



Kooth plc

Half Year Results 2021

koothplc.com

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Kooth plc

(“Kooth or the “Company” or the “Group”)

21 September 2021

Momentum and growth; comfortably in line with FY expectations

Kooth (AIM: KOO), a leading digital mental health platform provider, announces unaudited half year results for the six months ended 30 June 2021.

Strategic Highlights

- Children and Young People: we are contracted by more than 90% of NHS England CCGs (2020: 85%).
- Kooth Adult (early intervention for adults, via NHS) ‘whole population’ total contracts doubled in H1 vs 2020. Kooth Adult now represents £1.5m ARR.
- Kooth Work (employee wellbeing) growth into membership-based businesses included, for example, the Chartered Management Institute.
- Ongoing investment in talent, technology, and outcome measures to deliver personalised, effective care.

Financial Highlights

- Revenues up 35% to £8.0m (H1 2020: £5.9m)
- Robust balance sheet with net cash of £8.8m provides capacity for investment
- Annual Recurring Revenue (ARR) up 23% to £16.6m
- Adjusted EBITDA up 135% to £1.1m
- High quality of earnings:
 - o More than 90% revenues from contracts of 12 months or longer
 - o More than 95% customer retention by revenue

Chief Executive's Review

Momentum and progress

The Group continues to make good progress against its strategic priorities: growing its leadership position in supporting children and young people via the NHS, and expanding to support Adults via the NHS and Corporate market.

This was reflected in revenue growth of 35% and adjusted EBITDA growth of 135%.

We've seen further contract expansion and high customer retention across the business, retaining 95% of our customers and delivering net revenue retention of 116%. In the Children and Young Persons market we now cover more than 90% of Clinical Commissioning Groups (CCGs) in England, Our Adult platform via the NHS has seen good momentum, doubling the total number of 'whole populations' contracts we operate to 16. In the corporate market, new customer partnerships with the Chartered Management Institute and Capita demonstrate the opportunity for innovators to embed employee mental wellbeing into their business model.

In addition, the London School of Economics published an independent study which found that Kooth's self-help activities are beneficial to 96% of users. Kooth's peer support community helps reduce stigma, with 77% of users more likely to seek support for their mental health after engaging.

Strategy

Kooth has a clear four-pillar growth strategy to support the increasing demand for mental health services in the public and private sector, all underpinned by investments in our technology platform and clinical operating model:

1. Continue to scale Kooth to support young people
2. Replicate our success into the adult public sector market
3. Bring the benefits of Kooth to every workplace
4. Expand into international markets.

Children and Young People

Kooth is the Group's service for the provision of free at the point of use services for children and young people (CYP)

Kooth is now contracted by more than 90% of NHS England CCGs to support the mental health needs of children and young people (FY20: 85%). This includes full coverage across all 32 London boroughs, 7 Welsh Health Boards, and our first 2 contracts in Scotland.

Kooth Adult

Kooth Adult provides early intervention support to adults via the NHS.

The Group's focus on 'whole population' contracts is building momentum, adding 8 commissions in the first half of 2021 to the 5 that were contracted in 2020. In addition, we have seen an increase in average contract size. Adult ARR is now £1.5m.

Kooth Work

Kooth Work supports corporates with employee wellbeing

Kooth Work continues to expand to help employees reach their full potential at work. As announced in April 2021, the Chartered Management Institute has partnered with Kooth to provide free mental health support to their UK members. In addition, Kooth has been commissioned by Capita to provide mental health support to job-seekers as part of Capita's programme to help those made unemployed as a result of COVID find work. This demonstrates the potential to integrate mental health support alongside other services to reduce stigma, and increase reach and impact.

Investing for long-term growth

Kooth is investing in its talent and technology platforms to drive its growth strategy and meet increasing demand for digital mental health support and tools. This is intended to capture the long-term market opportunity available both in the UK and internationally.

Key progress in H1 includes:

Evidencing the therapeutic outcomes for Kooth is key in advancing the business case for digital mental health care. However, digital isn't just about mirroring traditional face-to-face support, it enables entirely new care models, such as a drop-in chat session. To prove the impact of this, Kooth collaborated with the CORC (Child Outcomes Research Consortium) to independently validate a new therapeutic measure called SWAN-OM (Session Wants and Needs Outcome Measure) which shows that 72% of users achieve a good outcome from a single chat session on Kooth.

As a first step into supporting international markets, Kooth and the Department of International Trade have developed and are delivering a pilot project in South Africa, with support from the Western Cape Education Department and British Council South Africa to demonstrate the impact of the Kooth service in supporting Young People and strengthening educational professionals' confidence in managing mental health at school.

Current trading and outlook

Kooth will continue to invest in its technology platform, systems and talent in the second half of 2021. This is part of Kooth's strategy to meet long-term demand for digital mental health services.

With closing annual recurring revenue at 30 June 2021 of £16.6m the Board expects Kooth to be comfortably in line with revenue expectations for the full year. This reflects Kooth's good progress against its priorities for the first half which included maintaining its leadership position in supporting children and young people via the NHS as well as doubling the number of Kooth Adult 'whole population' contracts.



Tim Barker

Chief Executive

21 September 2021

Chief Financial Officer's review

The Group has had a positive first half of the year and as reported we expect revenue to be comfortably in line with market expectations for the full year.

The Group has seen an increase across revenue, annual recurring revenue, gross margin, EBITDA and operating profit for the half year ended 30 June 2021 in comparison to the six months ended 30 June 2020.

Revenue

Revenue increased by 35% to £8.0 million (2020 H1: £5.9 million), Annual Recurring Revenue grew by 23% to £16.6 million (2020 H1: £13.5 million), with 22 new contracts obtained in the first half of 2021 across all service types in addition to a number of contract uplifts. Churn for the period was less than 5%.

Gross Profit

Gross Profit as a percentage of turnover increased during the period by 3.6 percentage points from 59.7% to 63.3%. This was primarily an accounting change (2.5 percentage points) reclassifying certain clinical costs from direct to indirect costs. This is an ongoing change. To a lesser extent we continued to see some lower direct costs as a result of lockdown as most engagement meetings continued to be conducted virtually. This led to a reduction in travel and subsistence costs as well as allowing the team to reach more users.

Adjusted EBITDA

Adjusted EBITDA in the period increased from £0.5m to £1.1m with increased gross profit offset by higher administrative expenses including the costs of being a public company and the receipt in 2020 of £0.5m of other operating income relating to a government research grant. The total charge for share based payments in the period was £0.3m (2020 H1: £0.1m). This increase reflects the awards made under the senior and all staff 2020 Long Term Incentive Plan following our IPO.

Exceptional items

No exceptional costs were incurred during the period (2020 H1: £0.4m). Prior year costs in the period to 30 June related to pre IPO related expenses.

Taxation

There has been no corporation tax charge recognised in the six months to 30 June 2021 due to accumulated losses combined with the overall current year position (2020 H1: £nil). The tax credit for the six months ended 30 June 2021 and 2020 relate to Research and Development expenditure credits in addition to the movement in the deferred tax asset.

Profit after tax

The Group achieved a profit after tax for the period of £0.04 million (2020 H1: £0.8 million loss).

Headcount

Headcount has increased from the year end by 46 staff members across the Group to 352, with an investment drive to build out our Service Delivery and Product and Technology teams as well as clinical and commercial staff across the wider business to drive our growth strategies.

Balance Sheet

Kooth has maintained a robust balance sheet following the successful IPO in September 2020 which raised £16m prior to expenses and repayment of debt, with net cash at 30 June 2021 of £8.8m (2020 H1: £0.6m), demonstrating good underlying cash generation and ensuring capacity to invest in the Group's long-term growth.

Cash flow and financing

Cash generation during the six months was £1.0 million (2020 H1: £0.4 million), driven by increased revenues and gross profit including an increased number of customers paying in advance.

After repaying all debts in the second half of 2020, the Group is debt free (2020 H1: £6.4 million).

The Group is committed to investment following the IPO listing and as a result capital expenditure increased 96% to £1.5 million (2020 H1: £0.8 million), with increases to our Product and Technology teams and project costs.



Sanjay Jawa
Chief Financial Officer
21 September 2021

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

		Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Continuing operations				
Revenue	9	7,964	5,901	13,012
Cost of sales		(2,925)	(2,380)	(5,091)
Gross profit		5,039	3,521	7,921
Administrative expenses		(5,184)	(4,715)	(10,049)
Other operating income		-	497	497
Operating Loss		(145)	(697)	(1,631)
Analysed as:				
Adjusted EBITDA		1,130	477	934
Depreciation & amortisation	13	(970)	(682)	(1,498)
Exceptional items		-	(411)	(580)
Share based payment expense		(305)	(101)	(507)
Gain on disposal of subsidiary		-	20	20
Operating Loss		(145)	(697)	(1,631)
Interest paid		-	(224)	(314)
Loss before tax		(145)	(921)	(1,945)
Tax		183	150	467
Profit/(Loss) after tax from continuing operations		38	(771)	(1,478)
Profit/(Loss) after tax from discontinued operations		-	1	1
Total comprehensive profit/(loss) for the period		38	(770)	(1,477)
Profit/(Loss) per share - basic (£)	11	0.00	(0.04)	(0.06)
On continuing operations		0.00	(0.04)	(0.06)
On discontinued operations		-	0.00	0.00
Profit/(Loss) per share - diluted (£)		0.00	(0.03)	(0.06)
On continuing operations		0.00	(0.03)	(0.06)
On discontinued operations		-	0.00	0.00

Condensed Consolidated Balance Sheet

As at 30 June 2021

	<i>Note</i>	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Assets				
Non-current assets				
Goodwill		511	511	511
Development costs	13	3,131	2,473	2,615
Right of use asset		10	20	14
Property, plant and equipment		139	164	157
Deferred tax		156	-	133
Total non-current assets		3,947	3,168	3,430
Current assets				
Trade & other receivables		2,083	3,451	2,097
Contract assets		190	362	107
Cash & cash equivalents		8,799	601	7,823
Total current assets		11,072	4,414	10,027
Total assets		15,019	7,582	13,457
Liabilities				
Current liabilities				
Trade payables		(327)	(634)	(275)
Contract liabilities		(1,838)	(723)	(619)
Borrowings		-	(6,402)	-
Lease liability		(10)	(22)	(17)
Accruals and other creditors		(808)	(1,716)	(866)
Deferred tax		-	(31)	-
Tax liabilities		(859)	(1,556)	(827)
Total current liabilities		(3,842)	(11,084)	(2,604)
Net current assets		7,230	(6,670)	7,423
Net Assets / (Liabilities)		11,177	(3,502)	10,853

(continued)

Equity			
Share capital	1,653	-	1,653
Share premium Account	14,229	4	14,229
P&L reserve	(1,531)	(3,607)	(1,569)
Share-based payment reserve	815	101	529
Capital redemption reserve	115	-	115
Merger reserve	(4,104)	-	(4,104)
Total equity	11,177	(3,502)	10,853

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Cash flows from operating activities			
Profit/(Loss) for the period from continuing operations	38	(771)	(1,478)
Profit/(Loss) for the period from discontinued operations	-	1	1
Adjustments:			
Depreciation & amortisation	970	682	1,498
Income tax received	-	-	268
Share based payment expense	305	101	507
Interest expense	-	224	314
Tax income recognised	(183)	(150)	(466)
Gain on Disposal	-	(20)	(20)
Movements in working capital:			
(Increase)/decrease in trade and other receivables	69	(1,530)	132
Increase/(decrease) in trade and other payables	1,245	1,557	(396)
Net cashflow from operating activity	2,444	94	360
Cash flows from investing activities			
Purchase of property, plant and equipment	(34)	(68)	(107)
Additions to intangible assets	(1,430)	(684)	(1,505)
Net cash used in investing activities	(1,464)	(752)	(1,612)
Cash flows from financing activities			
Proceeds from issue of capital	-	2	16,000
Cost incurred on issue of capital	-	-	(1,378)
Receipt/(Repayment) of borrowings	-	1,044	(4,249)
Interest paid	-	-	(1,444)
Lease payments	(4)	(16)	(81)
Net cash from financing activities	(4)	1,030	8,848
Net increase/(decrease) in cash and cash equivalents			
	976	372	7,596
Cash and cash equivalents at the beginning of the period	7,823	229	227
Cash and cash equivalents at the end of the period	8,799	601	7,823

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share Capital	Share Premium	Share Based Payment Reserve	P&L Reserve	Capital Redemption Reserve	Merger reserve	Total Equity
Balance at 1 January 2020	-	4	-	(2,837)	-	-	(2,833)
Share based payments	-	-	101	-	-	-	101
Total comprehensive income for the period	-	-	-	(770)	-	-	(770)
As at 30 June 2020	-	4	101	(3,607)	-	-	(3,502)
Balance at 1 July 2020	-	4	101	(3,607)	-	-	(3,502)
Issue of share capital	400	14,225	-	-	-	-	14,625
Share for share exchange	3,989	-	-	-	115	(4,104)	-
Capital reduction	(2,736)	-	-	2,736	-	-	-
Share based payments	-	-	428	-	-	-	428
Deferred tax	-	-	-	10	-	-	10
Total comprehensive income for the period	-	-	-	(708)	-	-	(708)
As at 31 December 2020	1,653	14,229	529	(1,569)	115	(4,104)	10,853
Balance at 1 January 2021	1,653	14,229	529	(1,569)	115	(4,104)	10,853
Share based payments	-	-	286	-	-	-	286
Total comprehensive income for the period	-	-	-	38	-	-	38
As at 30 June 2021	1,653	14,229	815	(1,531)	115	(4,104)	11,177

Notes to the half year financial statements

1. General information

The unaudited interim consolidated financial statements for the six months ended 30 June 2021 and the six months ended 30 June 2020 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the Board of Directors on 13 April 2021 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed half year financial statements were approved for issue by the Board of Directors on 21 September 2021.

2. Basis of preparation

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for the year ended 31 December 2020.

Trading for the half year ended 30 June 2021 was comfortably in line with the Board's expectations, and this is expected to be the case for the full year. Further details are given in the Chief Executive report.

The Group is in a net asset position of £11.2 million as at 30 June 2021 (2020: net liabilities of £3.5 million) and has no debt facilities in place. Management have prepared forecasts up until 12 months from the date of approval of these financial statements which have been approved by the Board, and after enquiry and review of these forecasts and other available financial information, the Directors have formed the conclusion that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of these interim condensed consolidated half year financial statements.

The financial information is presented in sterling, which is the functional currency of Kooth Group. All financial information presented has been rounded to the nearest thousand.

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual report and accounts for the year ended 31 December 2020.

Current taxes on income in the half year period are accrued using the tax rates that would be applicable to expected total annual profits.

Deferred taxes on income are calculated based on the standard rates that are enacted as at the balance sheet date.

4. Critical accounting judgements and key sources of estimation uncertainty

Any critical accounting judgements and key sources of estimation uncertainty that carry a significant risk of material change to the carrying value of assets and liabilities within the next year are the same as those applied in the 2020 Group annual report.

5. Principal risks and uncertainties

The 2020 Group annual report and accounts describes the principal risks and uncertainties that could impact the Group's performance. These risks primarily relate to cyber security and clinical safety, with any risks relating to COVID-19 deemed to be not material given the industry in which the Group operates and the Group's business model. These remain unchanged since the annual report was published and are not expected to change for the remaining six months of the financial year.

The Group actively manages these risks through risk management procedures and actions are taken to mitigate risk wherever possible.

6. Financial risk management

The Group is exposed to financial risks including market risk, credit risk & liquidity risk. These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the 2020 Group annual report and accounts.

7. Forward-looking statements

Certain statements in this half year report are forward looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

8. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

As Kooth plc's operations are all in one location within the United Kingdom, the Directors are of the opinion that the Group has only one reportable operating segment, this is in line with internal reporting provided to the executive directors.

9. Revenue analysis

Revenue has been derived from its principal activity wholly undertaken in the United Kingdom, and relates to the provision of online counselling services.

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Revenue generated from counselling platform	7,964	5,901	13,012

10. Income tax expense

The income tax expense recognised reflects management estimates of the tax charge for the period and has been calculated using the estimated average tax rate of UK corporate tax for the financial year of 19% (2020: 19%).

11. Earnings per share (EPS)

The calculation of basic and diluted EPS is based on the following earnings and number of shares:

	Six months ended 30 June 2021 Unaudited	Six months ended 30 June 2020 Unaudited	Year ended 31 December 2020 Audited
	£'000	£'000	£'000
Basic			
Earnings used in calculation of earnings per share:			
On total losses attributable to equity holders of the parent	38	(770)	(1,477)
On continuing operations	38	(771)	(1,478)
On discontinued operations		1	1
Weighted average no. of shares (basic)	33,055,776	20,000,000	24,351,925
Weighted average no. of shares (diluted)	34,023,265	23,865,304	24,685,152
Shares in issue	2021	2020	2020
B shares in issue	-	5,055,776	-
Ordinary shares in issue	33,055,776	20,000,000	33,055,776
LTIP	967,489	-	999,681
Loss per share - Basic (£)			
On total profits attributable to equity holders of the parent	0.00	(0.04)	(0.06)
On continuing operations	0.00	(0.04)	(0.06)
On discontinued operations	-	0.00	0.00
Loss per share - Diluted (£)			
On total profits attributable to equity holders of the parent	0.00	(0.03)	(0.06)
On continuing operations	0.00	(0.03)	(0.06)
On discontinued operations	-	0.00	0.00

12. Dividends

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 an interim dividend payment in respect of the six months ended 30 June 2021 (2020: £nil) and does not anticipate recommending a dividend within the next year, but may do so in future years.

13. Development costs

	Development costs £'000
<u>Cost</u>	
At 1 January 2020	3,297
Additions	684
At 30 June 2020	3,981
Additions	846
At 31 December 2020	4,827
Additions	1,430
At 30 June 2021	<hr/> 6,257
 <u>Amortisation</u>	
At 1 January 2020	(895)
Amortisation	(613)
At 30 June 2020	(1,508)
Amortisation	(705)
At 31 December 2020	(2,213)
Amortisation	(913)
At 30 June 2021	<hr/> (3,126)
 <u>Carrying amount</u>	
At 1 January 2020	2,402
At 30 June 2020	2,473
At 31 December 2020	2,615
At 30 June 2021	<hr/> 3,131

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