Brendan Mooney - CEO

Good morning, everyone. Welcome to the Kainos interim presentation of the trading period ended 30th of September 2021.

I'm going to start the presentation but first three quick housekeeping points.

The presentation from Richard and I, will take about 35 minutes. For the presentation your connection will be muted, so please feel free to ask questions in the chat functionality during the presentation. At the end of the presentation FTI will moderate the Q&A session.

When I launch the presentation, Zoom switches off the camera on my device. Depending on your viewpoint that's either good news or bad news but you're on mute so you can't tell me, either way.

And finally, we are recording this broadcast, and we'll be using Zoom to automatically generate a transcript of the call. We will edit transcript for clarity before publishing on our website. I think the "edit for clarity" is my colleagues' way of telling me that Zoom's AI probably can't handle my soft Irish accent. Please bear with me and I will launch the presentation.

Highlights

In terms of the highlights over the last six months I think these really strong set of results and we have picked out the key figures on the right-hand side.

So, looking at last year we posted, growth of 31%, and we have continued that pace this year with revenue up over 33%. I think that growth reflects strong execution by us also strong demand in the market as well. And we see that demand across all sectors and all regions.

In these results we are delighted to have locked in, strong margin gains though profit growth has lagged revenue a little bit. That lag is very much a function of returning to what we see as being normal utilization levels, the short-term impact of using contract staff and the impact of ongoing salary increases as well. We have had excellent sales closure which of course has driven a great backlog for us as well. Our cash sits at a very strong £80 million.

So, in terms of these results, I think addition to reflecting our performance over the last six months, we think these are the first kind of figures that really demonstrate what the term structural change means or markets. We are seeing really strong growth in terms of digital transformation in our core markets. We're seeing a very clear, move to hybrid being the default delivery model for our clients.
We look at these profit figures and think this is the new benchmark for business.

So, in terms of looking at some of the other points on the slide here, over the years we've talked about the need to have a well balanced business. I think these results further demonstrate the progress that we've made.

I particularly call out the growth in commercial sector, which is know the largest sector in the business at just over 42% of revenue. Our global revenues continue to grow very strongly with almost 30% of our revenues come from Central Europe and from North America.

You can see that we've delivered, very strong growth across both of our divisions, Digital Services and the Workday Practice. We are taking the opportunity in this set of results really to highlight the launch of Smart Audit – a compliance monitoring tool for Workday environments, which was released in August, and already has 20 clients using the tool. I will talk more about that later in the presentation, and the pipeline for future products we see in the Workday area.

The final point on this slide, our people. You know how much we prize the talents of our colleagues and their importance to our business. Staff numbers are up over 700 since this time last year, reflective of both strong recruitment but also strong retention.

I know that everyone on this call is familiar with our business careers, Digital Services and Workday Practice. Although our H1 performance is not showing on this chart, as we have just talked about, our H1 results are very much in keeping with our established track record of strong growth in both our business lines.

So we're delighted with our H1 performance, and we're on track for our twelfth consecutive year of growth. That is growth in terms of revenue, adjusted profit and the number of people working in Kainos. We really love that consistency that we demonstrate, year after year.

We have increased our R&D expenditure this year, which is reflecting our increased investment in Smart Audit. As a reminder we expense all of our R&D in year, which in H1 was just over £2.8million.

In terms of the people related aspects to our business, it has been another really busy period for us.
Over the course of the past 12 months staff numbers are up, as I said, over 700 people. About 620 of those joined through recruitment and approximately 90 joined through the acquisitions of Cloudator and Une Consulting. I have to say we're delighted with high quality of a new colleagues, joining both through recruitment, but also through the acquisition as well.

I think, you know, on this slide, we're probably most pleased about the retention levels. 89% of our colleagues have chosen to stay and develop their careers in Kainos which is a really pleasing statistic to reveal. Alongside that really strong retention, we've been, I guess very busy on the recruitment side as well. We have doubled our recruitment capacity over the past year. We normally recruit around 300 people per year. In the past 12 months we've hired over 600. We are still seeing really strong interest in our recruitment markets and over the last six months, 21,000 people applied for a job in Kainos. We still hire most of those directly, over 80% of those who join have joined us directly rather than through an agency.

Most of our recruitment activity is in the experienced market we also believe it is super important for us to be offering careers for those who are starting out in technology as well. So of that 620 people recruited, 149 Join us from school or college.

We have got a heavy reliance on contract staff over the past 12 months; it's up to 13% of our total headcount, although we do expect this to level off in the weeks and months ahead.

We have as you can see, recruited across all of our locations but really, I would call out again, the presence we have in the US. This time two years ago, we were just 47 people in the North American market today it's over 250.

Looking at the wider recruitment market it is clearly a very active recruiting market, and you will have heard that from lots of different tech companies as well. Tech talent in the UK, in Europe, and across the US has lots of options, and are choosing to move around. That's driving some strong salary increases for both new hires, and those colleagues who are with us already.

We are not quite sure how long this will last, though we do think it is a multi year trend. It's not going to be just this year and next year, but probably for a couple of years beyond that.

So, against that very busy market backdrop we are really pleased with that retention rate. An 89% retention rate is a fabulous rate. We should expect to see a drop a little bit over the next couple of years I think it's foolish for us to think that will be immune from what we're seeing in that wider marketplace. However, we will continue to be really focused on making Kainos a really great place to work.

During H1 we completed the acquisitions of both Cloudator and Une Consulting. I have to say we are delighted to have our colleagues on board, and to be working closely with them.

In the case of the Cloudator acquisition there was a significant effort required in merging our two businesses together. Although Cloudator was just 55 people, they were based in 10 different countries, including four new countries for Kainos. So, Belgium, Czech Republic, Estonia and Norway were all new countries for us to operate within. I have to say, on reflection, it is probably fair to say that we underestimated the effort required to integrate with Cloudator and on the onboarding experience for some of our new colleagues was not as seamless as it should have been. There are lessons learned for us.

In terms of offices and travel, we continue to encourage our colleagues to prioritize their wellbeing, which translates into them working from home and having a very much reduced travel schedule.
To give a sense of that attendance at Kainos offices has been gradually increasing over the course of the summer. So today about 17% of our people are in our offices on any given day, although there are clearly regional variations. In terms of travel, this month November, we will have about 140 flights in total. This compares to a typical, 1200 flights a month before the pandemic and that was for a smaller workforce. That is clear evidence that we see the long term engagement model as one of remote delivery.

Our customers

The long-term nature of our client relations are super important to us, and I think both these graphs we've used before, very much kind of demonstrate how these long term relationships underpin our business.

On the left our existing client revenue has grown by 35% over the course of the last 12 months. I know I borrowed the term "net revenue retention" from the world of SaaS, but if you look at that statistic, it is a net revenue retention of 135% for the past 12 months. Or if we are looking at it over the last five years, that is a net revenue retention of 124%.

Then, on the right we share the detail of the various annual customer cohorts. I think the graph is a great insight into how our client relationships develop and deepen over time and how that drives increase business levels for us.

Our customer satisfaction scores, still really high and we're delighted that our customers continue to be very positive, with the quality of service that we deliver for them and the value that we deliver for them as well. As you know, we continue to add new clients every year which, creates the opportunity for us to build future revenue streams.

Business balance

In Kainos we talk a lot about business balance, making sure that our revenue streams are robust and that our revenues are spread across different service lines, different sectors different regions and indeed, different clients. I think the importance of that solid foundation in our revenue really was proven last year through those early months of the pandemic.

The chart on the left really highlights the progress across sectors. We've always had a really strong public sector revenue stream and the focus for us over the past five years has been to keep growing our public sector revenues while growing healthcare and commercial even more quickly.

I have to say I think the team have done a super job in what is a really tricky task to achieve. Five years ago, commercial revenues represented less than 28% of our total business. Today is the largest segment at over 42% of your total revenues.

Over that same kind of time period our international revenues have also grown very strongly, so we're on track to exceed £80million in international revenue this year. Again, going back to the time of our IPO in 2015, global revenues for us were less than £1million so to be on track for £80million this year is a fantastic achievement. Also, to me the international revenue stream really highlights that we can grow successfully an international business. I think there's lots of more growth for us to come as well.

Our responsibilities

As we reported back in May we achieved carbon neutrality for 2020. As part of our offsetting activity, we've supported forest preservation, reforestation, wind power programs across Europe, North America, Africa, and South America. We expect to confirm our science-based targets later this year, which is an important milestone in our journey to carbon net zero by 2025.

We continue to work to reduce our upstream and downstream emissions. Among those types of initiatives, we've undertaken the launch of a UK electric vehicle, salary sacrifice scheme. It was timed to coincide with COP26 and launched internally two weeks ago. Over 200 people attended a series of briefings, and that strong interest has converted to over 30 electric vehicles being ordered in the past week, with more expected in the weeks ahead. Kainos is very much a carbon light business, and our improvements will be driven by many small, incremental steps inside our business, and also in helping our colleagues and customers achieve their own low carbon future.

The past six months have seen an improvement in the gender balance of our recruitment, which increases our overall female representation to just over 33%. We've invested in the Workday VIBE platform to provide us with greater insights into our diversity across Kainos, and to track how our various activities and initiatives improve inclusivity across the company.

We've also moved our Outreach activity online and it is now delivered virtually. Over the course of the last six months 230 young people attended one of our three, weeklong CodeCamps. Over summer, we've had over, 450 young people attend, our three-day work experience program.
Both programs are really geared towards allowing young people to experience what they can expect from a career in digital technology and make a really informed career choice as well. That switch to a virtual format is an important development for us. It allows us to run very focused engagements, very effectively. In the future we'll be able to run targeted programs to support engagement with communities that are underrepresented in the tech sector.

Digital services

Turning to our divisional performance. The team in Digital Services, did an excellent job over the past six months, continuing to perform very strongly. You can see the revenue, bookings and backlog all increasing very strongly.

In the public sector, we continue to see strong commitment from government for the digitization of services. Spend review 21 has just been completed. It has been very positive for digital spend with the digital budgets being made available across government, and overall spending set to increase across government by almost 4% per annum.

Within the department we work with, they continue to be very well supported in their key digital programs. Looking across that marketplace, we're still the number one supplier by contract value on the digital marketplace, which is a combination of spending on both G-Cloud, and on DOS. In the wider software and IT services marketplace, we are the fastest growing in the top 20. We are the second largest UK headquarters supplier to government.

Another trend worth calling out in public sector is and we've seen this trend towards larger and longer-term contracts this year. So, it's in the public domain we've signed a two year £54million contract with Defra. Across three different projects, in the Passport Office we have signed a five year, £92million pound contract as well and this just adds to the stability of our business in the public sector.

You will recall in healthcare that our business grew by over 100% last year and that momentum has carried into this year as well. As I think back about last year's healthcare performance it is very much a case of us helping the NHS to respond immediately to Covid-19. I think of drivers this year are a little different. So yes, there's still some Covid-19 spend, this very much evolving, to long-term solutions around the pandemic rather than the tactical stuff we're involved with last year. There's also a real increased focus around the acceleration of digital transformation in healthcare supporting programs such as wellbeing, prevention and screening.

The commercial sector inside Digital Services grew strongly, which is really a function of three different things. So, our existing customers have increased their investment in their digital programs.
Secondly, we've rolled out a series of focused sales campaigns that has generated new customers for us as well. And thirdly, our commercial team in Digital Services has also been engaging with the Workday Practice customers, and this has generated some broader digital assignments.

Digital services: customer stories

Here are a couple of customer stories just to draw your attention to.

Land Registry receive around 20,000 applications every day that require manual processing by the case work teams. An application will typically have over 50 pages, it will need to be manually checked against the previous version of that document and that can take up to 20 minutes.

It's tedious work at the best of times but whenever you consider that only 15% of applications contain errors there's a real chance that the review may not actually spot the error that is there. We've built an AI enabled application that can detect all the changes,

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in what should be matching documents. It will identify the precise location in the document for the case worker to go in and review. And obviously over time the AI will learn and provide future improvements and efficiencies.

At Genomics England we were asked by AWS professional services to help move Genomics England from an on-premise research environment, to one based in the cloud, to help accelerate research outcomes. This was a hugely important piece of work as one of the research projects that was undertaken by Genomics England was about understanding if there's a link between someone's genomic sequence and how Covid-19 affected them. The engagement required us moving petabytes of data into a cloud environment and it also required us to fine tune both a staging job, and then a processing job associated with it.

In the case of the staging job, we reduced the runtime from 25 hours to 23 seconds. I will just repeat that because I did get it right, we reduced it from 25 hours to 23 seconds. For the processing job, we reduced the time to execute from 49 minutes to 11 minutes. All told we reduced the cost for the customer by 87%.

I just love the quote from Genomics England "Genomics England is widely recognized as the pioneer of population genomics, and now they have architected the world's most cutting edge research environment". That is absolutely fabulous.

Workday Services

As with the team in Digital Services the team in our Workday Practice have done an exceptional job in the past six months. So again, revenue, bookings and backlog are all increasing strongly.

With just a contribution of £1.3million in revenue from the acquired businesses it is very much a strong organic growth story. While the team deserve great credit for this performance our end market here is growing very strongly, at about 20% per year. We are clearly out performing that core market growth.

Underlying strong market growth is likely to continue. Workday have forecast that their business will double in the next five years. That offers us great opportunity in the near term but also the medium term as well. I'm looking forward to Workday's results, which are published later this week.

One of the many attractive features of being in this market is a small number of partners in the ecosystem, just 37 in total. We continue to have an excellent relationship with Workday, that is partly to do with our own growth. Our consultant numbers are up 50% on this time last year and over the last three years, we have been the fastest growing Workday partner globally. That's reflected in our number one position in Europe, by consultant numbers and number eight globally. At our current growth, we expect to be on the verge of the top five by the end of next year.

While I pointed out a few minutes ago that we could have been more prepared for the Cloudator acquisition, I have to say we really are delighted to welcome our new colleagues from both Cloudator and Une Consulting. Cloudator were the largest Workday partner in the Nordic region. We were the second largest so combining the two teams gives us a great position in that market.

We've worked closely with Une Consulting for a couple of years and have been able to add their teams to allow us to build more strongly in the US market. Including Une, we now have over 250 people focused on delivering service into that market.

Smart product suite for Workday

The eagle eyed among you will immediately spot we've changed the branding positioning of Smart a little bit in the slide deck. Where beforehand we were talking about Smart Test, we are now really talking about a suite of products in the Workday world.

Smart Test, you'll be very familiar with, we talked about for several years. The Smart Audit, we've launched that over the summer, and we have further products that are in the development pipeline, as well.

So we look at Workday as being a really comprehensive SaaS platform. We believe that there are opportunities to develop software components that are complementary to the platform and that will enable customers to get further benefit from their Workday deployment. I think we've already proven this with Smart Test. Smart Audit has started really impressively as well and we see further opportunities to expand the Smart portfolio. We're also seeing the very start of product opportunities in the Workday Extend world as well.

Let me dive into more detail and start with Smart Test. It's been another really impressive performance by the team. In H1 we added another 36 new Smart test clients, which is about £3.1million annual contract value or ACV. In terms of existing clients, we're seeing strong renewal rates and we expect to see about a net revenue retention of 104%, over the course of the current financial year. We also see growing opportunity for more Smart Test modules. We launched our fifth module back in January, and we now have over 84 clients signed up. We've got a pipeline of four more modules that will be released over the course of the next 12 to 15 months. That will drive further growth in our annual recurring revenue.

Turning to Smart Audit, I think of it as being a very exciting opportunity. I do recognize that the words audit and exciting don't often appear in the same sentence. In terms of thinking about the Audit product, there are three modules: data privacy, privileged access and segregation of duties.

Although they can be sold separately, in every case where we have sold the product, they have been sold as a single bundle. In addition to three modules, we have at the moment, the team have ideas around future modules as well. So, Audit has really set, what I can only describe as a blistering pace. It launched in August and has already over

20 clients and as a reference point it would have taken Smart Test almost three years to achieve the same customer milestone.

That's also I think reflected in our forecast ARR for the current year, it should be about £3million, or about 50% of a typical Smart Test ARR year as well.

In terms of clients who are signing up for Audit, most are existing Smart Test clients. Roughly 50% of the clients are using Smart Audit to check their HCM deployment, and the balance, 50% are checking their financials deployment. We don't yet have enough data to confirm this conclusively, but we are seeing anecdotally, a shorter sales cycle. That is partly driven by the fact that the software can be provisioned for a client in about 24 hours, which means we can demonstrate the software very quickly against the client's Workday estate.

To pick out a few examples of stories that can unfold from those kinds of software demos.

For one client whenever we demoed the software we found that they had configured their Workday environment that allowed 1,200 managers to approve a pay raise for themselves. Obviously, something they wanted to remove straight away.

With another client we found that a junior employee had global access to some of the most sensitive personal data for every single employee in the company. This was for an organization with well over 100,000 employees.

The third client, they had paid $200,000 for a one-off review of segregation of duty risks in their Workday system. The review was overtaken by their auditor and generated just over 5,000 observations for review. The client then reviewed all these observations over the period of several months, and out of those 5,000 observations only 5 turned out to be genuine risks. Then when we deployed Smart Audit to the same client, after this review, we generated 38 observations of which 9 turned out to be genuine risks. So Smart Audit is faster, much more focused and much more accurate when it comes to doing this type of work.

Finally let's talk about Workday Extend. So, as a recap, Workday Extend is Workday's Platform as a Service offering that allows customers to build additional specialized functionality on top of the Workday platform. Extend has been in development by Workday for several years, we've been part of the early adopter program since 2017. The platform, Extend became available in May, 2020, and interest has been building steadily since then.

When we look at Extend, we see an opportunity for Kainos as being a mix of services and products. During H1 we signed contracts to build specific applications for customers.

Some of those examples would be for a global logistics firm, an application to manage a unique, long term incentive plan. For a natural gas utility to manage family and medical leave requirements. For a publishing group to manage the contracts for executive hires and specialized payments like sign on bonuses.

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In addition to those services, we've also developed and launched some Extend products over the course of the year as well. I think the highest profile of those is vaccine management, which allows organizations to manage the vaccine data of their employees. That is now being used by 13 companies.

We also see applications being deployed around return to office, tuition reimbursement, and document management as well.

This is very much the start of the Extend product journey for Kainos. If you look at this year, we signed around $400,000 of annual recurring revenue, and that might rise to $800,000 or $1million by the end of the year. It is a very fast-moving environment and we would expect to see two or three apps being launched, every year.

Workday practice: customer stories

Inside our Workday Practice we work with over, 450 customers, that is across both Smart products and our consulting activity. We have put a few of the logos on the right hand side, really just give a sense of scale of some of the customers we have in this part of our business. We have also featured four of our customers as mini case studies as well. So rather than actually talk about those customers in detail, I'd like to draw out probably three themes that the case studies do highlight.

The first is that customers will often take several products and services from us. That could be phase one, phase X, application managed service or AMS, Extend services to Extend products, Smart Test and Smart Audit. Obviously, the opportunity for us is to have more of our customers deepen their relationship with us and take more of those services and products.

Second, as you can see here, we continue to build a really strong presence in the US market, both with our consulting activity, but also our product offers as well.

The third thing really just to draw out around Smart is that it is a truly so global software business with an increasing product portfolio.

With that I will hand across to Richard.

Richard McCann - CFO/COO

Thanks Brendan.

If we move on to the financial performance, starting with the group income statement.

Digital Services, public sector grew 9%, which was a good performance, particularly in the lead up to spending review. Obviously, somewhat overshadowed by commercial sector which grew by 80%. Part of this was a bounce back from a relatively weak H1, influenced by Covid last year. Healthcare continues just to steam ahead, and 77% growth, compared to last year, with actually 210% growth over the last two years.

In previous years, I've used a metaphor of some of the sectors being like a Ringo Star. Very talented musician part of a great band, but not Paul McCartney. This year I think the metaphor is more around Abba. All members are a talented all performing very well. But salary inflation, to me, is the equivalent of their outfits at the Eurovision in 1974. I've never seen anything like it. I don't really like it either.

Margins fell, about 7% back to pre-pandemic levels. Utilization returned to normal, as people can actually do things this year, as opposed to last year and spend less time working. We've had to increase contractors to support growth as well. But the long-term trend here is really around salary inflation, which is in high single digits, and possibly going higher in certain areas.

In terms of the Workday Practice, services revenue grew 35% organically, which is getting back to pre-pandemic growth levels. Product revenue grew 22%, but the annual recurring revenue was even stronger at 37%, and as Brendan mentioned, we are seeing the first contribution to revenue by Smart Audit, albeit very small numbers at the moment.

In terms of Workday services, margins, they fell by 2% we are seeing the same factors as Digital Services, albeit to slightly lesser extent.

On the other hand, the Smart product suite saw margins increase slightly by 1%. Salary inflation just has a lower impact in this area.

In terms of overall profitability, it is really difficult to draw meaningful comparisons to last year. There are so many moving parts, and frankly I think it makes more sense to look at H1, two years ago on the next slide. We've pulled out a separate slide to show the change to two years ago.

So this is a comparison to pre pandemic levels and what you see is a more consistent picture in the sense that revenue up 64%, gross margin up 67%, contribution up 62%, the adjusted pre-tax margin has increased from 15% to 21% albeit having fallen back from last year.

What we're seeing is, some costs have definitely come back into our business, since the pandemic has eased. Things like marketing albeit excluding some conferences and recruitment costs are back to normal, or even in some cases slightly higher. The big one that's still outstanding is travel. We don't honestly know if there will be a return to travel. We hope that it doesn't fully return. We've proven over multiple projects that we don't need to do level of travel, we were doing pre pandemic and the light of COP26, we want to reduce travel further to reduce the impact on global warming, but we just don't know yet what customers will require.

Let’s move on to the balance sheet cashflow. In terms of fixed assets, we've refurbished a couple of offices, and we've had a big increase in staff numbers which is impact on fixed assets but in general it's not a major part of our business.

In terms of trade receivables and WIP, they increased substantially, back to the historic numbers of 73 days, which is disappointing. We'll talk about the impact of that on cashflow as well.

In terms of cashflow I look back at my notes from last year, and I said, that the H1 cash conversion last year was an impossible comp for next year and so it has proved. Cash conversion was 38%. We always at H1 remind people to a adjust for the impact of all our bonuses being paid in H1 but being earned over the entire year. If you do that, it comes up to the heady heights of 59%, which is still obviously extremely poor. There are no structural reasons no contractual reasons for that. The only thing that I can really attribute it to is staff being flat out and to some extent, taking their eye off the ball, which is understandable and the circumstances but clearly, we need to address in H2.

A quick note on property, and the cash implications there, we still haven't a come to a decision on that and we're still trying to figure out what the new normal means.

In terms of the interim dividend. It is 7.1p, up from 6.4p last year.

Brendan Mooney - CEO

Thank you, Richard.

I hope this update has been very useful, both in terms of talking about our performance over the last six months but also signposting about our future activities as well.

In some ways the future activities can be captured in the phrase “more of the same”. I think it's just useful to draw out some themes for us.

In terms of Digital Services, we continue to have a leading position within digital transformation. We are the number one digital transformation supplier to the UK public sector. This remains a high growth market and we expect that market to double in size, over the next five years.

We're incredibly proud of the central role we played in the NHS digital response to Covid-19.
That has meant we are really well positioned as NHS Digital and NHS X evolve their thinking to include long-term systems for pandemic responds and more widely how digital transformation in healthcare can support programs such as screening, wellbeing and prevention.

Technology spending in the UK commercial sector is over three times greater than that in the public sector and the commercial sector faces pretty much the same challenges as government does as well.

We've grown strongly over the past six months, and we expect that momentum to continue to build through this year, and into FY23.

We have a strong presence in the UK but our ambition for Digital Services, like it was for our Workday Practice, is global. We're currently focused on Germany, Switzerland, and Canada, and believe that we can build from the early successes we've had in those markets.

Like Digital Services our Workday Practice operates in a high growth market. Workday have repeatedly predicted that their business will double over the next five years, and I have to say their performance does support that bold claim. That underlying Workday growth will continue to provide great opportunity for us in Kainos. So, we're already well established in the UK, Europe and Canada, we will continue to grow our businesses and all our current regions and grow and new locations, as Workday gain traction and those new markets.

We've made no secret of it, the US remains a key target for us. It represents over 75% of the global Workday consulting spend and we now have over 250 people, delivering service to our customers there. We will continue to invest in developing the US market.

And finally, Workday Extend provides the opportunity for Workday customers to build applications on top of the Workday infrastructure. We are the number one Extend partner globally, and this will drive additional opportunities for us, internationally.

I think Smart is now truly a global software SaaS business. It has a growing roster of clients and a growing portfolio of products. Our Smart Test and Smart Audit products have been engineered specifically for the needs of Workday customers and that ever growing customer base will continue to rapidly expand our addressable market.

Smart Test has built an excellent position in helping Workday customers automate their testing and over the next 18 months we will double the number of modules available to existing on to your feature Smart Test customers. As I mentioned, Audit launched back in August 2021, and has already over 20 clients. It has passed the same customer milestone that took Smart Test almost three years to achieve. As with Smart Test, Smart Audit also has a future roadmap of additional products, and we will see them being introduced over the next couple of years.

Alongside those two very busy development pipelines around Test and Audit we also see the opportunity to develop additional products inside the Smart portfolio. We are at the design stage of a third product called Smart Protect.

It is absolutely fantastic to be working in these high growth and international markets, but the same time it's really important that we maintain our operational discipline.

So, for us, we need to develop retain and recruit the very best talent. There is increasing demand in the market for high quality digital skills, so we need to make sure that our reach in the recruitment market remains strong, that we are the employer of choice for our colleagues.

Our success is predicated on customer satisfaction. I think the most important facet of that is the value that we deliver to them, and we do that very much in partnership with our customers. For us it is really important that we retain our high levels of customer satisfaction across that growing customer base as well.

Across our customer base, I think there's a great opportunity for us to offer multiple Kainos services. So we've been most effective in our Workday customer base where clients can be a phase 1, phase X, AMS or Smart customer. We want our customers to engage with a greater number of these products and service lines, and to add the likes of Smart Audit and Extend to the requests they make from us. We also see a great opportunity for our Workday customers to partner more broadly with Kainos for their wider digital transformation needs as well.

Finally, as well established as our current activities are as high growth as they are at the moment, it is important for us to continue to develop and improve our core activities, while also looking for new opportunities to support our future growth ambitions.

So, thank you that's the formal presentation complete. I will now hand over to FTI to moderate the Q&A session.