

# Strong customer focus drives double-digit growth

**Financial results for the year ended 29 February 2024**

Thursday, 23 May 2024



# Agenda

## Introduction and overview

Sam Mudd

## Financial review

Andrew Holden

## Summary and outlook

Sam Mudd

## Q&A



**Sam Mudd**

Chief Executive Officer

Sam joined Phoenix Software in November 2003, having previously held senior roles at WordPerfect and Novell Inc. Sam became MD of Phoenix in 2014, overseeing a period of significant growth. She joined the Board on 12 July 2023 and was appointed Interim CEO on 21 February 2024. On 10 May 2024, Sam was appointed as CEO on a permanent basis.



**Andrew Holden**

Chief Financial Officer

Andrew joined BTG as COO on 1 June 2021 from JSE-listed technology company Altron Limited, BTG's former parent company, from which it demerged in 2020. He was appointed as BTG's CFO and a Board member on 21 October 2021.

# Introductory remarks

Best-in-class customer service  
delivered by an outstanding team

- Strong and dedicated team with depth of expertise across our business
- Embedded client relationships across the public and corporate sectors
- Well placed to deliver innovation in an industry undergoing perpetual change
- Deep partnerships with a wide range of vendors



# Financial highlights

Gross invoiced income

£1,823.0m

+26.7%

Gross profit

£145.8m

+12.5%

Adjusted operating profit

£63.3m

+12.2%

Cash

£88.8m

FY23 £73.0m

Earnings per share

19.55p

+15.8%

GP per customer

£24.4k

+11.9%

AOP/Gross profit

43.4%

FY23 43.5%

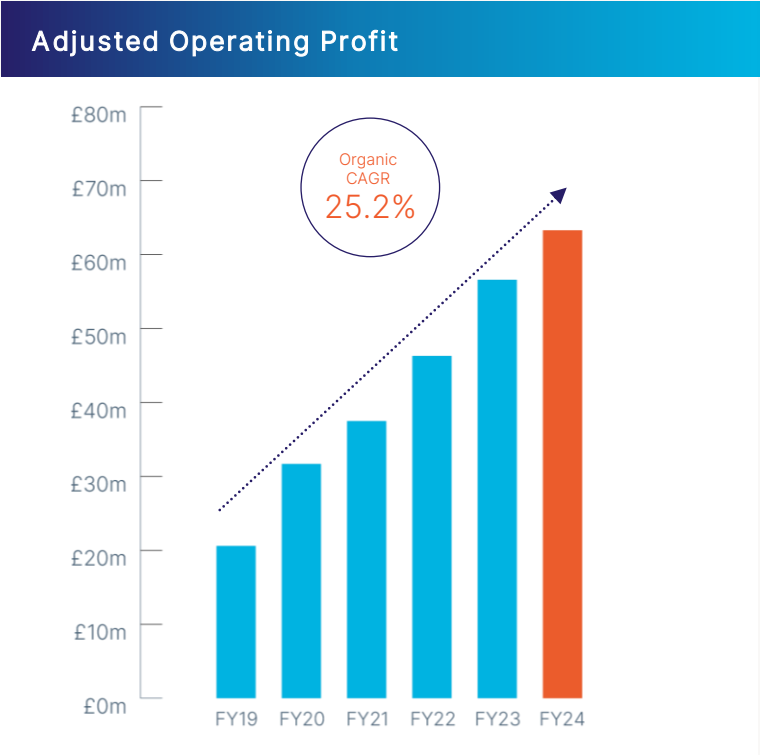
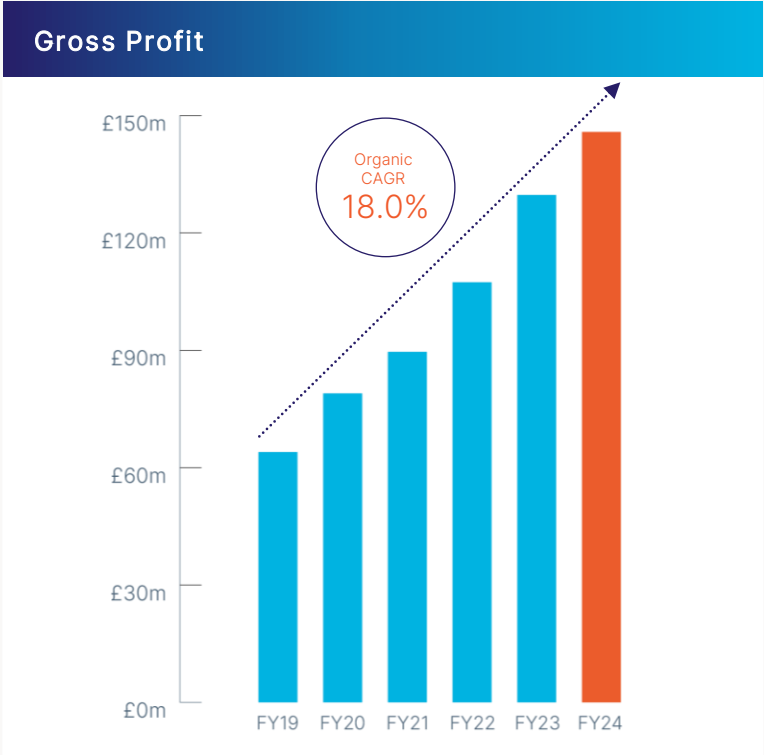
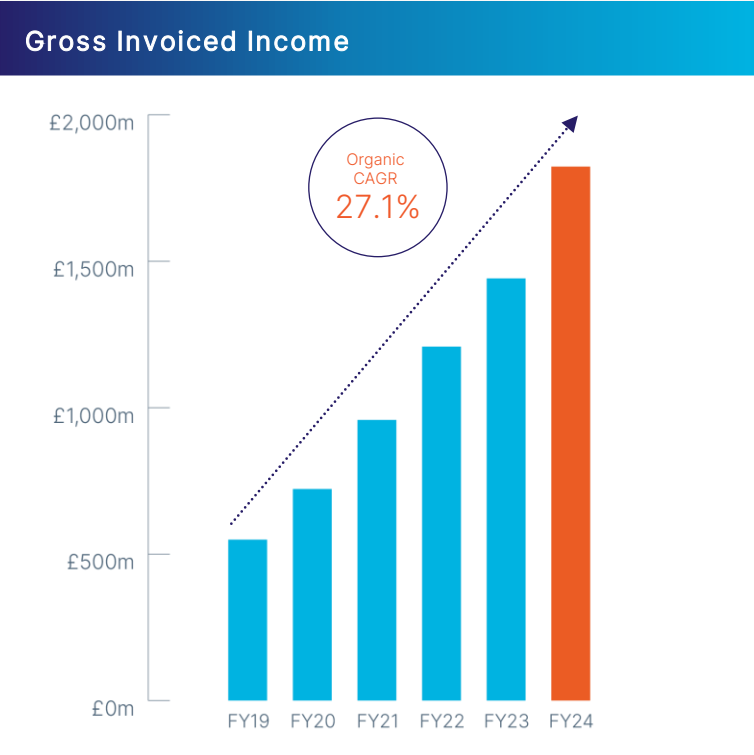
Cash conversion

104.3%

FY23 84.3%

- GII increased 26.7% to £1,823.0 million (2022/23: £1,439.3 million). The strong level of growth was underpinned by strategically important contract wins in the public sector (most notably with the NHS and HMRC).
- Continued double-digit growth in both gross profit and adjusted operating profit.

# Proven track record of strong organic growth

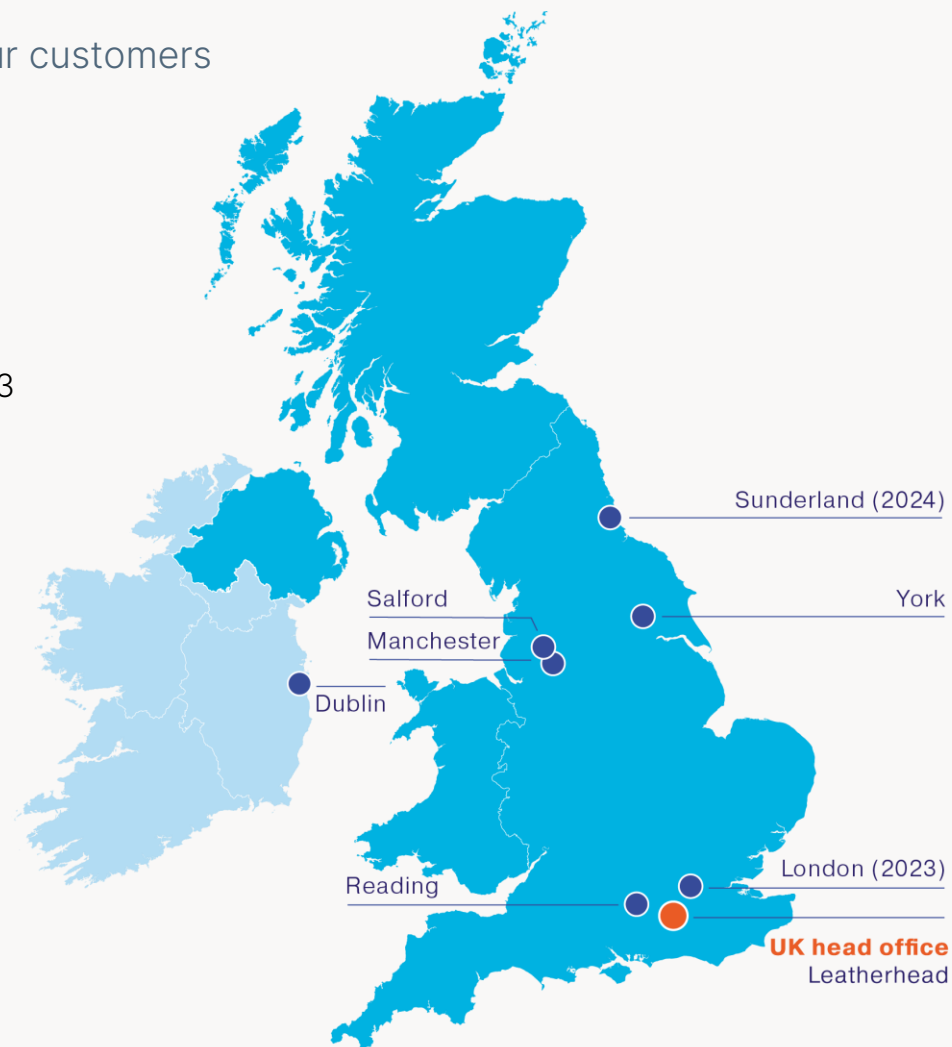
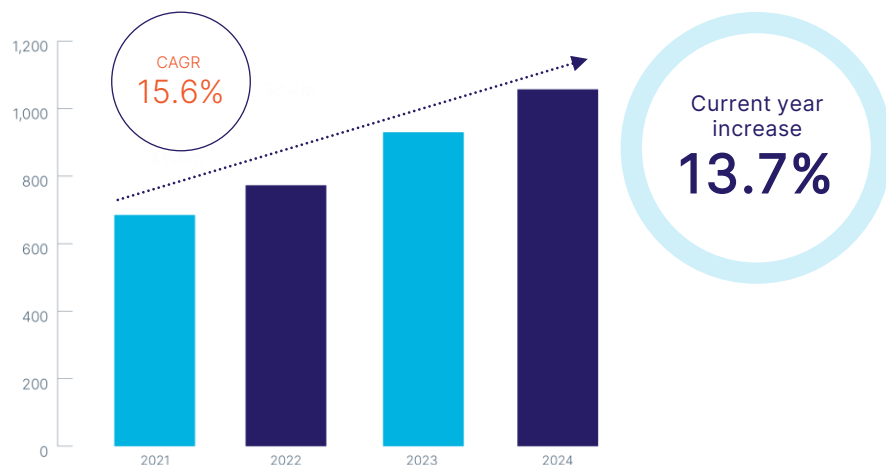


# Growing our team and broadening our footprint

Continuing to build our expertise to deliver growth and better service for our customers

- Strong track record of attracting and retaining talent, especially in sales
- Passed the 1,000 employee mark in 2023/24
- eNPS 71 (2022/23: 70)
- Named among the UK's top 50 Best Workplaces 2024
- Listed by Great Places to Work in the Tech, Women and Wellbeing categories for 2023
- New MD at Phoenix – Clare Metcalfe

## Headcount



Financial results for the year ended 29 February 2024

# Strength in diversification of client base

- 5,978 customers in 2023/24
- 97% of GP from existing customers, with renewal rate of 109%
- 11.9% growth in gross profit per customer in 2023/24 to £24.4k
- GII split 62/38 public vs corporate
- No customer concentration risk, with the biggest client less than 1% of gross profits
- Diversified and sticky customer base
- NPS 82 (2022/23: 77)





# Delivering for our customers

Case studies from our broad and loyal customer base

## CFC (specialist insurance provider)

- Bytes has worked with CFC for more than 5 years
- Initial focus was on bringing outsourced IT back in-house
- CFC now uses Bytes for all software, hardware and services, including managed security and backup services
- Supply, advise and maintain c.80% of CFC's IT spend
- Strong relationships across their IT team, from CIO to engineers
- Recent work included providing network and security solutions to support hybrid working globally
- Partnership, based on deep relationships and trusted advice



## University of Stirling

- Phoenix has worked with the university since 2019
- Early work was for Microsoft and Adobe licenses
- Developed into a multiyear partnership for digital transformation
- Close relationships across the university, including IT, project management and finance
- Recently won a tender for research project against 100 initial bidders, including BT and Vodafone
- Project to build a 'digital twin' of the River Forth is a 10-year plan with an initial 5 years signed off





# A key partner to global vendors



- Microsoft Azure Expert MSP
- 11 Microsoft Specialisations and Solution Partner for Microsoft Cloud Status
- Leading EMEA FastTrack Ready Partner and multiple UK and Global Microsoft Partner of Year awards



- 7+ year relationship
- Achieved AWS MSP competency status in April 2024
- On track to achieve AWS Premier status in H2 and on track with SCA funding



- Adobe Platinum Partner
- Adobe Education Elite Partner
- Adobe Best Retention Program 2023 EMEA



- VMware by Broadcom Premier Partner
- Accredited for VMware Professional Services Delivery
- Winner of Industry Specialist Award 2023 for healthcare



- Check Point Elite Partner (Highest)
- Certified Collaborative Support Partner (Direct to Engineer Support) and Certified Professional Services Partner
- Winner of Infinity Partner of the Year 2023 (UK) and Harmony Partner of the Year 2023 (EMEA and UK) awards



- Dell Technologies Titanium Partner
- Accredited for Dell Professional Services Delivery
- New technology focus partner and Dell Channel advisor





Financial  
review



# Ongoing strong performance

Income statement	2023/24 £'m	2022/23 £'m	Change %
<b>Gross invoiced income (GII)</b>	<b>1,823.0</b>	<b>1,439.3</b>	<b>26.7%</b>
Netting adjustment	(1,616.0)	(1,254.9)	28.8%
<b>Revenue</b>	<b>207.0</b>	<b>184.4</b>	<b>12.3%</b>
<b>Gross profit (GP)</b>	<b>145.8</b>	<b>129.6</b>	<b>12.5%</b>
GP/GII %	8.0%	9.0%	
Gross margin %	70.4%	70.3%	
<b>Administrative expenses</b>	<b>89.1</b>	<b>78.7</b>	<b>13.2%</b>
Administrative expenses split:			
Employee costs	71.2	63.3	12.5%
Other administrative expenses	17.9	15.4	16.2%
<b>Operating profit</b>	<b>56.7</b>	<b>50.9</b>	<b>11.4%</b>
<b>Add back:</b>			
Share-based payments	5.7	4.2	35.7%
Amortisation of acquired intangible assets	0.9	1.3	(30.8)%
<b>Adjusted operating profit (AOP)</b>	<b>63.3</b>	<b>56.4</b>	<b>12.2%</b>
Interest receivable	5.1	–	
Finance costs	(0.4)	(0.5)	
Share of profit of associate	0.2	–	
<b>Profit before tax</b>	<b>61.6</b>	<b>50.4</b>	<b>22.2%</b>
Income tax expense	(14.7)	(10.0)	47.0%
Effective tax rate	23.9%	19.9%	
<b>Profit after tax</b>	<b>46.9</b>	<b>40.4</b>	<b>16.1%</b>

- GII is up 26.7% driven by significant public sector contributions.
- Gross Profit grew by 12.5%, less than our growth in GII, due to public sector contracts having initially lower margins. The margins are expected to improve over the term of the contracts in line with our strategy.
- Employee costs up 12.5% against headcount growth of 13.7%.
- The increase in other administrative costs includes enhanced IT spend and some other one-off costs.
- AOP up 12.2% to £63.3m.
- £5.1m of interest earned reflects the benefit of significantly higher interest rates during the year.
- The corporate tax rate increased from 19% to 25% resulting in a year-on-year increase in the effective tax rate.

# Segmental analysis



■ Software	89.7%
■ Hardware	3.0%
■ Services internal	4.6%
■ Services external	2.6%



■ Corporate	65%
■ Public	35%



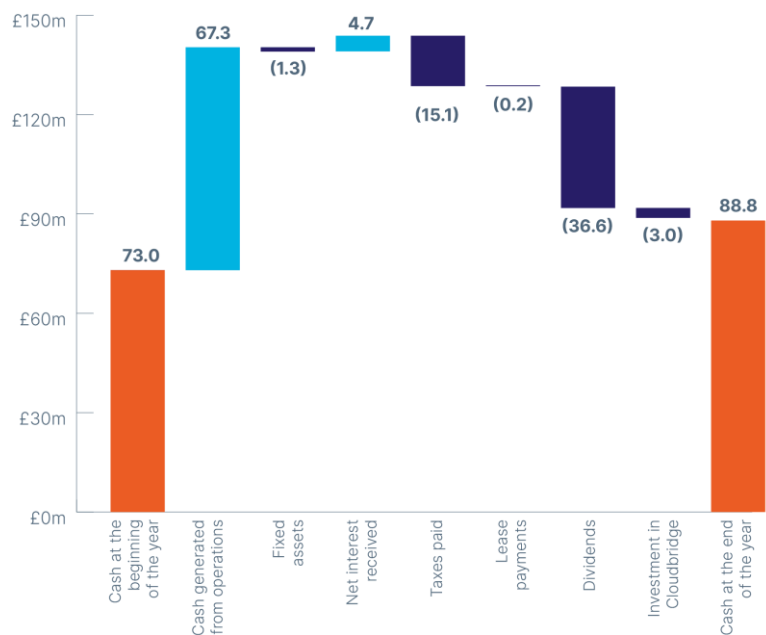
■ Microsoft	50%
■ Top 20 strategic	25%
■ Rest	25%

- Software sales grew at 27.9% and now make up close to 95% of our GII and 90% of our gross profit
- Sales of hardware grew by 8.1% year on year and currently contribute 2.3% of GII and 3% of our gross profit
- Services grew by 8.6% and currently contribute 3.2% of GII, however as services are generally more profitable, they make up 7.2% of gross profit
- Public sector grew by 32.8%, while corporate sector grew by 17.6%
- Microsoft continues to be our biggest vendor when measured by GII or GP, contributing half of our GP for the year

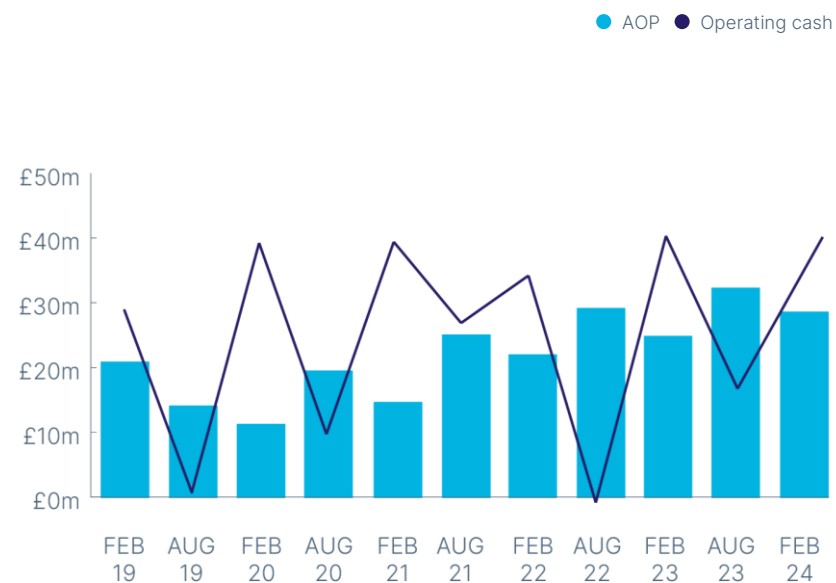


# Cash flow

Cash flow



AOP & operating cash flows by financial half year



- Remain a capital light business
- Cash balance a healthy £88.8m after payment of dividends of £36.6m
- Cash conversion for the full year of 104%
- Cash conversion continues to reflect the seasonality evident in historical trends
- Cumulative cash conversion over the last four years at 109.9%

# Capital allocation policy

## Capital allocation

The Group's capital allocation policy:

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

## Full year dividend

- Dividend policy is to distribute c.40% of adjusted earnings to shareholders
- The Board proposes a final dividend of **6.0p** per share, +17.6% on FY23 final dividend
- 2.7p per share previously paid as an interim dividend in December 2023
- Full year dividend of **8.7p** per share - a 16% rise year on year

## M&A

Cloud Bridge Technologies Limited 25.1% interest acquired in April 2023.

- Giving us access to eighty certified AWS technical resources
- With potential to diversify further into the Google cloud

## Special dividend

- Due to continued strong performance and strong cash generation, the Board considers it appropriate to propose a cash return to ordinary shareholders
- **8.7p** per share, which is an increase of 16%, therefore matching the increase in the full year dividend

# Sustainability at our core

## Environmental

- Complete measurement of BTG emissions across all Scopes
- Submission of carbon reduction targets to SBTi for validation
- Third year reporting on TCFD, with compliance against all recommendations
- Creating net zero transition plan per carbon reduction goals

## Social

- Charity donations, sponsorships and fundraising for local and national charities
- Volunteering days to give back to local communities
- Activities promoting 'Women in IT', as well as inclusion initiatives to support diversity

## Governance

- Investigation related to the resignation of former CEO concluded
- Strengthening our Board with the appointment of three independent non-executives
- Established an ESG committee from 1 June 2024 to further drive our ESG and sustainability strategy





Summary and outlook



# Our continued strategy for growth

## Grow wallet share

- Maintain customer service excellence
- Focus on depth and strength of our capabilities
- Increase our technical capabilities
- Market share still <4% of estimated TAM
- Good market coverage, present in all sectors and regions

## Grow customer base

- Growing sales capacity with regular new sales intakes
- Regional sales capacity, more offices opened and planned
- Target marketing in all segments and various mediums
- Vertical expertise and knowledge

## Expand solutions capabilities

- Cloud migration and associated services
- Security software and managed services
- Storage and back up
- AI solutions – Copilot, Azure

## Broaden vendor partnerships

- Deeper partnerships with Top Tier and Growth vendors
- Highly certified and accredited
- Technical alignment in-house and through partnerships

**Remain focused on organic growth and continue to monitor M&A opportunities as they arise**

# Strength of our Microsoft partnership

## 30+ years of working with Microsoft

- A deep embedded partnership
- At the forefront of software, cloud technology, optimisation and delivery services
- BTG is well placed to support our customers with access to new, innovative software
- Internal trial of Copilot leaves us well prepared for the wider roll out in 2024

UK & EMEA  
Growth  
Partner

Full  
Service  
Partner

Azure  
Migration  
Partner and  
Expert MSP

## Awards



**2023** Microsoft Global Modern Endpoint Management Partner of the Year

**2021** Microsoft UK Partner of the Year



**2022** Microsoft Global Partner of the Year for Operational Excellence

## Microsoft testimonial [watch video](#)



### Copilot: Growing customer momentum

- Significant levels of interest from customers
- Customers predominantly focused on trials, education and readiness
- Internal roll out to include 100% of sales and marketing and 63% of all Bytes Technology Group staff using Copilot
- Well positioned to sell Copilot as adoption trends evolve

# Summary and outlook

Tried and tested business model continues to deliver for our stakeholders



Large addressable market, opportunities supported by growing global IT spend



Strong strategic partnerships with vendors



Our people's expertise positions us well for further expansion



Group benefits from strong balance sheet and no debt



We expect to continue delivering double-digit growth across our key financial metrics





Q&A

[www.bytesplc.com](http://www.bytesplc.com)