

Chair's statement



Peter Whiting
Non-Executive Chair

“Building on the strong foundations we have built in the UK, 2023 was a transformational year for us as we expanded into the US.”

Dear Shareholders,

Without doubt, 2023 has been a transformational year for Kooth, with significant growth and progress towards our vision to build mentally healthier populations by providing everyone with access to effective digital support from their first moment of need. I want to thank all members of the team in both the UK and US for their incredible hard work in delivering on the opportunities that have presented themselves to us. In addition, I want to record my appreciation to our customers who entrust us as custodians for the mental health of their populations.

Reflecting on the progress we have made in the US since late 2021 — first in Pennsylvania, and then in California — we are grateful for the endorsement of our innovation, clinical efficacy, and scale. The rapid progress we are making in the US would not be possible without the proof points we have developed over decades in the UK.

As a result of our \$188m expected value, four-year contract win in California, we upgraded our growth outlook, and I am pleased to report 2023 Group revenues of £33.3 million, a 66% increase over 2022 revenues of £20.1 million, and a 40% increase in EBITDA to £2.3 million.



Chair's statement Continued

Given our rapid progress in California in particular, we successfully raised £10m of equity in July, primarily to invest in accelerating our US growth. I'm pleased to report that this has enabled us to expand our Sales and Research efforts, with discussions underway in a number of States, and a partnership with Aetna to pilot Kooth in Illinois to support youth in low-income families that qualify for Medicaid. The latter represents a potentially significant expansion of our modes of funding, and in turn a reinforcement of our market position.

Turning to the UK, 2023 has been a challenging year given the short-term financial and political pressures to reduce spending to pre-pandemic levels, whilst tackling the elective care waiting lists. Given the estimated £7 billion budget deficit at the start of 2023, NHS commissioners have been faced with difficult decisions to scale back services to balance budgets. As a result, churn in the UK has increased to £2.3m, up from £2.0m in 2022, with Kooth Adult pilot contracts being disproportionately impacted.

However, given the unsustainable, continued double-digit increase in demand for mental healthcare, and the political imperative to transform services for the benefit of society, NHS productivity, and the economy, we anticipate an improvement in the UK following the general election as NHS priorities and funding solidify.

Despite these short-term headwinds, Kooth's recurring revenue business model, with 98% of Kooth's contracts having a duration of 12 months or more, gives us strong forward revenue visibility, ending 2023 with £64.6m Annual Recurring Revenue (ARR), up from £21.1m a year ago.

We enter 2024 with significant growth opportunities, a solid financial position — £11.0m in cash, no debt, and an undrawn \$9.5m working capital credit facility — a proven business model, and a strong social purpose.



Peter Whiting

Non-Executive Chair

25 March 2024

