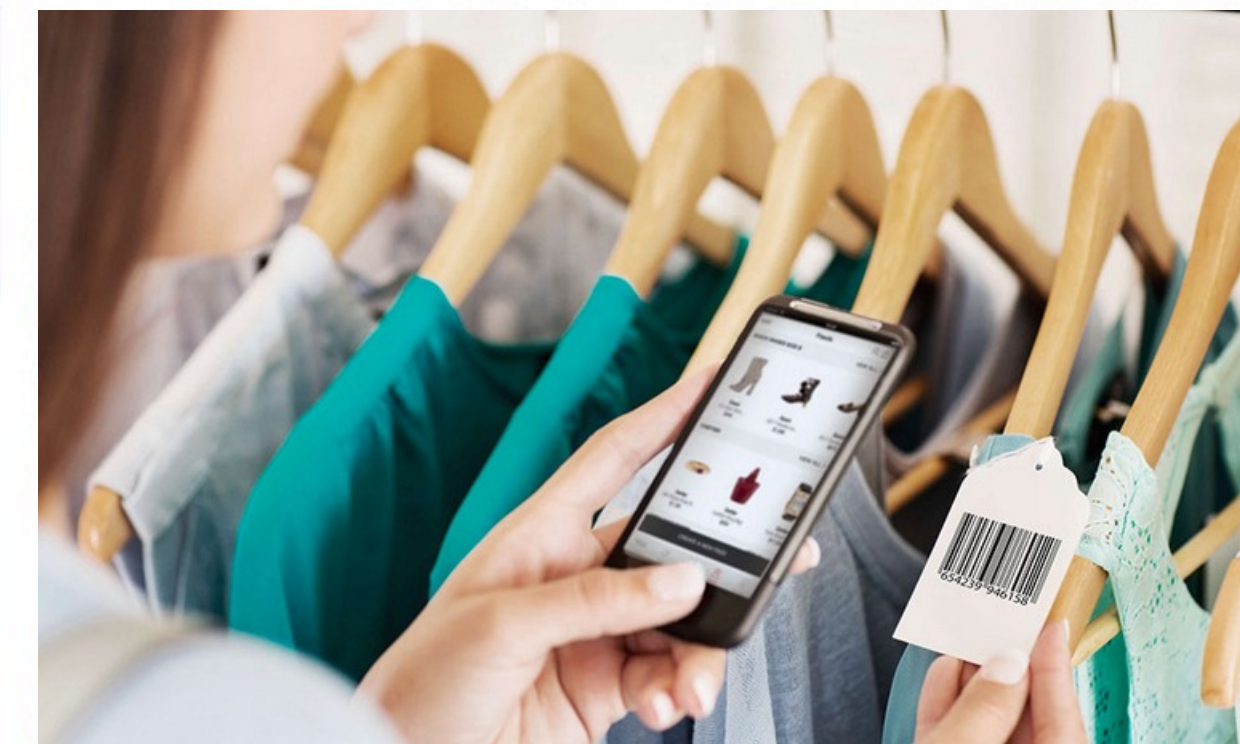
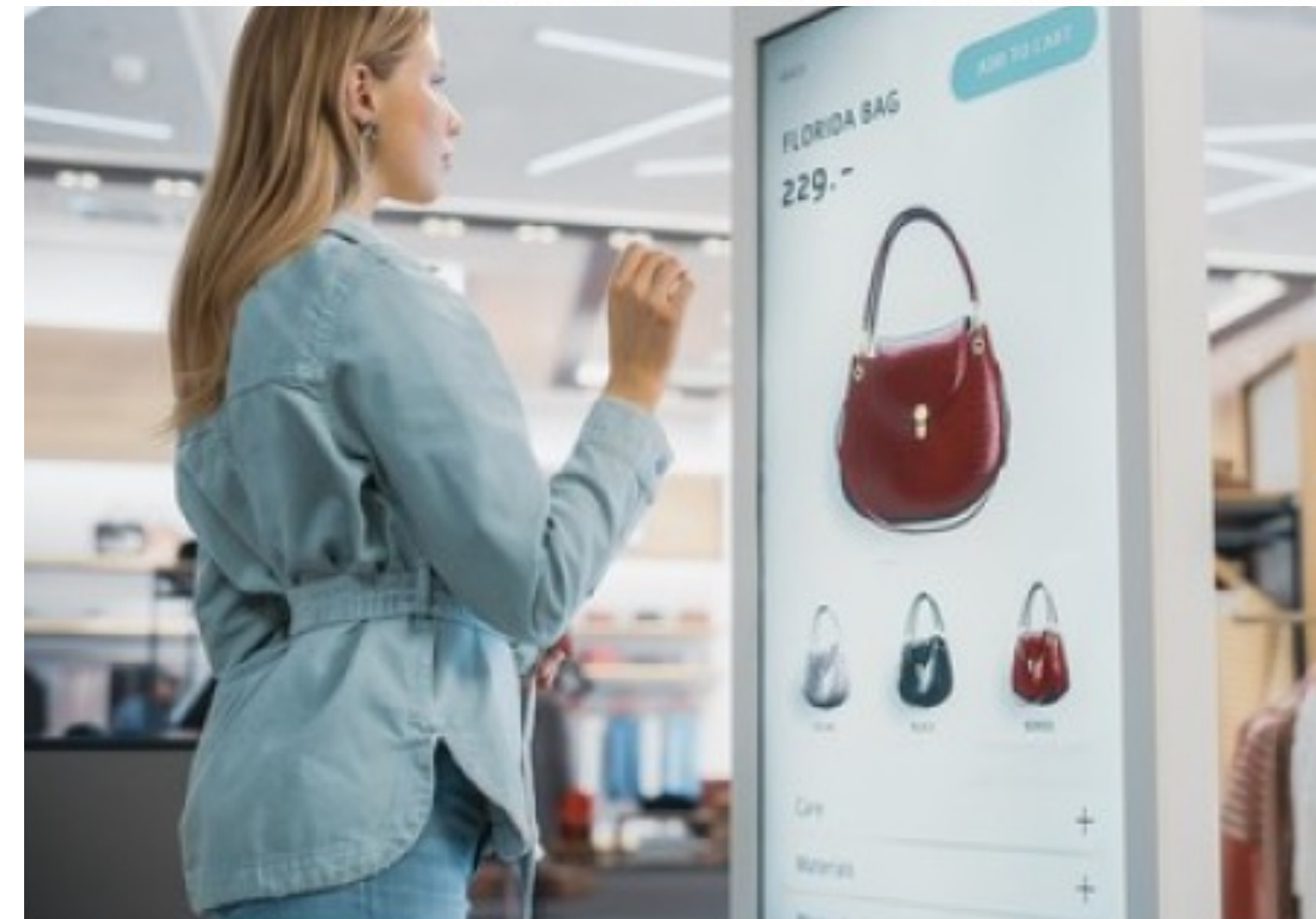


K3 Business Technology Group plc

Final Results

Year ended 30 November 2022

30 March 2023



Presentation Team



Tom Crawford, Chairman

- Appointed Chairman in October 2020
- Over 20 years' experience in the software industry in the UK, Europe and North America
- Successful track record of growing international product-based software businesses
- Former CEO of Aptitude Software Group Plc, global financial management software company



Marco Vergani, CEO

- Appointed CEO on 30 March 2021
- Over 30 years' experience in technology, principally in senior commercial sales in Europe, Far East and USA
- Extensive retail, consumer and e-commerce experience (recently AI-driven personalisation)
- Previously, IBM VP Business Process Outsourcing EMEA; Digital River SVP Global Sales & Account Management

A Significantly Stronger, Fitter K3



Financially stronger – transition to cash generation

Operationally fitter – positioned for future growth

Clear strategic focus – high growth opportunity; fashion products

Significant opportunity to increase recurring revenue, profitability & cash

K3 Overview/ Vision – Product-led Growth Business



High Growth Opportunity

K3 Products: Strategic Fashion Products

K3 Fashion | K3 Pebblestone | K3 ViJi

FY22: £13.5m rev | adj. EBITDA £0.7m | gross margin 78%

- ERP solutions for designer, fashion and apparel retailers and brands that transform 'concept-to-consumer' processes and margins (incl. design, assortments, manufacturing, supply chain, distribution, sales and returns)
- ▶ Accelerate uptake via focus on:
 - Sustainability - supply chain traceability
 - Unified inventory optimisation/ enablement
 - Microsoft relationship – route to larger brands

Strong Cash Flows

Third-party Solutions

Global Accounts (IKEA franchisees) | NexSys

FY22: £34.0m rev | adj. EBITDA £12.8m | gross margin 52%

- ▶ Global Accounts - specialist services - focused on supporting IKEA platform enhancement, integration and global growth of IKEA franchisees
- NexSys - SYSPRO-based ERP systems for UK manufacturers and distributors, with exclusive K3 add-ons and market-leading support in selected verticals e.g. aerospace, plastics

Class-leading products | Network of business partners | Shift to SaaS-based Income

FY22 – Encouraging Underlying Financial Improvement



(£m)	FY22	FY21	Change
Revenue from continuing operations	47.5	45.3	+5%
- recurring & predictable revenues ¹	37.6	33.9	+11%
Gross profit	28.1	26.8	+5%
- gross profit margin	59.2%	59.3%	-
Adj. EBITDA ²	5.1	4.4	+16%
Loss before tax from continuing operations	(3.8)	(7.8)	+£4m
Discontinued activities profit after tax incl. gain on disposal	0.1	12.3	
Adj. EPS from continuing operations (p)	(2.6)	(13.6)	+11p
Net cash ³	7.1	9.0	-£1.9m

- **Strong Recurring & Predictable Revenue**
 - 79% of total revenue (2021: 76%)
- **Increased Annualised Recurring Contracts (“ARC”)**
 - total up 11% to £22.9m (2021: 20.7m)
 - strategic fashion products ARC up 32% to £5.7m (2021: £4.3m)
- **Profitability Well Ahead**
 - Adj. EBITDA up 16% to £5.1m (2021: £4.4m)
 - Legacy POS revenue attrition but margins maintained
- **Cash Outflow (annualised) Significantly Reduced**
 - transition to cash generation
- **Healthy Net Cash of £7.1m**
 - after Viji acquisition cost and £1.0m capex in systems

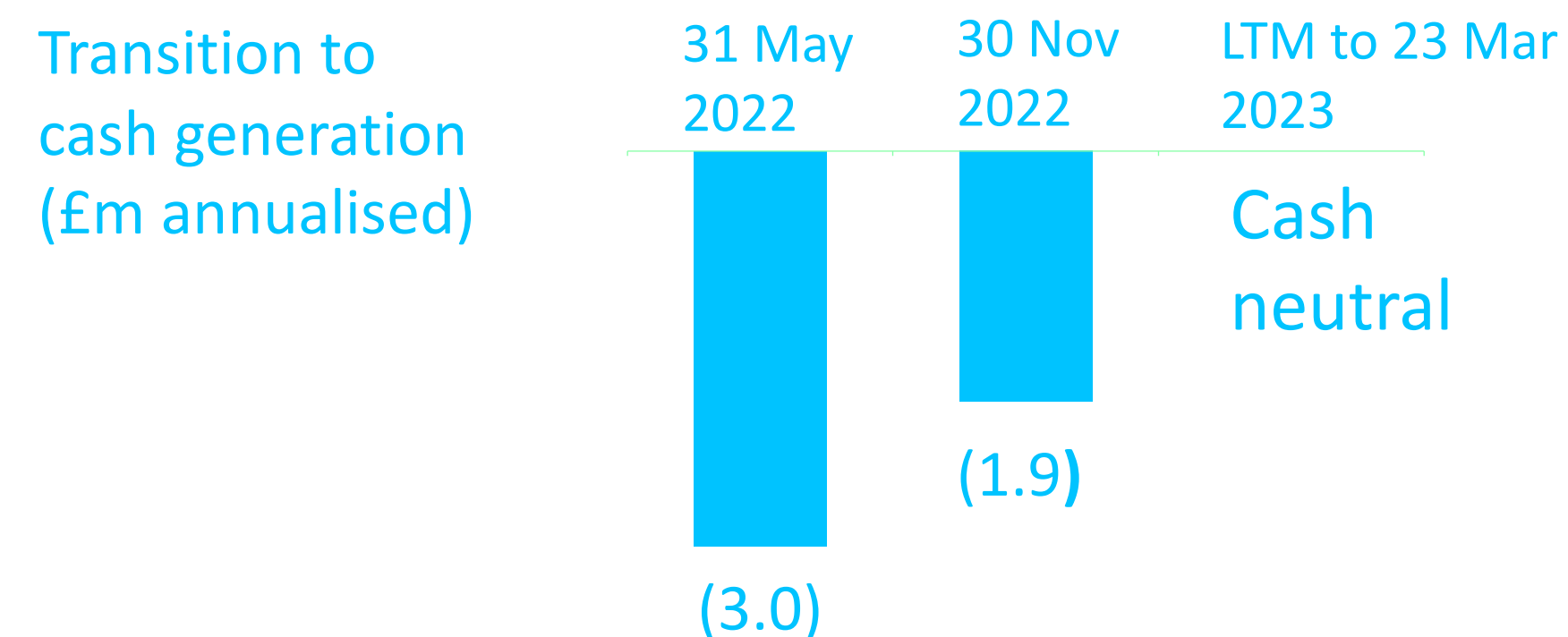
¹ Recurring revenues comprises maintenance, support and services revenue under a framework agreement > 2 years

² Adjusted Profit from operations plus Development amortization and depreciation

³ Bank borrowings and cash

FY21 – Disposal of non-core Sage and Starcom businesses included in discontinued activities

Annualised recurring contracts (“ARC”) is the annual contracted income from support, maintenance, SaaS and term-contract software, spread over the term of the contract



Strategic Fashion Products – Significant Growth Opportunity



Fundamental Market Shift

- Brands are moving to vertically-integrated business models, combining B2B and B2C
 - this requires the integration of channels and a unified view of inventory
- Generic Enterprise Resource Planning (“ERP”) solutions struggle to address key needs



K3 strategic products (Fashion/Pebblestone/ViJi) are a compelling solution

- K3 Fashion is winning against SAP, Infor, Oracle thanks to bespoke features
 - e.g. assortment matrixes, inventory ring-fencing, cargo management

K3’s Sustainability Capabilities (ViJi) further strengthens its market proposition

- ViJi offers automated certification at order level, which is unrivalled in the market
- Market take-up is being driven by new regulations (EU Directive + local national laws) as well as consumer demand



Strategic Fashion Products – Restructured Sales Approach



New sales team

- Pre-sale Fashion Specialists/Consultants are a key differentiator

Business Partners – Deeper Engagement & Expansion

- Partnering “upwards” with Strategic Consultants - PWC, E&Y, Deloitte, Accenture
- Expanding Business Partner network, especially in US/Canada (CreaTech)

Moved to ‘Co-selling’ Model

- More control over sales process while preserving the benefits of indirect sales channel, with its low cost of engagement

Mirroring Microsoft Pricing

- Software licences required for ALL devices using K3 product data
- Contracts are typically 3 - 5 years

‘Proof of Concept’ followed by Significant Licence Expansion

- **Customer 1** (outdoor sports apparel) won in FY18 | FY22 licences up 3.5x (5-yr contract)
- **Customer 2** (events merchandise) won in FY19 | FY22 licences up 6x (annual renewal)
- **Customer 3** (outdoor sports apparel) won in FY20 | FY22 licence up by 10x (5-yr contract)
- **Customer 4** (fashion retailer) won in FY19 | FY22 licences up by 4x (5-yr contract)

K3 Products Division – Strategic Products Momentum



(£m)	FY22	FY21	Change
Annualised Recurring Contracts (“ARC”) - strategic fashion products	5.7	4.3	+32%
Revenue	13.5	14.8	-1.3
Gross profit	10.5	11.1	-0.6
Gross margin %	78.3%	75.3%	+300bps
Adj. EBITDA contribution	0.7	1.1	-0.4
CapDev	(1.4)	(2.8)	-1.4
Adj. EBITDA contribution less CapDev	(0.7)	(1.7)	-1.0

- **Strategic fashion products gaining strong momentum**

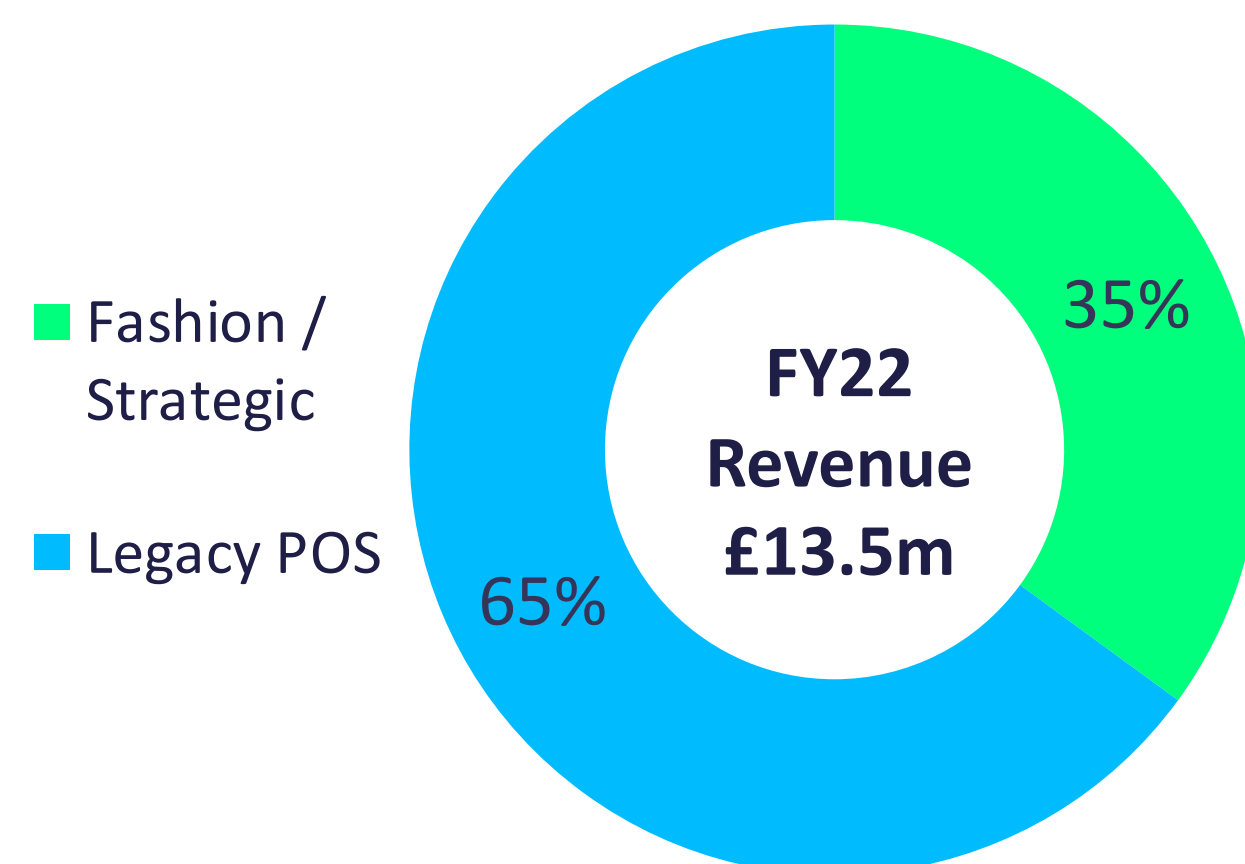
- £2.1m of major new contracts signed (new and existing customers)
- ARC from strategic fashion products up 32% y.o.y. to £5.7m
- NRR 120%
- Sustainability offering significantly enhanced with ViJi acquisition – IP being integrated within fashion products

Strategic products ARC* (£'m)



**K3 Fashion
K3 Pebblestone**

ARC +32%



- **Legacy Point of Sale (“POS”) in managed run-off;** performed in line with expectations. Focus is on margins and migrating Key Accounts
- **Gross margin up to 78% from 75%** - reflected product mix, raised prices, efficiencies

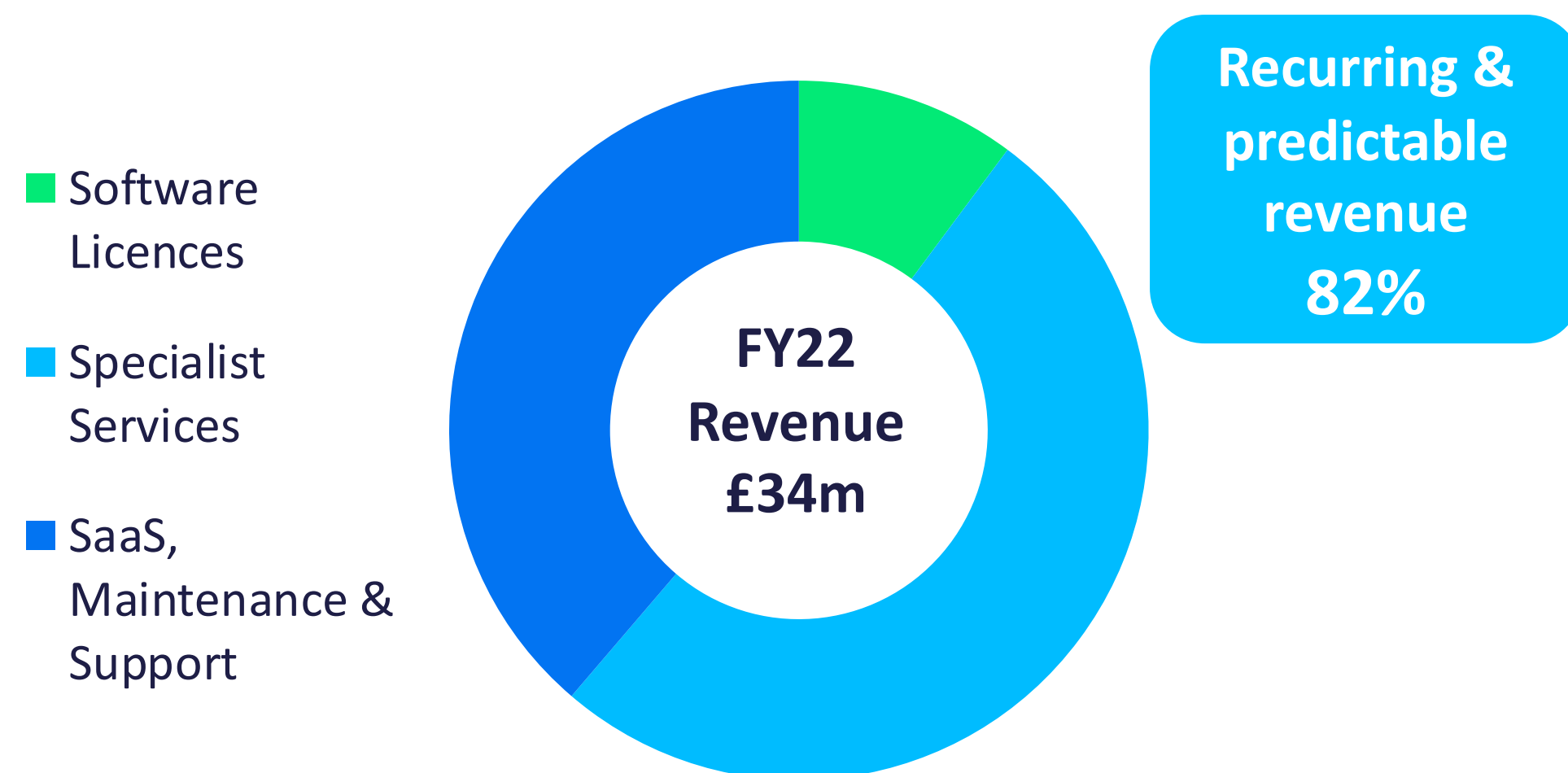
*Annualised recurring contract (“ARC”) is the annual contracted income from support, maintenance, SaaS and term-contract software, spread over the term of the contract

Third-party Solutions Division – Performed Well



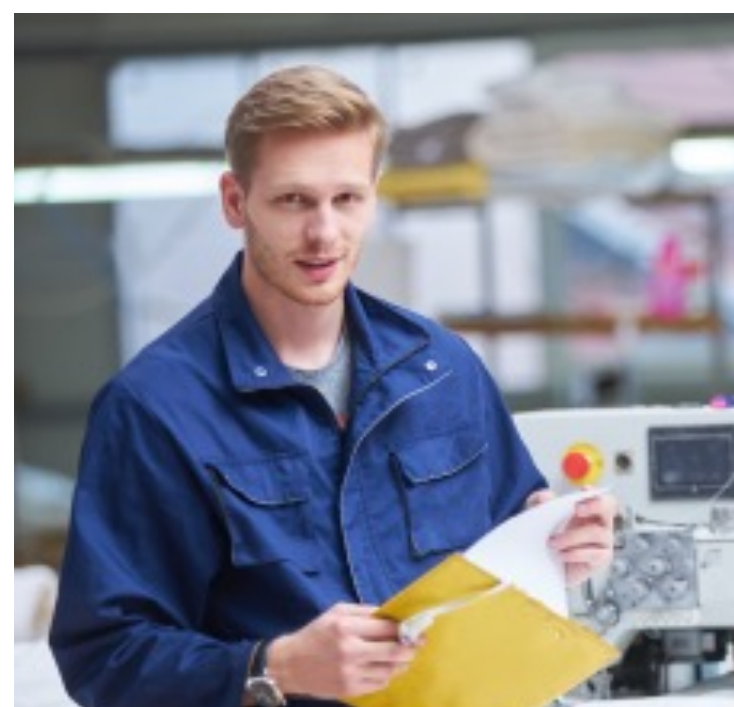
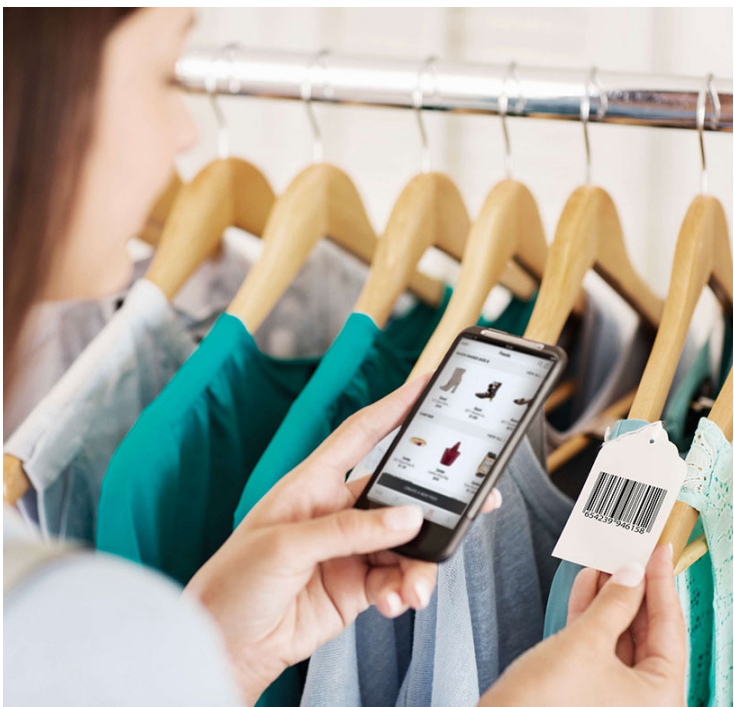
(£m)	FY22	FY21	Change
Annualised Recurring Contracts (“ARC”)	12.1	11.1	+9%
Revenue	34.0	30.5	+11%
Gross profit	17.6	15.7	+12%
Gross margin %	51.6%	51.5%	+10bps
Adj. EBITDA contribution	12.8	11.4	+12%
CapDev	-	-	-
Adj EBITDA contribution less CapDev	12.8	11.4	+12%

- **Recurring & Predictable Revenue up 10.2% to £28M**
 - 82% of divisional revenue
- **NexSys (previously SYSPRO) – continued strong cash generation and winning larger projects**
 - 98% renewals (2021: 98%) – software licence, maintenance & support contracts
 - ARC up 6.3%
 - Solid services order book
- **Global Accounts – performed well; supporting IKEA franchisee expansion**
 - Services rate card increased by 7%
 - ARC up 18%
 - Store roll-outs in Far East and Central and South Americas
 - Internal systems upgrade will increase productivity in FY23



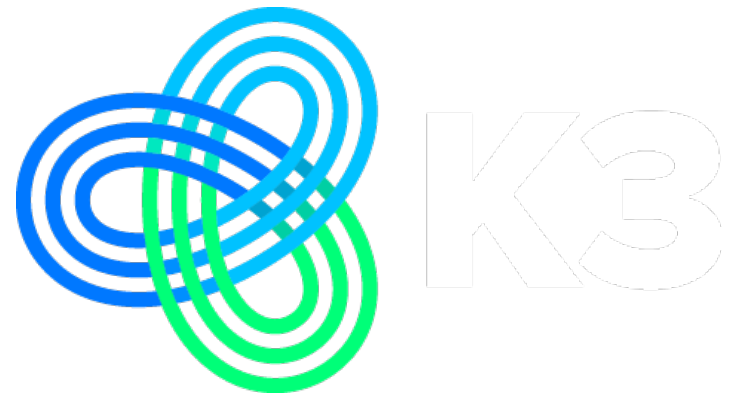
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Summary and Outlook



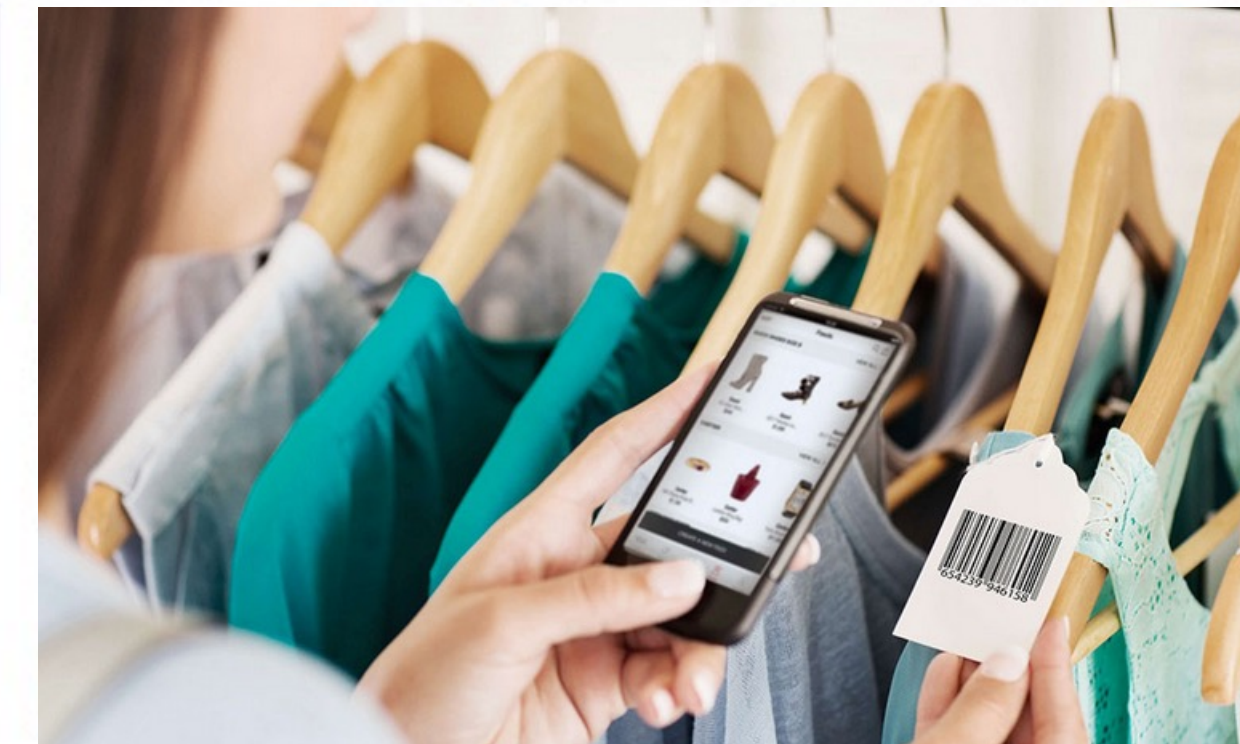
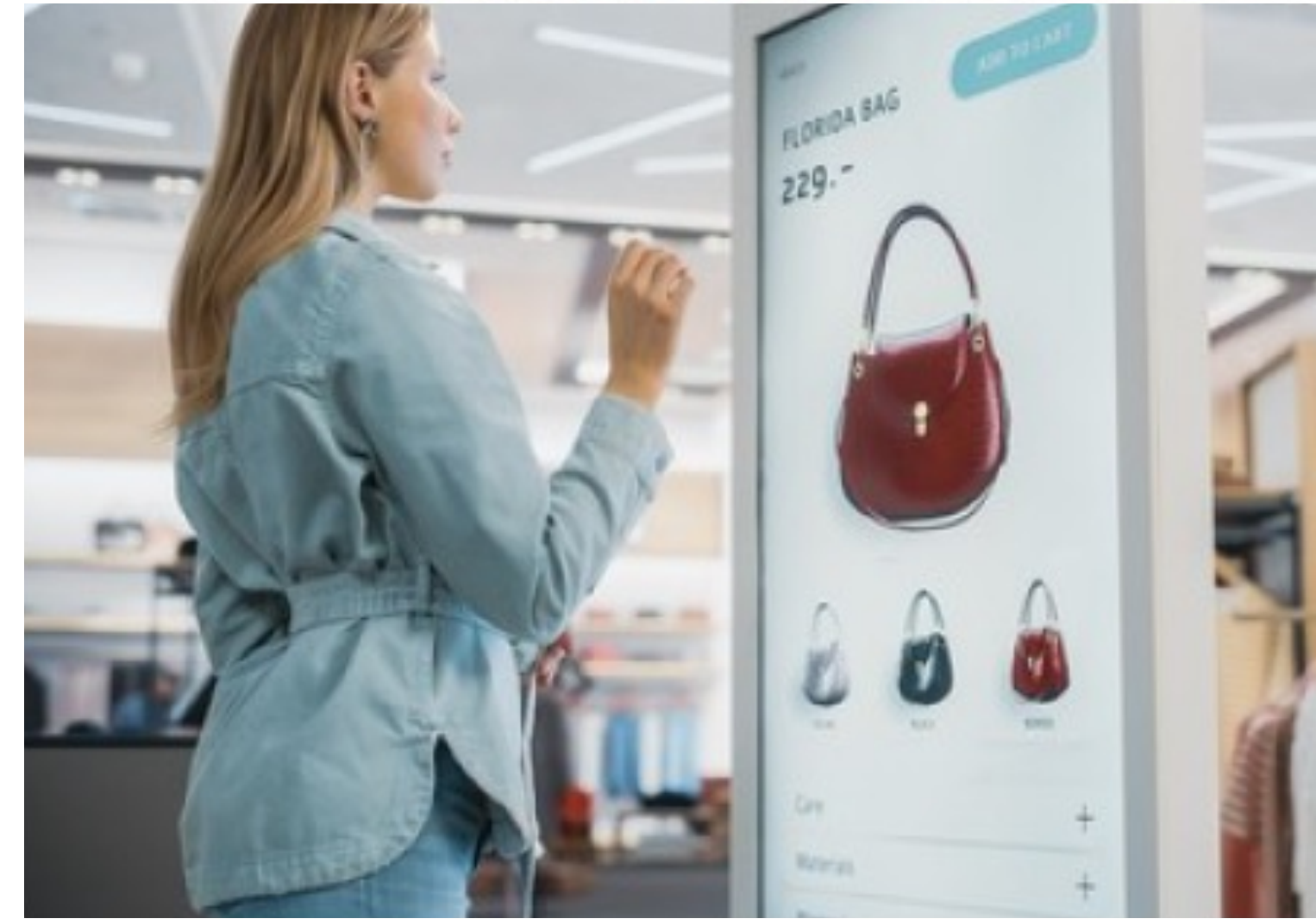
Group is better positioned | executing a clear growth strategy | gaining momentum

- **Third-party Solutions — generating strong cash flows**
 - high levels of recurring revenue and cash
 - focus is on improving margins
 - evolving Global Accounts into a stand-alone business unit
- **K3 Products — exciting growth engine**
 - fashion products - 32% increase in ARC, NRR 120%
 - high level of renewals/expansions expected in 2023
 - running Legacy POS software for cash
 - exciting momentum on Sustainability as a business accelerator
- **Current trading — encouraging**
 - price increases of 7%-10% introduced from Jan 2023
 - Q1 FY 2023 has been good with new customer wins and expansion in fashion products
 - improving cash generation



Supplementary Information

- Strategic products
- Three-year record
- Balance sheet



Strategic Products - Compelling Offering for Fashion and Apparel



K3 Fashion

- Enterprise ERP solution for Fashion & Apparel Brands and Retailers
- Native and embedded within Dynamics 365
- Full Concept-to-Consumer coverage
- Highly configurable
- CSR module

K3 Pebblestone

- Any size ERP solution for Fashion, Apparel Brands and Retailers
- Easy to deploy and configure
- Native and embedded within Dynamics BC/Nav
- Full Concept-to-Consumer coverage
- On Premise and Cloud versions
- Scalable and easy to integrate
CSR Module (Agnostic)

K3 ViVi

- Platform to collect, authenticate and certify all CSR data and associated evidence from brands, suppliers and products to ensure that brands have complete visibility over their sustainability credentials.
 - Automated collection and renewals of certifications
 - Widget and Mobile App to display CSR product info to consumers.
 - Stand-alone solution or full integration to other K3 ERP/CSR products

K3 Imagine

- Any Client who needs a robust Unified Commerce/Retail solution to unlock Omnichannel Retail, which can be integrated with any legacy system
 - Provides Unified Inventory and Customer Experience
 - Front End (POS, Checkout, Kiosks, Mobile) and BackOffice
 - Fully Omnichannel
 - Realtime Orchestration and synchronization of Data across multiple legacy platforms.
 - Process/Rule designer tool allows integration without writing any code

Three-year Record – a stronger and fitter K3



	FY 2022	FY 2021	FY 2020
Revenue (£m)	47.5	45.3	48.8
Recurring & predictable revenue (%)	82%	83%	76%
Adjusted EBITDA (£m)	5.1	4.4	4.0
Adjusted EBITDA (£m) less CapDev	3.4	1.6	(0.5)
Normalised operating cash flow (£m)	(0.5)	(0.7)	4.1
Net cash / (debt) (£m)	7.1	9.0	(1.9)
<i>Operational gearing</i>			
Staff costs (£m)	23.7	25.7	27.0
Headcount/of which administrative	347/51	408/60	473/62
<i>Efficiency and product focus</i>			
Product/business units	2	4	6
ERP* systems	Moving to 1	4	4
Operating legal entities	12	15	19

Increased Profitability

Increased recurring & predictable revenues

Increased efficiency

*ERP is Enterprise Resource Planning

FY22 Balance Sheet



ASSETS	£'000	£'000
	30 Nov 2022	30 Nov 2021
Non-current assets		
Property, plant and equipment	1,766	1,551
Right of Use Assets	801	1,709
Goodwill	25,022	24,772
Other intangible assets	3,394	6,648
Deferred tax assets	855	1,010
Total non-current assets	31,838	35,690
Current assets		
Stock	484	467
Trade and other receivables	13,549	10,605
Cash and cash equivalents	7,223	9,146
Total current assets	21,256	20,218
Total assets	53,094	55,908
LIABILITIES		
Non-current liabilities		
Lease liabilities	79	135
Provisions	179	1,229
Deferred tax liabilities	1,119	1,228
Total non-current liabilities	1,377	2,552
Current liabilities		
Trade and other payables	16,882	14,456
Current tax liabilities	372	509
Lease liabilities	802	1,623
Short-term borrowings	50	113
Current provisions	968	854
Total current liabilities	19,074	17,555
Total liabilities	20,451	20,107
Net assets	32,643	35,801

- Net cash of £7.1m plus forward currency contracts of £0.1m
- Capex + Development expenditure of £1.0m in IT systems
- Right of Use assets decrease with office and car fleet footprint reduction
- Trade and Other Receivables increased due to increased contract assets for multi-year software deals and increased Third-party Solutions revenue
- Non-current provisions reduce with onerous provisions relating to Starcom disposal expiring in February 2024
- Trade and Other Payables increased due to deferred income, higher commission accruals and deferred & contingent acquisition consideration

