

Chief Financial Officer's Statement

Delivering disciplined investment and operational resilience

Kooth delivered results broadly in line with market expectations, reflecting a year of disciplined investment and operational focus. Performance was impacted by foreign exchange movements following GBP appreciation against USD and by accelerated investment in direct user marketing in California to support long-term growth.

Revenue

The Group's revenue remains highly predictable, with 99% recurring revenue (2024: 100%).

While revenue declined modestly year-on-year at £63.3 million (2024: £66.7 million), this follows a period of exceptional expansion, including revenue doubling in 2024 and reflects the continued impact of foreign exchange movements and lengthy sales and contract cycles. On a constant currency basis, revenue decreased 2.7% over the prior year and Annual Recurring Revenue (ARR) decreased 3.7%. Reported ARR decreased by 9% to £60.6 million (2024: £66.4 million), predominantly driven by a £3.3 million negative FX impact.

In 2025, management prioritised building a resilient and scalable business to drive long-term impact for the people using our services, and value for our shareholders.

Geographically, US revenue decreased to £46.1 million (2024: £48.7 million) all of which was recurring revenue (comprising income invoiced for services that are repeatable, consumed and delivered on a monthly basis over the term of a customer contract). This decrease was broadly £1.6m of foreign exchange movements and a £2m reduction in California revenue, resulting from lower contractual product development activity

in 2025, offset by £1.1m of revenue generated from a new contract in New Jersey.

UK revenue decreased by 4% to £17.2 million (2024: £18.0 million). Whilst the number of contracts uplifting upon renewal rose to 54% (2024: 45%) these gains were offset by £1.4 million of churn primarily due to a lack of funding to continue pilot contracts and contract reductions following consolidations.

Group net revenue retention (NRR) on a constant currency basis was 96% (2024: 100%). Including FX impact, reported NRR was 91%. Within the UK, there was an increase to 96% (2024: 92%) reflecting a reduction in churn in 2025 (£1.4 million) vs. the prior year (£2 million).

NRR remains a key indicator of contract durability and embedded customer relationships. 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 reduced by 11% to £46.3 million (2024: £52.0 million) with the gross margin decreasing to 73.1% (2024: 77.9%) due to planned investments made in direct marketing to drive engagement with service users in California. Gross margin continues to benefit from California revenues that included a contribution to platform development. These platform costs are capitalised in the Statement of financial position and amortised within the Statement of profit and loss and other comprehensive income. In 2025 this had a positive impact on gross margin of 4%.

Direct costs are the costs of the practitioners directly involved in the delivery of our services, a total of 241 at the year-end (2024: 268 heads) with reductions reflecting UK customer churn and staff turnover in the US, and direct marketing costs in California in support of raising user awareness and

engagement, including hard to reach communities which were £8.1 million (2024: £3.9 million).

Foreign currency impact

The US Dollar/GBP exchange rate has had a significant effect on results for the year under review during which the Group had approximately 74% of revenues and 50% of expenses denominated in US Dollars. The Group's exposure to foreign currency risk resulted in a realised foreign currency loss of £0.6 million. In the prior year the effect of foreign exchange movements was immaterial.

Operating profit

The Group's operating profit for the year was £3.4 million (2024: £9.2 million). The reduction reflects lower gross profit driven by revenue decline and increased California marketing investment, partially offset by lower average headcount and operating efficiencies.

Administrative expenses

Excluding depreciation, amortisation, share-based payments and realised FX movements, administrative expenses decreased by £1.3 million (3.6%) year-on-year, demonstrating the Group's ability to exercise cost discipline while continuing to invest in growth.

On a constant currency basis, administrative expenses decreased by £0.6 million. This was primarily driven by a strategic shift in the US, where increased investment in direct marketing within direct costs allowed for a reduction in engagement-related personnel overheads. This overall decrease was achieved despite a £0.3 million headwind in the UK resulting from higher employer National Insurance contributions following the rate and threshold changes in April 2025.

Adjusted EBITDA

Adjusted EBITDA decreased from £15.8 million to £11.3 million, with the £5.7 million decrease in gross profit partly offset by a £1.3 million decrease in administrative expenses (excluding amortisation,

depreciation, share based payments and realised FX movements). The decrease in gross profit is a result of a reduction in revenue and increased investment in direct user marketing costs offset by savings from a lower average headcount in the year.

Adjusted results are prepared to provide a more comparable indication of the Group's core business performance by removing the impact of non-trading items that are reported separately.

Adjusted results exclude items as set out in the consolidated statement of profit and loss and below. In addition, the Group also measures and presents performance in relation to various other non-GAAP measures, such as 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.

£'m	2025	2024
Operating Profit	3.4	9.2
Add Back:		
Depreciation and Amortisation	6.2	5.4
Share based payment expense	1.1	1.2
Foreign exchange	0.6	-
Adjusted EBITDA	11.3	15.8

Share-based payments are adjusted to reflect the underlying performance of the group as the fair value is impacted by market volatility that does not relate directly to trading performance. The total charge for share-based payments in the year was £1.1 million (2024: £1.2 million). Realised foreign

exchange movements are adjusted for the first time in 2025 as they now have a material effect on the numbers reported and do not correlate directly to trading performance.

Taxation

The Group's corporation tax charge for 2025 was £1.8 million (2024: £1.8 million), primarily driven by taxable profits within our US operations. While the absolute charge remained flat, the effective tax rate (ETR) increased to 40.3% (2024: 18.5%) reflecting two principal factors.

Following the Group's growth, we transitioned from the Small and Medium Enterprise R&D scheme to the Research and Development Expenditure Credit (RDEC). Consequently, R&D incentives are now recognised as other income (£0.3 million) within the statement of profit and loss and other comprehensive income, rather than as a direct reduction to the corporation tax charge as in previous years (2024: £0.5 million) this accounting reclassification accounts for a significant portion of the ETR increase.

Second, a permanent difference arose in respect of share-based payment charges. Tax relief on equity awards is limited to the intrinsic value of awards at the point of vesting; where the share price at vesting is below the grant-date fair value, no deduction is available for the shortfall. Given share price performance during the year, this gave rise to a non-deductible permanent difference equivalent to approximately 10 percentage points of the effective tax rate.

Cash

The Group continues to operate with a strong balance sheet and disciplined capital allocation framework. Net cash at year end was £21.6 million (2024: £21.8 million, £20.9 million constant currency), and the Group remains debt free. The

\$9.5m working capital facility remains undrawn, providing additional liquidity headroom.

Net cash generated from operating activities was £5.6 million (2024: £17.1 million). Free cash flow, after taking account of capital expenditure was a net inflow of £1.2 million in 2025 (2024: £10.2 million).

Overall, the Group had net cash inflow of £0.3 million (2024: £10.8 million) during the year which included the completion of a £1.5 million share buy back programme, £1.4 million of corporation tax payments (2024: £0.6 million) due to the Group's pre tax profit in the prior period and continued investment in our platforms.

The Group's liquidity position provides flexibility to fund organic growth, product development and selective strategic opportunities.

Capitalised development costs

The Group continued its investment in product and platform development in 2025 to support the enablement of new features for our service in California, further expansion in the US as well as development of the platform in the UK. 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 IAS 38, Intangible Assets, are capitalised in the statement of financial position and amortised over three years. During the year the Group capitalised £4.4 million in respect of software development (2024: £6.9 million) with the reduction reflecting the Soluna platform being substantially completed in the prior year. Amortisation of capitalised development costs was £6.0 million (2024: £5.2 million).

Investment in product and development continues to be significant to the Group and we expect capitalisation levels to increase modestly in 2026 as the UK Soluna rollout progresses.

Capital expenditure

Software and product development costs aside, the Group's ongoing capital expenditure requirements remain modest at £0.1 million (2024: £0.1 million).

Capital and reserves

The strength of the Group's balance sheet with net assets of £31.6 million (2024: £29.8 million), high levels of recurring revenue and positive cash generation from operating activities provide the Group with resilience and capacity to execute its strategic priorities, including US expansion, AI-enabled product development and continued clinical investment.

Dividend policy

As outlined in previous reports, 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 2025 (2024: £nil) but may do so in future years.

Sanjay Jawa
Chief Financial Officer
7 April 2026

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