Financial Overview

**Revenue**

£37.2m

growth of 29%

**Profit**

£6.8m

growth of 20%

**Commentary**

- In line H1 2016 revenue and profit
  - In line with FY 2016 market expectations
- Adjusted diluted EPS: 4.8p per share
  - EPS H1 2015, 4.1p per share
- Dividend declared: 1.8p per share
  - Payment date: 8th January 2016
- Strong growth in revenue, sales bookings and contracted backlog
- Managed short-term reduction in utilisation, impacting PBT growth
  - Forecast to improve in H2 2016

(1) Adjusted to remove the effect of IPO related costs (exceptional expenses) and share-based payments.
Operational Overview

sales bookings\(^{(1)}\)

£34.8m
growth of 55%

backlog\(^{(1)}\)

£56.7m
growth of 54%

commentary

• Added 30 new customers in H1 2016
  • Including Office for National Statistics, Queen Victoria Hospital NHS Foundation Trust and New York Public Library

• Established offices in Boston and Amsterdam
  • Local sales operations to support Workday Implementation Services division

• Evolve selected by Apple for its Mobility Partner Programme
  • Only five healthcare companies selected globally

\(^{(1)}\) Value of contracts signed with customers (excluding VAT or other taxes) and excludes 3\(^{rd}\) party sales
Sales Bookings inclusive of 3\(^{rd}\) party are £38.2m (H1 2015: £24.0m); increase of 59%
Contracted backlog inclusive of 3\(^{rd}\) party is £67.0m (H1 2015: £47.5m); increase of 41%
Kainos is a high growth, high-margin company providing digital technology solutions and agile software development through three divisions

**Digital Services**
- Building online digital platforms for UK Government departments
- Market size (to 2020): £1bn
- Building ‘digital by default’ platforms for citizen communication

**Evolve**
- Delivering digitised patient records for the NHS on the Evolve platform
- Market size (to 2020): £200m
- Replacing the “one size fits all” NPfIT with localised decision making

**Workday Implementation**
- Implementing the Workday SaaS HR platform for enterprise customers
- Market size (to 2020): £350m
- Displacing SAP and Oracle product stack with cloud-based HR software

Common skills across divisions: consulting, project management, software engineering, testing, application support
Highly selective recruitment: hired 230 people from 10,311 applicants in FY15

Customer base includes global corporates, large UK Government and healthcare organisations
Have relevant, multi-year IT requirements, prefer long-term relationships, driving repeat business

Notes: (1) Addressable market for Kainos
**Growth Story**

1. **Digital Services**
   - Build deeper relationships with current customers
   - Increase number of large central government clients
   - Increase business in regional and local government

   **c. 300 ‘transactions’ to be digitised by 2020 = £1bn addressable opportunity**

2. **Evolve**
   - Continue to dominate NHS Acute market
   - Extend IP and sell to installed base, with particular focus on mobile and Apple iOS
   - Expand into Ambulance, Community and Mental Health sectors

   **c. 110 Trusts to procure by 2020 = £200m addressable opportunity**

3. **Workday Implementation**
   - Expand into Europe, opening a dedicated office
   - Extend our Workday services beyond HR (recruitment, analytics, financials)
   - Develop IP for automated testing of Workday releases

   **Workday growth rate: 42%, targeting $35.4bn ERP market and European expansion**

Maintain the quality of our staff through continued investment and incentivisation

Continue to develop long-term relationships, driving repeat and recurring business
People

people

788

growth of 22%

applications

6,625

41% more job applications

commentary

• Continue to attract and retain high calibre people
  • Northern Ireland 435 (+55 people)
  • Great Britain 147 (+46 people)
  • Poland 174 (+45 people)
  • Ireland & RoW 32 (-6 people)
  • Total 788 (+140 people)

• H1 2016 recruitment also replacing contract staff; contractors reduced from 81 to 64

• Attrition although increased remains well below industry norms, but focus required to return to previous levels
  • Attrition, net of GB is 7.9% (6.5% H1 2015)

• Positive impact from recently appointed Non-Executive Directors
Divisional Performance
**Digital Services: Performance**

**revenue**

£24.4m

growth of 18%

**gross margin**

46%

reduction of 9%

---

**commentary**

- Increasing demand across existing customers; new customers added
  - Growth excluding re-profiled project: 48%

- Gross profit £11.1m (£11.4m H1 2015)
  - Utilisation impact following early re-profiling of one project
  - Use of contractors for non-key skills
  - Upskilling staff on initial phase of new customer projects

- Margin improvement an area of focus for H2 2016

- Contracted backlog increased by 21%
  - Backlog at £28.4m (£23.5m H1 2015)
Digital Services: Market

sales bookings

£24.2m

growth of 40%

revenue trends

commentary

- Sales bookings
  - Existing customers: £22.4m
  - New customers: £1.8m

- Client concentration rebalanced
  - Top 5 clients account for 56% (67% H1 2015)

- Continued growth in central government; regional government beginning journey
  - Regional: 57% increase to £3.0m (revenue)

- Changes in market environment
  - Majority government elected
  - Changes in GDS personnel

- Comprehensive Spending Review published November 25th; expected to accelerate digital projects, remove uncertainty in departments
# Digital Services: Progress on Growth Plan

<table>
<thead>
<tr>
<th>Digital Services</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Build deeper relationships with current customers</td>
<td>• 100% retention of all government clients.</td>
</tr>
<tr>
<td>• Increase number of large central government clients</td>
<td>• £22.4m of contracts signed with existing clients.</td>
</tr>
<tr>
<td>• Increase business in regional and local government</td>
<td>• Added new government clients:</td>
</tr>
<tr>
<td></td>
<td>• Foreign &amp; Commonwealth Office</td>
</tr>
<tr>
<td></td>
<td>• Land Registry</td>
</tr>
<tr>
<td></td>
<td>• Office for National Statistics</td>
</tr>
<tr>
<td></td>
<td>• The National Archives</td>
</tr>
<tr>
<td></td>
<td>• Border Force</td>
</tr>
<tr>
<td></td>
<td>• 57% growth in revenue in regional government</td>
</tr>
<tr>
<td></td>
<td>• On-going digital projects in Scotland, Wales and Northern Ireland</td>
</tr>
<tr>
<td></td>
<td>• New clients</td>
</tr>
<tr>
<td></td>
<td>• Metropolitan Police Service</td>
</tr>
<tr>
<td></td>
<td>• NI Department of Justice</td>
</tr>
<tr>
<td></td>
<td>• NI Department of Finance and Personnel</td>
</tr>
<tr>
<td></td>
<td>• NI Civil Service</td>
</tr>
</tbody>
</table>

## Next
- Margin improvement programme to address drift in Gross Margin
- Assess opportunity to build commercial digital services UK client base
MOT-2 Project Summary.
22,700 garages in England, Scotland, Wales.
60,000 users of the new system.
31m annual MOT tests conducted annually.

James Munson, Director of Digital Services and Technology, DVSA.
“We were able to switch off MOT-1 on plan.
We’ve also got funding agreed to improve MOT-2 from this point on.
New code and functionality will be released every month for years to come.”

Andrew Merchant Locke,
Workshop Manager,
Windsor Road Garage, Bristol
Evolve: Performance

**revenue\(^{(1)}\)**

£5.8m

growth of 115%

**gross margin**

58%

growth of 13%

**commentary**

- Good progress on revenue and margins
- Performance underpinned by consortium deal (3 Trusts)
  - East Sussex, West Sussex, Queen Victoria Hospital
- Evolve continues to extend leadership position
  - Evolve has now been selected by 32 Trusts (104 hospitals), live in 21 Trusts
- Contracted backlog increased by 153%
  - Backlog\(^{(1)}\) at £25.0m (£9.9m H1 2015)

---

(1) These figures exclude 3\(^{rd}\) party revenues
Revenue inclusive of 3\(^{rd}\) party is £8.8m (H1 2015: £4.1m); increase of 117%
Contracted backlog inclusive of 3\(^{rd}\) party is £34.2m (£20.0m H1 2015); increase of 71%
sales bookings\(^{(1)}\)

£7.3m
growth of 280%

revenue trends\(^{(1)}\)

commentary

- Strong H1 sales bookings
  - Timing of Sussex consortium deal unusual, most NHS deals signed in H2
- South East Coast Ambulance Trust
  - Evolve now in live operation
  - Successful break-out from Acute market
- NHS market remains challenged – high need, but capped funding and lengthy sales cycles remain
  - Increasing number of Trusts facing budget deficit
  - Department of Health\(^{(2)}\) submission to Spending Review: £3bn, “front loaded for paper free healthcare…”

\(^{(1)}\) These figures exclude 3rd party sales
Sales bookings inclusive of 3rd party is £9.7m (H1 2015: £2.5m); increase of 288%

\(^{(2)}\) Department of Health Report, authors Tim Donohue, Director of Delivery Informatics and Beverly Bryant NHS England Director of Strategic Systems and Technology. Link
Evolve: Progress on Growth Plan

Focus

• Continue to dominate NHS Acute market
• Extend IP and sell to installed base, with particular focus on mobile and Apple iOS
• Expand into Ambulance, Community and Mental Health sectors

Progress

• Kainos selected by East Sussex, West Sussex and Queen Victoria Hospital in first contract award of FY 2016.

Evolve SaaS

• SaaS version of Evolve to be operational Q4 2016
• Opportunity for accelerated client deployment, revenue model flexibility, efficiency in support operations
• New platform has ability to support international healthcare clients
• South East Coast Ambulance service now live with Evolve

Apple

• Apple Mobility Partner Programme (MPP) designed to increase Apple share of business market, offering iPad, iOS and Apps as bundle
• MPP includes c42 companies, including Kainos, DocuSign, Xero, ServiceMax and Revel Systems
• Apple-hosted sales event (November) for UK Ambulance Trusts

Next

• Assess Apple Mobility Partner Programme opportunity for Evolve
• Assess international opportunity for Evolve SaaS
Workday Implementation Services: Performance

**revenue**

£4.1m

no change

**gross margin**

53%

reduction of 6%

**commentary**

- Implementation revenues reduced in H1
  - Slippage on key implementation deal (€2.8m) now in signing process
  - Used sub-contract market to minimise margin impact of deal slippage
- Margins impacted by lower utilisation
  - Up-skilling of additional consultants
    - 57 certified consultants (+3 from H2 2015)
    - 14 consultants in certification process
- Smart SaaS product increasing penetration and contributing revenue
- Contracted backlog increased by 10%
  - Backlog at £4.4m (£4.0m H1 2015)
sales bookings

£3.6m

growth of 3%

revenue trends

commentary

- Workday, Inc. continues strong growth
  - Q3 2016 (Aug-Oct) registered 41% YoY growth
- H1 sales bookings impacted by slippage on two key deals
- Smart Automated Testing Platform progress
  - 42 customers now signed up on subscription
  - Subscriptions generated £600k in H1 2016
  - Subscription annual run rate now £1.7m
  - Focus in USA, Kainos office in Boston operational
- Continued consolidation in ecosystem
  - 2015: IBM acquires Meteorix (USA)
  - 2015: Aon Hewitt acquires Kloud (UK)
  - 2015: KPMG acquires Tower Perrins Workday Team (Global)
  - 2014: PwC acquires Balkon (Canada)
  - 2014: KPMG acquires Axia (USA)
  - 2014: Mercer acquires Jeitosa (USA)
  - 2012: Deloitte acquires Aggressor (USA)
Focus

• Expand into Europe, opening a dedicated office
• Extend our Workday services beyond HR (recruitment, analytics, financials)
• Develop IP for automated testing of Workday releases

Progress

• Project in Slovakia underway and on schedule
  • Amsterdam office opened

• Selected as one of two LDP partners for Europe, effective Feb 2016
  • LDP is Workday for Medium Enterprise (up to 3,000 staff)

• Smart provides Automated Testing of Workday HCM, Financials and Security
  • 42 clients signed, mainly USA

• Initial staff recruited
  • Sales activity underway

• LDP accounts for c50% of new Workday subscriptions (by volume)
  • Recruitment of Kainos LDP sales team almost complete

• SaaS platform, typically 3-year subscription
  • Clients include Netflix, Zynga and New York Public Library

Next

• Develop LDP (Lifecycle Deployment Programme) opportunity, build direct sales capability
• Accelerate Smart Sales activity, particularly in USA
Financial Performance
Financials

Income Statement

» Income Statement

<table>
<thead>
<tr>
<th>FY 2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Services</td>
<td>43.6</td>
<td>20.7</td>
<td>24.4</td>
</tr>
<tr>
<td>Evolve</td>
<td>9.0</td>
<td>4.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Workday Implementation</td>
<td>8.2</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>60.8</strong></td>
<td><strong>28.8</strong></td>
<td><strong>37.2</strong></td>
</tr>
<tr>
<td>Gross profit</td>
<td>32.4</td>
<td>15.6</td>
<td>18.3</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>53%</td>
<td>54%</td>
<td>49%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(20.1)</td>
<td>(9.7)</td>
<td>(11.2)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>12.3</strong></td>
<td><strong>5.9</strong></td>
<td><strong>7.1</strong></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(0.5)</td>
<td>(0.2)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Adjusted Profit before tax</td>
<td><strong>11.8</strong></td>
<td><strong>5.7</strong></td>
<td><strong>6.8</strong></td>
</tr>
<tr>
<td>PBT margin</td>
<td>19%</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>IPO costs &amp; share based payments</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td><strong>11.8</strong></td>
<td><strong>5.7</strong></td>
<td><strong>5.2</strong></td>
</tr>
<tr>
<td>Taxation</td>
<td>(2.1)</td>
<td>(1.0)</td>
<td>(1.2)</td>
</tr>
<tr>
<td><strong>Profit after tax</strong></td>
<td><strong>9.8</strong></td>
<td><strong>4.7</strong></td>
<td><strong>4.0</strong></td>
</tr>
</tbody>
</table>

» Commentary

- **Revenue:**
  - Top 10 customers: 51% (66% H1 2015)
  - Services growth: 17%
  - Licence growth (Evolve and Smart): 195%

- **Gross margin:**
  - Services margin reduction: 8%
  - Utilisation: 72% (76% H1 2015)
  - Licence margin growth offset by 3rd party margins

- **Operating Expenses:**
  - Slower growth than revenue
  - R&D expensed to £0.8m (£0.4m H1 2015)
  - Net of grants £0.1m (£0.4m H1 2015)

- **IPO Related:**
  - Share-based payments: £0.2m
  - IPO fees: £1.4m

- **Underlying tax rate:** 18.3%
Financials
Balance sheet and Cash flow

» Balance Sheet

<table>
<thead>
<tr>
<th>As at 31 March (£m)</th>
<th>H1 14/15</th>
<th>H1 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>1.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Debtors and WIP</td>
<td>18.4</td>
<td>20.9</td>
</tr>
<tr>
<td>Cash</td>
<td>11.9</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>31.8</strong></td>
<td><strong>32.6</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td>(13.2)</td>
<td>(13.9)</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td><strong>18.6</strong></td>
<td><strong>18.7</strong></td>
</tr>
</tbody>
</table>

» Commentary

- Limited fixed assets: IT, office equipment
- Underlying trade debtors/WIP total 75 days
- Working capital requirements similar by division
- Significant cash reserves and debt free
- Pre-IPO restructuring included c. £11m special dividend

» Cash flow

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2015</th>
<th>FY15</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>5.9</td>
<td>12.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Net cashflow from operating activities¹</td>
<td>9.1</td>
<td>16.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Cash conversion</td>
<td>154%</td>
<td>130%</td>
<td>49%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(0.8)</td>
<td>(2.4)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(0.4)</td>
<td>(0.9)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(1.3)</td>
<td>(1.3)</td>
<td>(11.2)</td>
</tr>
<tr>
<td>Financing¹</td>
<td>(0.5)</td>
<td>(0.4)</td>
<td>3.8</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>-</td>
<td>-</td>
<td>(1.4)</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow)</strong></td>
<td>6.1</td>
<td>11.0</td>
<td>(7.1)</td>
</tr>
</tbody>
</table>

¹Employee and Director loans classified as financing, operating cashflow stated pre-tax

» Commentary

- Cash conversion impacted by timing of bonus payments
  - Excluding bonus payments, underlying cash conversion 70%
- Capex growing with business
- Dividend of £2.1m declared
- Dividend cover 1.75 times (full six months excluding IPO costs)
Summary
### Summary

**commentary**

- Excellent growth across all operating parameters, delivering in-line H1 2016 trading performance
- Increasing demand from existing customers, augmented by new customer acquisition
- Underlying market conditions remain robust, supporting a strong pipeline
- Talent acquisition and retention continue as key competitive differentiators

### H1 performance

- **£37.2m** revenue growth of 29%
- **£6.8m** profit\(^{(1)}\) growth of 20%
- **£34.8m** sales bookings\(^{(2)}\) growth of 55%
- **£56.7m** contracted backlog\(^{(2)}\) growth of 54%

---

(1) Adjusted to remove the effect of IPO related costs and share-based payments.
(2) Value of contracts signed with customers and excludes 3rd party sales.
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