



Interim Results

6 months ended 30th September 2020

Brendan Mooney (CEO) and Richard McCann (CFO)

16 November 2020

Highlights

Very strong performance in the first six months of FY21.

Very strong performance against a backdrop of the Covid-19 pandemic.

- Revenue, profit and bookings all showing growth.

Revenue diversification continues.

- International revenues up 54% to £28m.
- Commercial revenues up 34% to £39m.
- Healthcare revenues up 73% to £19m.

Digital Services – strong growth delivered, up 16% to £71m.

- Customers remain committed to key digital transformation programmes.

Workday Practice – another period of very strong growth, up 41% to £36m.

- High growth trajectory and international expansion continues.

Continuing to build an exceptionally talented team.

- 1,729 people now working at Kainos, across 15 offices.



REVENUE⁽¹⁾ +23%

£107m



ADJUSTED PROFIT⁽²⁾ +104%

£26m



CASH +51%

£63m



BOOKINGS +4%

£104m

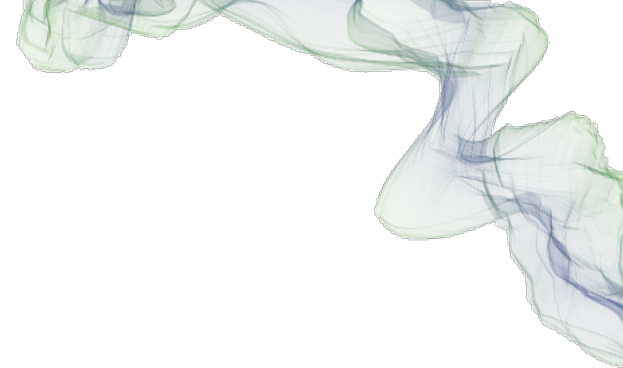


BACKLOG +38%

£181m

⁽¹⁾ Organic revenue growth was 19%.

⁽²⁾ Adjusted to remove the effect of share-based payments and acquisition related costs.



Our Covid-19 Response.

Ensuring the wellbeing of our colleagues and supporting our customers.

5th

March

Invoked response plan, placing our people in the safest environment.

- Implemented home working for 1,700 people in seamless fashion.
- No disruption of service to customers, with positive engagement.

1st

April

Implemented cost reductions as part of our Covid-19 response.

- Placed staff on furlough, deferred salary increases, cancelled dividend, broad discretionary spend reductions.

27th

July

Exceptional response from our people and our customers.

- Strong trading enables furlough repayment, return to work of all furloughed staff and thank-you payment to all staff.

14th

October

Strong ongoing client demand across critical digital projects.

- Ongoing trading creates the opportunity to pay a special dividend, implement salary increases and strong recruitment activity resumed.

16th

November

A confident outlook as digital adoption accelerates in response to Covid-19.

Our performance has reflected the strong demand from our customers as they invest in digital transformation.

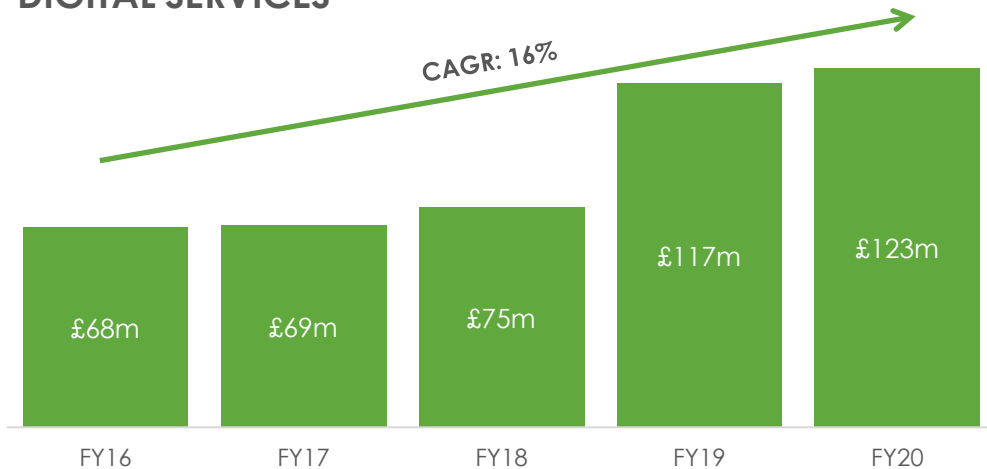
We have also benefited from material savings in travel, recruitment, training and marketing, as well reduced holiday leave. We expect these to return to normal levels in the future.

A strong pipeline and backlog create confidence, but we are mindful of the uncertainty of Covid-19 and EU Exit.

Group Overview.

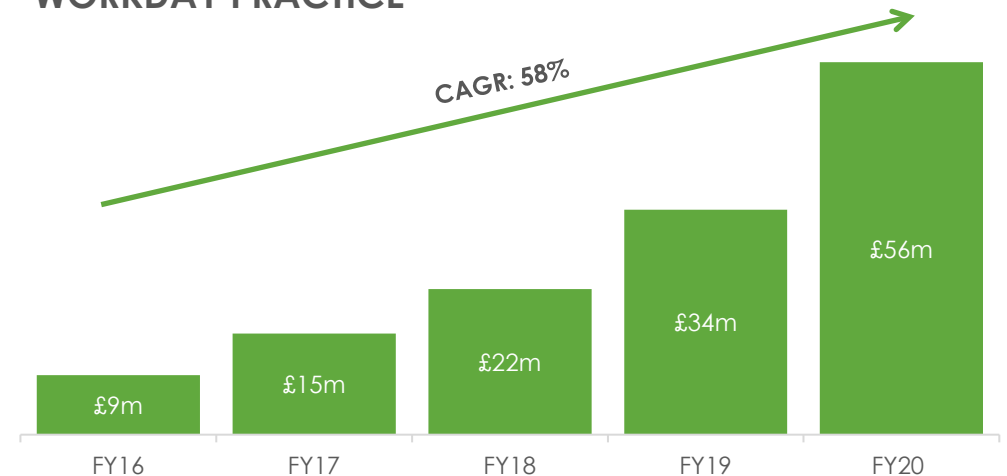
Long-term, strong revenue growth trends in both Digital Services and our Workday Practice.

DIGITAL SERVICES

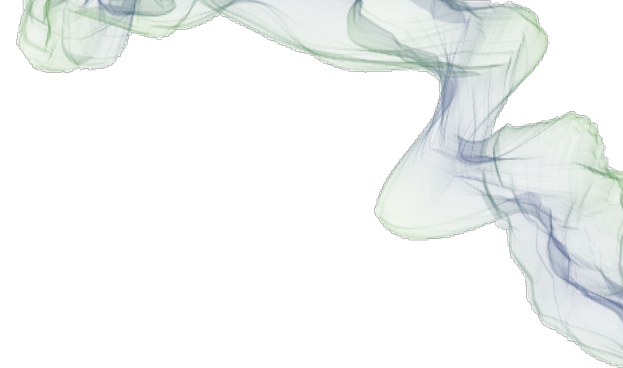


- The full lifecycle development and support of customised Digital Services for public sector, healthcare and commercial customers.
- Our transformative solutions encompass a range of services from experience design to AI and Cloud to deliver truly intelligent solutions that are secure, accessible and cost-effective.

WORKDAY PRACTICE



- We are one of Workday's most respected partners.
- As a full-service partner, we are experienced in complex deployment and integrations, and the leader in Workday test automation.
- We're trusted by our customers to launch, test, expand and safeguard their Workday systems.



Our People.

We continue to build an exceptionally talented and engaged workforce.

PEOPLE +11%

1,729

GROWTH TREND



EMPLOYEE RETENTION

92%

COMMENTARY

Increased presence across all regions.

- UK & Ireland: 1,277 (+96).
- Central Europe: 342 (+8).
- North America: 110 (+63).

Recruitment re-started following Q1 pause.

- Currently advertising for 150+ positions.

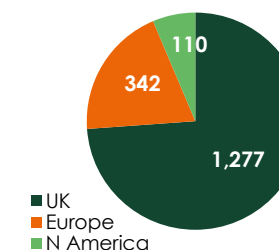
Positive retention trend continues.

- Retention increased to 92% (H1 20: 87%).
- Prior to Covid-19, retention was 90%.

All offices now reopened.

- c.97% of colleagues continuing to work from home.
- Planning underway for office reconfiguration to support 'blended' work patterns.

GLOBAL LOCATIONS



With people based in 15 countries, we are growing into a global company.

ENGAGEMENT

#86

ranked in the Sunday Times, Best Companies.

83%

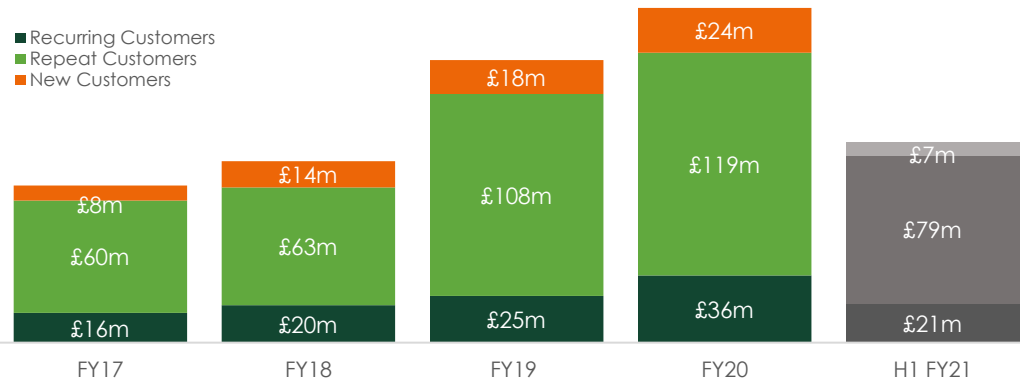
glassdoor recommend to a friend.

Our Customers.

Delivering value to our clients drives long-term relationships.

REVENUE BY CUSTOMER TYPE

■ Recurring Customers
■ Repeat Customers
■ New Customers



Existing customers underpin growth, at 94% of revenue.

- Existing client revenue up 22% to £100m, (H1 20: £82m).

Best-in-class customer service drives high levels of ongoing revenue.

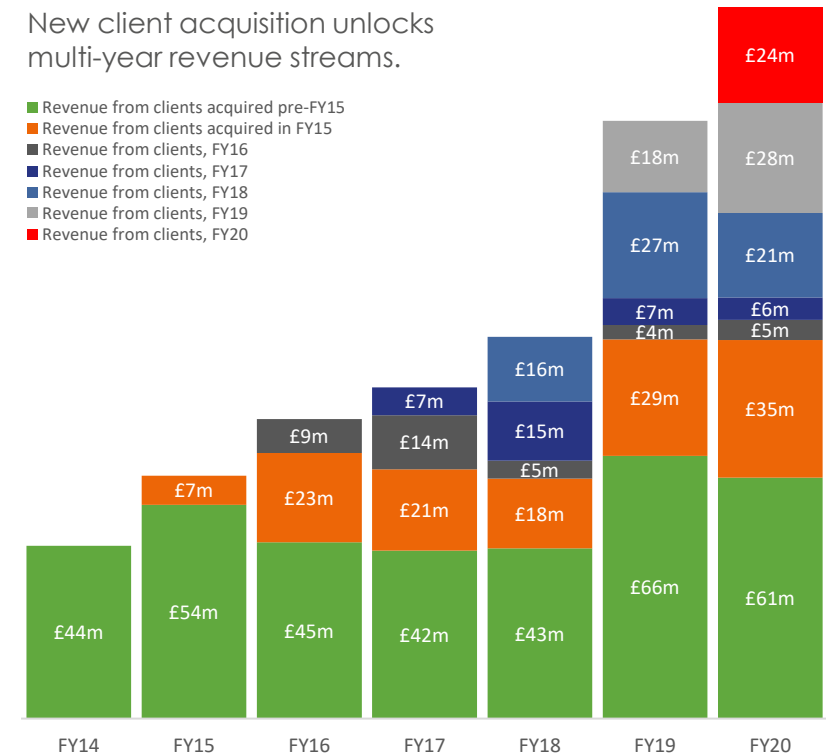
- 97% of customers rate service as 'good' or better (H1 20: 98%).
- In total, 481 active customers (H1 20: 383) ⁽¹⁾.

New client acquisition unlocks multi-year revenue streams.

CUSTOMER RETENTION

New client acquisition unlocks multi-year revenue streams.

■ Revenue from clients acquired pre-FY15
■ Revenue from clients acquired in FY15
■ Revenue from clients, FY16
■ Revenue from clients, FY17
■ Revenue from clients, FY18
■ Revenue from clients, FY19
■ Revenue from clients, FY20

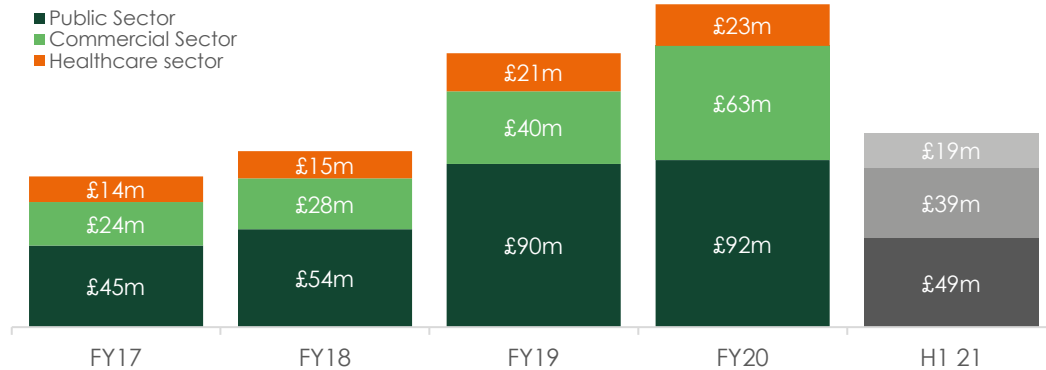


⁽¹⁾ An active customer is one where Kainos has undertaken paid-for work in FY21.
Excludes 202 customers of acquired businesses, IntuitiveTEK, Formulate and Implexa.

Business Balance.

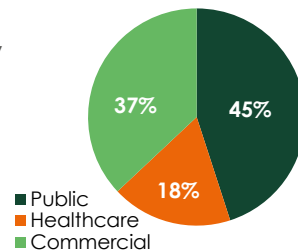
We have made excellent progress in building balance into our revenue streams.

GROUP REVENUES BY SECTOR

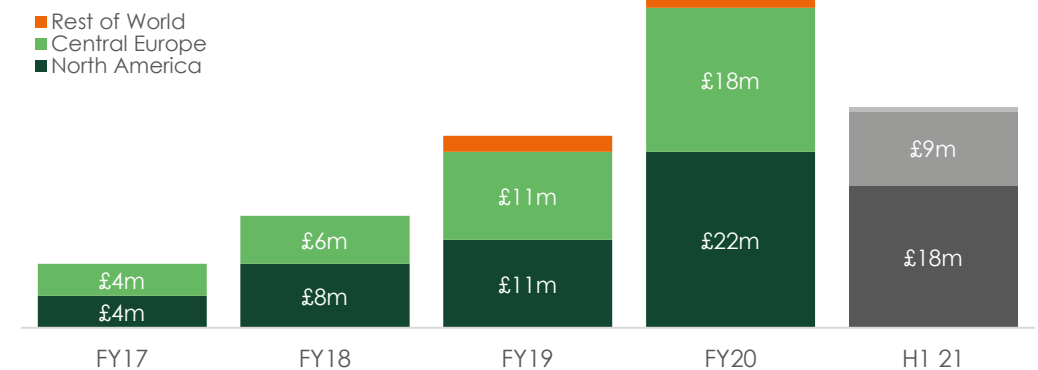


Our ambition has been to grow all sectors and to build a more balanced revenue base.

- Commercial customer revenue now 37% of total, following 34% increase to £39m (H1 20: £29m).
- Healthcare clients up 73% to £19m (H1 20: £11m), 18% of revenue.

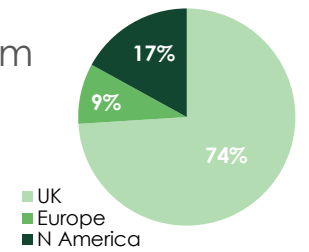


GROUP INTERNATIONAL REVENUES ⁽¹⁾



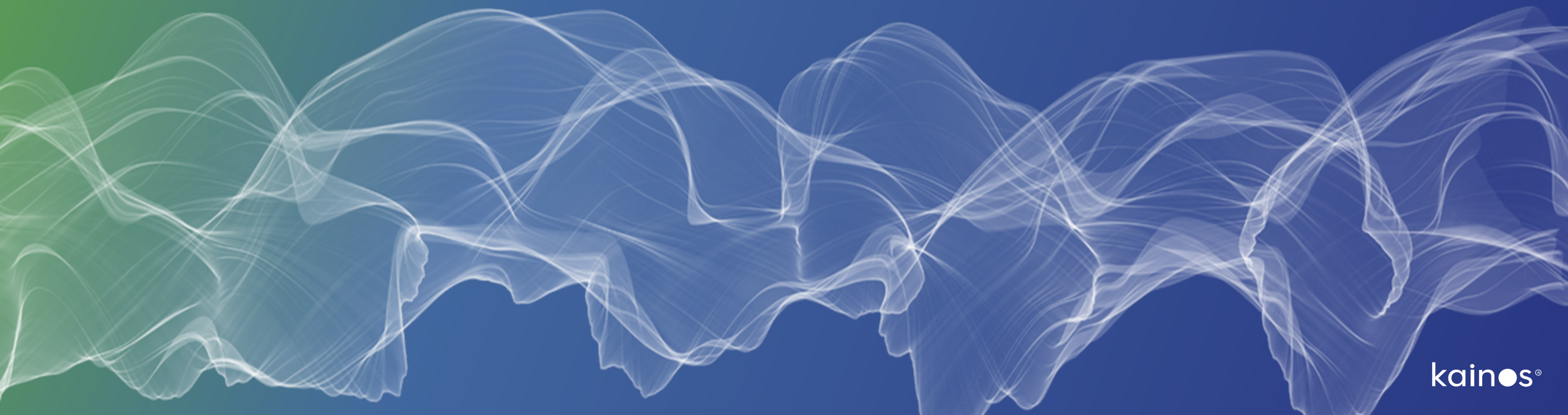
Our ambition has been to grow locally, nationally and internationally.

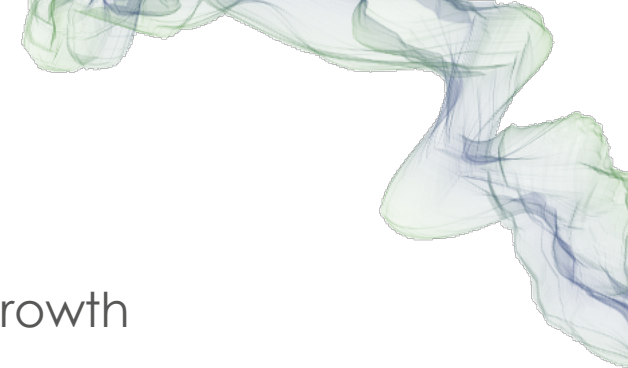
- International revenue up 54% to £28m (H1 20: £18m), now 26% of revenue.
- Strong growth in North America to £18m (H1 20: £9m), ongoing growth in Europe to £9m (H1 20: £8m).



⁽¹⁾ Our internal reporting combines UK & Ireland as a single territory. In the period, revenues of £2.4m were from customers in the Republic of Ireland.

Divisional Performance

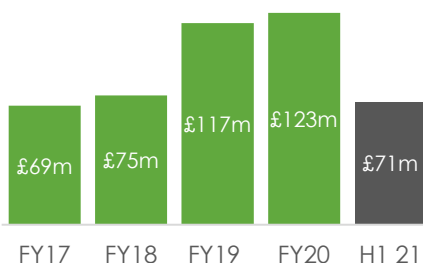




Digital Services.

Strong revenue growth and sales execution, driving exceptional backlog growth

REVENUE +16%



BOOKINGS +10%

£66m

BACKLOG +49%

£118m

COMMENTARY

Strong performance delivered during Covid-19.

- Revenue, bookings and backlog all growing.
- Customers becoming accustomed to remote sales and delivery engagements.

Public sector clients remain committed to key digital transformation programmes.

- Revenue growth of 9% to £48m (H1 20: £44m).

In Healthcare, continued strong partnership with NHS Digital, including support for NHS Covid-19 response.

- Revenues increased 75% to £17m (H1 20: £10m).

Following initial pause on several programmes within Commercial sector, activity levels returning to normal.

- Revenues reduced 15% to £7m (H1 20: £8m).

MARKET SIZE

£1,431m

UK PUBLIC SECTOR FY20 SPEND

COMPETITIVE LANDSCAPE



methods  **Deloitte.**

bjss **Atos** **NTT DATA**

COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

Digital Services: Customer Stories.

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

DRIVER EXAMINER SERVICE



c. 2 million tests conducted annually.



Licence now issued in 3 days (vs 3 weeks).



1,900 Driving Examiners across 400 Test Centres.



Reduced costs, improved efficiency.



ISOLATION NOTE



Delivered live service in just 2 weeks (remotely).



Available without contacting a doctor.



Service live since 20 March.



1.8m notes generated to date.



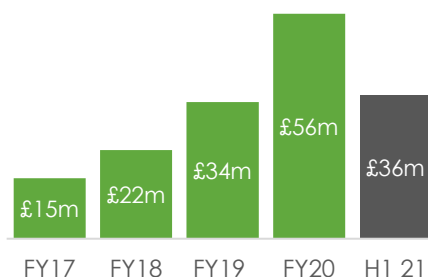
CUSTOMERS



Workday Practice.

A very strong revenue performance and a confident outlook.

REVENUE +41%



BOOKINGS -5%
£37m

BACKLOG +21%
£63m

COMMENTARY

Strong revenue growth, up 41% to £36m (H1 20: £25m).

- Slower decision-making in the first weeks of the pandemic impacted sales closure; current activity levels returning to normal.
- Excellent growth in backlog, underpinning future performance.

Strong international expansion continues.

- North America now accounts for 50% of revenue.

Accredited consultants increased by 23% to 375 (H1 20: 305 consultants).

- Now have a local presence in over 15 countries, including 110 people in North America.

CUSTOMERS



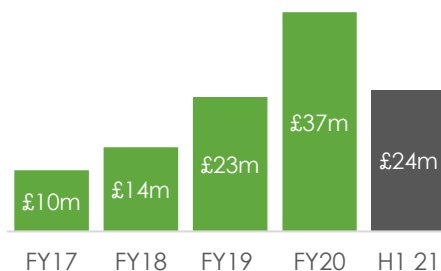


Workday Services.

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

REVENUE

+41%



BOOKINGS

-5%

£24m

BACKLOG

+13%

£25m

COMMENTARY

Strong revenue growth of 41% to £24m (H1 20: £17m).

- Deal closure impacted in early stages of pandemic.
- Strong demand for our annuity-style Post Deployment Service, supporting customers already live on Workday.

Early progress with Workday Adaptive Planning.

- Engagements for Planning as part of Workday Suite deployments, with on-going standalone projects.
- Acquisition-related revenues of £4m (H1 20: £nil).

Workday Inc curates a high-quality partner ecosystem.

- Globally, only 33 partners authorised to implement Workday's ERP Suite.
- Cognizant acquisition of Collaborative Solutions completed in June 2020.

ADDRESSABLE MARKET

£400m

GLOBAL SERVICES MARKET ⁽¹⁾

COMPETITIVE LANDSCAPE

	(NORDICS)
	(UK, EUROPE, US)
	(UK, EUROPE, US)
	(UK, EUROPE, US)

COMMERCIAL DYNAMICS

- Direct sales model.
- Primarily time and materials.

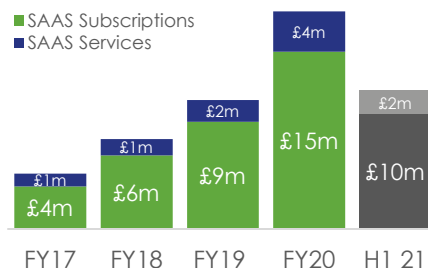
⁽¹⁾ This is an estimate of the services market where Kainos is a Phase 1 partner plus the Post Deployment opportunity in USA.

Smart for Workday.

Smart is the leading automated testing platform for Workday.

REVENUE

+40%



BOOKINGS

-6%

£14m

BACKLOG

+28%

£37m

COMMENTARY

Strong revenue growth, up 40% to £12m (H1 20: £9m).

- Deal closure impacted in early stages of pandemic.
- Annual Recurring Revenue up 26% to £20m (H1 20: £16m).

Strong customer acquisition growing client base.

- 20+ new clients signed, total clients at 218 (H1 20: 190).
- Over 80% of clients migrated to our service option, with very strong renewal rates.

Kainos Smart has four modules: HCM, Security, Financials and Payroll.

Ongoing engagement with clients on utilising Workday Extend (formerly Workday Cloud Platform).

ADDRESSABLE MARKET

£338m

ESTIMATED GLOBAL WORKDAY
AUTOMATED TESTING MARKET

COMPETITIVE LANDSCAPE

WORKSOFT®

turnkey



COMMERCIAL DYNAMICS

- Direct sales model.
- Multi-year subscription (SaaS).
- Related project services.

Workday Practice: Customer Stories.

We are trusted by our customers to launch, test, expand and safeguard their Workday system.

EMC INSURANCE



Top 60 US insurance provider.



2,400 people, HQ in Iowa.



Contract signed in June 2020.



Deploying Workday Financials, Adaptive Planning, Prism and Smart for testing.

PHARMAVITE



Dietary supplements producer.



1,500 people, HQ in California.



Contract signed in August 2020.



Deploying Workday HCM and Smart for testing.

BLACKBERRY



Multinational software company.



6,000 people, HQ in Ontario.



Contract signed in March 2020.



Smart HCM, Security, and Recruiting.

EVERTON FC



Leading English football club.



1,000 people, HQ in Liverpool.

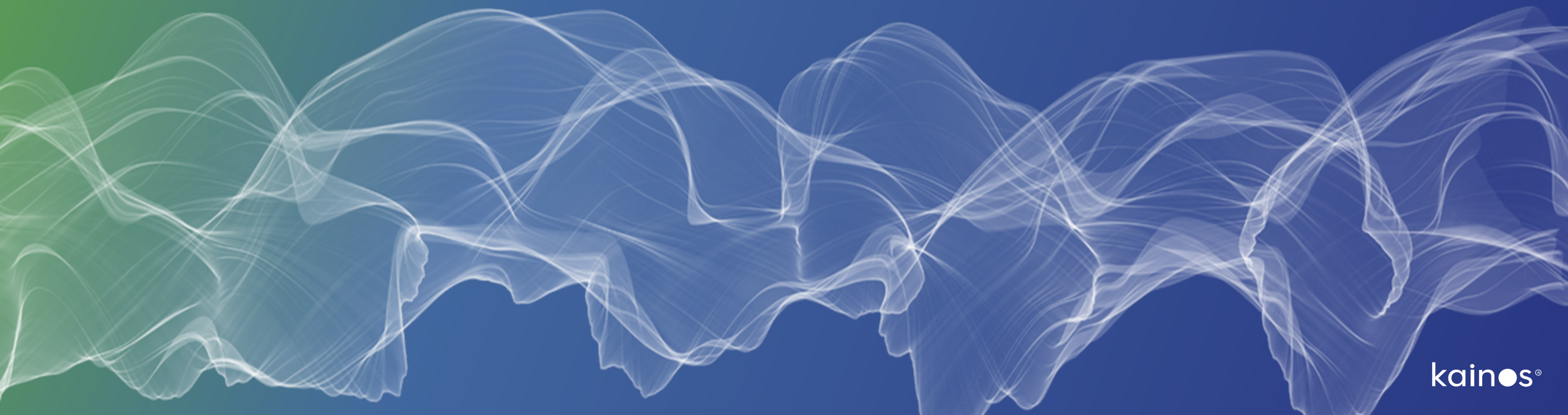


Contract signed in June 2020.



3-year Application Managed Services contract; and Smart for testing.

Financial Performance



Income Statement

Digital Services:

- Revenue growth various by sector.
 - Public: 9%.
 - Commercial: (15%).
 - Healthcare: 75%.
- Gross Margin increased by 7%.
 - Impact of reduced travel/increased utilisation.
 - Utilisation increased to 87% (H1 20: 73%).

Workday Practice:

- Strong revenue growth in Services and Smart.
 - Services revenue growth: 41% (organic 19%).
 - Smart revenue growth: 40%.
- Gross margin increased by 1%.
 - Utilisation increased to 70% (H1 20: 69%).

Operating expenses:

- Reduced travel/conference/training/staff entertainment - £3.0m.
- Reduced recruitment - £0.3m.

Tax Rate 19% (H1 20: 20%).

INCOME STATEMENT

£m	H1 21	H1 20	FY 20	HY Change
Digital Services	71.4	61.5	122.5	16%
Workday Practice	35.8	25.4	56.3	41%
Revenue	107.2	86.9	178.8	23%
Digital Services	33.1	24.4	48.9	36%
Workday Practice	22.8	15.9	35.0	43%
Gross profit	55.9	40.4	84.0	38%
Operating expenses	(29.8)	(27.6)	(58.5)	8%
Adjusted pre-tax profit	26.1	12.8	25.5	104%
<i>Adjusted pre-tax profit margin</i>	24%	15%	14%	
Share-based payments & acquisition costs	(2.0)	(0.8)	(2.4)	
Profit before tax	24.0	12.0	23.2	100%
Taxation	(4.6)	(2.4)	(4.6)	
Profit after tax	19.4	9.6	18.6	102%

Balance Sheet and Cashflow

Balance Sheet:

- Fixed assets and investments.
 - IT, office equipment etc. - £2.4m (H1 20: £2.7m).
- Trade receivables/WIP improvement - 58 days (H1 20: 77 days).
- Increased trade creditors/accruals £23.0m (H1 20: £17.2m).
- Significant cash reserves/debt free.

Cashflow:

- Cash conversion 123%(1) (H1 20: 60% (1)).
- Covid related VAT deferral - 17%.
- Future HQ property funding requirements paused.
- Interim dividend declared 6.4p.(H1 20: 3.5p).

BALANCE SHEET

As at 30 September (£m)

	H1 21	H1 20
Fixed assets and investments	14.6	16.0
Goodwill and intangible assets	6.9	-
Receivables and WIP	39.9	40.6
Other assets	6.2	4.9
Cash	62.5	41.3
Total assets	130.1	102.8
Liabilities	(57.7)	(43.6)
Shareholders' funds	72.3	59.2

CASHFLOW

£m	H1 21	FY 20	H1 20
EBITDA²	27.5	28.4	14.1
Cash generated by operations	33.8	27.6	8.5
Cash Conversion	123%	97%	60%
Taxation	(2.2)	(3.3)	(1.3)
Capital expenditure	(0.4)	(8.2)	(7.8)
Investments/acquisitions	(0.2)	(4.5)	-
Interest	0.0	0.3	-
Dividends	(8.2)	(12.1)	-
Payment of lease liabilities	(1.3)	(1.7)	(0.8)
Proceeds from issue of shares	0.2	0.3	0.2
Net cash inflow/(outflow)	21.7	(1.7)	(1.2)

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

² EBITDA adjusted for share based payments and acquisition related costs.

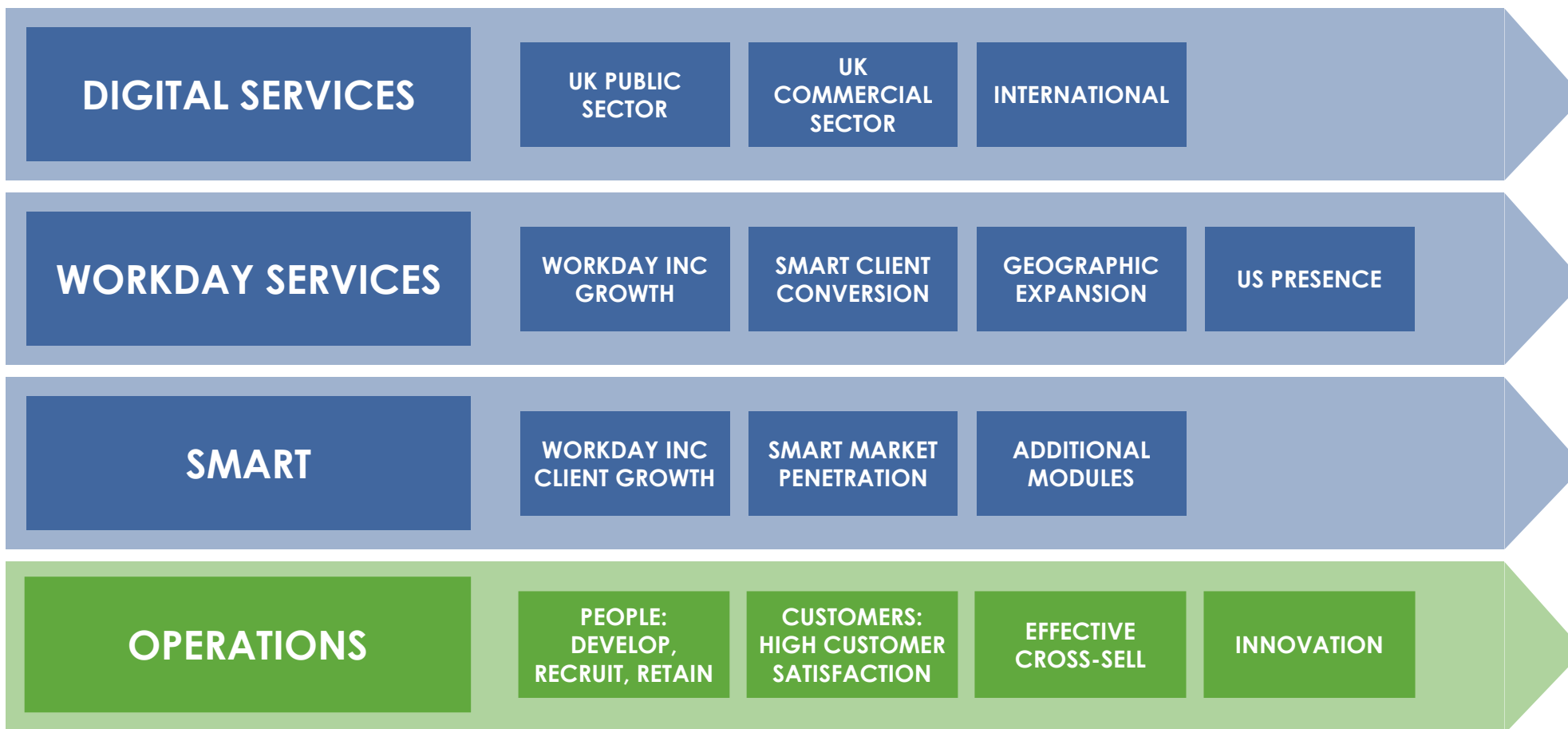
Looking Ahead



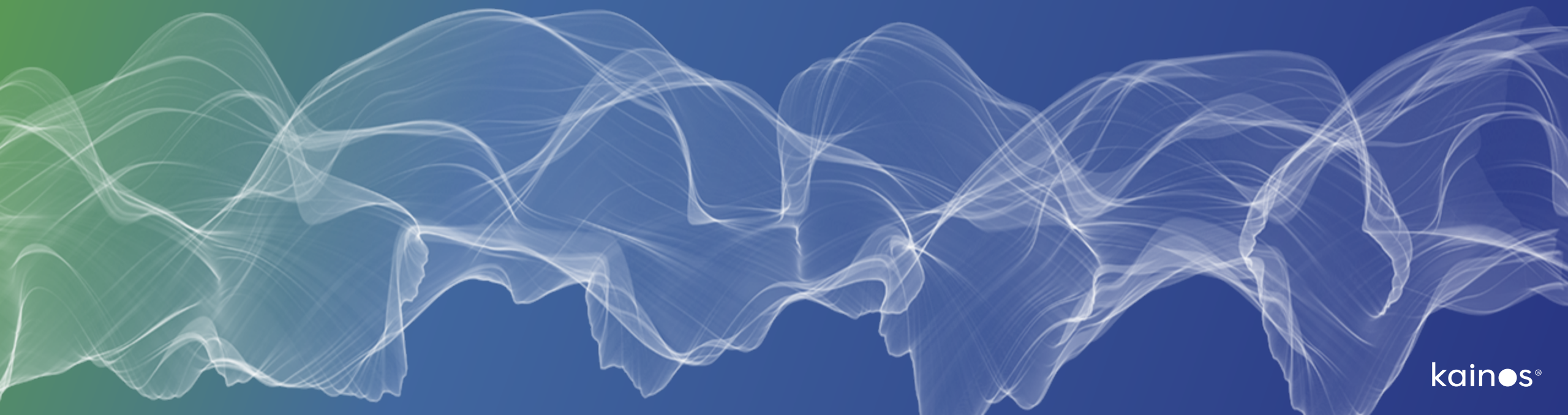


Growth Drivers

With positive end markets, our next phase of growth is all about execution.



Appendix



Financial Summary.

An established track record of high growth, high margin performance.

We remain on track to deliver our eleventh consecutive year of revenue and adjusted pre-tax profit growth.

Five-year (2016-2020) revenue CAGR of 24%.

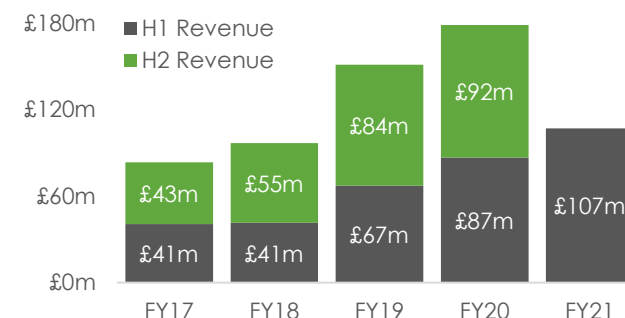
Key Financial Metrics.

- Good revenue visibility: backlog up 38% to £180.9m (H1 20: £131.0m).
- Strong, sustainable adjusted pre-tax profit⁽¹⁾ margin: 24% (H1 20: 15%).
- Cash balance up 51% to £62.5m (H1 20: £41.3m).

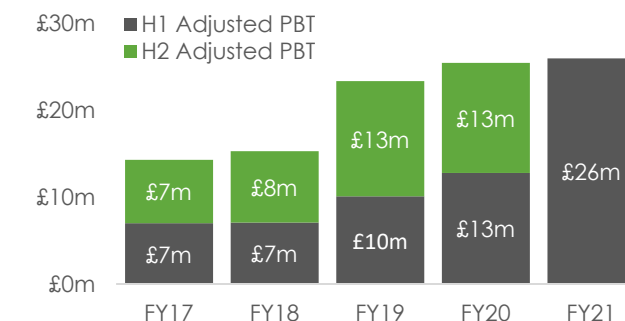
Earnings - Dividend.

- Adjusted diluted EPS: increased 102% to 17.0p per share (H1 20: 8.4p).
- Dividend declared: increased by 83% to 6.4p per share (H1 20: 3.5p).
- Ex Dividend date: 26/11/2020.
- Payment date: 18/12/2020.

REVENUE



ADJUSTED PRE-TAX PROFIT⁽¹⁾



⁽¹⁾ Adjusted to remove the effect of share-based payments and acquisition related costs.



Legal and Confidentiality Statement

This document contains statements about Kainos Group plc that are or may be forward-looking statements. Forward-looking statements include statements relating to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Kainos Group plc's operations; and (iii) the effects of government regulation on business.

These forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors or advisers of Kainos Group plc. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such statements. They are based on numerous assumptions regarding the present and future business strategies and the future operating environment. All subsequent oral or written forward-looking statements attributable to Kainos Group plc or any of its shareholders or any persons acting on its behalf are expressly qualified in their entirety by this cautionary statement. All forward-looking statements included in this document speak only as of the date they were made and are based on information then available to Kainos Group plc. Investors should not place undue reliance on such forward-looking statements, and Kainos Group plc does not undertake any obligation to update publicly or revise any forward-looking statements.

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