



Softcat

CONNECT



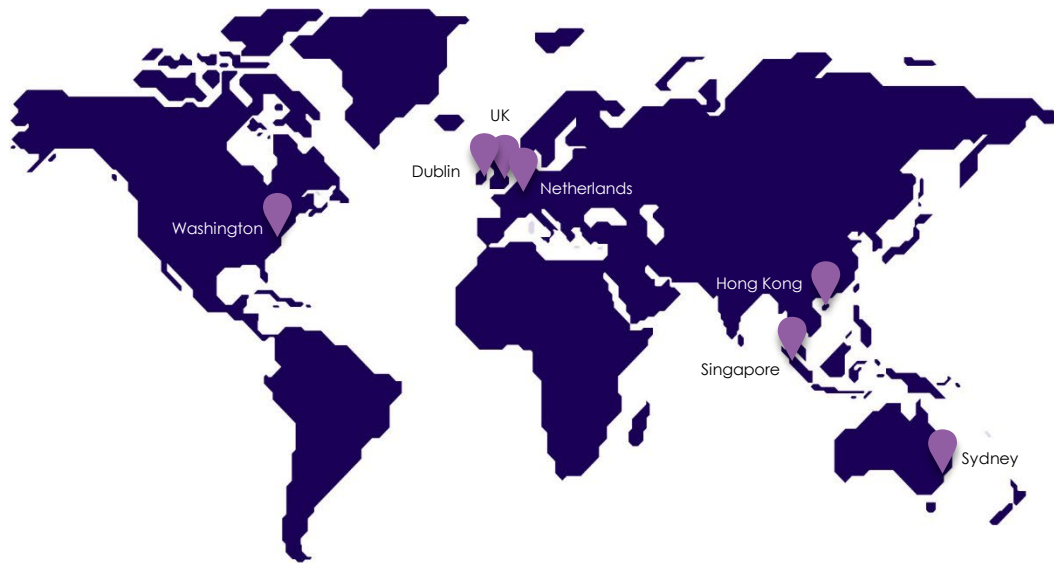
Results for the year ended
31 July 2023

Graham Charlton, CEO
Katy Mecklenburgh, CFO
24 October 2023



We are the largest provider of cyber security, cloud and IT infrastructure solutions in the UK¹, supporting local customers with their global needs

Softcat



400+ vendors

Microsoft

Hewlett Packard Enterprise

CISCO Partner

DELL Technologies TITANIUM PARTNER

vmware

hp

Lenovo

mimecast

Apple Authorised Reseller

aws

CROWDSTRIKE

Adobe

splunk

NUTANIX

SOPHOS

VAST

citrix

rubrik

veeam

SAMSUNG

paloalto

Red Hat

NetApp

ARISTA

Check Point SOFTWARE TECHNOLOGIES LTD

RAPID7

tenable

zscaler

VERITAS

COMMVault

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

2,315

Employees at 31 July 2023

£2.6bn

FY23 gross invoiced income

£141m

FY23 operating profit

10,100

Customer base at 31 July 2023

£374m

FY23 gross profit

£123m

Cash at 31 July 2023

(1) Source: ChannelWeb CRN Top VARs 2023



Continued broad based growth

- Gross profit growth of 14.2% to £373.8m
- Operating profit up 3.5% to £140.9m
- Gross invoiced income* up 2.2% to £2.56bn
- Revenue down (8.6)% to £985.3m
- Gross profit per customer growth of 12.2% to £37.0k
- Customer base increased 1.9% to 10.1k
- Closing headcount growth of 21% on prior year

Strong cash generation and shareholder returns

- Cash conversion of 93%**
- Strong balance sheet with £122.6m of cash and no bank debt
- Total ordinary dividend of 25.0p, up 4.6%
- Special dividend of 12.6p

* Gross invoiced income (GII) is 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.



Strong growth, in both halves of the year, and progress against our strategy

- GII on enterprise (+20%), SMB (-6%), public sector (+4%); software (+13%), hardware (-24%) and services (+21%). SMB and hardware impacted by a combination of market conditions and one-off deals in the prior year

Commitment to our simple, successful strategy

- We grew our customer base by 2% and our GP per customer by 12%, delivering breadth and depth of offering through exceptional client service

Continued investment

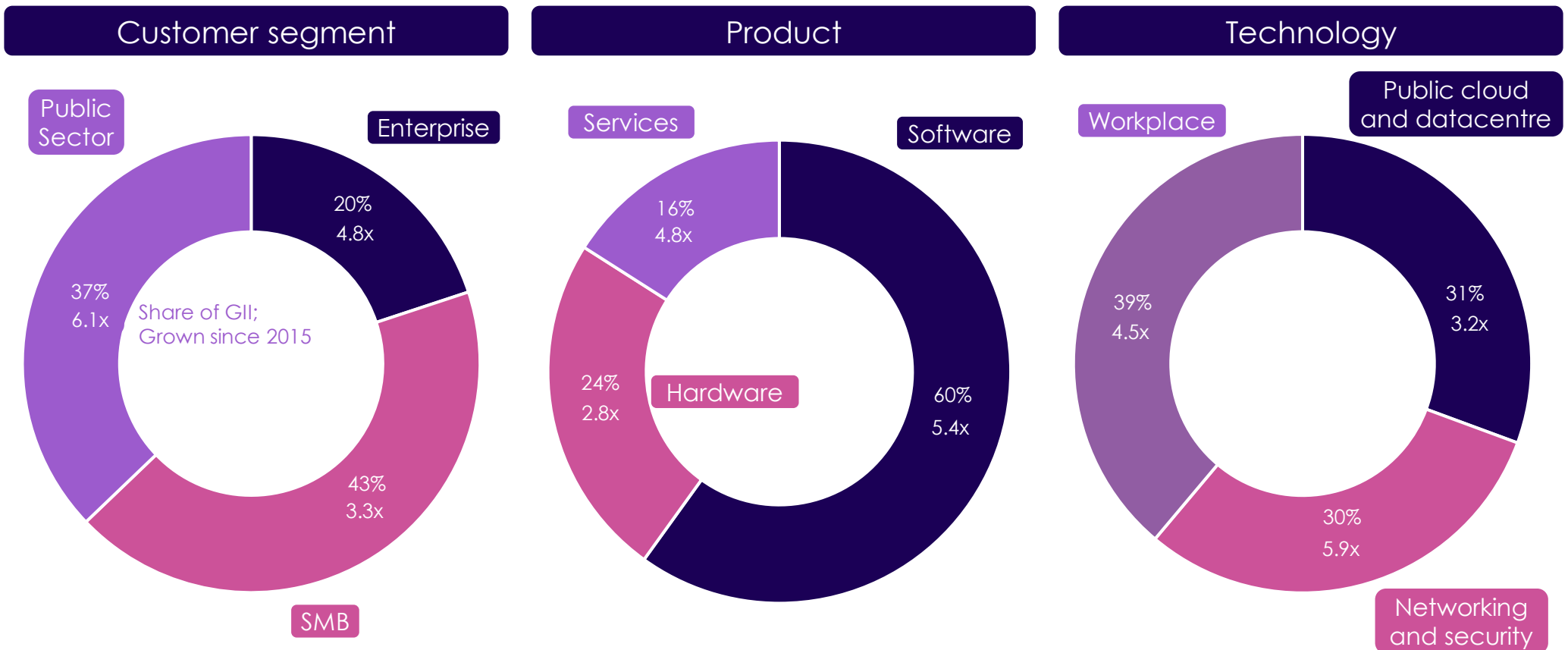
- Closing headcount was up 21% to 2,315, reflecting continued investment in scale and new capabilities to deliver on our growth ambitions

Development of our offering and operating model in an evolving industry

- Investment in our technical and services propositions, alongside implementation of new operating platforms and data and reporting systems

A diverse offering

We sell a comprehensive range of products and solutions across all customer segments, creating exciting growth opportunities with both new and existing customers





Acquire more customers

- Customer base up 200 (+1.9%)
- We estimate that we trade with around 20% of our addressable market
- Continuing to target new customers in all segments across enterprise, SMB and public sector



Sell more to existing customers

- Gross profit per customer up 12.2%
- Estimated average share of wallet is 20% to 25%
- Ongoing investment in new and emerging technologies, including service offerings in cyber security and cloud

People and culture

- Ranked 5th Best Workplace for Wellbeing and 6th Best Workplace for Women
- Increased employee NPS to 63 (2022: 52)
- Established, successful approach to flexible working
- Extensive and evolving range of development and inclusivity programmes

Ease of doing business

- Customer NPS increased to 62 (2022: 55)
- Customer-focussed evolution of IT systems and platforms, including integration with cloud and marketplace distribution platforms
- New tools to increase efficiency and accelerate sales engine

Maintain relevance and expand our addressable market

- Development of our customer-facing technology strategy, encompassing the full range of opportunities afforded by AI
- Strong organic multinational expansion
- Continuing to monitor inorganic opportunities to accelerate our strategy

Sustainability and inclusion

Awards from our vendors and channel partners during FY2023

EMEA Partner of the Year 2022	CrowdStrike
Global SMB and Commercial Partner of the Year	Cisco's 2022 Partner Summit
SMB and Commercial EMEA Partner of the Year	
SMB Partner of the Year UK&I	
Commercial Partner of the Year UK&I.	
Elite Partner of the Year	Samsung
EMEA Reseller of the Year 2022	Zscaler
Partner-led Deal of the Year 2022	Palo Alto Networks
Partner of the Year (EMEA)	Skillsoft
Growth Partner of the Year	TeamViewer
UKI Partner of the Year 2022	Varonis
EMEA Growth Partner of the Year	Netskope
Enterprise Partner of the Year	Veeam
Partner of the Year and Channel Hero	Rapid7
EMEA Partner Marketing award	Equinix
Top Overall Partner and New Business Partner	Tenable
Partner Sales Champion of the year	Rubrik
Partner of the Year	Gamma

Harmony Partner of the Year and New Logo Partner of the Year	CheckPoint
Cloud Partner of the Year	Veritas
Partner of the Year	Tenable
Top Performer for new customer revenue	Cato Networks
Partner of the year	Mimecast
Financial Services Partner of the Year	HPE
Microsoft Operations Partner of the Year Finalist	Microsoft
EMEA North Outstanding Partner of the Year	Sophos
EMEA North Mid-Market Partner of the Year	
EMEA MDR Services Partner of the Year	
Pinnacle Partner Status	VMware
Azure Expert MSP status	Microsoft
Client Partner of the Year	Dell
EMEA Partner of the Year	CrowdStrike
Cloud Innovation and Transformation Award	VMware
As One Partner of the Year and ESG Partner of the Year	Lenovo

2023 FINANCIAL REVIEW

Katy Mecklenburgh, CFO



Result

Summary income statement

£m	FY23	FY22	Change
Revenue	985.3	1,077.9	① (8.6%)
<i>Gross invoiced income</i>	2,563.3	2,507.5	② 2.2%
Gross profit	373.8	327.2	③ 14.2%
GP/GII %	14.6%	13.1%	④ 154bps
Admin. expenses	(232.9)	(191.1)	⑤ 21.9%
Operating profit	140.9	136.1	3.5%
OP/GP %	37.7%	41.6%	<i>(392bps)</i>
Interest	1.0	(0.0)	
Tax	(29.8)	(25.7)	
Profit after tax	112.0	110.4	1.5%

① Revenue decline is driven by hardware which decreased (23)%, only partially offset by growth in software and services (26% and 43% respectively)

② The same trends impacted GII, where growth in software and services (13% and 21% respectively) were partially offset by a decline in hardware sales of (24)%

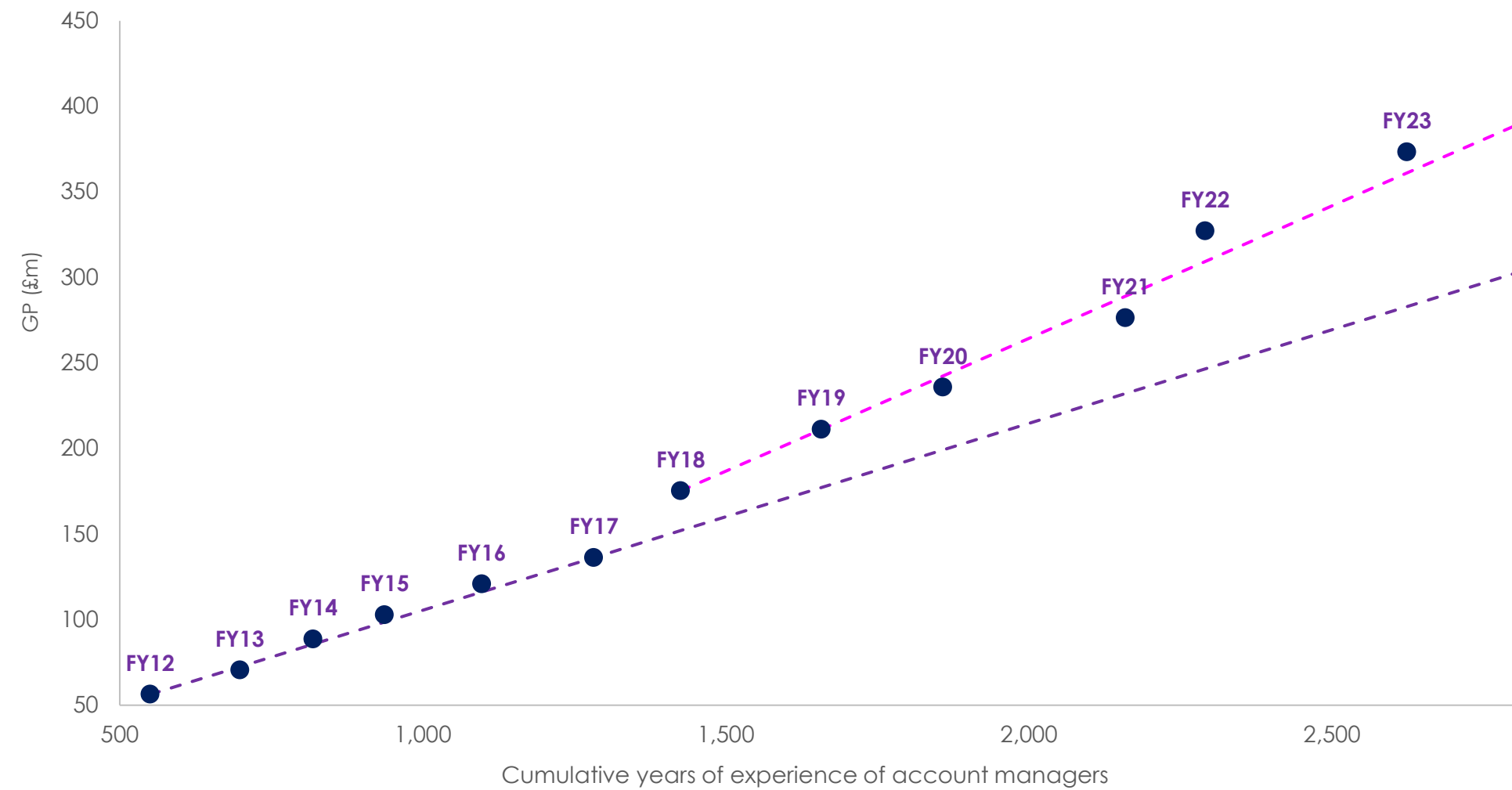
③ Gross profit, our primary measure of income, grew strongly in both H1 at 18%, and H2 at 11%

- Significant, low-margin transactions with a major customer in the base period, impacted revenue, GII and, to a lesser extent, gross profit growth rates
- Excluding these transactions, revenue and GII both grew double digits and GP increased double digits across all customer segments, technology areas and product types

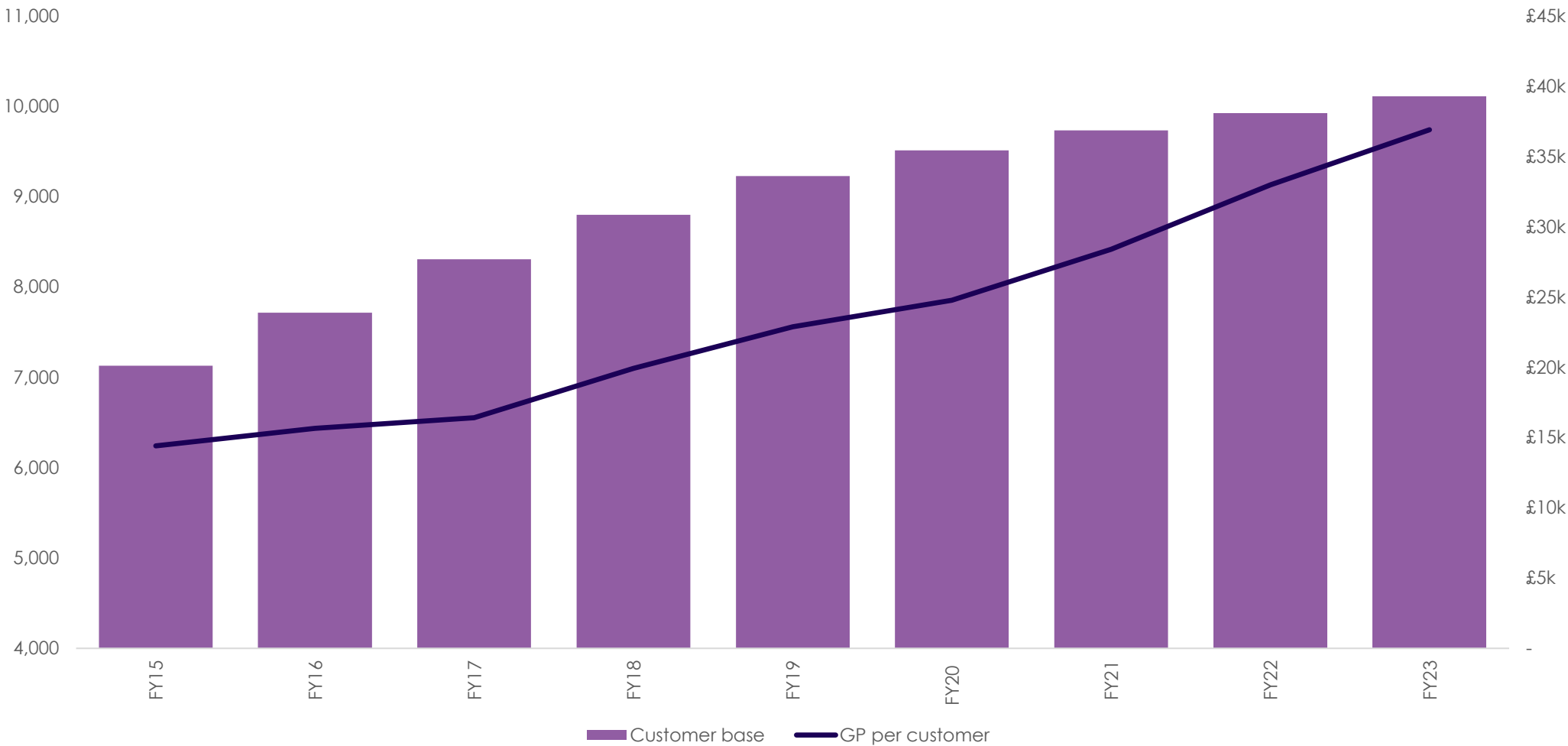
④ Gross margin expanded in the period, driven by the reversal of the margin dilution from the large one-off transactions in FY22 and a positive mix effect

⑤ Cost growth reflects average headcount growth of 20%, investment in salaries and IT systems and increases in travel and entertainment expenses

Account manager 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	FY23	FY22
Operating profit	140.9	136.1
Depreciation and amortisation	6.1	4.5
Net movement in working capital ^①	(15.7)	(34.0)
Net capital expenditure ^②	(3.2)	(5.2)
Other	3.3	2.3
Cash from operations before tax, after capex	131.3	103.8
As % of operating profit ^③	93.2%	76.2%
Income taxes paid	(29.8)	(25.3)
Dividends paid ^④	(74.2)	(84.0)
Other	(2.1)	1.2
Net increase / (decrease) in cash during the period	25.3	(4.4)
Closing cash balance	122.6	97.3

^① Small NWC outflow in period, reflecting normalisation of cash collections post the impact from finance system implementation at the end of FY22 offset by shortening of average payment days

^② The new finance system project completed at the end of FY22, resulting in a step down in capex spend and step up in amortisation in FY23

^③ Cash conversion ratio at top end of guidance of 85%-95%

^④ Returned £74m of cash to shareholders in FY23, down from FY22 due to lower special dividend awarded in FY22

	FY23	FY22
Interim	8.0p	7.3p
Final	17.0p	16.6p
Total ordinary	25.0p	23.9p
Special	12.6p	12.6p
Total	37.6p	36.5p
Ex-dividend date	9 November 2023	
Payment date	19 December 2023	

- The Company is debt free. Our capital allocation framework is to prioritise investment into future organic growth, followed by maintaining a progressive ordinary dividend policy. Any additional excess capital will then be either allocated to strategic investments or returned to shareholders.
- We are uplifting the minimum cash holding to c.£75m, this is an increase of £15m reflecting the continued growth of the business.
- The ordinary dividend policy is to pay 40-50% of post-tax profits as an annual dividend
- Within this context we are again able to propose the payment of a special dividend
- Including the payments to be made in December the company will have returned £476m to shareholders in the eight years since IPO in the form of ordinary and special dividends



- The Company is well positioned to continue to deliver double-digit gross profit growth through the year, driving further market share gains.
- We expect full year FY2024 operating profit to be in line with market expectations*.
- We expect the operating profit growth to be second half weighted, with modest growth in the first half of the year principally reflecting the strong gross profit performance in the comparative period in the first half.
- We see significant and expanding opportunity in our market and will continue to invest to capitalise on this exciting growth potential.

* Market expectations refers to the mean Analyst consensus operating profit estimate as at the 23rd October 2023, available at <https://www.softcat.com/about-us/investor-centre>.

INCLUSION & SUSTAINABILITY

Graham Charlton, CEO
Katy Mecklenburgh, CFO





Governance

Sustainability Committee
Sustainability Leadership Team
Sustainability Delivery Group
Green Teams
TCFD



Targets & Commitments

Carbon neutral scope 1&2 by 2022
(using Carbon Removals)
100% renewable energy by 2024 (Delivered)
Carbon net zero value chain 2040
Approved 'Near' & 'Long' term SBTi



Actions

Solar panel installation (Clean Energy Generation)
100% EV pool car migration.
Company wide environmental training
Supply Chain Management
Staff EV car scheme



Awards

2022 & 2023 – 5* HP Amplify Impact Status
2022 & 23 – Lenovo ESG/Sustainable Partner of the Year
2023 CRN Finalist – ESG project of the year





CLOSING REMARKS

Graham Charlton, CEO





Adding to a track record of consistent growth

- Profitable, organic growth in line with expectations despite challenging market conditions
- Progress across all sectors, technology segments and end markets
- Won new customers and increased GP per customer with existing customers

A simple model but difficult to replicate

- Organic investment over 30 years in people, systems and capabilities to offer unrivalled breadth and depth to UK&I customers
- Increased NPS scores with both employees and customers show the health and strength in the core of our strategy

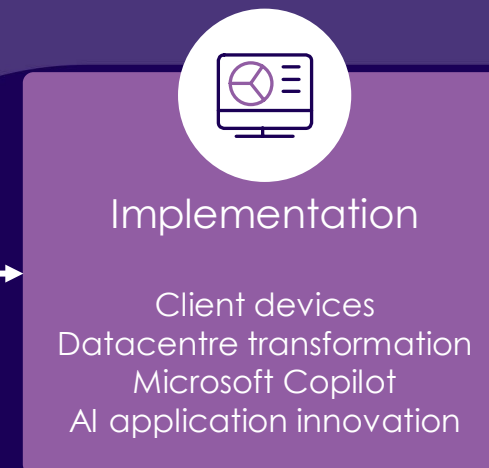
Market trends

- Long term market opportunity has never been bigger or more exciting
- Catalysts for growth include digital transformation and hybrid infrastructure, cyber security and the impact of AI

In our own operations:



In our customer proposition:



Microsoft 365
Copilot

Early Access Programme

Authorised re-seller