

# Full Year Results

for the 12 months ended 31 May 2016

7 July 2016



# Agenda

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Highlights

Growth track record

Group financial performance

Industry landscape

Assurance

Escrow

Domain Services

Current trading & outlook

Appendix



# Highlights – FTSE 250 company

**56%**

Group revenue  
up 56% to £209.1m

**74%**

Assurance revenue  
up 74% to £168.9m

**10%**

Escrow revenue  
up 10% to £35.3m

**€133m**

Acquisition of  
Fox-IT

**£43.7m**

Group  
EBITDA

**52%**

Assurance  
operating profit  
up 52% to £25.8m

**6%**

Escrow operating  
profit up 6% to  
£20.1m

**1,857**

Employees  
worldwide

**45%**

Group adjusted  
profit before tax  
increased 45% to  
£37.0m

**11.2p**

Adjusted fully  
diluted earnings  
per share

**17%**

Total dividend up  
17% to 4.65p

**30+**

Offices  
worldwide

# Exceptional items

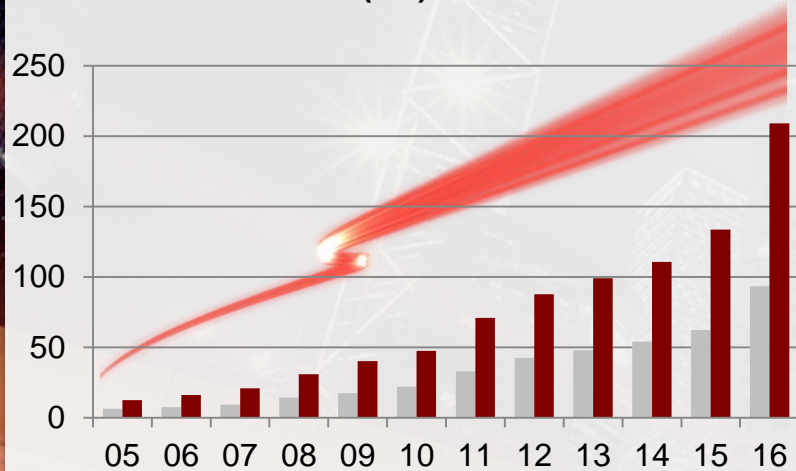
	£m
Domain Services	13.7
Fees – Fox-IT & fundraising	3.5
Retention bonuses	1.7
<b>Exceptional charges</b>	<b>18.9</b>

- Withdrawal from Domain Services market - total £13.7m charge
  - Open Registry to be sold or curtailed - £6.0m
  - Managed Services assets reused or written off - £6.9m
  - Cash cost - £0.9m
  - *.trust* domain & policies to be retained

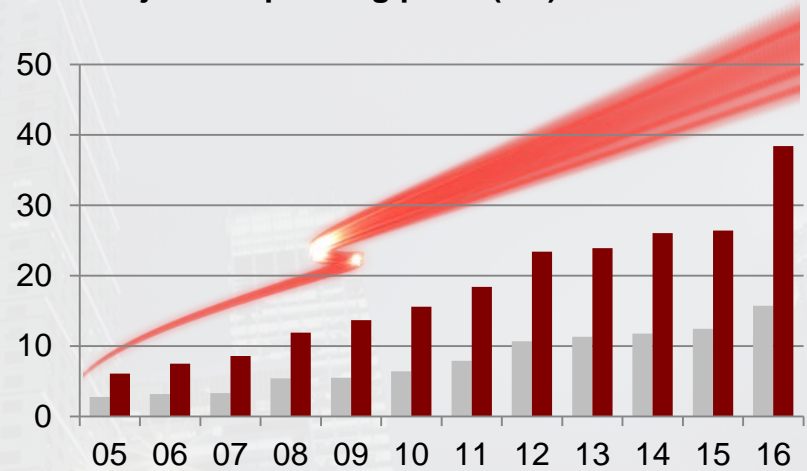


# 16 years of record growth

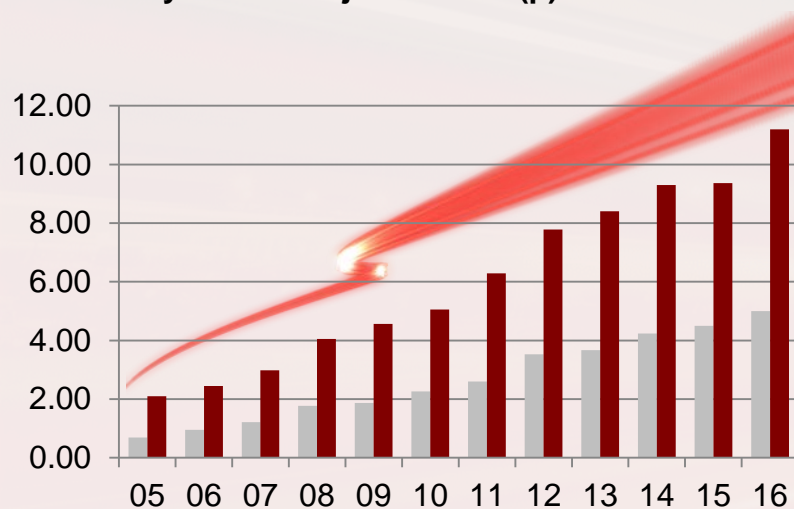
Revenue (£m) - CAGR 28%



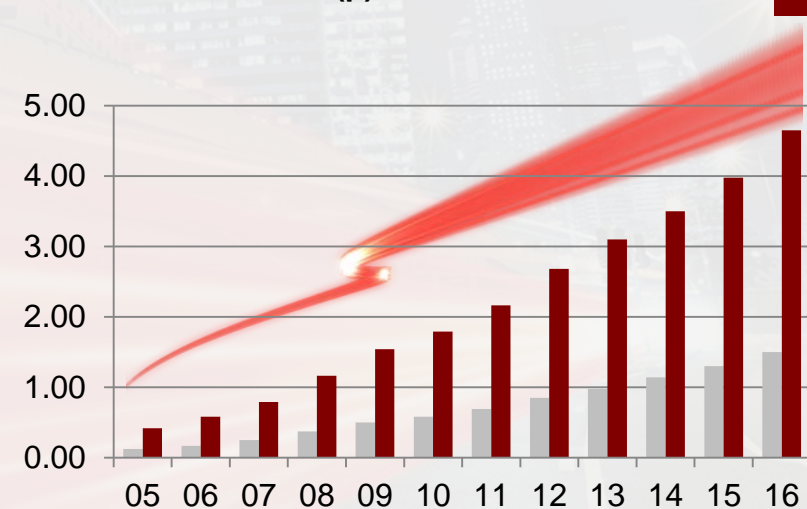
Adjusted operating profit (£m) - CAGR 18%



Fully diluted adjusted EPS (p) - CAGR 16%



Dividend (p) - CAGR 25%




Interim  
 Full year

# Revenues

	2016 (£m)	2015 (£m)	Growth (%)	Organic (%)
Security Consulting	138.9	74.4	87%	-
Software Testing & Web Performance	30.0	22.6	33%	-
<b>Assurance</b>	<b>168.9</b>	<b>97.0</b>	<b>74%</b>	<b>25%</b>
Escrow UK	25.7	23.7	8%	-
Escrow US	6.2	5.2	20%	-
Escrow Europe	3.4	3.2	9%	-
<b>Escrow</b>	<b>35.3</b>	<b>32.0</b>	<b>10%</b>	<b>10%</b>
<b>Domain Services</b>	<b>4.9</b>	<b>4.7</b>	<b>5%</b>	<b>-</b>
<b>Total revenue</b>	<b>209.1</b>	<b>133.7</b>	<b>56%</b>	<b>19%</b>



# International mix of revenue

	UK		Europe		Rest of world
2016	59% £122.0m		16% £34.2m		25% £52.9m
2015	54% £72.1m		10% £13.5m		36% £48.1m

# Operating profit & EBITDA

	Margin (%)	2016 (£m)	2015 (£m)	Growth (%)
Assurance	15%	25.8	17.0	52%
Escrow	57%	20.1	18.9	6%
Domain Services	-	(1.7)	(4.9)	-
Corporate	-	(5.7)	(4.6)	24%
<b>Adjusted operating profit</b>	<b>18%</b>	<b>38.4</b>	<b>26.4</b>	<b>46%</b>
Depreciation	-	3.7	2.6	40%
Amortisation	-	1.6	0.5	320%
<b>Group EBITDA</b>	<b>21%</b>	<b>43.7</b>	<b>29.5</b>	<b>48%</b>

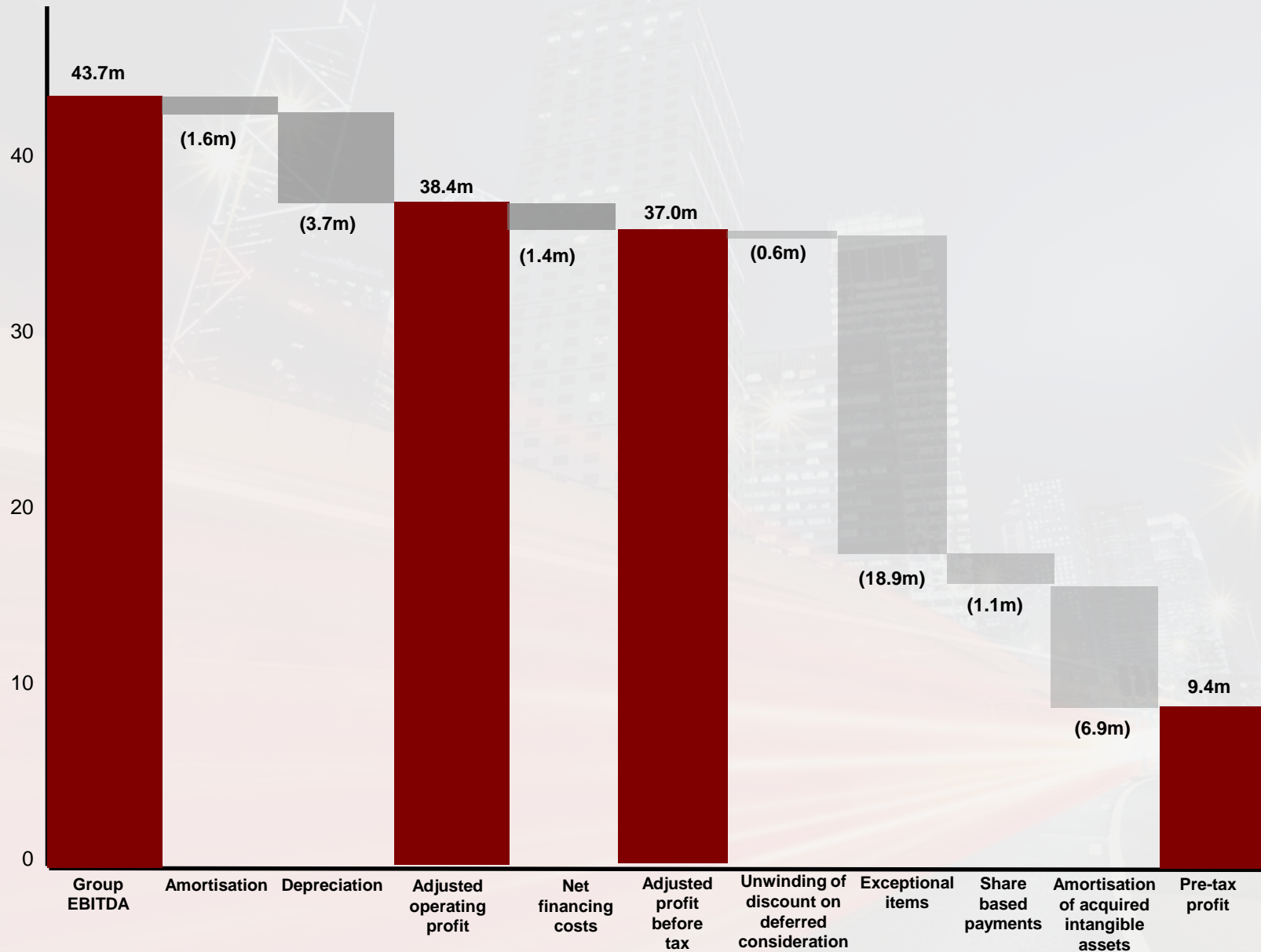


# Earnings per share & dividends

	2016 (£m)	2015 (£m)	Growth (%)
<b>Group EBITDA</b>	<b>43.7</b>	<b>29.5</b>	<b>48%</b>
Adjusted operating profit	38.4	26.4	46%
<b>Adjusted pre tax profit</b>	<b>37.0</b>	<b>25.5</b>	<b>45%</b>
<b>Adjusted fully diluted EPS</b>	<b>11.2p</b>	<b>9.4p</b>	<b>19%</b>
Fully diluted shares (m)	258.1	214.0	21%
<b>Dividend per share</b>	<b>4.65p</b>	<b>3.98p</b>	<b>17%</b>

# Reconciliation of profit

£m





# Cashflow

	2016 (£m)	2015 (£m)
<b>Cash generated from operations</b>	<b>23.1</b>	<b>24.3</b>
Net interest	(2.0)	(1.1)
Income taxes	(7.3)	(3.4)
Gross capital expenditure	(13.5)	(12.9)
Acquisition of businesses	(78.4)	(19.8)
Cash balances from acquisition	1.7	5.6
Dividends	(10.3)	(7.6)
<b>Cash outflow before financing activities</b>	<b>(86.7)</b>	<b>(14.9)</b>
(Repayment)/receipt of bank loans	(33.5)	20.4
Proceeds from issue of shares	123.8	0.4
Purchase of own shares	-	(0.4)
<b>Increase in cash in the year</b>	<b>3.5</b>	<b>5.5</b>

# Banking, cash & capital expenditure

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- Facility increased to £80m RCF, £30m term loan & £5m overdraft to Nov 2020
- Net debt £12.7m (May 2015: £50.6m) after equity raise & acquisition of Fox-IT
- Underlying cash conversion at 107% of operating profits (2015: 107%)
- Gross capital expenditure £13.5m (2015: £12.9m)
  - Group offices, IT infrastructure & systems
  - Product development and upgrades
- Future maximum deferred consideration due £22.0m
  - Majority relates to Fox-IT - €10m plus €2.5m shares in Nov 2016 & Nov 2017



# Another bruising year for business

## SEVERAL BANKS HACKED



through financial transaction network  
- including a \$81 million reserve bank cyber-heist.\*

**\$81 million**

Cyber attacks cost UK business

**£34 billion**

each year.\*\*\*



wetherspoon

verizon✓



Hilton

TalkTalk

are just a small selection of companies to make the headlines for all the

**WRONG REASONS.**

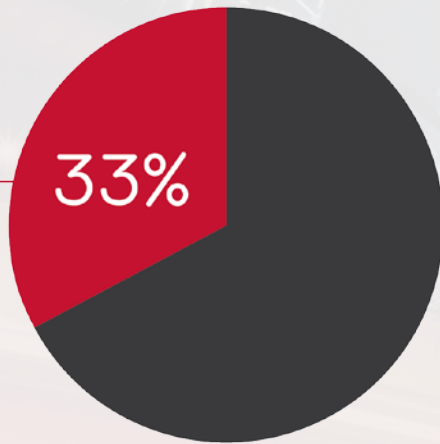
More than  
**90%**  
of businesses have experienced some form of cyber security threat.\*\*

\*Source: The Register, 11th March 2016: [http://www.theregister.co.uk/2016/03/11/bangladesh\\_bank\\_cyber\\_heist\\_1bn\\_dollars\\_nearly\\_stolen/](http://www.theregister.co.uk/2016/03/11/bangladesh_bank_cyber_heist_1bn_dollars_nearly_stolen/)

\*\*Source: <http://media.kaspersky.com/en/business-security/it-security-risks-survey-2015.pdf>

\*\*\*Source: <https://www.veracode.com/blog/2015/07/veracode-survey-highlights-effects-cybercrime-global-level-sw>

# All talk, no action



## Just 33%

OF BOARDS CLEARLY UNDERSTAND THEIR APPETITE FOR CYBER RISK.

That's a significant problem for the other 67%.\*

## HOWEVER, 49%

OF BOARDS PLACE CYBER RISK AS A TOP RISK- UP 29% FROM THE PREVIOUS YEAR\*.



## UK data protection standards

MUST BE EQUIVALENT TO EU GDPR IN ORDER TO TRADE WITH THE REST OF THE WORLD.

## No FTSE350

company currently has a separate Cyber Security Committee

\*Source: 2015 FTSE 350 Cyber Governance Health Check



# Board responsibility

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- First plc to form Cyber Security Committee
- Directors must be fully accountable
- Lack of understanding or knowledge is not an acceptable excuse
- No current requirement for companies to report cyber breaches
- Most believe that it is the responsibility of the Audit Committee
  - Financial Services sector do have Risk Sub Committees
- Audit Committees do not have the skills, gravitas, capability or mandate
- Cultural change is needed & legislation & support – FCA?
- Company Directors must undergo cyber security training
- Gives them ability to judge & score the threat on the corporate risk register
- We are committed to putting cyber security onto the main board agenda

# Assurance

## Assurance

Revenue £168.9m    Operating profit £25.8m    Margin 15%    Headcount 1529 FTE

**UK**

Headcount :  
1022 FTE



**Europe**

Headcount :  
256 FTE



**US**

Headcount :  
232 FTE

**Australia**

Headcount :  
19 FTE





# Assurance

	2016 (£m)	2015 (£m)	Growth (%)
Assurance revenue	168.9	97.0	74%
Assurance operating profit	25.8	17.0	52%

- Revenue growth of 74% - excellent organic growth of 25%
- Benefiting from six months revenue from Fox-IT - £14.0m
- FY margin 15% (2015: 18%) - reduced due to product sales - target still 20%
  - H2 margin was stronger at 16%
- Accumuli fully integrated & rebranded NCC Group Managed Security Services
- Fox-IT integration on track - global roll out of services expected 2016/2017
- Recurring revenues renew at 94% (2015: 83%) - forecast at £28.0m
- Assurance order book of £53.1m

# Assurance

	2016 (£m)	2015 (£m)	Growth (%)
Security Consulting	138.9	74.4	87%
Software Testing & Web Performance	30.0	22.6	33%

## Security Consulting

- Revenues grew by 87%
- US & UK are working effectively for international clients
- World's largest security team
- World class security operations centres

## Software Testing & Web Performance

- Web Performance renewals of £7.0m (2015: £6.8m) at 90% renewal rate



# Escrow

## Escrow

**Revenue** £35.3m    **Operating profit** £20.1m    **Margin** 57%    **Headcount** 181 FTE

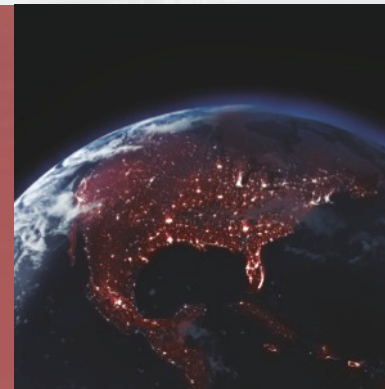
### UK

Revenue :  
£25.7m  
Headcount :  
107 FTE



### Europe

Revenue :  
£3.4m  
Headcount :  
15 FTE



### US

Revenue :  
£6.2m  
Headcount :  
59 FTE

# Escrow

	2016 (£m)	2015 (£m)	Growth (%)
<b>Group Escrow revenue</b>	<b>35.3</b>	<b>32.0</b>	<b>10%</b>
<b>Group Escrow operating profit</b>	<b>20.1</b>	<b>18.9</b>	<b>6%</b>
Escrow UK revenue	25.7	23.7	8%

## Escrow

- Excellent performance - strongest revenue growth in 10 years
- Substantial margin & very strong cash conversion
- Renewals grew to £20.0m (2015: £18.5m)

## Escrow UK

- Growth from both contracts & verifications
- Terminations remain below 11%



# Escrow

	2016 (£m)	2015 (£m)	Growth (%)
Escrow US revenue	6.2	5.2	20%
Escrow Europe revenue	3.4	3.2	9%

## International

- Excellent performance in US & Europe
- Both US offices at full strength
- Excellent performance from Europe – constant currency 12% growth
- Global account management stronger & performing well

# Domain Services

	2016 (£m)	2015 (£m)
<b>Domain Services revenue</b>	<b>4.9</b>	<b>4.7</b>
<b>Domain Services operating loss</b>	<b>(1.7)</b>	<b>(4.9)</b>

- Following strategic review decision made to withdraw from marketplace
- Group is still committed to the concept
- Take up of open generic domains & city codes fallen way short of initial targets
- Branded domains still undelegated or unused
- Clear that the market is not ready
- Reinvest assets & resources in areas that will provide more suitable return
- Continuing to push *.trust* security standards & use *.trust* domain



# Current trading & outlook

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- Assurance
  - Security Consulting is now global force - the size of some nation's capabilities
  - Strong organic growth set to continue & allied to good staff retention
  - Fox-IT - on plan - integration on track
- Continued strong, solid growth across Escrow
- Withdrawal from Domain Services well underway
- Group orders & recurring revenues £104.6m (2015: £62.7m)
  - Assurance orders & recurring revenues £81.0m (2015: £41.8m)
  - Group Escrow orders & recurring income of £23.6m (2015: £20.9m)
- Continue to look for acquisitions in the new financial year
- Confident about delivering another year of strong & consistent growth