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Welcome

(Speaker: Russell Sloan, CEO)

Good morning, everyone.

We've got have myself and Richard running through our presentation for the 12 months ending 31st March 2024.

For me, this is my first time to present the Full Year Results, which I am very pleased to be doing and then starting tomorrow, Richard and myself are in London for three days of in person meetings with investors.

Personally speaking, that's a welcome break from the Sloan household where we are currently in the middle of exams, both A levels and GCSEs so there is a fair bit of tension and emotion in the house.

Housekeeping

So, a quick note of housekeeping. The presentation will take roughly 40 minutes. During the presentation, your connection will be muted and at the end of the presentation, FTI will moderate the session. We will be recording the broadcast and using Teams to generate a transcript of the call and will edit that for clarity at the end. So, on that note, we will get on into the presentation.

Contents

The usual safe harbour statement which you will all read very quickly.

We have taken this opportunity to refresh some of the images that we use. You will probably know by now that we like to use images of our own staff. This is from the reopening of our Belfast office.

The rest of the presentation is going to follow a familiar format to our normal results.

Business Overview

The first thing that strikes me about this is that we have three divisions that have been performing well over the last five years where we delivered strong growth, strong margins and, importantly, strong future opportunities as well.

We hold great positions in each of these markets and collectively they represent £5.3 billion of opportunity in terms of the total addressable market.

Expertise at a global scale

We are very proud of the customers that we work with, and the work that we do for them. So, our current customer cohort is now over 900 ambitious organisations and some very well-known international brands.

We've chosen 30 on the screen, some of them will be familiar, but we also use the opportunity to update a few of the customer logos. So don't worry, it's not a quiz, we are not going to ask you which ones you can spot that have changed, but I will point out three. We've got Axiom Space in the top line, out of this world. We've got Saint Jude Children's Research Hospital and they're about finding cures and saving children. And then we've got HMCTS down at the bottom and that's an engagement with Microsoft around their power platform journey.

So, I would say that the word international is important, nearly 40% of our revenues are now derived internationally and I'll take this opportunity to emphasise again that we're talking about Kainos as being an international company rather than a UK company.

FY24 Highlights

Overall, a really pleasing performance. We delivered our 14th consecutive year of growth and that's on top of very strong growth last year of 26% growth and that's against a rather uncertain macroeconomic environment.

We've been solid to very strong performance in our core growth engines of public sector, Workday Services and Workday products. Health sector reductions have moderated to some degree, and the sector is continuing to grow as COVID-19 spending is now unwound. So, we'll talk about that later.

So, we've also seen further reductions in scope for commercial sector clients. We're expecting this to play through into financial year 25 before it returns to proper growth.

Our Workday products business is now 15% of group revenue and that's up from 12% last year.

One of the things that is most pleasing about this is our disciplined execution - our adjusted profit margin is now 20%, making an 14% increase from the last financial year.

So, a couple of things that have driven that - we've continued to look at our contractor headcount reducing our contractor headcount by 80% from 209 to 42. We have also continued to invest in our entry level model adding 178 entry level staff as well as being more thoughtful about hiring in our lower cost locations. That's seen our average salaries actually decrease by about 1% overall and this time last year we would have been talking about 13% increase.

So as part of our agile model, we've been able to move people around the business and be flexible and be resilient in the way we approached the last year.

Now, Workday products - we've continued to invest. We've seen our R&D up by 48%. We've seen our sales investment up by 16% to £12.5 million and, I'm very pleased to say, we remain on track to achieve our £100 million of ARR target which we set ourselves to achieve in 2026. We're well past the halfway point at this stage, and that's a great position to be in.

So overall, in our Workday Products, it has been a very pleasing sales year and that's added to the confidence. The internal conversation is now about the next milestone beyond £100 million. So rather than which month we're going to achieve that in, it's about what goes beyond that.

I'm going to talk about our fourth product, Employee Document Management, later and how it's been our most successful product launch to date.

So, in terms of our bookings, the comments largely mirror our revenue comments. Core growth engines are pleasing, and we've seen lower levels in commercial sector and in the healthcare sector.

You'll probably recall that it's a tough comp to match FY23, where we saw a 56% increase in our Workday services bookings. So, we were delighted to have won the work at that time, but it has been a tough act to follow this year.

Our backlog is at record levels. We have £357 million and that underpins the confidence in the future performance.

You'll probably have noticed that our cash balance now is at £126 million, again at record levels, and it helps our CFO to sleep very comfortably.

Our Customers

We have a fabulous set of customers and we work with many of them over a long period of time. In fact, our longest standing customer did their first project with us back in 1988.

So each of these charts tells an important story about our business. As before, we've borrowed the term Net Revenue Retention from the world of SaaS and we've applied it mainly to our project business and our project revenues. Our Net Revenue Retention for this period is 102%. So, this represents the value that we deliver to our customers and the excellent customer satisfaction levels that we generate.

In fact, we've had Net Revenue Retention of greater than 100% over the last 13 years, which is just a great foundation for our business.

Our customers are not immune to the economic conditions, but their consistent message is one of continued support and continued investment in their projects.

Speaking of customer satisfaction, we're now measuring all of our customer satisfaction with our Net Promoter score or NPS score and we're delighted that our score is 58 across the company. And just as a reminder, a score of over 50 is deemed to be excellent.

So, we do have a well-balanced business and over 50% of our revenues are now generated from commercial sector clients. This is mainly from our Workday business and we're pleased with that balance across the sectors. It's a good point to stress the resilience in the business, again, and our agile model by being able to move people to the greatest opportunity and also away from areas of the business that are slowing, even if it's only temporarily.

I've mentioned the increase in our international revenue, but it does bear repeating. So today, 40% of our revenues are generated from international markets.

You'll hear that as a consistent theme for me and, inside Kainos, the focus is on building a global company. And just to reference our IPO, where 6% of our revenue came from international business.

Our People

As always, the driving force in our business is our people, their energy, their expertise and their experience. You'll see that the overall head count number is increased by 5 over the last year, but that doesn't really tell the full story.

We've actually seen a 6% increase net of contractor reductions. And that is a statement of our confidence where we invest in our people. Our contractors are down by 80%, down from 209 to 42 and we have a real focus on our operational excellence. We have invested strongly in our entry level model, and that's our graduates, placements and school leaver recruitment and balancing that across different geographical areas. So, over the last year, we've taken on 178 people at entry level across the business and you probably know by now I'm a fan and somewhat biased around that as well.

The recruitment market has also cooled, so it's quicker to get permanent staff.

Like we would have called out at the Interim Results, following our acquisition of Rapid IT-Cloudbera, we've established the presence in India where we now have 78 people, so it slightly skews our global location map.

Our employee engagement is a real focus and it's an important area for us. So, while the talent market has cooled, we've seen increased caution around job switching across the industry and our retention is now at the highest levels that it has been in the last 10 years at 93%.

In terms of the external calibration, there's been positive progress in Our Best Companies to work, we are up from 39 up to 32 in the Best Companies to Work, and that's only three places behind Apple.

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Our Responsibilities

So, in terms of our responsibilities we've aligned our activities around the United Nations Sustainable Development Goals and in terms of our climate action, we are now below our SBTi near term targets. Once they've been externally verified by SBTi, we should be able to say that we are carbon net zero.

What we've seen is a reduction in Scope 1 and 2 of 70% and that's from our FY20 levels. And that's despite the business doubling in size over the same time period. There has been a 45% reduction in Scope 3, but there's still more work to do in terms of our supply chain.

We know that the technology sector has a significant gender imbalance, and our improvement plan here focuses on three elements. So, it's first to develop and retain the talents of women already working in Kainos. We've seen an improvement of females in Kainos moving from 34% to 35%. Second, we want to become the destination employer for talented women in the sector. And third, we'd like to inspire more young women into the sector more generally.

We've been working hard in all areas of the plan and I'm the executive sponsor of our woman's employee network within Kainos and I'm proud of the progress that we've made. And for me it's also a personal issue, being the father to four daughters as well as a husband.

In this update, we've been highlighting the work that we've been doing to encourage more young women to explore a career and technology. So, 715 young women have engaged in one of her schools' programmes in the past year, and that's a 50% increase on this time last year.

On that theme, our schools' programmes during the past 12 months, we've had 2,200 young people attend one of our programs. The programs may vary from a one-week placement to our award-winning code camp, to one day insights programs. And as always, that's only possible because of the involvement from our people and the commitment of our colleagues to deliver some of those activities. And we've seen over 190 of them been involved in the last year in those types of activities.

Divisional Performance

Digital Services

Getting on to the Divisional Performance.

Starting off with Digital Services, our public sector is nearly 2/3 of our Digital Services business and we're still seeing good demand.

There has been more competition over the last 12 to 18 months and that's been largely driven by a slowdown in spending across some of the other sectors, banking, insurance, telecoms, payments, media, and advertising. So pretty much all sectors.

Many of our competitors have turned to the public sector as a safe refuge, and we've seen some larger organisations quoting between -5/-10% in the commercial sectors with an increase in the government. Some of that has been due to lower pricing within the government sector.

Our approach has been to keep the quality of our work high prioritise businesses sustainable rates rather than chase volume, and I think this has been born out in our profit increase across the year.

I should mention election. With regard to any election impact, our data indicates that there will be a minimum disruption, but it's likely to be a change of government as well. So, this is not the first time that we've seen a political event. Over the last 14 years, we've seen four general elections, Brexit, Grexit, a global pandemic and a brief spell from a Liz Truss government.

Through all of this, government has remained consistent in their standing and, in many respects, the business of government does not change just because a Minister or ruling party changes. Passports will still need to be issued, small claims courts will still need to be settled and new drivers will still need to sit their theory test.

But at every election, government reaffirms commitment to digital transformation and that's about saving money and improving services. So, we don't believe that the growth opportunity is reduced, but there's no harm being a little bit prudent in our outlook for the year.

In our commercial sector, it has been a challenging year and, despite the hard work from the team, it hasn't quite been the result the way that I'd hoped. But, when things go wrong, our first sort of instinct is to look internally and assess what has happened. After a 56% increase in financial year '23, we were very focused on delivery and I think some of that was at the expense of sales. So, when a couple of our biggest customers changed their spending plans, our lack of breadth was exposed. We were concentrated on a small number of large accounts, so that's a learning lesson for us and one that we are taking into the future.

We also can't ignore the macroeconomic environment and commercial sector for sure has been impacted. So our outlook is muted. We expect to see some more modest reductions across the next financial year before recovery the following year.

In healthcare, I've actually got a more detailed explanation in the following slide because the -11% doesn't quite explain the full story. So I thought it would be useful to share the actual breakdown.

We've been incredibly proud of the work that we did to support the NHS in response to the global pandemic and some of these critical projects included things like Test and Trace and vaccine management.

Healthcare Revenues

So, you'll see from the chart that the revenues were enhanced by those projects and those additional revenues obscured how the underlying healthcare business have been growing, supporting the likes of NHS England but also arm's length bodies like NHS BSA and commercial organisations like our Future Health.

So, financial year 24, the second half of the year saw growth over H1 and if we're excluding the financial year 23 COVID related revenue, financial year 24 saw an increase of 23%. So, our healthcare business is more than double the size that it was before COVID and it's a much better-balanced business.

I would also say that it's an important market for us. It's not a very large market. Though, the annual spend is estimated that £365 million. We're starting to see some decision making happening after the merger of NHS Digital and NHS England, but the general challenges of the broader NHS still persist.

Case Study: Digital Health and Care Wales (DHCW)

So appropriately, I've got a short case study just to highlight the work that we're doing in healthcare. In this case, it's the Digital Health and Care Wales.

So it was created by the Welsh Government in 2021, as the national organisation responsible for developing the country's digital services in this key area. One of their priorities was an NHS app for Wales, so we spearheaded a user centric approach to design and development and accounted for the needs of both Welsh citizens, GPs and coordinated the technology, UX design, all the different aspects of how you get the service live. And we supported the NHS Wales, GPs, and NHS suppliers.

So, there's no coincidence that this had a lot of similarities to the NHS app that was delivered to NHS in England and us being able to reuse some of the code, a lot of the concept allowed for a lot of efficiency.

In terms of results, NHS Wales App launched in April 2023 with 27 GP practices and they were on boarded seven months ahead of schedule. So, it's now helping people take control of wellbeing. signposting them to relevant healthcare services, providing personalised resources and boosting NHS efficiency.

Interestingly, 31% of the NHS App users in Wales were using this type of digital service for the first time, so that's a really important channel shift. So good progress is being made and we expect to see 100% adoption by June 2024.

We are making AI real

Of course, we need to speak about AI as well because it's impacting many of the things that we do. So, we have set out an exciting vision for AI where inspiring, guiding and enabling responsible AI adoption and scaling through technical excellence to help solve real world problems.

So, we're prioritizing our AI investment in two ways. How do we scale our AI Ethics and Governance Capability and how do we help clients with the responsible adoption of AI. And some of that investment includes a Head of AI Ethics and Governance.

We're making further investments in our AI accelerators, our skills, our tools and some of the accelerators are using the large language model comparisons and benchmarking. If we think about AWS Bedrock service assessment as one of the things that we've recently undertaken.

We've over 500 colleagues who are now trained in Generative AI and over 30% of our projects are using Co-pilots to assist development of our services.

Importantly, we're also helping our clients, so we're trying to make AI real in four ways. So, we're enabling AI powered Digital Transformation and this is about building AI into all of the solutions that we provide to customers. We're developing AI specific solutions to help address particular business challenges and through our AI Labs, we can rapidly develop AI Proof of Concepts.

We're also empowering customers to adopt scalable AI responsibly and that's through our repeatable AI adoption framework. And the 4th part, we're helping customers become AI ready. People talk about wanting to do AI work, but actually lots of this is about the underlying data and we're helping them become AI ready through an effective data strategy and effective data platforms. I'll call out a couple of case studies, just to make this a little bit more real.

If you think about our work with Royal London Asset Management as a Proof Of Concept, which is moving to production. So, they have £154 billion pounds of assets and it takes an average 3 weeks for an Equity Analyst to undertake analysis of structured and unstructured data in order to provide an asset investment recommendation.

So, using Azure OpenAI Accelerator, we were able to empower the Equity Analysts and researchers with self-service and using Generative AI, we were able to bring this down from 3 weeks down to a few days. So real efficiency drive.

In thinking about the AI ready piece, we've been working with the United Nations as part of the International Organisation for Migration, so they support worldwide organisations spanning 150 countries. There are 450 local missions and there's a wide range of initiatives such as health and protection services, capacity building, resource management, logistics that they struggle with their data landscape. So, they've got data in lots of different formats, in different places and they've over 50 million health records across 20 source locations. It's really hard to gain insights from that.

We've been able to pull that all together into one Federated Azure fabric data lake with analytics to allow them to understand some of the patterns and now they can gain insights in seconds and minutes rather than weeks.

Importantly, this is also the basis for IOM to do AI work now that they become AI ready.

Workday Services

Moving on to Workday and starting with Workday Services - a good performance, especially when you consider the exceptional growth we had in the prior year where we saw revenue been up 49%. Performance has been a little bit more complicated by the underperformance of our Blackline acquisition.

So, as a reminder, we acquired Blackline Group in early 2022 and they were the number one partner for Scout RFP, which is a company that Workday acquired in 2019 for 550 million. So, they later rebranded that as Workday Strategic Sourcing.

The Blackline group had two service lines: consulting around Workday strategic sourcing and a standalone procurement consultancy. As we announced in our Interim Results, we decided to stop building those standalone procurement services and they're not part of our core business.

Regarding the acquisition, we've been prudent, and we've decided that we're writing off the value of the acquisition. Richard has the details on that. Growth for the division, removing the discontinued blackline services, was around 10%.

Originally, with over 100 million revenue and operating across 22 countries, our Workday Services is a large international business. There are lots of moving parts.

The US remains the largest market for consulting services, and we remain well placed in this key market. We record a strong growth in Europe and remain the leading partner in that region. And you will gain the sense of Workday's commitment in Europe with the recent announcement about investing £550 million in the UK.

For Extend, we are the number 1 Extend partner globally. We have 66 Extend Consultants out of a global talent pool of about 300 and, so far, we've developed 45 Apps and have active customer conversations with some of the largest global organisations. This is important as organisations are looking to do more of their ERP and it opens the door for additional potential products which I'll cover soon.

So overall, you know, we're anticipating growth in both of these regions and still excited to be a Workday Service's partner.

Case Study: Workday Financials Deployment BRAVEDO

Turning to the case study, Bravedo, they describe themselves as a super group; over 35 companies structured and over 100 legal entities and operating in 11 countries. They're headquartered in Finland and they provide a range of business services and that's anything from recruitment to construction, to logistics and technology.

They were looking to replace their legacy finance system with a more suitable consistency of a process and it was important across all the companies and countries, so they wanted a solution to support a high degree of automation.

So, Bravedo selected Workday financials and Kainos to do the implementation for this ambitious project. In terms of the outcomes, we were live within 13 months. It was delivered under budget and several disparate legacy systems were retired along the way. So, in addition to a quote here from the CFO, Pasi, he also commented "We are delighted with the outcome of the project, Workday have surpassed our expectations". So, I would take that on any project.

Workday Products

Onto Workday Products part of the business. So Workday is indeed a comprehensive SaaS platform, but we've developed our own software products that are complementary to the platform and enable customers to further increase their benefit that they get from Workday.

Performance has been excellent by any measure; revenue, ARR and backlog all registering very strong increases. So, when we think about some of that performance, I will highlight that we did change the Sales Leadership at the start of 2023, switching from a US based Sales Leader to an ex Workday Sales Leader based in Europe. So, it's been a successful change so far. The team are working well and we're seeing the evolution of what we expect to see in the sales team with more predictability in sales execution, as well as continued growth.

It's a very simple example where you've seen our Smart Test. Historically, we looked at people who were actually testing their Workday implementations manually and trying to get them to move to automated testing. That was about 35% of the market.

We're currently testing some value propositions for the other 65% of the market.

We are going to extend into that area and that's based around the amount of saving of rework that they'd have to do on their Workday tenant.

So, considering it's success in the year, we can't look beyond the launch of Employee Document Management, or EDM, which has been our most successful product launch so far. So EDM addresses two requirements; legal compliance around employee documentation retention and saving money by streamlining the creation and generation of employee related documents such as offer letters and salary updates. So we're excited, by its success. I think in the early days, it's easy to be excited by early success but there's a couple of things to highlight as well.

We're building a picture about the market and it's still early in our estimates, but we think the total addressable market is in the region of £400 million and that's captured in the bottom of the screen.

In the same manner we're working through the implications for our ARR and the timeline and again, just to summarize the view that it's more about the beyond the 100 million target rather than which months of 2026.

I don't want this to turn into complete EDM love in. Our Smart portfolio has had an absolutely smashing year. It is this product set that has powered the revenue and ARR growth.

In Test, we now over 400 customers. In Audit, over 100. In Shield, over 90. We also have completed the RapidIT-Cloudbera integration. It feels like a great fit.

Our development teams are combined in with the services teams so we've added the unique functionality of their product into Smart Test. All the customers are now migrated to our platform and the old platform has been decommissioned.

Very importantly, we've retained the relationship with Alight where RapidIT-Cloudbera made most of their sales into about 100 customers.

We are continuing to invest in our products. R&D showed a strong increase, up by 48%, and you'll recall that we expense all of that through the P&L and we continue to sensibly increase our sales and marketing activity as well.

EDM – Document Retention

Now, I mentioned EDM a couple of times, and I'll get into that in a little bit more detail.

Some key document challenges - what led us to build a full employee document management product inside Workday was simply from speaking to our customers and listening to their challenges around Employee Document Management.

Three themes that come out consistently in those conversations; challenges around employee experience, compliance obligations and process efficiency were all mentioned time and time again. The theme that really stood out was around compliance and I've tried to show this on the map as well. S, it's surprising how many customers don't have appropriate controls around document retention and purging.

It's becoming more and more to the fore with legislation like GDPR in Europe.

The challenging thing about GDPR is it's applied differently in every country, so it's not a one size fits all and it can get quite granular around retention and purging rules for different types of documents or even sub document types.

So, when documents are stored across multiple places, including Workday; maybe paper, file shares, etcetera, it makes it difficult to apply rules consistently. So, in the context of privacy legislation, again access to documents is important. We heard that customers say that really want control of this in a structured way. They don't want to have to configure security in multiple systems. That's a lot of work, and it's open to error and it's open the gaps. So that's where we looked at building our own EDM. Fragmentation is one of the biggest challenges here. Compliance is hard, but compliance is even more difficult when you need to configure complex policies and security across multiple systems. It has got the Workday you seal of approval, it is branded as a Workday approved solution. So that means we've talked to them about functional gap, we've done a product review, we've done a technical review.

The question you may be asking is why would Workday want us to do this?

Well, firstly we asked Workday if they had any plans to develop this type of solution and they don't. They've no plans to develop EDM, and they've told us that consistently.

So it's also something here about part of Workday's evolution.

So, they've had a change of CEO to Carl Eschenbach who's much more sales and partner focused than Aneel Bhusri before him, who was more from an engineering background. So, they plan to open up the marketplace at the end of the summer, probably at Rising in Las Vegas.

And this is a familiar route for lots of big organisations.

Remember back when the iPhone launched in 2007, there was no App Store. Steve Jobs thought that people would develop third party web Apps and 1 year later, the App Store was launched.

So that's created a market which reported over one $1trillion including App purchases. But the App Store also inspired Salesforce with their App exchange which has a reported market size about 23 billion of which sales force takes 15%. So you can see, it's probably a natural fit that Workday would look to go down that route.

Case Study: Employee Document Management (JLL)

Next, we've got JLL. And when you consider legislative environment, you think of the number of documents that you could generate with large workforces. So, we've used this as a case study.

Retention and retention management are clearly key objectives for the use of EDM, but so too is the streamlining of document generation, which is what the JLL case study highlights.

We've got a company with 100,000 people in 80 countries and JL are seeing immediate benefit from high volume activities such as promotion compensation changes, employee verification and to the likes of exit letters. So you can only imagine the volume of activity that documentation like that generates every day in a business of that size.

In some ways, these are quite ordinary, but labour-intensive activities. But when you get to scale across 10s of thousands of workers in population becomes quite compelling.

The combination of dealing with the legislative burden and at the same time creating efficiency savings for the customer, it has just been brilliant. And you'll know because they've been building Workday Extend, there's an incentive; the Extend license for Workday is a proper incentive for them and they will promote EDM as well.

So a great job being done by the team, but I think there's a lot more to be done in this area, So, on that, I'm going to hand over the Richard to talk about our financial performance.

Financial Performance

(Speaker: Richard McCann, CFO)

Thanks Russell.

As always, we'll start with the Group Income Statement and I'll start with Digital Services.

Russell's already mentioned that revenue was down 5%, which is clearly a disappointing result. He's also touched on Public Sector being up 1%, but with the decreases in Commercial Sector of 19% and Healthcare of 11% and again, as pointed out on the slide, if you exclude COVID, that growth would have been in the 20%'s.

It's probably worth putting some context on this. It is a difficult market for selling IT services at the moment, particularly in the Commercial Sector, that's meant a lot of large global SI's have effectively sold the bench into Public Sector, which puts pressure on rates and the ability to win work. It's just the nature of the services business.

If I go back to FY17, our Digital Services business grew by only 2%. In FY18, it was up 8%. However, if you look at it over a longer period of time, over 10 years, the CAGR is 16.8%. Over the last five years, CAGR is 14.8% and since going X growth in 2017 and '18 revenues up 184%. Gross margin was up slightly from 38.1% to 38.4%. We saw some pressure on effective rates that Russell mentioned earlier, but that was more than offset by lower contractor numbers. In March '23, we had 209 by March '24, that was down to 42. We also saw a rebalancing of the staff pyramid with hiring at entry level. We've always been fans of entry level staff, as Russell mentioned as well, and we continue to want to do that as part of our business. It makes sense for all sorts of cultural reasons, it benefits us in so many ways, but it also has the benefit of supporting margins over this period.

We've always prided ourselves on industry-leading staff attrition rates, but this year was the lowest in my 13 years at Kainos with a 7% staff attrition. In terms of direct expenses, that fell by 14% a lot of that is to do with that lower attrition, lower recruitment, lower cost associated with getting staff up to speed and so on. And overall contribution was essentially flat year on year despite the fall and revenue. This is the part of the business cycle that allows us to manage the business more efficiently and if I can steal someone's phrase, sharpen the saw. I think that's a way that we think of trying to make the business as efficient as possible when growth rates are a bit lower.

In Workday services, revenue was up 6% and again, as Russell mentioned, if you exclude exiting the Blackline business, that would have given us an underlying growth of 10%. In this part of the business, gross margins again up very slightly by 0.5% we saw some growth in effective rate in this part of the business offset by some salary costs and utilisation here was broadly steady.

Direct costs fell by about 1% despite the small growth in revenue, again, helped by lower staff attrition and it's worth pointing out that that's despite including the costs associated with the Blackline closure. Contribution, therefore, was up 22% year on year combination of the higher revenue, slight improvement in margins and lower direct expenses.

As Russell mentioned, Workday Product was the standout in terms of revenue growth, up by 28%. Organic growth underlying that was 23%, but organic growth in constant currency by coincidence was 28%, which is the same as the headline growth.

It's probably worth mentioning in passing that 96% of that revenue is SaaS revenue, a small amount that under 4% is services and the theme of slightly improved margins applied here as well, again up by 0.5%.

Direct expenses in this part of the business was the one part that grew significantly up by about 30%, which is slightly above revenue growth rates. Product development increased by 48% again, as Russell mentioned, all Product development expenditure goes to P&L and sales and marketing increased by 16%. That meant that contribution grew almost exactly in line with revenue growth, it was up 27%.

So Workday products seems to me to be the Taylor Swift of Kainos at the moment. Each new album or product seems to outsell the previous one. Employee Document Management is not quite the tortured poet's department in terms of sales, but it has been our most successful launch of a product yet.

Eight years ago, Mal Smith, who runs the Products business, told Brendan and me that for a SaaS business, getting to £ 1million of sales was impossible. Getting from £1 million to £10 million was a probable but getting from £10 million to £100 million was inevitable. I think he'd just passed the £1 million pound mark at that stage so I think it was a way of celebrating that milestone, but more importantly, getting more budget to get to the 10 million. He was tempting fate at that stage to say that getting to £100 million was inevitable, but you know what….

In terms of central overheads, increased by 2.3%, we've tried to maintain cost control in that area and something we will be working on over the coming year as well. That was more than offset by greater finance income due to increased interest rates and higher cash balances. Overall, the adjusted pre-tax profit was up 14%, which is a good result in a difficult market. I talked about adjusting items in quite a bit of detail at the half year. I won't go into them in much detail again but overall, they fell slightly.

Our corporation tax rate for the year increased from 23% to 25%. The major element of that is UK corporation tax rates going up to 25%, but it's also partially as a result of greater overseas profits, which are generally taxed slightly higher.

Balance Sheet and Cashflow

If I move on to the next slide, looking at the balance sheet, our fixed assets overall increased by 7.7 million which is unusual for us. Most of that relates to new office leases either being capitalised but also the cost of fitting out new offices. That was a coincidence that a number of leases came to end at the same point, and we would expect that to reduce in future.

In terms of goodwill and intangibles, that increased by just over 20 million. That mainly related to the acquisition of RapidIT-Cloudbera and the Genie product which is partially offset by writing off intangible assets associated with Blackline.

In terms of working capital, trade debtors and WIP combined reduced by 6 million and now stands at 62 days on a combined basis. That's the lowest we've had in my time in Kainos and I'm very proud of the work that's gone on in that area. In terms of other assets, they increased by 5,000,000. That's made up of a number of smaller increases in deferred tax and RDEC and prepayments and escrow payments.

Liabilities increased by 18 million. Mostly, that's down to deferred income which was the largest element at over 8,000,000 of an increase, but also some changes in tax liability reporting and deferred tax liability which also increased by 4,000,000.

As Russell mentioned, our cash is increased to 126 million. That gives us great flexibility in future around acquisitions. It allows cash for the Belfast business and given that Russell has already stolen my line about allowing me to sleep well, I'll just move on.

In terms of cash conversion, another great year at 98%. There are two main factors behind this. One is SaaS revenue paid in advance. The second one is improved working Capital Management. The first one will continue into the future. It will be hard to improve the second. A couple of years ago, we upped guidance in this area to 90%. That still seems about right for us as a business.

We received planning permission on the Belfast property recently and construction could start towards the end of this calendar year. Depending on timing, we would expect something in the mid to high single figure millions of expenditure this year, but most of the expenditure will come in FY26.

In terms of our final dividend, it'll be 19.1 pence for the full year that's 27.3 pence, and that's an increase of 14% over last year.

Looking Ahead
(Speaker: Russell Sloan, CEO)

Thanks Richard.

Just to summarise - so across all three of our divisions, we continue to see significant long-term opportunity in our core markets.

In Digital Services, we continue to be the leader in digital transformation in the UK Public Sector and despite any potential short-term disruption due to the election, the long-term drivers for efficiency and better citizen services tend not to go out of fashion.

Our Healthcare business is returning to growth and we continue to have a solid position across the diversified customer base and the business cycle will change and our Commercial Sector and our response now will help us capitalise in the medium term.

Looking forward, we want to keep you up to progress in the UK, but we also want to continue to grow Digital Services internationally. It is now up to 6% of the division revenue that has grown 28% in the last year. We see a path to future growth and the public sector in Canada and across our Workday services clients in Europe and in North America.

Workday Services, Workday Consulting continues to be a great market to be in both for new or phase one deployments and for account build out and beyond initial engagement. Workday Inc have a 2026 $10 billion revenue target, which means lots more new customers across a range of geographies.

Our immediate focus is on building in our established markets and being innovative. We've been called out by Workday has been their most innovative partner and we intend to keep that title.

In Workday Products, our team behind our Workday products have built a great business. They're already at the 61 million ARR, which we've talked about and great momentum due to the sales success. We're excited for the future, we're getting closer to the 100 million ARR target and with very significant runway be beyond that.

As we continue to evolve or value propositions, we believe that we can drive Smart adoption across the Workday customer base and well beyond the 450 plus customers that we have today and stretching further into the 5000 customer base for Workday Inc.

We've got off to a great start with EDM. While it's still early in the life cycle, there's many challenges ahead and I will not attempt to hide our delight with the early success and enthusiasm with our latest product.

We're looking forward to the release of the Workday Marketplace and creating even more markets, more products within that market.

So, with that, I'm going to bring the presentation to a close by repeating, which hopefully it's been obvious throughout, that we're pleased with the results we published today and we remain both excited and confident about the opportunities ahead.

14 June 2024: revised for clarity