



Interim Results

6 months ended 30th September 2022

Brendan Mooney (CEO)

Richard McCann (CFO)

14 November 2022



Safe harbour statement

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Contents

1. Business Overview
2. Divisional Performance
3. Financial Performance
4. Looking Ahead

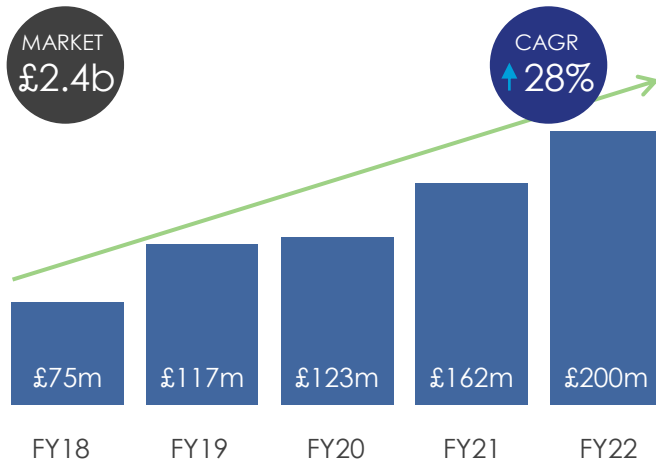
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Business Overview

Business Overview

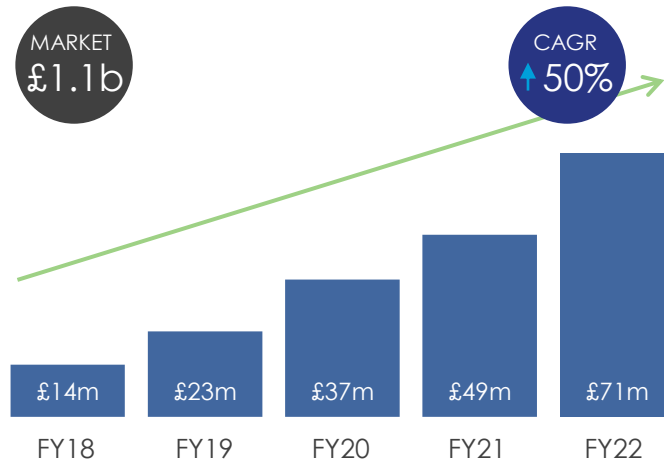
We have an excellent position in long-term, high-growth markets



Digital Services

The full lifecycle **development and support of customised digital services** for public sector, healthcare and commercial customers

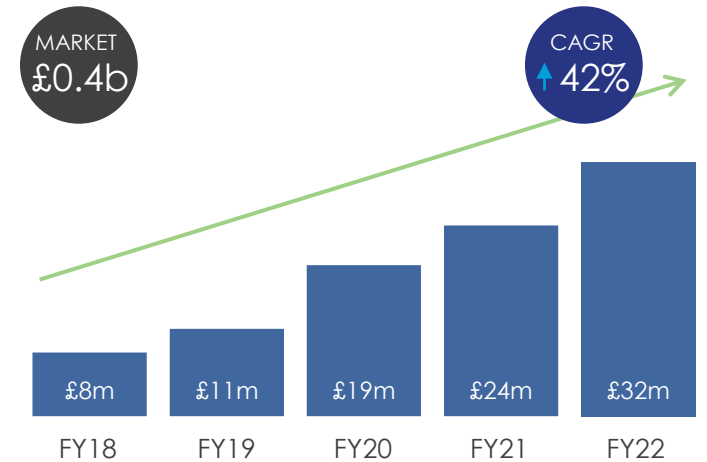
Our transformative solutions encompass a range of services including AI and Cloud to deliver solutions that are **secure, accessible and cost-effective**



Workday Services

We are one of Workday Inc's **most respected partners**, approved to deploy their Finance, HR and Planning products to our clients in Europe and North America

We are experienced in complex deployment and integrations and **trusted by our customers** to launch, test and extend their Workday systems










Workday Products

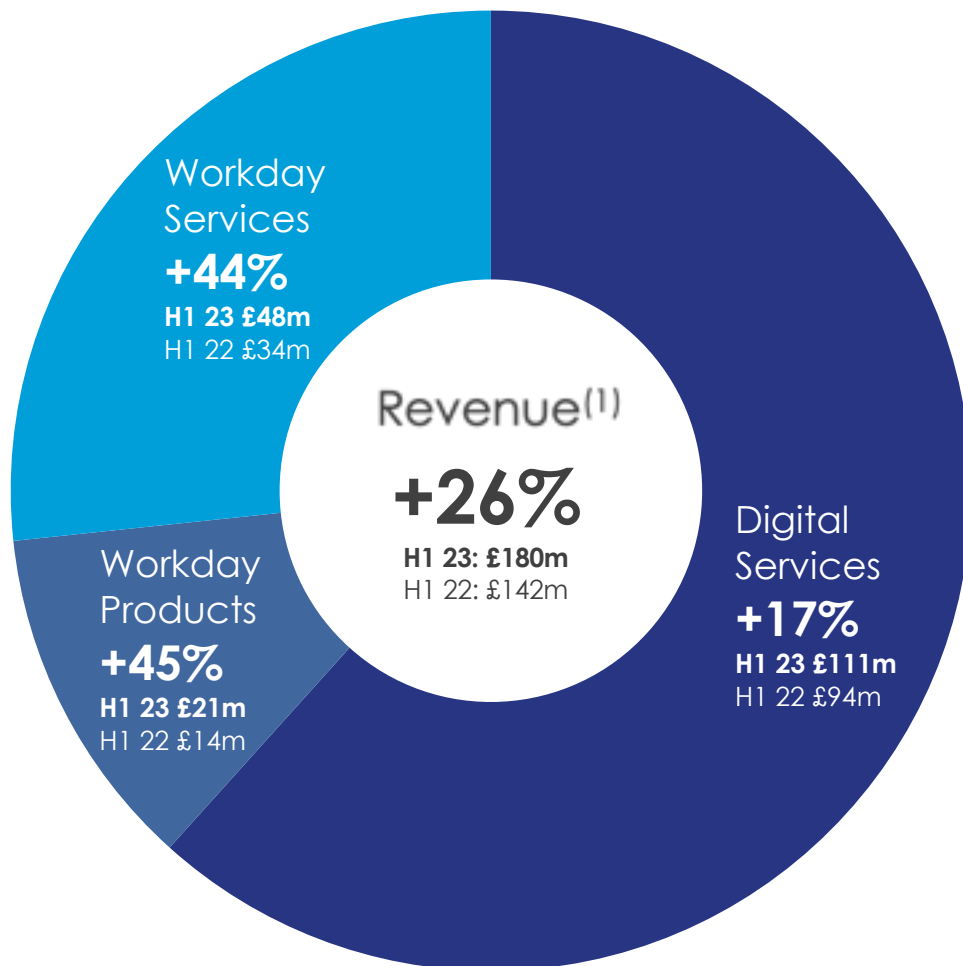
We **develop software products** that are complementary to Workday's comprehensive SaaS platform

Smart Test (automated testing), Smart Audit (compliance monitoring) and Smart Shield (data masking) are used by **350+ customers globally** to safeguard their Workday system

Expertise at a global scale


Highlights





Continued **growth** with increasing **opportunity** and **international** scale


- Continued **demand** across all business areas
- Workday **Phase 1 Partner** in the US
- Doubled investment in Workday Products as we progress towards **£100m ARR target**

Adjusted Profit⁽²⁾
 **+16%**
H1 23: £34m
H1 22: £29m

Bookings⁽³⁾
 **+18%**
H1 23: £222m
H1 22: £187m

Backlog
 **+23%**
H1 23: £308m
H1 22: £250m

Cash
 **+21%**
H1 23: £97m
H1 22: £80m

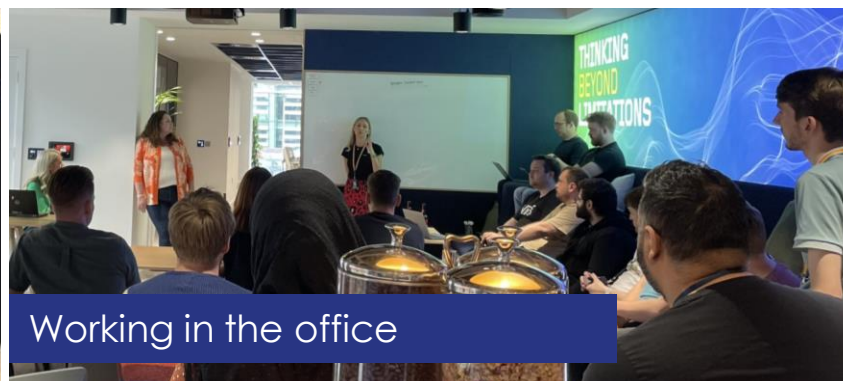
Dividend
 **+10%**
H1 23: 7.8p per share
H1 22: 7.1p per share

People
 **+20%**
H1 23: 2,920 people
H1 22: 2,438 people

⁽¹⁾ In constant currency, total revenue growth is 23% and in Digital Services 17%, Workday Services 36% and Workday Products 30%. ⁽²⁾ In constant currency, adjusted profit reduced by 3%; adjusted to remove the effect of share-based payments and acquisition related costs ⁽³⁾ in constant currency, growth is 16%

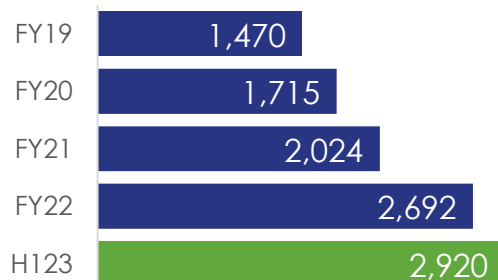
Our people

We are building an exceptionally talented and engaged workforce

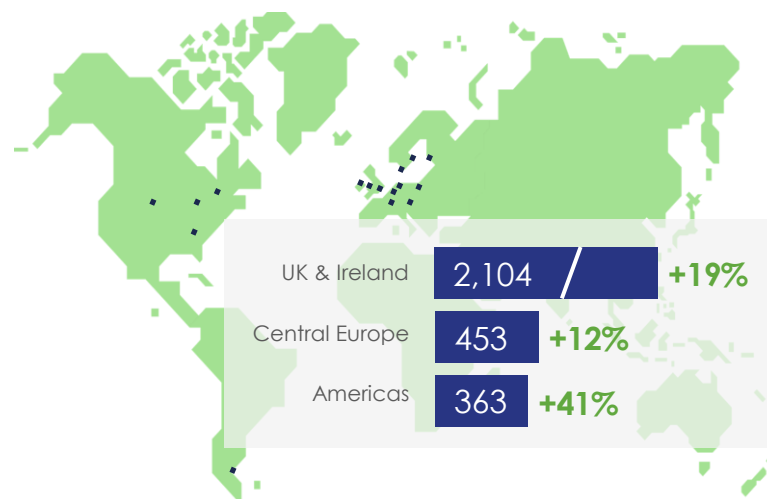


People

+20%



22 Global Locations



Engagement

86% Employee Retention

#38 glassdoor BEST PLACES TO WORK **2022**

81% glassdoor recommend to a friend

Our Customers

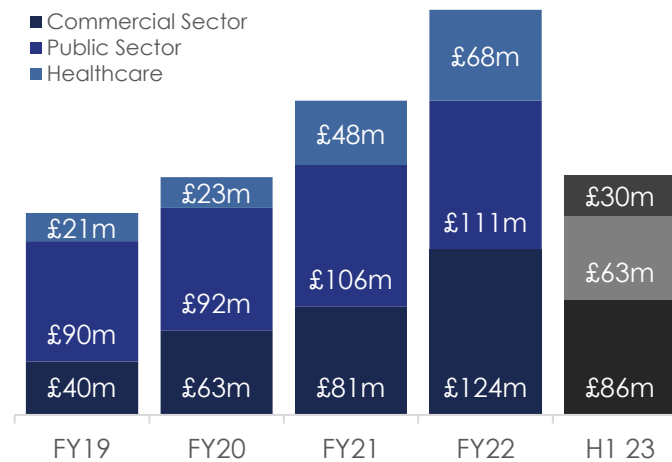
Delivering value to our clients drives long-term relationships



High net revenue retention

Our **high customer satisfaction** rating (98% approval) drives **increased customer spending**, with H123 'Net Revenue Retention' at 125%

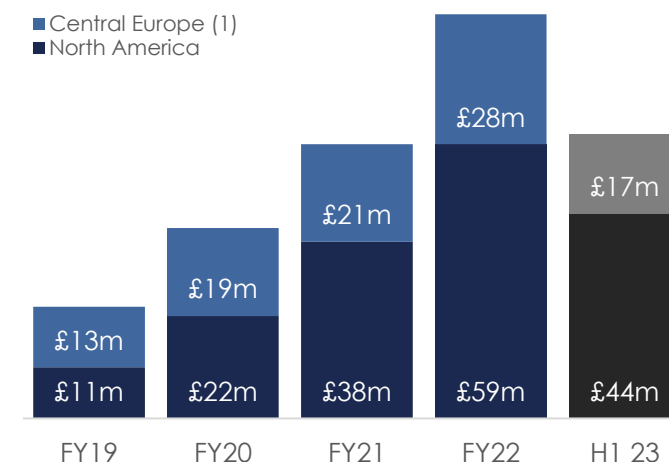
New client acquisition **creates future multi-year revenue** opportunities



Broad sector coverage

Commercial customers generated 48% of revenue, compared to 25% at IPO (2015)

Our **diversified customer base** has resulted in a **robust, well-balanced business**



Accelerating global growth

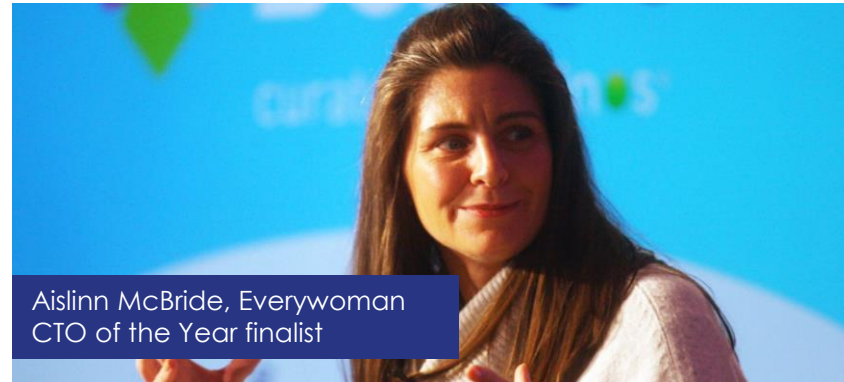
Having grown 53% to £61m, **international customers accounted for 34% of revenue**; at IPO it was 6%

North America grew quickest at 68%, Central Europe grew by 28% and UK & Ireland by 16%

(1) Central Europe revenue includes revenue for Rest of World (c.£1m/year); it excludes revenues generated in the Republic of Ireland

Our responsibilities

Being responsible towards our people, customers, communities and planet



Climate Action

Reducing our climate impact

We are carbon neutral and **on track** for our **2025 Net Zero** target

Successful **electric vehicle scheme**

Launched our carbon reduction offering for our customers



Gender Equality

Promoting gender equity, equality and gender rights

Improved gender balance, women represent **34%** of Kainos colleagues (March 2021: 30%)

To shift the **sector imbalance**⁽¹⁾ we need to create more opportunity – this year we provided **placements for 97 women**



Quality Education

Increasing employment potential for under-represented groups

Our school-leaver focused **Earn as You Learn** programme enters its 10th year, **83 young people** have participated

The 2022 cohort have graduated, with **18 of 22 students** achieving **1st Class Honours** in BSc Computer Science

⁽¹⁾ BCS diversity report 2021: Women in IT – only 19% of technology roles in the UK are held by women

Divisional Performance

Digital Services

Strong revenue growth
with significant pipeline
and backlog

Public sector / +21% to £62m

Commitment to existing digital programmes continues as Government 2025 policy identifies **next 75 key transactions**

Healthcare / -2% to £30m

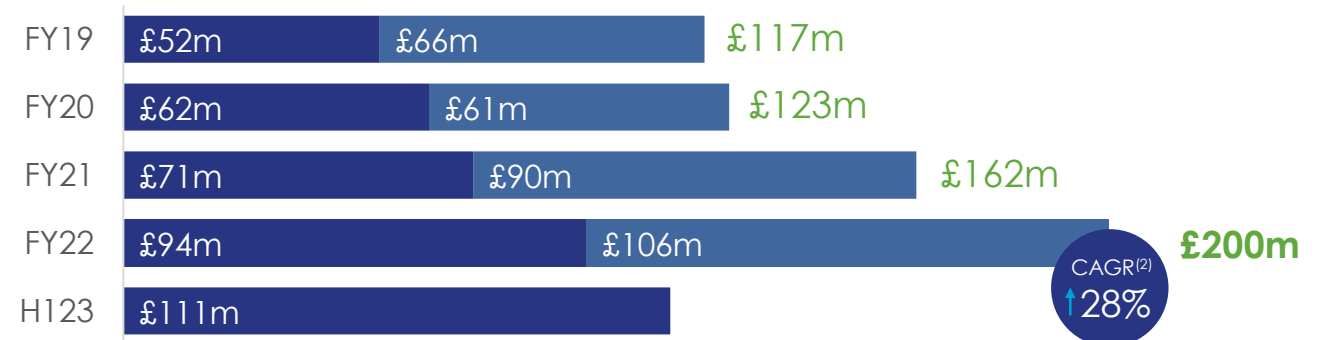
Some decision delay on new programmes as NHSx and NHS Digital merge

Commercial sector / +51% to £19m

Investment and focus yielding very strong results



Revenue trend



Market size

£2.8bn

FY22 actual digital spend in UK public sector and the NHS

⁽¹⁾ In constant currency, growth is 17%. ⁽²⁾ Five year CAGR, FY18 to FY22



*“You are indeed **trailblazers in this space** and have much to teach the rest of the UN community”*

Marietta Muwanga-Ssevume, CIO, UN IOM

The IOM is responsible for the orderly and humane management of migration and to **provide humanitarian assistance** to migrants in need – this **impacts 30 million people** per year

Kainos moved **700 virtual machines** based in data centres on **three continents** to a Microsoft Azure cloud-based environment

Improved the security, availability and resilience of **450 local missions** across **150 countries** including accelerated support for **Kabul and Kyiv missions**

92% reduction in carbon emissions

Workday Services

Exceptional growth in revenue, bookings and backlog and **appointed Phase 1 partner for US**

Americas / +101% to £26m

US Phase 1 Prime partner status achieved, with **54% of division revenue** generated in North America

Europe / +8% to £22m

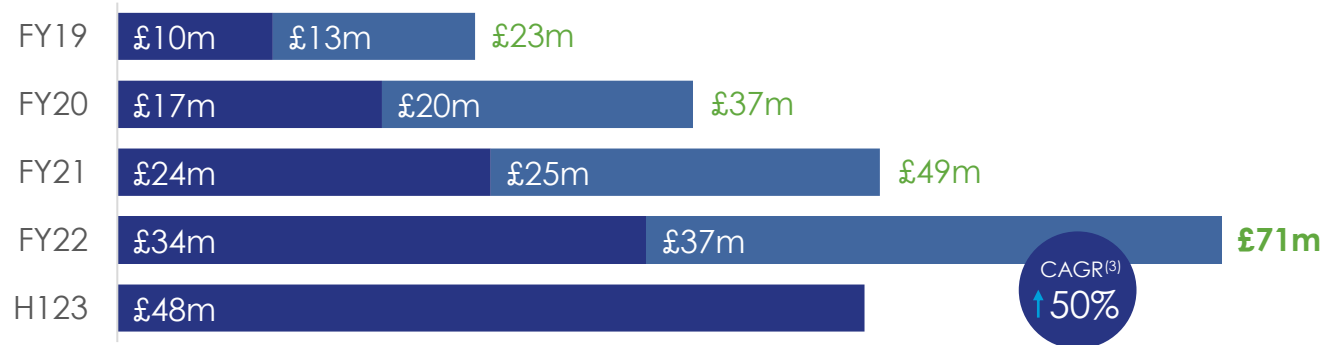
Continued progress as we consolidate our **leading partner** position in key growth area for **Workday Inc's international expansion**

Talent / +30% to 732 consultants

Global capability growing with our accredited consultants based in **22 countries**



Revenue trend



Market size

£1.1bn FY23 estimated addressable global services market

⁽¹⁾ In constant currency, growth is 36%. ⁽²⁾ In constant currency, growth is 114%
⁽³⁾ Five year CAGR, FY18 to FY22



*“Kainos **understood our business challenges** and knew how to navigate our complex organisation to ensure a **successful deployment.**”*

Sylvia Broenig, Global Head of HR IT at Kion Group

- World-leading providers of industrial trucks and supply chain solutions, German HQ with **36,000 employees** located across the globe
- Geographically diverse, KION needed **a centralised HR function in Workday** for reporting and enhanced efficiency
- Selected Kainos for their **specialised** deployment skills, localised **know-how** and **problem-solving** ability to drive **project success** at scale.
- We **launched HCM in 100 countries**, supporting 8 languages.

Workday Products

Exceptional growth in revenue, ARR and backlog as we increase **investment** and **expand** our product portfolio on our **£100m ARR journey**

Increased Investment / +91% to £9m

R&D investment **increased to £4m** and S&M investment **increased to £5m** as we transition to a dedicated SaaS sales team

Smart Test / automated testing, 325+ customers

Established product, continuing to add customers

Smart Audit / compliance monitoring, 50+ clients

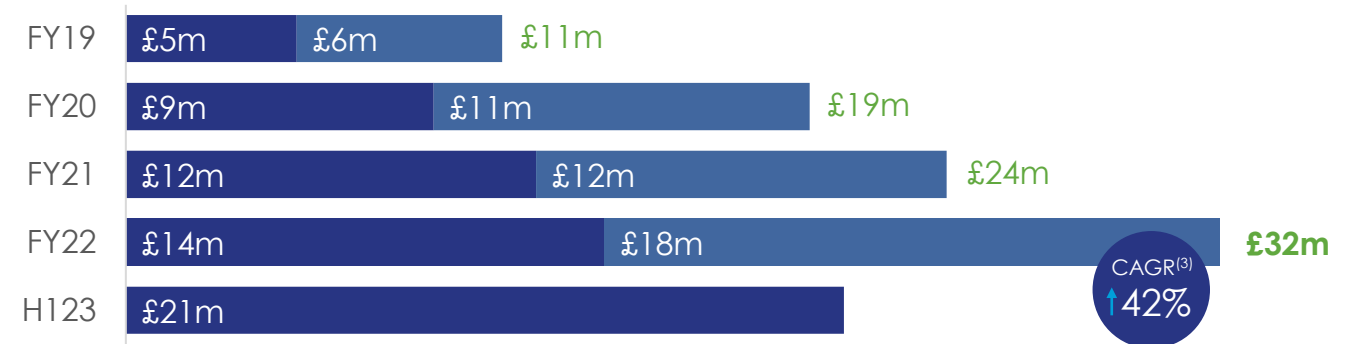
Launched 2021, **adoption in customer base**

Smart Shield / data masking, 8 customers

Launched August 2022, **building traction**



Revenue trend



Market size

£410m

FY22 estimated global Workday automated testing market

⁽¹⁾ In constant currency, growth is 30%. ⁽²⁾ In constant currency, growth is 33%

⁽³⁾ Five year CAGR, FY18 to FY22



*“We can now run **40,000+ test cases** in Payroll **in just a matter of hours**. To have that confirmation that everyone **will get paid**, on time, and the right amount, **that’s huge for us**.”*

- Shelly McKee-Sutton, Workday Platform Lead Architect at Capital One

- Fortune 500 company and the **6th-largest** consumer bank in the US, with operations in Canada, UK, India and Philippines and employs over **51,000 people**
- Workday customer since 2015, with full-suite HCM & Payroll now deployed
- Deployed **Smart Test** in 2019
- Hands-on weekly testing effort reduced by **80%**
- Bi-annual major release testing duration cut from 12 weeks each time to **just 4 weeks**

Financial Performance

Group Income Statement

Income Statement				
£m	H1 23	H1 22	Change	
Revenue	179.8	142.3	+26%	
Gross profit	83.8	67.4	+24%	
Direct expenses	(40.0)	(28.0)	+43%	
Contribution	43.8	39.4	+11%	
Central overheads (inc. Finance income/expense)	(9.8)	(10.2)	-4%	
Adjusted pre-tax profit	34.0	29.2	+16%	
Adjusted pre-tax profit margin	19%	21%	-2%	
Share-based payments & acquisition costs	(6.5)	(4.4)	+48%	
Profit before tax	27.5	24.8	+11%	
Taxation	(5.7)	(4.9)	+16%	
Profit after tax	21.9	20.0	+10%	

Digital Services:

Revenue growth varies by sector

- Public: **+21%**
- Commercial: **+51%**
- Healthcare: **-2%**

Gross Margin % **decreased by 2%**

- Utilisation returning to pre-pandemic levels
- Impact of 2 additional UK public holidays

Workday Services:

- Very strong revenue growth: **44%** (36% ccy)
- Gross margin % **decreased by 4%**
 - Significant increase in staff costs
 - Marginal drop in utilisation

Workday Products:

- Very strong revenue growth: **45%** (30% ccy)
- Gross margin % **increased by 1%**
- Direct expenses **increased by 64%**
 - Product development expenditure increased 48% to £4.0m
 - Investment in sales and marketing increased 153% to £4.8m

Effective Tax Rate 21% (2021: 20%)

Balance Sheet and Cashflow

Balance Sheet

As at 30 Sept (£m)	H1 23	H1 22
Fixed assets and investments	18.6	17.3
Goodwill and Intangible assets	25.8	17.0
Trade receivables and WIP	76.9	67.0
Other assets	13.1	12.5
Cash and treasury deposits	97.1	80.4
Total assets	231.4	194.3
Liabilities	(114.1)	(98.4)
Shareholders' funds	117.3	95.9

Cashflow

£m	H1 23	H1 22
EBITDA⁽²⁾	35.4	30.5
Cash generated by operating activities	25.0	11.7
Cash Conversion	70%	38%
Taxation	(4.2)	(2.6)
Capital expenditure	(1.0)	(2.5)
Acquisitions of subsidiaries	-	(8.2)
Payment of lease liabilities	(0.6)	(0.9)
Interest received	0.4	-
Proceeds from issue of shares	0.1	1.9
Net cash inflow/(outflow)	19.6	(0.6)

Balance Sheet:

Fixed assets and investments

- IT, office equipment, investments etc. **£7.9m** (H1 22: £5.9m)
- IFRS16 leases capitalised **£2.4m** (H1 22: £3.5m)
- Land for office **£8.2m** (H1 22: £7.9m). **£5.2m now** classified as investment property

Goodwill & intangible **£25.8m** (H1 22: £17.0m)

- Acquisition in H2 22.

Underlying trade receivables/WIP total **69 days** (H1 22: 73 days)

Increase in trade creditors and accruals **£43.9m** (H1 22: £38.2m)

Significant cash reserves **£97.1m**

- Debt free

Cashflow:

Cash conversion⁽¹⁾ **70%** (H1 22: 38%)

- Return to a more normalised level

Future HQ property funding requirements largely FY25 and FY26

Interim dividend proposed 7.8p (H1 22: 7.1p).

⁽¹⁾ Cashflow from Operations (CFFO) divided by adjusted EBITDA

⁽²⁾ EBITDA adjusted for share-based payments and acquisition related expenses

Looking Ahead

Outlook

We have strong positions in fast-growing, resilient, international markets



Digital Services

UK leader in delivering digital transformation

Market Drivers

UK Digital Transformation demand is robust

UK Public Sector 5-year **CAGR of 22% to £2.4bn**



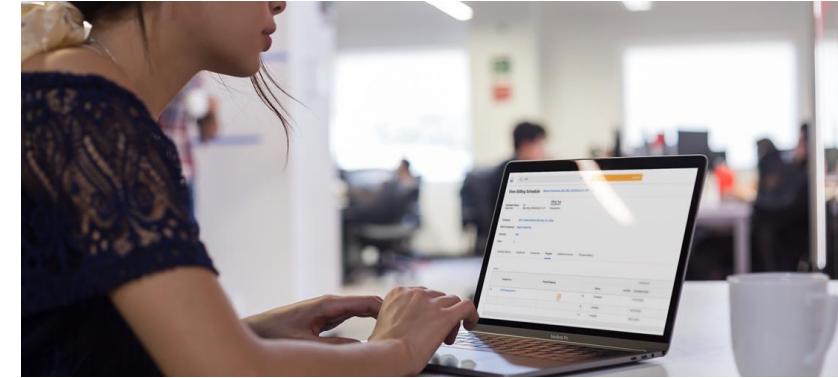
Workday Services

Continue to outpace underlying market growth

Market Drivers

Workday Inc forecast **22% growth for 2022**, accelerated from 2021

Workday Inc on track to **double revenue to \$10bn by 2026**



Workday Products

*Achieve **£100m** of SaaS recurring revenue by 2026*

Market Drivers

Workday Inc core HCM and Financial **customer base is 4,150+**

Typically adding **600 new core customers** per year



kaiinos®