

# A Landmark Year for Bytes

Preliminary Results 2020-21

Financial results for the 12 months ended 28 February 2021

Wednesday, 26 May 2021

# Agenda

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- Neil Murphy – Overview
- Keith Richardson – Financial Review
- Neil Murphy – Strategy, Summary & Outlook



**Neil Murphy**  
Chief Executive Officer



**Keith Richardson**  
Chief Financial Officer

# Overview

Neil Murphy, CEO

# Introduction to Bytes

- One of the UK's leading software, security, and cloud services specialists
- We have a long track record of delivering the latest cost-efficient technology to a diverse, loyal and growing customer base

Motivated and growing team of 685 UK-based employees

5,147 customers in FY21 across the private and public sectors

Trusted partner to over 100 vendors

99.5% of participating customers in a recent survey said they would recommend Bytes

Strong track record of gross profit growth over the past decade

**Private**

Enterprise: William HILL, blueprism, haymarket, electricity north west, EUROSTAR, M M (MORTIMER & MORTIMER), WILLMOTT DIXON, Bupa, Linklaters, OSOS, Everest FIT THE BEST

SMB: RUFFER, ideagen, jowles, LCP INSIGHT CLARITY ADVICE, ARROW ELECTRONICS, INC., innocent, KANTAR, Bishop Fleming, Arsenal

**Public**

Charity: CLIC Sargent, CANCER RESEARCH UK, THE ROYAL BRITISH LEGION, COMMUNITY FUND, WOODLAND TRUST

Government: Home Office, Kent County Council, Office for National Statistics, Essex County Council, Food Standards Agency, HM Revenue & Customs

Education: Queen Mary University of London, Sheffield Hallam University, KING'S COLLEGE LONDON, UNIVERSITY OF BIRMINGHAM, NTU

Other: LFB LONDON FIRE BRIGADE, NHS Cambridge University Hospitals, northern ireland water, Kent Police, NHS Salford Royal

**Software Vendors**

Software publishers & services

Check Point, IBM, VERITAS, ORACLE, mimecast, MICROSOFT, SOPHOS, snow, LICENSE DASHBOARD, vmware, Adobe, CROWDSTRIKE, citrix

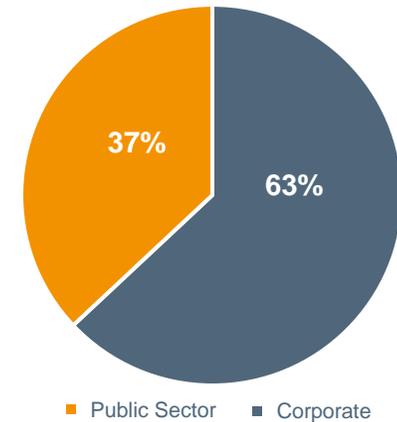
# Positive full year performance

**Performance ahead of expectations,** driven by increased gross invoiced income and gross profit

**+18%**  
Adjusted operating profit

Well-balanced performance with **strong contributions from private and public sectors**

FY21 Gross Profit split



**Growth driven by expanded mandates** with existing customers and **new contract wins**



Choice and expertise in **product portfolio further extended**

Gold  
**Microsoft Partner**  
Azure Expert MSP  
 Microsoft

# Continued progress against strategy

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The Group benefits from a **well-balanced customer base** spanning both private and public sectors

**+33%**

Gross invoiced income (reflects gross income billed to customers)

Continued investment in **skills and headcount** maintained through the year

**+13%**

growth in headcount

**High levels of service and strong vendor relationships** enable Bytes to deliver for customers switching to new ways of working

**63**

Our NPS score (October 2020: 61)

Further **growth opportunities presented by remote working**, shifts to cloud and security

**+8%**

Increase in worldwide IT spend in 2021 (Gartner)

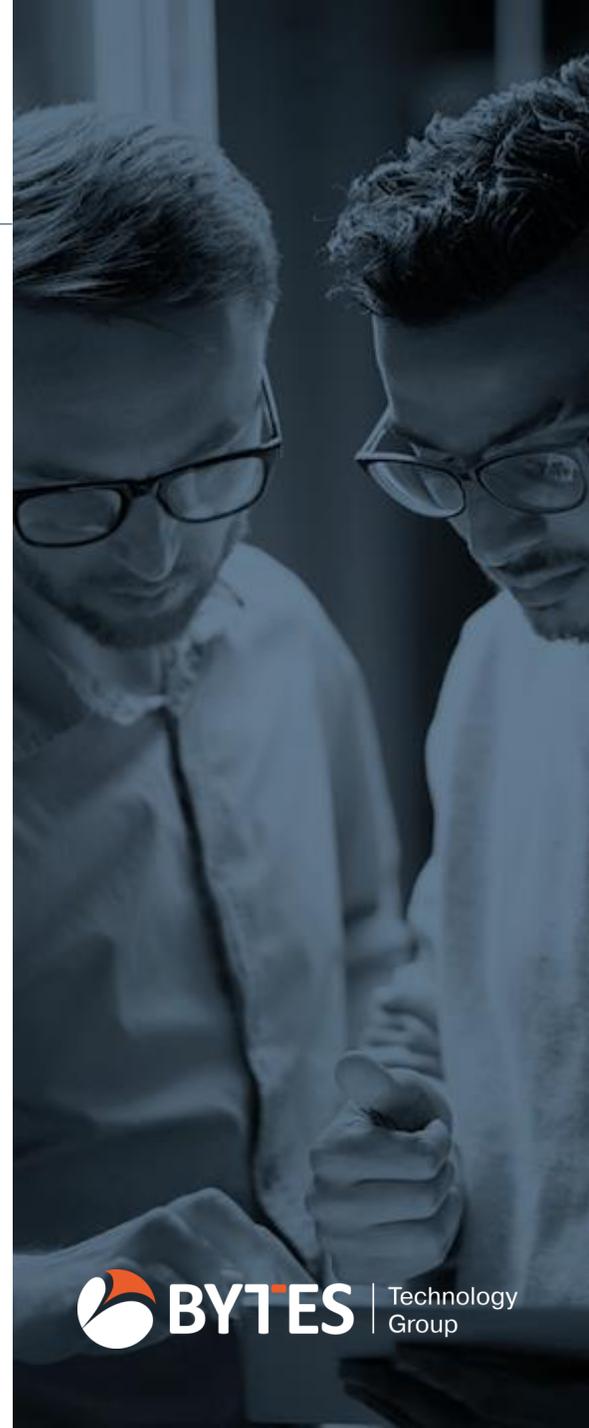
# Financial Review

Keith Richardson, CFO

# Setting the scene for a record year

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- UK entered COVID-19 lockdown in month 1 of FY21
- Agile overnight transition of 600+ staff to remote working based on successful implementation of our Business Continuity Plan, providing uninterrupted productivity
- Our focus on customer service enabled us to implement virtual working solutions, support services and ongoing managed services
- Digital transformation of many customers was accelerated providing them with agility and flexibility around software purchase, adoption and consumption
- Maintenance of highest quality software licensing advice and IT solution delivery
- 18% increase in adjusted operating profit to a record £37.5m (FY20: £31.7m)



# Group income statement

- Gross invoiced income (GII) up 33%; approaching £1bn
- Revenue is stated after an adjustment to reflect the element of our gross billings that we recognise net, as agent. This element mainly relates to our sales of cloud-based licensing and critical security software which are growing strongly. The netting adjustment increased over 60% in the year which resulted in our statutory revenues increasing by only 5.5%
- Gross profit (GP) growth of 13.1% - comprises software 87%, services 10% & hardware 3%
- 95% of GP generated from existing customers with an 8.1% increase in average GP per customer
- GP / GII % slightly reduced reflecting strong performance from public sector which typically transacts at lower margin but also with lower risk
- Administrative expenses increased, predominantly as a result of higher staff costs
- Adjusted operating profit / GP of 42% reflects high level of operational effectiveness
- Operating profit is after £8.1m one off IPO costs – not tax deductible and hence the effective tax rate is 25% (adjusted tax rate reverts to 19%)

	FY21	FY20	
Income Statement	£'m	£'m	%
<b>Gross Invoiced Income (GII)</b>	<b>958.1</b>	<b>722.2</b>	<b>32.7%</b>
<b>Netting adjustment</b>	<b>(564.5)</b>	<b>(349.1)</b>	<b>61.7%</b>
<b>Revenue</b>	<b>393.6</b>	<b>373.1</b>	<b>5.5%</b>
<b>Gross Profit</b>	<b>89.6</b>	<b>79.2</b>	<b>13.1%</b>
<b>Gross Profit / GII %</b>	<b>9.4%</b>	<b>11.0%</b>	
<b>Administrative expenses</b>	<b>52.1</b>	<b>47.5</b>	<b>9.7%</b>
<b>Adjusted Operating Profit</b>	<b>37.5</b>	<b>31.7</b>	<b>18.3%</b>
<b>Adjusted Operating Profit / Gross Profit</b>	<b>42%</b>	<b>40%</b>	
<b>less share based payments</b>	<b>(1.0)</b>	<b>(0.3)</b>	
<b>less intangible amortisation</b>	<b>(1.6)</b>	<b>(1.6)</b>	
<b>less IPO Costs</b>	<b>(8.1)</b>	<b>0.0</b>	
<b>Operating Profit</b>	<b>26.8</b>	<b>29.8</b>	<b>(10.1%)</b>
<b>Profit before Tax</b>	<b>26.7</b>	<b>29.9</b>	<b>(10.7%)</b>
<b>Tax</b>	<b>(6.7)</b>	<b>(5.8)</b>	
<b>Effective tax rate</b>	<b>25%</b>	<b>19%</b>	
<b>Profit after Tax</b>	<b>20.0</b>	<b>24.1</b>	<b>(17.0%)</b>
<b>Customers</b>	<b>5,147</b>	<b>4,930</b>	<b>4.4%</b>
<b>Average Gross Profit per Customer (£'000)</b>	<b>17.4</b>	<b>16.1</b>	<b>8.1%</b>

# Cash conversion remained strong

- The Group finished the year with £20.7m of cash, ahead of expectations, and with no debt and excellent cash conversion of 131%
- Increased cash generated from operations (+19%) in line with growth in adjusted operating profit
- High cash conversion as profits increase year on year and effective working capital management
- Asset light business with minimal capex and stock requirements
- Diverse customer base and significant contribution from public sector reduces credit risk
- Dividend policy going forward is 40%-50% of post-tax but pre-exceptional earnings. First dividend intended as interim dividend for the year ending 28 February 2022

	FY21	FY20
Cashflow	£'m	£'m
<b>Cash generated from operations</b>	<b>49.6</b>	<b>41.7</b>
<b>Payments for fixed assets</b>	<b>(0.6)</b>	<b>(1.8)</b>
<b>Free cash flow</b>	<b>49.0</b>	<b>39.9</b>
Net Interest (paid)/received	(0.1)	0.2
Taxes paid	(10.2)	(4.8)
IPO Costs	(8.1)	0.0
Proceeds from issues of shares	8.3	0.0
Deferred consideration payments	(16.7)	0.0
Lease payments	(0.3)	(0.2)
Dividends	(48.6)	(13.8)
Net (decrease)/increase in cash	(26.7)	21.3
Cash at the beginning of the year	47.4	26.1
<b>Cash at the end of the year</b>	<b>20.7</b>	<b>47.4</b>
<b>Cash Conversion</b>	<b>131%</b>	<b>126%</b>

# Delivering Our Strategy

Neil Murphy, CEO

# A clear strategy for growth

## Organic

Expand customer base

Increase share of wallet

- Increase scale and productivity of sales engine
- Focus on strength and depth in end markets
- Targeted marketing
- Deliver repeatable cloud solutions
- Diversify product offering
- Optimise software asset management capabilities
- Maintain customer service excellence and continue to develop technical expertise

## Inorganic

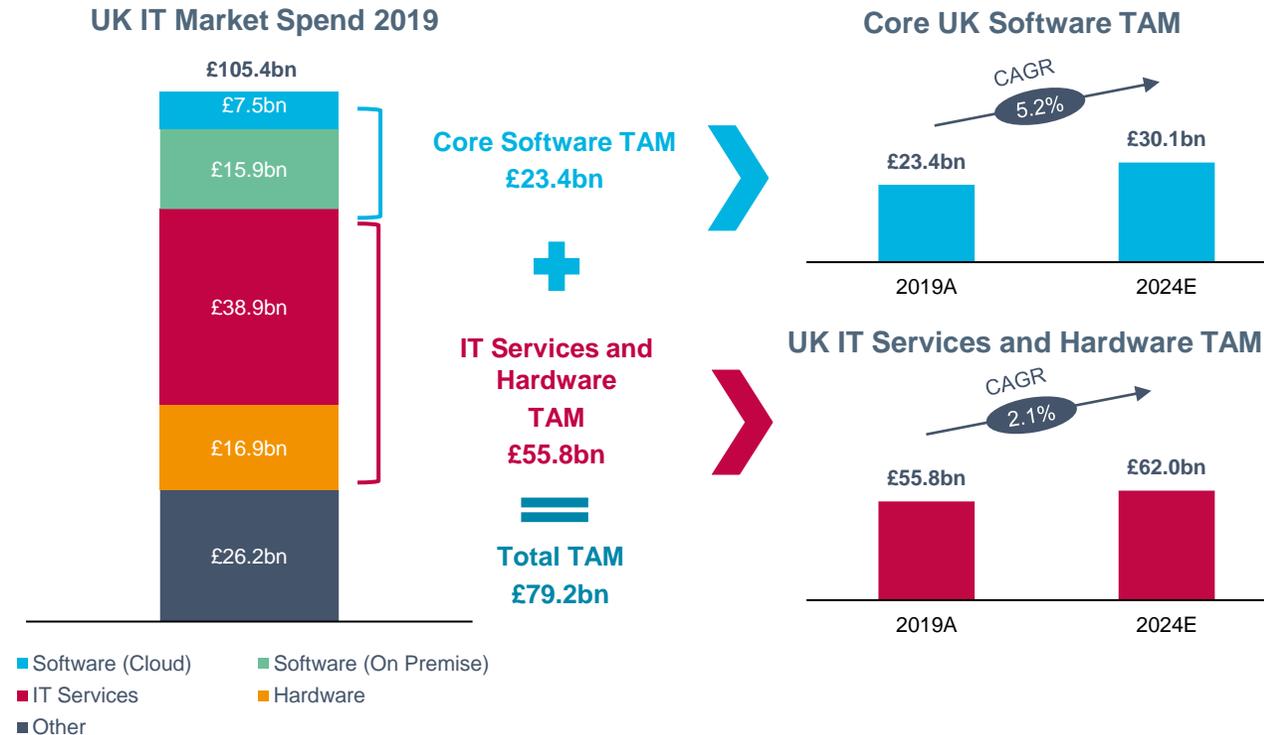
Selective M&A

- Track record of successful bolt-on acquisitions
- Scope for highly selective, and accretive M&A that will complement existing offering

# Expand customer base

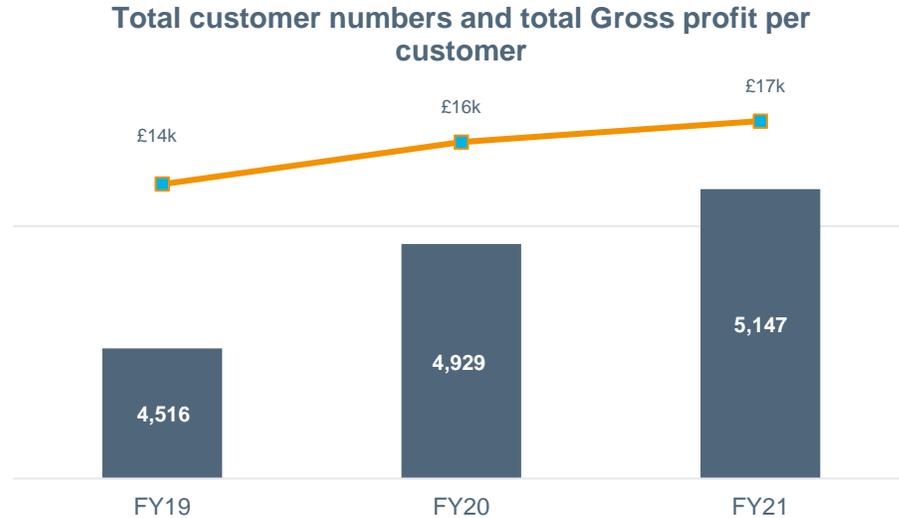
## Bytes has significant opportunity for market share gains in its core markets

- UK non-consumer IT market valued at £105.4bn in 2019
- Bytes currently has less than 3% market share of its £23.4bn core software TAM
- Expansion of services and hardware products will enable Bytes to address the £55.8bn UK TAM for IT services and hardware
- Over 42,000 companies with more than 100 employees (being the threshold target size for Bytes) alongside over 200k public sector organisations in the United Kingdom



# Increase share of wallet

- Gross profit growth is underpinned by existing customers' renewal rate, with an increasing proportion derived from licenses which are annually or periodically renewable
- Renewal rates of over 100% demonstrate the Group's ability to (1) retain its customers and (2) increase share of wallet within the customer base



# A business built on sustainable foundations

## INSPIRING OUR PEOPLE

By increasing sustainable thinking and engagement with our key initiatives

## DELIVERING INNOVATION

By developing industry solutions and infrastructure to support climate action for our communities

## TRANSFORM TO NET ZERO

We will reduce and offset our carbon emissions, move to renewable energy, plant more trees and protect greater acreage of forest

## POWERFUL PARTNERSHIPS

For responsible and ethical long-term growth

## 1% NET PROFIT CONTRIBUTION

We commit to making a difference through corporate giving and our key initiatives

## CULTURE DRIVES OUR SUCCESS

We'll continue building a resilient and ethical business that promotes equality and prosperity for all



A man in a white shirt and glasses is sitting at a desk, working on a laptop. The scene is set in a futuristic office with glowing light trails and a large window in the background. The overall atmosphere is high-tech and professional.

# Summary & Outlook

# Positive performance; continued strategic progress

- 18% increase in adjusted operating profit to a record £37.5m (FY20: £31.7m)
- GP growth of 13% with 95% of GP generated from existing customers. An 8% increase in average GP per customer
- The Group finished the year with £20.7m of cash, no debt and excellent cash conversion of 131%
- Implemented Business Continuity Plan to navigate the challenges posed by COVID-19
- Expanded the customer base with notable new mandates from private and public sectors
- Significant opportunity for Bytes to make market share gains in its core markets; underlying IT market trends, including increased demand for cloud and security products, plays to our strengths
- Continued investment in our staff to take advantage of organic growth opportunities

# Outlook

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- Group has performed well in the first two months of the year
- Gross profit in line with expectations and showing growth against a period of strong comparatives
- Strong performance supported by positive public sector performance
- Continue to benefit from high levels of customer satisfaction, effective sales execution; IT spending remains robust
- Some increase in overheads expected in relation to recruitment and increased in-person interaction
- Despite the uncertain economic backdrop, we remain confident in delivering our growth strategy and capitalising on the market opportunity



# Thank You

Any Questions?

# Disclaimer

## Information regarding forward-looking statements

This Presentation includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Group's current beliefs and expectations about future events.

Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Presentation and include statements regarding the intentions, beliefs or current expectations of the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates.

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