

K3 Business Technology Group plc

Final Results

For the year ended 30 November 2024

27 February 2025





Eric Dodd, CEO

Appointed as CEO in July 2024, having joined as CFO in April 2023
Formerly CFO of ATTRAQT Group Plc and of KBC Advanced Technology plc
Significant experience within the technology sector

Lavinia Alderson, CFO

Appointed as CFO in July 2024
Joined K3 in 2020 as Group Corporate Finance Director
Previously Finance Director of Concept Life Sciences
Before that Head of Finance UK Support & Governance at Cape plc



Tom Crawford, Non-executive Director

Moved to NED role in July 2024, having been Executive Chairman; joined as 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

- ▶ **Results in line with expectations**
- ▶ **Significantly reduced activity at Global Accounts, as expected, impacted Group's total revenue**
 - remedial actions; situation managed effectively – Global Accounts gross margin preserved
- ▶ **Strong financial discipline maintained**
 - adj. admin expenses for FY24 were down 20% y.o.y.
- ▶ **Annual recurring revenue (“ARR”) of £16.7m (2023: £16.8m)**
- ▶ **Group gross profit margin increased to 64% from 59%**
- ▶ **Adj. operating loss lower at £1.1m (FY 2023: loss of £1.4m)**
- ▶ **Sale of NexSys at year-end for £36.0m cash (gross)/ £34.3m (net)**
 - Substantial proportion to be returned to shareholders via Tender Offer (after a number of necessary practical steps are completed)
 - Balance of net proceeds to be retained for working capital purposes and for restructure funding
- ▶ **Board remains focused on financial discipline and shareholder value**





Strong financial management

| Year ended 30 November Continuing operations | 2024 | 2023 | Change |
|---|----------------|-------------|----------------|
| Revenue – <i>continuing operations</i> | £23.2m | £31.3m | - 26% |
| Gross profit | £14.8m | £18.6m | - 21% |
| - Gross margin | 64% | 59% | + 5bps |
| Adj. operating loss | (£1.1m) | (£1.4m) | + £0.3m |
| Loss before tax | (£2.8m) | (£2.3m) | - £0.5m |
| Net cash | £3.6m | £8.3m | - £4.7m |
| Reported loss per share | (5.4p) | (5.3p) | - 0.1p |
| Adj. loss per share from continuing operations | (3.4p) | (4.7p) | + 1.3p |

- ▶ Revenue decrease reflected:
 - expected lower revenue at Global Accounts
 - continued revenue attrition at Retail Solutions (legacy software)
- ▶ Appropriate cost reductions helped to mitigate the effects
- ▶ Overheads reduced by £4m (20%). Some benefits still to come through as the annualised reduction is greater
- ▶ Adjusted operating loss improved by £0.3m to £1.1m, supported by:
 - higher gross margin, lower cost base and focus at the Business Unit level
- ▶ Net cash (continuing operations) at 30 November of £3.6m:
 - £5.3m retained by NexSys for working capital and remittance of year end renewals to SYSPRO
 - continuing operations expected to trade on cash breakeven basis from end of February 2025

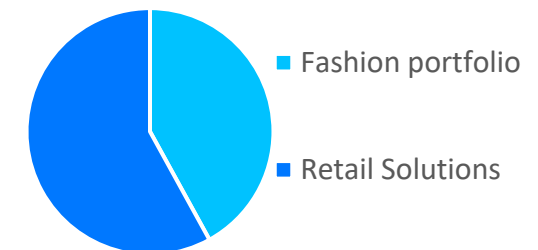
Gross margin higher

| Year ended 30 November (£m) | FY 24 | FY 23 |
|---|-------|-------|
| Revenue – continuing operations | 12.3 | 12.7 |
| Recurring revenue | 11.8 | 11.5 |
| Recurring revenue (“ARR”) from fashion and apparel products | 6.0 | 5.8 |
| Net revenue retention rate (fashion) | 100% | 116% |
| Net revenue retention rate (retail solutions) | 88% | 103% |
| Gross profit | 9.9 | 10.0 |
| Gross margin % | 80% | 79% |
| Adjusted operating loss | (0.5) | (4.9) |

- ▶ **Adj. operating loss significantly reduced - to £0.5m (from £4.9m)**
- ▶ **96% of FY24 revenue was recurring**
- ▶ **Meaningful savings from last year’s strategic decisions (esp. regarding integration of K3 ViJi and product investment)**
- ▶ **Fashion portfolio ARR up by 3% y.o.y. Customer buying behaviour shifted: departmental solutions being bought at a later stage of overall implementation**
- ▶ **Retail Solutions (legacy): 76% gross margin maintained; focused on service and efficiency**



FY 24 Sales Split



Global Accounts

| Year ended 30 November (£m) | FY 24 | FY 23 |
|---------------------------------|-------|-------|
| Revenue – continuing operations | 10.9 | 18.6 |
| Gross profit | 4.8 | 8.6 |
| Gross margin | 45% | 46% |
| Adjusted operating profit | 2.4 | 5.7 |

- ▶ **As expected, continued downturn in activity at Global Accounts (specialist services to Inter IKEA Concept overseas franchisees network and platform)**
 - effective remedial actions meant that gross margin held up well
- ▶ **Global Account’s consulting and development resource is appropriately sized for future activity levels and operating profit margin is over 20%**
 - activity level is lower as expected and services run-rate has stabilised
 - specialists continue to provide franchisees with expert advice and support, and are focused on new ways of working with them



Specialist services to IKEA’s overseas franchisees including:

- Ikano Retail (Far East, Mexico)
- Falabella (South America)

Focus is on cash and shareholder value



K3 Products

- ▶ High margin, recurring income

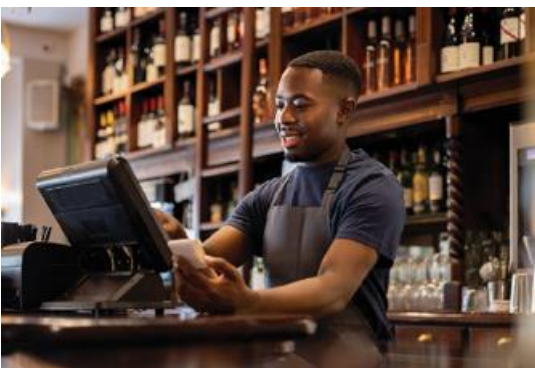


Third-party Solutions

- ▶ Continuing operations now only comprise Global Accounts support and services

- ▶ Return of a substantial portion of NexSys net proceeds to shareholders will follow the reorganisation of reserves
 - further announcement in due course
- ▶ Cost base at Global Accounts is at an appropriate size for ongoing lower level of activity and c.20% operating margin
 - services run-rate appears stabilised
- ▶ Group expected to trade at cash breakeven from end of February 2025
 - sufficient ongoing cash resources without bank facility
- ▶ Board remains focused on continued financial discipline and shareholder value

- ▶ Group Overview
- ▶ Financial Position
- ▶ Cash Flow



▶ BUSINESS CRITICAL SOFTWARE SOLUTIONS AND SERVICES



K3 Products

- ▶ Growth opportunity in Fashion and apparel sector
- ▶ Gross margin 80% (FY23 79%)
- ▶ Very high levels of annual recurring software 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

- ▶ Global Accounts provides specialist support and services to support the IKEA overseas franchisees and platform

Third-party Solutions

- ▶ Gross margin 45% (FY23 46%)
- ▶ c.20% operating margin



FINANCIAL POSITION *Including NexSys (disposal 6 Jan 2025)*



| Assets | £'m | FY 24 | FY 23 |
|------------------------------------|-----|-------------|-------------|
| Non-current assets | | | |
| Property, plant and equipment | | 1.0 | 1.3 |
| Right-of-use assets | | 0.7 | 1.0 |
| Goodwill | | 10.1 | 25.0 |
| Other intangible assets | | 1.4 | 1.5 |
| Deferred tax assets | | 0.1 | 0.1 |
| Total non-current assets | | 13.3 | 28.9 |
| Current assets | | | |
| Stock | | 0.2 | 0.3 |
| Trade and other receivables | | 3.7 | 7.6 |
| Cash and short-term deposits | | 3.6 | 8.3 |
| Assets classified as held for sale | | 22.4 | - |
| Total current assets | | 29.9 | 16.1 |
| Total assets | | 43.2 | 45.0 |

- ▶ Trade and other receivables balance lower due to improved collections and £2.3m moved to assets held for sale

| Liabilities | £'m | FY 24 | FY 23 |
|---|-----|-------------|-------------|
| Non-current liabilities | | | |
| Lease liabilities | | 0.5 | 0.6 |
| Provisions | | 0.6 | 0.1 |
| Deferred tax liabilities | | 0.1 | 0.1 |
| Total non-current liabilities | | 1.2 | 0.8 |
| Current liabilities | | | |
| Trade and other payables | | 7.6 | 15.9 |
| Current tax liabilities | | 0.1 | 0.3 |
| Lease liabilities | | 0.2 | 0.3 |
| Borrowings | | - | - |
| Provisions | | 0.2 | 0.3 |
| Liabilities classified as held for sale | | 6.6 | - |
| Total current liabilities | | 14.6 | 16.9 |
| Total liabilities | | 15.8 | 17.7 |

- ▶ Trade and other payables balance lower due to NexSys year end renewals to SYSPRO and associated creditors of £6.6m moved to assets held for sale

CASH FLOW *Including NexSys (disposal 6 Jan 2025)*



| £'m | FY 24 | FY 23 |
|--|------------|------------|
| Net cash generated from operating activities | 1.9 | 3.6 |
| Cash used in investing activities | (0.8) | (1.4) |
| Cash from financing activities (excl. loans) | (0.5) | (1.0) |
| Free cash flow | 0.6 | 1.2 |
| Opening net cash | 8.3 | 7.1 |
| Closing net cash (including NexSys) | 8.9 | 8.3 |

- ▶ More disciplined investment spend
- ▶ Continued reduction in lease costs of £0.4m
- ▶ Working capital improvements of £1.5m
- ▶ Net cash excludes held for sales operations (principally NexSys)