



k a i n ● s[®]

Interim Results

Six months ended 30 September 2015

23rd November 2015

revenue

£37.2m

growth of 29%

Profit⁽¹⁾

£6.8m

growth of 20%

commentary

- In line H1 2016 revenue and profit
 - In line with FY 2016 market expectations
- Adjusted diluted EPS: 4.8p per share ⁽¹⁾
 - EPS H1 2015, 4.1p per share
- Dividend declared: 1.8p per share
 - Payment date: 8th January 2016
- Strong growth in revenue, sales bookings and contracted backlog
- Managed short-term reduction in utilisation, impacting PBT growth
 - Forecast to improve in H2 2016

⁽¹⁾ Adjusted to remove the effect of IPO related costs (exceptional expenses) and share-based payments.

sales bookings⁽¹⁾

£34.8m

growth of 55%

backlog⁽¹⁾

£56.7m

growth of 54%

commentary

- Added 30 new customers in H1 2016
 - Including Office for National Statistics, Queen Victoria Hospital NHS Foundation Trust and New York Public Library
- Established offices in Boston and Amsterdam
 - Local sales operations to support Workday Implementation Services division
- Evolve selected by Apple for its Mobility Partner Programme
 - Only five healthcare companies selected globally

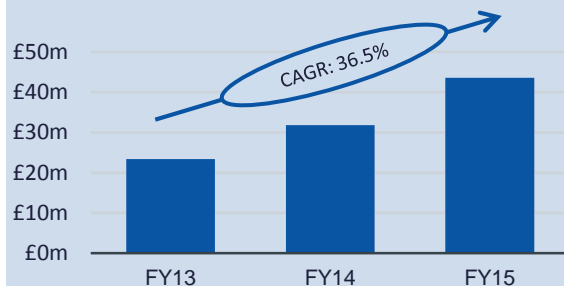
⁽¹⁾ Value of contracts signed with customers (excluding VAT or other taxes) and excludes 3rd party sales
Sales Bookings inclusive of 3rd party are £38.2m (H1 2015: £24.0m); increase of 59%
Contracted backlog inclusive of 3rd party is £67.0m (H1 2015: £47.5m); increase of 41%

Kainos is a high growth, high-margin company providing digital technology solutions and agile software development through three divisions

1

Digital Services

Building online digital platforms for UK Government departments



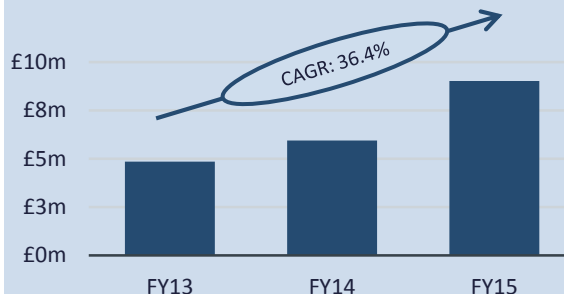
Market size (to 2020)⁽¹⁾: £1bn

Building 'digital by default' platforms for citizen communication

2

Evolve

Delivering digitised patient records for the NHS on the Evolve platform



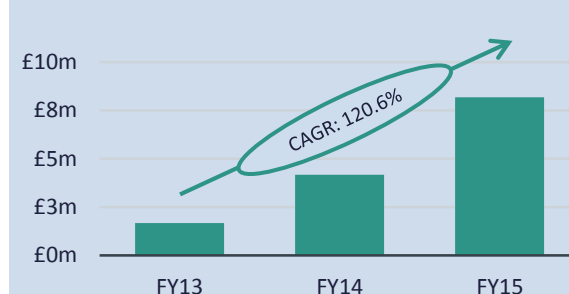
Market size (to 2020)⁽¹⁾: £200m

Replacing the "one size fits all" NPfIT with localised decision making

3

Workday Implementation

Implementing the Workday SaaS HR platform for enterprise customers



Market size (to 2020)⁽¹⁾: £350m

Displacing SAP and Oracle product stack with cloud-based HR software

Common skills across divisions: consulting, project management, software engineering, testing, application support

Highly selective recruitment: hired 230 people from 10,311 applicants in FY15

skills

Customer base includes global corporates, large UK Government and healthcare organisations

Have relevant, multi-year IT requirements, prefer long-term relationships, driving repeat business

customers

1

Digital Services

- Build deeper relationships with current customers
- Increase number of large central government clients
- Increase business in regional and local government

c. 300 'transactions' to be digitised by 2020 = £1bn addressable opportunity

2

Evolve

- Continue to dominate NHS Acute market
- Extend IP and sell to installed base, with particular focus on mobile and Apple iOS
- Expand into Ambulance, Community and Mental Health sectors

c. 110 Trusts to procure by 2020 = £200m addressable opportunity

3

Workday Implementation

- Expand into Europe, opening a dedicated office
- Extend our Workday services beyond HR (recruitment, analytics, financials)
- Develop IP for automated testing of Workday releases

Workday growth rate: 42%, targeting \$35.4bn ERP market and European expansion

Maintain the quality of our staff through continued investment and incentivisation

skills

Continue to develop long-term relationships, driving repeat and recurring business

customers

people

788

growth of 22%

applications

6,625

41% more job applications

commentary

- Continue to attract and retain high calibre people
 - Northern Ireland 435 (+55 people)
 - Great Britain 147 (+46 people)
 - Poland 174 (+45 people)
 - Ireland & RoW 32 (-6 people)
 - Total 788 (+140 people)
- H1 2016 recruitment also replacing contract staff; contractors reduced from 81 to 64
- Attrition although increased remains well below industry norms, but focus required to return to previous levels
 - Attrition, net of GB is 7.9% (6.5% H1 2015)
- Positive impact from recently appointed Non-Executive Directors



Divisional Performance

revenue

£24.4m

growth of 18%

gross margin

46%

reduction of 9%

commentary

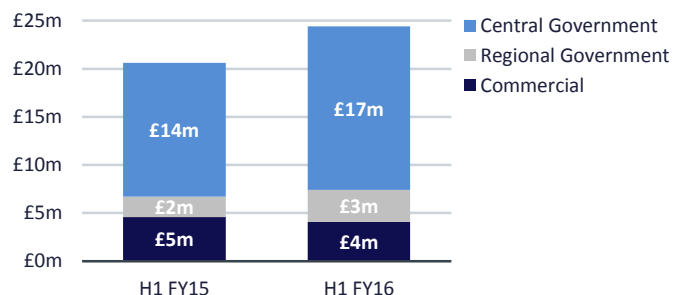
- Increasing demand across existing customers; new customers added
 - Growth excluding re-profiled project: 48%
- Gross profit £11.1m (£11.4m H1 2015)
 - Utilisation impact following early re-profiling of one project
 - Use of contractors for non-key skills
 - Upskilling staff on initial phase of new customer projects
- Margin improvement an area of focus for H2 2016
- Contracted backlog increased by 21%
 - Backlog at £28.4m (£23.5m H1 2015)

sales bookings

£24.2m

growth of 40%

revenue trends



commentary

- Sales bookings
 - Existing customers: £22.4m
 - New customers: £1.8m
- Client concentration rebalanced
 - Top 5 clients account for 56% (67% H1 2015)
- Continued growth in central government; regional government beginning journey
 - Regional: 57% increase to £3.0m (revenue)
- Changes in market environment
 - Majority government elected
 - Changes in GDS personnel
- Comprehensive Spending Review published November 25th; expected to accelerate digital projects, remove uncertainty in departments

1

Digital Services

Progress

- Build deeper relationships with current customers
- Increase number of large central government clients
- Increase business in regional and local government

- 100% retention of all government clients.
- £22.4m of contracts signed with existing clients.
- Added new government clients:
 - Foreign & Commonwealth Office
 - Land Registry
- Office for National Statistics
- The National Archives
- Border Force
- 57% growth in revenue in regional government
- On-going digital projects in Scotland, Wales and Northern Ireland
- New clients
 - Metropolitan Police Service
 - NI Department of Justice
 - NI Department of Finance and Personnel
 - NI Civil Service

Next

- Margin improvement programme to address drift in Gross Margin
- Assess opportunity to build commercial digital services UK client base



MOT-2 Project Summary.

22,700 garages in England, Scotland, Wales.

60,000 users of the new system.

31m annual MOT tests conducted annually.

James Munson, Director of Digital Services and Technology, DVSA.

“We were able to switch off MOT-1 on plan.

We’ve also got funding agreed to improve MOT-2 from this point on.

New code and functionality will be released every month for years to come.”

Andrew Merchant Locke,
Workshop Manager,
Windsor Road Garage, Bristol

revenue⁽¹⁾

£5.8m

growth of 115%

gross margin

58%

growth of 13%

commentary

- Good progress on revenue and margins
- Performance underpinned by consortium deal (3 Trusts)
 - East Sussex, West Sussex, Queen Victoria Hospital
- Evolve continues to extend leadership position
 - Evolve has now been selected by 32 Trusts (104 hospitals), live in 21 Trusts
- Contracted backlog increased by 153%
 - Backlog⁽¹⁾ at £25.0m (£9.9m H1 2015)

⁽¹⁾ These figures exclude 3rd party revenues

Revenue inclusive of 3rd party is £8.8m (H1 2015: £4.1m); increase of 117%

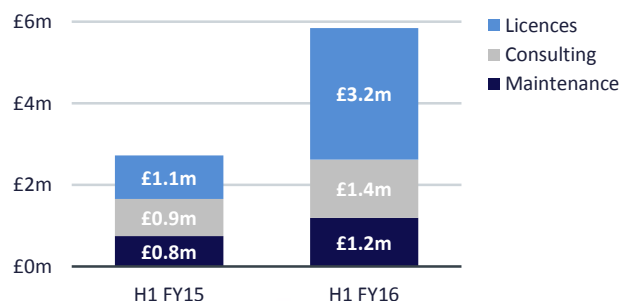
Contracted backlog inclusive of 3rd party is £34.2m (£20.0m H1 2015); increase of 71%

sales bookings⁽¹⁾

£7.3m

growth of 280%

revenue trends⁽¹⁾



⁽¹⁾ These figures exclude 3rd party sales

Sales bookings inclusive of 3rd party is £9.7m (H1 2015: £2.5m); increase of 288%

⁽²⁾ Department of Health Report, authors Tim Donohue, Director of Delivery Informatics and Beverly Bryant NHS England Director of Strategic Systems and Technology. [Link](#)

commentary

- Strong H1 sales bookings
 - Timing of Sussex consortium deal unusual, most NHS deals signed in H2
- South East Coast Ambulance Trust
 - Evolve now in live operation
 - Successful break-out from Acute market
- NHS market remains challenged – high need, but capped funding and lengthy sales cycles remain
 - Increasing number of Trusts facing budget deficit
 - Department of Health⁽²⁾ submission to Spending Review: £3bn, “front loaded for paper free healthcare...”

2

Focus

Progress

- Continue to dominate NHS Acute market
- Extend IP and sell to installed base, with particular focus on mobile and Apple iOS
- Expand into Ambulance, Community and Mental Health sectors

- Kainos selected by East Sussex, West Sussex and Queen Victoria Hospital in first contract award of FY 2016.

Evolve SaaS

- SaaS version of Evolve to be operational Q4 2016
- Opportunity for accelerated client deployment, revenue model flexibility, efficiency in support operations
- New platform has ability to support international healthcare clients

Apple

- Apple Mobility Partner Programme (MPP) designed to increase Apple share of business market, offering iPad, iOS and Apps as bundle
- MPP includes c42 companies, including Kainos, DocuSign, Xero, ServiceMax and Revel Systems
- Apple-hosted sales event (November) for UK Ambulance Trusts

- South East Coast Ambulance service now live with Evolve

Next

- Assess Apple Mobility Partner Programme opportunity for Evolve
- Assess international opportunity for Evolve SaaS

revenue

£4.1m

no change

gross margin

53%

reduction of 6%

commentary

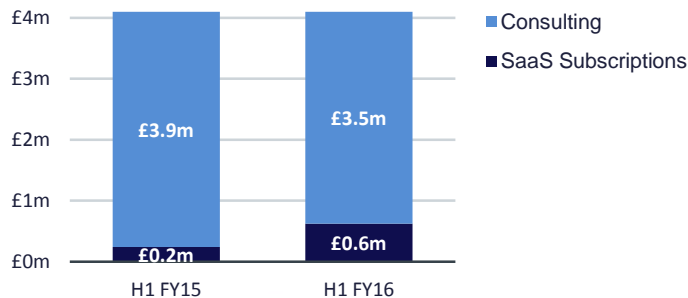
- Implementation revenues reduced in H1
 - Slippage on key implementation deal (€2.8m) now in signing process
 - Used sub-contract market to minimise margin impact of deal slippage
- Margins impacted by lower utilisation
 - Up-skilling of additional consultants
 - 57 certified consultants (+3 from H2 2015)
 - 14 consultants in certification process
- Smart SaaS product increasing penetration and contributing revenue
- Contracted backlog increased by 10%
 - Backlog at £4.4m (£4.0m H1 2015)

sales bookings

£3.6m

growth of 3%

revenue trends



commentary

- Workday, Inc. continues strong growth
 - Q3 2016 (Aug-Oct) registered 41% YoY growth
- H1 sales bookings impacted by slippage on two key deals
- Smart Automated Testing Platform progress
 - 42 customers now signed up on subscription
 - Subscriptions generated £600k in H1 2016
 - Subscription annual run rate now £1.7m
 - Focus in USA, Kainos office in Boston operational
- Continued consolidation in ecosystem
 - 2015: IBM acquires Meteorix (USA)
 - 2015: Aon Hewitt acquires Kloud (UK)
 - 2015: KPMG acquires Tower Perrins Workday Team (Global)
 - 2014: PwC acquires Balkon (Canada)
 - 2014: KPMG acquires Axia (USA)
 - 2014: Mercer acquires Jeitosa (USA)
 - 2012: Deloitte acquires Aggressor (USA)

Workday Implementation: Progress on Growth Plan k a i n o s®

3

Focus

- Expand into Europe, opening a dedicated office
- Extend our Workday services beyond HR (recruitment, analytics, financials)
- Develop IP for automated testing of Workday releases

Progress

- Project in Slovakia underway and on schedule
- Amsterdam office opened
- Initial staff recruited
- Sales activity underway
- Selected as one of two LDP partners for Europe, effective Feb 2016
- LDP is Workday for Medium Enterprise (up to 3,000 staff)
- LDP accounts for c50% of new Workday subscriptions (by volume)
- Recruitment of Kainos LDP sales team almost complete
- Smart provides Automated Testing of Workday HCM, Financials and Security
- 42 clients signed, mainly USA
- SaaS platform, typically 3-year subscription
- Clients include Netflix, Zynga and New York Public Library

Next

- Develop LDP (Lifecycle Deployment Programme) opportunity, build direct sales capability
- Accelerate Smart Sales activity, particularly in USA



Financial Performance

» Income Statement

	FY 2015	H1 2015	H1 2016	Change
Digital Services	43.6	20.7	24.4	18%
Evolve	9.0	4.1	8.8	117%
Workday Implementation	8.2	4.1	4.1	0%
Revenue	60.8	28.8	37.2	29%
Gross profit	32.4	15.6	18.3	18%
<i>Gross profit margin</i>	53%	54%	49%	
Operating expenses	(20.1)	(9.7)	(11.2)	(16%)
EBITDA	12.3	5.9	7.1	20%
Depreciation	(0.5)	(0.2)	(0.3)	
Adjusted Profit before tax	11.8	5.7	6.8	20%
<i>PBT margin</i>	19%	20%	18%	
<i>IPO costs & share based payments</i>	(0.0)	(0.0)	(1.6)	
Profit before tax	11.8	5.7	5.2	
Taxation	(2.1)	(1.0)	(1.2)	
Profit after tax	9.8	4.7	4.0	

» Commentary

- Revenue:
 - Top 10 customers: 51% (66% H1 2015)
 - Services growth: 17%
 - Licence growth (Evolve and Smart): 195%
- Gross margin:
 - Services margin reduction: 8%
 - Utilisation: 72% (76% H1 2015)
 - Licence margin growth offset by 3rd party margins
- Operating Expenses:
 - Slower growth than revenue
 - R&D expensed to £0.8m (£0.4m H1 2015)
 - Net of grants £0.1m (£0.4m H1 2015)
- IPO Related:
 - Share-based payments: £0.2m
 - IPO fees: £1.4m
- Underlying tax rate: 18.3%

» Balance Sheet

As at 31 March (£m)	H1 14/15	H1 15/16
Fixed assets	1.5	2.0
Debtors and WIP	18.4	20.9
Cash	11.9	9.7
Total assets	31.8	32.6
Liabilities	(13.2)	(13.9)
Shareholders' funds	18.6	18.7

» Commentary

- Limited fixed assets: IT, office equipment
- Underlying trade debtors/WIP total 75 days
- Working capital requirements similar by division
- Significant cash reserves and debt free
- Pre-IPO restructuring included c. £11m special dividend

» Cash flow

£m	H1 2015	FY15	H1 2016
EBITDA	5.9	12.3	7.1
Net cashflow from operating activities ¹	9.1	16.0	3.5
<i>Cash conversion</i>	154%	130%	49%
Taxation	(0.8)	(2.4)	(1.3)
Capital expenditure	(0.4)	(0.9)	(0.6)
Dividends	(1.3)	(1.3)	(11.2)
Financing ¹	(0.5)	(0.4)	3.8
Exceptional Items	-	-	(1.4)
Net cash inflow/(outflow)	6.1	11.0	(7.1)

» Commentary

- Cash conversion impacted by timing of bonus payments
 - Excluding bonus payments, underlying cash conversion 70%
- Capex growing with business
- Dividend of £2.1m declared
- Dividend cover 1.75 times (full six months excluding IPO costs)

¹Employee and Director loans classified as financing, operating cashflow stated pre-tax



Summary

commentary

- Excellent growth across all operating parameters, delivering in-line H1 2016 trading performance
- Increasing demand from existing customers, augmented by new customer acquisition
- Underlying market conditions remain robust, supporting a strong pipeline
- Talent acquisition and retention continue as key competitive differentiators

H1 performance

£37.2m

revenue growth of 29%

£6.8m

profit⁽¹⁾ growth of 20%

£34.8m

sales bookings⁽²⁾ growth of 55%

£56.7m

contracted backlog⁽²⁾ growth of 54%

(1) Adjusted to remove the effect of IPO related costs and share-based payments.

(2) Value of contracts signed with customers and excludes 3rd party sales

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