



Full Year Results

12 months ended 31st March 2019

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Highlights

Performance in-line with upgraded market expectations.

Strong performance across all key operational areas, with strong sales execution underpinning future growth prospects.

Highly cash generative.

Strong performance across all financial indicators.

- Revenue, profit, cash and sales orders all recording very strong growth.

Strong revenue diversification.

- International up 44% to £29.0m.
- Commercial up 42% to £40.0m.
- SaaS and software-related revenues up 3% to £18.7m.

Ongoing demand within Digital Services.

- Significant ongoing engagements in UK Government's digital transformation programme.
- Leading European partner for Workday with a growing presence in North America.

Digital Platforms making progress against milestones.

- Over 150 global customers on the Smart platform, revenues up 45% to £11.3m.

Maintained strong R&D activity with investment of £4.3m expensed.

Continue to build an exceptionally talented team.

- 1,470 people now working in Kainos, across 12 offices.

(1) Adjusted pre-tax profit calculated by taking the profit before tax and adding back £2.2 million share-based payments (2018: £1.1 million).



£151.3m

REVENUE UP 56%



£23.3m

ADJUSTED PRE-TAX PROFIT⁽¹⁾
UP 52%



£42.5m

CASH UP 47%



£171.7m

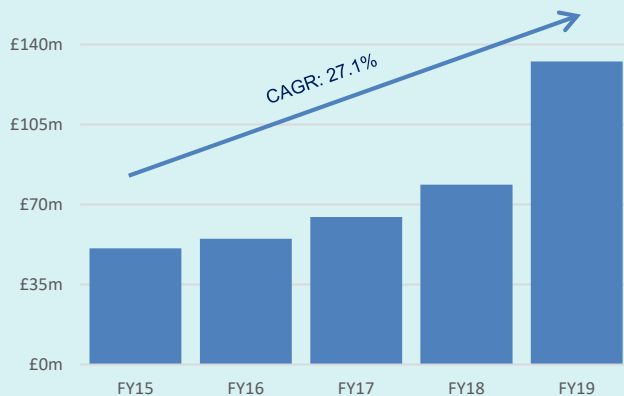
SALES ORDERS UP 31%

Group overview

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

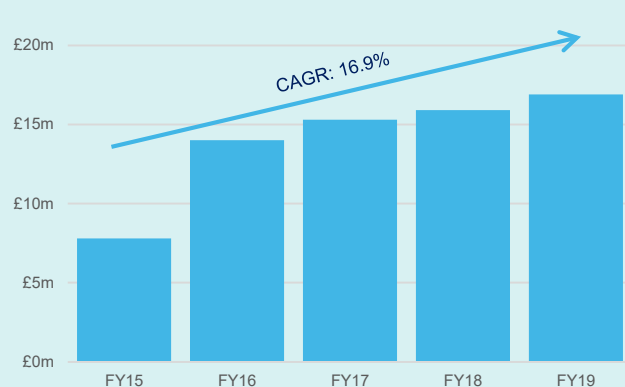
Digital Platforms: our software is used by over 185 national and international clients.

DIGITAL SERVICES



- Digital Transformation: Online digital platforms for commercial and government clients.
- Workday Services: Deployment of Workday SaaS HR and Financial platform for enterprise customers.

DIGITAL PLATFORMS⁽¹⁾



- Smart: Automated testing software that allows Workday customers to verify their Workday configuration both during implementation and in live operation.
- Evolve EMR: Digitised patient records platform, focused on the UK and Ireland markets.

⁽¹⁾ Excludes 3rd party revenue. Revenue inclusive of 3rd party for the same periods are: £10.0m, £21.5m, £19.0m, £18.1m and £18.7m representing CAGR of 16.9% (FY15 – FY19).

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.

Results represent ninth consecutive year of revenue and adjusted pre-tax profit growth.

Growth has been entirely organic, delivering five-year revenue CAGR of 26% (FY15 - FY19).

Financial Metrics.

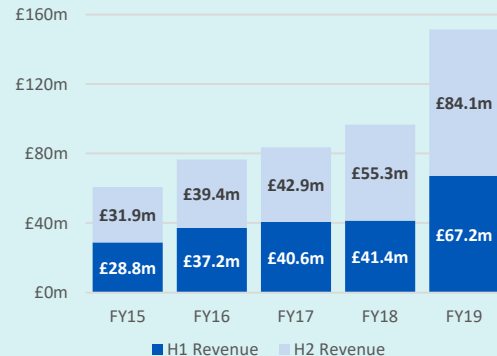
- Good revenue visibility: backlog up 10% to £122.2m (2018: £110.7m).
- Strong, sustainable adjusted pre-tax profit⁽¹⁾ margin: 15% (2018: 16%).
- Cash balance up 47% to £42.5m (2018: £29.0m).

Earnings.

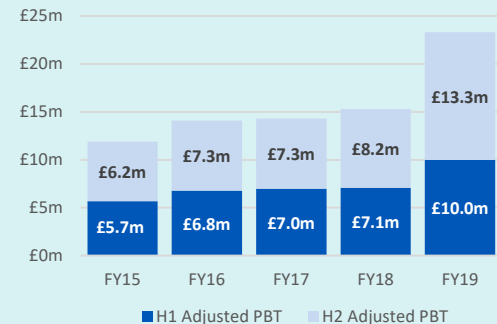
- Adjusted diluted EPS: increased 48% to 15.4p per share (2018: 10.4p).
- Dividend declared: increased by 41% to 9.3p per share (2018: 6.6p).
- Payment date: 25/10/2019.
- Ex Dividend date: 26/09/2019.

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

REVENUE



ADJUSTED PRE-TAX PROFIT



People

We continue to build an exceptionally talented and engaged workforce.

We are on a trajectory from being a national brand to becoming an international company.

Building a talented team within Kainos is key to our long-term success.

Continue to attract strong interest in key recruitment markets, with a 26% increase in staff numbers.

- 459 people joined, 121 from education, 338 from industry.

Engagement remains positive but with room to improve.

- Attrition has increased to 15% (2018: 13%), although the most recent quarter has returned to 2018 levels.

Where they live.

- | | |
|---------------------|--------------------|
| • Northern Ireland: | 698 (+96 people). |
| • Great Britain: | 411 (+148 people). |
| • Poland: | 276 (+36 people). |
| • Rest of World: | 85 (+21 people). |

What they work on.

- | | |
|----------------------|----------------------|
| • Digital Services: | 1,068 (+258 people). |
| • Digital Platforms: | 227 (+4 people). |



1,470
PEOPLE, UP 26%



21,890
JOB APPLICANTS



Customers

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

Over 88% of our revenue is from existing clients, a pattern established over many years.

Revenue diversification continues, across a series of segments.

- Commercial up 42% to £40.0m (2018: £28.1m).
- Healthcare up 42% to £21.4m (2018: £15.0m).
- International up 44% to £29.0m (2018: £20.2m).

Existing customers underpin revenue growth.

- Recurring revenue up 26% to £25.1m (2018: £19.9m).
- Repeat revenue up 72% to £108.2m (2018: £63.0m).

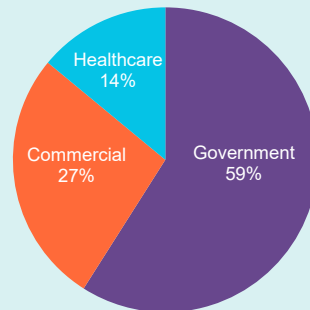
Best-in-class customer service.

- 91% of customers rating the overall Kainos performance as 'good', 'very good' or 'excellent' (2018: 99%).

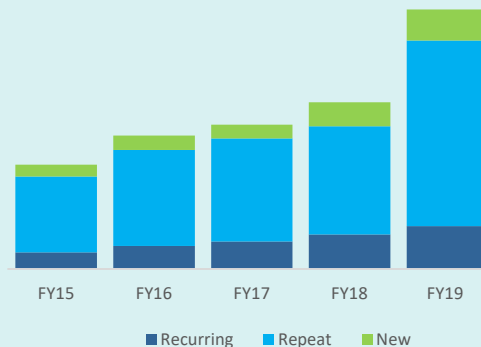
New customers.



SECTORAL REVENUE



REVENUE TYPE



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Digital Services



Digital Services

A very strong revenue and margin performance in the past reporting period.

A very strong sales performance, up 38%, has resulted in a strong backlog and excellent future revenue opportunity.

Digital Services represents 88% of Group revenue.

Very strong revenue performance, up 69%.

- Digital Transformation revenue up 70% to £109.8m (2018: £64.7m).
- Workday Services revenue increased 63% to £22.7m (2018: £13.9m).

Very strong sales performance, up 38%.

- Digital Transformation sales orders up 32% to £120.3m (2018: £91.2m).
- Workday Services sales orders up 68% to £28.8m (2018: £17.2m).

Backlog increased by 14% to £80.6m (2018: £70.6m).

Good progress in the Commercial Sector (42% growth), but outpaced by the expansion in the Public Sector (68% growth).

REVENUE

£132.6m

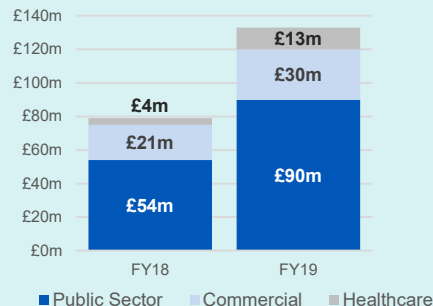
UP 69%

SALES ORDERS

£149.1m

UP 38%

REVENUE TRENDS



Digital Transformation

Continued demand from UK Public Sector and continued progress in the Commercial Sector.

Early business generation activity in UK and Ireland healthcare market showing promise.

Very strong performance in Central Government.

- Continue to extend our presence, now operating across 14 government departments.

Brexit: limited impact on key programmes.

- Clear commitment by Government to deliver key digital programmes – market spend up 46% in FY19.
- Brexit is likely to accelerate digital spend (300+ systems require replacement); while an election may cause a short pause in the start of major new programmes.

Progress continues in the Commercial Sector.

- Strong growth in UK, Ireland and breakthrough projects underway in Germany with Skeyos and Concardis.

Developing Digital Health Opportunity.

- Leading and ongoing role in the delivery of the NHS App, Shared Care record at Gloucestershire and, post period end, the signing of a significant 'Digital Hospital' contract.

MARKET SIZE

£1,290m

UK PUBLIC SECTOR FY19 SPEND

COMPETITIVE LANDSCAPE

CENTRAL GOVERNMENT



COMMERCIAL SECTOR



COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

Digital Transformation

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

From a central role in Public Sector we have extended into transformation programmes in Commercial and Healthcare sectors.



Case Studies: Digital Transformation

Our services are driving digital transformation in government, healthcare and the private sector around the world.

Telensa



UK-based Telensa is #1 globally in streetlight controls.



1.7 million lights installed across 100+ cities.



Applying machine learning to datasets to provide a better view of how urban areas are used.

- Lead partner building and supporting the City Data Guardian trust platform; collecting and protecting data as part of the Urban Data Project smart cities initiative.
- Pilot underway in Cambridge.

HM Land Registry



Supporting 1.2 million annual property transactions in the UK.



Enabled over 15,000 searches.



Reduced conveyance search fees by approximately £21m annually.

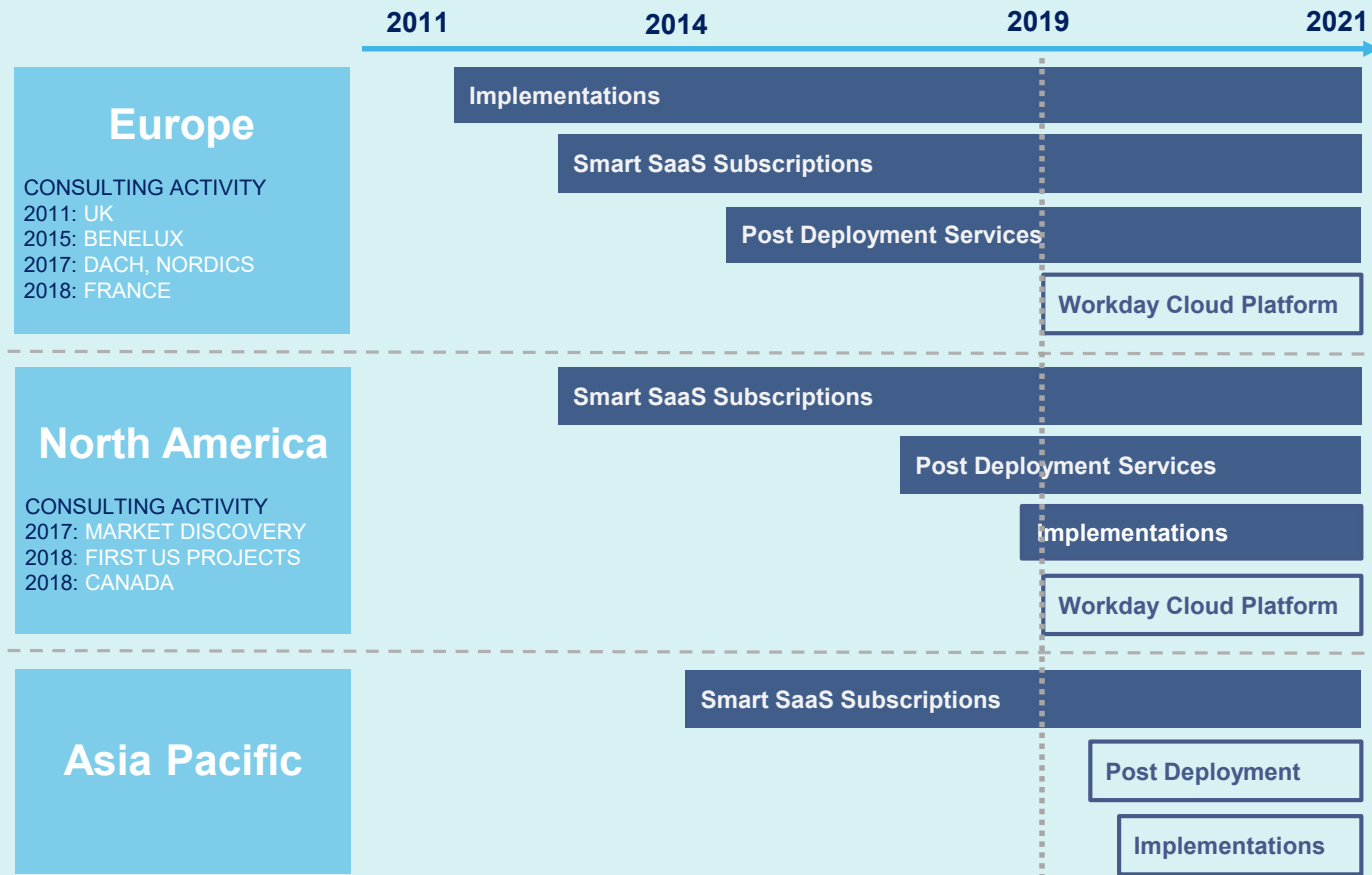
- National centralised register maintaining 26m charges previously accessed via 316 individual Local Authority registers.
- Reducing the average time taken to complete a search from 8 days to minutes.
- Largest digital transformation programme undertaken by HMLR.

The Workday opportunity

Globally, there are 34 partners accredited to implement Workday's SaaS platform.

25 of those are boutique (specialist) partners.

Our ambition is to be the #1 boutique partner, globally.



Workday Services

Of the 34 partners accredited to implement Workday's innovative SaaS platform, we are one of the most experienced participants in the ecosystem.

Strengthened our position as leading European partner.

- A total of 45 clients in mainland Europe (2018: 29).

Continued regional expansion, appointed partner in Canada (Q3, 2018) and France (Q3, 2018).

- Offices in Toronto and Paris are now operational.
- First implementation projects secured in both regions.

Maintained leadership position in UK Public Sector.

- Leveraging wider Kainos reputation in UK public sector.
- 8 customers now signed by Workday, 7 are being delivered by Kainos.

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

- Accounts for £8.8m (2018: £4.5m) with 84 customers (2018: 44).

Continue to develop our people: 251 accredited consultants (2018: 170).

MARKET SIZE

£121m

UK & NORTHERN EUROPE

COMPETITIVE LANDSCAPE

 cloudata

(NORDICS)

 alight

(UK, EUROPE, US)

 onsource[®]
VIRTUAL

(UK, EUROPE, US)

 COLLABORATIVE
SOLUTIONS

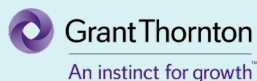
(UK, EUROPE, US)

COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

Workday Services

Our focus on delivering customer success has resulted in excellent client references, both locally and internationally.



Case Studies: Workday Services

Our focus on delivering customer success has resulted in excellent client references, both locally and internationally.



500 employees.



Operates in 9 countries across 26 offices.



11 million passengers and 100,000 drivers across Europe.

- Expected go live, Summer 2019.
- Initial contract to deploy Workday HCM for Medium Enterprise.
- Also using Smart during the implementation to reduce deployment effort.
- Future opportunity to deploy Workday Financials.



Department
for Education



c. 7,000 employees.



Government Agency, part of UK Research and Innovation.



FY18 budget of £90bn.

- Initial project is 9 months, go-live in Q3.
- Initial contract for the deployment of HCM, Payroll and Expenses; extended to include Benefits, Absence and Learning
- Providing on-going Post-Deployment Support Services.

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Digital Platforms



Digital Platforms Overview

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

Our software is used by over 185 UK and international clients.

Revenues increased 3% to £18.7m (2018: £18.1m).

- Five-year CAGR of 17% (FY15-FY19).
- Currently represents 12% of Group revenue.
- Solid long-term revenue visibility, with backlog at £41.6m (2018: £40.1m).

Continued R&D activity with investment of £4.3m expensed (2018: £4.9m).

- Slight reduction in overall expenditure, increases in Smart, offset with reductions in Evolve.

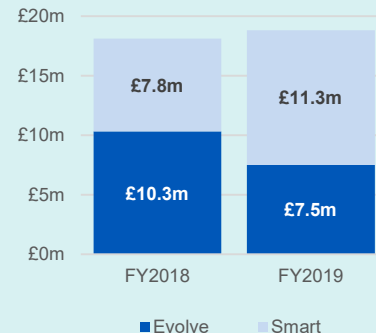
Smart for Workday.

- A SaaS platform uniquely engineered for the Workday product suite and is used to automatically verify Workday configurations in over 150 customers globally.

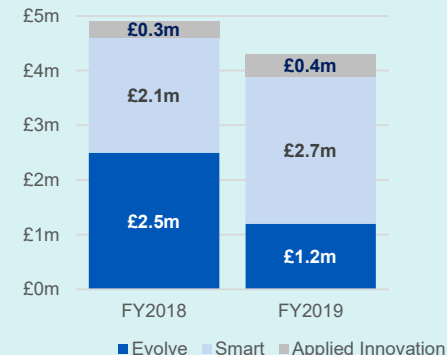
Evolve Electronic Medical Record (EMR).

- The leading EMR platform, selected by 30 NHS Trusts, with 39 million patients registered and managing 2.0 billion images.

REVENUE TREND



INVESTMENT TREND



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 designed specifically for Workday.

Over 150 global customers using Smart.

- Clients signed during FY19 including Stripe, Prudential, IMCO and CSL Behring.

Financial performance underlines strength of product and market opportunity.

- Revenue: up 45% to £11.3m (2018: £7.8m).
- Sales Orders: up 88% to £20.2m (2018: £10.7m).

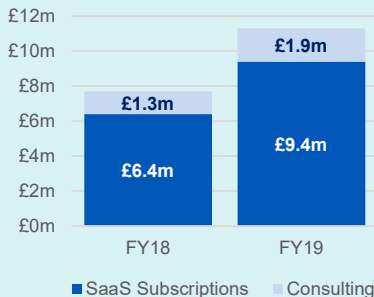
Four Smart modules: HCM, Security, Financials and Payroll.

Customers can use the software themselves, or we can run the testing on their behalf, which is our Gold Service.

Workday Cloud Platform (WCP).

- Workday's Platform as a Service (PaaS) offering, due to be general available at the end of 2019.
- Kainos is part of Workday's early adopter programme.
- Offers future opportunity – additional IP development, specialised development services to Workday customers and partners.

REVENUE TREND



MARKET SIZE

£210m

3,600 WORKDAY Inc. CLIENTS BY FY21

COMPETITIVE LANDSCAPE



COMMERCIAL DYNAMICS

- Direct sales model.
- Subscription (SaaS).

Smart for Workday

Over 150 global customers use Smart to reduce their manual testing by 90%.

These customers span financial services, education, technology, government and manufacturing.



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Financial Performance



Financials: Income Statement

Exceptional revenue growth.

Gross margin impacted by use of contractors.

Net margins impacted by recruitment and geographic expansion costs.

Digital Services:

- Very strong revenue growth in both segments.
 - Digital Transformation: 70%.
 - Workday Services: 63%.
- Gross Margin decreased by 2%.
 - Underlying staff margin unchanged.
 - Increased use of contractors and partners.
 - Utilisation 77% (2018: 74%).

Digital Platforms:

- Mixed Revenue Performance.
 - Smart revenue growth: 45%.
 - Evolve revenue decline: 27%.
- Gross margin decreased by 3%.
 - Driven by Evolve margin fall.

Operating expenses:

- Digital Services increase 82%
 - Additional bonus costs.
 - Additional costs of new regions.
- Digital Platforms increase 9%.
 - Provision for onerous contract
 - Evolve R&D spend reduced 52%.
 - Smart R&D spend increased 31%.
- Central overheads increase 47%.

Tax rate 20% (2018: 18.1%).

INCOME STATEMENT

£m	2019	2018	Change
Digital Services	132.6	78.6	69%
Digital Platforms	18.7	18.1	3%
Revenue	151.3	96.7	56%
Digital Services	58.6	36.0	63%
Digital Platforms	10.5	10.6	(1%)
Gross profit	69.1	46.6	48%
Operating expenses	(45.9)	(31.3)	(47%)
Adjusted pre-tax profit	23.3	15.3	52%
<i>Adjusted pre-tax profit margin</i>	15%	16%	
Share based payments	(2.2)	(1.1)	
Profit before tax	21.1	14.3	48%
Taxation	(4.2)	(2.6)	
Profit after tax	16.9	11.7	44%

Financials: Balance Sheet and Cashflow

Strong Balance Sheet.

Cash conversion
100%.

Dividend growth: 41%.

Balance Sheet:

- Limited fixed assets; IT, office equipment.
- Underlying trade receivables/WIP total 64 days (2018: 62 days).
- Initial property cost £0.7m in Prepayments
- Increase in trade creditors and accruals £21.4m (2018: £13.0m)
 - Growth in contractors and partners
 - Growth in bonus accrual
- Significant cash reserves £42.5m.
- Debt free.

Cashflow:

- Cash conversion 100%⁽¹⁾ (2018: 96% ⁽¹⁾).
 - Increase in advance payments for Smart
 - Continued working capital management
- Future property cash requirements
 - £6.7m purchase of land in June 2019
 - Approx. additional £34m over three years
- Dividend declared 9.3p (2018: 6.6p).

¹ Cashflow from Operations (CFFO) divided by adjusted EBITDA

² EBITDA adjusted for share based payments

BALANCE SHEET

As at 31 March (£m)	2019	2018
Fixed assets and investments	4.0	3.1
Receivables and WIP	40.6	29.3
Other assets	4.0	3.9
Cash	42.5	29.0
Total assets	91.1	65.3
Liabilities	(42.9)	(29.6)
Shareholders' funds	48.2	35.7

CASH FLOW

£m	2019	2018
EBITDA⁽²⁾	24.4	16.3
Net cashflow from operating activities	24.4	15.7
Cash Conversion	100%	96%
Taxation	(1.9)	(1.5)
Capital expenditure	(2.0)	(1.2)
Dividends	(8.9)	(7.6)
Proceeds from issue of shares	1.9	-
Net cash inflow/(outflow)	13.5	5.4

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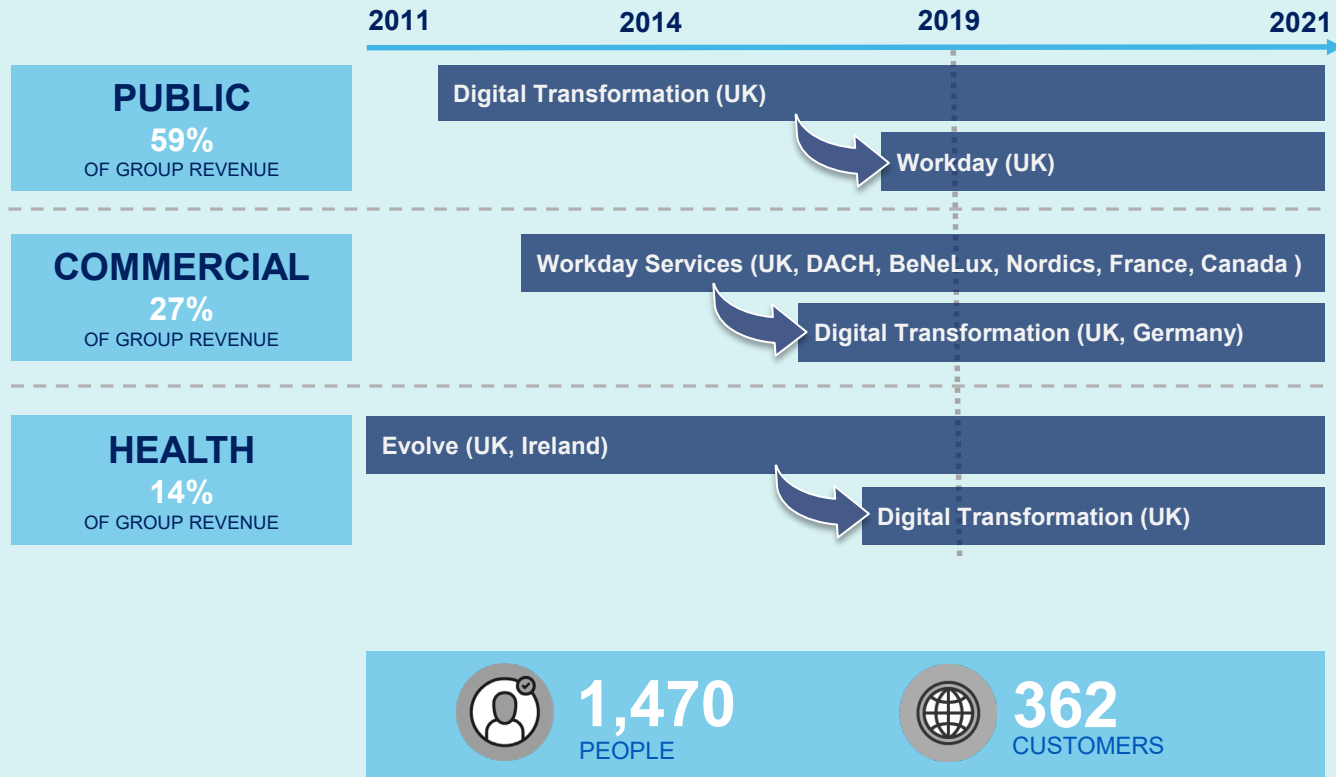
Looking Ahead



Market Expansion

Kainos remains on track to meet expectations.

We are expanding our offerings across our key sectors.



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