

Full year results

Year to 29 February 2020

Safe Harbour statement

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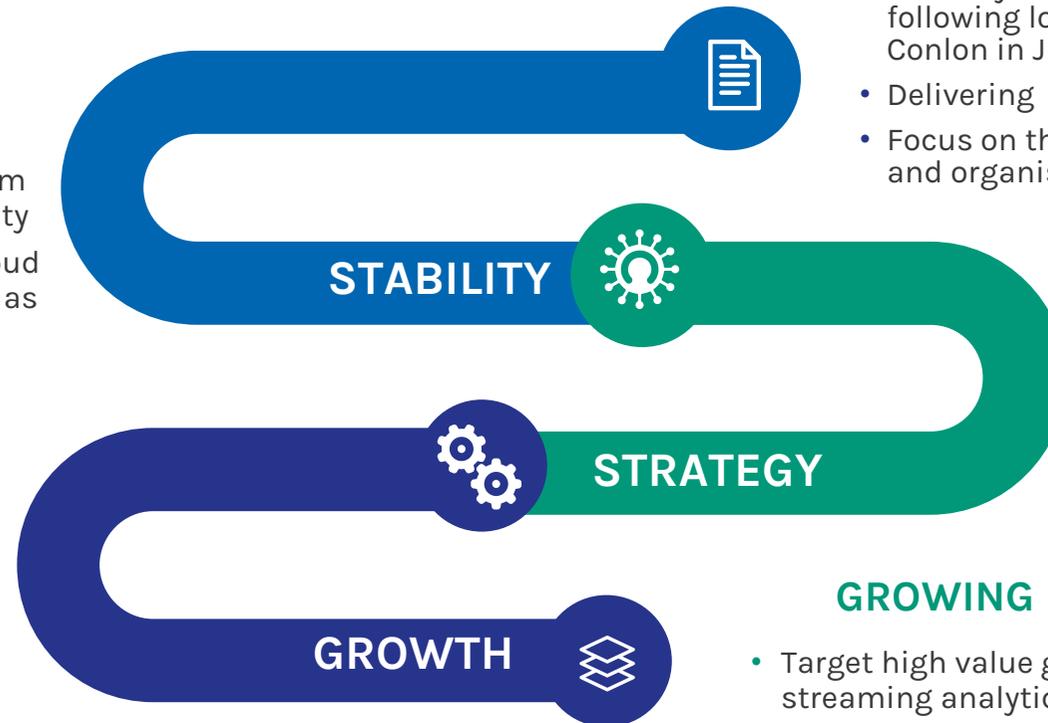
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Challenges met, focus on opportunities

COVID-19 RESPONSE

- Strong financial liquidity, with £64m of cash and £15m of available facility
- Potential benefits to come from cloud acceleration and for partners such as FD who stepped up



PRIORITIES

- Stability for employees and customers following loss of FD founder/CEO Brian Conlon in July 2019
- Delivering
- Focus on the future with clarity of objectives and organisation for each business unit

GROWING MARKET POSITION

- Target high value growth markets where Kx streaming analytics changes the game
- Strengthened go-to-market strategy and greater repeatability key to success
- Kx 4.0 a marker of our intent

IMPACT

- No material financial impact on revenue to date
- Most 'at risk' revenue is new project work and perpetual license sales
- Seen some lengthening of sales cycles
- Much of what we do is business critical for our customers

ACTIONS

- Implemented pandemic plan in early February
- Established a team led by CEO Seamus Keating to minimise disruption
- Taken a range of measures to protect profitability
- Will continue to invest across the business to ensure we are well placed

FINANCING

- Conducted scenario testing to evaluate the potential impact
- Undertook a number of capital preservation measures
- Executive directors will not receive bonus payments for FY 2020
- Confidant we have financial liquidity to weather the pandemic

Key drivers



+9%

Revenue
 £237.8m



+17%

Adjusted EBITDA
 £45.5m (post IFRS 16)

- 23% growth in recurring software revenue
- 3% growth in managed services and consulting
- Profit before tax up 9% to £18.3m
- Diluted EPS up 13% to 54.2p

A year of solid execution



Contract wins across our business including largest ever software deal with SMBC

Securing new business



Expanding routes to market through new partners such as Keysight and TCS

Growing momentum



Delivering strong growth in recurring software revenue to give us confidence to invest

Increasing visibility



Version 4.0 extends Kx's technology leadership and drives our cloud strategy

Change the Game

Central to our clients' success

“We’ve proven we can operate with effectively no footprint. That’s a remarkable testament to our tech and ops team”

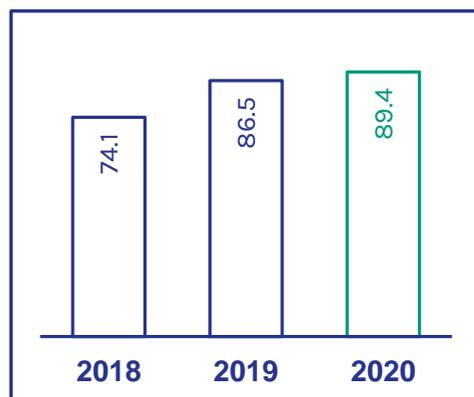
- James Gorman, CEO, Morgan Stanley



Financial performance

Revenue and gross profit

MANAGED SERVICES AND CONSULTING REVENUE (£M)



	2020	2019	Change
Group performance			
Revenue	237.8	217.4	9%
Cost of revenue	136.6	126.1	8%
Gross profit	101.1	91.3	11%
Gross margin	43%	42%	1%

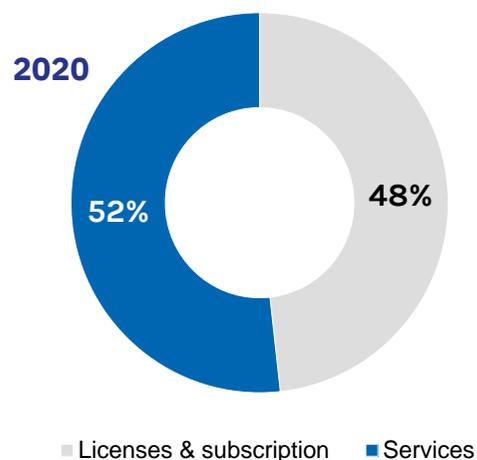
Kx REVENUE (£M)



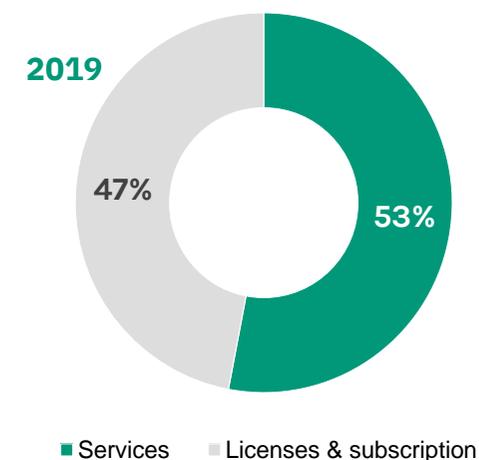
	2020	2019	Change
Managed services & consulting			
Revenue	89.4	86.5	3%
Cost of revenue	69.5	66.6	4%
Gross profit	19.9	19.9	-
Gross margin	22%	23%	(1%)

	2020	2019	Change
Kx			
Revenue	148.4	130.9	13%
Cost of revenue	67.2	59.5	13%
Gross profit	81.2	71.4	14%
Gross margin	55%	55%	-

Software performance



	2020	2019	Change
Kx revenue			
Recurring/subscription	59.8	48.6	23%
Upfront	11.9	13.3	(11%)
Licenses	71.6	62.0	16%
Services	76.8	68.9	11%
TOTAL	148.4	130.9	13%



	2020	2019	Change
FinTech			
Recurring	31.4	27.7	13%
Upfront	7.8	9.7	(19%)
Licenses	39.2	37.4	5%
Services	50.2	42.8	17%
TOTAL	89.4	80.2	11%

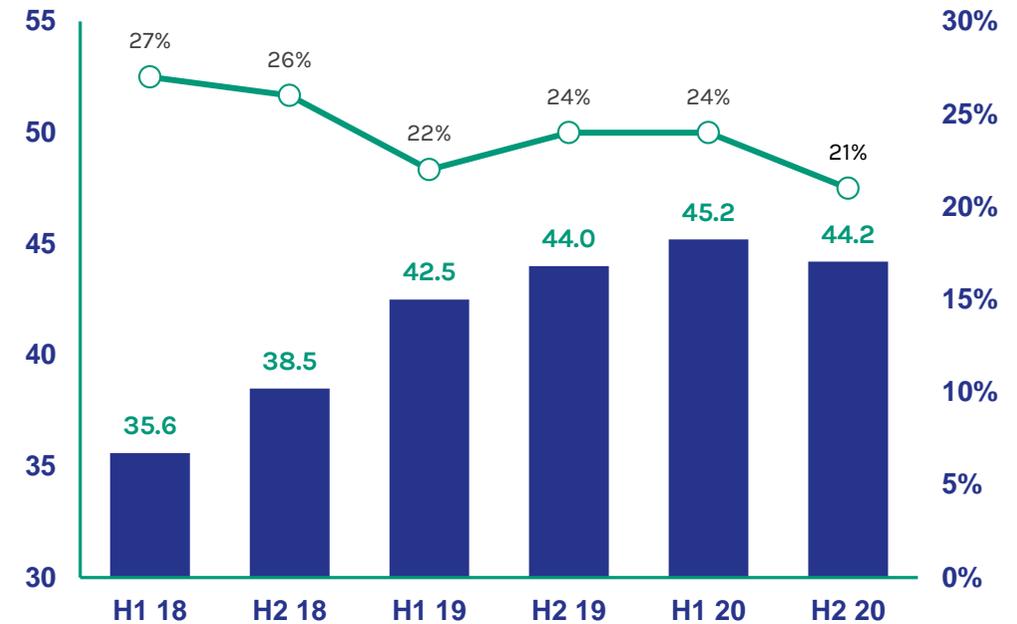
	2020	2019	Change
Industry			
Recurring	2.8	1.6	77%
Upfront	4.0	3.7	11%
Licenses	6.8	5.2	31%
Services	4.9	4.1	20%
TOTAL	11.7	9.3	26%

	2020	2019	Change
MarTech			
Subscription	25.6	19.3	33%
Upfront	-	-	-
Subscription	25.6	19.3	33%
Services	21.7	22.0	(2%)
TOTAL	47.3	41.4	14%

Managed services & consulting performance

	2020	2019	Change
Managed services & consulting			
Revenue	89.4	86.5	3%
Cost of revenue	(69.5)	(66.6)	4%
Gross profit	19.9	19.9	-
Gross margin	22%	23%	(1%)

MS&C REVENUE (£M) AND GROSS MARGIN (%)



COMMENTARY

- Growth was below long-term trend due to slower decision making and project timing issues
- Slower on-boarding relating to two contracts in particular resulted in lower margins in H2
- Strong year for order intake as we won multiple large projects across our areas of expertise
- Stable revenue base with strong repeat nature provides protection in current COVID-19 environment

Income statement – revenue and gross profit

£m	2020	2019	Change
Software licenses and subscription			
Software perpetual licenses	11.9	13.3	(11%)
Software recurring licenses and subscription	59.8	48.6	23%
Total software license revenue	71.6	62.0	16%
Cost of software license revenue	(12.1)	(10.6)	14%
Software license gross profit	59.6	51.4	16%
Software license gross margin	83%	83%	-
Software services			
Implementation and support revenue	76.8	68.9	11%
Cost of software services revenue	(55.1)	(48.9)	13%
Software services gross profit	21.7	20.1	8%
Software services gross margin	28%	29%	(1%)
Total software			
Software revenue	148.4	130.9	13%
Cost of software revenue	(67.2)	(59.5)	13%
Software gross profit	81.2	71.4	14%
Software gross margin	55%	55%	-
Managed services & consulting			
Managed services & consulting revenue	89.4	86.5	3%
Cost of managed services & consulting revenue	(69.5)	(66.6)	4%
Managed services & consulting gross profit	19.9	19.9	-
Managed services & consulting gross margin	22%	23%	(1%)

SOFTWARE LICENSES AND SUBSCRIPTION

- Recurring software license and subscription revenue up 23%, with perpetual falling 11% year on year but up 29% in H2
- Software license gross margin maintained at 83% despite the lower proportion of perpetual license revenue

SOFTWARE SERVICES

- Software services revenue increased by 11% despite lack of growth in MarTech services where focus was on subscription
- Continued high demand for Kx implementation, development and managed services

MANAGED SERVICES & CONSULTING

- Lower revenue growth as a result of slower client decision-making and two delayed contract starts
- Despite strong order intake in H2, the above factors impacted on revenue growth (3%) and gross margin, which fell slightly to 22% from 23%

Revenue and adjusted EBITDA

£m	2020	2019	Change
Total Group			
Revenue	237.8	217.4	9%
Cost of revenue	(136.6)	(126.1)	8%
Gross profit	101.1	91.3	11%
Gross margin	43%	42%	1%
Adjusted operating costs			
Total R&D	(13.1)	(10.7)	23%
(of which capitalised)	10.4	8.6	22%
Sales and marketing costs	(35.4)	(32.3)	10%
General and admin costs	(17.5)	(18.0)	(3%)
Adjusted EBITDA	45.5	38.9	17%
Adjusted EBITDA margin	19%	18%	1%

GROSS MARGIN

- Gross margin increased to 43% (2019: 42%) due to the higher growth in higher margin software license and subscription revenue

OPERATING COSTS

- Continued investment in R&D (up 23%) and sales and marketing (up 10%) as we execute our strategy
- Underlying admin costs, adjusting for IFRS 16, up 20% as we grow our support teams to manage increasing scale (HR, finance, legal, ops etc)

Profit and earnings

£m	2020	2019	Change
Adjusted EBITDA reconciliation			
Adjusted EBITDA	45.5	38.9	17%
Acquisition and related costs	(2.0)	(4.0)	(50%)
Share based payment costs	(3.1)	(2.5)	26%
Depreciation and software amortisation	(15.0)	(10.0)	48%
Amortisation of acquired intangibles	(3.7)	(3.8)	4%
Operating profit	21.7	18.7	16%
Net finance costs and share of associate	(3.5)	(2.1)	70%
Profit before tax	18.3	16.7	9%
Income tax	(3.4)	(3.5)	(4%)
Profit for the period	14.9	13.2	13%
Profit after tax reconciliation			
Profit after tax	14.9	13.2	13%
Acquisition-related costs	2.0	4.0	(50%)
Share based payment costs	3.1	2.5	26%
Amortisation of acquired intangibles	3.7	3.8	(3%)
Finance translation and share of associate	(1.1)	0.6	-
Tax effect of adjustments	(1.3)	(1.1)	12%
Adjusted profit after tax	21.3	22.9	(7%)
Diluted shares in issue (m)	27.5	27.5	-
Reported diluted earnings per share	54.2	47.9p	13%
Adjusted diluted earnings per share	77.4	83.2p	(7%)

ADJUSTED OPERATING COSTS

- Acquisition and related costs fell and will continue to do so in the absence of further acquisitions
- Depreciation and amortisation increase includes IFRS 16 costs of £3.5m in 2020

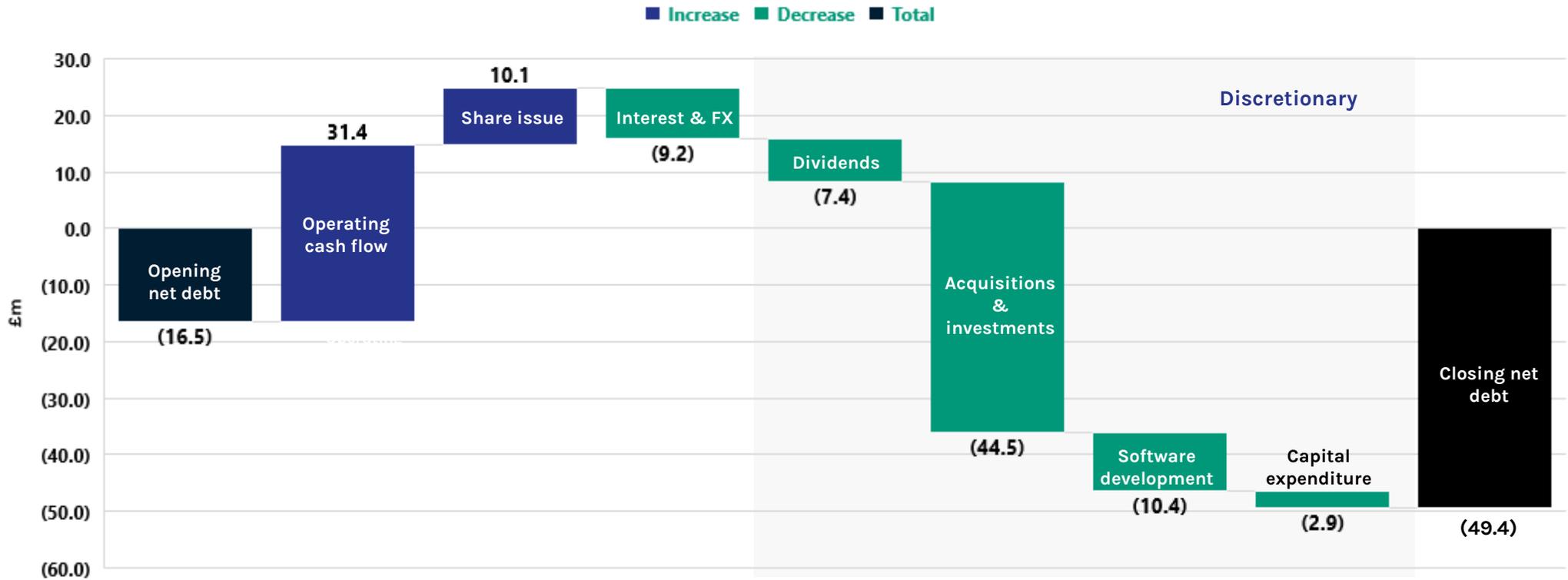
FINANCE AND TAX CHARGES

- £1.4m net increase in finance charge comprises £2.2m rise in interest costs following completion of Kx Systems acquisition, £1.0m of IFRS 16 interest charge, offset by £1.8m swing in FX translation and associate
- Effective adjusted tax rate increased to 17.8% (2019: 16.8%)

DILUTED EARNINGS GROWTH

- Reported EPS up 13% to 54.2p
- Adjusted EPS down 7% to 77.4p following settlement of minority interests in current year

Cash flow bridge



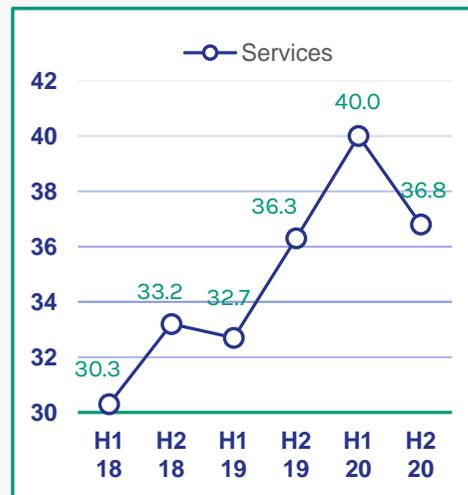
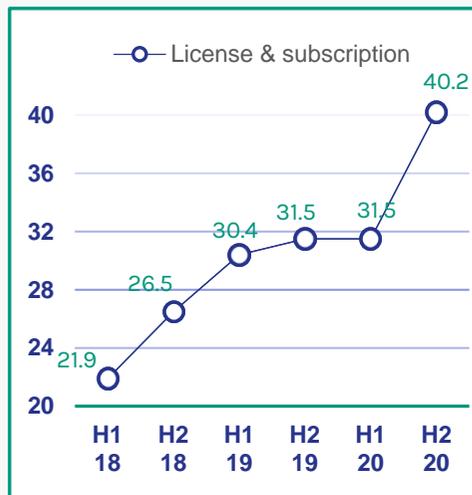
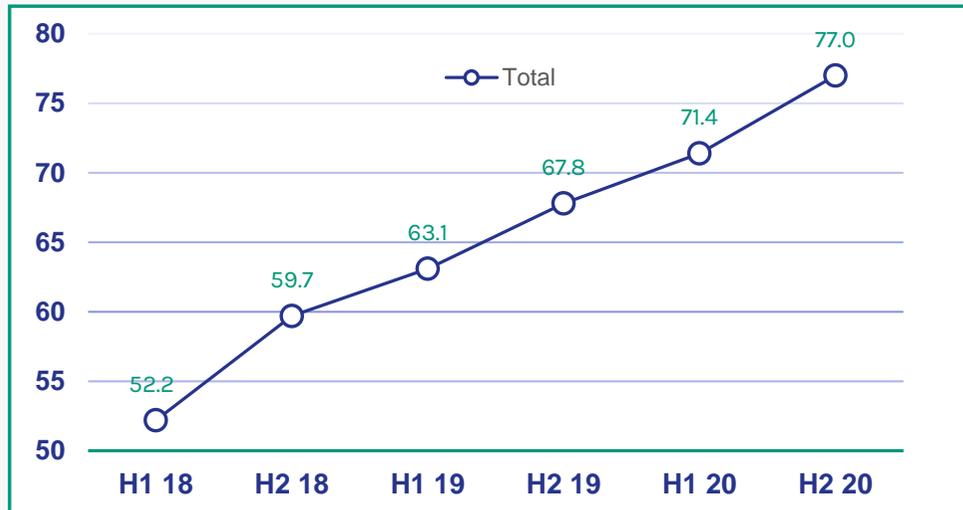
CASH FLOW AND NET DEBT

- Conversion of adjusted EBITDA to cash flow from operations: 75%
- Acquisition consideration includes settlement of Kx minority interest (£42.9m)
- Net debt at period end £49.4m
- Net debt 1.1x adjusted EBITDA
- Share options exercised in year: 0.9m

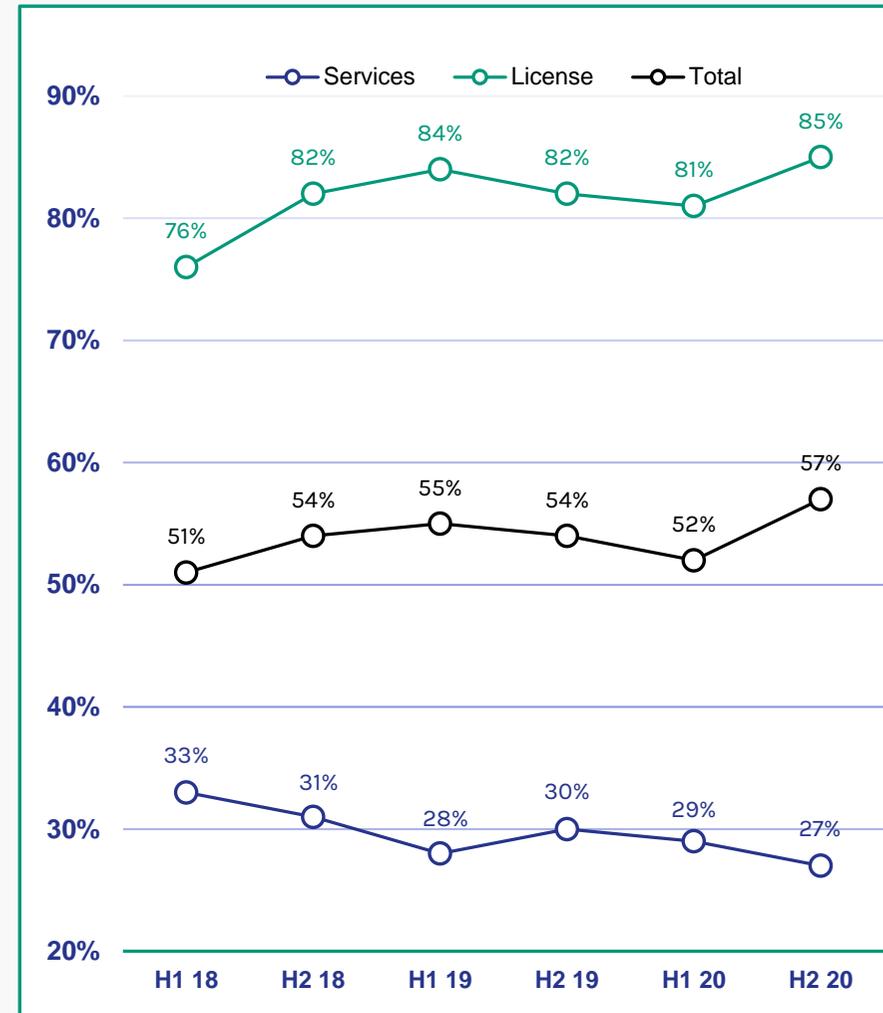


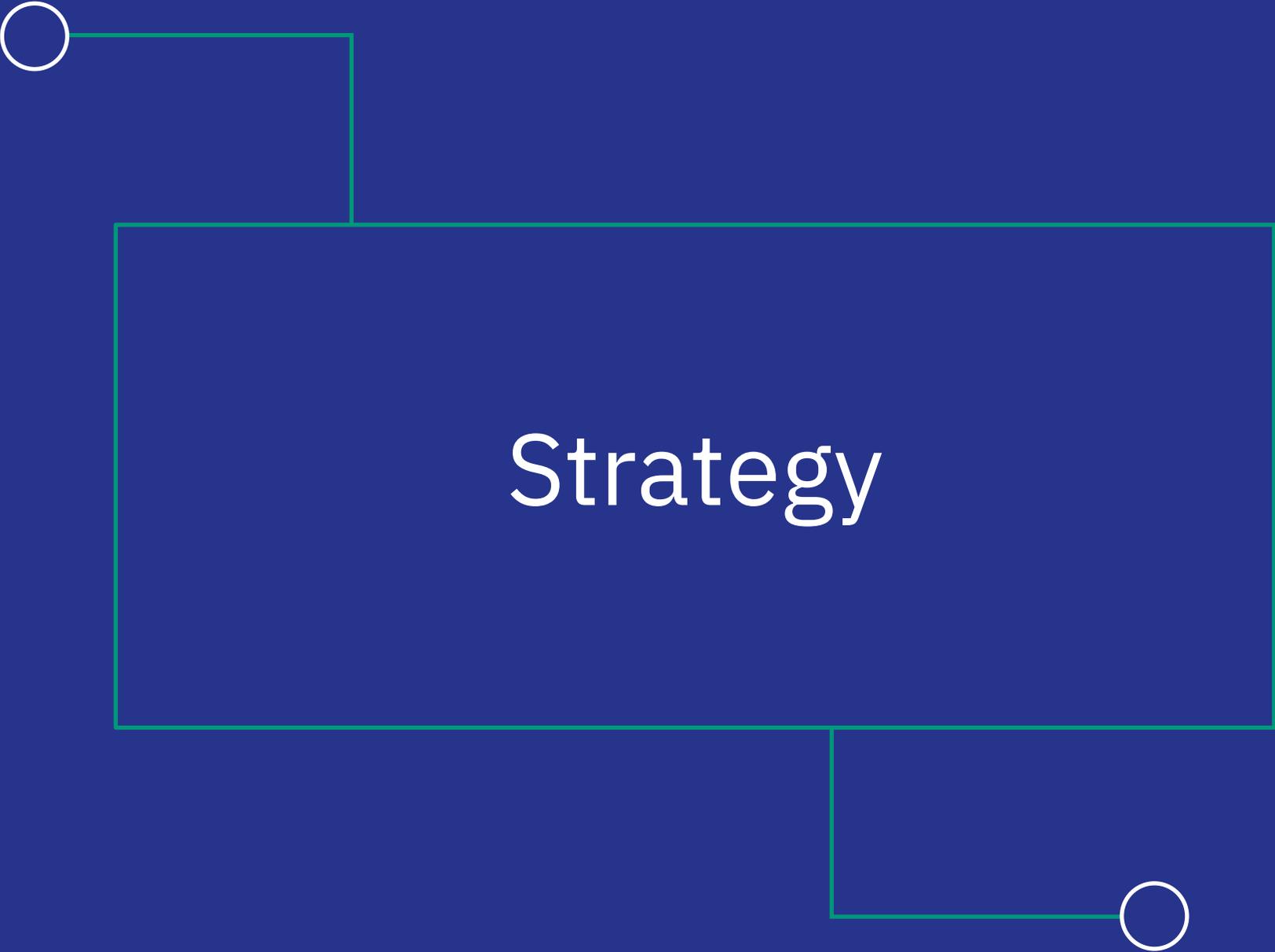
Software key metrics

SOFTWARE REVENUE (£M)



SOFTWARE MARGINS





Strategy

Change the Game



Executing our strategy

ACCELERATING GROWTH IN SOFTWARE

FOCUS

- Achieving market leadership for our core solutions
- Supporting our clients as they transition to the cloud



Build on Kx technology's leading position in capital markets and digital marketing

Use Kx's performance advantages to penetrate other markets

Become a leading global capital markets practice

FOCUS

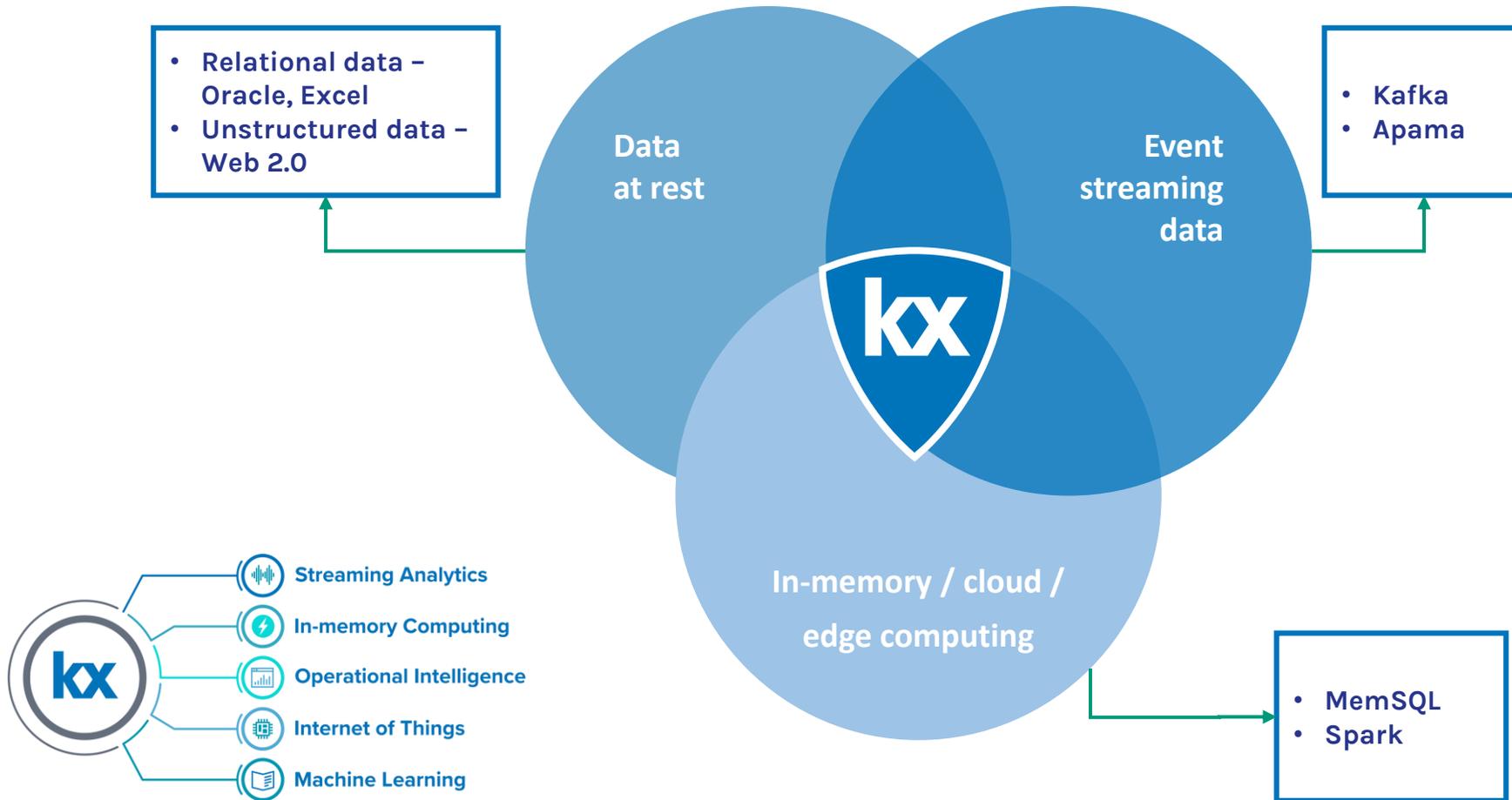
- Targeting markets where Kx provides greatest competitive advantage
- Enabling streaming analytics on data from machines

FOCUS

Commercialising our expertise in:

- middle and front-office trading systems
- risk and regulatory reform
- back-office efficiency

Kx at the centre of major market paradigms



Kx Streaming Analytics: v4.0 extends leadership

Important new features

- Serverless Kx simplifies cloud deployments
- AutoML automates machine learning for real-world problems

Enhanced security & dashboards

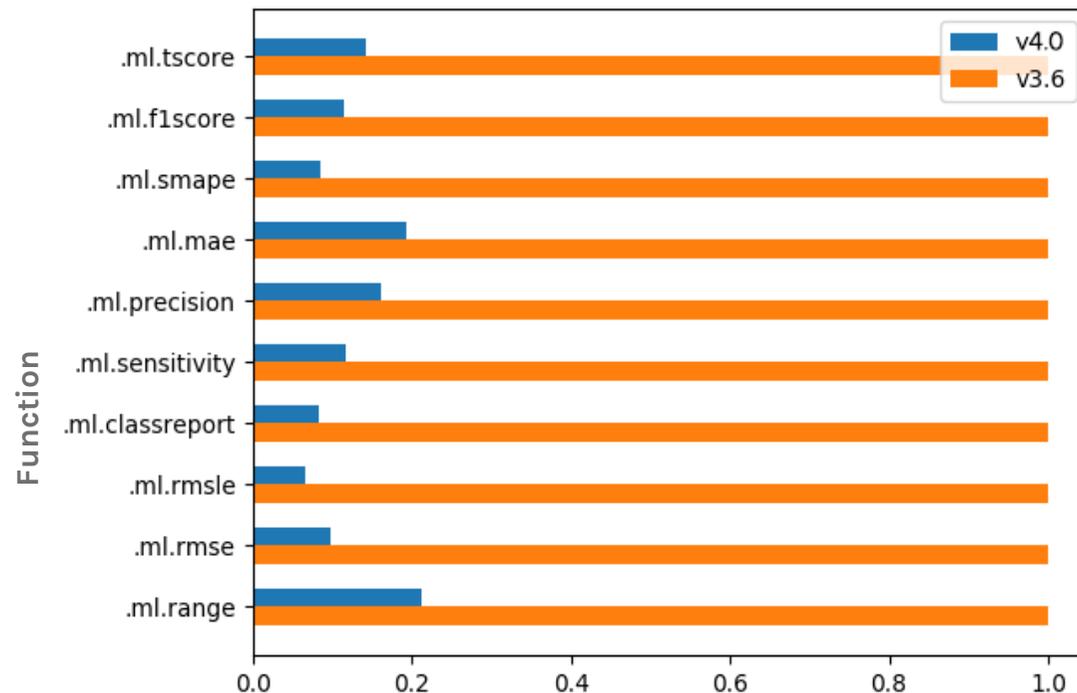
- Data-at-Rest Encryption (DARE) for best-in-class regulatory compliance
- Enhancement to deliver swift visualisation and customisation of data

Massive performance gains

- Multi-threaded primitives and support for Intel's Optane persistent memory drive large performance gains

The result.....

kdb+ v3.6/v4.0 runtime comparison for 50,000,000 points and 16 slave threads



Normalised timing comparison kdb+ v3.6/v4.0

v4.0 performances are 5x better than v3.6

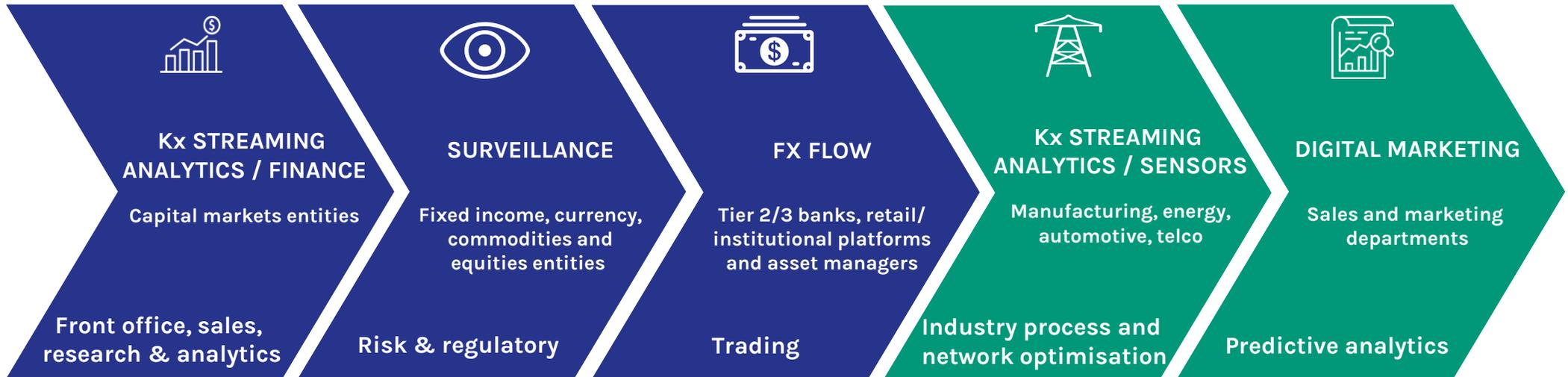
Kx strategic focus

Direct and Indirect sales channels

- Software products for compelling markets where Kx streaming analytics has a strategic advantage

Financial Markets

Industry Markets

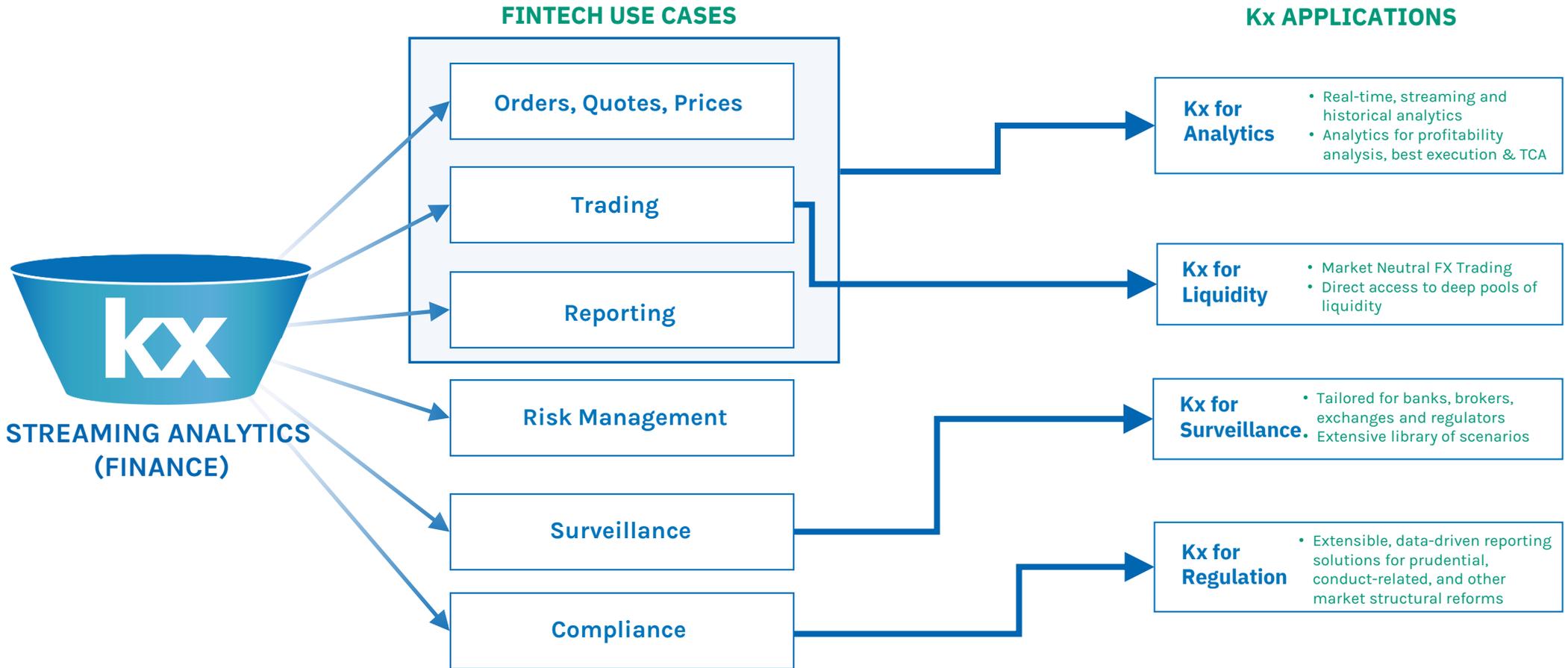


Continuous intelligence from streaming analytics to solve complex, high value problems

Kx Streaming Analytics

- Hybrid cloud native, highly available, deployable anywhere, highly secure

Powering FinTech market data

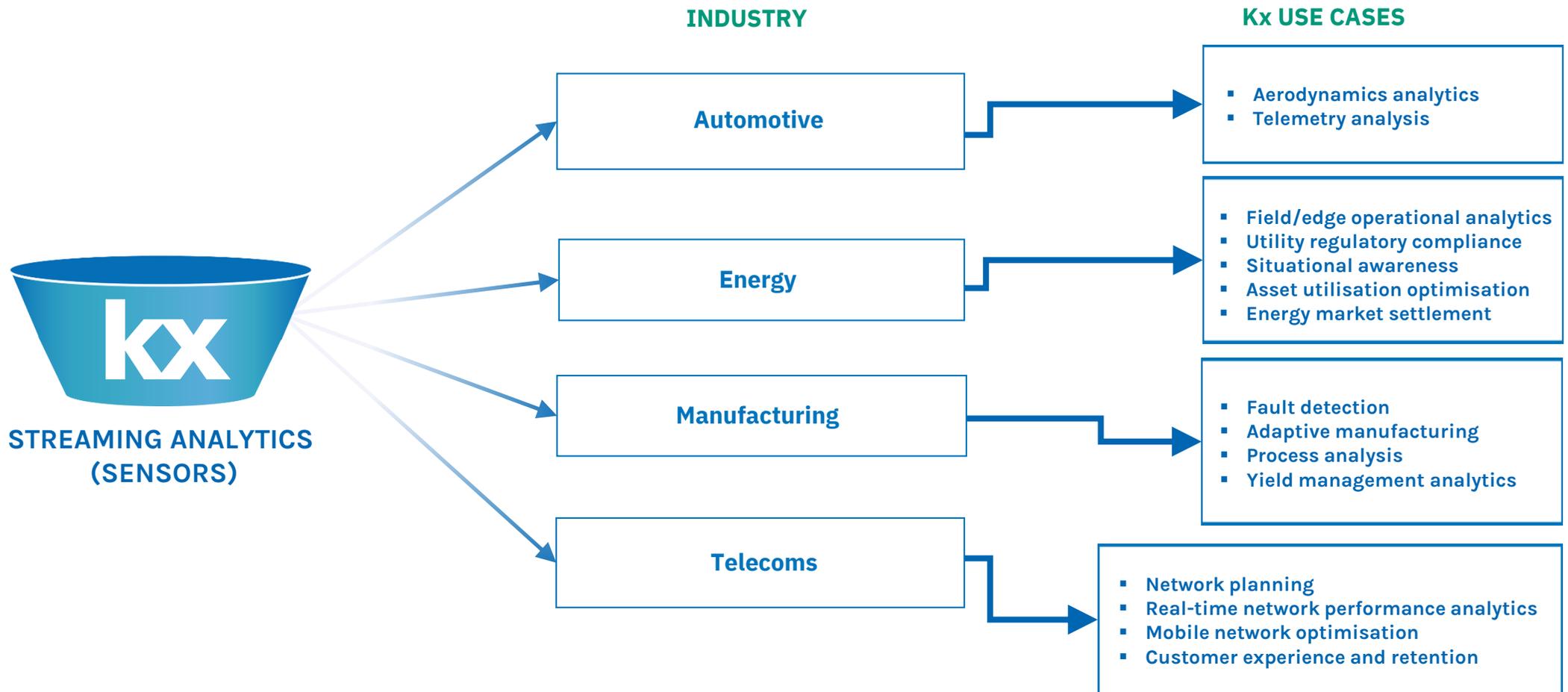


kx
STREAMING ANALYTICS
(FINANCE)

GLOBAL CLIENT BASE



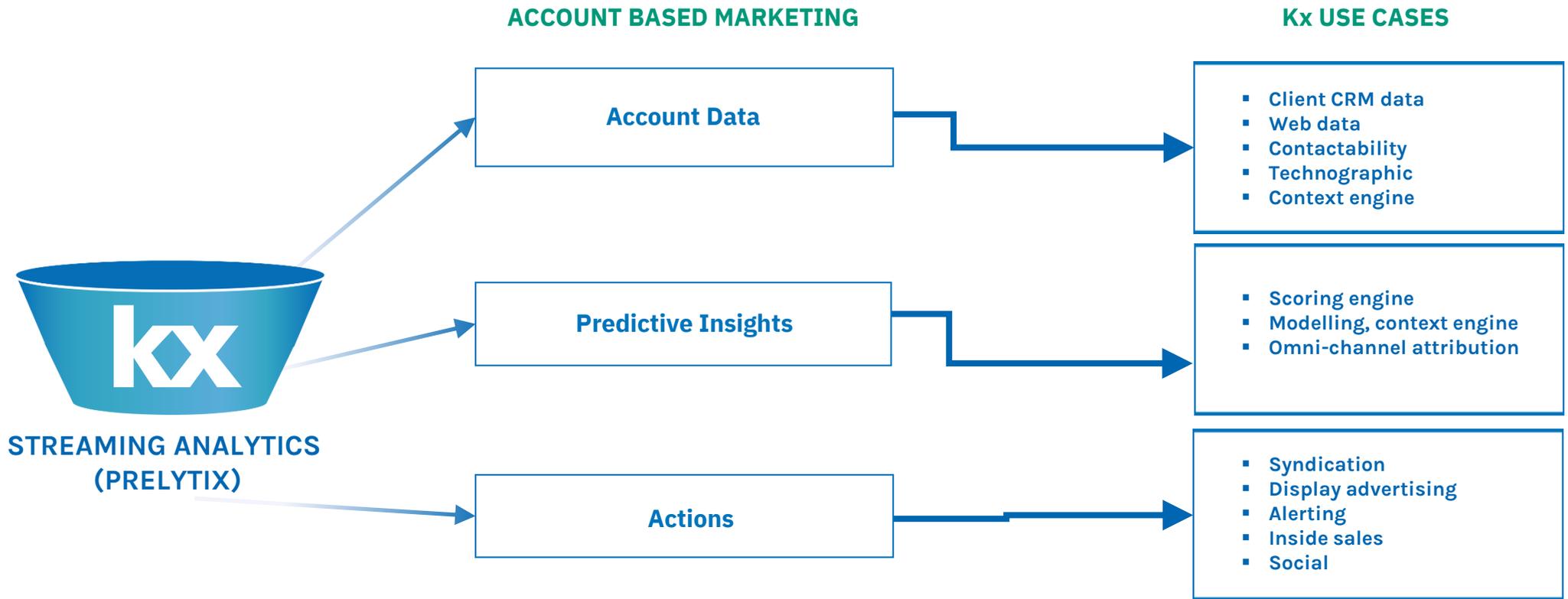
Gaining traction in Industry



GLOBAL CLIENT BASE

ASTON MARTIN Red Bull RACING **kx** INNOVATION PARTNER
 PADDYPOWER. betfair **CGI** FINGRID
 ieso Connecting Today. Powering Tomorrow.
Survalent. **KEYSIGHT** TECHNOLOGIES
BISTel Converging Intelligence *Telefonica*
Zillow **utilismart** CORPORATION
 Bristol-Myers Squibb FORTUNE 500 Company

Progress in MarTech



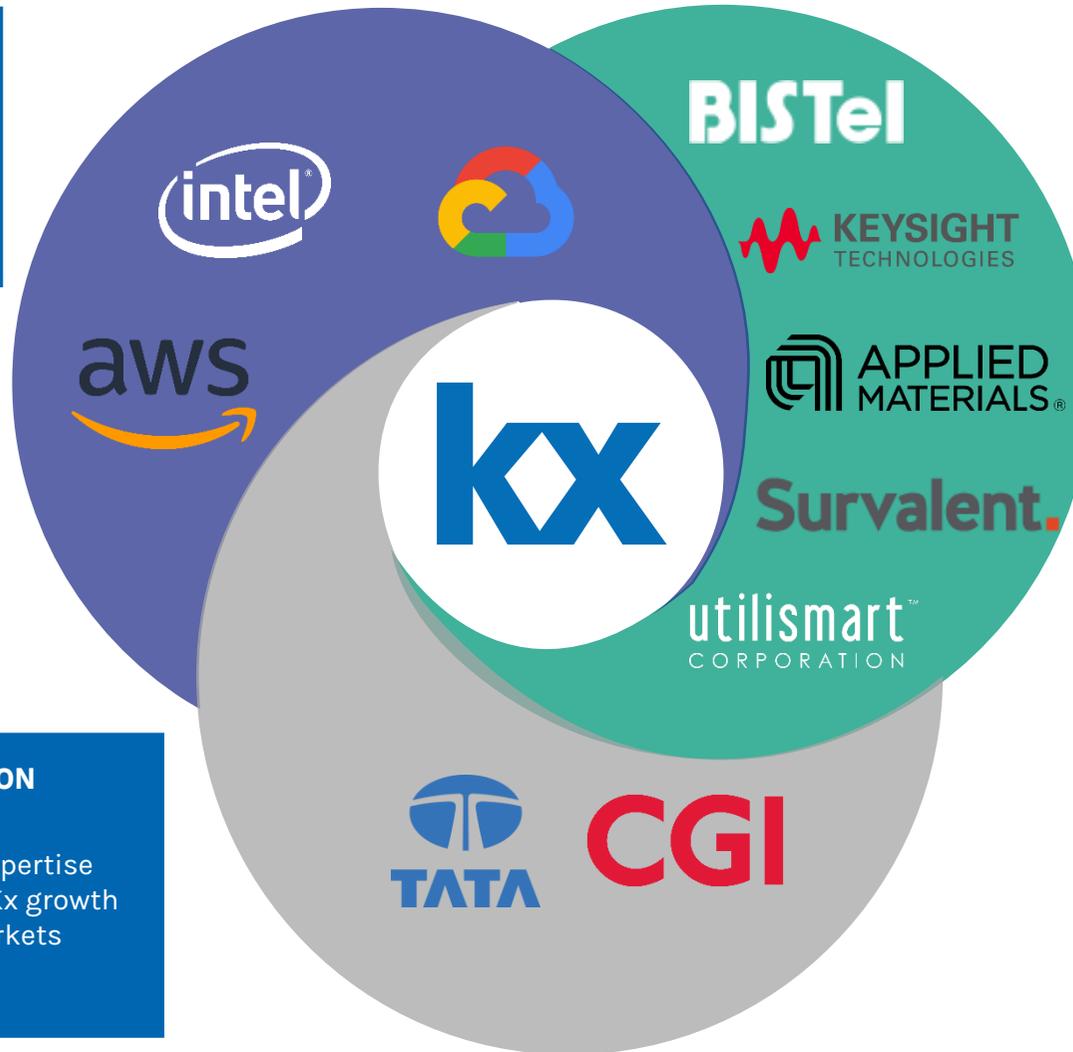
GLOBAL CLIENT BASE



Growing the Kx ecosystem

PLATFORM PARTNERS

- Driving Kx adoption through their hyper scale cloud and mass market technology platforms



INDUSTRY SOLUTION PARTNERS

- Embedding Kx in solutions that change the game for their customers

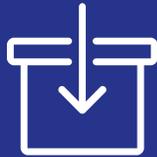
SYSTEMS INTEGRATION PARTNERS

- Providing domain expertise and ability to scale Kx growth across all target markets

Change the Game: accelerate our growth



Kx STREAMING ANALYTICS – FROM MARKETS TO MACHINES



**TURN SOLUTIONS
INTO PRODUCTS**



**STRENGTHEN GO-TO-
MARKET CAPABILITY**



**TARGET HIGH-VALUE
GROWTH MARKETS**

Deliver repeatable software products

Move to uniform delivery / support methods

Grow partner relationships to complement direct sales

Invest in product, marketing and sales

Focus on markets where Kx provides compelling ROI

Target organisations with both the need and budget for Kx



Managed services and consulting

Growing demand for our domain expertise

Financial Services businesses are each facing an existentialist threat where the need to rapidly transform is critical - internal expertise will need to be supplemented



Optimise the cost: income ratio to fund investment



Regulation and technology disruption impacting business models



Safeguard and exploit data for value



Offer tailored customer-specific propositions



Create capability to rapidly react to customer behaviour



Strengthen procurement and centralise decision making



Movement away from metro-centres



Simplify, automate, outsource, centralise operations



Rapid digitisation of channels and services

Transformation

Financial Services entities that do not resolve these challenges may lose their relevance in the medium term...

...and the availability of internal expertise, prioritisation and funding are substantial challenges

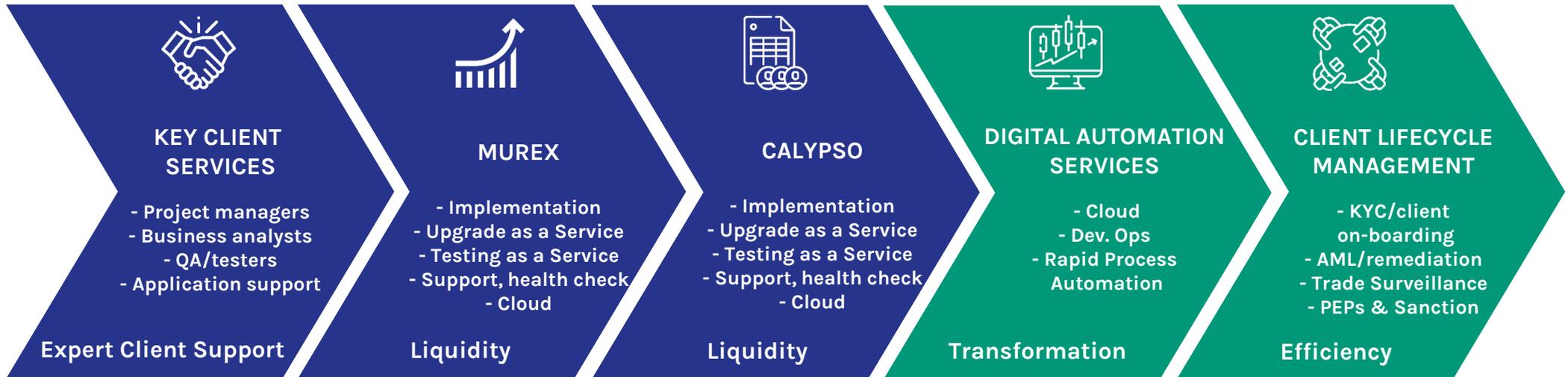


Managed services and consulting strategic focus

Managed services and consulting

- Creating repeatable client value propositions to support our clients in transformation

Financial Services Markets



Near shore & Managed Services

Solving complex client problems

- by applying repeatable methodologies and solutions in the form of high-quality propositions

FD Group management



Mark Sykes
Chief Technical Officer



Kathy Schneider
Chief Marketing Officer



Gerry Buggy
Chief Strategy and Product
Officer



Graham Ferguson
Chief Financial Officer



Seamus Keating
Chief Executive Officer



Catherine Harrison
Chief HR Officer



David Humphries
Chief Operating Officer



Kevin Cunningham
MD, MRP Prelytix

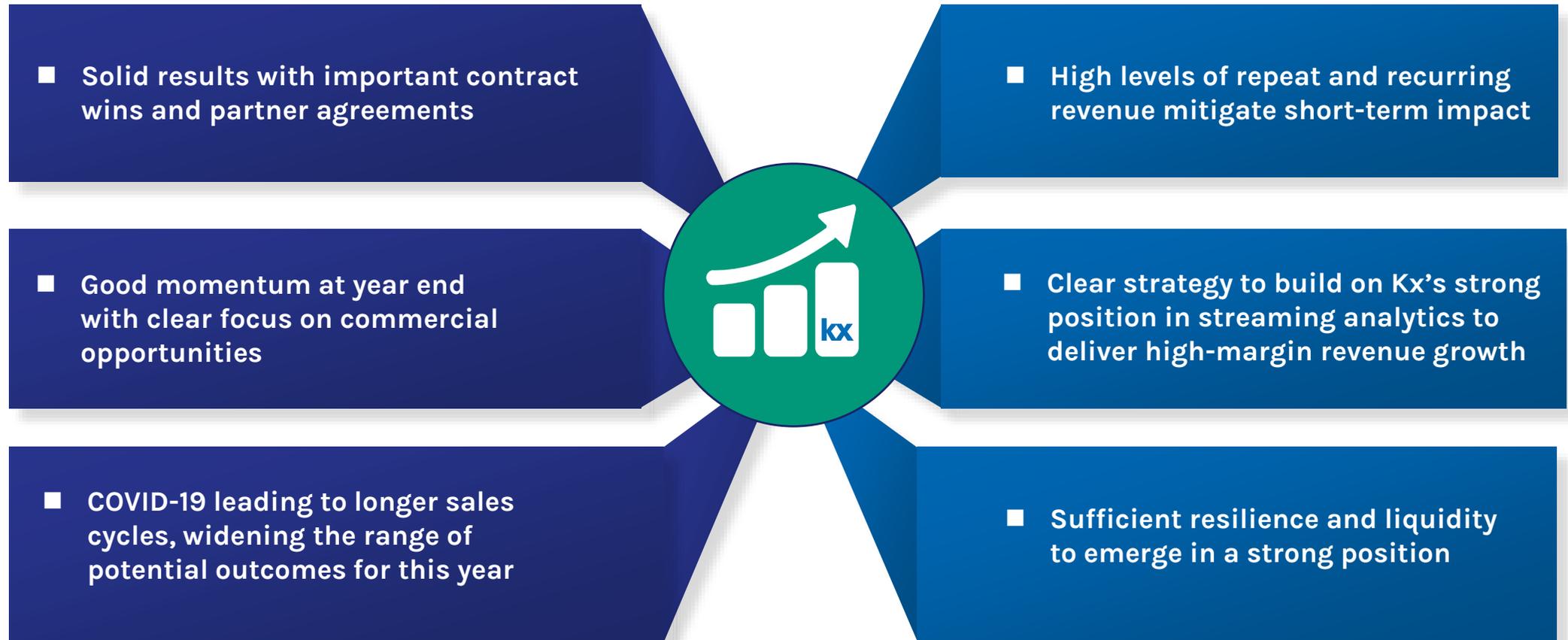


TBA
MD, Managed services and consulting



Patrick Brazel
Chief Revenue Officer (Kx)

Summary and outlook



We remain confident in our strategy and will continue to invest to deliver it