Interim Results
6 months ended 30 September 2017

Brendan Mooney, CEO
Richard McCann, CFO
27 November 2017
First half highlights

Performance in-line with market expectations.

Very strong sales execution provides excellent platform for continued growth.

**Very strong sales performance.**
- Sales orders up 94% to £63.4m, driving backlog up 43% to £97.1m.

**Strong revenue diversification.**
- International up 38% to £10.6m.
- Commercial up 35% to £15.0m.

**A number of firsts.**
- First UK Public Sector Workday deals.
- First Cloud EMR deal.
- First Irish hospital signs EMR.

**As well as continued execution in core markets.**
- 103 global clients for Smart, growth in Digital Services.

**Maintained strong R&D activity.**
- Investment of £2.6m expensed (H1 2017: £2.2m).

**Continue to build an exceptionally talented team.**
- 1,019 people now working in Kainos, in 10 offices.
- New offices opened in Frankfurt (March), Copenhagen (September) and Birmingham (September).

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(1) Adjusted pre-tax profit calculated by taking the profit before tax and adding back £0.32 million share-based payments (H1 2017: £0.57 million).
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 140 national and international clients.

- Digital Transformation: Online digital platforms for commercial and government clients.
- Workday Services: Deployment of Workday SaaS HR and Financial platform for enterprise customers.
- Smart: Automated testing platform for Workday suite.
- Evolve IC: Care pathway automation platform for NHS and international healthcare clients.
- Evolve EMR: Digitised patient records platform for NHS.

(1) Excludes 3rd party revenue. Revenue inclusive of 3rd party for the same periods are: £4.8m, £6.1m, £10.0m, £21.5m and £19.0m representing CAGR of 41% (FY13 – FY17).
Kainos is a high growth, high margin company providing digital services and digital platforms.

Kainos is headquartered in the UK, with a growing international presence.

Financial Summary

Financial Metrics
- Very strong, organic revenue growth; 29.3% 5-year CAGR.
- Good revenue visibility: £97.1m backlog (H1 2017: £68.0m).
- Strong, sustainable adjusted pre-tax profit\(^{(1)}\) margin: 17% (H1 2017: 17%).
- Cash balance up 31% to £27.3m (H1 2017: £20.9m).

Earnings
- Adjusted diluted EPS: 4.9p per share (H1 2017: 4.8p).
- Dividend declared: 2.0p per share (H1 2017: 1.9p).
- Payment date: 29/12/2017.
- Ex Dividend date: 07/12/2017.

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

We continue to build an exceptionally talented and engaged workforce.

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

Talent development and retention is a key focus.

- 4,588 training days completed, or 4.5 days per person
- 110 promotions completed.
- High levels of engagement, although attrition has increased (12%), but below UK average (17%).

Number of people increased by 5% to 1,019.

- 131 people joined, 43 from education, 88 from industry.

Where they live

- Northern Ireland: 578 (+50 people)
- Great Britain: 153 (no change)
- Poland: 231 (-17 people)
- Rest of World: 57 (+19 people)

What they work on

- Digital Services: 601 (+42 people)
- Digital Platforms: 268 (+29 people)
Customers

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

92% of our revenue is derived from existing clients – it is a pattern that has repeated for many years.

Commercial is the fastest growing segment.

- Revenue increased by 35%: £15.0m (H1 2017: £11.1m).

Strong growth in recurring revenue.

- Recurring revenue: 23% (H1 2017: 18%).
- Existing customer revenue: 92% (H1 2017: 97%).

Best-in-class customer service.

- 99% of customers rating the overall Kainos performance as ‘good’, ‘very good’ or ‘excellent’ (H1 2017: 96%).
Digital Services
Very strong sales order performance in both digital transformation and Workday services.
- Sales orders up 94% to £54.9m (H1 2017: £28.3m).
- Digital transformation sales orders increased 83% to £47.3m (H1 2017: £25.8m).
- Workday services sales orders up 204% to £7.7m (H1 2017: £2.5m).

Backlog increased by 70% to £57.3m (H1 2017: £33.7m).

Commercial sector delivering very strong growth, up 24% to £11.4m (H1 2017: £9.2m), following investment in sales capacity.
Our ambition is to be the #1 boutique partner globally.

EUROPE
- 2011: UK
- 2015: BENELUX
- 2017: DACH, NORDICS

US

AsiaPac

2011
- Implementations
- Smart SaaS Subscriptions
- Post Deployment Services

2014
- Smart SaaS Subscriptions
- Post Deployment Services

2017
- Smart SaaS Subscriptions
- Post Deployment Services

2021
- Workday PaaS
- Implementations
- Workday PaaS
- Post Deployment
- Implementations
Globally, there are only 34 partners accredited to implement Workday’s innovative SaaS platform. We are one of the most experienced participants in the partner ecosystem.

**Workday Services**

**Strengthened our position as leading European partner.**
- Strong sales closure: 16 deals signed (H1 2017: 5).
- High customer satisfaction levels.

**Breakthrough in UK Public Sector.**
- Leveraging Kainos reputation within UK public sector.
- First 3 customers signed in conjunction with Kainos.

**Continued geographic expansion.**
- A total of 17 clients in mainland Europe (H1 2017: 9).
- Copenhagen, Frankfurt and Amsterdam offices supporting clients in Nordics, DACH and Benelux regions.

**Launch of annuity-style Post Deployment Service, supporting customers already live on Workday.**
- Already has 23 clients, including 15 who had earlier phases delivered by other partners.

**Small Post Deployment projects underway in US.**
- Early stage, market assessment.

**Continue to develop our people: 137 accredited consultants (H1 2017: 94).**

**MARKET SIZE**

**£105m**

UK & NORTHERN EUROPE

**COMPETITIVE LANDSCAPE**

- **claudator** (NORDICS)
- **alight** (UK, EUROPE)
- **onesource** (UK, EUROPE)
- **APPIRIO** (UK, EUROPE)
- **ataraxis** (BENELUX)

**COMMERCIAL DYNAMICS**

- Direct sales model.
- Primarily time and materials.
Case Studies: Workday Services

With over 95 engagements completed, our focus on delivering customer success has resulted in excellent client references, locally and internationally.

**Raiffeisen Bank**
- 11,026 employees
- 955 Raiffeisen Group locations worldwide, HQ in Switzerland
- 3.7 million customers
- Solution included HCM, Time-tracking, Expenses and Cloud connect for 3rd party Payroll.
- Our second customer in the DACH region.
- Phase 2 to include Recruitment.

**Higher Education Funding Council for England**
- 260 employees
- Distribute £3.5 billion of public funds
- 317 providers who receive HEFCE funding directly
- First Public Sector Workday client.
- Platform deal – including HCM, Finance and Payroll, with potential for Benefits, Absence, Recruiting and Learning.
- Additional purchase of Smart during deployment.
With over 70 projects delivered in the UK public sector, we have established a clear reputation for delivering value, at pace.

We remain well-positioned to maintain a central role in public sector transformation.
Digital Transformation

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

Early business generation activity in UK NHS market showing early promise.

Brexit: no impact.
- Clear, unwavering commitment to deliver key digital programmes.
- Reflected in strong sales order closure: £47.3m (H1 2017: £25.8m).

Commercial activity continues to make substantive progress.
- A total of 42 clients engaged in digital projects; with a strong financial services focus.

Developing NHS Digital Opportunity.
- Leveraging Evolve reputation in NHS market.
- Undertaking early work in Domain A (NHS.UK, Personal Health Record, Citizen Identity, NHS Apps Library).

MARKET SIZE

£885m
UK PUBLIC SECTOR FY18 SPEND

COMPETITIVE LANDSCAPE

CENTRAL GOVERNMENT
valtech
bjss
ThoughtWorks
methods
Deloitte

COMMERCIAL SECTOR
bjss
ThoughtWorks

COMMERCIAL DYNAMICS
- Direct sales model.
- Primarily time and materials.
Case Studies: Digital Transformation

We have developed leading digital services in partnership with government departments and agencies.

These services have been used by over 55 million citizens in the past year.

DVSA – Get MOT Reminders Service

- 200,000 subscriptions to date
- 29.5 million vehicles underwent MOT 2015/16
- £1,000 fine for driving vehicle without a valid MOT
  - Service sends text or email reminders to motorists.
  - 95% user satisfaction - heaviest user of the Gov.UK Notify service across UK government.
  - A more efficient approach to effectively enable drivers to stay compliant with legal requirements and people safe on UK roads.

HM Land Registry – Local Land Charges

- 26 million records
- 326 local authorities
- 17 migration cohorts
  - Migration of all English local authorities land charges records.
  - Eliminate local variations in price, speed and format and provide a standardised national service.
  - Ongoing knowledge transfer, training and mentoring for HM Land Registry.
Digital Platforms Overview

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

Our software is used by over 140 national and international clients.

Revenues increased by 1% to £7.6m, (H1 2017: £7.5m) representing 19% of total Group revenue(1).
- Complements Digital Services, providing long-term revenue visibility, with backlog at £32.8m(2).
- All investment expensed: £2.6m (H1 2017: £2.2m).

Products at varying stages of maturity: different investment profiles, development paths and markets.
- **Smart for Workday**
  SaaS platform for automatically verifying Workday configurations, 103 customers globally.
- **Evolve Electronic Medical Record (EMR)**
  The leading EMR platform, selected by 35 NHS Trusts (110 hospitals, 33 million patients, 1.2 billion images).
- **Evolve Integrated Care (IC)**
  SaaS platform that enables care pathway automation, operational in 45 hospitals in the US.

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(1) These figures exclude 3rd party revenue, which amount to £1.1m, all attributable to Evolve
(2) Excludes 3rd party revenue (inclusive of 3rd party revenue is £39.8m)
Smart for Workday

Over 100 global customers using Smart.
• Further 11 signed in H1 including United Technologies Group, Cancer Research UK, Telia and Centrica.

Financial performance underlines strength of product and market opportunity.
• Revenue: up 89% to £3.6m (H1 2017: £1.9m)
• Sales Orders: up 338% to £5.7m (H1 2017: £1.3m)

Payroll module launched October 2017.
• Currently three Smart modules: Human Capital Management, Security, Financials.

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

MARKET SIZE
£240m
4,000 WORKDAY Inc. CLIENTS BY FY21

REVENUE TREND

<table>
<thead>
<tr>
<th></th>
<th>H1 FY17</th>
<th>H1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaaS Subscriptions</td>
<td>£1.4m</td>
<td>£3.0m</td>
</tr>
<tr>
<td>Consulting</td>
<td>£0.5m</td>
<td>£0.6m</td>
</tr>
</tbody>
</table>

COMPETITIVE LANDSCAPE

COMMERCIAL DYNAMICS
• Direct sales model.
• Subscription (SaaS).
Case Studies: Smart for Workday

Smart is a cloud-based SaaS solution licensed on a subscription basis to customers. Over 72% of Smart customers are in North America.

- Utilising HCM and Security modules for regression and Workday update testing in Canada since go live.
- Used extensively during recent rollout in South America, enabling key staff from Canada HQ to lead, manage and monitor testing remotely while ensuring thorough test coverage.

Finning

- 14,500 employees
- $5.6 billion in revenues
- World’s largest Caterpillar dealer

Dentsu Aegis Network

- 40,000 employees
- 145 countries across 5 continents
- YEN 838,359 million revenue

- Smart automated testing modules HCM & Integrations and Security.
- Smart played a key role in testing activities during Wave 1 implementation and forms a key component of Wave 2 and 3 implementation strategies.
Evolve EMR

Evolve Electronic Medical Record (EMR) is a proprietary software platform that digitises NHS patient records.

EMR is deployed in 35 trusts (110 hospitals), managing 1.2 billion images, 330 million documents for 33 million patients.

Evolve continues to lead this market, with over 50% market share.

NHS funding headwinds still a challenge.
• Funding for new projects remains limited despite announcements about investment to accelerate the adoption of technology.

Financial performance reflects limited NHS funding.
• Revenue: down 38% to £3.4m (H1 2017: £5.5m). (1)
• Sales Orders: down 9% to £2.3m (H1 2017: £2.5m). (2)

The £200m, mid-term NHS opportunity remains.

First Cloud EMR customer signed (post period end).
• Represents 109% increase on previous contract.

First deal in Ireland.
• Purchased by Health Services Executive, covering 2 sites at Galway University Hospital; there are a total of 48 hospitals in Ireland.

(1) Excludes 3rd party (inclusive of 3rd party is £4.6m) (H1 2017: £7.4m).
(2) Excludes 3rd party (inclusive of 3rd party is £2.7m) (H1 2017: £2.8m).
Evolve IC

Evolve Integrated Care (IC) is a SaaS platform that enables healthcare organisations to deliver care through care pathway automation.

Care pathways in the areas of Stroke and Paediatric care are deployed in 45 hospitals in the US.

Focus over the past period has been on delivery commitments in the UK and US.

IC operational in 45 hospitals in the US.
- In conjunction with partner InTouch Health, now operational in 45 hospitals (H1 2017: nil) in a Telehealth setting.

NHS CCG due to enter live operation in Q4.
- This ambitious Shared Care Record project will support the needs of staff in the Urgent Care setting, unifying information from 11 different healthcare systems.

KPIs in line with management expectations.
- Revenue: up 400% to £0.5m (H1 2017: £0.1m).
- Sales Orders: no new sales (H1 2017: £0.2m).

MARKET SIZE

£395m
OPPORTUNITY THROUGH TO 2022

REVENUE TREND

<table>
<thead>
<tr>
<th></th>
<th>£0.0m</th>
<th>£0.1m</th>
<th>£0.5m</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 FY17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 FY18</td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>

COMPETITIVE LANDSCAPE

COMMERCIAL DYNAMICS
- Direct sales model (UK), indirect (US, ANZ).
- Subscription (SaaS).
Evolve has an established customer base in the NHS. Recent contract wins have resulted in customers in Ireland and the US.

**Case Studies:**

**Evolve EMR**

**Evolve IC**

**Saolta University Health Care Group, Galway University Hospitals**
- Catchment population of over 1 million people
- 3,000 member clinical user base
- A&E Department treats c. 65,000 patients each year

- First Evolve deal in Ireland.
- Deployment will include mobile access to patient records and management of incoming and onward patient referrals.
- Integration with clinical correspondence, Radiology, Laboratories and Discharge systems.

**NHS Gloucestershire Clinical Commissioning Group - JUYI**
- CCG’s Annual budget 2016/17 £839m
- 16 Services including GP’s, CCG and County Council
- Patient population of over 600,000 people

- JUYI is Gloucestershire’s shared care record system, giving an overview of health and social care information in one digital record.
- Cloud based solution hosted on Amazon Web Services.
- Integration with 11 systems including primary care data from EMIS, TPP and Vision.
Financial Performance
Solid Revenue and Adjusted Profit growth. Gross Margin and Adjusted pre-tax profit margin maintained. Investment in sales and marketing and new territories paying off.

Financials: Income Statement

Commentary

Revenue:
- Digital Services growth driven by Workday services of 28%.
- Digital Platform
  - Growth ex 3rd party: 1%.
  - Smart growth: 89%.
  - Evolve decrease: 32%.

Gross margin:
- Digital Services margin decreased by 0.7%.
- Digital Platform margin decreased by 4.5% - reclassification in line with SaaS standard.
- Digital Services utilisation: 73% (H1 2017: 71%).

Operating expenses:
- Excluding RDEC and grant income operating expenses increased by 6%.
- R&D expense of £2.6m (H1 2017: £2.2m).

Impact of expensing R&D approximately a £1.8m reduction compared to capitalising.

Underlying tax rate: 19.5% (H1 2017: 19.2%).

INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>FY 2017</th>
<th>Change</th>
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</thead>
<tbody>
<tr>
<td>Digital Services</td>
<td>32.7</td>
<td>31.2</td>
<td>64.5</td>
<td>5%</td>
</tr>
<tr>
<td>Digital Platforms</td>
<td>8.7</td>
<td>9.4</td>
<td>19.0</td>
<td>(7%)</td>
</tr>
<tr>
<td>Revenue</td>
<td>41.4</td>
<td>40.6</td>
<td>83.5</td>
<td>2%</td>
</tr>
<tr>
<td>Digital Services</td>
<td>15.4</td>
<td>14.9</td>
<td>31.1</td>
<td>3%</td>
</tr>
<tr>
<td>Digital Platforms</td>
<td>4.7</td>
<td>5.5</td>
<td>10.9</td>
<td>(15%)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>20.2</td>
<td>20.4</td>
<td>42.0</td>
<td>(1%)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(13.1)</td>
<td>(13.4)</td>
<td>(27.8)</td>
<td>(2%)</td>
</tr>
<tr>
<td>Adjusted pre-tax profit</td>
<td>7.1</td>
<td>7.0</td>
<td>14.2</td>
<td>1%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit margin</td>
<td>17%</td>
<td>17%</td>
<td>17%</td>
<td></td>
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<tr>
<td>Share based payments</td>
<td>(0.3)</td>
<td>(0.6)</td>
<td>(0.9)</td>
<td></td>
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<tr>
<td>Profit before tax</td>
<td>6.8</td>
<td>6.5</td>
<td>13.3</td>
<td>5%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1.3)</td>
<td>(1.2)</td>
<td>(2.9)</td>
<td></td>
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<tr>
<td>Profit after tax</td>
<td>5.5</td>
<td>5.2</td>
<td>10.4</td>
<td>6%</td>
</tr>
</tbody>
</table>
Financials: Balance Sheet and Cashflow

Strong Balance Sheet.

Cash conversion in line with seasonality.

Continued dividend growth.

Commentary

• Balance Sheet:
  - Limited fixed assets; IT, office equipment.
  - Underlying trade debtors/WIP total 70 days (FY 2017: 75 days).
  - Increase in WIP at period end to £8.1m (H1 2017: 6.3m).
  - Significant cash reserves (£27.3m).
  - Debt free.

• Cashflow:
  - Cash conversion 63%\(^1\) (H1 2017: 72% \(^1\)).
    • Impact of bonus payment timing: 18%.
  - Dividend declared 2.0p (H1 2017: 1.9p).

BALANCE SHEET

<table>
<thead>
<tr>
<th>At at 30 September (£m)</th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
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<tbody>
<tr>
<td>Fixed assets and investments</td>
<td>2.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Debtors and WIP</td>
<td>22.4</td>
<td>20.9</td>
</tr>
<tr>
<td>Other assets</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Cash</td>
<td>27.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>55.0</td>
<td>46.7</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(18.8)</td>
<td>(15.0)</td>
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<tr>
<td>Shareholders’ funds</td>
<td>36.2</td>
<td>31.7</td>
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</table>

CASH FLOW

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2018</th>
<th>FY 2017</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>7.6</td>
<td>15.1</td>
<td>7.4</td>
</tr>
<tr>
<td>Net cashflow from operating activities</td>
<td>4.8</td>
<td>16.6</td>
<td>5.3</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>63%</td>
<td>110%</td>
<td>72%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(0.6)</td>
<td>0.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(0.5)</td>
<td>(0.8)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>(7.2)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash inflow/(outflow)</td>
<td>3.6</td>
<td>8.9</td>
<td>5.9</td>
</tr>
</tbody>
</table>

\(^1\) Cashflow from Operations (CFFO) divided by adjusted EBITDA
\(^2\) EBITDA adjusted for share based payments
Kainos remains on track to meet full year expectations.

We are expanding our offerings across our key sectors.
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