

Full Year Results

for the year ended 31 May 2020

3 September 2020

Overview

Adam Palser

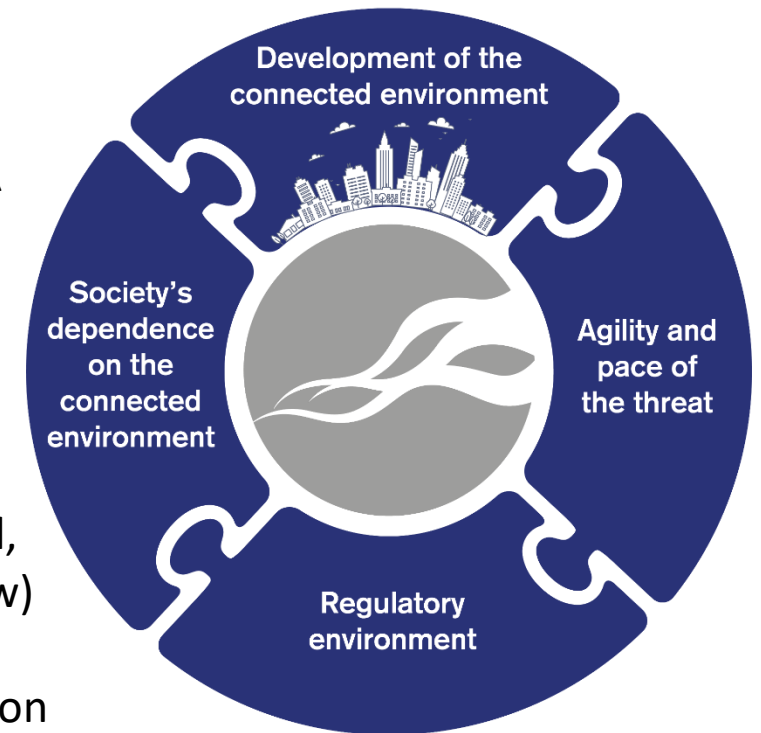
Cyber and software resilience more relevant than ever

❖ Excellent long-term market growth prospects

- Cyber Resilience is more important than ever in a Covid-19 world
- Global online security breaches continue to rise at greater than 20% CAGR
- Software supply-chain resilience (both on-premise and cloud) is vital

❖ NCC is a growing and resilient company

- Recurring high margin revenues and sustainable cash flows from Managed, Detection & Response (“MDR”) and Software Resilience (previously Escrow)
- Quality customer base with ability to pay and the need to protect reputation
- Positioned to thrive as the leading provider of cyber resilience services



Market growth drivers

Resilient through these uncertain times

❖ **Covid-19 continues to disrupt the market:**

- Remote working and acceleration of cloud adoption have increased cyber risk
- Demand for shorter term engagements has temporarily decreased owing to financial and logistical challenges for our customers
- Short-term de-prioritisation of cyber risk in some customer segments is building up a “compliance debt” that is expected to create further demand as the economy normalises

❖ **Our growth opportunity remains strong and we are well-placed to thrive in the future**

- We have not furloughed employees and have acted to preserve our technical capacity and capability for the bounce back
- Selectively investing to enhance our proposition to our customers
- Strengthened our balance sheet through disciplined cash management which positions us to exploit further opportunities in the future

FY 2020 summary overview¹

Resilient FY 2020 trading

- ❖ Outstanding MDR performance (YoY 13.7% growth)
- ❖ Software Resilience H2 2020 YoY flat over H2 2019

Covid-19 impact

- ❖ Encouraged by the way we have weathered the initial impact of Covid-19
- ❖ Estimated £15m² impact in FY 2020 of sales order delivery
- ❖ Preserving our technical capacity and capability to meet future demand
- ❖ We expect further uncertainty in demand through FY 2021

Strong balance sheet

- ❖ Strong balance sheet – high cash conversion ratio³ maintained at 108.7%⁴
- ❖ FY 2020 net debt⁵ reduced to £4.2m
- ❖ Financial flexibility to fund growth

Outlook

- ❖ FY 2021 broad range of outcomes dependent on timing of our customer buying patterns returning to normal
- ❖ Medium term outlook remains double digit growth in Assurance and sustainable growth in Software Resilience
- ❖ Given the confidence we have in our continued profitability and cash generation we are recommending an unchanged final dividend

Financial Review

Tim Kowalski
CFO

Financial summary¹

Continued growth, a strong balance sheet and well-placed to thrive in the future

Revenue

£263.7m

+5.2%

FY 2019: £250.7m

Gross Profit

£104.4m

+2.6%

FY 2019: 101.8m

Gross Margin %

39.6%

-1.0ppts

FY 2019: 40.6%

Covid-19 sales order delivery impact²

estimated **£15m**

FY 2019: £nil

EBIT³

£31.1m

-7.7%

FY 2019: £33.7m

EBIT Margin %

11.8%

-1.6ppts

FY 2019: 13.4%

Cash conversion ratio^{4 5}

108.7%

-0.9ppts

FY 2019: 109.6%

Free Cash Flow⁷

£28.6m

-6.8%

FY 2019: £30.7m

Net Debt⁶

£4.2m

-79.2%

FY 2019: £20.2m

Notations are all collated on page 32 of this presentation

Financial performance - Group income statement

Being resilient and profitable

Pre-IFRS 16	FY 2020 £m	FY 2019 £m	% change
Revenue	263.7	250.7	5.2%
Gross Profit	104.4	101.8	2.6%
Gross margin %	39.6%	40.6%	(1.0) pts
Overheads	(73.3)	(68.1)	7.6%
Adjusted EBIT	31.1	33.7	(7.7)%
Adj EBIT margin %	11.8%	13.4%	(1.6) pts
Adjusting items	(10.2)	(14.2)	28.2%
Statutory EBIT	20.9	19.5	7.2%
Statutory profit for the year	14.1	13.5	4.4%
Adjusted basic EPS (pence)	8.1p	9.2p	(12.0)%
Statutory basic EPS (pence)	5.1p	4.9p	4.1%

Adjusted EBIT (£m)	Segment adjusted EBIT Spilt		
	Assurance	Software Resilience	Corporate
FY 2020 31.1	22.0	17.9	(8.8)
FY 2019 33.7	22.6	19.0	(7.9)

Revenue

- ❖ Continued revenue growth despite Covid-19 impact

Gross profit/margin

- ❖ Investment in sales and technical capacity coupled with retention strategy to meet the strong demand beyond the current disruption

Overheads

- ❖ Like for Like¹ overheads of £69.2m well controlled and 1.6% higher year on year (“YoY”)
- ❖ Further increases of £3.3m relate to SGT systems going live; and
- ❖ Onerous property costs above the line of £0.8m (post Covid-19); FY2019 £0.6m was included as an ISI

Other items

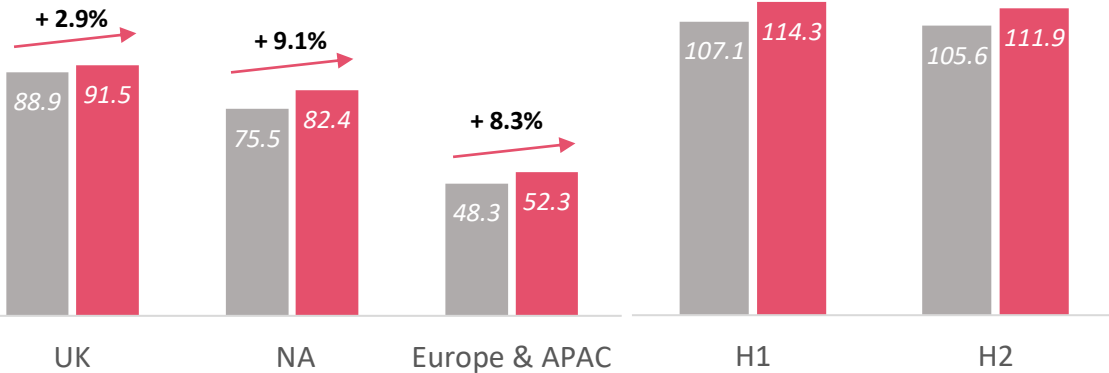
- ❖ IFRS-16 conversion implemented, simplified P&L (no adjustments) going forward
- ❖ No Individually Significant Items (“ISIs”) in FY 2020
- ❖ Constant currency² adversely impacts % change of revenue (-1.1 pts) and adjusted EBIT (-1.4 pts)

Financial performance - Assurance

Global portfolio demonstrating resilience to Covid-19

FY 2020 revenue by region (£m's)

■ FY 2019 (£m) ■ FY 2020 (£m)



FY 2020 revenue by reporting period (£m's)



	FY 2020 (£m)	FY 2019 (£m)	% change
Revenue	226.2	212.7	6.3%
Gross Profit	76.9	73.5	4.6%
Gross Margin %	34.0%	34.6%	(0.6) ppts
Adjusted EBIT	22.0	22.6	(2.7)%
Adjusted EBIT Margin %	9.7%	10.6%	(0.9) ppts

Revenue

- ❖ Growth in performance despite c.£15m Covid-19 impact:
 - UK: flat H2 2020 with the most significant H2 impact from Covid-19
 - North America ("NA"): delayed impact from Covid-19; large technology sector focus provides further resilience
 - Europe & APAC: resilient managed services and high-assurance business

Profitability

- ❖ GM% margin declined by 0.6ppts as we position for growth with investment in technical and sales colleagues
- ❖ Utilisation in technical consulting globally at 71.2% (down from 78.1% at H1 2020) as we preserve our technical capacity
- ❖ Additional overheads includes marketing and support costs

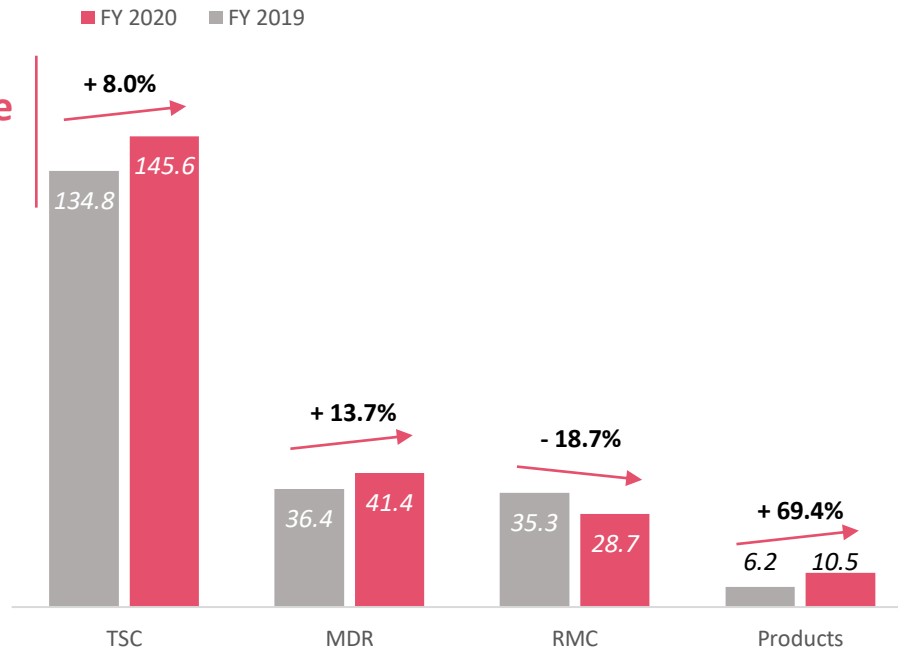
Financial performance - Assurance

Broadening and strengthening around our “diamond-core” of technical consulting

Assurance revenue by the Group:

£226.2m
+6.3%

Assurance revenue by service line:



Notations are all collated on page 32 of this presentation

Technical Security Consulting (“TSC”)

- ❖ Resilient growth supported by global resourcing with varied timing of Covid-19 impact felt across geographies
- ❖ Average Order Value increased by 16.9% compared to FY 2019

Managed, Detection & Response (“MDR”)

- ❖ Focussed strategic growth area for the Group improving our scalability
- ❖ Longer duration contracts provide greater predictability and larger order value
- ❖ Rising technology complexity, increasing threats and expertise requirements driving the demand
- ❖ Sales orders growth of 24.2% in FY 2020 to £62.0m (FY 2019: £49.9m)

Risk Management Consulting (“RMC”)

- ❖ Revenue decrease across all geographies
- ❖ Simplifying route to market under a global professional services business coordinated with TSC
- ❖ Clarity of proposition and simplified offer to return this service to growth

Products

- ❖ Over 60% of product sales relates to high-assurance products in Europe & APAC

Financial performance – Software Resilience

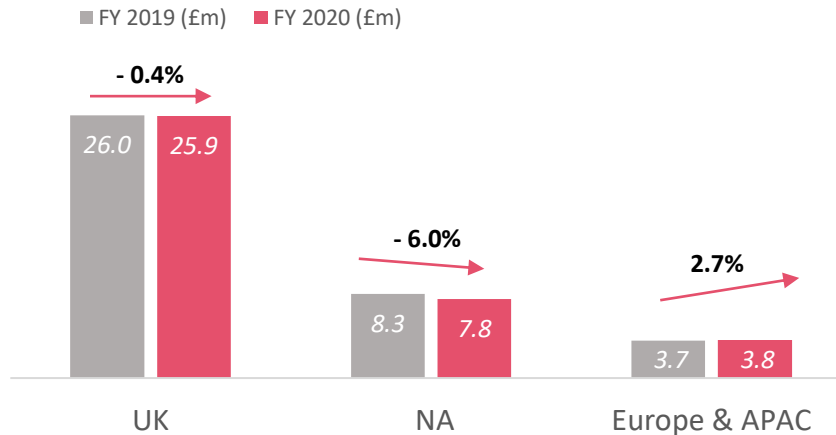
Recurring high margin revenue and cashflow

Software Resilience revenue by the Group

£37.5m

-1.3%

FY 2020 revenue by region (£m's)



	FY 2020 (£m)	FY 2019 (£m)	% change
Revenue	37.5	38.0	(1.3)%
Gross Profit	27.5	28.3	(2.8)%
Gross Margin %	73.3%	74.5%	(1.2)ppts
Adjusted EBIT	17.9	19.0	(5.8)%
Adjusted EBIT Margin %	47.7%	50.0%	(2.3)ppts

Notations are all collated on page 32 of this presentation

Revenue

- ❖ Globally H2 2020 momentum with YoY flat to H2 2019:
 - UK growth in H2 2020 YoY of 2.3%; the largest element of our business underpinning return to sustainable growth
 - NA lower due to impact of decreased verification revenues (£0.3m due to Covid-19 and £0.3m of FY 2019 specific insolvency project work)
 - Europe & APAC as new market continuing to grow
- ❖ Renewal rates at 87.0% (FY 2019: 89.6%) remain within our expected range

Profitability

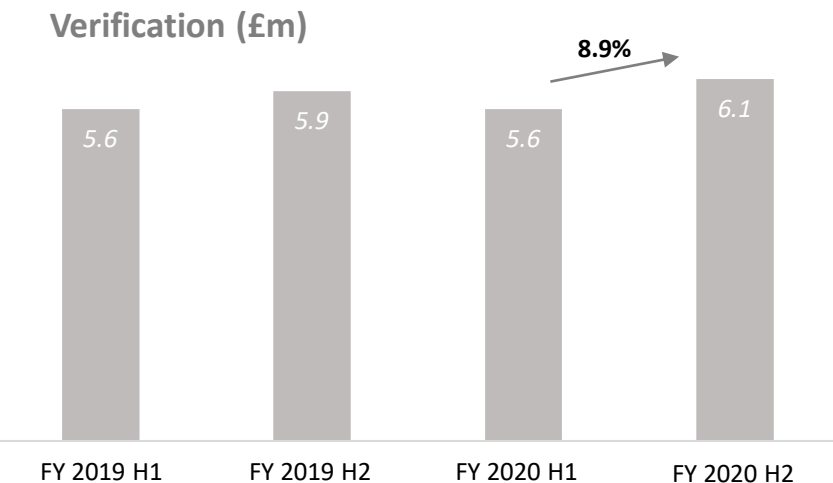
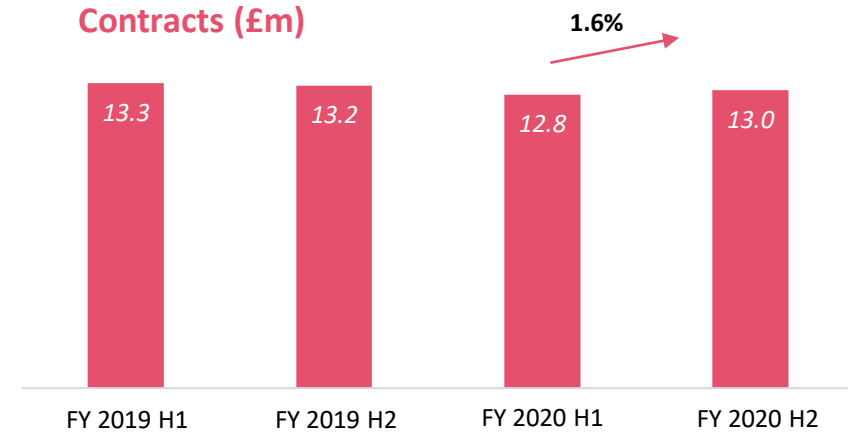
- ❖ Increased investments in sales, operational management and channel
- ❖ Additional capacity for verification testing as talent retained

Other

- ❖ Formal launch of partner program to ISV segment
- ❖ Azure co-developed digital vault launched enabling rapid globally compliant escrow of multi-jurisdiction data
- ❖ Sales leadership investment in North America

Financial performance – Software Resilience

H2 revenues of £19.1m flat compared to prior year



Notations are all collated on page 32 of this presentation

Contracts

- ❖ Covid-19 had a negligible impact of c.£0.1m on contracts
- ❖ Stabilised contract revenue base as H2 2020 grew 1.6% on H1 2020

Verification

- ❖ Verification continuing to grow (1.7% YoY) to £11.7m despite lower volume in North America
- ❖ Significant verification revenue under contract

Escrow as a Service (“EaaS”) (subset within Contract and Verification)

- ❖ EaaS gaining momentum
- ❖ Strong traction across EaaS, with high profile client wins and approx. £1.2m in sales orders taken; strong pipeline
- ❖ EaaS net revenues are £0.5m for the full year after approx. £0.2m net revenue in H1 2020
- ❖ Notable wins include:



Financial performance – Cash

Strong cash discipline with net debt at £4.2m¹

	FY 2020 (£m)	FY 2019 (£m)
Cash flow before working capital	40.2	41.3
Movement in working capital	8.0	6.6
Operating cash pre interest / tax	48.2	47.9
Interest and tax	(6.4)	(8.1)
Net cash from operations	41.8	39.8
Net capital expenditure	(13.2)	(9.1)
Free cash flow	28.6	30.7
Dividends	(12.9)	(12.9)
Other investing and financing activities	1.1	(8.8)
Net movement	16.8	9.0
FX	(0.6)	(1.4)
Non cash movements (release of deferred issue costs)	(0.2)	-
Change in net debt	16.0	7.6
Opening net debt	(20.2)	(27.8)
Closing net debt	(4.2)	(20.2)
Cash	95.0	34.9
Borrowings	(99.2)	(55.1)
Closing net debt	(4.2)	(20.2)

Notations are all collated on page 32 of this presentation

Net debt and cash conversion

- ❖ £4.2m net debt position includes £4.6m² benefit of certain government tax deferral programmes
- ❖ High 108.7% conversion excluding tax deferral programmes (117.0% inclusive). Expected to normalise and is targeted at c.85% over the medium term
- ❖ RCF drawdown for maximum cash flexibility; no impact on net debt

Free cash flow

- ❖ Net cash from operations of £41.8m (5.0% YoY increase) further to disciplined working capital management and lower tax paid
- ❖ Group free cash flow FY 2020 decreased to £28.6m as a result of the SGT capital expenditure
- ❖ Overall SGT project implementation cost of c.£23m with ongoing annual increase in system related expenses of c.£3.5m

Capital allocation

- ❖ Dividend of £12.9m paid in the year in line with policy
- ❖ Recommend of an unchanged final dividend of 3.15p
- ❖ Balance sheet strength to fund growth

Strategy

Adam Palser
CEO

NCC Group – Delivering value to all our stakeholders



Securing Growth Together: Our transformation continues

Despite Covid-19 disruption we see progress of the firm through Securing Growth Together (SGT):

Develop our People

Group Headcount growth

5.8% 

+0.5ppts FY 2019: 5.3%

Technical attrition rate

14.4% 

-6.7ppts FY 2019: 21.1%

Global voluntary attrition rate

15.4% 

-3.5ppts FY 2019: 18.9%

Best Companies

One to Watch

Lead the Market

Research days

3,300 

+555 days FY 2019: 2,745

Tier 1 talks/papers

76 

+30 FY 2019: 46

Win Business

Orders over £250k

144 

+57 orders FY 2019: 87

EaaS orders

£1.2m 

+£1.0m FY 2019: £0.2m

Deliver Excellence

NPS

50 

FY 2019: n/a

Technical specialists

+91 

+ 9.4% increase to FY 2019

Support Growth

Covid-19 sales order delivery impact

Estimated

£15m

FY 2019: n/a

Adjusted Ebit %

11.8%

-1.6ppts FY 2019: 13.4%

“Survive & Thrive”: our Covid-19 response

❖ Our 5 Key themes to underpin capacity, capability and maintaining our strong balance sheet

- 1 Anticipate & Measure:** Plan for different outcomes and track KPIs to inform our decision-making
- 2 Be Resilient:** Ensure the safety of our colleagues and customers; maintaining continuous operations
- 3 Stay profitable:** Proactively sell remote services; careful control of cost and cash
- 4 Exploit the downtime:** Strengthen the firm every day through research and development
- 5 Prepare for the bounce back:** Preserve capability and capacity; investing selectively for the future

Well placed to take advantage of market growth

❖ Our new systems enables us to move seamlessly to remote working

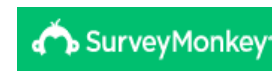
❖ Our global approach allows us to better serve our customers (eg. Firebase providing remote access)

❖ Our client base remains robust we have **65 Fortune 500** (52 in FY 2019) and **89 FTSE 350** (82 in FY 2019) clients

NPS of 50 and notable tech client work ...



...and more



❖ Sales orders¹ grew to £294.3m from £238.6m in FY 2019 for the Group

❖ Underlying strength of recurring revenues and cashflows of MDR and Software Resilience

Looking to the future: preparing to thrive post Covid-19

Portfolio

Broaden and strengthen our portfolio becoming a one-stop shop for services, including:

- ❖ Security Improvement & Remediation services launched
- ❖ Scaling up MDR
- ❖ Accelerating EaaS adoption

Market

Optimise our route to market so that we can deliver a full spectrum of services to all customers around the world

- ❖ Delivering our full portfolio in every territory
- ❖ Routes-to-market broadened via channel partners for Software Resilience

People

Embed our values and culture to grow our leading pool of technical expertise

- ❖ Inclusive and diverse
- ❖ Global hub for cyber talent
- ❖ Promoting leadership and talent development

Systems

Refining our new systems to **improve efficiency** and user experience

Summary and outlook

Adam Palser
CEO

FY 2021 current performance

- ❖ Q1 2021 trading ahead of a soft prior year comparator
 - Assurance boosted by exceptional M&A support engagements
 - Escrow flat YoY
- ❖ Short-term environment remains challenging and underlying demand has still not recovered to pre-pandemic levels
 - Parts of our customer base have been impacted by uncertainty, financial pressures or logistical issues
 - Observed procurement cycles lengthen and become less predictable
 - Significant delays and postponements from more affected sectors such as Leisure and Entertainment
- ❖ We remain resilient, profitable and cash generative

Summary and outlook

Summary

- ❖ Our transformation continues and we are successfully navigating Covid-19 disruption
- ❖ Our full year performance demonstrates our resilience and presents a strong platform for future growth
- ❖ Strength of recurring business in Assurance with growth of MDR and with Software Resilience flat in H2 2020

Thriving through uncertainty

- ❖ Cyber resilience and services more relevant than ever with excellent long term prospects
- ❖ We retain our shape to be poised for growth
- ❖ Maintaining a strong and flexible balance sheet to allow us to fund future growth in due course

Outlook

- ❖ FY 2021 broad range of outcomes dependent on timing of our customer buying patterns returning to normal
- ❖ Medium term outlook remains double digit growth in Assurance and sustainable growth in Software Resilience
- ❖ Given the confidence we have in our continued profitability and cash generation we are recommending an unchanged final dividend

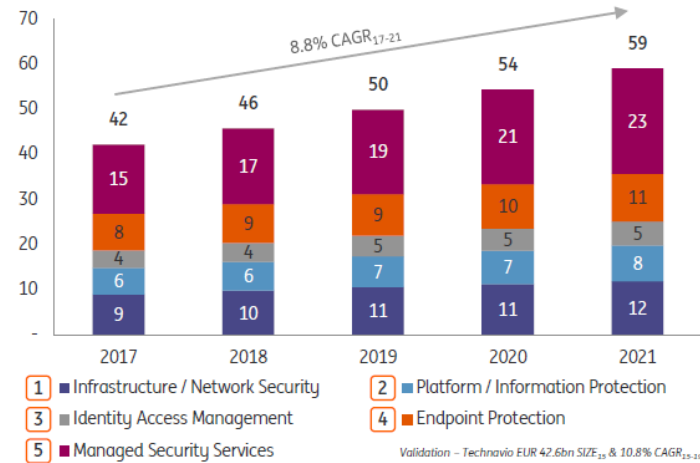
Q & A

Appendices

Cyber resilience market

Overall

Cybersecurity market outlook (EURbn)¹



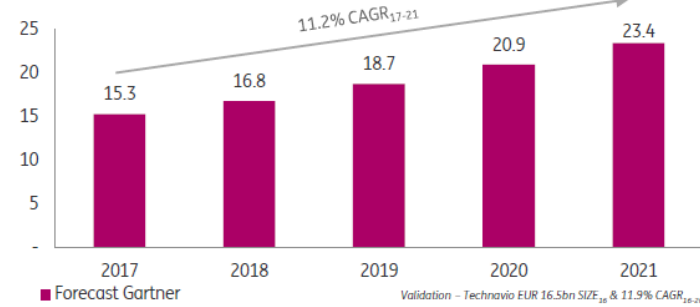
- 1 Infrastructure / Network Security
- 2 Platform / Information Protection
- 3 Identity Access Management
- 4 Endpoint Protection
- 5 Managed Security Services

The cybersecurity market was valued at USD 161.07 billion in 2019, and it is expected to reach USD 363.05 billion by 2025, registering a CAGR of 14.5% during 2020-2025. The trends for IoT, BYOD, AI, and machine learning in cybersecurity are increasing. For instance, machine learning provides advantages in outlier detection, much to the benefit of cybersecurity.

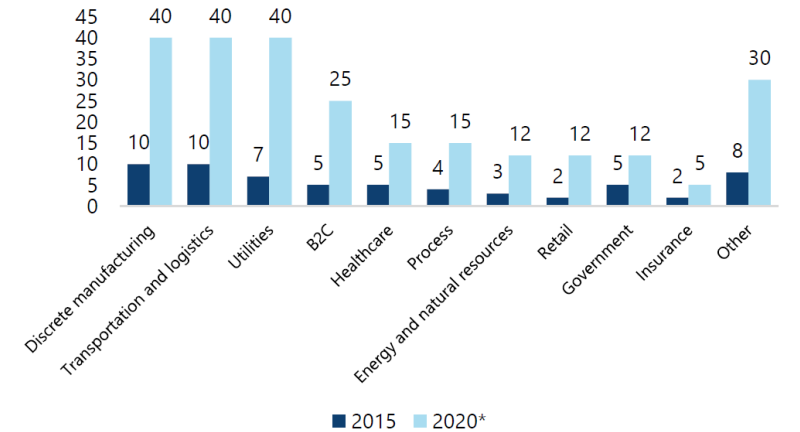
Source: Mordor Intelligence
<https://www.mordorintelligence.com/industry-reports/cyber-security-market>

Managed Services

Market outlook (EURbn)¹

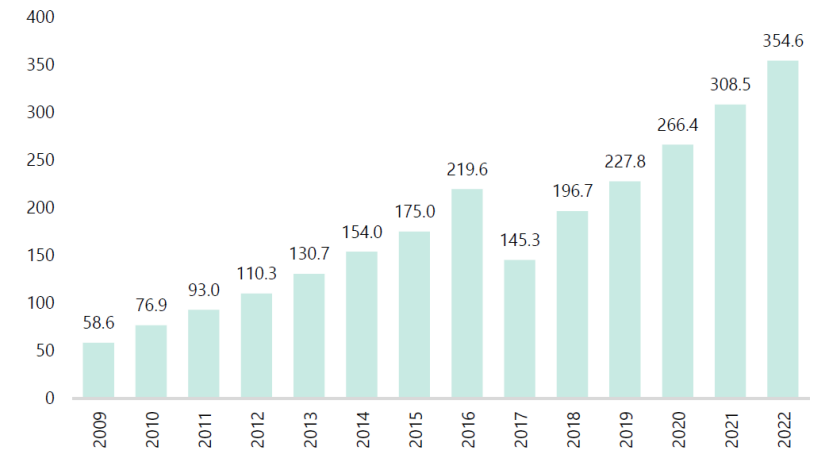


Global spending on Internet of Things by vertical, 2015 and 2020 (USD\$bn)



Source: BCG, IDC, Statista

Global public cloud computing services market size, 2009-2022 (USD\$bn)



Source: Gartner, Statista

Financial performance - FY 2020 income statement

Table below provides a reconciliation between Pre-IFRS16 income statement on both an adjusted and statutory basis

	Adjusted P&L Pre-IFRS 16	- Adjusting items	Statutory P&L Pre IFRS 16	IFRS 16 impact	Statutory P&L IFRS 16	Adjusting items	Adjusted P&L IFRS 16
Revenue	263.7	-	263.7	-	263.7	-	263.7
Cost of sales	(159.3)	-	(159.3)	-	(159.3)	-	(159.3)
Gross profit	104.4	-	104.4	-	104.4	-	104.4
Depreciation and amortisation	(10.1)	(8.8)	(18.9)	(6.0)	(24.9)	8.8	(16.1)
Administration expenses	(63.2)	(1.4)	(64.6)	4.2	(60.4)	1.4	(59.0)
Total administrative expenses	(73.3)	(10.2)	(83.5)	(1.8)	(85.3)	10.2	(75.1)
Operating profit	31.1	(10.2)	20.9	(1.8)	19.1	10.2	29.3
Net finance costs	(1.8)	-	(1.8)	(1.2)	(3.0)	-	(3.0)
Profit before taxation	29.3	(10.2)	19.1	(3.0)	16.1	10.2	26.3
Taxation	(6.9)	1.9	(5.0)	0.6	(4.4)	(1.9)	(6.3)
Profit for the year attributable to the owners of the Company	22.4	(8.3)	14.1	(2.4)	11.7	8.3	20.0
Basic EPS	8.1p	(3.0p)	5.1p	(0.9p)	4.2p	3.0p	7.2p
Diluted EPS	8.0p	(3.0p)	5.0p	(0.8p)	4.2p	2.9p	7.1p
Memo:							
EBITDA	41.2	(1.4)	39.8	4.2	44.0	1.4	45.4

Financial performance - Income statement (Pre-IFRS16)

	2020			2019		
	Adjusted £m	Adjusting items £m	Statutory £m	Adjusted £m	Adjusting items £m	Statutory £m
Continuing operations						
Revenue	263.7	–	263.7	250.7	–	250.7
Cost of sales	(159.3)	–	(159.3)	(148.9)	–	(148.9)
Gross profit	104.4	–	104.4	101.8	–	101.8
Depreciation and amortisation	(10.1)	(8.8)	(18.9)	(10.0)	(9.0)	(19.0)
Administration expenses	(63.2)	(1.4)	(64.6)	(58.1)	(5.2)	(63.3)
Total administrative expenses	(73.3)	(10.2)	(83.5)	(68.1)	(14.2)	(82.3)
Operating profit	31.1	(10.2)	20.9	33.7	(14.2)	19.5
Net finance costs	(1.8)	-	(1.8)	(1.7)	–	(1.7)
Profit before taxation	29.3	(10.2)	19.1	32.0	(14.2)	17.8
Taxation	(6.9)	1.9	(5.0)	(6.5)	2.2	(4.3)
Profit for the year attributable to the owners of the Company	22.4	(8.3)	14.1	25.5	(12.0)	13.5
Earnings per share						
Basic EPS			5.1p			4.9p
Diluted EPS			5.0p			4.8p

Financial performance – cash (IFRS 16)

Consolidated cash flow statement

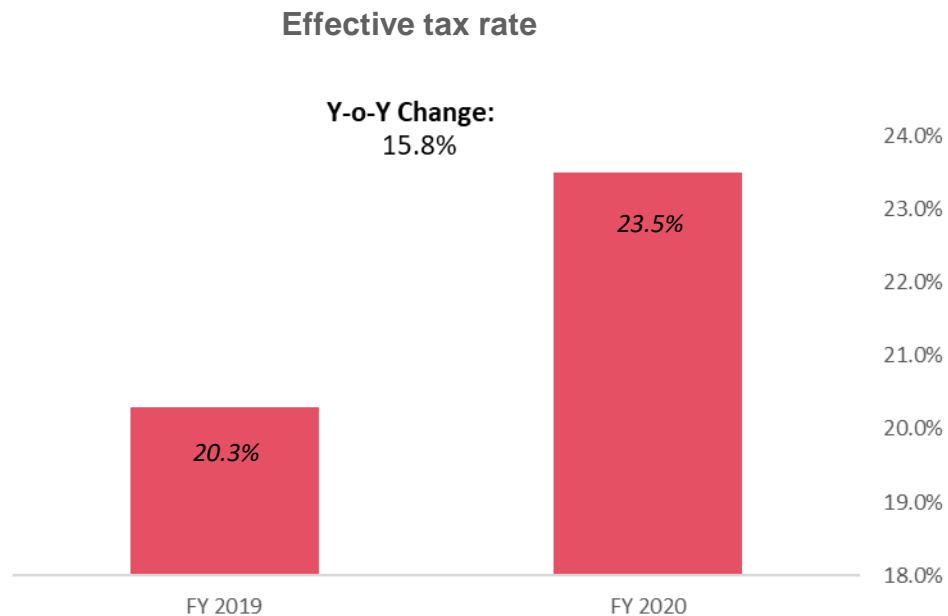
For the year ended 31 May 2020

	FY 2020	FY 2019
	£m	£m
Profit for the year	11.7	13.5
Adjustments for:		
Depreciation of property, plant and equipment	5.8	5.6
Depreciation of right of use assets	6.0	-
Share-based payments	1.4	1.7
Amortisation of acquired intangible assets	8.8	9.0
Amortisation of internally developed intangible assets and software	4.4	4.4
Impairment of right of use assets	1.1	-
Net other financing costs	1.8	1.7
Lease financing costs	1.2	-
Foreign exchange	-	0.2
Individually Significant Items (non-cash impact)	-	3.6
Profit on disposal of investments	-	(0.1)
Profit on disposal of ROU assets	(0.1)	-
Loss on sale of plant and equipment	-	0.2
Research and development tax credits	(0.6)	(0.3)
Income tax expense	4.4	4.3
Decrease in provisions	0.8	(2.5)
Cash inflow for the year before changes in working capital	46.7	41.3
(Increase)/decrease in trade and other receivables	(11.0)	6.0
(Increase)/decrease in inventories	(0.2)	0.1
Increase in trade and other payables	19.2	0.5
Cash generated from operating activities before interest and taxation	54.7	47.9
Interest paid	(2.8)	(1.7)
Taxation paid	(4.8)	(6.4)
Net cash generated from operating activities	47.1	39.8

	FY 2020	FY 2019
	£m	£m
Net cash generated from operating activities	47.1	39.8
Cash flows from investing activities		
Purchase of property, plant and equipment	(2.8)	(3.0)
Software and development expenditure	(10.4)	(6.1)
Acquisition of businesses	-	(10.9)
Net proceeds from sale of subsidiaries and investments	-	1.8
Net cash used in investing activities	(13.2)	(18.2)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	1.1	0.3
Drawdown of borrowings	44.3	13.0
Repayment of lease liabilities	(5.3)	(8.6)
Transaction costs related to borrowings	(1.0)	-
Equity dividends paid	(12.9)	(12.9)
Net cash used for financing activities	26.2	(8.2)
Net (decrease)/increase in cash and cash equivalents	60.1	13.4
Cash and cash equivalents at beginning of period	34.9	21.2
Effect of foreign currency exchange rate changes	-	0.3
Cash and cash equivalents at end of year	95.0	34.9
	2020	2019 ²
	£m	£m
Net (decrease)/increase in cash and cash equivalents	60.1	13.4
Change in net debt resulting from cash flows	-	(4.4)
Loan drawdown (net of costs)	(43.3)	-
Effect of foreign currency on cash flows	-	0.3
Non-cash movements (release of deferred issue costs)	(0.2)	-
Foreign currency translation differences on borrowings	(0.6)	(1.7)
Change in net debt during the year	16.0	7.6
Net debt at start of year (Pre IFRS 16)	(20.2)	(27.8)
Net debt at end of year (Pre IFRS 16)	(4.2)	(20.2)
Lease liabilities	(38.2)	
Net debt at end of year (IFRS 16)	(42.4)	

Financial performance - statutory balance sheet (IFRS 16)

	FY 2020 £m	FY 2019 £m
Non-current assets		
Goodwill	193.1	189.4
Other intangible assets	39.2	41.8
Property, plant and equipment	13.9	16.9
Right-of-use assets	28.7	-
Investments	0.3	0.3
Deferred tax assets	0.5	1.1
Total non-current assets	275.7	249.5
Current assets		
Inventories	0.9	0.7
Trade and other receivables	73.2	61.6
Current tax receivable	0.6	0.6
Cash and cash equivalents	95.0	34.9
Total current assets	169.7	97.8
Total assets	445.4	347.3
Current liabilities		
Trade and other payables	46.4	31.6
Borrowings	-	5.0
Lease liabilities	5.3	-
Current tax payable	-	-
Provisions	2.0	2.7
Contract liabilities	39.5	36.2
Total current liabilities	93.2	75.5
Non-current liabilities		
Borrowings	99.2	50.1
Lease liabilities	32.9	-
Deferred tax liability	2.9	5.4
Provisions	1.7	5.5
Contract liabilities	1.4	-
Total non-current liabilities	138.1	61.0
Total liabilities	231.3	136.5
Net assets	214.1	210.8
Equity		
Issued capital	2.8	2.8
Share premium	150.9	149.8
Merger reserve	42.3	42.3
Currency translation reserve	31.9	27.9
Retained earnings	(13.8)	(12.0)
Total equity attributable to equity holders of the parent	214.1	210.8



Tax

- ❖ Adjusted effective tax rate attributable to continuing operations is 23.5% (FY 2019: 20.3%)
- ❖ Movement in the adjusted effective tax rate increase reflects more conservative R&D tax credit profile the Group has recognised an additional provision of £0.8m against a deferred tax asset in relation to US R&D tax credits
- ❖ Rate remains above UK standard rate (19%) reflecting origin of Group profits in overseas territories with high rates of tax than the UK, for example: North America combined Federal and State rate equates to c.29%

Dividends

- ❖ Given the confidence we have in our continued profitability and cash generation we are recommending an unchanged final dividend

Financial performance - Income statement - constant currency (Pre-IFRS 16)

Group - at constant currency (FY20 actual rates)	2020 (£m)	2019 (£m)	Variance %
Revenue	263.7	253.3	4.1%
Cost of Sales	(159.3)	(150.5)	5.8%
Gross profit	104.4	102.8	1.6%
Overheads	(62.8)	(58.5)	7.3%
Depreciation & amortisation	(10.1)	(10.1)	0%
Adjusted EBIT	31.1	34.2	(9.1)%

Assurance – revenue	2020 (£m)	2019 (£m)	Variance %
UK	91.5	88.9	2.9%
North America	82.4	77.6	6.2%
Europe & APAC	52.3	48.5	7.8%
Total	226.2	215.0	5.2%

Escrow – revenue	2020 (£m)	2019 (£m)	Variance %
UK	25.9	26.0	(0.4)%
North America	7.8	8.5	(8.2)%
Europe & APAC	3.8	3.8	0.0%
Total	37.5	38.3	(2.6)%

Notations

- Page 5
- 1 The figures presented throughout this document are on a like-for-like basis when compared to prior year, they do not include any IFRS 16 adjustments. See appendix for a reconciliation to the IFRS 16 adjusted numbers
 - 2 Estimated sales order delivery loss related to Covid-19 based on scheduling delays and cancellations of sales opportunities confirmed won or sales opportunities with significant probability of winning
 - 3 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
 - 4 Cash conversion of 108.7% excludes the positive impact of the £3.4m cash retained from the £4.6m benefit of government tax deferral programmes globally. Remaining £1.2m is a non-working capital benefit and does not impact the cash conversion ratio calculation. Cash conversion ratio would be 117.0% without this exclusion compared to 109.6% in FY 2019
 - 5 Net debt is defined as total borrowings less cash and cash equivalents. As an APM, it is detailed in Note 2 of the RNS
- Page 7
- 1 The figures presented throughout this document are on a like-for-like basis when compared to prior year, they do not include any IFRS 16 adjustments. See appendix for a reconciliation to the IFRS 16 adjusted numbers
 - 2 Estimated sales order delivery loss related to Covid-19 based on scheduling delays and cancellations of sales opportunities confirmed won or sales opportunities with significant probability of winning
 - 3 EBIT and EBITDA in this presentation refers to Adjusted EBIT and Adjusted EBITDA which is the equivalent alternative performance measure to Adjusted Operating Profit and Adjusted EBITDA. 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
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 - 6 Net debt is defined as total borrowings less cash and cash equivalents. As an APM, it is detailed in Note 2 of the RNS
 - 7 Free cash flow is defined as net cash generated from operating activities, less capital expenditure
- Page 8
- 1 Like for Like or “Lfl” is calculated by taking reported pre-IFRS overheads of £73.3m less £0.8m of onerous property and £3.3m SGT related costs. This Lfl reporting is to assist in proving a comparator to FY2019 given onerous property costs were reported as an ISI and SGT costs were being completely capitalised pre-implementation
 - 2 Please see Appendix for constant currency income statement comparative of Group as well as for Assurance and Software Resilience trading segments. Constant currency is calculated by restating FY2019 at FY2020 foreign exchange rates.
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- 1 £4.2m net debt is after £4.6m tax deferral scheme benefit. Normalised net debt is £8.6m
 - 2 Of the £4.6m benefit from tax deferrals only £3.4m relates to tax items included as working capital. Therefore only £3.4m should be added to the cash conversion ratio calculation
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- 1 The data on this slide has been collated from multiple systems with the risk there is a lack of definition consistency. There may be a risk of change to the sales metrics presented as we move forward through transformation with rigour of definition consistency under unified systems

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