

21 September 2017

NCC Group plc

Trading update

- Trading in line with Board's expectations
- Continuing revenues increased by 5.6% to £62.7m during the period (Q1 2017: £59.4m)
- Disposal of the Web Performance and Software Testing businesses are underway
- Target Operating Model implementation continues on track

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), the independent global cyber security and risk mitigation expert, is today publishing a trading update covering the 3 month period from 1 June 2017 to 31 August 2017 ('the Quarter', 'Q1') ahead of its Annual General Meeting.

The Group continues to trade in line with the Board's expectations for the full year Adjusted EBIT⁽¹⁾, as set out on 18 July 2017 in the Preliminary Results for the year ended 31 May 2017.

Operational highlights

Continuing revenue increased by 5.6% to £62.7m (Q1 2017: £59.4m) during the period. The components of growth for each division are set out in the table below:

	Q1 2017 £m	FX ⁽²⁾ £m	Acquisitions ⁽³⁾ £m	Organic £m	Q1 2018 £m	All Growth £m / %
Escrow	8.4	0.1	-	0.5	9.0	0.6 / +7.1%
Assurance	51.0	0.6	2.9	(0.8)	53.7	2.7 / +5.3%
Continuing revenue	59.4	0.7	2.9	(0.3)	62.7	3.3 / +5.6%
Domain Services ⁽⁴⁾	1.1	-	(1.1)	-	-	(1.1) / N/A
Group total	60.5	0.7	1.8	(0.3)	62.7	2.2 / +3.6%

Escrow revenue comparison benefitted from a one-off change in revenue recognition as noted at end of last year. Excluding this benefit, Escrow growth of 2.4% was in line with expectations.

In Assurance, the businesses in the UK, USA, Netherlands and Denmark which have long-term strategic importance, all delivered strong double digit organic growth. This included a partial recovery in High Assurance revenues in Fox-IT. The Assurance result also reflected the sharp fall in sales of third party products in the period (approximately £6.0m) in our UK Managed Security Services business ('MSS' - formerly known as Accumuli). We are re-balancing this business away from single transaction re-selling of third party products towards more strategic and higher value added sales and hence little or no recovery is targeted here while the potential for further falls is also limited.

Overhead costs increased in line with expectations. We recently completed the move of our IT infrastructure and almost 400 colleagues into our new head office in Manchester. Net debt remains in line with expectations.

Strategic Plan update

The disposals of the Web Performance and Software Testing businesses are underway and proceeding in line with the Board's expectations. Between them Q1 revenues were slightly ahead of Q4 in the prior year.

The implementation of the new Target Operating Model continues on track. We have also made good progress in revising our sales and incentive structures, with the goal of securing larger, more integrated and higher valued added revenues across our portfolio of Assurance services.

Brian Tenner, Interim Chief Executive, comments:

"We have made a solid start to the new financial year. Results are in line with the Board's expectations and the implementation of the Strategic Plan is gathering momentum with a number of new initiatives underway. These are being closely managed and monitored to ensure we achieve the target benefits.

"Our underlying markets remain buoyant. We continue to deliver growth while also re-positioning the business to focus on areas that leverage our key strengths and increase margins, through growth in higher value added services."

The Group expects to report its half-year results, for the six months to 30 November 2017 on Tuesday, 16 January 2018.

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- (1) 'Adjusted' items exclude exceptional items, the results of the now closed Domain Services business, share based payments, unwinding of discounts on deferred consideration and amortization of acquired intangible assets.
- (2) FX impact retranslates the prior year reported figures at the current year weighted average exchange rates
- (3) Acquisitions reflect the purchase of PSC and VSR in the second half of the prior year
- (4) The Domain Services business unit was exited in the prior year and revenue ceased entirely in December 2016.

NCC Group

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