

kainos®

Full Year Results

12 months ended 31st March 2018



Highlights

Performance is in-line with market expectations.

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 18% 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

CASH UP 22%



£130.7m

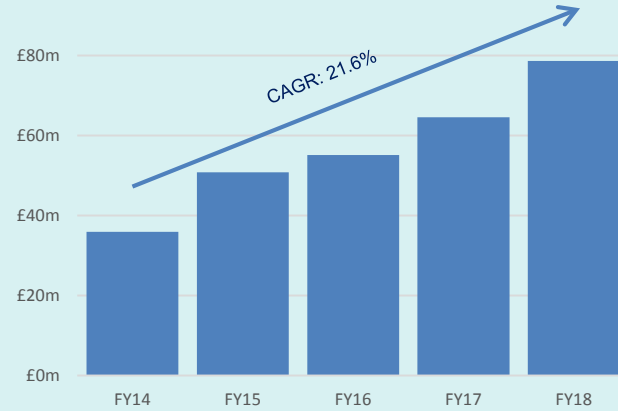
SALES ORDERS UP 38%

Group Overview

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

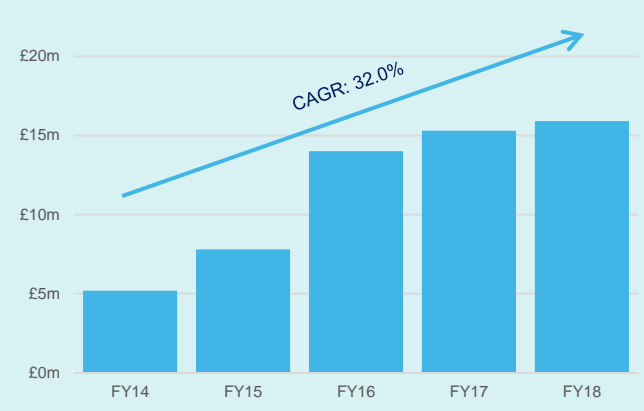
Digital Platforms: our software is used by over 145 national and international clients.

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).

Financial Summary

Kainos is a high growth, high margin company providing digital services and digital platforms.

Kainos is head-quartered in the UK, with a growing international presence.

Latest results represent eighth consecutive year of revenue and adjusted pre-tax profit growth

Financial Metrics

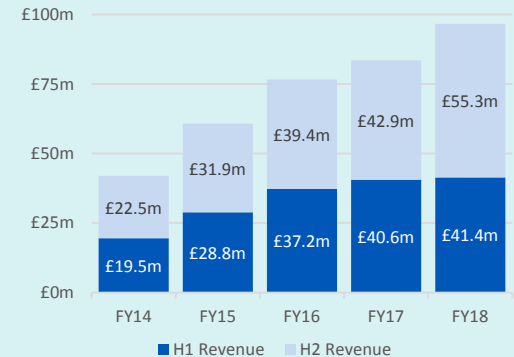
- Growth has been entirely organic, with five-year revenue CAGR of 23.2%.
- Excellent revenue visibility: £110.7m backlog (2017: £76.4m).
- Strong, sustainable adjusted pre-tax profit⁽¹⁾ margin: 16% (2017: 17%).
- Cash balance up 22% to £29.0m (2017: £23.7m).

Earnings

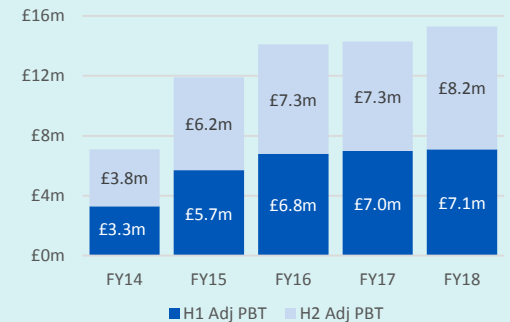
- Adjusted diluted EPS: 10.4p per share (2017: 9.5p).
- Total dividend proposed: 6.6p per share (2017: 6.3p).
- Payment date: 19/10/2018.
- Ex Dividend date: 20/09/2018.

⁽¹⁾ Adjusted to remove the effect of share-based payments

REVENUE



ADJUSTED PRE-TAX PROFIT (1)



People

We continue to build an exceptionally talented and engaged workforce.

To support our expansion we have opened new offices, in 2017, in Frankfurt, Birmingham and Copenhagen and in 2018, Atlanta.

Talent development and retention is a key focus.

- 7,617 training days completed, or 8 days per person
- 234 promotions completed.
- Good levels of engagement, although attrition has increased to 13%, but below UK average (17%).

Number of people increased by 20% to 1,169.

- 360 people joined, 73 from education, 287 from industry.
- 80% hired directly rather than via agency (2017: 82%).

Where they live.

- Northern Ireland: 601 (+50 people)
- Great Britain: 264 (+125 people)
- Poland: 239 (-4 people)
- Rest of World: 65 (+23 people)

What they work on.

- Staff transferring from Digital Platforms to Digital Services to support strong sales growth.
- Digital Services: 810 (+255 people)
- Digital Platforms: 223 (-63 people)



1,169

PEOPLE, UP 20%



11,465

JOB APPLICANTS;
3,060 INTERVIEWS

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Recommend
to a friend



Customers

We build long-term relationships with our customers by delivering exceptional value and best-in-class service.

86% of our revenue is derived from existing clients – it is a pattern that has repeated for many years.

Commercial is the fastest growing segment.

- Revenue increased by 19%: £29.1m (2017: £24.4m).

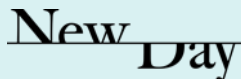
Existing customers underpin revenue growth.

- Recurring revenue: 21% (2017: 19%).
- Repeat customer revenue: 65% (2017: 71%).

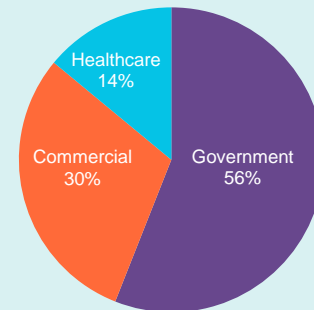
Best-in-class customer service.

- 99% of customers rate the overall Kainos performance as 'good', 'very good' or 'excellent' (2017: 92%).

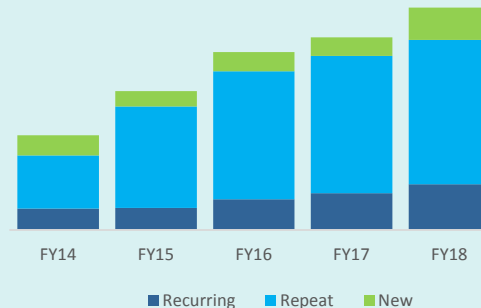
New customers



SECTORAL REVENUE FY18



REVENUE TYPE



kainos[®]

Digital Services



Digital Services

Digital Services represents 81% of Group revenue.

A strong performance across all metrics in period.

Sales closure, up 45%, resulted in a very strong backlog and excellent future revenue visibility.

Digital Services represents 81% of Group revenue.

Very strong sales performance in both Digital Transformation and Workday Services.

- Total sales orders up 45% to £108.4m (2017: £74.6m).
- Digital Transformation sales orders increased 40% to £91.2m (2017: £65.3m).
- Workday Services sales orders up 85% to £17.2m (2017: £9.3m).

Backlog increased by 96% to £70.6m (2017: £36.1m).

Commercial sector continues expansion, at £21.3m (2017: £19.7m).

Cross-selling opportunity being realised

- First Workday contracts signed in Public Sector.
- Major NHS Digital Transformation project underway.
- Smart customers converting to Post Deployment Service.

REVENUE

£78.6m

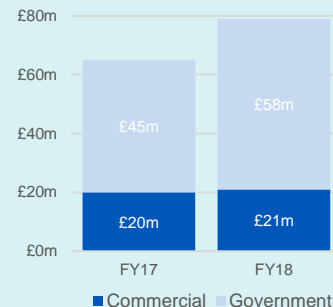
UP 22%

SALES ORDERS

£108.4m

UP 45%

REVENUE TRENDS



Digital Transformation

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

Digital Transformation

Continued demand from UK central government and continued progress in the commercial sector.

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

Extending beyond Central Government.

- Commercial (16%) and healthcare (5%) both growing.

Commercial progress reflects prior investment in sales capacity.

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

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).

Brexit: no impact.

- Clear commitment to deliver key digital programmes.
- Reflected in strong sales order closure: £91.2m (2017: £65.3m).

MARKET SIZE

£885m

UK PUBLIC SECTOR FY18 SPEND

COMPETITIVE LANDSCAPE

CENTRAL GOVERNMENT

valtech_  ThoughtWorks®

methods  Deloitte.



COMMERCIAL SECTOR

 ThoughtWorks®

COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

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



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.

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%.

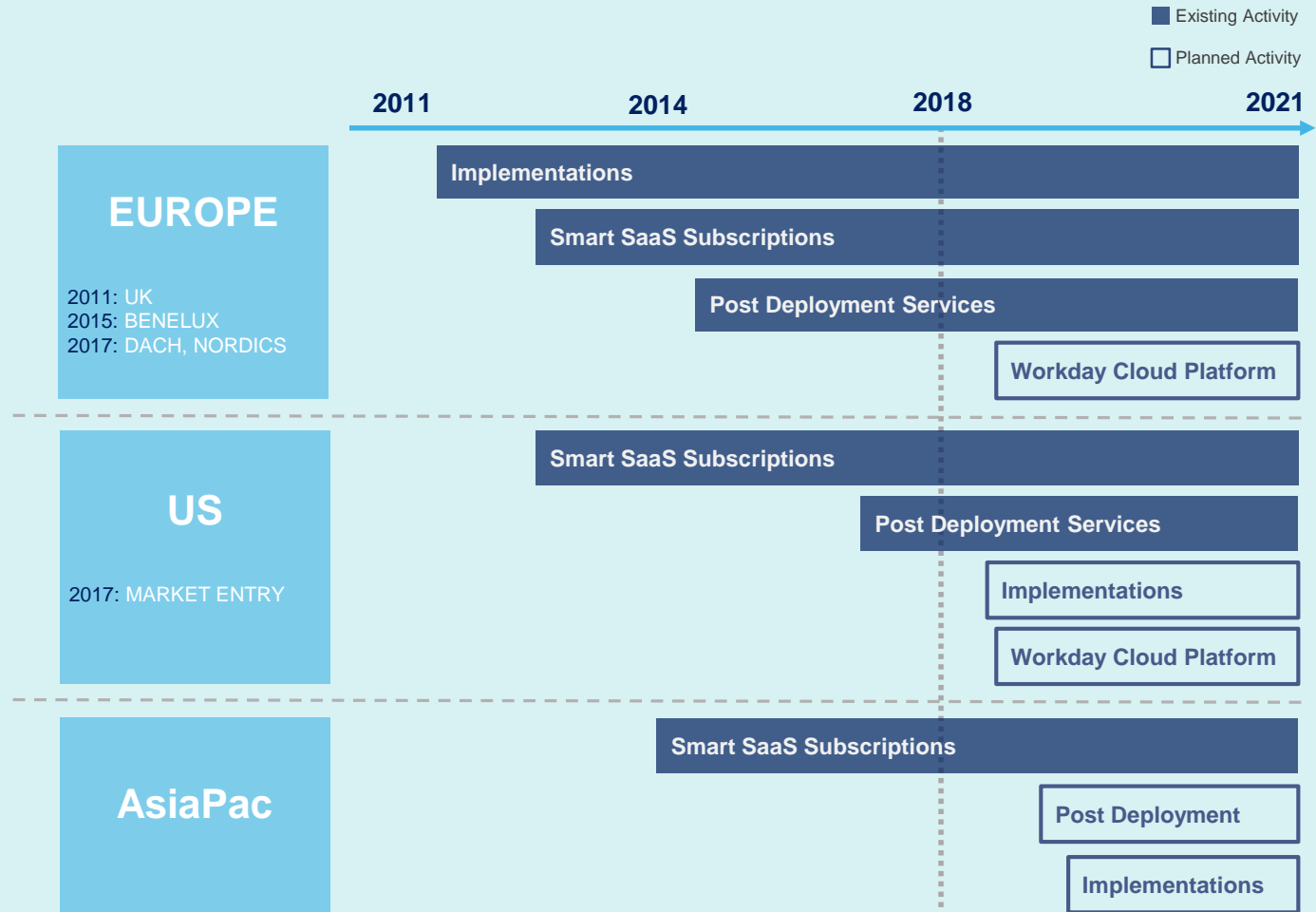
- Launched May 2018.
- 95% drop in the number of applications being returned because of mistakes, when compared with paper forms.

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.



Workday Services

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

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

Strengthened our position as leading European partner.

- Strong sales closure: 39 deals signed (2017: 12).
- A total of 29 clients in mainland Europe (2017: 17).
- Copenhagen, Frankfurt, Amsterdam offices supporting clients in Nordics, DACH and Benelux regions.

Strengthened leadership position in UK Public Sector.

- First customers signed in conjunction with Kainos.
- Leveraging wider Kainos reputation within Public Sector.

Launch of annuity-style Post Deployment Service, supporting customers already live on Workday.

- 44 clients driving revenues of £4.5m (2017: £1.4m).
- Small Post Deployment projects underway in US.

Ataraxis acquired by HR Path, May 2018.

- c. 35 staff transfer to HR Path, terms not disclosed.

Continue to develop our people: 170 accredited consultants (2017: 110).


MARKET SIZE

£110m


UK & NORTHERN EUROPE

COMPETITIVE LANDSCAPE

 (NORDICS)

 (UK, EUROPE)

 (UK, EUROPE)

 (UK, EUROPE)

 (BENELUX)

COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

Case Study

Workday Services

With over 250 ongoing engagements, our focus on delivering customer success has resulted in excellent client references, locally and internationally.

PUMA SE



13,000 employees



Project headquartered in Herzogenaurach



Third largest sportswear manufacturer in the world; distributes to 120 countries

- Kainos replacing incumbent supplier and undertaking Phase 2 project, global roll-out of the Absence Management module.
- Kainos will also provide on-going Post Deployment Service for PUMA.

Crown Commercial Service



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

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Digital Platforms



Digital Platforms Overview

Digital Platforms comprise specialised digital products in the mobile healthcare and automated testing arenas.

Our software is used by over 145 national and international clients.

Revenues increased by 4% to £15.9m, (2017: £15.2m) representing 17% of total Group revenue ⁽¹⁾.

- Complements Digital Services, providing long-term revenue visibility, with backlog at £34.4m ⁽²⁾ (2017: £32.6m).
- All investment expensed: £4.9m (2017: £4.6m).

Smart for Workday

- SaaS platform for automatically verifying Workday configurations, used by 115 global customers.

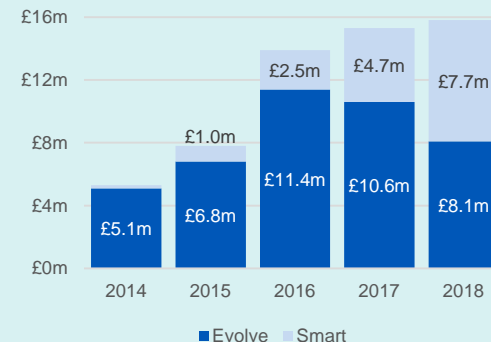
Evolve Electronic Medical Record (EMR)

- The leading EMR platform, selected by 35 Health Trusts (35 million patients, 1.5 billion images).

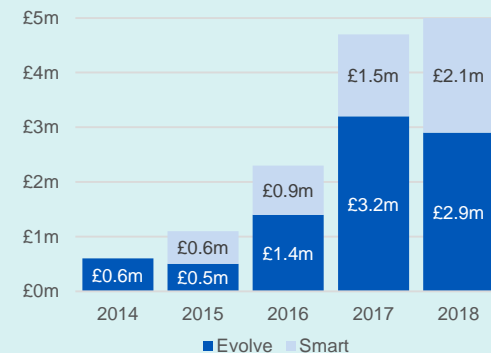
Evolve Integrated Care (IC)

- Next-generation Evolve SaaS platform that enables care pathway automation for NHS and international customers.

REVENUE TREND ⁽¹⁾



INVESTMENT TREND



⁽¹⁾ These figures exclude 3rd party revenue, which amount to £2.2m, all attributable to Evolve

⁽²⁾ Excludes 3rd party (inclusive of 3rd party is £40.1m)

Smart for Workday

Smart is a proprietary software tool that allows customers to automatically verify their Workday configuration.

Smart is the only automated testing platform specifically designed for Workday.

Now 115 global customers using Smart.

- Further 33 signed in 2018 including Centrica, United Technologies Group, Cancer Research and Telia.

Financial performance underlines strength of product and market opportunity.

- Revenue: up 66% to £7.8m (2017: £4.7m)
- Sales Orders: up 17% to £10.7m (2017: £9.2m)

Payroll module launched October 2017.

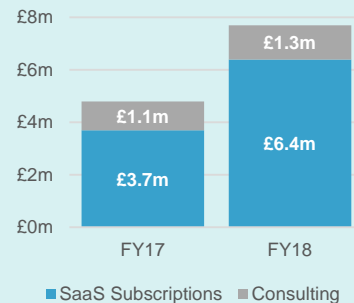
- Currently four modules: Human Capital Management, Security, Financials and Payroll.

Smart customers converting to Post Deployment Service.

Workday Cloud Platform (WCP)

- Workday's Platform-as-a-Service (PaaS) offering.
- Kainos is part of the early adopter programme.
- Offers future opportunity – additional IP development, specialised development services to Workday customers and partners.

REVENUE TREND FY18



MARKET SIZE

£210m

3,600 WORKDAY Inc. CLIENTS BY FY21

COMPETITIVE LANDSCAPE



COMMERCIAL DYNAMICS

- Direct sales model.
- Subscription (SaaS).

Case Study

Smart for Workday

Smart is a cloud-based SaaS solution licensed on a subscription basis to customers.

Over 70% of Smart customers are in North America.

Discover Financial



16,500 employees



\$9.8 billion in revenues



Leading Financial Services Company

- Using HCM and Security modules.
- Smart used to improve test coverage, reduce risk and save on manual test effort.

Cardinal Health



Number 15 on the Fortune 500 list



Servicing over 24,000 pharmacies



Manufacture or source more than 2.5 billion healthcare products each year

- Using HCM and Security modules.
- Currently implementing Payroll.

Evolve

Our healthcare software portfolio spans the market-leading Electronic Medical Record (EMR) platform and our next generation Integrated Care (IC) platform.

Performance reflects NHS funding headwinds.

- Revenue: down 24% to £8.1m (2017: £10.6m).⁽¹⁾
- Sales Orders: up 28% to £10.0m (2017: £7.8m).⁽²⁾

EMR: Improved sales closure and increasing procurement activity.

- Modest increase in UK new name procurement activity and Ireland showing steady level of interest.
- Second Cloud EMR signed and generating interest in Microsoft around Azure consumption.

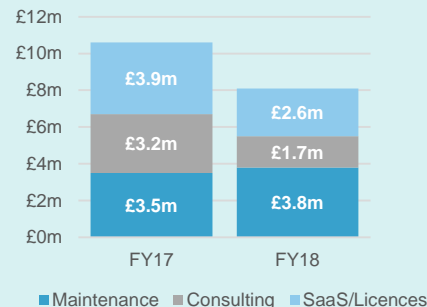
IC: Early deployments within the NHS, cautious outlook in the US.

- Early NHS deployments of Care Pathways in Urgent Care, Stroke Care, Clinical Noting, Electronic Discharge and Drug Testing.
- Early conclusion of InTouch Health contract has reduced activity in US, other partner conversations at early stage.

⁽¹⁾ Excludes 3rd party (inclusive of 3rd party is £10.3m) (2017: £14.3m), a reduction of 28%.

⁽²⁾ Excludes 3rd party (inclusive of 3rd party is £11.5m) (2017: £11.0m), an increase of 5%.

REVENUE TREND ⁽¹⁾



MARKET SIZE

£200m

98 TRUSTS IN ENGLAND TO PROCURE

COMPETITIVE LANDSCAPE



COMMERCIAL DYNAMICS

- Direct sales model.
- Historically perpetual licence, moving to a subscription / SaaS model.

Case Study

Evolve

Evolve continues to be a key enabler in delivering transformative change to NHS Trusts.

The migration to EMR in the Cloud positions Kainos as a pathfinder for cloud-based infrastructure within the NHS.

Ashford and St Peter's Hospital



Serves a population of 380,000.



Annual saving of £3 million for the Trust.



500,000 patient details uploaded to the platform.

- In addition to the financial benefits, the Trust is seeing quicker diagnosis times and higher treatment standards through access to real-time patient data at the point of care.

Ipswich Hospital



First time EMR migration to the Cloud for Kainos Evolve



Microsoft Azure cloud-hosted managed service



Serving a population of 360,000 people

- Cloud hosting offers enhanced security and end-to-end operational maintenance.

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Financial Performance



Financials: Income Statement

Strong Revenue and Adjusted Profit growth.

Investment in sales, marketing and new territories driving revenue growth, but also impacting Gross Margin performance.

Revenue:

- Digital Services
 - Digital Transformation growth: 19%
 - Workday Services growth: 40%.
- Digital Platforms
 - Growth excluding 3rd party: 4%.
 - Smart growth: 66%.
 - Evolve decrease: 28%.

Gross margin:

- Digital Services margin down 2% to 46%
 - International expansion.
 - Increased contractor usage.
 - Salary pressure.
- Digital Services utilisation: 74% (2017: 72%).
- Digital Platforms gross margin increased to 59% (2017: 57%).

Operating expenses:

- Sales costs in Digital Services.
- R&D expense of £4.9m (2017: £4.6m).
- Impact of expensing R&D approximately a £2.7m reduction compared to capitalising.

Tax rate: 18.1% (2017: 21.8%).

INCOME STATEMENT

£m	2018	2017	Change
Digital Services	78.6	64.5	22%
Digital Platforms	18.1	19.0	(5%)
Revenue	96.7	83.5	16%
Digital Services	36.0	31.1	16%
Digital Platforms	10.6	10.9	(3%)
Gross profit	46.6	42.0	11%
Operating expenses	(31.3)	(27.7)	(13%)
Adjusted pre-tax profit	15.3	14.3	7%
<i>Adjusted pre-tax profit margin</i>	16%	17%	
Share based payments	(1.0)	(0.9)	
Profit before tax	14.3	13.3	8%
Taxation	(2.6)	(2.9)	
Profit after tax	11.7	10.4	13%

Financials: Balance Sheet and Cashflow

Strong Balance Sheet
and cash conversion.

Continued dividend
growth.

Commentary

Balance Sheet:

- Limited fixed assets; IT, office equipment.
- Trade Debtors/Accrued Income at 62 days (2017: 60 days).
- Significant cash reserves.
- Debt free.

Cashflow:

- Cash conversion ⁽¹⁾ 96% (2017: 110%).
- Increased Deferred Income due to Smart SaaS billing.
- Timing of year-end payments by Government agencies.

Dividend:

- Total dividend proposed: 6.6p (2017: 6.3p).
- Dividend cover 1.5 times.

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

⁽²⁾ EBITDA adjusted for share based payments

BALANCE SHEET

As at 31 March (£m)	2018	2017
Fixed assets and investments	3.1	2.9
Debtors and WIP	29.3	22.4
Other assets	3.9	1.9
Cash	29.0	23.7
Total assets	65.3	50.9
Liabilities	(29.6)	(20.9)
Shareholders' funds	35.7	30.0

CASH FLOW

£m	2018	2017
EBITDA ⁽²⁾	16.3	15.1
Net cashflow from operating activities	15.7	16.6
Cash Conversion	96%	110%
Taxation	(1.5)	0.3
Capital expenditure	(1.2)	(0.8)
Investments	(0.1)	-
Dividends	(7.5)	(7.2)
Net cash inflow	5.4	8.9

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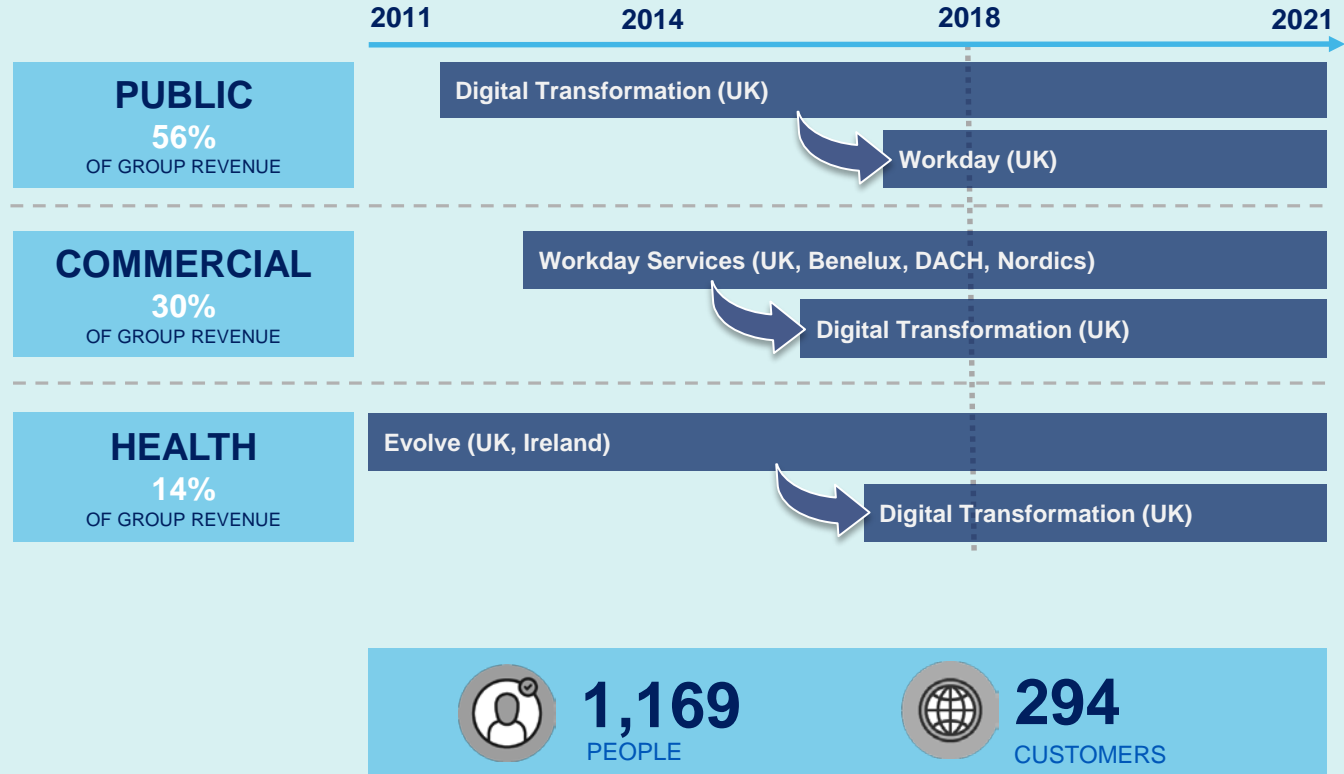
Looking Ahead



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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