



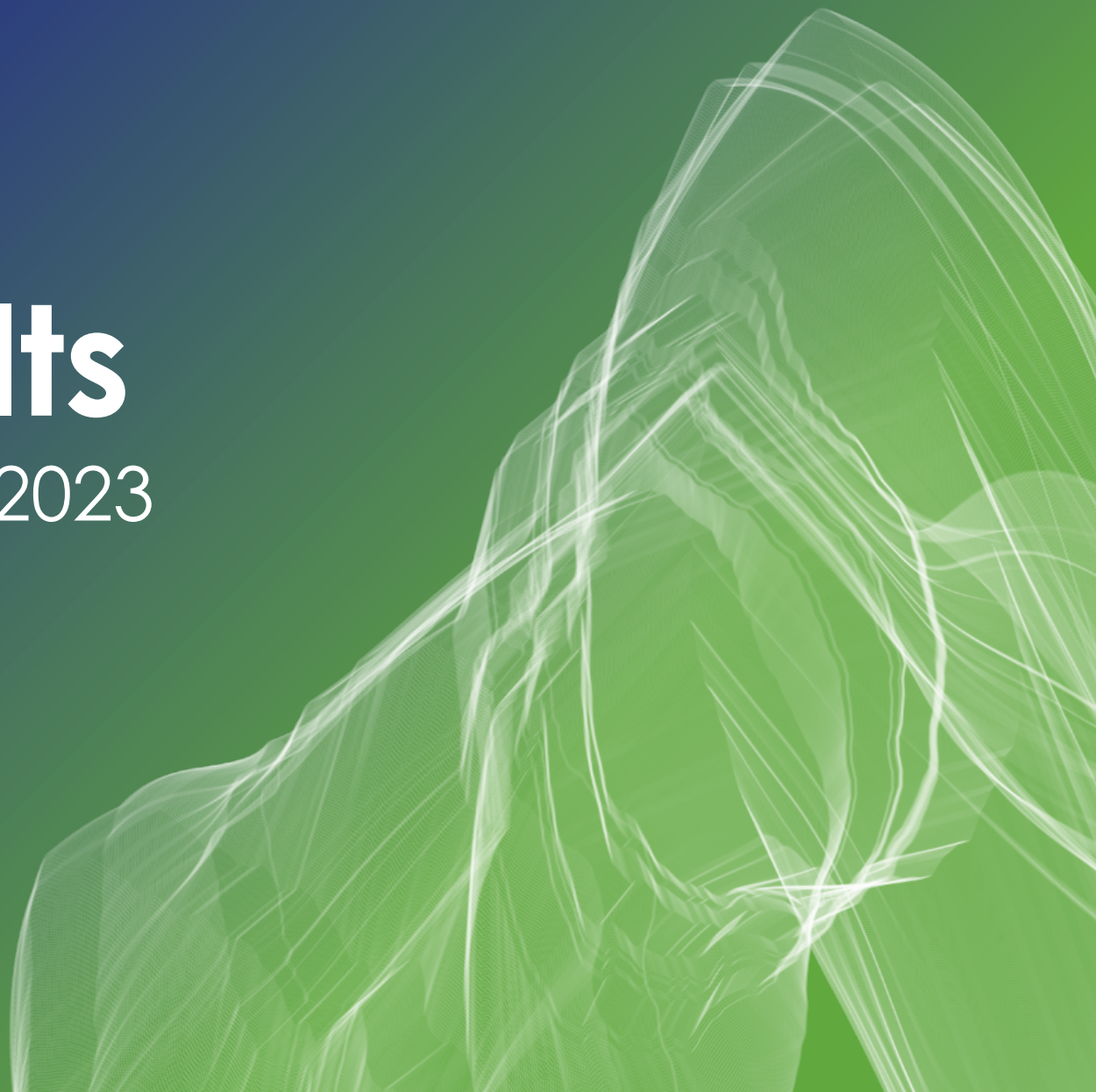
# Full Year Results

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](https://kainos.com/investor-relations)



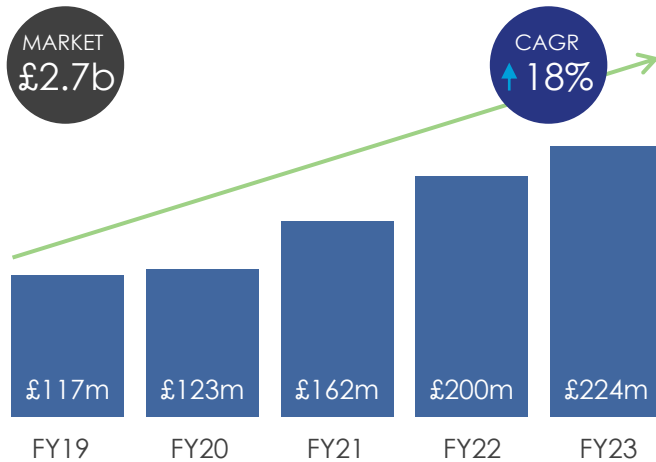


# Business Overview



# Business Overview

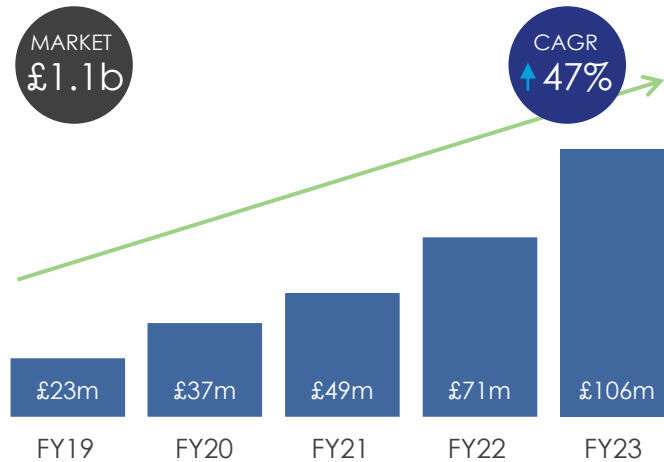
We have an excellent position in long-term, high-growth markets



## Digital Services

The full lifecycle **development and support of customised digital services** for public sector, healthcare and commercial customers

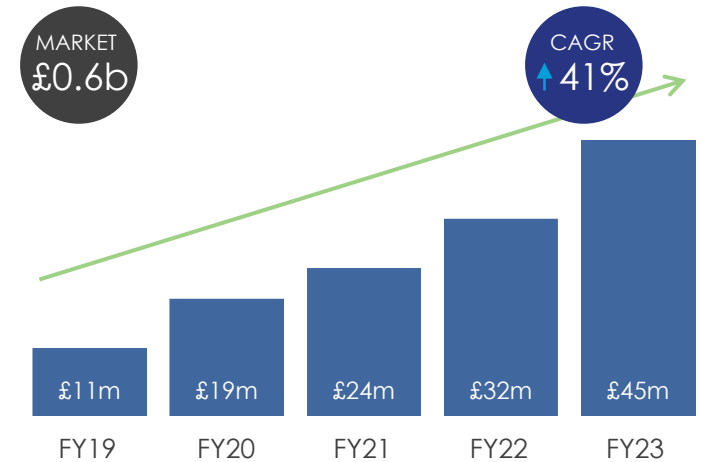
Our transformative solutions encompass a range of services including AI and Cloud to deliver solutions that are **secure, accessible and cost-effective**



## 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

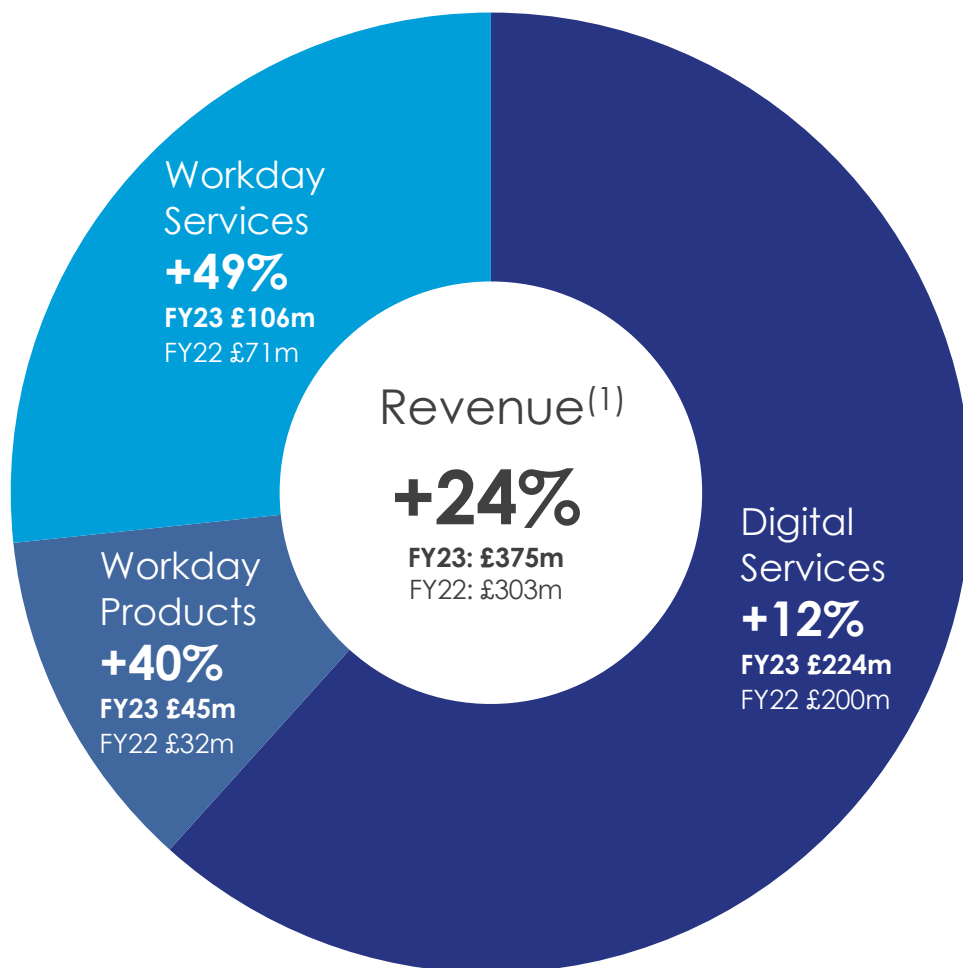
We **develop software products** that are complementary to Workday's comprehensive SaaS platform

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

# Expertise at a global scale


# 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**

Adjusted Profit<sup>(2)</sup>  
 **+15%**  
FY23: £68m  
FY22: £59m

Bookings<sup>(3)</sup>  
 **+22%**  
FY23: £428m  
FY22: £350m

Backlog  
 **+24%**  
FY23: £323m  
FY22: £260m

Cash  
 **+41%**  
FY23: £108m  
FY22: £77m

Dividend  
 **+8%**  
FY23: 23.9p per share  
FY22: 22.2p per share

People  
 **+11%**  
FY23: 2,990 people  
FY22: 2,692 people

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

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

<sup>(3)</sup> In constant currency, growth is 20%



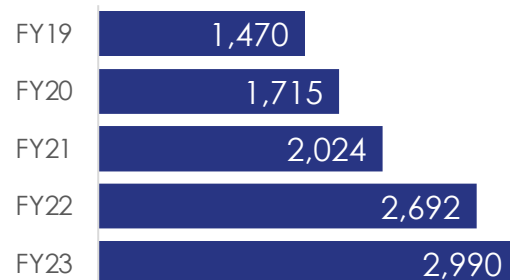
# Our people

We are building an exceptionally talented and engaged workforce

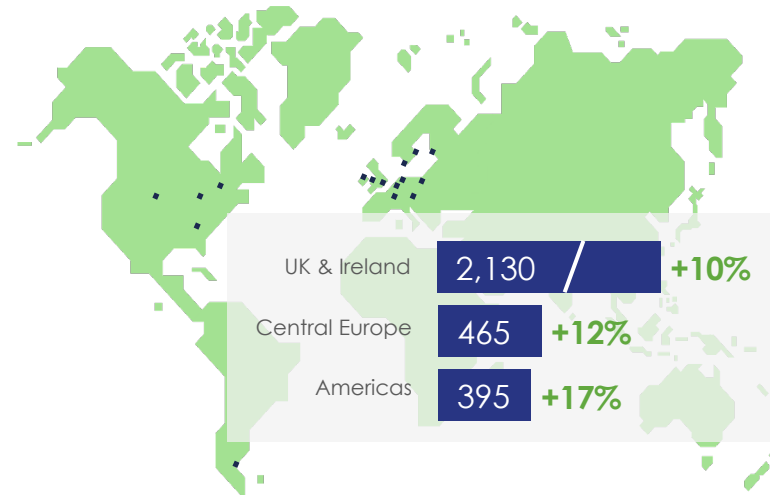


## People

**+11%**



## 22 Global Locations



## Engagement

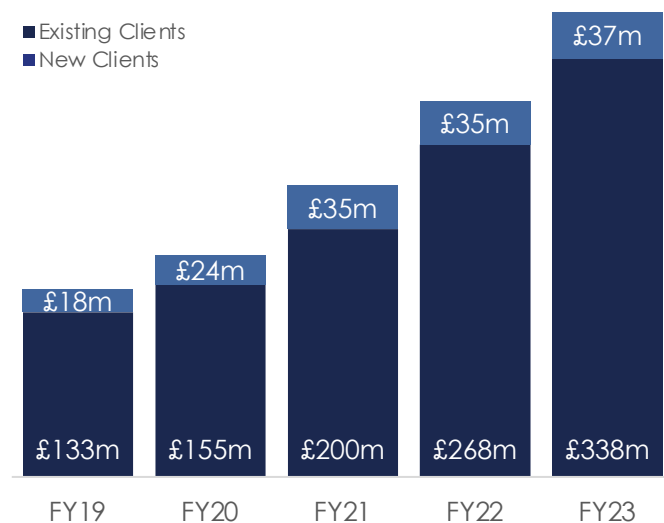
**88%** Employee Retention

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

**83%** **glassdoor** recommend to a friend

# Our Customers

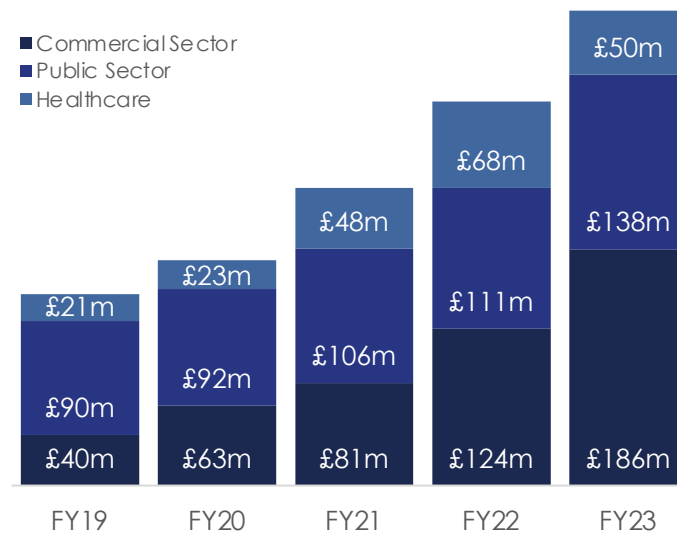
Delivering value to our clients drives long-term relationships



## High net revenue retention

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

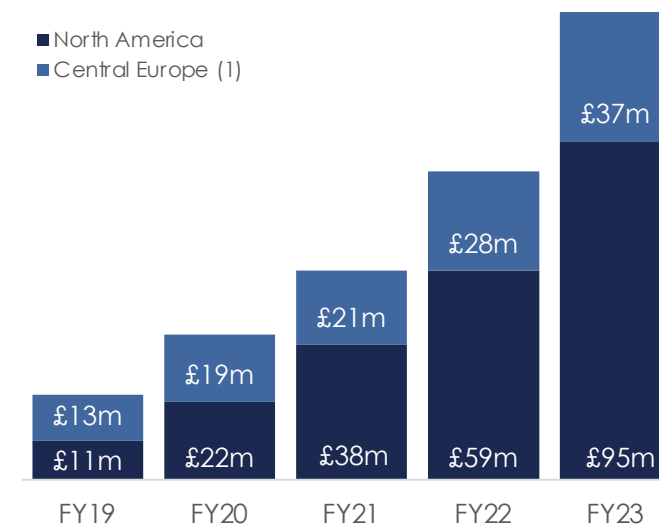
New client acquisition **creates future multi-year revenue** opportunities



## 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**<sup>(1)</sup> we are inspiring the next generation - **414 young women**<sup>(2)</sup> 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**

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

<sup>(2)</sup> 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

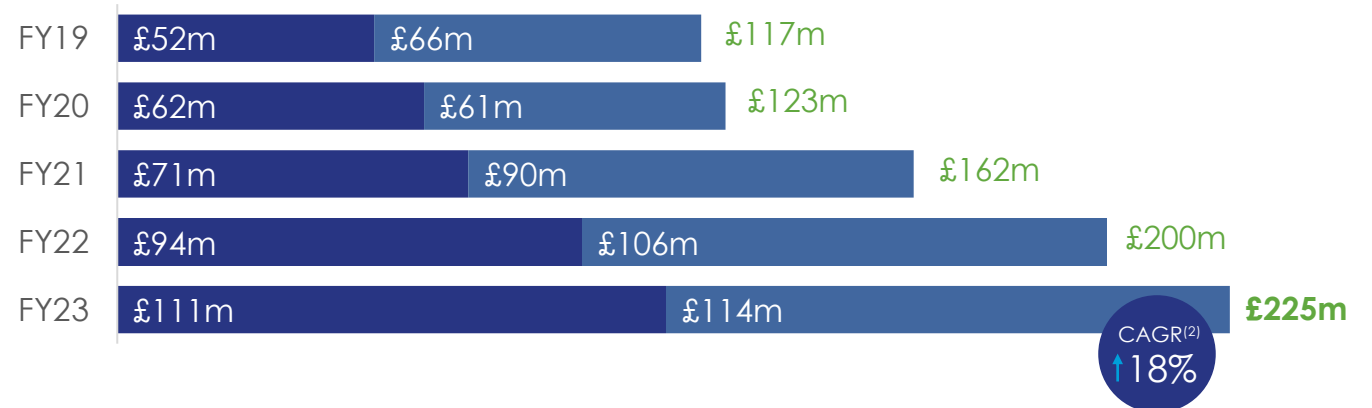
## Commercial sector / +51% to £38m

**Continued investment and focus** yielding very strong results



## Revenue trend

H1 / H2



## Market size

**£2.7bn**

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

<sup>(1)</sup> In constant currency, growth is also 12%.

<sup>(2)</sup> Five-year CAGR, FY19 to FY23

<sup>(3)</sup> 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](#)



## A man with a beard and a blue sweater is pointing at a whiteboard. The whiteboard has several sticky notes on it, including one that says "What are we?". Another man is partially visible behind him, also looking at the whiteboard.



1

1



1



1



# 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

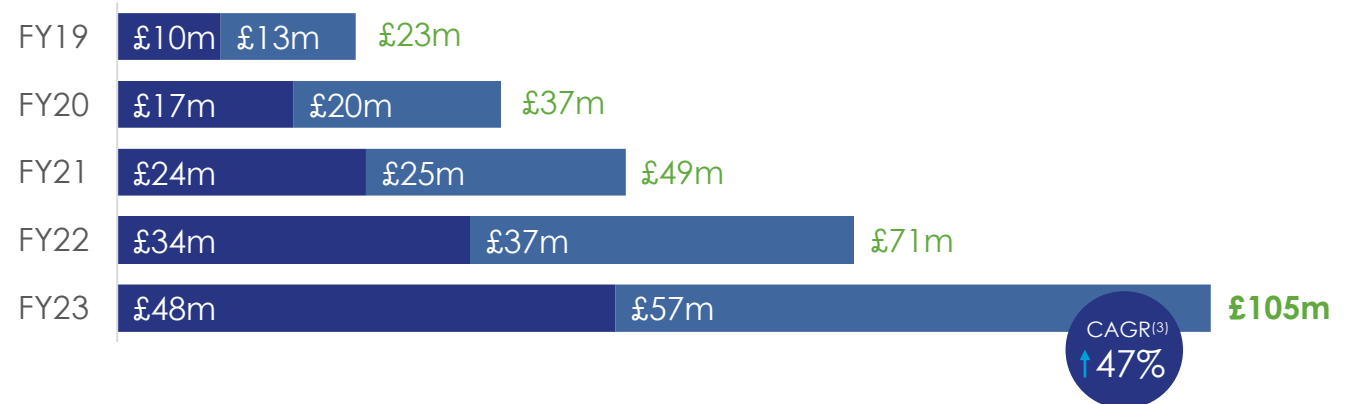
Maintaining **leading partner** position in a key growth area for **Workday Inc's international expansion**

## 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)

<sup>(1)</sup> In constant currency, growth is 40%.

<sup>(2)</sup> In constant currency, growth is 50%

<sup>(3)</sup> 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

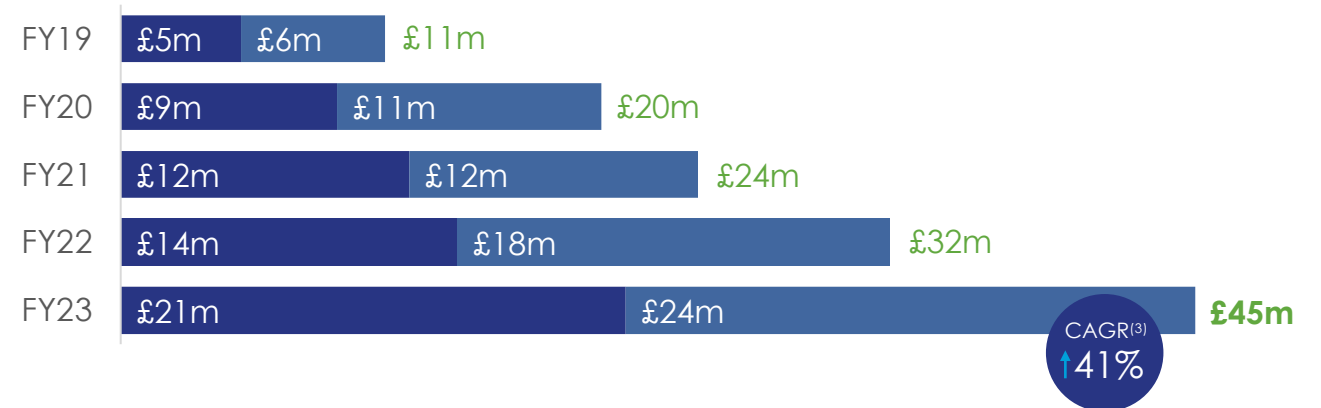
Launched 2021, **strong adoption** in customer base

## 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)

<sup>(1)</sup> In constant currency, growth is 26%.

<sup>(2)</sup> In constant currency, growth is 33%

<sup>(3)</sup> 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%	
<b>Adjusted pre-tax profit</b>	<b>67.6</b>	<b>58.8</b>	<b>+15%</b>	
Adjusted pre-tax profit margin	18%	19%	-1%	
Share-based payments & acquisition costs	(13.2)	(12.8)	+3%	
<b>Profit before tax</b>	<b>54.3</b>	<b>46.0</b>	<b>+18%</b>	
Taxation	(12.7)	(10.2)	+25%	
<b>Profit after tax</b>	<b>41.6</b>	<b>35.8</b>	<b>+16%</b>	

## 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
<b>Total assets</b>	<b>233.6</b>	<b>207.2</b>
Liabilities	(104.3)	(99.5)
<b>Shareholders' funds</b>	<b>129.3</b>	<b>107.7</b>

## Cashflow

£m	FY 23	FY 22
<b>EBITDA<sup>(2)</sup></b>	<b>69.6</b>	<b>62.0</b>
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
<b>Net cash inflow</b>	<b>31.4</b>	<b>13.5</b>

## 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<sup>(1)</sup> **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).

<sup>(1)</sup> Cashflow from Operations (CFFO) divided by adjusted EBITDA

<sup>(2)</sup> EBITDA adjusted for share-based payments and acquisition related expenses

# 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**



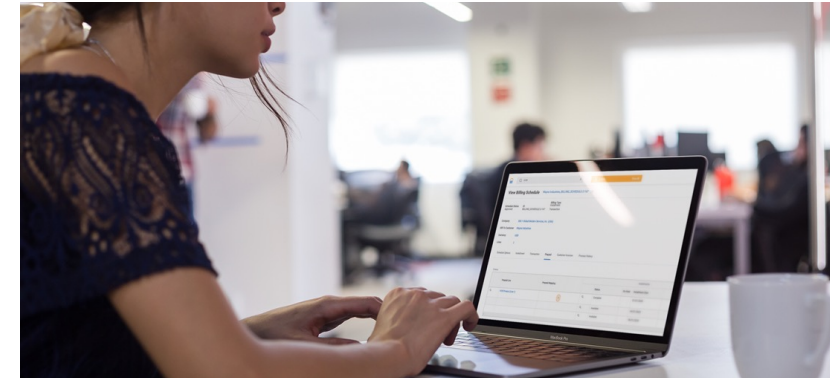
## Workday Services

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



kaiinos®