

NCC Group plc

Trading update

NCC Group plc (LSE: NCC, “the Group”), a leading independent provider of global cyber security and resilience services, is today providing a revised outlook due to further deterioration in the macro-economic and market environment.

As noted in our unaudited interim results for the period ended 30 November 2022 (FY23 interim results), the Group expected to deliver an FY23 Adjusted operating profit of around £47m (after the impact of FY23 strategic investments of £5m).

Since then, market volatility has materially increased and is having a significant impact on our near-term cyber security revenue and profitability, particularly in the North American technology sector and to a lesser extent in the UK.

The key factors are:

- Buying decision delays and cancellations now exacerbated by North America tech sector client layoffs; staffing has not yet normalised, so continued sector layoff rounds are introducing more uncertainty.
- Turmoil in the Banking sector following the failure of Silicon Valley Bank has further knocked market confidence leading to reduced appetite to spend on technology projects across sectors.
- Recent interest rate increases in both the US and UK are creating further inflationary challenges for clients.

The Board now expects Assurance (Cyber Security) revenue growth on a constant currency basis to be low single digits compared to the high single digit growth outlined in our FY23 interim results. The Software Resilience (Escrow) business remains on track to perform as set out in our FY23 interim results, with revenue growth in H2 FY23 offsetting most of the decline seen in H1 FY23, with a full year outturn of c.1% revenue decline still expected.

As a result of lower Assurance revenue, Group Adjusted operating profit is now expected to be within a range of £28m to £32m after the impact of FY23 strategic investments. On this basis, the Group is scrutinising the underlying cost base and will take appropriate action in due course.

These economic headwinds and current challenges to the Group’s cyber security revenues, which the Board expects will persist into the next financial year, reinforce the need to implement the next chapter of the NCC Group strategy. The strategy will deliver revenue from a broader service portfolio, addressing the full cyber security lifecycle, with deeper presence across sectors. This will be supported by the activation of a global delivery model, including an offshore delivery and operations centre, and investment in the go-to-market model and brand for Cyber. On this basis, the Board remains confident in the medium-term prospects for the cyber market and these strategic actions will position the business to return to greater growth when the market improves.

Mike Maddison, Chief Executive Officer, commented:

“Macro-economic headwinds, market volatility and uncertainty are undermining business confidence, particularly in the technology sector where we are well represented, and as a result we are seeing demand fall in the form of projects being further delayed, reduced or cancelled.

“While we cannot control demand in the short term, the conditions we now face reinforce the rationale for our strategy, which I outlined in February. We remain confident that the Group’s strategy will deliver a more resilient business that is positioned to fully capitalise on opportunities to meet changing client needs in a dynamic Cyber market.”

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended). This announcement is issued on behalf of the Company by Tim Kowalski, CFO.

About NCC Group plc**Purpose:** Creating a more secure digital future**Vision:** To be a global leader in providing cyber security and escrow services recognised for client centricity and the technical depth and breadth of our capability. Famous for our people and a culture that reflects professionalism, teamwork, and respect with a relentless focus on quality and our contribution to the development of the industry and our impact on wider society.

NCC Group is trusted by over 14,000 clients worldwide to protect their most critical assets from the everchanging threat landscape. With the company's knowledge, experience, and global footprint, it is best placed to help organisations assess, develop, and manage their cyber resilience posture. To support its purpose, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists. With c.2,300 colleagues in 12 countries, NCC Group has a significant market presence in North America, Europe and the UK, and a footprint in Asia Pacific with offices in Australia, Japan, and Singapore.

Cautionary note regarding forward-looking statement

This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date such statements are published.