

Chief Executive Officer's statement



Tim Barker

Chief Executive Officer

“Building on the strong foundations we have developed in the UK.”

Dear Shareholders,

What drew me to Kooth in 2020, in addition to its strong social purpose, was the thoughtfulness with which the team approached tackling the ever-growing demand for mental healthcare. In many ways, it was contrary to the thinking at the time:

- Building a tech-enabled service supported by professionals, when everyone was trying to build apps that can scale without human involvement.
- Growing awareness and usage of the service by embedding engagement leads within local communities, where others focused solely on digital promotion.
- Developing a service that could support a whole population, with the goal of reducing demand for acute mental health care, where others were building networks of therapists solely to service the demand for acute care.

A key reason why Kooth chose this path was because the company is ultimately focused on what is going to turn the tide on the growing crisis in mental health: we need to build a mentally healthier population, leaving no-one behind.

Over the four years that I have been at Kooth, from the pandemic to today, every year has seen its own opportunities and challenges. 2023 brought significant opportunities in the US — and challenges in the UK given the political and financial backdrop in the NHS. However, there are clear moments in one's career that can be seen as pivotal to the transformation of a business and its prospects. Based on strategic progress in 2023, I believe this was such a year.



Chief Executive Officer's statement Continued

Executing on Kooth's strategy to expand in US States

As well documented in this year's annual report, Kooth is significantly ahead of schedule on its US expansion strategy. Firstly with Pennsylvania, and then with California, it's clear that there was a growing imperative and investment case for addressing youth mental health. Kooth's transformational contract and partnership with California put the company in the spotlight to execute and demonstrate its impact. In discussions with many investors, execution risk was often cited as the key area of concern given the size and scale of the contract. Seeing the hard work that so many people did to launch Soluna (the name of the platform and app in the US) initially in September 2023 and fully on 1st January 2024, I couldn't have wished to work with a more engaged, passionate and expert team. As CEO, given the opportunity that California has entrusted to Kooth, this will remain mine and the team's number one priority throughout 2024 to ensure the company is building a strong foundation for the future. In addition, the £10m fundraise in July 2023 enabled Kooth to engage with a growing pipeline of States to bring its services to their population, and invest in research studies with US academic partners to demonstrate Kooth's impact. I'm optimistic that Kooth will expand into further States in 2024.

Executing on Kooth's strategy to support youth through Medicaid managed care providers

More than 29 million under 18s — almost 40% of the US youth population — are covered by Medicaid, the Federal and State funded insurance programme for low-income families; Annual Medicaid spending on youth behavioural health care exceeds \$30.2 billion. A key challenge for Medicaid programmes is providing access to mental health support given the shortage and cost of therapists. Through an innovative partnership and pilot programme with Aetna Better Health of Illinois, agreed post-period end, Kooth aims to demonstrate the impact the company can make in building mentally healthier populations. This is a key pillar to Kooth's US strategy.

Continuing to innovate in technology to transform mental health care, Kooth's partnership and contract with California significantly accelerated the development of the company's product roadmap. It enabled us to build this next-generation platform, incorporating everything Kooth has learnt over time — co-produced with input from over 200 young people to help build 'their dream mental health app'. Soluna will be the platform and brand the company expands into other States, with minimal capital expenditure required to do so. In addition, Kooth will bring its enhanced platform to the UK in the next 12 months to deliver a platform specifically designed for youth that is both engaging and clinically effective.



Chief Executive Officer's statement Continued

Focusing on UK renewals and retention given NHS headwinds

2023 was a more challenging year in the UK for Kooth and the many organisations that serve the NHS. With the reorganisation of NHS England from 135 Clinical Commissioning Groups to 42 Integrated Care Systems finalised, their challenge now is to balance the budgets to pre-pandemic levels and address the forecast £7 billion budget deficit. While Kooth's team worked continually to demonstrate its value in each region it serves, the company at times saw highly successful services decommissioned in response to these financial pressures. In a small number of cases, a cheaper substitute — providing an informational portal or peer-support only option — replaced Kooth. The UK is Kooth's home market, and the company will continue to prioritise and focus on its current customers. Post-election, Kooth anticipates priorities and funding to become clearer.

Our people

When I joined Kooth in early 2020, the company had around 130 employees. Kooth ended 2023 with 585 employees across the US and UK, with staff in 26 States and all corners of the UK. 2023 was a year where everyone at Kooth had to step-up; to deliver on US opportunities, tackle UK headwinds and to provide mental health support to people where the company continued to see a long term increase in acuity, suicidal ideation and self-harm. I couldn't be prouder of the attitude and achievements of the team during these rapidly-changing times.

Outlook

Our proven track record, excellent recurring revenue and net cash position give us a great platform as we enter 2024. The strength of our model, strategy and market position — allied to long-term demand for digital mental health services in the UK and US — support our confidence of further progress in the year ahead.



Tim Barker

Chief Executive Officer
25 March 2024

