

The logo for K3 capital group plc is centered in the upper half of the slide. It features the text 'K3 capital' in a large, white, sans-serif font, with 'group plc' in a smaller, white, sans-serif font directly beneath it. The background is a dark blue gradient with abstract, glowing lines and a faint grid pattern, suggesting a financial or technological theme.

K3 capital
group plc

**Creating a Multi-Disciplinary and complementary group of
professional Services Businesses advising UK SMEs**

**Results Presentation
H1 FY21**



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 fundraise and the expansion of the Group following the acquisitions of RandD UK and Quantuma in 2020.



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 acquisitions of RandD UK and Quantuma.

GROUP HIGHLIGHTS



COMPLETION OF TWO TRANSFORMATIONAL AND EARNINGS ENHANCING ACQUISITIONS PROVIDES DIVERSIFIED REVENUES AND CYCLICAL BALANCE



CREATION OF A HIGH MARGIN, CASH GENERATIVE, AND DEBT FREE PROFESSIONAL SERVICES GROUP



SUCCESSFUL 'INTEGRATION' INCLUDING MARKETING, ACCOUNTING, AND HR FUNCTIONS



ROLL OUT OF RANDD DIRECT MARKETING STRATEGY COMMENCED WITH LAUNCH OF RANDD GLOBE AND RECRUITMENT OF DEDICATED SALES TEAM



ROLL OUT OF QUANTUMA DIRECT MARKETING STRATEGY DURING H2 WILL SEE NEW ONE80 BRAND CREATED AND GLOBE REPLICATED



'K3 HUB' ACCOUNTANCY NETWORK LAUNCHED WITH RECRUITMENT OF NATIONAL BDM TEAM



ALL GROUP COMPANIES TRADING STRONGLY DESPITE COVID IMPACT AND NATIONAL LOCKDOWNS



ADDITIONAL BOLT-ON ACQUISITIONS AND LATERAL HIRES CONTINUE



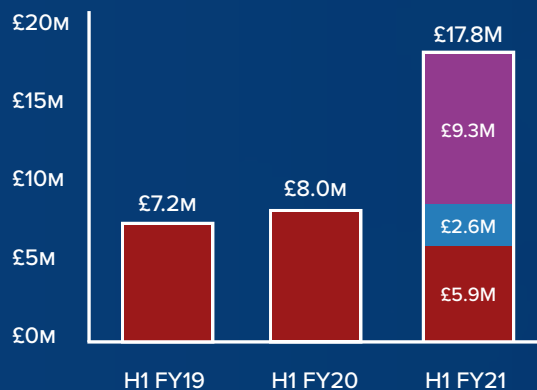
H1 REVENUE AND PROFIT AHEAD OF INITIAL FY21 EXPECTATIONS WITH REPAYMENT OF ALL FURLOUGH MONIES RECEIVED IN FY21

(H1 includes only four months of Quantuma contribution due to completion 31st July 2020)

GROUP FINANCIAL HIGHLIGHTS

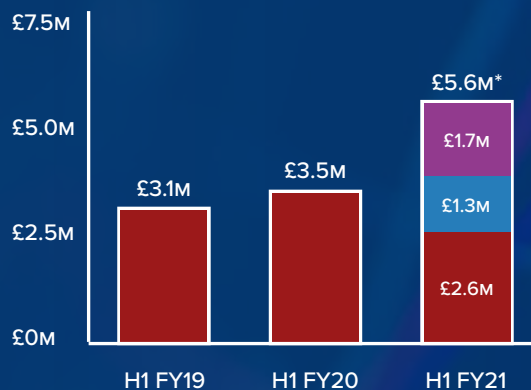
REVENUE

£17.8M ⬆️ 123%



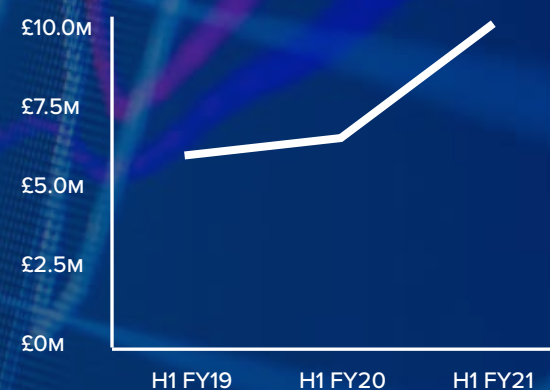
EBITDA

£5.6M ⬆️ 60%



* PLC costs apportioned as a percentage of Revenue

£10.1M ⬆️ 48%



EBITDA MARGIN

31% ⬆️ 30%

HEADLINE EARNINGS PER SHARE*

6.9P ⬆️ 10%

DIVIDEND PER SHARE**

3.0P ⬆️ 19%
£2.1M vs £1.6M H1 FY20 ⬆️ 31%

* Headline EPS calculated at an average of 61.7m shares vs 42.5m shares H1 FY20. Adjusted to exclude exceptional items

** DPS calculated at 68.5m shares vs 42.5m shares H1 FY20

GROUP STRUCTURE

K3 capital
group plc

M&A DIVISION

KBS corporate

KBS corporate
finance

knightsbridge
commercial

RESTRUCTURING DIVISION

Quantuma

TAX DIVISION

randd
rewarding innovation

CORE BRANDS

OFFICES

1

17

1

STAFF

143

225

23

RECENT ADDITIONS

MARKET MAPPING
TARGETED ACQUISITION STRATEGIES

ALCHEMY
 aspect+
SECURITY PRACTITIONERS LTD

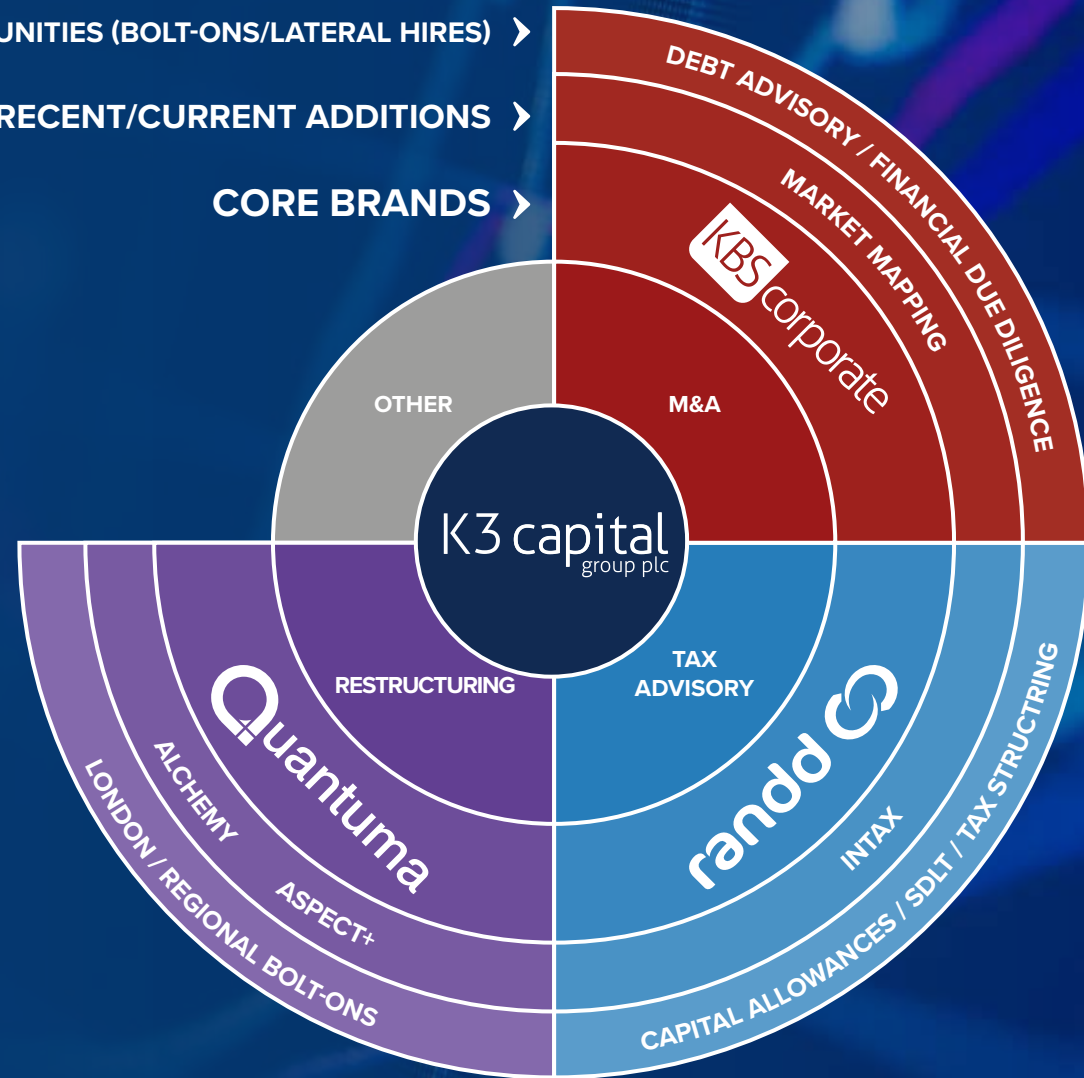
inTAX

FUTURE OPPORTUNITIES (BOLT-ONS/LATERAL HIRES) >






RECENT/CURRENT ADDITIONS >

CORE BRANDS >

CREATING A MULTI-DISCIPLINARY AND COMPLEMENTARY GROUP OF PROFESSIONAL SERVICES BUSINESSES ADVISING UK SMES



INTEGRATION OF RECENT ACQUISITIONS

	randd 	Quantuma 
Completion	1st July 2020	31st July 2020
Cross referrals	K3 - largest referrer to randd (13%) New cases from KBS and Quantuma	K3 - third largest introducer in H1 CF mandate won by KBS in legals (£220k fee)
Accountancy Network	70 accountants shared across the Group	330 accountants shared across the Group
K3 HUB	 <p>K3 Hub brand created Website and content developed 12,000+ Accountancy firms identified 4 new BDMs recruited</p>	
Direct Marketing strategy	 <p>New website - Launched Jan 2021 Globe (CRM) duplicated for randd Internal sales team recruited DM strategy launched</p>	 <p>One80 direct marketing brand created One80 website in process Globe (CRM) duplicated for One80 DM strategy in H2</p>
Integration of central functions	Centralised accounting Centralised marketing	Accounting left in Quantuma HR supporting randd and KBS Compliance supporting randd
Operations	<p>Weekly meeting with Managing Directors Quarterly Board and Strategy Meetings Mark Lucas appointed as Group Corporate Finance Director</p>	

M&A DIVISION

KBS corporate

KBS corporate
finance

knightsbridge
commercial

KEY HIGHLIGHTS



ROBUST TRADING PERIOD DESPITE PANDEMIC AND MULTIPLE LOCKDOWNS



TRANSITION TO HOME WORKING AND REMOTE SELLING A HUGE SUCCESS



HEADCOUNT REDUCED BY 15% WITHOUT IMPACTING CAPACITY



KPI ACTIVITY AND WIP PIPELINES STRONG ACROSS ALL THREE BRANDS AS WE MOVE INTO H2



VOLUME BRANDS PROVIDING ROBUST MODEL AND IMPROVED QUALITY OF EARNINGS



MANAGEMENT TEAM NOT DISTRACTED THROUGH ACQUISITION PROCESSES



BUYER DEMAND, TRANSACTION FEES AND ACTIVITY HELD UP WELL THROUGHOUT PANDEMIC



STRONG CURRENT TRADING DESPITE 'LOCKDOWN 3'

FINANCIALS

Six months ended 30 November - Unaudited	H1 FY19 £M	H1 FY20 £M	H1 FY21 £M
Revenue	7.2	8.0	5.9
Overheads	1.2	1.2	0.6
Payroll	2.9	3.3	2.4
Total Overheads	4.1	4.5	3.0
EBITDA	3.1	3.5	2.9*

* Prior to allocation of PLC costs

M&A REVENUE

£5.9M

M&A EBITDA*

£2.9M

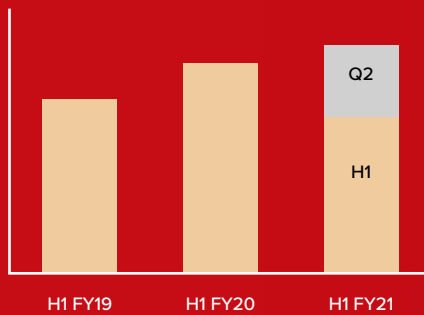
M&A MARGIN

49%

KPIs - SALES

APPOINTMENTS

AVG MONTHLY APPTS

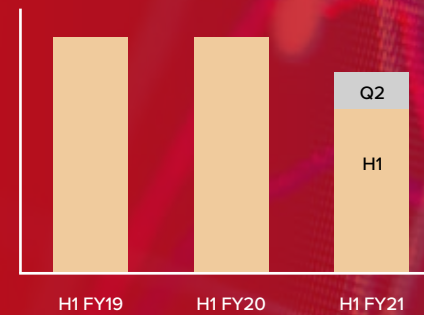


12 MONTH TREND (DEC 19 - NOV 20)

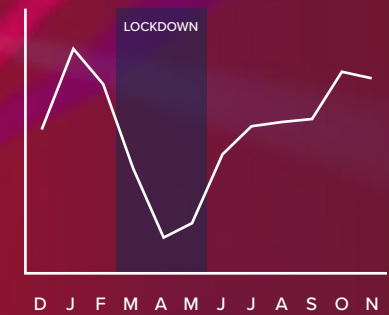


NEW CLIENT MANDATES

AVG MONTHLY MANDATES

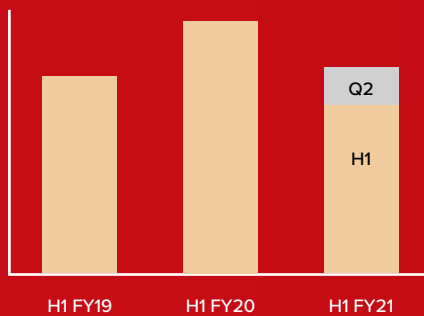


12 MONTH TREND (DEC 19 - NOV 20)

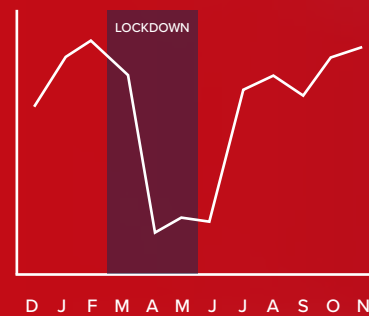


RETAINER FEE QUOTES

AVG MONTHLY QUOTES

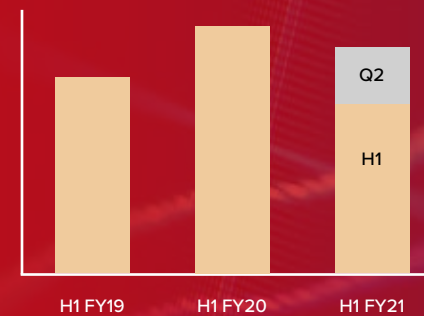


12 MONTH TREND (DEC 19 - NOV 20)



RETAINER FEE INCOME (BANKED)

AVG MONTHLY RETAINER FEES



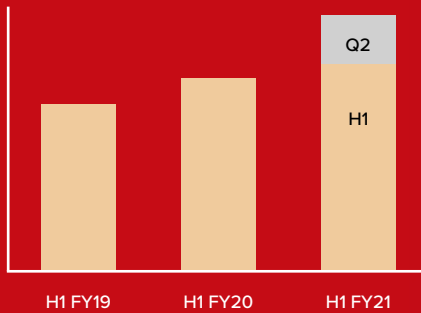
12 MONTH TREND (DEC 19 - NOV 20)



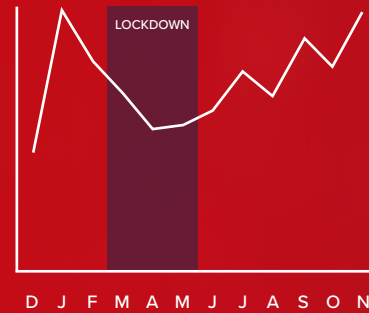
KPIs - OPERATIONS

NDAs / BUYER ENQUIRIES

AVG MONTHLY NDAs

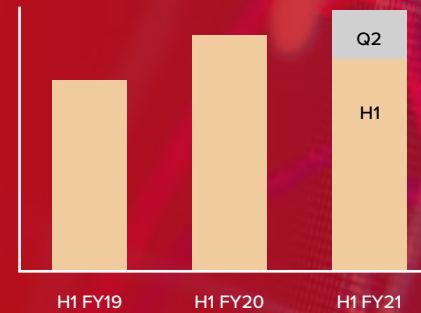


12 MONTH TREND (DEC 19 - NOV 20)



OFFERS

AVG MONTHLY OFFERS

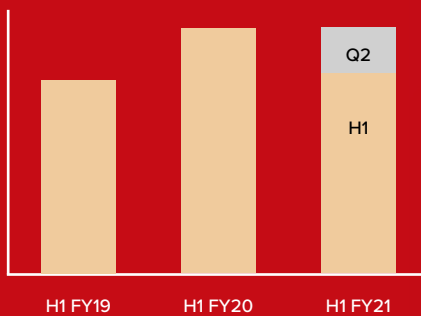


12 MONTH TREND (DEC 19 - NOV 20)

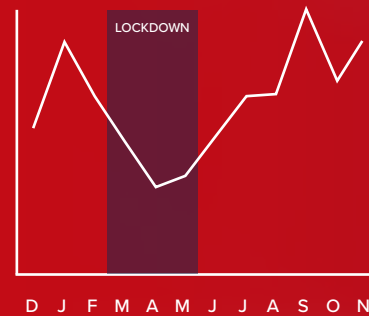


BUYER MEETINGS / VIEWINGS

AVG MONTHLY MEETINGS

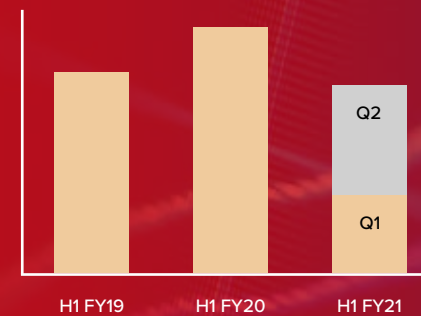


12 MONTH TREND (DEC 19 - NOV 20)



TRANSACTION FEE INCOME

TOTAL TRANSACTION FEES



12 MONTH TREND (DEC 19 - NOV 20)



TAX DIVISION

randd 

KEY HIGHLIGHTS



PROVIDES THE GROUP WITH HIGH QUALITY CONTRACTED AND RECURRING REVENUES



ROBUST BUSINESS MODEL WITH STRONG PERFORMANCE THROUGHOUT PANDEMIC AND NATIONAL LOCKDOWNS



GROWTH ACROSS MOST MAJOR KPIs



CROSS SELLING SUCCESS WITH 13% OF NEW CLIENTS FROM GROUP CROSS REFERRALS



ROLL OUT OF RANDD GLOBE TECHNOLOGY AND DIRECT MARKETING FUNCTION



MOTIVATED DIRECTOR TEAM WITH K3 INCENTIVE SCHEMES



REVENUE AND PROFITS INCREASE ON PRIOR YEAR



ACQUISITION OF INTAX - TAX INVESTIGATIONS BUSINESS

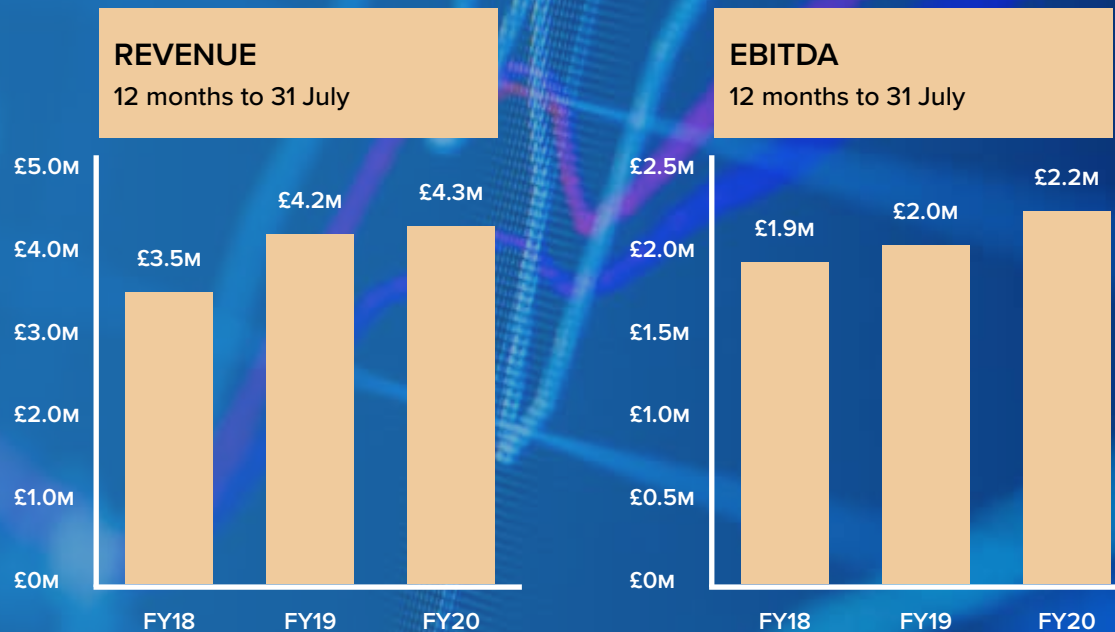
FINANCIALS

HISTORIC FINANCIALS

Six months ended 30 November - Unaudited*	H1 FY21 £M
Revenue	2.6
Overheads	0.1
Payroll	0.5
Commissions	0.6
Total Overheads	1.2
EBITDA	1.4**

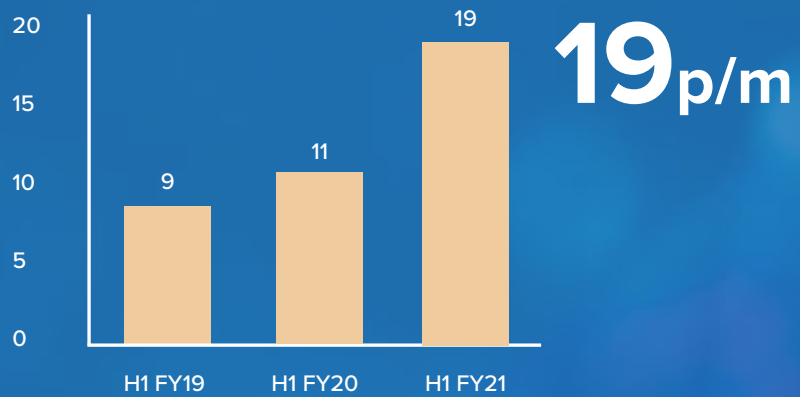
* Effective date of completion 1st June 2020

** Prior to allocation of PLC costs

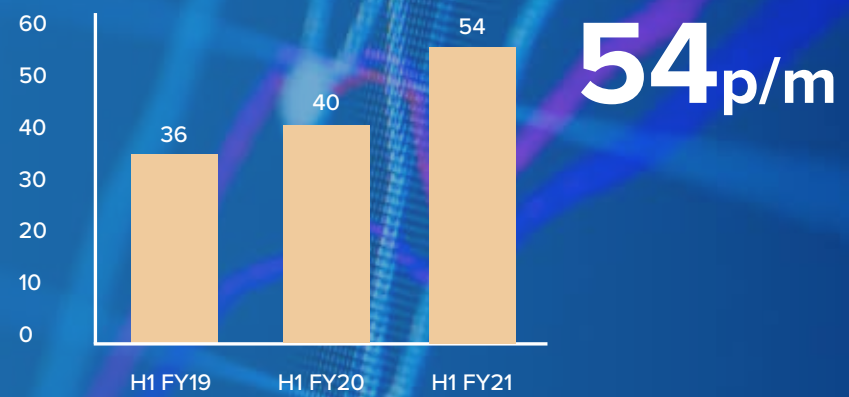


KPIs

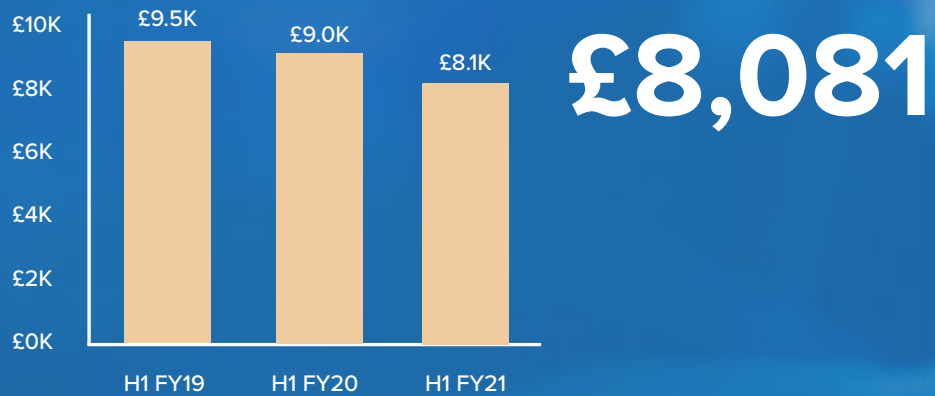
AVERAGE NEW CLIENTS CONTRACTED PER MONTH



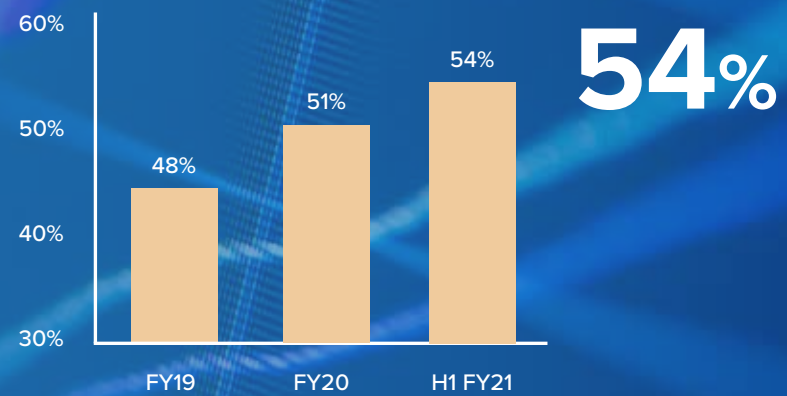
AVERAGE CLAIMS SUBMITTED TO HMRC PER MONTH



AVERAGE FEE VALUE



EBITDA MARGIN %



RESTRUCTURING DIVISION

Quantuma

KEY HIGHLIGHTS



GROWTH IN REVENUE AND MARKET SHARE AGAINST HEADWIND OF FALLING INSOLVENCY NUMBERS



BUILDING THE TEAM IN ANTICIPATION OF DEMAND



QUALITY LATERAL HIRES ATTRACTED TO QUANTUMA / PLC GROWTH STORY



SUCCESS OF FORENSIC INVESTIGATIONS AND CORPORATE FINANCE DEPARTMENTS



CONTINUED GROWTH THROUGH REGIONAL BOLT ON ACQUISITION



EXPANSION OF OVERSEAS FOOTPRINT WITH CARIBBEAN ACQUISITION

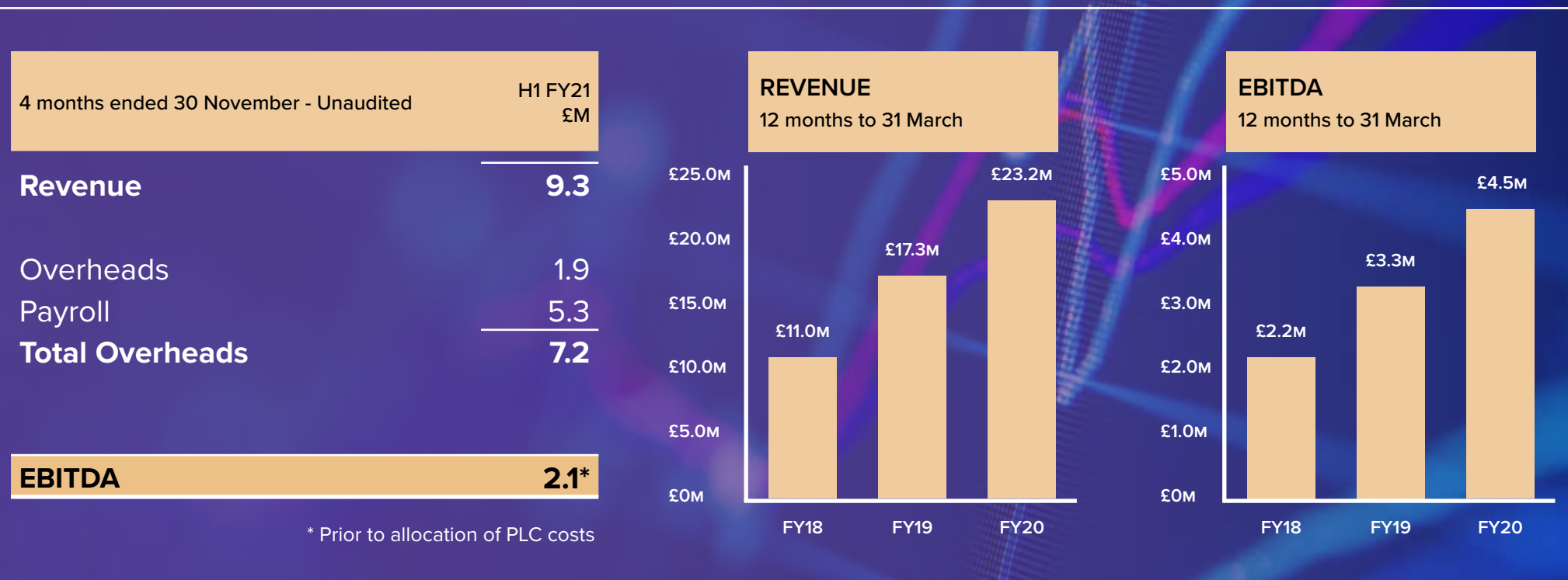


CENTRAL FUNCTIONS ADDING VALUE TO GROUP (HR AND COMPLIANCE)



GIVES BALANCE TO GROUP WITH COUNTER-CYCLICAL NATURE

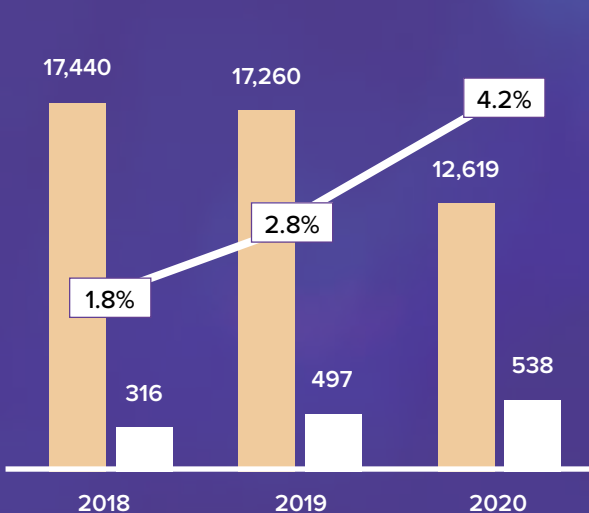
FINANCIALS



KPIs

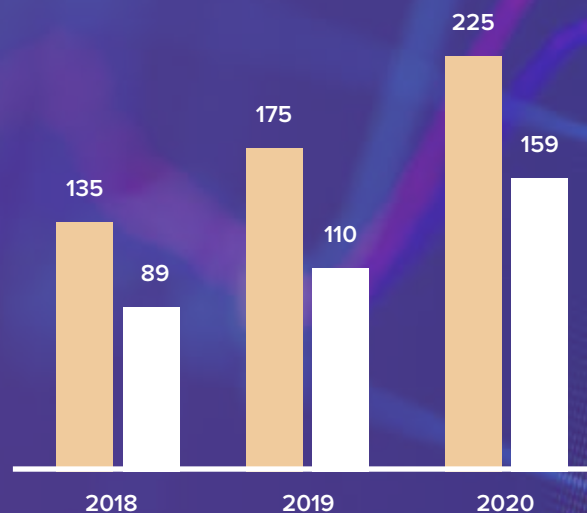
APPOINTMENTS & MARKET SHARE

	2018	2019	2020
UK Apps	17,440	17,260	12,619
Q Apps	316	497	538
% Share	1.8%	2.8%	4.2%



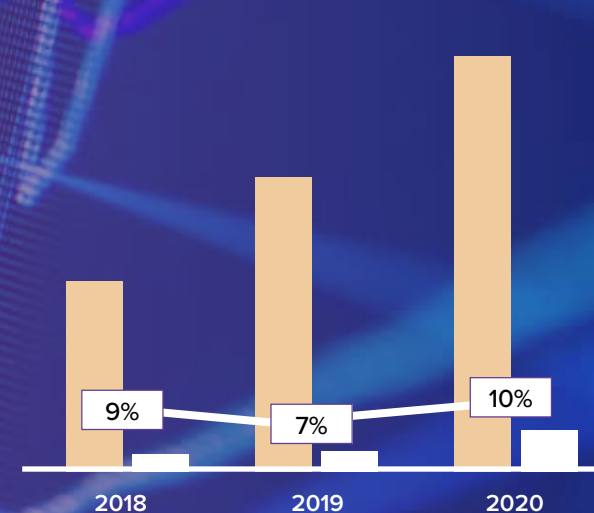
STAFF NUMBERS

	2018	2019	2020
Employees	135	175	225
Fee Earners	89	110	159



WIP AS A PERCENTAGE OF REVENUE

	2018	2019	2020
Turnover	£11m	£17m	£24m
WIP	£1m	£1.2m	£2.4m
%	9%	7%	10%



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 November - Unaudited	2020	2019
	£'000	£'000
Revenue	17,842	7,997
Distribution costs	(969)	(543)
Administrative expenses	(13,676)	(4,181)
Other income	21	-
Adjusted EBITDA	(5,629)	3,463
Share-based payments	(23)	(22)
Depreciation of tangible assets	(267)	(148)
Amortisation of intangible assets	(532)	(20)
Acquisition costs	(1,589)	-
Operating profit	3,218	3,273
Finance costs - contingent consideration/leases	(204)	(15)
Share of net profits of joint ventures accounted for using the equity method	16	-
Profit before taxation	3,030	3,258
Taxation	(928)	(619)
Profit for the period	2,102	2,639
Earnings per share:		
Basic	0.03	0.06
Headline	0.07	0.06

All the activities of the group are from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November - Unaudited	2020 £'000	2019 £'000
ASSETS		
Non-current assets		
Intangible assets	52,998	4,059
Property, plant and equipment	186	57
Right-of-use assets	2,344	973
Total non-current assets	55,528	5,089
Current assets		
Trade and other receivables	6,971	215
Other assets	778	303
Cash and cash equivalents	10,091	6,839
Total current assets	17,840	7,357
TOTAL ASSETS	73,368	12,446
Current liabilities		
Trade and other payables	5,486	1,010
Current tax liabilities	958	629
Lease liabilities	520	197
Contract liabilities	1,189	1,591
Contingent consideration	4,453	-
Total current liabilities	12,606	3,427
Non-current liabilities		
Deferred tax liabilities	1,543	35
Lease liabilities	1,459	779
Provisions	391	-
Contingent consideration	10,488	-
Total non-current liabilities	13,881	814
TOTAL LIABILITIES	26,487	4,241
NET ASSETS	46,881	8,205
EQUITY		
Equity attributable to owners of the Company:		
Issued capital and share premium	24,630	2,413
Merger reserve	15,900	-
Equity-settled employee benefits reserve	141	97
Retained earnings	6,210	5,695
TOTAL EQUITY	46,881	8,205

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 November - Unaudited	2020	2019
	£'000	£'000
Cash flows from operating activities		
Profit for the financial year	2,102	2,639
<i>Adjustments for:</i>		
Share of profit of joint ventures	(16)	-
Depreciation and amortisation	799	168
Finance (income)/costs	204	15
Income tax expense	928	619
Expense recognised in respect of equity-settled share based payments	23	22
	4,040	3,463
Movements in working capital:		
Increase in trade and other receivables	(1,184)	(172)
Decrease in other assets	1,087	77
Increase/(decrease) in trade and other payables	1,531	(118)
Decrease in contract liabilities	(180)	(54)
	5,294	3,196
Cash generated from operations		
Finance income received	1	-
Income taxes paid	(1,081)	(278)
	4,214	2,918
Net cash from operating activities		
Investing activities		
Purchase of property, plant and equipment	(23)	(7)
Purchase of intangible assets	(50)	(14)
Dividends received from joint ventures	20	-
Acquisition of subsidiary – RandD UK	(619)	-
Acquisition of subsidiary – Quantuma Advisory	(20,980)	-
	(21,652)	(21)
Net cash used in investing activities		
Financing activities		
Repayment of the lease liabilities	(245)	(123)
Dividends paid	(2,605)	(1,688)
Proceeds on issue of shares	22,109	-
	19,259	(1,811)
Net cash generated from/used in financing activities		
Net increase/(decrease) in cash and cash equivalents	1,821	1,086
Cash and cash equivalents at beginning of the period	8,271	5,753
Effect of foreign exchange rate changes	(1)	-
	10,091	6,839
Cash and cash equivalents at end of the period		

- K3** The Board is extremely satisfied with the Group's H1 FY21 financial performance, especially when taking into account the effects of the global pandemic on UK SMEs and multiple national and regional lockdowns, and therefore expects its full year earnings will be comfortably in line with market expectations
- KBS** Continues to see strong levels of performance, with January producing the highest profit month so far in FY21 and WIP remains strong, giving us confidence for the remainder of H2 and beyond
- 🔄** Continues to produce steady growth given the contracted and recurring nature of its revenues and management are excited about the opportunities presented by the roll-out of the volume direct marketing and sales function
- 📈** Continues to grow its market share against a backdrop of significantly reduced insolvency statistics across the UK due to Government support to SMEs

The Board is optimistic about the additive effect of the bolt-ons, joint venture, and lateral hires across the Group, together with the increased capacity and growth potential that this brings across all K3 brands.

The Board remains 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 FY21. We feel confident that the Group of businesses which we have now assembled provide diversified and cyclically balanced revenues, creating a robust model with a greater degree of visibility and predictability.

We continue to evaluate complementary acquisition targets which could be additive to the overall product offering and allow the Group to further diversify its revenue streams. The Board is currently considering a £10m debt facility in order to provide flexibility around the method of funding such acquisitions.

DIVIDEND PER SHARE

3.0P

H1 FY20: **3.7P** *

* Based on 42.5m shares in circulation

INTERIM DIVIDEND - H1 FY21

An interim dividend of 3.0p per Ordinary Share will be paid on the 17 March 2021 with a record date of 26 February 2021 and the ex-dividend date is 25 February 2021.

At the time of the £30.5m fund raise in June 2020, the stated dividend policy was to pay c.75% of Adjusted PAT. Based on current market expectations, this equates to DPS for FY21, FY22, and FY23 of 9.1p, 12.1p, and 15.5p respectively.

Given the continued growth of the Company, and our expectations around future acquisition strategy, the Board has concluded that a revision to its dividend policy is appropriate at this time.

Moving forward, the board intends to pay fixed dividends at the DPS levels detailed above. Any excess profits generated above these levels will be retained by the Company in order to assist in the funding of its future growth aspirations and the Company will adopt a progressive dividend policy thereafter. However, should the Company make further acquisitions which result in further shares being issued, the Board will use its discretion to determine the appropriate level of dividend payment for any given year which may affect the projected DPS payments referred to above.

SHAREHOLDER REGISTER

NAME	NO. OF ORDINARY SHARES	% OF ENLARGED SHARE CAPITAL
Premier Miton Group PLC	10,197,617	14.88
John Rigby	7,617,895	11.11
Anthony Ford	5,531,228	8.07
AXA Investment Management	3,765,000	5.49
Schroder Investment Management	2,604,125	3.80
Simon Daniels	2,535,100	3.70
Hargreave Hale Ltd	2,234,538	3.26

SHARE PRICE TRACKER

