

Half Year Results

Six months to 30 November 2020

4 February 2021

Half Year Results for six months to 30 November 2020

Feb 04, 2021 07:00 GMT

Interim results for the six months ended 30 November 2020

Confident in the future

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a leading independent global cyber security and resilience adviser, reports its half year results for the six months to 30 November 2020 ("the half year", "H1 2021", "the period").

Highlights ¹

	H1 2021 ²	H1 2020 ²	Change
Revenue (£m)	135.6	132.7	2.2%
Gross profit (£m)	54.4	52.0	4.6%
Gross margin (%)	40.1%	39.2%	0.9% ppts
EBITDA ³ (£m)	24.7	23.0	7.4%
EBITDA ³ (%)	18.2%	17.3%	0.9% ppts
Operating profit (£m)	12.0	10.5	14.3%
Operating profit (%)	8.8%	7.9%	0.9% ppts
Adjusted operating profit ³	17.0	16.7	1.8%
Adjusted operating profit ³ (%)	12.5%	12.6%	(0.1% ppts)
Profit before taxation (£m)	10.7	9.0	18.9%
Basic EPS (pence)	2.7p	2.4p	12.5%
Adjusted basic EPS (pence) ³	4.1p	4.2p	(2.4%)
Net cash/(debt) (Pre-IFRS 16) ³	3.0	(20.8)	+£23.8m
Net debt ³ (£m)	(34.2)	(51.4)	+£17.2m
Cash conversion ³	100.8%	86.5%	14.3 ppts
Interim dividend (pence)	1.5	1.5	-

NCC Group has grown year-on-year

- Year-on-year increase in Group Revenue (2.2%), Gross Profit (4.6%), Operating profit (14.3%) and Adjusted operating profit (1.8%) despite Covid-19 disruption
 - Assurance revenue growth of 2.4%
 - Software Resilience revenue stabilised with growth of 0.5%
- H1 2021 net cash (Pre-IFRS 16) of £3.0m from a net debt (Pre-IFRS 16) of £20.8m (H1 2020). Post IFRS 16, net debt amounts to £34.2m (H1 2020: £51.4m)
- Acceleration of key service lines for the future
 - Managed Detection and Response ("MDR") revenues up 24.5% to £23.4m, providing greater recurring income
 - Escrow as a Service ("EaaS"), our Cloud Escrow proposition, had orders up 83.3% to £1.1m, with notable client wins including BT and Barclays
- Major contract wins
 - Further successes with flagship clients including Bose, Facebook and MARTA
 -

€25 million contract won after close of H1 2021 to secure university networks in the Netherlands

Cyber and software resilience macro trends are evolving as expected

- Continued excellent long-term market growth prospects
 - Market was growing at c.8-9% before Covid-19
 - Recent high-profile sophisticated attacks highlight threat faced by all
 - Software and technology supply-chain resilience (both on-premise and cloud) is vital
- Covid-19 disruption is temporarily holding cyber resilience spend back from its full potential
- Spending decisions delayed in some customer segments, has built up a "compliance debt" that must be paid down in the future

Confident in the future with strong foundations

- Cash conversion ³ amounts to 100.8% (H1 2020: 86.5%)
- Our Securing Growth Together (SGT) Transformation investments have created the systems and processes to support a scalable global business although we have endured some cost and time overruns latterly caused by the challenges of remote working
- We are broadening our portfolio of services and improving the way we go to market by strategically investing c. £3.0 million in H2 2021

Adam Palser, Chief Executive Officer, commented:

"I am delighted with our trading performance for the period. The response of

my NCC Group colleagues to the challenges caused by the disruption of the pandemic, coupled with robust demand for our services, has led to increased revenues, profitability and cash against a comparator period that pre-dates Covid-19. Once again, I would like to thank all my colleagues for their exceptional contribution during these challenging times.

Cyber risks are greater today than they ever have been. The rapid adoption of cloud technologies, coupled with spending decisions being delayed in some customer segments, has built up a "compliance debt" that must be paid down in the future. Therefore, although ongoing disruption to some customer segments is still holding cyber resilience spend back from its full potential, we expect accelerated market growth in the future.

Full year trading is in line with our expectations, we are also maintaining our interim dividend of 1.5p and our balance sheet strength and trading resilience give us a foundation to invest in organic and in-organic opportunities".

Analyst presentation briefing and Q & A session

A pre-recorded Analyst presentation briefing will be available from the Group's website at 8am on 4 February 2021 via the following link:
<https://www.nccgroupplc.com/investor-relations/results-media/half-year-results-presentation-FY21>

A Q & A session for Analysts will be held at 9am on 4 February 2021.

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About NCC Group plc

NCC Group exists to make the world safer and more secure. As global experts in cyber security and risk mitigation, NCC Group is trusted by over 14,000 customers worldwide to protect their most critical assets from the ever-changing threat landscape. With the company's knowledge, experience and global footprint, it is best placed to help organisations assess, develop and manage their cyber resilience posture.

To support its mission, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists. With circa 2,000 colleagues in 12 countries, NCC Group has a significant market presence in North America, Europe and the UK, and a rapidly growing footprint in Asia Pacific with offices in Australia, Japan and Singapore.

Footnotes

1: References to the Group's results are to continuing operations.

2: Following the adoption of IFRS 16 'Leases' with effect from 1 June 2019, the Group results are now presented under this accounting standard.

Comparator information is also on the same basis. The impact of IFRS 16 for H1 2021 on EBITDA³, Operating profit, Profit before taxation, Profit for the year, Net cash/(debt)³ amounts to an increase of £2.9m (H1 2020: £3.2m), decrease of £0.1m (H1 2020: increase of £0.2m), decrease of £0.7m (H1 2020: £0.4m), decrease of £0.6m (H1 2020: £0.3m) and an increase in debt of £37.2m (H1 2020: £30.6m) respectively.

3: See note 2 of the interim financial statements for an explanation of Alternative Performance Measures (APMs), historically disclosed adjusting items and revised presentation of the consolidated income statement.

As discussed in the FY20 Annual Report and in accordance with FRC guidelines, the Group no longer presents a consolidated income statement showing adjusting items separately. In prior periods, the Group disclosed adjusting items in H1 2020 of £6.2m relating to Amortisation of acquisition intangibles (H1 2020: £4.4m) and share based payments (H1 2020: £1.8m) as a separate column on the face of the consolidated income statement. This is no longer disclosed in this way to simplify the Group's results. However, as the Group manages internally its performance at an adjusted operating profit level (before Amortisation of acquisition intangibles and share based payments), which management believe better represents the underlying trading of the business, this information is still disclosed as an APM within this interim report. This APM is reconciled to statutory operating profit, together with the consequently Adjusted basic EPS (before Amortisation of acquisition intangibles, share based payments and tax effect thereon) to statutory basic EPS.

The net cash/(debt) (Pre-IFRS 16) APM has been included to allow stakeholders to transition from previous presentation prior to IFRS 16 to Net cash/(debt) post IFRS 16.

Cautionary note regarding forward-looking statement

This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date such statements are published.

To read the press release in full please click [here](#)

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