

Bytes Technology Group plc
(Incorporated in England and Wales)
(Registered number: 12935776)
LEI: 213800LA4DZLFBAC9O33
Share code: BYI
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("BTG", or "the Group")

26 October 2022

Results for the six months ended 31 August 2022 and cash dividend declaration

Strong first half extending our track record of double-digit growth

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security and cloud services specialists, today announces its half year results for the 6 months ended 31 August 2022 ('H1 FY23').

Neil Murphy, Chief Executive Officer, said:

"We have made a really positive start to the year and extended our long track record of consistent double-digit growth both before and since our listing in 2020. This performance reflects robust demand from both corporate and public sectors, with our customers showing a continued appetite to invest in their IT requirements despite the macroeconomic environment.

A key part of our success can be traced to the high-quality customer service that sits at the centre of our business and makes us so competitive in our markets. For this, I would like to extend my thanks to our people who do an outstanding job supporting our clients.

The new ways of working brought about by the Covid pandemic have become entrenched and we believe the conditions we are operating in represent the new normal. Thanks to our best-in-class expertise and partnerships with the world's leading vendors, we are well placed to continue serving our customers' needs and are confident that the Group is well positioned for the remainder of the financial year".

Financial performance

£'million	H1 FY23 (six months ended 31 August 2022)	H1 FY22 (six months ended 31 August 2021) (restated)	% change year-on-year
Gross invoiced income ('GII')¹	£786.2m	£638.2m	23.2%
Revenue²	£93.5m	£73.1m	27.9%
Gross profit ('GP')	£65.5m	£52.9m	23.8%
Gross margin % (GP/Revenue)	70.1%	72.4%	
GP/GII %	8.3%	8.3%	
Operating profit	£27.3m	£23.2m	17.7%
Adjusted operating profit ('AOP')³	£29.8m	£25.0m	19.2%
Cash	£35.8m	£42.9m	(16.6%)
Cash conversion⁴	(2.8%)	107.5%	
Earnings per share (pence)	9.06	7.72	17.4%
Headline earnings per share (pence)	9.06	7.72	17.4%
Adjusted earnings per share⁵ (pence)	10.11	8.48	19.2%
Interim dividend per share (pence)	2.4	2.0	20%

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The restatement in H1 FY22 is in respect of the Revenue and Gross margin % as described below.

Group highlights for the six months ended 31 August 2022

- GII increased 23.2% to £786.2 million (H1 FY22: £638.2 million), with this strong growth spread across all areas of the business – software, hardware and services – and generated from both the corporate and public sector customers.
- Revenue increased 27.9% to £93.5 million (H1 FY22: £73.1 million – restated). Following recent guidance issued by the IFRS Interpretation Committee, and in line with developing clear and consistent practice within our industry, we are now accounting for all software revenue on an agency, or “net” basis. Previously, the element of software revenue comprising indirect licence sales of non-cloud licences and licences not requiring critical updates had been recognised “gross”. Hence this change in judgement has resulted in a reduction in our statutory revenue figures. The prior year revenue and cost of sales figures have been re-stated accordingly and further details of this change are set out in the Chief Financial Officer’s review on page 7 and in note 1.5 of the interim financial statements. Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this change.
- GP growth of 23.8% to £65.5 million (H1 FY22: £52.9 million), reflected across both public and corporate sectors and with increased GP per customer.
- Gross margin at 70.1% (H1 FY22: 72.4%) reflects the impact of the revenue agency adjustment noted above, whereby the majority of our GII is accounted for on a net basis.
- GP/GII % is the margin measure which management scrutinise most closely, and this has been maintained at a strong 8.3% considering competitive pressures and challenging macro-economic conditions.
- Operating profit increased 17.7% to £27.3 million (H1 FY22: £23.2 million); noting also that H1 FY23 has a £0.7 million higher share-based payment (SBP) charge compared to H1 FY22.
- AOP which management believe is a better measure of underlying profitability increased by 19.2% to £29.8 million (H1 FY22: £25.0 million).
- Cash at 31 August 2022 was £35.8 million (H1 FY22: £42.9m) which is after the payment of dividends totalling £29.7 million during the past 12 months of which £24.9 million was paid during H1 FY23.
- Cash conversion reduction in the first half of the financial year illustrates the sensitivity of this ratio to even small delays in payment from customers, given that it is measured over a fixed period rather than as a rolling average. However, the Group has not experienced any bad debt write offs in the period and over a longer period, we target a sustainable cash conversion ratio of 100%. Management is confident cash conversion will return to higher levels in H2 FY23. This is discussed further in the Chief Financial Officer’s review on page 9.
- Earnings per share increased 17.4% to 9.06 pence (H1 FY22: 7.72 pence).
- Adjusted earnings per share increased 19.2% to 10.11 pence (H1 FY22: 8.48 pence), which the Board believes is a more representative measure than basic earnings per share as it removes the impact of amortisation of purchased intangibles and SBP charges.
- The Board is pleased to declare an interim dividend of 2.4 pence per share which will be paid on Friday, 2 December 2022 to shareholders on the register as at Friday, 18 November 2022. This is a 20% increase over last year’s interim dividend, reflecting the strong growth in AOP.
- Notable business highlights in the period include:
 - Bytes Software Services being named Microsoft Partner of the Year for Operational Excellence in 2022 from over 3,900 partner entries globally.
 - Winning almost 300 new customers across the Group.
 - Achieving 120% renewal rate from existing Group customers (which measures the GP from existing customers this period compared to total GP in the prior period).
 - The Group reaching 58% employee participation across its Share Save plans.

Interim dividend

As stated above, the Group's dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim cash dividend of 2.4 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2022, but not recognised as a liability at the end of the half year, is £5.7 million. The salient dates applicable to the dividend are as follows:

Dividend announcement date	Wednesday, 26 October 2022
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS	Monday, 14 November 2022
Last day to trade cum dividend (SA register)	Tuesday, 15 November 2022
Commence trading ex-dividend (SA register)	Wednesday, 16 November 2022
Last day to trade cum dividend (UK register)	Wednesday, 16 November 2022
Commence trading ex-dividend (UK register)	Thursday, 17 November 2022
Record date	Friday, 18 November 2022
Payment date	Friday, 2 December 2022

Additional information required by the Johannesburg Stock Exchange:

1. A dividend withholding tax of 20% will be applicable to all shareholders on the South African register unless a shareholder qualifies for exemption not to pay such dividend withholding tax.
2. The dividend payment will be made from a foreign source (UK).
3. At 26 October 2022, being the declaration announcement date of the dividend, the Company had a total of 239,482,333 shares in issue (with no treasury shares).
4. No transfers of shareholdings to and from South Africa will be permitted between Tuesday, 15 November 2022 and Friday, 18 November 2022 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 16 November 2022 and Friday, 18 November 2022 (both dates inclusive).

Current trading and outlook

After a successful H1 FY23 with a continuation of double-digit growth across key financial metrics, the business carries strong momentum going into the second six months of FY23. We have already made a good start in this second half, although we remain mindful of the domestic and global macroeconomic pressures. Our successful strategy of acquiring new customers and then growing our share of wallet, building on our strong vendor relationships and the technical and commercial skills of our people, makes us confident that the Group is well positioned for the remainder of the financial year.

Analyst and investor presentation

A presentation for analysts and investors will be held today via webcast at 9:30am (BST). Please find below access details for the webcast:

Webcast link:

<https://event.on24.com/wcc/r/3984277/2BC7C63DAB56981CD98D31952C4AFD53>

A recording of the webcast will be available after the event at www.bytesplc.com.

The announcement and presentation will be available at www.bytesplc.com from 7.00am and 9.00am (BST), respectively.

Enquiries

Bytes Technology Group plc

Tel: +44 (0)1372 418 500

Neil Murphy, Chief Executive Officer
Andrew Holden, Chief Financial Officer

Headland Consultancy Ltd

Stephen Malthouse
Henry Wallers
Jack Gault

Tel: +44 (0)20 3805 4822

Forward-looking statements

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

Any forward-looking statements in this announcement reflect the Group'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 Group undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Short-form announcement

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement that has been published on SENS <https://senspdf.jse.co.za/documents/2022/jse/isse/BYIE/H1FY23SENS.pdf> and is also available on our website <https://www.bytesplc.com/>. The full announcement is also available at our registered office for inspection, at no charge, during office hours. Copies of the full announcement may be requested by contacting Headland Consultancy on telephone: +44 (0) 20 3805 4822 or email: bytes@headlandconsultancy.com

About Bytes Technology Group plc

BTG is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Group enables effective and cost-efficient technology sourcing, adoption, and management across software services, including in the areas of security and the cloud. It aims to deliver the latest technology to a diverse range of customers across corporate and public sectors and has a long track record of delivering strong financial performance.

The Group has a primary listing on the Main Market of the London Stock Exchange and a secondary listing on the Johannesburg Stock Exchange.

¹ 'Gross invoiced income' ('GII') is a non-International Financial Reporting Standard (IFRS) alternative performance measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

² 'Revenue' is reported in accordance with IFRS 15, Revenue from Contracts with Customers. Under this standard the Group is required to exercise judgment to determine whether the Group is acting as principal or agent in performing its contractual obligations. Revenue in respect of contracts for which the Group is determined to be acting as an agent is recognised on a 'net' basis (the gross profit achieved on the contract and not the gross income billed to the customer).

³ 'Adjusted operating profit' is a non-IFRS alternative performance measure that excludes from operating profit the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations. Amortisation of acquired intangible assets and share-based payment charges are both excluded. The reconciliation of adjusted operating profit to operating profit is set out in the Chief Financial Officer's review below.

⁴ 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, 'free cash flow') by adjusted operating profit.

⁵ 'Adjusted earnings per share' is a non-IFRS alternative performance measure that the Group calculates by dividing the profit after tax attributable to owners of the company, adjusted for the effects of significant items of expenditure which are non-recurring events or do not reflect our underlying operations ('Adjusted earnings'), by the weighted average number of ordinary shares in issue during the period. Amortisation of acquired intangible assets and share-based payment charges are excluded in arriving at Adjusted earnings. The calculation is set out in note 15 of the financial statements.

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Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)