Results for the year ended 31 July 2016

Martin Hellawell, CEO
Graham Charlton, CFO

19 October 2016

Who we are

Leading IT infrastructure provider for UK SMOs

100% UK Focused

927

Employees at 31 July 2016

12,200

Customers in FY15

200+ vendors

£672m

FY16 revenue

£46.8m

FY16 Adjusted operating profit

(1) Glasgow office opened in February 2016.

2016 summary results

Softcat

Strong revenue growth AND profitability

- Revenue up 12.8% to £672.4m
- Gross profit up 17.5% to £120.7m (including £3.4m one-off benefit)
- Gross profit margin up 0.8% pts to 18.0%
- Adjusted operating profit* up 15.2% to £46.8m

Significant cash generation and returns to shareholders

- Strong cash conversion** of 86%
- The Company remains debt free with a cash balance of £62.4m
- Final dividend of 3.6p per share
- Special dividend of 14.2p
- Dividends to be paid on 16 December 2016
- This will bring total cash returned to shareholders since the IPO to £38.5m

* Adjusted operating profit is defined as operating profit before exceptional items and share-based payments charges.

** Cash conversion is defined as cash flow from operations before tax but after capital expenditure, as a percentage of operating profit

Our proven growth strategy

Significant untapped growth potential

Strategic progress

Softcat

1 Sell more to existing customers

- Strong growth from existing customer base
- GP per customer up 9% (+6% excluding one-offs)
- Further progress in cross-selling, with rising demand for network, security and datacentre solutions
- Lower demand, in line with market, for PCs

2 Win new customers

- Customer numbers up 7.5% year-on-year, accelerating from 6.5% growth in prior year
- Fastest absolute rate of customer growth since 2013
- Growth evident across all customer segments (SMB, Enterprise and Public Sector)

3 Scale the platform and develop offering

- Record year for new hires – both in sales and services
- Average headcount up 21%
- Launch of Glasgow office Jan 2016; good performance from Bristol and Leeds
- MPS, BI, public cloud, hyperconverged

Award winning performance: **HPE** UK EG partner of the year, **Cisco** UK&I commercial partner of the year, **Sophos** UK&I partner of the year, **Canalys** EMEA channel partner of the year

2016 financial review

Graham Charlton, CFO

Summary income statement

£m	FY16	FY15	Growth
Revenue	**672.4**	**596.1**	**12.8%**
Gross profit	**120.7**	**102.8**	**17.5%**
GP %	18.0%	17.2%	
Administrative expenses	(74.0)	(62.2)	18.9%
Adj operating profit	**46.8**	**40.6**	**15.2%**
Adj OP %	7.0%	6.8%	
Adj OP/GP %	38.7%	39.5%	
Share-based payment charges	(0.9)	(0.0)	
IPO exceptional costs	(3.7)	(1.0)	
Operating profit	**42.2**	**39.6**	**6.6%**
Interest	0.2	0.2	
Tax	(9.2)	(8.7)	
Profit after tax	**33.2**	**31.1**	**6.6%**

- Strong GP growth driven by increase in both customer numbers and GP per customer
- Includes £3.4m one-offs

- Include incremental costs of plc costs of £1.1m (2015: £0.2m).
- Admin cost growth excluding plc costs is 17.4%
- Adj OP/GP % is in line with prior year at 39.7% when adjusted for the impact of plc costs

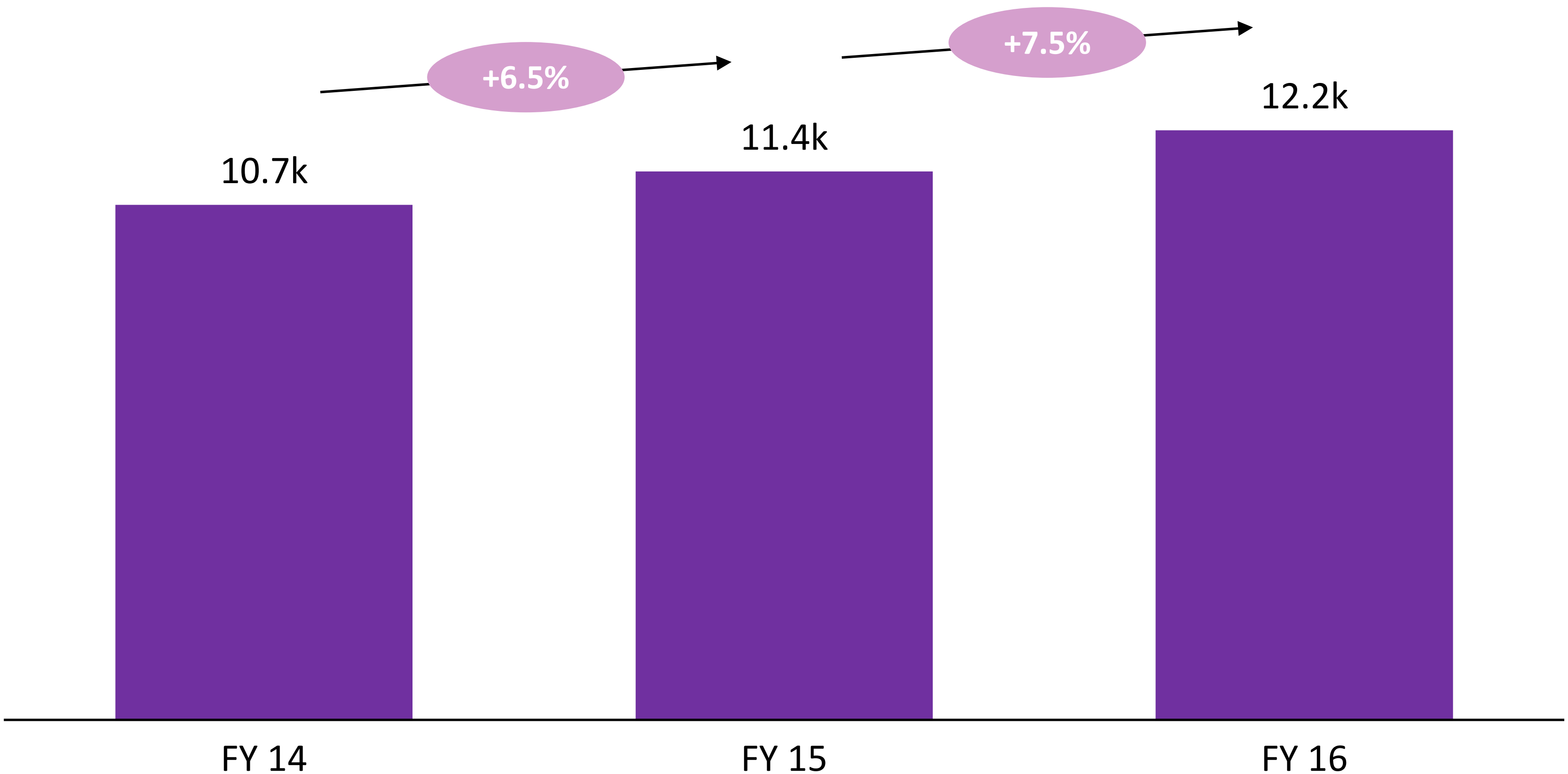
- The effective tax rate for 2016 of 21.8% is in line with prior year, reflecting a lower statutory tax rate offset by non-deductible exceptional IPO costs

Impact of non-recurring savings

£m (reported)	FY16	FY15	Growth
Revenue	**672.4**	**596.1**	**12.8%**
Gross profit	**120.7**	**102.8**	**17.5%**
GP %	18.0%	17.2%	
Administrative expenses	(74.0)	(62.2)	18.9%
Adj operating profit	**46.8**	**40.6**	**14.5%**
Adj OP %	7.0%	6.8%	
Adj OP/GP %	38.7%	39.5%	

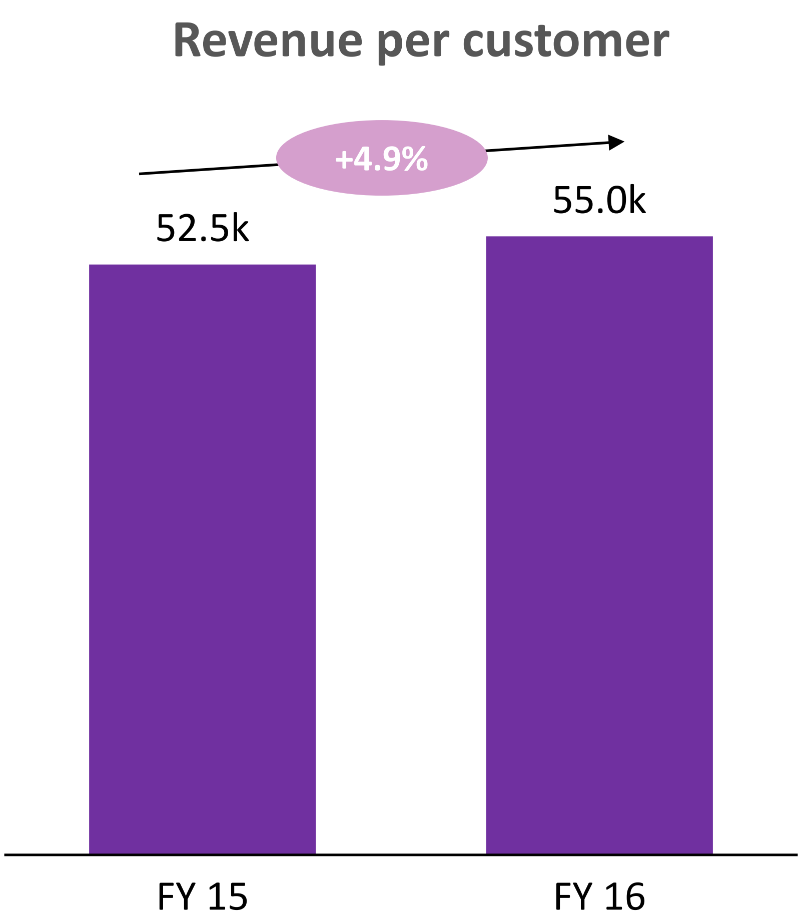
£m (excluding one-off savings)	FY16	FY15	Growth
Revenue	**672.4**	**596.1**	**12.8%**
Gross profit	**117.3**	**102.8**	**14.1%**
GP %	17.4%	17.2%	
Administrative expenses	(73.2)	(62.2)	17.5%
Adj operating profit	**44.2**	**40.6**	**8.9%**
Adj OP %	6.6%	6.8%	
Adj OP/GP %	37.7%	39.5%	

Customer numbers



* A customer is defined as a unique trading entity that has transacted with Softcat during the period

Revenue and GP per customer



Cash flow

Softcat

£m	FY16	FY15
Operating profit	**42.2**	**39.6**
Depreciation and amortisation	2.1	2.1
Net capital expenditure	(1.7)	(2.5)
Movements in working capital	(6.8)	13.0
Other	0.6	0.0
Cash from operations before tax, after capex	**36.1**	**52.2**
As % of operating profit	86%	132%
Income taxes paid	(7.9)	(7.3)
Finance income	0.2	0.2
Net proceeds from equity transactions	2.7	(0.9)
Dividends paid	(43.5)	(7.3)
Net decrease in cash during the period	**(12.3)**	**37.7**
Closing cash balance	**62.4**	**74.6**

- Small net reduction in fixed asset carrying value reflects capital-light model

- Small expansion in working capital due to business growth
- This reflects the relative stabilisation of debtor and creditor days following a programme of improvements in 2013-2015

- Strong cash conversion reflects the capital-light operating model and good control of working capital as the business grows

- Proceeds from equity transactions represent receipts from the exercise of share options and the settlement of deferred purchase shares

- FY16: £40.1m pre-IPO; £3.4m interim

Dividend

- The Board recommends the payment of a 3.6p final dividend, representing a total payment of £7.0m
- In addition, and reflecting the very strong cash position of the Company, the Board recommends the payment of a 14.2p per share special dividend, representing a total payment of £28.0m
- If approved by shareholders, aggregate dividends of £35.0m will be paid on 16 December 2016
- Total cash returned to shareholders including the interim dividend since IPO of £38.5m (including the post-IPO interim dividend)
- The shares will trade ex dividend on 17 November 2016
- The final and interim dividends have been calculated to reflect the period of the financial year following the effective date of the IPO

Closing remarks

Martin Hellawell, CEO

Summary

- Successful first period as a listed company
- Delivered 44 consecutive quarters of growth
- Performing particularly well against peers in the UK market
- Gaining share but still a lot more share to go after
- Business model and strategy unchanged
- Strong net returns despite increased PLC costs and increased investment

Outlook

- Good momentum entering 2017
- Competitive and challenging market
- Brexit has had some impact but we believe it’s marginal to date
- Hybrid cloud, IoT, security (amongst others) all creating opportunity
- Ideally placed in SMO market
- Further opportunities in adjacent markets
- Last year’s procurement benefit was a one off
- Satisfactory current trading
- Confident of increasing market share, generating profitable growth and strong cash conversion in 2017