

## Bytes Technology Group plc

(Incorporated in England and Wales)  
(Registered number: 12935776)  
LEI: 213800LA4DZLFBAC9O33  
Share code: BYI  
ISIN: GB00BMH18Q19  
("BTG", or "the Group")

25 October 2023

### Results for the six months ended 31 August 2023 and declaration of cash dividend *Strong first half extending our track record of double-digit growth*

BTG (LSE: BYIT, JSE: BYI), one of the UK and Ireland's leading software, security, AI, and cloud services specialists, today announces its half year results for the 6 months ended 31 August 2023 ('H1 FY24').

#### Neil Murphy, Chief Executive Officer, said:

"I am delighted that we have delivered another strong financial performance over the first half of the year. Our success in the period was driven by the combination of our skilled workforce and strong vendor relationships, which have once again enabled us to support our customers and grow our business. We are pleased that our customer and staff satisfaction levels continue to be amongst the best in our industry.

"While the economic backdrop remains mixed, we have continued to see strong demand from our corporate and public sector customers for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions. This has allowed us to invest in our business, growing our headcount to more than 1,000 for the first time while equipping our people with the skills to advise customers on the latest software, services, and hardware offerings.

"A shift to Artificial Intelligence (AI) products will be one of the defining trends in the IT Services sector in the coming years, and we are well-placed to capitalise on that opportunity. We stand to benefit from our long-standing relationship with Microsoft, whose Copilot product we are already trialling and will be available more widely in the near future. We are also looking forward to working with our other vendor partners that are developing AI software tools.

"Looking ahead, we have made a good start to the second half of the year and are well-placed for the remainder of the financial year."

#### Financial performance

£'million	H1 FY24 (six months ended 31 August 2023)	H1 FY23 (six months ended 31 August 2022)	% change year-on-year
<b>Gross invoiced income ('GII')<sup>1</sup></b>	£1,081.6m	£786.2m	37.6%
<b>Revenue<sup>2</sup></b>	£108.7m	£93.5m	16.3%
<b>Gross profit ('GP')</b>	£75.3m	£65.5m	15.0%
<b>Gross margin % (GP/Revenue)</b>	69.3%	70.1%	
<b>GP/GII %</b>	7.0%	8.3%	
<b>Operating profit</b>	£30.6m	£27.3m	12.1%
<b>Adjusted operating profit ('AOP')<sup>3</sup></b>	£33.9m	£29.8m	13.8%
<b>AOP/GP %</b>	45.0%	45.5%	

<b>Cash</b>	£51.7m	£35.8m	44.4%
<b>Cash conversion<sup>4</sup></b>	48.7%	(2.8)%	
<b>Cash conversion (rolling 12 months)<sup>4</sup></b>	107.2%	65.3%	
<b>Earnings per share (pence)</b>	10.60	9.06	17.0%
<b>Headline earnings per share (pence)</b>	10.60	9.06	17.0%
<b>Adjusted earnings per share<sup>5</sup> (pence)</b>	11.71	10.11	15.8%
<b>Interim dividend per share (pence)</b>	2.7	2.4	12.5%

### **Financial highlights**

#### **International Financial Reporting Standard measures (IFRS):**

- Revenue increased 16.3% to £108.7 million (H1 FY23: £93.5 million).
- GP growth of 15.0% to £75.3 million (H1 FY23: £65.5 million) was driven by higher GII and increased GP per customer of £16,300 (H1 FY23: £14,800).
- Gross margin was broadly stable at 69.3% (H1 FY23: 70.1%).
- Operating profit increased by 12.1% to £30.6 million (H1 FY23: £27.3 million).

#### **Alternative performance measures (non-IFRS):**

- GII increased by 37.6% to £1,081.6 million (H1 FY23: £786.2 million), exceeding £1 billion in H1 for the first time. The exceptional level of growth was underpinned by some large, strategically important, contract wins in the public sector (most notably with the NHS and HMRC) and by continued demand from corporate customers.
- The reduction in GP/GII% to 7.0% (H1 FY23: 8.3%) reflects the impact of these large contracts transacting at a reduced margin in the initial year of the agreements.
- AOP increased by 13.8% to £33.9 million (H1 FY23: £29.8 million); AOP as a percentage of GP has remained in line with the previous year at 45.0% as we continue to invest in the business.
- Adjusted earnings per share increased 15.8% to 11.71 pence (H1 FY23: 10.11 pence).
- Half year cash conversion of 48.7% (H1 FY23: (2.8%)) is in line with our expectations, reflecting the seasonal timing of cash flows and weighting to the second half of the financial year. Our rolling cash conversion for the year ended 31 August 2023 stood at 107.2%, meeting our sustainable annual target of 100%.

#### **Interim dividend**

- Interim dividend of 2.7 pence per share, a 12.5% increase on last year's interim dividend (H1 FY23: 2.4p).

#### **Operational highlights**

- Strong levels of demand for security, cloud adoption, digital transformation, hybrid datacentres and remote working solutions have underpinned the Group's continued growth in H1 FY24.
- 98% of GP came from customers that traded with BTG last year (H1 FY23: 97%), at a renewal rate of 113%.
- Increased headcount by 10% since the FY23 year end to service high levels of customer demand, with over 1,000 staff at the half year.
- The Group enrolled in Microsoft's early access programme for Copilot, an AI assistant feature for Microsoft 365 applications, to improve productivity internally and in preparation to support our customers.
- Both Bytes Software Services and Phoenix Software named among the UK's Best Workplaces in Tech in Great Place to Work's Large and Super Large Category.
- Phoenix Software named Microsoft's Global Modern Endpoint Management Partner of the Year 2023.
- In April 2023, the Group acquired a 25.1% interest in Amazon Web Services (AWS) partner, Cloud Bridge Technologies, to bolster our multi-cloud strategy in the years to come.

#### **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 dividend of 2.7 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2023, but not recognised as a liability at the end of the half year, is £6.5 million.

The salient dates applicable to the dividend are as follows:

Dividend announcement date	Wednesday, 25 October 2023
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11.00	Monday, 13 November 2023
Last day to trade cum dividend (SA register)	Tuesday, 14 November 2023
Commence trading ex-dividend (SA register)	Wednesday, 15 November 2023
Last day to trade cum dividend (UK register)	Wednesday, 15 November 2023
Commence trading ex-dividend (UK register)	Thursday, 16 November 2023
Record date	Friday, 17 November 2023
Payment date	Friday, 1 December 2023

Additional information required by the Johannesburg Stock Exchange:

The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 13 November 2023

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 25 October 2023, 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, 14 November 2023 and Friday, 17 November 2023 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 15 November 2023 and Friday, 17 November 2023 (both dates inclusive).

### **Current trading and outlook**

We reported another strong performance in H1 FY24, extending our track record of delivering robust double-digit growth across our key financial metrics.

The business has started the second half of the year well, continuing the momentum delivered in H1 FY24. Whilst we remain mindful of the challenging macroeconomic environment and geopolitical uncertainty in Ukraine and the Middle East, we are confident in our ability to capitalise on the growth opportunities we see ahead. The Group's proven 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, ensures we are well placed to continue our progress over the remainder of FY24.

### **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://stream.brrmedia.co.uk/broadcast/651d406c8fb8fe0aea8cc7f6>

A recording of the webcast will be available after the event at [www.bytesplc.com](http://www.bytesplc.com).

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

### **Enquiries**

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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, 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/2023/jse/isse/BYIE/H1FY24.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](mailto: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, cloud and AI solutions. 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.

<sup>1</sup> '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. The effect of these adjustments for the year ended 28 February 2023 is included on p146 of the annual report and accounts for that period. GII has a direct influence on our movements in working capital, reflects our risks and shows the performance of our sales teams.

<sup>2</sup> '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). Our key financial metrics of gross invoiced income, gross profit, adjusted operating profit and cash conversion are unaffected by this judgement.

<sup>3</sup> '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.

<sup>4</sup> '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. It is calculated over both the current reporting period and over a rolling 12 months, the latter taking the previous 12 months free cash flow divided by the previous 12 months adjusted operating profit, in order to reflect any seasonal variations during the full year up to the reporting date.

<sup>5</sup> '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 year. Amortisation of acquired intangible assets and share-based payment charges are excluded in arriving at Adjusted earnings. The calculation is set out in note 16 of the interim condensed consolidated financial statements.

Sponsor: Investec Bank Limited