

Once Bitten, Twice Shy

Perspectives: July 2nd, 2025

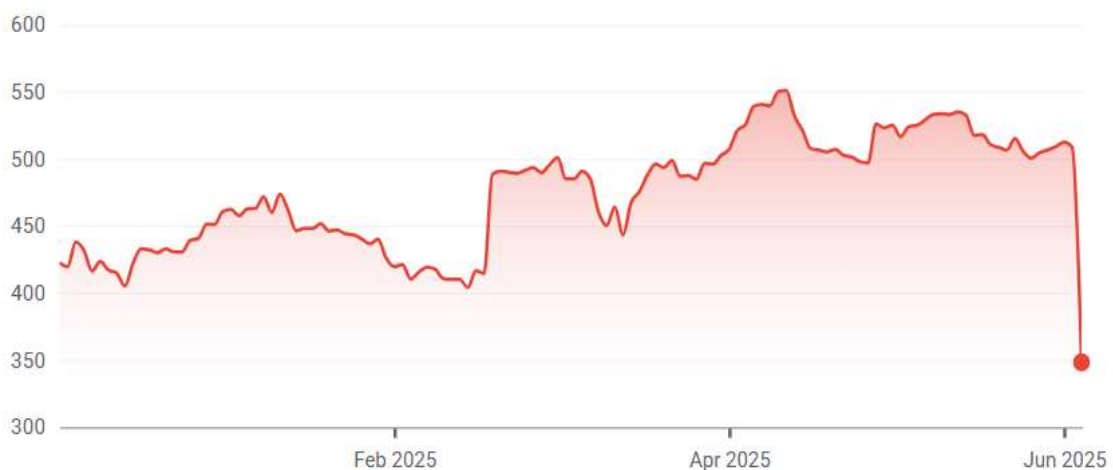
The share price of UK & SA dual listed **Bytes Technology Group** declined by 32% today on abnormally high volumes traded, closing at the day's low. That is polite trader jargon for a particularly rough day at the office.

Bytes Technology Group PLC

GBX 348.20 ↓ 17.57% -74.20 YTD

Jul 2, 7:11:53 PM UTC+1 · GBX · LON · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Source: Google Finance

What is going on here? Well, on May 12th [just over 6 weeks ago] the Chair and CEO stated the following prospects in writing in the 2025 annual report to their shareholders:

“The Board is optimistic about the opportunities for further growth in 2025/26 and beyond...”

“Structural market trends...are in our favour...”

“...we know from experience that when times are tough, organisations look to technology to make them more efficient and resilient”

“And our sector has tailwinds: we are still in the early stages...”

Fast forward to today when the company released a short statement at its AGM that said:

“Trading across the first months of the year has been impacted by a challenging macroeconomic environment, leading to some deferral of customer buying decisions...”

“As indicated at our final results , we evolved our corporate sales division...”

“Also, as previously noted , the impact of...”

There is an important concept in public relations called ‘expectations management’. Most of us have an inbuilt sense and natural skillset in this regard. One thing that really rubs us the wrong way and breaks down trust is to repeatedly be reminded ‘we told you’ when we perceive the other party did not, in fact, do so.

May 12th, with the Bytes share price at GBP5,51 and trading at 25 times earnings, was not the time to be playing word games with its shareholders. The question now becomes - **WHY take such a significant reputational risk?**

I am grateful to have experienced investing in the early 2000’s in a formerly JSE listed technology vendor representative business called **Datacentrix**. It was led by co-founders CEO Gerhard Uys and CFO Klaas Lammers, who each owned significant ownership stakes therein. They were straight shooters who consistently provided direct answers to direct questions.

At one point during my investigations, it finally became clear to me that they operated a largely fixed cost business [salaries] overlaid with highly volatile, lumpy, and unpredictable sales. This helped me in better understanding the unpredictable volatility in their results and share price. In every reporting cycle of 6 months, they essentially kicked off with their known costs and their unknown yet-to-be-determined sales. If sales happened to exceed costs by a sufficient amount in that reporting cycle, they provided a ‘positive surprise’. And if sales fell short, they provided a ‘negative surprise’.

Therefore, I am not at all surprised to see the market’s extremely pessimistic reaction to its perceived mismatch between what Bytes’ Chair and CEO said

on May 12th in comparison to July 2nd. Did these executives aim to deceive, mislead, lie to, or cheat their shareholders in any way? **In my view, absolutely not – provided in context of my understanding of their fundamental business model** . That said, is there room for improvement in their public relations? Almost certainly!

Our work continues...

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