



Kooth 2023 Full Year Results

A transformational year as we expand into the US market to help tackle the youth mental health crisis

26 March 2024



Tim Barker
Chief Executive Officer



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Chief Financial Officer

There is a growing, global crisis in youth mental health

New, transformative approaches are needed

Demand is outpacing support available

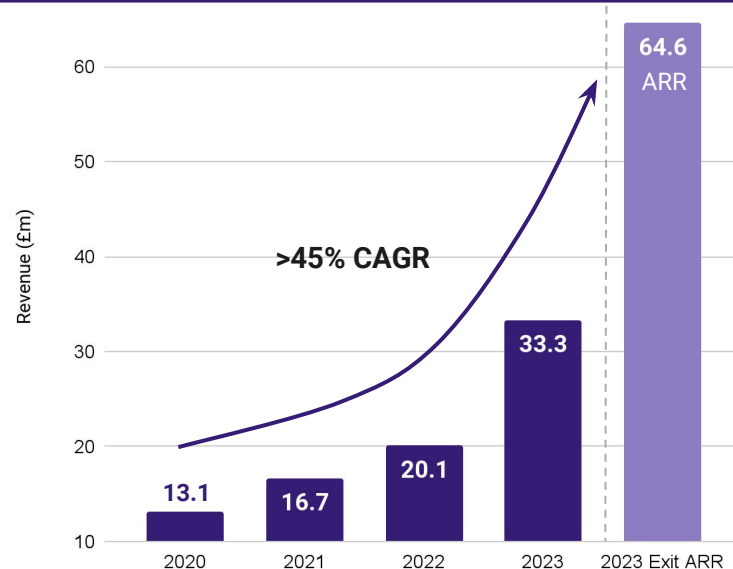
Double digit growth in youth seeking support, a worldwide shortage in mental health professionals, and growing healthcare costs

1-in-12 UK children and young people were referred to NHS mental health services in 2022/23

1-in-5 US youth in 2022 seriously considered suicide

In the last two years, **over \$7 billion** of US State and Federal funding has been allocated to tackle the crisis

Healthcare systems are working with Kooth to scale-up support to address this challenge



2023 strategic progress

1

Successful launch of contract with California Department of Health Care Services (DHCS) to deliver behavioral health care to the State's population of 13-25 year olds, representing a \$188 million, four-year opportunity

2

Development and launch of Soluna, Kooth's next-generation platform to help build mental health skills-for-life, access peer-support and professional help

3

Strong uptake in Pennsylvania pilot, with 1-in-10 high school students accessing Kooth

4

First US Medicaid strategic partnership to support youth in low-income families in Illinois

5

Accelerated investment in US Government sales to expand into additional States

6

UK CYP services stable despite NHS headwinds with short-term funding pressures

Financial highlights

66% revenue increase, a record year driven by US growth and continuing adoption of digital-first healthcare

£64.6m year end ARR

98% of revenue from contracts of 12+ months

98% UK Net Revenue Retention (2022: 107%)

8.7ppt gross margin growth driven by increased US revenue mix and contribution to product development

£11.0m net cash, strong, debt-free balance sheet with net cash generated from operations of £1.5m strengthened by net £9.4m fundraise in July 2023. Platform investment £8.7m

Revenue

£33.3m | **£20.1m**

2023

2022

Net Cash

£11.0m | **£8.5m**

2023

2022

Annual recurring revenue

£64.6m | **£21.1m**

2023

2022

Adjusted EBITDA

£2.3m | **£1.6m**

2023

2022

Gross margin

77.6% | **68.9%**

2023

2022

Adjusted EBITDA margin

6.8% | **8.0%**

2023

2022

Income statement

Financial year to 31 December £m	2021	2022	2023
ARR	16.9	21.1	64.6
Revenue	16.7	20.1	33.3
YoY growth	28%	21%	66%
Direct Costs	- 5.1	- 6.3	-7.5
Gross Profit	11.6	13.8	25.9
Gross Profit Margin	69.5%	68.9%	77.6%
Administrative Expenses	- 9.5	- 12.2	- 28.2
Adjusted EBITDA	2.1	1.6	2.3
Adjusted EBITDA Margin	12.5%	8.0%	6.8%
Amortisation and Depreciation	- 2.3	- 2.2	- 3.8
Share based Payments	- 0.5	- 0.3	- 0.7
Operating Loss	- 0.7	- 0.9	- 2.3
Capitalised R&D	- 2.5	- 3.0	- 8.7
Adj. EBITDA less capitalised R&D	- 0.4	- 1.4	-6.4

Record organic revenue growth to £33.3m driven by US expansion contributing £14.2m (2022 £1.5m)

Gross margin increases to 77.6% (2022 68.9%) A favourable mix of US development revenues were partially offset by salary inflation increases of our practitioners - a total of 304 heads at the year-end (2022: 267)

Excluding depreciation, amortisation and share based payments administrative expenses grew by **£11.4m** in the year, a 92.8% increase year on year, in line with our strategic investment plans

£8.7m of capitalised R&D increased by £5.7m representing our investment in the US platform

Incredible team effort to go live in California on 1/1

Project Achievements

>60

Contractual deliverables

3

New services built

2

Counties in September soft launch

2

Certifications: ISO27001, SOC2

HR & Recruitment

25k

Employment applications received

3k

Interviews conducted

200

US team hires

26

States with Kooth employees

Product & Engineering

>200

Youth engaged in co-design of Soluna

67

New features delivered from the roadmap

125

New pieces of content released

19

Telecoaching languages

Soluna: our next generation platform, for the next generation



Content, community, and coaching in a single, integrated platform

Engaging mobile app in multiple languages, culturally relevant content

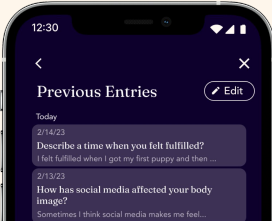
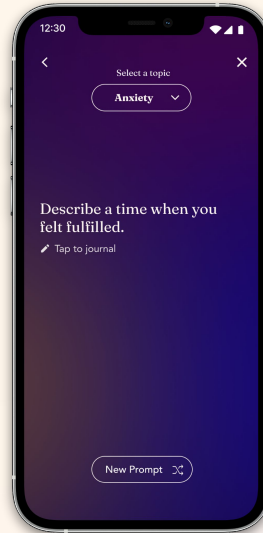
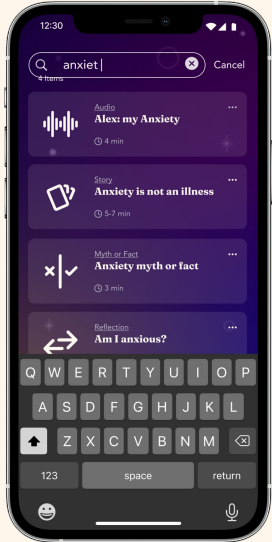
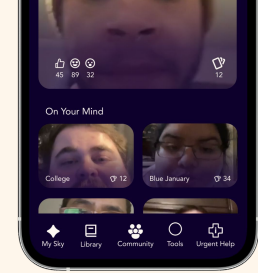
Pre-clinical coaching support to achieve positive life outcomes

Professional support in 19 languages

Care navigation: Warm-handoff to other services for high acuity/crisis

Artificial intelligence: User experience, practitioner co-pilots, risk detection

California Department of Health Care Services (DHCS) will provide quarterly progress and usage updates



**Soluna's
person-centered
approach helps youth
develop psychological
flexibility**

Autonomy

*Freedom to choose
your own path*

Relatedness

*Connection to others
who share your values*

Mastery

*Joy as you improve
your skills*

Self-efficacy

Belief to achieve goals

Hope

*Confidence in the
future*



**Self-
determination**



**Psychological
flexibility**



Open up
Be present
Do what matters



 **soluna**
Demonstration

Kooth in Pennsylvania: pilot progress

>95k

students can access, uptake of 1-in-10 high school students

88%

of students reported they got the support they needed

93%

of students who provided feedback said they felt heard, understood and respected

75%

of School Administrators said they felt confident/very confident Kooth will improve support for their students



*Lane Johnson:
Kooth Ambassador and NFL Player*

“For young people, we need trauma-informed care and therapy. The School District offers virtual therapy – free of charge – through an app called Kooth. Let’s build on that! Imagine if our children could talk to a therapist in our Rec Centers, in our Libraries?” - Mayor Chelle Parker, Mayor of Philadelphia, March 2024

Executing our strategy to support Medicaid populations: Partnership and pilot with Aetna Better Health of Illinois

The Medicaid opportunity

Medicaid is the largest single health insurance programme, providing support for low-income families

More than 29 million under-18s are covered.
~40% of all US youth

Annual Medicaid spending on youth behavioural health care exceeds **\$30.2 billion**



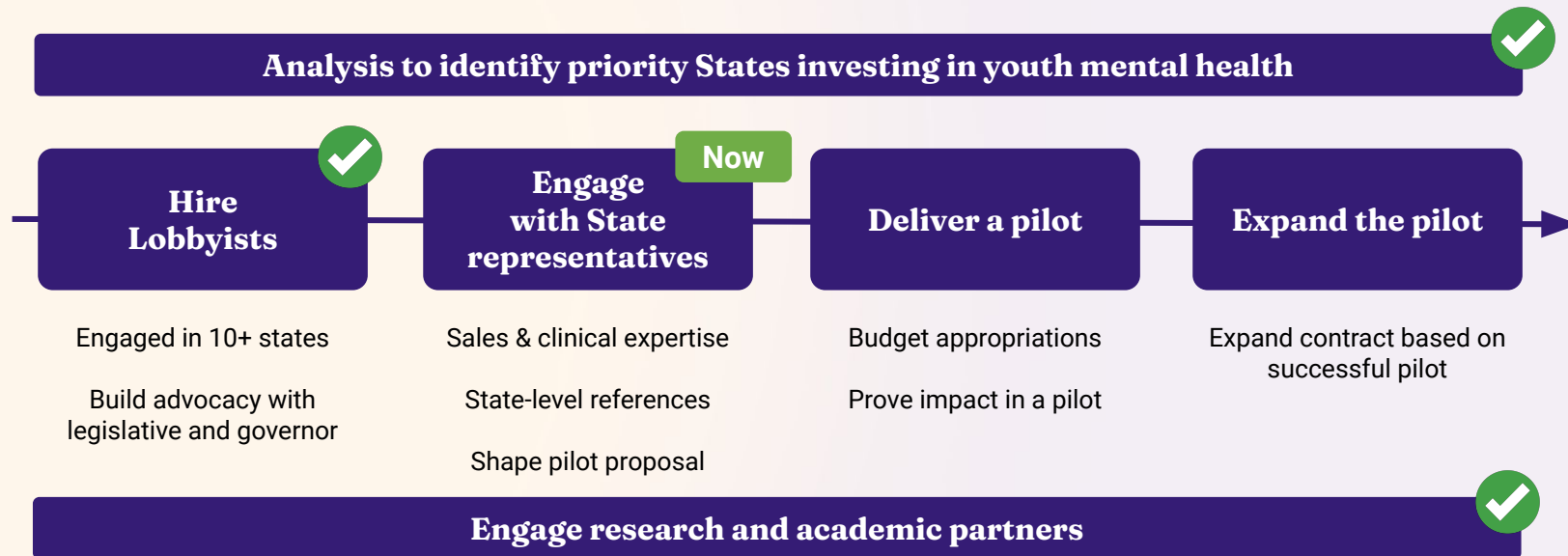
Aetna, a subsidiary of CVS Health (NYSE:CVS, \$95bn+ market cap) provides Medicaid managed care services across **16 states**

Strategic partnership with **Aetna Better Health of Illinois** to pilot Soluna in Chicago to support youth in low-income families

By providing upstream support, we aim to reduce demand for acute mental health interventions, saving the healthcare system money by reducing downstream costs

Pilot objective is to build a blueprint for Medicaid services and expand into other States

Executing our strategy to expand into additional States: Investment in growing our Sales and Research teams



Two research projects underway with US academic partners to demonstrate effectiveness in improving mental wellbeing

Minimal capital expenditure to expand into additional States

NHS short-term financial pressures

Returning NHS spending to pre-pandemic levels

Financial pressure with focus on NHS financial solvency

Urgency to tackle elective care waiting lists

NHS uncertainty ahead of upcoming UK general election

2023

NHS England projects a
£7bn budget deficit for 2023/24

January

NHS mandate to implement
cost savings to balance budget

March

Mandate to reduce ICS running costs by **30%**

May

Target of **6%** efficiency savings issued

November

Guidance to find cost efficiency savings in
response to **~£1bn** cost of industrial action

UK priorities

Last twelve months (LTM) churn (contract reduction or loss) increased

(£2.3m) | (£2.0m)

2023 2022

Net revenue retention

98% | 107%

2023 2022

Increase in % of contracts that expand upon renewal (expansion and/or inflation)

41% | 38%

2023 2022

Kooth Adult disproportionately impacted by loss of funding

7 contracts lost

Prioritising **contract retention and renewals**

Research studies to **demonstrate impact**

Policy and public affairs focus on the impact of digital support

Ongoing pilots of proprietary **Integrated Digital Pathway (IDP)** service to help tackle waiting lists by supporting individuals awaiting treatment

Bringing **Soluna to the UK** over the next 12 months, delivering a more engaging and effective service

Anticipate an improvement post general election as NHS priorities and funding solidifies

Summary

1

Executing on our strategy to expand into US States

>\$1bn market. California, Pennsylvania, pipeline of additional States

2

Expanding to support Medicaid populations

~40% of US youth. Partnership with Aetna Better Health of Illinois

3

Focusing on UK renewals & retention given NHS financial pressures

~60% of UK children and young people can access Kooth

66% revenue growth to £33.3m

Over 95% of revenue from contracts of 12 months or longer

>70% gross margin through content and community support, AI, and efficiencies of scale

£11m net cash, debt-free balance sheet to fully fund US expansion and UK rollout of Soluna

Outlook

Continue to deliver California platform enhancements and drive awareness and uptake

Our proven track record, strong recurring revenue and net cash position give us an excellent platform for profitable growth as we enter 2024 with the **expectation of gross margins of 70%+** , an **EBITDA margin in the mid-teens** and rising thereafter

US commercial team focused on pipeline of new opportunities following successful California launch

UK team prioritising existing contracts over new business to demonstrate cost efficiency and value

Platform innovations for California will be rolled out across US and UK over next 12 months

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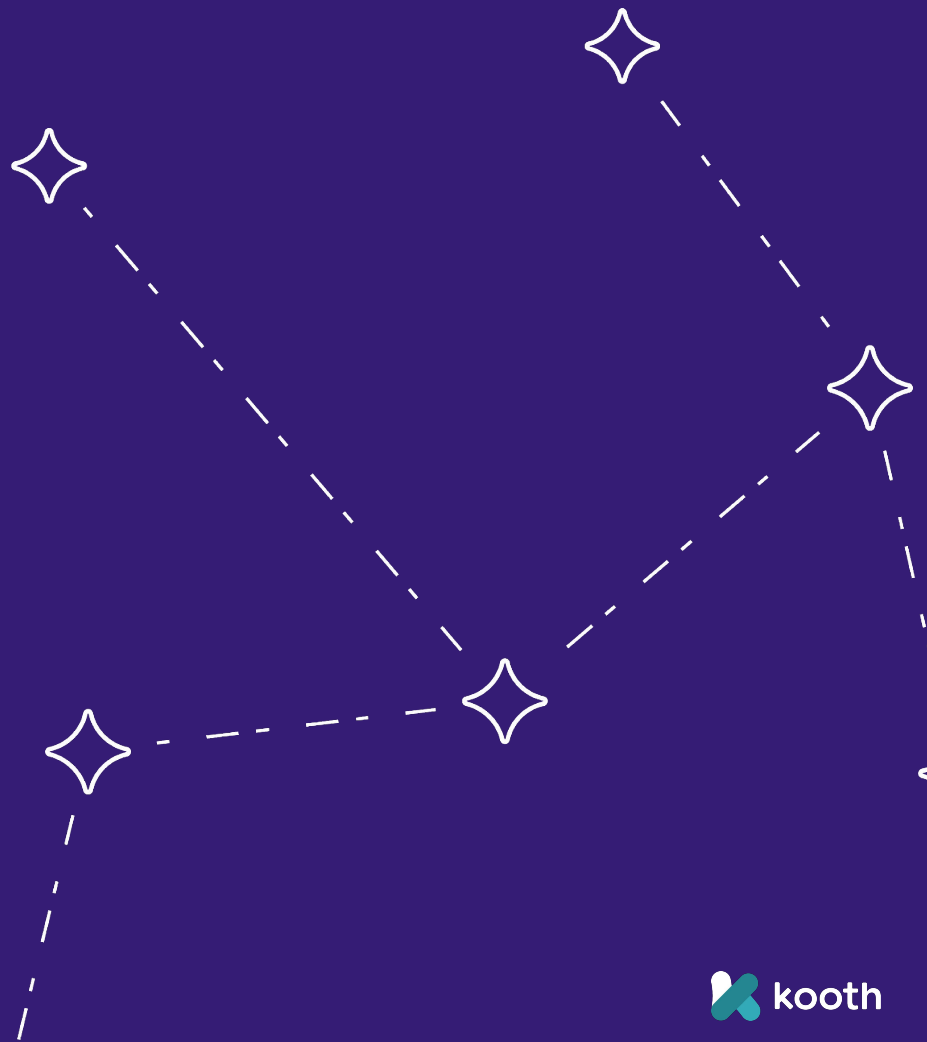
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Appendix



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A record **66% organic revenue growth to £33.3m** driven by US expansion contributing £14.2m (2022 £1.5m), in the UK fee uplifts and new business contributing £19.1m (2022 £18.6m).

Year end ARR grew to £64.6m a CAGR of more than 50% over the last three years

Strong recurring revenue with over 90% of revenue from contracts of 12 months or longer.

UK Net revenue retention remains strong at 98% (2022: 107%) although we have seen an increase in contracts that expand upon renewal to 41% (2022: 38%), gains were offset by £2.3 million of churn, a combination of funding unavailable to continue pilot contracts, reductions as contracts consolidated and a small number of competitive losses.

Gross margin increases to 77.6% (2022 68.9%) direct costs are the costs of the practitioners directly involved in the delivery of our services, a total of 304 at the year-end (2022: 267 heads). Gross margin benefitted from the contribution within US revenues to product development where costs are either capitalised or included in overheads. This was offset by a small fall in UK gross margin as direct costs continued to see the impact of salary and cost inflation.

Excluding depreciation, amortisation and share based payments **administrative expenses grew by £11.4 million in the year, a 92.8% increase year on year**, which remains in line with our investment plans. The real (i.e. non inflationary) increase in costs was almost entirely focused on the US where, in addition to increased commissions and bonuses, we strengthened the business development, clinical and customer engagement teams as well as seeing increases in non-staff costs, including legal and consulting expenses.

£8.7m of capitalised R&D increased by £5.7m representing our investment in the US platform.

Balance sheet

£m	31 Dec 2021	31 Dec 2022	31 Dec 2023
Goodwill	0.5	0.5	0.5
Development costs	2.9	3.7	8.8
Other non-current assets	0.6	0.2	3.0
Total non-current assets	4.0	4.4	12.3
Trade and other receivables	2.7	3.2	7.4
Cash and cash equivalents	7.1	8.5	11.0
Total current assets	9.8	11.7	18.4
Total assets	13.8	16.1	30.7
Borrowings	0.0	0.0	0.0
Other current liabilities	2.8	5.6	9.9
Total current liabilities	2.8	5.6	9.9
Total liabilities	2.8	5.6	9.9
Net assets	11.0	10.5	20.8

Strong debt-free balance sheet with **£11.0m** net cash and **£20.8m** net assets.

Development costs capitalised of **£8.7m** in 2023 (2022: £3.0m) reflecting Soluna investment. Amortised over three years.

Trade receivables increased to £5.8m (2021: £1.1m) driven by a £4.9m balance due on the California contract received post year end (also reflected within deferred income in current liabilities). Like for like receivables decreased year on year following good cash collection with debtor days at the year end of 38 (2022: 40).

Cashflow

£m	31 Dec 2021	31 Dec 2022	31 Dec 2023
Adjusted EBITDA	2.1	1.6	2.3
Movement in Net Working Capital	-0.3	2.5	-0.8
Operating Cashflow	1.8	4.1	1.5
Capital Expenditure	-2.6	-3.1	-9.0
Net Cashflow from Operations	-0.8	1.0	-7.5
Corporation Tax	0.0	0.3	0.6
Net Cashflow before Financing	-0.8	1.3	-6.9
Exceptional items	0.0	0.0	0.0
Financing and Other	0.0	0.1	9.4
Net Cashflow	-0.8	1.4	2.5

Cash generated from continuing operations £1.5m. This has reduced from 2022 reflecting the working capital required to support growth in the business

Overall the Group has net cash inflow due to the proceeds from financing activities following a successful placing, which resulted in the raise of a net £9.4m. **Cash at the year end was £11.0 million (2021: £8.5 million).**

In addition we recently entered into a working capital credit facility with Citibank of \$9.5 million that remains undrawn at this time. The Group continues to be debt free

Digital mental health is still nascent in the NHS for CYP

Demand is **1-in-5**, up from 1-in-7 in 2017.

£1.2bn NHS budget for CYP mental health 22/23

~**1.25%** of that is spent on Kooth CYP

Today: ~60% of population have access, 1-in-40 uptake

If we scaled to the full TAM (100% have access, 1-in-5 used) it would only represent ~7.5% of NHS CYP mental health spending

