



Softcat

CONNECT

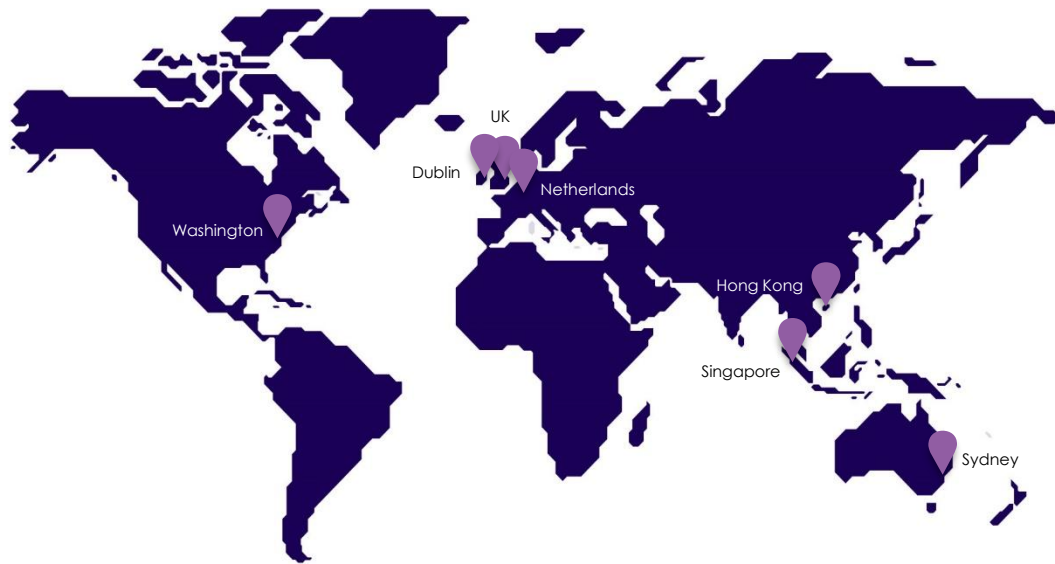
Results for the six months ended
31 January 2024

Graham Charlton, CEO
Katy Mecklenburgh, CFO
26 March 2024

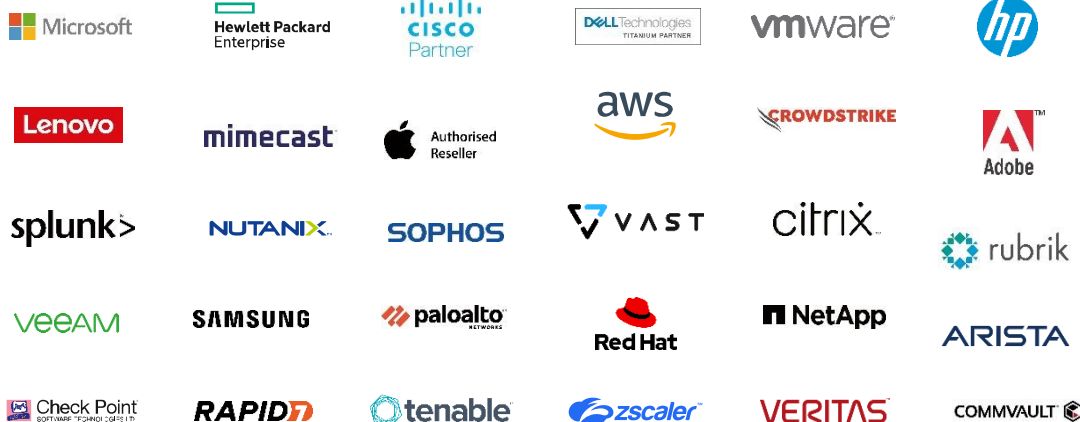


We are the largest provider of cyber security, cloud and IT infrastructure solutions in the UK¹, supporting local customers with their global needs

Softcat



400+ vendors



(1) Source: ChannelWeb CRN Top VARs 2023

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

2,468

Employees at 31 January 2024

£2.6bn

FY23 gross invoiced income*

£141m

FY23 operating profit

10,100

Customer base at 31 January 2024

£374m

FY23 gross profit

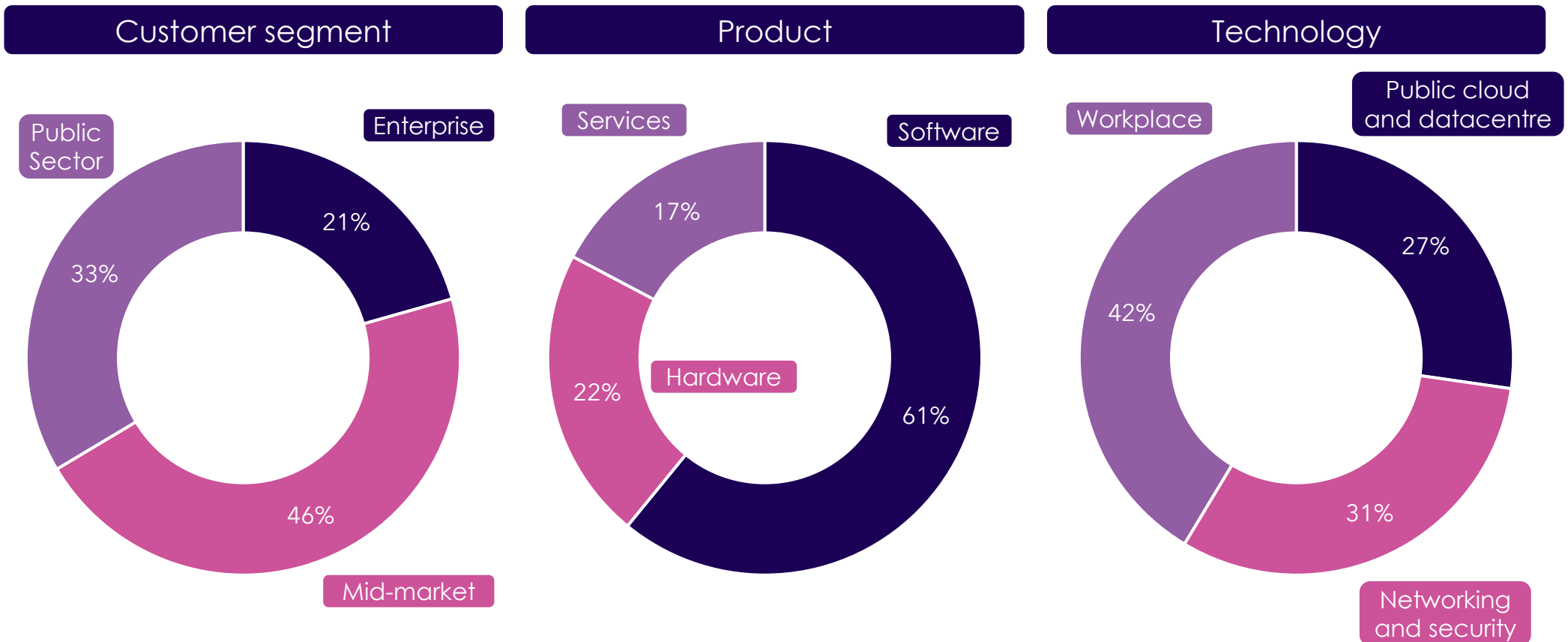
£112m

Net cash at 31 January 2024

*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.

A diverse offering

Our comprehensive technology offering is sold across all customer segments and creates exciting potential for growth in both customer numbers and sales to existing customers



Shares shown are a % of GII for H1 FY24



Encouraging growth, forward momentum

- Gross profit growth of 11.0% to £196.5m
- Operating profit up 5.8% to £66.7m, ahead of expectations
- Gross invoiced income up 4.0% to £1.26bn
- Revenue reduced (8.8)% to £467.2m
- Gross profit per customer growth of 9.6% to £38.9k
- Customer base increased 1.3% to 10.1k
- Cash conversion of 101.1%*



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



Sustained growth against tough compares, broad-based demand

- Double-digit gross profit growth coming from a broad range of technology areas and customer segments
- Customers are very interested in Gen-AI and we are leading the way on the Microsoft Copilot opportunity
- The broader AI opportunity is equally exciting, vendors and customers are looking at the datacentre, end user devices and other parts of infrastructure and evaluating how this will impact in the years ahead
- Cyber security, device refresh and multinational support are just some other examples of future drivers of growth

Strong progress against key customer metrics

- Growth in both the customer base and gross profit per customer shows we continue to gain market share and underpins future growth
- The high degree of fragmentation is a challenge for our customers, they need tightly integrated support across the technology stack which plays directly to our unique offering





Continuing to invest in our people and culture

- Awarded 5th Best Place to Work 2023
- Added a net 314 new employees, taking the team to nearly 2,500, an increase of 14.6%
- As planned, we will slow this rate of growth a little in H2 and into FY25 as we look to embed and drive results from the growth of the past two years
- Enhancements to starting salaries across the business over the past two years have resulted in strong retention and pay awards this year will normalise

Driving the evolution of our own operating model

- Progressing with our data and digital strategies, creating modern analytics platforms and seamless, more insightful employee and customer experiences
- Successfully embracing new distribution methods such as cloud marketplaces and vendor as-a-service offerings



Acquire more customers

- Customer base up net 100 (+1.3%)
- Penetration of target market remains at c.20%
- New strategies and models to target new customers across enterprise, SMB and public sector more precisely



Sell more to existing customers

- Gross profit per customer up 9.6%
- Investing in our offering across new and evolving technologies including AI, cyber security and hybrid infrastructure
- Existing average share of customer wallet estimated at c.25%

People and culture

- Achieved 35% workforce gender balance ahead of target, now aiming for 40% by 2030
- High and consistent employee engagement 90% (2023: 92%) and employee NPS 59 (2023: 63)
- Award winning ESG proposition (CRN Sustainability Champion of the Year)

Ease of doing business

- Customer NPS increased to 62 (2023: 55)
- Planned delivery of new data platform during H2 FY2024
- Consolidation and enhancement of tools and systems for employees and customers
- Incorporation of new distribution models including marketplaces and “as-a-service”

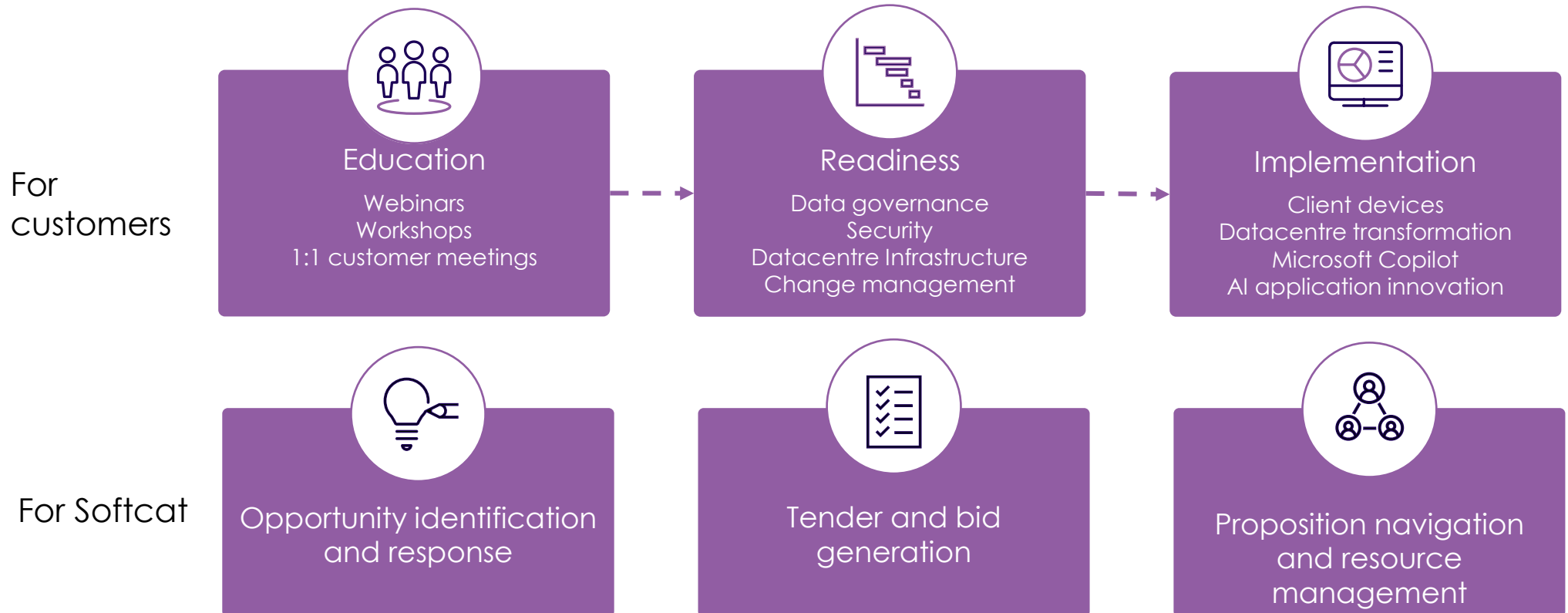
Maintain relevance and expand our addressable market

- CRN UK Reseller of the Year
- Developing our technology proposition, augmented by the enormous opportunity presented by AI and AI-readiness
- Investment in multinational continues with an increasing proportion of the customer base engaging with this element of our offering
- Monitoring inorganic opportunities to accelerate strategic objectives

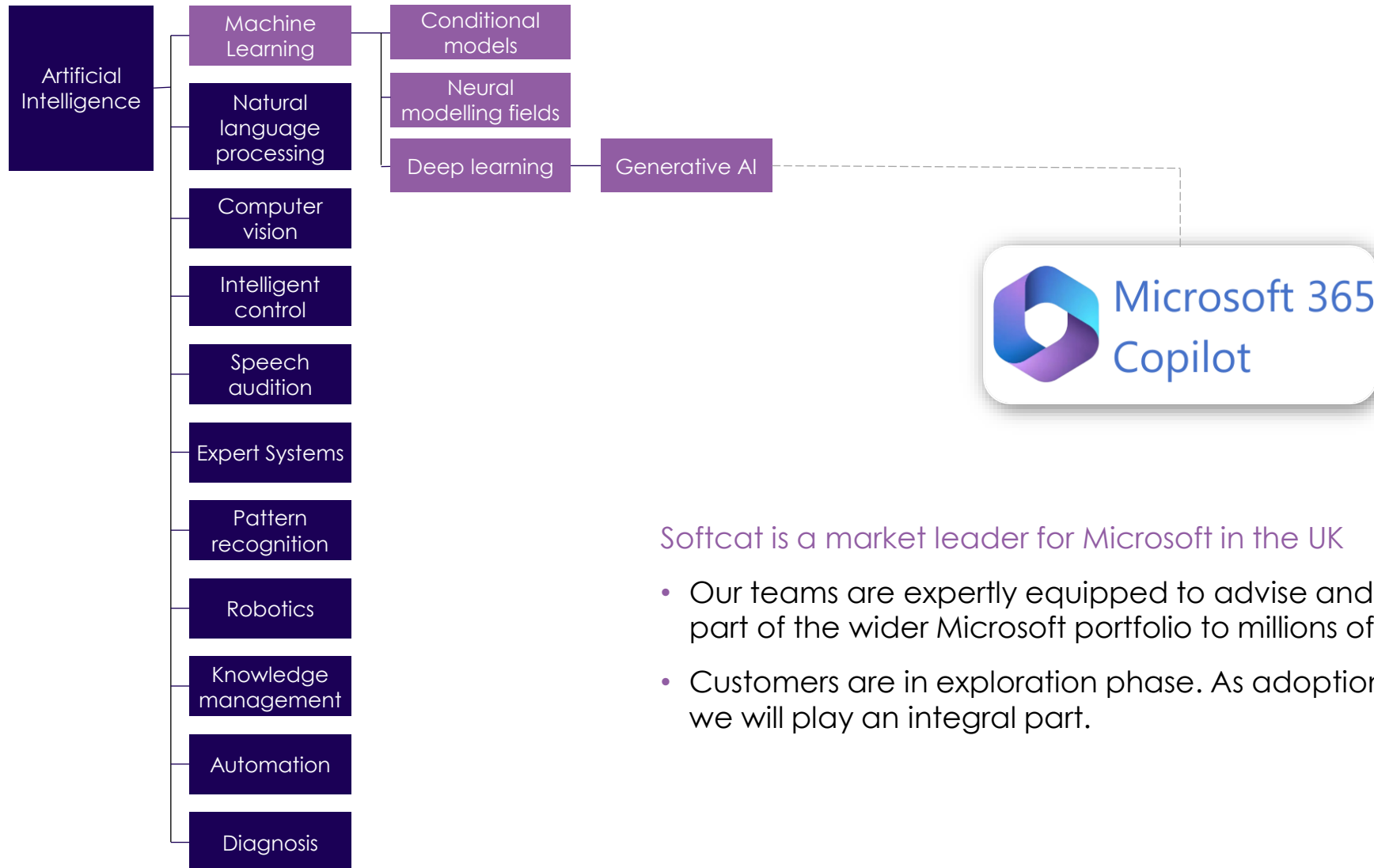
Environmental, Social & Governance

Satya Nadella
Microsoft CEO

“ I think [AI] is going to have a very, very foundational impact. Everything from power density...datacentre design...the main compute unit...the network, the memory architecture, all of it. So, the core computer architecture changes. I think every workload changes. ”



The many branches of the AI opportunity



Softcat is a market leader for Microsoft in the UK

- Our teams are expertly equipped to advise and sell Copilot as part of the wider Microsoft portfolio to millions of license holders
- Customers are in exploration phase. As adoption rates increase, we will play an integral part.

Vision

Sustainability

We strive for a sustainable future and one where our people and our planet can prosper

Strategy

Environmental

Softcat Operations

Supply Chain

Customer Solutions

Social

People & Community

Education & Economy

Diversity & Inclusion

Governance

Risk

Reporting

Compliance

Goals

- ✓ Carbon Neutral since 2021
- ✓ 100% Renewable Energy since 2023
- Net Zero Value Chain by 2040

- Gender workforce mix of 40% by 2030
- Ethnicity minority representation
- Management Team Diversity

- Regulatory Compliance
- Data Protection & Security
- Transparency & Influence

Updates and awards



H1 FY24 FINANCIAL REVIEW

Katy Mecklenburgh, CFO



Result

Summary income statement

£m	H1 FY24	H1 FY23	Change
Gross invoiced income	1,263.5	1,214.7	① 4.0%
Revenue	467.2	512.4	② (8.8)%
Gross profit	196.5	177.1	③ 11.0%
<i>GP/GII %</i>	<i>15.6%</i>	<i>14.6%</i>	④ 98bps
Admin. expenses	(129.8)	(114.0)	⑤ 13.9%
Operating profit	66.7	63.1	5.8%
<i>OP/GP %</i>	<i>34.0%</i>	<i>35.6%</i>	<i>(167bps)</i>
Interest	1.5	0.1	
Tax	(17.2)	(13.3)	
Profit after tax	51.0	49.8	2.4%

① Gross invoiced income (GII) growth was driven by software (+11.9%) and services (+13.3%), partially offset by hardware, down ((17.6)%) due to low market demand for client devices and several large low margin server and compute transactions in the base period.

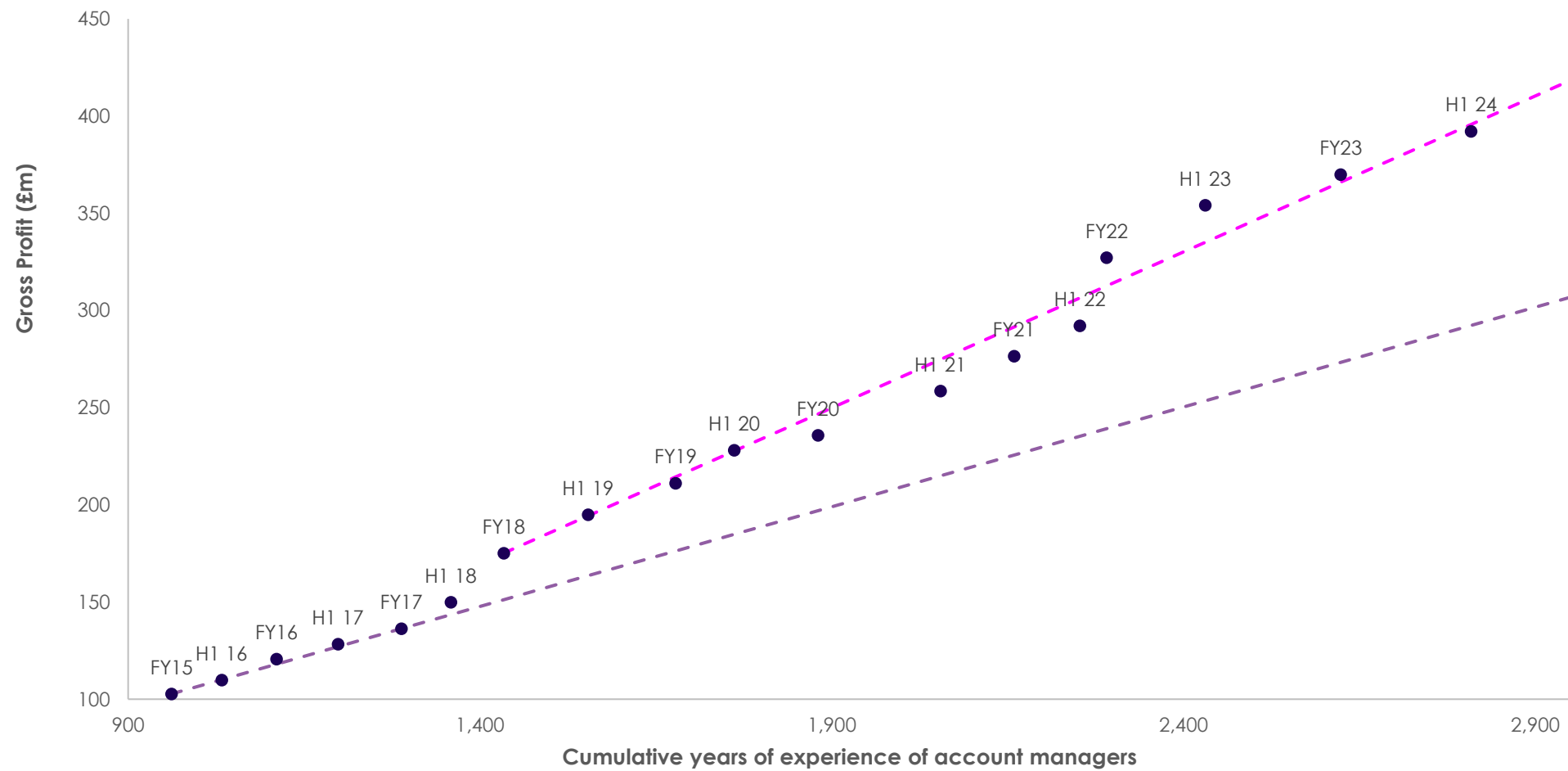
② Under IFRS15, hardware is a much more material proportion of revenue than the other reported metrics. Revenue decline is thus driven by hardware (reported gross) which decreased ((17.5)%), partially offset by software (reported net), which grew 15.0%.

③ Double digit gross profit growth, with broad-based growth across all technology groupings and all customer segments. Gross profit also grew strongly in software and services, while hardware gross profit grew marginally despite GII declining.

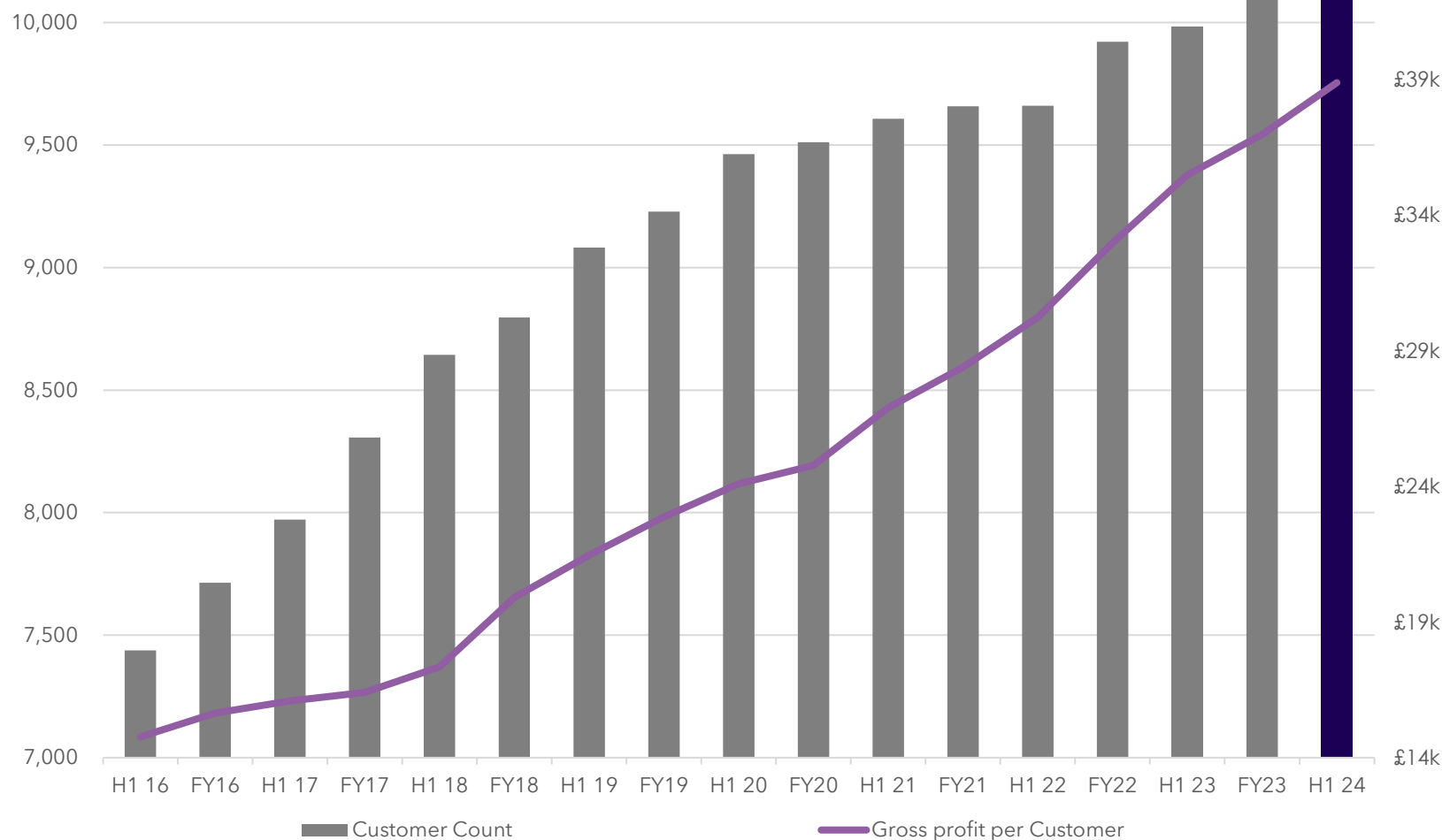
④ Gross margin expanded by 98bps. This was predominantly driven by hardware mix (higher margin products and transactions).

⑤ Cost growth reflects average headcount growth of 16.7%, reflecting our consistent strategy to invest in our cost base to capitalise on growth opportunities in the medium term.

Account manager productivity gains from selling deeper into customers



Customer base and gross profit per customer



Customer Count: 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.

Gross profit per Customer: Is defined as the trailing 12 months gross profit divided by the Customer Count.

£m	H1 FY24	H1 FY23
Operating profit	66.7	63.1
Depreciation and amortisation	3.2	3.0
Net movement in working capital	(1.2)	8.1 ^①
Net capital expenditure	(2.8)	(1.4) ^②
Other	1.6	1.5
Cash from operations before tax, after capex	67.5	74.3
As % of operating profit	101.1%	117.8% ^③
Income taxes paid	(19.1)	(14.6) ^④
Dividends paid	(59.1)	(58.2)
Other	0.5	(0.9) ^⑤
Net (decrease) / increase in cash during the period	(10.2)	0.5
Closing cash balance	112.5	97.7

^① Small net working capital outflow in the period reflecting the unwinding of the elevated net working capital position at H1 FY23 following the introduction of the new finance system

^② Capital expenditure increased period on period behind investments in new tools and platforms as part of our data and digital strategies

^③ Cash conversion ratio above guided range due to phasing of working capital balances during the period

^④ Increase in UK corporate tax rate drove higher tax payments.

^⑤ Other period on period increase due to higher finance income

	H1 FY24	H1 FY23
Interim	8.5p	8.0p
Ex-dividend date	11 April 2024	
Payment date	22 May 2024	

- The Company remains 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.
- An interim dividend of 8.5p will be paid on 22 May 2024, an increase of 6.3% on the prior period.
- This is in line with our ordinary dividend policy to pay 40-50% of after-tax profits, split one-third interim and two-thirds final.
- The dividend is payable to shareholders on the register at the close of 12 April 2024 and the shares will trade ex-dividend from 11 April 2024.



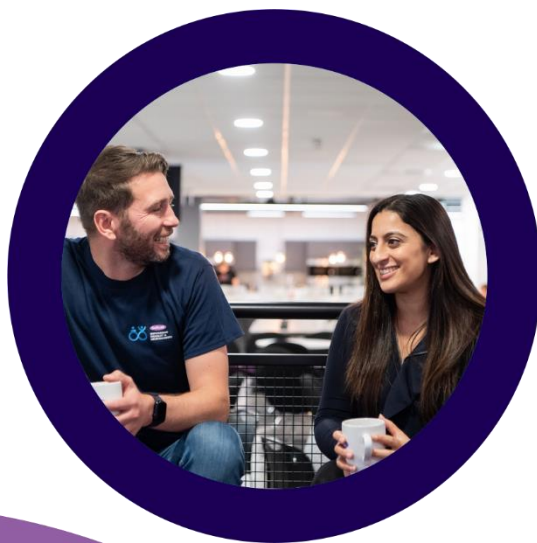
- Our positive performance over the first six months of the financial year reinforces our expectations to deliver on our full year guidance of double-digit gross profit and high-single digit operating profit growth.
- We continue to see significant and expanding opportunities in our market and will maintain our investment approach to building the team, infrastructure and tools to capitalise on this exciting and long-term growth potential.



CLOSING REMARKS

Graham Charlton, CEO





A positive performance

- H1 FY24 delivered double digit gross profit growth and operating profit growth ahead of expectations
- Broad based growth across technologies and customer segments delivering customer growth and expanding gross profit per customer
- Reinforces our expectations to deliver our full year guidance of double-digit gross profit and high-single digit operating profit

Market trends

- Great customer engagement on Gen-AI and leading the way on Copilot
- Cyber security, device refresh and multinational support also current/future drivers of growth
- Highly fragmented market drives customer to need tightly integrated support across technology stack

Continuing to invest

- Added 314 net new employees +14.6%, taking team to nearly 2,500
- Strong retention, eNPS and engagement scores; recognised as 5th Best Place to Work 2023
- Progressing data and digital strategies to enable a more insightful employee and customer experience and embracing new distribution methods