



Full Year Results

12 months ended 31 March 2016

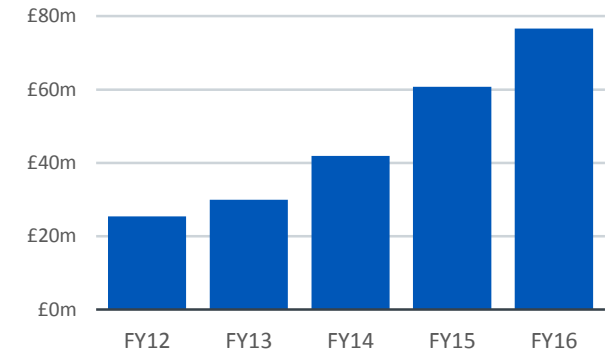
31/05/2016

Group Summary

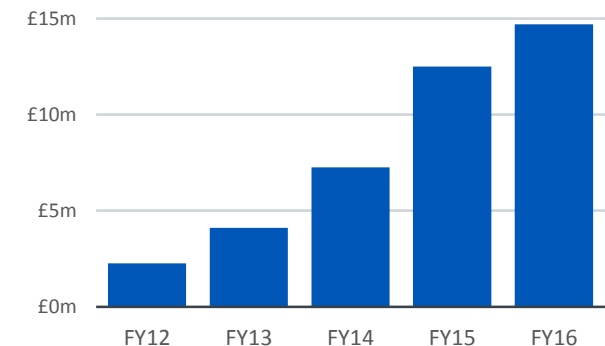
OVERVIEW

- **Kainos is a high growth, high-margin company providing IT services, consulting and software solutions**
 - Digital Services – online platforms for UK Government and Commercial customers
 - Evolve – digitised patient records for UK NHS and international clients
 - WorkSmart – implementing Workday SaaS HR for enterprise customers
- **Financials**
 - Strong, organic revenue growth
 - Good visibility: £72m contracted backlog
 - Strong, sustainable PBT: 18%
 - Cashflow conversion: 77%
 - Balance is working capital to fund growth

REVENUE



EBITDA

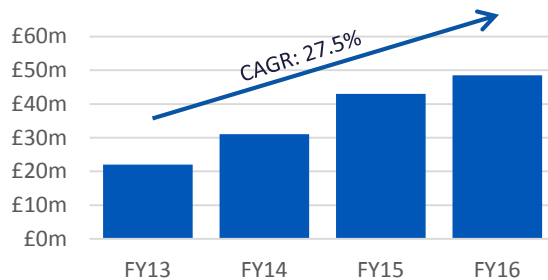


Group Overview

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

Digital Services

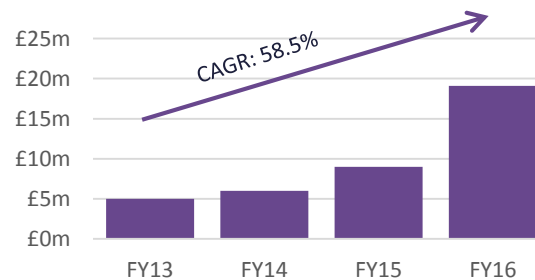
Building online digital platforms for UK Government Departments



Market size (to 2020)⁽¹⁾: £1bn
Cross-party support for 'digital by default' approach to citizen communication

Evolve

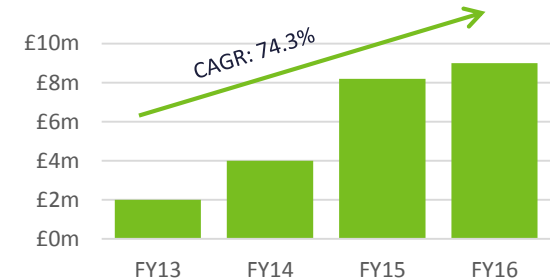
Delivering digitised patient records for the NHS and international clients



Market size (to 2020)⁽¹⁾: £600m in the UK NHS and c\$1bn in USA

WorkSmart

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

skills

Common skills across divisions: consulting, project management, software engineering, testing, application support
Highly selective recruitment: hired 1.9% of 11,222 applicants in FY16

customers

Customer base includes global corporates, large UK Government and healthcare organisations
Have relevant, multi-year IT requirements, prefer long-term relationships, driving repeat business

Notes: (1) Addressable market for Kainos

Growth Story

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

Evolve

- Continue to dominate NHS Acute market
- Expand into Ambulance, Community and Mental Health sectors
- Develop the international opportunities for Evolve Integrated Care, supported by our Apple relationship

c. 100 Trusts, c. 90 Clinical Commissioning Groups to procure = £600m addressable opportunity

WorkSmart

- Expand into Europe, opening dedicated offices
- Extend our Workday services beyond HR (recruitment, analytics, financials)
- Accelerate sales of Smart our automated testing platform for Workday releases

Addressable market opportunity through 2020 is £350m

skills

Maintain the quality of our staff through continued investment and incentivisation

customers

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



FY2015-16 Full Year Performance

Financial Overview

COMMENTARY

- **FY 2016 revenue and profit in line with market expectations**
 - 5th consecutive year of revenue growth
 - 5th consecutive year of profit growth
- **Significant, software-led international expansion**
 - Evolve and WorkSmart signed significant international contracts (\$13m)
 - Increasing investment in FY 2017 to drive international growth
- **Adjusted diluted EPS: 10.5p per share ⁽¹⁾**
 - EPS FY 2015, 8.5p per share
- **Final Proposed Dividend: 4.2p per share**
 - Interim dividend of 1.8p per share
 - Payment date: 21/10/2016

⁽¹⁾ Adjusted to remove the effect of exceptional items and share-based payments

REVENUE

£76.6m

GROWTH OF 26%

PROFIT ⁽¹⁾

£14.1m

GROWTH OF 19%

Operational Overview

COMMENTARY

- **Added 62 new customers in FY 2016**
 - Including Office for National Statistics, Queen Victoria Hospital NHS Foundation Trust and New York Metropolitan Museum
- **Kainos Smart Software Performance**
 - 55 international clients now on the SaaS platform including Netflix and Astra Zeneca
- **Break-out wins for Evolve**
 - Significant US and Asia Pacific deals
- **Growth in Digital Services despite UK election**
 - Commitment from Government for accelerated digital projects

SALES ORDERS⁽¹⁾

£81.2m

GROWTH OF 8%

BACKLOG ⁽¹⁾

£63.3m

GROWTH OF 4%

⁽¹⁾ Value of contracts signed with customers (excluding VAT or other taxes) and excludes 3rd party sales
Sales Orders inclusive of 3rd party are £87.2m (FY 2015: £78.3m); increase of 11%
Contracted backlog inclusive of 3rd party is £71.5m (FY 2015: £73.4m); decrease of 3%

People

COMMENTARY

- **Continue to attract and retain high calibre people; 123 people joined in the past 12 months**
 - Northern Ireland 458 (+66 people)
 - Great Britain 143 (+2 people)
 - Poland 203 (+55 people)
 - Ireland & International 36 (no change)
 - Total 840 (+123 people)
- **Strong hiring plan for FY 2017**
 - Expect to pass 1,000 staff during FY 2017
- **Employee engagement remains high**
 - Increased Sunday Times “Best Companies to Work For” ranking to #37
 - Attrition remains well below industry norms at 9.9% (7.9% FY 2015)

STAFF NUMBERS

840

GROWTH OF 17%

APPLICANTS

11,222

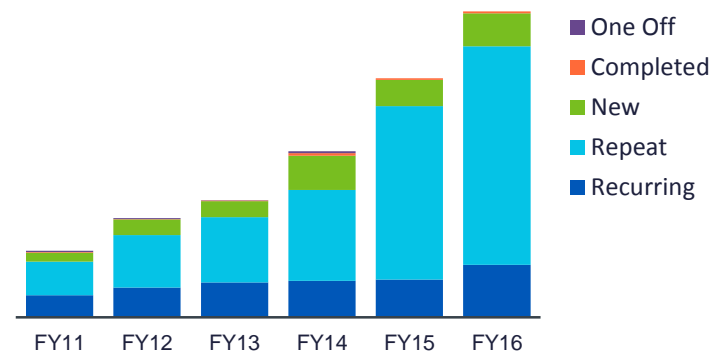
1,589 INTERVIEWS

Customers

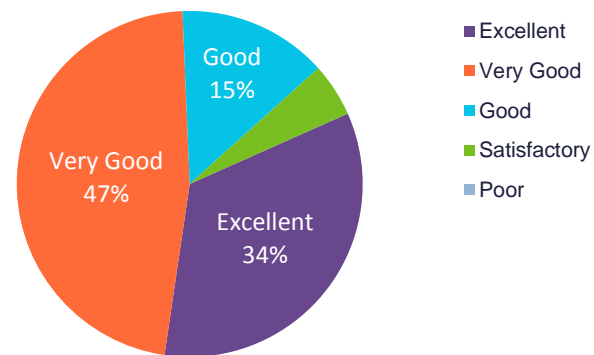
COMMENTARY

- **Existing clients driving revenue growth**
 - Repeat / Recurring: 88.7%
 - New clients: 10.8%
 - Non-recurring: 0.5%
- **FY2016 new client acquisition – 62 in total**
 - Consulting: 27 (25 in FY2015)
 - SaaS/Licence: 35 (21 in FY2015)
 - Increased opportunity for cross-selling
- **Customer satisfaction remains high**
 - 96% of customers rate the overall Kainos performance as good, very good or excellent
 - 98% of customers rate Kainos staff as good, very good or excellent at their job

REVENUE TYPE



CUSTOMER SATISFACTION





kainos®

Digital Services

Digital Services Market Summary

COMMENTARY

- **Significant increase in market opportunity**
 - Estimates indicate spending on digital projects rising to £2.5bn per annum by 2020
 - Central Government IT spend remaining stable at £5bn per annum
- **Continued growth of digital in government**
 - Complex digital services with integration yet to be tackled
 - Regional government at start of digital journey
- **Comprehensive Spending Review positive for digital - £1.8bn allocated**
- **Assessing opportunity to address digital needs in financial services organisations**

MARKET

Competitors

- Specialist: Valtech, BJSS, ThoughtWorks
- Large SIs: HP, Atos, Fujitsu
- Internal IT – limited capacity

Procurement

- G-Cloud Lot 4 (£388m in 15/16) – Kainos #7 of 2566 suppliers
- Digital Services Framework II – 169 suppliers; data not yet published
- Digital Outcomes and Specialists: Kainos on both frameworks

NEW CLIENTS



Digital Services Performance

COMMENTARY

- **Increasing demand across existing customers; new customers added**
 - Growth excluding re-profiled project: 40%
- **Comprehensive Spending Review**
 - Delays during review period but strong commitment from government to digital transformation (November 2015)
- **Margin impact**
 - Mainly due to re-profiled project in Q1 FY2016
 - Q4 2016 margins returning to normal
- **Contracted backlog decreased by 21%**
 - Backlog at £28.3m (£36.0m FY 2015)
 - Mainly due to re-profiled project

REVENUE

£48.5m

GROWTH OF 11%

GROSS MARGIN

45%

REDUCTION OF 8%

Digital Services Performance

COMMENTARY

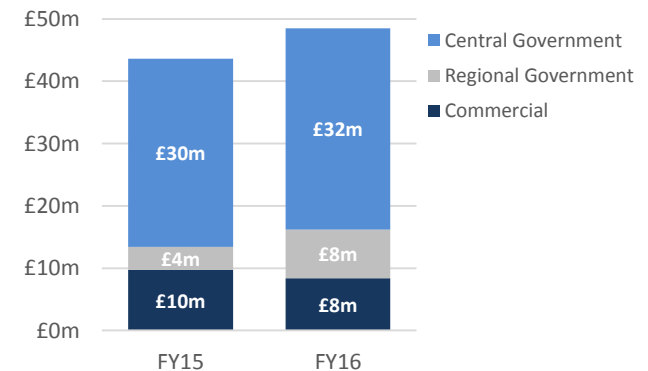
- **Sales orders**
 - Existing customers: £50.5m
 - New customers: £2.8m
- **Client concentration reduced**
 - Top 5 clients account for 55% (67% FY 2015)
- **Continued growth in central government; regional government beginning journey**
 - Regional: 111% increase to £7.8m (revenue)
- **Referendum on Brexit on 23/06/2016**
 - 'Stay': no anticipated impact on opportunity
 - 'Leave': Existing programmes unlikely to be impacted; mid-term distraction but increased opportunity following multiple legislative changes

SALES ORDERS

£53.3m

GROWTH OF 7%

REVENUE TRENDS



Case study: Ministry of Justice

HMCTS Reform Programme

- HM Courts and Tribunal Service
- Programme to digitise courts
- From 95% cases in courts, to
 - 1/3 in court
 - 1/3 virtual
 - 1/3 digital self service
- £200m IT budget
- Saving £200m per annum from 2019-20

Identity & Access Management Project

- For the Criminal Justice System
- Ensure public, magistrates, solicitors and staff access the right services
- 25,000 magistrates
- 20,000 defence users
- 15,000 Public Sector users



Agile Delivery



Identity & Access



Service Design

Automated Track Case Management Project

- Remove high volume, low level cases from courtrooms
- Speeding, Fare and TV License evasion
- 800,000 non-imprisonable cases pa
- In Alpha with Transport for London.



Digital Consulting



Product Enhancement



Operations



Lord Justice Fulford, Senior Presiding Judge for England and Wales

"Since the days of King George, little has changed in the way justice is administered in our Courts. The volume of paper has multiplied, but the processes have not changed. This is a once in a generation opportunity to radically overhaul how our Courts operate and administer Justice for all."



Case study: Scottish Courts Service

Digital Services and Case Management for Civil Proceedings in Scotland

- 600 court officers, 11,000 solicitors and general public
- 39 Sheriff Courts nationwide
- 130,000 Civil court cases per year
- Additional projects: Managed Cloud, Juror Selection, Criminal courts



evolve

innovation by kainos®

Healthcare & Technology Requirements

KEY GLOBAL ISSUES AND TRENDS

- Ageing population and chronic diseases
- Cost and quality of healthcare
- Access to specialist physicians

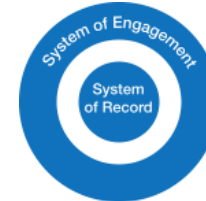
REQUIREMENTS

- A bi-modal healthcare IT delivery model
- To be able to rapidly re-engineer and innovate new care processes with efficient mobile access and capture
- Access to joined-up, comprehensive patient data
- Collaboration between all stakeholders in care provision








IN EUROPE

Estimates point to a shortage of one million health professionals in the EU by 2020 ... and a shortage of 600,000 workers in nursing and a shortage of 230,000 qualified physicians.

Health Strategy and Health Systems in the
EU Commission



Evolve Offerings

Offering	Evolve Electronic Medical Record (EMR)		Evolve Integrated Care
Market	⁽¹⁾ 		  
License Model	Perpetual ⁽²⁾		Subscription
Deployment			
Addressable market	UK NHS: £200m		UK NHS: £400m Partners (Global): \$1bn+

Notes:

1. We see some opportunity to offer Evolve EMR outside the UK NHS
2. Some Evolve EMR modules have been licensed on a subscription basis and we see further uptake of this depending on capital availability

Evolve Performance

COMMENTARY

- **Good progress on revenue whilst maintaining strong margins and international investment**
- **Evolve EMR continues to extend leadership position in UK NHS**
 - Added East Sussex, West Sussex, Queen Victoria Hospital and West Middlesex
 - Evolve has now been selected by 33 Trusts (105 hospitals), live in 26 Trusts
- **Evolve Integrated Care**
 - Significant international deals with Intouch Health and Cirdan
 - Total SaaS orders: £3.4m (FY 2015: nil)
- **Contracted backlog increased by 19%**
 - Backlog at £24.8m (£20.9m FY 2015)⁽²⁾

⁽¹⁾ These figures exclude 3rd party revenues

Revenue inclusive of 3rd party is £19.1m (FY 2015: £9.0m); increase of 112%

⁽²⁾ Contracted backlog inclusive of 3rd party is £32.1m (FY 2015: £32.3m); reduction of 1%

REVENUE ⁽¹⁾

£11.5m

GROWTH OF 72%

GROSS MARGIN

53%

INCREASE OF 1%

Evolve Performance

COMMENTARY

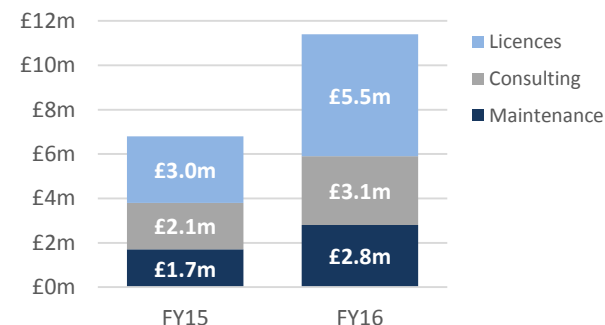
- **Evolve EMR: NHS market remains challenged – high need, but capped funding and lengthy sales cycles remain**
 - Department of Health ⁽²⁾ submission to Spending Review: £3bn, “front loaded for paper free healthcare...”
 - Early indications of a more active market, currently tracking 9 in-year procurements
- **Evolve Integrated Care: NHS ‘win’ and international expansion**
 - Preferred vendor in significant NHS CCG opportunity
 - Live software in US hospitals scheduled for October 2016 (beta: July 2016)
 - Investment in building US sales teams

SALES ORDERS⁽¹⁾

£13.1m

REDUCTION OF 29%

REVENUE TRENDS ⁽¹⁾



⁽¹⁾ These figures exclude 3rd party sales

Sales orders inclusive of 3rd party is £17.7m (FY 2015: £20.2m); decrease of 12%

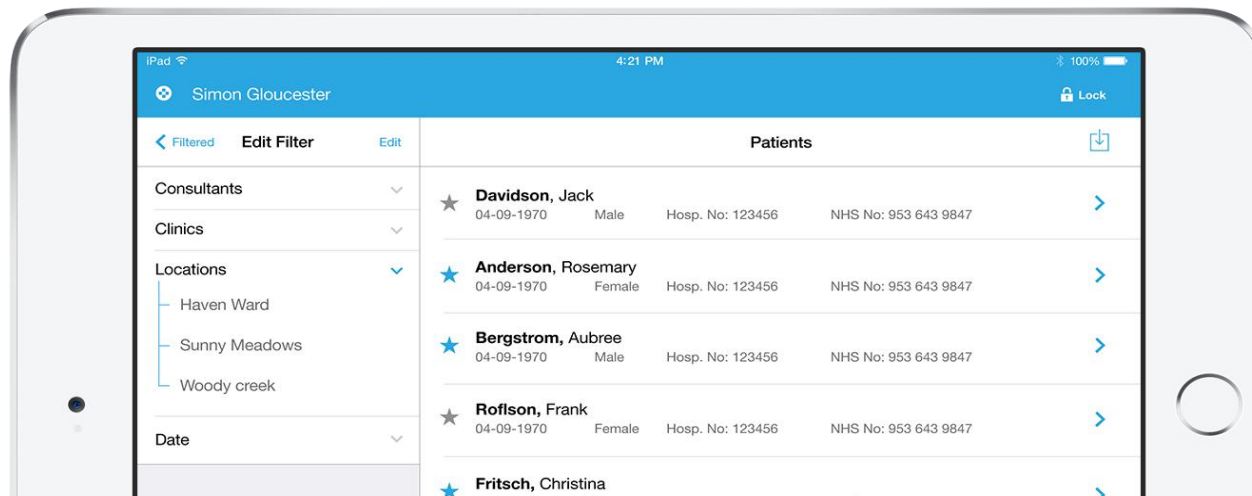
⁽²⁾ Department of Health Report, authors Tim Donohue, Director of Delivery Informatics and Beverly Bryant NHS England Director of Strategic Systems and Technology. [Link](#)

Case Study: Worcestershire Acute Hospitals NHS Trust

- **Worcestershire Acute Hospitals NHS Trust**
 - 5,500 staff, annual turnover: £360m
 - Worcestershire Royal Hospital (500 beds)
 - Alexandra Hospital (300 beds)
 - Kidderminster Hospital and Treatment Centre
- **Delivered in partnership with Xerox**

“Evolve for iPad is a complete no-brainer. This improves patient safety enormously: to lose access to this would be like removing radar and radio from commercial jets”

*Michael McCabe
Anaesthetics Consultant,
Worcestershire Acute Hospitals NHS Trust*





kainos[®] **WorkSmart**

Workday Inc.

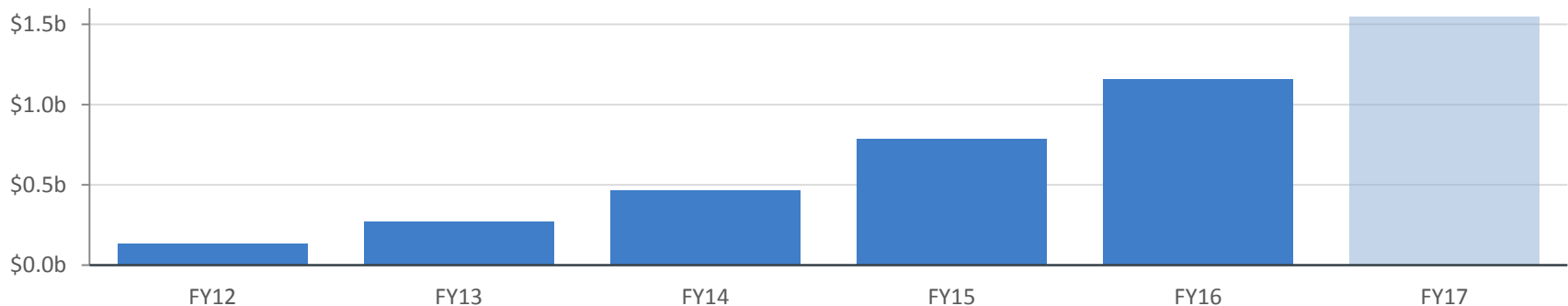
COMPANY OVERVIEW

- Leading SaaS Human Capital Management (HCM) and Financials platform
- Workday competes against Oracle and SAP
- Annual growth rate of 48% in FY 2016
- 5,200 employees; USA HQ
- 1,200 customers
- FY 2016: \$1.2bn revenues

GROWTH FOCUS

- Focused on displacing ERP legacy vendors
- Continue sales momentum in HCM
- Accelerate into Financials market
- Cross-sell additional modules - e.g. Payroll, Recruiting, Learning, Professional Services Automation
- Further expansion into Europe: UK & Ireland, Benelux, DACH, Nordics, France

WORKDAY REVENUES (\$B)



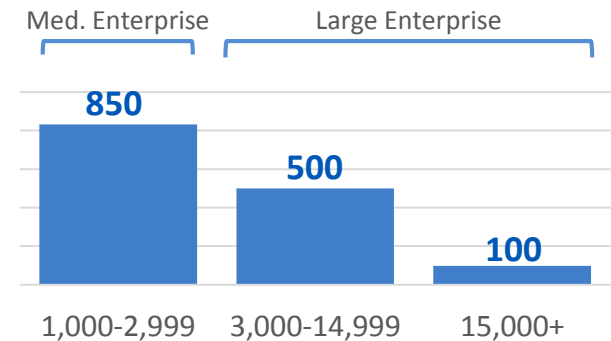
Kainos WorkSmart Services - Market Dynamics

COMPETITIVE LANDSCAPE

- **80% of Workday projects implemented by partners**
- **Tightly controlled partner ecosystem**
 - 36 service partners worldwide
 - Kainos is the only software and services partner in ecosystem; and one of only three European Medium Enterprise partners
 - Kainos has 75 certified consultants
 - High barriers to entry; on-going certification
- **Very clear partner tiers:**
 - Boutique: exclusively Workday
 - Global SI: multi-vendor (including SAP, Oracle)
- **UK Ecosystem:**
 - Boutique: Appirio, DayNine, OneSource, Kainos
 - Global: IBM, Deloitte, PWC, Aon, Accenture

UK MARKET

Number of Organisations



DIAGEO

PRIMARK®

UDG Healthcare plc



Booking.com

ICON
A Symbol of Excellence

easyJet

Travellex
worldwide money

Kainos Smart SaaS

KAINOS SMART IS AN AUTOMATED TESTING PRODUCT BUILT SPECIFICALLY FOR WORKDAY



AUTOMATION IS PRE BUILT AND IN SYNC WITH
CURRENT VERSION OF WORKDAY

SMART IS A CLOUD BASED SOLUTION HOSTED ON AMAZON

Kainos Smart Client Case Study

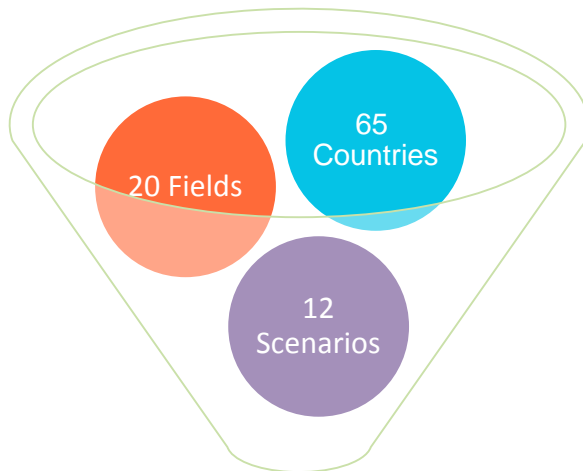


COMPANY OVERVIEW

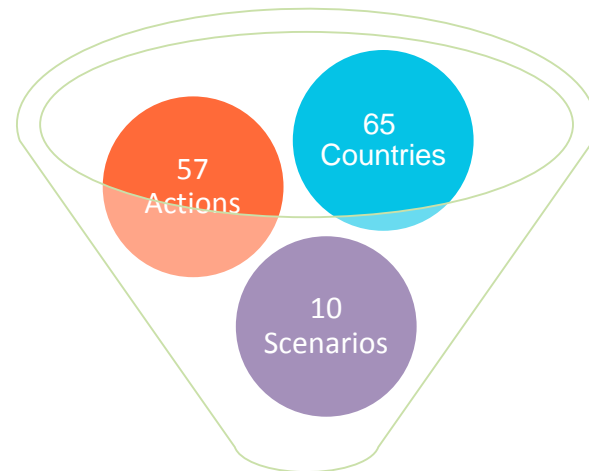
- 57,500 employees
- \$26 billion annual sales
- 65 different countries
- Constant change

TEST EVENT

- 51,000 security tests
- One button click
- Execution time: 2hours 20mins
- 500+ man days to execute manually



15,360 tests in field permissions



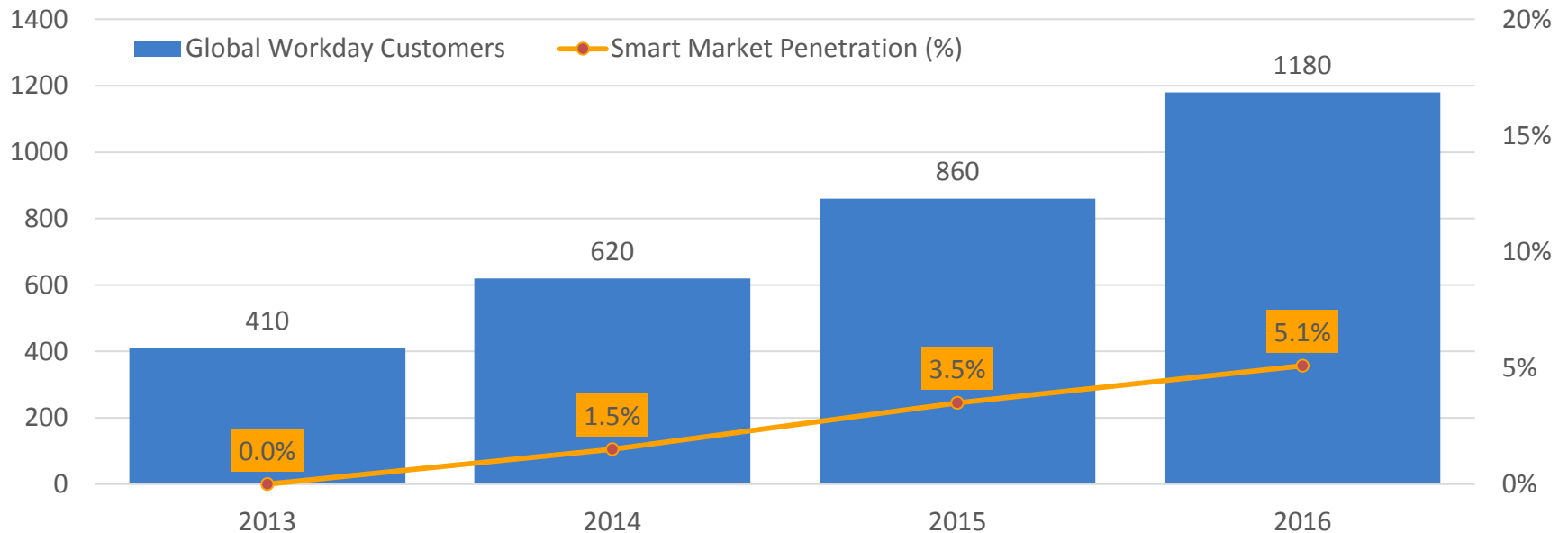
36,480 tests in available actions

Kainos Smart Customers

Across financial services, government, education, manufacturing and technology

NETFLIX	ICON A Symbol of Excellence	AstraZeneca 	easyJet	stripe
Shire	DIAGEO	THALES	PRIMARK®	tyco
CSC	MIZUHO	T.Rowe Price INVEST WITH CONFIDENCE 	 maxim integrated™	
 BROWN	 THE UNIVERSITY OF CHICAGO	 BROWARD COLLEGE www.broward.edu	W UNIVERSITY of WASHINGTON	 BABSON
 WHITING	 Howard County	 CUSHMAN & WAKEFIELD	 MARYLAND	

Kainos Smart - Market Opportunity



- **The only alternative to Kainos Smart is manual testing (or to do nothing)**
 - **Smart utilises a 3-year subscription model**
 - Separate modules: HCM, Financials, Security
 - Anticipate renewals every 3 years while client continues to use Workday
- **Addressable market is all Workday clients**
 - 1,180 clients today and 30%+ annual growth in clients
 - Additional Smart modules on roadmap will support additional revenues
 - Demand for Financials expected to outstrip HCM

WorkSmart Performance

COMMENTARY

- **New projects drive strong H2 performance**
 - H2 vs H1 revenue - increase of 23%
 - Five new consulting projects signed
- **Strong recruitment and certification of consultants**
 - 75 certified consultants (+13 from H1 2016)
 - A further 7 consultants in the certification process
- **Smart SaaS product increasing penetration and contributing revenue**
 - Revenues of £1.7m (£0.6m FY 2015), an increase of 183%
- **Contracted backlog increased by 119%**
 - Backlog at £11.1m (£5.1m FY 2015)

REVENUE

£9.0m

INCREASE OF 10%

GROSS MARGIN

57%

NO CHANGE

WorkSmart Performance

COMMENTARY

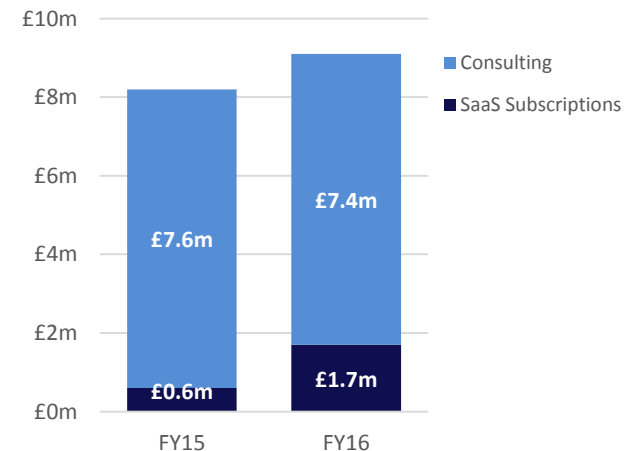
- **Workday, Inc. continues strong growth (48% in FY2016)**
- **Strong WorkSmart H2 sales performance**
 - £12.4m signed in H2 2016 (£3.8m H1 2016)
 - Five new consulting engagements signed, including largest ever consulting project of €4.5m
 - First contracts in Benelux and Workday Medium Enterprise segment signed
- **Smart Automated Testing Platform progress**
 - 55 customers now contracted
 - Subscriptions generated £1.7m (FY 2016) and annual recurring revenue now £2.5m
 - Sales focus remains in US
 - Office in Boston operational
 - Further sales investment identified

SALES ORDERS

£16.2m

GROWTH OF 96%

REVENUE TRENDS



Case Study: Icon plc



- Global Workday Support Partner across 37 Countries
- Helping ICON to improve their people processes for over 12,000 employees
- Proactive maintenance and enhancement coupled with reactive fault/fix services
- New and improved functionality being deployed on a weekly basis





Financial Performance

Financials: Income Statement

COMMENTARY

- **Revenue:**
 - Services growth: 13%
 - Licence growth (Evolve and Smart): 101%
 - Top 10 customer concentration: 48% (62% FY15)
- **Gross margin:**
 - Services margin reduction: 5%
 - Utilisation: 72% (73% FY15)
 - Licence margin growth offset by 3rd party margins
- **Operating expenses:**
 - Growing more slowly than revenue
 - R&D expensed to P&L: £2.3m (FY 15 £1.1m)
- **Exceptional items/share based payments:**
 - Gain on SpeechStorm investment sale: £2.0m
 - IPO fees: £1.3m
 - Share-based payments: £0.5m
- **Underlying tax rate: 16%**
 - Will change next year with RDEC accounting change

INCOME STATEMENT

£m	FY 2014	FY 2015	FY 2016	CAGR
Digital Services	31.8	43.6	48.5	24%
Evolve	5.9	9.0	19.1	79%
WorkSmart	4.2	8.2	9.0	47%
Revenue	41.9	60.8	76.6	35%
Gross profit	21.5	32.4	37.1	31%
<i>Gross profit margin</i>	<i>51%</i>	<i>53%</i>	<i>48%</i>	
Operating expenses	(14.2)	(20.1)	(22.3)	25%
EBITDA	7.4	12.3	14.7	41%
Depreciation	(0.4)	(0.5)	(0.7)	
Adjusted Profit before tax	7.1	11.8	14.1	41%
<i>PBT margin</i>	<i>17%</i>	<i>19%</i>	<i>18%</i>	
Exceptional items & share based payments	-	-	0.2	
Profit before tax	7.1	11.8	14.3	
Taxation	(1.6)	(2.1)	(1.8)	
Profit after tax	5.5	9.8	12.4	

Financials: Balance Sheet and Cash Flow

COMMENTARY

• Balance Sheet:

- Limited fixed assets; IT, office equipment
- Investment in Cirdan Imaging: £0.9m
- Underlying trade debtors/WIP total 67 days (FY15 76 days)
- Working capital similar by division
- Significant cash reserves and debt free
- Dividends include £11.2m pre IPO special dividend

• Cashflow:

- Cash conversion 77%
 - Impact of working capital growth: 26%
 - Working capital growing in line with revenue
- Capex growing with business
- Dividend of 4.2p (£5.0m) proposed
- Total dividend 6.0p (£7.1m)
- Dividend cover 1.75 times (full 12 months excluding exceptional items)

BALANCE SHEET

As at 31 March (£m)	2014	2015	2016
Fixed assets	2.2	1.8	2.1
Investments	-	-	0.9
Other current assets	18.5	21.0	24.0
Cash	5.8	16.8	15.0
Total assets	26.5	39.6	42.0
Liabilities	(11.4)	(15.9)	(16.1)
Shareholders' funds	15.1	23.7	25.9

CASH FLOW

£m	FY 14	FY 15	FY 16
EBITDA ¹	7.4	12.3	14.7
Net cashflow from operating activities ²	6.3	16.0	11.3
Cash conversion	85%	130%	77%
Taxation	(0.3)	(2.4)	(2.5)
Capital expenditure	(0.5)	(0.9)	(1.0)
Dividends	(0.7)	(1.3)	(13.3)
Financing ²	(2.1)	(0.4)	4.0
Investing activities	-	-	1.1
Exceptional Items	-	-	(1.3)
Net cash inflow/(outflow)	2.7	11.0	1.7

¹ EBITDA adjusted for exceptional items and share based payments

² Adjusted for taxation, director loan repayment pre IPO and exceptional items



Summary

Summary

COMMENTARY

- Excellent growth across all operating parameters, delivering in-line FY 2016 trading performance
- Increasing demand from existing customers, augmented by new customer acquisition
- Underlying market conditions remain robust, supporting a strong pipeline
- International activity yielding significant contract wins; increasing sales and marketing investment in line with revenue opportunities
- Talent acquisition and retention continue as key competitive differentiators

(1) Adjusted to remove the effect of exceptional items and share-based payments.

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

FY2016 PERFORMANCE

£76.6m

REVENUE GROWTH OF 26%

£14.1m

PROFIT⁽¹⁾ GROWTH OF 19%

£81.2m

SALES ORDERS⁽²⁾ GROWTH OF 8%

£63.3m

CONTRACTED BACKLOG⁽²⁾ GROWTH OF 4%

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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.

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