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## NCC Group plc Interim results for the six months ended 30 November 2019

NCC Group plc (LSE: NCC, “NCC Group” or “the Group”), an independent global cyber security and risk mitigation expert, reports its half year results for the six months to 30 November 2019 (“the half year”, “H1 2020”, “the period”).

	<b>H1 2020 (IFRS 16)<sup>2</sup></b>	<b>H1 2020 (Pre-IFRS 16)<sup>2</sup></b>	H1 2019 (Pre-IFRS 16) <sup>2</sup>	Like-for-like % change (Pre-IFRS 16) <sup>2</sup>
Revenue (£m)	<b>132.7</b>	<b>132.7</b>	126.0	5.3%
Gross profit (£m)	<b>52.0</b>	<b>52.0</b>	50.6	2.8%

Gross margin (%)	<b>39.2%</b>	<b>39.2%</b>	40.2%	(1.0% pts)
Operating profit (£m)	<b>10.5</b>	<b>10.3</b>	9.5	8.4%
Adjusted <sup>3</sup> operating profit (£m)	<b>16.7</b>	<b>16.5</b>	14.8	11.5%
Adjusted <sup>3</sup> operating profit (%)	<b>12.6%</b>	<b>12.4%</b>	11.7%	0.7% pts
Profit before taxation (£m)	<b>9.0</b>	<b>9.4</b>	8.7	8.0%
Adjusted <sup>3</sup> profit before taxation (£m)	<b>15.2</b>	<b>15.6</b>	14.0	11.4%
Basic EPS (pence)	<b>2.4p</b>	<b>2.5p</b>	2.4p	4.2%
Adjusted basic EPS (pence)	<b>4.2p</b>	<b>4.3p</b>	3.9p	10.3%
Net debt <sup>3</sup> (£m)	<b>(47.8)</b>	<b>(20.8)</b>	(45.1)	53.9%
Cash conversion ratio	<b>80.2%</b>	<b>74.5%</b>	58.0%	16.5% pts
Interim dividend (pence)	<b>1.5</b>	<b>1.5</b>	1.5	-

- Group revenue increasing by 5.3%:
- Assurance increased by 6.7%
- Encouraging growth in North America and UK Assurance at 10.6% and 6.9% (H1 2019: 20.4% and 1.1%) respectively
- Following slower first quarter, Q2 Assurance momentum and robust order book provides confidence of continued double-digit Assurance growth and margin improvement in H2 2020, after recently investing in sales and delivery capacity
- Escrow declined by 2.6%
- Decline due to lower contract revenues and phasing of verification testing
- Renewal rates being maintained within our expected range, visibility on verification testing revenue and new cloud resilience proposition, will stabilise revenue in H2 2020
- Sales order momentum demonstrated by:
- 28.6% increase in sales orders to £149.2m compared to H1 2019
- Assurance Q2 2020 on Q1 2020 revenue growth of 12.0% compared to 4.4% from Q1 2019 to

- Q2 2019, with overall Q1 2020 to Q2 2020 revenue growth of 11.4%
- Significant Escrow revenue under contract and in pipeline, both on premise and cloud
- Adjusted operating profit on a like-for-like basis <sup>3</sup> increased 11.5% to £16.5m with margin improving by 0.7% pts to 12.4%:
- Transformation programme starting to drive margin improvement towards overall increase target of 2.0% pts over the three year programme
- Further improvement expected during H2 2020 through gross margin and well controlled overheads
- Effective cash management in both divisions improving H1 2020 cash conversion and reducing net debt on a like-for-like basis <sup>3</sup> to £20.8m from £45.1m
- Progress being made towards NCC Group's vision to become the leading cyber security adviser globally:
- Excellent Net Promoter Score of +50
- We continue to build people capability, in line with our ambition to become the global hub for cyber talent. We welcomed an additional net 59 people into our technical delivery teams in which voluntary attrition also fell to 7.0% within the first six months (H1 2019: 9.4%)
- First phase of system implementation delivered on time, with incremental investment planned to drive enhanced benefits

## Outlook

- Full year trading to be in line with expectations

**Adam Palsler**, Chief Executive Officer, commented:

“We are now at the mid-point of our three year transformation programme and while work remains to be done, we are on track and I am pleased with the progress we are making towards NCC Group's vision to become the leading cyber security adviser globally.

Our performance strengthened over the course of the period, and we enter the second half with positive momentum and a robust order book across our businesses. We remain excited by the Group's long term prospects and are confident in delivering full year performance in line with expectations.”

## **Analyst briefing**

A briefing for analysts will be held today at 9am at the offices of Maitland AMO, 3 Pancras Square, London N1C 4AG. The briefing will also be webcast live and can be accessed via the Group's website or via the following: <https://www.investis-live.com/nccgroup/5d9db57ee51752100018a88c/osds>

## **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 has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, the results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases'. On this basis, to provide meaning*

*ful comparatives, the results for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the like-for like numbers shown on an IAS 17 basis ('Pre-IFRS 16'). This alternative performance measure (APM), will be presented for one year until the comparatives also include the adoption of IFRS 16.*

*3: See note 2 for an explanation of Alternative Performance Measures ("APMs") and adjusting items. See note 2 for a reconciliation to statutory information.*

*4: Leverage is defined as the ratio of total Net Debt pre-IFRS 16 to Adjusted EBITDA and Interest Cover is defined as the ratio of Adjusted EBITDA to net finance charges (pre-IFRS 16).*

## **Cautionary note regarding forward-looking statements**

*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.*

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## **About NCC Group**

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 15,000 clients 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 businesses identify, assess, mitigate and respond to the evolving cyber risks they face.

To support its mission, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists.

With over 1,800 colleagues in 12 countries, NCC Group has a significant market presence in North America, continental Europe and the UK, and a rapidly growing footprint in Asia Pacific with offices in Australia and Singapore.

## **Contacts**



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