



October 20, 2023

## **APAX PARTNERS' BID WOEFULLY UNDERVALUES KIN & CARTA PLC**

Coast Capital Management, a leading shareholder in Kin & Carta plc (the “Company”) with 6.5% of shares outstanding, unequivocally rejects Apax Partners’ (“Apax”) opportunistic and inadequate bid for the Company. Coast Capital is immeasurably disappointed with the board’s failure to seek a fair value for shareholders, and notes the following concerns:

- The board and its advisors have failed to conduct a fairness opinion, and have failed to proactively reach out to multiple other potential acquirers who have previously expressed interest in the Company.
- The board’s recommended cash offer comes at a 30% discount to analysts’ consensus price target of 160p.
- The proposed deal values the Company at just 13x forward earnings<sup>1</sup>, a deep discount to trading comps at 26x forward earnings<sup>2</sup> (even without an offer premium) as well as a near 40% discount to Thoughtworks – a publicly-listed peer that is majority owned by Apax.
- Recent comparable transactions in the industry have transpired at multiples that exceed Apax’s proposed valuation by more than 50%.
- The industry has been in the midst of a temporary downturn, and current earnings fail to reflect the Company’s *true* earnings power. In our estimation, the board’s recommended bid would value the Company at only 7-8x earnings under normalized circumstances<sup>3</sup>.
- Other than the board of directors (who jointly own <1% of shares outstanding), no shareholder has provided an “irrevocable agreement” to support the Apax bid.

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<sup>1</sup> Based on earnings per share over the next twelve months.

<sup>2</sup> Peers include EPAM, Globant, Endava, Thoughtworks, Netcompany, Kainos plc and Grid Dynamics. Multiples based on earnings per share over the next twelve months, per ongoing analyst consensus.

<sup>3</sup> Coast Capital believes that Kin & Carta can generate 18-20% run-rate EBITDA margins in a normalized trading environment (the true earnings power of the Company), in-line with highly comparable peers as well as management guidance.



Kin & Carta is a great business with a best-in-class management team, top tier talent pool, longstanding relations with blue-chip clients, and a revenue base that is set to materially increase over the next two years. Though operating conditions are temporarily depressed, the Company's revenue cadence has been improving with sequential growth of +4% reported in the last two quarters (materially outpacing listed peers). We expect further sequential growth over the coming quarters, especially in light of the Company's backlog which is at an all-time high. We also note that management has repeatedly pointed to material improvements in revenue trends<sup>4</sup> and that the Company has been amongst the most active recruiters among its peer set over the past few months.

In sum, the future is very bright for Kin & Carta. We believe that the Company, with the help of a more judicious board, can pursue many more attractive paths to generate material returns for its shareholders. As such, Coast Capital welcomes the opportunity to present our detailed thoughts on the shortcomings of the proposed Apax bid and viable alternatives to maximize shareholder value, and at the same time urges all shareholders to reject this wholly inadequate and opportunistic bid.

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<sup>4</sup> Management statement from August 2023: "the Company enters FY24 with a healthy backlog and expects further sequential net revenue growth in Q1"

Management statement from May 2023: "[the Company] continued to win significant new contracts in the past 90 days which are expected to ramp up materially in FY24".