KIN+CARTA

FY23
Full year results

For The Year Ended 31 July 2023.

02 November 2023

Certified B Corporation

Presentation *by*

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Recommended acquisition of Kin + Carta PLC

On 18 October 2023, the terms of a recommended all cash offer at 110 pence per share by Apax to acquire Kin + Carta were announced*, to be implemented by means of a court-sanctioned scheme of arrangement (the "Scheme")

The Scheme circular is due to be published in the next couple of weeks

The offer remains subject to shareholder approval, the satisfaction of regulatory clearances and court sanction

The Board considers that the offer represents an opportunity for shareholders to realise their investment in Kin and Carta for cash at a fair and reasonable value

Kin + Carta expects the Scheme to be effective in Q1 2024

Whilst the Board continues to believe in the DX market opportunity for Kin + Carta, it is cognisant that:

Despite a number of recent acquisitions, the Company remains small-scale within the context of its competitors

Being small-scale in a turbulent market has caused increased volatility in the Company’s trading and as a result, its share price

There continue to be significant market headwinds across the DX industry driven by hesitance among enterprise clients to commit to large programmes of work in the current macro environment, which impacts Kin + Carta’s future new business growth

Concentration has increased in the Company’s client base coupled with continuing “churn” in its revenue base

*Rule 2.7 announcement can be viewed here: https://investors.kinandcarta.com/regulatory-news/news-details/2023/Apax-Partners-LLP---Recommended-Cash-Offer-for-Kin-and-Carta-Plc/default.aspx

FY23 Summary

Declining macroeconomic environment slows market growth

- New business shortfall
- Enterprise[1] caution (reduced spend)
- Client churn, primarily from non-enterprise clients

Management responds

- Margins protected
- c. £2m annualised reduction in selling and admin costs
- Acceleration of high-margin nearshore delivery (40% of total delivery headcount) at lower price point
- Continued investment in data & AI capabilities including the acquisition of Forecast Data Services

Foundations strengthen

- £97m backlog[2] and £110m pipeline[3]
- 90% of net revenue from blue-chip enterprise client portfolio (100% of Top 20 clients)
- 7 new enterprise logos

1 **Enterprise** client profiles are c. $1Bn+ in size and often multinational businesses. This includes government-backed Public Sector
2 **Backlog** is the value of signed and committed contracts not yet delivered; or future net revenue secured as a client win
3 **Pipeline** is the unweighted value of the qualified sales funnel

Operational Review

Operational Highlights

Growth

Clients

- Net revenue from key financial services, public sector, and agriculture industry sectors grew 21% YoY.
- The Group's client concentration increased YoY. This includes the Company's largest client which comprises 25% of total net revenue compared to 12% in prior year
- New client wins including America's largest automotive manufacturer, Japanese multinational technology company, S&P 400 automotive group, US National Veterinary Associates and £44.2 million of UK Public Sector contracts
- All Top 20 client net revenue is from enterprise clients
- Growth organised around industry sectors with sales, SMEs and delivery closer to the clients

Data & AI

- Data & AI becomes the fastest growing service line with 55% growth in net revenue
- Data & AI proposition scaled as priority launch partner for Google's generative AI platform, and as one of the first businesses to access Microsoft's generative AI platform
- Completion of Forecast Data Services acquisition, deepening data & AI capabilities

Partners

- Kin + Carta awarded '2023 **Google** Cloud Industry Solution Services Partner of the Year Award for Retail Digital Growth', and 'Sustainability Changemaker 2023 **Microsoft** US Partner of the Year Award'

Operational Efficiency

Nearshore & Opex

- Acceleration of margin efficient nearshore delivery in Latin America and South East Europe to 40% of total delivery headcount
- c. £2m annualised reduction in selling and admin costs improves cost structure

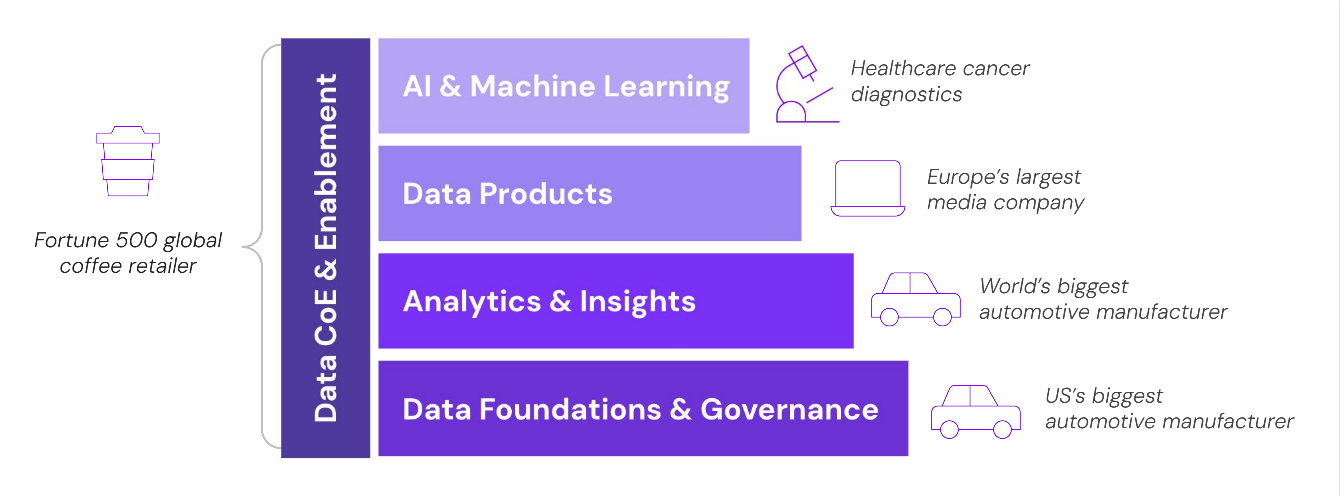
The Company continued to invest in innovation, scaling market leading data & AI capabilities

Systematically building GenAI value

- All delivery staff enabled with Data Literacy training, upskilling a future-facing GenAI workforce
- Client training programmes to discover valuable GenAI use cases
- Enabling AI ambitions with enterprise data foundations

Engineering culture with a bias to build

- Building and deploying industry sector focused GenAI accelerators in:
  - Healthcare
  - Distribution and logistics,
  - GenAI for internal efficiency



Kin + Carta Data & AI service offerings, shown with example deployments

Financial Review

Net Revenue Overview

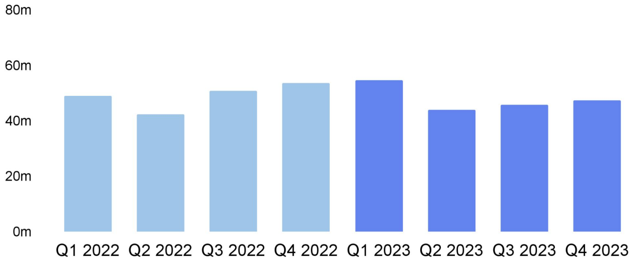
- Net revenue from continuing operations £192.0m; +1% vs. LY, -11% like-for-like[1]
- Significant growth in Financial Services; largest client comprises 25% of Group net revenue, up from 12% in FY22
- Nearshore delivery up from 9% to 40% of headcount, improving margin but at a lower price point compared to US and UK client delivery
    - Americas +2% to £134.8m (-8% like-for-like[1])
    - Europe -1% to £57.2m (-16% like-for-like[1])
- Sales order backlog of £97m, +1% vs. LY

[1] Like-for-like: The impact of retranslating FY23 results at the FY22 average exchange rates and excluding the impact of current and prior period acquisitions

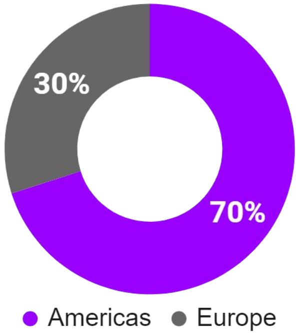
£192m

Net revenue from continuing operations

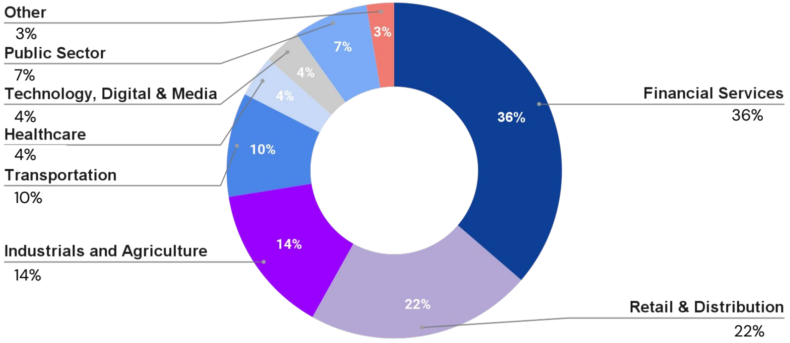
NET REVENUE BY QUARTER



NET REVENUE BY REGION

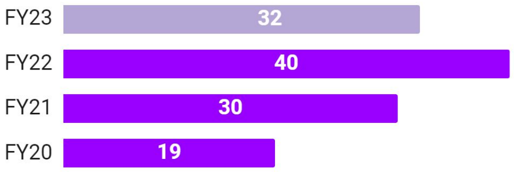


NET REVENUE BY SECTOR

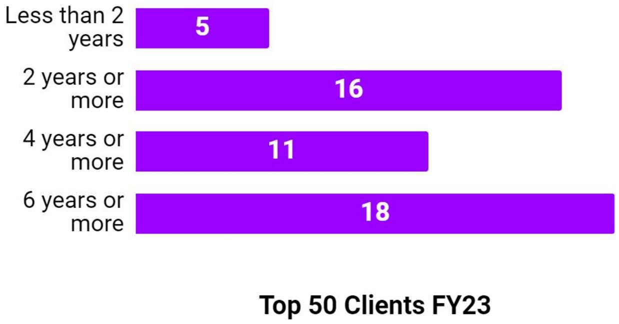


Net Revenue quality built on resilient client foundation

NUMBER OF
CLIENTS GENERATING > £1M REVENUE

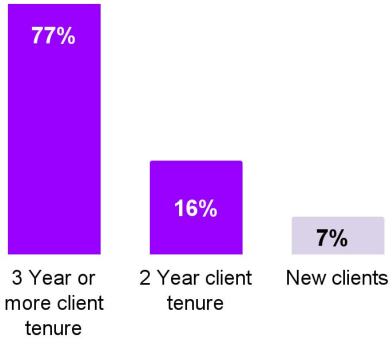


CLIENT LONGEVITY
45 of top 50 clients have been with us for 2+ years



Top 50 clients represent 89% of total revenue. Almost all of this revenue is derived from enterprise clients.

NET REVENUE PREDICTABILITY (%)
Most revenue comes from existing clients



Net revenue derived from client tenures. Excludes net revenue from Melon and Forecast Data acquisitions

Income Statement

Key adjusting items:

- Acquisition costs include amortisation, deemed remuneration and other acquisition-related charges
- Goodwill impairment relates to the 'UK excluding Kin and Carta Data' cash generating unit
- Client disputes includes full and final settlement and advisor costs related to two client disputes previously disclosed. A credit of £3.3m is expected for full reimbursement by our insurer in FY24
- A net credit of £7.8m relates to the renegotiation of the Chicago office lease that will result in a smaller, lower cost space in the same building from January 2024 under a new lease

Income Statement £M	FY23	FY22	% Change	Like-for- like decline[1]
Revenue	195.9	197.1	-1%	
Net revenue	192.0	190.3	1%	-11%
Adjusted operating profit	18.5	22.4	-17%	-38%
Adjusted operating profit (%)	9.6%	11.8%		
Adjusted profit before tax	15.8	20.6	-23%	
Adjusting items- acquisition related	(19.5)	(21.0)		
Adjusting items- other	(17.0)	(15.1)		
Statutory operating loss	(19.3)	(14.1)		
Adjusted basic earning per share (p)	8.7	10.8		

Adjusting Items £M	FY23	FY22
Acquisition costs	19.5	21.0
Goodwill impairment charge	14.6	–
Share-based payment charges related to employee share schemes	3.7	3.2
St Ives Defined Benefit Pension Scheme charges	1.5	5.5
Client disputes and litigation	3.6	0.4
Restructuring-related charges	3.8	1.7
Property leases net (credit)/charge	(7.8)	6.3
Other	(2.4)	(2.0)
Total	36.5	36.1

1 The impact of retranslating FY23 results at FY22 average exchange rates and excluding the impact of current and prior period acquisitions.

Balance Sheet

Net assets decreased by £53m driven by:

- £21.2m actuarial loss on the Pension Scheme surplus
- The net loss after tax of £18.8m
- Net share repurchases and settlements of £8.0m
- Equity to liabilities transfer in respect of contingent deferred payments for acquisitions made in prior periods of £10.6m

Net bank debt: £20.0m (FY22: £0.5m)
Bank leverage ratio: 1.04X (FY22: 0.01X)

Group's insurers confirmed a further reimbursement of £3.3m for costs related to the settlement of the final client dispute (expected H1 FY24)

Pension

- Accounting surplus decreased to £13.0m
- Fully hedged against interest and inflation rate risk

Contingent and deferred consideration

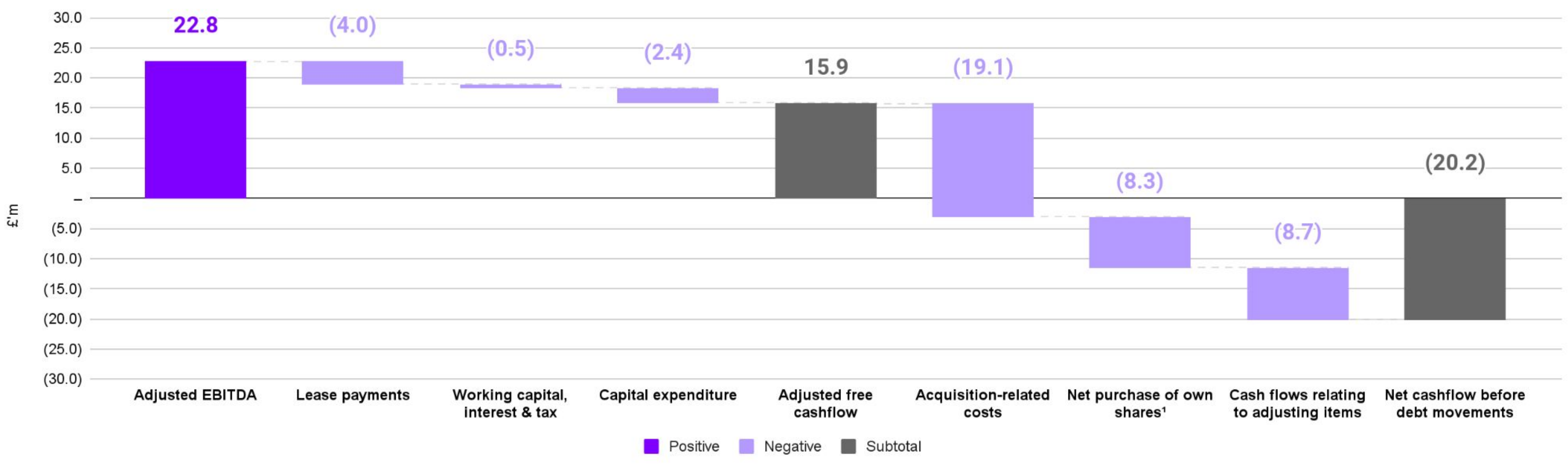
- See full schedule in Appendix.

Balance sheet £M	FY23	FY22
Fixed assets	18.5	15.3
Goodwill and intangibles	75.0	97.4
Pension	13.0	38.7
Trade and other receivables	31.4	45.4
Other assets	6.9	7.7
Lease liabilities[1]	10.8	12.9
Contingent and deferred consideration	8.6	9.1
Net bank debt[2]	20.0	0.5
Trade and other payables	23.5	33.0
Other liabilities	8.6	22.7
Net assets	**73.4**	**126.5**
Working capital[3]	4.4	7.3

1 IFRS 16 right-of-use asset related to the lease liability is included in fixed assets
2 Before bank covenant adjustments
3 Working capital includes £3.5m (FY22: £5.2m) of deferred income

Cash Flow

£22.8m adjusted EBITDA:
Operating profit of £18.5m, add back £4.3m depreciation



1 Purchase of own shares by the Employee Benefit Trust (£8.4m) to satisfy employee share awards, net of £0.1m proceeds from the issue of shares to satisfy share options exercised under the SAYE scheme

Market conditions + *Outlook*

FY24 considerations market conditions remain volatile

Market

- New business is highly competitive and sales cycles continue to lengthen
- Pricing power has pivoted to the client with expectation of offshore rates
- Significant competitor discounting and working for free

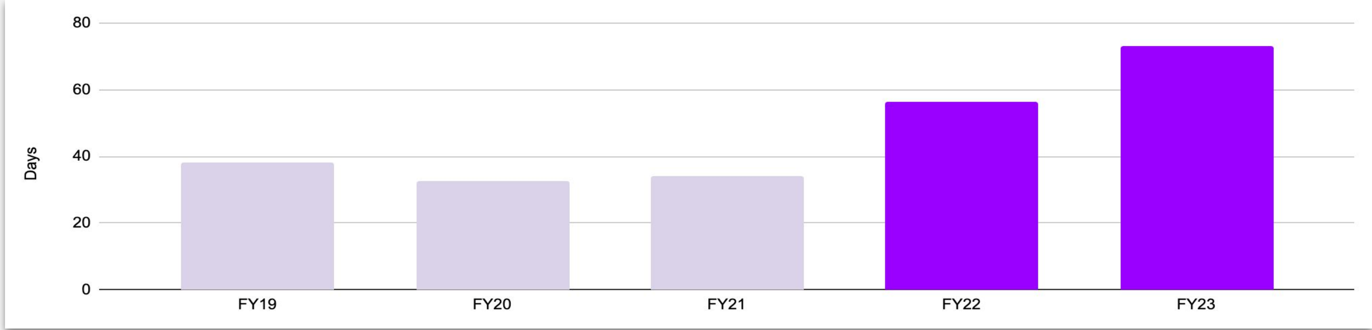
Enterprise

- Continued volatility within the enterprise client base
- Macro, social, and geopolitical disruption:
  - United Auto Workers Strike
  - Agriculture commodity prices down
  - Middle East and East Europe military conflict
- Executive turnover in Enterprise clients creates instability

Kin + Carta

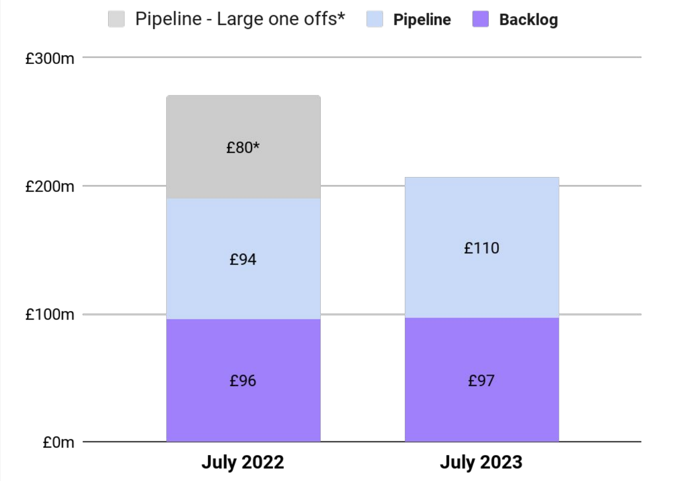
- Small-scale adds volatility
- Scaling nearshore, but no offshore delivery
- Client concentration is higher YoY and volatility in Top 20 clients has greater impact
- H2 visibility limited

Increasing Sales Cycle



FY24 Pipeline and backlog visibility

Backlog and pipeline



* Pipeline – 2 unusually large opportunities in the UK that had a low probability weighting.

FY24 has more prudent deal qualification given the changed environment:

- More enterprise clients
- Pipeline has fewer large, low probability deals
- Macro risks, competitive bid environment and client budget constraints remain challenges to timing and quantum of conversion to revenue

FY24 **Outlook**

New business remains highly competitive in the DX market and sales cycles remain challenging. Volatility continues in enterprise business with macro, social, and geopolitical disruption.

As we enter FY24, despite the volatile market, our business has stabilised. Assuming no further material headwinds that would further challenge our smaller scale and client concentration, we expect modest H1’24 growth over H2’23. Whilst visibility of H2’24 is limited, we expect continued modest sequential growth in H2’24. We therefore expect flat to low single digit total net revenue growth in FY24 compared with FY23, which included a strong Q1 2023 performance prior to the market downturn.

Q&A

Thanks

Kelly Manthey
Chief Executive Officer

Chris Kutsor
Chief Financial Officer
Chief Operating Officer

Contact: **investors@kinandcarta.com**

Appendix

Deferred Consideration
Schedule at 31/7/23

With the exception of Kin and Carta Data, which is determined in GBP, all other payments reflect the estimated future deferred amounts payable in USD/EUR translated at 31.7.23 FX rates

It is currently likely that all deferred amounts will be 100% cash settled, where £5.9m is expected to be paid in FY24.

£15.1m total estimated payments payable after 31 July 2023 of which £8.6m has been accrued to date

Period of acquisition	FY21	FY22	FY22	FY22	FY23	
Acquired entity	**Cascade**	**Octain**	**Loop**	**Melon Group**	**Kin and Carta Data**	**Total**
Period of payment	£'000	£'000	£'000	£'000	£'000	£'000
FY24 expected acquisition payments	2,699	–	594	2,574	–	5,867
FY25 expected acquisition payments	2,699	700	417	1,149	2,144	7,109
FY26 expected acquisition payments	–	–	–	–	2,144	2,144
Total estimated payments payable after 31 July 2023	**5,398**	**700**	**1,012**	**3,722**	**4,289**	**15,121**
End of measurement period	*Dec 2022*	*Dec 2024*	*Dec 2023*	*Dec 2023*	*Sep 2024*	

End

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Chief Executive Officer

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