

FDTechnologies

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FY24 interim results

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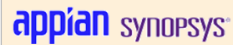





Delivering on strategy



- Strategic progress in KX and expect to deliver 35% ARR growth this year
- Investing to accelerate growth on strong foundations
- First Derivative resilient in slower market
- MRP improving through first half
- Evaluating Group structure to optimise value

In H1 we have delivered important milestones in KX

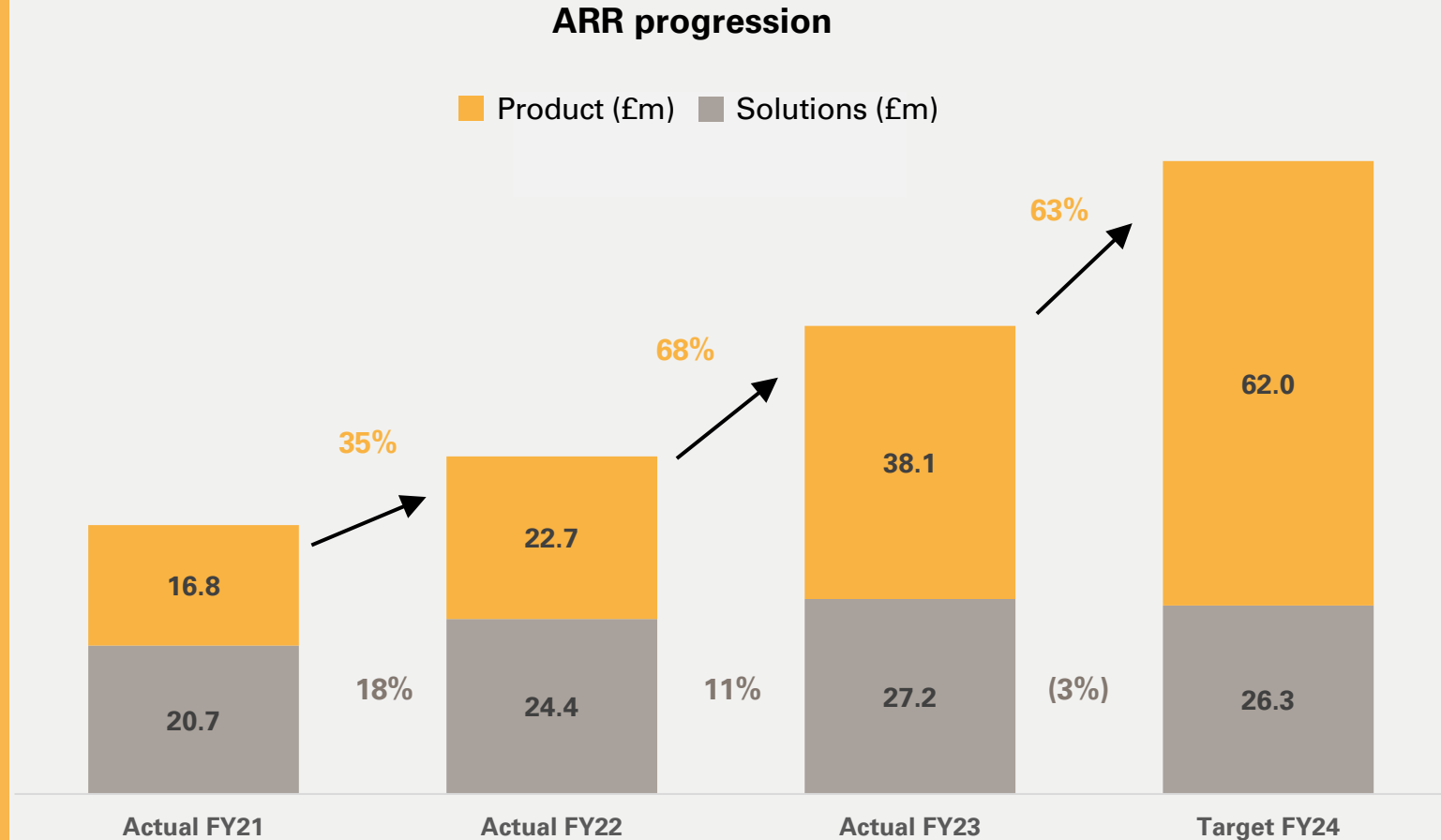
- KX product available on Azure, AWS, GCP and Snowflake
- First deals closed on Azure
- Launched KDB.AI developer edition as a SAAS product
- Delivering KDB.AI integration with Microsoft Copilot and AWS Bedrock and global system integrator partnerships
- Completed the build out of the leadership team

	Partner	Products	Comments
Cloud Partnerships		kdb Insights Enterprise	<ul style="list-style-type: none"> ▪ Kdb Insights Enterprise embedded natively on Microsoft Azure platform ▪ Collaboration with Azure: <ul style="list-style-type: none"> – Joint sales team and go-to-market – Targeted client list within capital markets and other verticals
		kdb Insights	<ul style="list-style-type: none"> ▪ Kdb Insights available as a fully managed service on Amazon FinSpace ▪ Collaboration with AWS: <ul style="list-style-type: none"> – Joint sales team and go-to-market – Targeted client list within capital markets and other verticals
		kdb Insights (KX for Snowflake)	<ul style="list-style-type: none"> ▪ First release under the partnership will be "KX for Snowflake", released through Snowpark for developers to securely deploy and process python <ul style="list-style-type: none"> – A new python-first integration of kdb Insights ▪ Plans to target customers in other verticals outside of the core base in capital markets
		Kdb Insights Enterprise	<ul style="list-style-type: none"> ▪ Kdb Insights Enterprise available as a customer self-managed application ▪ Enabling customers to accelerate AI, machine learning, IoT automation and generative AI applications on the Google Cloud
ISV	  	Kdb+ Kdb Insights Enterprise	<ul style="list-style-type: none"> ▪ Independent Software Vendors provide additional channel for KX products further driving adoption of offering across multiple vertical markets ▪ Recent partnerships include embedding of KX into Applied Materials products
SI	   	Kdb Insights kdb Insights Enterprise KDB.AI	<ul style="list-style-type: none"> ▪ Indirect channel partnerships for KX across multiple vertical markets ▪ Active discussion underway with a number of global SI on joint engagement with customers for AI related projects (TCS, CapGemini, Accenture, KPMG and others)

Executive Team	Executive Profiles			
	 Ashok Reddy CEO 20+ Years Experience Joined in 2022	 Anitha Gopalan CFO 25+ Years Experience Joined in 2023	 Michael Gilfix Chief Product & Engineering Officer 20+ Years Experience Joined in 2023	 Paul Colgan CTO 20+ Years Experience Joined in 2022
 John Hoffman CRO 25+ Years Experience Joined in 2023	 Martin Carr Chief of Staff 17 Years Experience Joined in 2021	 Peter Finter Chief Marketing Officer 35 Years Experience Joined in 2023	 Charlie Skelton Chief Scientist 30+ Years Experience Joined in 2008	

Foundations to accelerate growth have been built.....

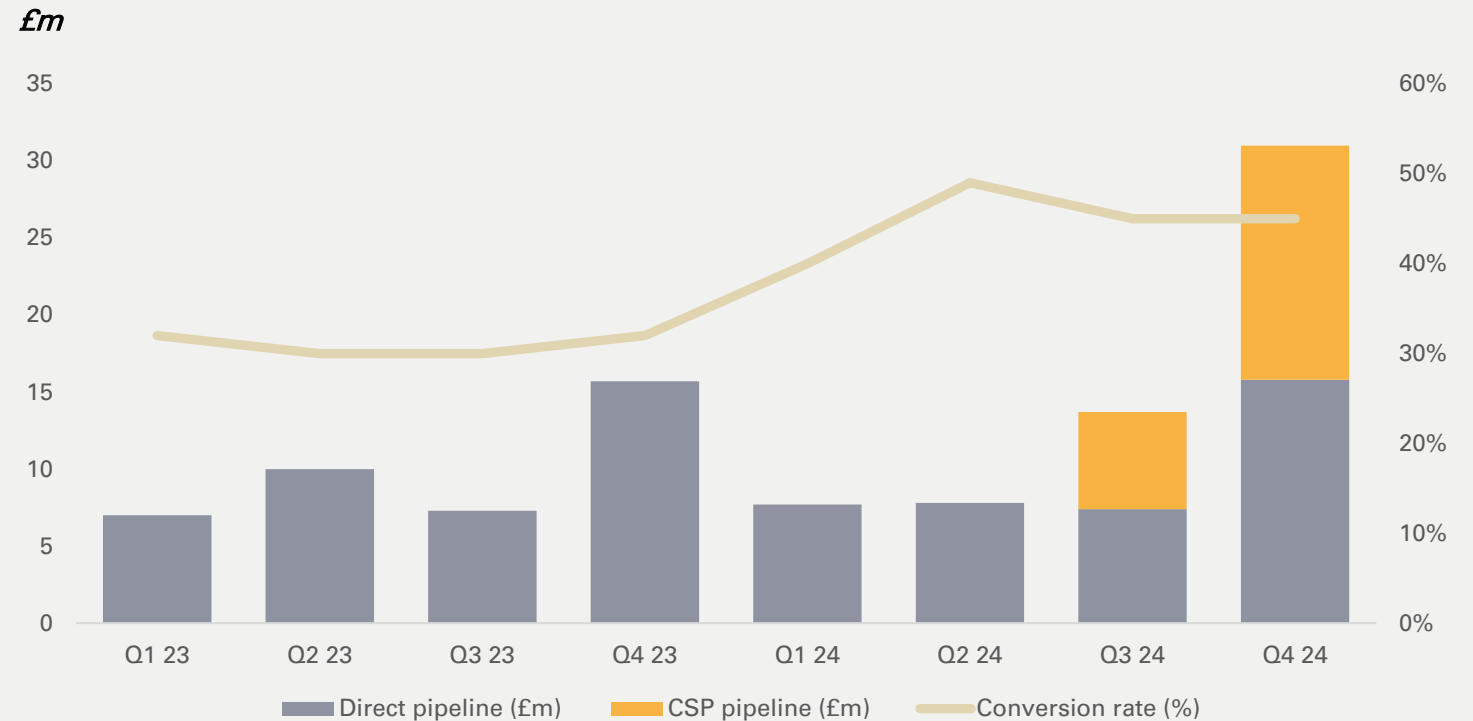
- Completed the transition from **selling custom solutions to selling scalable product on cloud or on premise**
- Ease of procurement with use of CSP commits and ease of deployment with Python & SQL
- Growth rates from new product areas **exceeding 60%**
- Proven ability to expand existing customers and add new logos



Demand with cloud partners driving pipeline to deliver 35% ARR growth in FY24

General availability across our cloud service partners (CSPs) has driven our pipeline growth and conversion rates

- **4x increase** in CSP pipeline since the start of Q2
- **Q4 CSP pipeline** now as large as our direct pipeline



Demonstrated success of upsell to existing customers and winning new clients in financial services

Strong relationships with long-standing customers

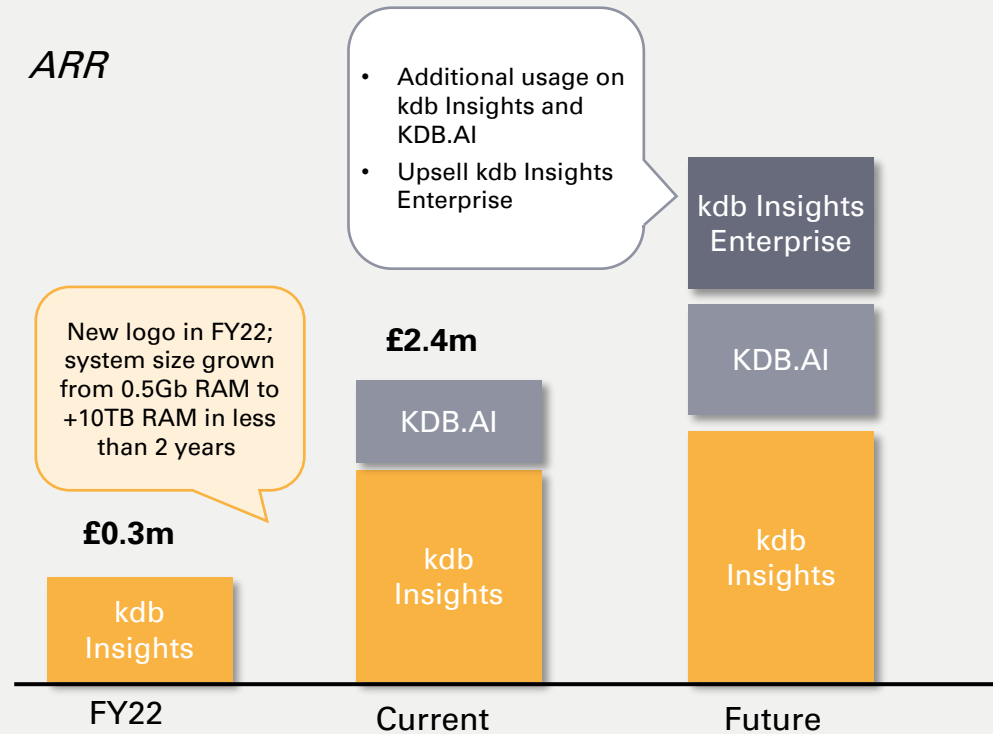
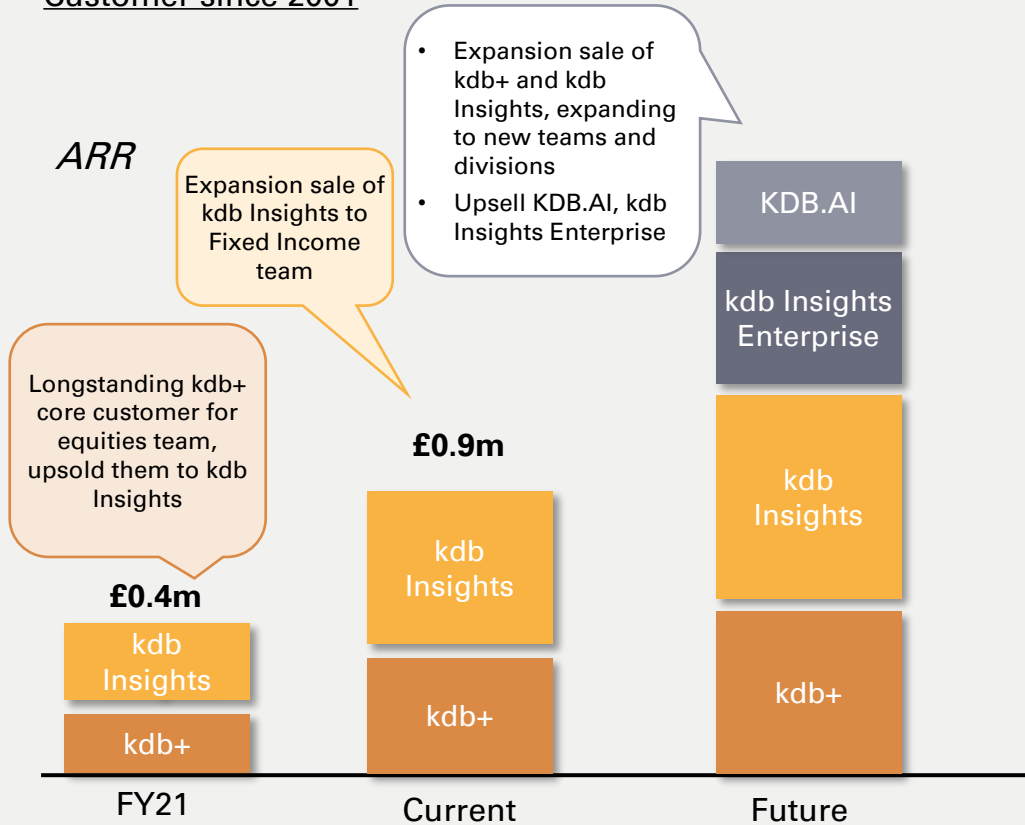
Ability to land and expand with new logos

Customer since 2001

Customer since 2022

ARR

ARR



Use case: research, trading, forecasting, and trading analytics

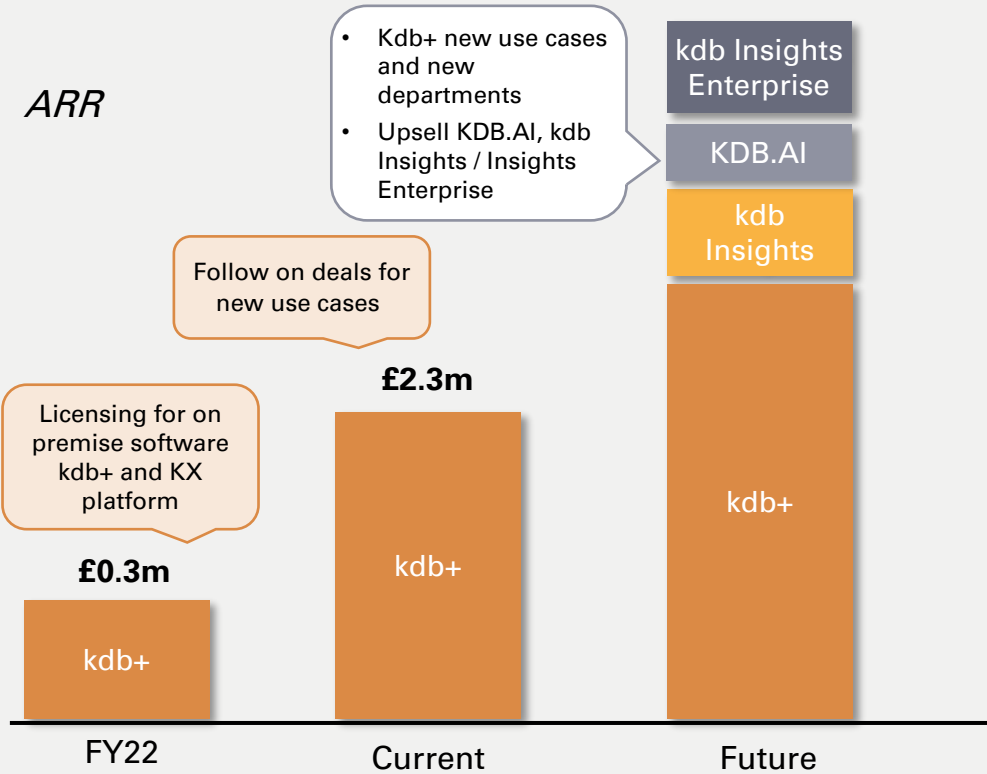
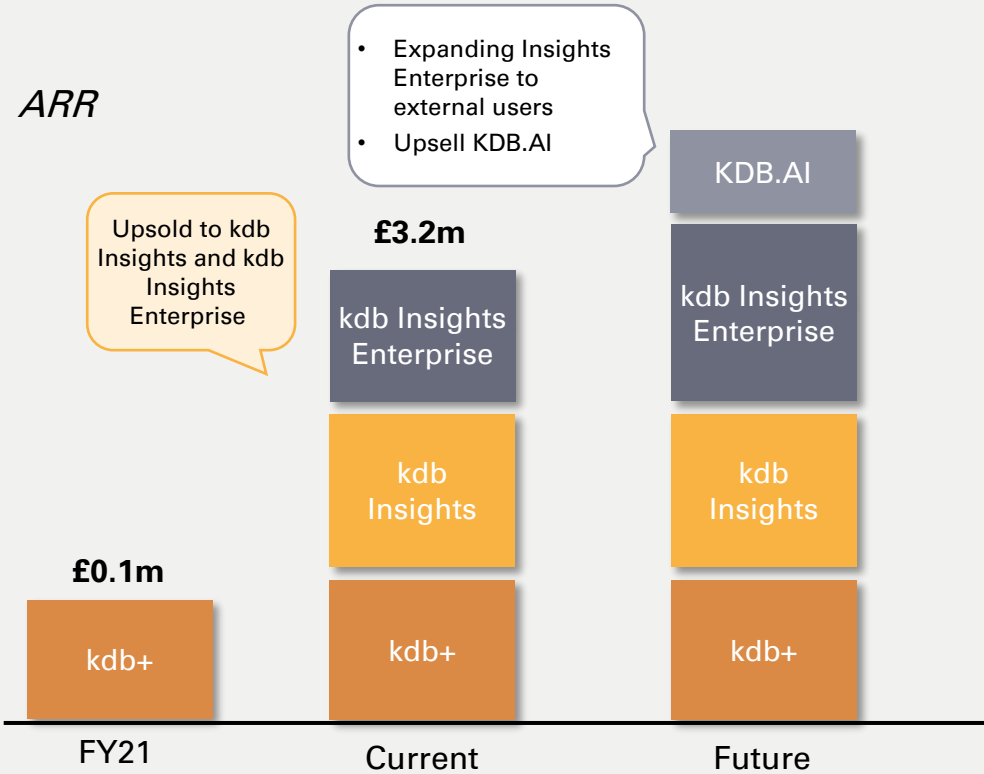
And also expand significantly within customers across other industries

For example: Healthcare..

..and Defence

Customer since 2021





Customer since 2021



Use case: data science for clinical trials efficiency

Use case: location intelligence, anomaly detection, data science

Applicable across multiple use cases in Financial Services and other industries

Horizontal use cases	in Financial Services applied in other verticals	
 Real-Time Analytics	Real time processing Event detection Predictive analytics Visualisation	<ul style="list-style-type: none"> • Trading analytics • Trade execution monitoring • Real time risk monitoring • Real time visualisation and reporting • Trading alerts and circuit breakers 	Manufacturing <ul style="list-style-type: none"> • Yield monitoring • Fault detection Telco <ul style="list-style-type: none"> • Self-Optimising Network 	IOT <ul style="list-style-type: none"> • location monitoring • Device health E&U <ul style="list-style-type: none"> • Network flow • Meter tracking
 Anomaly Detection/ Similarity Search	Pattern detection Pattern matching Recommendation	<ul style="list-style-type: none"> • Signal detection • Trade surveillance • Risk management 	Telco <ul style="list-style-type: none"> • Network fault detection Manufacturing <ul style="list-style-type: none"> • Predictive maintenance • Fault detection 	IOT <ul style="list-style-type: none"> • Object identification • Alerting Health and Life Sciences <ul style="list-style-type: none"> • Patient identification
 Data Science	Data exploration Historical analysis Reporting Visualisations	<ul style="list-style-type: none"> • Quantitative research • Strategy development • Model development • Back-testing • Forecasting 	Telco <ul style="list-style-type: none"> • Network capacity planning IOT <ul style="list-style-type: none"> • Threat detection 	Manufacturing <ul style="list-style-type: none"> • Common failure analysis • Operational improvements Health and Life Sciences <ul style="list-style-type: none"> • Drug discovery
 Cyber-security & Observability	Data ingestion, network monitoring, threat detection, anomaly detection, event play back, real-time visualisation, network optimisation			

KDB.AI enhances outcomes, combining structured and unstructured data for better decision making and increased ROI

KDB.AI combines real time and structured data with any LLM using **only** CPU capacity to expand existing value and enable new use cases

EXPANDING EXISTING USE CASES



Generating alpha expanded to rapid trading strategy creation: enhancing research with generative AI to create novel trading strategies from new data sources (media, analyst reports and filings)

Algo trading expanded to algo parameter exploration: Natural language interface to adjust algo parameters

Trade surveillance expanded to generative event detection: Augmentation of trade patterns data with voice and text communications, enhancing rules and alert engines

Predictive maintenance expanded to fault explain-ability: Auto categorisation of new "events" self-learning rules engines and natural language exploration of faults

Data science expanded to multi-dimensional data exploration: perform similarity analysis using time windows to see 'point in time' or 'progression over time' (images, numerical, text)

ENABLING NEW USE CASES



Contracts knowledge-base exploration: Interactive co-pilot for exploration of contracts; understand changes of in-force rules over time

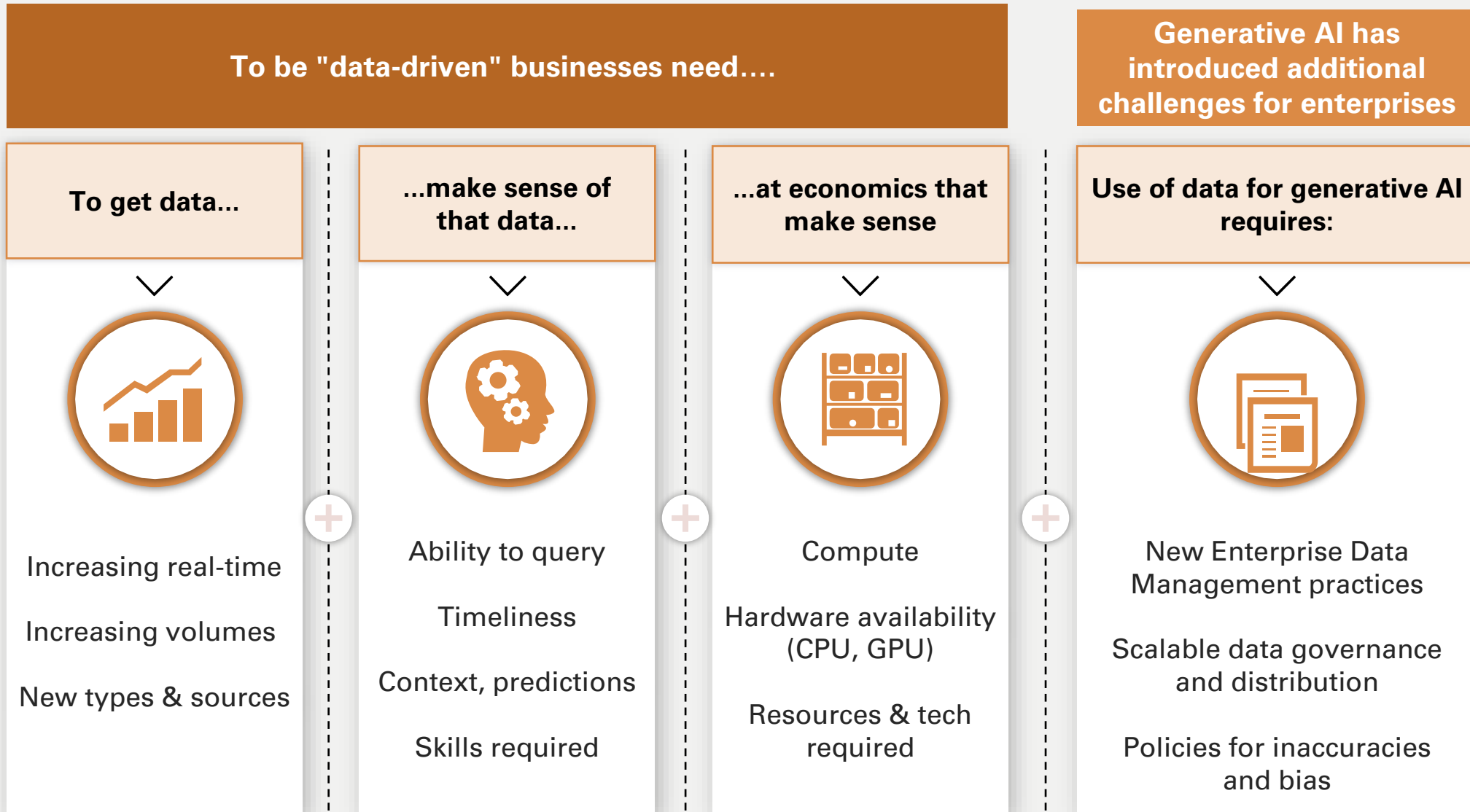
Interactive client services: Combine customer service interaction information with temporal interaction data from CRM systems, transcribed conversations and other sources

Similarity search and product recommendations: Hybrid search of product language databases along with numeric and predictive signals of interest

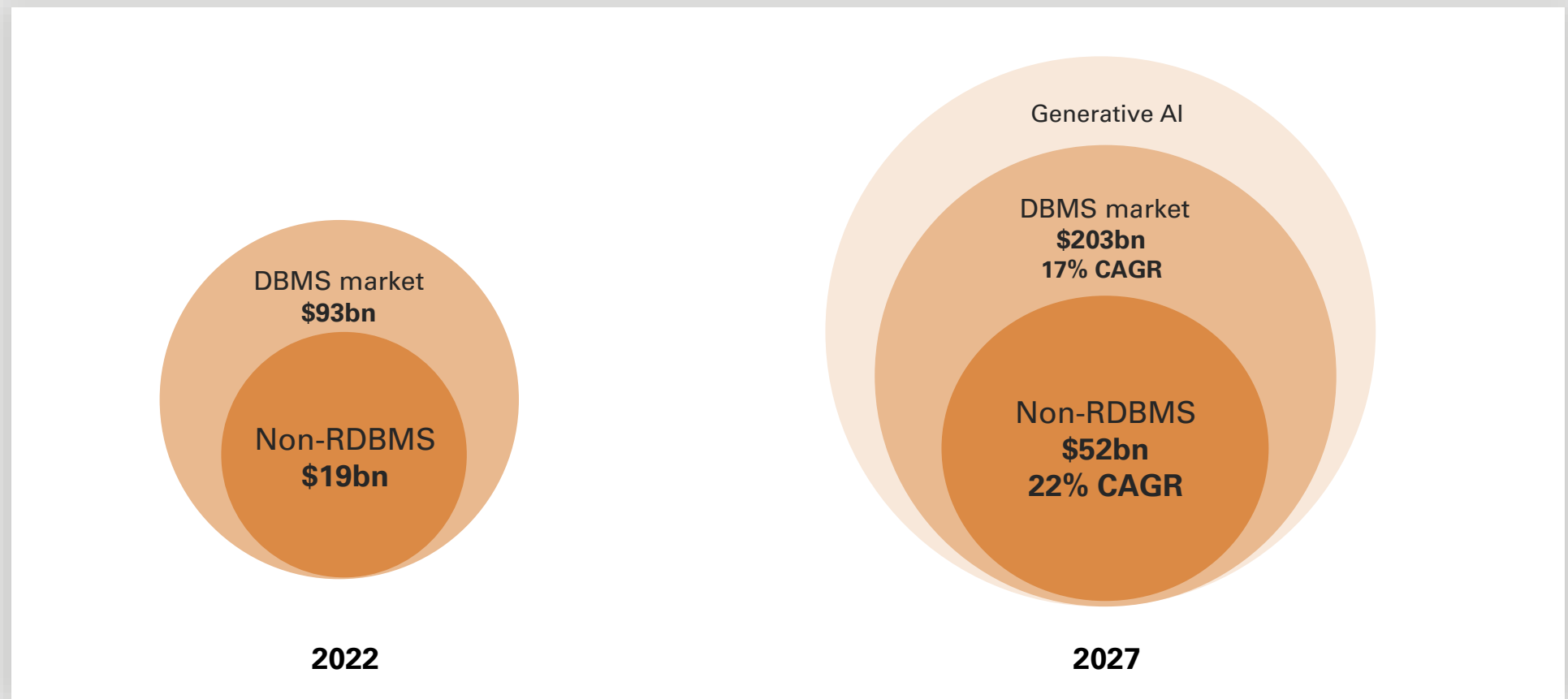
Code development: search, diagnose and make recommendations from proprietary code knowledge base (and changes over time)

Prompting for demand forecasting: Augment demand forecasting with natural language (web, news, social) and unstructured data (video, images, audio) to maximize insights and context

Our market is increasingly attractive at the intersection of fast data and big data as enterprises need better “data-driven” decision making



Which creates an enormous market opportunity



Our traditional business segment (non-RDBMS) is growing at 22%

Market will be disrupted and accelerated by generative AI technology adoption

We are accelerating investment to increase growth

Product and engineering

- New product innovation in the enterprise vector database segment, building on KDB.AI
- Investing in areas of sustainable differentiation to gain long-term market share
- Investing in on-premise versions of our latest offerings to meet customer demand

Additional sales capacity

- Adding sales capacity to meet market demand and accelerated bookings growth
- Additional investment dedicated teams for working with systems integrator and OEM channels

**H2 FY24
investment
£9-10m**

Strategic initiatives for KDB.AI

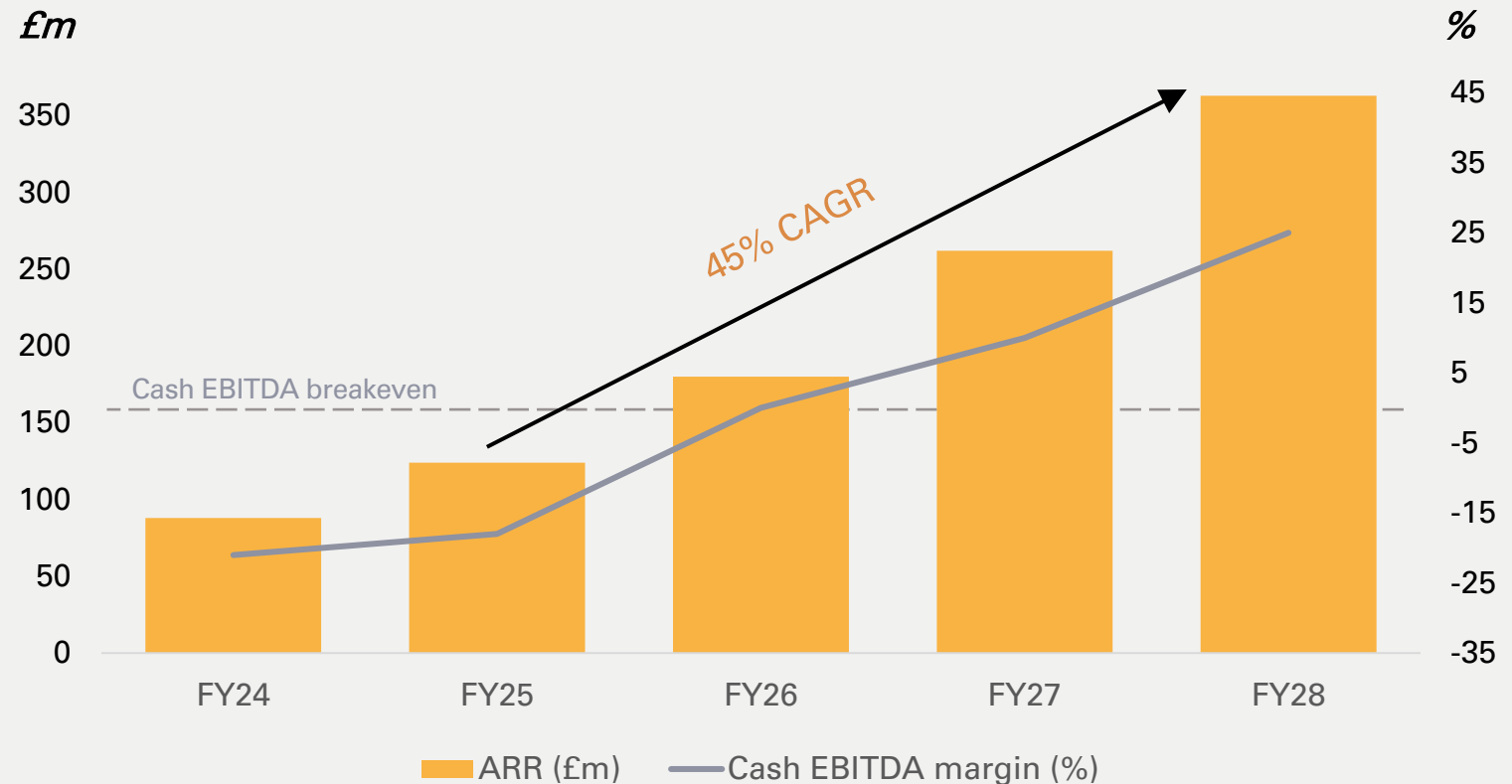
- Dedicated solution engineering and onboarding team to accelerate adoption with global systems integrators
- Investment to provide a hosted developer edition to gain market awareness and expand user base

Marketing and demand generation

- Investment in marketing team and talent to support new go-to-market initiatives for pipeline growth
- Investment in brand, website and related content to position KX as a leader in the vector database and data analytics market

Returns will be an attractive combination of growth and free cash flow margin

- Investment drives acceleration in ARR growth to c.**45%** per annum from FY25 onwards
- KX cash EBITDA margin improves each year, achieving breakeven in FY26 and increasing to **20-25%** in FY28 due to operational leverage
- Investment funded by **First Derivative cash flow** and existing £130m debt facility - Group net debt expected to peak at **£30m** in FY25



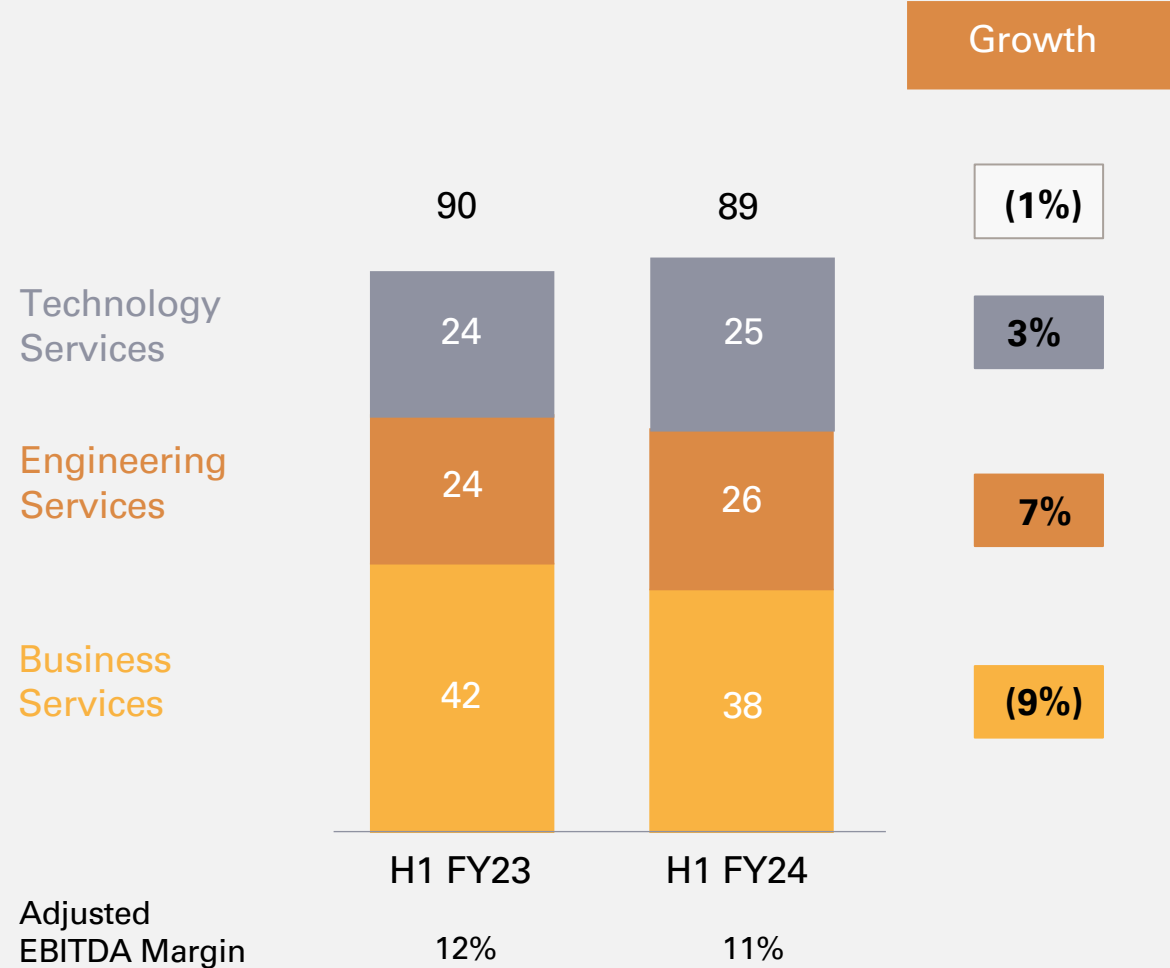


FIRST DERIVATIVE

FD resilient in softer macro environment showing ability to protect margins

- Growth in **higher value technology and engineering services** play to our core strength of delivering in areas where **knowledge and expertise** are **high barriers to entry**
- Able to respond rapidly to changes in demand to protect adjusted EBITDA margin

Revenue (£m)



Focus on areas with structural growth demonstrates strength of the business

First Derivative offering



Technology Services

Test automation, application support and shared services BPaaS solutions

Technology modernisation, cloud deployment and application development



Engineering Services

Real time data transportation, storage and analytics

Targeting reduction in TCO and increase in release frequency



Business Services

Regulatory change and client compliance, operational change and delivery

Business analysis and governance expertise in capital markets

First Derivative USPs



Unrivalled **domain knowledge** of capital markets



Strong **technical capabilities**

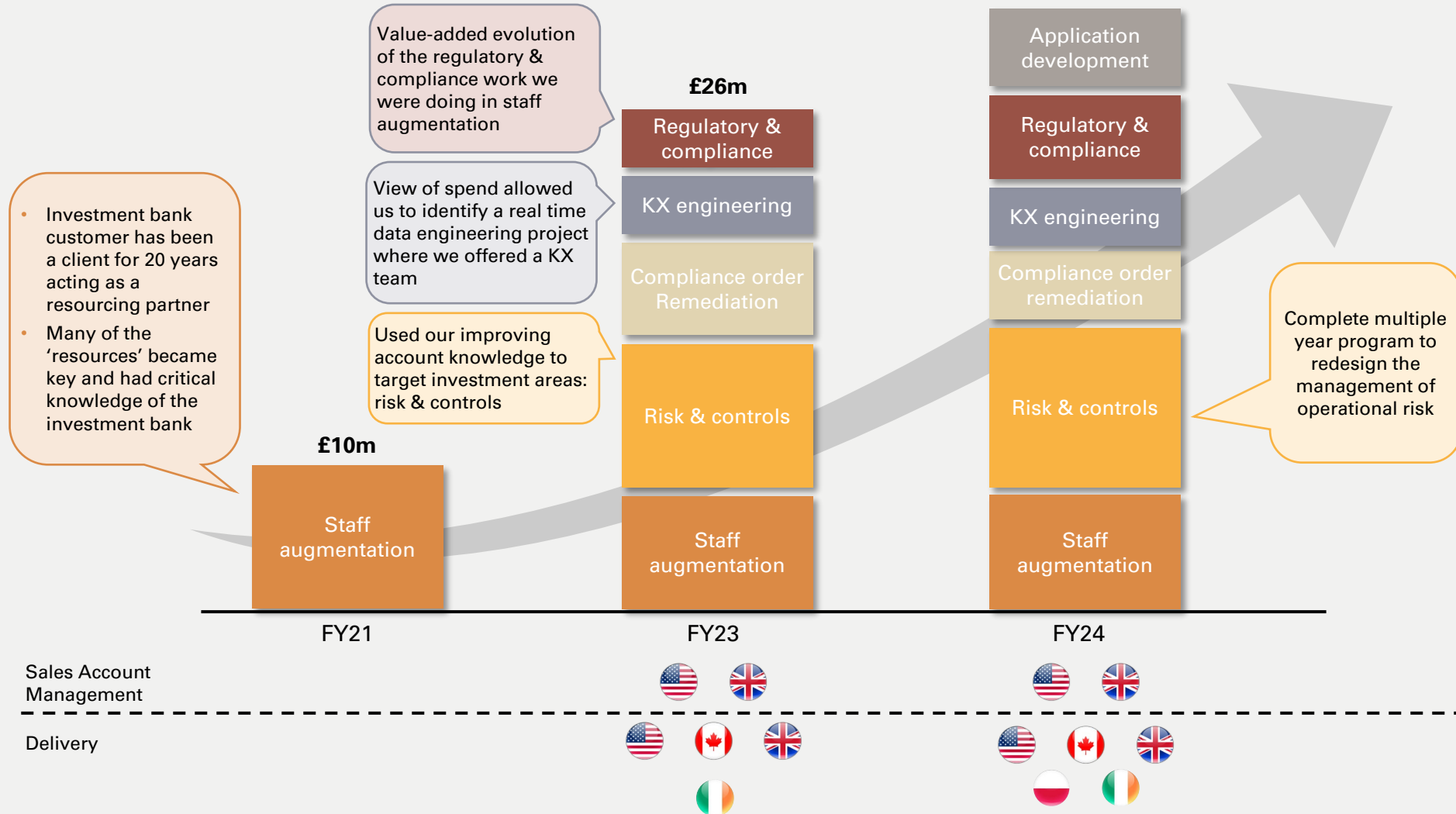


Best-in-class **value for money** profile vs competitor consulting firms



Employer reputation and **ability to attract talent**

Ability to grow existing customers positions the business well even in a weaker market





Financial performance



Group financial headlines

£142.5m

Group revenue
(H1 FY23: £147.4m)

£69.3m

KX ARR
(H1 FY23: £60.2m)

£14.0m

Adjusted EBITDA
(H1 FY23: £16.0m)

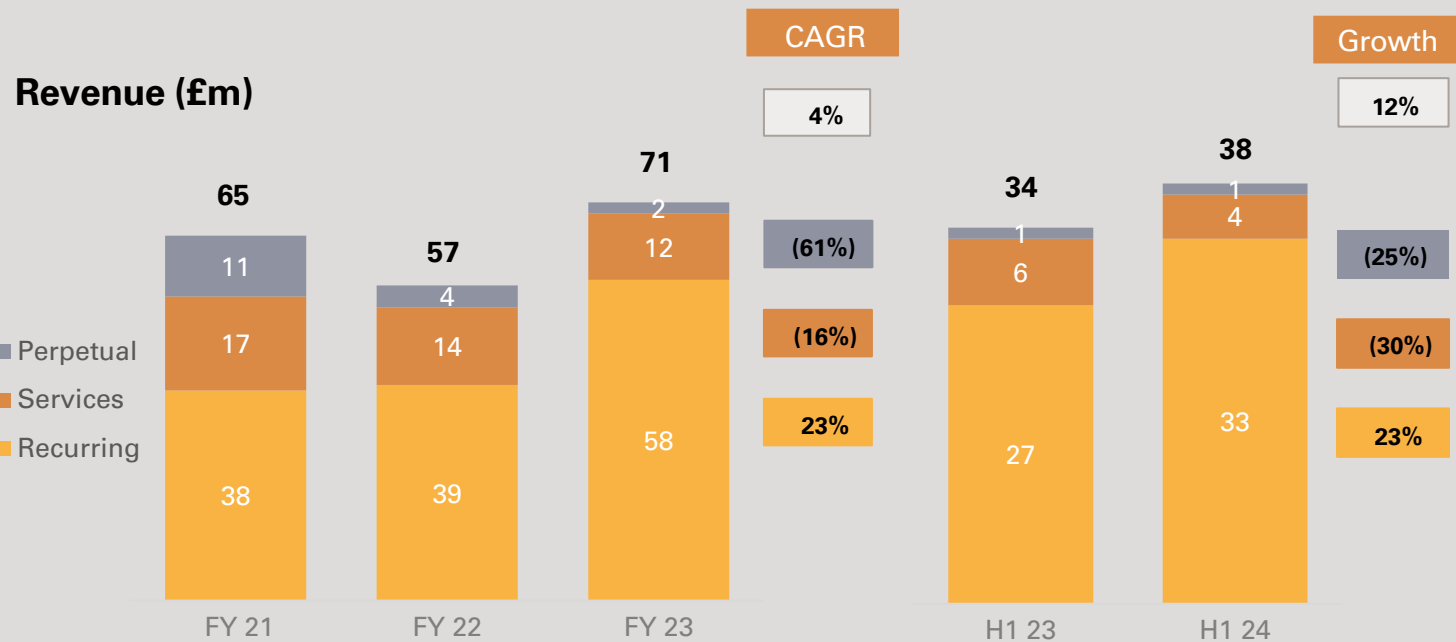
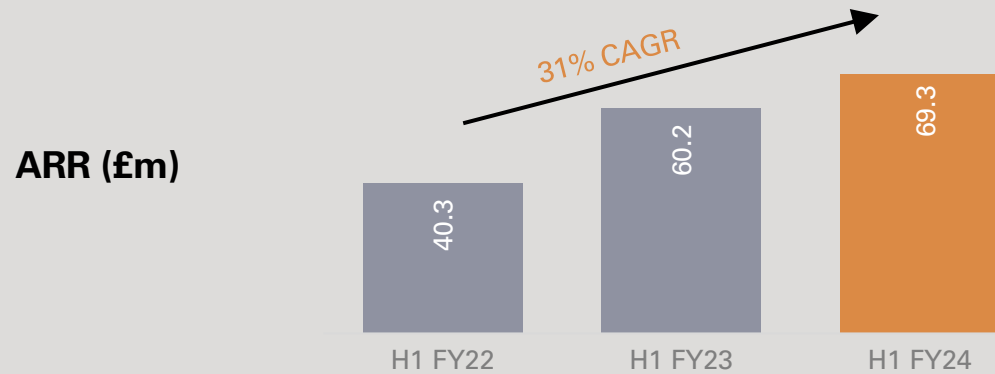
£7.2m

Net debt
(H1 FY23: £7.4m)

Key drivers of financial performance

- ✓ Group revenue down 3%, with growth in KX recurring revenue balanced by flat First Derivative and MRP decline
- ✓ KX ARR increased by 15% - pipeline grew strongly for H2 following GA on Azure, AWS and Google Cloud Platform
- ✓ Adjusted EBITDA down £2m (12%), with stronger H2 expected (prior to investment impact)
- ✓ Strong balance sheet and cash flow to support investment announced today

KX: strong organic recurring revenue growth



COMMENTARY

- ARR growth of 15% with NRR of 112% (117% at constant currency) and continued low rates of customer churn
- Increase in KX revenue driven by recurring revenue growth of 23%, with Industry growing at 85% and Financial Services at 14%
- Industry growth driven by the positioning of our products outside capital markets including in Aerospace & Defence, Manufacturing and Utilities.
- Service revenue declined as proportion of overall revenue as we benefit from the investment to make our products more accessible
- First new customers signed through our strategic partnership with Microsoft Azure - sustained pipeline growth following launch in March 23

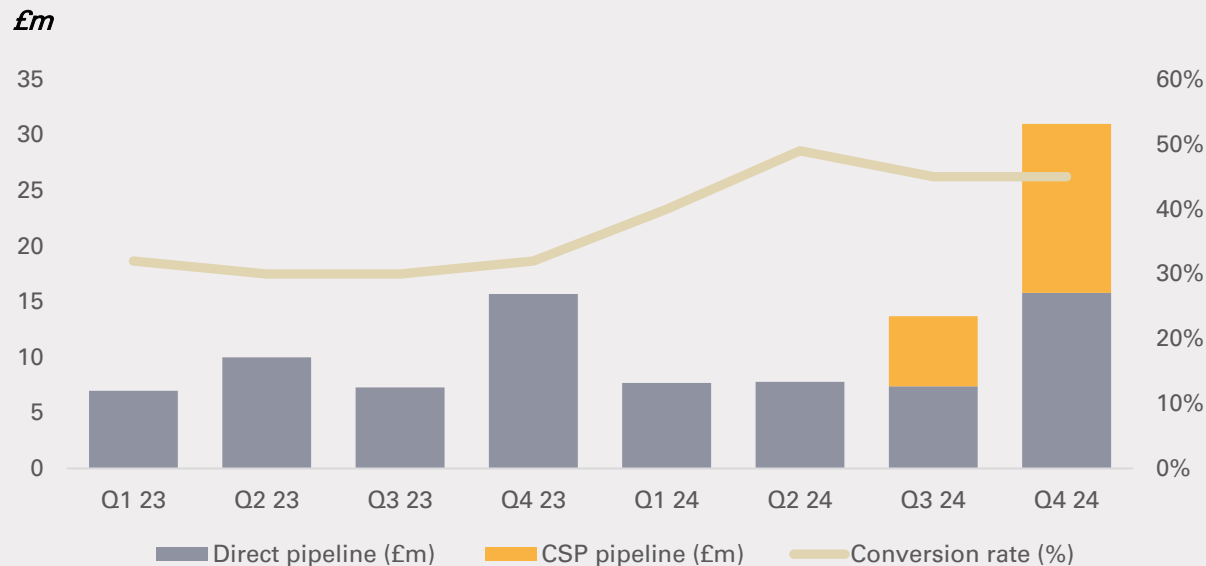
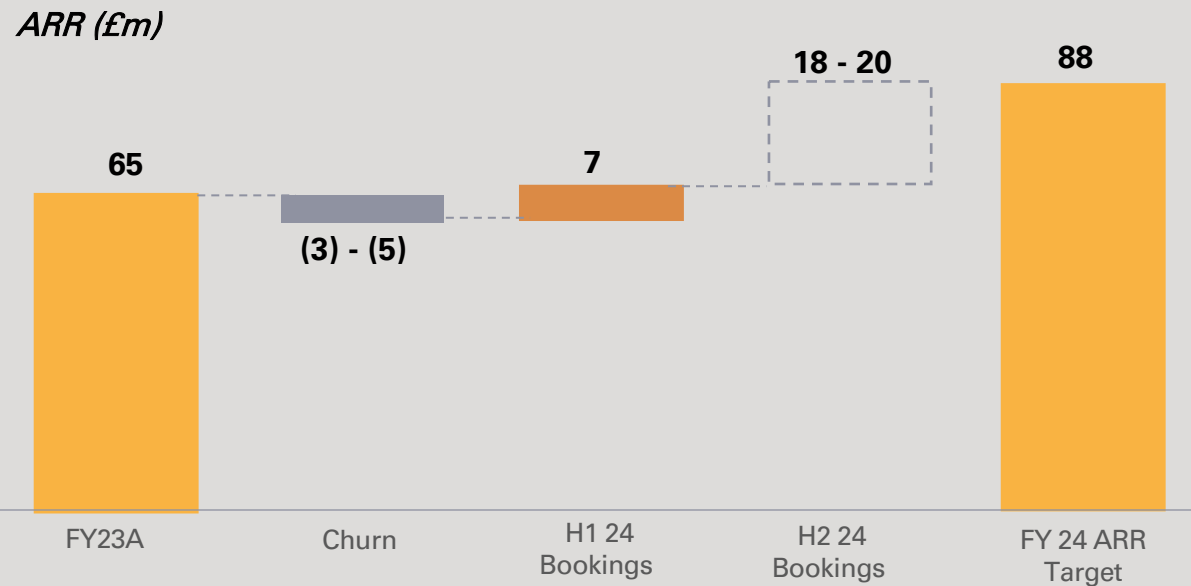
Investment to drive recurring revenue growth

£m	FY21	FY22	FY23	H1 FY23	H1 FY24	CAGR 21-23
Annualised Contract Value (ACV) added	3	9	19	11	7	138%
Revenue	65	57	71	34	38	3%
<i>% Growth</i>		<i>(13%)</i>	<i>25%</i>		<i>12%</i>	
Software Revenue	48	43	59	28	34	3%
Gross Profit	51	43	54	25	29	3%
<i>% Gross Profit Margin</i>	<i>78%</i>	<i>75%</i>	<i>76%</i>	<i>76%</i>	<i>78%</i>	
<i>% Software Gross Profit Margin</i>	<i>91%</i>	<i>93%</i>	<i>90%</i>	<i>90%</i>	<i>87%</i>	
S&M	(21)	(24)	(26)	(14)	(15)	13%
<i>% of Revenue</i>	<i>32%</i>	<i>41%</i>	<i>37%</i>	<i>43%</i>	<i>39%</i>	
CAC/ACV	6.2	2.5	1.4	1.3	2.1	(53%)
R&D Expenditure	(14)	(19)	(23)	(10)	(15)	29%
<i>% of Revenue</i>	<i>21%</i>	<i>33%</i>	<i>32%</i>	<i>30%</i>	<i>39%</i>	
Capitalised R&D	12	16	19	8	12	29%
<i>% of Revenue</i>	<i>(18%)</i>	<i>(28%)</i>	<i>(27%)</i>	<i>(25%)</i>	<i>(32%)</i>	
Admin	(7)	(8)	(10)	(5)	(7)	23%
<i>% of Revenue</i>	<i>10%</i>	<i>14%</i>	<i>14%</i>	<i>16%</i>	<i>19%</i>	
Adj. EBITDA	21	8	13	4	5	(23%)
<i>% Margin</i>	<i>33%</i>	<i>14%</i>	<i>18%</i>	<i>11%</i>	<i>13%</i>	
Cash EBITDA	10	(8)	(6)	(5)	(7)	n/a
<i>% Margin</i>	<i>15%</i>	<i>(14%)</i>	<i>(9%)</i>	<i>(14%)</i>	<i>(19%)</i>	

COMMENTARY

- Continued gross margin improvement as recurring revenue (87% software gross margin) continues to grow in absolute terms and as a proportion of revenue
- H1 customer acquisition cost (CAC) ratio increased in H1 due to the timing of bookings, we expect the FY24 ratio to be in line with FY23
- Investment in R&D to deliver product innovation with KX Insights and KDB.AI supporting recurring revenue growth
- Admin costs increased as we invested in the leadership team and the investment in systems in FY23

Confidence in delivering FY24 ARR growth of 35%



COMMENTARY

- We have developed a significant pipeline for H2 based on demand for our new products, weighted towards Q4. Increased demand driving pipeline growth including from the CSP partner channel
- H2 conversion ratio forecast in line with H1 as we benefit from improved product positioning and maturing sales processes
- We have sufficient pipeline coverage and a conversion ratio to deliver the bookings required to deliver ARR growth of 35%
- Continue to realise opportunities in both Financial Services and Industry including Aerospace & Defence, Manufacturing, Energy & Utilities and Telecommunications

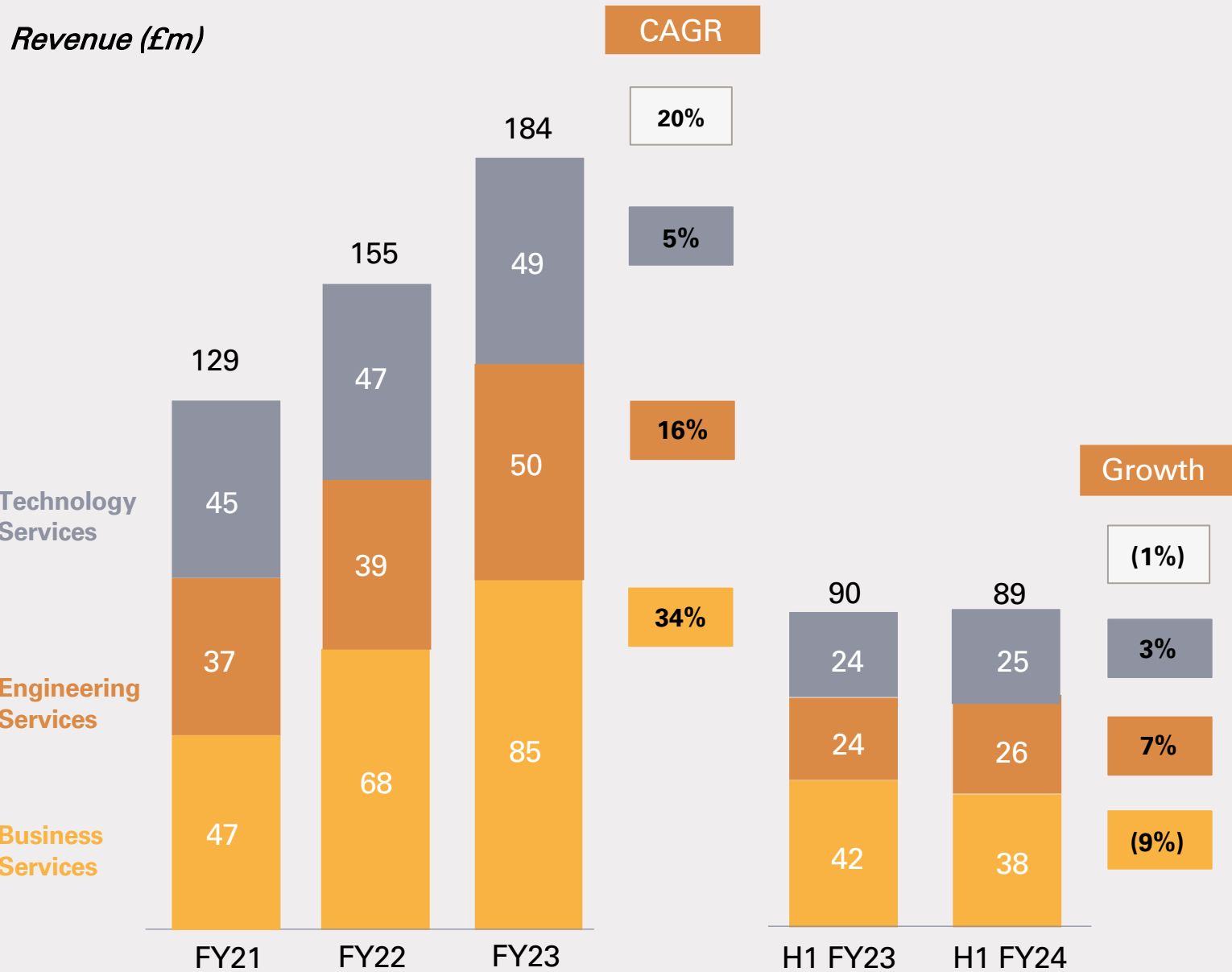
Ability to accelerate growth and generate cash

	FY23	PROJECTED CAGR FY25-28
ARR growth	39%	c 45%
<i>Gross Margin %</i>	<i>76%</i>	<i>c. 84%</i>
<i>S&M CAC/ACV ratio</i>	<i>1.4</i>	<i>1.0</i>
R&D Expenditure	32%	c.20%
Admin costs	14%	10%
Cash EBITDA	(9%)	20-25%

COMMENTARY

- Investing to maximise new booking growth, via channels including CSP, OEM and SI
- Gross margin will continue to increase as software revenue (87% GM) grows rapidly and services become a negligible proportion of revenue
- Accelerating investment in sales and marketing to deliver topline growth, CAC ratio will improve as we deliver more bookings from lower cost CSP and OEM channels and direct sales productivity increases
- Managing growth and required investment and we expect cash EBITDA breakeven for FY26 with substantial growth thereafter
- Sufficient capital resources to fund the additional investment in KX with FY24 net debt projected in the range of £10m to £15m
- Maximum net debt projected at approx. £30m in FY25 against our revolving credit facility of £130m, with a return to net cash in FY27

First Derivative: H1 revenue impacted by customer caution



COMMENTARY

- Revenue declined 1% due to increased caution among customers, as widely reported by our peers
- Both Engineering and Technology Services delivered continued growth and both achieve higher margins
- Business Services, which has historically grown rapidly, experienced a decline as weakened investment bank spending has led to delayed project start dates
- Opportunity to achieve our growth targets from continued expansion within our existing customer base

Resilient margin performance driven by cost efficiencies

£m	FY21	FY22	FY23	H1 23	H1 24
Revenue	129	155	184	90	89
<i>Growth</i>		21%	18%		(1%)
Gross Profit	32	41	51	25	23
<i>Margin</i>	25%	27%	28%	28%	26%
S&M	(11)	(15)	(15)	(8)	(4)
<i>% of Revenue</i>	8%	9%	8%	9%	5%
Admin	(8)	(11)	(15)	(7)	(9)
<i>% of Revenue</i>	6%	7%	8%	8%	10%
Other Income/Costs	0	0	0	(0)	0
Adjusted EBITDA	13	16	21	10	9
<i>Margin</i>	10%	10%	11%	12%	11%

COMMENTARY

- Resilience demonstrated by EBITDA margin in line with FY23
- Action taken to manage costs and improve efficiency which minimised margin impact from lower revenues
- Lower S&M costs due to a reduction in commission and management of spend
- Investment in leadership team and systems complete and will deliver operational leverage in future periods
- Expect to deliver H2 revenue and EBITDA in line with H1

Sustainable revenue growth aligned with margin improvement

	FY23	Projected FY26
Revenue growth	18%	10%
<i>Gross Margin</i>	<i>27%</i>	<i>c. 31%</i>
S&M	<i>9%</i>	<i>8%</i>
Admin	<i>9%</i>	<i>8%</i>
Cash EBITDA margin	10%	15%

COMMENTARY

- Sustainable revenue growth of 10% to 15%
- EBITDA margin expected to grow to 15% driven by improvements to gross margin and delivering operational leverage on other costs
- Gross margin improvement driven by favourable change in mix towards higher margin technology services and operational efficiency gains as service mix diminishes the need for headcount
- Optimising operating leverage in the admin cost base allows for growth with minimal further investment

MRP: stabilised in Q1 and back to profit in Q2

£m	FY21	FY22	FY23	H1 FY23	H1 FY24
Revenue	44	51	42	23	16
<i>Growth</i>		16%	(19%)		(33%)
Gross Profit	18	22	17	10	7
<i>Margin</i>	41%	44%	41%	41%	45%
S&M	(8)	(9)	(9)	(5)	(3)
<i>% of Revenue</i>	18%	18%	23%	21%	21%
R&D Expenditure	(2)	(2)	(4)	(2)	(1)
<i>% of Revenue</i>	4%	5%	9%	6%	7%
Capitalised R&D	2	2	4	2	1
<i>% of Revenue</i>	(4%)	(5%)	(9%)	(6%)	(7%)
Admin	(5)	(6)	(6)	(3)	(4)
<i>% of Revenue</i>	11%	12%	15%	13%	25%
Adj. EBITDA	6	7	1	2	(0)
<i>Margin</i>	13%	14%	3%	7%	(1%)
Cash EBITDA	4	4	(2)	(0)	(1)
<i>Margin</i>	9%	9%	(6%)	(1%)	(9%)

COMMENTARY

- Revenue stabilised in Q1 and improved in Q2 and we are on track to return to growth in H2
- In response to challenging market conditions MRP has implemented annualised cost savings of approximately £6m
- Benefit from cost savings can be seen in margin, up to 45% and lower S&M costs
- MRP is ready for growth when spend in demand generation returns
- Reiterating guidance of an improved adjusted EBITDA versus FY23

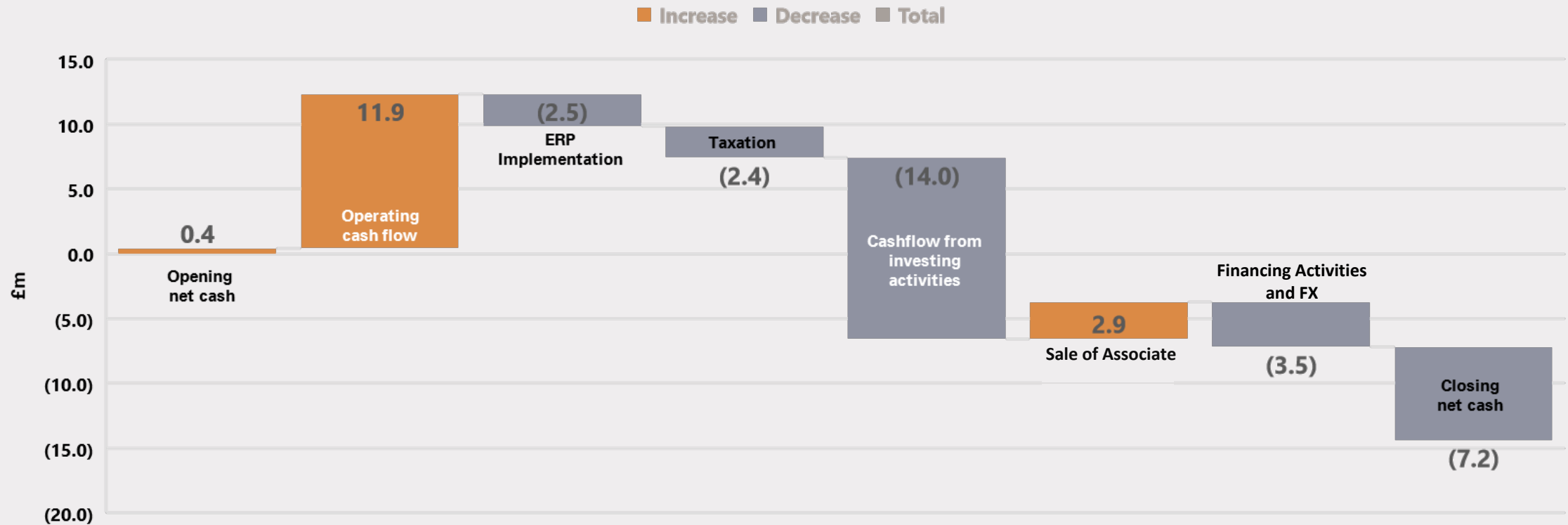
Group operational performance

£m	H1 FY24	H1 FY23	Change
Group			
Revenue	142.5	147.4	(3%)
Cost of revenue	(83.1)	(87.2)	(5%)
Gross profit	59.4	60.2	(1%)
<i>Gross margin</i>	<i>42%</i>	<i>41%</i>	1%
Adjusted operating costs			
Net R&D	(2.6)	(1.8)	37%
Sales and marketing costs	(22.6)	(27.1)	36%
Adjusted Admin costs	(20.1)	(15.4)	43%
Adjusted EBITDA	14.0	16.0	(12%)
<i>Adjusted EBITDA margin</i>	<i>10%</i>	<i>11%</i>	-

COMMENTARY

- Revenue declined by 3% to £143m
- Gross margin increase driven by continued growth in KX recurring revenue
- Increased R&D expenditure as we continue to invest in product development including kdb Insights Enterprise
- Increasing leadership capability and improving systems to support growth have resulted in increased admin costs
- Well positioned for FY24 and beyond to deliver our ambitious growth targets in both KX and First Derivative

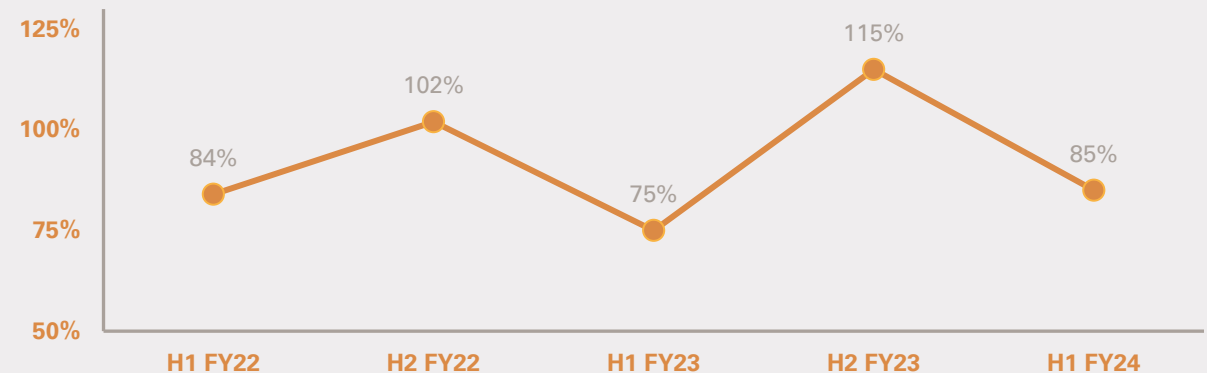
H1 cash management



CASH FLOW

- Net debt position of £7.2m, excluding lease liabilities, in line with prior year
- Cash generated from operating activities of £12m which represents a conversion rate of 85%, before spend on the Oracle ERP implementation
- Gross debt represents 1x EBITDA

Adjusted EBITDA cash conversion



Guidance for Group and business units

Business unit guidance

- Growth in our KX pipeline, driven by our partnerships with CSPs and the recent launch of KDB.AI, provides confidence in achieving our target of at least 35% growth in ARR for the full year
- First Derivative is expected to deliver H2 revenue and EBITDA in line with H1, on the basis of no improvement in market conditions through H2
- MRP is expected to deliver a small improvement in adjusted EBITDA over FY23

Group guidance

- FY24 revenue is expected to be in the range of £285m to £295m
- The additional investment in KX announced today is expected to deliver a £9-10m impact to adjusted EBITDA in H2, resulting in FY24 adjusted EBITDA in the range of £24m to £26m

Evaluating optimal organisational Group structure and allocation of capital to drive value for shareholders



Strategy has been effective and each business has a distinct investment proposition, operating model and capital allocation requirements



Recognise significant sum of the parts valuation discount reflecting different investor appetite for software and services



Expect to communicate outcome to shareholders not later than publication of the Groups FY24 results

FDTechnologies
