

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

15 October 2024

Results for the six months ended 31 August 2024 and declaration of cash dividend
Strong performance, capitalising on continued demand

Bytes Technology Group plc (LSE: BYIT, JSE: BYI), one of the UK's leading software, security, cloud and AI services specialists, today announces its half year results for the 6 months ended 31 August 2024 (H1 FY25).

Sam Mudd, Chief Executive Officer, said:

"I am pleased to report another set of positive results for BTG, with a strong increase in operating profit, driven by continued demand for our broad range of software, solutions and services. Despite the challenging economic climate and political uncertainty over the past six months, we have increased our share of wallet amongst our existing customers as they continued to invest in their IT needs. We have also expanded our client base in both the public and corporate sectors."

"The Group has again made strategic investments in personnel, internal systems, and new vendor accreditations to drive future growth and support our customers in navigating the complexities of agile, yet secure, IT environments. Our strong relationships with Microsoft and other top tier vendors allow us to seize exciting opportunities in cloud adoption, workload migrations, storage, security, and virtualisation technologies. Meanwhile, we continue to collaborate with our customers to enable their teams to roll-out the use of emerging AI technology, such as Copilot. With sustained demand in all these areas, and our expanding technical capabilities, these will be our key focus areas in the remainder of FY25 and beyond."

"Our passionate, talented, and experienced staff continue to position BTG to provide high-quality licensing advice, technical enablement and support to meet our customers' needs. This differentiates us from the competition and underpins our confidence for continued growth during the remainder of the year."

Financial performance

£'million	H1 FY25 (six months ended 31 August 2024)	H1 FY24 (six months ended 31 August 2023)	% change year on year
Gross invoiced income (GII)¹	£1,230.2m	£1,081.6m	13.7%
Revenue²	£105.5m	£108.7m	(2.9)%
Gross profit (GP)	£82.1m	£75.3m	9.0%
Gross margin % (GP/Revenue)	77.8%	69.3%	
GP/GII %	6.7%	7.0%	
Operating profit	£35.6m	£30.6m	16.3%
Operating profit/GP%	43.4%	40.6%	
Cash	£71.5m	£51.7m	38.3%
Cash conversion³	56.2%	54.0%	
Cash conversion (rolling 12 months)³	112.6%	119.7%	

Earnings per share (pence)	12.67	10.60	19.5%
Headline earnings per share (pence)	12.67	10.60	19.5%
Interim dividend per share (pence)	3.1	2.7	14.8%

Financial highlights

- GII increased by 13.7% to £1,230.2 million (H1 FY24 : £1,081.6 million), primarily driven by software. There continued to be a strong contribution from the public sector and the large prior year contract wins from NHS & HMRC have seen further growth.
- Revenue reduced by 2.9% to £105.5 million (H1 FY24 : £108.7 million) primarily due to a decrease in hardware GII (all of which is booked as revenue) and which exceeded the growth in software GP (where only the GP is included in revenue rather than the full GII). This has resulted in an increase in gross margin % (GP/revenue) from 69.3% to 77.8% with GP increasing against the slight decline in revenue.
- Growth in GP of 9.0% to £82.1 million (H1 FY24 : £75.3 million) in part reflects a greater weighting towards aggregated public sector sales under competitive tendering processes. This led to a corresponding small reduction in GP/GII from 7.0% last year to 6.7% this year. Behind this figure however we saw growth in our two key income streams, software and internal services, by 11.3% and 28.1% respectively.
- Operating profit increased by 16.3% to £35.6 million (H1 FY24: £30.6 million), with a corresponding rise in the ratio of operating profit to GP from 40.6% to 43.4%, reflecting the balance achieved between investing in the business whilst driving efficiencies.
- Earnings per share increased 19.5% to 12.67 pence (H1 FY24: 10.6 pence).
- Half year cash conversion of 56.2% is in line with our expectations reflecting the seasonal timing of cash flows, with a stronger weighting in the second-half of the financial year (H1 FY24: 54.0%). Our rolling cash conversion for the 12 months ended 31 August 2024 stood at 112.6%, meeting our sustainable annual target of 100%.
- Closing cash was £71.5 million (H1 FY24: £51.7 million).

Interim dividend

- Interim dividend of 3.1 pence per share, a 14.8% increase on last year's interim dividend (H1 FY24: 2.7 pence).

Operational highlights

- Customers that traded with BTG in H1 FY24 contributed 98% of our GP in this half year (H1 FY24: 98%), at a renewal rate of 107%.
- Increased headcount in the period by 7% to 1,130 (29 February 2024: 1,057) with particular focus on bolstering sales and service delivery teams.
- Continued to grow our physical footprint with the opening of offices in Sunderland and Portsmouth and expansion of floorspace in London.
- Sold over 130,000 Copilot licenses across our client base to date, generating annualised GII of circa £39 million, and Copilot now also used widely within our business.
- Renewed our Microsoft Azure Expert MSP status and secured further security and cloud specialisms.
- Received multiple vendor awards including from Palo Alto, HP, Nutanix, Checkpoint, Sophos, Cato Networks, Bitdefender, Adobe and Druva.
- Both Bytes Software Services and Phoenix Software named among the UK's top 50 Best Workplaces 2024.
- Vesting of our first Share Save Plan from 2021 which has seen participating staff able to exercise their options to become shareholders in BTG.

Interim dividend

The Group's dividend policy is to distribute 40-50% of post-tax pre-exceptional earnings to shareholders. Accordingly, the Board is pleased to declare a gross interim dividend of 3.1 pence per share. The aggregate amount of the interim dividend expected to be paid out of retained earnings at 31 August 2024, but not recognised as a liability at the end of the half year, is £7.5 million.

The salient dates applicable to the dividend are as follows:

Dividend announcement date	Tuesday, 15 October 2024
Currency conversion determined and announced together with the South African (SA) tax treatment on SENS by 11:00	Monday, 4 November 2024
Last day to trade cum dividend (SA register)	Tuesday, 5 November 2024
Commence trading ex-dividend (SA register)	Wednesday, 6 November 2024
Last day to trade cum dividend (UK register)	Wednesday, 6 November 2024
Commence trading ex-dividend (UK register)	Thursday, 7 November 2024
Record date	Friday, 8 November 2024
Payment date	Friday, 22 November 2024

Additional information required by the Johannesburg Stock Exchange:

1. The GBP:ZAR currency conversion will be determined and published on SENS on Monday, 4 November 2024.
2. 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.
3. The dividend payment will be made from a foreign source (UK).
4. At Tuesday, 15 October 2024, being the declaration announcement date of the dividend, the company had a total of 240,917,315 shares in issue (with no treasury shares).
5. No transfers of shareholdings to and from South Africa will be permitted between Monday, 4 November 2024 and Friday, 8 November 2024 (both dates inclusive). No dematerialisation or rematerialisation orders will be permitted between Wednesday, 6 November 2024 and Friday, 8 November 2024 (both dates inclusive).

Current trading and outlook

The Group traded strongly in the first half of FY25 whilst operating in highly competitive markets and despite challenging macroeconomic conditions. Our focus remains on executing our growth strategy by nurturing customer relationships, extending our strong vendor partnerships, and leveraging the technical and commercial skills of our teams. We are well positioned to benefit from the structural demand drivers we see in our markets including cloud computing, cyber security and AI for the remainder of FY25.

Analyst and investor presentation

A presentation for sell-side analysts and investors will be held today at 9:30am (BST) via a video webcast that can be accessed using the link:

https://brrmedia.news/BYIT_HY_24

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
Sam Mudd, Chief Executive Officer
Andrew Holden, Chief Financial Officer

Tel: +44 (0)1372 418 500

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 UK Listing Rules of the Financial Conduct 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/2024/jse/isse/BYIE/H1FY25.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, security, and AI 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 judgement 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.

³ 'Cash conversion' is a non-IFRS alternative performance measure that divides cash generated from operations less capital expenditure (together, 'free cash flow') by operating profit. It is calculated over both the current 6 month reporting period and over a rolling 12 months, the latter taking the previous 12 months free cash flow divided by the previous 12 months operating profit, in order to reflect seasonal variations between the two halves of the year.

Sponsor: Investec Bank Limited