K3 capital group plc

# Creating a platform of business critical and specialist advisory services across the SME lifecycle

## Results Presentation
## H1 FY22

# INTRODUCTIONS

## JOHN RIGBY

### CHIEF EXECUTIVE OFFICER

John has over 20 years of operational, sales and commercial management experience within the sector and developed the national sales and marketing infrastructure of the Group. Having joined the business in 2000, John became Managing Director of the Group in 2010 and led the Group through its successful IPO in 2017 as well as the recent diversification of the Group.

## ANDREW MELBOURNE

### CHIEF FINANCIAL OFFICER

A fellow of the Chartered Institute of Management Accountants with an MSc in Strategic Financial Management, Andrew possesses over 20 years' of financial accounting and corporate finance experience. Joining the Group in 2012, Andrew's strong financial, strategy and commercial management skills has been integral in the growth of the Group, and along with John played an important part in the Group's placing on the AIM and the subsequent diversification of the Group.

# GROUP HIGHLIGHTS

BUILDING A RESILIENT AND DIVERSIFIED GROUP WITH A BROAD BASE OF SME CLIENTS (H1 c.4,200 INVOICES AT AN AVERAGE VALUE OF c.£7,250)

EXCELLENT ORGANIC GROWTH IN BOTH REVENUE AND EBITDA IN THE PERIOD vs H1 FY21

SUCCESSFUL FUNDRAISE FOLLOWED BY ACQUISITIONS OF KNIGHT BUSINESSES IN H1

NEW SERVICE LINE LAUNCHES STARTING TO CONTRIBUTE AND UTILISE CROSS SELLING OPPORTUNITIES

SENIOR MANAGEMENT TEAM STRENGTHENED IN LINE WITH OUR FUTURE AMBITIONS

CONTINUED INVESTMENT IN PEOPLE SEES OUR HEADCOUNT INCREASE TO c.550

PROGRESSIVE DIVIDEND POLICY CONTINUES TO REWARD AND DELIVER ATTRACTIVE RETURNS TO OUR SHAREHOLDERS

STRONG FOUNDATION OF H1 COUPLED WITH SOLID START TO H2 GIVES CONFIDENCE IN DELIVERING MARKET EXPECTATIONS

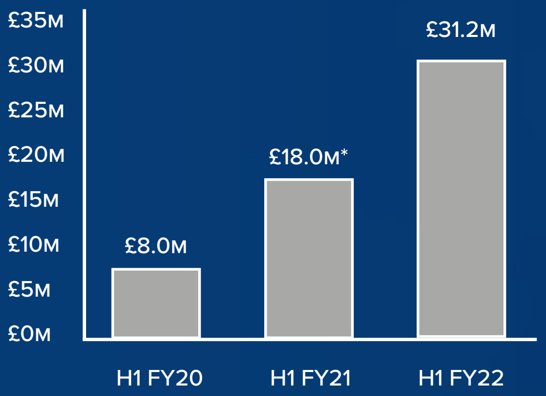
# GROUP FINANCIAL HIGHLIGHTS

K3 capital group plc

## REVENUE

**£31.2M** ↑ 73%

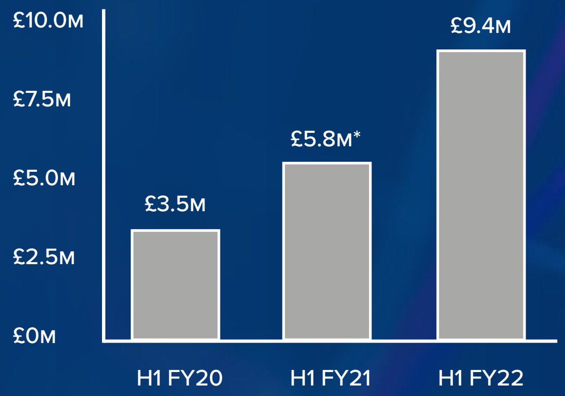
**(H1 FY21: £18.0M*)**




## ADJUSTED EBITDA**

**£9.4M** ↑ 62%

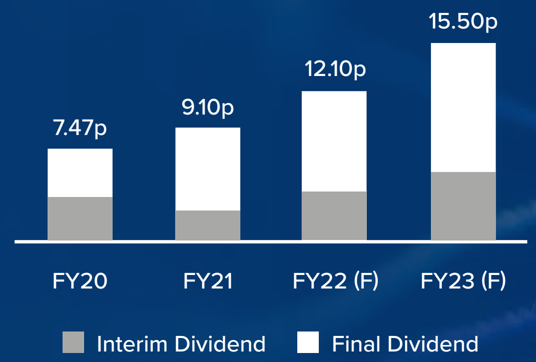
**(H1 FY21: £5.8M*)**




## INTERIM DIVIDEND PER SHARE

**4.0P** ↑ 33%

**(H1 FY21: 3.0p)**




## NET CASH

**£8.8M** ↓ 13%

**(H1 FY21: £10.1M)**

## ADJUSTED EBITDA MARGIN

**30%** ↓ 6%

**(H1 FY21: 32%*)**

## HEADLINE EARNINGS PER SHARE †

**£9.4P** ↑ 31%

**(H1 FY21: 7.2p*)**

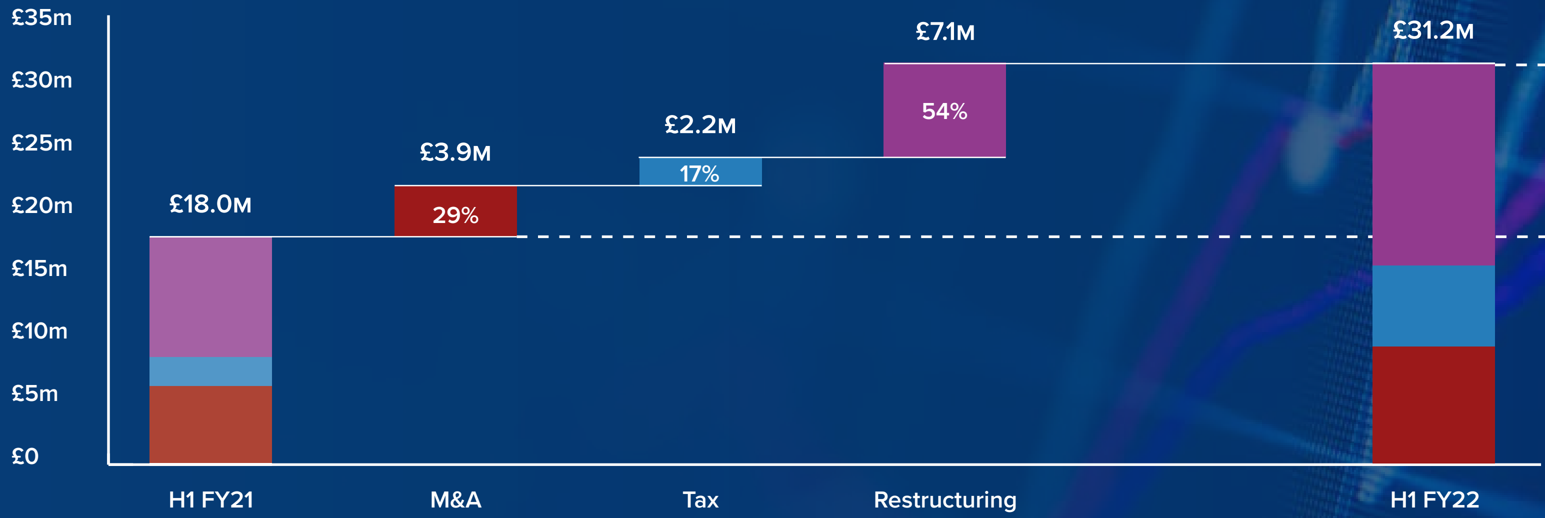
* Restated values post year end audit

** Adjusted for acquisition related costs

† Headline EPS calculated at an average of 72.1m shares vs 61.7m shares H1 FY21. Adjusted to exclude exceptional items

# REVENUE & PROFIT BRIDGE

## GROUP REVENUE



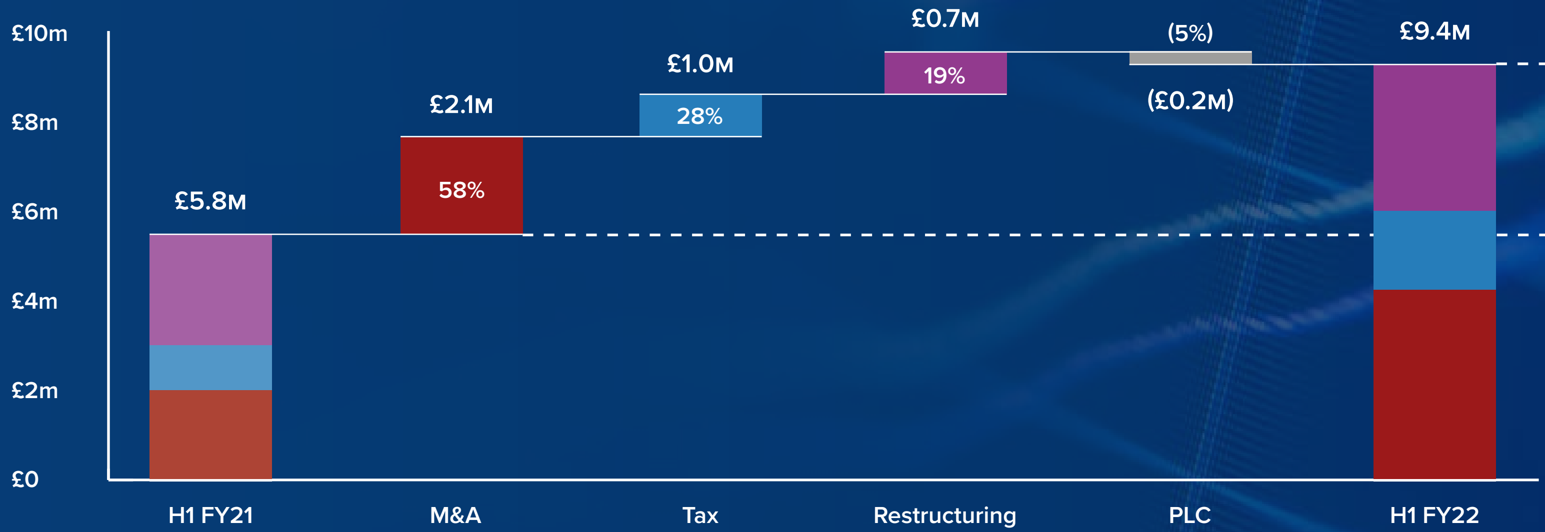

£13.2M revenue growth

£9.7M / 73% organic*

£3.5M / 27% inorganic

* H1 FY21 numbers only include 4 months of Quantuma trading, re-stated post audit

## GROUP ADJUSTED EBITDA




£3.6M EBITDA growth

£1.6M / 45% organic*

£2.0M / 55% inorganic

* H1 FY21 numbers only include 4 months of Quantuma trading, re-stated post audit

# GROUP STRUCTURE

K3 capital group plc

K3 capital group plc

| | M&A DIVISION | RESTRUCTURING DIVISION | TAX DIVISION |
|---|---|---|---|
| CORE BRANDS | KBS corporate; KBS corporate finance; knightsbridge commercial | Quantuma | randd rewarding innovation |
| ADDITIONS - FY21 | MARKET MAPPING TARGETED ACQUISITION STRATEGIES; K3 debt advisory | Alchemy; aspect+ LTD | inTAX; K3 TA |
| ADDITIONS - FY22 | Knight Corporate Finance; Knight Transaction Services | Quantuma Dubai; Quantuma Singapore | KNIGHT R&D |

| | M&A DIVISION | RESTRUCTURING DIVISION | TAX DIVISION |
|---|---|---|---|
| OFFICES | 3 | 17 + 6 OVERSEAS | 3 |
| STAFF | 174 | 302 | 72 |
| MARKET SHARE | < 2% | < 5% | < 1% |

# DISTRIBUTION PLATFORMS

K3 capital group plc

## DRIVING ORGANIC GROWTH BY HARNESSING CLIENT ACQUISITION STRENGTHS ACROSS THE GROUP

### K3 GLOBE

KBS GLOBE · randd GLOBE · Q GLOBE

A PROPRIETARY SYSTEM DEVELOPED IN-HOUSE

ALLOWS VOLUME MARKETING TO UK SME

CO-ORDINATES AND CONTROLS ALL SALES EFFORTS

LEADING SME DATASET

### K3 HUB

NATIONAL REFERRAL NETWORK

c.2,000 INDIVIDUAL MEMBERS

c.1,000 MEMBER FIRMS

FULL CPD AND WEBINAR PROGRAMMES

### K3 X-SELL

ACROSS THE SME LIFECYCLE

COMMONALITY IN SME CLIENT FOCUS ACROSS THE GROUP

OPPORTUNITIES TO 'PRODUCT BUNDLE'

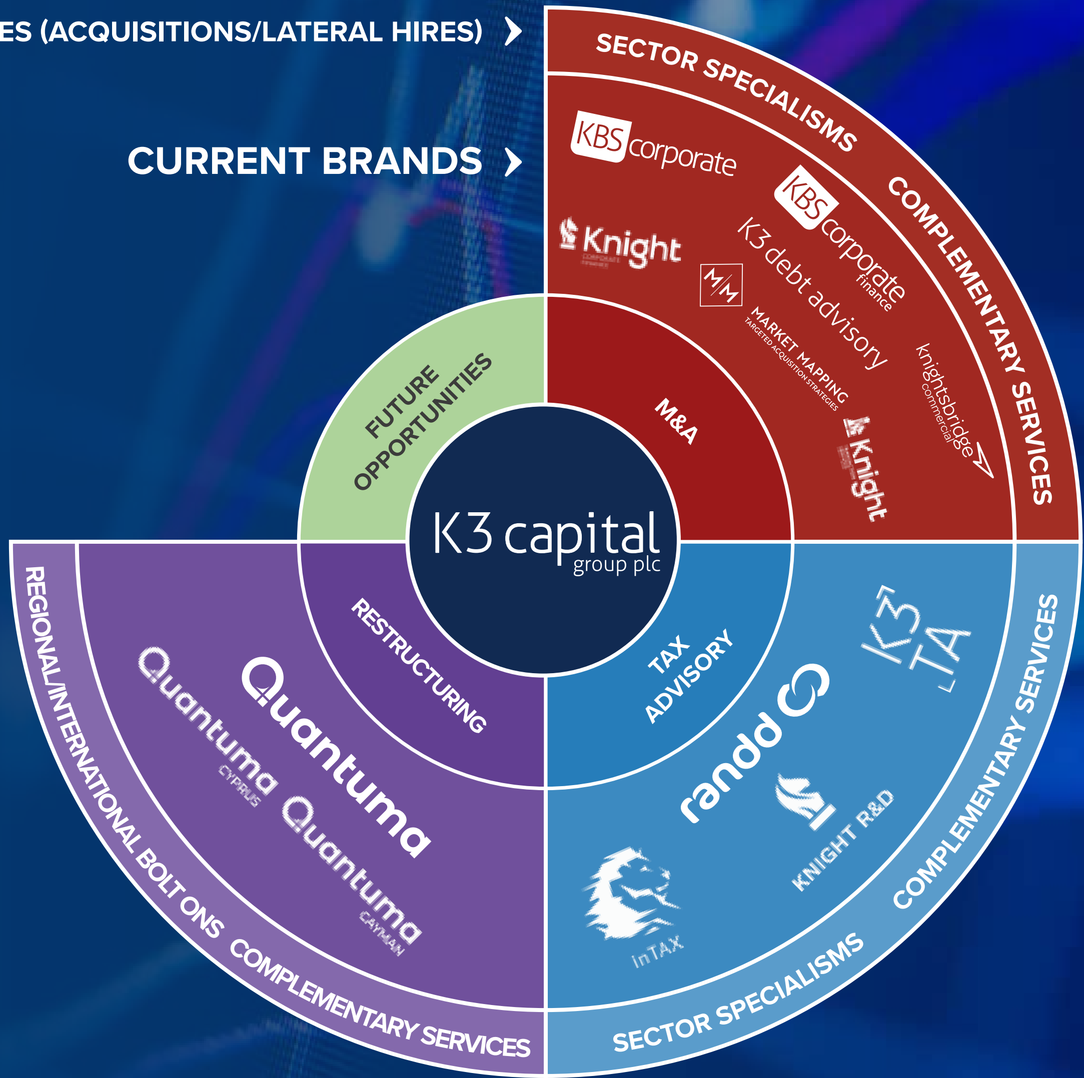
MANAGEMENT - MONITORING AND INCENTIVISATION

# GROWTH STRATEGY - INTRODUCTION

K3 capital group plc

FUTURE OPPORTUNITIES (ACQUISITIONS/LATERAL HIRES) ❯

CURRENT BRANDS ❯

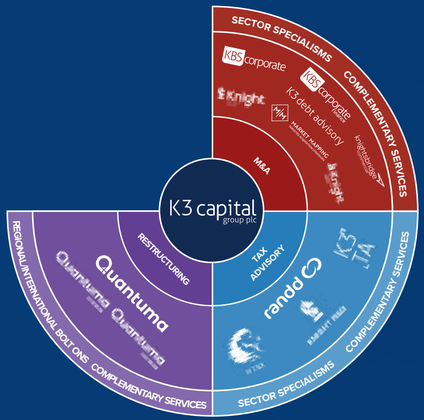



**SHORT TERM ASPIRATIONS**
**- £25M EBITDA**

**MID TERM ASPIRATIONS**
**- £50M+ EBITDA**

**TO BE ACHIEVED THROUGH TWO LAYERS OF STRATEGY**

# GROWTH STRATEGY - BUILDING OUT OUR EXISTING DIVISIONS




## ORGANIC

- UTILISE OUR DISTRIBUTION PLATFORMS TO DRIVE MARKET SHARE GAIN AND ORGANIC GROWTH

K3 GLOBE K3 HUB K3 X-SELL

- LAUNCHING COMPLEMENTARY SERVICE LINES TO BROADEN OFFERING

MARKET MAPPING TARGETED ACQUISITION STRATEGIES Knight TRANSACTION SERVICES K3 TA

- EXPANDING OUR OFFICE NETWORK

Quantuma DUBAI Quantuma SINGAPORE

## INORGANIC

- ACQUISITION OF COMPLEMENTARY GEOGRAPHIES

aspect+ LTD - UK

ALCHEMY - OVERSEAS

- ACQUISITION OF COMPLEMENTARY SERVICE LINES

Knight CORPORATE FINANCE KNIGHT R&D inTAX

- GROWTH IN FEE EARNER BASE THROUGH RECRUITMENT, LATERAL HIRE AND ACQUISITION

32% INCREASE IN FEE EARNERS

# GROWTH STRATEGY – ACQUISITIONS

K3 capital group plc

## TYPICAL CHARACTERISTICS SOUGHT IN ACQUISITION TARGETS

| | | |
|---|---|---|
| SME FOCUSSED | EARNINGS ENHANCING | GROWTH |
| QUALITY OF EARNINGS | BRAND QUALITY AND REPUTATION | MARGIN ENHANCEMENT |
| STRATEGIC FIT | MANAGEMENT AND CULTURE | DEAL STRUCTURE |
| SUSTAINABLE MARKET SEGMENT | DISRUPTIVE IN NATURE | TECH ENABLED |

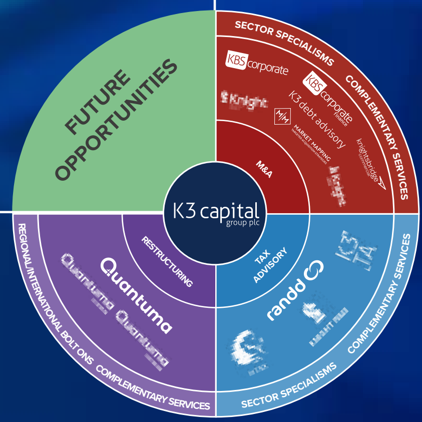
## HOW WE DRIVE IMPROVEMENT IN OUR ACQUISITIONS

- ENTREPRENEURIAL ENVIRONMENT
- PLC STATUS AND CREDIBILITY
- CENTRALISED FUNCTIONS
- MANAGEMENT INCENTIVISATION
- ENHANCED DISTRIBUTION

K3 GLOBE

K3 HUB

K3 X-SELL



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# M&A DIVISION

KBS corporate

KBS corporate finance

knightsbridge commercial

MARKET MAPPING
TARGETED ACQUISITION STRATEGIES

K3 debt advisory

Knight CORPORATE FINANCE

# M&A DIVISION

## KEY HIGHLIGHTS

CONTINUED MOMENTUM FROM H2 FY21 SEES A STRONG TRADING PERIOD FOR THE DIVISION

DOUBLE DIGIT ORGANIC GROWTH COMPLEMENTED BY THE ACQUISITION OF KNIGHT CF IN H1

DIVISIONAL REVENUES UP 66% TO £9.8M AND EBITDA UP 72% TO £5.0M vs H1 FY21

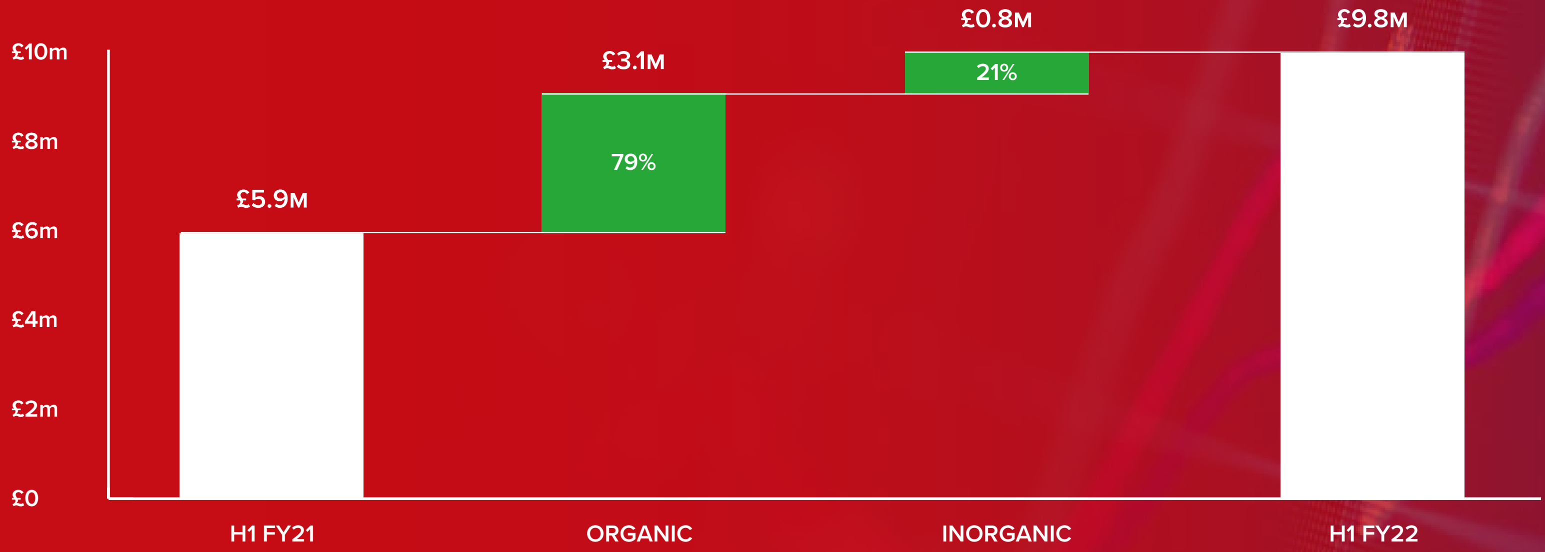
KPIs TRENDING POSITIVELY COMBINED WITH STRONG TRANSACTION FEE PIPELINES GOING INTO H2

QUALITY OF EARNINGS ENHANCED WITH VOLUME BRANDS DELIVERING c.95% OF REVENUES IN THE PERIOD

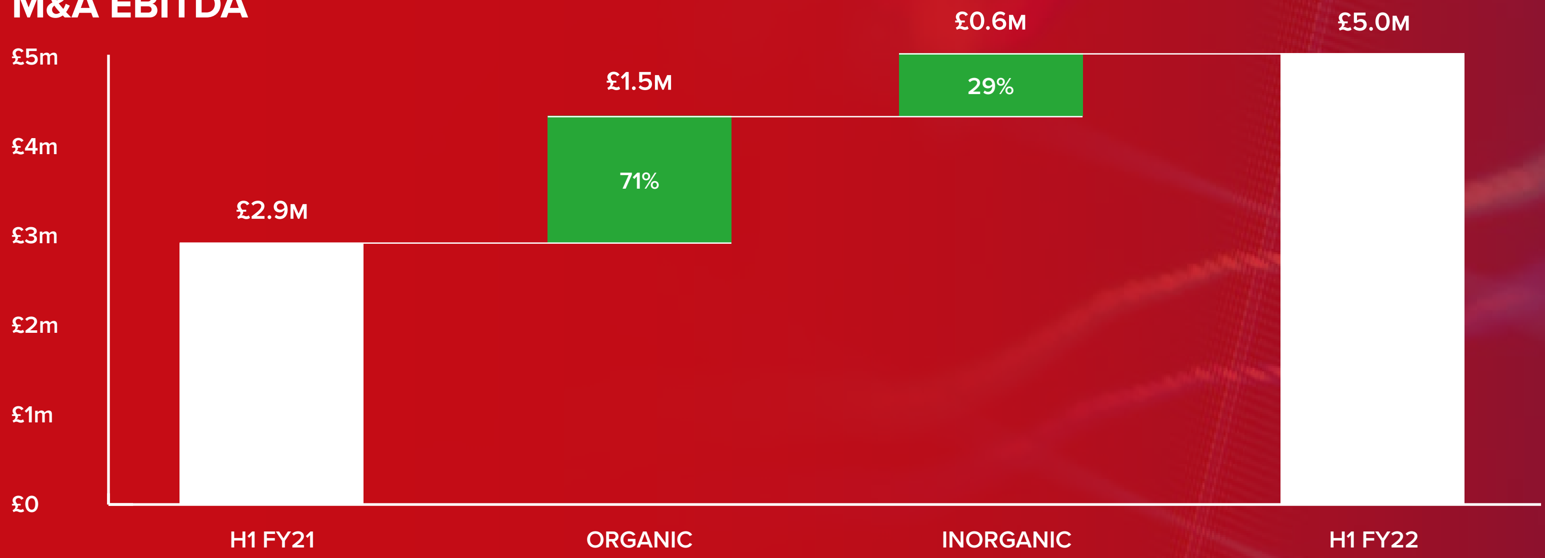
KNIGHT TRANSACTION SERVICES ENJOYING STRONG CROSS REFERRALS AND CONTRIBUTING TO REVENUE AND EBITDA

# REVENUE & PROFIT BRIDGE

## M&A REVENUE




## M&A EBITDA




**M&A REVENUE**

**£9.8M**

(H1 FY21: £5.9M)

**M&A EBITDA MARGIN**

**51%**

(H1 FY21: 49%)

**M&A EBITDA***

**£5.0M**

(H1 FY21: £2.9M)

* pre PLC costs

# TAX DIVISION

# TAX DIVISION

## KEY HIGHLIGHTS

SIGNIFICANT DEVELOPMENT IN THE GROWTH AND DIVERSIFICATION OF OUR TAX DIVISION DURING THE H1 PERIOD

GLOBE TECHNOLOGY AND SALES AND MARKETING STRATEGY CONTINUES TO ENHANCE NEW CLIENT ACQUISITION

K3 TAX ADVISORY TEAM GROWS TO 6 WITH ENCOURAGING H1 AND STRONG CROSS SELL OPPORTUNITIES

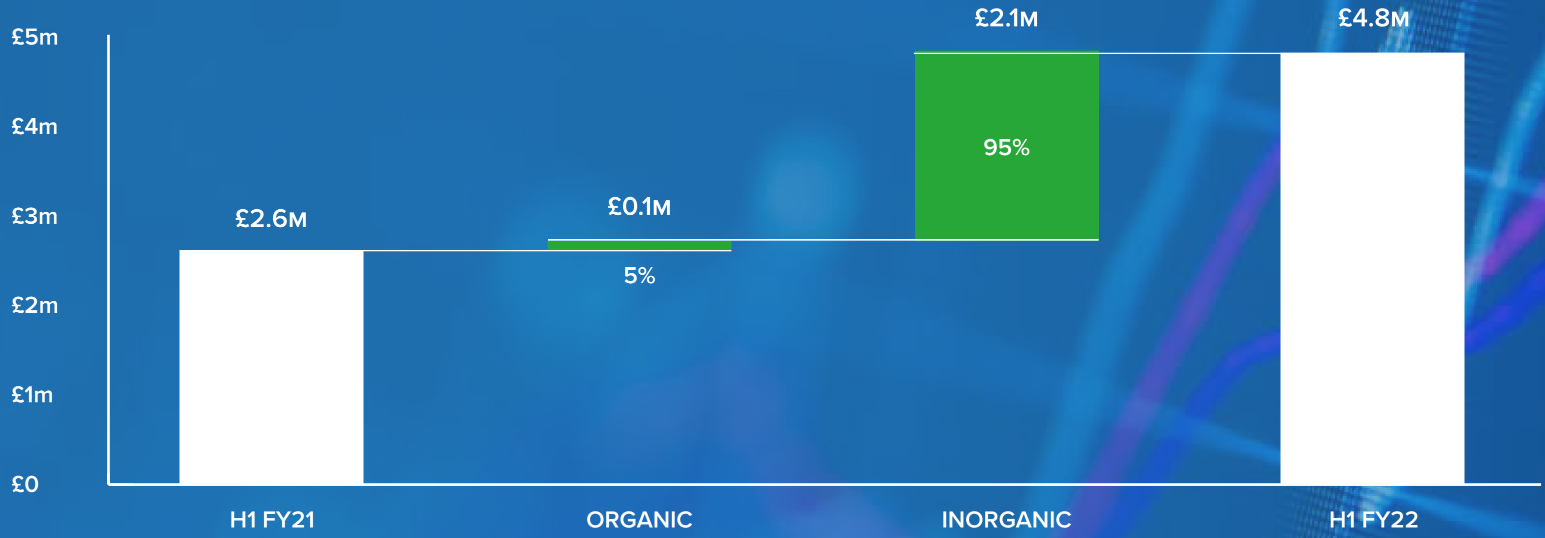
ACQUISITION OF KNIGHT R&D AND LAUNCH OF K3TA BROADEN SERVICE LINES AND DEVELOP NEW REVENUES

PANDEMIC IMPACT HAS CAUSED REDUCTION AND DELAYS IN CLAIM PROCESSING PIPELINES FOR SMALLER SMES

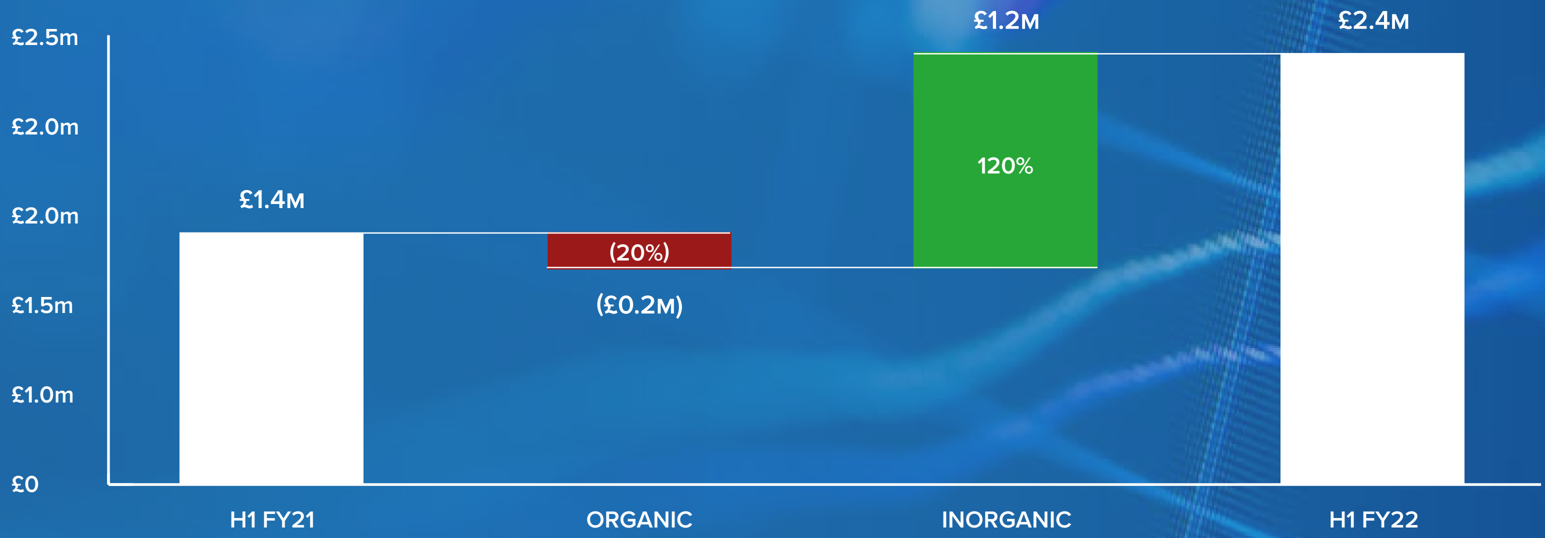
NEW OFFICE LOCATION FOR RANDD PROVIDING MODERN FACILITY SUITABLE FOR FUTURE GROWTH

# REVENUE & PROFIT BRIDGE

## TAX REVENUE




## TAX EBITDA




**TAX REVENUE**

**£4.8M**

**(H1 FY21: £2.6M)**

**TAX EBITDA MARGIN**

**50%**

**(H1 FY21: 54%)**

**TAX EBITDA***

**£2.4M**

**(H1 FY21: £1.4M)**

* pre PLC costs

K3 capital group plc

# RESTRUCTURING DIVISION

Quantuma

# RESTRUCTURING DIVISION

## KEY HIGHLIGHTS

DOUBLE DIGIT ORGANIC GROWTH DESPITE CHALLENGING MARKET CONDITIONS

MARKET SHARE GROWTH CONTINUES AS UK INSOLVENCY MARKET BUILDS FOLLOWING PANDEMIC

CONTINUED INVESTMENT AND BUILD OUT OF OVERSEAS OFFICE NETWORK IN LINE WITH OUR STRATEGY

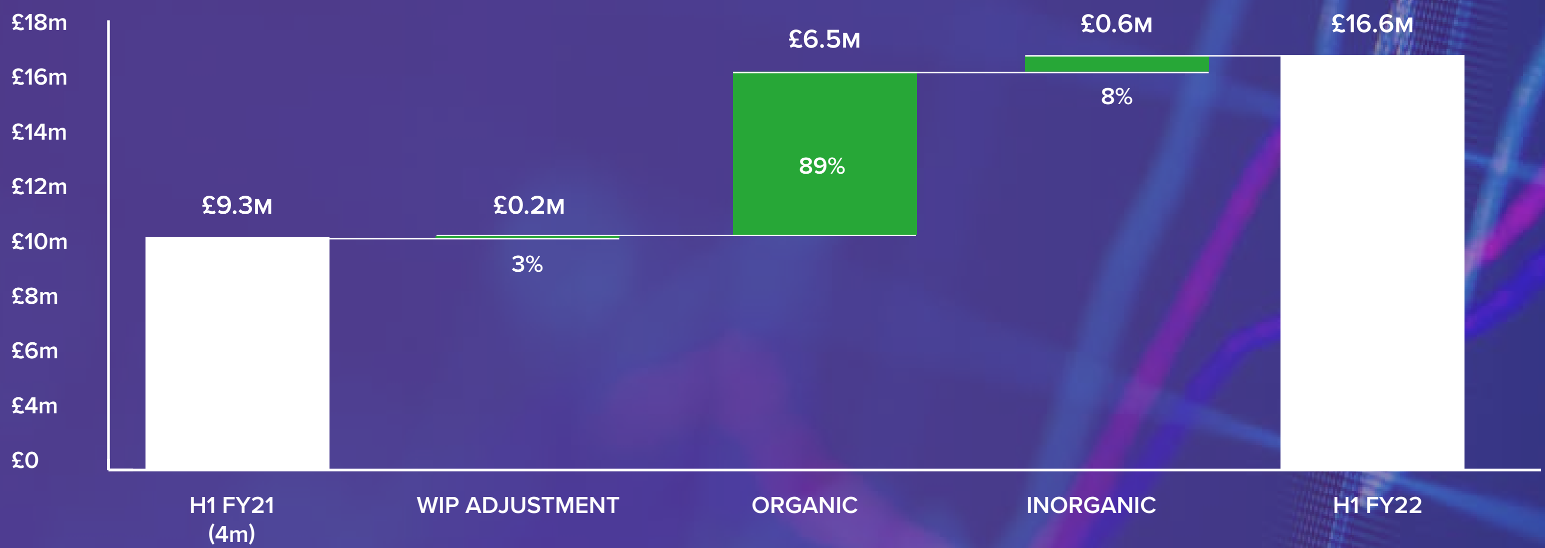
PLEASING PIPELINE OF ACQUISITION OPPORTUNITIES BEING PROGRESSED TO DEVELOP NATIONAL PRESENCE

INVESTMENT IN HEADCOUNT AND FEE EARNER BASE CONTINUES IN ANTICIPATION OF POST PANDEMIC DEMAND

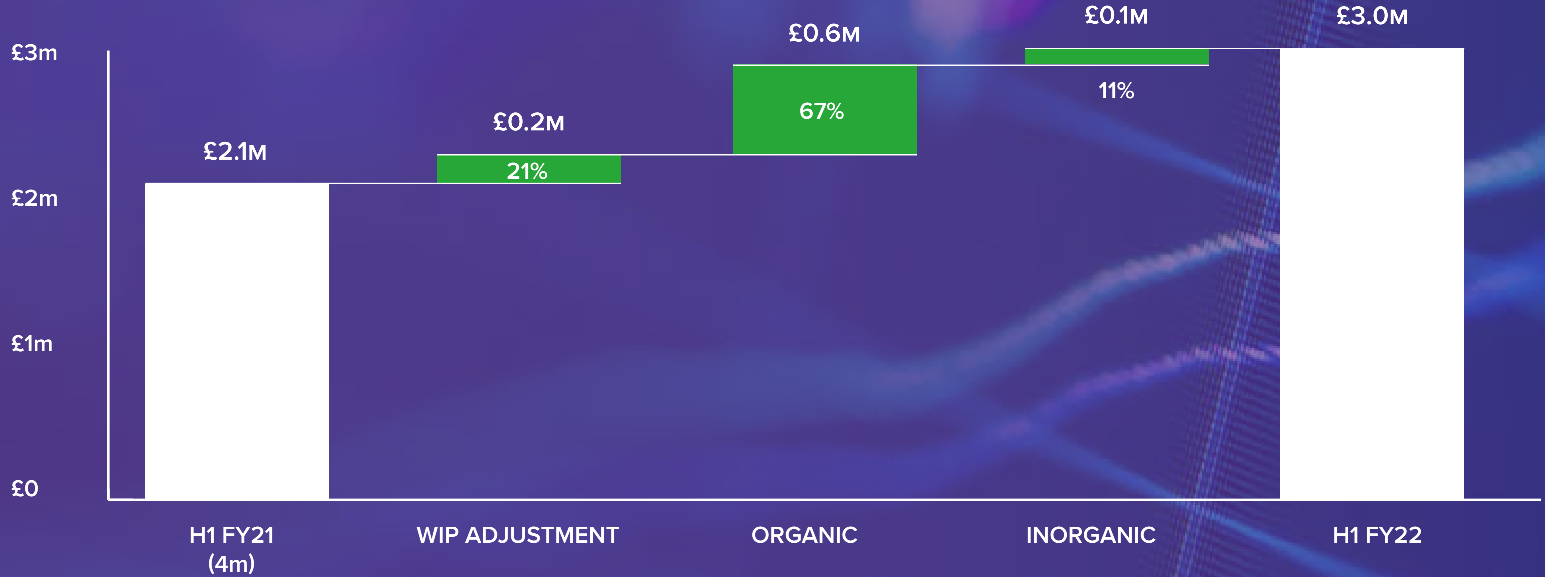
HIGHER PROFILE JOB WINS HELP TO DEVELOP BRAND AWARENESS

# REVENUE & PROFIT BRIDGE

## RESTRUCTURING REVENUE




## RESTRUCTURING EBITDA




**RESTRUCTURING REVENUE**

**£16.6M**

(H1 FY21: £9.3M)

**RESTRUCTURING EBITDA MARGIN**

**18%**

(H1 FY21: 23%)

**RESTRUCTURING EBITDA***

**£3.0M**

(H1 FY21: £2.1M)

* pre PLC costs

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

K3 capital group plc

| For the 6 months ended 30 November - Unaudited<br>£'000 | 2021<br>Unaudited | 2020<br>Restated unaudited |
|---|---|---|
| **Revenue** | 31,244 | 18,042 |
| Cost of sales | (8,506) | (4,482) |
| Gross profit | 22,738 | 13,560 |
| Distribution costs | (1,534) | (969) |
| Administrative expenses | (15,917) | (10,569) |
| Other income | 27 | 21 |
| **Adjusted EBITDA** | 9,379 | 5,829 |
| Share-based payments | (126) | (23) |
| Depreciation of tangible assets | (472) | (267) |
| Loss on disposal of tangible assets | (1) | - |
| Amortisation of intangible assets | (1,095) | (532) |
| Acquisition costs | (459) | (1,589) |
| Deemed remuneration | (1,912) | (1,376) |
| **Operating profit** | 5,314 | 2,043 |
| Finance income | 14 | 2 |
| Finance costs | (169) | (101) |
| Finance costs - net | (155) | (99) |
| Share of net profits of joint ventures accounted for using the equity method | 40 | 16 |
| **Profit before taxation** | 5,199 | 1,960 |
| Taxation | (1,693) | (928) |
| **Profit for the period** | 3,506 | 1,032 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Exchange differences on translation of foreign operations | 20 | (2) |
| **Other comprehensive income for the period** | 20 | (2) |
| **Total comprehensive income for the period** | 3,526 | 1,030 |
| **Attributable to:** | | |
| Owners of the Company | 3,548 | 1,030 |
| Non-controlling interests | 22 | - |
| | 3,526 | 1,030 |
| **Earnings per share:** | | |
| Basic | 0.05 | 0.02 |
| Diluted | 0.05 | 0.02 |
| **Headline earnings per share:** | | |
| Headline basic | 0.09 | 0.07 |
| Headline diluted | 0.09 | 0.07 |

All the activities of the group are from continuing operations.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

K3 capital group plc

| As at 30 November<br>£'000 | 2021<br>Unaudited | 2020<br>Restated unaudited |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | **54,833** | 42,390 |
| Property, plant and equipment | **941** | 186 |
| Right-of-use assets | **2,087** | 2,342 |
| Investments accounted for using the equity method | **3** | 2 |
| **Total non-current assets** | **57,864** | 44,920 |
| **Current assets** | | |
| Trade and other receivables | **17,680** | 7,171 |
| Other assets | **947** | 778 |
| Cash and cash equivalents | **8,826** | 10,091 |
| **Total current assets** | **27,453** | 18,040 |
| **TOTAL ASSETS** | **85,317** | 62,960 |
| **Current liabilities** | | |
| Trade and other payables | **7,911** | 6,861 |
| Current tax liabilities | **3,746** | 958 |
| Contract liabilities | **1,900** | 1,189 |
| Lease liabilities | **660** | 520 |
| Contingent consideration | **2,197** | 897 |
| **Total current liabilities** | **16,414** | 10,425 |
| **Non-current liabilities** | | |
| Lease liabilities | **1,333** | 1,459 |
| Deferred tax liabilities | **1,537** | 1,543 |
| Provisions | **395** | 391 |
| Contingent consideration | **2,918** | 3,331 |
| **Total non-current liabilities** | **6,183** | 6,724 |
| **TOTAL LIABILITIES** | **22,597** | 17,149 |
| **NET ASSETS** | **62,720** | 45,811 |
| **EQUITY** | | |
| **Equity attributable to owners of the Company:** | | |
| Issued capital and share premium | **36,282** | 24,630 |
| Merger reserve | **19,231** | 15,900 |
| Equity-settled employee benefits reserve | **828** | 141 |
| Foreign exchange reserve | **(20)** | (2) |
| Retained earnings | **6,427** | 5,142 |
| Equity attributable to the owners of the company | **62,748** | 45,811 |
| Non-controlling interests | **(28)** | - |
| **TOTAL EQUITY** | **62,720** | 45,811 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

K3 capital group plc

| For the 6 months ended 30 November<br>£'000 | 2021<br>Unaudited | 2020<br>Restated unaudited |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial period | **3,506** | 1,032 |
| *Adjustments for:* | | |
| Share of profit of joint ventures | **(40)** | (16) |
| Depreciation and amortisation | **1,567** | 799 |
| Loss on disposal of PPE | **1** | - |
| Finance costs | **155** | 99 |
| Income tax expense | **1,693** | 928 |
| Expense recognised in respect of equity-settled share based payments | **125** | 23 |
| (Decrease)/increase in deemed remuneration liabilities | **(710)** | 1,375 |
| | **6,297** | 4,240 |
| **Movements in working capital:** | | |
| Increase in trade and other receivables | **(3,419)** | (1,384) |
| (Increase)/decrease in other assets | **(169)** | 1,087 |
| (Decrease)/ increase in trade and other payables (excluding deemed remuneration liabilities) | **(2,219)** | 1,531 |
| Increase/(decrease) in contract liabilities | **424** | (180) |
| **Cash generated from operations** | **914** | 5,294 |
| Finance income received | **14** | 1 |
| Income taxes paid | **(881)** | (1,081) |
| **Net cash from operating activities** | **47** | 4,214 |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(357)** | (23) |
| Purchase of intangible assets | **(215)** | (50) |
| Dividends received from joint ventures | **40** | 20 |
| Contingent consideration payments | **(561)** | - |
| Acquisition of subsidiary | **(9,091)** | (21,599) |
| **Net cash used in investing activities** | **(10,184)** | (21,652) |
| **Financing activities** | | |
| Repayment of the lease liabilities | **(391)** | (245) |
| Lease liability interest paid | **(56)** | |
| Interest paid | **(43)** | - |
| Dividends paid | **(4,465)** | (2,605) |
| Proceeds on issue of shares | **9,611** | 22,109 |
| **Net cash generated from/used in financing activities** | **4,656** | (19,259) |
| **Net increase/(decrease) in cash and cash equivalents** | **(5,481)** | 1,821 |
| **Cash and cash equivalents at beginning of the period** | **14,307** | 8,271 |
| Effect of foreign exchange rate changes | **-** | (1) |
| **Cash and cash equivalents at end of the period** | **8,826** | 10,091 |

# CURRENT TRADING AND FUTURE OUTLOOK

**The Board is pleased with the Group's H1 FY22 financial performance, especially when taking into account the prolonged effects of the global pandemic on UK SMEs, and therefore expects its full year results will be comfortably in line with market expectations**

- **Our M&A Division continues to see strong KPI performance, with growing transaction fee pipelines underpinning our expectations for H2 and beyond. December was the most profitable month within the M&A division in FY22 to date**

- **Tax Division now offers broader service lines and greater scale following the acquisition of Knight R&D and the launch of K3 Tax Advisory. Whilst the pandemic is causing temporary reductions and delays in R&D claim processing, we are encouraged by our growing client base driven by the launch of our new client acquisition model**

- **Our Restructuring Division is pleased to see that the insolvency market is showing signs of recovery following the withdrawal of Government support and the unwinding of legislative changes. Whilst there are obvious time delays before these market improvements filter through to financial performance, we continue to build our market share and fee earner base as we look to take advantage of the returning market**

**The Board is confident that the outlook for the remainder of the financial year, and beyond, is positive and is pleased to report a strong start to H2 FY22, with December delivering £6m of revenue and £1.7m EBITDA during a traditionally quieter festive period. We continue to evaluate complementary acquisition targets which could be additive to overall product offering and allow further diversification of Group revenues.**

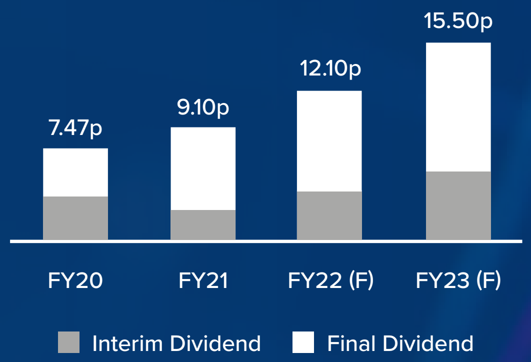
# APPENDICES

# APPENDIX 1 - INTERIM DIVIDEND

INTERIM DIVIDEND PER SHARE

**4.0P** 33%

(H1 FY21: 3.0p)




## INTERIM DIVIDEND - H1 FY22

The Board is committed to a progressive fixed dividend policy, being a 9.1p dividend per share ("DPS") in FY21, 12.1p DPS in FY22 and 15.5p DPS in FY23. As per previous years, this will be paid approximately 1/3 on interim results and the balance on annual results.

Accordingly, the Board is recommending a 4.0p interim dividend per share (FY21: 3.0p). The interim dividend will be paid on 4 March 2022; the record date is 18 February 2022; the ex-dividend date is 17 February 2022.

# APPENDIX 2 - SHAREHOLDER REGISTER

K3 capital group plc

## SHAREHOLDER REGISTER (30TH NOVEMBER 2021)

| NAME | NO. OF ORDINARY SHARES | % OF ENLARGED SHARE CAPITAL |
|---|---|---|
| Premier Miton Group PLC | 10,271,427 | 14.03 |
| John Rigby | 7,617,895 | 10.41 |
| Anthony Ford | 5,546,228 | 7.58 |
| Grandeur Peak Global Advisors | 3,598,274 | 4.92 |
| Janus Henderson Investors | 3,151,321 | 4.31 |
| Schroder Investment Management | 3,149,851 | 4.30 |
| AXA Framlington Investment Managers | 2,992,796 | 4.09 |
| Canaccord Genuity Wealth Management | 2,928,729 | 4.00 |
| Hargreaves Lansdown | 2,730,286 | 3.73 |
| Simon Daniels | 2,535,100 | 3.46 |

# APPENDIX 3 - GROUP HISTORY

K3 capital group plc

**1998**

Group established as Knightsbridge

**2003**

KBS Corporate is launched

**2007**

Incorporation of K3 Capital Group

**2010**

John Rigby appointed MD

**Revenue:** £2.2m
**EBITDA:** £0.0m
**Headcount:** 30

**2014**

KBS Corporate Finance established

**Revenue:** £3.1m
**EBITDA:** £0.7m
**Headcount:** 52

**2016**

The Group launches its proprietary 'Globe' system

**Revenue:** £8.6m
**EBITDA:** £3.2m
**Headcount:** 73

**2017**

K3 Capital Group is listed on the AIM

**Revenue:** £10.8m
**EBITDA:** £4.7m
**Headcount:** 95

**2020**

K3C acquires randd and Quantuma to diversify Group revenues

**Revenue:** £15.0m
**EBITDA:** £6.8m
**Headcount:** 166

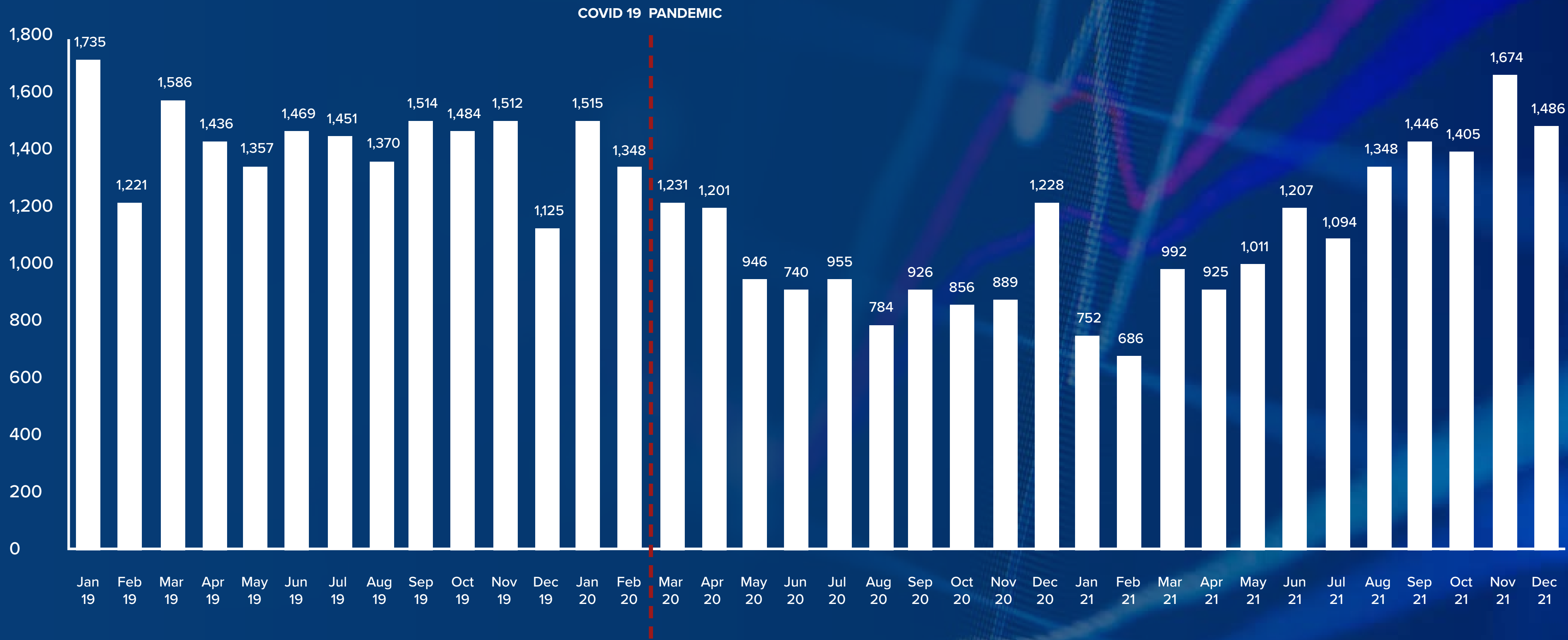
**2021**

K3C delivers transformational year with multiple upgrades to revenue and EBITDA during FY21

**Revenue:** £47.2m
**EBITDA:** £15.7m
**Headcount:** 500+

# APPENDIX 4 - UK INSOLVENCY MARKET

## NUMBER OF UK CORPORATE INSOLVENCY APPOINTMENTS (2019 - 2021)




*Source: The Insolvency Service*