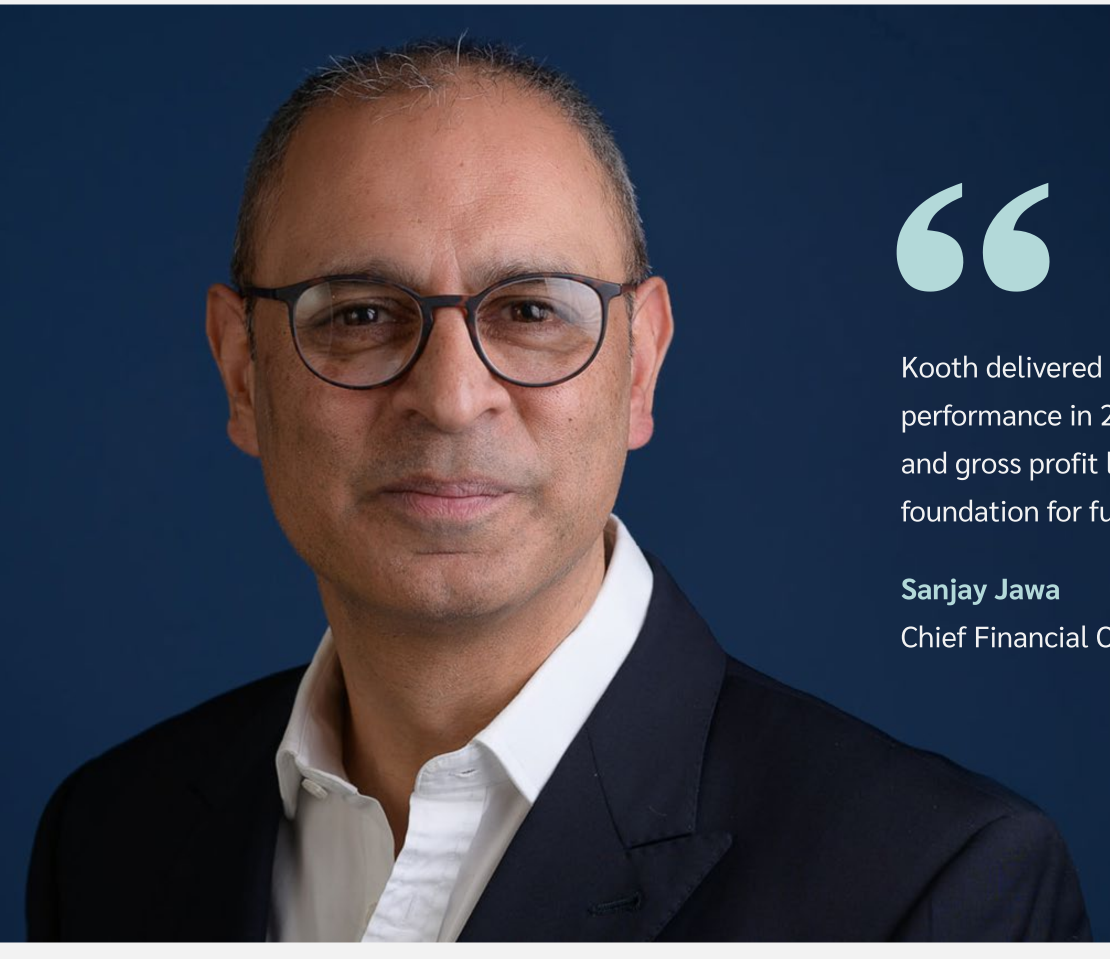

“

Kooth delivered a strong financial performance in 2021, at both a revenue and gross profit level, setting a solid foundation for future growth.

Sanjay Jawa
Chief Financial Officer

Chief Financial Officer’s Review

Significant growth

This is the second set of full year financial statements issued by Kooth plc following its admission to trading on AIM on 2 September 2020 and represents the first full year of the Group being quoted on AIM.

Revenue

I am pleased to report Group total revenue grew, in line with market expectations, by 28% to £16.7 million in the year, driven primarily by fee uplifts from existing public sector clients and new business in Adult and CYP as well as the tail of a small number of one-off COVID-19 related projects that started in 2020. Adults represented approximately 10% of revenue in 2021.

Recurring revenue comprises income invoiced for services that are repeatable and consumed and delivered on a monthly basis over the term of a customer contract. Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed at that date (31 December) and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor the long term revenue growth of the business.

Highlighting the depth and longevity of our customer relationships, net revenue retention was 109% (2020: 107%). This is measured by the total value of ongoing ARR at the year end from customers in place at the start of the year as a percentage of the opening ARR from those clients.

Gross profit

Gross profit grew by 27.5% to £11.6 million (2020: £9.1 million) with gross margin remaining flat at 69.5% (2020: 69.8%). Direct costs previously included the cost of our practitioners and our engagement team who are responsible for promoting Kooth to potential users in a corporate or region. We have taken the decision to reclassify those engagement costs as administrative expenses, given they are closer in nature to sales and marketing expenditure. The comparative numbers have also been reclassified and full details are set out in note 2.3.

Gross margin was slightly lower, mainly because a one-off benefit in 2020 relating to COVID-19 did not repeat in 2021. This one-off benefit in 2020 was from shorter go-live periods between closing a contract and the commencement of services and revenue as clients looked to accelerate the implementation of Kooth, particularly during the national lockdown-enforced closure of schools.

Statutory loss after tax

The Group loss after tax for the year was £0.3million (2020: loss of £1.5 million) with 2020 impacted by the costs incurred for the IPO and the share based payment expense incurred as a result of accounting for the fair value of shares acquired by employees prior to the IPO.

Administrative expenses

Excluding depreciation, amortisation and share based payments, administrative expenses grew by £0.8 million in the year, a 9% increase year on year, which remains in line with our strategic investment plan and comfortably below revenue growth. This was primarily driven by increases in staff costs as we strengthened our business development and account management teams, salary increases as well as an upgrade to our finance, people and rota systems and a full year of the costs associated with being a listed company.

Adjusted EBITDA

Adjusted EBITDA grew by £1.1 million (123%) to £2.1 million in the year due to the gross profit increase, offset partially by higher administrative expenses as outlined above.

Adjusted results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of certain items including exceptional items (material and non- recurring), and other, non-trading, items that are reported separately. Adjusted results exclude items as set out in the consolidated statement of profit and loss and below, with further details given in Notes 2, 5, 7, 8, 9, 14 & 16 to the financial statements. In addition, the Group also measures and presents performance in relation to various other non GAAP measures, such as gross margin, annual recurring revenue and revenue growth.

Adjusted results are not intended to replace statutory results. These have been presented to provide users with additional information and analysis of the Group's performance, consistent with how the Board monitors results.

Adjusted EBITDA (being EBITDA prior to exceptional costs) is calculated as follows:

£'m	2021	2020
Operating Loss	**0.7**	**1.6**
Add Back:		
Depreciation and Amortisation	2.4	1.5
Share based payment expense	0.4	0.5
IPO and other exceptional items	-	0.6
Adjusted EBITDA	**2.1**	**0.9**

Taxation

There has been no corporation tax charge recognised in the year due to accumulated losses combined with the overall current year position (2020: £nil). The tax credit for the year ended 31 December 2021 and 2020 relate to Research and Development expenditure credits in addition to the movement in the deferred tax asset.

Cash

The Group had good cash management in the year with net cash generated from operating activities of £1.9 million (2020: £0.4 million), broadly in line with adjusted EBITDA. The net cash at year end was £7.1 million (2020: £7.8 million). The Group continues to be debt free and maintains a robust financial position following a full year of the global pandemic and with no recourse to any government support schemes. Trade receivables have grown by 13% in the year to £1.6 million (2020: £1.4 million), below the rate of revenue growth. The Group's cash collection disciplines remain strong with debtor days at 31 December 2021 of 33 days (2020: 35)

Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements remain modest at £0.1million (2020: £0.1million).

Capitalised development costs

The Group continues to invest in product and platform development resulting in ongoing improvements in its delivery platform. Costs are a combination of internal and external spend. Where such work is expected to result in future revenue, costs incurred that meet the definition of software development in accordance with IAS38, Intangible Assets, are capitalised in the statement of financial position. During the year the Group capitalised £2.5 million in respect of software development (2020: £1.5 million) with an amortisation charge of £2.3 million.

Investment in product and development continues to be significant to the Group and we anticipate capitalising software costs at a higher rate over the next few years during a period of accelerated product investment.

Capital and Reserves

The Group continues to maintain a strong balance sheet with total equity at 31 December 2021 of £11.0 million (2020: £10.9 million).

Dividend policy

As outlined at the time of the IPO the Group's intention in the short to medium term is to invest in order to deliver capital growth for shareholders. The Board has not recommended a dividend in respect of the year ended 31 December 2021 and does not anticipate recommending a dividend within the next year but may do so in future years.

Sanjay Jawa
Chief Financial Officer
28 March 2022