



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



REVENUE⁽¹⁾ +33%

£142m



ADJUSTED PROFIT⁽²⁾ +12%

£29m



BOOKINGS +81%

£187m



BACKLOG +38%

£250m



CASH +29%

£80m

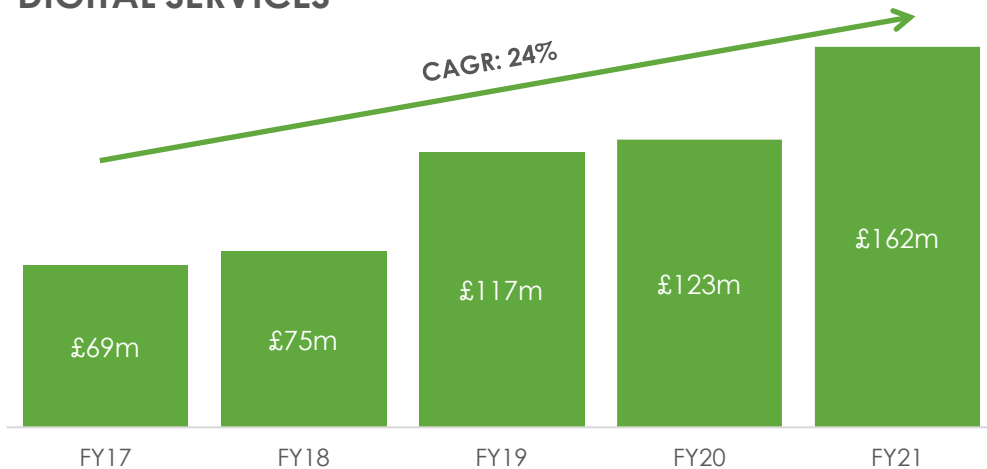
⁽¹⁾ Organic revenue growth was 32%.

⁽²⁾ Adjusted to remove the effect of share-based payments and acquisition related costs

Group Overview

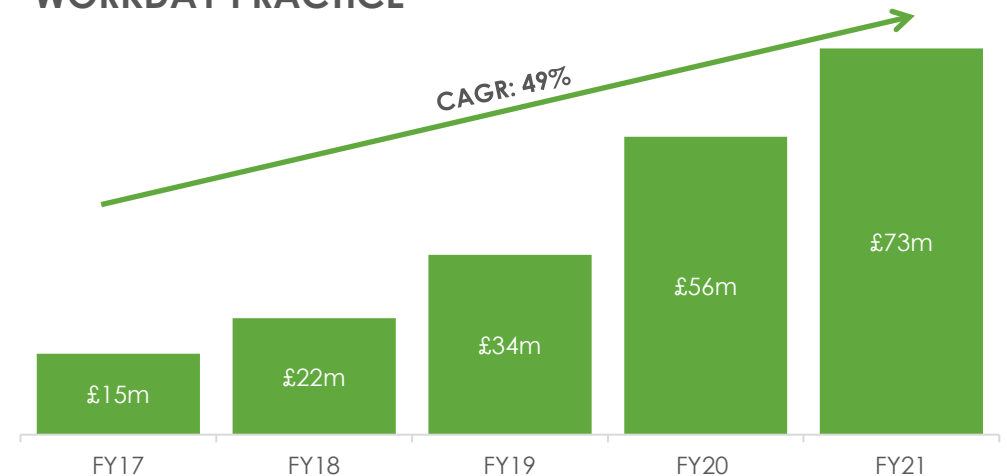
Long-term, strong revenue growth trends in both Digital Services and our Workday Practice

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

Financial Summary

An established track record of high growth, high margin performance

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

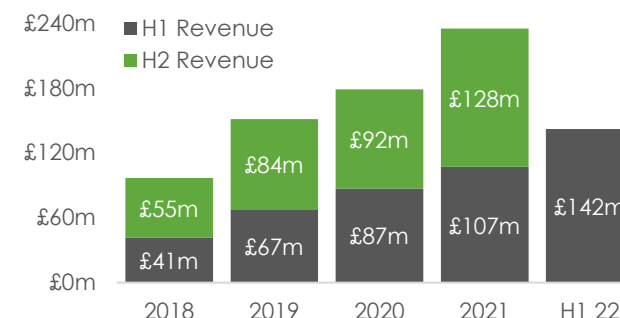
Key Financial Metrics

- 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)

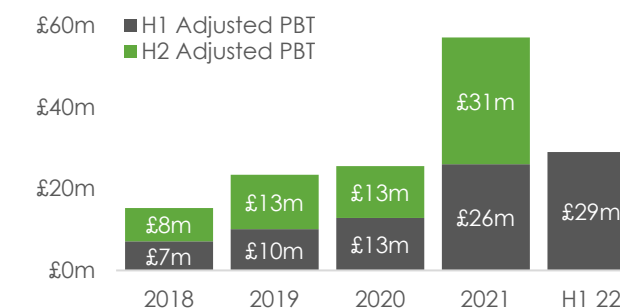
Earnings - Dividend.

- 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)

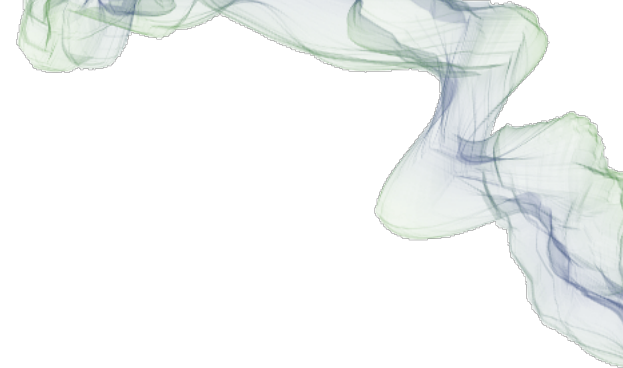
REVENUE



ADJUSTED PRE-TAX PROFIT⁽³⁾



⁽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

PEOPLE +41%

2,438

GROWTH TREND



EMPLOYEE RETENTION

89%

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)

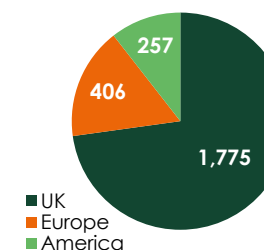
Completed the acquisition of two Workday specialists

- Cloudator (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

ENGAGEMENT

#86

ranked in the Sunday Times, Best Companies

84%

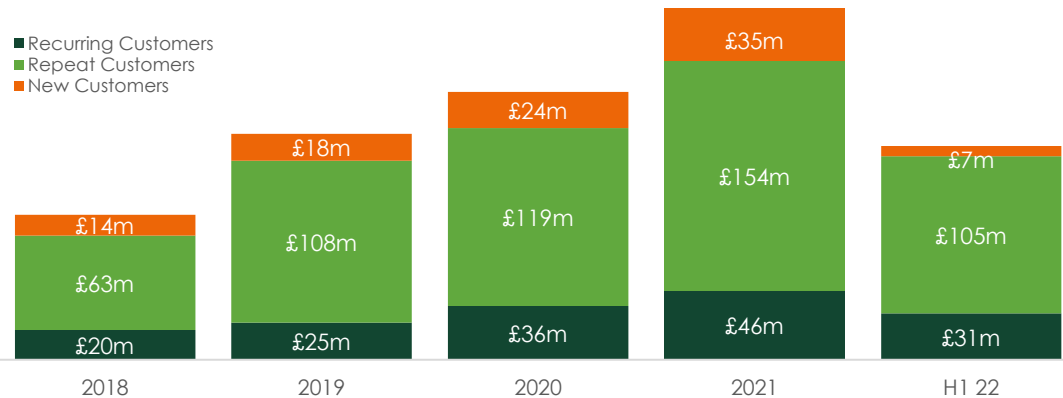
glassdoor recommend to a friend

Our Customers

Delivering value to our clients drives long-term relationships

REVENUE BY CUSTOMER TYPE

■ Recurring Customers
■ Repeat Customers
■ New Customers



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

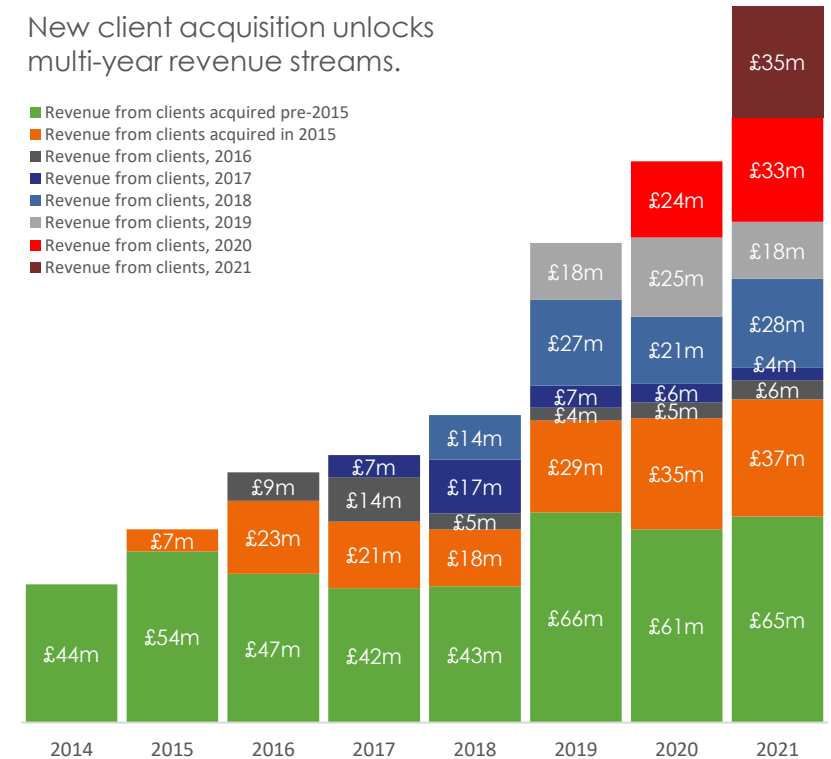
- 98% of customers rate service as 'good' or better (H1 21: 97%)
- In total, 601 active customers (H1 21: 481)⁽⁴⁾

New client acquisition unlocks multi-year revenue streams

CUSTOMER RETENTION

New client acquisition unlocks multi-year revenue streams.

■ Revenue from clients acquired pre-2015
■ Revenue from clients acquired in 2015
■ Revenue from clients, 2016
■ Revenue from clients, 2017
■ Revenue from clients, 2018
■ Revenue from clients, 2019
■ Revenue from clients, 2020
■ Revenue from clients, 2021

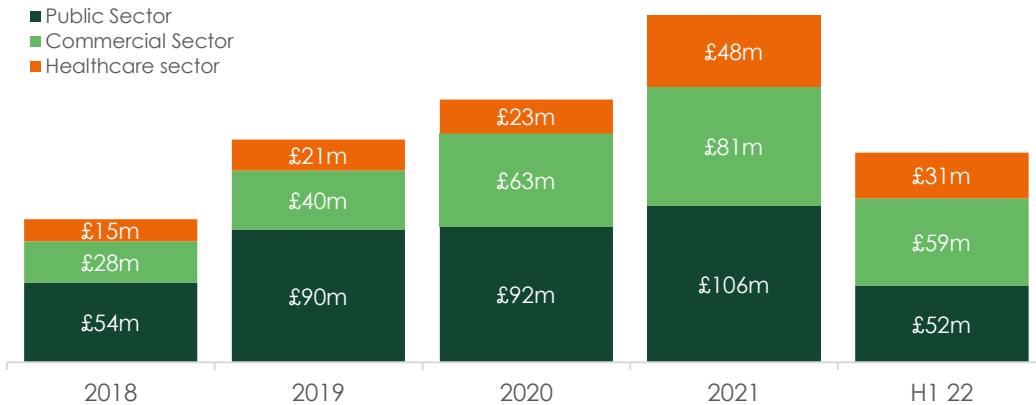


⁽⁴⁾ An active customer is one where Kainos has undertaken paid-for work in the period; excludes 425 customers of acquired businesses, IntuitivTEK, Formulate, Implexa, Cloudator and Une Consulting

Business Balance

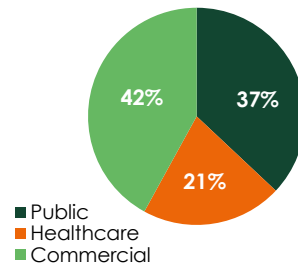
We have made excellent progress in building balance into our revenue streams

GROUP REVENUES BY SECTOR

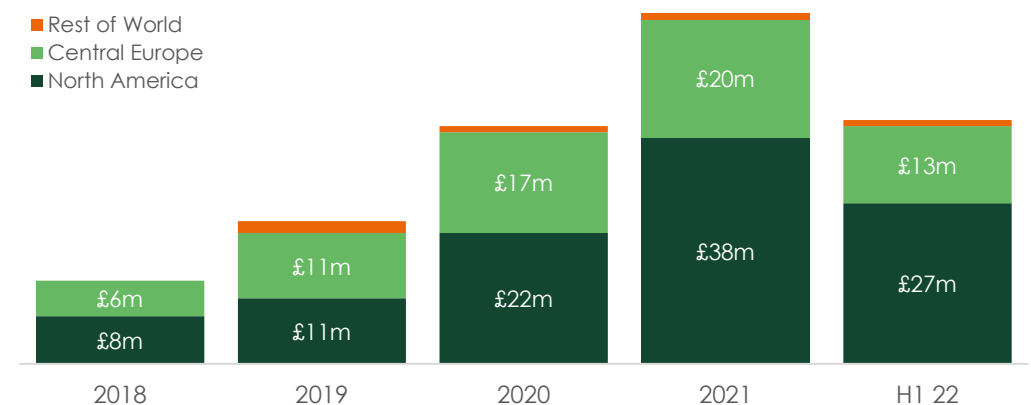


Growth in all sectors ensures that we continue to have a well-balanced business

- Commercial now the largest sector following growth of 51%
- Revenue from healthcare customers increased by 63%
- Public sector grew by 6%

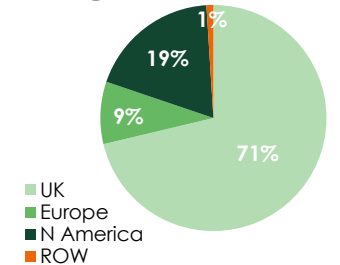


GROUP INTERNATIONAL REVENUES ⁽⁵⁾

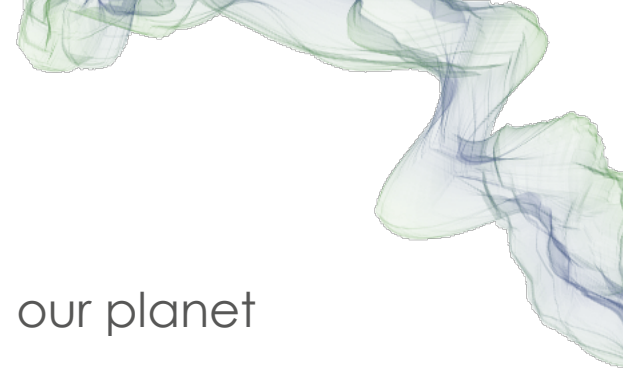


Very strong local growth with accelerating international expansion

- 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.

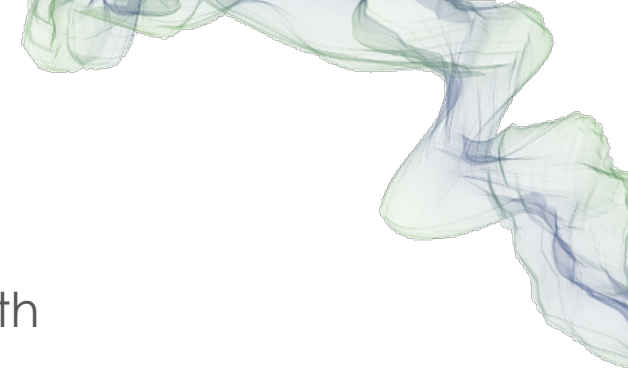
A significant increase in our outreach activity and impact

- 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

REVENUE +32%



BOOKINGS +90%

£126m

BACKLOG +29%

£152m

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 NHS^x

- 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

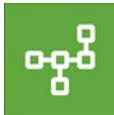
- Direct sales model
- Primarily time and materials

⁽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



Automation reduces review time by 50%

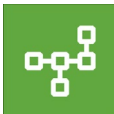


20,000 applications per day



Intelligent automation detects 100% of differences

GENOMICS ENGLAND



Genomic and Health Information Platform



Migrating large scale data to AWS



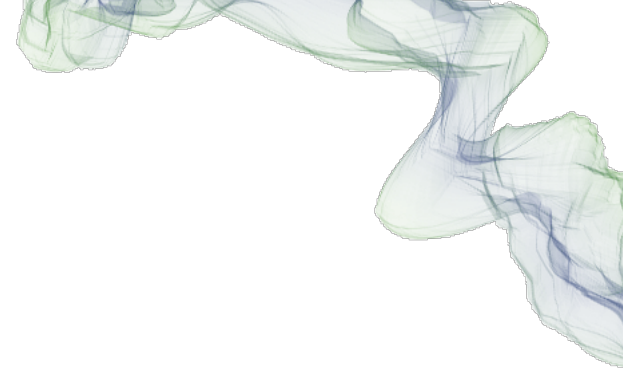
87% cost reduction per job execution



Specialists to accelerate and optimise future migrations

CUSTOMERS

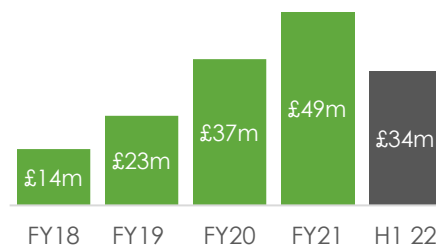




Workday Services

We are one of the most experienced partners in the Workday ecosystem

REVENUE +41%



BOOKINGS +51%

£36m

BACKLOG +39%

£35m

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

- Cludator (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

	(UK, EUROPE, US)
	(UK, EUROPE, US)
	(UK, EUROPE, US)

COMMERCIAL DYNAMICS

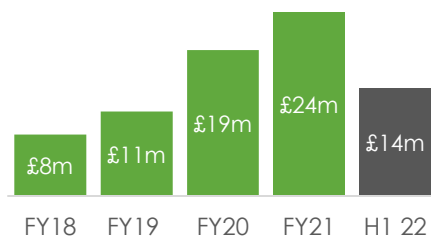
- Direct sales model
- Primarily time and materials

⁽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%

£26m

BACKLOG +67%

£63m

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

WORKSOFT®

 turnkey



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

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

CUSTOMERS



WARNER MUSIC GROUP



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

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

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

INCOME STATEMENT

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

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

As at 30 September (£m)	H1 22	H1 21
Fixed assets and investments	17.3	14.6
Goodwill and intangible assets	17.0	6.9
Receivables and WIP	67.0	39.9
Other assets	12.5	6.2
Cash and treasury deposits	80.4	62.5
Total assets	194.3	130.1
Liabilities	(98.4)	(57.7)
Shareholders' funds	95.9	72.3

CASHFLOW

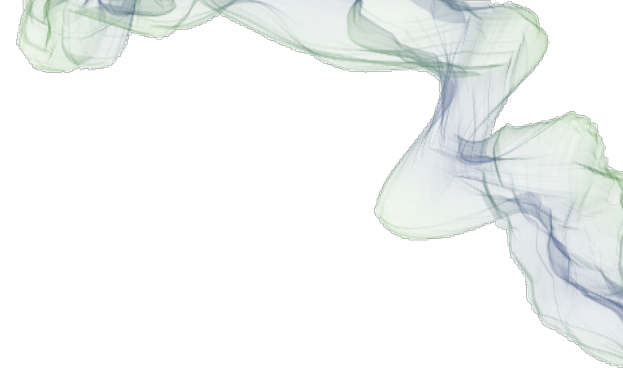
£m	H1 22	H1 21	FY 21
EBITDA⁽¹¹⁾	30.5	27.5	59.8
Cashflow from operating activities	11.7	33.8	67.2
Cash Conversion	38%	123%	112%
Income taxes paid	(2.6)	(2.2)	(7.2)
Capital expenditure	(2.5)	(0.4)	(1.5)
Acquisitions of subsidiaries	(8.2)	-	--
Investments	-	(0.2)	(0.2)
Payment of lease liabilities	(0.9)	(1.3)	(1.8)
Dividends	-	(8.2)	(16.0)
Amount placed on treasury deposit	-	-	(18.0)
Proceeds from issue of shares	1.9	0.2	0.3
Net cash (outflow)/inflow	(0.6)	21.7	22.8

⁽¹⁰⁾ Cashflow from Operations (CFFO) divided by adjusted EBITDA.

⁽¹¹⁾ EBITDA adjusted for share based payments and acquisition related costs.

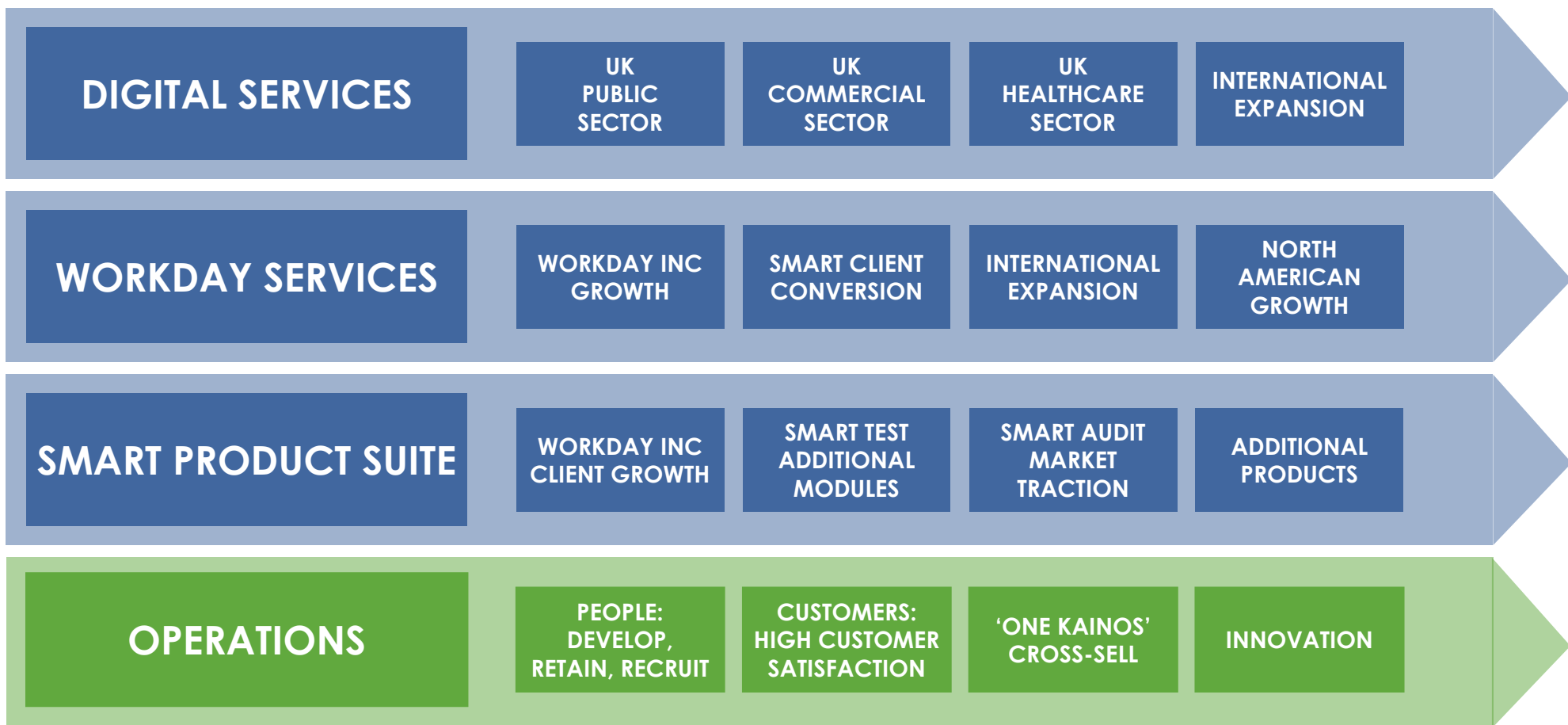
Looking Ahead





Summary and Outlook

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





Legal and Confidentiality Statement

This document contains statements about Kainos Group plc that are or may be forward-looking statements. Forward-looking statements include statements relating to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Kainos Group plc's operations; and (iii) the effects of government regulation on business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors or advisers of Kainos Group plc. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such statements. They are based on numerous assumptions regarding the present and future business strategies and the future operating environment. All subsequent oral or written forward-looking statements attributable to Kainos Group plc or any of its shareholders or any persons acting on its behalf are expressly qualified in their entirety by this cautionary statement. All forward-looking statements included in this document speak only as of the date they were made and are based on information then available to Kainos Group plc. Investors should not place undue reliance on such forward-looking statements, and Kainos Group plc does not undertake any obligation to update publicly or revise any forward-looking statements.

No representation or warranty, express or implied, is given regarding the accuracy of the information or opinions contained in this document and no liability is accepted by Kainos Group plc or any of its directors, members, officers, employees, agents or advisers for any such information or opinions.

This information is being supplied to you for information purposes only and not for any other purpose. This document and the information contained in it does not constitute or form any part of an offer of, or invitation or inducement to apply for, securities.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of laws of any such other jurisdiction.

© Kainos Group plc 2019. All rights reserved.