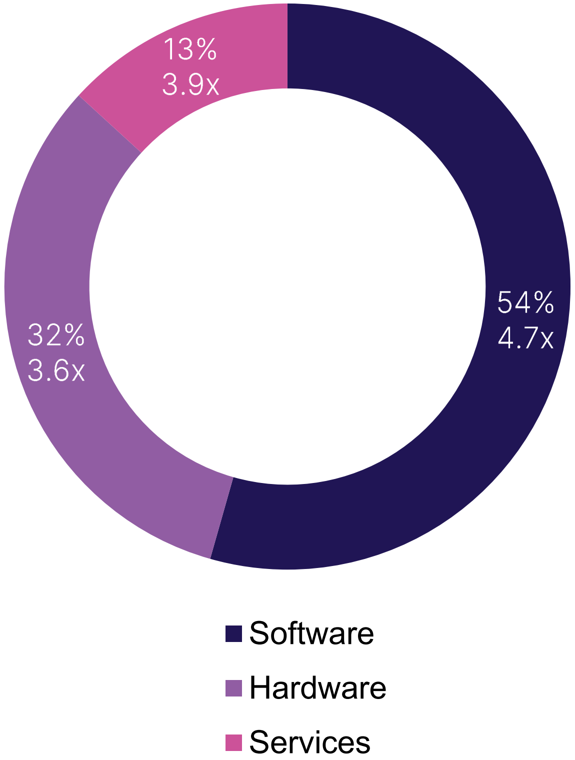
Broad-based growth...

We have a very diversified offering in both what we sell and who we sell to. We are not reliant on any one segment to drive our financial performance

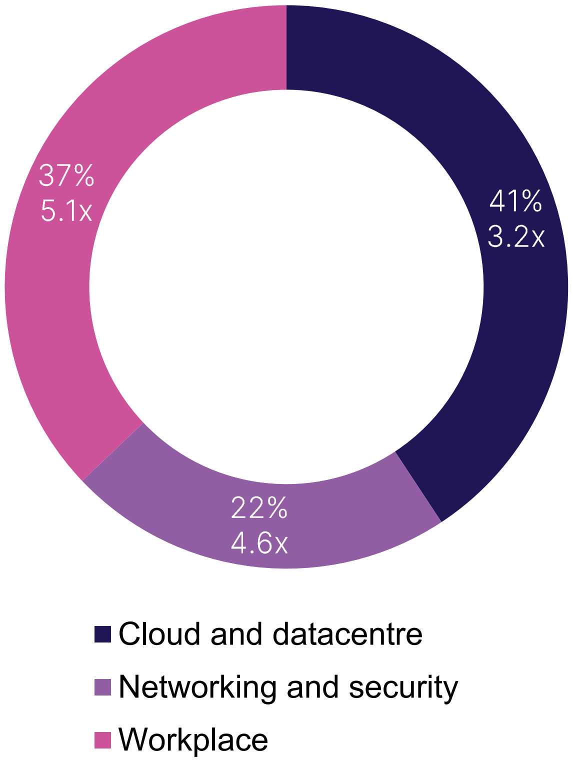
Customer segment



Software/hardware/services



Technology



Strategy update and progress

Softcat

ACQUIRE MORE CUSTOMERS

- Customer base up 200 (+2.1%)
- We estimate that we trade with around 20% of our addressable market
- Target customers in all segments of enterprise, mid-market and public sector
- Opening Newcastle office in H2 FY23

SELL MORE TO EXISTING CUSTOMERS

- Gross profit per customer up 16.1%
- Estimated average share of wallet is around 20% to 25%
- Drive market leadership in cybersecurity, digital workspace and hybrid infrastructure
- Further headcount investments across all commercial functions

PEOPLE AND CULTURE

- Ranked 4th for Women at work and 2nd UK Tech Workplace per Great Places to Work
- 14% year-end headcount growth
- Continued fine-tuning of flexible working
- CEO / CFO leadership transition

EASE OF DOING BUSINESS

- Implemented financial systems upgrade
- IT systems roadmap
- E-commerce portal enhanced
- Customer satisfaction of 95%
- Data and digital journey

EXPANDING OUR ADDRESSABLE MARKET

- US office ramping up and expanding our multinational reach
- Investing in customer finance capability
- Increased readiness for any M&A opportunities

Sustainability and inclusion

2022
FINANCIAL REVIEW

Graham Charlton, CFO

Summary income statement

Softcat

£m	FY22	FY21 (restated)	Growth
Revenue	**1,077.9**	**784.0**	**37.5%**
Gross invoiced income	*2,507.5*	*1,938.4*	*29.4%*
Gross profit	**327.2**	**276.4**	**18.4%**
GP/GII %	13.0%	14.3%	
Admin. expenses	(191.1)	(156.9)	(21.7%)
Operating profit	**136.1**	**119.4**	**14.0%**
OP/GP %	41.6%	43.2%	
Interest	(0.0)	(0.4)	
Tax	(25.7)	(22.8)	
Profit after tax	**110.4**	**96.2**	**14.8%**

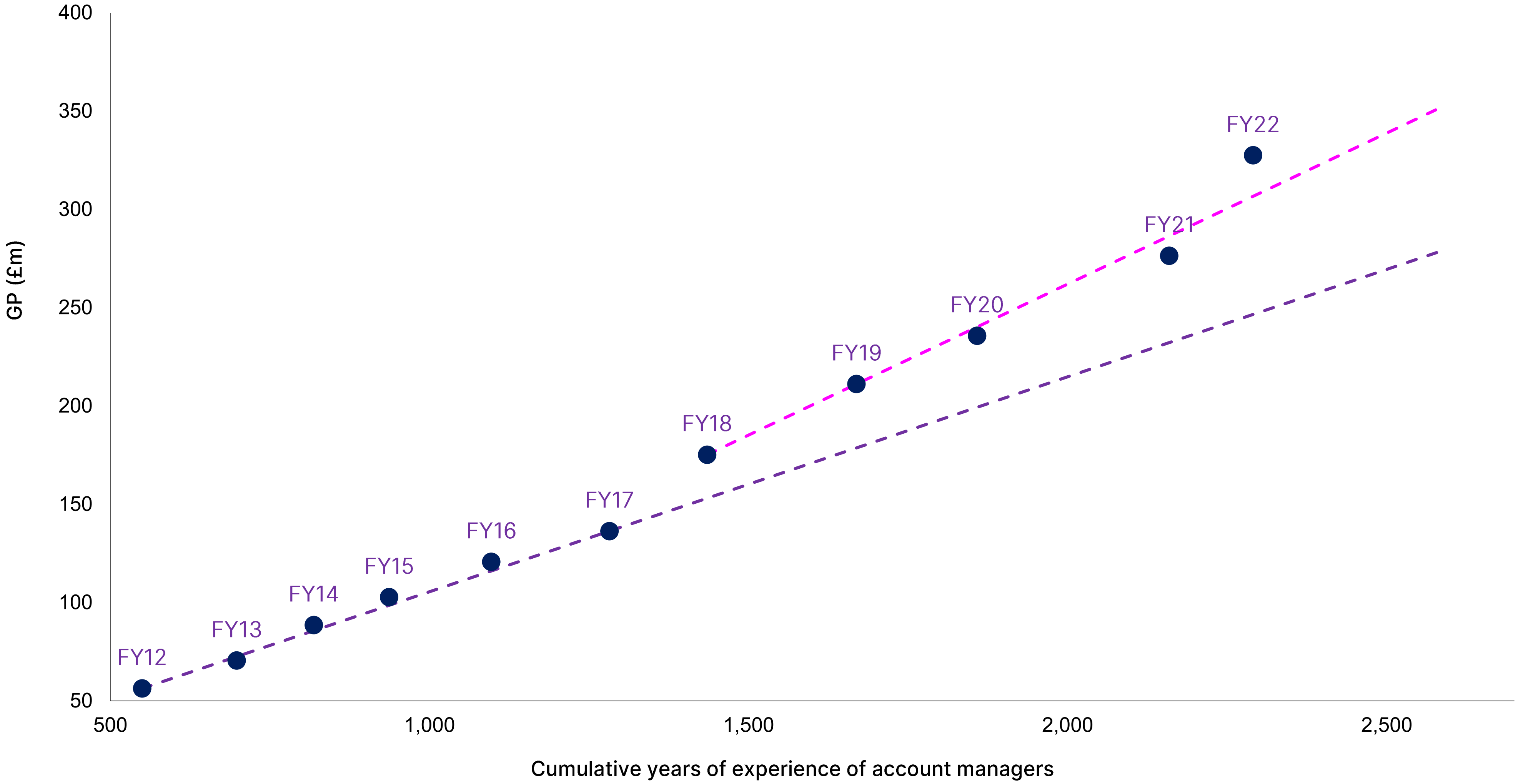
- GP, our primary measure of income, grew strongly in both H1, 12%, and H2, 25%
- Some individually very large deals in the year but income remains well diversified: the top 100 customers contributed 33% of GP (FY21: 34%)
- Revenue growth was strong across all areas of technology, with software, hardware and services all growing >15%
- FY21 revenue restated following IFRS15 application clarification, no impact on GII or profit measures

- Costs growth reflects headcount growth of 14% and the return of events and travel costs in the second half
- Commission costs rose broadly in line with GP
- OP/GP ratio expected to normalise further in FY23

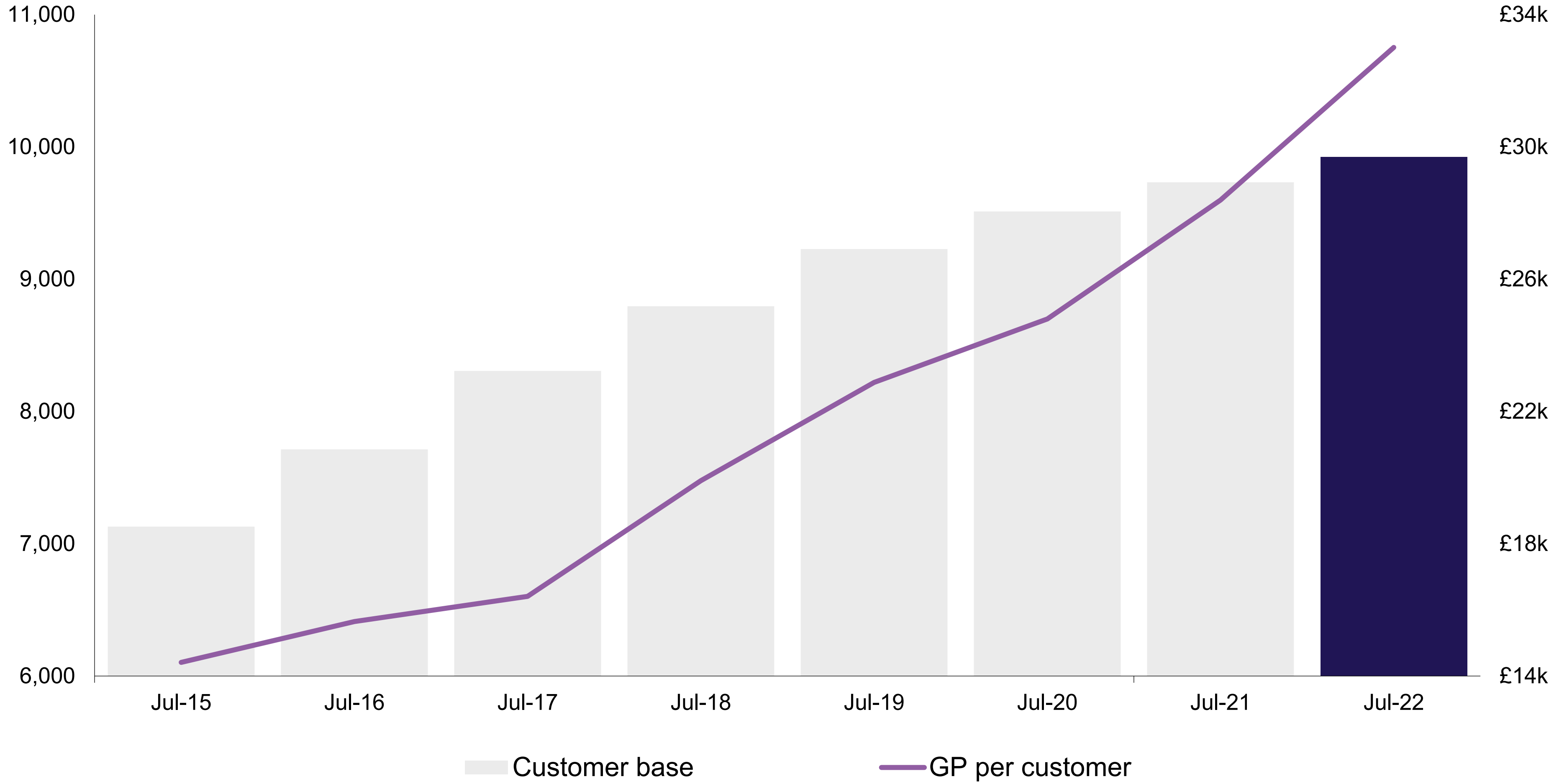
- The effective tax rate for 2022 was 18.9% (FY21: 19.2%), reflecting a stable UK statutory rate of 19.0% in both years, together with the relatively marginal impact of non-deductible expenses and share based payment transactions.

Productivity gains from selling deeper into customers

Softcat



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

Softcat

£m	FY22	FY21
Operating profit	**136.1**	**119.4**
Depreciation and amortisation	4.5	4.9
Net capital expenditure	(5.2)	(6.4)
Net movement in working capital	(34.0)	(12.7)
Other	2.3	2.1
Cash from operations before tax, after capex	**103.8**	**107.3**
As % of operating profit	*76.2%*	*90%*
Income taxes paid	(25.3)	(22.5)
IFRS 16 lease payments	(2.4)	(2.4)
Dividends paid	(84.0)	(60.8)
Net (decrease) / increase in cash during the period	**(8.0)**	**21.6**
Closing cash balance	**93.7**	**101.7**

- Capital expenditure in the current period primarily driven by development costs of the new finance system

- Increase in negative net working capital movement year on year driven by transient cash collection challenges around year end, following implementation of the new finance system in Q4

- Cash conversion expected to normalise in the region of 90% going forward

Dividend

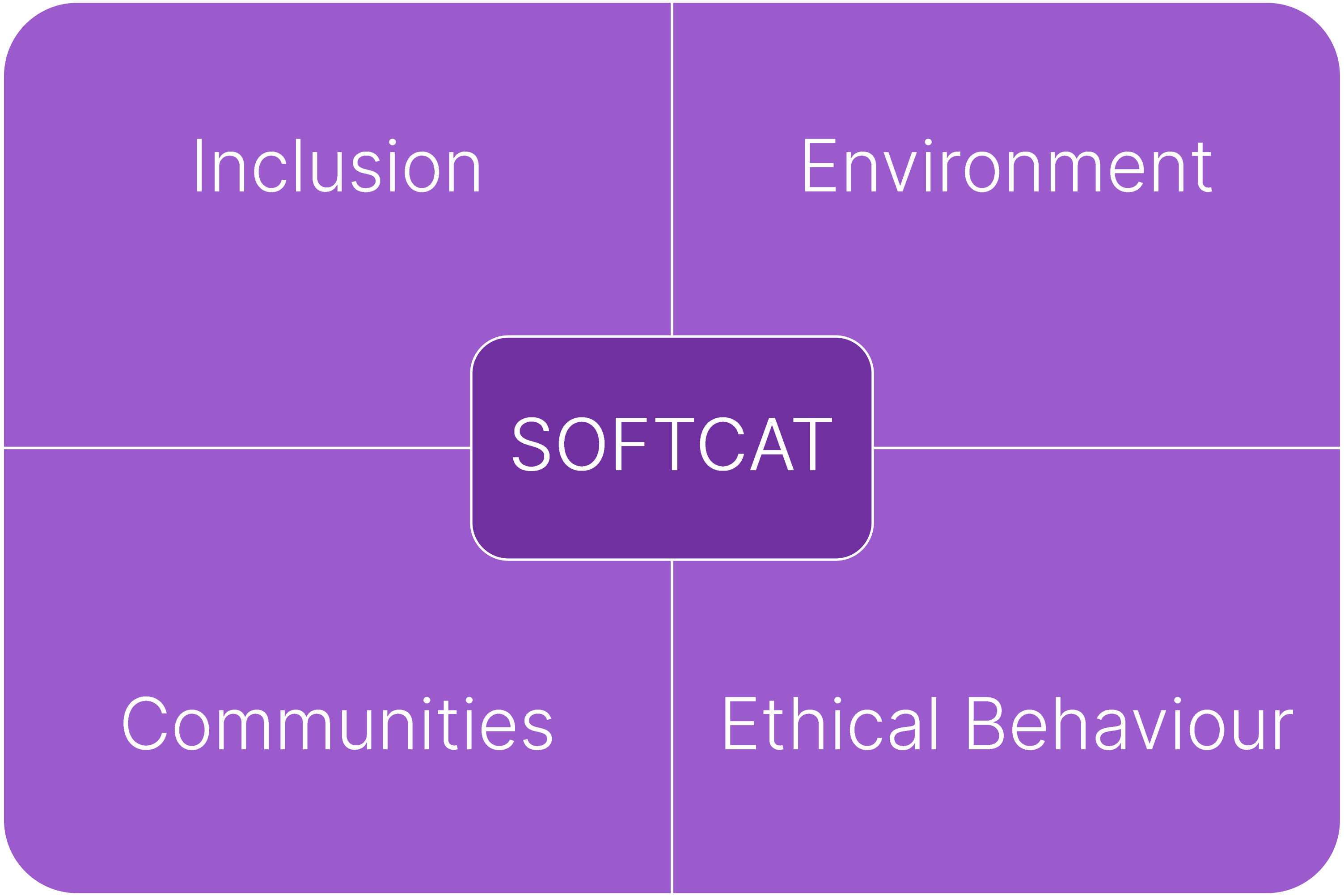
	FY22	FY21
Interim	7.3p	6.4p
Final	16.6p	14.4p
Special	12.6p	20.5p
Total	**36.5p**	**41.3p**
Ex-dividend date	10 November 2022	
Payment date	19 December 2022	

- The Company is currently debt free and uses existing resources to fund operations and growth, seeking to maintain a minimum cash balance of c.£60m
- This minimum cash holding has been increased by £15m from the levels in FY20 and FY21 to reflect the continued growth of the business
- The dividend policy is to pay 40-50% of post-tax profits as a normal annual dividend
- Excess cash will continue to be periodically returned to shareholders
- Including the payments to be made in December the company will have returned £401m to shareholders in the 7 years since IPO in the form of normal and special dividends

INCLUSION & SUSTAINABILITY

Graeme Watt, CEO
Graham Charlton, CFO

Our approach to inclusion and sustainability



Inclusion and sustainability recognition

Softcat

Best Workplaces in Tech Super Large Category	Great Place to Work	Sep-21
Inspirational Transformation of the Year	CRN Tech Impact	Sep-21
Sustainable Reseller of the Year	CRN Tech Impact	Sep-21
Diversity Employer of the Year	CRN Women in Channel	Oct-21
Ethnic Diversity Champion Award	CRN Women in Channel	Oct-21
Best Work Life Balance - #2	Glassdoor	Oct-21
Best Workplaces for Wellbeing - #3	Great Places to Work UK	Feb-22
Best Company to work for (£101m + turnover)	CRN Sales & Marketing	Jul-22
Over and Above - South Coast Team	CRN Sales & Marketing	Jul-22
Best Workplaces for women	Great Place to Work	Jul-22
Ranked 2nd in the UK's Best Workplace in Tech	Great Places to Work UK	Sep-22
Technical Employee of the Year award - Emma Wright	CRN Women & Diversity in channel awards	Oct-22
Mental Health Champion of the Year - Alexander Lewis	CRN Women & Diversity in channel awards	Oct-22
LGBTQ+ Inclusion Award	CRN Women & Diversity in channel awards	Oct-22
Health & Wellbeing Recognition Award	CRN Women & Diversity in channel awards	Oct-22
Cultural Inclusion Award	CRN Women & Diversity in channel awards	Oct-22
Diversity Employer of the year	CRN Women & Diversity in channel awards	Oct-22
EMEA Sustainability Partner of the Year	Canalys	Oct-22

Environmental sustainability

Governance

Sustainability Committee

Sustainability Leadership Team

Sustainability Delivery Team

Green Teams

Targets & Commitments

Carbon neutral scope 1&2

100% renewable energy by 2024

Carbon net zero supply chain 2040

SBTi approval

Environmental Sustainability

Awards

CRN Sustainable Reseller of the Year 2021 & 2022

Canalys Sustainability Partner of the Year 2022

Actions

Softcat 10 in 10

Enexo

Support the Goals

Alignment to remuneration

CLOSING REMARKS

Graeme Watt, CEO

Continued growth

- Delivered strong profitable organic growth performance which exceeded expectations
- Growth continues to be broad-based
- Drove new customer acquisition and higher GP per customer

Drivers of our success

- We continued to invest in people, systems and tools for future growth
- Our breadth of technology and services and customers continues to serve us well
- We drive strong levels of customer and employee satisfaction
- Being a great place to work remains at the heart of how we operate

Market trends

- Our market is growing and presents a significant opportunity for share growth
- The structural growth drivers of digital transformation, security, mobility and cloud adoption remain in play

Outlook

- The Company is in as strong a competitive position as ever heading into the new financial year and we expect to continue to deliver double-digit gross profit growth and market share gains
- Demand has remained strong and customer behaviour normal
- Our business model has significant agility and our balance sheet remains strong
- The comparative first half period to January 2022 was exceptional and benefited from a very high volume of business from our largest customer
- Resumption of internal events, pay increases across all departments, and an increased rate of recruitment mean cost growth is likely to outstrip gross profit growth in the first half
- We are confident that operating profit for the year will be in line with expectations at levels similar to 2022 and we will continue to outperform the market

APPENDIX

Appendix: IFRS15 Restatement

Softcat

FY21	GII	FY21 net down	FY21 reported revenue	Increase in net down	FY21 restated revenue	% netted down
Software	£1,109m	(£608m)	£501m	(£373m)	£128m	88%
Hardware	£566m	(£10m)	£557m		£557m	2%
Services	£263m	(£164m)	£99m		£99m	62%
Total	**£1,938m**	**(£782m)**	**£1,157m**	**(£373m)**	**£784m**	**60%**

FY22	GII	FY22 net down	FY22 reported revenue	% netted down
Software	£1,365m	(£1,215m)	£150m	89%
Hardware	£810m	(£12m)	£798m	2%
Services	£332m	(£202m)	£130m	61%
Total	**£2,508m**	**(£1,430m)**	**£1,078m**	**57%**

- The application of IFRS 15 to revenue was amended during the year in response to a clarification issued by the IFRS Interpretation Committee.
- This clarification has led us, in discussion with our listed peers in the UK and Europe, to conclude that all different categories of software should be recognised as if Softcat were an agent rather than principle to the transaction.