



GRC INTERNATIONAL GROUP PLC

FY 2019 Preliminary Results

27 September 2019



Cyber Security



EU GDPR



NIS



ISO 27001

The Board

Presenters



Alan Calder
Founder & CEO



Chris Hartshorne
Finance Director

Other Board members

Andrew Brode
Non-Executive Chairman

Steve Watkins
Executive Director, Training & Consultancy

Neil Acworth
Chief Information Officer

Ric Piper
Independent Non-Executive Director

Agenda

1 Overview and Highlights

2 Financial performance

3 Operational update

4 Strategy and Outlook

5 Questions

Overview and Highlights

Alan Calder

Overview to GRC International Group plc

A leading, global cyber security and privacy services provider delivering great value to clients.

A comprehensive suite of quality services and products

Training

Classroom-based, online and distance learning courses leading to essential professional qualifications in:

- Privacy/data protection
- Cyber security
- ISO 27001 certification
- ...and related topics

E-Learning

Consultancy

To help organisations meet compliance and cyber risk management objectives with appropriate data protection, privacy and cyber security policies & procedures.

Other consultancy services:

- Penetration testing
- PCI DSS compliance
- Cyber Essentials certification
- GRCI Law

Publishing and Distribution

The Group sells:

- Books
- Documentation templates
- Software for :
 - Risk assessment
 - Data flow mapping
 - DPIAs
 - Data breach reporting
 - Watermarking and seeding

A global, high-growth market

Diversified and international customer base

Physical offices:

UK
Belgium
Netherlands
Ireland
USA

EU website:

11 country websites, with interfaces to all 27 non-UK member states buying from one or another of those websites

New
divisional
structure
for FY20



Highlights in the year

A year of transition, laying the foundations for future growth

	Year to 31 March 2019	Change (YoY)
Revenue	£15.8m	+1%
Underlying EBITDA	£(4.3)m	(343)%
Total billings	£15.8m	(3)%
Website visits	4.9m	+58%
Year end FTE headcount	184	(26)%
Rolling annual billings per FTE	£79.2K	+28%
Total customer database	35.7k	+38%

Significant **growth** in the provision of **cyber security** services while GDPR regulatory action lagged.

Increase in contracted and recurring revenue as a percentage of total billings.

Established a legal services company, GRCI Law Ltd, which is trading ahead of expectations

Invested to improve systems and operational infrastructure

Completed first two acquisitions

GRC e-Learning Ltd - a staff awareness training company – established and trading ahead of expectations

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

- Revenue: £15.8m - up 1% YoY
- Gross profit: £8.5m – down 10% YoY
 - Reduced gross margin following GDPR peak trending upwards by year end.
- Administrative expenses: £13.2m – up 67% YoY
 - Investment into new businesses and business lines. H2 administrative expenses down £0.7m on H1 as initial investment periods came to an end and efficiencies from restructuring activities took effect.
- Underlying EBITDA: £(4.3)m (361%)
 - Reduction on prior year is due to investments in marketing, infrastructure and headcount to build a platform for future growth.

	FY 2019 £m	FY 2018 £m
Revenue	15.8	15.7
Cost of Sales	(7.3)	(6.2)
Gross Profit	8.5	9.5
	54%	61%
Administration Expenses	(13.2)	(7.9)
Underlying EBITDA	(4.7)	1.6
Depreciation and amortisation	(0.4)	(0.5)
Share-based payment charge	(0.1)	(0.1)
Underlying operating profit	(5.2)	1.0
Exceptional charges	(0.2)	(0.7)
Operating profit	(5.4)	0.3
Finance Costs (net)	0.0	0.0
Share of profits of joint ventures	0.0	0.0
(Loss)/Profit before taxation	(5.4)	0.3
Taxation	0.0	(0.2)
	(1)%	43%
(Loss)/Profit after taxation	(5.4)	0.1
Basic earnings per share (pence)	(9.30)	0.40
Diluted earnings per share (pence)	(9.30)	0.39

Financial performance

Balance Sheet Highlights

- **Intangible assets: £12.5m**
(FY 2018: £1.6m)
£9.2m of the FY 2019 balance relates to business acquisitions.
- **Deferred income: £1.4m**
(FY 2018: £1.4m)
- Working capital includes £3.7m deferred consideration in relation to the acquisition of DQM Holdings Ltd
- **Net cash: £0.1m**
(FY 2018: £5.6m)
The Group has overdraft and rolling credit facilities in place to the value of £1.2m plus an invoice discounting facility at DQM providing availability usually in the range of £200k - £400k.

	FY 2019 £m	FY 2018 £m
Intangible assets	12.5	1.6
Software & Website	2.9	1.2
Consultancy Products & Courseware	0.4	0.3
Trademarks	0.5	0.0
Goodwill	6.7	0.0
Customer Relationships	1.8	0.0
Other	0.2	0.1
Joint Venture	0.0	0.0
Property, plant and equipment	0.5	0.4
Deferred tax	0.1	0.6
Non-current assets	13.1	2.6
Working capital	(5.6)	(2.3)
	7.5	0.3
Deferred tax	(0.2)	0.0
Non-current liabilities	(0.2)	0.0
Net Cash	0.1	5.6
Net assets	7.4	5.9

Financial performance

Cash Flow Highlights

- Increased capital expenditure to support the Group's growth:
 - Intangible: £2.3m
 - (FY 2018: £0.9m)
 - Tangible: £0.2m
 - (FY 2018: £0.4m)
- Payments for acquisition of subsidiary, Other finance items and Proceeds from new shares all relate to the acquisition of DQM Holdings Ltd.
- Net cash: £0.1m (Cash £0.2m, Borrowings £0.1m)
 - (FY 2018: £5.5m (Cash £5.6m, Borrowings £0.1m))

	FY 2019 £m	FY 2018 £m
Underlying operating profit	(5.2)	1.1
Exceptional charges	(0.2)	(0.7)
Operating profit	(5.4)	0.4
Depreciation and amortisation	0.8	0.5
Share based payment charge	0.1	0.1
	(4.5)	1.0
Changes in working capital	(0.3)	1.2
Cash flow from operations	(4.8)	2.2
Capital expenditure	(2.5)	(1.3)
Proceeds (net) from new shares	4.8	4.8
Payment for acquisition of subsidiary, net of cash acquired	(2.5)	0.0
Other finance items	(0.5)	(0.1)
	(5.5)	5.6
Dividends paid (pre-IPO)	0.0	(0.4)
	(5.5)	5.2
Net cash: Opening	5.6	0.4
Net cash: Closing	0.1	5.6

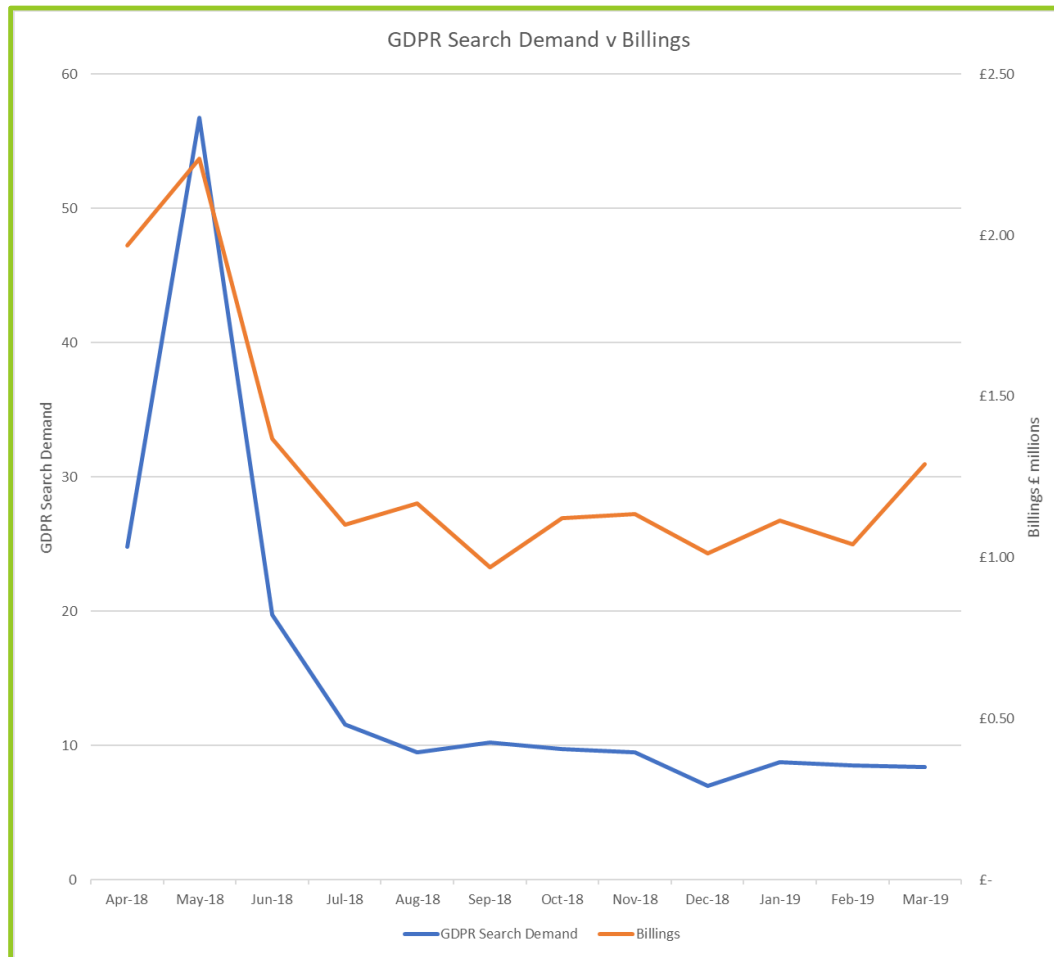
Operational Update

Alan Calder



The year's major trends (excl DQM)

Alan Calder



As GDPR demand dropped, Group billings were supported by:

- Underlying cyber security services
- Investment in new businesses
 - GRCI Law
 - GRC e-Learning
 - Vigilant Software
 - Regional businesses

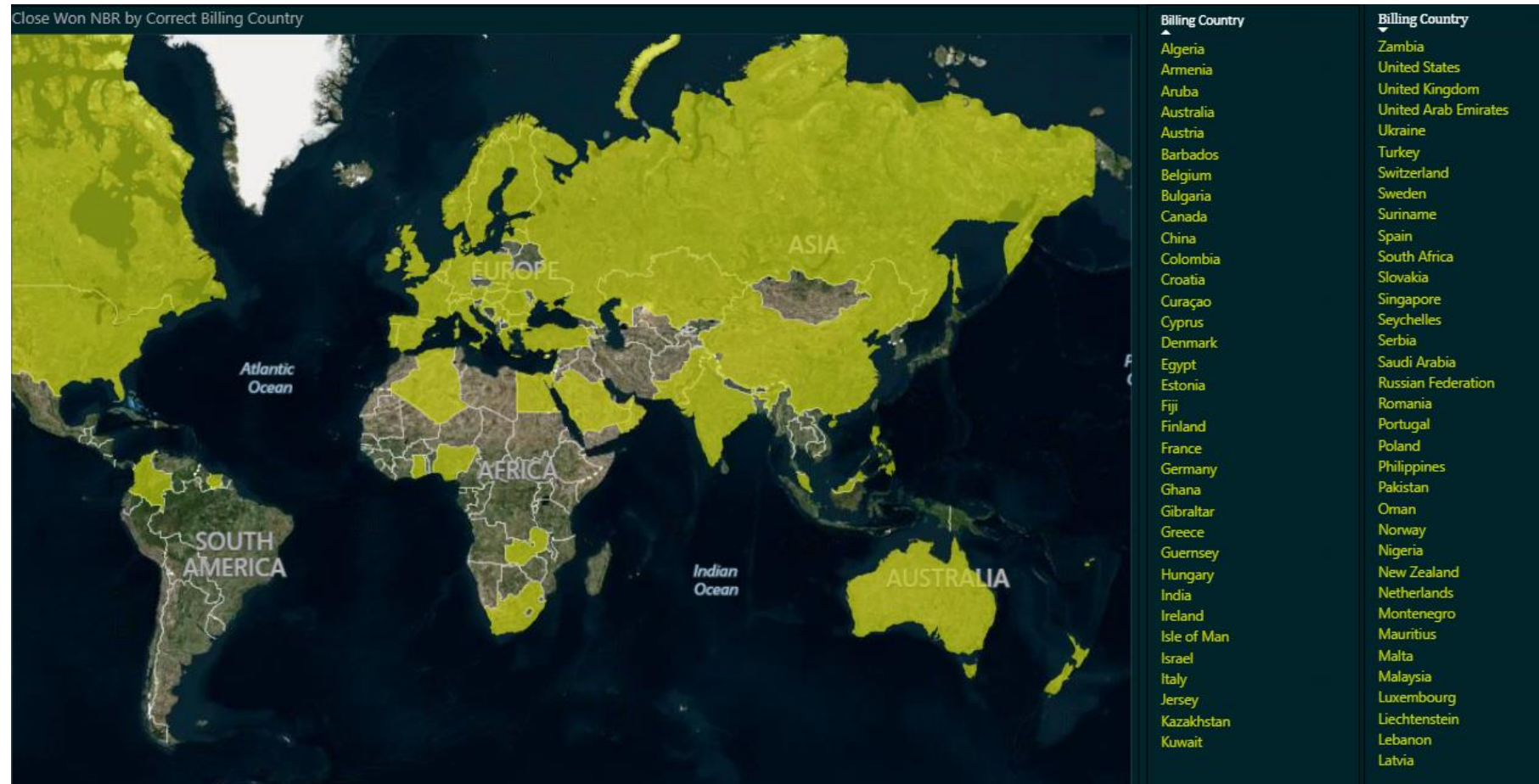
Operational highlights

Overview

	Year to 31 March 2018	Year to 31 March 2019	Change (YoY)
Web visits	3.108m	4.901m	+58%
Revenue	£15.7m	£15.8m	+1%
Billings - Total	£16.3m	£15.8m	(3)%
UK	£13.2m	£12.9m	(2)%
EU	£1.7m	£1.3m	(24)%
USA	£1.0m	£0.8m	(20)%
RoW	£0.5m	£0.8m	+60%
GDPR	£9.2m	£7.0m	(24)%
Cyber security	£5.5m	£7.9m	+44%
Other	£0.9m	£0.9m	-
Employees – FTEs (as at period end)	250.5	184	(27)%

Global customer base

Our growing IT Governance businesses have customers from all over the world



Investment businesses – FY 2019

Regional expansion – website, training, consultancy

Company-specific performance:

- | | | | |
|------------------|--------------|--------------|---------|
| • ITG Europe Ltd | FY18 - £670k | FY19 - £726k | YoY +8% |
| • ITG USA Inc | FY18 - £nil | FY19 - £245k | |

Product range development – recurring revenue business models

- | | | | |
|------------------------------|--------------|---|-----------|
| • Vigilant Software | FY18 - £188k | FY19 - £384k | YoY +104% |
| • GRC e-Learning (June 2018) | FY18 - £nil | FY19 - £444k | |
| • GRCI Law (May 2018) | FY18 - £nil | FY19 - £61k (Direct sales), £426k (Indirect sales*) | |

*Indirect sales are GRCI Law products sold by IT Governance

Initial acquisition

- www.gdpr.co.uk Investment £175k in August, with recurring revenues of £90k
- 355 schools from within 128 Trusts are signed-up users of the platform.

Headline news driving market growth



Class action lawsuit for vicarious liability to internal breach



500,000 customer records accessed – GDPR £184m fine



£99m GDPR fine for inadequate Due Diligence



Chapter 11 following a 6 month hacker attack

Training Division

- 36% of FY19 Group Revenue
- Investment in
 - Portfolio expansion – geography and subjects – reduced average delegate numbers
 - Training administration automation
 - Course content updates
 - Net promoter score – initially scoring 50+ with aspiration to world class (70+)

Key in-house training customers:



Training courses

	UK		RoW	
	FY18	FY19	FY18	FY19
No of GDPR classroom courses	309	315		91
No of inhouse courses	175	195	16	18
inhouse delegates	2,730	3,182	326	237
Average delegates per inhouse course	15.6	16.3	20.4	13.2
No of Cyber security courses (ISO27001, CISMP, CEH, PCI, CISA, CISM, CISSP)	157	256		78
Total public courses	465	571	114	169
Total delegates attending public courses	6,190	4,621	687	508
Average delegates per course	13.3	8.1	6.0	3.0
Total courses	640	766	130	187
Total delegates	8,920	7,803	1013	745
Average number of delegates attending all courses in the period	13.9	10.2	7.8	4.0

Training revenue (UK)

GDPR training revenues	FY18 - £6,122k	FY19 - £3,566k	YoY (42)%
Cyber security training	FY18 - £1,483k	FY19 - £2,204k	YoY +49%

Key bespoke e-learning customers



Consulting Division

46% of FY19 Group Revenue

- Includes GRCI Law
- Addition of:
 - GDPR auditing;
 - Privacy as a Service
 - Cyber Security as a Service

Consulting revenues (UK)

• GDPR	FY18 - £1,574k	FY19 - £2,018k YoY +28%
• Cyber security	FY18 - £3,198k	FY19 - £4,697k YoY +47%

GRCI Law

www.grcilaw.com

Not SRA-regulated – (separate PI for the provision of legal advice)

10 lawyers

DPOaaS (including geographic and sector variants) – 50 contracts signed £1 million total contract value

Recurring revenue – £600k pa

GDPR-specific legal advice – DSARs, contract and document reviews, etc

Privacy as a Service a key offering

GRCI Law customers include:



Key consultancy customers:

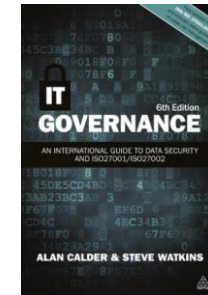


Publishing and Software Division

18% of FY19 Group Revenue

Publishing Division





- Revenues FY18 - £1,649k FY19 - £1,337k YoY (19)%
- GDPR Compliance Toolkit sales were very big in FY18.
- 2019: New distribution contract with TSO (India – world's biggest ITIL market)
- 2019: 20 audiobook titles performing well
- 2019: Toolkit templates becoming a subscription model.



The textbook for the Open University's postgraduate information security course

Software (Vigilant Software)

- Revenues FY18 - £387k FY19 - £422k YoY +9%
- SaaS recurring revenue model
- Cyber Comply modules all launched in H2 FY19:
 - Built on 'Cyber Comply' platform
 - DPIA (data protection impact assessment tool)
 - GDPR management tools (DSARs, Supplier Management, Breach Reporting)
 - vsRisk Cloud

 STANDALONE	 MULTI-USER	 COMPLIANCE MANAGER	 DATA FLOW MAPPING TOOL
vsRisk Standalone Price: £1,495.00	vsRisk™ Multi-user Price: £2,995.00	Compliance Manager Price: £900.00	Data Flow Mapping Tool Price: £900.00
MORE INFO	MORE INFO	MORE INFO	MORE INFO

E-Learning Sales

- GRC e-Learning (www.grcelearning.com) established as a separate business from June 2018
- Revenues FY18 - £562k FY19 - £1,096k YoY+95%
 - Customisable staff awareness training -on an annual recurring revenue model
 - Learning management system
 - 955+ corporate customers and 70,000+ users
 - Bespoke e-learning development
 - Expansion across GRC subject areas, and into wider range of languages

Strategy and Outlook

Alan Calder

Outlook

- **GDPR**

- It is not clear that regulatory action in respect of GDPR compliance will, in the near term, be sufficient to drive renewed compliance efforts across the UK and Europe.
- Brexit and the ongoing global macro-economic uncertainty affects decision-making and compliance spending.

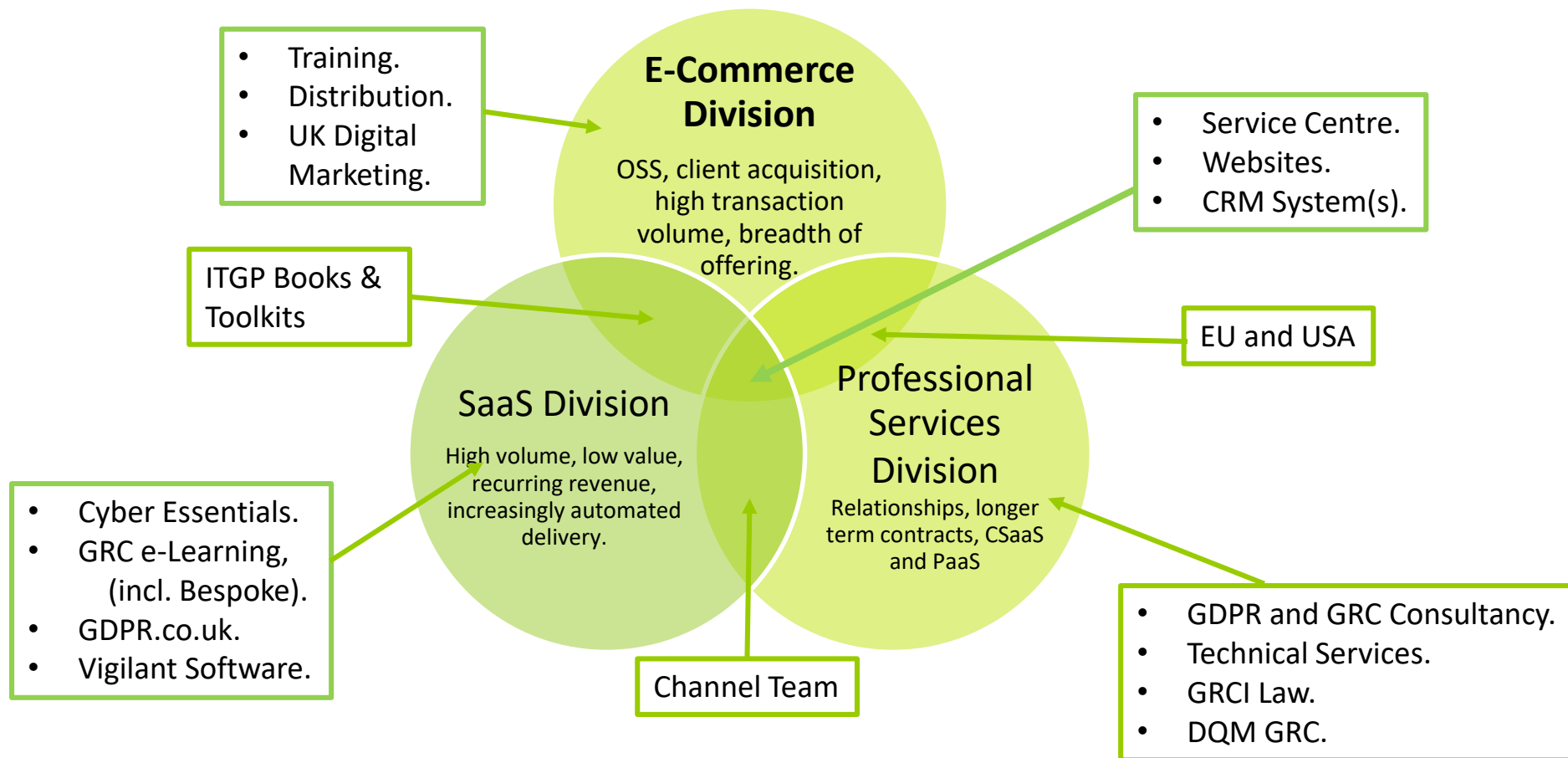
- **Cyber security**

- Cyber risk continues to receive high-level press coverage and is increasingly a core risk-management issue for boards and management teams. Phishing, Ransomware, theft of IP and/or data and the commercial/regulatory impacts of a cyber breach are increasingly concerning our customers.
- Cyber Essentials, penetration testing and ISO/IEC 27001 management systems are all seeing accelerating client demand.
- Key UK sectors (eg FE/HE) are making ISO/IEC 27001 compliance a standard business requirement.
- Cyber security has always been at the core of our business and our job now is deploy the what we learned when monetising GDPR to monetise the acceleration in demand for cyber security products and services.

- **Globally**

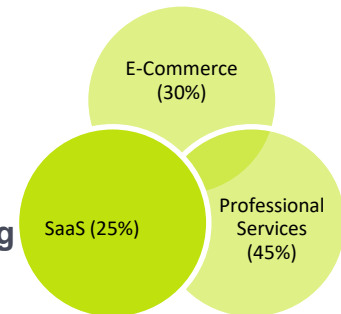
- California Consumer Privacy Act 2018 comes into effect 1 January 2020 – for businesses, ‘a similar struggle to GDPR compliance’
- Training, staff awareness, breach response services, DPOaaS/Privacy as a Service and, increasingly, context-specific legal advice will be in demand).
- ISO/IEC 27701 is a new, global standard that links a PIMS (personal information management system) to an ISMS (Information security management system).
- Global delivery capability helps customers operating cross-jurisdiction.

New divisional structure



New divisional structure

- **Divisional Structure**
 - Brigades similar activities under common management
 - Improves market focus, as well as cross-sell, up-sell and account retention
 - Reduces overheads
 - Improves overall visibility of business activity
- **E-Commerce Division - OSS, client acquisition, high transaction volume, breadth of offering**
 - Training (classroom, online and distance learning)
 - Distribution (TSO and international standards)
 - ITGP (books and document templates)
 - Primary route to market for our SaaS offerings
- **SaaS Division - High volume, high margin, low value, recurring revenue, increasingly automated delivery**
 - Cyber Essentials (1,411 certifications in FY18, 2,365 in FY19)
 - GRC E-Learning (cyber security staff awareness training now GCHQ/NCSC accredited)
 - Vigilant Software Ltd
 - GDPR.co.uk
 - ITGP's Online Document template offering (Launching Q2 FY20)
- **Professional Services – Low volume, high value, relationship business with increasing contractual recurring revenue**
 - GDPR and ISO Consultancy
 - Cyber Security Consultancy (technical services, penetration testing, SOC 2, PCI DSS)
 - Cyber Incident Response Service
 - GRCI Law Ltd (Privacy as a Service – 80%+ is recurring contracted revenue)
 - DQM GRC Ltd (50%+ is recurring contracted revenue)
- Centralised Service Centre managing global websites, customer response and fulfilment
- EU and USA businesses a combination of e-commerce and Professional Services
- Channel team take SaaS and Professional Services offerings to Managed Service Provider market



Strategy

- Key growth areas:
 - Each of the three divisions is expected to have different growth rates for both billings and EBIT contribution. The SaaS division is expected to be the fastest growing and most profitable, followed by e-commerce and then professional services, although professional services will deliver at least 50% of group revenue.
 - Within the divisions, we expect each of the investment business to deliver substantial YOY growth.
 - Target is to double recurring revenues in this FY from 15% of annual revenue to +30%
- Acquisitions
 - We have deferred acquisitions until the economic environment is more settled.

Questions

Alan Calder and Chris Hartshorne

Appendix

Operations – Key brand customers

