



Kooth H1 2024 Interim Results

Tackling the growing global crisis in youth mental health

17 September 2024



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Strategic progress: US acceleration continues, UK headwinds ongoing but green shoots on future policy direction

1



Launch of Soluna in California on Jan 1

Positive early outcomes and youth feedback

2



Entering \$30bn Medicaid market with Aetna launch in Illinois

3



Funding award from Pennsylvania Dept of Human services

Two further pilot contracts expected to be signed this year

4



NHS financial pressures remain

Government future policy focus on digital and prevention

US is ~70% ARR, up from zero two-years ago

~30% ARR



H1 2024 Financial highlights.

Record revenue, margin, EBITDA

179% revenue growth to £32.5m driven by US expansion (£23.2m)

181% ARR growth to £60m reflecting our California contract

95%+ of revenue from contracts of 12+ months

Gross margin 82.4%, up 15.6ppt driven by California contract with revenue contribution to product development, lower initial practitioner costs during ramp up phase, and greater use of self guided tools

Strong growth in adjusted EBITDA to £7.8m with the full year expected to be comfortably in line with market expectations, taking account of the fact that certain costs are skewed to the second half

£14.9m net cash, the group remains debt free and maintains an undrawn \$9.5m working capital credit facility

We expect to deliver strong adjusted EBITDA and margin for the full year

Revenue

£32.5m | **£11.7m**

2024

2023

Net cash

£14.9m | **£5.8m**

2024

2023

Annual recurring revenue

£60.0m | **£21.4m**

2024

2023

Adjusted EBITDA

£7.8m | **£0.0m**

2024

2023

Gross margin

82.4% | **68.8%**

2024

2023

Profit after tax

£3.9m | **(£0.5m)**

2024

2023

Growing global crisis in youth mental health

There is a growing youth mental health crisis in the US, with serious lifelong consequences

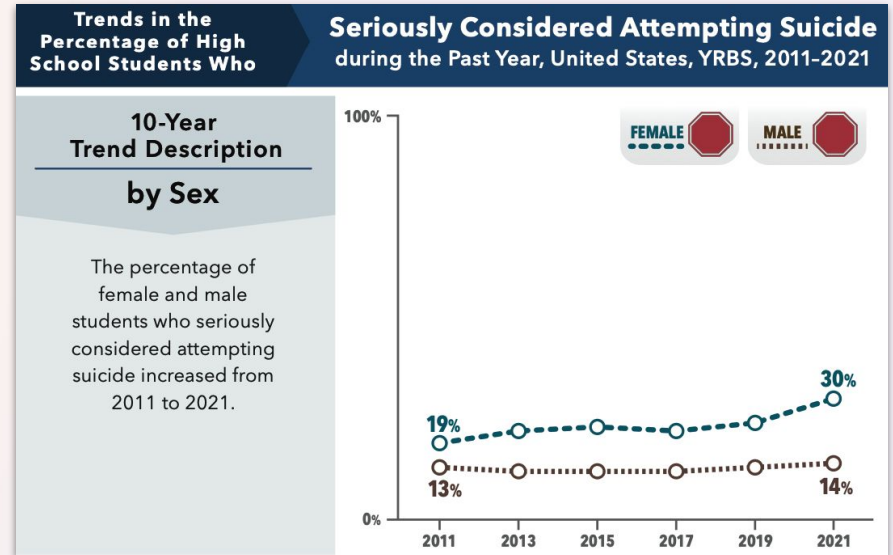
22% of high school students seriously considered suicide in the past year

10% attempted suicide one or more times

57% of teen girls feel "persistently sad or hopeless"

Poor mental health for life

75% of lifelong mental health conditions are established by age 25



In the UK, the NHS is struggling to cope with the growing demand

Over one million UK children and young people were referred to NHS mental health services in 2023/24

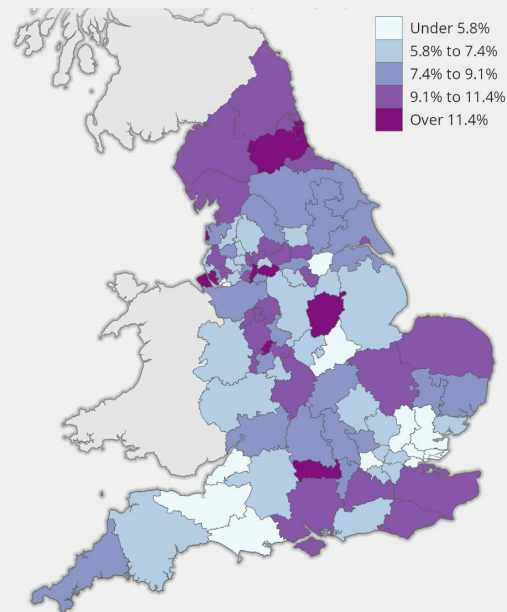
53% increase in referrals in last 5 years

82% of NHS Trusts report they cannot keep up with the current level of demand

Demand continues to outstrip supply

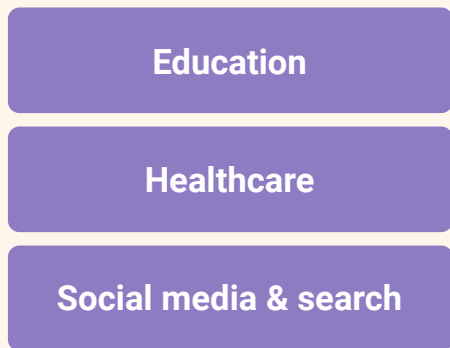
Despite **£2.3bn** additional NHS funding since 2019

% of England population under 18 in contact with NHS mental health services



As with all things in health, prevention is better than cure. Kooth provides preventative, population-wide mental healthcare

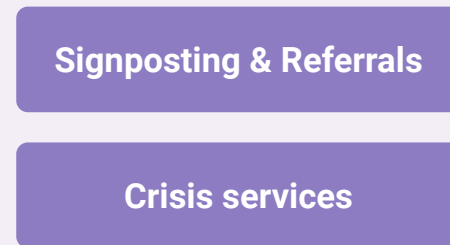
Reach youth where they are



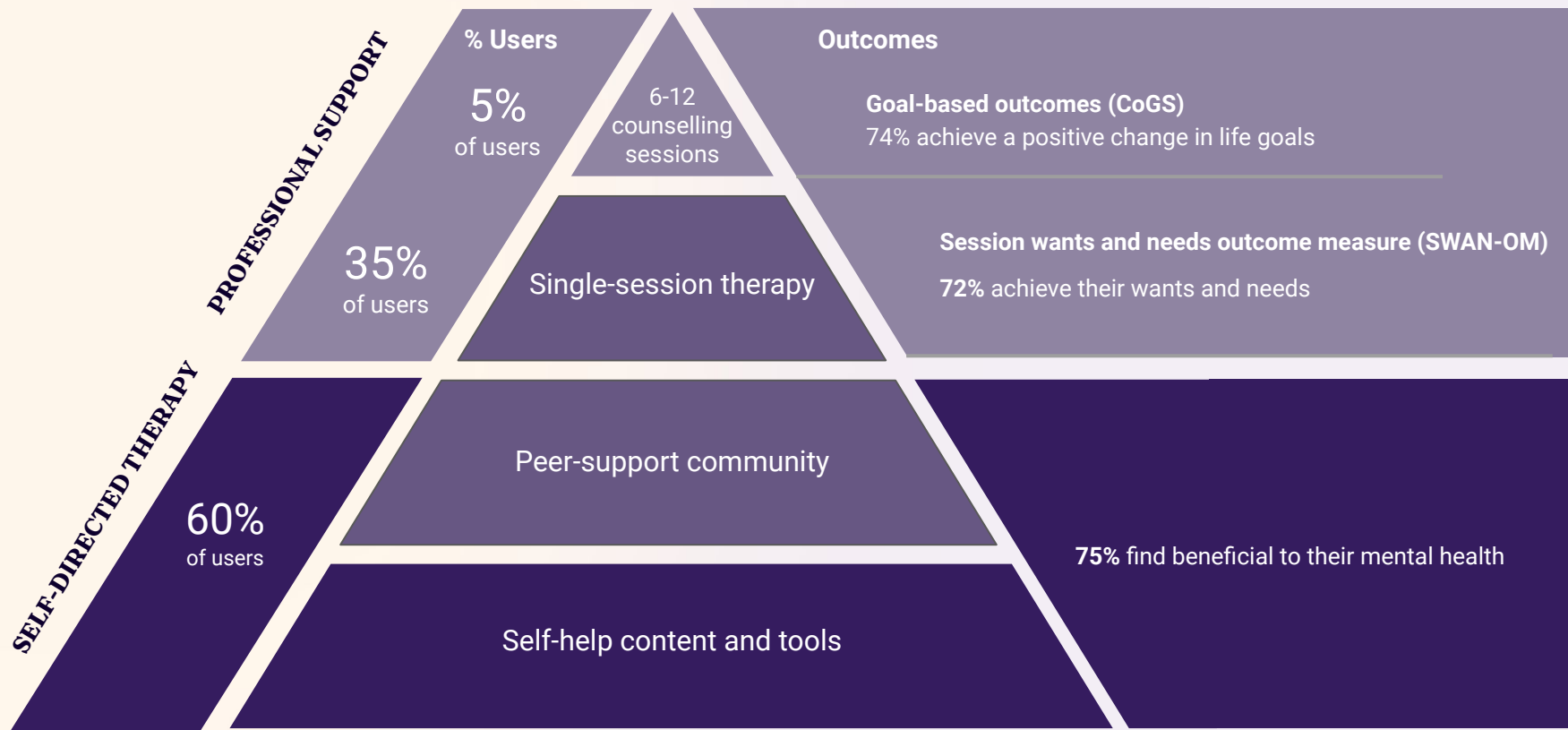
Early and responsive support,
from self-help to professional support



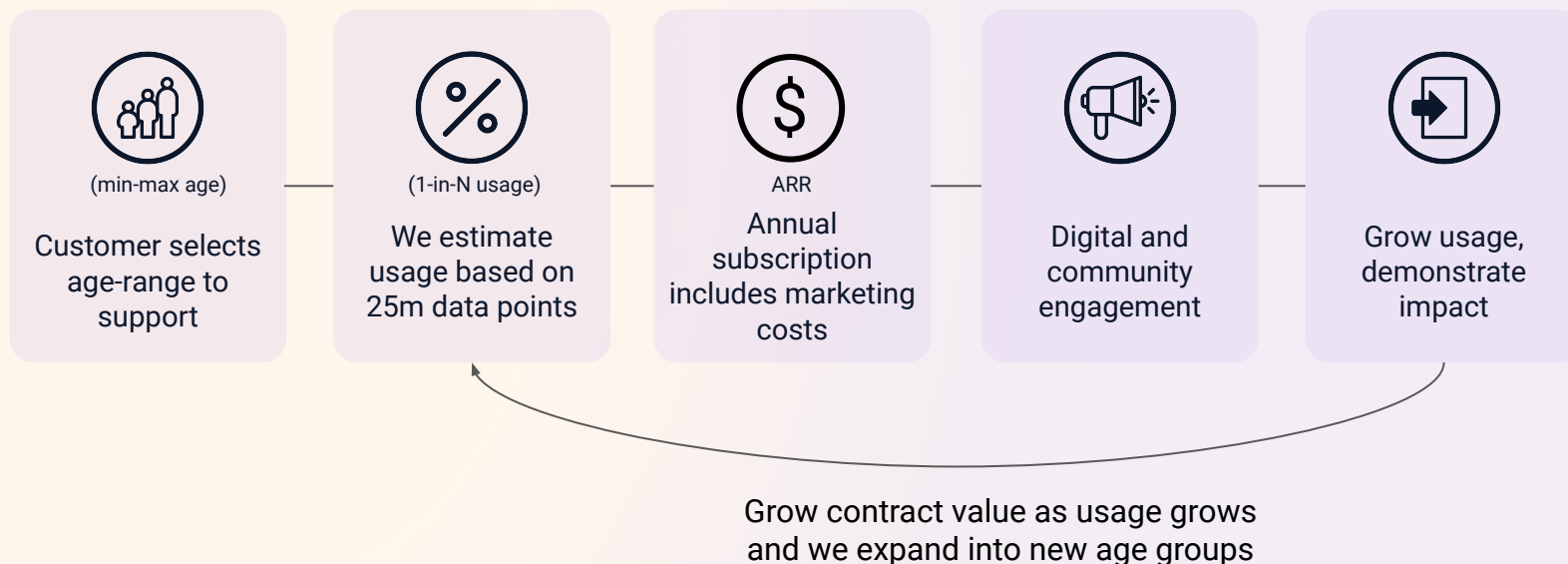
A digital front door into
other healthcare services



Kooth scales to a population-wide service. 95% of youth get the support they need from self-directed or single-session therapy

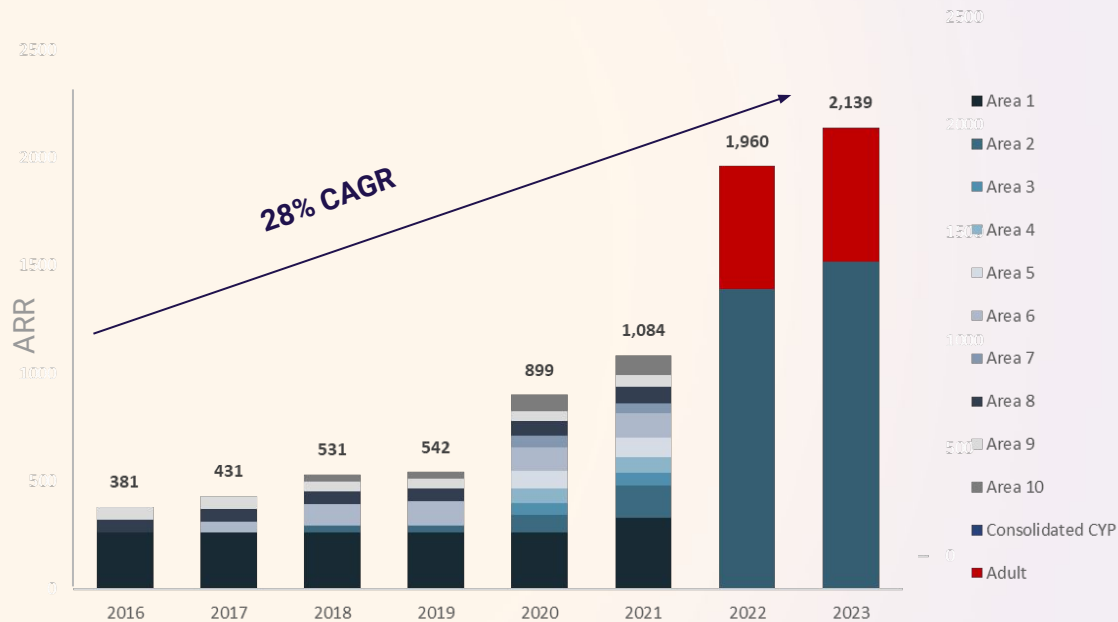


We are a free at the point of use, B2B2C subscription-based business



>95% of revenue from contracts of 12+ months

UK case study in growth and expansion

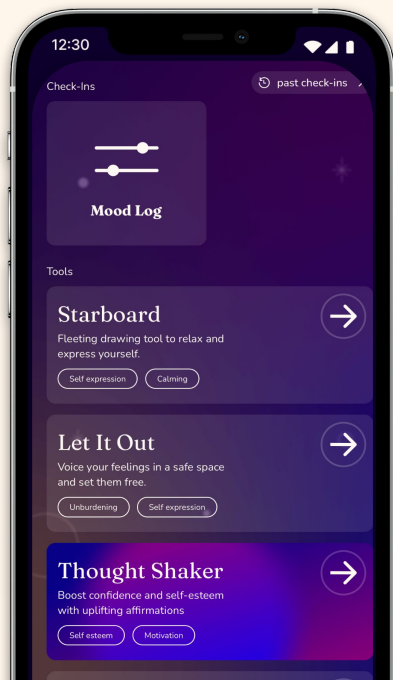


Timeline

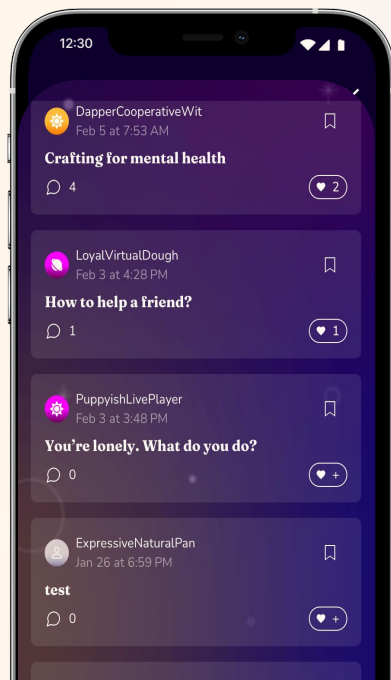
- **2004** First CYP contract in area
- **2012 - 2022** Closed and expanded individual contracts across region
- **2021** Aligned commissioner age ranges and pricing
- **2022** 10 commissioners merged into one ICS and expanded with Kooth Adult

A young person's journey often starts with them hearing about Kooth at school. Free, instant signup, no referral needed

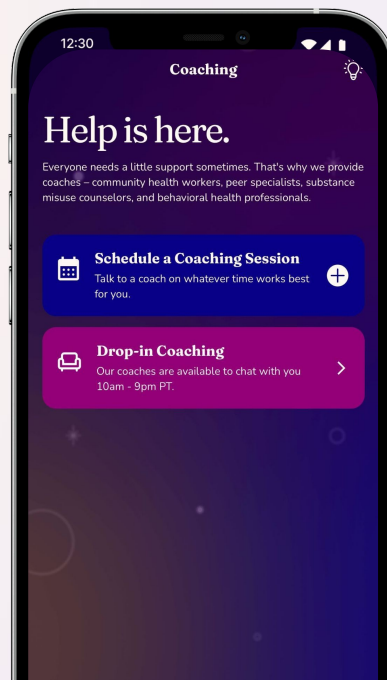
Self-guided tools



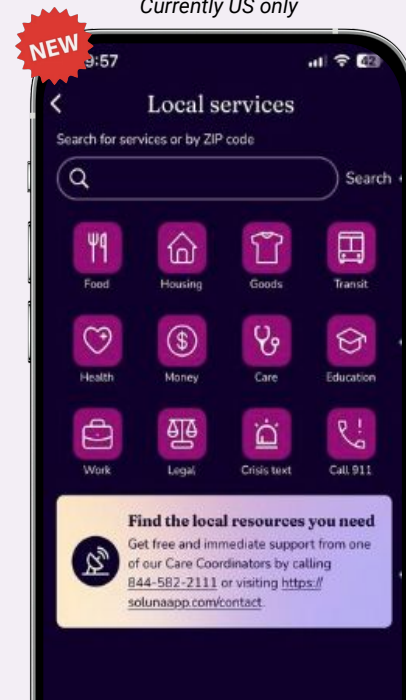
Peer-support



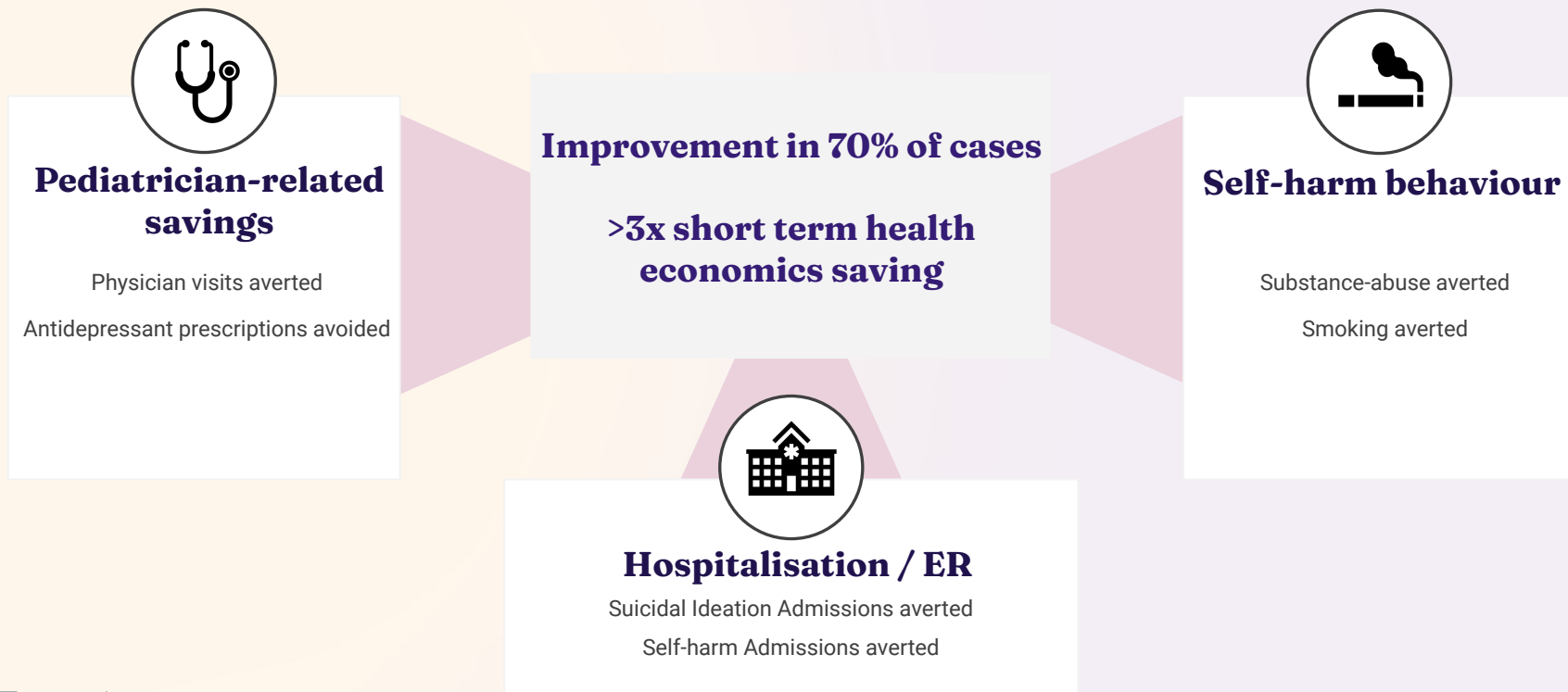
Professional support



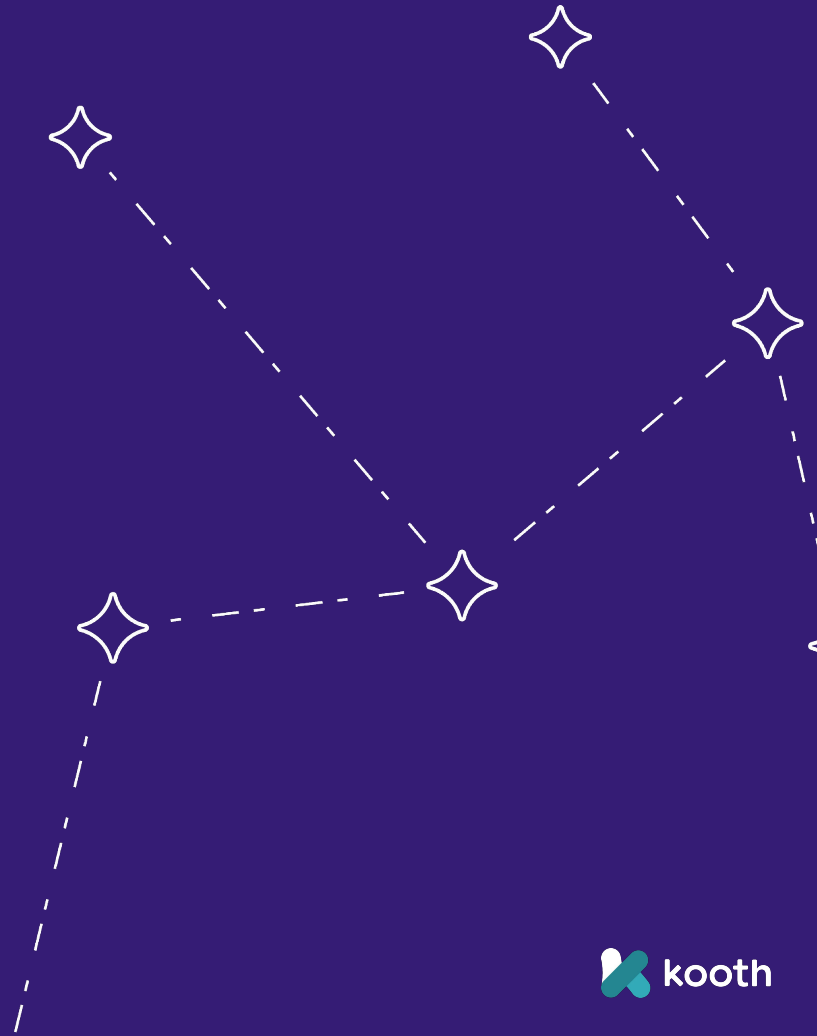
Care navigation *Currently US only*



Kooth demonstrably improves lives and saves healthcare systems money



Operational update



Soluna launch: positive early outcomes and youth feedback

Sign-ups in every one of California's **58 counties**

Positive outcomes and youth feedback

70% report positive outcomes from single-session therapy

95% of service users would recommend to a friend

Addressing health inequality

53% of service users from areas with highest health inequality

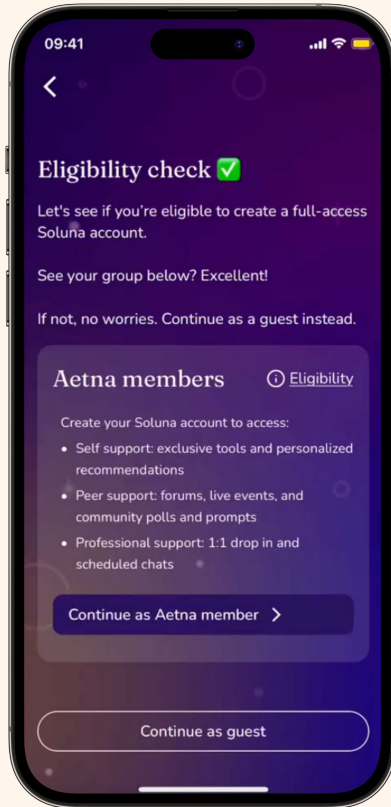
Launch of care navigation: A digital front-door into local services

Connects youth needing more acute or specialised care directly with appropriate local services

“It has made a safe environment for me to talk about my problems and has given me many different coping skills for when I'm feeling depressed.”

- Soluna user, age 15





Entering \$30bn Medicaid market with Aetna launch in Illinois

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

Aetna Better Health of Illinois partnership initial one-year focus on supporting 11,000 young people across 3 counties

Goal is to provide early help to reduce demand for downstream acute mental health demand and costs

>1.5 million children are enrolled in Medicaid in Illinois

\$30.2bn US Medicaid annual spend on youth behavioural health

Progress in Pennsylvania

1-in-10

of eligible students used the service in its first year

88%

of students reported they got the support they needed

75%

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

“ We’re also investing in social and emotional and mental health resources for our young people. Kooth is an online resource available to middle and high school students who may be experiencing depression, anxiety, concerns about bullying, all of the above. It’s free of charge and it’s anonymous to us.”

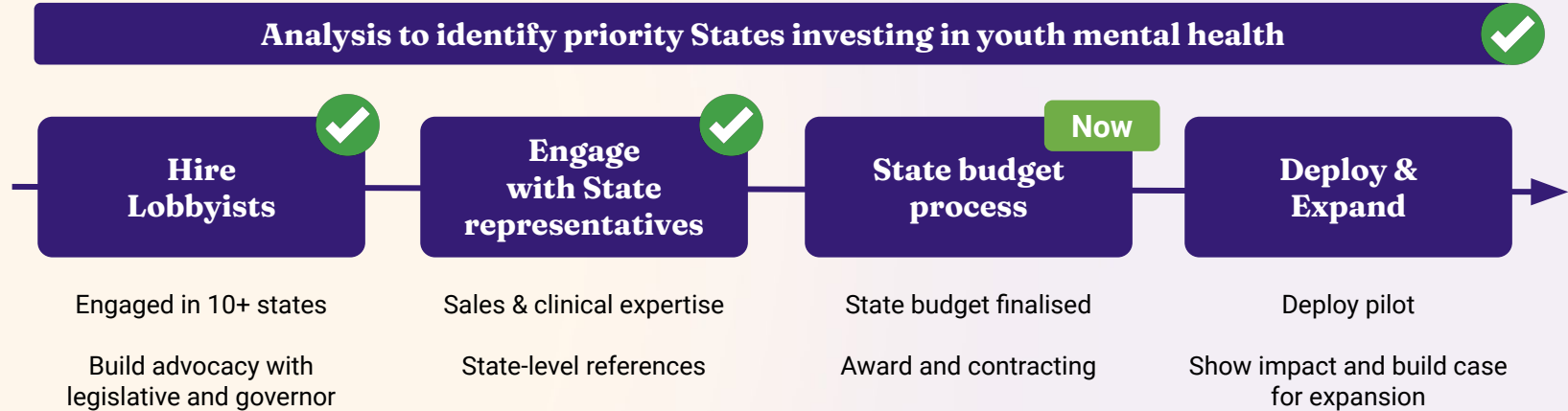
Tony Watlington Sr, School District of Philadelphia Superintendent, 25 August 2024

Funding award

Extended contract to mid-2025 agreed with the Department of Human Services, with initial tranche of funding

Negotiating with relevant parties to finalise the total contract award

On track to add two additional state pilot projects this year



Engage research and academic partners



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

NHS financial pressures remain, but green shoots on future policy direction

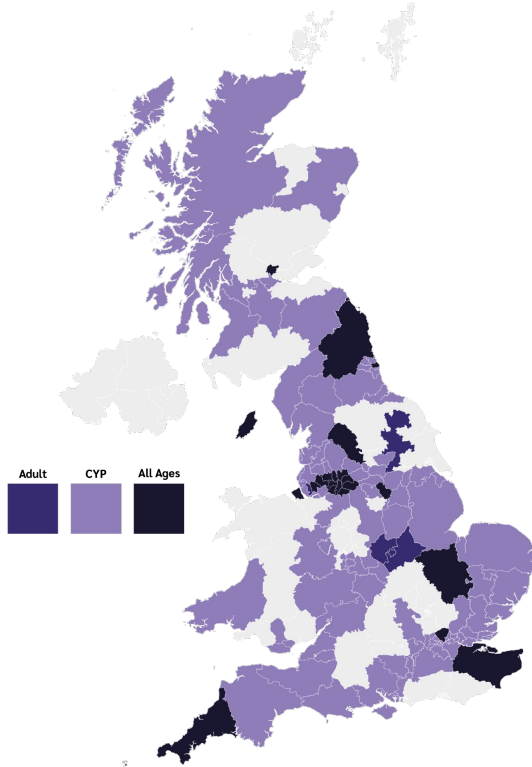
Significant financial pressures on UK NHS and local authorities

NHS England projecting £2.2bn deficit

Funds diverted to elective care backlogs and statutory services

Revised 10-year health plan due next Spring to set funding priorities

Adult CYP All Ages



Kooth availability across the UK

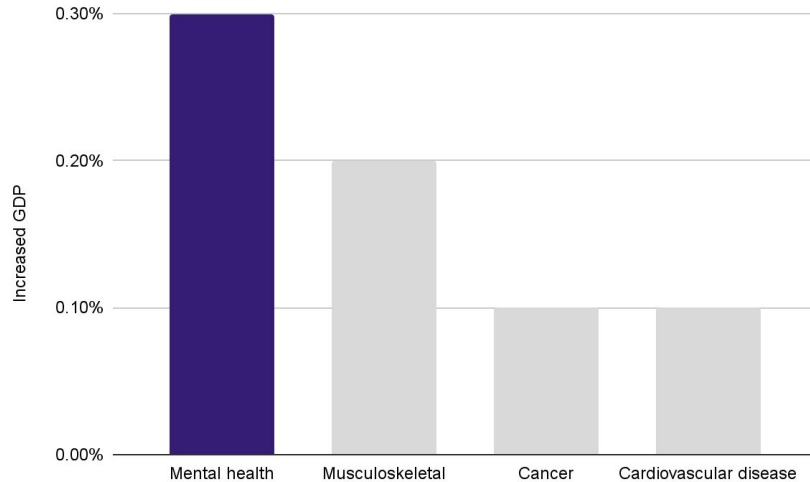
Policy direction: NHS requires 'three big shifts' to reform

Analogue	→	Digital
Treatment	→	Prevention
Hospital	→	Community

Government response to Lord Darzi's NHS investigation, 11 Sept 2024

Investing in mental health prevention would contribute >£7bn (0.3%) GDP in 2030

Prosperity through health: Impact of 20% reduction in incidence rate of major disease categories on UK GDP



Investing in prevention of mental ill-health has the highest positive economic impact of any condition

Increasing investment in advocacy to help share our experience and shape UK's future for preventative mental healthcare

Bringing **Soluna to the UK in Q2 2025** to grow impact, expand uptake. **Health economics** is our north star

Outlook

1 Continued innovation to scale our platform, people, and reach

2 Strong US pipeline. Further two pilot contracts expected to be signed in the current financial year

3 Evolving the NHS to prevention + digital through continued investment in advocacy and technology
Soluna launching in UK in Q2 2025

4 Confident in meeting expectations for the full year
We expect to deliver strong adjusted EBITDA and margin

Investment case + why we exist

Growing Demand

Growing crisis in youth mental health
Shift to prevention is only way to address this

Market position

Largest UK digital provider
Rapidly scaling in the US, 70% of ARR

Strong recurring revenue model

Best-in-class 75%+ gross margin
>95% recurring revenue

Clear growth potential

Large global market, low digital adoption
UK, US, and future SaaS licensing to scale globally

Long term advantage

Clinical operating model: safety, scale, outcomes
Health economics, >50 research studies

Why Kooth exists

Our purpose is to build is to build mentally healthier populations, leaving no one behind

We achieve this by providing everyone with effective digital support from their first moment-of-need

Our strategy is to work with health care systems and governments to turn the tide on the growing mental health crisis

Our north star is to deliver accretive health economics outcomes, saving healthcare systems money and building a healthier, happier, society

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Appendix



Income statement

Half year to 30 June (unaudited)			
£m	2022	2023	2024
ARR	18.5	21.4	60.0
Revenue	9.0	11.7	32.5
YoY growth	13%	30%	179%
Direct Costs	- 2.8	- 3.9	- 5.7
Gross Profit	6.2	7.8	26.8
Gross Profit Margin	68.4%	66.8%	82.4%
Administrative Expenses	- 5.7	- 7.8	- 19.0
Adjusted EBITDA	0.5	0.0	7.8
Adjusted EBITDA Margin	6.0%	0.1%	24.0%
Amortisation and Depreciation	- 1.1	- 1.4	- 2.6
Share based Payments	0.0	- 0.4	- 0.5
Operating Profit/(loss)	- 0.6	- 1.8	4.7
Capital Expenditure	- 1.3	- 3.6	- 4.0
Adjusted EBITDA less Capex	- 0.8	- 3.6	3.8

179% revenue growth, this has been driven by US growth (contributing £23.3m), fee uplifts within 'Children and Young People' offset by churn in our UK revenue lines where revenue for the period fell by 5.8% to £9.2m.

ARR growth of 181% to £60.0m was driven by the California contract win in H2 2023.

UK Net revenue retention was 92% (2023: 100%) reflecting increased churn as funds were diverted to more acute care, ICSs looked for efficiencies from merged contracts and increasing competition.

Gross margin 82.4% up 15.6ppt benefitted from the contribution within US revenues to the development of the Soluna platform where costs are either capitalised and amortised or included in overheads, as well as lower practitioner costs as contract usage ramps up and a greater use of the community and self guided tools in the platform. Direct costs are the costs of our practitioners totalling 303 at the period end (2023 H1: 251)

Administrative costs up 144%. Whilst UK costs increased in line with salary inflation, the majority of the increase related to the first full period of costs following the build out of the US teams supporting our California contract alongside significant promotion and marketing costs in support of raising user awareness and engagement including hard to reach communities.

Capital expenditure on the Kooth platform increased £0.4m to £4.0m as further development work took place to support the roll out of the Soluna platform.

Balance sheet extract

£m (Unaudited)	30 June 2022	30 June 2023	30 June 2024
Goodwill	0.5	0.5	0.5
Development costs	3.1	5.8	10.2
Other non-current assets	0.5	1.8	1.9
Total non-current assets	4.1	8.1	12.6
Trade and other receivables	3.1	2.5	8.4
Cash and cash equivalents	8.3	5.9	14.9
Total current assets	11.4	8.4	23.3
Total assets	15.5	16.5	35.9
Borrowings	0.0	0.0	0.0
Other current liabilities	4.9	5.9	10.6
Total current liabilities	4.9	5.9	10.6
Total liabilities	4.9	5.9	10.6
Net assets	10.6	10.6	25.3

Strong debt-free balance sheet with **£14.9m** net cash and **£25.3m** net assets.

Development costs carrying value £10.2m.
Amortised over three years.

Cashflow

Half year to 30 June (unaudited) £m	2022	2023	2024
Adjusted EBITDA	0.5	0.0	7.8
Movement in Net Working Capital	1.7	0.3	0.3
Operating Cashflow	2.2	0.3	8.1
Capital Expenditure	-1.3	-3.6	-4.0
Net Cashflow from Operations	0.9	-3.3	4.1
Corporation Tax	0.3	0.6	-0.5
Net Cashflow before Financing	1.2	-2.7	3.6
Financing and Other	0.0	0.1	0.3
Net Cashflow	1.2	-2.6	3.9

Cash generated from continuing operations **£8.1m**. Increase from 2023 reflects the US expansion in California.

Corporation tax paid of **£0.5m** relating to US 2023 charges on local profits.

Cash reserves are expected to provide sufficient capital to fund current planned product and software development and working capital as the business continues to grow.