

17 September 2024

Kooth Plc

("Kooth", the "Company" or the "Group")

Half Year Results

**Record revenue of £32.5m driven by strong US growth
Adjusted EBITDA of £7.8m**

Kooth (AIM: KOO), a global leader in youth digital mental well-being, announces unaudited results for the six months ended 30 June 2024. All figures relate to this period unless otherwise stated.

Strategic and post-period end highlights

- Significant progress in key US market, which has grown over two years to approximately 70% of total Annual Recurring Revenues
 - Delivering behavioural health care in California, accessible to the State's population of 13-25 year-olds, with sign-ups in every one of California's 58 counties following service launch in January 2024
 - First US private sector partnership with Aetna Better Health® of Illinois to support youth in low-income families
 - Continued service delivery in Pennsylvania, with 88% of students reporting they received the support they needed and an initial tranche of new funding recently awarded
- Ongoing investment in product development highlighted by Soluna platform expansion with new video coaching and care navigation capabilities
- Maintained position as NHS England's largest single access provider for mental health support for under 18s despite ongoing macro-economic conditions and broader NHS backdrop

Financial Highlights

- Revenues up 179% to £32.5m (2023: £11.7m), driven by US expansion
- Annual Recurring Revenue (ARR) up 181% to £60.0m (2023: £21.4m)
- Gross margin up 15.6ppt to 82.4% (2023: 66.8%)
- Adjusted EBITDA to £7.8m (2023: £0.0m)
- Profit after tax of £3.9m (2023: £0.5m loss)
- Robust balance sheet; net cash of £14.9m (2023: £5.9m) supports investment for long-term growth

Outlook

- US market:
 - Significant opportunity driven by the continued need from both State Governments and private-sector healthcare service providers to invest further in youth mental health services
 - Further two pilot contracts expected to be signed in the current financial year
- UK market:
 - The new Government has highlighted its commitment to improving mental health services and invest more in prevention and digital, however headwinds remain with NHS financial pressures driving short-term focus
 - Kooth to continue demonstrating the long-term impact and savings that it generates where it is commissioned and focus on advocacy to help inform future policy
 - Investing in bringing Soluna to the UK in Q2 2025 to grow impact and expand uptake
- The Group expects to deliver strong adjusted EBITDA and margin for the full year
- Robust balance sheet to enable long-term investment to meet increasing demand for Kooth's services

Tim Barker, Chief Executive Officer of Kooth, said:

"We have delivered excellent financial results in the first six months of 2024 but, more importantly, we have significantly expanded our operations and are now delivering our services to more children and young people than ever before. This growth has been led primarily by the US market, which now accounts for approximately 70% of our business.

In the UK we continue to demonstrate the long-term impact and savings that Kooth delivers where it is commissioned and are working to bring our market-leading Soluna product to the UK in Q2 2025 to ensure that we continue to differentiate Kooth and grow our reach and impact. We believe that the new Government is committed to improving mental health provision, and eagerly await the revised 10-year NHS strategy due in spring as a catalyst for change, but expect financial pressures to remain in the short-term.

As a Company we are focused on delivering early-intervention mental health support for children and young people which has proven to offer significant financial benefit to global healthcare systems and economies, both through our own studies and those carried out by third parties. Mental health and health inequality are two of the major crises facing people today, and we are proud that our services are firmly targeted at meeting both of these challenges."

Financial headlines

	Six months ended 30 June 2024	Six months ended 30 June 2023	Change
Revenue	£'000	£'000	

Total revenue	32,494	11,660	+178.7%
Annual Recurring Revenue	60,040	21,376	+180.9%
Gross profit	26,767	7,788	+243.7%
Gross margin	82.4%	66.8%	+15.6ppt
Adjusted EBITDA	7,841	9	n/m
Profit/(Loss) after tax for the period	3,920	(525)	+846.6%
Cash generation	3,936	(2,642)	+249.0%
Cash position	14,940	5,850	+155.4%
Basic earnings per share (£)	0.11	(0.02)	+775.5%
Diluted earnings per share (£)	0.10	(0.02)	+740.9%

Enquiries

Kooth plc

Tim Barker, CEO
Sanjay Jawa, CFO

investorrelations@kooth.com

Stifel, Nominated Advisor & Sole Broker

Ben Maddison, Nick Harland, Erik Anderson, Ben Good

+44 (0) 20 7710 7600

FTI Consulting, Financial PR

Ben Atwell, Alex Shaw

kooth@fticonsulting.com

About Kooth

Kooth (AIM:KOO) is a global leader in youth digital mental well-being. Our mission is to provide accessible and safe spaces for everyone to achieve better mental health. Our platform is clinically robust and accredited to provide a range of therapeutic support and interventions. All our services are predicated on easy access to make early intervention and prevention a reality.

Kooth is a fully safeguarded and pre-moderated community with a library of peer and professional created content, alongside access to experienced online counsellors. There are no thresholds for support and no waiting lists.

Kooth is the longest standing digital mental health provider to hold a UK-wide accreditation from the British Association of Counselling and Psychotherapy (BACP) and according to NHS England data for 2022/23 is now the largest single access provider for mental health support for under 18s.

In 2021, Kooth began executing on its international expansion strategy, with an initial focus on the US market. This focus is due to the growing recognition of the importance of improving youth mental health in this key global healthcare market, with 1-in-6 people aged 6-17 experiencing a mental health disorder each year.

For more information, please visit www.koothplc.com.

Chief Executive's Review

Strong US momentum and expansion

We have delivered record results across our financial metrics during the first half of 2024, with revenue increasing 179% and ARR by 181% when compared to 2023. We have also seen significant momentum for Kooth in the US, highlighted by the successful launch of Soluna on 1 January in California, a key foundational pillar in the state's masterplan to transform youth mental healthcare. When combined with our robust balance sheet, we are well placed to continue investing in our services to improve the mental health of the population and deliver health economic outcomes to save healthcare systems money.

The benefit of this investment can be seen in Soluna, which is already making an impact with young people from all 58 counties in California, with 53% of users coming from communities disproportionately affected by health and economic inequities. The significant uptake among young people impacted by inequality underscores the importance of our role in addressing health inequities in the US. We continue to see encouraging data which demonstrate the benefits of the platform. For example, among those engaging with mental health coaches, 70% report positive outcomes from single-session therapy, and 95% would recommend Soluna to a friend.

Since launching Soluna we have also enhanced its capabilities. In the first half of the year, we introduced video-based 1-2-1 coaching to complement existing chat and phone options. We also launched care navigation support, making Soluna a digital front door for mental healthcare and welfare services across California. This allows us to quickly connect young people needing more acute or specialised care with appropriate local services. Looking ahead, we anticipate that these advancements will not only help establish Soluna as a strategic platform for transforming mental healthcare in California, but also serve as a strong foundation for broader US and UK expansion.

We continued to make progress in the US with our first private sector engagement, an initial one-year Medicaid partnership with Aetna Better Health® of Illinois. Medicaid - the state- and federally-funded insurance programme for low-income families - represents a 30.1 billion annual cost^[1] for youth behavioural health, with around 40 million children and young people across the US covered by Medicaid. Partnering with Medicaid providers like Aetna offers a differentiated route to market for Kooth and gives us the opportunity to deliver our services directly to millions of children and young

people who may otherwise not be covered by State-led programmes. Given the growing demand and cost of behavioural healthcare, our partnership with Aetna aims to provide early intervention support to young people, reducing the need for more intensive and expensive downstream care. The service in Illinois launched in August, with our ambition to demonstrate our initial impact in Chicago before expanding across the state and potentially into the 15 other states where Aetna Better Health® operates.

Finally, in Pennsylvania, we continue to provide support to the student population as we finalise our commercial agreements with the state. While we saw a successful pilot of the service with one-in-ten of the eligible population using Kooth in its first year, the complexities of negotiating bipartisan agreements in the state have been a key learning for us as we look to future contracts elsewhere. Post-period end, an extended contract covering a period till mid-2025 has been agreed with the Department of Human Services, supported by an initial tranche of funding. Kooth is continuing to negotiate with relevant parties within Pennsylvania to finalise the total contract award and will update the market in due course.

Navigating the UK market

We have been pleased to see the positive indications from the new Government on the critical importance of improving access and investing in preventative mental health services, however the systemic challenges within the NHS, and the number of competing priorities faced in the short-term, suggest that substantial change will likely take some time. To ensure that our voice continues to be heard, we have bolstered our advocacy efforts as a champion and pioneer in digital mental health. For example, in June we hosted our first UK-US knowledge exchange event, bringing together stakeholders from California's mental health ecosystem with UK policy influencers and third-sector leaders. The events focused on the shared ambition and learnings in building a healthcare ecosystem focused on prevention, designing services 'with and for' young people, and improving access. We also intend to demonstrate our commitment to innovation by launching Soluna in the UK, expected in Q2 2025, which we believe will help grow usage and impact of the service.

More broadly, our strategic focus has been on delivering value and impact within our existing contracts and demonstrating the clinical benefits and cost-effectiveness of early digital intervention. We believe that if Kooth can continue to demonstrate its potential to have a positive impact on both youth mental health and healthcare system savings, we will play a crucial role in the future of the NHS.

Current trading and outlook

Looking ahead, our focus remains on driving innovation and scaling our technology platform and organisation to meet the growing demand for our services. In the US, we see significant opportunities as State Governments and Medicaid payors continue to invest in improving youth mental health provision. Given this investment, and recognition of the severe unmet need, we are optimistic about expanding our presence and demonstrating the value of Kooth's solutions in additional markets. This is supported by a strong pipeline of new business in the US, where we anticipate two new pilot contracts being signed later this year.

In the UK, our commitment to delivering impactful mental health support and advocating for digital transformation remains our key priority. We will continue to invest in our technology, systems and talent to support this mission, leveraging our experience and success in the US to inform and advocate for transformative change.

We remain confident in our ability to deliver strong results for the full year. Kooth is well-positioned to address the global challenge of youth mental health, and we will continue to focus on scaling our impact, enhancing our services and fulfilling our mission to provide accessible mental health support to those who need it most.

Tim Barker
Chief Executive

Chief Financial Officer's review

Kooth delivered a strong performance in the period, supported by record increases across revenue and annual recurring revenue, a strong gross margin as well as significant investment in our platform and the business for the half year ended 30 June 2024 as compared to the six months ended 30 June 2023.

Key Performance Indicators

Total Revenue

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
£5.9m	£8.0m	£9.0m	£11.7m	£32.5m

Revenue is a KPI which reflects the work we are doing and the fees received over a period of time for that work. It has been driven by US growth, fee uplifts within 'Children and Young People' offset by churn in our UK revenue lines.

Annual Recurring Revenue

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
£13.1m	£16.6m	£18.5m	£21.4m	£60.0m

Annual Recurring Revenue (ARR) is the annualised revenue of customers engaged or closed as at the period end and is an indication of the upcoming annual value of the recurring revenue. This is used by management to monitor the long-term revenue growth of the business. Our growth in the period is predominantly driven by US expansion in California.

Gross Margin

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
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69.6%	69.4%	68.4%	66.8%	82.4%
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Gross margin is gross profit expressed as a percentage of revenue. Direct costs are the costs of our practitioners directly involved in the delivery of our services. We have seen an increase in gross margin driven by the roll out of the Soluna app where we are initially seeing lower practitioner costs as contract usage ramps up and a greater use of the community and self guided tools. Gross margin has further benefitted from California revenues including a contribution to platform development, the cost of which is either included in overheads or capitalised and amortised.

Adjusted EBITDA

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
£0.5m	£1.1m	£0.5m	£0.0m	£7.8m

Earnings before interest, tax, depreciation and amortisation in the period, adjusted for share based payments and exceptional costs. This metric provides a more comparable indication of the Group's core business performance by removing the impact of non-trading items that are reported separately. Growth has been driven by revenue from our California contract and a strong gross margin.

Net Cash

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
£0.6m	£8.8m	£8.3m	£5.9m	£14.9m

Net Cash is a key metric as it provides assurance on our ability to invest to grow the business, as well as provide comfort to customers from a vendor risk perspective. The increase in the period derives from working capital management as well as cash generated from operations offset by investment in our platforms.

Population coverage

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
5.9m	9.5m	15.1m	16.7m	19.9m

The total number of people who have access to the Kooth service is a good indicator of our accessibility. The H1 2024 figure represents the additional population added in California less churn within our UK adult contracts.

Service user logins

H1 2020	H1 2021	H1 2022	H1 2023	H1 2024
1.0m	1.2m	1.4m	1.4m	1.4m

The number of logins to Kooth from users over the last twelve months (LTM), demonstrating usage of our service.

Revenue

Revenue increased by 179% to £32.5m (2023 H1: £11.7m), Annual Recurring Revenue (ARR) grew by 181% to £60.0m (2023 H1: £21.4m), driven by the California contract win in H2 2023.

US Revenue in H1 2024 was £23.3m (2023 H1: £1.8m) all of which was recurring revenue (comprising income invoiced for services that are repeatable, consumed and delivered on a monthly basis over the term of a customer contract).

UK revenue decreased by 6% to £9.2m (2023 H1: £9.8m) reflecting an increase in churn in our English contracts being a combination of funding unavailable to continue pilot contracts, reductions as contracts consolidated and a single competitive loss. Overall, UK churn for the previous 12 months was 13% (£2.4m) giving net revenue retention, measured by the total value of on-going ARR at the period-end from clients in place 12 months earlier as a percentage of the opening ARR from those clients, for the period to 30 June 2024 of 92%. This has decreased from 100% recorded in H1 2023.

Gross Profit

Gross Profit increased 244% from £7.8m to £26.8m, with gross margin increasing to 82.4% (2023 H1: 66.8%). Direct costs are the costs of the practitioners directly involved in the delivery of our services, a total of 303 at the period-end (2023 H1: 251 heads). Gross margin benefitted from the contribution within US revenues to the development of the Soluna platform where costs are either capitalised and amortised or included in overheads as well as lower practitioner costs as contract usage ramps up and a greater use of the community and self guided tools in the platform. We also saw productivity improvements and the churn of lower margin contracts in the UK leading to a small increase in UK gross margins.

Foreign currency impact

The US Dollar/GBP exchange rate was relatively stable during the period under review during which the Group had approximately 72% of revenues and 47% of expenses denominated in US Dollars. The Group's focus on management of foreign currency risk resulted in a small foreign currency gain of £0.1m (2023 H1: nil). Post period end we have seen sterling strengthen against the US dollar which is expected to impact revenue in the second half. This is not anticipated to have a significant influence on margin or profitability.

Adjusted EBITDA

Adjusted EBITDA in the period increased from £0.0m to £7.8m, with the £19.0m increase in gross profit outweighing a £11.2m increase in administrative expenses (excluding amortisation, depreciation and share based payments). Whilst UK costs increased in line with salary inflation, the majority of the increase related to the first full period of costs following the build out of the US teams supporting our California contract alongside significant promotion and marketing costs in support of raising user awareness and engagement including hard to reach communities. Finally, we saw increased costs as we strengthened our business development efforts in the US as indicated at the time of our equity fundraise in July 2023.

The total charge for share based payments in the period was £0.5m (2023 H1: £0.4m) with the rise reflecting a higher number of participants as we increased our headcount. Within administrative expenses, depreciation and amortisation increased to £2.6m (2023 H1 £1.5m) as capital expenditure increased for the US platform build following the California contract win.

Adjusted EBITDA for the full year is expected to be comfortably in line with market expectations, taking account of the fact that certain costs are skewed to the second half.

Taxation

The overall tax charge for the period was £1.1m (2023 H1: £1.2m credit) due predominantly to taxable profits accumulated in the US. This is partly offset by expected Research and Development expenditure credits in the UK. The prior period credit related to Research and Development expenditure credits and taxable losses.

Profit after tax

The Group profit after tax for the period was £3.9m (2023 H1: £0.5m loss). Basic earnings per share were 11p (2023 H1: 2p loss). Diluted earnings per share were 10p (2023 H1: 2p loss).

Balance Sheet

The strength of the Group's balance sheet with net assets of £25.3m (2023 H1: £10.6m), and high levels of recurring revenue provide the Group with financial strength to execute on its investment strategy which continues to focus on US business development and platform investment.

Cash flow and financing

Cash inflow during the six months was £3.9m (2023 H1: £2.6m outflow). The focus on US platform investment gave rise to capital expenditure of £3.9m (2023 H1: £3.5m), offset by cash inflows from operating activities of £7.7m giving a net cash position at 30 June 2024 of £14.9m (2023 H1: £5.9m). The Group remains debt free and maintains an undrawn £9.5m working capital credit facility.

Forward-looking statements

Certain statements in this half year report are forward looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Dividends

The Group's intention in the short to medium term is to invest in order to deliver capital growth for shareholders. The Board has not recommended an interim dividend payment in respect of the six months ended 30 June 2024 (2023: £nil) but may do so in future years.

Sanjay Jawa
Chief Financial Officer

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June 2024 Unaudited £'000	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2023 Audited £'000
Revenue	8	32,494	11,660	33,337
Cost of sales	9	(5,727)	(3,872)	(7,480)
Gross profit		26,767	7,788	25,857
Administrative expenses	9	(22,078)	(9,606)	(28,119)
Operating Profit/(Loss)		4,689	(1,818)	(2,262)
Analysed as:				
Adjusted EBITDA		7,841	9	2,257
Depreciation & amortisation	12	(2,607)	(1,451)	(3,775)
Share based payment expense		(545)	(376)	(744)
Operating Profit/(Loss)		4,689	(1,818)	(2,262)
Interest income		301	91	298
Profit/(Loss) before tax		4,990	(1,727)	(1,964)
Tax	10	(1,070)	1,202	1,795
Profit/(Loss) after tax		3,920	(525)	(169)
Other comprehensive income/(expense)				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences		72	-	(161)
Total comprehensive Profit/(loss) for the period		3,992	(525)	(330)

Profit/(Loss) per share - basic (£)	11	0.11	(0.02)	(0.00)
Profit/(Loss) per share - diluted (£)	11	0.10	(0.02)	(0.00)

Condensed Consolidated Balance Sheet

As at 30 June 2024

	Note	30 June 2024 Unaudited £'000	30 June 2023 Unaudited £'000	31 December 2023 Audited £'000
Assets				
Non-current assets				
Goodwill		511	511	511
Development costs	12	10,179	5,794	8,750
Right of use asset		31	53	42
Property, plant and equipment		302	150	304
Deferred tax asset		1,537	1,626	2,649
Total non-current assets		12,560	8,134	12,256
Current assets				
Trade and other receivables	13	6,234	2,355	7,174
Contract assets		2,157	180	251
Cash and cash equivalents		14,940	5,850	11,004
Total current assets		23,331	8,385	18,429
Total assets		35,891	16,519	30,685
Liabilities				
Current liabilities				
Trade payables		(1,001)	(1,047)	(1,555)
Contract liabilities		(5,738)	(3,096)	(5,156)
Lease liability		(34)	(54)	(44)
Accruals and other creditors		(3,551)	(913)	(2,521)
Tax liabilities		(312)	(769)	(651)
Total current liabilities		(10,636)	(5,879)	(9,927)
Net current assets		12,694	2,506	8,502
Net assets		25,255	10,640	20,758
Equity				
Share capital		1,831	1,653	1,825
Share premium account		23,444	14,229	23,444
Retained earnings		1,627	(3,120)	(2,503)
Share-based payment reserve		2,431	1,867	2,142
Capital redemption reserve		115	115	115
Merger reserve		(4,104)	(4,104)	(4,104)
Translation reserve		(89)	-	(161)
Total equity		25,255	10,640	20,758

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital	Share premium	Share Based Payment reserve	Retained earnings	Capital Redemption reserve	Merger reserve	Translation reserve	Total equity
Balance at 1 January 2023	1,653	14,229	1,221	(2,595)	115	(4,104)	-	10,519
Share based payments	-	-	646	-	-	-	-	646
Comprehensive income for the period	-	-	-	(525)	-	-	-	(525)
As at 30 June 2023	1,653	14,229	1,867	(3,120)	115	(4,104)	-	10,640

Balance at 1 July 2023	1,653	14,229	1,867	(3,120)	115	(4,104)	-	10,640
Comprehensive income for the period -	-	-	-	356	-	-	-	356
Other comprehensive income	-	-	-	-	-	-	(161)	(161)
Total comprehensive income	1,653	14,229	1,867	(2,764)	115	(4,104)	(161)	10,835
Transactions with owners:								
Share options exercised	7	-	(261)	261	-	-	-	7
Share based payments	-	-	120	-	-	-	-	120
Shares issued	165	9,215	-	-	-	-	-	9,380
Deferred tax	-	-	416	-	-	-	-	416
As at 31 December 2023	1,825	23,444	2,142	(2,503)	115	(4,104)	(161)	20,758
Balance at 1 January 2024	1,825	23,444	2,142	(2,503)	115	(4,104)	(161)	20,758
Comprehensive income for the period -	-	-	-	3,920	-	-	-	3,920
Other comprehensive income	-	-	-	-	-	-	72	72
Total comprehensive income	1,825	23,444	2,142	1,417	115	(4,104)	(89)	24,750
Transactions with owners:								
Share options exercised	6	-	(210)	210	-	-	-	6
Share based payments	-	-	499	-	-	-	-	499
As at 30 June 2024	1,831	23,444	2,431	1,627	115	(4,104)	(89)	25,255

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June 2024 Unaudited £'000	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2023 Audited £'000
Cash flows from operating activities			
Profit/(Loss) for the period	3,920	(525)	(169)
Adjusted for:			
Depreciation & amortisation	2,607	1,451	3,775
Income tax (paid)/received	(456)	569	569
Share based payment expense	545	376	744
Tax expense/(income) recognised	1,070	(1,202)	(1,795)
Interest income	(301)	(91)	(298)
Movements in working capital:			
(Increase)/decrease in trade and other receivables	(966)	651	(4,158)
Increase / (decrease) in trade and other payables	1,240	(384)	3,199
Net cashflow from operating activities	7,659	845	1,867
Cash flows from investing activities			
Purchase of property, plant and equipment	(77)	(70)	(291)
Additions to intangible assets	(3,947)	(3,508)	(8,713)
Interest income	301	91	298
Net cash used in investing activities	(3,723)	(3,487)	(8,706)
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	9,923
Costs incurred from the issue of share capital	-	-	(536)
Net cash from financing activities	-	-	9,387
Net increase / (decrease) in cash and cash equivalents	3,936	(2,642)	2,548
Exchange adjustments	-	-	(36)
Cash and cash equivalents at the beginning of the period	11,004	8,492	8,492
Cash and cash equivalents at the end of the period	14,940	5,850	11,004

Notes to the half year financial statements

1. General information

The unaudited interim consolidated financial statements for the six months ended 30 June 2024 and the six months ended 30 June 2023 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory

accounts for the year ended 31 December 2023 were approved by the Board of Directors on 25 March 2024 and delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed half year financial statements were approved for issue by the Board of Directors on 16 September 2024.

2. Basis of preparation

This unaudited condensed consolidated financial information which incorporate the financial information of the Group, have been prepared in accordance with Accounting Standard IAS 34 'Interim Financial Reporting' as contained in UK - adopted International Accounting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for the year ended 31 December 2023.

Trading for the half year ended 30 June 2024 is aligned with the Board's expectations, and management expectations for the full year remain unchanged. Further details are given in the CEO's overview, the operational review and the financial review.

During the period the Group has generated a profit of £3.9m (2023 H1: loss of £0.5m) and is in a net asset position of £25.3m as at 30 June 2024 (2023 H1: net assets of £10.6m). Management have prepared forecasts up until 12 months from the date of approval of these financial statements which have been approved by the Board, and after enquiry and review of these forecasts and other available financial information, the Directors have formed the conclusion that the Group has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of these interim condensed consolidated half year financial statements.

The financial information is presented in sterling, which is the functional currency of Kooth plc. All financial information presented has been rounded to the nearest thousand.

3. Accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual report and accounts for the year ended 31 December 2023.

Current taxes on income in the half year period are accrued using the tax rates that would be applicable to expected total annual profits. Deferred taxes on income are calculated based on the standard rates that are enacted as at the balance sheet date.

4. Critical accounting judgements and key sources of estimation uncertainty

Any critical accounting judgements and key sources of estimation uncertainty that carry a significant risk of material change to the carrying value of assets and liabilities within the next year are the same as those applied in the 2023 Group Annual Report.

5. Principal risks and uncertainties

The 2023 Group annual report and accounts describes the principal risks and uncertainties that could impact the Group's performance. These risks primarily relate to system outages, safeguarding incidents, changes in laws and regulations and cyber security and data protection, our people and the economic environment. These remain unchanged since the annual report was published and are not expected to change for the remaining six months of the financial year.

The Group actively manages these risks through risk management procedures and actions are taken to mitigate risk wherever possible.

6. Financial risk management

The Group is exposed to financial risks including market risk, foreign currency risk, credit risk and liquidity risk. These interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements and therefore should be read in conjunction with the 2023 Group annual report and accounts.

7. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. Accordingly, the CODM determines the Group currently operates under one reporting segment.

8. Revenue analysis

The total turnover of Kooth plc has been derived from its principal activity undertaken in the UK and the US. A geographical analysis of revenue by customer location is provided below:

	Six months ended 30 June 2024 Unaudited £'000	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2023 Audited £'000
Provision of online counselling contracts - UK	9,243	9,817	19,143
Provision of online counselling contracts - US	-	1,466	1,466
Platform build and behavioural support services contracts - US	23,251	377	12,728
	32,494	11,660	33,337

9. Operating profit/(loss)

	Six months ended 30 June 2024 Unaudited £'000	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2023 Audited £'000
Labour costs	5,600	3,821	7,354

Share based payment expense	122	35	100
Travel and subsistence	5	16	26
Total cost of sales	5,727	3,872	7,480
Labour costs	14,115	5,583	15,855
Rent and rates	308	260	492
IT hosting and software	1,200	692	1,450
Professional fees	1,645	948	3,948
Marketing	1,626	286	1,650
Depreciation and amortisation	2,607	1,451	3,775
Share based payment expense	424	341	644
Other costs	154	45	305
Total administrative expenses	22,078	9,606	28,119
Total cost of sales and administrative expenses	27,805	13,478	35,599

Cost of sales represent the costs of our service user facing employees including external contractors.

10. Taxation

The income tax charge recognised £1.1m (2023 H1: £1.2m credit) reflects management's estimate of the tax charge for the current period. This calculation takes into consideration the estimated taxable profit incurred from operational activities during the period, as well as relief earned under the UK R&D scheme. The assessment utilises the 25% average UK corporation tax rate (2023: 23.5%), the 21% average US federal tax rate (2023: 21%) and 8.8% average California state tax rate (2023: 8.8%) for the current financial year.

11. Earnings per share (EPS)

The calculation of basic and diluted EPS is based on the following earnings and number of shares:

	Six months ended 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
	£'000	£'000	£'000
Earnings used in calculation of earnings per share			
Profit/(Loss) for the purposes of basic and diluted loss per share being net profit/(loss) attributable to owners of the Company	3,920	(525)	(169)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	36,537,329	33,055,776	34,768,325
Weighted average number of ordinary shares for the purposes of diluted earnings per share	38,505,149	34,999,176	38,819,890
Profit/(Loss) per share - basic (£)	0.11	(0.02)	(0.00)
Profit/(Loss) per share - diluted (£)	0.10	(0.02)	(0.00)

12. Development costs

	£'000
Cost	
At 1 January 2023	10,315
Additions	3,508
At 30 June 2023	13,823
Additions	5,205
At 31 December 2023	19,028
Additions	3,947
At 30 June 2024	22,975
Amortisation	
At 1 January 2023	(6,634)
Amortisation	(1,395)
At 30 June 2023	(8,029)
Amortisation	(2,249)
At 31 December 2023	(10,278)
Amortisation	(2,518)
At 30 June 2024	(12,796)
Carrying amount	
At 1 January 2023	3,681
At 30 June 2023	5,794
At 31 December 2023	8,750

At 30 June 2024

10,179

13. Trade and other receivables

	Six months ended 30 June 2024 Unaudited £'000	Six months ended 30 June 2023 Unaudited £'000	Year ended 31 December 2023 Audited £'000
Trade receivables	5,128	1,767	5,801
Prepayments and other receivables	<u>1,106</u>	<u>588</u>	<u>1,373</u>
	<u>6,234</u>	<u>2,355</u>	<u>7,174</u>

All amounts shown above are short term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

14. Post balance sheet events

No significant events have taken place after the period end date.

^[1] <https://www.chcs.org/resource/faces-medicaid-childrens-behavioral-health-care-utilization-costs>

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