



Digital Services in Kainos

Brendan Mooney (CEO)

Russell Sloan (Digital Services Director)

7 July 2020

Highlights.

A strong performance in-line with market expectations.

A strong performance in-line with market expectations.

- Revenue, profit and sales orders all showing progress.



£178.8m
REVENUE UP 18% ⁽¹⁾

Revenue diversification continues.

- International revenues up 72% to £39.9m.
- Commercial revenues up 58% to £63.1m.



£25.5m
ADJUSTED PRE-TAX
PROFIT UP 9% ⁽²⁾

Digital Services – solid growth delivered in uncertain macro environment.

- Significant ongoing engagements in UK government's digital transformation programme, with solid progress in Healthcare and Commercial Sectors.



£40.8m
CASH DOWN 4% ⁽³⁾

Workday Practice – high growth and international expansion continues.

- Workday Services and Smart both recorded exceptional growth.
- Adaptive Insight practice enhanced by acquisitions in UK, USA and Germany.



£243.6m
SALES ORDERS UP 42%

Continuing to build an exceptionally talented team.

- 1,715 people now working at Kainos, across 15 offices.

⁽¹⁾ Organic revenue growth was 17.5%

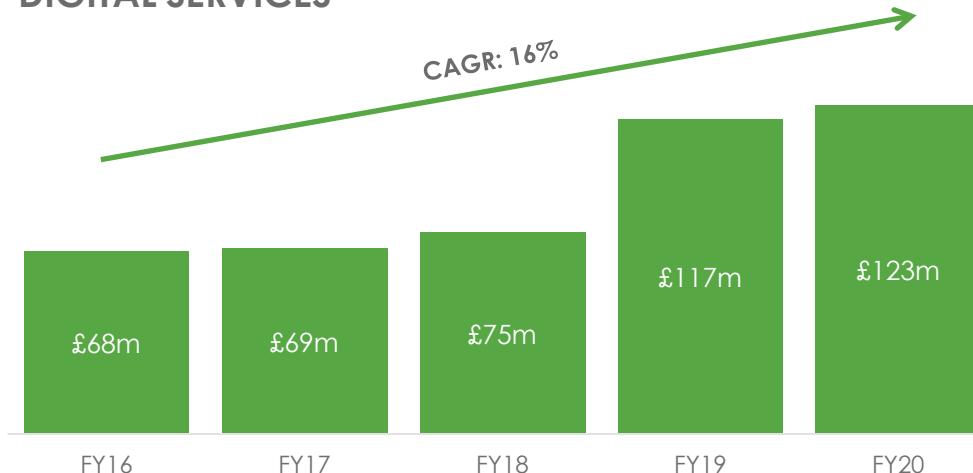
⁽²⁾ Adjusted to remove the effect of share-based payments and related costs.

⁽³⁾ After £7.4 million purchase of site for the development of future Belfast office and £4.6 million partial cash consideration for completed acquisitions.

Group Overview.

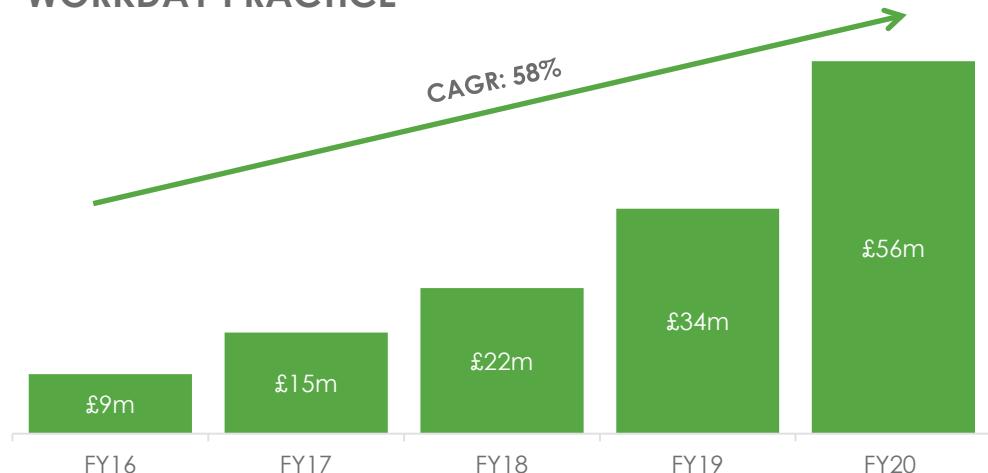
Long-term, strong revenue growth trends in both Digital Services and Workday Practice.

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



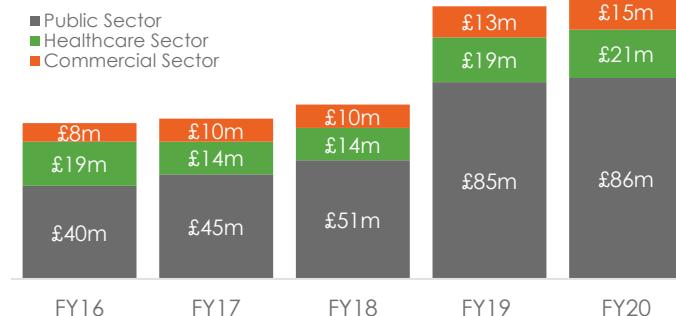
- We are one of Workday's most respected partners.
- As a full-service partner, we are experienced in complex deployment and integrations, and the leader in Workday test automation.
- We're trusted by our customers to launch, test, expand and safeguard their Workday systems.

Digital Services

Digital Services Overview.

Solid revenue growth, exceptional sales execution building a strong backlog.

SECTOR REVENUE



Growth achieved across all sectors.

- Growth in Commercial (15%), outpacing Public Sector (2%).
- Healthcare revenues, including Evolve, increased by 7%.

Solid performance in face of uncertain UK political landscape.

- Revenue up 4% to £122.5m (2019: £117.3m).
- Very strong sales performance, sales orders up 38% to £169.3m (2019: £122.7m).
- Very strong backlog growth, up 48% to £123.5m (2019: £83.6m).



DIVISION REVENUE

£122.5m
UP 4%

SALES ORDERS

£169.3m
UP 38%

BACKLOG

£123.5m
UP 48%

Digital Services Customers.

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



Digital Services Public & Health Sectors.

Stable demand from UK Public Sector.

Public Sector revenue increased 2% to £86.4m (2019: £84.6m).

- Good performance with the backdrop dominated by the leadership contest, the general election and the uncertainty generated by the Brexit debate.

Partnership with NHS driving Healthcare revenues up 7% to £20.8m (2019: £19.4m).

- Working closely with NHS Digital to help deliver several urgent requirements to support the NHS COVID-19 response.

Existing client demand and notable new wins in Government.

- Significant extensions at DfT (Street Manager), DIT (Lite Exports), HMCTS (Testing).
- New projects with Companies House (Digital Partner), DVSA (Future Theory Test Service), HMRC (Transaction Monitoring platform), ONS (Matching Service).

Existing client demand and notable new wins in the NHS.

- Awarded competitive renewal of the NHS App programme.
- Secured key project to deliver the National Integration Adaptor programme.

COMPETITIVE LANDSCAPE



COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

Digital Services Commercial Sector.

Continued progress in Commercial Sector.

Strong progress in Commercial Sector, up 15% to £15.3m (2019: £13.3m).

- Stable demand from existing clients, for example Concordis (Data & Digital).
- New projects underway at Intelligent Growth Solutions (IGS), Canada Life and Inspired Thinking Group (ITG).

COVID-19 impact.

- The sector that has seen the most impact from COVID-19.
- In recovery mode focusing on cost efficiency.
- Strong engagement with key partners – AWS and Microsoft.
- Strong interest from organisations looking to fast-track cloud migration.

Commercial Sector key segments.

- Financial Services – existing presence, immediate priority on payments.
- Construction, engineering & utilities – currently active with digital projects.
- Social sector – early positive engagement with the UN & WHO.

COMPETITIVE LANDSCAPE



methods  **Deloitte.**

"bjss **Atos** **ThoughtWorks**

COMMERCIAL DYNAMICS

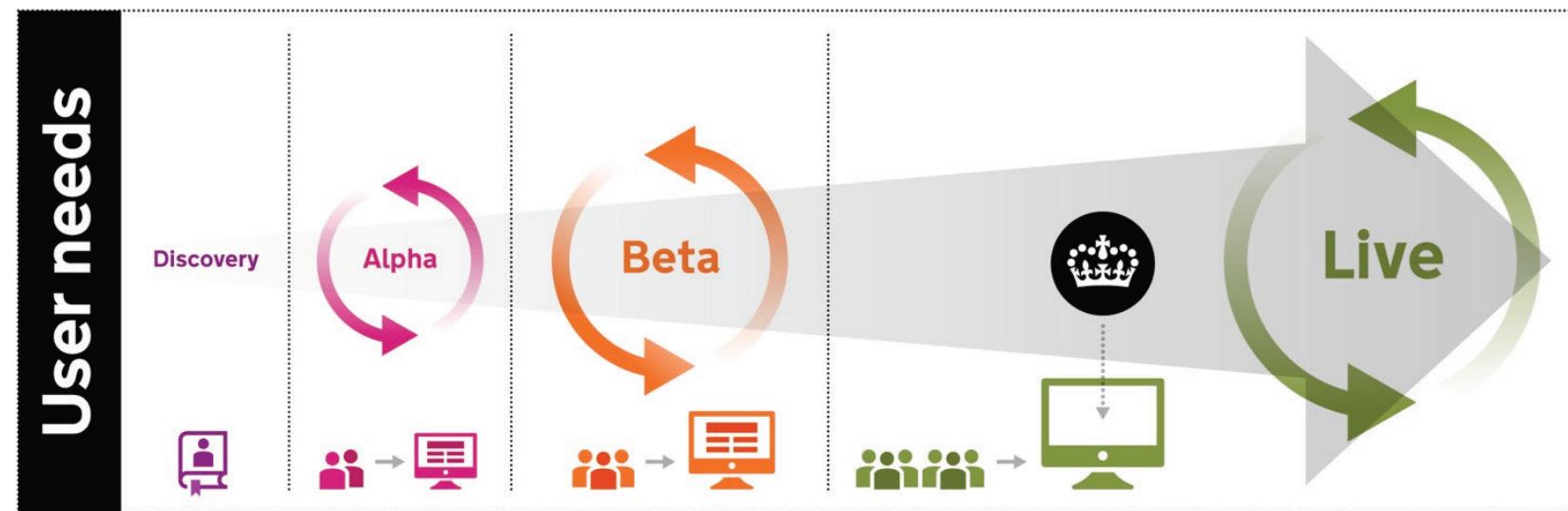
- Jointly with partners.
- Specific market wedge offerings.

Operating Model.

Digital transformation by delivering difficult digital projects.

Outcome focused work.

- Agile delivery working along with clients.
- Enablement of client organisations.
- Over 30 years of engineering excellence as the foundation for successful delivery.



User first experience design.

Data to drive decision making.

Cloud implementation & management.

Staff mix.

- Target model is:
90% permanent staff,
10% contractors.

Team mix.

- Multidisciplinary teams.
- Scaling across multiple locations.

How we sell.

Success is rooted on understanding our customers' needs, coupled with successful delivery.

Consulting and delivery led selling.

- Concentration on delivering continued value and building trusted relationships.
- We place user needs at the centre of everything we do and use service design to propose and develop the 'right service' all the time.

Build on strong references.

- Having deployed over 150 digital service solutions – including some of the highest profile UK programmes - we have an enviable reputation for repeatedly delivering successful outcomes to a loyal customer base across public, commercial and healthcare sectors.

Mature market offerings.

- Our Cloud, Data, AI, Design, Security digital transformation offerings are aligned with current and growing market needs.

Go-to digital transformation partner for Microsoft and AWS.

- Our engineering skills, coupled with leading cloud products has earned us the confidence and respect of global cloud services providers.
- Repeatable model for further opportunities beyond the UK

WIN RATE

48%

OF ALL COMPETITIVE BIDS

EXISTING CUSTOMERS

84%

OF TOTAL FY20 SALES FY20

STRATEGIC PARTNERS



Microsoft **aws**

kainos®

UK Govt: Digital Transformation Market.

Continued demand from UK central government departments.

Central Government marketplace growth trend continues.

- Long-term trend of 30%+ growth dropped to 7% in FY20.
- Leadership contest, general election, delay to the Comprehensive Spending Review and EU Exit uncertainty all proved distracting.
- Post-election, greater clarity on EU Exit and government priorities.

Covid-19.

- Limited impact to existing digital projects and increase in short term digital projects to address the immediate need, especially within the NHS.
- National scale agile delivery at pace has proven to be very successful – accelerating digital transformation across government.

Changing market dynamic.

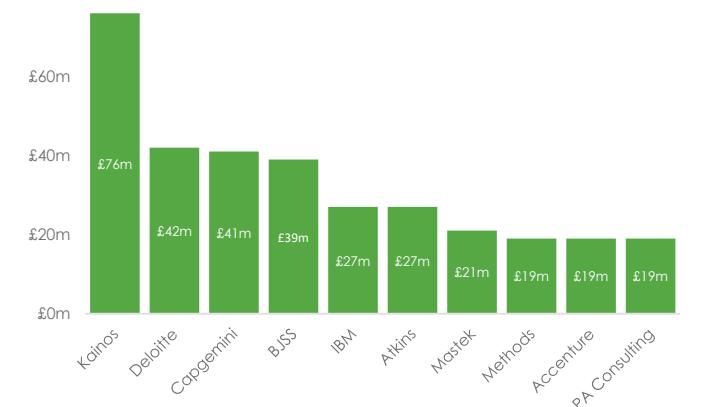
- Remote working being embraced and likely to continue for some time.
- Increase in automation requirements fuelling RPA and AI.
- Security and cyber threats increasing, and more onus placed on suppliers to address this within digital programmes.

MARKET SIZE

£1.4b

UK PUBLIC SECTOR CENTRAL GOVERNMENT SPEND (FY20)

DIGITAL OUTCOMES FRAMEWORK FY21 KAINOS RETAINS DOMINANT POSITION



UK Govt: EU Exit.

Will drive additional IT change, but scope currently remains unclear

Unlikely to impact to existing business, with potential upside.

Current government position.

- EU Exit activity slowed during Covid-19 response, but now strongly back on the agenda.
- With department budget and staff availability constraints it is possible that some re-allocation of work from non-critical programmes may occur.
- Further clarity should be available post the autumn statement and continued EU Exit negotiations.

Kainos remains well engaged with the market.

- We operate across all the most impacted departments and our digital transformation skills and experience are highly relevant.

Kainos has experience of EU Exit work.

- Currently delivering EU Exit workstreams for Defra and Home Office.
- The International Trade platform for Defra could be extended to support new trading agreements with other countries.

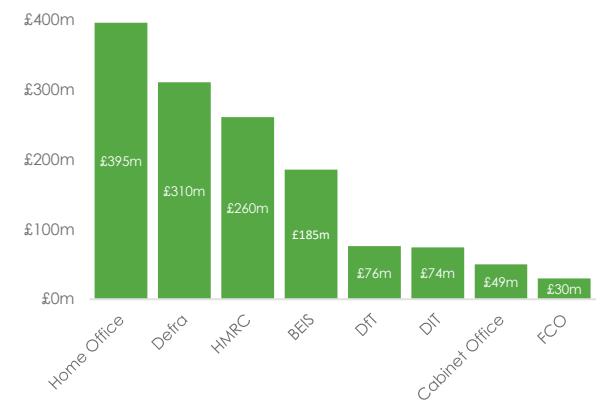
EU EXIT PREPARATION BUDGET

£8.3b

£2b ALLOCATED FOR FY21

Source – Institute for government

TOP 8 DEPTS RECEIVING ADDITIONAL EU EXIT FUNDING



Covid-19 Response.

Supporting the NHS and the UK Public Sector as it fights the pandemic.

ISOLATION NOTE



Isolation notes provide employees with the evidence for their employer to self-isolate for 7 days without the need to visit their GP.

We were able to deploy the new service in just two weeks.

The service went live on 20 March and has issued over 1.3 million isolation notes.

We built this service, and many others, for free.

[\(more details\)](#)

HOME TESTING



National scale service allowing people to book an appointment at a testing centre or request a home test.

Kainos asked to join the project on 17 April.

Service launched to key workers in just one week, to over 65's and NHS 111 Referrals in two weeks and to all UK residents in four weeks.

The service is currently sending c.20,000 home test kits per day.

[\(more details\)](#)

WELSH GOVERNMENT



Llywodraeth Cymru
Welsh Government

The Welsh Government announced a £1.1bn economic support package on 30 March.

Kainos built the service for grants to Micro and SME businesses.

Kainos started the project on 3 April, the citizen-facing app was live on 16 April followed by back office processing on 22 April.

In the first 3 days there were 6,674 applications totalling £152 million.

[\(more details\)](#)

Customer Stories.

Significant projects for leading Commercial and Public Sector organisations.

INTELLIGENT GROWTH SOLUTIONS



Founded in 2013.



Headquartered in Edinburgh.



KPMG's Best British Tech Pioneer finalist.

- Cloud-based interactive lighting solution for buildings.
- Delivering significant power reductions and enhanced controls while reducing installation and maintenance costs.
- Azure-first IoT solution.



COMPANIES HOUSE



Approximately 1,000 staff.



2.2bn company searches per year.



4 year digital transformation programme under way.

- Engaged to lead across delivery of digital services.
- In 4 months Kainos delivered an appeals service for late filing penalties.
- 3 additional Kainos teams will deliver services arising from the Register reform.



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 2020. All rights reserved.

The background features a vertical gradient from dark blue on the left to bright green on the right. Overlaid on this gradient are several thin, white, wavy lines that resemble light or energy waves, particularly prominent on the left side.

kainos®