

FINAL RESULTS

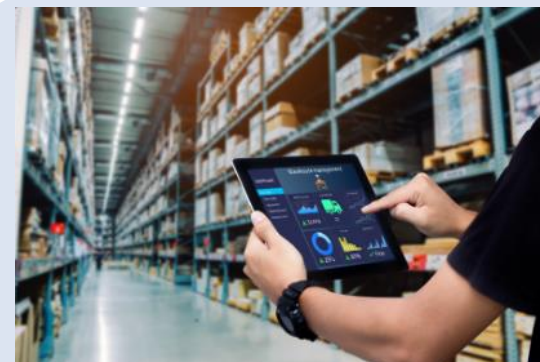


K3 Business Technology Group plc

Final Results

For the 12 months to 30 November 2023

26 March 2024





Tom Crawford, Executive 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.



Eric Dodd, CFO

- ▶ Appointed as CFO in April 2023.
- ▶ Formerly CFO of ATTRAQT Group Plc and of KBC Advanced Technology plc.
- ▶ Significant experience of the technology sector.

▶ BUSINESS CRITICAL SOFTWARE SOLUTIONS AND SERVICES

- ▶ Focus is on transitioning to higher-quality recurring revenue and cashflow



K3 Products

- ▶ High growth opportunity in Fashion and apparel sector
- ▶ Gross margin 79% (FY23)
- ▶ Subscription based revenue
- ▶ Class-leading solutions for fashion and apparel industry (the “Fashion portfolio”)
- ▶ Flagship product, K3 Fashion, endorsed by Microsoft
- ▶ Other products: stand-alone point-of-sale retail solutions (“Retail Solutions”) and solutions for the visitor attraction market

- ▶ NexSys is a leading UK added-value reseller and SI (System Integrator) of SYSPRO ERP for UK manufacturers and distributors. Its solutions are enriched with K3 add-ons
 - large UK customer base: strong cash flows
- ▶ Global Accounts provides specialist services to support the IKEA platform and overseas IKEA franchisees

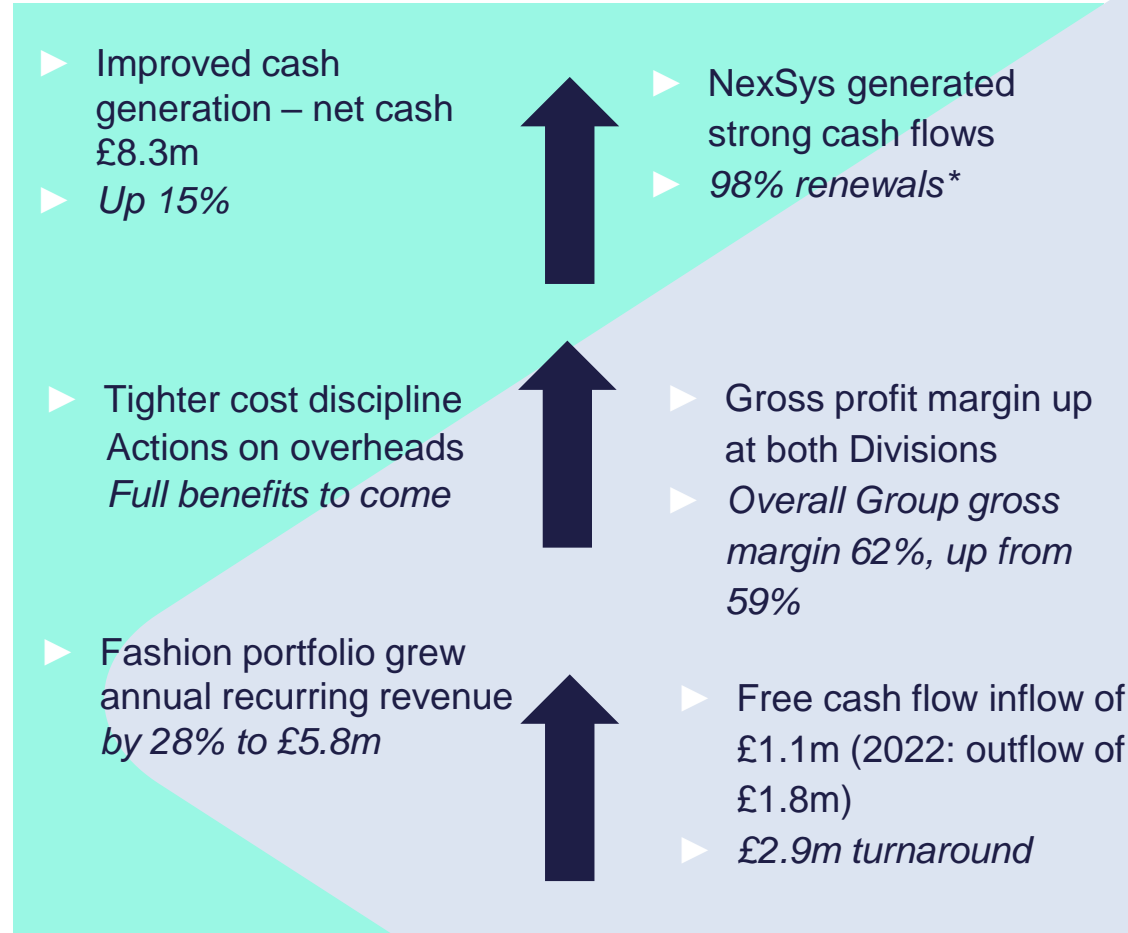
Third-party Solutions

- ▶ Strong cash flows
- ▶ Gross margin 55% (FY23)



Significant financial and strategic milestones achieved

- ▶ Improved cash generation
- ▶ Annual recurring revenue (“ARR”) up to £24.7m from £22.4m
- ▶ Adj. operating profit of £1.3m from loss of £0.6m
- ▶ Fashion portfolio and NexSys grew strongly
- ▶ New business structure established at year-end
- ▶ Group trading in Q1 in line with budget
- ▶ Board’s focus is on cash generation and shareholder value
 - Maximise growth opportunities with Fashion portfolio and NexSys
 - Continue to drive cash generation and cost discipline
 - Further benefits of cost saving initiatives to come through in FY24/ FY25



*annual software licence, and support and maintenance contracts

Successful focus on cash generation Overheads tackled, disciplined resource allocation

12 months ended 30 Nov Continuing operations	2023	2022	Improvement
Revenue	£43.8m	£47.2m	- 7%
Gross profit	£27.1m	£27.9m	- 3%
- Gross margin	62%	59%	+ 3bps
Adj. operating profit/loss	£1.3m	(£0.6m)	+ £1.9m
Loss before tax	(£1.8m)	(£4.1m)	+ 56%
Net cash	£8.3m	£7.1m	+ 17%
Reported loss per share	(5.4p)	(9.5p)	+ 43%
Adj. gain/(loss) per share	1.0p	(4.6p)	+ 5.6p-

- ▶ Total revenue decreased 8%:
 - mainly reflected lower revenue at Global Accounts
 - new revenue recognition policy resulted in £0.4m (2022: £0.3m) of income being deferred into future periods
- ▶ New KPI - adjusted operating profit/loss - replaces adjusted EBITDA
 - a better proxy for understanding underlying profitability and cash requirements.
- ▶ Overheads reduced by £2.7m
- ▶ Move to adjusted operating profit supported by:
 - higher gross margins at both divisions
 - lower cost base



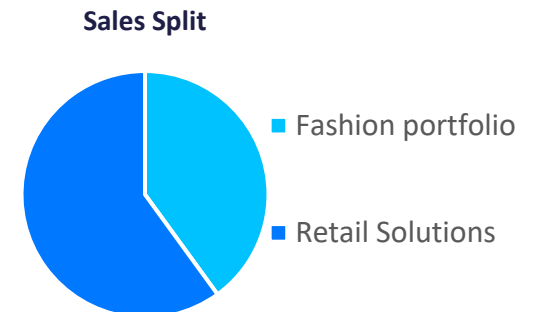
Fashion portfolio - software licence income grew strongly

12 months ended 30 November (£m)	FY 23	FY 22 restated
Revenue	13.1*	12.6*
Annualised recurring revenue (“ARR”) from fashion and apparel products – up 28%	5.8	4.5
Net revenue retention rate (fashion)	116%	
Gross profit	10.4	9.8
Gross margin %	79%	78%
Adjusted operating loss	(4.8)	(6.9)

*New revenue recognition policy reduced revenue in FY23 by £0.4m and in FY22 by £0.3m

- ▶ **Fashion portfolio - significant growth in ARR, led by K3 Fashion product (sold via business partners)**
- ▶ **New management team at Retail Solutions drove material performance improvements**
 - Net revenue retention now above 100%, cost base reduced, account management and sales refocused
- ▶ **Strategic decision taken on K3 ViJi product, acquired in Jan 2022;**
 - functionality being integrated within K3 Fashion’s existing CSR. No longer to be sold as a stand-alone product

K3 Fashion
 Product globally endorsed by
Microsoft as its
Recommended Embedded Solution
 for fashion and apparel retailers



NexSys performed strongly

12 months ended 30 Nov (£m)	2023	2022 restated
Revenue	30.7	34.7
<i>NexSys net revenue retention</i>	109%	
<i>NexSys contract renewals (software licence and support and maintenance)</i>	98%	98%
Gross profit	16.8	18.1
Gross margin	55%	52%
Adjusted operating profit	8.3	8.1

**new revenue recognition policy: £0.4m in FY24 and £0.3 in FY22 is now being recognised in future years*

- ▶ **Division’s revenue and profit impacted by downturn at Global Accounts (specialist services to IKEA platform and IKEA overseas franchisees)**
- ▶ **Global Accounts’ contractor resource base reduced to more appropriate level**
- ▶ **NexSys signed six major new wins, incl. larger contracts, in line with strategy**
- Services back-log remains healthy and there is a good pipeline of new business



- ▶ **UK’s longest established SYSPRO expert**
- ▶ **Over 400 customers**
- ▶ **Future-proof solutions**



FY24 – focused on cash and shareholder value



K3 Products

- ▶ Fashion portfolio – high margin growth
- ▶ Recurring income expected to build as software sales grow



Third-party Solutions

- ▶ Earnings and cash flows weighted to H2
- ▶ NexSys generates reliable cash flows
- ▶ Global Accounts focused on managing margins

- ▶ **New business unit structure - a better platform for the future**
 - Provides greater accountability and further opportunity to reduce historical overhead
- ▶ **Drive growth opportunities at both Divisions while managing the challenges, especially at Global Accounts**
- ▶ **Group is financially stronger than at the same point last year**
 - Net cash expected to grow
 - Cost reductions measures taken in latter 2023 should come through more fully in FY24 and beyond
- ▶ **Q1 2024 trading is in line with budget and the Board is focused on higher cash generation and further improvements in adjusted operating profit**

- ▶ Financial Position
- ▶ Cash Flow



FINANCIAL POSITION



Assets	£'m	FY 23	FY22 restated
Non-current assets			
goodwill		25.0	25.0
other non-current assets		3.9	7.5
Total non-current assets		28.9	32.4
Current assets			
trade and other receivables		7.5	10.8
stock and other		0.3	0.6
cash		8.3	7.1
Total current assets		16.1	18.5
Total assets		45.0	51.0

Liabilities

	£'m	FY 23	FY22 restated
Total non-current liabilities		0.3	1.4
Current liabilities			
trade and other payables		15.9	16.9
other current liabilities		1.6	2.1
borrowings		-	0.1
Total current liabilities		17.5	19.1
Total liabilities		17.7	20.5
NET ASSETS		27.3	30.6

- ▶ **Balance sheet strong with cash of £8.3m (FY22: £7.2m)**
 - Bank facility of £2.8m to support seasonal cash movement – nil drawn down at year-end
- ▶ **Goodwill balances relate mainly to NexSys and Global Accounts**
- ▶ **Trade and other receivables balance lower due to improved collections and more prudent revenue recognition**

CASH FLOW – WEIGHTED TO H2



£'m	FY23	FY 22 restated
Net cash generated from operating activities	3.5	2.4
Cash used in investing activities	(1.4)	(2.7)
Cash from financing activities (excl. loans)	(1.0)	(1.5)
Free cash flow	1.2	(1.8)
Change in cash and cash equivalents	1.2	(1.9)
Opening cash	7.1	9.0
Closing cash	8.3	7.1

- ▶ **More disciplined investment spend**
- ▶ **Cash inflow from operations helped by good collections**
- ▶ **Group cash flow is weighted to H2**
- ▶ **Cash at cyclical high point – reflecting timing of NexSys cash inflows**