Interim Results
6 months ended 30th September 2021

Brendan Mooney (CEO) and Richard McCann (CFO)

15 November 2021
Highlights
Continued business momentum, with increasing opportunities

Very strong performance with growing market opportunities
• Revenue, bookings and backlog showing very strong growth
• Strong profit growth, but some constraint with ‘return to normal’

We have a robust and well-balanced business
• International revenues up 45% to £40m
• Commercial revenues up 51% to £59m
• Healthcare revenues up 63% to £31m

Very strong growth in both operating divisions
• Digital Services achieved growth of 32% to £94m
• Workday Practice delivered growth of 34% to £48m
• Launch of Smart Audit with 20+ clients already signed

Continue to build an exceptionally talented team
• 2,438 people now working at Kainos, across 17 offices

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REVENUE(1) 
£142m +33%

ADJUSTED PROFIT(2) 
£29m +12%

BOOKINGS 
£187m +81%

BACKLOG 
£250m +38%

CASH 
£80m +29%

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(1) Organic revenue growth was 32%.
(2) Adjusted to remove the effect of share-based payments and acquisition related costs
Group Overview
Long-term, strong revenue growth trends in both Digital Services and our Workday Practice

**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 from experience design to AI and Cloud to deliver truly intelligent solutions that are secure, accessible and cost-effective

**WORKDAY PRACTICE**

- We are one of Workday’s most respected partners
- As a full-service partner, we are experienced in complex deployment and integrations, and the leader in Workday test automation
- We’re trusted by our customers to launch, test, expand and safeguard their Workday systems
Remain on track to deliver our twelfth consecutive year of revenue and adjusted pre-tax profit growth

Five-year (2017-2021) revenue CAGR of 30%

Increased R&D investment of £2.8m (H1 21: £2.0m) reflecting the development of Smart Audit
• Investment fully expensed in year

Key Financial Metrics
• Very strong revenue visibility: backlog up 38% to £250m (H1 21: £181m)
• Adjusted pre-tax profit\(^{(3)}\) margin normalised: 21% (H1 21: 24%)
• Cash balance increased 29% to £80m (H1 21: £63m)

Earnings - Dividend.
• Adjusted diluted EPS: increased by 12% to 19.1p per share (H1 21: 17.0p)
• Dividend declared; increased by 11% to 7.1p per share (H1 21: 6.4p)

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\(^{(3)}\) Adjusted to remove the effect of share-based payments and acquisition-related costs
Our People

We continue to build an exceptionally talented and engaged workforce

COMMENTARY

Maintained our strong employee engagement
• Retention remains high, 89% (H1 21: 92%)

Increased presence in all regions: +709 people (+41%); driven by very strong recruitment
• UK & Ireland: 1,775 people (+498)
• Central Europe: 406 people (+64)
• North & South America: 257 people (+147)

Completed the acquisition of two Workday specialists
• Cludator (Europe, 55 people, June)
• Une Consulting (Argentina, 42 people, September)

All offices open, but home working remains the norm
• Office-based activity centred around collaboration and social engagement

GLOBAL LOCATIONS

With people based in 21 countries, we are growing into a global company

EMPLOYEE RETENTION

89%

GROWTH TREND

PEOPLE

2,438

+41%

FY18 FY19 FY20 FY21 H1 22

1,169 1,470 1,715 2,024 2,438

GROWTH TREND

We operate share gifting and save-as-you-earn schemes for all employees. In Dec 2020 we allocated 378,152 new shares to the schemes; the total since IPO is 5,826,209 shares.
Our Customers
Delivering value to our clients drives long-term relationships

**REVENUE BY CUSTOMER TYPE**

- **Existing customers** underpin growth, at 95% of revenue
  - Existing client revenue up 35% to £136m (H1 21: £100m)

- **Best-in-class customer service** drives high levels of ongoing revenue
  - 98% of customers rate service as ‘good’ or better (H1 21: 97%)
  - In total, 601 active customers (H1 21: 481)(4)

- **New client acquisition** unlocks multi-year revenue streams

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(4) An active customer is one where Kainos has undertaken paid-for work in the period: excludes 425 customers of acquired businesses, IntuitiveTEK, Formulate, Implexa, Cloudator and Une Consulting
Business Balance
We have made excellent progress in building balance into our revenue streams

Growth in all sectors ensures that we continue to have a well-balanced business
- Commercial now the largest sector following growth of 51%
- Revenue from healthcare customers increased by 63%
- Public sector grew by 6%

Very strong local growth with accelerating international expansion
- UK revenues increased by 29%
- International revenue expanded by 45%, with North America rising by 49% growth and Central Europe by 36%

(5) Our internal reporting combines UK & Ireland as a single region and revenues from customers in the Republic of Ireland are not included in ‘international revenues’
Our Responsibilities
Being responsible towards our people, our customers, our communities and our planet

OUR GOALS

Reducing our climate impact and helping others achieve their low carbon future

An inclusive culture that promotes diversity and ensures everyone has an equal opportunity to develop

Making Kainos a place where there is gender equity, equality and full realisation of gender rights

Increasing employment opportunities for under-represented groups

Supporting and promoting the good health and wellbeing of our colleagues

OUR PROGRESS

Carbon Neutral in 2021, offsetting full Scope 1,2 & 3 emissions
• On track to achieve Carbon Net Zero by 2025

Well ahead of industry gender levels, with more work to do
• Industry average: 17% of technology roles undertaken by women (6)
• In H1 21, 39% of recruits were female, increasing overall female representation to 33% (March 2021: 30%)

Improvements in diversity analytics, insights and reporting
• Launch of Workday VIBE™, to provide greater diversity insights and support us being a more inclusive and equitable employer.

A significant increase in our outreach activity and impact
• Over the summer 230+ young people attended our week-long CodeCamps, now delivered to UK, Ireland and global audiences
• Since April, 450+ young people have attended our 3-day work placement programme

(6) Women in Tech Report
Divisional Performance
Digital Services
Exceptional sales execution driving very strong revenue and backlog growth

**COMMENTARY**

Very strong performance across all key metrics
- Remote delivery is now the established model

Public sector clients remain committed to key digital transformation programmes
- Revenue growth of 9% to £52m (H1 21: £48m)
- Trend towards larger contract values

Continued strong partnership with NHS Digital and NHSX
- Revenues increased 77% to £30m (H1 21: £17m)
- NHS focus moving beyond Covid-19 response to broader digital transformation

Momentum building in the Commercial sector
- Revenues increased by 80% to £12m (H1 21: £7m)

**MARKET SIZE**

£1,753m
UK PUBLIC SECTOR 2021 SPEND(7)

**COMPETITIVE LANDSCAPE**

**COMMERCIAL DYNAMICS**
- Direct sales model
- Primarily time and materials

(7) This is the actual expenditure to March 2021 on the G-Cloud and Digital Outcomes frameworks, as published on gov.uk
Digital Services: Customer Stories

We have established a clear reputation for delivering value, at scale and at pace

**HM LAND REGISTRY**
- Artificial Intelligence document comparison
- 20,000 applications per day
- Automation reduces review time by 50%
- Intelligent automation detects 100% of differences

**GENOMICS ENGLAND**
- Genomic and Health Information Platform
- 87% cost reduction per job execution
- Migrating large scale data to AWS
- Specialists to accelerate and optimise future migrations

**CUSTOMERS**

*Images of various logos and icons related to different organizations.*
Workday Services
We are one of the most experienced partners in the Workday ecosystem

**REVENUE**
- FY18: £14m
- FY19: £23m
- FY20: £37m
- FY21: £49m
- H1 22: £34m

+41%

**BOOKINGS**
- £36m

+51%

**BACKLOG**
- £35m

+39%

**COMMENTARY**

**Very strong performance across all key metrics**
- A high-growth market as Workday Inc remains on track to achieve $10b revenue by 2026 (from c$5.1b, 2022)

**Workday Inc curate a high-quality partner ecosystem**
- Globally, there are only 37 implementation partners
- Kainos have been a partner since 2011

**We continue to build global capability**
- Accredited consultants increased by 50% to 562
- By consultant numbers ranked #1 in Europe; #8 globally

**Strong organic growth enhanced by key acquisitions**
- Cloudator (Europe, 55 people, June) the largest Workday partner in the Nordic region
- Une Consulting (Argentina, 42 people, September) focused on the North America market

**ADDRESSABLE MARKET**

£751m
2022 GLOBAL SERVICES FORECAST (8)

**COMPETITIVE LANDSCAPE**

- alight (UK, EUROPE, US)
- onesource (UK, EUROPE, US)
- COLLABORATIVE SOLUTIONS (UK, EUROPE, US)

**COMMERCIAL DYNAMICS**
- Direct sales model
- Primarily time and materials

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(8) This is an estimate of the services market where Kainos is a Phase 1 partner plus the Post Deployment and Phase X opportunity in USA
Smart Product Suite for Workday
Innovative products that complement Workday’s core platform

REVENUE(9) +22%

BOOKINGS +88%

BACKLOG +67%

COMMENTARY

Very strong performance across all key metrics
• Annual Recurring Revenue up 37% to £28m (H1 21: £20m)

Smart Test: leading automated testing platform for Workday
• Launched 2013 with 250+ clients globally
• Five modules available (HCM, Finance, Payroll, Security, Recruitment); four more in development pipeline

Smart Audit: compliance monitoring tool for Workday
• Launched August 2021 with 20+ clients already signed
• Extensive pre-built controls: Segregation of Duties, Privileged Access Controls, Personal and Sensitive data

Workday Extend: early product deployments underway for Vaccine Management and Reward & Recognition

ADDRESSABLE MARKET
£384m
2021 ESTIMATED GLOBAL WORKDAY AUTOMATED TESTING MARKET

COMPETITIVE LANDSCAPE

COMMERCIAL DYNAMICS
• Direct sales model
• Multi-year subscription (SaaS)
• Related project services

(9) This includes a small level of service revenue linked to the onboarding and training of clients; in H1 22, this amounted to £1.3m
# Workday Practice: Customer Stories

We are trusted by our customers to launch, test, expand and safeguard their Workday system.

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TELSTRA</strong></td>
<td>Australia’s largest</td>
<td>35,000+ people, HQ</td>
<td>Smart Test</td>
</tr>
<tr>
<td>telecoms provider</td>
<td>telecoms provider</td>
<td>in Melbourne</td>
<td></td>
</tr>
<tr>
<td><strong>SHOPIFY</strong></td>
<td>Global e-commerce</td>
<td>1,500 people, HQ in</td>
<td>AMS for Recruitment</td>
</tr>
<tr>
<td>company</td>
<td>company</td>
<td>California</td>
<td>and Extend Services</td>
</tr>
<tr>
<td><strong>LIFETIME</strong></td>
<td>Health Club provider</td>
<td>36,000 people, HQ in</td>
<td>Smart Test and</td>
</tr>
<tr>
<td>in North America</td>
<td>in North America</td>
<td>Minnesota</td>
<td>Smart Audit</td>
</tr>
<tr>
<td><strong>WWE, Inc</strong></td>
<td>Media and global</td>
<td>900+ people, HQ in</td>
<td>Full Financials Suite,</td>
</tr>
<tr>
<td></td>
<td>entertainment leader</td>
<td>Connecticut</td>
<td>bespoke Extend app</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>and Smart Test</td>
</tr>
</tbody>
</table>

### Customers
- **TELSTRA**: Australia’s largest telecoms provider, 35,000+ people, HQ in Melbourne - Smart Test
- **SHOPIFY**: Global e-commerce company, 1,500 people, HQ in California - AMS for Recruitment and Extend Services
- **LIFETIME**: Health Club provider in North America, 36,000 people, HQ in Minnesota - Smart Test and Smart Audit
- **WWE, Inc**: Media and global entertainment leader, 900+ people, HQ in Connecticut - Full Financials Suite, bespoke Extend app and Smart Test
Financial Performance
Group Income Statement

Digital Services:
- Revenue growth varies by sector
  - Public: +9%
  - Commercial: +80%
  - Healthcare: +77%
- Gross Margin decreased by 7%
  - Utilisation normalised to 80% (H1 21: 87%)
  - Increased use of contractors
  - Significant increase in salary costs

Workday Practice:
- Strong revenue growth in Services and Product
  - Services revenue growth: 41% (organic 35%)
  - Smart Product revenue growth: 22%
- Gross margin decreased by 1%

Profit margins
- Comparison with H1 21 not meaningful

Tax Rate 20% (H1 21: 19%)

### INCOME STATEMENT

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 22</th>
<th>H1 21</th>
<th>FY 21</th>
<th>HY</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>142.3</td>
<td>107.2</td>
<td>234.7</td>
<td></td>
<td>+33%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>67.4</td>
<td>55.9</td>
<td>118.3</td>
<td></td>
<td>+21%</td>
</tr>
<tr>
<td>Direct expenses</td>
<td>(28.0)</td>
<td>(19.4)</td>
<td>(43.8)</td>
<td></td>
<td>+44%</td>
</tr>
<tr>
<td>Contribution</td>
<td>39.4</td>
<td>36.5</td>
<td>74.5</td>
<td></td>
<td>+8%</td>
</tr>
<tr>
<td>Central overheads (inc. Finance income/expense)</td>
<td>(10.2)</td>
<td>(10.4)</td>
<td>(17.4)</td>
<td></td>
<td>-2%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit</td>
<td>29.2</td>
<td>26.1</td>
<td>57.1</td>
<td></td>
<td>+12%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit margin</td>
<td>21%</td>
<td>24%</td>
<td>24%</td>
<td></td>
<td>-3%</td>
</tr>
<tr>
<td>Share-based payments &amp; acquisition costs</td>
<td>(4.4)</td>
<td>(2.0)</td>
<td>(6.7)</td>
<td></td>
<td>+120%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>24.8</td>
<td>24.0</td>
<td>50.3</td>
<td></td>
<td>+3%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(4.9)</td>
<td>(4.6)</td>
<td>(10.7)</td>
<td></td>
<td>+7%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>20.0</td>
<td>19.4</td>
<td>39.6</td>
<td></td>
<td>+3%</td>
</tr>
</tbody>
</table>
Underlying Performance assessment

Significant gains achieved vs pre-Covid-19 environment

Comparison with last “normal” H1:
• Revenue growth 64%
• Gross margin growth 67%
  • Significant salary inflation
  • Reduced travel costs
• Direct Expenses growth 60%
  • Recruitment and Marketing expenses have returned to pre pandemic levels
  • Travel costs remain low, compared to pre-pandemic levels
• Central overheads
  • Reduced travel costs

Adjusted profit margin percentage:
• Despite strong demand in our markets, uncertainties remain around:
  • Longevity of current salary inflation trend
  • Client expectations re: travel

<table>
<thead>
<tr>
<th>INCOME STATEMENT</th>
<th>£m</th>
<th>H1 22</th>
<th>H1 20</th>
<th>HY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>142.3</td>
<td>86.9</td>
<td>+64%</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>67.4</td>
<td>40.4</td>
<td>+67%</td>
</tr>
<tr>
<td>Direct expenses</td>
<td></td>
<td>(28.0)</td>
<td>(17.5)</td>
<td>+60%</td>
</tr>
<tr>
<td>Contribution</td>
<td></td>
<td>39.4</td>
<td>22.9</td>
<td>+72%</td>
</tr>
<tr>
<td>Central overheads (inc. Finance income/expense)</td>
<td></td>
<td>(10.2)</td>
<td>(10.1)</td>
<td>+1%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit</td>
<td></td>
<td>29.2</td>
<td>12.8</td>
<td>+128%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit margin</td>
<td></td>
<td>21%</td>
<td>15%</td>
<td>+6%</td>
</tr>
<tr>
<td>Share-based payments &amp; acquisition costs</td>
<td></td>
<td>(4.4)</td>
<td>(0.8)</td>
<td>+450%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>24.8</td>
<td>12.0</td>
<td>+107%</td>
</tr>
<tr>
<td>Taxation</td>
<td></td>
<td>(4.9)</td>
<td>(2.4)</td>
<td>+104%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td></td>
<td>20.0</td>
<td>9.6</td>
<td>+108%</td>
</tr>
</tbody>
</table>
Balance Sheet and Cashflow

**Balance Sheet:**
- Goodwill and intangibles
  - Cloudator and UNE acquisitions - £10.8m
- Trade receivables/WIP - 73 days (H1 21: 58 days)
- Final FY 21 dividend of £18.6m included in liabilities (H1 21: nil)
- Significant cash reserves/debt free

**Cashflow:**
- Cash conversion 38%\(^{(10)}\) (H1 21: 123%)
  - Strong working capital management in H1 21
  - VAT payment deferrals in H1 21
  - FY21 bonus paid in H1 22
  - Requires significant attention in H2
  - Future HQ property funding requirements remain paused
- Interim FY 22 dividend declared 7.1p (H1 21: 6.4p)

**BALANCE SHEET**

<table>
<thead>
<tr>
<th></th>
<th>H1 22</th>
<th>H1 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets and investments</td>
<td>17.3</td>
<td>14.6</td>
</tr>
<tr>
<td>Goodwill and intangible assets</td>
<td>17.0</td>
<td>6.9</td>
</tr>
<tr>
<td>Receivables and WIP</td>
<td>67.0</td>
<td>39.9</td>
</tr>
<tr>
<td>Other assets</td>
<td>12.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Cash and treasury deposits</td>
<td>80.4</td>
<td>62.5</td>
</tr>
<tr>
<td>Total assets</td>
<td>194.3</td>
<td>130.1</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(98.4)</td>
<td>(57.7)</td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>95.9</td>
<td>72.3</td>
</tr>
</tbody>
</table>

**CASHFLOW**

<table>
<thead>
<tr>
<th></th>
<th>H1 22</th>
<th>H1 21</th>
<th>FY 21</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA(^{(11)})</td>
<td>30.5</td>
<td>27.5</td>
<td>59.8</td>
</tr>
<tr>
<td>Cashflow from operating activities</td>
<td>11.7</td>
<td>33.8</td>
<td>67.2</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>38%</td>
<td>123%</td>
<td>112%</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(2.6)</td>
<td>(2.2)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(2.5)</td>
<td>(0.4)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Acquisitions of subsidiaries</td>
<td>(8.2)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>(0.9)</td>
<td>(1.3)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>(8.2)</td>
<td>(16.0)</td>
</tr>
<tr>
<td>Amount placed on treasury deposit</td>
<td>-</td>
<td>(18.0)</td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>1.9</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Net cash (outflow)/inflow</td>
<td>(0.4)</td>
<td>21.7</td>
<td>22.8</td>
</tr>
</tbody>
</table>

\(^{(10)}\) Cashflow from Operations (CFFO) divided by adjusted EBITDA.

\(^{(11)}\) EBITDA adjusted for share based payments and acquisition related costs.
Summary and Outlook

We have a strong position in fast-growing, international markets

**DIGITAL SERVICES**
- UK Public Sector
- UK Commercial Sector
- UK Healthcare Sector
- International Expansion

**WORKDAY SERVICES**
- Workday Inc Growth
- Smart Client Conversion
- International Expansion
- North American Growth

**SMART PRODUCT SUITE**
- Workday Inc Client Growth
- Smart Test Additional Modules
- Smart Audit Market Traction
- Additional Products

**OPERATIONS**
- People: Develop, Retain, Recruit
- Customers: High Customer Satisfaction
- ‘One Kainos’ Cross-Sell
- Innovation
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