# GRC INTERNATIONAL GROUP PLC

# H1 FY22 Interim Results

14 December 2021

**Alan Calder –** CEO
**Chris Hartshorne –** Finance Director

Cyber Security

GDPR

NIS

ISO 27001
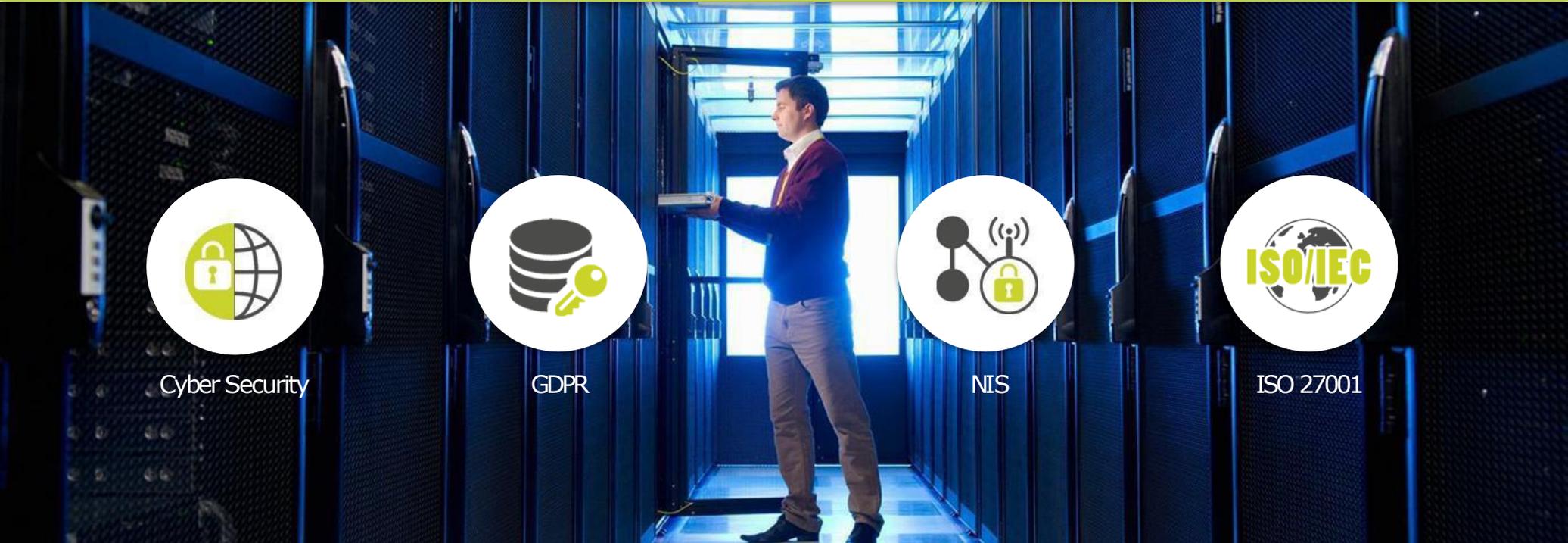
# Highlights in H1

- Recurring and contracted revenue billings up 33% to £4.0m
- Total billings up 27% to £7.1m
- EBITDA £0.4m from H1 FY21 £0.8m loss
- Website visits up by 21% to more than 2 million
- 57% of transactions were from returning customers
- Surge in customer satisfaction with significant increase in NPS (Net Promoter Scores)

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# Overview of GRC International Group PLC

**Leading, global cyber security and privacy services provider delivering great value to clients**

- Three divisions – Software-as-a-Service (SaaS), e-Commerce and Services – operating internationally.
- IT Governance one-stop shop brand.
- Wide range of unique products, services and solutions.
- Enable clients to address increasingly complex and challenging cyber security and privacy compliance issues.

**A comprehensive suite of practical and unique cyber security and privacy solutions.**

**Software as a Service**
- CyberComply platform
  - ISO 27001 compliance
  - Cyber security
  - GDPR/privacy compliance
- Cyber Essentials certification
- Vulnerability scanning
- GRC eLearning
- GDPR as a Service
- Documentation template toolkits

**e-Commerce**
- Four B2B one-stop shop 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

**Services**
- Help organisations meet compliance and cyber risk management objectives with appropriate cyber security, data protection, and privacy by design policies and procedures.
- Other consultancy services:
  - Penetration testing
  - PCI DSS compliance
  - Legal, GDPR and DPO services

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# Financial performance

**Highlights**

- Revenue up 22% to £6.6m
- Recurring and contracted revenue generated 56% (FY21: 56%) of monthly billings
- Gross margin improvement 800 bpts delivered from operational gearing, overall revenue growth and improved utilisation rates
- Gross profit up 41% to £3.8m
- EBITDA of £0.4m from £0.8m loss
- Net cash £0.1m

# Income statement

- Revenue: £6.6m – up £1.2m YoY
  - Up 22% on COVID-19-impacted comparative period.
  - Up 3% on previous six months (H2 FY21: £6.4m).

- Gross profit: £3.8m – up £1.1m YoY
  - Up 41% as revenue recovers and consultants' utilisation levels improve.
  - Focus on higher-margin subscription services, driven margin improvement and operational gearing.

- Admin expenses (excl. depreciation and amortisation): £3.6m – up £0.2m YoY
  - Investment in internal automation and focus on SaaS revenue lines mean revenue growth achieved with lower levels of additional staff cost.

| | HY 2022 £m | HY 2021 £m | % change |
|---|---|---|---|
| Revenue | 6.6 | 5.4 | 22% |
| Cost of sales | (2.8) | (2.7) | 4% |
| **Gross profit** | **3.8** | **2.7** | **41%** |
| | 58% | 50% | |
| Administration expenses | (3.6) | (3.4) | 6% |
| Other operating income | 0.2 | 0.0 | 0% |
| **EBITDA** | **0.4** | **(0.7)** | **157%** |
| Depreciation and amortisation | (0.8) | (0.7) | 14% |
| **Operating loss** | **(0.4)** | **(1.4)** | **71%** |
| Finance Costs (net) | (0.1) | (0.1) | 0% |
| **Loss before taxation** | **(0.5)** | **(1.5)** | **67%** |

# EBITDA

| £'000 | HY1 FY22 | HY1 FY21 | HY2 FY21 |
|---|---|---|---|
| Revenue | 6,633 | 5,413 | 6,347 |
| | | | |
| Operating loss | (385) | (1,427) | (1,161) |
| Depreciation | 137 | 157 | 193 |
| Amortisation | 668 | 502 | 605 |
| EBITDA | 420 | (768) | (363) |
| EBITDA as % revenue | 6% | (14)% | (6)% |

EBITDA positive result for the first six-month period since the set of results after admission to AIM in March 2018.

Continued improvement in EBITDA performance over the past 18 months.

# Revenue highlights – segmental reporting

- Strong growth in the e-Commerce division, which was hardest hit by the pandemic.

- Highest gross margins are in the Group's fastest-growing divisions – SaaS and e-Commerce.

- International revenue up 40% to £1.4m (H1 FY21: £1.0m)

| | H1 22 | H1 21 | H2 21 | H1 21 to H1 22 |
|---|---|---|---|---|
| **Revenue** | | | | |
| SaaS | 1,669 | 1,244 | 1,608 | 34% |
| e-Commerce | 1,733 | 1,082 | 1,273 | 60% |
| Services | 3,231 | 3,087 | 3,467 | 5% |
| **Total** | **6,633** | **5,413** | **6,347** | **23%** |
| **Gross margin** | | | | |
| SaaS | 90% | 91% | 90% | -1% |
| e-Commerce | 64% | 64% | 57% | 0% |
| Services | 38% | 27% | 38% | 40% |
| **Total** | 58% | 49% | 55% | **18%** |
| **Revenue** | | | | |
| UK | 5,271 | 4,451 | 5,121 | 18% |
| Europe | 698 | 369 | 329 | 89% |
| United States | 497 | 366 | 398 | 36% |
| Rest of World | 167 | 228 | 498 | -27% |
| **Total** | **6,633** | **5,414** | **6,346** | **23%** |
| UK as a % | 79% | 82% | 81% | |

# Cash flow highlights

- Changes in working capital:
  - Seasonal reduction in trade and other receivables (£0.2m).
  - Increase in deferred income, improved revenue trend and forward visibility of revenue.

- HMRC deferred liabilities reduced by almost half during HY22.

- Net cash: £0.1m (borrowings £1.3m)
  - (FY 2021: £0.2m (borrowings £1.3m)
  - (HY 2021: £0.2m (borrowings £1.2m)



Cash flow

| Opening cash | 233 |
| Loss before tax | (492) |
| Dep'n and Amortisation | 805 |
| Foreign exchange losses | 10 |
| Finance costs | 107 |
| Working capital | 355 |
| Borrowings (net) | (138) |
| Capital expenditure | (613) |
| Acquisiton of JV | (13) |
| Finance lease payments | (107) |
| Closing cash | 147 |
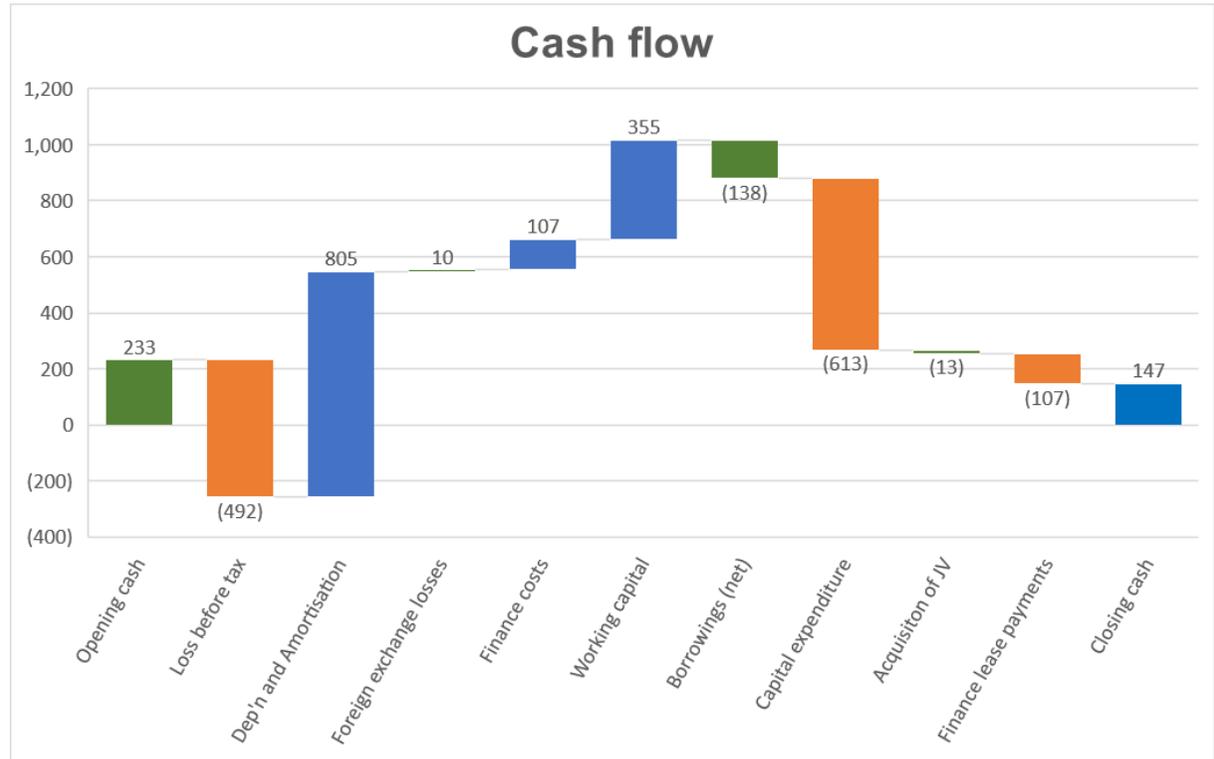
# Strategy overview

**OUR MARKET**

- Cyber security market forecast to grow to £353b by 2025, at a 14.5% CAGR.
- Attack surface expanding dramatically:
    - Millions more insecure network endpoints exploitable.
    - Increasingly widespread use of IoT (Internet of Things).
    - Rapid growth of remote/hybrid working.
- Customer and supply chain pressures to improve security and privacy.
- Proliferating national and international data protection regulations.
- Global shortage in qualified security and privacy professionals.
- Most organisations struggle to resource appropriate responses to these increasingly complex challenges.

# Strategy overview(cont'd)

**OUR RESPONSE**

- SaaS division delivers compliance and management platforms
  - Enables clients to embed consistent, robust and regularly updated compliance processes in their operations.
- e-Commerce division provides customers with proprietary, expert content and professional qualifications
  - Enables clients to address the skills gaps.
- Services division delivers expertise into client organisations on an increasingly long-term contracted basis
  - Enables clients to access expertise and the range of products and services from across the Group.

**STRATEGIC FOCUS**

- Accelerate growth nationally and internationally, organically and by acquisition
  - Investment in SaaS and e-Commerce platforms drives client acquisition and retention, cross-selling and high margins.
  - Overall growth supported through the continued development of Services division, deploying expertise to solve client problems.
  - Continued infrastructure investment will improve forward revenue visibility, widen gross margins and increase customer lifetime value.
- EU and the USA businesses now established – we see significant growth opportunities in both geographies.

# Operational divisions

UK, EU and USA

- Training
- Distribution
- Books

**e-Commerce**

One-stop shops, client acquisition, high transaction volume, breadth of offering.

SaaS

High volume, low value, recurring revenue. Automated fulfilment and delivery.

Services

Relationships, longer-term contracts, and cross-selling.
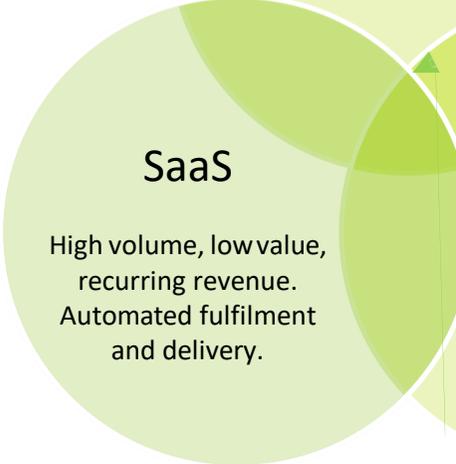
- Cyber Essentials and CSaaS
- GRC eLearning
- ITGP toolkits
- GDPR.co.uk
- Vigilant Software CyberComply.

- ISO/IEC 27001
- Cyber security and privacy
- Penetration testing
- PCI DSS
- GRCI Law
- DQM GRC

- Integrated Client Service Centre
- Common infrastructure

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# Software as a Service

## 25% of H1 FY22 Group Revenue

Vigilant Software's CyberComply, GRC eLearning, Cyber Essentials, GDPR.co.uk and documentation toolkits.

- Increasing complexity of cyber threats and privacy requirements pushing organisations to look for robust platforms that support risk management, compliance and staff awareness training initiatives.

- Grown number of subscription customers from 3,600 in March 2021 to 5,000 by November 2021 – a 39% increase.

- Adding vulnerability and PCI DSS scanning services to subscription product range and working on series of initiatives to:

  - Extend availability of subscription services through IT Governance one-stop shop websites in the EU and USA;

  - Improve customer experience, improve retention and increase cross-selling; and

  - Build out the ecosystems and partner networks for each platform.

**Cybersecurity e-learning customer**: *"I'm really glad our company enrolled us for this course. A real eye-opener. Everyone needs to do this course. I learned a lot."*

**CyberComply customer**:*"We needed a way to expedite and simplify our cyber risk assessment process and CyberComply became a clear choice after testing other products in the market. Customer support for the product is fantastic, we were able to get up and running with the product incredibly quickly. CyberComply has become an integral tool in our organization."*

**CYBERCOMPLY: RISK-PROOF YOUR DATA**

Manage all your cyber security and data privacy obligations in one powerful tool

FREE TRIAL     BUY NOW

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# e-Commerce

## 26% of H1 FY22 Group Revenue

itgovernance.co.uk; itgovernance.eu; itgovernanceusa.com; itgovernance.asia

- 60% revenue growth reflects the continued resurgence in demand for professional skills.

- Technology-enabled 'Learn from Anywhere' training delivery model facilitated significant improvement in classroom training course attendance and margins.

- Ongoing investment in making training courses available in an on-demand, distance-learning format helps reach wider markets and more distant time zones.

- Publishing business, ITGP, successfully expanding portfolio from cyber security and privacy across technology, risk and compliance, into related governance areas.

  - Audiobooks also a key growth format.

- Agility and speed in launching new products to meet new regulations and changing customer demand.

**GDPR Learn from Anywhere customer**: *"Everything received was of great quality; course materials, trainer delivery, etc. Wholly recommended learning and a lot of questions answered. Completely value for money."*

**Certified DPO training delegate**: *"Brilliant, Fantastic – what an insightful course!! Really interesting, full of information and real world application and a true expert as the trainer – Completely recommended and value for money."*

**Cyber Security training delegate**: *"This is an excellent course really well structured and informative and is truly an eye opener for someone who like myself would like to learn more about the exciting field of cybersecurity. Having undertaken the course I am very grateful it has provided me with a foundation to pursue further studies in this fantastic area and I have no hesitation in recommending the Certified Cyber Security course at IT Governance."*
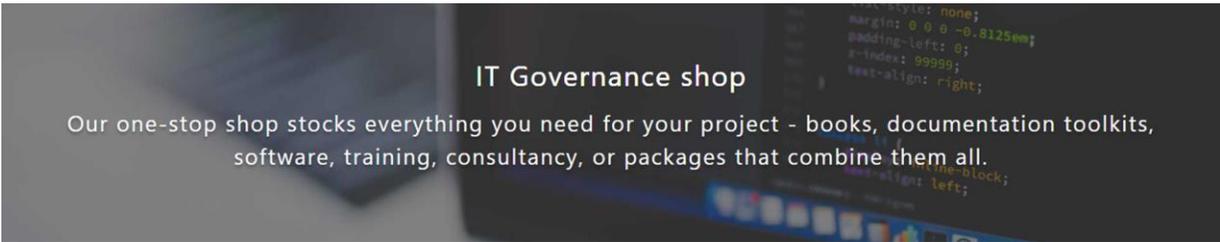
IT Governance shop

Our one-stop shop stocks everything you need for your project - books, documentation toolkits, software, training, consultancy, or packages that combine them all.

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# Services

## 49% of H1 FY21 Group Revenue

ISO/IEC 27001, cyber security, supply chain risk management, penetration testing, PCI DSS, GDPR and privacy compliance, DPO as a Service, Cyber Security as a Service.

- Accelerating demand enabled an improvement in gross margin from 27% to 38% – also achieving 5% revenue increase.

- Approximately 80% of GRCI Law and DQM GRC, and across the IT Governance brands approaching 60%, business is signed on a multi-month, multi-year basis.

- Services engagements also drive customer uptake of SaaS and e-Commerce offerings.

    - Traditional 'land and expand' business model drives significant increases in customer lifetime value.

**GDPR client**: *"It is our 3rd time through the process, we certainly see the value and consider DQM a partner in our journey to striving for excellence."*

**ISO 27001 client**: *"We turned to IT Governance as they had the expertise and experience of helping organisations comply before and so took the stress away, allowing us to concentrate on other things."*

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# Current trading and outlook

- Nine months of the calendar year to September 2021:
  - 996 publicly admitted data security incidents, involving exposure of 4.1 billion data records.
  - Ransomware attacks, supply chain pressures and regulatory requirements are driving increases in client budgets for cyber security and privacy initiatives.
- Strong organic listings bring sustained increases in web traffic and in billings.
- COVID-19 and geopolitics have a destabilising impact on the economy – but also increase cyber and privacy risk.
- 7 December 2021 announced – signed up more than 5,000 active, paying subscribers to 6 lines of Group's online products and services in 2 years.
- After strong H1, the Group has real momentum and growing forward visibility, and is well positioned to execute on its strategy to grow organically and by acquisition.

**Seen 18 months of period-on-period trading improvement and expect this to continue into H2 FY22.**

**We look with optimism to the second half and to next year.**

| £€450k fine for delayed breach reporting | 500,000 customer records accessed – | £91m fine for illegal use of tracking cookies | Global outage following ransomware attack | ICO Enforcement action stretches into entire sector | £1.25 million fine for data breach | Colonial Pipeline ransomware attack | Russian govt-backed supply chain hack |

# Questions

Alan Calder and Chris Hartshorne

# Appendix

# Operational divisions

- **Divisional structure**
  - Brigades similar activities under common management.
  - Improves market focus, as well as cross-sell, upsell 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 eLearning (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.
- **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 (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 takes SaaS and professional services offerings to managed service provider market.

e-Commerce (26%)

SaaS (25%)

Services (49%)
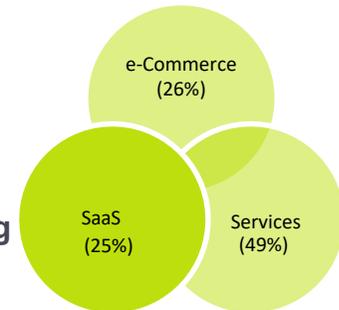
# Financial performance

## Balance sheet highlights

- Intangible assets: £12.5m
  (FY 2021: £12.6m)
  (HY 2021: £12.6m)
  Continued investment offset by amortisation.

- Right of use asset relates to the IFRS 16 treatment of property leases.

- Net cash: £0.1m
  The Group has rolling credit facilities in place to the value of £0.7m (currently 50% used), plus an invoice discounting facility at DQM GRC providing availability usually in the range of £0.2m – £0.4m.

| | HY 2022 £m | HY 2021 £m | FY 2021 £m |
|---|---|---|---|
| Intangible assets | 12.5 | 12.6 | 12.6 |
|    Software & Website | 2.9 | 3.1 | 2.9 |
|    Consultancy Products & Courseware | 1.0 | 0.6 | 1.0 |
|    Trademarks | 0.3 | 0.4 | 0.4 |
|    Goodwill | 6.8 | 6.8 | 6.8 |
|    Customer Relationships | 1.5 | 1.6 | 1.5 |
|    Other | 0.0 | 0.1 | 0.0 |
| Property, plant and equipment | 0.1 | 0.3 | 0.2 |
| Right of Use asset | 0.2 | 0.4 | 0.2 |
| Deferred tax | 0.0 | 0.1 | 0.0 |
| **Non-current assets** | **12.8** | **13.4** | **13.0** |
| | | | |
| Contingent consideration | 0.0 | (0.1) | 0.0 |
| Borrowings | (0.8) | (0.9) | (0.9) |
| Working capital | (4.9) | (3.6) | (4.5) |
| | 7.1 | 8.8 | 7.6 |
| | | | |
| Borrowings | (0.4) | (0.3) | (0.5) |
| Lease obligations | (0.1) | (0.2) | (0.1) |
| Deferred tax | (0.3) | (0.6) | (0.3) |
| **Non-current liabilities** | **(0.8)** | **(1.1)** | **(0.9)** |
| | | | |
| **Net Cash** | **0.1** | **0.2** | **0.2** |
| | | | |
| **Net assets** | **6.4** | **7.9** | **6.9** |