Full Year Results

for the year ended 31 May 2019

25 July 2019

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Agenda

Overview	**Adam Palser** **CEO**
Financial review	Tim Kowalski CFO
Business review	Adam Palser CEO
Q&A	
Appendix	

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Overview

Strong operational progress in H2

Profits: H2 EBIT up 11% to £18.9m (H2 2018*: £17.0m)

Cash: Improved working capital processes have led to net debt reducing to £20.2m (FY18: £27.8m)

People: Successful programme of recruitment and retention

- Assurance: Technical teams fully resourced for growth; focus now on sales effectiveness after H2 attrition as we upgrade our capability
- Escrow: Team restructured and sales team now fully resourced for the new year with a 30% increase in people from HY19

Systems: Salesforce, our new CRM system, launched in the UK and Europe; 7 out of the 9 remaining new systems are now operational as we complete the first year of our Securing Growth Together transformation

** 2018 excludes prior year discontinued items and is adjusted for the impact of IFRS 15*

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Overview

Full year highlights

- Robust global revenue growth, good profitability and excellent cash generation during first full year of operational transformation through our Securing Growth Together programme
- 10% revenue growth in Assurance and gross margin continues to increase
- A year of transition for Escrow with revenue down 3% although new Cloud-resilience offering, EaaS ("Escrow as a Service"), launched with encouraging initial demand

Outlook

- Regulatory pressure and high profile breaches continue to increase the strategic importance and value of cyber security in our target markets
- 3 year SGT transformation progressing on time and within budget to create the next version of NCC Group
- We look forward with confidence to a dynamic year and expect full year trading to be in line with our expectations

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Financial summary

Robust revenue, growing profit and better cash generation

Revenue*1 (£m) (2018: £233.0m) **£250.7m**	Adjusted EBIT*1*2 (£m) (2018: £30.8m) **£33.7m**	Adjusted EBIT Margin*1*2 % 13.4% (2018: 13.2%) **+0.2%pts**
Gross Margin*1 % 40.6% (2018: 41.2%) **-0.6%pts**	Assurance GM*1 % 34.6% (2018: 34.0%) **+0.6%pts**	Escrow GM*1 % 74.5% (2018: 76.5%) **-2.0%pts**
Free Cash Flow*1*5 (£m) (2018: £20.3m) **£30.7m**	Cash conversion ratio*4 (2018: 90.2%) **109.6%**	Net Debt*3 (£m) (2018: £27.8m) **£20.2m**

**1 References to the Group's results, unless stated to the contrary, are to continuing operations only and exclude the performance of businesses sold or discontinued in the prior year (principally Web Performance and Software Testing) and incorporate the retrospective application of IFRS 15 and IFRS 9 for comparative information*

**2 Adjusted EBIT excludes individually significant items, share based payments, unwinding of discounts on deferred consideration, profit on disposal of investments and amortisation of acquired intangible assets. This is an Alternative Performance Measure (APM) for which a reconciliation to the equivalent GAAP measure is detailed in Note 2 of the RNS*

**3 Net debt is defined as total borrowings less cash and cash equivalents. As an APM, it is detailed in Note 2 of the RNS*

**4 Cash conversion ratio is a measure of how effectively Adjusted EBITDA is converted into cash. As an APM, it is detailed in Note 2 of the RNS*

**5 Free cash flow is defined as cash generated from operating activities before interest and tax less net interest paid, tax paid, tangible capex and software expenditure. See page 13 of this presentation*

Financial performance – income statement

Profitable growth in first year of transformation

Continuing operations	2019 (£m)	2018* (£m)
Revenue	**250.7**	**233.0**
Cost of Sales	(148.9)	(137.1)
Gross Margin	101.8	95.9
Gross Margin %	***40.6%***	***41.2%***
G&A before adjusting items excluding Depreciation and Amortisation	(58.1)	(53.0)
Adjusted EBITDA	**43.7**	**42.9**
Adjusted EBITDA Margin %	*17.4%*	*18.4%*
Depreciation and Amortisation	(10.0)	(12.1)
Adjusted EBIT	**33.7**	**30.8**
Adjusted EBIT Margin %	*13.4%*	*13.2%*
Financing costs	(1.7)	(1.5)
Adjusted Profit before taxation	**32.0**	**29.3**
Adjusted Taxation	(6.5)	(6.6)
Adjusted profit from continuing operations	**25.5**	**22.7**
Adjusted Basic EPS (pence)	**9.2**	**8.2**

- North America and Europe & RoW strong growth
- UK, across Assurance and Escrow, continued to have sales capability challenges
- GM% grew in Assurance but impacted by Escrow decline due to higher direct sales costs as a proportion of lower Y-O-Y contract revenue
- G&A cost increases as a result of investments in people, training and occupancy costs
- Adjusting items reduced against prior year due to lower ISIs mitigated by higher share-based payments and were broadly cash neutral
- Adjusted Effective Tax Rate of 20.3% mainly from US federal rate cut
- Adjusted EPS growth of 12.2%

**2018 excludes prior year discontinued items and revenue is reduced by £0.2m due to the impact of IFRS 15*

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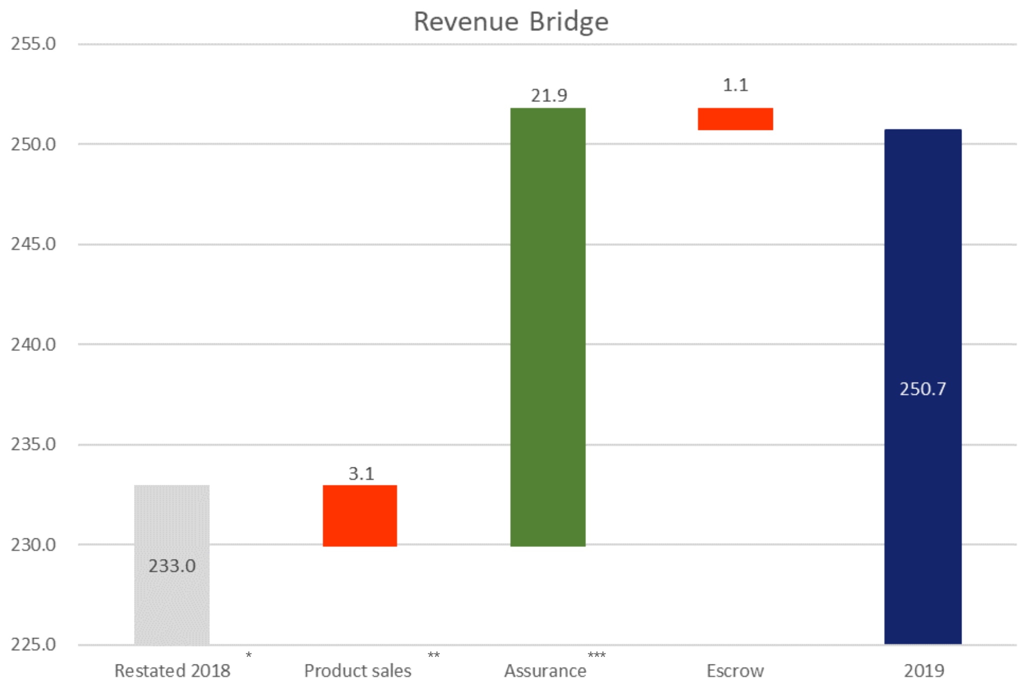
Robust Assurance revenue growth

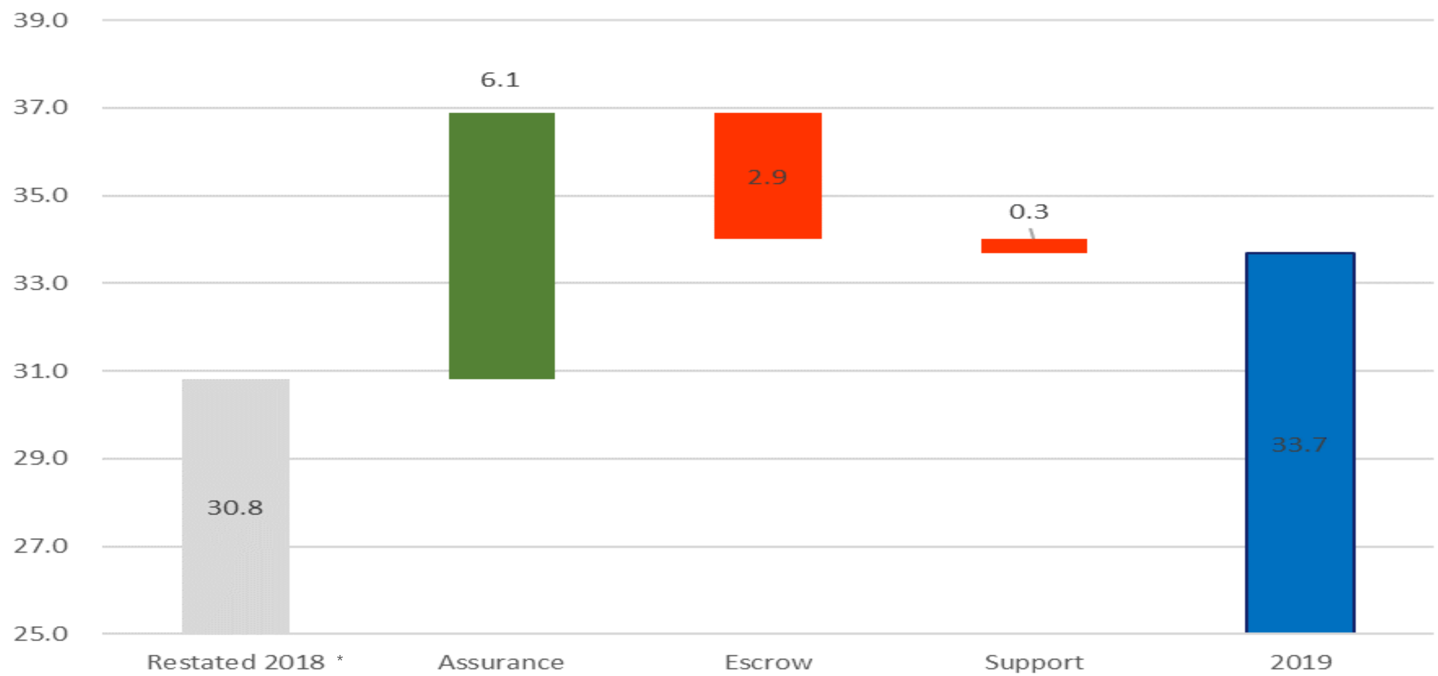


- Fall in product sales consistent with strategy to de-emphasise non-value added sales
- Assurance delivered strong growth (+9.7%) of £18.8m to grow to £212.7m***
- Escrow overall decline of -2.8%; mainly due to UK decline of -6.5% offset by growth in North America of +10.7%

**2018 excludes prior year discontinued items and revenue is reduced by £0.2m due to the impact of IFRS 15*
*** Product sales decline of £3.1m includes UK 3rd party product sales decline of £3.6m while Europe & RoW has increased by £0.5m*
****Assurance revenue growth in total is £18.8m which includes product sales decline of £3.1m (£21.9m excluding product sales); FY19 turnover of £212.7m (2018: £193.9m)*

Financial performance – adjusted EBIT bridge^

Year on year profitable growth while investing in transformation



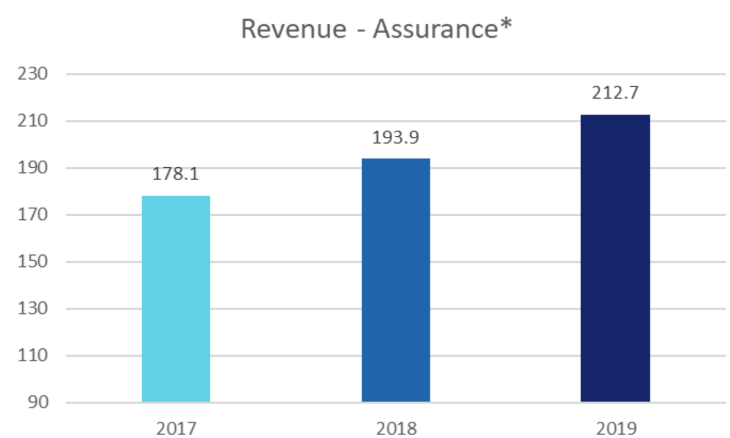
- Assurance increase is driven by increased revenues, gross margin improvement offset by increased people and allocated corporate costs
- Escrow decline is a result of the impact of decreased revenues and margin decline with additional people and allocated corporate costs
- Support costs increase predominantly relates to the investment in support colleagues to professionalise the business coupled with higher occupancy costs. These increases were mitigated by lower depreciation & amortisation mainly due to disposals in the prior year

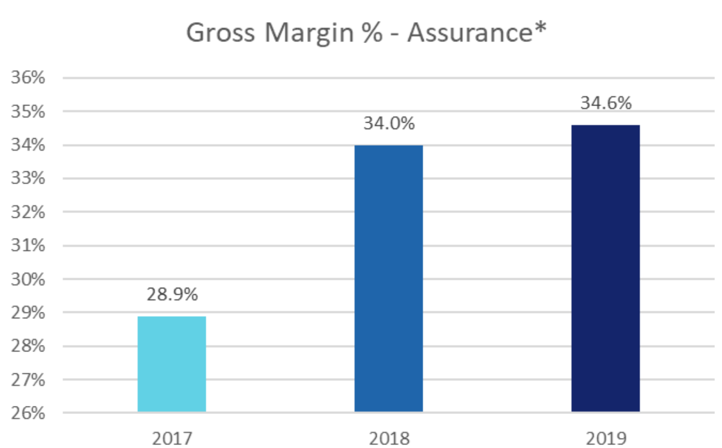
* *2018 restated for prior year discontinued items and adjusted for the impact of IFRS 15 of £0.2m*

^ *Adjusted EBIT bridge excluding impact of corporate allocations is shown in the Appendix*

Financial performance – Assurance

Profitable growth globally although variability in regional demand





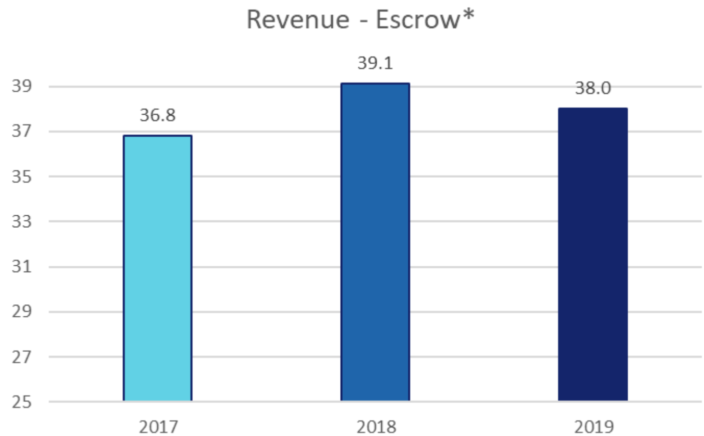
- Revenue growth per territory:
  - Strong in North America: +23.4% to £75.5m
  - Robust in Europe and RoW: +12.9% to £48.3m
  - Disappointing in UK: +3.1%** excluding products (-1.1% overall to £88.9m)
    - Technical resourcing challenge in H1
- GM% margin grew by +0.6% pts as a result of improved value selling and resourcing despite lower utilisation
  - Average Order Value increased by 23% and 28% in UK and North America respectively
  - Global resourcing increased by approx. 31%
  - Utilisation in technical consulting decreased to 75.4% from 78.6% across combined UK and US with planned investment in research days

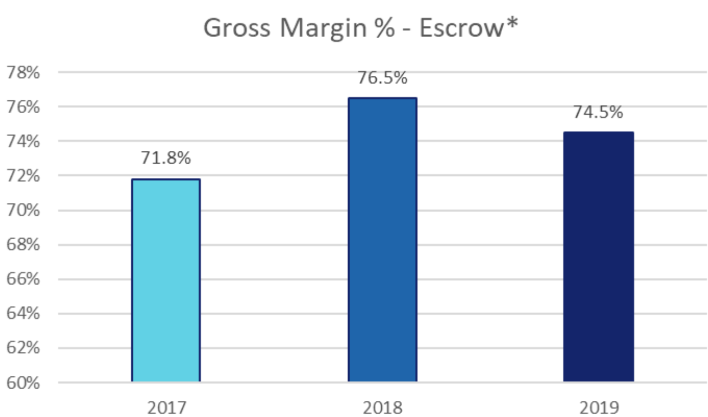
Assurance*	2019	2018	% Change
Revenue £m	212.7	193.9	9.7%
Gross profit £m	73.5	66.0	11.4%
GM%	**34.6%**	**34.0%**	**1.8%**
Adjusted EBIT £m	22.6	16.5	37.0%
Adjusted EBIT Margin %	**10.6%**	**8.5%**	**24.7%**

**2018 Assurance revenue reduced by £0.5m due to the impact of IFRS 15; 2017 has not been restated for IFRS 15 on basis of materiality. Excludes prior year discontinued activities*

***removes UK 3rd party product sales from both 2018 and 2019*

Targeting growth after re-investment in sales and launch of cloud-resilience EaaS





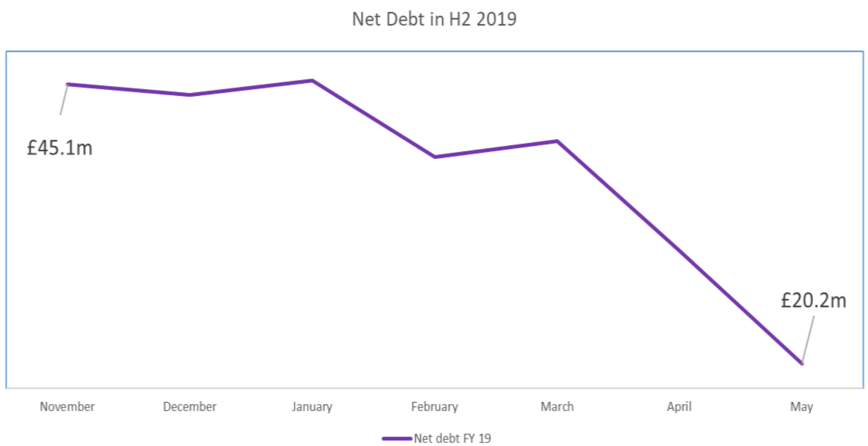
- Good growth in North America revenue +10.7% (2018: -5.1%) as we increase our presence there
- UK disappointing with operational challenges resulting in revenue decline of -6.5% leading to a GM% decrease of 3.0% pts in UK
- We recently won our largest ever on-premise deal (£800k) with major international bank
- Renewal rates remain firm at 89.6% (2018: 89.6%)
- New cloud-resilience offering EaaS launched coupled with re-investment in sales gives us confidence in our ability to return Escrow to revenue growth
    - investment in EaaS market launch may dilute margin temporarily
- EBIT margin impacted by increased investment in support colleagues to professionalise the business

Escrow*	2019	2018	% Change
Revenue £m	38.0	39.1	(2.8%)
Gross profit £m	28.3	29.9	(5.4%)
GM %	**74.5%**	**76.5%**	**(2.6%)**
Adjusted EBIT £m	19.0	21.9	(13.2%)
Adjusted EBIT Margin %	**50.0%**	**56.0%**	**(10.7%)**

** 2018 revenue increased by £0.3m for the impact of IFRS 15; 2017 revenue decreased by £0.4m for impact of IFRS15 for comparative analysis and is unaudited. Excludes prior year discontinued activities*

Financial performance – net debt

Sustainable working capital improvements drive net debt reduction



	2019 £m	2018* £m
Cash generated from operating activities before interest and tax (A)	**47.9**	**39.5**
Adjusted EBITDA (B)	43.7	43.8
Cash conversion ratio (%) (A)/(B)	**109.6%**	**90.2%**

- Net debt reduced to £20.2m from £27.8m in 2018 and £45.1m at H1
- Sustainable change in cash management
  - Debtor Days improved to 56 days (74 at H1; 61 in FY18)
  - Creditor Days at 52 days (31 at H1; 47 in FY18)
- Targeting continued strong cash generation and a cash conversion** ratio at approximately 85%
- Refinancing completed of 5 year £100m plus £75m accordion facility across a 3 bank club

*2018 revenue is reduced by £0.2m due to the impact of IFRS 15
**Cash conversion ratio definition is based on both continued and discontinued operations

Financial performance – cash flow

Strong free cash flow discipline

	2019 £m	2018* £m
Cash flow before working capital	**41.3**	**39.8**
Movement in working capital	6.6	(0.3)
Cash generated from operating activities before interest and tax	**47.9**	**39.5**
Net interest paid	(1.7)	(1.8)
Tax paid	(6.4)	(4.7)
Net cash from operations	**39.8**	**33.0**
Tangible capex (net)	(3.0)	(7.7)
Software expenditure	(6.1)	(5.0)
Free cash Flow	**30.7**	**20.3**
Acquisitions/disposals (net)	(9.1)	6.1
Dividends	(12.9)	(12.8)
Share issue	0.3	1.5
Net cash flow	**9.0**	**15.1**
FX	(1.4)	0.8
Change in net debt	**7.6**	**15.9**
Closing net debt	**(20.2)**	**(27.8)**

- Net cash flow impacted by:
  - Net tangible and intangible asset spend (£9.1m), reduced due to last year's Head Office move and SGT programme
  - Net adverse cash outflow in relation to previous acquisitions including Fox payment of £9.9m mitigated by £0.8m for PSC/VSR
  - Net proceeds from business disposals in 2018 related to deferred consideration received from 2017 disposals**
- Maintaining total dividend at prior year level

**2018 excludes prior year discontinued items and revenue is reduced by £0.2m due to the impact of IFRS 15*
*** Web Performance and Software Testing*

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Our **mission** is to make the world safer and more secure to enable society to thrive

Our vision is to be:

The leading cyber security advisor globally.

Trusted to protect and secure our customers’ critical assets.

Sought-after for our complete people-led, technology enabled cyber security solutions that enable individuals, businesses and society to thrive.

We are a people business, led by values:

- We **work together**
- We want to be **brilliantly creative**
- We **embrace difference**

Mission, vision, strategy and values defined and embedded

Our strategic pillars

The **leading** cyber security advisor globally in our chosen markets.
Trusted to protect and secure our customers' **critical assets**.
Sought-after for our complete **people-led, technology-enabled** cyber security solutions that enable individuals, businesses and society to **thrive**.

For our shareholders:

- Assurance
  - Double-digit growth
  - Margin improvement
- Escrow
  - Return to sustainable growth
- Disciplined cash generation

For our clients:

- Global delivery platform
- At the forefront of discovering and protecting against vulnerabilities

For our people:

- A hub for cyber talent
- To be a 1* Best Company
- A quirky, distinctive environment where individuals and teams thrive

Develop our people **Lead the market** **Win Business** **Deliver Excellence** **Support Growth**

Three year transformation (SGT) on track

Systems on time and within budget

- Strategy, vision and values defined and colleagues engaged
- Increased collaboration between businesses
- Sort the business basics:
  - Salesforce launched in UK and Europe
  - Gated business lifecycle designed and launched
  - Sales training investment made
  - DOMO providing real time analytics
  - Global employee engagement survey conducted
  - Online travel and expense tool launched (Expensify already in North America)

	Workday	Salesforce	Marketing Automation	Online Expenses	DOMO	Avaya	O365	Side Trade	Heat Software	Dynamic Signal
UK	Jan 20	✓		✓	✓	✓	phased rollout completes Mar 20	✓	✓	✓
North America	Jul 20	Dec 19		✓	✓	✓		✓	✓	✓
Continental Europe		✓	Jul 20	✓ *	✓	✓		Jul 20	✓	✓
Rest of World		Dec 19		✓	✓	✓		✓	✓	✓

** 80% rolled out across Europe*

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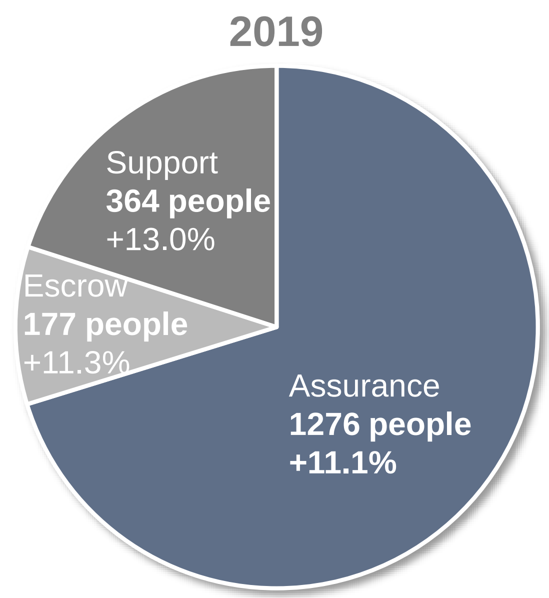
Successful programme of recruitment and retention measures implemented

- Number of colleagues in NCC grew by 11.5% to 1,817
- Global voluntary attrition** decreased to 16.8% (2018: 19.0%); total attrition decreased from 23.4% to 22.2%
- Our focus on Technical Security Consulting capacity led to an increase in 102 heads globally and a reduction in attrition to 17.9% (2018: 24.9%)
- Consistent global approaches to induction, performance management and leadership defined and ready for FY20 launch:
    - Pilot mentoring programme underway in North America
    - Next Generation Managers pilot launched
- Completed our first employee engagement survey with Best Companies
- NCC Cares – our global wellness initiative – went live with further people development initiatives planned



***Attrition calculated as Leavers divided by the average of opening and closing headcount*

Our strategic priorities, as shared last year, remain unchanged

Delivering continued double-digit growth and steady margin improvement in Assurance

- Increasing global capacity and reach
- Launching co-ordinated global Managed Detection and Response business
- Developing deeper client relationships through sector focus and up-skilling
- Maintaining leading technical edge and continuing to invest in research and systematically building out capabilities

Returning Escrow to sustained growth

- Maintain our market leading position in the UK
- Developing evolving solutions for customers in a SaaS and cloud-based world
- Building on our scalable capability in the US and growing our stable European operations

Assurance – a dynamic *global* market for cyber services

Strategic priorities	Dynamics	Actions Completed	What's next?
Increasing *global* capacity and reach	Fragmented markets at local level Competition for scarce skills	Increased *global* resourcing Lower attrition + higher capacity in technical teams	Unified platform for global scheduling and visibility Ongoing recruitment and retention initiatives
Launching *global* managed detection and response business	Co-ordinating *global* assets from legacy acquisitions Opportunity for greater scalability, GM% and predictability	Single product development roadmap and offering set Launch of first managed services in North America (scanning and threat intel)	Capturing growth: Ongoing service offer development Cross-region selling and delivery
Developing deeper client relationships through sector focus and up-skilling	Combat trends of commodisation and wage inflation Aim to increase margin and revenue per client	New sector verticals launched *Global* account management (Salesforce)	Ensure effectiveness of new sales colleagues Embed new ways of working
Maintaining leading technical edge, cost-effectively	Fast-changing threat and risk landscape in cyber	*Global* research days increased by 15% to c.1,770 days Leading research published in fields including Enterprise IoT, AI/ML, Connected Health VP Research hired in North America	Continued high-impact research

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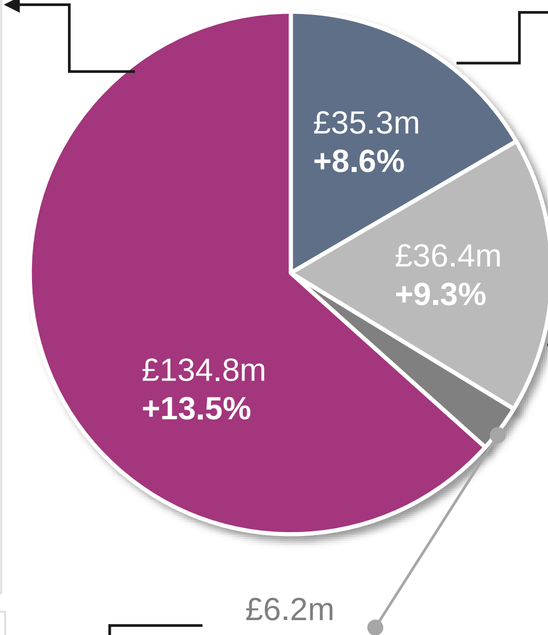
Trusted to protect and secure our customers’ critical assets

Technical Security Consulting (63.4% of total)

- Strong growth world-wide supported by global resourcing
- Cross-region delivery increased by 31%
- UK and North America Average Order Value increased by 23% and 28% respectively



Risk Management Consulting (16.6% of total)

- Rapid growth of +30% in North America
- UK decrease of -2.4%,

Products (2.9% of total)

- Deliberate shift of focus away from re-selling low value-add products

Managed Detection and Response (17.1% of total)*

- Improving our scalability, backlog and predictability
- Sales orders in year were £49.9m (+20%)

** The MDR figures presented include lower value non-core MDR activities which is expected to diminish as global proposition continues to develop*

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Escrow – returning to sustainable growth

Strategic Priorities	Dynamics	Actions Completed	What's next?
Maintain our market leading position in the UK	On-premise software declining as a % of overall new software sales BUT … … massive installed on-premise base coupled with increased regulation drives continued need for on-premise Escrow	Largest ever on-premise Escrow order (£800k) signed for a major bank Significant team restructuring and sales recruitment to rebuild capacity	Support new recruits to recreate effective new sales team Continue to protect high renewals rate
Developing evolving solutions for customers in a SaaS and cloud-based world	Many organisations wish to take advantage of the agility of cloud/SaaS services but need to demonstrate resilience	EaaS launched Initial sales confirmed	Refine scalability of offering Develop channel model to boost volumes
Building on our scalable capability in the US and growing our stable European operations	The business resilience requirement addressed by Escrow is a global issue. We have a small fraction of the available market outside the UK	North America: Re-shaped sales team; boosted senior management presence Europe: New sales leadership; returned Netherlands to growth; recruited in Germany for FY20 growth	Continue double-digit growth in North America Replicate growth model across selected EU territories

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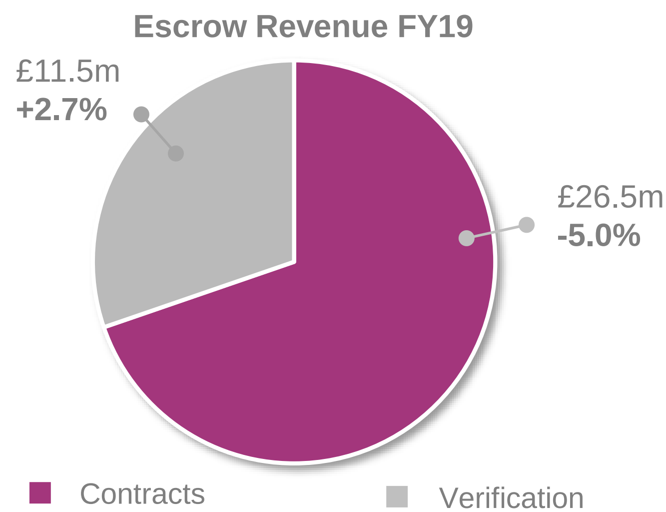
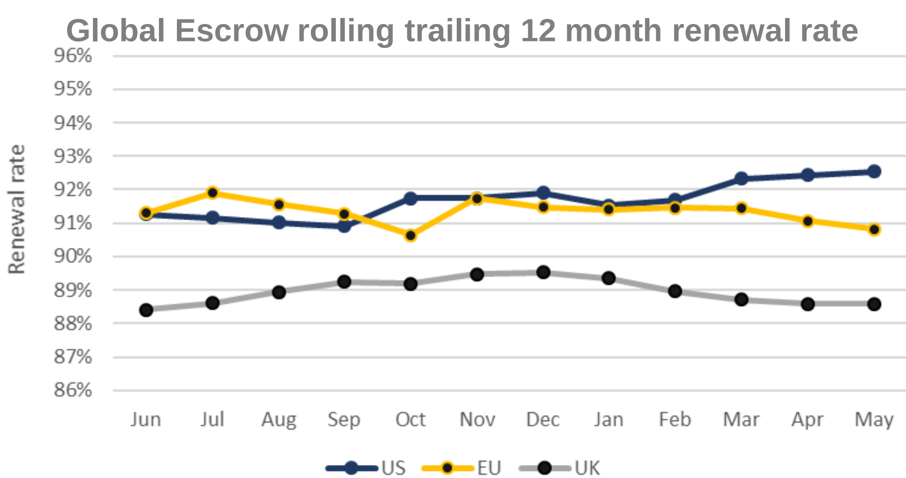
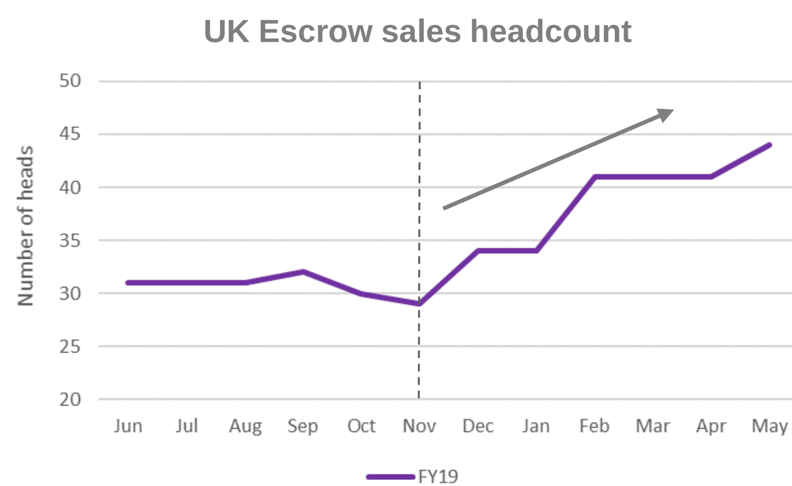
Escrow – some key themes

Return Escrow to sustainable growth by FY21

- Growth in Verification revenue overshadowed by decline in UK Contracts revenue
- Renewal rate holding => on-premise market still viable
- Challenging UK market
- Sales team strengthened entering FY20

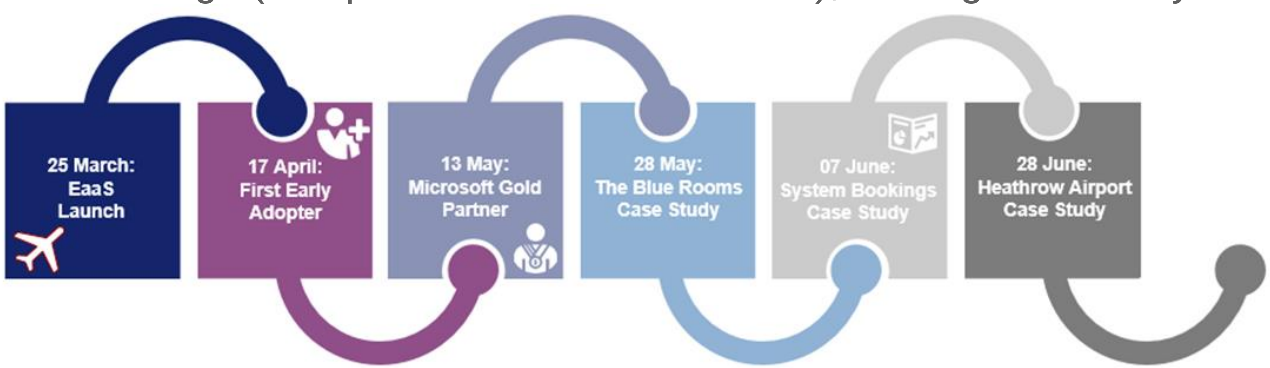






Accelerating the adoption of the EaaS proposition

- Escrow as a Service (“EaaS”) is the option to either access or replicate a client’s unique cloud environment in order to minimise any downtime or disruption in the event of 3rd party software supplier failure
- Developed in collaboration with Microsoft Azure and Amazon Web Services (AWS)
- Enables organisations to confidently embrace cloud technology by assuring the security, regulatory compliance and availability of software applications hosted within the Azure and AWS cloud environment
- Already gained good traction across multiple sectors with Heathrow Express (a subsidiary of Heathrow Airport), The Blue Rooms (media agency), and System Bookings (independent software vendor), amongst the early adopters



Microsoft Partner
Gold DevOps
Gold Datacenter
Silver ISV
Silver Application Development

amazon web services Partner Network
ADVANCED TECHNOLOGY PARTNER

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Summary and outlook

Summary	• Robust revenue growth during first year of operational transformation • Adjusted EBIT margin improved to 13.4% (2018:13.2%) with strong cash generation and net debt reduced to £20.2m (2018: £27.8m)

Operational priorities	• Assurance: continued double-digit growth and margin improvement
	• Escrow:
	    • Stabilise revenue this year and growth thereafter
	    • Accelerating the adoption of our new cloud-resilience (EaaS) proposition
	• People:
	    • Increasing our sales capability and effectiveness particularly in the UK, where we are rebuilding our sales team and North America, to support further growth

Outlook	• Regulatory pressure and high profile breaches continue to increase the strategic importance and value of cybersecurity in our target markets • 3 year SGT transformation progressing on time and within budget to create the next version of NCC Group • We look forward with confidence to a dynamic year and expect full year trading to be in line with our expectations

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Our self-help programme - Securing Growth Together

Lead the market	• Designed to lead the market through our thought leadership, industry content and research • Promote NCC Group as employer of choice
Win Business	• Designed to increase the quality and quantity of orders • Skills development: Value-selling; sales academy underway • Sector focus: becoming expert in the world of our clients • Investment in research & innovation to lead the market
Deliver Excellence	• Designed to leverage global delivery capability / capacity • Consistent ways of working: “One firm, one way.” • Single planning and delivery management system • Exploring options for automation
Support Growth	• Designed to support the front-line • Standardised and optimised ways of working • Integrated processes and systems for ‘one touch only’ • Two years to deliver benefits
Develop Our People	• Designed to attract, nurture & retain talent • Consistent leadership development • Graduate / Apprentice scheme

Unified systems (48 to 10)

New	workday.	salesforce	Marketing Automation		DOMO	AVAYA	Office	SIDETRADE	HEATsoftware	Dynamic Signal
Old	sage Payroll sage 500 sage X3 sage HR & Payroll PayPartners Microsoft Dynamics NAV A Pipe exact ORACLE HYPERION AFAS software danlon ADP WORKBOOK nccgroup Invoicing App – X3 nccgroup Invoicing App – 500 nccgroup Renewals App - 500	infor SalesLogix DiscoverOrg AVENTION dun & bradstreet salesforce Microsoft Dynamics CRM P WORKBOOK nccgroup Proposal Generator nccgroup Deal Desk nccgroup Quotation System	MailChimp CANDDi Campaign Monitor SurveyMonkey	Expensify	taskcentre crystal reports Business Objects SEI Qlik	P Enterprise AVAYA	W X P O P S S GoToMeeting nccgroup Brains			

Cloud resilience – Escrow as a Service (EaaS)

Microsoft Partner
Gold DevOps
Gold Datacenter
Silver ISV
Silver Application Development

Certified as a Gold partner by Microsoft for best-in-class capabilities in DevOps and Data Centres.

NCC Group strengthens relationship by collaborating on design, implementation and improvements for its newly launched cloud resilience solution, Escrow as a Service.

amazon web services | Partner Network
ADVANCED TECHNOLOGY PARTNER

NCC Group's established relationship with Amazon Web Services enables the continued support for the ever-increasing number of projects that utilise the AWS cloud platform whilst allowing businesses to continually evolve and innovate with new technology.

“

systembookings
BESPOKE BOOKING SYSTEMS

As a company that promises to deliver a specialised bespoke service with fast turnaround times, we required a business continuity solution to match our offering. Through NCC Group's streamlined Escrow as a Service solution not only can we continue to provide market leading software solutions, but we can assure our customers that their most valuable assets are protected at all times.

CHRIS CAMPBELL
DIRECTOR
SYSTEM BOOKINGS

Heathrow Express

Speed and reliability is everything to Heathrow Express customers and that goes for our digital applications too. By combining our long-term relationship with NCC Group and the technological expertise of AWS, NCC Group's Escrow as a Service Solution has enabled us to embrace the cloud with complete peace of mind in the knowledge that our services are robust and secure.

LES FREER
DIRECTOR
HEATHROW EXPRESS

”

Financial performance - Adjusting items and ISIs**

Cash neutral in FY19

Adjusting items are set out below:

	2019	2018
	£m	£m
Individually Significant Items	**3.6**	7.6
Share based payments	**1.7**	0.3
Amortisation of acquired intangibles	**9.0**	9.4
Unwinding of discounts on deferred consideration	**-**	0.3
Profit on disposal of investments	**(0.1)**	-
Total pre-tax adjusting items – continuing operations	**14.2**	17.6

Individually Significant Items (ISIs) are set out below:

	2019	2018
	£m	£m
Securing Growth Together – legacy systems accelerated amortisation (net of R&D tax credit)	**3.8**	-
Loss-making contract	**-**	2.5
Revisions to deferred and contingent consideration	**(0.8)**	0.6
Restructuring costs	**-**	1.6
Onerous leases and other property-related costs	**0.6**	2.7
Market-related costs	**-**	0.2
Total ISIs – continuing operations	**3.6**	7.6

*** ISIs are defined as Individually Significant Items*

Financial performance – balance sheet

Strong financial position

	2019 £m	2018* £m
Goodwill	189.4	187.2
Intangible assets	41.8	52.8
PPE	16.9	19.4
Investments	0.3	0.4
Deferred consideration receivable	-	1.5
Inventory	0.7	0.8
Trade and other debtors	61.6	66.0
Trade creditors and Deferred income	(67.8)	(66.3)
Net working capital	**(5.5)**	**0.5**
Tax receivable / (payable)	0.6	(1.3)
Provisions	(8.2)	(8.9)
Net deferred tax liabilities	(4.3)	(5.3)
Deferred/contingent consideration	-	(11.9)
Net debt	**(20.2)**	**(27.8)**
Net assets	**210.8**	**206.6**

Net change in working capital (above)	**(6.0)**
ISIs (non-cash impact)	**0.2**
Deferred contract costs	**(1.2)**
Withholding tax	**(0.1)**
Foreign exchange	**0.1**
Purchase of intangible assets	**0.3**
Purchase of tangible assets	**0.1**
Corresponding change in cash flow	**(6.6)**
Movement in working capital within cash flow	**6.6**

- Intangible assets includes additions of £6.4m and amortisation of £13.4m
- PPE** includes additions of £3.1m and depreciation of £5.6m
- Deferred consideration receivable relates to historic 2017 disposals
- Working capital improvements have now crystallised, sustained focus going forward
- Tax receivable driven mainly by US payments on account
- Provisions remain for lease incentives, loss making contracts and onerous leases
- Deferred tax liability declined mainly due to US tax federal rate
- Fox final deferred payment and PSC/VSR contingent consideration now paid

** 2018 excludes prior year discontinued items and is adjusted for the impact of IFRS 15*
*** PPE is defined as Property, plant and equipment*

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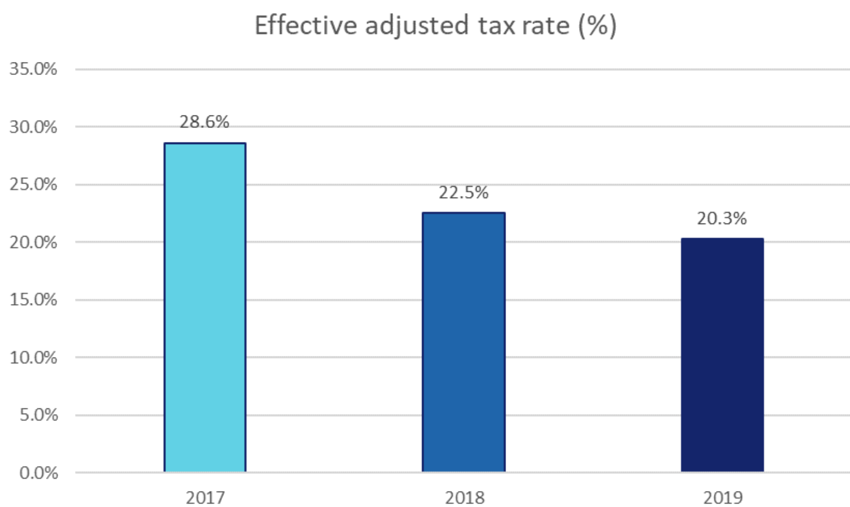
Financial performance – tax and dividends

Effective tax rate reduced and dividends proposed to be maintained



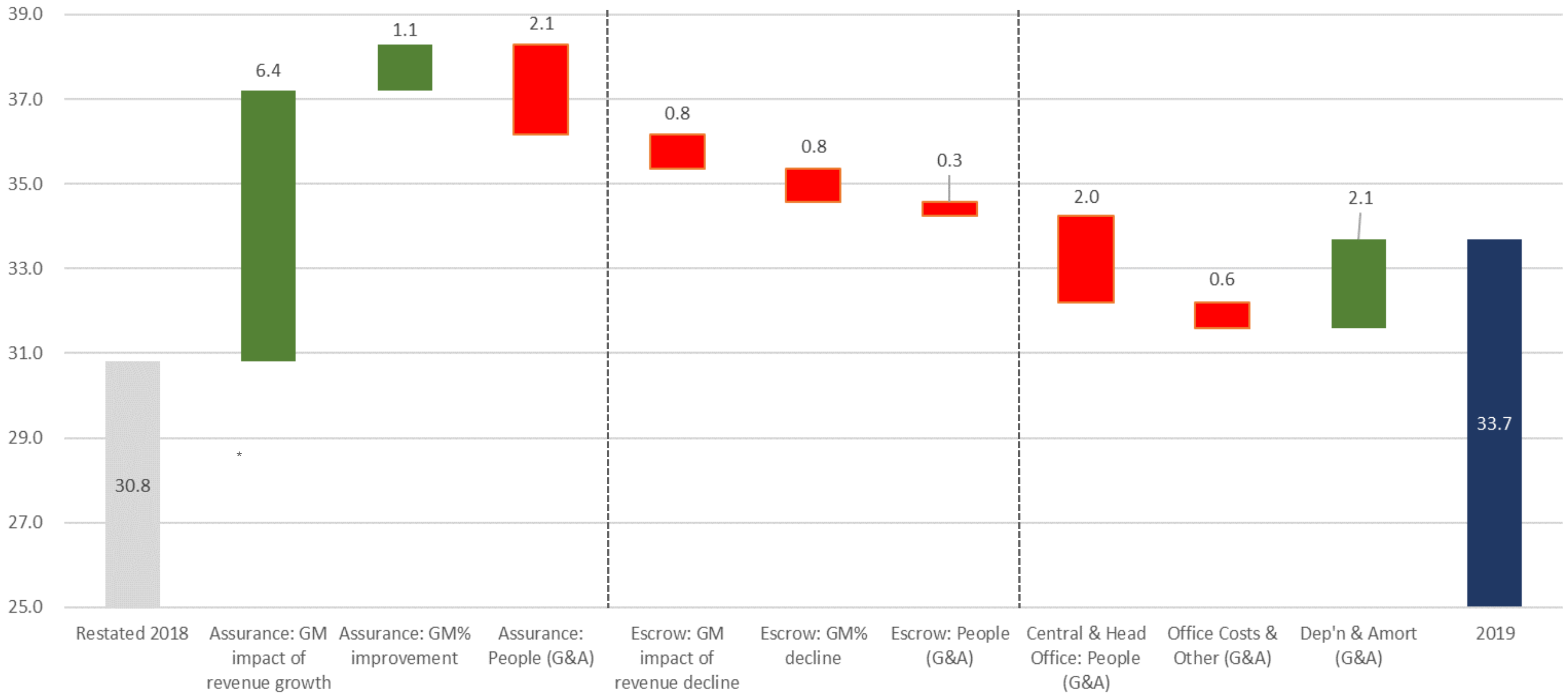
Tax

- Effective tax rate attributable to adjusted profits and continuing operations is 20.3% (2018: 22.5%)
- Fall in effective tax rate attributable mainly to the decrease in US federal tax rate from 35% to 21%, effective 1 January 2018

Dividends

- Maintaining total dividend at prior year level
- Total dividend is 4.65p after a proposed final 3.15p

Year on year profitable growth while investing in transformation



2018 restated for prior year discontinued items and adjusted for the impact of IFRS 15 of £0.2m

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