



GRC INTERNATIONAL GROUP PLC

HY21 Interim Results

17 December 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

halfords



next

Royal Mail

YOOX
NET-A-PORTER
GROUP



Highlights in H1

Successfully traded through pandemic, reduced costs, preserved cash – vaccine optimism now driving increases in customer activity

	Period to 30 September 2020	Change (YoY)
Revenue	£5.4m	(14)%
Underlying EBITDA	£(0.8)m	+43%
Total billings	£5.6m	(22)%
Website visits	1,731k	+2%
Period end FTE headcount	150.0	(8)%
Rolling annual billings per FTE	£83.2K	+2%

Brexit, UK politics and Covid-19 all disrupted client business investment through FY20

55% Increase in contracted and recurring revenue as a percentage of total billings.

Pre-existing cash reserves still available

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

**Billings consistently ahead of minimum pandemic targets
30% increase in value of Opportunity pipeline**

Vaccine availability and potential end of lockdown see increase in client activity from late November

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

- Revenue: £5.4m - down 24% YoY
 - Revenue impacted by the Covid-19 pandemic but ahead of management's Covid-19 minimum plan.
- Gross profit: £2.7m – down 33% YoY
 - Gross profit down in absolute terms YoY and margin 600 basis points down as a percentage of revenue as a result of lower classroom fill rates and consultant utilisation, particularly through the national lockdown in Q1.
- Administrative expenses (excl. depreciation and amortisation): £3.4m – down 35% YoY
 - Significant reduction in overhead expenses as a result of the restructuring work in FY 2020 and management's close attention to cost control through H1 FY 2021.
- Underlying EBITDA: £(0.7)m - 42% improvement
 - Substantial reduction in EBITDA loss reflecting the reduction in overhead costs predominantly due to headcount savings and savings in associated headcount related overheads.
 - EBITDA loss not notably less than the Covid-19 impacted reduction in revenue.

	HY 2021 £m	HY 2020 £m	FY 2020 £m
Revenue	5.4	7.1	14.1
Cost of Sales	(2.7)	(3.1)	(6.1)
Gross Profit	2.7	4.0	8.0
	50%	56%	57%
Administration Expenses	(3.4)	(5.2)	(9.6)
Underlying EBITDA	(0.7)	(1.2)	(1.6)
Depreciation and amortisation	(0.7)	(0.8)	(1.6)
Other operating income	0.0	0.0	0.1
Share-based payment charge	0.0	0.0	0.0
Underlying operating loss	(1.4)	(2.0)	(3.1)
Exceptional charges	0.0	(0.1)	(0.4)
Operating loss	(1.4)	(2.1)	(3.5)
Finance Costs (net)	(0.1)	0.0	(0.2)
Share of profits of joint ventures	0.0	0.0	0.0
Loss before taxation	(1.5)	(2.1)	(3.7)
Taxation	0.0	0.0	0.4
	1%	1%	12%
Loss after taxation	(1.5)	(2.1)	(3.3)
Basic loss per share (pence)	<u>(1.53)</u>	<u>(3.37)</u>	<u>(4.67)</u>
Diluted loss per share (pence)	<u>(1.53)</u>	<u>(3.37)</u>	<u>(4.67)</u>

Financial performance

Revenue Highlights – Segmental reporting

	<u>H1 21</u>	<u>H1 20</u>	<u>H2 20</u>	<u>FY 20</u>	<u>H1 20 to H1 21</u>		<u>H1 21</u>	<u>H1 20</u>	<u>H2 20</u>	<u>FY 20</u>	<u>H1 20 to H1 21</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	
<u>Billings</u>						<u>Revenue</u>					
Professional Services Division	3,442	3,802	3,595	7,397	(9)%	Professional Services Division	3,353	3,494	3,714	7,208	(4)%
SaaS Division	954	1,308	1,362	2,670	(27)%	SaaS Division	978	1,407	1,376	2,783	(30)%
E-Commerce Division	1,187	2,053	1,907	3,960	(42)%	E-Commerce Division	1,082	2,194	1,961	4,155	(51)%
Total	5,583	7,163	6,864	14,027	(22)%	Total	5,413	7,095	7,051	14,146	(24)%
						Training	727	1,701	1,477	3,178	(57)%
						Consultancy	3,715	4,195	4,440	8,635	(11)%
						Software and Distribution	971	1,199	1,134	2,333	(19)%
						Total	5,413	7,095	7,051	14,146	(24)%

Financial performance

Balance Sheet Highlights

- Intangible assets: £12.6m
(FY 2020: £12.4m)
(HY 2020: £12.5m)
- Deferred income £0.9m
(FY 2020: £0.9m)
(HY 2020: £1.1m)
- Working Capital:
Working capital cycle remaining relatively stable despite a tough trading environment
- Net Cash: £0.2m
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 £0.2m - £0.4m.

	HY 2021 £m	HY 2020 £m	FY 2020 £m
Intangible assets	12.6	12.4	12.5
Software & Website	3.1	2.9	3.0
Consultancy Products & Courseware	0.6	0.4	0.6
Trademarks	0.4	0.5	0.4
Goodwill	6.8	6.8	6.8
Customer Relationships	1.6	1.8	0.0
Other	0.1	0.0	1.7
Property, plant and equipment	0.7	1.0	0.8
Deferred tax	0.1	0.1	0.1
Non-current assets	13.4	13.5	13.4
Contingent consideration	(0.1)	(3.7)	(0.1)
Borrowings	(0.9)	(1.4)	(1.4)
Working capital	(3.6)	(2.8)	(1.2)
	8.8	5.6	10.7
Borrowings	(0.3)	0.0	(0.4)
Lease obligations	(0.2)	(0.4)	(0.5)
Deferred tax	(0.6)	(0.2)	(0.6)
Non-current liabilities	(1.1)	(0.6)	(1.5)
Net Cash	0.2	0.2	0.2
Net assets	7.9	5.2	9.4

Financial performance

Cash Flow Highlights

- Changes in working capital includes the increase in amounts due to HMRC in relation to the deferral of liabilities during H1. Formal repayment plans now agreed for the majority of balances.
- Borrowings include the £700k rolling credit facility – fully drawn at year end but subsequently 50% repaid.
- Net cash: £0.2m (Cash £0.2m, Borrowings £0.0m)
 - (FY 2020: £0.2m (Cash £0.2m, Borrowings £0.2m))
 - (HY 2020: £0.3m (Cash £0.7m, Borrowings £0.4m))

	HY 2021 £m	HY 2020 £m	FY 2020 £m
Underlying operating loss	(1.5)	(2.2)	(3.3)
Exceptional charges	0.0	0.1	(0.4)
Operating loss	(1.5)	(2.1)	(3.7)
Depreciation and amortisation	0.7	0.8	1.6
Finance costs	0.1	0.0	0.2
Share based payment charge	0.0	0.0	0.0
	(0.7)	(1.3)	(1.9)
Corporation tax refund	0.2	0.0	0.0
Changes in working capital	2.0	0.9	(0.3)
Cash flow from operations	1.5	(0.4)	(2.2)
Capital expenditure	(0.6)	(0.6)	(1.1)
Proceeds (net) from new shares	0.0	0.0	3.6
Payment for acquisition of subsidiary, net of cash acquired	0.0	0.0	(1.6)
Borrowings (net)	(0.7)	1.3	1.7
Payments and interest on lease liabilities as a result of IFRS16	(0.2)	(0.1)	(0.2)
Other finance items	0.0	0.0	(0.1)
	0.0	0.2	0.1
Net cash: Opening	0.2	0.1	0.1
Net cash: Closing	0.2	0.3	0.2



Operational Update

Alan Calder

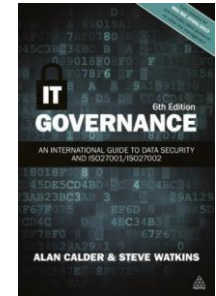
Operational highlights

Overview

	6 Months to 30 September 2020	6 Months to 30 September 2019	Change (YoY)	Year to 31 March 2020
Web visits	1.731m	1.703m	1%	3.5m
Revenue	£5.4m	£7.1m	(24)%	£14.1m
▪ Professional services	£3.2m	£3.5m	(4)%	£7.2m
▪ Saas	£1.0m	£1.4m	(30)%	£2.8m
▪ E-Commerce	£1.1m	£2.2m	(51)%	£4.1m
Billings - Total	£5.6m	£7.2m	(22)%	£14.0m
UK	£4.4m	£5.8m	(24)%	£11.3m
EU	£0.4m	£0.7m	(43)%	£1.0m
USA	£0.4m	£0.4m	-	£0.9m
RoW	£0.4m	£0.3m	25	£0.8m
Employees – FTEs	150.0	160.0	(8)%	157.5

E-Commerce

- 20% of H1 FY21 Group Revenue
- Training (instructor-led & self-paced), toolkits, books, staff awareness products
- Website visits H1 FY20 1.703 million H1 FY21 1.731 million YoY +2%
- E-Commerce was affected early by the pandemic as this is the most sensitive to changes in client decision criteria. Covid-19 had also negatively affected Q4 of FY 20
- Revenues H1 FY20 £2,194k H1 FY21 £1,082k YoY (51) %
- Running performance: H2 FY20 £1,961k H1 FY21 £1,082k HoH (29) %
- Training particularly challenged:
 - Public course training delegate attendance declined 44% against comparative period
 - Average fill rate H1 FY20 59% H1 FY21 50%
 - Inhouse course delivery declined by 76%, recovery through Q3
 - Significant cost reduction with shift to online.delivery
 - Classroom fill rates recovered from 37% in April 2020 to 70% in September 2020
- Ongoing investment in::
 - Learn from Anywhere and COVID-19 secure training centre
 - Training and toolkit portfolio development and quality improvement
 - Training administration automation and fulfilment – improving long term margin
 - Content updates (particularly now for Brexit and GDPR divergence)



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

Learn from Anywhere



Learn from anywhere with our flexible delivery methods

Classroom
Delivered by subject experts, our classroom courses allow you to interact, ask questions, receive feedback and benefit from the support of our world-class trainers.

Instructor-Led Online
Our live Online courses are hosted and managed by one of our expert trainers to help you keep track of your progress to a standard.

Self-Paced Online
Our professional, self-paced online courses give you the freedom to learn at your own pace, when and where you like.

Inhouse
Our inhouse courses are designed to deliver maximum value to your organisation, with content and resources which can be tailored to your needs.

Staff Awareness Training
Our staff awareness courses help you to understand the importance of security in your organisation and ensure you are up to date with the latest threats and best practices.

H1 FY 21 Top 5 instructor-led courses by volume

- Certified GDPR Foundation
- Certified GDPR Practitioner
- Certified Information Security Lead Auditor
- Certified Information Security Lead Implementer
- Certified Information Security Foundation

New Courses added to portfolio

- Cyber Security Foundation
- Cyber Security Practitioner
- UK GDPR & DPA 2018 Update
- Privacy Essentials for Marketeers
- Privacy by Design Foundation
- Privacy by Design Practitioner

<https://www.itgovernance.co.uk/learn-from-anywhere>

Professional Services

62% of H1 FY21 Group Revenue

- Growth in privacy compliance services balanced weaker demand in cyber projects
- Revenues H1 FY20 £3,494k H1 FY21 £3,353k YoY (4) %
- Running performance: H2 FY20 £3,7141k H1 FY21 £3,353k HoH (10) %

GRC/Cyber Consultancy under IT Governance brands

- Cyber security – implementation, testing and support
- Penetration testing, PCI DSS Compliance, Incident response
- Management systems (ISO/IEC 27001) implementation and support

GRCI Law

- Fast growing: H2 FY20 £439k H1 FY21 £702k HoH + 60%
- Not SRA-regulated – 9 lawyers
- PaaS (Privacy as a Service)
- GDPR-specific legal advice – DSARs, contract and document reviews, etc
- UK/EU Representative, UK GDPR and Data transfer services seeing growth

DQM GRC

- Privacy by Design, large scale Privacy and GDPR implementation projects
- Revenue depressed by pandemic but flexible cost structure ensured still EBITDA positive



The Telegraph



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European Bank
for Reconstruction and Development

WARNERMEDIA



Software as a Service

18% of H1 FY 21 Group Revenue

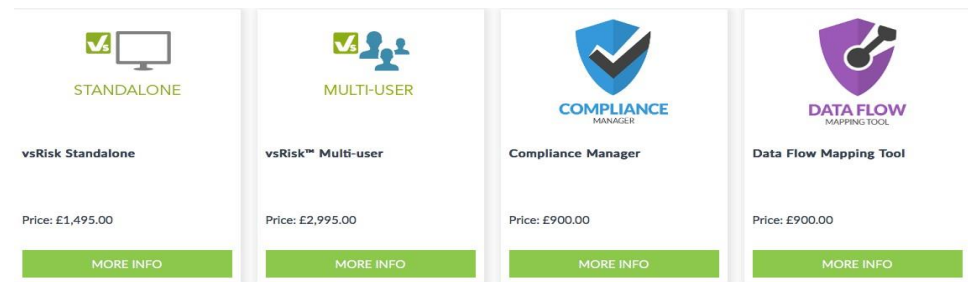
Vigilant Software, e-learning, Cyber Essentials, CSaaS, GDPR.co.uk

Sold through the Group's e-commerce websites

- Revenues H1 FY20 - £1,407k H1 FY21 - £978k YoY (31) %
- Running performance H2 FY20 - £1,325k H1 FY20 – £978k HoH (29) %

CyberComply (Vigilant Software)

- Shifted to monthly recurring revenue option in H2 FY 20
- Transaction volume increasing sharply
 - 2 weeks Dec 2019 1 Complete Suite, 9 individual modules
 - 2 weeks Dec 2020 19 complete suites, 40 individual modules
- DPIA (data protection impact assessment tool)
- GDPR management tools (DSARs, Supplier Management, Breach Reporting)
- vsRisk Cloud



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

E-Learning Sales

- GRC e-Learning (www.grcelearning.com) established as a separate business from June 2018

Cyber Essentials ('CE')

- Two month (April, May) delivery and revenue hiatus while government re-structured management to IASME consortium.
- Increased government charges forced price rises and reduced gross margin.
- Rapid revenue increase since June, with 590 CE applications and 370 certificates issued to 30 November 2020.

GDPR.co.uk

Now re-built onto common group platform; process automation project underway

Strategy and Outlook

Alan Calder

Outlook

Cyber security

- Phishing, Ransomware, theft of IP and/or data, the growth of cyber attack-as-a-service, the activities of serious organised crime and nation state actors all raise the cyber risk threshold.
- Organizational 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 a core risk-management issue for boards: AMCA, BA, Travelex, Newcastle University.
- Cyber Essentials, penetration testing and ISO/IEC 27001 management systems are all seeing accelerating client demand.
- Regulated sectors (finance, legal services, critical national infrastructure etc) concentrating on cyber security requirements.

Privacy

- Regulatory action in respect of GDPR compliance is becoming more noticeable, with a growing focus on compliance as well as data breaches.
- Privacy by Design is becoming key to building privacy into organizational processes – and into competitive positioning.
- Cookie compliance and data broking are both increasingly under the microscope; these are both areas in which DQM has leading products.
- Privacy Shield demise, Schrems II, Brexit and supply chain pressures will drive growth in compliance and legal services.
- Brexit drives demand in UK GDPR services, EU/UK Rep, and in data migration management.

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. Our channel sales team is now dealing with a network of 100+ MSP partners

General

- Global macro-economic uncertainty, Brexit and Covid-19 are all factors that make it difficult to see into the future – but vaccine availability is a positive.
- 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.



£€450k fine for delayed breach reporting



500,000 customer records accessed – GDPR £20m fine



£18.4m GDPR fine for inadequate Due Diligence



£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

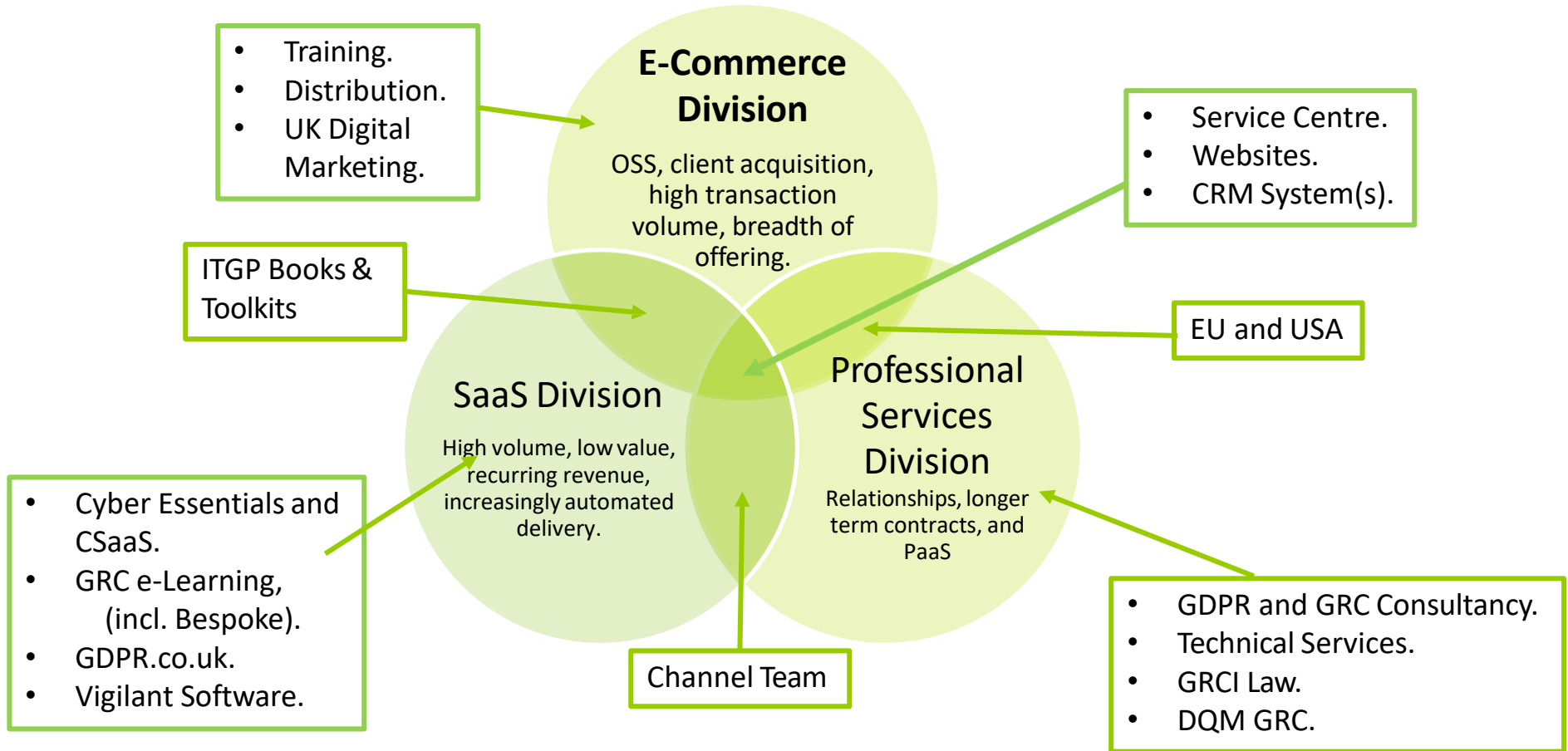
Questions

Alan Calder and Chris Hartshorne

Appendix

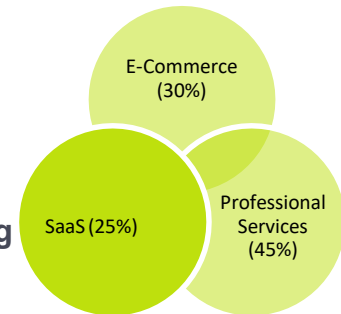


Operational divisions



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

