



Our rapid progress in the US is further testament to the world-class expertise and technology we have developed over the last two decades to digitally transform mental healthcare.

Tim Barker
Chief Executive Officer

Chief Executive Officer's Statement

Delivering positive social impact, cost effectively and at scale

As a social impact business, our purpose is to help tackle the growing global mental health challenge. We do this by delivering a welcoming digital mental health platform, accessible to all. Our focus is on creating a service which provides rapid, responsive, and effective support to individuals to address problems earlier, reducing the need for, and cost of, acute treatment programs.

Kooth has a quantifiably positive impact on society whilst also saving healthcare systems money. In 2022, the York Health Economics Consortium published an independent health economics study showing that Kooth delivers £3.14 in cost savings for every £1 spent. Our own analysis of the US market shows a potential 12:1 saving, due to the higher healthcare costs seen in that market. In short, we can ensure that healthcare budgets around the world can achieve more with less.

Outstanding progress in the US market

Our success in the US can be traced back to our heritage and the track record we have built in the UK. When I joined Kooth three years ago, I was attracted by the positive social impact, coupled with the expertise, passion and thoughtfulness across the team. This is vital to ensure we can pragmatically address the global challenge in mental healthcare. With Kooth's 20+ years of experience and data, no other organisation has our level of operating expertise and evidence in how to deliver population-wide digital mental healthcare.

It is encouraging to see our expertise, and the value it can bring, recognised internationally, with our rapid expansion into the US a particular personal highlight.

Kooth won its first US contract in October 2022, when the State of Pennsylvania awarded us a \$3 million pilot to expand access to digital mental health support for up to 150,000 school students.

In March 2023, Kooth was awarded a contract by the California Department of Health Care Services (DHCS) to roll out its platform in January 2024 to over 6 million 13-25 year olds as part of the State's \$4.7 billion 5-year plan to transform access to youth mental health care. This was a competitive process, where Kooth competed against 450 vendors and content providers.

The imperative to act on the youth mental health crisis is one that both Federal and State governments are increasingly acting on.

The need for action is laid bare in a recent report from the US CDC (Centers for Disease Control and Prevention). It highlights that 22%

of high school students seriously considered attempting suicide during the past year, with 10% attempting suicide one or more times.

A study by Pew Research published in January 2023 found that youth mental health is now the top concern for parents with children under 18: Forty percent are either very or extremely worried. This is a crisis that Kooth can, and must, help address.

There is a clear need and opportunity for Kooth to focus on in the US. This will remain a key strategic priority for the business in 2023.

UK market expansion, and an increase in the levels of support people need

Reviewing Kooth's UK progress in 2022, it is clear that we took significant strides in expanding our service for children and young people across the UK. New commissions in Scotland were a key highlight, where we grew from four to nine contracts during the year.

Availability of our service for adults, Qwell, grew from 3.8 million at the start of the year to over 8 million adults.

Greater Manchester Integrated Care System (ICS) represents the largest Qwell rollout of the year. In this region we are now available to approximately 2 million people aged 10 to 99+ across all 10 localities. ARR for Kooth Adult grew over 75% to £3 million during the year.

In 2022 new users were accessing Kooth more often than before - the platform experienced a

15% increase in logins over the previous year. However, there was a slight reduction in uptake among the population, from 1-in-33 in 2021 to 1-in-36 in 2022. This is a result of expanding our reach of Kooth to 19-25 year olds, who initially engage less than the 10-18 cohort. By comparison usage pre-covid in 2019 was 1-in-40.

Furthermore, we continue to see a growing trend in the increased level of severity and safeguarding risk for individuals seeking support, with 80% of users presenting with a moderately severe or severe level of acuity.

In response to this shift, our clinical service strategy has evolved, with an even larger emphasis on the 'responsive', 'safe' and 'person-centred' elements of our clinical model, expanding our safeguarding, clinical, and training teams, and ensured that each practitioner has access to external supervision to support their professional development.

We are applying this expertise to help reduce the direct burden on overstretched NHS services. This includes being commissioned in late 2022 to ameliorate Accident & Emergency attendance by providing our service to adults in need of urgent mental health support.

Outlook

Kooth is extremely well-positioned to respond to the long-term demand for digital mental health services in the US and UK, with a proven track record and detailed efficacy profile, strong recurring revenue and a net cash position.

As we enter 2023, our model, strategy, and market position, coupled with the talent and dedication of our employees, give us confidence in achieving further progress this year.

In the US, our focus on State-wide contracts, coupled with the rapid progress we have made in Pennsylvania and California, has the potential to significantly change the growth trajectory of Kooth as more States take action to prioritise youth mental health.

In the UK, the NHS is not only grappling with the backlog aftermath of the pandemic, but is also dealing with the reorganisation of NHS England. In June 2022, its structure moved from 135 Clinical Commissioning Groups (CCGs) to 42 Integrated Care Systems (ICSs).

While this reorganisation offers great potential for Kooth in the medium- to long-term, we have seen near-term decision making slow down as a direct result of these newly formed organisations finding their feet, filling new roles, and starting to define their population health strategies. We are starting to see the 'end of the beginning' for this reorganisation, and I'm optimistic that it will provide greater opportunities for Kooth.



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