

FD Technologies

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FY23 interim results



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A strong first half, delivering on our strategy

**Investments
driving growth &
strategic value**



**Executing well and
attracting talent**



**Market opportunity
remains attractive**



KPIs in KX and First Derivative ahead of guidance with action taken to mitigate market conditions in MRP

KX

- ARR growth of 41%, ahead of full year guidance
- Annual contract value signed £11.4m, 3x same period last year
- Strategic partnership with Microsoft progressing well

FIRST DERIV ATIVE

- Revenue growth of 22%, driven by demand for our domain skills
- Industry attrition and wage inflation managed successfully
- Focus on delivering outcomes to drive sustainable growth

mrp

- Market conditions led to 8% revenue decline
- Cost savings achieved – £3.5m reduction in annual operating expenses
- Prelytix 3.0 rolled out to customers and has a solid pipeline

Progress in KX across all key strategic growth vectors

➤ **Expansion
in existing
customers**

NRR: 119%

➤ **New logos in
capital markets**

Six new logos

➤ **Progress in
Industry**

Industry ARR +120%

➤ **Traction with
cloud partners**



First customers in private preview of KX Insights on Azure

- **KX Insights on Azure** – positive feedback from private preview customers and pipeline building across sectors
- **KX and Microsoft in financial services** – recent Market Data as a Service demo generating strong interest



KX demand environment remains strong and the market continues to grow

By **2025** there will be vast networks of real-time data and insights that can be analysed to make more informed and better decisions across industries

Source: McKinsey



- **Growth** in time series data
- **Digitisation** of every industry
- **Real-time** analytics powers AI models
- **Cross industry** common use case patterns

KX designed for the most efficient and performant time series analytics

- Price / performance – speed and scale

- Unified access to historical and real-time data

- Simpler, faster systems

The KX logo is located in the bottom right corner of the slide. It consists of the letters 'KX' in a bold, black, sans-serif font.

On track to exceed FY23 targets in KX



^ **ARR growth** at top end of expectations

^ **NRR** already at our mid-term target

^ **Momentum** as we plan FY24

First Derivative is performing strongly and winning market share



Winning larger programmes through strong domain knowledge and superior delivery capability



Attractive place to work to boost recruitment and retention



Focus on higher growth and higher margin solutions



The market **remains positive** despite some level of uncertainty



Regulatory change shows no sign of abating



Digital transformation and move to the cloud remain high priorities



Total cost of ownership remains a key focus

First Derivative on track to exceed FY23 targets

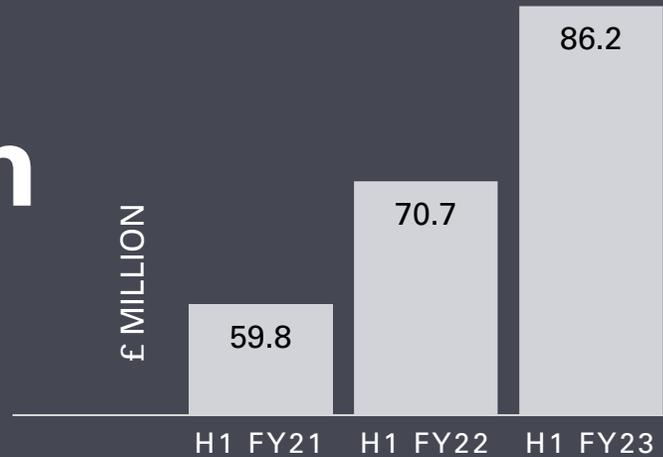
Accelerating growth

£86.2m

Revenue

22% growth

£ MILLION



27%

Gross margin

H1 FY22: 28%

20 of the
world's top 20
investment banks
as customers

Outlook



- > H2 expected to be in line with our medium-term guidance of **15%**
- > Continued **progress** in margin improvement
- > Looking to FY24 with **confidence** in growth and meaningful margin improvement

Market conditions have affected demand for MRP's services following a strong COVID bounce-back last year



IMPACT

Biggest impact seen in high-tech growth sector in the US

ADJUSTMENT

Costs reduced to restore EBITDA margin on current revenue run rate

Platform upgrade to **Prelytix 3.0** is delivering for existing customers and attracting new buyers



- **Global multilingual** customer intent monitoring and scoring on multiple dimensions
- Predictive intelligence supported by the power of **KX**
- **Self-service** by design

MRP is a leader in the large and growing Account Based Marketing category

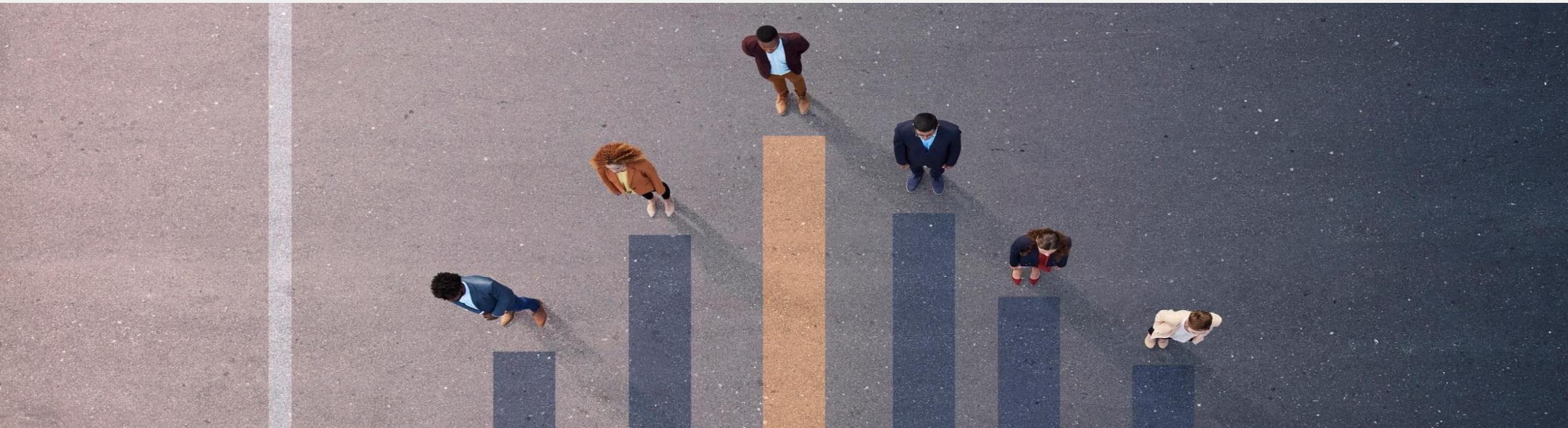


➤ Exposure to US market should see early return to growth

➤ Encouraging pipeline for Prelytix 3.0

➤ Revenue model shifting to software subscription with tiers of add-on services

Group guidance reflects robust performance with strong growth in KX and First Derivative offsetting market conditions in MRP



At least £300m

Group revenue

£36.5-£38.5m

Adjusted EBITDA

c.40%

KX ARR growth



Financial performance

Financial Headlines

£147.4m

Revenue
(H1 FY22: £128.0m)

15%

Revenue growth (9% at
constant currency)

£16.0m

Adjusted EBITDA
(H1 FY22: £14.9m)

£11.4m

KX annual contract value
signed (H1 FY22: £3.7m)

Key drivers of financial performance

- ✓ Momentum from accelerated investment strategy continues to grow
- ✓ KX ARR increased by 41%, with First Derivative revenue up 22%, both ahead of full year guidance
- ✓ Adjusted EBITDA up 7% despite market conditions impacting MRP, with improved H2 expected
- ✓ Strong balance sheet with minimal net debt

KX ARR growth outperforming expectations

KX revenue

	H1 FY23	H1 FY22	CHANGE
REVENUE	37.8	31.9	19%
<i>ANNUAL RECURRING</i>	<i>26.8</i>	<i>19.0</i>	<i>41%</i>
<i>PERPETUAL</i>	<i>0.8</i>	<i>1.5</i>	<i>(44%)</i>
TOTAL SOFTWARE	27.6	20.4	35%
TOTAL SERVICES	10.2	11.5	(11%)

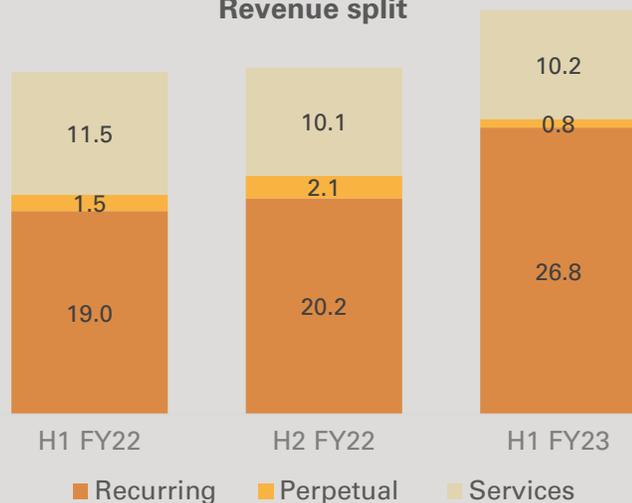
Financial Services

	H1 FY23	H1 FY22	CHANGE
REVENUE	32.3	27.8	16%
<i>ANNUAL RECURRING</i>	<i>23.5</i>	<i>17.5</i>	<i>35%</i>
<i>PERPETUAL</i>	<i>0.2</i>	<i>0.7</i>	<i>(70%)</i>
TOTAL SOFTWARE	23.8	18.2	30%
TOTAL SERVICES	8.5	9.6	(11%)

Industry

	H1 FY23	H1 FY22	CHANGE
REVENUE	5.6	4.1	36%
<i>ANNUAL RECURRING</i>	<i>3.2</i>	<i>1.5</i>	<i>120%</i>
<i>PERPETUAL</i>	<i>0.6</i>	<i>0.8</i>	<i>(19%)</i>
TOTAL SOFTWARE	3.9	2.2	73%
TOTAL SERVICES	1.7	1.9	(8%)

Revenue split



COMMENTARY

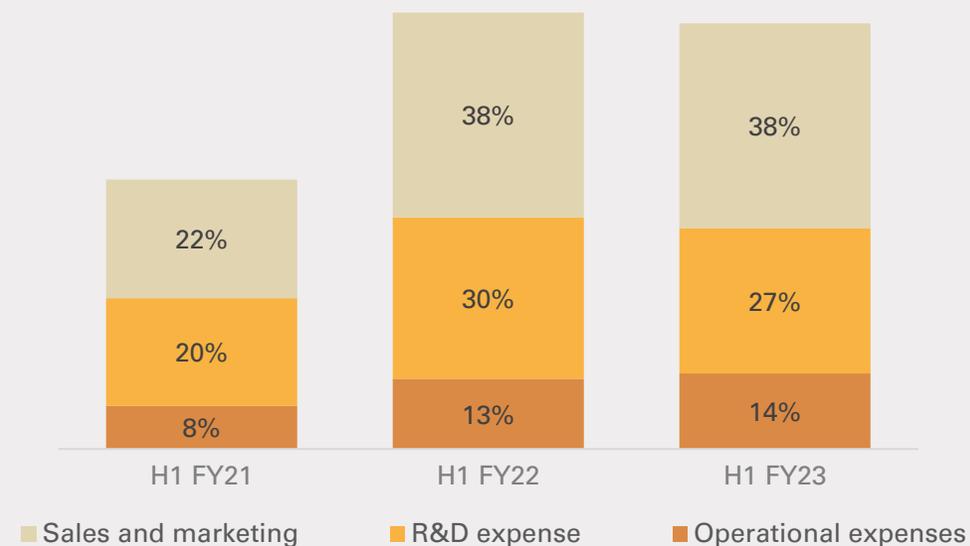
- KX returns to growth with recurring revenue growth outperforming expectations
- Recurring revenue growth driven by existing customers with NRR of 119% and low levels of churn
- Services revenue continue to decline as we focus on time-to-value for customers and make KX simpler to implement

Strategic investments delivering accelerated growth

KX

	H1 FY23	H1 FY22	CHANGE
TOTAL REVENUE	37.8	31.9	19%
GROSS PROFIT	27.1	22.1	22%
<i>GROSS MARGIN</i>	<i>72%</i>	<i>69%</i>	
R&D EXPENDITURE	(10.2)	(9.5)	8%
OF WHICH CAPITALISED	8.4	8.1	4%
NET R&D EXPENDITURE	(1.8)	(1.4)	31%
SALES AND MARKETING COST	(14.4)	(12.1)	19%
ADMIN COSTS	(5.4)	(4.2)	29%
ADJUSTED EBITDA	5.5	4.5	22%
<i>ADJ EBITDA MARGIN</i>	<i>14%</i>	<i>14%</i>	

Costs as percentage of revenue



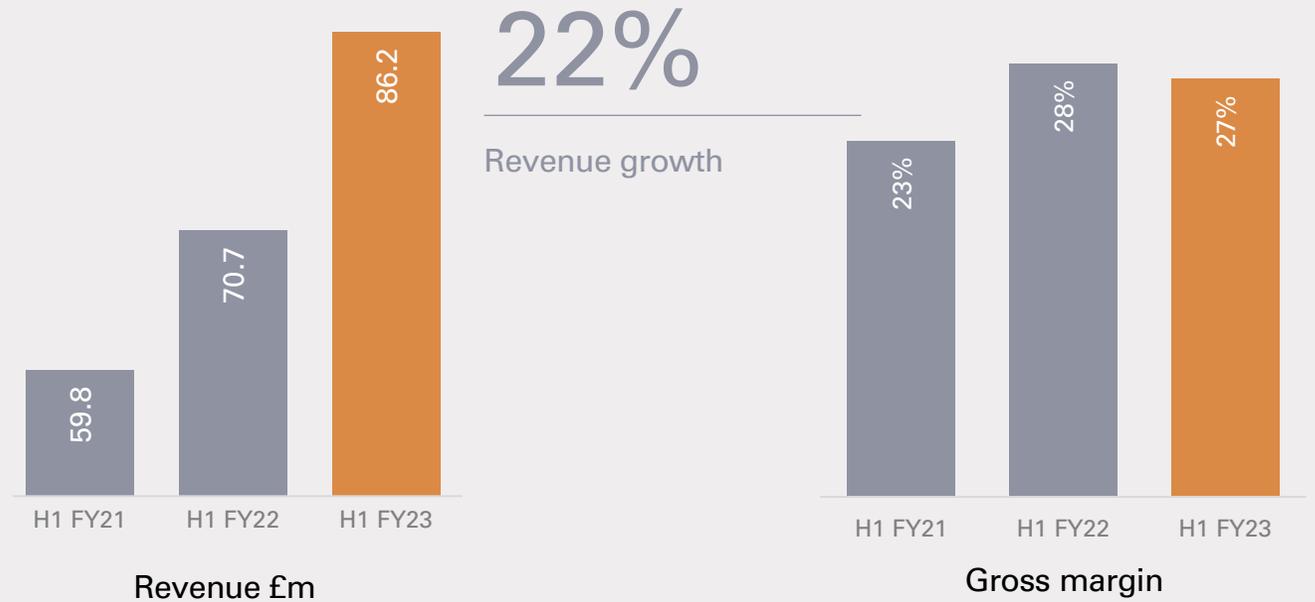
COMMENTARY

- Gross margin increased to 72% (H1 FY22: 69%) due to increasing software revenue, with a margin of c90%
- Continued investment in R&D, sales and marketing and admin expenses to deliver future growth
- Adjusted EBITDA growth of 22%

First Derivative growth ahead of expectations with stable margins

First Derivative

	H1 FY23	H1 FY22	CHANGE
TOTAL REVENUE	86.2	70.7	22%
GROSS PROFIT	23.4	19.6	20%
<i>GROSS MARGIN</i>	<i>27%</i>	<i>28%</i>	
NET R&D EXPENDITURE	-	-	-
SALES AND MARKETING COST	(7.8)	(7.9)	(2%)
ADMIN COSTS	(6.9)	(4.7)	45%
ADJUSTED EBITDA	8.8	6.9	27%
<i>ADJ EBITDA MARGIN</i>	<i>10%</i>	<i>10%</i>	



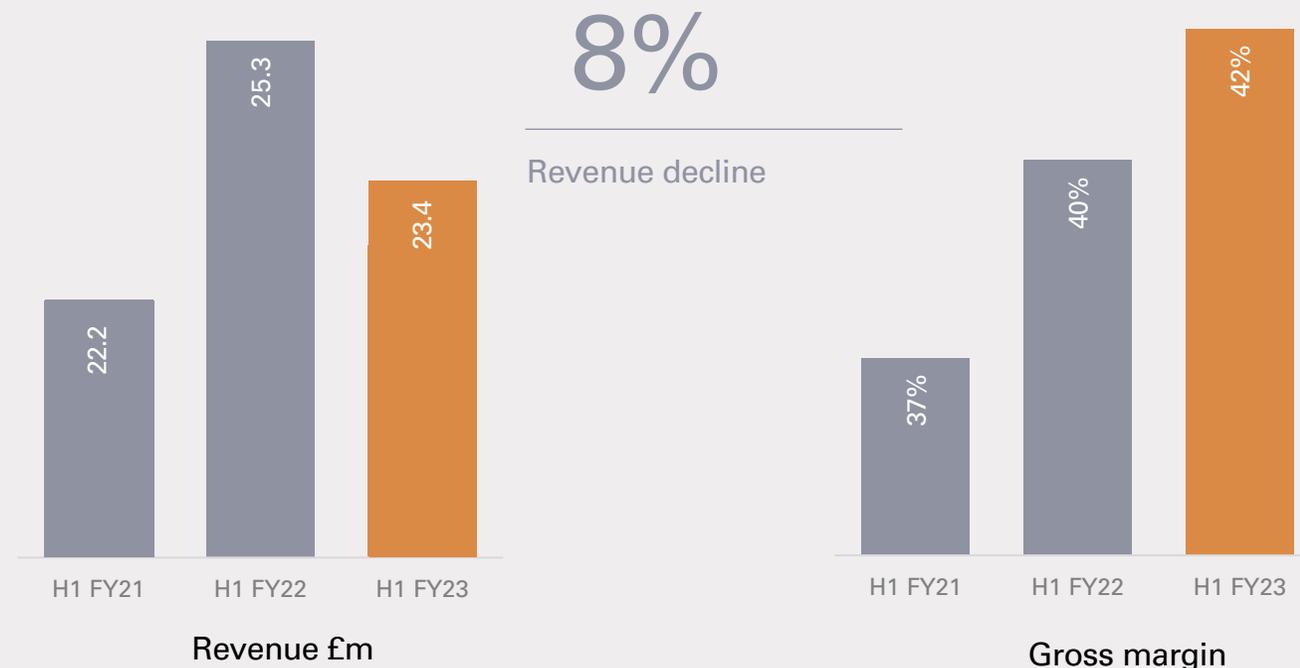
Commentary

- Revenue growth ahead of guidance as we continue to experience demand for our domain and technology skills
- Gross margin stable as we manage the industry challenges of attrition, wage inflation and deployment costs
- Admin costs increase as we invest in additional leadership and people costs
- Continue to see 15% as a sustainable growth target

MRP performance impacted by market conditions – improvement in H2

MRP

	H1 FY23	H1 FY22	CHANGE
TOTAL REVENUE	23.4	25.3	(8%)
GROSS PROFIT	9.7	10.0	(3%)
<i>GROSS MARGIN</i>	<i>42%</i>	<i>40%</i>	
NET R&D EXPENDITURE	-	-	-
SALES AND MARKETING COST	(4.9)	(5.0)	(2%)
ADMIN COSTS	(3.1)	(1.5)	103%
ADJUSTED EBITDA	1.7	3.4	(51%)
<i>ADJ EBITDA MARGIN</i>	<i>7%</i>	<i>14%</i>	



Commentary

- Market conditions resulted in decline in revenues, although gross margin held up well
- Cost efficiency measures implemented in H1 to save £3.5m on annual basis
- Existing customers using Prelytix 3.0 with new customer wins and growing pipeline of opportunities

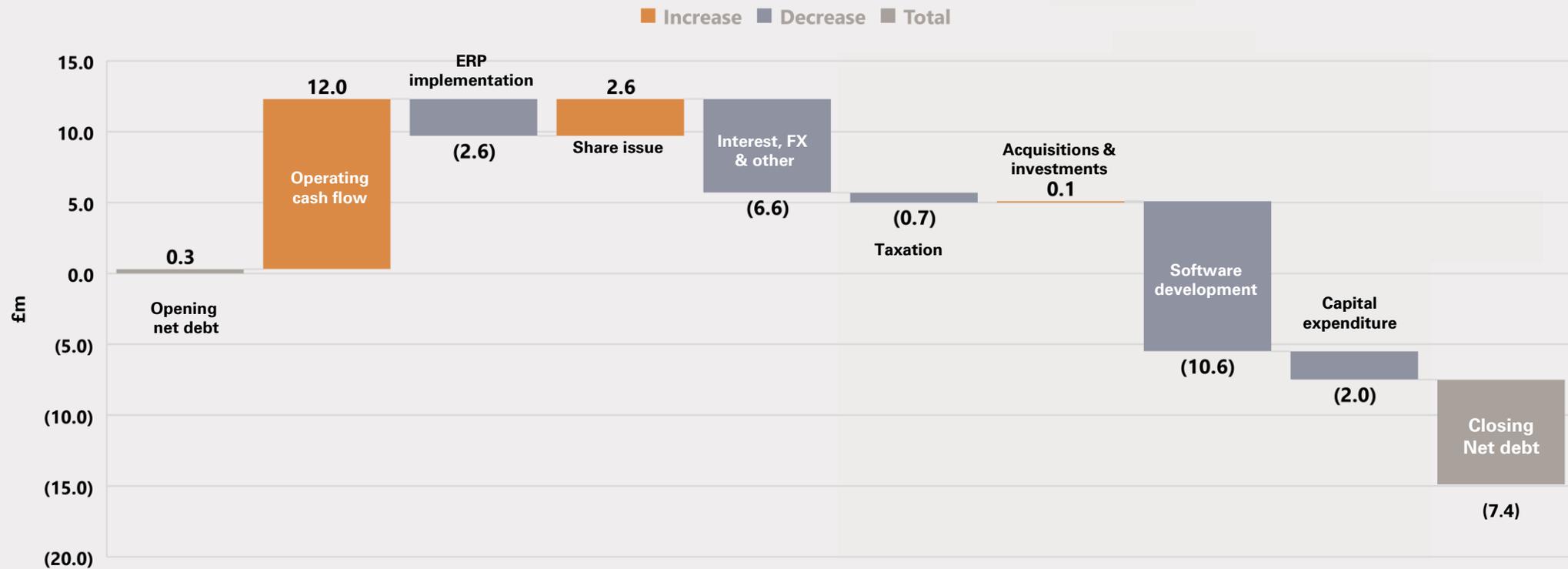
The Group performed strongly in H1

£m	H1 FY23	H1 FY22	Change
Group			
Revenue	147.4	128.0	15%
Cost of revenue	(87.2)	(76.2)	14%
Gross profit	60.2	51.7	16%
Gross margin	41%	40%	
Adjusted operating costs			
Net R&D	(1.8)	(1.4)	31%
Sales and marketing costs	(27.1)	(25.0)	7%
Administrative costs	(15.4)	(10.4)	47%
Adjusted EBITDA	16.0	14.9	7%
Adjusted EBITDA margin	11%	12%	

Commentary

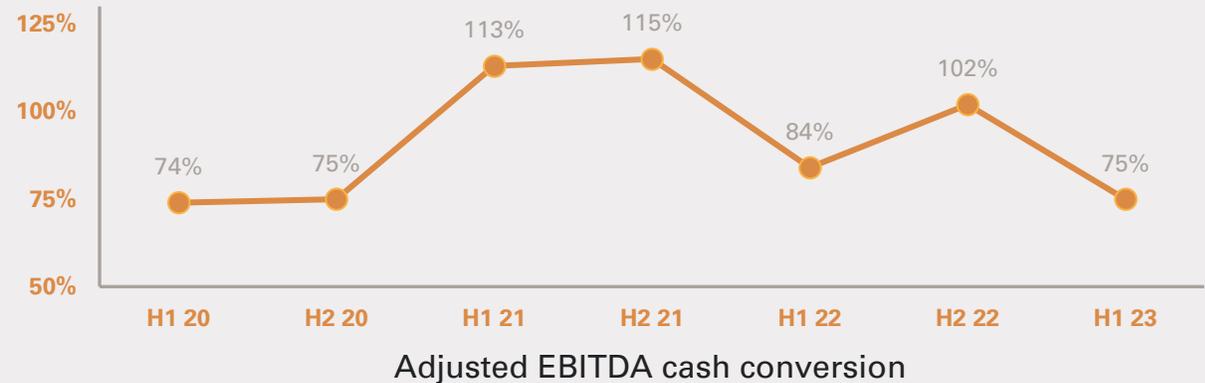
- Revenue growth of 15% (9% at constant currency), led by KX recurring revenue and First Derivative
- Gross margin % increase driven by rise to 72% gross margin at KX, from growth in recurring software revenue
- Gross R&D up 11% to £11.9m, with investment in go-to-market and operational expenses including systems and people – in line with plan
- Increasing revenue guidance and maintaining adjusted EBITDA guidance
- Well positioned for H2 and beyond with continued growth at KX and First Derivative and improved performance from MRP

Focus on cash management



CASH FLOW

- Net debt at period end £7.4m as we continue to invest in the business
- Dollar strength has increased our predominantly dollar-denominated debt
- Cash conversion from operating activities 75%
- On track to deliver our full year target of 80-85% conversion for full year



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KX ARR growth



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Thank you

