



Full Year Results

12 months ended 31 March 2023

Brendan Mooney (CEO)

Richard McCann (CFO)

22 May 2023



Safe harbour statement

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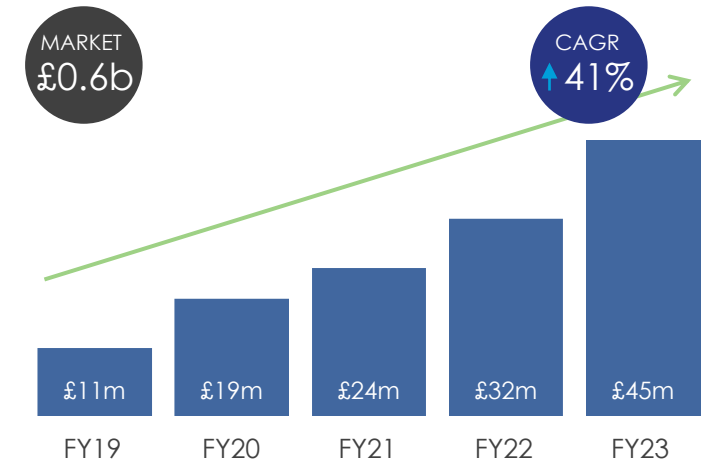
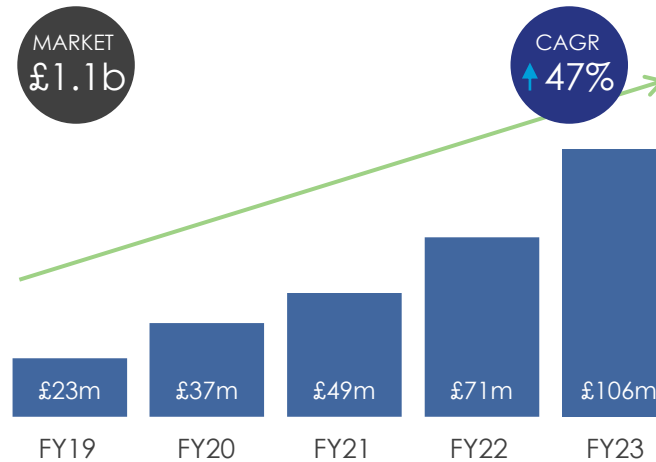
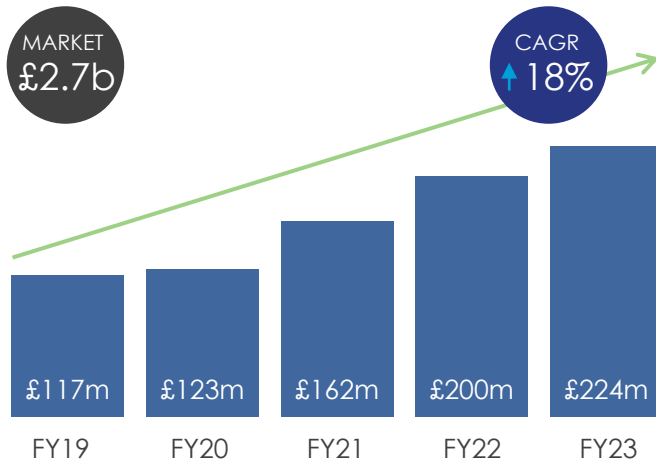
For more information visit
kainos.com/investor-relations



Business Overview

Business Overview

We have an excellent position in long-term, high-growth markets



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 including AI and Cloud to deliver solutions that are **secure, accessible and cost-effective**

Workday Services

We are one of Workday Inc's **most respected partners**, approved to deploy their Finance, HR and Planning products to our clients in Europe and North America

We are experienced in complex deployment and integrations and **trusted by our customers** to launch, test and extend their Workday systems


















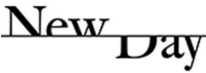












Workday Products

We **develop software products** that are complementary to Workday's comprehensive SaaS platform

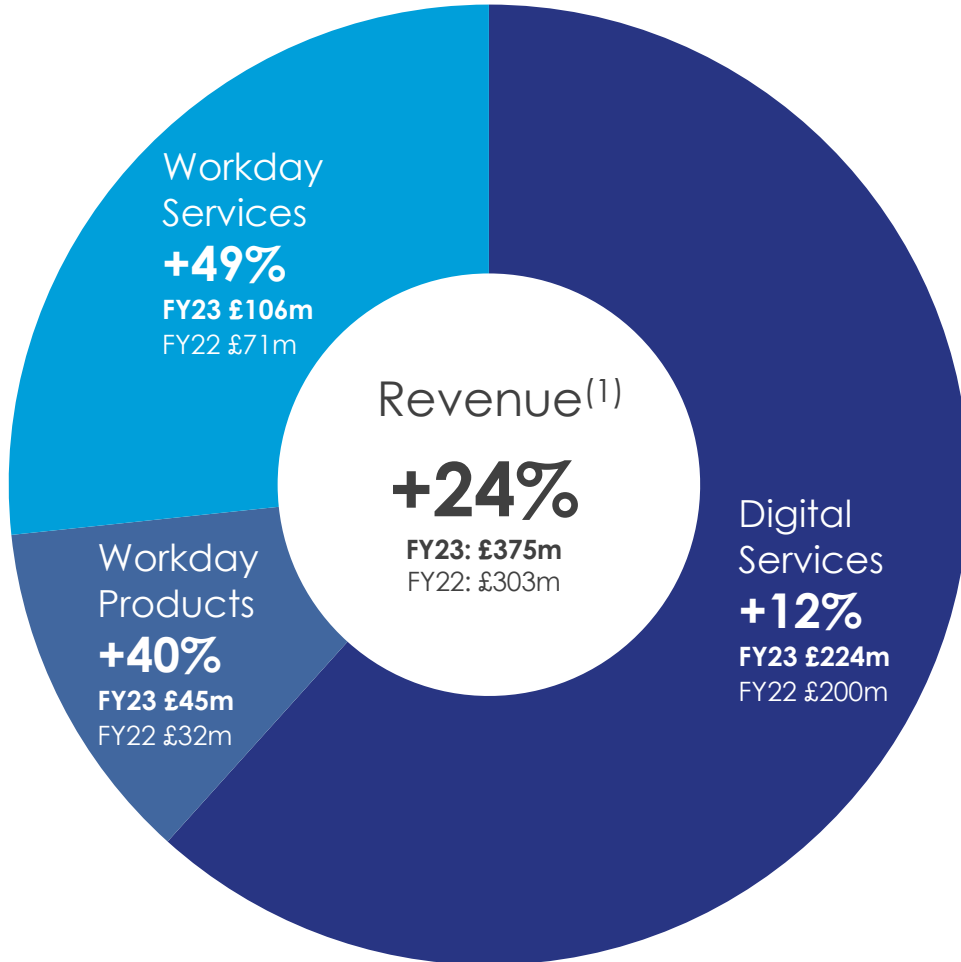
Smart Test (automated testing), Smart Audit (compliance monitoring) and Smart Shield (data masking) are used by **350+ customers globally** to safeguard their Workday system

Charts depict actual revenue over the five years, FY19 to FY23, and CAGR is calculated over the same time period

Expertise at a global scale

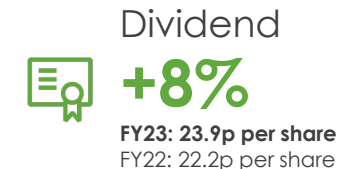
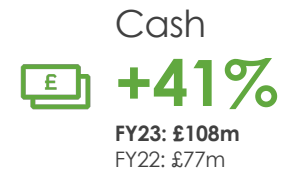
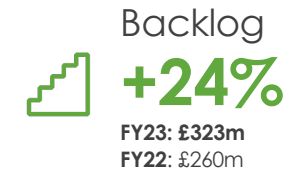
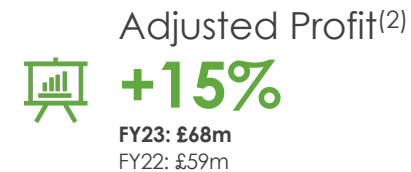
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Highlights



Continued **growth** with increasing **opportunity** and **international** scale

- **Strong demand** in public and commercial sectors
- **Workday Phase 1 Partner status** gained in the US
- **Increased investment** in Workday Products **driving growth** as we approach the mid-point of our 2026 **£100m ARR target**



⁽¹⁾ In constant currency, total revenue growth is 20%; by division: Digital Services 12%, Workday Services 40% and Workday Products 26%.

⁽²⁾ In constant currency, adjusted profit growth is 4%; adjusted to remove the effect of share-based payments and acquisition related costs

⁽³⁾ in constant currency, growth is 20%

Our people

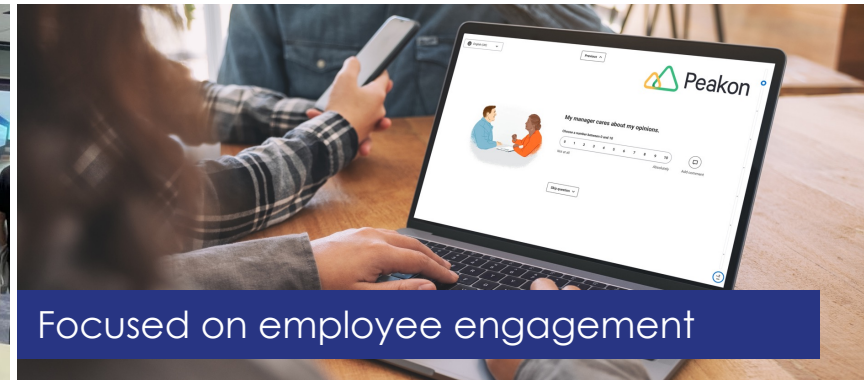
We are building an exceptionally talented and engaged workforce



Reimagining our offices for hybrid working



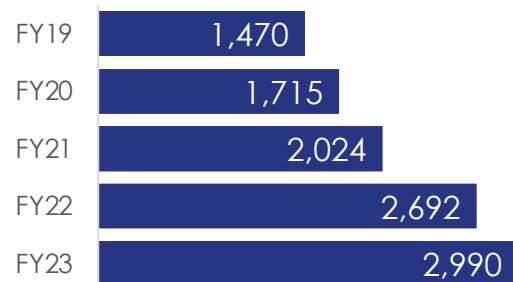
Creating social events in our offices



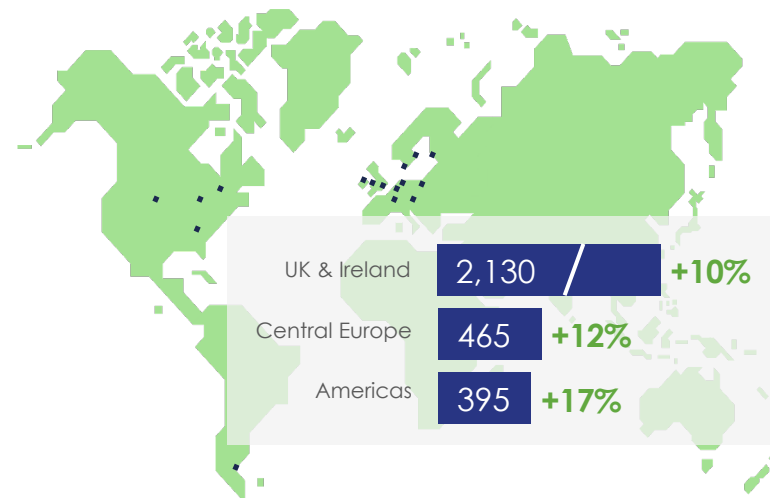
Focused on employee engagement

People

+11%



22 Global Locations



Engagement

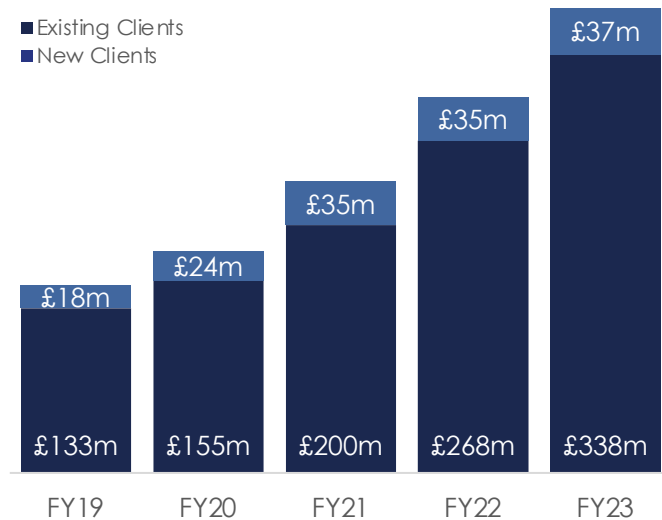
88% Employee Retention

#39 glassdoor BEST PLACES TO WORK **2023**

83% glassdoor recommend to a friend

Our Customers

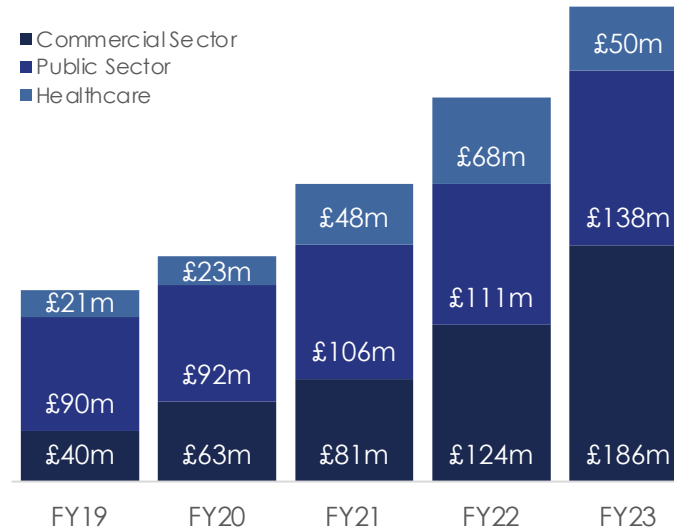
Delivering value to our clients drives long-term relationships



High net revenue retention

Our **high customer satisfaction** rating (99% approval) drives **increased customer spending**, with 'Net Revenue Retention' at 126%

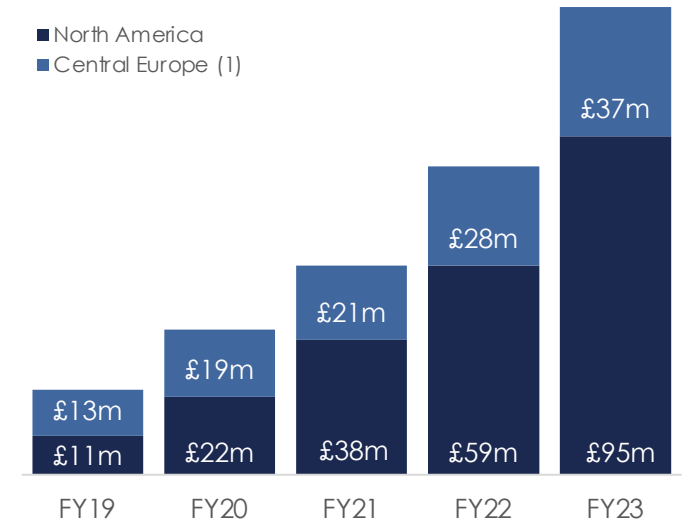
New client acquisition **creates future multi-year revenue** opportunities



Broad sector coverage

Commercial customers represent 50% of revenue, a 4.7x increase in revenue over the past five years

Our **diversified customer base** has resulted in a **robust, well-balanced business**



Accelerating global growth

Having grown 52% to £132m, **international customers accounted for 35% of revenue**; a 5.5x increase

North America grew quickest at 63%, Central Europe grew by 30% and UK & Ireland by 13%

⁽¹⁾ Central Europe revenue includes revenue for Rest of World (c.£1m/year); it excludes revenues generated in the Republic of Ireland

Our responsibilities

Being responsible towards our people, customers, communities and planet



Climate Action

Reducing our climate impact

We are carbon neutral and **on track** for our **2025 Net Zero** target

SBTi targets approved and our GHG emissions already well below target levels (36%) with **additional carbon reduction** initiatives in place for FY24



Gender Equality

Promoting gender equity, equality and gender rights

Improved gender balance, with women representing **34%** of Kainos colleagues (2022: 33%)

To shift the **sector imbalance**⁽¹⁾ we are inspiring the next generation - **414 young women**⁽²⁾ attended our schools programmes



Quality Education

Increasing employment potential for under-represented groups

We **expanded** our schools programmes **engaging with 1,835 young people**

These included our **work placements**, global **CodeCamp**, AI & Data **Insights** programmes, **CodeClub** and our education conference, **BelTech**

⁽¹⁾ BCS diversity report 2022: Women in IT – only 22% of technology roles in the UK are held by women

⁽²⁾ Of 1,835 participants, 414 identified as women, 717 as men and 704 preferred not to disclose

Divisional Performance

Digital Services

Strong revenue growth with significant pipeline and backlog



Public sector / +26% to £137m

Commitment to existing digital programmes continues as Government 2025 policy identifies **next 75 key transactions**

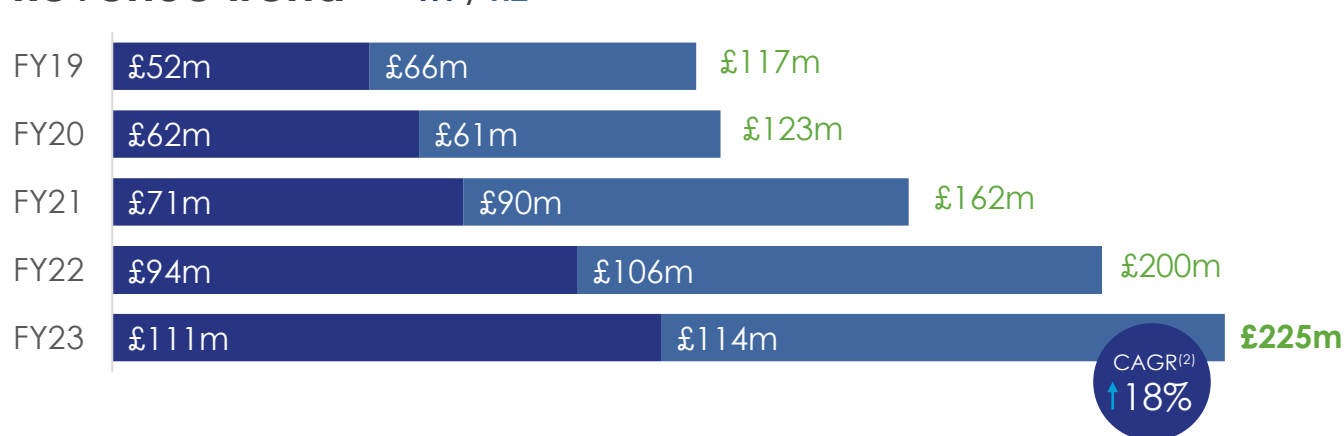
Healthcare / -25% to £50m

Easing of pandemic-related NHS spending and some delays resulting from NHSx and NHS Digital merger resulted in reduced revenues

Commercial sector / +51% to £38m

Continued investment and focus yielding very strong results

Revenue trend



Market size

£2.7bn

Actual FY23 digital spend in UK public sector and the NHS⁽³⁾ (FY22: £1.9bn)

⁽¹⁾ In constant currency, growth is also 12%.

⁽²⁾ Five-year CAGR, FY19 to FY23

⁽³⁾ Composed: Central £1,496m, Health £365m, Defence £706m, Police £139m (excludes Education and Local Govt). TMV estimates.



Driver & Vehicle
Standards
Agency

Future Theory Test

One of the most complex digital transformations in UK Government



“This was **agile delivery at its best**. An exemplar in collaboration to transform a highly complex service and **delivering our strategy** of keeping Britain’s roads safe.”

Alex Fiddes, DVSA Head of Digital Operations

A **single supplier** operated the previous service for over 19 years, **costs were spiralling**, customer experience had stagnated, **service changes were complex and costly**.

Using agile delivery, **Kainos created a digital platform** to manage the **complex array of services**, from booking through to test delivery and results, with **a consistent user experience regardless** of test centre provider.

- ✓ **Saving £50m** over 5 years
- ✓ **93%** of tests happening within 28 days of booking
- ✓ New service live 2 months before legacy contract end, **saving substantial extension costs**
- ✓ Typically **1.6m annual tests** but increased to 3m with pandemic backlog

UK IT
INDUSTRY
AWARDS™

2022 WINNER
Best Public Sector IT Project

Read the [full story here](#)



Our Artificial Intelligence Projects

The Journey

2016

Machine Learning and AI identified as a **research topic** for our Innovation Team

2017

Dedicated AI Team formed to **explore interest** with clients

2019

Data & AI practice launched to **support our clients**

2023

Over **120 professionals** with revenues in excess of **£23m**

Our Clients



A risk-scoring AI tool to prioritise investigative efforts and resulting in near real-time fraud detection



Rationalising their data infrastructure and improving meal kit recipe recommendations to 7m+ customers



Assisting in the assessment of child sexual abuse referrals, identifying high risk cases in two minutes



Consolidating medical records of 24m migrants and using auto-coding to assess doctor's notes for reporting purposes

Workday Services

Exceptional growth in revenue, bookings and backlog and **appointed Phase 1 partner for US**

Americas / +84% to £56m

Excellent growth and only in **early stages** of US Phase 1 Prime partner opportunity

Europe / +23% to £50m

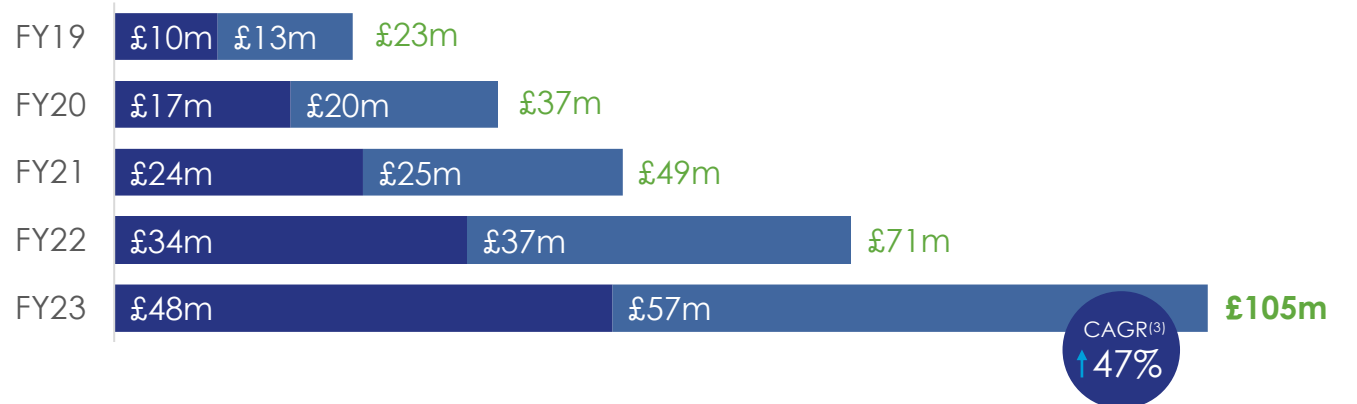
Maintaining **leading partner** position in a key growth area for **Workday Inc's international expansion**

Talent / +27% to 808 consultants

Global capability growing with our accredited consultants based in **22 countries**



Revenue trend H1 / H2



Market size
£1.1bn

Estimated FY24 addressable market, EMEA and North America, for Workday consulting (FY23: £884m)

⁽¹⁾ In constant currency, growth is 40%.

⁽²⁾ In constant currency, growth is 50%

⁽³⁾ Five year CAGR, FY19 to FY23



HR & Finance Transformation

*“We knew we could **rely on Kainos**. We **worked together** to make this **successful** and feel like a **one-team approach**.”*

Gene Peskens, the City's Chief Financial Officer and Co-Executive Sponsor

Leduc Alberta is a **growing, dynamic city of 34,000 citizens** but relied on disparate financial applications and homegrown, **heavily manual HR operations**, leading to challenges with data accuracy, limited reporting capabilities, and **time-consuming manual processes**.

Leduc and Kainos **worked together** to deploy Workday to **transform** its HR and finance operations, replacing its legacy systems with an **integrated ERP** and finance platform that will scale in pace with their **growth**.

- ✓ **9 month** project, delivered **on-time and on-budget**
- ✓ **400 employees** using the new Workday system
- ✓ **3x improvement** on processing times
- ✓ Single source of the truth and **robust reporting**
- ✓ Improved **internal controls**



Workday Products

Exceptional growth in revenue, ARR and backlog as we increase **investment** and **expand** our product portfolio on our **£100m ARR journey**

Increased Investment / +88% to £20m

R&D investment **increased 52% to £9m** and S&M investment **increased 135% to £11m** as we build the foundations for substantial SaaS business

Smart Test / automated testing, 350+ customers

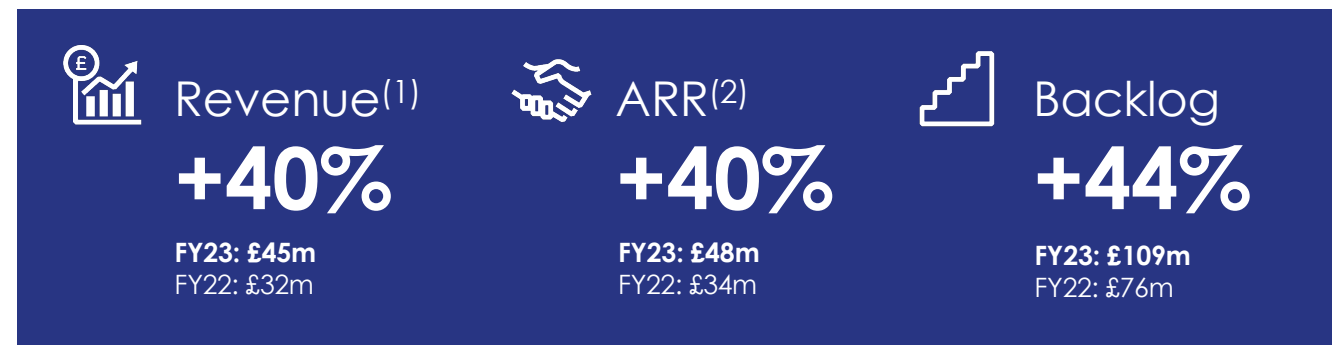
Established product, continuing to add customers

Smart Audit / compliance monitoring, 70+ clients

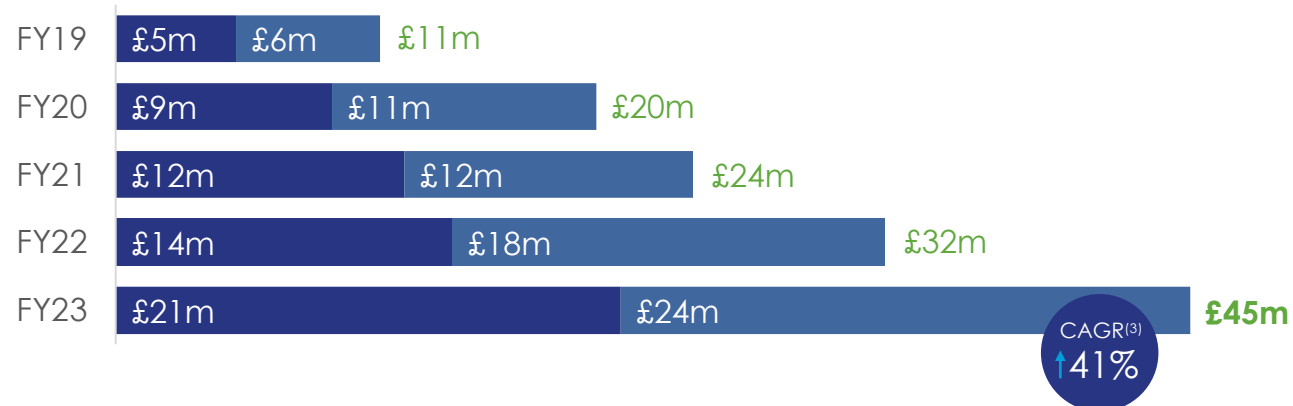
Launched 2021, **strong adoption in customer base**

Smart Shield / data masking, 40+ customers

Launched August 2022, **quickly building traction**



Revenue trend H1 / H2



Market size

£625m

Estimated FY24 addressable global market for Workday automated testing (FY23: £410m)

⁽¹⁾ In constant currency, growth is 26%.

⁽²⁾ In constant currency, growth is 33%

⁽³⁾ Five year CAGR, FY19 to FY23

*“Kainos has been a tremendous Smart Shield partner. It’s been the **easiest and simplest implementation** I’ve done.”*

Carolyn Kelfer Director - Financial Systems, Match Group

With **hundreds of millions of users** globally, Match Group have been bringing people together and revolutionising the way people connect for over 20 years. They have over **2,500 employees in 23 countries**.

Ensuring the **privacy and security of user data** is a critical consideration for Match Group. It’s also top of mind for **employee data in Workday** and Smart Shield:

- ✓ **Ensures adherence** to strict data privacy requirements
- ✓ **Increases scope of testing** that a tester can perform
- ✓ **Saves time** by streamlining testing effort
- ✓ **More complete and secure** than data scrambling

Match Group are a **full suite customer** using Smart Shield, Test & Audit.

Financial Performance

Group Income Statement

| Income Statement | | | |
|---|-------------|-------------|-------------|
| £m | FY 23 | FY 22 | Change |
| Revenue | 374.8 | 302.6 | +24% |
| Gross profit | 177.2 | 140.2 | +26% |
| Direct expenses | (82.5) | (59.3) | +39% |
| Contribution | 94.7 | 80.9 | +17% |
| Central overheads (inc. Finance income/expense) | (27.1) | (22.1) | +23% |
| Adjusted pre-tax profit | 67.6 | 58.8 | +15% |
| Adjusted pre-tax profit margin | 18% | 19% | -1% |
| Share-based payments & acquisition costs | (13.2) | (12.8) | +3% |
| Profit before tax | 54.3 | 46.0 | +18% |
| Taxation | (12.7) | (10.2) | +25% |
| Profit after tax | 41.6 | 35.8 | +16% |

Digital Services:

- Revenue growth varies by sector
 - Public: **+26%**
 - Commercial: **+51%**
 - Healthcare: **-25%**
- Gross Margin reduced slightly to 38.1% (FY22: 38.7%) – 2 extra UK holidays

Workday Services:

- Very strong revenue growth in both regions
 - EMEA: **+23%**; Americas: **+84%**
- Gross margin consistent at 54.2% (FY22: 54.3%)

Workday Products:

- Very strong revenue growth: **40%** (26% ccy)
- Gross margin increased slightly to 76.6% (FY22: 76.3%)
- Direct expenses **increased by 68%**
 - Product development expenditure increased 52% to £9.1m
 - Investment in sales and marketing increased 135% to £10.8m

Central overheads

- Currency gain at 30 Sep largely reversed at 31 Mar

Effective Tax Rate 23% (2022: 22%)

- Forecast to increase substantially in FY24

Balance Sheet and Cashflow

Balance Sheet

| As at 31 Mar (£m) | FY 23 | FY 22 |
|--------------------------------|--------------|--------------|
| Fixed assets and investments | 17.3 | 19.4 |
| Goodwill and Intangible assets | 22.8 | 24.8 |
| Trade receivables and WIP | 74.5 | 74.7 |
| Other assets | 10.7 | 11.8 |
| Cash | 108.3 | 76.6 |
| Total assets | 233.6 | 207.2 |
| Liabilities | (104.3) | (99.5) |
| Shareholders' funds | 129.3 | 107.7 |

Cashflow

| £m | FY 23 | FY 22 |
|--|-------------|-------------|
| EBITDA⁽²⁾ | 69.6 | 62.0 |
| Cash generated by operating activities | 72.5 | 51.8 |
| Cash Conversion | 104% | 83% |
| Taxation | (10.6) | (7.1) |
| Capital expenditure | (2.5) | (5.8) |
| Amounts withdrawn from treasury deposits | - | 18.0 |
| Acquisitions of subsidiaries | - | (16.8) |
| Payment of lease liabilities | (1.1) | (1.4) |
| Interest received | 1.5 | - |
| Dividends paid | (28.4) | (27.4) |
| Proceeds from issue of shares | 0.1 | 2.3 |
| Net cash inflow | 31.4 | 13.5 |

⁽¹⁾ Cashflow from Operations (CFFO) divided by adjusted EBITDA

⁽²⁾ EBITDA adjusted for share-based payments and acquisition related expenses

Balance Sheet:

Fixed assets and investments

- IT, office equipment, investments etc. **£7.7m** (FY 22: £8.2m)
- IFRS16 leases capitalised **£1.3m** (FY 22: £3.2m)
- Land for office **£8.3m** (FY 22: £8.0m). **£5.2m now** classified as investment property

Goodwill & intangible **£22.8m** (FY 22: £24.8m)

- Amortisation of intangible assets

Underlying trade receivables/WIP total **64 days** (FY 22: 78 days)

Increase in trade creditors and accruals **£52.3m** (FY 22: £49.2m)

Significant cash reserves **£108.3m**

- Debt free

Cashflow:

Cash conversion⁽¹⁾ **104%** (FY 22: 83%)

- Strong cash collection during the period

Future HQ property funding requirements largely FY25 and FY26

Final dividend proposed 16.1p (FY 22: 15.1p).

Looking Ahead

Outlook

We have strong positions in fast-growing, resilient, international markets



Digital Services

UK leader in delivering digital transformation

Market Drivers

UK Digital Transformation demand is robust

£2.7bn UK Public Sector annual spend, and expansion potential into **UK Financial Services**



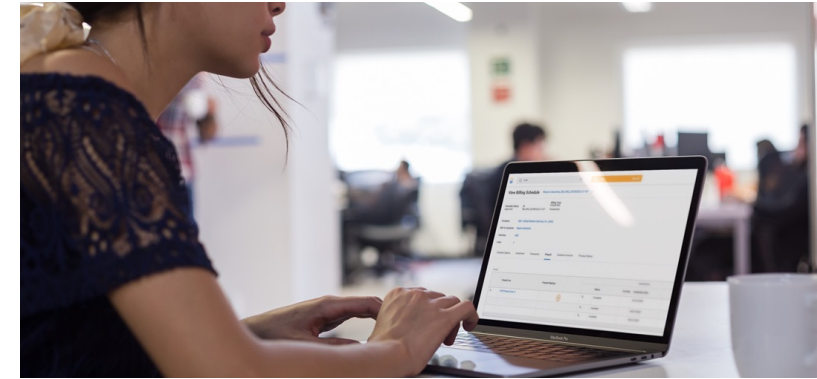
Workday Services

Continue to **outpace** underlying market growth

Market Drivers

Workday Inc forecast **17% growth for 2023**

Workday Inc on track to **grow revenue from \$6bn to \$10bn by 2026**



Workday Products

Achieve **£100m of SaaS** recurring revenue by 2026

Market Drivers

Workday Inc core HCM and Financial **customer base is 4,750+**

Typically add **600 new core customers** per year



kainos®