

SOFTCAT plc
('Softcat', the 'Group')

Preliminary results for the year ended 31 July 2024

Strong operating and financial performance drives another year of profitable organic growth alongside investment in strategic priorities

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today announces full year results for the twelve months to 31 July 2024 ('the period'). These results reflect another year of strong growth and cash generation, enabling continued investment to ensure we are best placed to take advantage of the significant opportunity our market presents.

Financial Summary	Year ended		Change
	31 July	31 July	
	2024	2023	
	£m	£m	
Gross invoiced income ^a	2,852.2	2,563.3	11.3%
Revenue ^b	962.6	985.3	(2.3%)
Gross profit	417.8	373.8	11.7%
Operating profit	154.1	140.9	9.3%
Cash conversion % ^c	95.9%	93.2%	2.7pts
Total ordinary dividend (p)	26.6p	25.0p	6.4%
Final dividend (p)	18.1p	17.0p	6.5%
Special dividend (p)	20.9p	12.6p	65.9%
Basic earnings per share (p)	59.7p	56.2p	6.2%

Highlights for the year ended 31 July 2024

- Another year of strong performance, delivering double-digit growth in gross invoiced income and gross profit.
- Operating profit growth of 9.3% alongside continued investment in our market opportunity, including average headcount growth of 14.3%.
- Further development of our technology and service proposition as we continue to scale, making it easier for customers and vendors to do business with Softcat and reflecting industry trends including data and AI.
- A final ordinary dividend of 18.1p, resulting in a full year dividend of 26.6p, up 6.4%, together with a special dividend of 20.9p.
- Strong balance sheet position with cash conversion of 95.9% (FY2023: 93.2%), and cash and cash equivalents of £158.5m (FY2023: £122.6m).
- Outlook: We expect to deliver another year of double-digit gross profit growth together with high single-digit operating profit growth in FY2025.

^a Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information on this, please refer to the CFO Report on page 8.

^b Revenue is reported under IFRS 15, the international accounting standard for revenue. IFRS 15 requires judgements be made to determine whether Softcat acts as principal or agent in certain trading transactions. These judgements, coupled with slight variations of business model and contractual arrangements between IT Solutions Providers, means the impact of IFRS 15 across the peer group is not uniform. Income prior to the IFRS 15 adjustment is referred to as gross invoiced income, which is an Alternative Performance Measure (APM).

^c Cash conversion is defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to the CFO Report on page 8.

Graham Charlton, Softcat CEO, commented,

"I'm delighted to report another record year for Softcat, delivering strong growth ahead of market expectations^a despite challenging market conditions. These results are testament to the power of our culture and our continued ability to deliver high quality value to customers just when, more than ever, they need our help to navigate the increasing pace of technological change.

During the year we made further progress against our two key strategic goals: expanding our position with existing customers whilst also adding to our customer base. We also continued to evolve our technology and service proposition, reframing and strengthening our offer to enable further strategic progress in the years to come. The investment we have made in our team, growing headcount by more than 30% over the past two years, puts us in an incredibly strong position for when economic conditions improve. We have the capacity and skills to be the best possible partner for our ten thousand customers as they continue to transform their technology in the years ahead.

The Group's financial position is as strong as ever, with cash generation continuing to support our progressive ordinary dividend and once again also enabling the recommendation of a special dividend.

As always, I'd like to give a heartfelt thank you to the Softcat team for their outstanding attitude and dedication to each other, our customers and our partners during the past year. Their spirit and ability create an unbeatable foundation upon which we will continue to build as we drive towards our full potential in the years ahead."

Outlook

Softcat operates in a significant and growing market, and we continue to invest to capitalise on this exciting growth potential. As we drive further market share gains, we expect to deliver another year of double-digit gross profit growth together with high single-digit operating profit growth in FY2025.

^a Market consensus FY2024 Operating Profit as at 23 October 2024 was £152.2m.

Analyst and investor call

The management team will host a hybrid virtual and in-person investor and analyst briefing at 9.30am UK time, on Thursday 24 October 2024. To join the briefing virtually, please use the following access details:

Webcast Link:

https://brrmedia.news/SCT_PR_24

Please register approximately 10 minutes prior to the start of the call.

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Forward-looking statements

This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Actual results may, and often do, differ materially from any forward-looking statements.

Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by law or by the Listing Rules of the Financial Conduct Authority, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect subsequent events or circumstances following the date of this announcement.

This announcement has been determined to contain inside information. The responsible individual for insider information at Softcat plc is Luke Thomas (Company Secretary).

Chief Executive Officer's Review

Performance and market conditions

We are pleased to report another strong year of growth that was ahead of market expectations in a challenging macroeconomic environment. This continues our unbroken record of double-digit gross profit growth stretching back almost 20 years, demonstrating the sustainability of our model and consistency in execution.

During the year we made further progress against our two key strategic goals: winning new customers, up 1.8% year-on-year, and selling more to existing customers, delivering an increase of 9.7% in gross profit (GP) per customer. Looking closer at the performance of the customer base, it was encouraging to see how we continue to strengthen our relationships with existing customers. For example, the number of customers generating over £1k of gross profit in the year grew 5.1% from 7.5k to 7.9k and the average GP delivered from each of those customers expanded by 6.3% from £49.6k to £52.7k.

This progress comes despite general weakness in UK economic conditions, which had a dampening effect on customer demand throughout the year, resulting in longer sales cycles and deferred spending. We observed customers prioritising cost optimisation and sweating existing assets ahead of committing to major new projects and while, for example, sales of client devices delivered growth for the year, this was an area of our industry that was especially impacted.

Notwithstanding these challenges, our continued growth highlights the resilience of our business model supported by our diverse product offering and customer base, and our ongoing ability to gain market share. We estimate that our share of the UK and Irish markets remains in the region of 5%. While external conditions can have an impact on trading from period to period, we see significant opportunities for growth in the years ahead.

Market trends

There are many technology-related factors that contribute to our optimism, including the increasing impact of AI, and the more positive outlook for economic growth, together with reducing inflation and interest rates.

There is widespread anticipation of a device refresh cycle, expected to gain momentum into calendar year 2025. In addition, there is the ongoing impetus created by the continuing evolution of the AI opportunity. We continue to see customers engage with and adopt Microsoft Copilot as well as the AI enhancements being built into other SaaS solutions. On top of that, organisations are beginning to move ahead with bespoke and internally developed AI tools and solutions, which in turn creates demand for datacentre evolution and expansion, whether on premise or in the cloud.

This new generation of applications are more dependent than ever on information-rich and well-organised data sets, but also increase the attack surface and potential for harm if compromised. This in turn leads to an increasing array of ever more sophisticated cyber threats, ensuring that security also remains a top priority for our customers. Against this backdrop, we continue to invest at pace in relevant capabilities through internal training, expanding our advisory teams and staying in-step with our vendor partners as they continue to bring innovations to their product portfolios and remaining close to our customers' needs and enquiries.

Such innovations place ever greater demand on the foundational layers of IT infrastructure, reinforcing existing megatrends in compute and storage to ensure the right workloads are hosted in the right place, and data is secure at all stages of processing. The unrivalled breadth and depth of our technology proposition means we are very well placed to help customers navigate these complexities, adding value to CIO and IT manager decision-making processes.

Ease of doing business and maintaining relevance

Average headcount increased during the year by 14.3%, as we invest for future growth and build on the very strong investment in our teams over recent years. Growth was delivered across all departments but with a bias towards our technical and support functions as we continue to scale our ability to go deeper into existing customer relationships. This reflects that, for the vast majority of our customer base, we have huge opportunity to gain a larger share of their spend.

We have also been investing in productivity enhancing tools and processes. We have, for example, implemented Microsoft Copilot licences for around two thirds of our staff, including all of our salespeople, bringing the added benefit of being better able to support our customers with their AI projects. The roll out of Microsoft Copilot to all remaining staff will be completed in the year ahead.

Alongside this, our digital strategy continues to gather pace with the appointment of a new Head of Digital as we seek to consolidate the number of systems and platforms both employees and customers interact with. As part of this, we are centralising our content management and market data tools, paving the way for AI functionality. This has the potential to better and more intuitively equip our account managers with the tools they need to address customer needs at the right time, as well as more efficiently match our expertise and solutions to our customers' problems. We have also kicked off a project to replace our sales system over the coming years and put in place the foundations for continuous evolution of our capabilities and employee experience.

Our multinational business has continued to grow too, via our network of branches in Europe, APAC and an office in Virginia, USA. Rising demand from our customers to serve their operations beyond the UK and Ireland will drive further expansion of our international footprint in the year ahead.

We continue to embrace and lead the market in adoption of new consumption models and routes to market, with investment in vendor marketplace offerings and a rise in as-a-service consumption models for both software and hardware. Our word of the year, "Evolution", encapsulates our approach to maintaining relevance in a dynamic and disrupted industry, making good use of our capacity to invest in change compared to our competitors.

Feedback from customers strongly supports our desire to remain their clear partner of choice, with our latest survey showing 98% customer satisfaction (FY2023: 97%) and a net promoter score of 63 (FY2023: 62) which all our staff should be proud of.

People and culture

Whilst we continue to make huge investments in the evolution of our customer proposition, the core of our strategy and competitive advantage will always be firmly rooted in our culture and the very strong customer service this delivers. Softcat was created to be a special place to work, and we obsessively monitor the results of our efforts to remain so. This year we have updated our learning and development platform, broadened our flexible working policy and enacted a number of developments to help teams work more closely together. It has been very pleasing to receive recognition for these efforts from our people, and also by winning the award for the 'Best Overall UK Workplace in Tech' by The Great Places to Work Institute in the Super Large category. We were also absolutely thrilled to be named the UK's 'Best Workplace for Women', 'Best Workplace for Development' and fifth 'Best UK Workplace' in the Super Large category.

Our internal Communities play an integral and increasing role in promoting and protecting an inclusive and supportive environment. A packed calendar of events across our network of offices helps make them a vibrant place to work, whilst charity days and fundraising are an important part of our social engagement. This year, for the first time, we were pleased to bring our Community Leaders together for an event in partnership with vendors and distributors, sharing knowledge and experiences and celebrating the contribution they make to Softcat and society.

Our 11th charity ball in May 2024 was a huge success, bringing together over 900 guests from Softcat and our partners to raise over £400k for charity. Other events during the year helped bring our total charitable donations to over £540k.

We also recently held our largest ever annual Kick Off event at the NEC in Birmingham with 2,200 Softcat staff in attendance, an event which remains the highlight of our calendar.

Our growth has meant that we are reaching capacity in our London and Birmingham offices, and so we will relocate these teams to improved premises during the new financial year. These moves are part of a rolling 5-year strategy to ensure we have the right environments for hybrid working as we continue to scale across all our regions.

Strategy evolution

Our strategic growth goals remain clear: to deepen our relationship with existing customers whilst also adding to the customer base. During the past financial year, we have looked closely at the trends and opportunities driving our industry forward to ensure we remain best placed to deliver against these goals – not just next year but for the years ahead. As a result, we have implemented an enhanced strategic framework to ensure we create a customer proposition fit for the age of data and AI and to ensure we can continue to operate effectively and efficiently as we continue to scale.

Our technology proposition is a keystone to this, and we have defined a new structure within which to frame our offering. This will allow our customers to interact with us in a way that is intuitive and easy for them to do business with, whilst also improving our collaboration with vendor partners. In addition, we can more clearly define the direction for the further development of our services portfolio to augment and complement the in-house capabilities of our customers in the areas of technology that matter most to them.

These customer- and vendor-facing developments will be underpinned by further investment in our own data and digital strategies. We have ambitious plans to modernise our own operations, increasing our digital footprint and ability to drive insight from our uniquely broad view of the market. This will benefit the user experience internally in Softcat as well as within our customers and increase our relevance to both customers and vendors by bringing together the right people, to have the right conversations, at the right time, more often.

The developments we are planning form a strategic roadmap for Softcat in the years ahead, all of which can be pursued through organic investment. We also have and will explore the option to accelerate some of these enhancements through acquisition and/or strategic partnership.

Sustainability

We remain committed to making progress against our stated goals to reach net zero emissions by 2040, taking purposeful steps to minimise our impact on the environment and build momentum in the wider industry to do the same. It is part of our integrated approach to ESG (Environmental, Social and Governance) and we continue to move forward on this journey with close alignment and collaboration with key partners and supporting our customers with sustainable solutions and services.

This year we launched a fully carbon neutral managed support service in partnership with Cisco, one of the first in our industry. We've also received recognition in the period from valued partners including Lenovo and HP, and we were named Sustainability Partner of the Year at the Tech Excellence Awards.

We continue to take meaningful steps on our sustainability journey within our business, recruiting into our sustainability team and rolling out expanded training to all staff. We worked hard to make our annual Kick Off event carbon neutral and it was pleasing to see the impact of the recent project to install solar panels at our Marlow office which now provide up to 80% of the annual power requirements at that site, whilst the rest of our office network is powered by 100% renewable electricity.

Investment in sales system

During FY2025 we are commencing work on a replacement sales system. Due to the accounting standard requirements regarding the capitalisation of SaaS based solutions, we will not know whether the cost for building this system will be capitalised or treated as operating expenditure until we have selected the vendor and finalised the contract details. Due to the materiality and non-trading nature of the cost, if the solution cannot be capitalised, we intend to treat it as an adjusting item to operating profit.

Board changes

Vin Murria is Softcat's longest serving Non-Executive Director, having joined Softcat in 2015 when Softcat listed on the London Stock Exchange. Non-Executive Directors are appointed for an initial three-year term, extendable by a further two additional three-year terms, making a total of nine years. Having served nine years, Vin has confirmed that she will not stand for re-appointment at the Group's Annual General Meeting to be held on 9 December 2024, at which point she will leave the Board. Graeme Watt, Non-Executive Chairman commented "On behalf of the Board, I would like to take the opportunity to thank Vin for her invaluable contributions, energy, passion and counsel over the years. We will miss Vin and wish her all the very best."

Vin Murria is currently the Chair of the Sustainability Committee and the designated Non-Executive Director for Workforce Engagement. With effect from 9 December 2024, Non-Executive Director, Robyn Perriss, will assume the Chair of the Sustainability Committee and Non-Executive Director Lynne Weedall will become the designated Non-Executive Director for Workforce Engagement.

Chief Financial Officer's Review

Financial Summary	FY2024	FY2023	Change
<u>Gross invoiced income split</u>			
Software	£1,807.5m	£1,543.5m	17.1%
Hardware	£568.5m	£617.8m	(8.0%)
Services	£476.2m	£402.0m	18.5%
Total gross invoiced income¹	£2,852.2m	£2,563.3m	11.3%
<u>Revenue split</u>			
Software	£213.5m	£188.8m	13.1%
Hardware	£561.2m	£610.6m	(8.1%)
Services	£187.9m	£185.9m	1.1%
Total revenue	£962.6m	£985.3m	(2.3%)
Gross profit	£417.8m	£373.8m	11.7%
Gross profit margin ²	14.6%	14.6%	-% pts
Operating profit	£154.1m	£140.9m	9.3%
Operating profit margin ²	5.4%	5.5%	(0.1) pts
Gross profit per customer ³	£40.6k	£37.0k	9.7%
Customer base ⁴	10.3k	10.1k	1.8%
Cash conversion ⁵	95.9%	93.2%	2.7 pts

1 Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. This is an Alternative Performance Measure (APM). For further information on this, please refer to page 11.

2 Gross profit margin and operating profit margin are both calculated as a percentage of gross invoiced income.

3 Gross profit per customer is defined as Gross profit divided by the customer base.

4 Customer base is defined as the number of customers who have transacted with Softcat in both of the preceding twelve-month periods.

5 Cash conversion is defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit. This is also an Alternative Performance Measure. For further information on this, please refer to page 11.

Gross profit, revenue and gross invoiced income

Our FY2024 results reflect both the strength of our business model and excellent execution, as we support the needs of new and existing customers through our comprehensive range of IT solutions and highly engaged employees while also investing in strategic priorities that will position us for future success.

Gross profit (GP), our primary measure of income, grew by 11.7% to £417.8m, in line with guidance of double-digit growth for the year. Our FY2024 forecast was based on the premise that market conditions would remain in line with the second half of FY2023, when we saw some customers adopting a more considered approach to buying decisions, and this turned out to be materially correct with macro volatility continuing across the period. This performance demonstrates, yet again, the resilience our broad product portfolio and diverse customer base brings to the business.

GP growth across enterprise, mid-market and public sector customer segments was broad based with all segments growing high single-digit or double-digit. GP growth across technology areas was also widespread, albeit with particularly strong growth in networking and security driven by the continued high demand for cyber, while workplace was impacted by a continued weak market for client devices partially offset by an increase in demand for devices-as-a-service.

Software and services GP also grew double-digit, with hardware GP growth accelerating in the second half to finish the year at high single-digit. Hardware GII declined by (8.0%), due to the market driven decline in client devices and a reduction in low margin server and compute sales linked to a handful of sizeable transactions in the base period, however, this was more than offset by gross margin expansion driven by a mix into margin rich datacentre infrastructure sales.

Revenue is reported in accordance with IFRS 15 with some transactions (generally hardware and internally-delivered services) reported gross (principal) and others (generally software and externally provided services) reported net (agent) which can make revenue trends hard to understand. We have thus continued to also report GII to help give a clearer view of underlying growth. FY2024 revenue declined overall by (2.3%) driven by: (1) an (8.0%) decline in hardware GII due to client devices and a reduction in low margin server and compute sales described above; (2) software revenue which grew at 13.1% compared to GII growth of 17.1% due to a lower software gross margin driven by a mix into high volume, low margin, mostly public sector transactions in the period; and (3) services revenue which registered 1.1% revenue growth compared to a GII growth of 18.5% caused by a mix into services fulfilled by partners which is reported net.

GII increased 11.3% to £2,852.2m, driven by the strong growth in software and services mentioned above, partially offset by hardware. Year-on-year, GP grew largely in line with GII, with GP as a percentage of GII stable year-on year (14.6% vs. 14.6% in FY2023). GP growth accelerated slightly into H2, driven by the relatively weaker base with macro volatility continuing to impact the trading environment across both halves of FY2024.

As shown in the below table, GII growth accelerated in H2 (17.8%) vs H1 (4.0%) associated with a decline in GP as a percentage of GII (13.9% vs 15.6% in H1). In H1 gross margin expanded compared to the prior year due to the decline in low margin client device sales and a reduction in low margin server and compute sales linked to a handful of sizeable transactions in the base period and a mix into margin rich datacentre infrastructure solutions; while in H2 there was a higher volume of lower margin deals, primarily through public sector frameworks transactions which predominantly drove the year-on-year and H2 vs H1 decline.

	H1 FY2024	H1 FY2023	Change	H2 FY2024	H2 FY2023	Change
GII	£1,263.5m	£1,214.7m	4.0%	£1,588.7m	£1,348.6m	17.8%
GP	£196.5m	£177.1m	11.0%	£221.3m	£196.7m	12.5%
GP/GII %	15.6%	14.6%	1.0 pts	13.9%	14.6%	(0.7) pts

Customer KPIs

During the year, GP per customer grew by 9.7% to £40.6k (FY2023: £37.0k) and the customer base expanded by 1.8%, to 10.3k (FY2023: 10.1k). Growth in GP per customer was broad based, driven by all three of our solution types (datacentre infrastructure, networking and security and workplace).

As the longevity of the relationship with our customers increases, the GP transacted with them also increases. Over time, customers buy across more technology areas and thus across an increasing range of vendors. Loyalty, as measured by lower churn of customers, also significantly increases.

Once a customer is transacting greater than £1k of GP p.a., the likelihood that they stop trading with Softcat drops significantly. The churn rate in customers doing less than £1k GP is 29%, falling to an average of 6% in customers trading above this threshold, with the churn rate inversely correlated to per annum increases. This, more stable, customer cohort doing >£1k grew at 5.1% from 7.5k to 7.9k with the average GP delivered from each of those customers expanded by 6.3% from £49.6k to £52.7k.

The long tail of low transactional customers, along with customers who have not purchased from Softcat in the last 12 months or at all, constitute future growth opportunities which our Account Manager model balances against the opportunity from continuing to go deeper with the existing customer base, thus optimising the balance between both strands of our strategy, to attract new customers and go deeper with our existing customers.

Company analysis, incorporating data from multiple sources (Gartner, HG Insights, CRN and ICG), indicates that our market share remains around 5% in the UK. We transact with approximately 20% of the customers in our target market in the UK based on those who trade with us in two consecutive 12 month periods and this implies a 25% average share of wallet.

Operating profitability and investment in future growth

Operating profit of £154.1m (FY2023: £140.9m) increased by 9.3% year-on-year, ahead of expectations, and reflects the 11.7% increase in GP offset by a 13.2% rise in operating costs.

Operating cost growth was driven by increased commissions, in line with GP growth, and a 16.8% increase in wages and salaries, driven by a 14.3% increase in average headcount. H2 operating cost growth of 12.2% represented a deceleration from the growth of 13.9% in H1, predominantly driven by lower average headcount growth (H1: 16.3% vs H2: 11.7%), with closing headcount growth of 8.4%, in line with the more moderate high single-digit headcount growth planned for FY2025 as we fully leverage the 30.6% combined headcount growth of the last two years.

We continue to invest in our systems and data and digital journey. During FY2024 we invested £7.1m across operating expenditure and capital expenditure to build further finance system functionality, upgrade our service management system and automate parts of our credit assessment and cash allocation processes, as well as develop our data governance and digital strategy. In the second half of FY2024 we decided to invest in Microsoft Copilot for all our staff with 60% of staff already having access by the end of the financial year.

At the end of FY2024 we committed to office moves in London and Birmingham. We expect to finalise these moves during FY2025 and this will significantly increase our office capacity in these two regions.

As a result of the ongoing investment, we are making in the future of our business, the ratio of operating profit to gross profit has marginally decreased from 37.7% in FY2023 to 36.9% in FY2024 and was consistent in the second half of both periods at 39.5% and 39.6% in FY2024 and FY2023 respectively.

Corporation tax charge

The effective tax rate for FY2024 was 25.3% (FY2023: 21.0%), reflecting the UK statutory increase to 25.0% from April 2023. This is marginally higher than the UK statutory rate due to a small number of non-deductible expenses and share-based payment transactions. Our tax strategy continues to be focussed on paying the right amount of tax in the right jurisdiction, at the right time.

Cash flow and cash conversion

Cash at the FY2024 balance sheet date increased by £35.8m to £158.5m (FY2023: £122.6m), and the Group remains debt free.

Cash conversion, defined as net cash generated from operating activities before tax but after capital expenditure, as a percentage of operating profit, was 95.9% (FY2023: 93.2%). The result is slightly above our target range of 85%-95% cash conversion. The strong performance was due to good working capital management particularly on receivables, only partially offset by increased capex due to investments in IT platforms.

Our capital allocation policy remains unchanged, prioritising investment in organic growth to ensure we can continue to take market share in our growing addressable market; secondly to maintain a progressive ordinary dividend. Remaining excess capital is then either returned to shareholders or allocated to strategic investments such as M&A. In FY2024 we have continued to invest in the long-term growth potential of Softcat, increasing headcount, investing in new office capacity and continuing to develop our data and digital platforms. Our proposed total ordinary dividend of 26.6p is 6.4% higher than FY2023 and excess cash will be returned to shareholders via a special dividend.

Finance income

In the period income from cash and cash equivalents held in interest bearing accounts totalled £5.8m (FY2023: £1.2m).

Dividend

A final ordinary dividend of 18.1p per share (FY2023: 17.0p) has been recommended by the Directors, bringing the total dividend for the year to 26.6p per share (FY2023: 25.0p). If approved by shareholders, the final ordinary dividend will be payable on 17 December 2024, to shareholders whose names are on the register at the close of business on 8 November 2024. Shares in the Company will be quoted ex-dividend on 7 November 2024. The last day for dividend reinvestment plan ('DRIP') elections is 26 November 2024.

In line with the Group's stated intention to return excess cash to shareholders, a further special dividend payment of 20.9p per share has been proposed. If approved by shareholders, this will also be paid on 17 December 2024 alongside the final ordinary dividend. This will bring the total amount returned to shareholders since becoming a public company to £571.2m.

Group consolidation

Softcat US LLC, a Limited Liability Company (LLC) began trading on 1 February 2024 and is a wholly owned subsidiary of Softcat plc. Prior to this, trade in the US was recorded within a branch of Softcat plc and single entity accounts were prepared. Following this change, consolidated full year accounts have been prepared for the first time.

Alternative Performance Measures

The Group uses two non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures which are set out below, assist in providing additional useful information on the underlying trends, sales performance and position of the Group.

Consequently, non-GAAP measures are used by the Directors and management for performance analysis, planning and reporting and have remained consistent with the prior year. These non-GAAP measures comprise gross invoiced income (or 'GI') and cash conversion.

1. **Gross invoiced income** is a measure which correlates closely to the cash received by the business and therefore aids the user's understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue as reported in the IFRS measure. A reconciliation of IFRS Revenue to gross invoiced income is provided within Note 2 of the financial statements.
2. **Cash conversion ratio** is net cash generated from operating activities before taxation, net of capital expenditure, as a percentage of operating profit. Cash conversion is an indicator of the Group's ability to convert profits into available cash. A reconciliation to the adjusted measure for cash conversion is provided below:

	2024	2023
	£'000	£'000
Net cash generated from operating activities	115,608	104,802
Income taxes paid	39,226	29,793
Cash generated from operations	154,834	134,595
Purchase of property, plant and equipment	(1,115)	(2,544)
Purchase of intangible assets	(6,017)	(701)
Cash generated from operations, net of capital expenditure	147,702	131,350
Operating Profit	154,064	140,898
Cash conversion ratio	95.9%	93.2%

Principal Risks and Uncertainties

The principal and emerging risks facing the Group have been identified and evaluated by the Board. In summary, principal risks include:

Risk	Potential impacts	Management and mitigation
BUSINESS STRATEGY		
Failure to respond to market changes including technology offering, channel disintermediation, competitor landscape and customer needs. (slight increase in net risk due to the ongoing rapid evolution of technology, including AI and potential changes in customer purchasing behaviours)	<ul style="list-style-type: none"> Loss of competitive advantage Reduced number of customers and profit per customer 	<ul style="list-style-type: none"> Insight from ongoing industry analysis and subscriptions input into annual strategy process Regular insights into customer priorities including climate-related through the annual customer experience survey results and 'voice of the customer' surveys. Multi-layered relationship with strategic vendors and executive sponsor alignment Regular Quarterly Business Reviews with vendors Regular meetings between senior representatives from sales, technology and vendor management teams to review technology and market trends and customer propositions.
OPERATIONAL		
Customer dissatisfaction (no change in net risk)	<ul style="list-style-type: none"> Reputational damage Loss of customers Financial penalties 	<ul style="list-style-type: none"> Dedicated Customer experience team, who manage and escalate customer dissatisfaction cases ISO20000-1 IT Service Management and ISO-9001 Quality management certified Ongoing customer service excellence training 'Big-deal review' process
Cyber security risk & business interruption risk (no change in net risk)	<ul style="list-style-type: none"> Inability to deliver customer services Reputational damage Financial loss Customer dissatisfaction 	<ul style="list-style-type: none"> ISO27001 accredited processes. Company-wide information security policy and mandatory security-related training Regular testing of disaster recovery plans and business continuity plans Established and documented processes for incident management, change of control, etc. Ongoing upgrades to network. All employees issued with corporate devices with standardised access monitoring and control Key software used is from large multi-national companies who have a 99.9% SLA and who also provide us with SOC2 reports that provide assurance on their processes and controls Annual penetration test by a third party
FINANCIAL		
Macro-economic factors, including geo-political conditions, impact on customer sentiment, inflationary pressures, interest and foreign currency volatility (no change in net risk)	<ul style="list-style-type: none"> Short-term supply chain disruption Reduced margins Reduced customer demand Reduced profit per customer Higher operating costs Customer insolvencies and cash collection challenges 	<ul style="list-style-type: none"> Customer base is well diversified in terms of both revenue concentration but also public and commercial sector exposure Close dialogue with supply chain partners Market conditions are factored in our annual budgeting process Operating costs are budgeted and reviewed regularly Going concern and viability statements are underpinned by robust analysis of scenarios

Ineffective working capital management (no change in net risk)	<ul style="list-style-type: none"> Increased bad debts Increased cost of operations 	<ul style="list-style-type: none"> Robust credit assessment process including use of trade credit insurance Regular review of the aged debt position by management Defined treasury policy covering liquidity management processes and thresholds Regular cash forecasting, actual reporting and variance analysis to highlight any adverse trends and allow sufficient time to respond
Failure to retain competitive terms with our suppliers and/or right-size our cost base compared to gross profit generated. (no change in net risk)	<ul style="list-style-type: none"> Uncompetitive pricing leading to loss of business Reduced profitability/margins 	<ul style="list-style-type: none"> Budgeting process and regular reviews ensure costs are managed appropriately and in consideration of gross profit growth. Any out of budget spend needs management level approval Rebates form an important, but only minority, element of total operating profit. In addition, Rebate programmes tend to be industry standard and not specific to the Group, while vendor aligned teams ensure we optimise available rebate structures Ongoing training to sales and operations teams to keep pace with new vendor programmes
PEOPLE		
Loss of culture (no change in net risk)	<ul style="list-style-type: none"> Reduced staff engagement Negative impact on customer service Loss of talent 	<ul style="list-style-type: none"> Culture sits at the heart of all changes that are made in Softcat. There is regular communication from Senior Leadership Team members to employees at 'Kick Off' and 'All Hands' calls about the importance of culture Regional offices with empowered local management Quarterly management satisfaction survey and annual all-employee survey with feedback acted upon Regular staff events and incentives Enhanced internal communication processes and events
Talent, Capability & Leadership risk (no change in net risk)	<ul style="list-style-type: none"> Lack of strategic direction Reduced staff engagement Loss of talent Loss of competitive advantage 	<ul style="list-style-type: none"> Succession planning process in place. Experienced and broad senior management team Investment in robust recruitment and selection processes Attrition tracked and action taken as necessary
Regulatory and Compliance		
Compliance with existing regulation/legislation and being prepared for emerging regulation/legislation (no change in net risk)	<ul style="list-style-type: none"> Financial penalties Reputational damage Loss of customers 	<ul style="list-style-type: none"> Significant investment in a second line of defence function (Governance Risk & Control, Information Security, Legal and Company Secretarial) Management committee in place to review second line progress and report to the Audit Committee Ongoing engagement with specialist third parties where required

Climate change

During the year, in line with the approach recommended by the Climate-related Financial Disclosures ('CFD'), we conducted a formal assessment of the potential impact of climate change to our business

and supply chain. Climate change is already a component of the risk of failure to respond to market changes when considering the needs of our customers and how products, services and solutions might be affected by the drive towards carbon neutrality. We also have robust business interruption plans in the event of a disruption to our business. Our current analysis concluded that no other climate change-related risk is a principal risk which needs to be incorporated into the list of principal risks shown above.

Going Concern

Please refer to note 2.1 under 'Basis of preparation'.

Cautionary Statement

This preliminary announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The preliminary announcement should not be relied on by any other party or for any other purpose.

In making this preliminary announcement, the Group is not seeking to encourage any investor to either buy or sell shares in the Company. Any investor in any doubt about what action to take is recommended to seek financial advice from an independent financial advisor authorised by the Financial Services and Markets Act 2000.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group's financial statements in accordance with UK-adopted international accounting standards ('IFRS').

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply

with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Fair and balanced reporting

Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Responsibility statement pursuant to FCA's Disclosure Guidance and Transparency Rule 4 (DTR 4)

Each Director of the Group confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face; and
- they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

**Group Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 July 2024**

		2024	2023
		£'000	£'000
	<i>Note</i>		
Revenue	3	962,633	985,300
Cost of sales		<u>(544,880)</u>	<u>(611,466)</u>
Gross profit		417,753	373,834
Administrative expenses		<u>(263,689)</u>	<u>(232,936)</u>
Operating profit		154,064	140,898
Finance income		5,778	1,171
Finance cost		<u>(443)</u>	<u>(205)</u>
Profit before taxation		159,399	141,864
Income tax expense	4	<u>(40,355)</u>	<u>(29,835)</u>
Profit for the year		119,044	112,029
Foreign exchange differences on translation of foreign branches		(620)	(204)
Net gain/(loss) on cash flow hedge		<u>514</u>	<u>(799)</u>
		(106)	(1,003)
Total comprehensive income for the year		118,938	111,026
Profit attributable to:			
Owners of the Parent Company		119,044	112,029
Total comprehensive income attributable to:			
Owners of the Parent Company		118,938	111,026
Basic earnings per ordinary share (pence)	10	59.7	56.2
Diluted earnings per ordinary share (pence)	10	59.4	56.0

All results are derived from continuing operations.

**Group Statement of Financial Position
As at 31 July 2024**

		2024	2023
		£'000	£'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		9,832	11,348
Right-of-use-assets		10,066	9,969
Intangible assets		11,608	7,155
Deferred tax asset		2,571	2,997
		<u>34,077</u>	<u>31,469</u>
Current assets			
Inventories	6	2,916	3,591
Trade and other receivables	7	585,302	490,041
Income tax receivable		-	-
Cash and cash equivalents		158,454	122,621
		<u>746,672</u>	<u>616,253</u>
Total assets		<u>780,749</u>	<u>647,722</u>
Current liabilities			
Trade and other payables	8	(430,082)	(359,627)
Contract liabilities	9	(31,980)	(23,851)
Lease liabilities		(2,253)	(2,734)
Income tax payable		(1,141)	(6)
		<u>(465,456)</u>	<u>(386,218)</u>
Non-current liabilities			
Contract liabilities	9	(9,151)	(3,032)
Lease liabilities		(8,105)	(7,027)
		<u>(17,256)</u>	<u>(10,059)</u>
Total liabilities		<u>(482,712)</u>	<u>(396,277)</u>
Net assets		<u>298,037</u>	<u>251,445</u>
Equity			
Issued share capital	12	100	100
Share premium account		4,979	4,979
Cash flow hedge reserve		(285)	(799)
Foreign exchange translation reserve		2,738	3,358
Retained earnings		290,505	243,807
Total equity		<u>298,037</u>	<u>251,445</u>

**Group Statement of Changes in Equity
For the year ended 31 July 2024**

	Share capital £'000	Share premium £'000	Cash flow hedge reserve £'000	Transl- ation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 August 2022	100	4,979	-	3,562	202,459	211,100
Profit for the year	-	-	-	-	112,029	112,029
Impact of foreign exchange reserves	-	-	-	(204)	-	(204)
Hedging reserve movement	-	-	(799)	-	-	(799)
Total comprehensive income for the year	-	-	(799)	(204)	112,029	111,026
Share-based payment transactions	-	-	-	-	3,330	3,330
Dividends paid	-	-	-	-	(74,175)	(74,175)
Dividend equivalents paid	-	-	-	-	(66)	(66)
Tax adjustments	-	-	-	-	230	230
Other	-	-	-	-	-	-
Balance at 31 July 2023	100	4,979	(799)	3,358	243,807	251,445
Balance at 1 August 2023	100	4,979	(799)	3,358	243,807	251,445
Profit for the year	-	-	-	-	119,044	119,044
Impact of foreign exchange reserves	-	-	-	(620)	-	(620)
Hedging reserve movement	-	-	514	-	-	514
Total comprehensive income for the year	-	-	514	(620)	119,044	118,938
Share-based payment transactions	-	-	-	-	3,612	3,612
Dividends paid	-	-	-	-	(76,048)	(76,048)
Dividend equivalents paid	-	-	-	-	(98)	(98)
Tax adjustments	-	-	-	-	182	182
Other	-	-	-	-	6	6
Balance at 31 July 2024	100	4,979	(285)	2,738	290,505	298,037

Group Statement of Cash Flows
For the year ended 31 July 2024

		2024	2023
		£'000	£'000
	<i>Note</i>		
Net cash generated from operating activities	11	115,608	104,802
Cash flows from investing activities			
Finance income		5,778	1,171
Purchase of property, plant and equipment		(1,115)	(2,544)
Purchase of intangible assets		(6,017)	(701)
Net cash used in investing activities		(1,354)	(2,074)
Cash flows from financing activities			
Issue of share capital		-	-
Dividends paid	5	(76,048)	(74,175)
Payment of principal portion of lease liabilities		(1,929)	(2,839)
Payment of interest portion of lease liabilities		(443)	(205)
Net cash used in financing activities		(78,420)	(77,219)
Net increase in cash and cash equivalents		35,834	25,509
Exchange losses on cash and cash equivalents		(1)	(204)
Cash and cash equivalents at beginning of year		122,621	97,316
Cash and cash equivalents at end of year		158,454	122,621

Notes to the Consolidated Financial Information

1. General information

Softcat plc (the 'Group') is a public limited company, incorporated and domiciled in England and Wales. Its registered address is Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1LW.

The annual financial information presented in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 July 2024 or 2023 but is based on, and consistent with, that in the audited financial statements for the year ended 31 July 2024, and those financial statements will be delivered to the Registrar of Companies following the Group's Annual General Meeting. The auditor's report on those financial statements was unmodified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards (IFRS) in accordance with the requirements of the Companies Act 2006. IFRS includes the application of International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee ('IFRIC') interpretations.

These financial statements have been prepared under the historical cost convention and are presented in the Group's presentational and functional currency of Pounds Sterling and all values are rounded to the nearest thousand ('£'000'), except when otherwise stated.

The Group applied all standards and interpretations issued by the IASB that were effective as at 1 August 2023. The accounting policies set out below have, unless otherwise stated (see below), been applied consistently to all periods presented in these financial statements.

The potential climate change-related risks and opportunities to which the Group is exposed, as identified by management, are disclosed in the Group's Climate-related Financial Disclosures ('CFD') in the Annual Report. Management has assessed the potential financial impacts relating to the identified risks and exercised judgement in concluding that there are no material financial impacts of the Group's climate related risks and opportunities on the financial statements. These judgements will be kept under review by management as the future impacts of climate change depend on environmental, regulatory and other factors outside of the Group's control which are not all currently known.

Going Concern

Overview

These financial statements have been prepared on a going concern basis covering at least the twelve month period from the date of signing the financial statements.

In considering the going concern basis for preparing the financial statements, the Directors consider the Group and Company's objectives and strategy, its principal risks and uncertainties in achieving its objectives and its review of business performance and financial position, which are all set out in the Strategic Report (see pages 30 to 35) and Chief Financial Officer's review sections (see pages 38 to 41 of the Annual Report). Given the current macro-economic environment and considering the latest guidance issued by the FRC the Directors have undertaken a fully comprehensive going concern review.

The Group has modelled three scenarios in its assessment of going concern. These are:

- The base case;
- The severe but plausible case; and
- The reverse stress test case.

Further details, including the analysis performed and conclusion reached, are set out below.

The Directors have reviewed detailed financial forecasts for a twelve-month period from the date of this report (the going concern period) until 31 October 2025. All the forecasts reflect the payment of the FY2024 dividend of £77.9m which will be paid in December 2024 subject to approval at the AGM.

Liquidity and financing position

At 31 July 2024, the Group held instantly accessible cash and cash equivalents of £158.5m, with net current assets of £281.2m. Note 1 to the financial statements in the Annual Report includes the Group's objectives, policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk. Operational cash flow forecasts for the going concern period are sufficient to support the business with the £75.0m cash floor set by the Board not being breached.

There is a sufficient level of liquidity headroom post mitigation across the going concern forecast period in base and severe but plausible scenarios considered and outlined in more detail below.

Challenging economic environment

Management have, in all three scenarios, considered the principal challenges to short term business performance which are expected to be;

- An economic downturn in the UK economy, aided by high broad-based inflation and interest rates; and
- higher risk of credit losses.

Despite the challenging economic environment, the Group and Company have traded well, delivering double-digit year-on-year growth in gross profit and operating profit growth is ahead of expectations. The Board continue to monitor the global and national economic environment and organise operations accordingly.

Base case

The base case, which was approved by the Board in October 2024, takes into account the FY2025 budget process which includes estimated growth and increased cost across the going concern period and is consistent with the actual trading experience through to September 2025. The key inputs and assumptions in the base case include:

- continued revenue growth in line with historic rates;
- rebate income continues to be received in proportion to cost of sales as in FY2024;
- employee commission is incurred in line with the gross margin; and
- increased levels of cost to reflect continued investment in our people and the business's IT infrastructure.

The Group has taken a measured approach to the base case and has balanced the expected trading conditions with available opportunities in an increasingly resilient area of customer spend, which is supported by the current financial position. In making our forecasts we balanced our customer needs alongside employee welfare. Year to date trading to the end of September 2025 is consistent with the base case forecast.

Severe but plausible case

Given the current economic challenges facing our customer base and supply chain, we have modelled a severe but plausible scenario. In this case we have modelled a decline in revenue, versus the base case, which is below any historic trend and more severe than experienced during the height of the COVID-19 pandemic. Further impacts of this scenario such as reduced margins and greater credit losses have also been considered.

The key inputs and assumptions, compared to the base case, include:

- an average 5% reduction in revenue;
- reduced gross profit margins of 0.5% in the period;
- additional bad debt write offs of £4.2m across the forecast period;
- an average 5% reduction in rebates;
- extending the debtor days from historic levels achieved and no change to historic supplier payment days by an additional three days;
- paying a reduced interim dividend in line with lower profitability but still within the range set out in the dividend policy; and
- commission cost adjusted downwards in line with reduced profitability and cost of sales, but at the same percentage rates as in the base case.

The purpose of this scenario was to consider if there was a significant risk that the Group and Company would move to being cash negative in any of the months in the going concern period. Even at these lower levels of activity, which the Directors believe is a highly unlikely outcome, the Group continues to be profitable and maintains a positive cash balance at all times. Despite this, management have modelled further cost saving and working capital action (see mitigating actions) that will enable the Group to mitigate the impact of reduced cash generation further and achieve the Board's desired minimum cash position, should this scenario occur. The Directors are confident that they can implement these actions if required.

Mitigating actions

There are several potential management actions that have not been included in the severe but plausible forecast, including significant cost reduction measures and additional annual working capital savings. The actions which if implemented would offset the reduced activity include:

- savings in discretionary areas of spend;
- delayed payment to suppliers foregoing early settlement discount; and
- short term supplier payment management.

The mitigations are deemed achievable and reasonable as the Group benefits from a flexible business model with a high proportion of costs linked to performance.

Reverse stress test

The Directors have performed an analysis of each variable used in the severe but plausible case that would, standalone, trigger a threat to the going concern status of the business. This reverse stress Testing goes beyond what is considered in the severe but plausible scenario to understand the limits of the business model.

Before a negative cash balance within the going concern period is likely, the following key inputs and assumptions, compared to the base case, would be required:

- a reduction in sales of 90%;
- reduction in gross margin of 8%; and
- extending the debtor days by an additional twelve days.

The Board considers the forecasts and assumptions used in the reverse stress tests, as well as the events that could lead to it, to be remote.

Going concern conclusion

Based on the forecast and the scenarios modelled, together with the performance of the Group and Company to date, the Directors consider that the Group and Company have sufficient liquidity headroom to continue in operational existence for the twelve-month period from the date of this report (the going concern period) until 31 October 2025. Accordingly, at the October 2024 Board meeting, the Directors concluded from this analysis it was appropriate to continue to adopt the going concern basis in preparing the Consolidated Financial Statements. Should the impact of these conditions be even more prolonged or severe than currently forecast by the Directors under the severe but plausible case scenario, the Group and Company would need to implement additional operational or financial measures.

In relation to the identified potential climate change-related risks and opportunities, the Directors do not believe there would be a material impact on cash flows in the going concern period.

Accounting policies

The preliminary announcement for the year ended 31 July 2024 has been prepared in accordance with the accounting policies as disclosed in Softcat plc's Annual Report and Accounts 2024, as updated to take effect of any new accounting standards applicable for the year.

3. Segmental information

The information reported to the Group's Chief Executive Officer, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. The Group has therefore determined that it has only one reportable segment under IFRS 8, which is that of "value-added IT reseller and IT infrastructure solutions provider". The Group's revenue, results and assets for this one reportable segment can be determined by reference to the statement of profit or loss and other comprehensive income and statement of financial position. An analysis of revenues and gross invoiced income by product, which form one reportable segment, is set out below:

Revenue by type

	2024	2023
	£'000	£'000
Software	213,520	188,797
Hardware	561,238	610,638
Services	187,875	185,865
	<u>962,633</u>	<u>985,300</u>

Gross invoiced income by type

	2024	2023
	£'000	£'000
Software	1,807,468	1,543,501
Hardware	568,450	617,844
Services	476,233	401,963
	<u>2,852,151</u>	<u>2,563,308</u>

Revenue and gross invoiced income can also be disaggregated by type of business:

Revenue by type of business

	2024	2023
	£'000	£'000
Small and medium	473,985	555,541
Enterprise	298,434	253,229
Public sector	190,214	176,530
	962,633	985,300

Gross invoiced income by type of business

	2024	2023
	£'000	£'000
Small and medium	1,157,007	1,103,851
Enterprise	597,320	512,839
Public sector	1,097,824	946,618
	2,852,151	2,563,308

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items and is consistent with our previous application of IAS 18. Softcat will continue to report gross invoiced income as an alternative financial KPI as this is a measure which correlates closely to the cash received by the business and therefore aids the user's understanding of working capital movements in the statement of financial position and the relationship to sales performance and the mix of products sold. The impact of IFRS 15 and principal versus agent consideration is an equal reduction to both revenue and cost of sales.

Reconciliation of gross invoiced income to revenue

	2024	2023
	£'000	£'000
Gross invoiced income	2,852,151	2,563,308
Income to be recognised as agent under IFRS 15	(1,889,518)	(1,578,008)
	962,633	985,300

The total revenue for the Group has been derived from its principal activity as an IT reseller. Substantially all of this revenue relates to trading activities undertaken in the United Kingdom.

4. Taxation

	2024	2023
	£'000	£'000
Current Tax		
Current income tax charge in the year	40,338	30,414
Adjustment in respect of current income tax in previous years	(465)	(160)
Foreign tax effects	84	-
Deferred Tax		
Temporary differences	398	(419)
Total tax charge for the year	40,355	29,835

5. Dividends

	2024	2023
	£'000	£'000
Declared and paid during the year:		
Special dividend on ordinary shares (12.6p per share (2023: 12.6p))	25,113	25,122
Final dividend on ordinary shares (17.0p per share (2023: 16.6p))	33,965	33,098
Interim dividend on ordinary shares (8.5p per share (2023: 8.0p))	16,970	15,955
	<u>76,048</u>	<u>74,175</u>

A final dividend of 18.1p per share has been recommended by the Directors and if approved by shareholders will be paid on 17 December 2024. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 8 November 2024. Shares in the Company will be quoted ex-dividend on 7 November 2024. The dividend reinvestment plan ('DRIP') election date is 26 November 2024.

In line with the Group's stated intention to return excess cash to shareholders, a further special dividend payment of 20.9p has been proposed. If approved this will also be paid on 17 December 2024 alongside the final ordinary dividend.

The Board recommends the final and special dividend for shareholders' approval.

6. Inventories

	2024	2023
	£'000	£'000
Finished goods and goods for resale	2,916	3,591

The amount of any write down of inventory recognised as an expense in the year was £nil in both years.

7. Trade and other receivables

	2024	2023
	£'000	£'000
Trade and other receivables	504,488	429,569
Provision against receivables	(3,122)	(3,920)
Net trade receivables	<u>501,366</u>	<u>425,649</u>
Unbilled receivables	40,487	34,508
Prepayments	6,982	6,344
Accrued income	10,279	9,270
Deferred costs	26,188	14,270
	<u>585,302</u>	<u>490,041</u>

8. Trade and other payables

	2024	2023
	£'000	£'000
Trade payables	290,869	254,907
Other taxes and social security	17,009	13,699
Accruals	121,919	90,222
Other creditors	285	799
	<u>430,082</u>	<u>359,627</u>

9. Contract liabilities

Contract liabilities are comprised of:

	2024	2023
	£'000	£'000
Deferred income	41,131	26,883
Deferred income is further broken down as:		
Short term deferred income	31,980	23,851
Long term deferred income	9,151	3,032
	<u>41,131</u>	<u>26,883</u>

10. Earnings per share

	2024	2023
	Pence	Pence
Earnings per share		
Basic	59.7	56.2
Diluted	59.4	56.0

The calculation of the basic earnings per share and diluted earnings per share is based on the following data:

	2024	2023
	£'000	£'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	119,044	112,029

The weighted average number of shares is given below:

	2024	2023
	000's	000's
Number of shares used for basic earnings per share	199,490	199,237
Number of shares expected to be issued at nil consideration following exercise of share options	1,026	922
Number of shares used for diluted earnings per share	<u>200,516</u>	<u>200,159</u>

11. Notes to the cash flow statement

	2024	2023
	£'000	£'000
Cash flow from operating activities		
Operating profit	154,064	140,898
Depreciation of property, plant and equipment	2,631	2,466
Depreciation of right-of-use assets	2,429	2,127
Amortisation of intangibles	1,564	1,525
Dividend equivalents paid	(98)	(66)
Cost of equity settled employee share schemes	3,612	3,330
Operating cash flow before movements in working capital	164,202	150,280
Decrease in inventories	675	1,513
(Increase)/decrease in trade and other receivables	(95,261)	51,383
Increase/(decrease) in trade and other payables	85,218	(68,581)
Cash generated from operations	154,834	134,595
Income taxes paid	(39,226)	(29,793)
Net cash generated from operating activities	115,608	104,802

12. Share capital

	2024	2023
	£'000	£'000
Allotted and called up		
Ordinary shares of 0.05p each	100	100
Deferred shares* of 1p each	-	-
	100	100

*At 31 July 2024 deferred shares had an aggregate nominal value of £189.33 (2023: £189.33).

Deferred shares do not have rights to dividends and do not carry voting rights.

13. Post balance sheet events

Dividend

A final dividend of 18.1p per share has been recommended by the Directors and if approved by shareholders will be paid on 17 December 2024. The final ordinary dividend will be payable to shareholders whose names are on the register at the close of business on 8 November 2024. Shares in the Company will be quoted ex-dividend on 7 November 2024. The dividend reinvestment plan ('DRIP') election date is 26 November 2024.

In line with the Group's stated intention to return excess cash to shareholders, a further special dividend payment of 20.9p has been proposed. If approved this will also be paid on 17 December 2024 alongside the final ordinary dividend.

Contractual obligations

On 27 September 2024, the Group signed a property lease in relation to relocating the London sales office. The right-of-use asset and lease liability from this contract will be £17.1m

Corporate Information

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Directors

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G Charlton
K Mecklenburgh
R Perriss
V Murria
L Weedall
M Prakash
J Ferguson

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