

20 October 2016

NCC Group

Trading update for first four months

NCC Group plc (LSE: NCC or "the Group"), the independent global cyber security and risk mitigation expert, today publishes a trading update, covering the four months from 1 June 2016 to 30 September 2016.

Group revenues increased by 36% (September 2015: 48%) to £79.6m (September 2015: £58.5m) with organic growth of 21% (September 2015: 17%).

Both the Assurance and Escrow divisions showed strong organic revenue growth, up 25% and 4% respectively, despite the first four months of the financial year typically being the Group's quietest trading period.

The Group however experienced a number of setbacks in the Assurance Division including three large unrelated contract cancellations, a large contract deferral and difficulties with some managed services contract renewals.

It is too early to quantify the likely impact in the current financial year, as the Group is taking the necessary action to mitigate these developments. However, the Group's rate of growth in profitability will now be more biased towards the second half of the year than initially expected, but remains in line with the Board's expectations.

Rob Cotton, Group Chief Executive, comments:

"Overall, we continue to make good progress across the business with strong organic growth. However, we have been hit by a number of unrelated adverse developments in the Assurance Division that will have an impact on profitability between the first and second half of the financial year."

"Despite this, we will continue with our measured acquisition strategy and anticipate acquiring additional boutique cyber security consultancies over the next few months."

"We operate in a fast growing market and have forward order books and renewals of £108.8m, up from £71.9m this time last year. We continue to take the necessary action to mitigate this period's setbacks and remain on course to sustain our double digit organic revenue growth."

The **Assurance** Division continued to perform strongly with a 44% increase in revenue (September 2015: 57%) to £66.9m (September 2015: £46.6m). Excluding Fox-IT, organic growth was 25% (September 2015: 19%).

However, the loss of three major contracts along with difficulties with contract renewals within the managed security services business unit (formerly

Accumuli plc) is causing a significant erosion of margin. The Group is working to remediate this position.

Fox-IT continues to be slowly integrated into the Group but the lumpy nature of its product revenues and a large contract deferral allied to complex Government relationships makes this process more challenging. However, the Group is looking forward to being able to push further Fox-IT products and services into new markets.

The Assurance Division's combined order book and renewals base currently stands at £84.2m (September 2015: £50.2m) for the year ended 31 May 2017. This includes web performance and managed security service renewals of £17.7m and £11.5m for Fox-IT.

The **Escrow Division** continued to perform strongly. Revenue grew by 4% (September 2015: 8%) to £11.2m (September 2015: £10.7m) and renewals are now forecast to be £21.0m for the current financial year (September 2015: £19.0m).

Group Escrow termination rates continue to be around 11%. The global verification order book continues to be solid, with good prospects. It now stands at £3.6m (September 2015: £2.7m).

In the **UK** revenue, as expected, declined by 2% (September 2015: 8%) following a notably strong performance in the equivalent period last year. However, the Group expects a normal and positive performance for the full year.

In **North America**, revenue grew sharply by 25% (September 2015: 9%) and in mainland **Europe**, the smallest part of the Escrow Division, revenue grew by 15% (September 2015: 7%).

The Group acquired Palo Alto based Payment Software Company Inc. ("PSC") on 29 September 2016 for a maximum consideration of \$18.75m in cash. The Group's **net debt** decreased, as expected, to £47.5m (September 2015: £65.3m) against a total debt facility of £115m.

The Group expects to report its half-year results, for the six months to 30 November 2016 on Thursday, 19 January 2017.

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