



SOFTCAT plc

("Softcat", the "Company")

Preliminary Results for the twelve months to 31 July 2018

Strong growth and cash generation; final and special dividends totalling 23.9p

Softcat plc (LSE: SCT.L), a leading UK provider of IT infrastructure products and services, today publishes its full year results to 31 July 2018. The results combine strong growth in revenues and profits together with sustained cash generation.

Financial Summary	Twelve months ended		Growth
	31 July	31 July	
	2018	2017	
	£m	£m	%
Revenue	£1,081.7	£832.5	29.9
Gross profit	£175.2	£136.3	28.5
Operating profit	£68.0	£50.2	35.6
Adjusted operating profit^a	£70.5	£51.5	36.9
Cash conversion^b	97.7%	97.2%	
Final dividend (p)	8.8	6.1	44.3
Special dividend (p)	15.1	13.5	11.9
Diluted earnings per share (p)	27.6	20.2	36.6
Adjusted diluted earnings per share^c (p)	28.8	20.9	37.8

^aAdjusted operating profit is defined as operating profit before share-based payment charges.

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

^cAdjusted diluted earnings per share is defined as profit after tax before share-based payment charges divided by the weighted average number of shares including the dilutive effect of share options.

Highlights for the twelve months to 31 July 2018

- Revenue up 29.9% to £1,081.7m (2017: £832.5m)
- Gross profit up 28.5% to £175.2m (2017: £136.3m)
- Operating profit growth of 35.6% to £68.0m (2017: £50.2m)
- Adjusted operating profit up 36.9% to £70.5m (2017: £51.5m)
- Cash conversion of 97.7% (2017: 97.2%)
- Net cash position at year end of £72.8m, after payment of £45.3m dividends during 2018
- Customer numbers* up 4.7% to 11.9k (2017: 11.4k)
- Gross profit per customer* growth of 22.8% to £14.7k (2017: £12.0k).
- Average headcount up 10%, reflecting further investment across all areas of the business, especially in our services and technical capability
- Total dividend relating to 2018 up 20.9% to 27.2p (2017: 22.5p)

*In the year management have improved their calculation of customer numbers to remove the impact of multiple customers being recorded where they are part of a common group structure. Comparative customer number and gross profit per customer figures have been restated accordingly.

Graeme Watt, Softcat CEO commented

"I'm delighted to report on a very successful year for Softcat with revenue surpassing £1 billion for the first time, net profit margin rising, and cash conversion being maintained at close to 100%. Revenue growth was 30% and operating profit was up on the prior year by 36%, driven by successful execution

of our simple strategy but also supported by exceptionally good market conditions. The adoption of technology change continues to gather pace, as customers take the opportunity to embrace the benefits of digital transformation. In 2018 we saw customers from all sectors invest and this is reflected in our customer metrics. Both revenue and gross profit per customer increased significantly, as we benefited from a strong market and the increasing trust placed in us by our clients. Our long-term strategy of growth through sustained investment means we remain well-positioned to keep pace with the accelerating needs of customers.

We believe that customers need our help more than ever before and in the great Softcat tradition we added hundreds of new customers during the period, mainly through the efforts of our new apprentice and graduate recruits. We maintain this strong appetite for recruiting new talent and winning new customers as we head into the new financial year.

The Company celebrated 25 years of existence in 2018. The results achieved during the year only serve to strengthen our belief that the next 25 years can be even brighter. Our people remain our point of differentiation – their passion, intelligence, sense of fun and responsibility again made the difference in 2018. I applaud their ability to work as a team in the best interests of our customers and stakeholders, and I have every confidence they will be successful in 2019. To all of them, a huge thank you.”

Outlook

We benefited from exceptional market conditions in 2018. Despite current political and economic uncertainty, and notwithstanding tough comparative figures, we are confident of achieving further profitable growth in 2019. Trading in the first ten weeks of the new financial year has been encouraging.

Analyst meeting

A results presentation for analysts and investors will be held today at the offices of FTI Consulting: 9th Floor, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. Registration will open at 09.15 for a 09.30 start. Materials from this presentation will be available online at www.softcat.com from 09.00. A copy of this announcement will also be available online from 07.00.

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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 UK Listing 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.

Chief Executive Officer's Review

It has been another strong performance by the team in a very healthy market. We have been able to deliver significant growth across revenue (+29.9%), gross profit (+28.5%), operating profit (+35.6%) and adjusted operating profit (+36.9%), demonstrating that our model has scaled well and we have stayed focused on our key strategies. In terms of both top and bottom line performance we have now delivered 52 consecutive quarters of year-on-year growth.

I am pleased that this performance has been recognised outside the Company too, with many notable awards from our vendors including Cisco, HPE and VMware covering a breadth of technology and services. The award from VMware for Partner Innovation is global and it is a sign of our increasing influence with some of our vendors.

Given that our people are the key to our current and future success the awards that recognise performance in this area are particularly pleasing. It was therefore immensely satisfying to receive the School Leaver Awards 2017 – Top Employer for School Leavers in the IT and Technology Sector. We were also recognised by the financial community by winning Megabyte Quoted25 – Best Performing UK Public Company in Infrastructure Services 2018 and UK Stock Market Awards – Best Technology Plc 2018.

I am particularly pleased with our breadth of performance and lack of reliance on any individual vendor, customer or regional office. We grew revenue for fourteen of our top twenty vendors at over 20%, and our top twenty vendors made up a healthy 66% of total sales. All of our regional offices delivered double-digit growth in gross profit, as did each of our customer segments. We are not overly reliant on any customer or vendor.

The single biggest driver of our success is our people. We invest a tremendous amount of time, money and energy in making sure we are attracting the right talent into the Company and developing and retaining them. We work hard to ensure that our people are trained and developed for success and then appropriately rewarded and recognised for performance. We believe that an engaged, highly committed and motivated workforce is a vital ingredient of outstanding customer service. We seek to provide customers with all of their IT infrastructure needs and the feedback I have received, from the many customers I have met, positively reinforces that we are increasingly achieving that goal through our agility, proactivity and willingness to go the extra mile. We are pleased to see that our most recent Net Promoter Score of 63.7 compares favourably with companies across all industries.

We have positively embraced the strength of the market during 2018. More than ever, organisations recognise the need for digitisation for survival, differentiation and competitive advantage. In addition, the impact of GDPR and Windows 10 have driven near-term demand for client and datacentre spend which we expect to continue into the current financial year.

More fundamental and longer-term drivers for growth are hybrid infrastructure, security, digitisation and the Internet of Things (IoT). It is becoming clear that many organisations have, or will adopt, a hybrid infrastructure strategy placing workloads both into the cloud and into on-premise datacentres. As our customers develop their IT infrastructure they need new technology, design advice, project management support, implementation capability, and ongoing maintenance and monitoring. Softcat caters for all of these needs either directly or through carefully selected third party partners.

The use of data is a central element of this drive to gain competitive advantage through IT. An ever increasing volume of data, driven by factors such as IoT and the proliferation of sensors, must be computed, stored, secured and ultimately analysed.

We will continue to monitor the rising tide of developments in artificial intelligence, machine learning, robotics and other emerging technology areas but as always will be guided by customer needs.

Our strategic priorities are very much unchanged. Our simple goals of selling more to existing customers and adding more customers to our roster has worked very effectively and will again be a focus for the coming year. We have a fantastic opportunity to gain more share of wallet and further penetrate an addressable market in which we today only work with around one in five target prospects. That sales focus is underpinned by three supporting priorities. The first is the continued focus on our

people and to make sure our culture positively evolves as we grow the business. The second is a focus on operational excellence. We know there is more we can do to improve our systems and processes as our business evolves. The third is to make sure that we continually investigate ways to expand our addressable market and deliver new growth opportunities to our sales teams and our customers.

We are very well positioned for further growth in 2019. As already mentioned we have market and market share opportunities across each of our customer segments of SMB, enterprise and public sector and it is up to us to prioritise and deliver on those opportunities. Our South Coast office opened last year and has had a very encouraging start. We are investing in people across all functions and offices to make sure we stay ahead of the growth curve. In particular I look forward to seeing the fruits of our investment in Ireland where we opened our latest regional office in Dublin in August, and the planned office relocations to larger premises in both London and Leeds in the coming year. We have also begun to invest further to support the multinational IT requirements of our enterprise customers.

Whilst the macro-economic picture is far from clear I believe the key issue surrounding Brexit will be business confidence. If prices rise due to new tariffs or weakened Sterling then we will seek to pass them on as is normal for the industry. We are working with our vendor and distribution partners to make sure that in the event of any supply chain impacts from changes in processes that we are prepared so that there is minimal impact to our customers.

As we grow we need to continue to grow our workforce without compromising the quality of new recruits, so we continue to work hard and do new things to make sure that this doesn't become a limiting factor for us.

We have the leadership team, the people, the strategies and partnerships in place to deliver on our goals for FY19 and importantly we have strong momentum coming out of the previous financial year.

I would like to take this opportunity to thank each and every one of the Softcat team for their amazing contribution to the reported results for last year and their ongoing focus and execution to achieve further success in the coming year.

Chief Financial Officer's Review

<u>Financial Summary</u>	FY18	FY17	Growth
Revenue	£1,081.7m	£832.5m	29.9%
<u>Revenue split</u>			
Software	£563.7m	£414.8m	35.9%
Hardware	£366.9m	£287.4m	27.7%
Services	£151.1m	£130.3m	16.0%
Gross profit	£175.2m	£136.3m	28.5%
Gross profit margin	16.2%	16.4%	(0.2% pts)
Adjusted operating profit	£70.5m	£51.5m	36.9%
Adjusted operating profit margin	6.5%	6.2%	0.3% pts
Gross profit per customer	£14.7k	£12.0k	22.8%
Customer numbers	11.9k	11.4k	4.7%
Operating profit	£68.0m	£50.2m	35.6%
Cash conversion	97.7%	97.2%	0.5% pts

Revenue, gross profit and gross margin

Revenue growth was very strong at 29.9%, rising to £1,081.7m (2017: £832.5m). This represents an acceleration on growth delivered in the prior year and constitutes a record annual absolute growth step across each of revenue, gross profit and operating profit. Importantly, the growth was broad-based, with strong performance across all offices and areas of technology.

In terms of mix, software expanded slightly as a proportion of revenue to 52.1% (2017: 49.8%). This encompassed growth across workplace licenses, security licenses and asset management technologies. Hardware growth was driven by both client devices and a resurgence in demand for servers following a decline in FY17. Services continue to deliver profitable growth from both the expansion of our own capabilities and increasing re-sale of our vendors services.

Gross profit is the Company's primary measure of income performance and growth of 28.5% to £175.2m (2017: £136.3m) reflects a broadly stable margin to revenue of 16.2% (2017: 16.4%). Gross profit was augmented by £2.0m of foreign exchange-related procurement savings which are not expected to repeat in 2019. These procurement savings boosted margin by 0.2% pts but this was offset by strong growth in our low-margin public sector partner business. Consequently, gross profit margin decreased by 0.2% pts to 16.2%.

Customer KPIs

The 22.8% growth in gross profit per customer (2017: 6.5%) was the key feature of the year. Over the last two years the Company has increased focus on gaining share of wallet from existing customers, providing account managers with support and resources to cross-sell an expanding range of products and services.

Customer numbers were up 4.7% to 11.9k (2017: 11.4k). While this rate of growth is slightly lower than in recent years, the revenue and gross profit contributed by new customers was higher than ever. Adding new customers continues therefore to be a very significant part of the Company's strategy going forward.

As in previous years, revenue is well dispersed across the customer base, with the largest customer accounting for less than 2% of total income.

Adjusted operating profit and operating margin

Adjusted operating profit increased by 36.9% to £70.5m. This exceptional performance reflects the record growth in gross profit, driven by buoyant market conditions and our strong competitive position to capitalise on the opportunity presented. The Company will continue to make large investments in sales, technical and operational capabilities to target further market share gains and profit growth.

Adjusted operating profit as a percentage of gross profit continues to be our primary measure of operating efficiency, and this metric increased to 40.2% (2017: 37.8%). This increase reflects our ability to drive efficiency from the operating model in the short term to satisfy the exceptional demand we saw in the market. But we anticipate a reduction in this metric in 2019 back towards historic norms and trends as we continue with our investment strategy.

Adjusted operating profit margin to sales increased to 6.5% (2017: 6.2%).

Operating profit

Operating profit grew by 35.6% to £68.0m. Adjusted operating profit grew by 36.9% and is shown before share-based payment charges, which increased 91% to £2.5m. Three years on from IPO we now have a mature programme of long-term incentive plans and from 2019 share-based payment charges will not be presented as an adjusting item.

Corporation tax charge

The effective tax rate for 2018 fell to 19.3% (2017: 20.3%), reflecting the decrease in the blended corporation tax rate from 19.7% to 19.0% in the period. The effective tax rate is marginally above the statutory tax rate due to non-deductible expenses.

Cash and balance sheet

Cash conversion was again excellent at 98% (2017: 97%), reflecting the ongoing close management of working capital balances as the business continues to grow.

The broad composition of the balance sheet is unchanged, reflecting the simple and efficient business model. The value of stock is minimal due to the close operational partnership with distributors and the value of inventory recognised at year end mainly reflects goods in transit.

The Company's closing cash balance of £72.8m (2017: £61.6m) was up £11.2m, having been replenished by the results of operations following the payment of £45.3m dividends during the year.

Dividend

A final dividend of 8.8p per share has been recommended by the directors and if approved by shareholders will be paid on 14 December 2018. The final dividend will be payable to shareholders whose names are on the register at the close of business on 2 November 2018. Shares in the Company will be quoted ex dividend on 1 November 2018. The dividend reinvestment plan ("DRIP") election date is 19 November 2018.

In line with the Company's stated intention to return excess cash to shareholders over time, a further special dividend payment of 15.1p per share has been proposed. If approved by shareholders at the Company's AGM this would also be paid alongside the final dividend in December 2018 and would bring total cash returned to shareholders in the 3 years since IPO to £136.8m.

Principal Risks and Uncertainties

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

Risk	Potential impacts	Management & mitigation
BUSINESS STRATEGY		
Customer dissatisfaction	<ul style="list-style-type: none"> Reputational damage Loss of competitive advantage 	<ul style="list-style-type: none"> Graduate training programme Ongoing vendor training for sales staff Annual customer survey with detailed follow-up on negative responses Process for escalating cases of dissatisfaction to MD & CEO
Failure to evolve our technology offering with changing customer needs	<ul style="list-style-type: none"> Loss of customers Reduced profit per customer 	<ul style="list-style-type: none"> Processes in place to act on customer feedback about new technologies Training and development programme for all technical staff Regular business reviews with all vendors Sales specialist teams aligned to emerging technologies to support general account managers Regular specialist and service offering reviews with senior management
OPERATIONAL		
Cyber and data security	<ul style="list-style-type: none"> Inability to deliver customer services Reputational damage Financial loss 	<ul style="list-style-type: none"> Company-wide information security policy Appropriate induction and training procedures for all staff External penetration testing programme undertaken ISO 27001 accreditation
Business interruption	<ul style="list-style-type: none"> Customer dissatisfaction Business interruption Reputational damage Financial loss 	<ul style="list-style-type: none"> Operation of back-up operations centre and data centre platforms Established processes to deal with incident management, change control, etc. Continued investment in operations centre management and other resources Ongoing upgrades to network Regular testing of DR plans
Macro-economic factors including Brexit	<ul style="list-style-type: none"> Short-term supply chain disruption Reduced margins Reduced customer demand Reduced profit per customer 	<ul style="list-style-type: none"> Close dialogue with supply-chain partners to ensure all potential Brexit scenarios are planned for Customer-centric culture Breadth of proposition and customer base
FINANCIAL		
Profit margin pressure including rebates	<ul style="list-style-type: none"> Reduced margins 	<ul style="list-style-type: none"> Ongoing training to sales and operations team to keep pace with new vendor programmes Rebate programmes are industry standard and not specific to the Company Rebates form an important but only minority element of total operating profits

PEOPLE		
Culture change	<ul style="list-style-type: none"> • Reduced staff engagement • Negative impact on customer service 	<ul style="list-style-type: none"> • Culture embedded in the organisation over a long history • Branch structure with empowered local management • Quarterly staff survey with feedback acted upon • Regular staff events and incentives
Poor leadership	<ul style="list-style-type: none"> • Lack of strategic direction • Deteriorating vendor relationships • Reduced staff engagement 	<ul style="list-style-type: none"> • Succession planning process • Experienced and broad senior management team

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report contained within the Annual Report. The financial position of the Company, its cash flows, and liquidity position are described in the Chief Financial Officer's Review above. In addition, note 19 to the financial statements contained within the Annual Report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Cautionary Statement

This preliminary announcement has been prepared solely to provide additional information to shareholders to assess the Company'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 Company 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 law and regulations.

The Directors are required to prepare financial statements for each financial year in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company as at the end of the financial year and the profit or loss of the Company, so far as concerns members of the Company, for the financial year. In preparing those financial statements, the Directors are required to:

- select and apply accounting policies in accordance with IAS 8;
- 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 entity's financial position and financial performance;
- make judgements and estimates that are reasonable and prudent;
- state that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Company's financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which are sufficient to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Company'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 Company confirms that (solely for the purpose of DTR 4) to the best of his or her knowledge:

- the financial statements in this document, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report and the Directors report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

**Statement of profit or loss and other comprehensive income
For the year ended 31 July 2018**

		2018	2017
		£'000	£'000
	<i>Note</i>		
Revenue	<i>3</i>	1,081,678	832,486
Cost of sales		<u>(906,515)</u>	<u>(696,173)</u>
Gross profit		175,163	136,313
Administrative expenses		<u>(107,141)</u>	<u>(86,151)</u>
Operating profit		68,022	50,162
Adjusted operating profit		70,507	51,464
Share – based payments charge		<u>(2,485)</u>	<u>(1,302)</u>
Finance income		<u>117</u>	<u>142</u>
Profit before taxation		68,139	50,304
Income tax expense	<i>4</i>	<u>(13,133)</u>	<u>(10,196)</u>
Profit for the year attributable to owners of the Company		55,006	40,108
Total comprehensive income for the year attributable to owners of the Company		55,006	40,108
Basic earnings per Ordinary Share (pence)	<i>8</i>	27.9	20.4
Diluted earnings per Ordinary Share (pence)	<i>8</i>	27.6	20.2
Adjusted basic earnings per Ordinary Share (pence)	<i>8</i>	29.1	21.0
Adjusted diluted earnings per Ordinary Share (pence)	<i>8</i>	<u>28.8</u>	<u>20.9</u>

All results are derived from continuing operations.

**Statement of Financial Position
As at 31 July 2018**

		2018	2017
		£'000	£'000
	Note		
Non-current assets			
Property, plant and equipment		5,056	5,579
Intangible assets		324	504
Deferred tax asset		1,436	895
		<u>6,816</u>	<u>6,978</u>
Current assets			
Inventories		8,631	6,975
Trade and other receivables	6	205,957	173,506
Cash and cash equivalents		72,831	61,643
		<u>287,419</u>	<u>242,124</u>
Total assets		<u>294,235</u>	<u>249,102</u>
Current liabilities			
Trade and other payables	7	(185,264)	(155,174)
Income tax payable		(8,155)	(5,510)
		<u>(193,419)</u>	<u>(160,684)</u>
Net assets		<u>100,816</u>	<u>88,418</u>
Equity			
Issued share capital	10	99	99
Share premium account		4,979	4,664
Other reserves		-	-
Retained earnings		95,738	83,655
Total equity		<u>100,816</u>	<u>88,418</u>

Statement of Changes in Equity
For the year ended 31 July 2018

	Share capital £'000	Share premium £'000	Reserve for own shares £'000	Retained earnings £'000	Total equity £'000
Balance at 1 August 2016	99	4,454	-	82,811	87,364
Total comprehensive income for the year	-	-	-	40,108	40,108
Share-based payment transactions	-	-	-	1,070	1,070
Dividends paid	-	-	-	(40,904)	(40,904)
Shares issued in the year	-	210	-	-	210
Tax adjustments	-	-	-	253	253
Own share movement during the year	-	-	-	317	317
Balance at 31 July 2017	99	4,664	-	83,655	88,418
Balance at 1 August 2017	99	4,664	-	83,655	88,418
Total comprehensive income for the year	-	-	-	55,006	55,006
Share-based payment transactions	-	-	-	1,759	1,759
Dividends paid	-	-	-	(45,321)	(45,321)
Shares issued in the year	-	315	-	-	315
Tax adjustments	-	-	-	529	529
Own share movement during the year	-	-	-	110	110
Balance at 31 July 2018	99	4,979	-	95,738	100,816

Statement of Cash Flows
For the year ended 31 July 2018

		2018	2017
		£'000	£'000
	<i>Note</i>		
Net cash generated from operating activities	9	57,051	40,971
Cash flows from investing activities			
Finance income		117	142
Purchase of property, plant and equipment		(965)	(945)
Purchase of intangible assets		(119)	(516)
Proceeds from asset disposals		-	7
		<hr/>	<hr/>
Net cash used in investing activities		(967)	(1,312)
Cash flows from financing activities			
Issue of share capital		315	210
Dividends paid	5	(45,321)	(40,904)
Own share transactions		110	317
		<hr/>	<hr/>
Net cash used in financing activities		(44,896)	(40,377)
Net decrease in cash and cash equivalents		11,188	(718)
Cash and cash equivalents at beginning of year		<hr/> 61,643	<hr/> 62,361
Cash and cash equivalents at end of year		<hr/> 72,831	<hr/> 61,643

Notes to the Financial Information

1. General information

Softcat plc (the "Company") is a public limited company, incorporated and domiciled in the UK. Its registered address is Fieldhouse Lane, Marlow, Buckinghamshire, SL7 1LW.

The annual financial information presented in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 July 2018 or 2017 but is based on, and consistent with, that in the audited financial statements for the year ended 31 July 2018, and those financial statements will be delivered to the Registrar of Companies following the Company'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

Whilst the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

The Financial Statements are presented in Pounds Sterling, rounded to the nearest £thousand, unless otherwise stated. They were prepared under the historical cost convention.

Going concern

For reasons noted above, the financial information has been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date of signing the financial statements. At the date of approving the financial statements, the Directors are not aware of any circumstances that could lead to the Company being unable to settle commitments as they fall due during the twelve months from the date of signing these financial statements.

Changes to accounting standards

There have been no changes to accounting standards during the year which have had or are expected to have any significant impact on the Company.

Accounting policies

The preliminary announcement for the year ended 31 July 2018 has been prepared in accordance with the accounting policies as disclosed in Softcat plc's Annual Report and Accounts 2018, as updated to take effect of any new accounting standards applicable for the year.

Share based payment charges

The share-based payment charge includes a fair value charge of £1,759,193 (2017: £1,070,486) and a charge for employer's national insurance contributions of £725,848 (2017: £231,600), which become payable on exercise of share options and long-term incentive awards.

Adjusted operating profit

In arriving at adjusted operating profit Softcat removes, previously volatile, share based payment charges in order to help present a picture of the Company's underlying performance. These charges have become more consistent and so from the year ending 31 July 2019 share-based payment charges will no longer be presented as an adjusting item.

3. Segmental information

The information reported to the Company'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 Company. The Company 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 Company'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 by product, which form one reportable segment, is set out below:

Revenue by type

	2018	2017
	£'000	£'000
Software	563,709	414,781
Hardware	366,877	287,424
Services	151,092	130,281
	<u>1,081,678</u>	<u>832,486</u>

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

4. Taxation

	2018	2017
	£'000	£'000
Current Tax		
Current income tax charge in the year	13,515	10,393
Adjustment in respect of current income tax in previous years	(119)	88
Deferred Tax		
Temporary differences	(263)	(285)
Total tax charge for the year	<u>13,133</u>	<u>10,196</u>

5. **Ordinary Dividends**

	2018	2017
	£'000	£'000
Declared and paid during the year, post IPO and share reorganisation:		
Special dividend on ordinary shares (13.5p per share (2017: 14.2p))	26,726	28,060
Final dividend on ordinary shares (6.1p per share (2017: 3.6p))	12,064	7,114
Interim dividend on ordinary shares (3.3p per share (2017: 2.9p))	6,531	5,730
	<u>45,321</u>	<u>40,904</u>

The Board recommends a final dividend of 8.8p per ordinary share and a special dividend of 15.1p per ordinary share to be paid on 14 December 2018 to all ordinary shareholders who were on the register of members at the close of business on 2 November 2018. Shareholders will be asked to approve the final and special dividends at the AGM on 6 December 2018.

6. **Trade and other receivables**

	2018	2017
	£'000	£'000
Trade and other receivables	190,730	162,089
Provision against receivables	(1,867)	(1,263)
Net trade receivables	188,863	160,826
Other debtors	40	59
Prepayments	6,110	5,415
Accrued Income	10,944	7,206
	<u>205,957</u>	<u>173,506</u>

7. **Trade and other payables**

	2018	2017
	£'000	£'000
Trade payables	131,115	100,312
Other taxes and social security	9,642	12,153
Accruals	33,291	28,708
Deferred Income	11,216	14,001
	<u>185,264</u>	<u>155,174</u>

8. Earnings per share

	2018	2017
	Pence	Pence
Earnings per share		
Basic	27.9	20.4
Diluted	27.6	20.2
Adjusted earnings per share		
Basic	29.1	21.0
Diluted	28.8	20.9

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

	2018	2017
	£'000	£'000
Earnings		
Earnings for the purposes of earnings per share being profit for the year	55,006	40,108
Adjusted Earnings		
Profit for the year	55,006	40,108
Share based payment charge	2,485	1,302
Tax effect of adjusting items	(142)	(47)
Earnings for the purposes of adjusted earnings per share	<u>57,349</u>	<u>41,363</u>

The weighted average number of shares is given below:

	2018	2017
	000's	000's
Number of shares used for basic earnings per share	197,338	196,959
Number of shares deemed to be issued at nil consideration following exercise of share options	1,668	1,137
Number of shares used for diluted earnings per share	<u>199,006</u>	<u>198,096</u>

9. **Notes to the cash flow statement**

	2018	2017
	£'000	£'000
Cash flow from operating activities		
Operating profit	68,022	50,162
Depreciation of property, plant and equipment	1,460	1,641
Amortisation of intangibles	299	367
Loss on disposal of fixed assets	28	109
Loss on disposal of intangible assets	-	312
Cost of equity settled employee share schemes	1,759	1,070
Operating cash flow before movements in working capital	71,568	53,661
Increase in inventory	(1,656)	(2,364)
Increase in trade and other receivables	(32,451)	(40,719)
Increase in trade and other payables	30,090	39,647
Cash generated from operations	67,551	50,225
Income taxes paid	(10,500)	(9,254)
Net cash generated from operating activities	57,051	40,971

10. **Share capital**

	2018	2017
	£'000	£'000
Allotted and called up		
Ordinary shares of 0.05p each	99	99
Deferred shares* of 1p each	-	-
	99	99

*At 31 July 2018 deferred shares had an aggregate nominal value of £189.33 (2017: £189.33).

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

11. **Post balance sheet events**

Dividend

The Board recommends a final dividend of 8.8p per ordinary share and a special dividend of 15.1p per ordinary share to be paid on 14 December 2018 to all ordinary shareholders who were on the register of members at the close of business on 2 November 2018. Shareholders will be asked to approve the final and special dividends at the AGM on 6 December 2018.

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.

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L Ginsberg
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