

kainos®

Capital Markets Day

26th June 2018



Highlights

(as at 31 March 2018)

In summary, a strong performance across key metrics.

In particular, very strong sales execution provides an excellent platform for continued growth.

Very strong sales performance, up 38% to £130.7m.

- Sales closure driving backlog up 45% to £110.7m.

Continued revenue diversification.

- International revenues up 17% to £20.2m.
- Commercial revenues up 19% to £29.1m.
- SaaS and software-related revenues up 4% to £15.9m.

Ongoing demand within Digital Services.

- Significant engagements within UK Government.
- Strengthened position as leading Workday partner.

Digital Platforms making progress against milestones.

- Smart continues progress, sales up 17% to £10.7m.
- Evolve strong sales performance, up 28% to £10.0m ⁽²⁾.

Maintained strong R&D activity, with investment of £4.9m expensed.

Continue to build an exceptionally talented team.

- Staff numbers increased by 194 to 1,169 people.
- Operating from 11 offices with new openings in Copenhagen, Birmingham and Atlanta.

⁽¹⁾ Adjusted pre-tax profit calculated by taking the profit before tax and adding back £1.1 million share-based payments (2017: £0.9 million).

⁽²⁾ Excludes 3rd party (inclusive of 3rd party is £11.5m; 2017: £11.0m).



£96.7m

REVENUE UP 16%



£15.3m

ADJUSTED PRE-TAX
PROFIT⁽¹⁾ UP 7%



£29.0m

NET CASH UP 22%



£130.7m

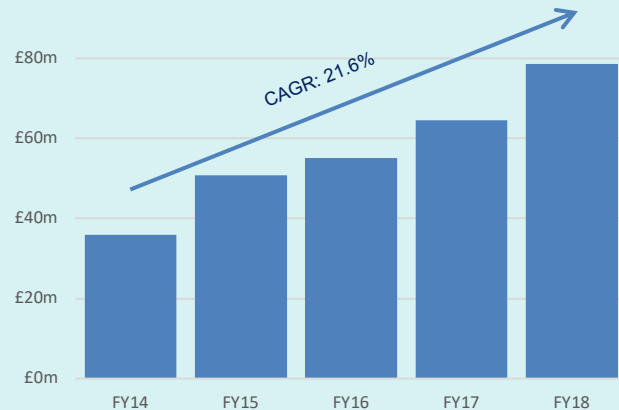
SALES ORDERS UP 38%

Group Overview

Digital Services: we are a key partner to UK government and the leading European boutique partner for Workday.

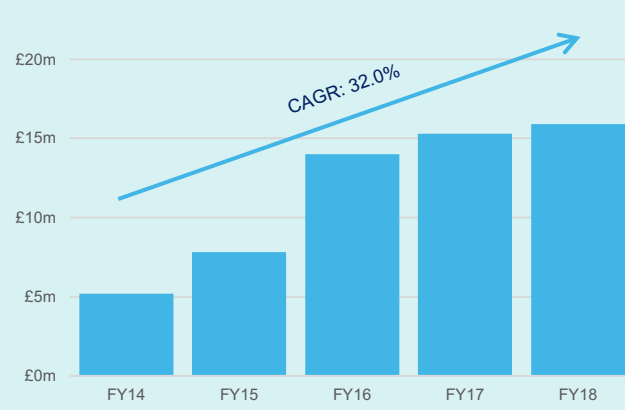
Digital Platforms: our software is used by over 145 national and international clients.

DIGITAL SERVICES



- Digital Transformation: Online digital platforms for commercial and government clients.
- Workday Services: Deployment of Workday HR and Financial SaaS platform for enterprise customers.

DIGITAL PLATFORMS⁽¹⁾



- Smart: Automated testing platform for Workday suite.
- Evolve IC: Care pathway automation platform for NHS and international healthcare clients.
- Evolve EMR: Digitised patient records platform for NHS.

⁽¹⁾ Excludes 3rd party revenue. Revenue inclusive of 3rd party for the same periods are: £6.0m, £10.0m, £21.5m, £19.0m and £18.1m representing CAGR of 31.5% (FY14 – FY18).

Today's Speakers

Our six speakers represent a blend of internal and external viewpoints about the market opportunity.



Russell Sloan

Russell leads the Digital Transformation business within Kainos, which numbers over 650 staff and revenue of £65m. Russell joined Kainos in 1999.



Nigel Lynas

Nigel is responsible for public sector sales within the Digital Transformation business. Nigel joined Kainos in 1994.



Dyfed Alsop, Welsh Revenue

Dyfed was appointed Chief Executive of the Welsh Revenue Authority in 2017, having previously worked in HSBC Bank, HM Revenue and Customs and HM Treasury.



Malachy Smith

Malachy leads the Workday Services and Smart Business Units, combined, a team of 300, and revenues of £22m. Malachy joined Kainos in 1990.



Rainer Maier

Rainer is Regional Director for our Workday Services Business Unit in Germany, Austria and Switzerland. Rainer joined Kainos in 2017.



Carolyn Horne

Carolyn is the Regional Vice President, UK & Ireland for Workday, having previously been a senior executive in SAP.

Agenda

This Capital Markets Day presentation focuses on Digital Services.

We are a key partner to UK government and the leading European boutique partner for Workday.

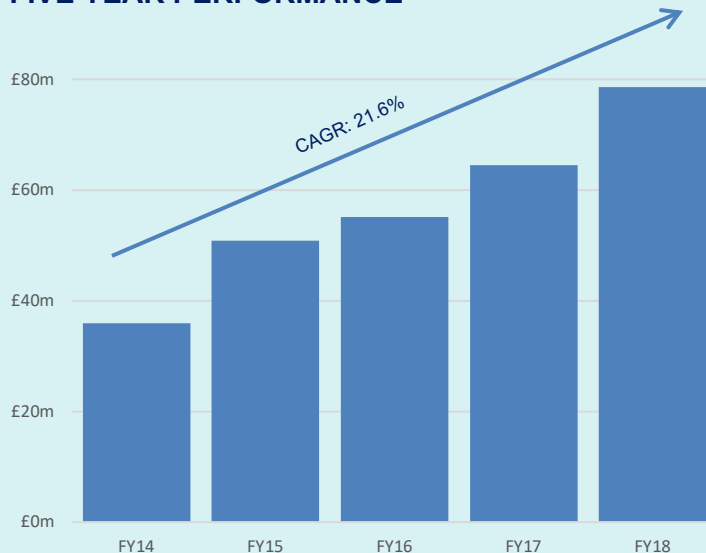
Session 1	1.40pm	Digital Transformation. <ul style="list-style-type: none">• Russell Sloan, Kainos.• Nigel Lynas, Kainos.
	2.10pm	Welsh Revenue Authority. <ul style="list-style-type: none">• Dyfed Alsop.
	2.40pm	Q&A Session.
Demonstrations and coffee		
Session 2	3.20pm	Workday Overview. <ul style="list-style-type: none">• Carolyn Horne, Workday.
	3.45pm	Workday Services. <ul style="list-style-type: none">• Malachy Smith, Kainos.• Rainer Maier, Kainos.
	4.15pm	Q&A Session.
	4.30pm	Concluding Remarks.
	4.30pm	Drinks Reception.

Digital Services Overview

We are a key partner to UK government and increasingly to innovative commercial organisations.

We are the leading European boutique partner for Workday.

FIVE YEAR PERFORMANCE



- Digital Transformation: Online digital platforms for commercial and government clients.
- Workday Services: Deployment of Workday HR and Financial SaaS platform for enterprise customers.

FY18 REVENUE UP 22%

£78.6m

DIGITAL UP 19% TO £64.7m

WORKDAY UP 40% TO £13.9m

FY18 SALES ORDERS UP 45%

£108.4m

DIGITAL UP 40% TO £91.2m

WORKDAY UP 85% TO £17.2m

FY18 BACKLOG UP 96%

£70.6m

DIGITAL UP 102% TO £63.2m

WORKDAY UP 56% TO £7.5m

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Digital Transformation



Digital Transformation Overview

Digital Transformation may have started in Central Government, but the market opportunity spans the commercial sector, devolved and local government and NHS.

There is international potential as others follow the UK's lead.

Very strong performance across key metrics.

- Revenue increased 19% to £64.7m (2017: £54.6m).
- Sales orders increased 40% to £91.2m (2017: £65.3m).
- Backlog increased 102% to £63.2m (2017: £31.3m).

Extending beyond Central Government.

- Commercial (16%), Regional Government (13%) and Healthcare (5%) all growing.

Commercial progress reflects prior investment in sales capacity.

- A total of 47 clients engaged in digital projects, with a strong financial services focus.

Regional government.

- Large cities being tracked for opportunities.

Strong NHS Digital Opportunity.

- Leveraging Evolve reputation in NHS market.
- Delivering new App and Digital Presence within 'Empower People' pillar (includes GP Appointment booking, Repeat prescriptions, Patient Record Access).

EXTENDING ACROSS SECTORS



- Data governance operating model.



- GDPR, AML and PCA compliance.
- Single View of Customer
- Data Cleansing.



- Contemporary data platform.
- Digital services.



- Digital Services.
- NHS Online.
- NHS.UK.

Our Track Record

With over 70 projects delivered in the UK public sector, we have established a clear reputation for delivering value, at pace.

We remain well-positioned to maintain a central role in public sector transformation.



Driver & Vehicle Standards Agency

- MOT Transformation
- Mobile Examiner Service
- Commercial Vehicle Service
- Theory Test Service



HM Prison & Probation Service

- Assisted Prison Visits
- Workload Measurement Tool
- Digital Prisons Cloud and IdAM Platform
- Prisoner Phone No. PoC



Driver & Vehicle Licensing Agency

- View Driver Records
- View Vehicle Records
- Online Enforcement Payments
- Digital Services Platform



Department for Business, Energy & Industrial Strategy

- Digital Mortgage
- Student Finance
- Local Land Charges digital register



Foreign & Commonwealth Office

- Emergency Travel Documents
- Digital Maintenance



Department for Work & Pensions

- New State Pensions
- Tell Us Once Re-platform



Department for Environment Food & Rural Affairs

- Rural Payments
- International Trade Programme



Department for International Development

- Foreign Aid Development Tracker



Home Office

- Allegations
- Digital Services at the Borders
- Special Case Review
- Visit Visas
- Registered Traveller
- Information Digitisation
- Passport Service



Cabinet Office

- GOV.UK PaaS
- Licence Application
- Innovations
- Civil Service Tools
- Register to Vote
- Dashboards
- Spend Controls
- Civil Service Learning



Ministry of Justice

- CJS Common Platform
- Identity and Access Management
- Automated Case Management
- Azure migration
- HMCTS Reform



- NHS Online
- NHS.UK

Operating Model

Over 30 years of engineering expertise ensures that we build services right, as well as building the right services.

That experience means that we can also deliver difficult digital projects.

Outcome focused work.

- Agile delivery working along with clients.
- Enablement of client organisations.

Data to drive decision making.

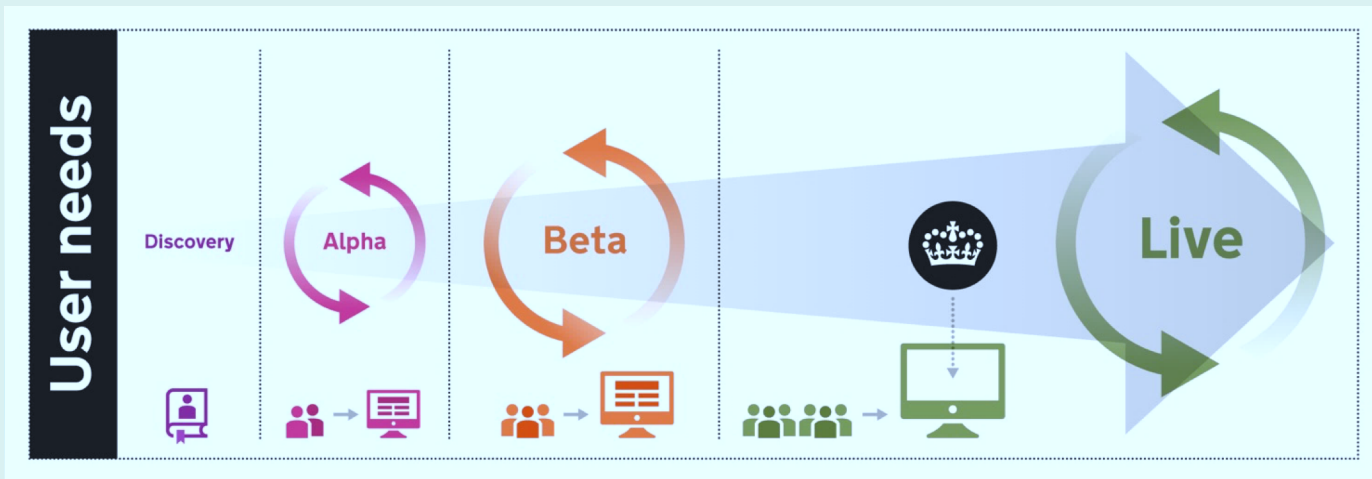
Cloud implementation and management.

Staff mix.

- Target model is 90% permanent staff, 10% contractors (currently 18.5% contractors).

Team mix.

- Range of skills and roles.
- Scaling across multiple locations.



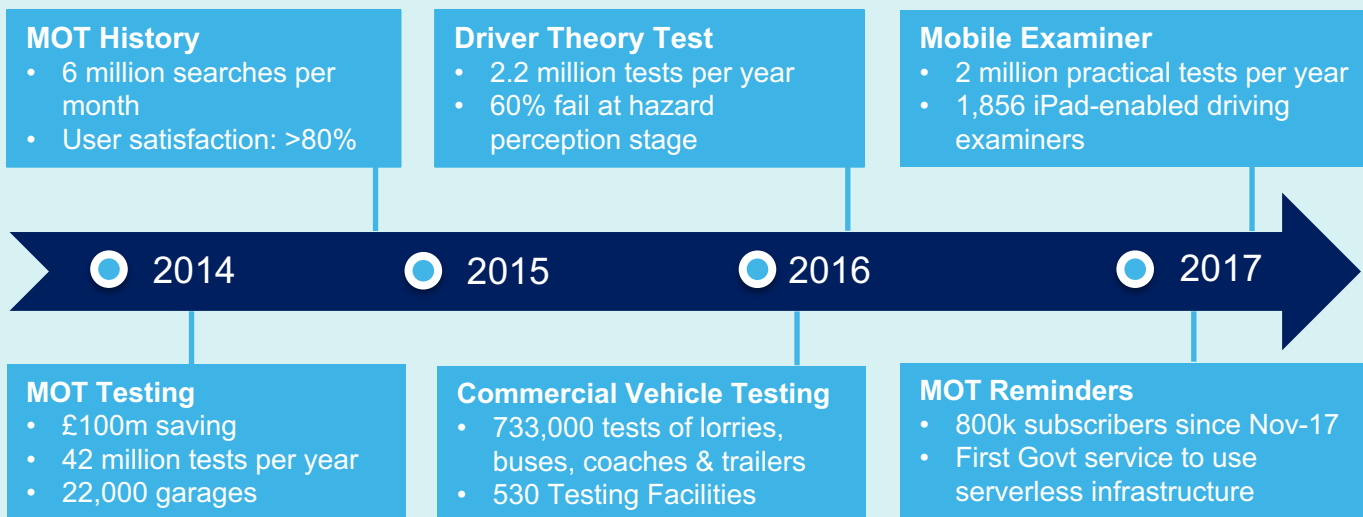
Case Study

DVSA

We have worked in partnership with DVSA since 2014.

We have delivered major programmes, achieving over £100m in savings.

Within DVSA there is also a clear focus on innovation.



Innovation in DVSA



Anomaly Detection

Machine Learning has:

- Identified fraudulent garages and mechanics.
- Enabled closure of high risk test centres.



Hazard Perception

Using VR we have:

- Created real life hazardous scenarios into the virtual environment for the driver theory test.
- Changing behaviours to make people safer drivers.

How We Sell

Our sales success is rooted firmly in understanding the needs of our customers.

Understanding the customer requirement is the first step, exceeding their expectations when it comes to delivery is the next step.

Consulting and delivery led selling.

- Concentration on delivering continued value and building strong, trusted relationships.
- Service design ensures we propose and develop the 'right service' all of the time.

Build on strong references.

- With over 70 highly referenceable projects recently delivered across government, we sell from a position of strength.

Robust qualification of all opportunities.

- We only bid for work that we have an excellent chance of winning, and that we are confident we can deliver successfully.

Awarded Microsoft UK Partner Of The Year 2018.

- This will accelerate our go-to-market plans with Microsoft for Azure Cloud adoption and Artificial Intelligence in health, government and financial services markets.

WIN RATE

72%

OF ALL COMPETITIVE BIDS

EXISTING CUSTOMERS

78%

OF TOTAL SALES VALUE

STRATEGIC PARTNERS



Digital Transformation Market

Continued demand from UK central government, where Kainos is ranked #1.

Significant business wins in regional government and in the NHS for digital transformation.

Central Government marketplace remains buoyant.

- Digital marketplace growing at 30% p.a.
- Digital Outcomes and Specialists framework is growing significantly (150% increase on prior year) and Kainos is ranked #1.

Disaggregation.

- Consistent government commitment.
- Large contracts being disaggregated (between £3bn and 4bn being re-procured over the next 2 years).

Digital projects are becoming more complex.

- Replacement of legacy applications is driving larger projects, with increased security engineering and integration requirements.

Procurement Characteristics.

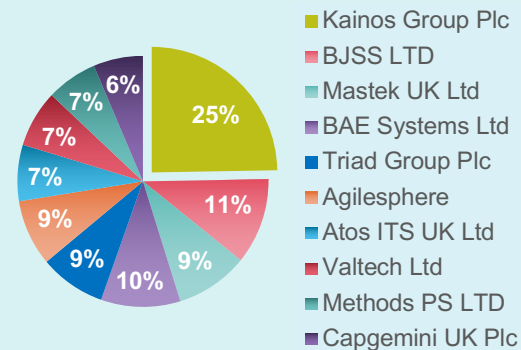
- Quicker buying cycles.
- Shorter contract term.
- Significant increase of smaller suppliers, aligned with government's SME agenda (33% of all spend).

MARKET SIZE

£885m

UK PUBLIC SECTOR FY18 SPEND

DOS TOP 10 SUPPLIERS 2017



COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

EU Exit

The potential impact to government policy through ongoing EU negotiations has not yet had a dramatic impact on IT services.

Government remains firmly committed to business-as-usual digital transformation workstreams.

No impact to our business is expected.

Government currently exploring key IT challenges.

- Capacity in the supply base to address the demand.
- Capacity and maturity of internal IT skills.
- Speed of turnaround in procurements.
- Ability to deliver within timescales.

Kainos remains well engaged with the market.

- Continuing to discuss EU Exit opportunities and risks with our customers, including Cabinet Office.

Kainos has early experience of EU Exit work.

- Currently delivering EU Exit workstreams for Defra and Home Office.

Some departments are further advanced in their planning.

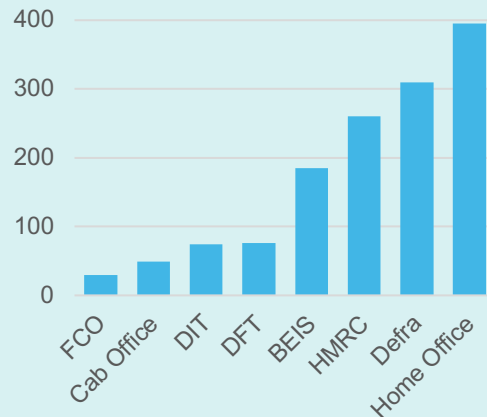
- Large departments have changes underway
- Smaller departments/agencies yet to act.

EU EXIT ADDITIONAL BUDGET

£3bn

£1.5bn ALLOCATED FOR FY19

Top 8 Departments
Receiving Additional EU Exit
Funding (£m)



Case Study

Digital Transformation

Our services are driving digital transformation in government, healthcare and the private sector around the world.

NHS Digital – the NHS app



Building a new NHS App to be launched in England in late 2018.



Smartphone App and web site offering a range of services.



Backed by ministerial commitment.

- Consistent user experience to access a range of services.
- Facilitating channel shift and reducing pressure on front line services.

MOJ – Online Divorce service



841 successful submissions in the first two weeks.



93% user satisfaction rating.



Citizen completion time reduced by 58%.

- Launched May 2018.
- 95% drop in the number of applications being returned because of mistakes, when compared with paper forms.

Case Study

Digital Transformation

We have developed leading digital services in partnership with government departments and agencies.

HM Passports Office – Renewal or Replacement



1.5 million passports generated since 2016.



Digital applications increased three-fold year on year.



Average turnaround time of six days.

- Built a fully digital application channel.
- No need for a physical signature.
- Allows upload of passport photograph.

Welsh Revenue Authority - tax collection and management



The first Wales-only taxes for 800 years.



Plan to raise more than £1bn over four years.



Over 60,000 tax returns and compliance activities.

- Built a complete digital tax management service in less than a year.
- Delivered two of their five tax services.

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Workday Services



Workday Services Overview

Globally, there are just 35 partners accredited to implement Workday's innovative SaaS platform.

We are one of the most experienced participants in the partner ecosystem.

Very strong performance across key metrics.

- Revenue increased 40% to £13.9m (2017: £10.0m).
- Sales orders increased 85% to £17.2m (2017: £9.3m).
- Backlog increased 56% to £7.5m (2017: £4.8m).

Kainos is the leading European Boutique partner.

- Accredited Partner since 2011.
- Over 170 Certified Consultants.
- Over 60 clients.

Workday's growth fuels our growth...

- Workday's new client acquisition.
- Existing Workday clients extending the number of modules, especially in Financials.

... and we have our own growth drivers.

- Sector expansion (UK Government, NHS).
- Follow on services for Workday client base.
- Geographic expansion.

... and we continue to benefit from the ongoing consolidation within the partner ecosystem.

COMPETITOR LANDSCAPE

- Boutique: Kainos, OSV, Appirio, Collaborative Solutions, Cloudator.
- Generalists: IBM, Deloitte, PwC, Accenture, Mercer, Alight.

OUR DIFFERENTIATORS



The quality of our people.



Our track record for customer satisfaction.



Our reputation in UK Public Sector, NHS.



The Kainos Smart Testing Platform.

UK Public Sector Opportunity

The UK Public sector opportunity is opening for Workday and for Kainos.

Our wider reputation for high quality delivery within UK Public sector gives us strong differentiation over our competition.

Significant market opportunity available.

- 18 Central Government Departments.
- 350 Arms Length Bodies.
- 560 Housing Associations.
- 157 Universities.
- 221 NHS Trusts.

Kainos have won 6 of the first 7 projects.

- Workday are delivering the 7th engagement.

Our reputation in Digital Transformation was a key contributor in the early wins.

An average deployment takes 9 months.

- Our first Public Sector clients are now live.

Excellent potential to cross-sell Digital Transformation services to these new clients.

CROWN COMMERCIAL SERVICES



Helps the public sector find the right commercial solutions for over £12 billion of spend annually.



720 staff operating in 4 locations across the UK.



2017 priority: help government save between £240m and £330m.

- Kainos delivering Workday HCM, Financials, Talent and Performance over a multi-phase project.
- Crown Commercial seeking to replace their legacy systems to drive efficiency and develop analytical capabilities.

Financials, Opportunity

Workday Financials is growing rapidly and has the potential to be significantly larger than the current HCM market.

We have the second largest Workday Financials practice in Europe.

Globally, the Financials ERP opportunity is twice as large as the HCM opportunity.

For Workday, Financials is a fast growing market.

- Recent acquisition of Adaptive Insights for \$1.55bn.

Kainos have the 2nd largest Workday Financials Practice in Europe.

50% of Kainos active Workday Implementations include Financials (2017:10%).



Office for
Students

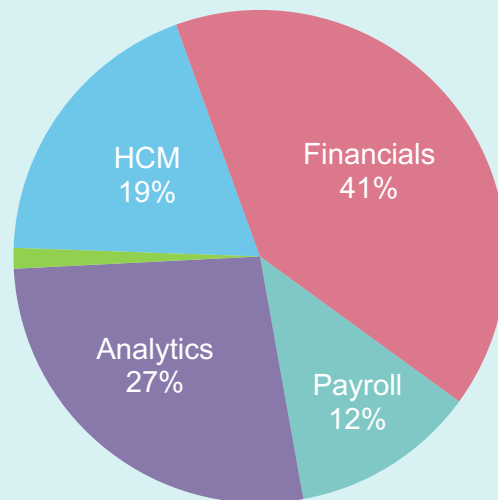


Crown
Commercial
Service

Innovate UK

kainos®

GLOBAL ERP MARKET OPPORTUNITY



Financials (41%) and Payroll (12%) represent over 50% of the Market Opportunity.

Source: Baird Equity Research, May 31st, 2018.

Post Deployment

Post Deployment focuses on helping customers continue to get the best out of Workday, particularly new functionality released on the Workday platform.

Kainos has 44 Post Deployment clients across Europe.

Post Deployment widens the market opportunity, while introducing annuity-style revenue.

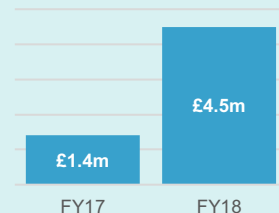
Annuity revenue from Post Deployment Services is currently 32% of total revenue (2017:14%).

66% of our clients have been secured by displacing competitors.

High customer satisfaction leads to high retention rates and additional revenue.

Enhanced managed service offering using Kainos Smart™.

POST DEPLOYMENT REVENUE



SMART DEPLOYMENTS

115

GLOBAL CUSTOMERS



PRIMARK®



European Expansion

From our strong base in UK & Ireland we have expanded across Northern Europe – Benelux, DACH and the Nordics.

Our strategy is to continue to extend our services into new countries, informed by market demand.

Increased from 110 to 170 consultants in Europe (2017-2018).

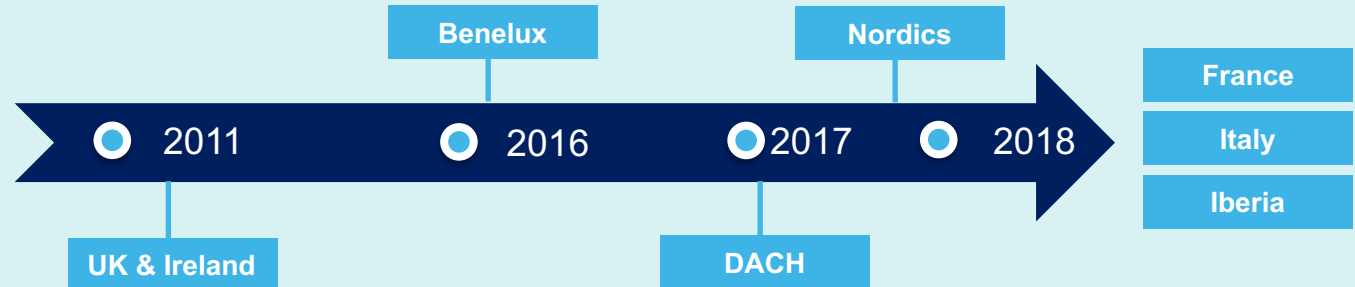
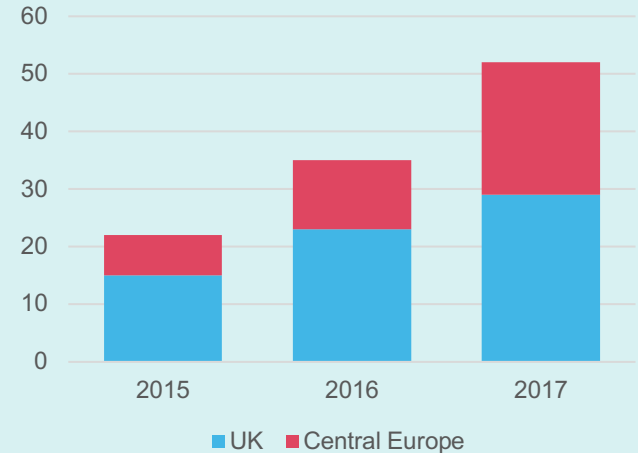
UK & Ireland and Continental Europe businesses served from two Centres of Excellence (NI and Poland).

Investment in WorkSmart Academy.

Unique offering with Kainos Smart™.

95% Customer Satisfaction.

CUSTOMER GROWTH BY GEOGRAPHY



Germany, Austria & Switzerland (DACH)

As the only boutique partner in the DACH region, Kainos is uniquely positioned to take advantage of strong Workday growth in the region.

Kainos are the only Boutique partner in DACH.

Established in March 2017.

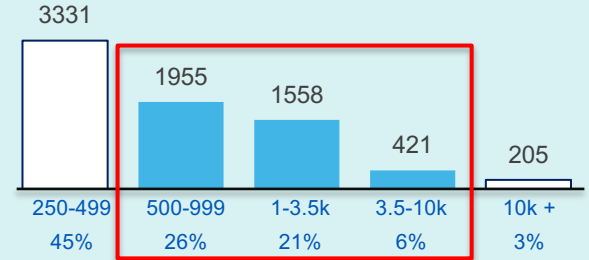
15 consultants based in Germany.

- Further 20 German speaking consultants in Poland Centre of Excellence.

Sales Orders £4.6m in FY17-18.

High customer satisfaction.

GERMAN COMPANIES (# of EMPLOYEES)



Target Customers in Germany

COMPETITOR LANDSCAPE

- Boutique: Kainos.
- Generalists: IBM, Deloitte, PwC, Accenture, Mercer, MHP, Alight.

Lowell

RAIFFEISEN

GEA

Julius Bär

Vontobel



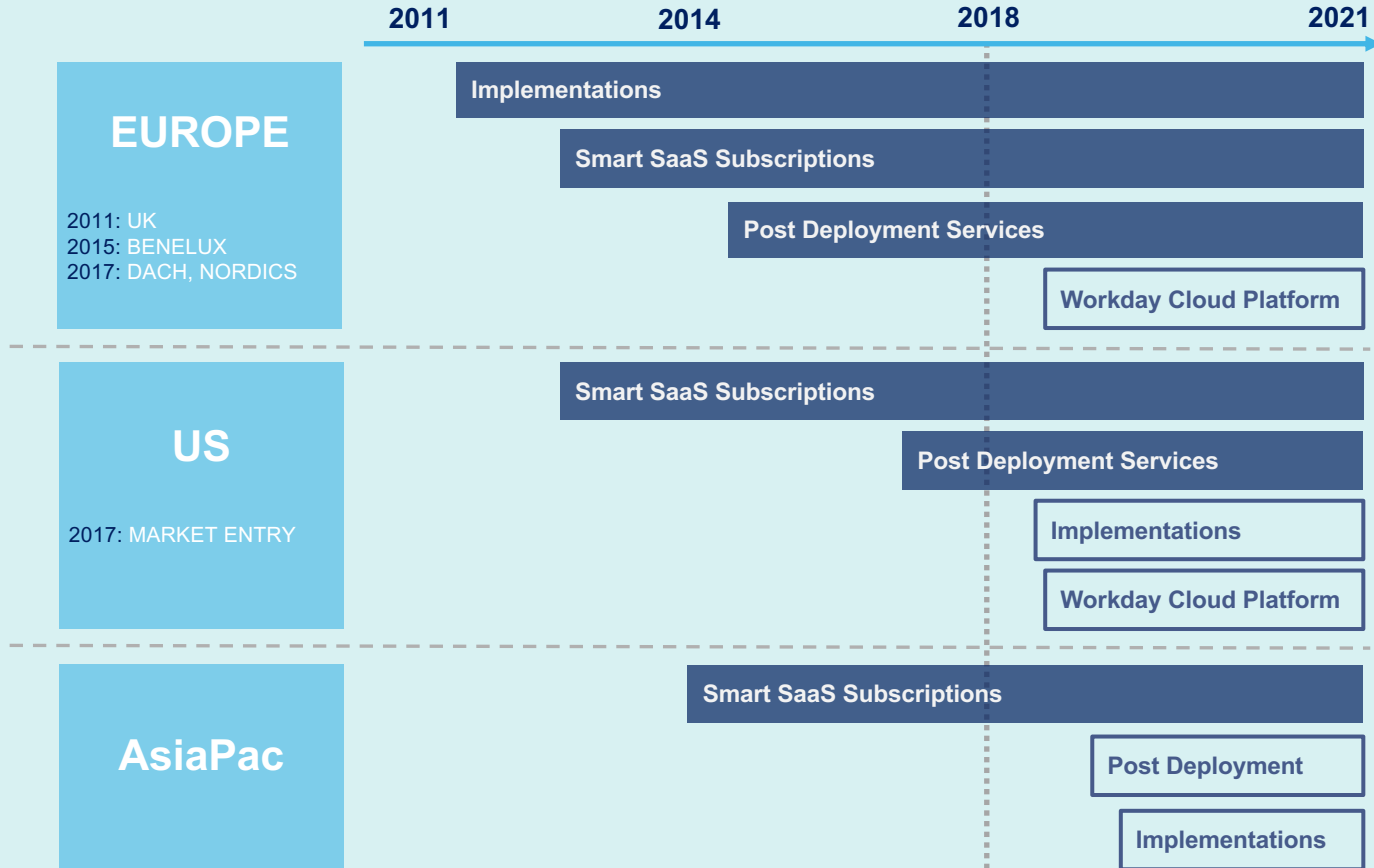
PUMA

The Workday opportunity

Globally, there are 35 partners accredited to implement Workday's SaaS platform.

26 of those are boutique (specialist) partners.

Our ambition is to be the #1 boutique partner, globally.



kainos®

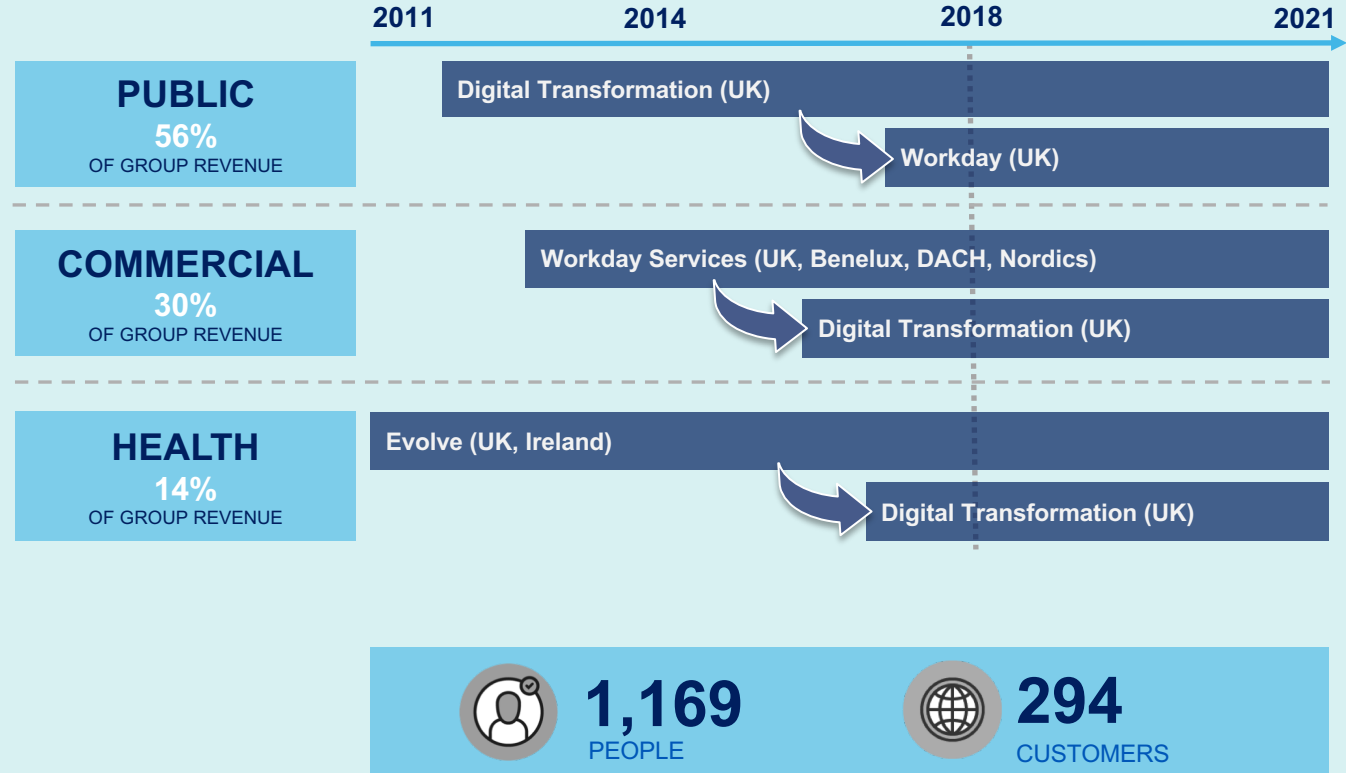
Looking Ahead



Market Expansion

We are well placed to deliver growth in the coming years.

We are expanding our offerings across our key sectors.



Legal and Confidentiality Statement

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