



Interim Results

6 months ended 30 September 2023

Russell Sloan (CEO)

Richard McCann (CFO)

13 November 2023



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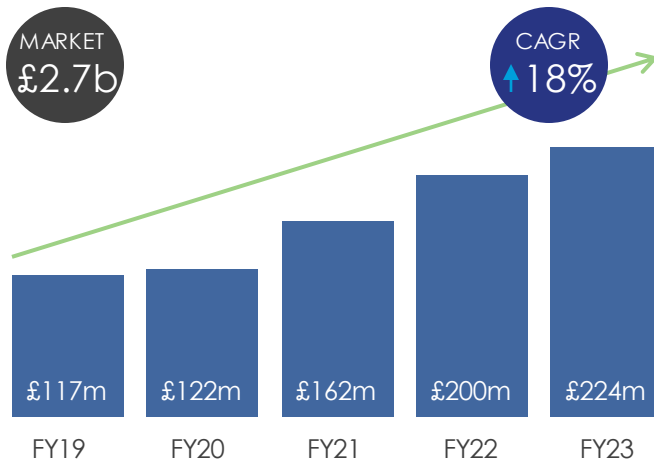
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Business Overview

Business Overview

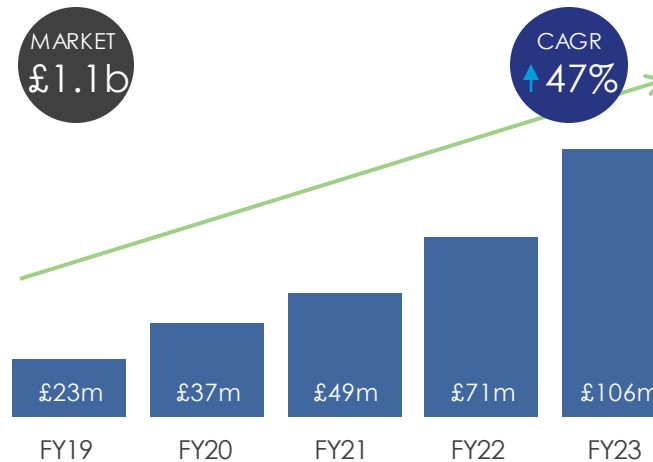
We have an excellent position in long-term, high-growth markets



Digital Services

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

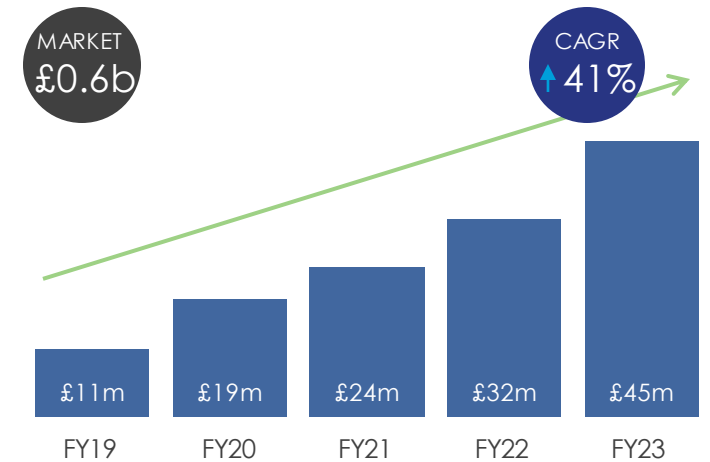
Our transformative solutions encompass a range of services including AI and Cloud to deliver solutions that are **secure, accessible and cost-effective**



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

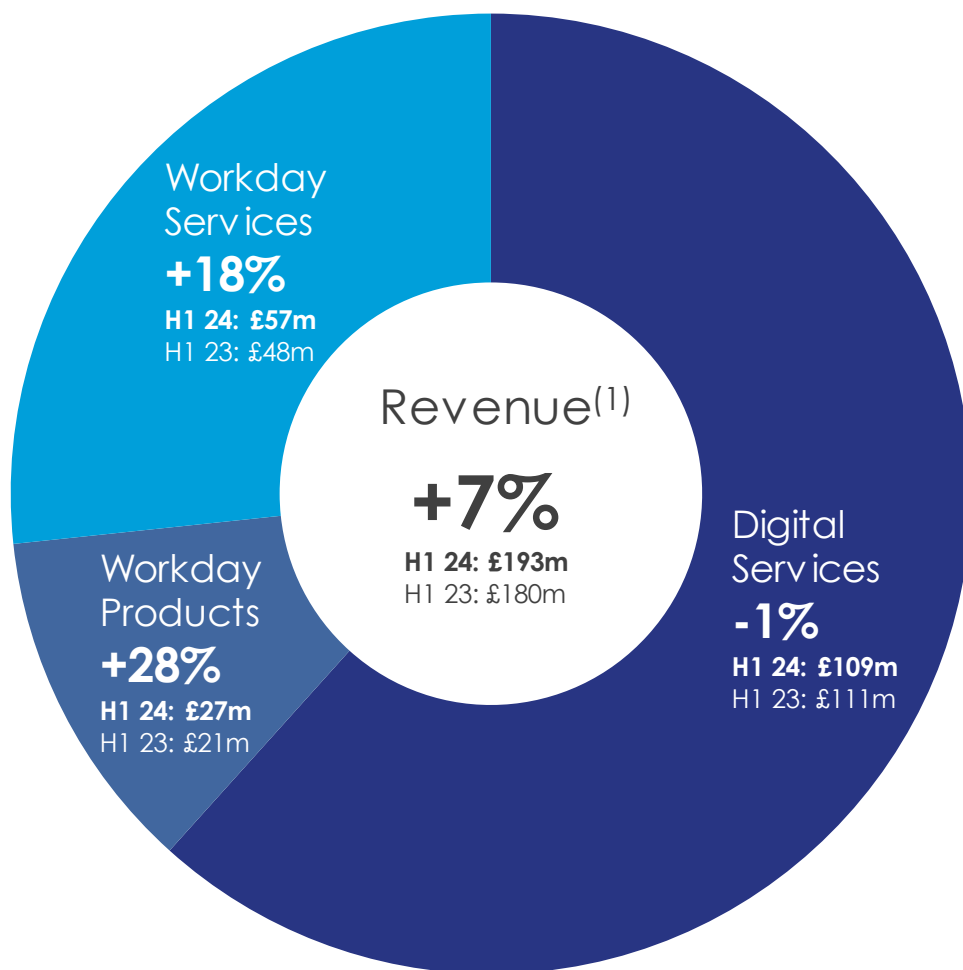
We **develop software products** that are complementary to Workday's comprehensive SaaS platform

Smart Test (automated testing), Smart Audit (compliance monitoring) and Smart Shield (data masking) are used by **400+ customers globally** to safeguard their Workday system

Expertise at a global scale

H1 FY24 Highlights



Strong growth in key business areas with **ongoing expansion** opportunity


- **Strong demand** in public sector, Workday Products and Workday Services
- **Disciplined execution** underpins robust results
- **Ongoing investment** in Workday Products as we remain **on track** to achieve our 2026 **£100m ARR target**

Adjusted Profit⁽²⁾

 **+11%**


H1 24: £38m
H1 23: £34m

Bookings

 **-9%**


H1 24: £202m
H1 23: £222m

Backlog

 **+6%**


H1 24: £327m
H1 23: £308m

Cash

 **+16%**

H1 24: £113m
H1 23: £97m

Dividend

 **+5%**

H1 24: 8.2p per share
H1 23: 7.8p per share

People

 **+8%**

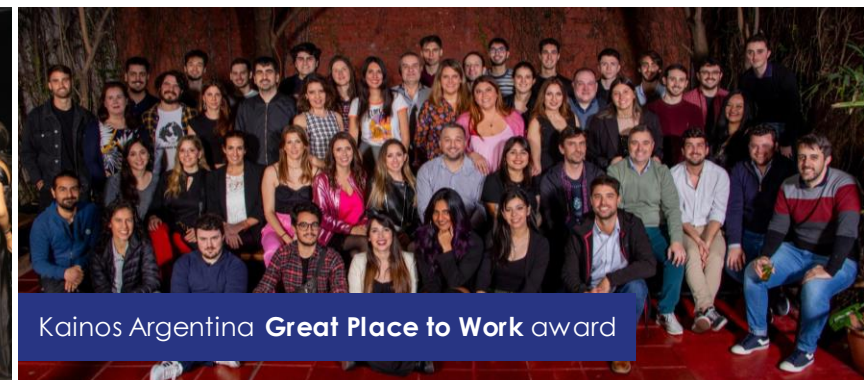
H1 24: 3,139 people
H1 23: 2,920 people

⁽¹⁾ In constant currency, total revenue growth is 8%; by division: Digital Services -1%, Workday Services 21% and Workday Products 31%.

⁽²⁾ In constant currency, adjusted profit growth is 19%.

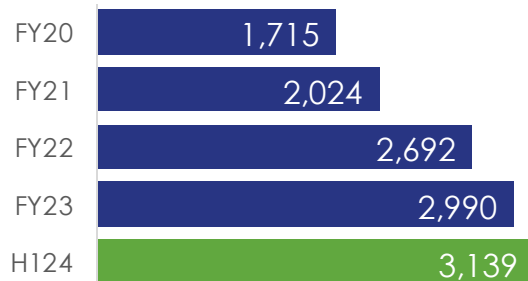
Our people

We are building an exceptionally talented and engaged workforce

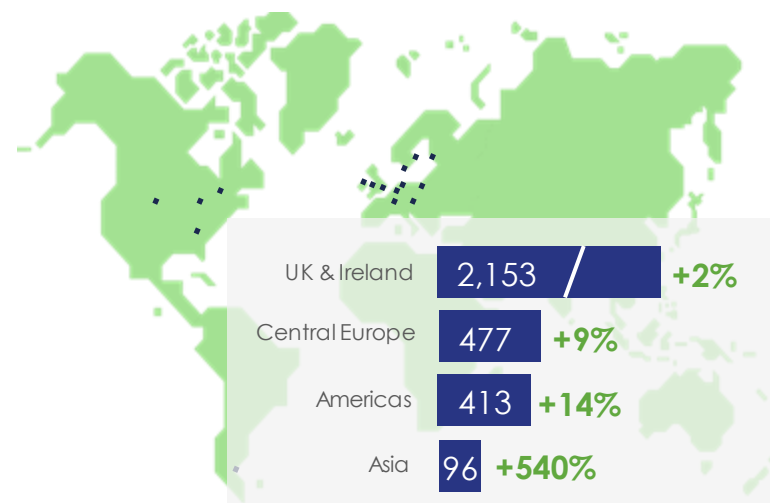


People

+8%



23 Global Locations

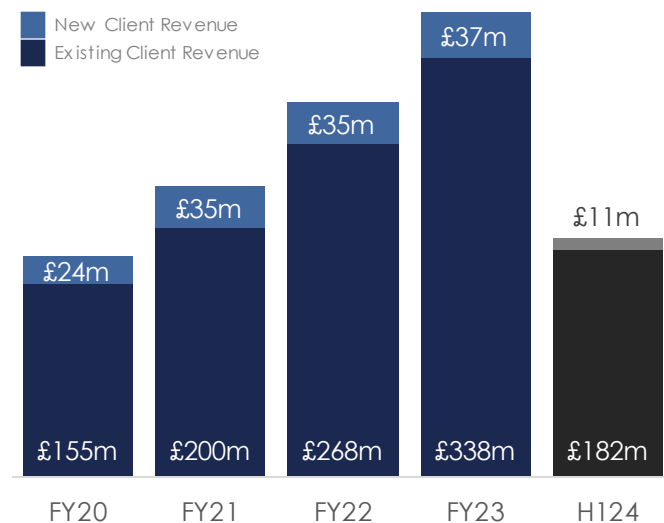


Engagement



Our Customers

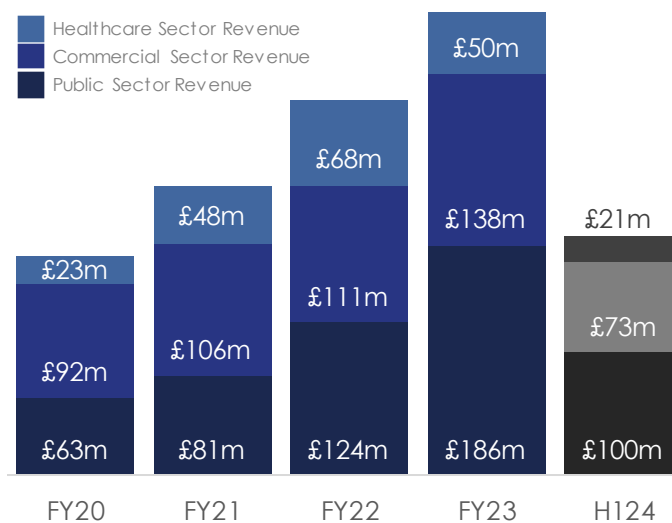
Delivering value to our clients drives long-term relationships



High net revenue retention

Our **high customer satisfaction** rating (NPS score of 62⁽²⁾) drives **increased customer spending**, with 'Net Revenue Retention' at 107%

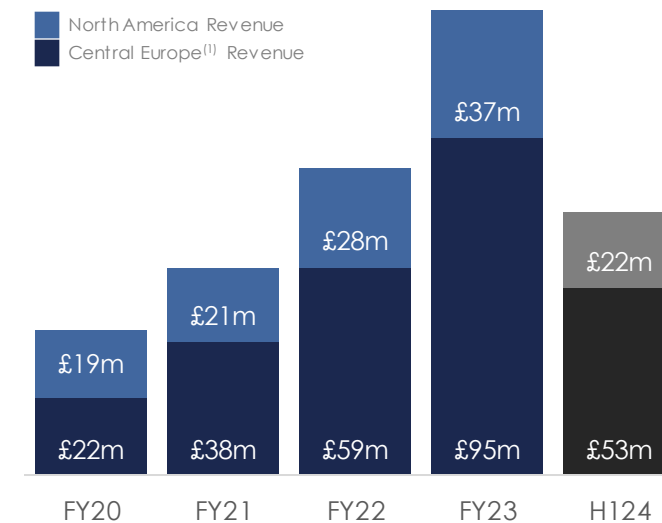
New client acquisition **creates future multi-year revenue** opportunities



Broad sector coverage

Commercial customers represent 51% of revenue, with public sector customers accounting for 38%

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



Accelerating global growth

Having grown 22% to £75m, our **international customers account for 39% of revenue**

Central Europe grew quickest at 30% while North America grew by 20%

⁽¹⁾ Central Europe includes revenue for Rest of World (c.£1m/year); it excludes revenues generated in Ireland
⁽²⁾ Net Promoter Score (NPS). Bain & Co, the creators of the metric, defined that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class

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 with Scope 1, 2 and business travel emissions addressed, our focus is now on our supply chain and our largest suppliers



Gender Equality

Promoting gender equity, equality and gender rights

Improved gender balance, with women representing **35%** of Kainos colleagues (March 2023: 34%)

To shift the **sector imbalance**⁽¹⁾ we are inspiring the next generation – in the last six months, **298 young women**⁽²⁾ attended our schools programmes



Quality Education

Increasing employment potential for under-represented groups

Since April, over **900 young people** have engaged with our schools programmes, supported by **130 colleagues** who acted as mentors

These included our **work placements**, our global **CodeCamps**, AI & Data **Insights** programmes and **CodeClub** events

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

⁽²⁾ Of the 913 participants, 298 identified as women, 2 as non-binary, 440 as men, and 173 preferred not to disclose

Divisional Performance

Digital Services

Strong revenue growth in key public sector market

Public sector / +17% to £73m

Continued commitment to existing digital programmes with cross-party support for ongoing future investment

Healthcare / -31% to £20m

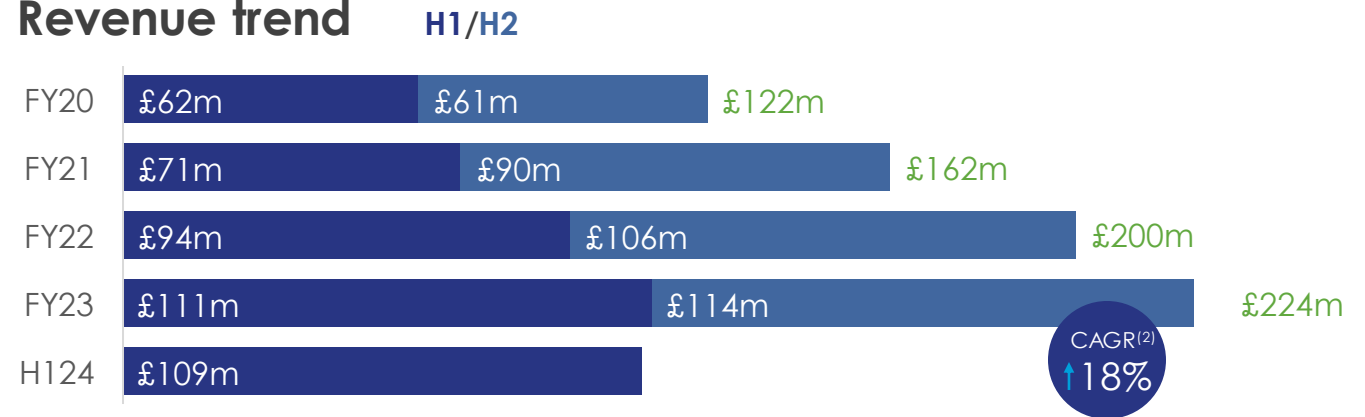
Pandemic-related spending ended in FY23 combined with new project delays resulting from NHS England and NHS Digital merger

Commercial sector / -16% to £16m

Project scope reductions in some customers reflecting broader economic uncertainty



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, reduction is also 1%.

⁽²⁾ Five-year CAGR, FY19 to FY23

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



Extended Producer Responsibility (EPR)



Department
for Environment
Food & Rural Affairs

“a commitment to high-quality design and delivery”

Colin Banno-Thornton | Director Digital Delivery at DEFRA

EPR is about **reducing waste and lessening the UK’s environmental footprint** by making organisations responsible for their products from creation to disposal.

By driving better packaging design, improved recycling, and enhanced waste management, **EPR will divert 4.1 million tonnes of waste from landfill** each year.

In addition, the EPR producer payments will generate **£1.7 billion of revenue to the Treasury**, annually.

To support DEFRA’s ambitious plans, we reacted quickly to provide project teams that could **deliver high quality digital services at scale and pace**, while being flexible in adapting to changing policy and organisational priorities.

Our Artificial Intelligence Projects

The Journey

2016

Machine Learning and AI identified as an innovation **research topic**

2017

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

2019

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

2023

Over **190 professionals** delivering **significant, leading-edge projects**

£10m investment to embed AI skills across all development teams

Supporting 25 clients with **GenAI** and **projects moving to deployment**

Example Projects



Applied advanced NLP to automate the redaction of witness statements for a large UK policing constabulary



Used LLMs to covert over 10m complex Local Authority unstructured data points to help digitise a critical legacy service



GenAI pilot to support rigorous in-location inspection of machinery and NLP to summarise and standardise generated reports



Enabled a large-scale maritime and beach-landing data collection exercise to help develop cutting edge AI products

Workday Services

Strong growth following **exceptional** FY23 sales closure and **ongoing** market demand

Americas / +12% to £29m

An **established position** in the largest global market and only in **early stages** of US Phase 1 Prime partner opportunity

Europe / +26% to £28m

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

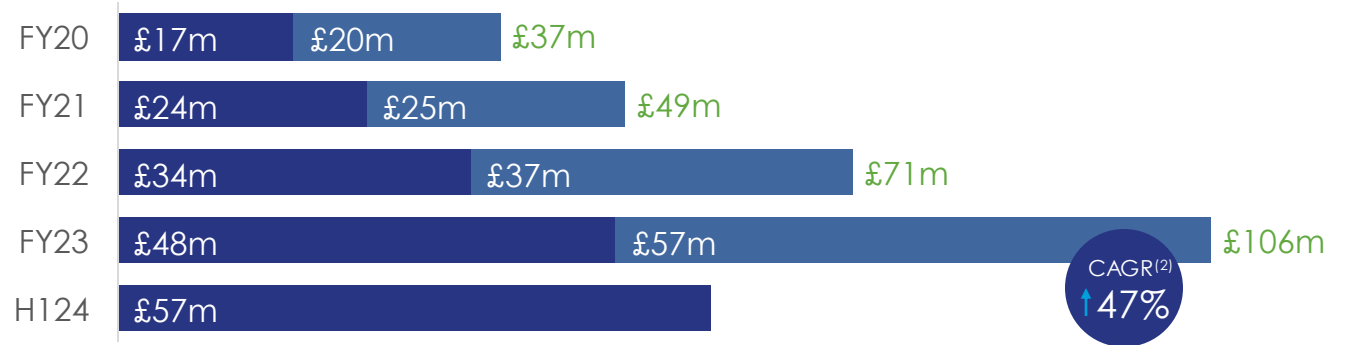
#1 Workday Extend partner, globally

Increasing opportunity as Extend platform gains adoption across Workday customer base

Talent / +11% to 814 consultants



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 21%.

⁽²⁾ Five year CAGR, FY19 to FY23



Multi-phase Workday Deployment

STIBO

“We have partnered with Kainos for 4 years now and delivered 8 Workday deployment projects successfully.”

Henrik Andersen | Head of Platform Delivery at Stibo Group

Stibo Group is a global leader of data management and media solutions, with their HQ in Denmark and **1,500 employees** operating in **30 countries**.

Stibo is one of the oldest organisations in Denmark with a history spanning centuries, founded in 1794.

Stibo chose the full Workday platform to **streamline their global operations** and support their growth ambitions.

Kainos have been the Workday partner on every project.

Read the full case study here: [link](#)

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Workday Products

Excellent growth across key metrics as we **expand** our product portfolio and **progress** to our **£100m ARR target**

Measured increase in investment / +34% to £12m

R&D investment **increased 48% to £6m** and sales investment **increased 23% to £6m**

RapidIT-Cloudbera acquisition completed

Teams integrated, unique Genie functionality added to Smart Test, **customer migration on schedule**

Smart Portfolio / 400+ customers

Test: established product, adding new customers

Audit: strong adoption in customer base

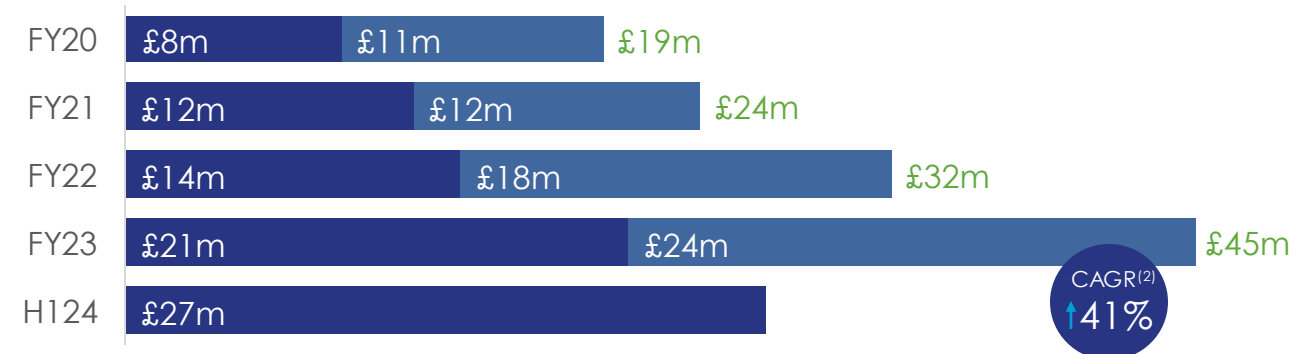
Shield: launched 2022, quickly building traction

Employee Document Management / 9 customers

Launched October 2023, utilising Workday Extend, **strong interest from customer base**



Revenue trend H1 / H2



Market size

£625m

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

⁽¹⁾ Organic growth 24%, organic growth in constant currency is 26%.

⁽²⁾ Five year CAGR, FY19 to FY23



Employee Document Management (EDM)



“We can be compliant. We can meet all the functional requirements. We can increase the efficiency of our HR teams. We can empower our employees.”

Zuzana Rozkosna | HR Global Project Manager at Hilti

The Hilti Group has **33,000 team members** in **120 countries**, supplying the construction and energy industries with technologically leading products and systems.

A **Workday customer since 2020**, they struggled with their document management systems – **fragmented, outdated, disconnected** and with different regions using vastly different systems.

By deploying Kainos **EDM, the first end-to-end Workday document management solution**, Hilti achieved:

- ✓ 50% of documents **signed within 24 hours**
- ✓ 50% **reduction** in document creation time
- ✓ **Retired** inefficient document management systems

Read the full case study here: [link](#)

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Financial Performance

Group Income Statement

Income Statement				
£m	H1 24	H1 23	Change	
Revenue	193.2	179.8	+7%	
Gross profit	92.8	83.8	+11%	
Direct expenses	(44.1)	(40.0)	+10%	
Contribution	48.7	43.8	+11%	
Central overheads (inc. Finance income/expense)	(10.9)	(9.8)	+11%	
Adjusted pre-tax profit	37.9	34.0	+11%	
Adjusted pre-tax profit margin	20%	19%	+1%	
Share-based payments, acquisition costs & property gains	(7.0)	(6.5)	+8%	
Profit before tax	30.9	27.5	+12%	
Taxation	(8.7)	(5.7)	+53%	
Profit after tax	22.1	21.9	+1%	

Digital Services:

- Significant variation in revenue performance by sector
 - Public +17%, Commercial-16%, Healthcare -31%
- Gross margin reduced slightly to 37.7% (H1 23: 38.3%)
- Direct expenses decreased 2% due to cost control

Workday Services:

- Very strong/strong revenue growth in each region
 - EMEA **+26%**, Americas **+12%**
- Gross margin increased to 54.8% (H1 23: 52.6%) – utilisation increase
- Direct expenses increased 3% due to cost control

Workday Products:

- Very strong revenue growth of **28%** (31% ccy)
- Gross margin decreased slightly to 75.7% (H1 23: 76.5%)
- Direct expenses **increased by 37%**
 - Product development expenditure increased 48% to £5.9m
 - Investment in sales and marketing increased 23% to £5.9m

Adjusting items:

- Share based payments - £2.9m
- Amortisation of intangibles £3.2m - Blackline £2.6m, Other £0.6m
- Post combination compensation £2.7m – Blackline £1.6m, Other £1.1m
- Property gains £2.1m

Effective Tax Rate 28% (H1 23: 21%)

- UK corporation tax rate 25% effective 1 April
- Acquisition expenses non-deductible

Balance Sheet and Cashflow

Balance Sheet

As at 30 Sept (£m)	H1 24	H1 23
Fixed assets and investments	22.9	18.6
Goodwill and Intangible assets	44.7	25.8
Trade receivables and WIP	70.6	76.9
Other assets	17.0	13.1
Cash	113.0	97.1
Total assets	268.3	231.4
Liabilities	(130.9)	(114.1)
Shareholders' funds	137.4	117.3

Cashflow

£m	H1 24	H1 23
EBITDA⁽²⁾	37.9	35.4
Cash generated by operating activities	31.0	25.0
Cash Conversion	82%	70%
Taxation	(4.5)	(4.2)
Capital expenditure	(3.3)	(1.0)
Proceeds from sale of property	1.4	-
Acquisitions of subsidiaries	(23.3)	-
Payment of lease liabilities	(0.4)	(0.6)
Interest received	1.8	0.4
Proceeds from issue of shares	2.1	0.1
Net cash inflow	4.7	19.6

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

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

Balance Sheet:

Fixed assets and investments

- IT, office equipment, investments etc. **£7.7m** (FY 22: £8.2m)
- IFRS16 leases capitalised **£3.9m** (H1 23: £2.4m)
- Land for office **£9.7m** (H1 23: £8.2m). **£6.2m now** classified as investment property.

Goodwill & intangible **£44.7m** (H1 23: £25.8m)

- Acquisition of RapidIT-Cloudbera £24.4m
- Write off Blackline intangible asset £2.6m

Underlying trade receivables/WIP total **70 days** (H1 23: 69 days)

Increase in deferred income **£40.9m** (H1 23: £33.5m) driven by growth in Workday Products

Significant cash reserves **£113.0m**

- Debt free

Cashflow:

Cash conversion⁽¹⁾ **82%** (H1 23: 70%)

- Strong cash collection during the period

Future HQ property funding requirements largely FY25 and FY26

Interim dividend 8.2p (H1 23: 7.8p).

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**



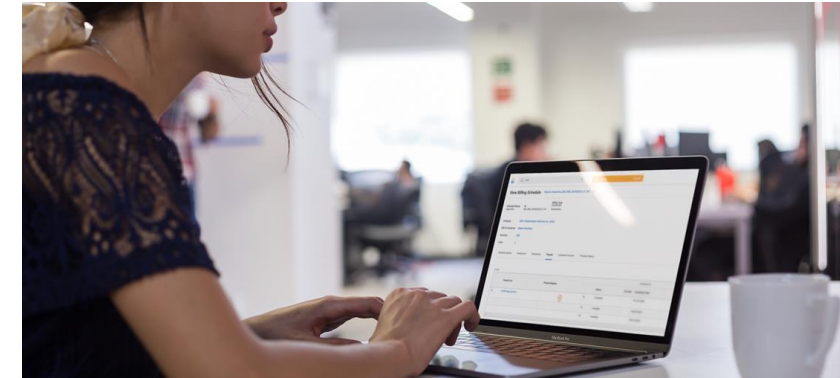
Workday Services

Continue to **expand** in **high growth** market

Market Drivers

Workday Inc growth forecast of **17-19% over the next 3 years**

Workday Inc on track to **grow revenue from \$6.5bn 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 5,000+**

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

Appendix:

Definition of terms

Definition of terms

Active customer: a customer who has paid us to deliver a product or service within the current financial year.

Adjusted EBITDA: calculated as being adjusted pre-tax profit excluding interest, tax, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets.

Adjusted pre-tax profit: profit before tax excluding the effect of share-based payment expense, acquisition-related expenses including amortisation of acquired intangible assets and post-combination remuneration expense (relating to contingent deferred consideration subject to future service conditions). Our adjusted results in the period also exclude one-off gains recognised on sale of property and changes in fair value of our investment property.

Annual Recurring Revenue (ARR): the value at the end of the accounting period of the software and subscription recurring revenue annualised.

Bookings: the total value of sales contracted during the period.

Carbon net zero: any CO₂, released into the atmosphere from a company's entire value chain is reduced as much as possible and the rest is removed.

Carbon neutral: any CO₂ released into the atmosphere from a company's entire value chain activities is balanced by an equivalent amount being removed.

Cash conversion: cash generated from operating activities as a percentage of adjusted EBITDA.

Constant currency (ccy): Excludes the effect of foreign currency exchange rate fluctuations on year-on-year performance by translating the relevant prior year figure at current year average exchange rates.

Contracted backlog: the value of contracted revenue that has yet to be recognised.

Compound annual growth rate (CAGR): annual growth rate over a specified period of time.

Existing customer revenue: total revenue recognised from customers in the current period who were also customers in the preceding year.

Net Promoter Score (NPS): a metric that organisations use to measure customer loyalty toward their brand, product or service, and can range from -100 to +100. Bain & Co, the creators of the metric, held that a score above 0 is good; 20+ is favourable; 50+ is excellent and 80+ is world class.

Net revenue retention (NRR): is the percentage of recurring revenue from existing customers we retained over the year. This considers increases or reductions in customer spending and those customers where the engagement has ended; it does not include revenue from new customers. NRR therefore shows how our business could continue to grow solely from our current customer base alone, without acquiring any new customers.

Organic revenue: our revenues excluding revenue from acquisitions completed in the current and comparative reporting periods.

Software as a service (SaaS): is a software distribution model that delivers application programs over the internet, with users typically accessing the program through a web browser. Users pay an on-going subscription to use the software rather than purchasing it once and installing it.

Science based targets initiative (SBTi): a target for reducing greenhouse gases and CO₂ emissions which is aligned with the global effort to limit global warming to 1.5°C.



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