



GRC INTERNATIONAL GROUP PLC

FY 2018 Results

18 September 2018



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, “one stop shop” supplier of IT governance, risk and compliance products and services delivering great value to clients

A comprehensive suite of quality services and products

Training

Classroom-based training courses related to:

- Data protection
- Cyber security
- ISO 27001 certification
- ...and related topics

Consultancy

To help organisations design and implement data protection, privacy and cyber security policies and procedures.

Other consultancy services:

- Penetration testing
- PCI DSS compliance
- Cyber Essentials certification and consultancy

Publishing and Distribution

The Group sells:

- Books
- Documentation templates
- Software

... via its websites, both those it publishes or writes itself and those supplied by third parties.

A global, high-growth market

Diversified and international customer base

Physical offices:

UK
Belgium
Holland
Ireland
USA

EU website:

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



Highlights in the year

A transformational year for GRC International Group plc

	Year to 31 March 2018	Change (YoY)
Revenue	£15.7m	+131%
Underlying EBITDA	£1.7m	+55%
Total billings	£16.3m	+119%
Website visits	3.1m	+121%
Average FTE headcount	177	+139%

Significant **growth generated** by the provision of **GDPR**-related services.

Legislation and regulation relating to **data protection** and **cyber security** becoming increasingly widespread.

Successful admission to AIM with £5.0m raised (before total expenses of £0.1m).
Net cash at 31 March 2018 of £5.5m

Maintained negative working capital, strengthening our balance sheet.

Progressed international expansion plan, establishing offices in Scotland, Ireland, USA, Belgium and Holland.

Strengthened our online presence and web sales business.

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

- Revenue: £15.7m - up 131% YoY
(2017: £6.8m)
- Gross profit: £9.5m – up 133% YoY
Stable margin at 61%
- Underlying EBITDA: £1.7m (10.6%) – up 55% YoY
(2017: 15.6%)
Reduction on prior year, in percentage terms, is due to investment in marketing, infrastructure and support staff to enhance future growth
- Effective tax rate of 43% driven up by disallowable IPO expenditure

	2018 £m	2017 £m
Revenue	15.7	6.8
Cost of sales	(6.2)	(2.7)
Gross profit	<u>9.5</u>	<u>4.1</u>
	61%	60%
Administrative expenses	(7.8)	(3.0)
Underlying EBITDA	<u>1.7</u>	<u>1.1</u>
Depreciation and amortisation	(0.5)	(0.4)
Share based payment charge	(0.1)	-
Underlying operating profit	<u>1.1</u>	<u>0.7</u>
Exceptional charges: IPO costs	0.7	-
Operating profit	<u>0.4</u>	<u>0.7</u>
Finance costs (net)	-	-
Profit before taxation	<u>0.4</u>	<u>0.7</u>
Taxation	(0.2)	(0.1)
	43%	10%
Profit after taxation	<u>0.2</u>	<u>0.6</u>
Basic & earnings per share (pence)	<u>0.40</u>	<u>1.27</u>
Diluted earnings per share (pence)	<u>0.39</u>	<u>1.26</u>

Financial performance

Balance Sheet Highlights

- Intangible assets: £1.6m
(2017: £1.0m)

- Deferred income: £1.4m
(2017: £0.9m)

- Net cash: £5.5m
(2017: £0.2m)

	2018 £m	2017 £m
Intangible assets	1.6	1.0
Software	0.9	0.5
Courseware	0.3	0.3
Website costs	0.3	0.1
Other	0.1	0.1
Property, plant and equipment	0.4	0.2
Deferred tax	0.7	-
Non-current assets	2.7	1.2
Working capital	(2.3)	(0.2)
	0.4	1.0
Net cash	5.5	0.2
Net assets	5.9	1.2

Financial performance

Cash Flow Highlights

- Strict control on working capital, benefitting from increased deferred income
- Increased capital expenditure to support the Group's growth:
 - Intangible: £0.9m (2017: £0.4m)
 - Tangible: £0.4m (2017: £-)
- Net cash: £5.5m (Cash £5.6m, Borrowings £0.1m)
 - (2017: £0.2m – Cash £0.4m, Borrowings £0.2m)

	2018 £m	2017 £m
Underlying operating profit	1.1	0.7
Exceptional charges: IPO costs	(0.7)	-
Operating profit	0.4	0.7
Depreciation and amortisation	0.5	0.4
Share based payment charge	0.1	-
	1.0	1.1
Changes in working capital	1.2	-
Cash flow from operations	2.2	1.1
Capital expenditure	(1.3)	(0.4)
Proceeds (net) from new shares	4.8	-
Other finance items	(0.1)	(0.2)
	5.6	(0.6)
Dividends paid (pre-IPO)	(0.4)	-
	5.2	0.5
Net cash: opening	0.4	(0.1)
Net cash: closing	5.6	0.4



Operational Update

Alan Calder

Operational highlights

Overview

	Year to 31 March 2018	Year to 31 March 2017	Change (YoY)
Web visits	3.108m	1.403m	+121%
Revenue	£15.7m	£6.8m	+130%
Billings - Total	£16.3m	£7.4m	+119%
UK	£13.2m	£6.1m	+116%
EU	£1.65m	£0.47m	+251%
USA	£0.95m	£0.45m	+111%
RoW	£0.47m	£0.40m	+17%
GDPR	£9.59m	£1.34m	+616%
Cyber security	£5.72m	£4.88m	+17%
Other	£0.99m	£1.18m	-16%
Employees – FTEs (as at 31 March 2018)	261.5	93	+181%

Market overview

An attractive, high-growth market

- UK Cyber Security Governance sub-sector worth c.£612m¹
- UK Cyber Security market estimated to be worth c.£3.5bn¹
- Global cybersecurity market has grown c.35x since 2004 from \$3.5bn²
- Global cybersecurity spend on hardware, software and services estimated to be \$135bn in 2020³

A market driven by legal and regulatory obligations

- ISO/IEC 27001 (34% annual growth in UK, 36% in US)
- Cyber Essentials
- GDPR – 75% of UK organisations not yet compliant
 - Brexit – all UK – EU exporters will have to appoint representatives in the EU
- PCI DSS – continuous compliance and testing obligation
- US – New York DFS cybersecurity regulation, California Consumer Privacy Act (from Jan 2020)
- Network and Information Security (NIS) Directive

Financial and reputational damage

- Loss of business, loss of profit, litigation, reputation damage (BA, Nielsen)
- GDPR fines of up to 4% of global turnover (BA, TV Licensing, Stena Britain)
- Pressure from professional investors and shareholders

Competitors

- Market for the provision of GRC products and services is highly fragmented
- No established international providers to meet what is an international demand
- No UK providers with the same range of products & services
- BUT a growing number of niche competitors

¹ Department of Business, Innovation and Skills

² Cybersecurity Venture

³ Juniper



Class action lawsuit for 'pretending' GDPR compliance



380,000 customer records accessed – GDPR, PCI breach



Multiple ransomware attacks in 2017



\$300m est. cost of ransomware attack in 2017

Training Division

53% of Group Revenue

Training courses

- Data Protection, Cyber Security, ISO27001, Cyber Essentials, PCI DSS
- Class room based at rented locations or customers premises
- Online training and distance learning solutions
- Courses up to 4 days
- Y/E March '17, 248 courses, attended by 2,942 delegates
- Y/E March '18, 770 courses, attended by 10,236 delegates, +210% and +248%, YoY respectively

Other Services

- Exams and certification
- Webinars
- e-learning

Geography

- Expanding overseas through opening offices and hiring of locals for sales and marketing purposes in jurisdictions where there is no office
- Y/E 31 March '18: 130 courses outside the UK
 - EU 103 courses to 739 delegates
 - USA 18 courses to 133 delegates
 - RoW 9 courses to 141 delegates

Revenues e-Learning

- Revenues from e-learning are classified under Software under IFRS and are included in the revenues of the Publishing and Software division

Consulting Division

34% of Group Revenue

Consulting Services

- Provide on site design and / or implementation support for GRC systems and procedures
- Preparation for certification for ISO 27001, BS10012, ISO 22301.
- GDPR compliance

ISO 27001 and management system support services

Supply chain auditing

Technical Services include

- Penetration testing
- PCI DSS testing and certification - (Payment Card Industry Data Security Standard)
- Cyber Essentials certification (online portal)

Penetration testing - test the effectiveness of companies systems and procedures (authorised simulated attack)

Phishing testing

PCI DSS – contractual requirement for organisations that handle credit cards from major card schemes including Visa, MasterCard and American Express – annual testing obligation

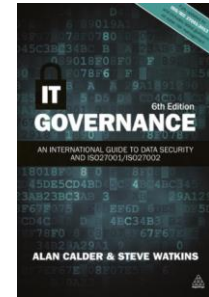
GDPR.co.uk acquired in July and performing as expected

Publishing and Software Division

13% of Group Revenue

Publishing Division Sells





- Books on managing IT exposures and books published by other parties
 - FY17: 127 titles (FY18: 141 titles)
- Books on standards published by bodies such as Kogan Page, IEC, Van Haren, TSO
- Documentation templates relating to IT system documentation and procedures
 - FY17: 42 Toolkits (FY18: 48 Toolkits)
- ITGP products have been translated into German, French, Spanish and Italian



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

Software Division (Vigilant)

- Vigilant Software has created a number of software applications

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

E-Learning Sales

Strategy and Outlook

Alan Calder

What sets us apart



A comprehensive suite of quality services and products

- “Off-the-shelf” and bespoke solutions
- Tailored to an individual organisation’s strategies and needs
- Flexible and cost-effective delivery options
- Multiple touch points with clients providing opportunities



Operating in an attractive high-growth market

- Governance est. to be the fastest growing area of the cyber security market¹
- Demand for products/services correlated to rapid expansion in volume of information transmitted/stored online
- Opportunities waiting to be grasped Cyber security a global business risk issue (breaches cost money and reputation)



Broad range of skills and a depth of experience

- Management recognized as leading authority on IT governance
- Experienced multi-discipline consultancy team
- Well-developed marketing capability
- Innovative, agile, new product development capability.



A diversified and international customer base

- 70% of revenue growth from new customer acquisition
- No single client accounts for more than 5% of Group revenue
- A global customer base - 19% of billings originated from customers outside UK
- Board ambition over time for non-UK revenue to exceed domestic revenue
- Significant potential to expand geographical footprint further.



Proven track record

- Strong organic growth in revenue and profits
- Successful track record in introducing new products and services – 21 new products (ex. books) launched in the year
- Successfully helped >400 companies achieve ISO 27001 certification, one of the world’s most demanding management system standards.

¹ The Department of Business, Innovation and Skills

Strategy

Striving to become a “one stop shop” global supplier of governance, risk and compliance products and services.

We have a strong track record of growth and intend to grow the business in four key ways:

- 1 Expand existing services in existing markets**
E.g. Range of follow-on products: DPOaaS, Data breach reporting, C-DPO, GRCI Law etc
- 2 Expand existing services into new jurisdictions**
E.g. EU (Ireland, Benelux, Spain etc), US (North East and California), Middle East (Dubai) etc
- 3 Add new services to deliver to existing and new clients**
E.g. ITGP (25 new titles, 6 new toolkits), Vigilant (DPIA tool, vsRisk Cloud etc), GRCI Law, GRC e-Learning
- 4 Make selective acquisitions**
E.g. GDPR management platform

Outlook

- Substantial YoY growth expected in:
 - PCI, Penetration Testing and Cyber Essentials
 - ISO 27001/BS10012
 - International revenues
- GDPR slowed as expected after May 25th 2018 and will accelerate again when first fines are announced in early 2019
- Target is to double recurring revenues from 10% of annual revenue to ~20%
- New businesses – GRCI Law, GRC eLearning, ITG Encryption – will move into cumulative profit for the year
- Growing pipeline of acquisition opportunities

Questions

Alan Calder and Chris Hartshorne

Appendix



Operations – Key brand customers



Operations – Customers by sector

As at 31 March 2018

Sector	%
Technology and Media	25%
Professional Services	16%
Retail, Food, Travel, Hospitality and Leisure	8%
Financial Services	7%
Health Care and Health Science	7%
Education	7%
Training Reseller	6%
Independent	5%
Manufacturing, Supply and Construction	5%
Public Sector	4%
Transport and Automotive	3%
Defence and Aerospace	2%
Energy and Agribusiness	2%
Telecoms	2%
Charity and not-for-profit	1%