

# Full year results

12 months to 31 May 2023

27 September 2023





# Overview

Mike Maddison  
CEO

# Agenda for today


- Executive highlights
- Financial review
- Strategy update
- Summary and outlook
- Your questions answered



Revenue  
£335.1m

+6.4%

+1.5%  
at constant currency



Gross margin  
39.4%

(2.7%) pts



Adjusted EBIT  
£28.8m

(40.1%)



Cash conversion  
102.9%

+ 1.0% pts



## Significant progress implementing our *Next Chapter* strategy in a challenging environment

- Market dynamics reinforced the need to implement the *Next Chapter* strategy
- FY23 revenue and profit impacted by buying decision delays and cancellations, primarily in the North American tech sector
- FY23 cash conversion remained strong and net debt reduced
- Action underway to realise cost efficiencies in FY24 (annualising in FY25)

### Stabilising Cyber Security market

- All material clients retained. Global Professional Services saw some delays in buying decisions and project cancellations in North America and the UK
- Revenue growth in Europe, and the UK and APAC region with a decline in North America
- As predicted, we saw growth in Managed Services and a decline in testing

### Software Resilience benefits from new management

- First full year of IPM contract renewals contributed to overall growth
- Returned to growth in H2
- Rebranding unveiled today

### Current trading and outlook

- Current trading in line with expectations
- FY24 revenue and adjusted EBIT expectations remain the same
- Dividend maintained

## Two distinct businesses

Cyber Security and Software Resilience – with different buyers and sales cycles

## A strong track record

Working with the world's leading companies, strong footprint with governments and market leader in Software Resilience

## Dynamic market

Increasingly complex ecosystems, constantly evolving cyber threats, ever-changing buyer needs and increasing pace of technology change

## Capability and people

Passionate about our purpose, market leaders and cyber security services, leading edge systems, attracting and retaining the best talent



INSIGHT | INTELLIGENCE | INNOVATION



# Financial review

Guy Ellis  
CFO

Revenue

**£335.1m**



**+6.4%**

FY22: £314.8m

Gross Margin %

**39.4%**



**(2.7%) pts**

FY22: 42.1%

Adjusted EBIT (Margin)

**£28.8m (8.6%)**



**(40.1%) (6.7%) pts**

FY22: £48.1m  
(15.3%)

Adjusted EBITDA

**£41.4m**



**(30.0%)**

FY22: £59.2m

Cash Conversion Ratio

**102.9%**



**+1.0% pts**

FY22: 101.9%

Net Debt

**£49.6m**



**(5.3%)**

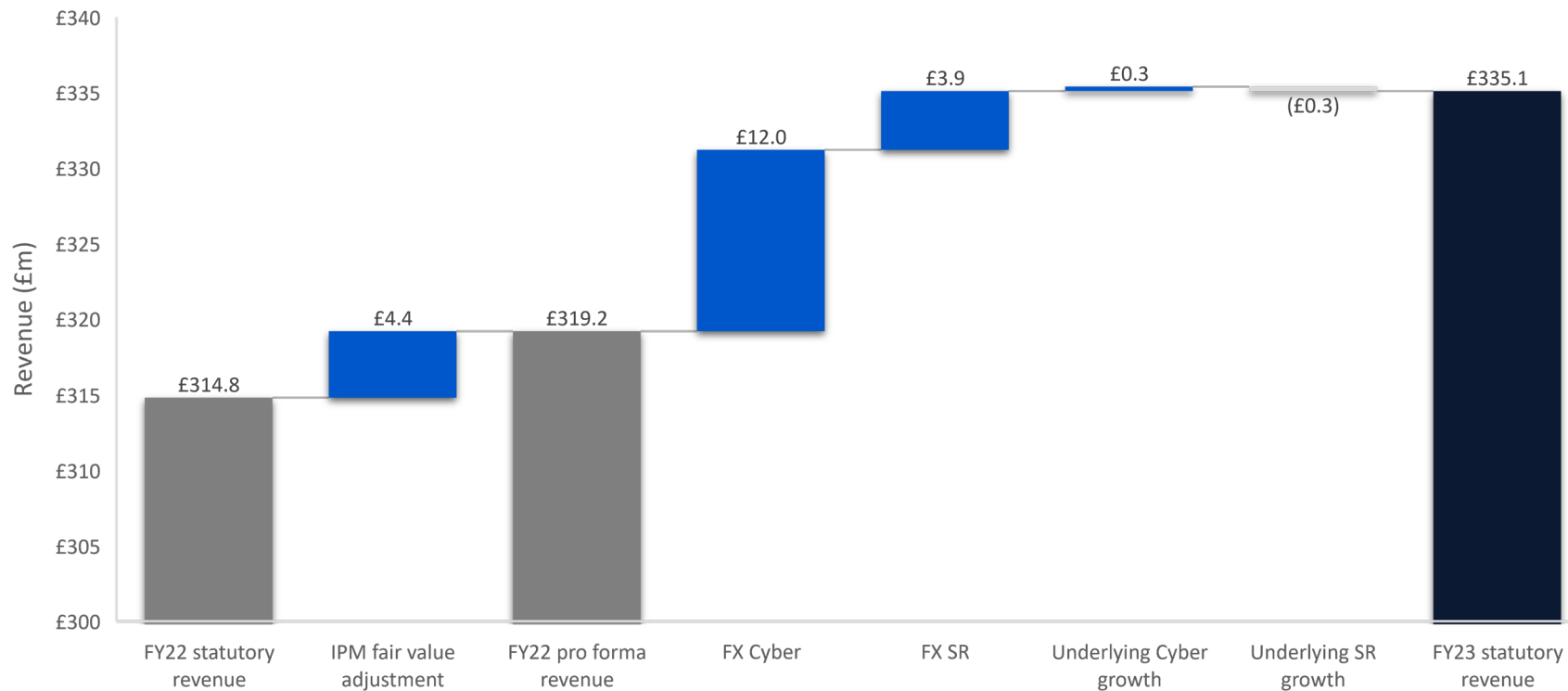
FY22: £52.4m

	FY 2022 £m	FY 2023 £m	% change
<b>Revenue</b>	314.8	<b>335.1</b>	6.4%
Gross profit	132.6	132.0	(0.5%)
Gross margin %	42.1%	39.4%	(2.7 %) ppts
Overheads	(73.4)	(90.6)	(23.4%)
<b>Adjusted EBITDA</b>	59.2	<b>41.4</b>	(30.0%)
Adjusted EBITDA margin %	18.8%	12.4%	(6.4%) ppts
Depreciation and amortisation	(11.1)	<b>(12.6)</b>	13.5%
<b>Adjusted EBIT</b>	48.1	<b>28.8</b>	(40.1%)
Adjusted EBIT margin %	15.3%	8.6%	(6.7%) ppts
Finance costs (including leases)	(3.7)	(6.2)	(67.6%)
<b>Adjusted PBT</b>	44.4	<b>22.6</b>	(49.0%)
Adjusted tax	(10.9)	(3.7)	(66.1%)
Adjusted tax %	24.5%	16.4%	(8.1%) ppts
<b>Adjusted PAT</b>	33.5	<b>18.9</b>	(43.5%)
Adjusted basic EPS	10.8p	6.1	(4.7p)

- Strong first half for Cyber Security
- H2 slowdown due to delayed buying cycles and project cancellations in North America tech sector and UK market
- Software Resilience sustained growth through last three quarters
- Gross margin deteriorated due to weak Cyber Security utilisation in second half of the year
- Overhead increase mainly due to strategic investments, non-client travel and office costs and pay inflation
- ISI's of £14.7m include impairment goodwill on North America Cyber business







- Underlying growth (excluding the impacts of FX movements and IPM revenue haircut) flat year on year (+0.1%)
- Cyber constant currency growth of 10.8% in H1, pegged back by slowdown (9.9%) in North America and UK in H2
- Software Resilience delivered positive growth in constant currency for each of Q2, Q3 and Q4 following a decline in Q1. FY23 underlying SR growth (-0.5%)

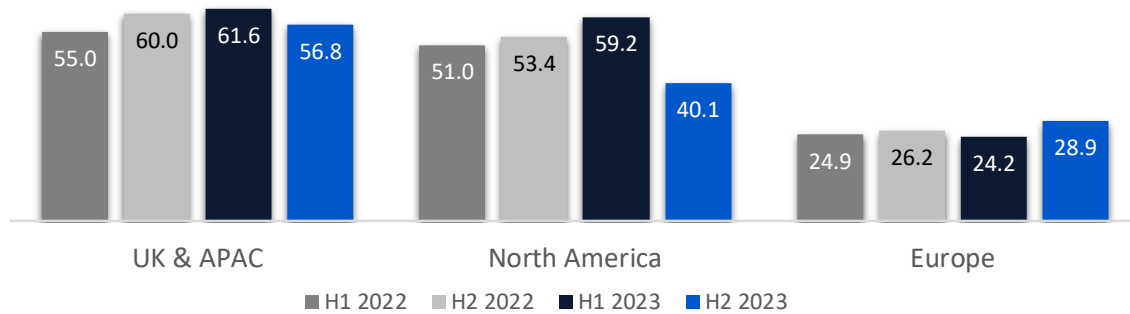
## Revenue by region

Constant Currency

### FY23 regional growth:

- UK & APAC: +3.0%
- North America: (4.9%)
- Europe: +3.9%

Overall: +0.1%

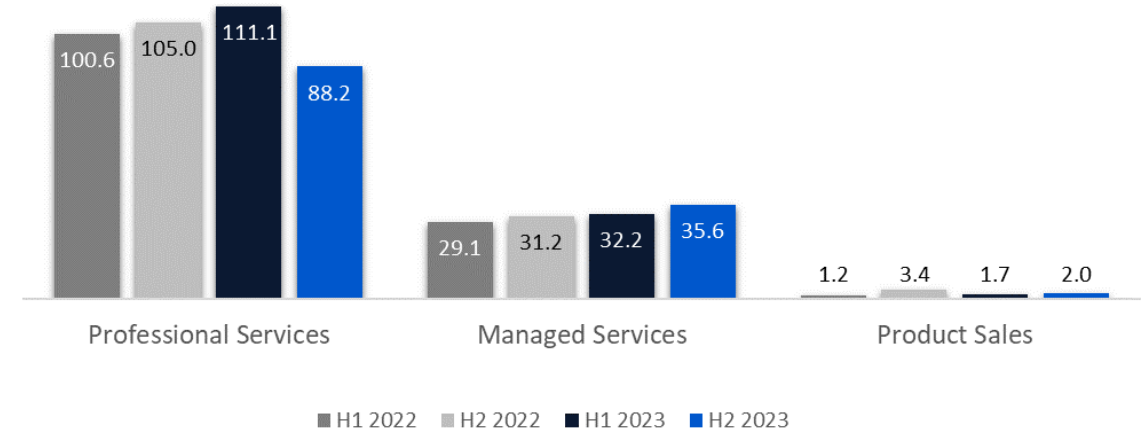


Actual rates	FY 2022 £m	FY 2023 £m	% change
Revenue	258.5	<b>270.8</b>	4.8%
Gross profit	92.3	<b>86.1</b>	(6.7%)
Gross margin %	35.7%	<b>31.8%</b>	(3.9) ppts
Overheads	(60.4)	<b>(79.2)</b>	31.1%
<b>Adjusted EBIT</b>	31.9	<b>6.9</b>	(78.4%)
Adjusted EBIT margin %	12.3%	<b>2.5%</b>	(9.8) ppts

## Revenue by service line

Constant Currency

- Decline in Professional Services (Technical Assurance) in H2 compared to historical trends ((3.1%) FY23)
- Appointed global leader of Managed Services, and predicted growth starting to come through (+12.4% FY23)



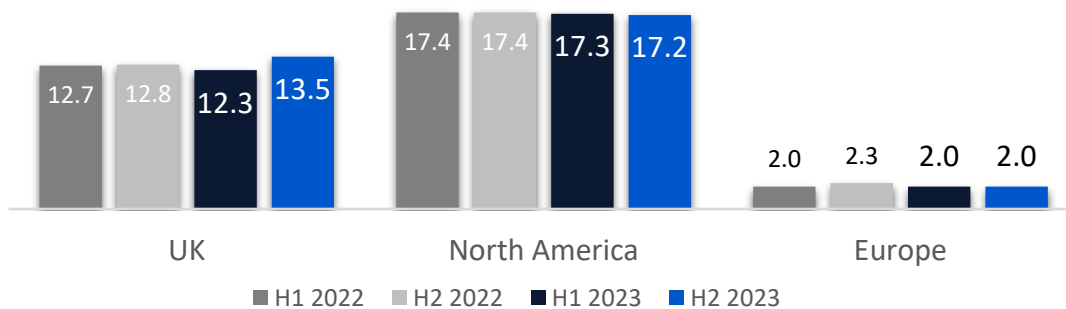
# Software Resilience revenue and adjusted EBIT

## Revenue by region

Constant currency  
Underlying revenue

### FY23 regional growth (underlying):

- UK: +1.2%
  - North America: (0.9%)
  - Europe: (7.0%)
- Overall: (0.5%)

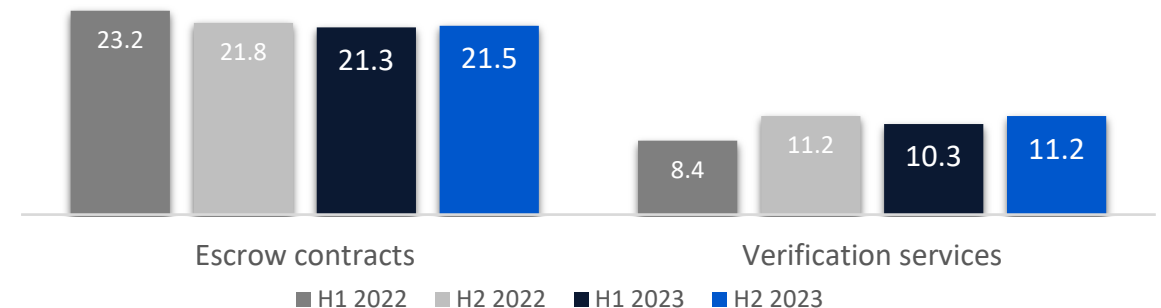


Actual rates	FY 2022 £m	FY 2023 £m	% change
Revenue	60.7	<b>64.3</b>	5.9%
Gross profit	44.7	<b>45.9</b>	2.7%
Gross margin %	73.6%	<b>71.4%</b>	(0.2) ppts
Overheads	(17.5)	<b>(14.7)</b>	(16.0%)
<b>Adjusted EBIT</b>	26.4	<b>30.6</b>	15.9%
Adjusted EBIT margin %	43.5%	<b>47.6%</b>	8.5 ppts

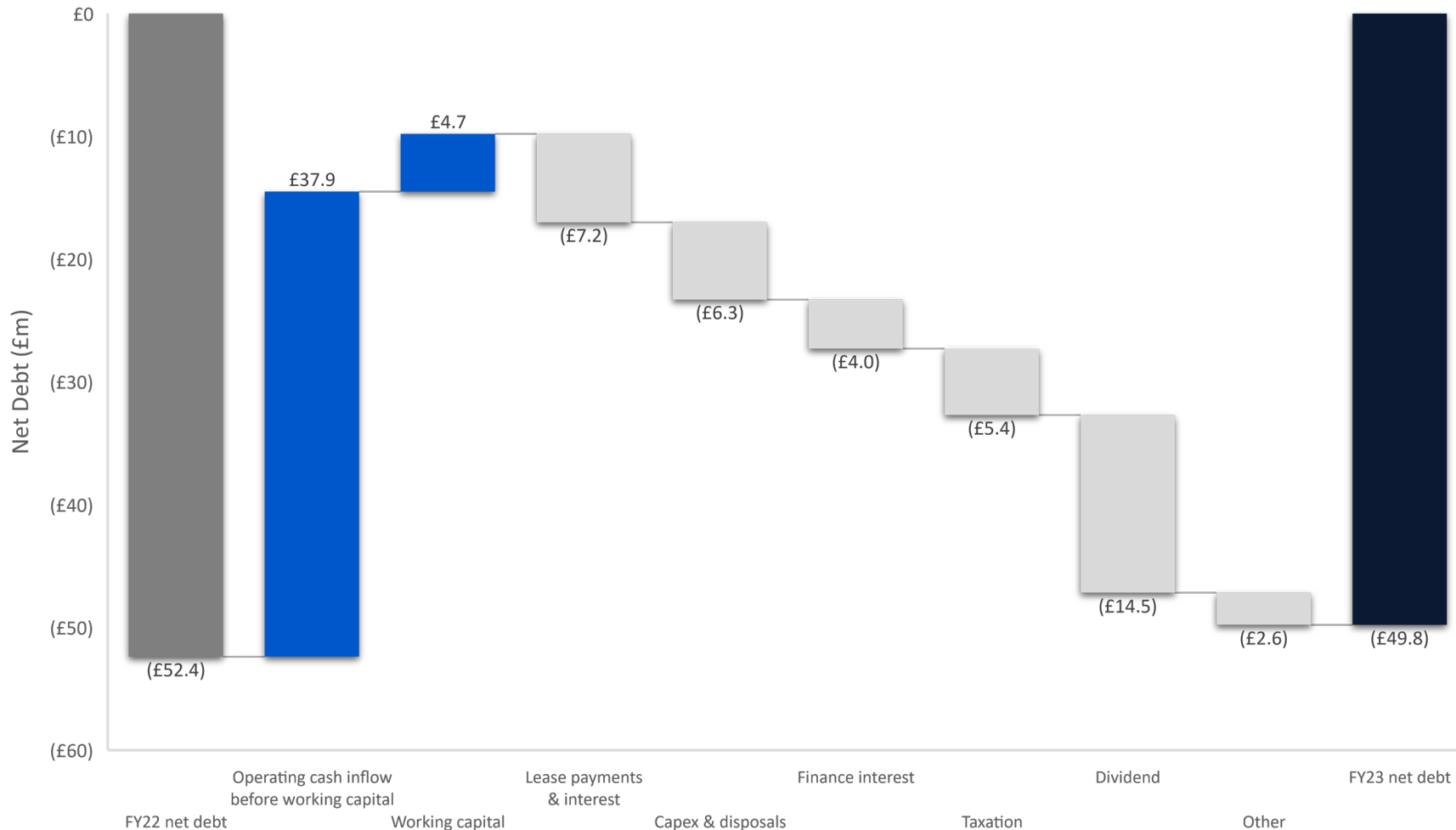
## Revenue by service line

Constant currency  
Underlying revenue

- New management team focused on creating value as a distinct business sustaining growth through last three quarters
- Operational review realised operating efficiencies
- Growth driven by first full year of IPM contract renewals
- Verification growth driven by North America



# Net debt reduced by £2.8m



- Cash conversion improved year-on-year +1.0 pts
- Balance sheet strength with new four-year enlarged multi-currency RCF of £162.5m with additional £75m uncommitted accordion option to enable new strategy
- Interest increases due to IPM acquisition and the macro conditions in H2
- Unchanged final dividend as Board prioritises investment in *Next Chapter* strategy

## Sustainable revenue growth

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Returning Cyber Security to growth in H2

Accelerating growth in our recurring Managed Services

Maintaining momentum of quarterly growth in Software Resilience

## Improved gross margin

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Improved utilisation %

Globalised technical resource footprint

## Efficient cost base

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Delivering c.£5m efficiencies in Cyber Security in FY24 (annualised c. £10m from FY25)

Annualising Software Resilience efficiencies delivered in FY23

## Balance sheet resilience

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Strong cash conversion

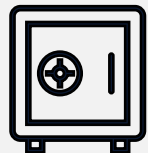
Reducing Debt

Maintaining Dividend



## Cyber Security - KPIs

- Headcount
- Number of clients >£0.25m
- Number of long-term (>3 years) clients >£0.25m
- % of clients using multiple capabilities
- Utilisation



## Software Resilience - KPIs

- Headcount
- Client retention rate
- Number of clients

Beyond the financial metrics that we report, we are also revising the strategic metrics that we track to ensure greater alignment with the *Next Chapter* strategy



# Summary



# Strategy update

Mike Maddison  
CEO



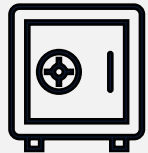


## Our businesses



### Cyber Security

Protecting companies against an evolving spectrum of cyber threats



### Software Resilience

Protecting the development, supply and use of business-critical technology and software applications

## Our strategy

### Our clients

Deeper client engagement on the most pressing cyber security needs

### Our capabilities

Broader service portfolio addressing the full cyber security lifecycle

### Global delivery

Transitioning from an international to a fully global business

### Brands

Distinct and relevant brands for Cyber Security and Software Resilience

## Our ambition

### Medium term:

#### Cyber Security

- Mid-teens revenue growth
- Mid-teens adjusted EBIT margin

#### Software Resilience

- Consistent low single-digit revenue growth
- Maintain global market leadership in Software Resilience

## Our clients

## Our capabilities

## Global delivery

## Differentiated brands

### What we said we would do:

- Focus on the fastest growing sectors
- Property portfolio aligned to support our clients and market propositions
- Diversify routes to market and build an alliance eco system

### What we have done:

- Aligned UK market verticals to focus on key sectors
- Invested in Cheltenham and New York offices to reflect business and colleague needs
- Achieved Microsoft verified Managed Extended Detection and Response (MXDR) solution status and signed global partnership with Splunk enabling better pricing for clients

Our clients

**Our capabilities**

Global delivery

Differentiated brands

## What we said we would do:

In our Cyber Security business:

- Continue to invest in core Technical Assurance Services (TAS)
- Maintain high-quality Incident Response services
- Further develop Managed Services (MS), increasing annual recurring revenues
- Build an additional Consulting & Implementation services proposition (C&I)

## What we have done:

- Invested in cyber leadership with recognised deep industry experience:
  - Hired global Chief Operating Officer Kevin Brown to lead our cyber security business
  - Hired global Chief Technology Officer Siân John to drive our innovation, insight and intelligence agenda
- Announced as one of the first six providers for the UK NCSC's new Level 2 Cyber Incident Response scheme



## Our clients

## Our capabilities

## Global delivery

## Differentiated brands

### What we said we would do:

- Implement global resourcing and scheduling
- Set up teams to learn, think and act globally
- Select from a shortlist of locations for a delivery and operations centre with implementation in FY24

### What we have done:

- Launched Kantata scheduling system in the US as a precursor to a global rollout
- Restructured global delivery functions, and appointed leaders for each of the four capabilities
- Launched our new global and delivery operations centre in Manila...

“

As the former leader of our Sales Operations and Client Experience team in the APAC region, I'm delighted to be leading our new global delivery and operations centre in Manila. It's a blueprint for the future that is both colleague and client centric, while being considerate to the environment and our local community.



**Saira Acuna**  
Country Manager

- State of the art building – placing wellbeing and climate action at the heart of its proposition
- Membership of the IT Business Process Association of the Philippines
- University partnerships promoting our investment in future talent
- First colleagues onboarded and preparing to go live
- First client contracts signed, which wouldn't have previously been achievable



Our clients

Our capabilities

Global delivery

**Differentiated brands**

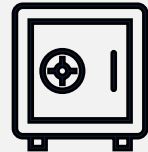
## What we said we would do:

Develop differentiated, stand-out brands for Cyber Security and Software Resilience



### **Cyber Security**

Protecting companies against an evolving spectrum of cyber threats



### **Software Resilience**

Protecting the development, supply and use of business-critical technology and software applications

## What we have done:

- New distinct brand for our Software Resilience business will roll out early in 2024...



## Our clients

## Our capabilities

## Global delivery

## Differentiated brands

### What we said we would do:

- Explore strategic review of Software Resilience
- Return Software Resilience to low single-digit revenue growth
- Reduce operational costs and drive greater efficiency to unlock potential

### What we have done:

- Enacted price uplifts for existing business and new business in adjacent services
- Harmonised processes and systems to drive efficiency, effectiveness and reduce costs
- Preparing to expand sales penetration in the US, Australia and critical infrastructure
- Stopped the strategic review to be revisited later this year

# Summary and outlook

Mike Maddison  
CEO





# We will continue to deliver our *Next Chapter* strategy

- We've delivered foundational components of strategic change with more to come
- Current trading in line with expectations
- FY24 revenue and adjusted EBIT expectations remain the same
- Our ambition over the medium term remains the same:
  - Cyber Security: mid-teens revenue growth and mid-teens adjusted EBIT growth
  - Software Resilience: consistent low single-digit revenue growth and maintain global market leadership



Questions



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