

Softcat

COMMUNITY

Results for the six months ended

31 January 2023

Graeme Watt, CEO

Graham Charlton, CFO

28 March 2023



Performance ahead of expectations and strong cash flow

- Gross profit growth of 17.9% to £177.1m
- Operating profit down (1.7%) to £63.1m
- Gross invoiced income* up 4.9% to £1.22bn
- Revenue down (11.3%) to £512.4m
- Gross profit per customer growth of 17.4% to £35k
- Customer base increased 3.3% to 10,000
- Average headcount growth of 19% on prior year

Strong cash generation and shareholder returns

- Cash conversion of 118%**
- Strong balance sheet with £97.7m of cash and no bank debt
- Interim dividend of 8.0p, up 9.6%

* 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 including all 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.



Strong growth delivered across all key segments and technologies

- GII on enterprise (+26%), SMB (-9%, +27% excluding major customer impact), public sector (+20%); software (+24%), hardware (-27%, +18% excluding major customer impact) and services (+31%)

The business has adapted to flexible working well

- Employee engagement and customer satisfaction continue at very strong levels

Investing for future growth

- Delivered 12 month headcount growth of 21% finishing with headcount of 2,154
- Investing in further tools and platforms

Good momentum in many areas of the business

- Hybrid cloud, security and multinational sales are just some areas that continued to press ahead

Managing the business through various challenges

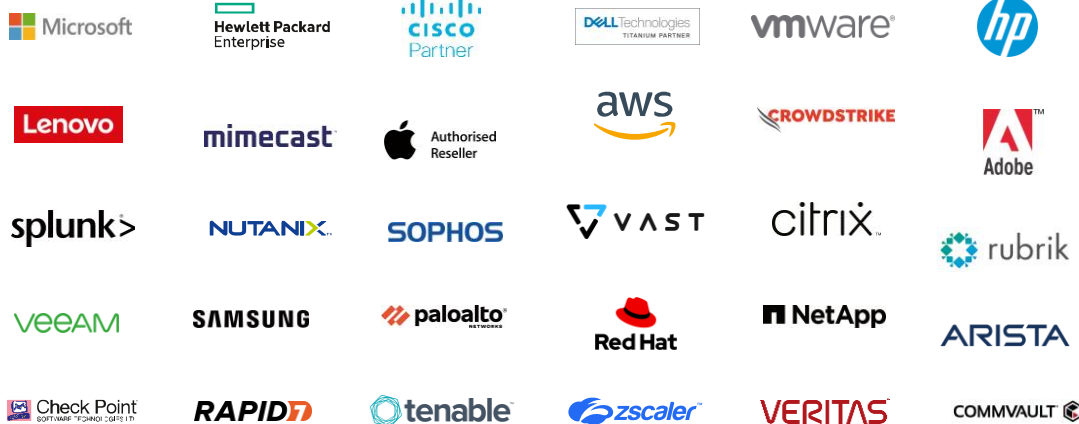
- Macroeconomic uncertainty
- Supply chain
- Vendor price changes

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

Softcat



400+ vendors



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

2,154

Employees at 31 January 2023

£2.5bn

FY22 gross invoiced income

£136m

FY22 operating profit

10,000

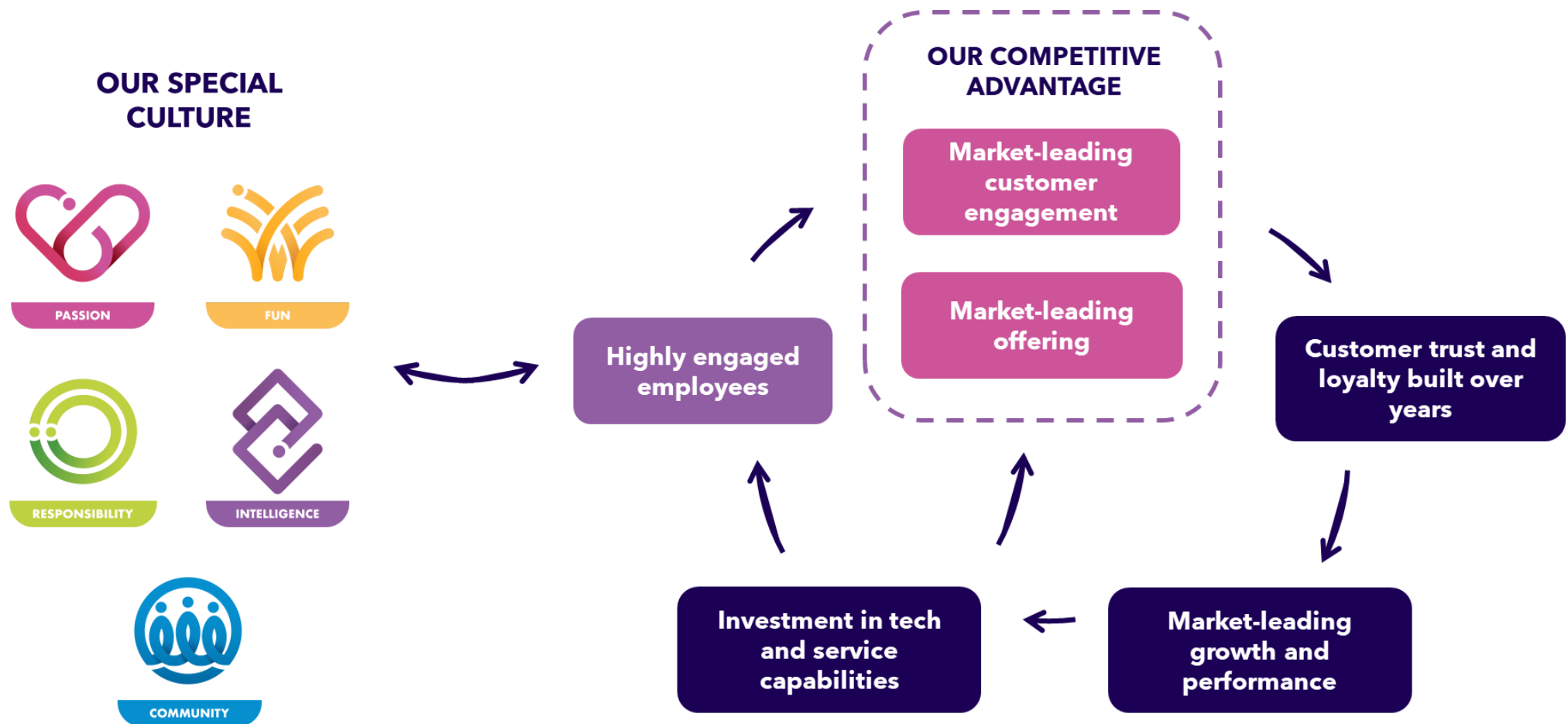
Customer base at 31 January 2023

£327m

FY22 gross profit

£98m

Cash at 31 January 2023





Acquire New Customers

- Customer base up 321 (+3.3%)
- We trade with around 20% of our addressable market
- Headcount investment across all commercial functions
- Newcastle office opened in March



Sell More To Existing Customers

- GP per customer up 17.4%
- Estimated share of wallet 25%
- Multinational
- IT offerings focused on workspace, cyber security and hybrid infrastructure

People and Culture

- Manage key leadership changes
- Continued investment in building scale and employee development
- Employee NPS at 63

Customer Experience and Ease Of Doing Business

- NetSuite optimisation
- IT systems roadmap
- Customer finance capability
- Customer NPS at 55
- Data and digital initiatives

Maintain Relevance and Expand Our Addressable Market

- Investing in technology leadership
- US office has expanded our multinational reach
- Increased readiness for any M&A opportunities

SUSTAINABILITY AND INCLUSION

H1 2023 FINANCIAL REVIEW

Graham Charlton, CFO



Summary income statement

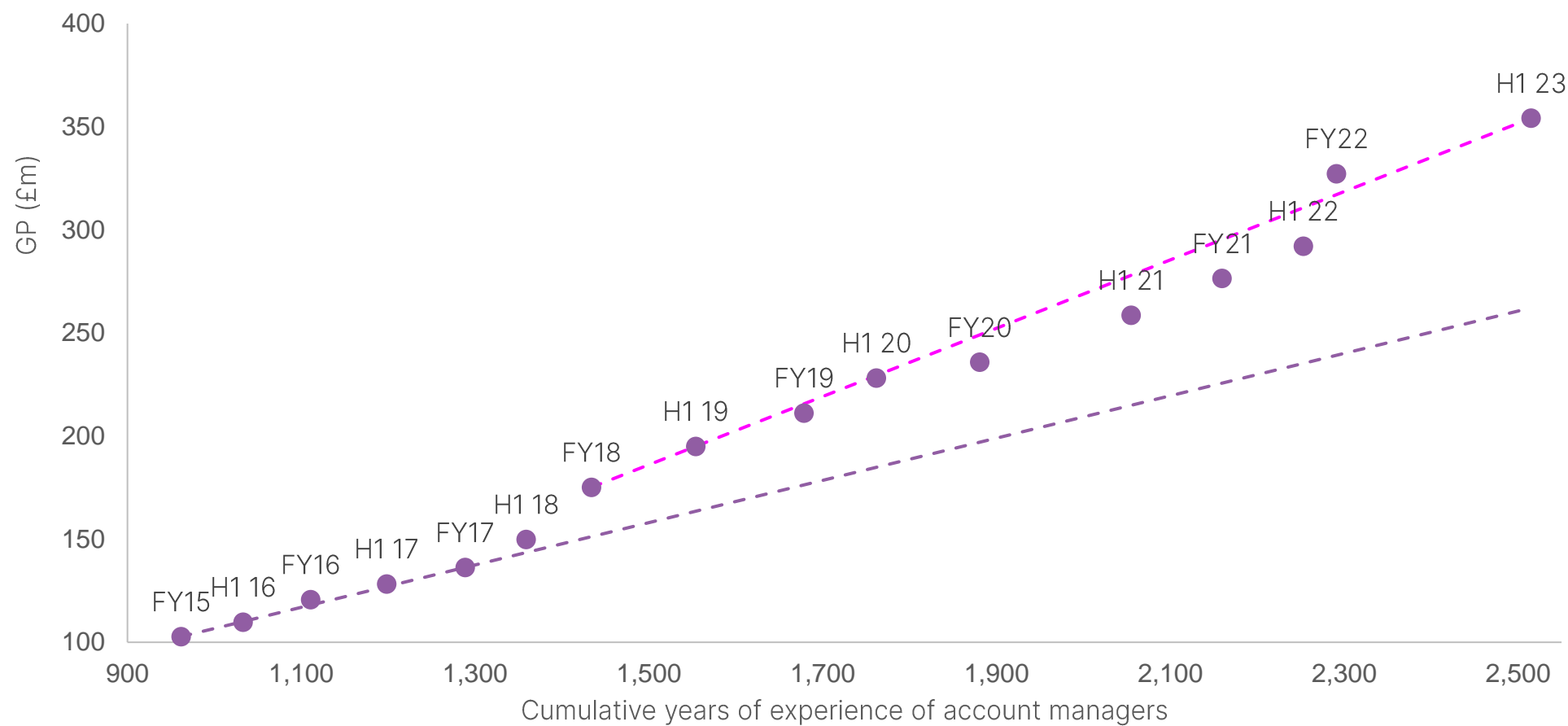
£m	H1 FY23	H1 FY22	Growth
Revenue	512.4	577.8	(11.3%)
<i>Gross invoiced income</i>	<i>1,214.7</i>	<i>1,158.3</i>	<i>4.9%</i>
Gross profit	177.1	150.2	17.9%
GP/GII %	14.6%	13.0%	
Admin. expenses	(114.0)	(86.1)	(32.4%)
Operating profit	63.1	64.1	(1.7%)
OP/GP %	35.6%	42.7%	
Interest	0.1	0.1	
Tax	(13.3)	(12.2)	
Profit after tax	49.8	52.0	(4.2%)

- GP, our primary measure of income, grew by 17.9% in the period
- Gross invoiced income grew more slowly, reflecting the impact of the very large value, low margin hardware transactions with a major customer in the prior period
- Revenue declined in the period, also due to the impact of the major customer transactions in the prior period
- Adjusting for the impact of the major customer, growth in both revenue and GII was in excess of 25% reflecting the robust nature of customer demand and strong execution of our strategy

- Cost growth of 32.4% reflects:
 - Average headcount up 19%
 - Blended average pay rise for existing staff of 11%
 - Commission costs up in line with GP growth
 - Ongoing investment in internal systems and tools
 - The return of pre-pandemic events and travel costs

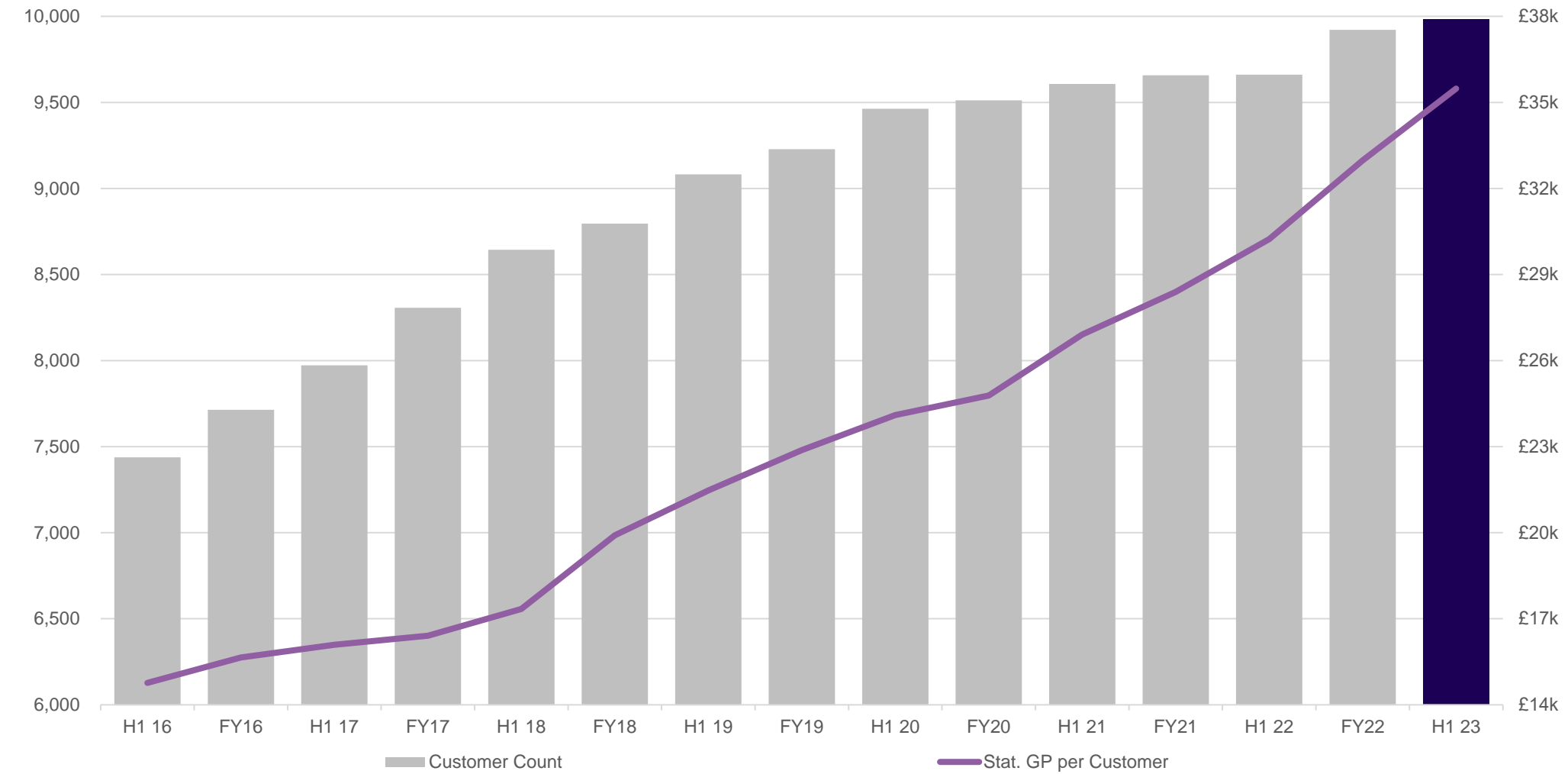
- The effective tax rate for 2023 is 21.0% (FY22: 19.0%), reflecting the blended rate in force across the financial year, including the rate rise from 19% to 25% effective 1 April 2023

Account manager productivity gains driven by investment in supporting technical and service capabilities



Note: GP and tenure reported on a rolling 12 month basis

Strong growth in the 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 FY23	H1 FY22
Operating profit	63.1	64.1
Depreciation and amortisation	3.0	2.5
Net capital expenditure	(1.3)	(2.8)
Net movement in working capital	8.0	(10.5)
FX Revaluation	(0.1)	-
Other	1.5	1.2
Cash from operations before tax, after capex	74.3	54.5
<i>As % of operating profit</i>	<i>118%</i>	<i>85%</i>
Income taxes paid	(14.6)	(11.2)
Finance income	0.2	0.0
IFRS 16 lease payments	(1.1)	(1.3)
Dividends paid	(58.2)	(69.5)
Net increase / (decrease) in cash during the period	0.5	(27.4)
Closing cash balance	97.7	74.3

• Capital expenditure reduced period on period as the capitalisation phase of the finance system development completed in FY22

• The small net positive movement in working capital reflects normal movements in balances related to trade payables and receivables, in line with P&L growth.

• The Company continues to target sustainable structural cash conversion in the range of 85-95%.

• The 'snapshot' nature of period end cash conversion reporting can significantly deviate from this norm due to short term but high value phasing of receipts and payments.

	H1 FY23	H1 FY22
Interim	8.0p	7.3p
Ex-dividend date	13 April 2023	
Payment date	24 May 2023	

- An interim dividend of 8.0p will be paid on 24 May 2023, up 9.6% on the prior period
- This is in line with the existing policy to pay 40-50% of post tax profits as an ordinary dividend, split one-third interim and two-thirds final
- The dividend is payable to shareholders on the register at the close of 14 April 2023, and the shares will trade ex dividend from 13 April 2023

INCLUSION & SUSTAINABILITY

Graeme Watt, CEO
Graham Charlton, CFO

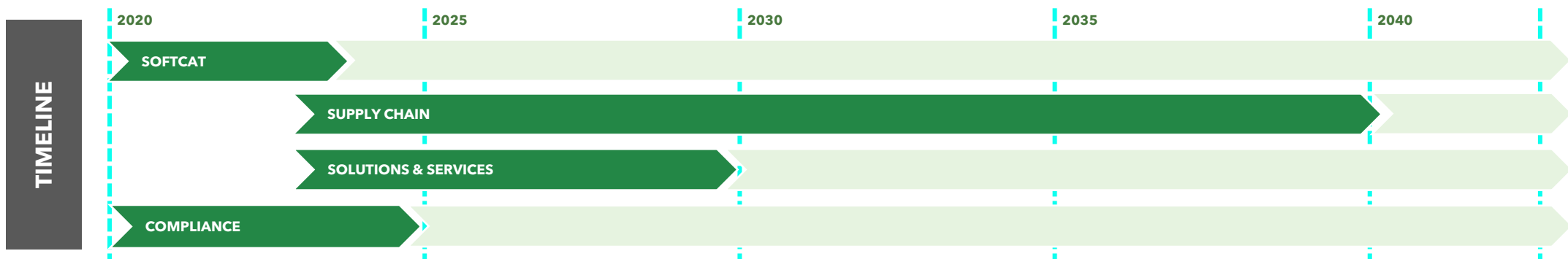




Environmental sustainability

Softcat

ACTIVITY	DETAIL	STATUS
SOFTCAT	Delivered carbon neutrality on operational scope 1, 2 and 3 emissions	DONE
SUPPLY CHAIN	Commitment to a net zero supply chain by 2040, with targets approved by SBTi.	IN PROGRESS
SOLUTIONS & SERVICES	<p>Acknowledged within the industry for offering market-leading support to customers and vendors in their net zero plans.</p> <ul style="list-style-type: none"> Well informed sales people and technologists who can confidently engage on the topic with customers Development of new solutions and offerings in collaboration with partners – e.g. circular economy, use of sustainable materials, sustainability as a service built into asset management propositions, etc. Assessment services across the full range of IT infrastructure 	IN PROGRESS
COMPLIANCE	Ensuring full compliance with all applicable regulation (e.g. TCFD)	IN PROGRESS



Inclusion

- Inclusion is a key element of our culture
- Diversity moving positively
- Extensive employee participation
- Company-wide allyship programme
- Accolades from inside and outside our Industry



CLOSING REMARKS

Graeme Watt, CEO





Market trends

- The structural drivers of growth in our market continue to be digital transformation, security, collaboration, cloud adoption and edge computing

Continued growth

- Delivered strong profitable organic growth which exceeded expectations
- Broad-based growth
- Drove new customer acquisition and share of wallet
- Significant opportunity to grow market share

Drivers of our success

- Being a great place to work remains at the heart of how we operate
- We remain focussed on achieving high levels of customer and employee satisfaction
- We are investing significantly in people, systems and tools for future growth
- The relevance and breadth of technology and services we offer customers continues to serve us well



Operating profit in the first six months of the financial year is ahead of the Board's initial expectations. While there is still a lot to do in the second half and the economic environment remains uncertain, due to the out performance in the first half, the Board expects that the outturn for the full year will be slightly ahead of previous estimates.