



GRC INTERNATIONAL GROUP PLC

H1 2019 Results

24 December 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

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 H1

Laying the foundations for future growth

	Period to 30 September 2018	Change (YoY)
Revenue	£8.9m	+54%
Underlying EBITDA	£(1.8)m	-225%
Total billings	£8.8m	+41%
Website visits	3.2m	+201%
Average FTE headcount	302	+231%

Significant **growth generated** by the provision of **GDPR**-and cyber security services.

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

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

Invested to improve systems and operational infrastructure

Completed first acquisition, which is trading in line with expectations

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

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

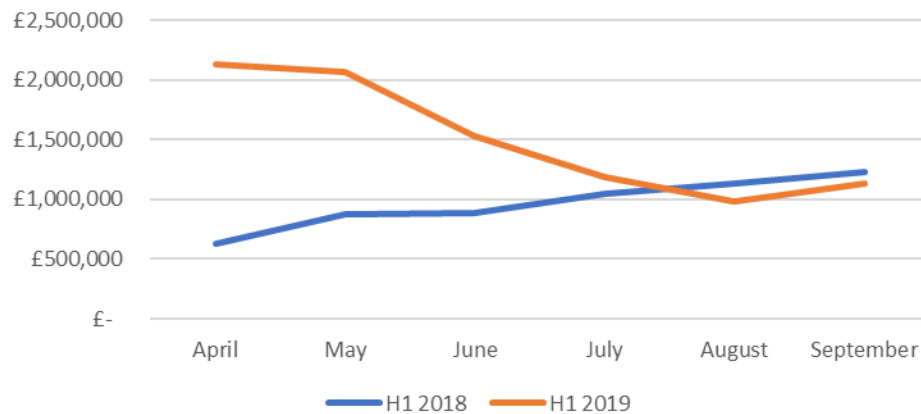
- Revenue: £8.9m - up 54% YoY
(H1 2018: £5.8m)
- Gross profit: £5.1m – up 49% YoY
Stable margin at 57%
- Underlying EBITDA: £(1.8)m (20.4%)
(H1 2018: 15.6%)
Reduction on prior year, is due to investments in marketing, infrastructure and headcount to build a platform for future growth

	HY 2019 £m	HY 2018 £m	FY 2018 £m
Revenue	8.9	5.8	15.7
Cost of Sales	(3.8)	(2.4)	(6.2)
Gross Profit	5.1	3.4	9.5
	57%	59%	61%
Administration Expenses	(6.9)	(2.6)	(7.9)
Underlying EBITDA	(1.8)	0.8	1.6
Depreciation and amortisation	(0.4)	(0.2)	(0.5)
Share-based payment charge	0.0	0.0	(0.1)
Underlying operating profit	(2.2)	0.6	1.0
Exceptional charges: IPO Costs	0.0	0.0	(0.7)
Operating profit	(2.2)	0.6	0.3
Finance Costs (net)	0.0	0.0	0.0
Share of profits of joint ventures	0.0	0.0	0.0
(Loss)/Profit before taxation	(2.2)	0.6	0.3
Taxation	0.0	0.0	(0.2)
	0%	0%	43%
(Loss)/Profit after taxation	(2.2)	0.6	0.1
Basic earnings per share (pence)	(3.79)	1.22	0.40
Diluted earnings per share (pence)	(3.79)	1.22	0.39

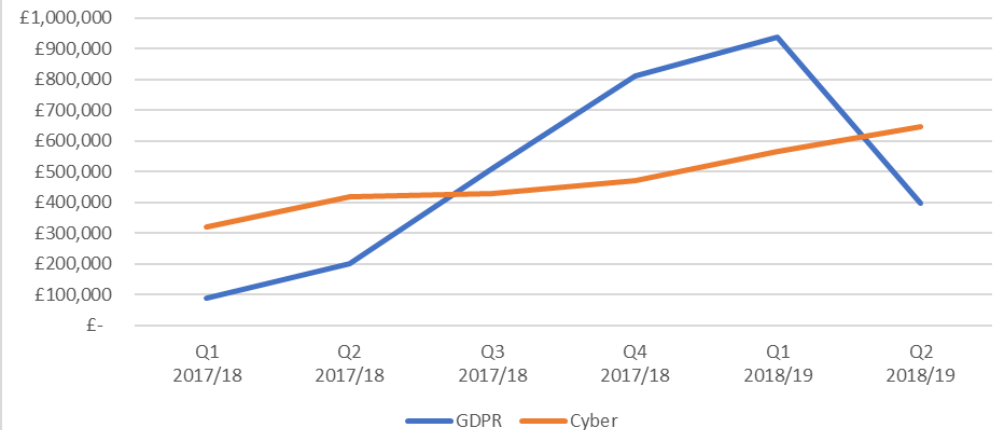
Financial performance

Revenue

Revenue - H1 2019 vs H1 2018



Revenue - GDPR v Cyber



Financial performance

Balance Sheet Highlights

- **Intangible assets: £2.6m**
(FY 2018: £1.6m)
(HY 2018: £1.3m)
- **Deferred income: £1.5m**
(FY 2018: £1.4m)
(HY 2018: £1.4m)
- **Net cash: £1.7m**
(FY 2018: £5.6m)
(HY 2018: £0.8m)

	HY 2019 £m	HY 2018 £m	FY 2018 £m
Intangible assets	2.6	1.3	1.6
Software	1.4	0.8	0.9
Courseware	0.3	0.2	0.3
Website Costs	0.6	0.2	0.3
Other	0.3	0.1	0.1
Joint Venture	0.0	0.0	0.0
Property, plant and equipment	0.6	0.3	0.4
Deferred tax	0.6	0.1	0.6
Non-current assets	3.8	1.7	2.6
Working capital	(1.8)	(0.5)	(2.3)
	2.0	1.2	0.3
Net Cash	1.7	0.8	5.6
Net assets	3.7	2.0	5.9

Financial performance

Cash Flow Highlights

- Increased capital expenditure to support the Group's growth:

- Intangible: £1.3m
 - (FY 2018: £0.9m)
 - (H1 2018: £0.4m)
- Tangible: £0.2m
 - (FY 2018: £0.4m)
 - (H1 2018: £0.2m)

- Working Capital:

- Support working capital cycle of new start-up businesses: £1.3m
 - (FY 2018: £0.2m)
 - (H1 2018: £0.1m)
- Investments in new teams and management structures: £1.4m
 - (FY 2018: £nil)
 - (H1 2018: £nil)

- Net cash: £1.7m (Cash £1.7m, Borrowings £0.1m)
 - (FY 2018: £5.5m (Cash £5.6m, Borrowings £0.1m))
 - (H1 2018: £0.7m (Cash £0.8m, Borrowings £0.1m))

	HY 2019 £m	HY 2018 £m	FY 2018 £m
Underlying operating profit	(2.2)	0.6	1.1
Exceptional charges: IPO costs	0.0	0.0	(0.7)
Operating profit	(2.2)	0.6	0.4
Depreciation and amortisation	0.4	0.2	0.5
Share based payment charge	0.0	0.0	0.1
	(1.8)	0.8	1.0
Changes in working capital	(0.6)	0.3	1.2
Cash flow from operations	(2.4)	1.1	2.2
Capital expenditure	(1.5)	(0.6)	(1.3)
Proceeds (net) from new shares	0.0	0.0	4.8
Other finance items	0.0	(0.1)	(0.1)
	(3.9)	0.4	5.6
Dividends paid (pre-IPO)	0.0	0.0	(0.4)
	(3.9)	0.4	5.2
Net cash: Opening	5.6	0.4	0.4
Net cash: Closing	1.7	0.8	5.6

Operational Update

Alan Calder



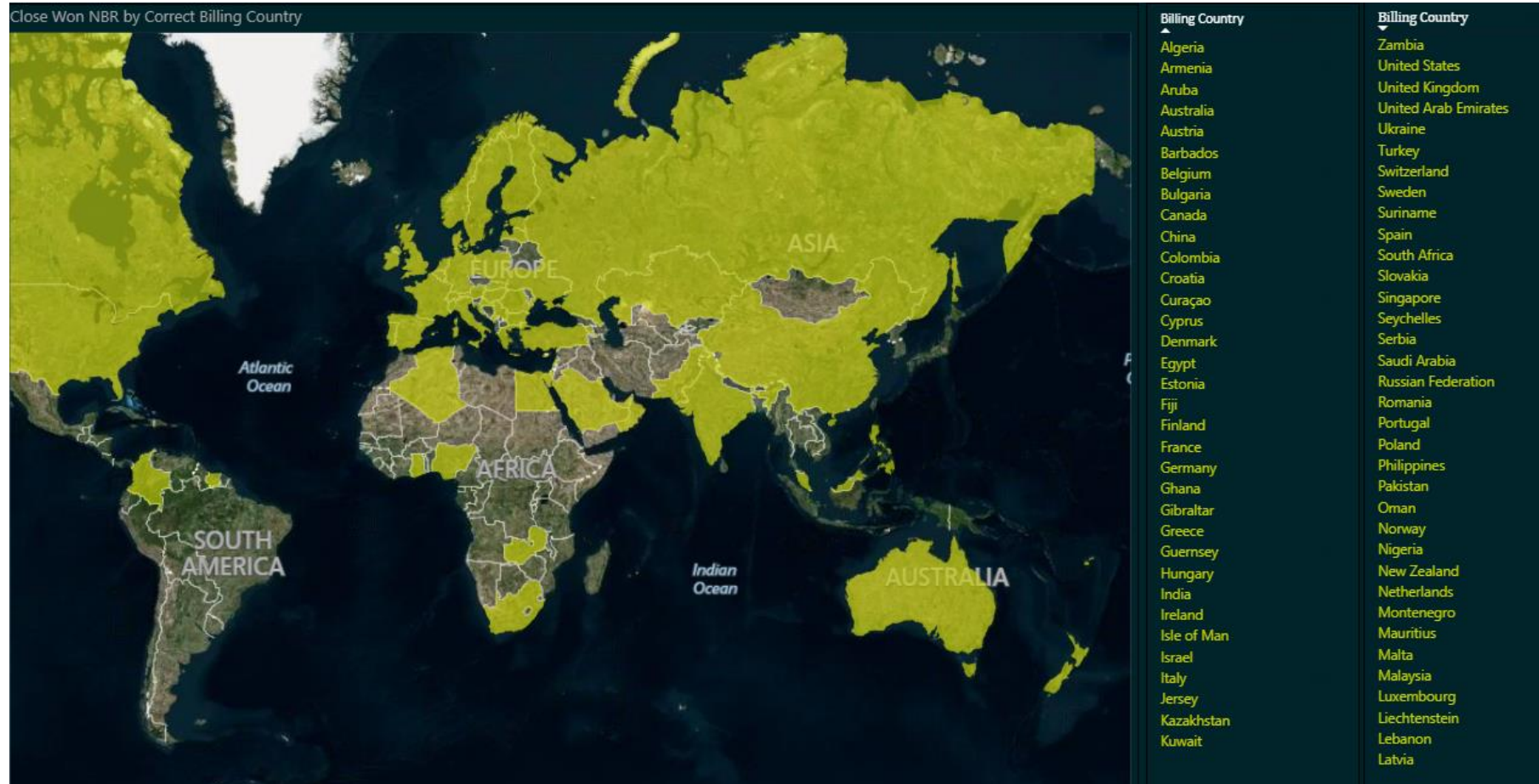
Operational highlights

Overview

	6 Months to 30 September 2018	6 Months to 30 September 2017	Change (YoY)	Year to 31 March 2018
Web visits	3.212m	1.067m	+201%	3.108m
Revenue	£8.9m	£5.8m	+54%	£15.7m
Billings - Total	£8.8m	£6.2m	+41%	£16.3m
UK	£7.2m	£5.2m	+39%	£13.2m
EU	£0.8m	£0.5m	+60%	£1.7m
USA	£0.5m	£0.3m	+66%	£1.0m
RoW	£0.3m	£0.2m	+50%	£0.5m
GDPR	£4.5m	£2.8m	+61%	£9.6m
Cyber security	£3.9m	£2.4m	+63%	£5.7m
Other	£0.5m	£1.1m	-55%	£1.0m
Employees – FTEs (as at period end)	311.0	159.0	+96%	261.5

Global customer base

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



Investment businesses – H1 2019

Regional expansion – website, training, consultancy

Company-specific performance:

- | | | |
|------------------|---------------|-------------------------------|
| • ITG Europe Ltd | H1 2018 £158k | H1 2019 £365k +131% |
| • ITG USA Inc | H1 2018 £nil | H1 2019 £63k |
| • ITG Gulf | | Initial contacts in September |

Product range development – recurring revenue business models

- | | | |
|------------------------------|---------------|---------------------|
| • Vigilant Software | H1 2018 £109k | H1 2019 £245k +125% |
| • GRC e-Learning (June 2018) | H1 2018 £155k | H1 2019 £640k +313% |
| • GRCI Law (May 2018) | H1 2018 £nil | H1 2019 £452k |

Initial acquisition

- www.gdpr.co.uk Investment £175k in August, with recurring revenues of £90k

Descriptions of businesses included in relevant divisional overviews



Class action lawsuit for 'pretending' GDPR compliance



380,000 customer records accessed – GDPR, PCI breach



Multiple ransomware attacks in 2017



MAERSK

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

Training Division

- 45% of 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 customers:



Training courses

	UK		Global	
	H1 2018	H1 2019	H1 2018	H1 2019
No of GDPR classroom courses	113	214	131	285
No of inhouse courses	55	129	60	137
inhouse delegates	933	2172	1010	2333
Average delegates per inhouse course	17.0	16.8	16.8	17.0
No of Cyber security courses (ISO27001, CISMP, CEH, PCI, CISA, CISM, CISSP)	55	83	55	100
Total public courses	190	330	208	419
Total delegates attending public courses	2578	2860	2733	3167
Average delegates per course	13.6	8.7	13.1	7.6
Total courses	245	459	268	556
Total delegates	3511	5032	3743	5500
Average number of delegates attending all courses in the period	14.3	11.0	14.0	9.9

Training revenue (UK)

GDPR training revenues	H1 2019 £2,234k	(H1 2018 £2,178k)
Cyber security training	H1 2019 £853k	(H1 2018 £877k)

E-Learning Sales

- GRC e-Learning (www.grcelearning.com) established as a separate business from June 2018
- Revenues H1 2019 £640k, +313% (H1 2018: £155k)
 - Customisable staff awareness training - on an annual recurring revenue model
 - Learning management system
 - 300+ corporate customers and 70,000+ users
 - Bespoke e-learning development
 - Expansion across GRC subject areas, and into wider range of languages



Consulting Division

42% of Group Revenue

- Includes GRCI Law
- Addition of GDPR auditing and Privacy Compliance Framework services

Consulting revenues (UK)

- | | | |
|------------------|-----------------|-----------------------|
| • GDPR | H1 2018 £276k | H1 2019 £1,274k +362% |
| • Cyber security | H1 2018 £1,079k | H1 2019 £1,553k +44% |

GRCI Law

www.grcilaw.com

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

10 lawyers

DPOaaS (including geographic and sector variants) – 39 contracts signed by November 2018

Recurring revenue – £500k pa by November 2018

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

Now launching:

- DPMaaS
- Breach reporting services
- Representative service (in UK and in EU)
- PECR compliance



GDPR.co.uk

- Platform business, providing GDPR support services to schools

Key customers:

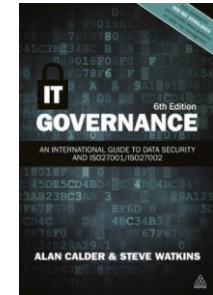


Publishing and Software Division

13% of Group Revenue

Publishing Division





- Revenues H1 2019 £745k +56% (H1 2018: £478k)
- New distribution contracts with TSO (2-way) and BCS for ATO target market
- 20 titles into audiobook format for launch in H2



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

Software Division (Vigilant Software)

- Revenues H1 2019 £245k, +125% (H1 2018: £109k)
- SaaS recurring revenue model
- Acceleration in software development, all launching in H2:
 - Built on 'Cyber Comply' platform
 - DPIA (data protection impact assessment tool)
 - GDPR management tools (DSARs, Supplier Management, Breach Reporting)
 - vsRisk Cloud

 <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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Strategy and Outlook

Alan Calder

Outlook

- **GDPR/Privacy**
 - Revenue from GDPR now reaching more normalised levels of steady growth following surge ahead of 25 May 2018 deadline
 - Threat of regulatory action by EU supervisory authorities will drive another wave of compliance activity
 - e-Privacy Regulation stalled in EC, but UK PECR recently amended to provide for personal fines against negligent directors
 - NYDFS enforcement is currently low key
 - 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 and, increasingly, context-specific legal advice will be in demand
 - Global delivery capability helps customers operating cross-jurisdictions
- **Cyber security**
 - Privacy regulation and breach reporting requirements continue to drive cyber security activity
 - BUT, cyber security is increasingly complex
 - Traditional areas such as training, staff awareness, security testing all important
 - Cyber Security as a Service a major growth area – BFC Bank and Saracens Rugby Club are first two multi-year contract clients
- **Brexit**
 - Creating uncertainty for clients
 - Opportunities for GRCI Law – representative services, binding corporate rules, standard contract clauses

Strategy

- Sectors, structure and headcount
 - Headcount scaled up to capitalise on GDPR demand before being scaled back down in line with the demand profile. Expect to incrementally increase headcount as a result of expected growth.
 - We are continuing to develop sectoral capabilities – finance, professional services, healthcare, retail, public/education, technology/media and industrials
 - Ongoing automation and internal re-organisation around key sectors and newly established businesses have also enabled us to trim headcount
 - Tight control of overheads to improve overall productivity
- Acquisitions
 - We have an active pipeline of acquisition opportunities
- Key growth areas:
 - Recurring revenues in software and distribution division: e-Learning, Vigilant Software, Publishing
 - GRCI Law – recurring revenue for DPOaaS, breach reporting service, plus context-specific projects
 - Cyber Security as a Service
 - Target is to double recurring revenues from 10% of annual revenue to +20%
- Substantial YoY growth expected in:
 - PCI, Penetration Testing and Cyber Essentials
 - ISO 27001/PIMS
 - International revenues
- Q4 objective: group-level positive EBITDA and cash-generative

Questions

Alan Calder and Chris Hartshorne

Appendix

Operations – Key brand customers



Operations – Customers by sector

As at 30 September 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%