



Technology
Group

Financial results for the year ended 28 February 2023

Tuesday, 23 May 2023

Neil Murphy Chief Executive Officer

Andrew Holden Chief Financial Officer



Another strong year of sales and profit growth

Gross invoiced income

£1,439.3m

+19.1%

Gross profit

£129.6m

+20.7%

Adjusted operating profit

£56.4m

+21.8%

Cash

£73.0m

FY22 £67.1m

Revenue

£184.4m

+26.5%

Earnings per share

16.9p

+23.0%

AOP/Gross profit

43.5%

FY22 43.1%

Cash conversion

84.3%

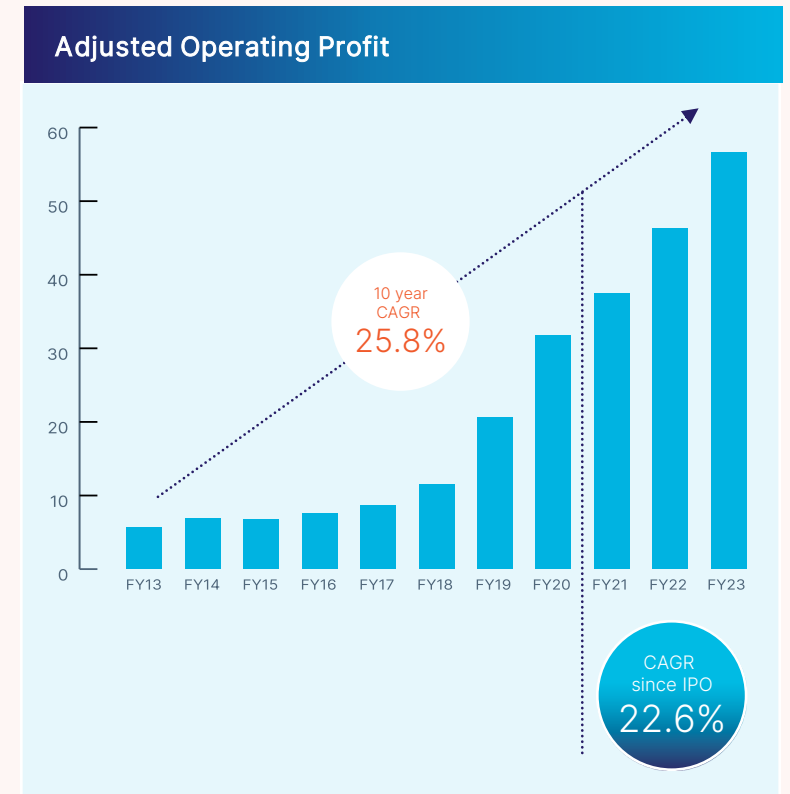
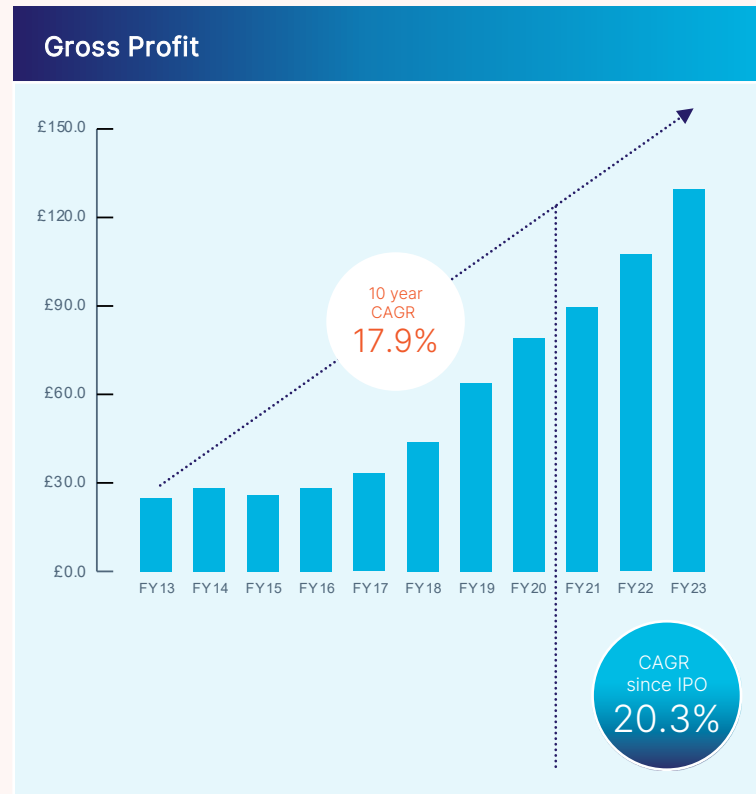
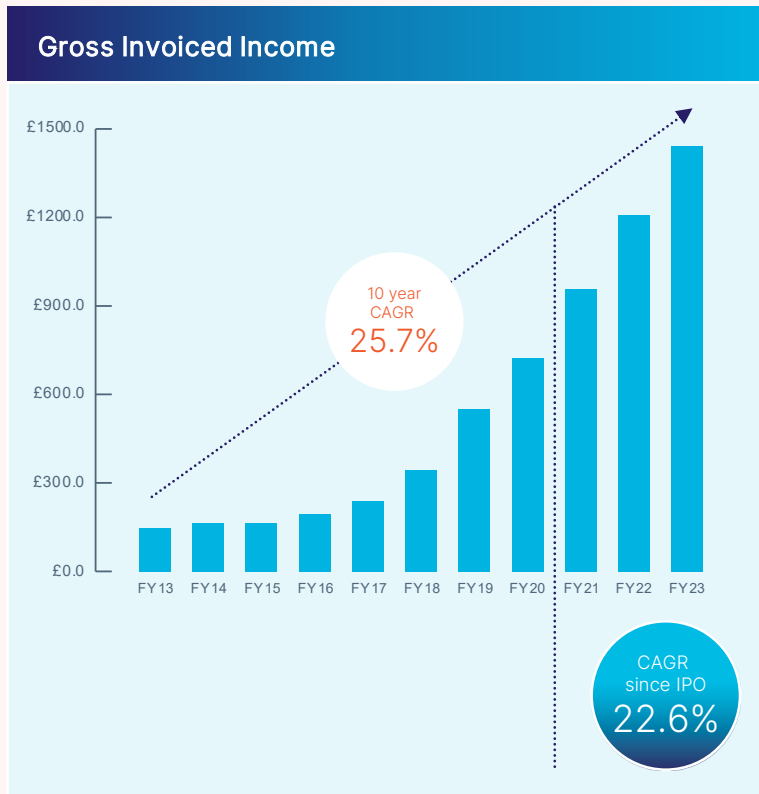
FY22 131.9%

- Results reflect ongoing 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
- Market share expansion as technology spending continues to increase
- Continued growth in customer base and wallet share

Proven track record of strong performance

Strong ten-year CAGR, including the highly successful acquisition of Phoenix Software in FY18

Continued CAGR of >20% since IPO, with Gross Profit growth which is purely organic



Vendors and partners

1. Leading UK provider of software, IT security, cloud services and hardware

We have strong relationships with the world's leading vendors of cyber security and cloud services

2. Long-standing and strategic relationships

Trusted partnerships with more than 100 vendors and distributors







3. High growth vendors

Work with fast-growing vendors, and continually grow our vendor base

Partnership with leading vendors

 Microsoft Gold Cloud Platform Partner	 aws Advanced Consulting Partner	 DARKTRACE Platinum Partner	 tenable Platinum Partner	 CHECK POINT Elite Partner	 citrix Gold Partner	 CISCO Premier Partner	 okta Elite Partner
 Adobe Platinum Partner	 CROWDSTRIKE Elite Partner	 rubrik Elite Partner	 VARONIS Platinum Partner	 vmware Advanced Partner	 DELL Titanium Partner	 zscaler Silver Partner	 paloalto Platinum Partner
 mimecast Elite Partner	 SOPHOS Platinum Partner	 VERITAS Gold Partner	 SecurityHQ N/A	 IBM Gold Partner	 VEEAM Platinum Partner	 ORACLE OPN Partner	 proofpoint. Platinum Partner

Some of our awards

2020	2021	2022			
 aws Microsoft workloads partner of the year	 DARKTRACE EMEA partner of the year	 CHECK POINT Cloud security and infinity partner of the year	 citrix Cloud partner of the year	 CHECK POINT Top EMEA cloud partner	 DELL Technologies Public sector partner of the year

A deep and embedded partnership with Microsoft

- \$1.6bn**
BTG contribution to Microsoft FY22 revenue
- #1 UK Partner**
- Full Service Partner**
- Azure**
Migration Partner and Expert MSP
- 4k+**
Cloud Solution Provider customers

Microsoft Licensing, Services and Managed Service Provider

- One of first to achieve Microsoft Cloud Solutions Partner designation
- More than 300 employees with Microsoft certifications
- Certified Microsoft Gold Partner
- Sales teams highly attuned to navigating Microsoft channel incentives
- More than 4,000 Enterprise and CSP Agreements

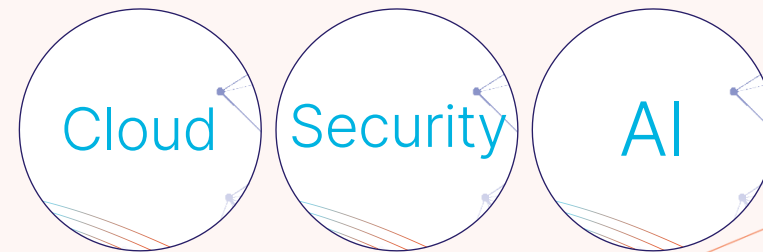
Awards

 <p>2019 Microsoft Global Modern Workplace Transformation Partner of the Year</p> <p>2021 Microsoft UK Partner of the Year</p>	 <p>2022 Microsoft Global Partner of the Year for Operational Excellence</p>
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Accreditations

- Solutions Partner for Data and AI, Infrastructure (Azure) Security, Digital and App Innovation (Azure) and Modern Work
- Specialisations in Azure, Modern Work and Security
- 8 Gold accreditations
- 3 Silver accreditations

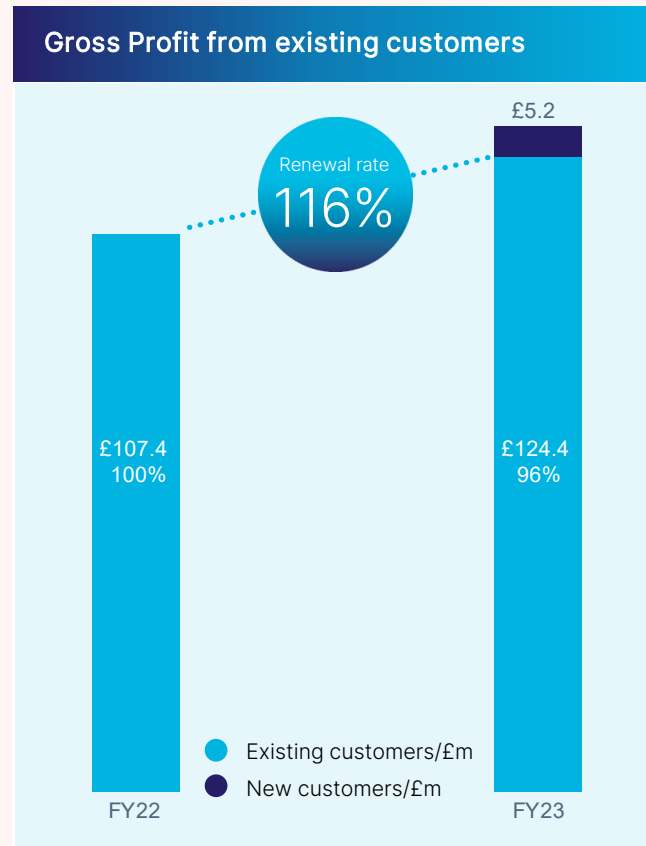
Aligned with Microsoft, now and for the future



Trusted customer relationships at our core

We pride ourselves on our clear purpose and strategy, and at the heart of that is a focus on our customers. As our customers grow and evolve, so do their IT requirements.

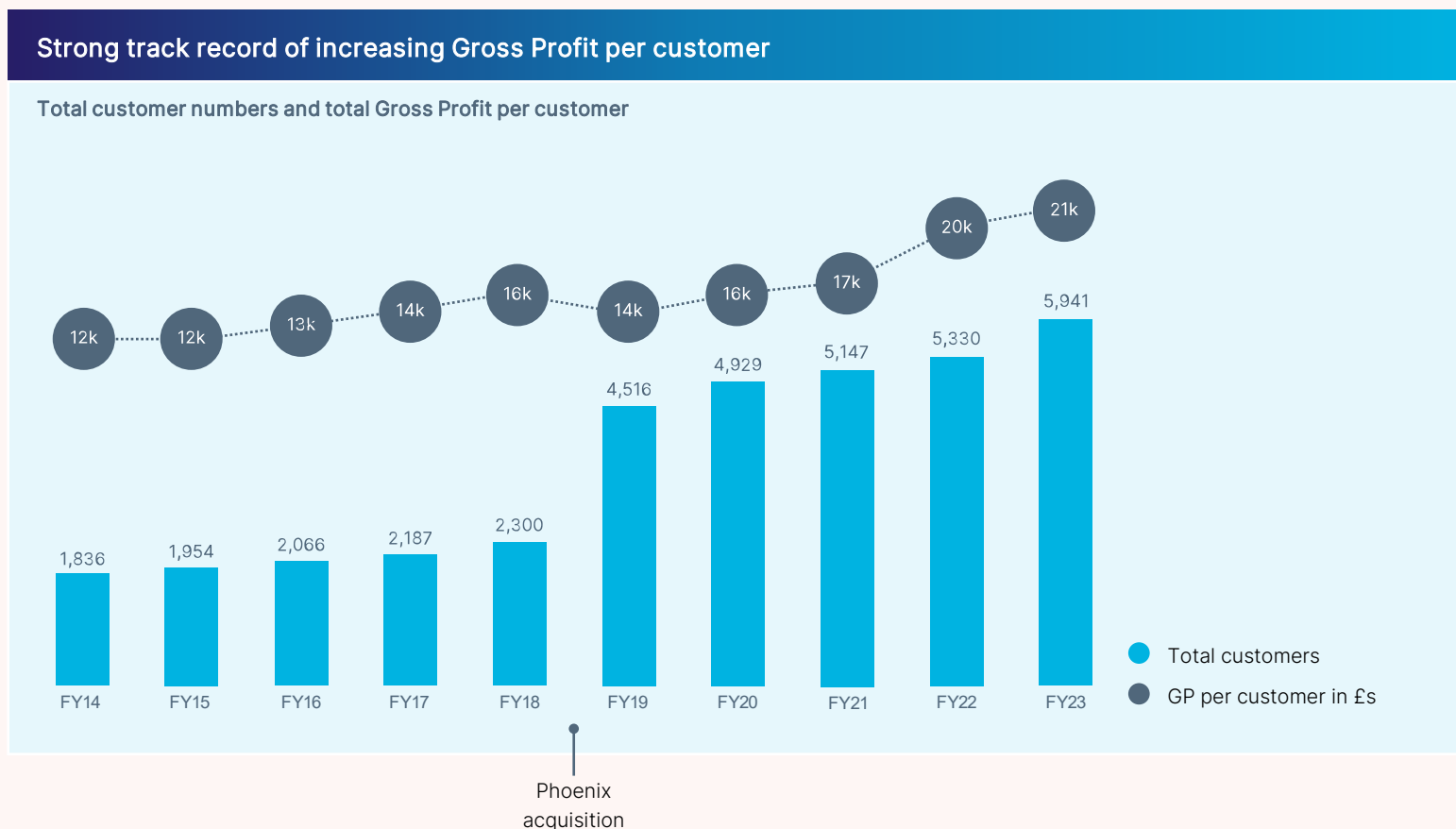
- Successfully pursued our strategy of winning new customers and doing more for existing ones
- Renewal rate of **116%**
- Growth in managed services and own IP
- Customer base across corporate and public sectors
- Strong sales income visibility from high proportion of repeatable cloud software sales
- **>60%** Gross Profit resulted from software which is of an annuity type



Consistent growth in customer base

A strong track record of increasing Gross Profit per customer

- Added **more than 600** net new customers in FY23, lifting total number of customers to nearly **6,000**
- Grew average gross profit per customer by **8.5%** from £20.1k to £21.8k
- Our strong customer Net Promoter Score of **77** shows we are a trusted partner



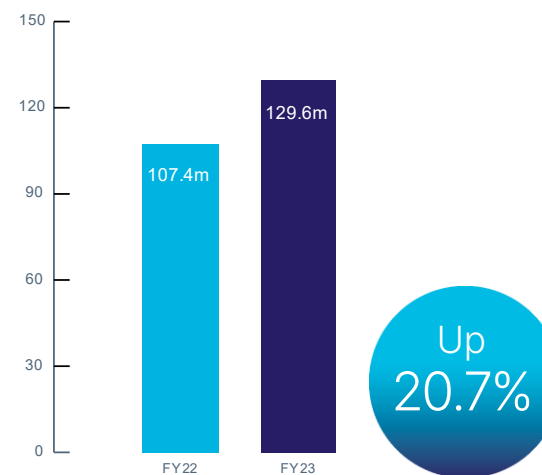
Financial review

Andrew Holden, Chief Financial Officer

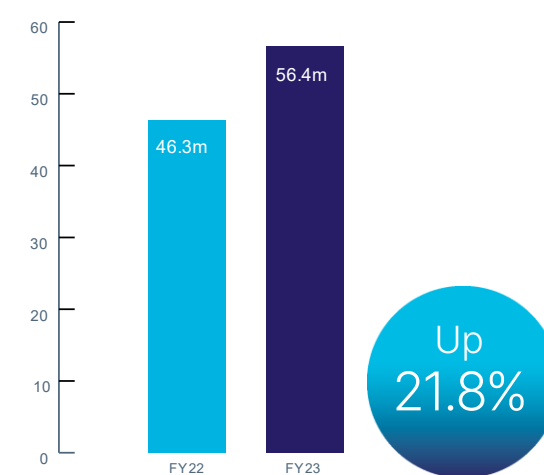
Strong operational performance

	FY23	FY22	Change
	£'m	£'m	%
Gross invoiced income (GII)	1,439.3	1,208.1	19.1%
GII split by product			
Software	1,346.1	1,136.0	18.5%
Hardware	38.3	28.8	33.0%
Services	54.9	43.3	26.8%
Netting adjustment	(1,254.9)	(1,062.3)	18.1%
Revenue	184.4	145.8	26.5%
Gross profit	129.6	107.4	20.7%
Administrative expenses	78.7	65.2	20.7%
Operating profit	50.9	42.2	20.6%
Add back			
Share-based payments	4.2	2.5	68.0%
Intangible amortisation	1.3	1.6	(18.8)%
Adjusted operating profit (AOP)	56.4	46.3	21.8%
Finance costs	(0.5)	(0.6)	(16.7)%
Profit before taxation	50.4	41.6	21.2%
Income tax expense	(10.0)	(8.7)	14.9%
Profit after tax	40.4	32.9	22.8%

Gross Profit of £129.6m

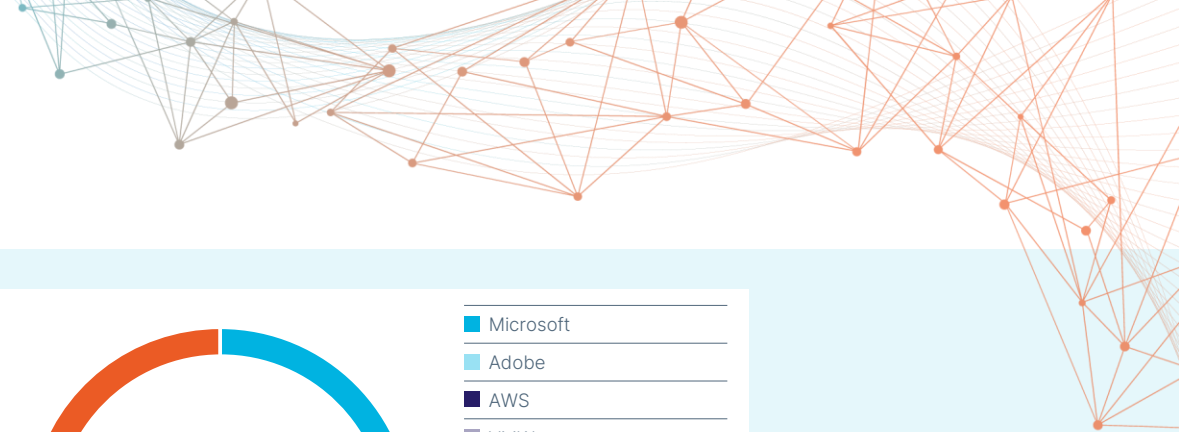


Adjusted Operating Profit of £56.4m



- Strong GII growth across software, hardware and services, driven by continued corporate and public sector demand
- Increase in GP/GII from 8.9% to 9% as the business continues to focus on revenue mix
- AOP increased broadly in line with GP, with AOP/GP marginally up on the prior year at 43.5%
- Adjusted earnings per share increased 23.1% to 18.8 pence

Segmental analysis



Software	93%
Hardware	3%
Services	4%



Public	60%
Corporate	40%



Microsoft
Adobe
AWS
VMWare
Mimecast
Checkpoint
Citrix
Dell
Oracle
Crowdstrike
Rubrik
Sophos
Darktrace
Snow
Other

- Services and hardware growing at a slightly faster rate than software, positively impacting GP/GII ratio
- Microsoft remains a key focus, accounting for 64% of GII and 52% of gross profit
- Public sector grew by 18%, whilst corporate sector grew by a stronger 21%
- Corporate and public sector contributes 65% and 35% of gross profit, respectively
- Customer numbers grew by 11.5% from 5,330 to 5,941
- Gross profit per customer increased by 8.5% from £20.1k to £21.8k
- No single customer makes up more than 1.5% of gross profit

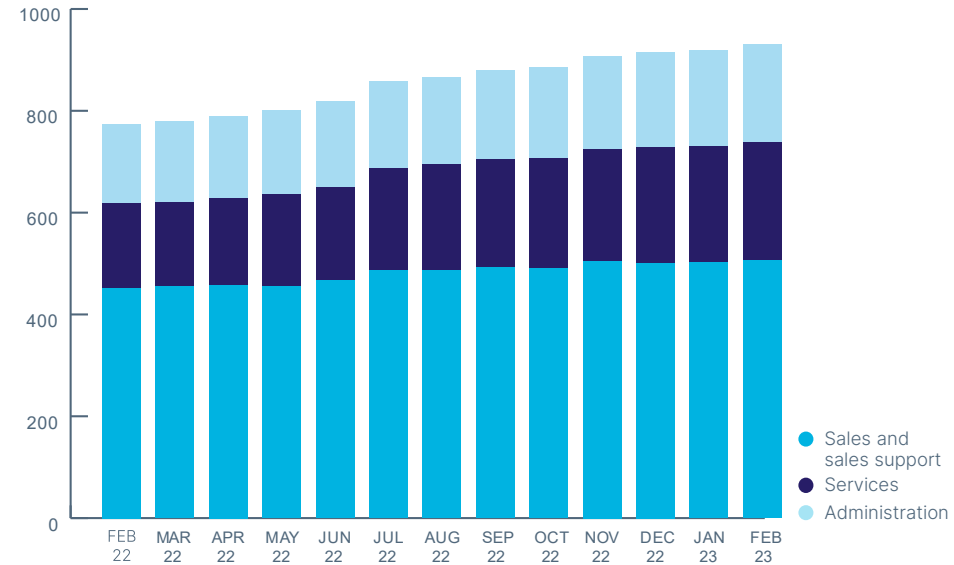
Managing in an inflationary environment

Costs breakdown



Salaries
Commissions and Bonuses
IT, systems, consumption and support
Share-based payments
Depreciation and Amortisation
Professional Fees
Training and staff welfare
Physical Infrastructure
Other
Marketing, travel and entertainment

Employees

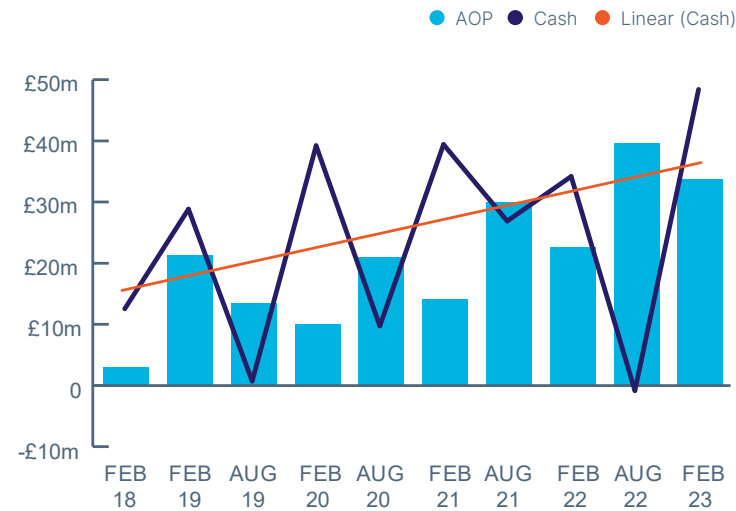


- We have been able to pass on increases from our vendors with no impact on margins
- Salaries, commissions and bonuses continue to make up nearly 80% of our cost base
- Headcount up 20% across sales, support, services and administration in support of growth
- Continuing to invest in our information systems, cloud consumption and support

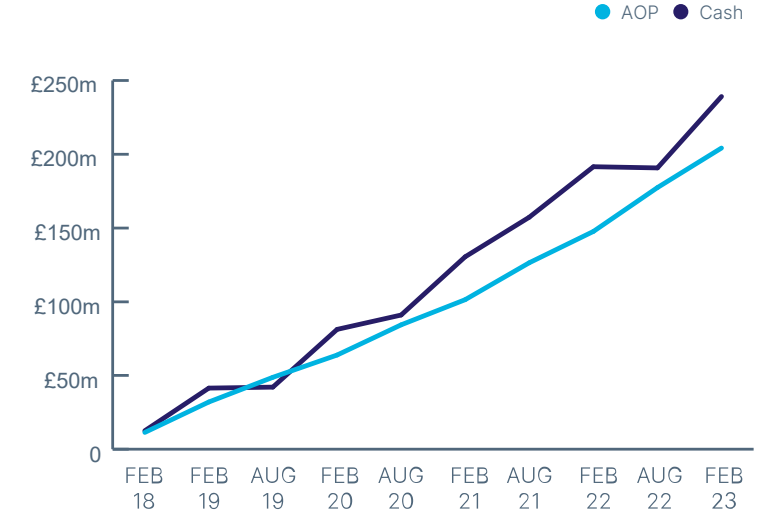
Cash flow

	FY23 £'m	FY22 £'m
Cash flow		
Cash generated from operations	48.9	61.7
Payments for fixed assets	(1.3)	(0.6)
Operating Cash Flow after Capex	47.6	61.1
Net interest (paid)/received	(0.5)	(0.5)
Taxes paid	(10.3)	(9.1)
Lease payments	(0.2)	(0.3)
Dividends	(30.7)	(4.8)
Net (decrease)/increase in cash	5.9	46.4
Cash at the beginning of the year	67.1	20.7
Cash at the end of the year	73.0	67.1
Cash conversion	84.3%	131.9%

Cash conversion by each half



Cumulative Cash Conversion



- Cash conversion for the full year 84.3% (H1 -3%, H2 180%)
- Creditor days of 42, and average 45 for the year
- Debtor days of 37, and average 39 for the year
- Bad debt write-offs of only £145k
- Release of £400k from additional trade receivables allowances made in H1
- Post year-end £3m invested into acquiring 25.1% of CloudBridge (AWS)
- Remain debt free

Capital allocation and dividends

Capital allocation

The Group's capital allocation policy:

- Future growth
- Capital projects
- Ordinary dividends
- M&A
- Special dividends/share buy-back

Proposed special dividend: 7.5p

In light of our continued strong performance and strong cash generation, the Board also considers it appropriate to propose a cash return to ordinary shareholders with a special dividend of 7.5 pence per share

+21.0% increase on the FY22 special dividend

Full year dividend: 5.1p

Our dividend policy is to distribute 40% of post-tax pre-exceptional earnings to shareholders

The Board is pleased to propose a final dividend of 5.1 pence per share, taking the full year dividend to 7.5 pence per share (2.4 pence per share paid as an interim dividend in December 2022)

+21.4% increase on the FY22 final dividend

M&A

- Acquired a 25.1% interest in AWS partner, Cloud Bridge Technologies
- Long-term partner with strong technical capabilities across the UK, Europe and UAE
- Underpins our multi-cloud strategy, while remaining focused on the core Microsoft Azure business

Our commitment to sustainability

Environmental

- Setting additional targets under our low-carbon action plan
 - Ongoing implementation of Scope 1 and 2 reductions, and Scope 3 engagement and analysis
 - Partnering with environmental specialists to further our carbon reduction activities
 - Appointed our first Group Sustainability Manager
- Second year reporting on TCFD, enhanced analysis of climate-related risk and opportunities
- Aligning our low carbon action plan to SBTi
- CDP submission completed, and will expand going forward

Social

- Making a difference in our communities
 - Fundraising and volunteering work grew in time and impact
 - Employees use their paid volunteer day to help charities and causes, such as St Catherine's Hospice and Shelter
 - Donated funds and goods to various causes, from local schools to Ukraine
- Ongoing support for 'women in IT'
- Supporting employees through mental health and wellbeing initiatives

Governance

- Sam Mudd, MD of Phoenix Software, to be appointed to the Board at our 2023 AGM
- Strengthening our governance in line with FRC Review of Corporate Governance guidance
- Strong Board engagement with employees across the organisation



Summary and outlook

Neil Murphy, Chief Executive Officer

Our proven strategy for growth

Expand customer base

- Boosting our sales capacity with regular new sales intakes
- Regionalise sales capacity
- Target marketing in all segments
- Develop deeper partnerships with selected vendors

Increase wallet share

- Maintain customer service excellence
- Focus on depth and strength of our capabilities
- Optimise software asset management to sustain our USP
- Increase our technical capabilities

Focus on product mix

- Cloud Services
 - Software Asset Management
 - IT services
- Security Operations Centre
- Security software
- Voice as a service within Microsoft Teams
- New entries to market

Growing TAM

- UK non-consumer IT market growing to £116.9bn by 2025¹
- Growth ahead of market
- Large growth potential as our market share is still <4% of the £41.4bn core software TAM²
- Services and selected hardware expansion will help us target the £75.5bn TAM for IT services and hardware¹

We remain focused on organic growth and continue to monitor M&A opportunities as they arise

Note: IDC data shown excludes consumer spend

¹ IDC Worldwide ICT Spending Guide Industry and Company Size, June 2021, estimates based on IDC data

² Based on Gross Invoiced Income of £1,346.1m generated from software sales in FY23

Employees drive our winning, can-do culture



- Culture of **innovation, collaboration, openness, empowerment and fun** drives our performance
- Strive to attract and retain outstanding people in a competitive market for talent, supporting them to enjoy rewarding careers with us
- Highly experienced management team, seek to promote from within where possible
- Significant investments in skills development and training
- Listening, learning and fostering engagement – we take employee engagement seriously in building and maintaining trust
- More than half of our employees participate in our Sharesave schemes
- Support our people in difficult economic times, and rewarding excellence



Summary and Outlook



More of the same with continued momentum from last year



Large addressable market with persistent tailwinds



We expect to deliver continued Gross Profit growth and increases in market share



Demand has remained strong with no perceptible change in customer behaviour



Group is in great shape, with strong balance sheet and no debt



Confident in our future growth prospects





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Any questions?
www.bytesplc.com

