21 May 2024

FD Technologies plc

("FD Technologies" or the "Group")

Results for the year ended 29 February 2024

FD Technologies (AIM: FDP.L, Euronext Growth: FDP.I) announces its results for the year ended 29 February 2024.

Business highlights

Strategic progress despite short-term challenges, led by KX advancing its position in core markets and developing its AI opportunity

KX:

- Delivered constant currency annual recurring revenue (ARR) growth of 12% to £73m; recurring revenue increased by 19% and now represents 86% of KX revenue (FY23: 81%)
- Performance was impacted by lower pipeline conversion rates and lengthened sales cycles, resulting from a combination of having fewer repeatable use cases in newer markets and macroeconomic headwinds
- Annual contract value added of £14m, of which more than 80% was derived from repeatable use cases in our core markets of financial services and aerospace and defence; 19 new logos signed (FY23: 16)
- Launched KDB.AI, our vector database for real-time contextual AI, with initial sales during the period and a number of key technical wins with major existing and potential customers demonstrating its ability to drive growth
- Launch of kdb Insights offerings with Microsoft, AWS, GCP, Databricks and Snowflake providing reduced time to value and cost to operate, as well as signing partnerships with leading industry partners including McLaren Applied and SRC
- Release of kdb+ 4.1, which has redefined the high-performance analytical database landscape, marking a major step forward in our core technology and the first major release in four years
- Completed the KX leadership team with senior appointments including a Chief Revenue Officer, Chief Marketing Officer and Chief Product & Engineering Officer to drive the next growth phase of KX.

First Derivative:

- Revenue declined by 8% to £170m due to increased spending caution among customers, with measures taken to control costs and improve efficiency, enabling adjusted EBITDA margin to be maintained
- Areas of demand for our domain and technology skills mitigating lower spending on general technology skills within our customer base and leaving us well positioned when demand improves
- Improvement in bookings in Q4 FY24 but market remains cautious.

Group structure review

In October 2023 the Board announced a review of the optimal organisational structure and allocation of capital to best position the Group to drive value for shareholders. In March 2024 the Board announced that it had unanimously concluded that the separation of its three businesses was in the best interests of all shareholders.

As a first step, it was also announced in March 2024 that the Group had agreed an all-share merger of MRP with CONTENTgine, a provider of B2B technology buyer insights and lead generation. FD Technologies owns 49% of the merged entity, which is reported as discontinued operations in FY24 and will be reported as an associate investment in future years. FY23 has been restated to remove MRP to enable year-on-year comparison in performance.

The final step in the process is the separation of KX and First Derivative, with a measured and thoughtful process under way to ensure that any transaction reflects the value of First Derivative. Advisers on the process have been appointed and further updates will be provided as appropriate.

Seamus Keating, CEO of FD Technologies, commented: "FY24 presented challenges within our businesses but we made significant strategic progress and we enter FY25 with clarity and focus on the exciting opportunities ahead. While KX's ARR growth was below our expectations for the year, we have addressed the operational challenges and are well placed to execute on the enormous addressable market in the industries we are targeting. First Derivative managed its cost base to ensure that despite the caution in its customer spending, it maintained margins. In the early months of FY25, the market has remained subdued but with stable activity levels.

Looking to FY25, the conclusion of the structure review provides a clear path to value creation for shareholders while the operational improvements, focus on repeatable use cases and growing opportunity in AI provide confidence that KX will deliver stronger, sustainable growth."

Financial summary

Year ended February	**2024**	2023*	*Change*
Revenue	**£248.9m**	£254.6m	*(2%)*
Gross profit	**£105.7m**	£105.3m	*0%*
Loss before tax from continuing operations	**(£7.7m)**	£(0.4)m	*N/A*
Reported diluted LPS	**(145.2p)**	(14.4p)	*N/A*
Net debt**	**(£14.4m)**	(£3.7m)	*N/A*
Adjusted performance measures			
Adjusted EBITDA***	**£23.1m**	£33.3m	*(31%)*
Adjusted diluted (LPS)/EPS	**(0.7p)**	36.3p	*N/A*

* *FY23 has been restated excluding discontinued operations (MRP)*
** *Excluding lease obligations*
*** *Adjusted for share based payments and restructure and non-operational costs*

Financial highlights

- Group revenue down 2% to £249m (FY23: £255m), with gross profit flat as gross margins increased in KX due to increased software revenue, offsetting a decline in First Derivative gross margin from lower utilisation
- KX revenue growth of 12% to £79m (FY23: £71m), led by recurring revenue up 19% to represent 86% of total KX revenue (FY23: 81%) *Note that £9m of services revenue has been restated from KX to First Derivative in the year, with FY23 restated by £9m to enable a like-for-like comparison. Further details are provided in the Financial review*
- First Derivative revenue of £170m, down 8% (FY23: £184m), driven by continued customer caution resulting from lower investment banking revenues
- Adjusted EBITDA down 31% to £23m (FY23: £33m) as a result of accelerated investment in KX and lower revenue in First Derivative
- Net debt £14.4m (FY23: £3.7m)

Current trading and outlook

KX is expected to achieve annual contract value (ACV) added in the range of £16m to £18m in FY25, resulting in gross ARR growth of 20-25%. This ACV added is expected to be delivered from our pipeline of repeatable use cases in capital markets, aerospace and defence and high-tech manufacturing. The churn rate is expected to be similar to FY24 at approximately 8-10%, driven by the renewal rate of solutions sold in prior years, before returning to normal range of 5-7% from FY26. This provides an ARR growth range for FY25 of 11-15% at constant currency.

KX cash EBITDA for the year is expected to be in line with FY24, with an expectation that KX will generate positive cash EBITDA for FY27. H1 FY25 has started positively and supports the Board's expectation of ACV added in the period in the range of £6m to £8m in H1 and £16m to £18m for the full year. From FY26 to FY28 we anticipate ARR CAGR in excess of 25%.

We expect First Derivative revenue in the range of £160m to £170m, at maintained EBITDA margins, based on continued caution on consultancy spending at our capital markets customers.

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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

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 comprises KX, software to accelerate AI-driven innovation; and First Derivative, providing consulting services which drive digital transformation in financial services and capital markets.

KX – the high-performance analytics database engine for AI-driven innovation

KX's mission is to accelerate data and AI-driven innovation with high performance analytics database solutions, enabling our customers to transform into AI-first enterprises. KX is trusted by the world's top investment banks and hedge funds, aerospace and defence, life and health sciences, semiconductor, telecommunications and advanced manufacturing companies.

Time series and vector data analytics and management are at the heart of our products, independently benchmarked as the fastest on the market. They help our customers process data at unmatched speed and scale and empower line-of-business leaders, developers, data scientists, and data engineers to build high-performance data-driven applications and turbocharge their favourite analytics tools in the cloud, on premise or at the edge.

In FY24 KX achieved significant technological milestones including:

- The introduction of KDB.AI, expanding our product suite with a vector database that offers unmatched analytical capabilities
- The launch of a kdb Insights Enterprise offering with Microsoft and kdb Insights offerings with AWS, Databricks, GCP and Snowflake, each presenting a compelling value proposition, greatly reduced time to value and reduced cost to operate
- The launch of kdb+ 4.1, providing significant updates in performance, security and usability and empowering developers to turbo charge workloads
- Expanded features and capabilities of our language interfaces and tooling including Python, SQL and also Visual Studio Code. For example, our native Python-first interface, 'PyKX', now has more than 150,000 downloads and is central to our sales pipeline and ability to win new logos.

Industry forecasts by Gartner highlight significant annual investments across non-relational databases ($54bn), analytics and business intelligence platforms ($26bn), and data science and AI platforms ($24bn), with growth rates ranging from 20 to 25% annually.

Commercial progress

During FY24, the KX business added £14m of annual contract value and ARR grew by 12% (at constant currency). The lower than expected growth in ARR bookings was primarily as a result of lower than expected pipeline conversation rates, particularly with respect to new offerings and new channels. Furthermore, in the current macroeconomic environment customers are scrutinising their IT and cloud spend with renewed focus on operating costs. This resulted in lengthening sales cycles for larger purchases.

As a demonstration of strategic progress and return on recent investments, over 40% of new bookings in FY24 came from industry segments outside of capital markets; 25% of our new bookings were in Aerospace & Defence and 10% in semi-conductor manufacturing, working with our OEM and systems integration industry partners. Furthermore, approximately 90% of our new bookings are from strategic products as opposed to solutions.

During FY24 we made additional investment to underpin our generative AI product offering and in FY25 we will optimise our cost base to focus our investment on the areas of highest return.

Leadership

During the year we made multiple key hires within the KX executive team, including a Chief Revenue Officer, Clint Maddox, who has a track record of sales leadership success in enterprise technology and channel distribution; a Chief Marketing Officer, Peter Finter, who has experience building marketing strategies at hyper-growth technology companies; and a Chief Product & Engineering Officer, Michael Gilfix, who has a track record building scalable global software product businesses for the enterprise market. We continue to invest in sales and marketing, strengthening and evolving our go-to-market team at all levels.

Opportunity for KX in the AI era

During FY24 we reinforced the position of kdb+ as the go-to database and query language for high-performance data analysis and model development. The rise of AI and the vast Python ecosystem present exciting opportunities that are seamlessly bridged by PyKX, our Python-first interface, and the collaborative environments of kdb Insights and Insights Enterprise. Now, KDB.AI further enriches this landscape, providing powerful tools specifically tailored for AI-driven applications and data platforms such as the AI Factory concept.

At the heart of the AI Factory, KX delivers a high-performance, scalable, and efficient analytics engine tailored for processing time-sensitive data. Our mission is to empower enterprises across various sectors to leverage the immense power of their data for insightful discovery, operational efficiency, and effective risk management. Aligning with the expansive market potential identified by industry experts, KX focuses on driving innovation and value, sidestepping the granular market size specifics for individual verticals.

Go-to-market priorities in FY25

The unique capabilities and differentiation of KX technology continue to be consistently confirmed by our customers and partners. It is from this base that we have built our growth plans. The key drivers of sustainable growth in FY25 and beyond are:

- Disciplined focus on established, repeatable use cases in capital markets leveraging standard configurations with options for cloud and on-premise infrastructure
- Continued investment in aerospace and defence leveraging our partnerships with Cloud Service Providers (CSPs) and specialist systems integrators
- Working with established OEM partners and channels to target customer wins in semiconductor and high-tech manufacturing
- Continuing to work with the CSPs on joint market propositions in capital markets as well as generative AI and as an OEM component within sector-specific solutions
- Accelerating work with customers to validate differentiated use cases within generative AI and generate market share.

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

First Derivative is a capital markets focused consultancy that delivers a combination of deep domain skills and expertise in relevant technologies to enable its customers to meet their most demanding technology challenges. We are a trusted partner of leading investment banks, putting business outcomes at the centre of what we set out to achieve.

First Derivative delivered revenue of £170m for the year, down 8% from the prior year as a result of the challenging conditions in its market. FY24 contained a number of challenges for the global consulting industry as companies around the world reigned in spending. In particular, the failure of Silicon Valley Bank in March 2023 started a chain reaction among a number of US mid-tier banks. These events led most banks to halt spending on new initiatives and even cut back their spending on existing contracted engagements.

The timing of the downturn in customer spending coincided with the completion of two major projects, resulting in a higher than typical bench that required some rightsizing to return to normal levels.

Market conditions did not improve through the year, as recession and the global political environment impacted customer confidence. Reduced income from mergers and acquisitions and IPOs resulted in customer budgets, including for technology, being cut further.

Later in FY24, some stability returned to customer spending with a growing need for change within our customers. Spend on compliance also improved later in the year given the regulatory change agenda over the next few years. These factors provide optimism on customer spending when technology budgets improve.

Despite the challenging conditions of reduced customer spending there has been an improvement in bookings in Q4 FY24.

While we are confident about the market fit of the services we provide, our customer relationships and our abilities, we continue to take a conservative view of near-term demand while positioning ourselves to benefit from a return to growth as customers release their technology budgets.

People

The Group currently employs more than 2,400 people, down 18% from the same time last year as a result of the merger of MRP with CONTENTgine and cost optimisation in First Derivative. Our people policies are one of three key pillars on which our corporate responsibility and sustainability are designed, enabling us to attract and retain the talent needed to execute our growth strategy.

During FY24, we focused on developing our leadership and continued to pay particular attention to learning and development. Across our business and particularly within KX we hired key talent to lead the execution of our strategy, while identifying and developing our existing leadership talent through internally developed programmes such as the Aspiring Leadership Programme. This programme offers a structured and practical path to fast track high-potential individuals into leadership roles. We also evaluated and benchmarked every employee across the Group to ensure everyone is paid competitively and continue to foster a culture of high performance and feedback.

Despite the challenging market conditions in FY24 we adopted a focused approach to talent acquisition to ensure that we were hiring the right people for the right roles at the right time. Our focus for FY25 is to continue with planned recruitment to serve our growth strategy while further developing our training and development programmes to cultivate our talent.

Financial review

Revenue and Margins

The table below shows the breakdown of Group performance between KX and First Derivative.

	FY24			FY23*			
	Group	**KX**	**First Derivative**	Group	KX	First Derivative	***Group change***
	£m	**£m**	**£m**	£m	£m	£m	
Revenue	**248.9**	**79.1**	**169.7**	**254.6**	71.0	183.6	***(2%)***
Cost of sales	**(143.2)**	(17.2)	(126.0)	**(149.3)**	(16.9)	(132.3)	***(4%)***
Gross profit	**105.7**	**62.0**	**43.7**	**105.3**	54.1	51.2	***0%***
Gross margin	*42%*	*78%*	*26%*	***41%***	*76%*	*28%*	
R&D expenditure	**(31.1)**	(30.2)	(0.9)	**(23.4)**	(23.0)	(0.4)	***33%***
R&D capitalised	**24.8**	23.9	0.9	**19.4**	19.0	0.4	***28%***
Net R&D	**(6.3)**	(6.2)	(0.1)	(4.0)	(4.0)	(0.0)	***58%***
Sales and marketing costs	**(40.1)**	(31.8)	(8.2)	**(41.6)**	(26.3)	(15.3)	***(4%)***
Adjusted admin expenses	**(36.3)**	(18.8)	(17.5)	**(26.4)**	(11.0)	(15.5)	***37%***
Adjusted EBITDA	**23.1**	5.1	18.0	**33.3**	12.8	20.5	***(31%)***
Adjusted EBITDA margin	*9%*	*6%*	*11%*	*13%*	*18%*	*11%*	

** FY23 has been restated excluding discontinued operations (MRP)*

The revenue performance was led by 12% growth in KX while First Derivative declined by 8%, resulting in a 2% decline in Group revenue in the period. There was no appreciable currency impact on results due to similar average dollar FX rates this year compared to last year. Gross profit margin increased to 42% (FY23: 41%), with performance led by KX. During the year we announced we would accelerate investment in KX product development and go-to-market, particularly to target opportunities in AI. As a result, KX R&D cost increased by 31% and sales and marketing cost by 21%, supporting the launch of KDB.AI and contributing to our go-to-market capability. In addition, we continue to invest in people and systems to target the high growth markets in which we operate. These investments, together with the revenue reduction at First Derivative, resulted in adjusted EBITDA declining by 31% to £23.1m (FY23: £33.3m).

Reclassification of KX service revenue to First Derivative

During the period we transferred professional services contracts relating to post implementation consultancy and development from KX to First Derivative, where it is better placed to be serviced and grow. The numbers stated above reflect this change and the prior year results have also been restated to enable like-for-like comparison. The impact in the period was to move £9.0m of KX services revenue to First Derivative (FY23: £9.3m), along with £5.6m cost of sales (FY23: £5.4m) resulting in an impact on gross profit of £3.4m (FY23: £3.9m). A £0.1m movement in adjusted admin expenses (FY23: £0.1m) resulted in a net movement in adjusted EBITDA of £3.3m from KX to FD for the period (FY23: £3.8m).

KX

	KX total			Financial services			Industry		
	FY24	FY23	Change	**FY24**	FY23	Change	**FY24**	FY23	Change
	£m	£m		**£m**	£m		**£m**	£m	
Revenue	**79.1**	71.0	*12%*	**62.5**	59.7	*5%*	**16.6**	11.3	*48%*
Recurring	**68.4**	57.6	*19%*	**56.4**	50.2	*13%*	**12.0**	7.4	*62%*
Perpetual	**2.3**	1.6	*45%*	**0.1**	0.2	*(76%)*	**2.2**	1.3	*64%*
Total software	**70.7**	59.1	*20%*	**56.5**	50.4	*12%*	**14.2**	8.7	*62%*
Services	**8.5**	11.9	*(29%)*	**6.0**	9.3	*(35%)*	**2.4**	2.5	*(4%)*
Gross profit	**62.0**	54.1	*15%*						
Adjusted EBITDA	**5.1**	12.8	*(60%)*						

KX delivered 12% revenue growth in the period, driven by 19% growth in recurring revenue to £68m, balanced by a 29% reduction in services to £8.5m. The reduction in services reflects the increased ease of adoption of our software and therefore lower level of implementation services required. Annual contract value (ACV) added was £13.5m (FY23: £18.7m), with more than 80% of ACV added coming from repeatable use cases in capital markets and aerospace and defence. Revenue from perpetual license sales relates primarily to continuing customer engagements entered into before our decision in FY22 to focus exclusively on subscription sales for new customers.

Financial services revenue grew by 5% to £62.5m, with recurring revenue in financial services up 13%. 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. We had several new customer wins in the period driven by the release of PyKX, our Python-first interface, which now has more than 150,000 downloads.

Industry revenue grew by 48% to £16.6m with recurring revenue growing by 62% to £12.0m. This growth was primarily attributable to aerospace and defence and semiconductor manufacturing, where we have developed repeatable use cases that represent large and growing market opportunities.

For target markets outside of those referenced above we will work primarily through our partner networks of CSPs, OEMs and systems integrators to develop use cases that provide compelling return on investment.

Performance metrics	**FY24**	FY23	Change
Annual recurring revenue (ARR) £m	**72.5**	65.3	*11%*
Net revenue retention (NRR)	**109%**	119%	
Gross margin	**78%**	76%	
R&D expenditure as % of revenue	**38%**	32%	
Sales and marketing spend as % of revenue	**40%**	37%	
Adjusted EBITDA margin	**6%**	18%	

ARR increased by 11% to £72.5m while NRR of 109% is lower than the 119% achieved in FY23 principally due to the lower level of ACV added in the period. We continue to invest across KX to develop products that will enable us to gain market share in our target markets and to address the AI opportunity, as well as the go to market capability and leadership to deliver our growth strategy.

First Derivative

	FY24	FY23	Change
	£m	£m	
Revenue	**169.7**	183.6	*(8%)*
Gross profit	**43.7**	51.2	*(15%)*
Adjusted EBITDA	**18.0**	20.5	*(12%)*

Revenue for the period was £169.7m, a decline of 8% on FY23 as a result of increased caution at our customers as a result of stress on banks following the collapse of SVB, as well as lower IPO and M&A activity impacting the income of our investment banking customers. Additional factors such as geopolitical and recessionary pressure prolonged this caution, although late in FY24 we saw stability in both revenue and bookings.

Performance in First Derivative was strongest in its technology services and engineering services practices, which were both stable year on year, while the business services practice decreased by 16%. We continue to focus resources and sales effort in the areas of highest demand and where our domain expertise provides differentiation from our competitors.

In response to lower activity levels we removed approximately £9.0m of annualised operating costs, while simplifying the sales, delivery and practice management of the business. This, together with an easing of the attrition and wage inflation, has reduced the impact on margins as detailed below.

Performance metrics	**FY24**	FY23
Gross margin	**26%**	28%
Adjusted EBITDA margin	**11%**	11%

Gross margin was 26%, a decline from 28% in the prior year, for the reasons outlined above, while the impact of our efficiency measures enabled us to maintain an adjusted EBITDA margin of 11%.

Group Performance

Adjusted EBITDA

The reconciliation of operating (loss)/profit to adjusted EBITDA is provided below. The principal movement to note is the reduction in non-operational IT expenses following the successful implementation of the Group's Oracle Cloud Fusion ERP system.

	FY24	FY23[1]
	£m	£m
Operating (loss)/profit	**(2.4)**	1.0
Restructure and non-operational costs	**3.8**	7.0
Non-operational IT expenses[2]	**1.1**	5.6
Share based payment and related costs	**1.4**	0.4
Depreciation and amortisation	**19.2**	19.3
Adjusted EBITDA	**23.1**	33.3

[1]FY23 has been restated excluding discontinued operations (MRP)

[2] 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 decreased to £0.6m (FY23: £13.1m), resulting from the reduction in adjusted EBITDA and higher software amortisation costs resulting from our investment in R&D.

The Group reported a loss before tax from continuing operations of £7.7m for the period, compared to a loss of £0.4m in FY23 as restated.

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

	FY24	FY23[1]
	£m	£m
Adjusted EBITDA	**23.1**	33.3
Adjustments for:		
Depreciation	**(5.2)**	(6.2)
Amortisation of software development costs	**(13.7)**	(10.5)
Net financing costs	**(3.6)**	(3.6)
Adjusted profit before tax	**0.6**	13.1
Adjustments for:		
Amortisation of acquired intangibles	**(0.4)**	(2.7)
Share based payment and related costs	**(1.4)**	(0.4)
Restructure and non-operational costs	**(3.8)**	(7.0)
Non-operational IT expenses	**(1.1)**	(5.6)
Loss on foreign currency translation	**(1.6)**	0.0
Profit on disposal of associate	**0.1**	3.0
Net financing costs	**(0.2)**	(0.9)
Reported loss before tax from continuing operations	**(7.7)**	(0.4)

[1]*FY23 Reported loss before tax has been restated excluding loss before tax from discontinuing operations of £0.8m*

Discontinued operations - MRP

Following its all share merger with CONTENTgine, MRP is reported within discontinued operations and FY23 has been restated for comparative purposes. In FY24, MRP saw revenue decline following weaker customer demand, resulting in revenue of £29.0m (FY23: £41.5m) and an EBITDA loss of £4.1m (FY23: profit £1.4m). Accordingly, an impairment of goodwill and associated intangible assets of £21.2m was recognised in the year. In total, a loss before tax from discontinued operations relating to MRP has been recorded of £30.3m (FY23: 0.8m) and a reported loss after tax of £27.4m (FY23: £3.1m).

(Loss)/earnings per share

The Group reported a loss after tax of £13.4m for the period from continuing operations, compared to a loss after tax of £0.9m in FY23. Adjusted loss after tax was £0.2m, compared to a £10.2m profit in FY23, resulting in adjusted diluted loss per share for the period of 0.7p. The calculation of adjusted (loss)/profit after tax is detailed below:

	FY24	FY23
	£m	£m
Reported (loss)/profit before tax	**(7.7)**	0.4
Tax	**(5.6)**	(0.5)
Loss from discontinued operations	**(27.4)**	(3.1)
Reported loss after tax	**(40.8)**	(4.0)
Adjustments from (loss)/profit before tax (as per the table above)	**8.3**	13.5
Tax effect of adjustments	**(1.2)**	(2.4)
Loss from discontinued operations	**27.4**	3.1
Discrete tax items	**6.0**	-
Adjusted (loss)/profit after tax	**(0.2)**	10.2
Weighted average number of ordinary shares (diluted)	**28.1m**	28.0m
Reported LPS (diluted)	**(145.2p)**	(14.4p)
Adjusted (LPS)/EPS (diluted)	**(0.7p)**	36.3p

Cash generation and net cash (excluding lease liabilities)

The Group generated £21.8m of cash from operating activities, representing a 94% conversion of adjusted EBITDA (FY23: 114%). At the period end we had a net debt position from continuing operations of £14.4m, up from the FY23 position of net debt of £3.7m. The factors impacting the movement are summarised in the table below:

	FY24	FY23[1]
	£m	£m
Opening net debt (excluding lease liabilities)	**(3.7)**	(18.3)
Cash generated from operating activities before non-operational IT expenses	**22.9**	43.2
Non-operational IT expenses	**(1.1)**	(5.1)
Cash generated from operating activities	**21.8**	38.1
Taxes paid	**(3.8)**	(1.5)
Capital expenditure: property, plant and equipment	**(0.6)**	(2.8)
Capital expenditure: intangible assets	**(24.8)**	(19.6)
Sale of other investments and associates	**3.0**	0.1
Investments	**(0.2)**	8.1
Issue of new shares	**0.1**	3.1
Interest, foreign exchange and other	**(6.1)**	(11.0)
Closing net debt (excluding lease liabilities) from continuing operations	**(14.4)**	(3.7)

[1]FY23 Net cash as reported of £0.4m has been restated excluding cash held by discontinued operations at 28 Feb 2023 of £4.1m

The drivers of cash performance in FY24 were increasing spend on research and development, where of the total £31.1m spend £24.8m (80%) was capitalised, lower capex costs following heavy investment in prior periods and an earnout payment relating to the sale of our investment in RxDataScience Inc in FY24.

We refinanced our banking facility in early FY24 on improved terms and it comprises a £130m revolving credit facility, with an interest rate payable of SONIA/SOFR plus a margin range of 1.85% to 2.85%.

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.

Gross annual recurring revenue (Gross ARR): ARR excluding churn.

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 £58.1m (FY23: £56.7m) adjusted for depreciation and amortisation of £19.2m (FY23: £19.3m), share based payments and related costs of £1.4m (FY23: £0.4m), restructure and non-operational costs of £3.8m (FY23: £7.0m), IT systems implementation costs expensed £1.1m (FY23: £5.6m), impairment loss on trade and other receivables £3.8m (FY23: £2.2m) and other income £0.1m (FY23: £0.2m)

Consolidated statement of comprehensive income

Year ended 29 February 2024

	Note	**2024 £'000**	2023 restated* £'000
Continuing operations			
Revenue	2	**248,863**	254,568
Cost of sales		**(143,152)**	(149,252)
Gross profit	2	**105,711**	105,316
Operating costs			
Research and development costs		**(31,094)**	(23,409)
– of which capitalised		**24,799**	19,435
Sales and marketing costs		**(40,070)**	(41,574)
Administrative expenses		**(58,113)**	(56,741)
Impairment loss on trade and other receivables		**(3,811)**	(2,245)
Total operating costs		**(108,289)**	(104,534)
Other income		**148**	249
Operating (loss)/profit		**(2,430)**	1,031
Finance income		**124**	24
Finance expense		**(3,968)**	(4,489)
(Loss)/gain on foreign currency translation		**(1,560)**	10
Net finance costs		**(5,404)**	(4,455)
Profit on disposal of associate		**88**	3,017
(Loss)/profit before taxation		**(7,746)**	(407)
Income tax expense		**(5,626)**	(480)
Loss for the year from continuing operations		**(13,372)**	(887)
Discontinued operations			
Loss after tax for the year from discontinued operations	7	**(27,412)**	(3,126)
Loss for the year attributable to owners of the Company		**(40,784)**	(4,013)

Consolidated balance sheet

As at 29 February 2024

	Note	**2024 £'000**	2023 £'000
Assets			
Property, plant and equipment	4	**14,581**	25,593
Intangible assets and goodwill	5	**154,040**	175,660
Other financial assets		**7,642**	9,356
Trade and other receivables		**2,146**	2,548
Deferred tax assets		**11,029**	21,313
Non-current assets		**189,438**	234,470
Trade and other receivables		**63,170**	96,749
Current tax receivable		**10,249**	6,114
Cash and cash equivalents		**20,787**	36,905
Assets classified as held for sale	7	**22,879**	—
Current assets		**117,085**	139,768
Total assets		**306,523**	374,238
Equity			
Share capital		**140**	140
Share premium		**104,120**	103,789
Share option reserve		**19,811**	18,974
Fair value reserve		**(723)**	3,002
Currency translation adjustment reserve		**441**	5,354
Retained earnings		**23,195**	69,609
Equity attributable to owners of the Company		**146,984**	200,868
Liabilities			
Loans and borrowings	6	**44,086**	17,026
Trade and other payables		**4,498**	3,681
Deferred tax liabilities		**11,562**	15,758
Non-current liabilities		**60,146**	36,465
Loans and borrowings		**2,466**	39,911
Trade and other payables		**33,690**	41,466
Deferred income		**43,176**	48,407
Current tax payable		**1,075**	682
Employee benefits		**6,349**	6,439
Liabilities classified as held for sale	7	**12,637**	—
Current liabilities		**99,393**	136,905
Total liabilities		**159,539**	173,370
Total equity and liabilities		**306,523**	374,238

Consolidated statement of changes in equity

Year ended 29 February 2024

	Share capital £'000	Share premium £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2023	140	103,789	18,974	3,002	5,354	69,609	200,868
Total comprehensive income for the year							
Loss for the year	—	—	—	—	—	(40,784)	(40,784)
Other comprehensive income							
Net exchange gain on net investment in foreign subsidiaries	—	—	—	—	(5,760)	—	(5,760)
Net exchange loss on hedge of net investment in foreign subsidiaries	—	—	—	—	847	—	847
Net change in fair value of equity investments at FVOCI	—	—	—	(3,725)	—	—	(3,725)
Total comprehensive income for the year	—	—	—	(3,725)	(4,913)	(40,784)	(49,422)
Transactions with owners of the Company							
Tax relating to share options	—	—	(215)	—	—	—	(215)
Exercise of share options	—	64	—	—	—	—	64
Issue of shares	—	267	—	—	—	—	267
Tax on other items taken to reserves	—	—	—	—	—	(5,986)	(5,986)
Share based payment release	—	—	(356)	—	—	356	—
Share based payment charge	—	—	1,408	—	—	—	1,408
Balance at 29 February 2024	**140**	**104,120**	**19,811**	**(723)**	**441**	**23,195**	**146,984**

	Share capital £'000	Share premium £'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 cash flow statement

Year ended 29 February 2024

	2024	2023
	£'000	£'000
Cash flows from operating activities		
Loss for the year	**(40,784)**	(4,013)
Adjustments for:		
Net finance costs	**6,176**	2,646
Depreciation of property, plant and equipment	**6,339**	7,265
Amortisation of intangible assets	**15,291**	14,331
Lease modification	**(1,469)**	—
Impairment loss on remeasurement of the disposal group	**21,204**	—
Equity-settled share based payment transactions	**1,408**	325
Profit on disposal of associate	**(88)**	(3,017)
Loss on disposal of fixed assets	**10**	5
Other income	**—**	(9)
Grant income	**(148)**	(240)
Tax expense	**2,735**	2,836
	10,674	20,129
Changes in:		
Trade and other receivables	**12,039**	(14,604)
Trade and other payables and deferred income	**(1,218)**	22,970
Cash generated from operating activities	**21,495**	28,495
Taxes paid	**(3,845)**	(1,467)
Net cash from operating activities	**17,650**	27,028
Cash flows from investing activities		
Interest received	**125**	24
Sale of associate	**3,005**	100
(Investment in)/sale of other investments	**(249)**	8,139
Acquisition of property, plant and equipment	**(654)**	(2,940)
Proceeds from sale of property, plant and equipment	**—**	67
Acquisition of intangible assets	**(27,220)**	(23,468)
Net cash used in investing activities	**(24,993)**	(18,078)
Cash flows from financing activities		
Proceeds from issue of share capital	**64**	3,080
Drawdown of loans and borrowings	**37,867**	—
Repayment of borrowings	**(38,019)**	(17,823)
Payment of lease liabilities	**(3,381)**	(4,000)
Interest paid	**(4,235)**	(3,666)
Net cash used in financing activities	**(7,704)**	(22,409)
Net decrease in cash and cash equivalents	**(15,047)**	(13,459)
Cash and cash equivalents at 1 March	**36,905**	48,564
Effects of exchange rate changes on cash held	**(1,071)**	1,800
Cash and cash equivalents at end of year	**20,787**	36,905

Cash and cash equivalents at end of year (continuing operations)	**20,787**	32,788
Cash and cash equivalents at end of year (discontinued operations)	**—**	4,117

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 29 February 2024 nor 28 February 2023 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 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		**Total**		MRP (discontinued)	
	2024 £'000	2023 restated* £'000	**2024 £'000**	2023 restated* £'000	**2024 £'000**	2023 restated* £'000	**2024 £'000**	2023 £'000
Revenue by segment								
Revenue	**79,146**	70,981	**169,717**	183,587	**248,863**	254,568	**28,975**	41,474
Gross profit	**61,978**	54,076	**43,733**	51,240	**105,711**	105,316	**12,817**	17,025
Adjusted EBITDA	**5,103**	12,824	**17,969**	20,509	**23,072**	33,333	**(4,124)**	1,429
Restructure and non-operational costs					**(3,805)**	(6,963)	**(1,667)**	**(1,753)**
IT systems implementation costs expensed					**(1,077)**	(5,562)	**—**	—
Share based payment and related costs					**(1,408)**	(436)	**—**	—
Depreciation and amortisation					**(18,839)**	(16,690)	**(2,316)**	**(2,109)**
Amortisation of acquired intangibles					**(373)**	(2,651)	**(101)**	(146)
Operating (loss)/profit					**(2,430)**	1,031	**(8,208)**	(2,579)
Net finance costs					**(5,404)**	(4,455)	**(774)**	1,809
Impairment of intangible assets and goodwill					**—**	—	**(21,204)**	—
Profit on disposal of associate					**88**	3,017	**—**	—
Lease costs					**—**	—	**(117)**	—
Loss before taxation					**(7,746)**	(407)	**(30,303)**	**(770)**

*Reclassification of KX service revenue to First Derivative

During the period we transferred professional services contracts relating to post implementation consultancy and development from KX to First Derivative, where it is better placed to be serviced and grow. The numbers stated above reflect this change and the prior year results have also been restated to enable like-for-like comparison. The impact in the period was to move £9,040k of KX services revenue to First Derivative (FY23: £9,258k), along with £5,609k cost of sales (FY23: £5,363k) resulting in an impact on gross profit of £3,431k (FY23: £3,895k). A £100k movement in adjusted admin expenses (FY23: £100k) resulted in a net movement in adjusted EBITDA of £3,331k from KX to FD for the period (FY23: £3,795k).

Geographical location analysis

	Revenues		Non-current assets	
	2024	2023 Restated	**2024**	2023
	£'000	£'000	**£'000**	£'000
UK	**78,360**	95,189	**81,817**	87,589
EMEA	**51,473**	51,698	**15,683**	17,028
The Americas	**92,398**	88,561	**79,593**	106,317
Asia Pacific	**26,632**	19,120	**1,316**	2,223
Total	**248,863**	254,568	**178,409**	213,157

Disaggregation of revenue

	KX		FD		Total	
	2024	2023 restated*	**2024**	2023 restated*	**2024**	2023
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Type of good or service						
Sale of goods – perpetual	**2,251**	1,556	**—**	—	**2,251**	1,556
Sale of goods – recurring	**68,438**	57,554	**—**	—	**68,438**	57,554
Rendering of services	**8,457**	11,871	**169,717**	183,587	**178,174**	195,458
	79,146	70,981	**169,717**	183,587	**248,863**	254,568
Timing of revenue recognition						
At a point in time	**2,251**	1,556	**—**	—	**2,251**	1,556
Over time	**76,895**	69,425	**169,717**	183,587	**246,612**	253,012
	79,146	70,981	**169,717**	183,587	**248,863**	254,568

*See note 3 for further details on 2023 reclassification of KX service revenue to First Derivative

3. a) Loss per ordinary share - from continuing and discontinued operations

Basic

The calculation of basic loss per share at 29 February 2024 was based on the loss attributable to ordinary shareholders of £40,784k (2023: £4,013k), and a weighted average number of ordinary shares in issue of 28,080k (2023: 27,962k).

	2024 Pence per share	2023 Pence per share
Basic loss per share	**(145.2)**	(14.4)

Loss per share from continuing operations at 29 February 2024 is 47.6p (FY23: 3.2p), based on the loss attributable to ordinary shareholders from continuing operations £13,372k (2023: £887k).

Weighted average number of ordinary shares

	2024 Number '000	2023 Number '000
Issued ordinary shares at 1 March	**28,065**	27,826
Effect of share options exercised	**4**	124
Effect of shares issued as remuneration	**11**	12
Weighted average number of ordinary shares at 29/28 February	**28,080**	27,962

Diluted

The calculation of diluted loss per share at 29 February 2024 was based on the loss attributable to ordinary shareholders of £40,784k (2023: £4,013k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 28,080k (2023: 27,962k).

	2024 Pence per share	2023 Pence per share
Diluted loss per share	**(145.2)**	(14.4)

Diluted loss per share from continuing operations at 29 February 2024 is 47.6p (FY23: loss per share 3.2p), based on the loss attributable to ordinary shareholders from continuing operations £13,372k (2023: £887k).

Weighted average number of ordinary shares (diluted)

	2024 Number ’000	2023 Number ’000
Weighted average number of ordinary shares (basic)	**28,080**	27,962
Effect of dilutive share options in issue	**—**	—
Weighted average number of ordinary shares (diluted) at 29/28 February	**28,080**	27,962

In accordance with IAS 33, share options in issue are anti-dilutive meaning there is no difference between basic and diluted loss per share in FY24 and FY23.

3. b) Loss before tax per ordinary share - from continuing and discontinued operations

Loss before tax per share is based on loss before taxation of £38,049k (2023: £1,177k). The number of shares used in this calculation is consistent with note 3(a) above.

	2024 Pence per share	2023 Pence per share
Basic loss before tax per ordinary share	**(135.5)**	(4.3)
Diluted loss before tax per ordinary share	**(135.5)**	(4.3)

Reconciliation from loss per ordinary share to loss before tax per ordinary share:

	2024 Pence per share	2023 Pence per share
Basic loss per share	**(145.2)**	(14.4)
Impact of taxation charge	**9.7**	10.1
Basic loss before tax per share	**(135.5)**	(4.3)
Diluted loss per share	**(145.2)**	(14.4)
Impact of taxation charge	**9.7**	10.1
Diluted loss before tax per share	**(135.5)**	(4.3)

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

3. c) Adjusted earnings after tax per ordinary share

The reconciliation of adjusted earnings after tax per share is shown below:

	2024 **£'000**	2023 (restated) £'000
Loss after tax	**(40,784)**	(4,013)
Amortisation of acquired intangibles after tax effect	**373**	2,419
Share based payments after tax effect	**1,408**	353
Restructure and non-operational costs after tax effect	**4,077**	10,395
Profit on sale of associate after tax effect	**(66)**	(3,017)
Loss/(gain) on foreign currency translation after tax effect	**1,177**	(8)
Finance costs after tax effect	**208**	902
Discrete items for tax	**6,011**	—
Loss after tax from discontinued operations	**27,412**	3,126
Adjusted (loss)/profit after tax	**(184)**	10,157

The number of shares used in this calculation is consistent with note 3(a) above.

	2024 **Pence per share**	2023 (restated) Pence per share
Adjusted basic (loss)/earnings after tax per ordinary share	**(0.7)**	36.3
Adjusted diluted (loss)/earnings after tax per ordinary share	**(0.7)**	36.3

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 2023	7,479	15,856	1,592	31,769	56,696
Additions	14	639	1	185	839
Disposals	(1,527)	(1,469)	(620)	(1,013)	(4,629)
Impairment	—	—	—	(1,059)	(1,059)
Transferred to assets held for sale*	(1,506)	(4,269)	(97)	(5,638)	(11,510)
Exchange adjustments	(154)	(401)	(22)	(802)	(1,379)
At 29 February 2024	**4,306**	**10,356**	**854**	**23,442**	**38,958**
Depreciation					
At 1 March 2023	4,261	11,331	1,362	14,149	31,103
Charge for the year	561	2,363	112	3,303	6,339
Disposals	(1,508)	(1,469)	(620)	(559)	(4,156)
Transferred to assets held for sale*	(880)	(3,870)	(97)	(3,214)	(8,061)
Exchange adjustments	(96)	(320)	(17)	(415)	(848)
At 29 February 2024	**2,338**	**8,035**	**740**	**13,264**	**24,377**
Carrying Amount					
At 29 February 2024	**1,968**	**2,321**	**114**	**10,178**	**14,581**

*At the financial reporting date MRP has been classified as a disposal group held for sale.

	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
Carrying Amount					
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 2023	116,642	13,917	32,976	802	125,656	289,993
Additions	—	—	49	—	—	49
Development costs	—	—	—	—	27,171	27,171
Disposals	—	—	—	—	(557)	(557)
Transferred to assets held for sale*	(18,099)	(3,523)	(5,660)	(229)	(16,136)	(43,647)
Exchange adjustments	(4,781)	(523)	(1,349)	(29)	(588)	(7,270)
At 29 February 2024	**93,762**	**9,871**	**26,016**	**544**	**135,546**	**265,739**
Amortisation						
Balance at 1 March 2023	—	13,779	30,449	795	69,310	114,333
Amortisation for the year	—	136	333	5	14,817	15,291
Disposals	—	—	—	—	(557)	(557)
Transferred to assets held for sale*	—	(3,523)	(3,949)	(228)	(7,459)	(15,159)
Exchange adjustment	—	(521)	(1,258)	(30)	(400)	(2,209)
At 29 February 2024	—	**9,871**	**25,575**	**542**	**75,711**	**111,699**
Carrying Amount						
At 29 February 2024	**93,762**	**—**	**441**	**2**	**59,835**	**154,040**

*At the financial reporting date MRP has been classified as a disposal group held for sale.

	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
Disposals	—	—	—	—	—	—
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
Carrying Amount						
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	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Current liabilities				
Secured bank loans	**—**	36,499	**—**	36,499
Lease liabilities	**2,466**	3,412	**1,096**	1,007
	2,466	39,911	**1,096**	37,506
Non-current liabilities				
Secured bank loans	**35,200**	—	**35,200**	—
Lease liabilities	**8,886**	17,026	**6,450**	7,522
	44,086	17,026	**41,650**	7,522

Terms and repayment schedule

In May 2023, FD Technologies plc refinanced its 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 2.80%, which 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. Discontinued operations and assets/liabilities classified as held for sale

In October 2023 the Group decided to conduct a formal Group structure review to achieve an optimal organisational structure and capital allocation to deliver best value for the Group's shareholders. After considering the available options and consulting with the shareholders and external advisers, the Board unanimously concluded on the separation of its interest in the MRP Business and related entities.

As at 29 February 2024, the disposal group was stated at fair value less costs to sell and results were presented within loss from discontinued operations.

8. Subsequent events

On 1 March 2024 following the review process and after extensive discussions with shareholders, the Board announced its intention to separate its three businesses and announced that it had agreed to an all-share merger of its MRP business with CONTENTgine, a provider of B2B technology buyer insights and lead generation. FD Technologies Group will own 49% of the combined entity, which will be reflected as an associate investment rather than consolidated in the Group financial statements.