



GRC INTERNATIONAL GROUP PLC

FY20 Preliminary Results

21 September 2020



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

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 of 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

E-Commerce

- 8 B2B e-commerce websites
- 'Learn from Anywhere' instructor-led and self-paced courses leading to essential professional qualifications in:
 - Cyber security
 - Privacy/data protection
 - ISO/IEC 27001
- Wide range of toolkits, books, standards and software

Professional Services

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

Other consultancy services:

- Penetration testing
- PCI DSS compliance
- Cyber Essentials certification
- Legal, GDPR & DPO services

Software as a Service

- Vigilant Software:
 - Risk assessment
 - Data flow mapping
 - DPIAs
 - Data breach reporting
- Watermarking and seeding
- Vulnerability Scanning
- Staff awareness e-learning
- GDPR as a Service
- Documentation toolkits

A global, high-growth market

Diversified and international customer base

Businesses in:

UK
EU
USA



Subscription lines of business:

- Cyber security as a Service
- Privacy as a Service
- GDPR as a Service
- Cyber Essentials Certification
- Documentation Toolkits
- Risk & Compliance Management Suite
- Vulnerability scanning
- Staff awareness e-learning
- Watermarking and Seeding



The Telegraph

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Highlights in the year

Continued performance improvement in a challenging macro-economic environment

	Year to 31 March 2020	Change (YoY)
Revenue	£14.1m	(11)%
Underlying EBITDA	£(1.5)m	65%
Total billings	£14.0m	(11)%
Website visits	3.5m	(24)%
Period end FTE headcount	157.5	(16)%
Rolling annual billings per FTE	£82.9K	+2%

Brexit, UK politics and Covid-19
all disrupted business
investment through FY 20

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

Return to monthly positive EBITDA in September 2019

Continued **growth** in the provision of **cyber security** services while GDPR regulators refocused enforcement action

Continued investment to improve **automation, SaaS offerings** and operational infrastructure

Apart from seasonally poor December, EBITDA positive throughout H2

NB: FY19 comparatives include final 3 months of GDPR 'salmon run' in Q1.

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

- Revenue: £14.1m - down 11% YoY
 - Clear positive impact from the restructure with H2 revenue (£7.05m) almost exactly equal to H1 despite Q4 seeing the early effects of Covid-19 on the economy.
- Gross profit: £8.1m – down 6% YoY
 - Gross profit down in absolute terms YoY but margin 300 basis points up as a percentage of revenue, and with H2 margin better than H1.
- Administrative expenses: £9.6m – down 25% YoY
 - Continuing reduction in overheads throughout the period. Year end annualised run rate more than £4.0m lower than full year FY19.
- Underlying EBITDA: £(1.5)m - 65% improvement
 - Reduction in EBITDA loss reflecting the reduction in overhead costs predominantly due to headcount savings and savings in associated headcount related overheads.
 - Significant improvement from H1 to H2, with H2 EBITDA loss less than £200k and **Q4 being EBITDA positive**.

	FY 2020 £m	FY 2019 £m	FY 2018 £m
Revenue	14.1	15.8	15.7
Cost of Sales	(6.0)	(7.3)	(6.2)
Gross Profit	8.1	8.5	9.5
	57%	54%	61%
Administration Expenses	(9.6)	(12.8)	(7.9)
Underlying EBITDA	(1.5)	(4.3)	1.6
Depreciation and amortisation	(1.6)	(0.8)	(0.5)
Other operating income	0.1	0.0	0.0
Share-based payment charge	0.0	(0.1)	(0.1)
Underlying operating profit	(3.0)	(5.2)	1.0
Exceptional charges	(0.4)	(0.2)	(0.7)
Operating profit	(3.4)	(5.4)	0.3
Finance Costs (net)	(0.2)	0.0	0.0
Share of profits of joint ventures	0.0	0.0	0.0
Loss before taxation	(3.6)	(5.4)	0.3
Taxation	0.4	0.0	(0.2)
	12%	(1)%	43%
Loss after taxation	(3.2)	(5.4)	0.1
Basic loss per share (pence)	(4.67)	(9.30)	0.40
Diluted loss per share (pence)	(4.67)	(9.30)	0.39

Financial performance

Revenue Highlights – Segmental reporting

	H1 FY20	H2 FY20	FY20	H1 FY19	H2 FY19	FY19	FY20 to FY19 change	H1 FY20 to H2 FY20 change
	£'000	£'000	£'000	£'000	£'000	£'000		
Billings	7,163	6,864	14,027	8,814	7,019	15,833	-11%	-4%
Revenue	7,095	7,095	14,190	8,914	6,935	15,849	-10%	0%
Training	1,701	1,477	3,178	4,019	1,752	5,771	-45%	-13%
Consultancy	4,195	4,440	8,635	3,756	3,472	7,228	19%	6%
Software and distribution	1,199	1,134	2,333	1,139	1,711	2,850	-18%	-5%
Total	7,095	7,051	14,146	8,914	6,935	15,849	-11%	-1%

Financial performance

Balance Sheet Highlights

- **Intangible assets: £12.5m**
(FY19: £12.5m)

£9.0m of the FY20 balance relates to the DQM business acquired in March 2019.

- **Deferred income: £0.9m**
(FY19: £1.0m)

- The £3.7m deferred consideration balance in relation to the acquisition of DQM Holdings Ltd included in the FY19 working capital balance has now been settled.

- **Net cash: £0.2m**
(FY19: £0.1m)

The Group has rolling credit facilities in place to the value of £0.7m (currently 50% utilised) plus an invoice discounting facility at DQM providing availability usually in the range of £200k - £400k.

	FY 2020 £m	FY 2019 £m	FY 2018 £m
Intangible assets	12.5	12.5	1.6
Software & Website	3.0	2.9	1.2
Consultancy Products & Courseware	0.6	0.4	0.3
Trademarks	0.4	0.5	0.0
Goodwill	6.8	6.7	0.0
Other	1.7	2.0	0.1
Property, plant and equipment	0.3	0.5	0.4
Right of use assets	0.5	0.0	0.0
Deferred tax	0.1	0.1	0.6
Non-current assets	13.4	13.1	2.6
Contingent consideration	(0.1)	(3.7)	0.0
Borrowings	(1.4)	0.0	(0.1)
Working capital	(1.2)	(1.9)	(2.3)
	10.7	7.5	0.3
Borrowings	(0.4)	0.0	0.0
Lease obligations	(0.5)	0.0	0.0
Deferred tax	(0.6)	(0.2)	0.0
Non-current liabilities	(1.5)	(0.2)	0.0
Net Cash	0.2	0.1	5.6
Net assets	9.4	7.4	5.9

Financial performance

Cash Flow Highlights

- Reduced capital expenditure as infrastructure and software development projects are successfully delivered:
 - Intangible: £1.1m
 - (FY 2019: £2.3m)
 - Tangible: £0.0m
 - (FY 2019: £0.2m)
- Other finance items include the £700k rolling credit facility – fully drawn at year end but subsequently 50% repaid.
- Proceeds from new shares used to clear the DQM deferred consideration along with other borrowings and to strengthen the overall working capital position of the Group.
- Net cash: £0.2m (Cash £0.2m, Borrowings £0.0m)
 - (FY 2019: £0.1m (Cash £0.6m, Borrowings £0.5m))

	FY 2020 £m	FY 2019 £m	FY 2018 £m
Underlying operating (loss)/profit	(3.3)	(5.2)	1.1
Exceptional charges	(0.4)	(0.2)	(0.7)
Operating (loss)/profit	(3.7)	(5.4)	0.4
Depreciation and amortisation	1.6	0.8	0.5
Finance costs	0.2	0.0	0.0
Share based payment charge	0.0	0.1	0.1
	(1.9)	(4.5)	1.0
Changes in working capital	(0.3)	(0.3)	1.2
Cash flow from operations	(2.2)	(4.8)	2.2
Capital expenditure	(1.1)	(2.5)	(1.3)
Proceeds (net) from new shares	3.6	4.8	4.8
Payment for acquisition of subsidiary, net of cash acquired	(1.6)	(2.5)	0.0
Borrowings (net)	1.7	0.0	0.0
Payments and interest on lease liabilities as a result of IFRS16	(0.2)	0.0	0.0
Other finance items	(0.1)	(0.5)	(0.1)
	0.1	(5.5)	5.6
Net cash: Opening	0.1	5.6	0.4
Net cash: Closing	0.2	0.1	5.6



Operational Update

Alan Calder

Operational highlights

Overview

	Year to 31 March 2019	Year to 31 March 2020	Change (YoY)
Web visits	4.6m	3.5m	(24)%
Revenue	£15.8m	£14.1m	(11)%
Billings - Total	£15.8m	£14.0m	(11)%
UK	£12.9m	£11.3m	(12)%
EU	£1.3m	£1.0m	(23)%
USA	£0.8m	£0.9m	13%
RoW	£0.8m	£0.8m	-%
Employees – FTEs (as at period end)	184	157.5	(16)%

Divisional Performance

e-Commerce Division

- H2 vs H1 Website performance: visitor volumes up by 9%.
- Instructor-led classroom training fill rates up from 54% in April 2019 to 84% in February 2020.
- 2,800 classroom delegates trained across a portfolio of 28 GRC qualifications.
- Self-paced learning sales, at £329k, were up by 700% since FY 19

Professional Services

- Cyber security consultancy revenue had approximately doubled as a percentage of total revenue between Q1 FY19 and Q2 FY20.
- FY20 Cyber security consultancy revenue up 22% on FY19
- ITG UK Consultants in FY20 operated at an average 72% utilisation to deliver 2,176 days of consultancy, starting 536 engagements during the year and completing 448. The split of new projects was
 - PCI DSS 45
 - Penetration Testing 196
 - ISO 27001, GDPR, other GRC 295
- The DQM business, which we acquired in March 2019, and GRCI Law, set up in Q2 FY19, both continued to trade profitably.
- GRCI Law has approximately 80% of its revenues on a contracted, recurring basis providing a range of Privacy as a Service and DPO-related services to a growing range of medium and large organisations.
- DQM has 50%+ of its revenue on a long term contracted basis.

SaaS Division

- 1,683 Cyber Essentials certifications in FY20, with H2 UP 57% on H1 FY20.
- Staff awareness training (e-learning) client profile changing from a high number of small clients to smaller number of larger, more committed organisations and the overall number of users of our Learning Management System (LMS) is UP by 20% in H1 vs H2 FY19.
- Vigilant Software subscription pricing now driving a steady increase in revenue.
- Recurring revenue is a key feature of the SaaS division activity; repeat billings were around 11% of total group billings and total billings from all subscription and contractually recurring products and services were around 29% of total group billings.

Regional Businesses

Both regional businesses (EU and US) had strong gross margins and were EBITDA positive.

Consulting

61% of FY20 Group Revenue – overall Gross Margin of 58%

- Cyber security – implementation, testing and support
- Penetration testing, PCI DSS Compliance, Incident response
- Management systems (ISO/IEC 27001) implementation and support
- Privacy as a Service, GRCI Law and DQM GR

Consulting revenues (UK)

• Overall	FY19 - £7,228k	FY20 - £8,635k YoY + 19%
• Cyber security	FY19 - £5,078k	FY20 - £6,303k YoY +24%
• GDPR	FY19 - £2,150k	FY20 - £2,332k YoY + 8%

GRCI Law

- Established summer 2018
- Not SRA-regulated – (separate PI for the provision of legal advice)
- 10 lawyers
- PaaS (Privacy as a Service) – 83 live contracts, £965k contracted annual revenue
- GDPR-specific legal advice – DSARs, contract and document reviews, etc
- Breach response and EU Representative services seeing growth

DQM GRC

- Privacy by Design
- Large scale Privacy and GDPR implementation projects



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Training

- 22% of FY20 Group Revenue – overall Gross Margin of 62%
- Revenues FY19 £5,771k FY20 £3,178k YoY (45)%
- H1 FY19 was peak for GDPR classroom training
- In year: H1 FY 20 £1,809k H2 FY 20 £1,369k (24)%
- Investment in:
 - Portfolio development and quality improvement
 - Training administration automation
 - Course content updates
 - Net promoter score –continuously scoring 50+

FY 20 Top 5 instructor-led courses

- Certified GDPR Foundation
- Certified GDPR Practitioner
- Certified Information Security Lead Auditor
- Certified Information Security Foundation
- Certified Information Security Lead Implementer
- In total, 2,800 delegates attended 28 different subject matter courses

Publishing and Software

16% of FY20 Group Revenue – overall Gross Margin of 96%

Overall Publishing Division

Revenues FY19 - £2,618k FY20 - £2,333k YoY (11)%

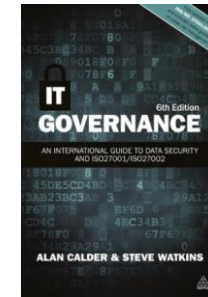
- H1 19 was GDPR peak for software, toolkit and e-learning sales.

▪ H1 FY20 - £899k H2 FY20 – £1,434k HoH +60%





Software (Vigilant Software)

▪ Revenues H1 FY20 - £173k H2 FY20 - £283k HoH +64%

- Shifted to monthly recurring revenue option in H2
- Transaction volume increasing sharply through Q4
- Cyber Comply modules available separately/together:
 - Built on 'Cyber Comply' platform
 - DPIA (data protection impact assessment tool)
 - GDPR management tools (DSARs, Supplier Management, Breach Reporting)
 - vsRisk Cloud



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

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

- GRC e-Learning (www.grcelearning.com) established as a separate business from June 2018
- Revenues FY19 - £1,096k FY20 - £899k YoY (18)%
 - H1 FY19 was peak GDPR.
 - Customisable staff awareness training -on an annual recurring revenue model

Strategy and Outlook

Alan Calder

Outlook

• Cyber security

- Phishing, Ransomware, theft of IP and/or data, the growth of cyber attack-as-a-service and the activities of serious organised crime are all part of a falling cyber risk threshold. Organisation's attack surfaces have expanded and become more porous to facilitate COVID-19-induced home working.
- Cyber risk continues to receive high-level press coverage and is increasingly a core risk-management issue for boards and management teams: AMCA, BA, Travelex, Newcastle University.
- Cyber Essentials, penetration testing and ISO/IEC 27001 management systems are all seeing accelerating client demand.
- Key UK sectors (eg FE/HE) are increasingly making ISO/IEC 27001 compliance a standard business requirement.

• Privacy

- Regulatory action in respect of GDPR compliance is becoming more noticeable, with a growing focus on compliance rather than on data breaches.
- As organisations revisit GDPR compliance, Privacy by Design is becoming a key element of building privacy into organisational processes.
- Privacy Shield demise, Brexit and supply chain pressures will drive growth in compliance and legal services.

• Readiness

- Our 'Learn from Anywhere' approach to instructor-led training enables course delegates to attend a course either in a certificated Covid-19 secure venue or from anywhere in the world.
- All our consultancy services are delivered online to clients globally.
- We have increased subscription lines of business from four in FY 19 to nine in 2021.

• General

- Global macro-economic uncertainty, Brexit and Covid-19 are all factors that make it difficult to see into the future.
- Key client wins and continued tight cost control should underpin continued progress in both revenue and EBITDA terms.
- Investments we are making in new products and subscription services, in automation and in quality improvement give us the momentum through FY 21 and underpin our long-term growth into FY22 and beyond.



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



Global outage following ransomware attack



Furore over staff error

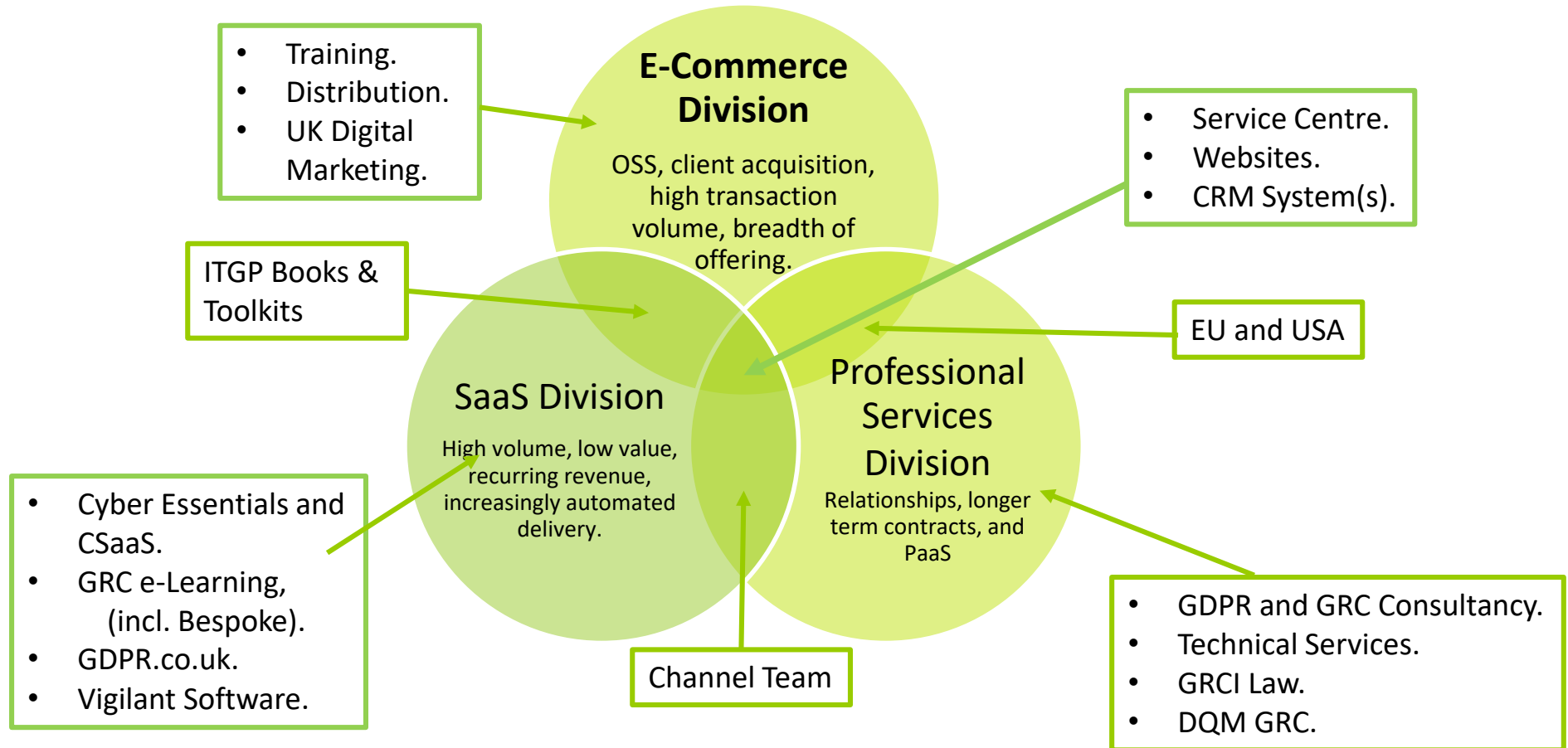
Questions

Alan Calder and Chris Hartshorne

Appendix

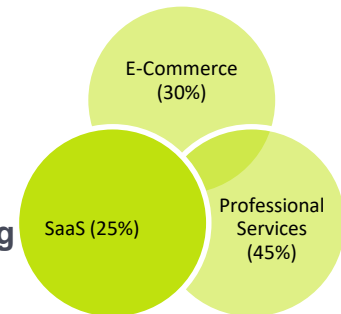


Operational divisions



Operational divisions

- **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 (Learn from Anywhere, Instructor-led and self-paced courses)
 - 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
 - Cyber security as a Service
 - GRC E-Learning (cyber security staff awareness training now GCHQ/NCSC accredited)
 - Vigilant Software Ltd
 - GDPR as a Service for the schools sector
 - ITGP's Online Document template offering
- **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 – 90%+ 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



Operations – Key brand customers

