FDTechnologies

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FD Technologies plc
(“FD Technologies”, the “Company” or the “Group”)

FY24 Trading Update – KX and First Derivative Performance

FD Technologies (AIM: FDP.L, Euronext Growth: FDP.I) announces an update on trading for the year to 29 February 2024.

A separate RNS has also been released providing an update on the conclusion of the structure review and a merger of MRP with CONTENTgine.

We anticipate that Group revenue will be slightly below consensus at not less than £247m, and adjusted EBITDA will be in line with consensus at not less than £22.5m*. These anticipated results exclude MRP, which will no longer be consolidated in our financial statements following the announcement of its merger with CONTENTgine referred to above.

The revenue performance for the Group was impacted by the prevailing macro-economic conditions and some short-term challenges in KX, which we are proactively addressing as detailed in the overview below.

KX performance

KX is expected to report annual contract value (ACV) added of approximately £7m in the second half of the financial year, making total ACV for the year of approximately £14m. This is expected to result in ARR growth at constant currency for the year of not less than 12%.

The lower than expected FY24 ARR growth at KX is due to the following factors:

- Despite early wins in H1, we have seen a lower conversion ratio and longer sales cycles, particularly in the joint Cloud Service Provider (CSP) pipeline for our newer industry sectors which we attribute to having fewer repeatable use cases and lower brand recognition
- Delayed decision making on a small number of larger contracts expected to be signed during H2 which have slipped into FY25 as customers require more time to complete their purchasing process, in addition to sales cycles generally lengthening due to macro headwinds.

To address these issues, we have implemented the following measures:

- Upgraded our sales leadership through the appointment of Clint Maddox as Chief Revenue Officer in February 2024 and Peter Finter as Chief Marketing Officer in September 2023. Clint Maddox has a strong track record of sales leadership success in enterprise technology and channel distribution at companies including Broadcom and CA. He brings the experience needed to scale our sales processes and increase efficiency. Peter Finter has experience building marketing strategies at hyper-growth technology companies and is focused on driving down customer acquisition costs, expanding brand awareness beyond capital markets, and positioning KX as the engine for AI workflows

- Focused more direct sales resources on repeatable use cases in financial services and aerospace and defence which combined accounted for more than 80% of our FY24 ACV
- Other industry markets will be served through partner channels with strong brand recognition including CSPs, Systems Integrators and OEMs. Despite the short-term challenges in H2, the CSP channel remains strategic, and we expect stronger conversion rates as we refine our joint sales processes and add more customer references and use cases.

The lower level of ARR has not materially affected KX FY24 reported revenue or adjusted EBITDA. We are optimising our cost base for FY25 and focusing our investment on the areas of highest return and following these actions we will be better placed to give detailed guidance with our FY24 results** as well as update on our H1 FY25 progress. Given the high level of predictability of our reported revenue and our current cost plans, we expect that KX cash EBITDA in FY25 will be slightly improved compared to FY24.

Despite the ARR performance for the year, the unique capabilities and differentiation of the KX technology continue to be consistently confirmed by our customers and partners. The action we have taken on sales and marketing leadership and processes will enable us to deliver stronger and more sustainable returns in the future.

The key drivers of sustainable growth in FY25 and beyond are:

- established, repeatable use cases with improved time to value in capital markets using standard configurations and cloud infrastructure, supporting quantitative research and trading strategies across many hundreds of financial institutions of all sizes
- Building on initial wins, aerospace and defence has solidified as a major sector for our technology responsible for approximately 25% of FY24 new business and will be important for FY25 and beyond, supporting engineering and warfare scenario simulation
- We delivered a major release of kdb+ (release 4.1), the foundational analytical database engine for all of our product range, with 15 of our most advanced customers already benefiting from the new, improved performance and functionality
- We are able to attract new audiences and provide value through our native Python integration 'PyKX'. With over 150,000 downloads and 25 customers, Python is central to our go-forward pipeline and ability to win new logos, add new workloads and bring high performance analytics to our customers and partners
- We continue to work with the CSPs on joint market propositions in capital markets but also in generative AI and as an OEM component within sector-specific solutions
- Following our increased investment, we are seeing accelerating activity in generative AI. Our investment in KDB.AI has allowed us to explore and validate highly differentiated use cases with key clients. This success builds confidence in establishing repeatable use cases within this burgeoning market, which will in turn drive revenue growth in FY25 and beyond.

First Derivative performance

At First Derivative customer spending caution continued to be evident through the second half of the financial year. FY24 revenue is expected to be approximately £170m, which is 7%

lower than FY23, although we were able to maintain EBITDA margin by managing our costs. Looking ahead, there are encouraging signs of improved customer sentiment although it remains too early to forecast the timing of a return to revenue growth.

Seamus Keating, Group CEO, said: "While the Group's revenue and adjusted EBITDA performance is broadly in line with our guidance, the KX ARR growth is disappointing. The slower growth reflects the weaker macro environment and some areas where we need to improve. We have moved quickly to strengthen our sales leadership and to ensure that the greatest focus is on repeatable use cases in financial services and aerospace and defence where we have a clear competitive advantage. With these operational improvements in place, we believe that our technology and market opportunity are compelling and that KX will deliver stronger, more sustainable growth and value for shareholders."

Analyst call
A presentation for institutional analysts will be held at 8.30am today via Zoom. Please contact FDtechnologies@fticonsulting.com for joining details.

**Company-compiled analyst consensus excluding MRP is for revenue of £254m, adjusted EBITDA of £22.5m and KX ARR of £83m*
*** FY24 full year results will be released on 21 May 2024*

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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 and First Derivative, providing consulting services which drive digital transformation in financial services and capital markets. FD Technologies operates from 13 locations across Europe, North America and Asia Pacific, and employs more than 2,400 people worldwide.

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