23 May 2023

FD Technologies plc
("FD Technologies" or the "Group")

Results for the year ended 28 February 2023

FD Technologies (AIM: FDP.L, Euronext Growth: FDP.I) announces its results for the year ended 28 February 2023.

Business highlights

Strong performances by KX and First Derivative

- KX exceeded its targets with annual recurring revenue (ARR) up 39% to £65.3m (FY22: £47.0m) and net revenue retention of 119% (FY22: 106%); incremental annual contract value (ACV) increased by 93% to £18.7m (FY22: £9.7m)
- Launched the industry's first Data Timehouse, positioning KX as the engine for real-time analytics in the cloud and delivering up to 100x the performance at $1/10^{th}$ of the cost of alternative solutions
- Significant progress with a range of existing and potential partners, including the general availability of kdb Insights Enterprise on Microsoft Azure and an agreement to partner with AWS
- Continued our drive to accelerate time to value for customers, as well as making our technology easier to adopt and use; our progress is reflected in continued growth in Industry, which accounted for more than 30% of ACV
- Momentum set to continue in the current year, benefiting from growing demand for real-time analytics as the foundation for AI-driven business innovation, the strengthening of KX leadership and growing market recognition for the return on investment that KX delivers
- First Derivative delivered revenue growth of 18%, also ahead of target, benefiting from multi-year strategic growth drivers, particularly relating to regulatory compliance and digital transformation
- Weaker demand environment continued at MRP, with revenue down by 19%; cost base aligned to protect EBITDA in the current year
- Providing guidance for FY24 revenue in the range of £315m to £325m, with adjusted EBITDA in the range of £38m to £40m with continued investment in KX to drive future growth.

Seamus Keating, CEO of FD Technologies, commented: 'We are pleased with a year of strong execution on our strategy, with KX and First Derivative beating our expectations for FY23.

KX in particular has made strong commercial and strategic progress. Our price to performance advantage is particularly compelling for the hyperscale cloud providers, as evidenced by our partnerships with market leaders Microsoft and AWS. We have a range of initiatives that we are progressing with these and other partners that provide confidence in our outlook.

First Derivative also performed strongly in FY23, delivering impressive revenue growth of 18% for the period. We continue to see multi-year strategic growth drivers that underpin demand for our services.

We have set ourselves ambitious but sustainable growth targets for the years ahead which will ensure we are focused on driving high-quality recurring revenue growth from an expanding list of customers across a wide range of industries, while generating value for shareholders.'

Financial summary

Year to end February	**2023**	2022	***Change***
Revenue	**£296.0m**	£263.5m	*12%*
Gross profit	**£122.3m**	£106.1m	*15%*
(Loss)/Profit before tax	**(£1.2m)**	£9.0m	*NM*
Reported diluted (LPS)/EPS	**(14.4p)**	22.9p	*NM*
Net cash*	**£0.4m**	£0.3m	*24%*
Adjusted performance measures			
Adjusted EBITDA**	**£34.8m**	£31.0m	*12%*
Adjusted diluted EPS	**35.3p**	32.3p	*9%*
Performance against Key Performance Indicators	**Target**	**Actual**	
KX annual recurring revenue (ARR) growth	35-40%	**39%**	
KX net revenue retention (NRR)	110%	**119%**	
First Derivative revenue growth	15%	**18%**	
MRP revenue growth	10%	**(19%)**	

* *Excluding lease obligations*
** *Adjusted for share based payments and restructure and non-operational costs*

Financial highlights

- Group revenue up 12% to £296m (up 6% at constant currency), led by good performances at KX and First Derivative, both above full year expectations, balanced by a reduction in revenue at MRP
- KX revenue growth of 25% to £80.2m (FY22: £64.4m), with recurring revenue up 47% to represent 72% of total KX revenue (FY22: 61%) and reductions in both lower margin services revenue and lower value perpetual license revenue as we continue to focus on growing our recurring revenue
- First Derivative revenue £174.3m, up 18% (FY22: £148.0m), driven by our strategy to deliver more value from our domain and technology expertise and our push into complementary areas such as software engineering
- MRP revenue down 19% to £41.5m (FY22: £51.1m), resulting from lower spending on demand generation by our enterprise customers
- Adjusted EBITDA up 12% to £34.8m (FY22: £31.0m), following investment in people and systems, including the successful implementation of an Oracle ERP system, to enable the Group to scale
- Net cash £0.4m (FY22: £0.3m) resulting from focused cash management

Current trading and outlook

Our targets continue to be centred on key performance indicators appropriate to value creation within each of our business units. In KX, the opportunities we see with customers and partners gives us confidence in delivering another strong year of ARR growth of at least 35%. In First Derivative, the alignment of our services with the strategic priorities of our customers provides us with confidence that we can grow faster than the market, with revenue growth in the range of 5% to 10% as well as a meaningful improvement towards our three-year EBITDA margin target of 15%. In MRP we expect the reduction in the cost base to deliver an improvement in EBITDA for the current year.

At the Group level we expect FY24 revenue in the range of £315m to £325m, with adjusted EBITDA in the range of £38m to £40m.

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About FD Technologies

FD Technologies is a group of data-driven businesses that unlock the value of insight, hindsight and foresight to drive organisations forward. The Group comprises KX, which provides software to accelerate AI-driven innovation; First Derivative, providing consulting services which drive digital transformation in financial services and capital markets; and MRP, which provides technology-enabled services for enterprise demand generation. FD Technologies operates from 14 locations across Europe, North America and Asia Pacific, and employs 3,000 people worldwide.

For further information, please visit www.fdtechnologies.com and www.kx.com

Results presentation

A presentation for analysts will be held at FTI Consulting at 9.30am today, following which a recording of the presentation will be available on the Group's website.

Business Review

FD Technologies comprise three business units – KX, software to accelerate AI-driven innovation; First Derivative, consulting services which drive digital transformation in financial services and capital markets; and MRP, which provides technology-enabled services for enterprise demand generation.

KX – Software to accelerate AI-driven innovation

KX's mission is to revolutionise AI-driven business innovation through time-series analytics, empowering enterprises to extract value from the ever-growing volume of data, much of it machine-generated and time-stamped. As the engine for real-time analytics in the cloud, our customers report that KX delivers 100x the performance of alternative solutions at 1/10th of the cost, fostering rapid innovation while maintaining cost efficiency.

During the year we launched the industry's first Data Timehouse, a new class of data management and AI platform, to provide enterprises with access to temporal data in a way that prioritises modelling and insight. Launched on Azure through our strategic partnership with Microsoft, this approach is backed by industry analysts Gartner, who are urging the adoption of technologies such as KX that are specifically built for the analysis of temporal data.

KX's addressable market is rapidly expanding, with the AI and data science platforms and applications sector, as estimated by Gartner, growing at a 29% CAGR to reach $135bn by 2025. Based on our targeted industries and geographic markets, we project our current serviceable market opportunity to be approximately $34bn by 2025.

Strategic partnerships

Working with strategic partners is key to achieving our mission, and our priority is to establish KX as the high-performance engine within the hyperscale cloud platforms. We made significant progress during the year and the recent general availability of kdb Insights Enterprise on Microsoft Azure was a watershed moment for our strategic partnership with Microsoft. Since the launch we have seen positive customer reaction and strong partner engagement on joint propositions, resulting in growth in our pipeline across multiple industries.

The expected launch of additional products on Azure during the year, aimed for example at application developers, will enable our existing customers to transact via the marketplace to expand their current KX data estate. In addition, we have a number of innovation projects where we will integrate our technology with Large Language Models (LLMs) to bring analytics into the day-to-day workflow of users, dramatically improving their experience.

We recently announced that KX is partnering with Amazon Web Services (AWS) to launch kdb Insights as a fully managed cloud-native service on Amazon FinSpace, AWS's data management and analytics service for the financial services industry. KX and AWS are working together to attract both new customers and to provide existing KX customers with a path to migrate their existing kdb workloads to the cloud, benefitting from both the Python-enabled capabilities of kdb Insights and managed services provided by AWS.

We have also made progress with other hyperscalers and established a dedicated partner team to develop and close these opportunities. This team is engaged with cloud hyperscale platforms, systems integrators, OEMs and independent software vendors (ISVs) seeking to integrate our kdb technology into their data and AI-driven applications.

Product development

At the heart of our products is kdb+, the world's fastest time-series and real-time analytics engine. The launch of kdb Insights Enterprise on Microsoft Azure has significantly expanded our ability to provide our technology's performance advantages to a wider audience. Among other benefits, it offers the versatility of microservices and cloud resources, enables Python and SQL developers to programme without knowing our proprietary language, q, and provides free trial and development resources for solution-building. This leads to broader adoption and faster value realisation for customers.

We continue to focus on making our technology more accessible and user-friendly, implementing a continuous development strategy with reusable services deployable across OEMs and ISVs.

Commercial progress

FY23 was our strongest year ever for incremental ACV, which increased by 93% from the prior year to £19m. We also delivered an improvement In Net Revenue Retention (NRR) to 119% (FY22: 106%) indicating that our strategy to increase our growth from existing customers is delivering results.

During the year we made a number of senior appointments to drive growth at KX. In August Ashok Reddy was appointed CEO, bringing a track record of successfully driving AI product innovation, revenue growth and commercial strategies at enterprise technology companies (including IBM, CA Technologies/Broadcom and Digital.ai). KX also recently appointed a Chief Revenue Officer, John Hoffman, with extensive experience in building and scaling revenue at data analytics providers.

We continue to invest in sales and marketing, expanding our go-to-market team to target opportunities across industries. Our strategy emphasises partnering to win new customers and growing our direct sales capability.

While financial services customers remain our largest revenue source, we are growing at a faster rate in other industries, validating our view of our technology as a horizontal solution across industries. Example customer wins in the period included:

- Syneos Health adopted KX to implement a Data Timehouse, using kdb Insights Enterprise on Microsoft Azure to improve clinical trial efficiency, reduce costs and speed time to market for life-changing therapies for patients.

- PSE, the Polish transmission system operator, selected KX to manage large meter data volumes and complex analytics as part of its adoption of CGI's Central Energy Market Information System in a multi-year deal.

- A leading investment bank adopted kdb Insights as part of its large-scale cloud migration project, moving its KX on-premise workloads to the cloud with no reduction in performance at a fraction of the total operating cost.

First Derivative – driving digital transformation in financial services and capital markets

First Derivative delivered 18% revenue growth for the year, resulting from structural demand drivers for our services across regulatory compliance and digital transformation. Our performance was stronger than that of the market, as a result of our strategy to deliver more value from our domain and technology expertise and our push into areas such as software engineering.

During the year we saw strong demand for our core practice areas such as transaction reporting and Know Your Customer compliance, while the move to the cloud by our customers is creating opportunities as they look to completely rebuild their core software architecture. This latter trend was a driver in our decision to establish a software engineering practice, which delivered impressive growth in the year and where we have a growing pipeline.

Our priorities for the current year are to continue to broaden our service offerings and seek multi-year engagements with clients, to increase the diversity and robustness of our revenues. We expect to continue the internationalisation of our business, with good growth in the year in Asia and a growing pipeline of opportunities. We also expect our clients to continue their drive to get value from their technology spend by achieving the optimal delivery structure and see continued demand for our near shore capabilities as a result.

Our positivity about our growth prospects is tempered by the external environment which has created a level of caution within some clients, with projects taking longer to be approved than in recent periods. At the same time, we are seeing an easing in the pressures of wage inflation and staff attrition, which alongside our increasing scale should assist our expectation of margin improvement in the current year as we move towards our FY26 goal of 15% EBITDA margin.

We continue to believe First Derivative is well positioned, with high levels of repeat revenue, structural demand drivers assisting our growth and a strategy to drive greater value from our considerable capital markets expertise.

MRP – technology-enabled services for enterprise demand generation

MRP is our smallest business unit, representing 14% of revenue in FY23. It provides global sales and marketing leaders with an account-based marketing platform (Prelytix), powered by KX, and supporting products and services that deliver high response rates and pipeline conversion. Prelytix tracks more than 1.5 billion intent signals per day, enabling MRP customers to identify and engage targets earlier and more effectively. Its global presence is a further differentiator, resulting in Forrester naming it as a leader in Account Based Marketing (ABM) in its Q2 2022 report on the sector.

Throughout the year MRP's customer budgets remained under pressure, with demand generation spend remaining weak in the economic environment. We have seen a stabilisation in revenue run rate since the year end and coupled with the steps taken to align its cost base, we expect to deliver an improved EBITDA performance for the current year. We continue to believe MRP has the opportunity to deliver double digit revenue growth when spending on demand generation improves.

People

The Group currently employs 3,000 people, similar to the number employed at the same time last year. Our employee policies are designed to enable us to attract and retain top talent and during the year we implemented a number of initiatives to assist these goals.

We continued to pay particular attention to learning and development, with a strong focus on leadership, as well as the Group's culture. We introduced our Aspiring Leadership programme, which offers a structured and practical path to fast-track high potential individuals into leadership roles, and appointed leaders to run our talent and people initiatives. We also evaluated and benchmarked every employee across the Group to ensure everyone is paid competitively.

We continue to evolve the ways in which our people connect and collaborate, with our latest annual engagement survey which shows an increase in the number of our employees that feel engaged to 82%. During the year we completed the implementation of an Oracle Cloud Fusion ERP system that includes a Human Resources Information System, enabling us to work more strategically.

Summary and outlook

KX and First Derivative both delivered strong growth in their KPIs for the year and are well placed to deliver on their potential following a year of execution of strategy. In KX the growing importance of real-time analytics and our ability to accelerate AI workloads, combined with our product and commercial strategies are establishing us as a key component of modern data architecture. These factors are driving opportunities with customers and partners that support our confidence in another year of strong growth in ARR, of at least 35%. First Derivative continues to evolve its service offerings to assist customers with their strategic objectives and we expect this to enable growth ahead of its market, with revenue expected to increase in the range of 5% to 10% and margin improvement towards our three-year target of 15%. MRP's EBITDA performance is expected to improve following the alignment of its cost base, with growth expected to return when spending on demand generation increases.

At the Group level we expect FY24 revenue in the range of £315m to £325m, with adjusted EBITDA in the range of £38m to £40m.

Financial review

Revenue and Margins

The table below shows the breakdown of Group performance by business unit for each of KX, First Derivative and MRP.

	FY23				FY22				
	Group £m	**KX £m**	**First Derivative £m**	**MRP £m**	Group £m	KX £m	First Derivative £m	MRP £m	***Group change***
Revenue	**296.0**	**80.2**	**174.3**	**41.5**	263.5	64.4	148.0	51.1	***12%***
Cost of sales	**(173.7)**	(22.3)	(127.0)	(24.4)	(157.3)	(19.9)	(108.6)	(28.8)	***10%***
Gross profit	**122.3**	**58.0**	**47.3**	**17.0**	106.1	44.5	39.4	22.2	***15%***
Gross margin	*41%*	*72%*	*27%*	*41%*	*40%*	*69%*	*27%*	*44%*	
R&D expenditure	**(27.1)**	(23.0)	(0.4)	(3.7)	(21.1)	(18.6)	(0.2)	(2.3)	***28%***
R&D capitalised	**23.1**	19.0	0.4	3.7	18.6	16.1	0.2	2.3	***25%***
Net R&D	**(4.0)**	(4.0)	—	—	(2.6)	(2.6)	—	—	***54%***
Sales and marketing costs	**(50.9)**	(26.3)	(15.3)	(9.4)	(47.4)	(23.6)	(14.5)	(9.3)	***8%***
Adjusted admin expenses	**(32.7)**	(11.1)	(15.4)	(6.2)	(25.2)	(8.6)	(10.9)	(5.7)	***30%***
Adjusted EBITDA	**34.8**	16.6	16.7	1.4	31.0	9.8	14.0	7.3	***12%***
Adjusted EBITDA margin	*12%*	*21%*	*10%*	*3%*	*12%*	*15%*	*9%*	*14%*	

The Group delivered double-digit increases in both revenue and adjusted EBITDA. Revenue growth was driven by strong growth in recurring revenue at KX and good growth by First Derivative offset by a revenue decline in MRP as a result of difficult market conditions. This drove 15% growth in gross profit to £122.3m (FY22: £106.1m), with increasing scale and growth in higher margin revenues resulting in gross margin of 41% (FY22: 40%). We continue to invest in line with our strategic objectives, including investments in systems and people. In addition, inflationary cost pressures which increased admin expenses and the impact of MRP, resulted in adjusted EBITDA margin remaining at 12%.

Revenue growth was boosted during the period by the strength of the dollar against sterling, our reporting currency, with constant currency revenue growth of 6%. Due to the natural hedge of our operations in the US the impact on profitability was marginal.

KX

	KX total			Financial services			Industry		
	FY23	FY22	***Change***	**FY23**	FY22	***Change***	**FY23**	FY22	***Change***
	£m	£m		**£m**	£m		**£m**	£m	
Revenue	**80.2**	64.4	*25%*	**67.9**	55.4	*23%*	**12.4**	9.1	*37%*
Recurring	**57.6**	39.2	*47%*	**50.2**	35.5	*41%*	**7.4**	3.7	*102%*
Perpetual	**1.6**	3.6	*(57%)*	**0.2**	1.8	*(88%)*	**1.3**	1.8	*(24%)*
Total software	**59.1**	42.8	*38%*	**50.4**	37.4	*35%*	**8.7**	5.4	*61%*
Services	**21.1**	21.6	*(2%)*	**17.5**	18.0	*(3%)*	**3.6**	3.6	*0%*
Gross profit	**58.0**	44.5	*30%*						
Adjusted EBITDA	**16.6**	9.8	*70%*						

KX delivered a strong performance in the year, with 25% revenue growth driven by 47% growth in recurring revenue to £57.6m, balanced by a 2% reduction in services to £21.1m. The growth was enabled by an increase of 93% in annual contract value added to £18.7m, resulting in 39% growth in ARR to £65.3m. Services revenue, related to the implementation of our software, declined marginally to £21.1m as we enabled our customers to achieve time to value more quickly, reducing the cost and complexity of adopting KX and increasing the return on investment for our customers. Revenue from perpetual license sales continues to decline following our decision in 2021 to focus exclusively on subscription sales for new customers, and now represents just 2% of KX revenue.

Financial services revenue grew by 23% to £67.9m, with recurring revenue up 41%. We continue to benefit from adoption of kdb Insights by existing and new customers, attracted by its performance, ease of use and rapid time to value, as well as native integration with important developer languages such as Python and SQL.

Industry revenue grew by 37% to £12.4m with recurring revenue growing by 102% to £7.4m. Growth was led by subscription contracts across the healthcare, energy and manufacturing markets with both new and existing customers.

Alongside the growth in ARR our go-to-market team was also engaged with partners, particularly Microsoft and AWS, on joint go-to-market initiatives to support general availability of kdb Insights Enterprise on Microsoft Azure and kdb Insights on AWS FinSpace.

Performance metrics	**FY23**	FY22	**Change**
Annual recurring revenue (ARR) £m	**65.3**	47.0	*39%*
Net revenue retention (NRR)	**119%**	106%	
Gross margin	**72%**	69%	
R&D expenditure as % of revenue	**29%**	29%	
Sales and marketing spend as % of revenue	**33%**	37%	
Adjusted EBITDA margin	**21%**	15%	

The annual contract value signed in the period was £18.7m, up 93% on the prior year (FY22: £9.7m) and driven by the growth in new subscription deals in the period and our work with partners. This resulted in ARR increasing by 39% to £65.3m. NRR of 119% is ahead of the 106% in FY22 and in line with our mid-term target of 120%, with customer churn remaining at low levels.

First Derivative

	FY23 £m	FY22 £m	Change
Revenue	**174.3**	148.0	*18%*
Gross profit	**47.3**	39.4	*20%*
Adjusted EBITDA	**16.7**	14.0	*20%*

Revenue for the period was £174.3m, with growth of 18% ahead of our target for the year of 15%. We saw the strongest growth in supporting our customers in their near shore operations, which are expanding as they pull offshore delivery work into centres such as Dublin. We believe our services are well aligned with our customers' strategic priorities, with regulatory change, digital transformation and cost efficiency consistent themes.

Attrition and wage inflation rates were challenges across the industry during the year, which we managed effectively, although they did limit scope for margin improvement. We see an easing of these pressures in the year ahead in response to some caution from customers, as discussed in the business review. This is reflected in our guidance for lower revenue growth during the year, although reduced recruitment and onboarding costs and our growing scale should enable EBITDA margin progress.

Performance metrics	FY23	FY22
Gross margin	**27%**	27%
Adjusted EBITDA margin	**10%**	9%

Gross margin was maintained at 27% for the year. Underlying this were increased costs in recruiting, training and deploying new consultants in response to industry-wide attrition pressures, mitigated by our ability to pass through wage inflation and the impact of delivering greater value from our expertise and domain knowledge.

MRP

	FY23 £m	FY22 £m	*Change*
Revenue	**41.5**	51.1	*(19%)*
Gross profit	**17.0**	22.2	*(23%)*
Adjusted EBITDA	**1.4**	7.3	*(80%)*

MRP derives revenue by combining cutting-edge predictive analytics with a full suite of account-based sales and marketing solutions. Throughout the year, concerns over the business outlook caused many of our customers to pause or reduce their demand generation activity, leading to a decline in revenue at MRP.

While we took action to align costs during the year, adjusted EBITDA decreased to £1.4m (FY22: £7.3m). In response, MRP has implemented cost savings that have reduced annualised operating costs by c. £6.0m and as a result we expect an improved performance in adjusted EBITDA in FY24.

Performance metrics	FY23	FY22
Gross margin	**41%**	44%
Adjusted EBITDA margin	**3%**	14%

Gross margin declined slightly to 41% (FY22: 44%) as a result of lower services utilisation balanced by cost efficiencies in third-party costs incurred in our display marketing offering. Admin expenses increased as we invested in upgrading cybersecurity protection, improved legal capability and incurred wage inflation.

Group Performance

Adjusted EBITDA

The reconciliation of operating (loss)/profit to adjusted EBITDA is provided below:

	FY23	FY22
	£m	£m
Operating (loss)/profit	**(1.5)**	6.4
Restructure and non-operational costs	**8.7**	3.1
Non-operational other income	—	(2.5)
Non-operational IT expenses*	**5.6**	2.3
Share based payment and related costs	**0.4**	1.7
Depreciation and amortisation	**21.6**	20.1
Adjusted EBITDA	**34.8**	31.0

**Non-operational IT expenses represents ERP implementation costs that are required to be expensed under accounting standards*

(Loss)/profit before tax

Adjusted profit before tax increased to £12.1m, with the increase in adjusted EBITDA balanced by higher depreciation and software amortisation charges. Financing costs increased by £0.9m reflecting higher interest rates partially offset as we continue to pay down debt.

The Group reported a loss before tax of £1.2m for the year, compared to a profit of £9.0m in FY22. The major factors were restructuring costs, particularly at MRP, the cost of implementing the Group's new Oracle ERP system and one-off costs to address legacy employee tax liabilities while on assignment.

The reconciliation of adjusted EBITDA to reported profit before tax is provided below.

	FY23 £m	FY22 £m
Adjusted EBITDA	**34.8**	31.0
Adjustments for:		
Depreciation	**(7.3)**	(6.8)
Amortisation of software development costs	**(11.5)**	(10.2)
Net financing costs	**(3.9)**	(3.0)
Adjusted profit before tax	**12.1**	11.0
Adjustments for:		
Amortisation of acquired intangibles	**(2.8)**	(3.1)
Share based payment and related costs	**(0.4)**	(1.7)
Restructure and non-operational costs	**(8.7)**	(3.1)
Non-operational other income	—	2.5
Non-operational IT expenses	**(5.6)**	(2.3)
Profit/(loss) on foreign currency translation	**2.1**	(1.8)
Share of profit of associate	—	0.3
Profit on disposal of associate	**3.0**	6.9
Net financing costs	**(0.9)**	0.2
Reported (loss)/profit before tax	**(1.2)**	9.0

(Loss)/earnings per share

The Group reported a loss after tax of £4.0m for the year, compared to a profit after tax of £6.4m in FY22. Adjusted profit after tax was £9.9m, an 8% increase on the prior year, resulting in a 9% increase in adjusted diluted earnings per share for the period to 35.3p.

The calculation of adjusted profit after tax is detailed below:

	FY23 £m	FY22 £m
Reported (loss)/profit before tax	**(1.2)**	9.0
Tax	**(2.8)**	(2.6)
Reported (loss)/profit after tax	**(4.0)**	6.4
Adjustments from (loss)/profit before tax (as per the table above)	**13.3**	2.1
Tax effect of adjustments	**(2.4)**	(1.3)
Discrete tax items	**3.0**	1.9
Adjusted profit after tax	**9.9**	9.1

Weighted average number of ordinary shares (diluted)	**28.0m**	28.0m
Reported (LPS)/EPS (diluted)	**(14.4p)**	22.9p
Adjusted EPS (diluted)	**35.3p**	32.3p

Cash generation and net cash (excluding lease liabilities)

The Group generated £33.5m of cash from operating activities before the exceptional Oracle ERP implementation cash outlay incurred during the year of £5.1m, representing a 96% conversion of adjusted EBITDA. We continued to focus on cash collection and working capital improvements and the target for the full year from operating activities, cash conversion was in the range of 80-85% of adjusted EBITDA.

At the year end we had a net cash position of £0.4m, broadly unchanged from the prior year. The factors impacting the movement in net cash (excluding lease liabilities) are summarised in the table below:

	FY23	FY22
	£m	£m
Opening net cash/(debt) (excluding lease liabilities)	**0.3**	(9.9)
Cash generated from operating activities before non-operational IT expenses	**33.5**	29.9
Non-operational IT expenses	**(5.1)**	(1.0)
Cash generated from operating activities	**28.5**	28.9
Taxes paid	**(1.5)**	(0.4)
Capital expenditure: property, plant and equipment	**(2.9)**	(2.8)
Proceeds from sale of property, plant and equipment	—	0.9
Capital expenditure: intangible assets	**(23.4)**	(18.9)
Sale of other investments and associates	**0.1**	11.0
Investments	**8.1**	0.1
Issue of new shares	**3.1**	0.8
Interest, foreign exchange and other	**(11.9)**	(9.3)
Closing net cash (excluding lease liabilities)	**0.4**	0.3

The drivers of cash performance in FY23 were the increasing spend on research and development, of which £23.1m was capitalised, and the sale of our investment in Quantile Technologies, following the completion of its sale to LSEG during the year.

After the year-end we refinanced our banking facilities, which had been due to expire in June 2024, on improved terms. The total facility remains at £130m and is entirely comprised of a revolving credit facility, replacing a £65m term loan and £65m revolving credit facility. The interest rate payable is SONIA/SOFR plus a fixed margin that depends on the level of debt relative to adjusted EBITDA. The margin on the new revolving credit facility is equal to 1.85% to 2.85%, this compares favourably to the previous margin of 2% to 3%. The lead arranger for the facility remains Bank of Ireland, with continued participation from Barclays and AIB and new participation from HSBC.

Definition of terms

The Group uses the following definitions for its key metrics:

Annual recurring revenue (ARR): the value at the end of the accounting period of recurring software revenue to be recognised in the next twelve months, formerly defined as “exit annual recurring revenue”.

Annual contract value (ACV): the sum of the value of each customer contract signed during the year divided by the number of years in each contract.

Net revenue retention rate (NRR): is based on the actual revenues in the quarter annualised forward to twelve months and compared to the revenue from the four quarters prior. The customer cohort is comprised of customers in the quarter that have generated revenue in the prior four quarters.

Adjusted admin expenses: is a measure used in internal management reporting which comprises administrative expenses per the statement of comprehensive income of £66.6m (FY22: £51.9m) adjusted for depreciation and amortisation of £21.6m (FY22: £20.1m), share based payments and related costs of £0.4m (FY22: £1.7m) and, restructure and non-operational costs of £8.7m (FY22: £3.1m), IT Systems implementation costs expensed £5.6m (FY22: £2.3m) and other income £(2.4)m (FY22: £(0.5)m).

Consolidated statement of comprehensive income

Year ended 28 February 2023

	Note	**2023 £'000**	2022 £'000
Revenue	2	**296,042**	263,463
Cost of sales		**(173,701)**	(157,327)
Gross profit	2	**122,341**	106,136
Operating costs			
Research and development costs		**(27,112)**	(21,125)
– of which capitalised		**23,138**	18,553
Sales and marketing costs		**(50,927)**	(47,355)
Administrative expenses		**(66,592)**	(51,949)
Impairment loss on trade and other receivables		**(2,645)**	(695)
Total operating costs		**(124,138)**	(102,571)
Other income		**249**	2,816
Operating (loss)/profit		**(1,548)**	6,381
Finance income		**24**	262
Finance expense		**(4,777)**	(3,015)
Gain/(loss) on foreign currency translation		**2,107**	(1,834)
Net finance costs		**(2,646)**	(4,587)
Share of gain of associate, net of tax		**—**	262
Profit on disposal of associate		**3,017**	6,943
(Loss)/profit before taxation		**(1,177)**	8,999
Income tax expense		**(2,836)**	(2,572)
(Loss)/profit for the year		**(4,013)**	6,427
(Loss)/profit for the year		**(4,013)**	6,427
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity investments at FVOCI – net change in fair value		**(522)**	(1,408)
Net gain on sale of FVOCI holding		**—**	150
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain on net investment in foreign subsidiaries		**12,052**	3,237
Net loss on hedge of net investment in foreign subsidiaries		**(3,124)**	(1,183)
Other comprehensive income for the year, net of tax		**8,315**	796
Total comprehensive income for the year attributable to owners of the parent		**4,393**	7,223

	Note	Pence	Pence
(Loss)/earnings per share			
Basic	3a	**(14.4)**	23.1
Diluted	3a	**(14.4)**	22.9

All profits are attributable to the owners of the Company and relate to continuing activities.

Consolidated balance sheet

As at 28 February 2023

	Note	**2023 £’000**	2022 £’000
Assets			
Property, plant and equipment	4	**25,593**	28,343
Intangible assets and goodwill	5	**175,660**	155,607
Other financial assets		**9,356**	19,676
Trade and other receivables		**2,548**	3,745
Deferred tax assets		**21,313**	17,998
Non-current assets		**234,470**	225,369
Trade and other receivables		**96,749**	74,029
Current tax receivable		**6,114**	4,172
Cash and cash equivalents		**36,905**	48,564
Current assets		**139,768**	126,765
Total assets		**374,238**	352,134
Equity			
Share capital		**140**	139
Share premium		**103,789**	100,424
Share option reserve		**18,974**	18,404
Fair value reserve		**3,002**	9,755
Currency translation adjustment reserve		**5,354**	(3,574)
Retained earnings		**69,609**	67,391
Equity attributable to owners of the Company		**200,868**	192,539
Liabilities			
Loans and borrowings	6	**17,026**	62,504
Trade and other payables		**3,681**	3,190
Deferred tax liabilities		**15,758**	15,307
Non-current liabilities		**36,465**	81,001
Loans and borrowings		**39,911**	9,054
Trade and other payables		**41,466**	33,606
Deferred income		**48,407**	26,990
Current tax payable		**682**	382
Employee benefits		**6,439**	8,562
Current liabilities		**136,905**	78,594
Total liabilities		**173,370**	159,595
Total equity and liabilities		**374,238**	352,134

Consolidated statement of changes in equity

Year ended 28 February 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022	139	100,424	—	18,404	9,755	(3,574)	67,391	192,539
Total comprehensive income for the year								
Loss for the year	—	—	—	—	—	—	(4,013)	(4,013)
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	—	—	—	—	—	12,052	—	12,052
Net exchange loss on hedge of net investment in foreign subsidiaries	—	—	—	—	—	(3,124)	—	(3,124)
Transfer of reserve of sale of equity investment	—	—	—	—	(6,231)	—	6,231	—
Net change in fair value of equity investments at FVOCI	—	—	—	—	(522)	—	—	(522)
Total comprehensive income for the year	—	—	—	—	(6,753)	8,928	2,218	4,393
Transactions with owners of the Company								
Tax relating to share options	—	—	—	245	—	—	—	245
Exercise of share options	1	3,079	—	—	—	—	—	3,080
Issue of shares	—	286	—	—	—	—	—	286
Share based payment charge	—	—	—	325	—	—	—	325
Balance at 28 February 2023	**140**	**103,789**	**—**	**18,974**	**3,002**	**5,354**	**69,609**	**200,868**

Consolidated statement of changes in equity (continued)

Year ended 28 February 2022

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2021	139	99,396	8,118	16,790	10,682	(5,628)	53,177	182,674
Total comprehensive income for the year								
Profit for the year	—	—	—	—	—	—	6,427	6,427
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	—	—	—	—	—	3,237	—	3,237
Net exchange loss on hedge of net investment in foreign subsidiaries	—	—	—	—	—	(1,183)	—	(1,183)
Net change in fair value of equity investments at FVOCI	—	—	—	—	(1,408)	—	—	(1,408)
Net gain/(loss) on sale of FVOCI holding	—	—	—	—	481	—	(331)	150
Total comprehensive income for the year	—	—	—	—	(927)	2,054	6,096	7,223
Transactions with owners of the Company								
Tax relating to share options	—	—	—	80	—	—	—	80
Exercise of share options	—	773	—	—	—	—	—	773
Issue of shares	—	255	—	—	—	—	—	255
Share based payment charge	—	—	—	1,534	—	—	—	1,534
Transfer (see note 21)	—	—	(8,118)	—	—	—	8,118	—
Balance at 28 February 2022	**139**	**100,424**	**—**	**18,404**	**9,755**	**(3,574)**	**67,391**	**192,539**

Consolidated cash flow statement

Year ended 28 February 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
(Loss)/profit for the year	**(4,013)**	6,427
Adjustments for:		
Net finance costs	**2,646**	4,587
Depreciation of property, plant and equipment	**7,265**	6,308
Amortisation of intangible assets	**14,331**	13,817
Equity-settled share based payment transactions	**325**	1,534
Profit on disposal of associate	**(3,017)**	(6,943)
Loss/(profit) on disposal of fixed assets	**5**	(222)
Other income	**(9)**	(2,499)
Grant income	**(240)**	(317)
Share of profit of associate	**—**	(262)
Tax expense	**2,836**	2,572
	20,129	25,002
Changes in:		
Trade and other receivables	**(14,604)**	(1,585)
Trade and other payables and deferred income	**22,970**	5,473
Cash generated from operating activities	**28,495**	28,890
Taxes paid	**(1,467)**	(407)
Net cash from operating activities	**27,028**	28,483
Cash flows from investing activities		
Interest received	**24**	19
Acquisition of subsidiaries	**—**	(118)
Acquisition of other investments	**—**	(95)
Sale of associate	**100**	11,001
Sale of other investments	**8,139**	175
Acquisition of property, plant and equipment	**(2,940)**	(2,777)
Proceeds from sale of property, plant and equipment	**67**	920
Acquisition of intangible assets	**(23,468)**	(18,931)
Net cash used in investing activities	**(18,078)**	(9,806)
Cash flows from financing activities		
Proceeds from issue of share capital	**3,080**	773
Repayment of borrowings	**(17,823)**	(19,141)
Payment of lease liabilities	**(4,000)**	(3,598)
Interest paid	**(3,666)**	(2,932)
Net cash used in financing activities	**(22,409)**	(24,898)
Net decrease in cash and cash equivalents	**(13,459)**	(6,221)
Cash and cash equivalents at 1 March	**48,564**	55,198
Effects of exchange rate changes on cash held	**1,800**	(413)
Cash and cash equivalents at 28 February	**36,905**	48,564

1. Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 28 February 2023 nor 28 February 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Both the consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs").

2. Operating and business segments

Information about reportable segments

	KX		FD		MRP		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue by segment								
Revenue	**80,239**	64,418	**174,329**	147,988	**41,474**	51,057	**296,042**	263,463
Gross profit	**57,971**	44,520	**47,345**	39,376	**17,025**	22,240	**122,341**	106,136
Adjusted EBITDA	**16,621**	9,782	**16,712**	13,982	**1,429**	7,283	**34,762**	31,047
Restructure and non-operational costs							**(8,716)**	(3,082)
IT systems implementation costs expensed							**(5,562)**	(2,287)
Non-operational other income							**—**	2,499
Share based payment and related costs							**(436)**	(1,671)
Depreciation and amortisation							**(18,799)**	(16,994)
Amortisation of acquired intangibles							**(2,797)**	(3,131)
Operating (loss)/profit							**(1,548)**	6,381
Net finance costs							**(2,646)**	(4,587)
Profit on disposal of associate							**3,017**	6,943
Share of profit of associate, net of tax							**—**	262
(Loss)/profit before taxation							**(1,177)**	8,999

Geographical location analysis

	Revenues		Non-current assets	
	2023	2022	**2023**	2022
	£’000	£’000	**£’000**	£’000
UK	**104,163**	79,355	**87,589**	87,448
EMEA	**55,062**	46,463	**17,028**	16,826
The Americas	**114,848**	110,697	**106,317**	118,576
Asia Pacific	**21,969**	26,948	**2,223**	2,952
Total	**296,042**	263,463	**213,157**	225,802

Disaggregation of revenue

	KX		FD		MRP		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£’000	£’000	**£’000**	£’000	**£’000**	£’000	**£’000**	£’000
Type of good or service								
Sale of goods – perpetual	**1,556**	3,589	**—**	—	**—**	—	**1,556**	3,589
Sale of goods – recurring	**58,326**	39,192	**—**	—	**22,446**	27,015	**80,772**	66,207
Rendering of services	**20,357**	21,637	**174,329**	147,988	**19,028**	24,042	**213,714**	193,667
	80,239	64,418	**174,329**	147,988	**41,474**	51,057	**296,042**	263,463
Timing of revenue recognition								
At a point in time	**1,556**	3,589	**—**	—	**—**	—	**1,556**	3,589
Over time	**78,683**	60,829	**174,329**	147,988	**41,474**	51,057	**294,486**	259,874
	80,239	64,418	**174,329**	147,988	**41,474**	51,057	**296,042**	263,463

3. a) (Loss)/earnings per ordinary share

Basic

The calculation of basic (loss)/earnings per share at 28 February 2023 was based on the loss attributable to ordinary shareholders of £4,013k (2022: profit £6,427k), and a weighted average number of ordinary shares in issue of 27,962k (2022: 27,782k).

	2023	2022
	Pence	Pence
	per share	per share
Basic (loss)/earnings per share	**(14.4)**	23.1

Weighted average number of ordinary shares

	2023	2022
	Number	Number
	’000	’000
Issued ordinary shares at 1 March	**27,826**	27,717
Effect of share options exercised	**124**	58
Effect of shares issued as remuneration	**12**	7
Weighted average number of ordinary shares at 28 February	**27,962**	27,782

Diluted

The calculation of diluted (loss)/earnings per share at 28 February 2023 was based on the loss attributable to ordinary shareholders of £4,013k (2022: profit £6,427k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,962k (2022: 28,036k).

	2023 Pence per share	2022 Pence per share
Diluted (loss)/earnings per share	**(14.4)**	22.9

Weighted average number of ordinary shares (diluted)

	2023 Number ’000	2022 Number ’000
Weighted average number of ordinary shares (basic)	**27,962**	27,782
Effect of dilutive share options in issue	**—**	254
Weighted average number of ordinary shares (diluted) at 28 February	**27,962**	28,036

At 28 February 2023 in accordance with IAS 33, due to the loss in the financial period share options in issue are anti-dilutive meaning there is no difference between basic and diluted earnings per share. In the prior year 518,137 shares were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive. The average market value of the Group’s shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

3. b) (Loss)/ earnings before tax per ordinary share

(Loss)/earnings before tax per share are based on loss before taxation of £1,177k (2022: profit £8,999k). The number of shares used in this calculation is consistent with note 3(a) above.

	2023 Pence per share	2022 Pence per share
Basic (loss)/earnings before tax per ordinary share	**(4.3)**	32.4
Diluted (loss)/earnings before tax per ordinary share	**(4.3)**	32.1

Reconciliation from (loss)/earnings per ordinary share to (loss)/ earnings before tax per ordinary share:

	2023 Pence per share	2022 Pence per share
Basic (loss)/earnings per share	**(14.4)**	23.1
Impact of taxation charge	**10.1**	9.3
Basic (loss)/earnings before tax per share	**(4.3)**	32.4
Diluted (loss)/earnings per share	**(14.4)**	22.9
Impact of taxation charge	**10.1**	9.2
Diluted (loss)/earnings before tax per share	**(4.3)**	32.1

(Loss)/earnings before tax per share is presented to facilitate pre-tax comparison returns on comparable investments.

3. c) Adjusted earnings after tax per ordinary share

Adjusted earnings after tax per share is based on an adjusted profit after taxation of £9,864k (2022: £9,051k). The adjusted profit after tax has been calculated by adjusting the loss after tax £4,013k (2022: profit £6,427k) for the amortisation of acquired intangibles after tax effect of £2,565k (2022: £2,715k), share based payment and related charges after tax effect of £353k (2022: £1,353k), restructure and non-operational costs after tax effect of £14,781k (2022: £4,473k), profit on disposal of associate after tax and share of profit of associate after tax effect of £3,017k (2022: £7,206k), the profit on foreign currency translation after tax effect of £1,707k (2022: loss £1,485k), finance costs after tax effect of £902k (2022: £nil) and finance income from sale of investment after tax effect of £nil (2022: £197k). The number of shares used in this calculation is consistent with note 3(a) above.

	2023 Pence per share	2022 Pence per share
Adjusted basic earnings after tax per ordinary share	**35.3**	32.6
Adjusted diluted earnings after tax per ordinary share	**35.3**	32.3

4. Property, plant and equipment

Group

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2022	5,444	14,372	1,366	30,171	51,353
Additions	441	2,362	137	1,035	3,975
Disposals	(104)	(34)	—	(880)	(1,018)
Reclass	1,468	(1,468)	—	—	—
Exchange adjustments	230	624	89	1,443	2,386
At 28 February 2023	**7,479**	**15,856**	**1,592**	**31,769**	**56,696**
Depreciation					
At 1 March 2022	3,544	8,544	1,116	9,806	23,010
Charge for the year	671	2,257	171	4,166	7,265
Disposals	(32)	—	—	(451)	(483)
Reclass	(38)	(9)	47	—	—
Exchange adjustments	116	539	28	628	1,311
At 28 February 2023	**4,261**	**11,331**	**1,362**	**14,149**	**31,103**

	Leasehold improvements £’000	Plant and equipment £’000	Office furniture £’000	Right-of-use assets £’000	Total £’000
Cost					
At 1 March 2021	6,224	11,886	1,349	32,590	52,049
Additions	318	2,442	17	377	3,154
Disposals	(1,144)	(10)	—	(3,131)	(4,285)
Exchange adjustments	46	54	—	335	435
At 28 February 2022	5,444	14,372	1,366	30,171	51,353
Depreciation					
At 1 March 2021	3,321	6,845	894	7,448	18,508
Charge for the year	531	1,673	219	3,885	6,308
Disposals	(337)	(10)	—	(1,636)	(1,983)
Exchange adjustments	29	36	3	109	177
At 28 February 2022	3,544	8,544	1,116	9,806	23,010
Carrying amounts					
At 1 March 2021	2,903	5,041	455	25,142	33,541
At 28 February 2022	1,900	5,828	250	20,365	28,343
At 28 February 2023	**3,218**	**4,525**	**230**	**17,620**	**25,593**

5. Intangible assets and goodwill

Group

	Goodwill £’000	Customer lists £’000	Acquired software £’000	Brand name £’000	Internally developed software £’000	Total £’000
Cost						
Balance at 1 March 2022	106,501	12,834	29,769	743	101,540	251,387
Additions	—	—	330	—	—	330
Development costs	—	—	—	—	23,138	23,138
Exchange adjustments	10,141	1,083	2,877	59	978	15,138
At 28 February 2023	**116,642**	**13,917**	**32,976**	**802**	**125,656**	**289,993**
Amortisation						
Balance at 1 March 2022	—	11,832	26,106	703	57,139	95,780
Amortisation for the year	—	944	1,816	37	11,534	14,331
Exchange adjustment	—	1,003	2,527	55	637	4,222
At 28 February 2023	**—**	**13,779**	**30,449**	**795**	**69,310**	**114,333**

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2021	103,527	12,467	28,535	733	83,531	228,793
Development costs	—	—	—	—	18,553	18,553
Additions	—	—	378	—	—	378
Exchange adjustments	2,974	367	856	10	(544)	3,663
At 28 February 2022	106,501	12,834	29,769	743	101,540	251,387
Amortisation						
Balance at 1 March 2021	—	10,426	22,619	652	47,583	81,280
Amortisation for the year	—	1,083	2,475	42	10,217	13,817
Exchange adjustment	—	323	1,012	9	(661)	683
At 28 February 2022	—	11,832	26,106	703	57,139	95,780
Carrying amounts						
At 1 March 2021	103,527	2,041	5,916	81	35,948	147,513
At 28 February 2022	106,501	1,002	3,663	40	44,401	155,607
At 28 February 2023	**116,642**	**138**	**2,527**	**7**	**56,346**	**175,660**

6.Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Current liabilities				
Secured bank loans	**36,499**	5,311	**36,499**	5,311
Lease liabilities	**3,412**	3,743	**1,007**	1,445
	39,911	9,054	**37,506**	6,756
Non-current liabilities				
Secured bank loans	**—**	42,925	**—**	42,926
Lease liabilities	**17,026**	19,579	**7,522**	8,549
	17,026	62,504	**7,522**	51,475

Terms and repayment schedule

After the year end, we refinanced our banking facilities, which had been due to expire in June 2024, on improved terms. The total facility remains at £130m and is entirely comprised of a revolving credit facility, replacing a £65m term loan and £65m revolving credit facility. The interest rate payable is SONIA/SOFR plus a fixed margin that depends on the level of debt relative to adjusted EBITDA. The margin on the new revolving credit facility is equal to 1.85% to 2.85%, this compares favourably to the previous margin of 2% to 3%. The lead arranger for the facility remains Bank of Ireland, with continued participation from Barclays and AIB and new participation from HSBC.

7. Subsequent events

On 19 May 2023 the parent company FD Technologies plc renewed its banking facilities, which had been due to expire in June 2024. Further details of the loan financing arrangement are included in note 6.