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GRC INTERNATIONAL GROUP PLC
FY22 Annual Results
September 2022

Alan Calder – CEO
Chris Hartshorne – Finance Director

"Cybersecurity is recession-resistant"
(Joel Fishbein, Truist Financial's MD, Software & Cloud)

GRC International Group | FY22 Annual Results

Agenda

1. FY22 Overview

2. Financial review

3. Current trading and outlook

4. Medium term objectives

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GRC International Group | FY22 Overview

Key objectives achieved

- Organic growth - overall billings up 20%

- Recurring billings up to 56%

- Improved repeat business: 57% of transactions from returning customers

- Gross margin improvement of 700 bpts to 59%

- £2.1m EBITDA turnaround – to £1.0m vs prior year £(1.1)m

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GRC International Group | FY22 Overview - Operations

Unique point solutions integrated to deliver cyber resilience and cyber defence-in-depth

Software as a Service £3.7m (32% YoY revenue increase)	e-Commerce £3.6m (50% YoY revenue increase)	Services £6.6m (Revenue unchanged YoY)
• CyberComply platform. • Cyber Essentials certification. • Vulnerability Scanning. • GRC e-learning. • Privacy as a Service. • DocumentKits template platform.	• Eight B2B e-commerce websites • 'Learn from Anywhere' training delivery model • Publications business: Cyber security, GDPR, Privacy/data protection, risk & compliance. • Wide range of books and standards.	Maintained revenue while shifting focus to mid-size market, improving utilisation, increasing prices and gross margins. • GRC, ISO 27001 services. • Penetration testing. • PCI DSS & Cloud compliance. • Legal, GDPR & DPO services.
CyberComply is used by mid-size clients across multiple industries to map data flows, carry out ISO27001-compliant risk assessments, link these to a wide range of regulatory and contractual requirements, including GDPR, and to identify and manage appropriate mitigating controls. Our consultants help with deployment.	NHS hospitals buy packages of classroom and online training to upskill multiple management staff on GDPR compliance. We deliver in-house training to multiple delegates at government and private sector clients on GPDR and cyber security. We train client security teams on penetration testing.	ISO 27001 is the international cyber security standard. We believe we are the leading global supplier of ISO 27001 implementation and maintenance services. A typical contract is delivered over 3 – 12 months and involves our consultant guiding client staff through the project to successful certification.

IMI INSTITUTE OF THE MOTOR INDUSTRY   accenture   University of Sunderland   IPG MEDIABRANDS   AngloAmerican   LANGHAM HOSPITALITY GROUP   VisitBritain   Ministry of Defence   Swim England   Sipchem

International revenue
- up 43% to £3.0m | now 22% of total Group revenue
  - Growth in both IT Governance USA, IT Governance Europe

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Financial review

FY22 – Financial highlights

- Revenue up 18% to £13.9m (FY21: £11.8m)

- Billings were up 20% to £14.8m (FY21: £12.3m)

- Recurring and contracted revenue up 22% to £8.2m (FY21: £6.7) - 59% of total revenue (FY21: 57%)

- FY22 billings from recurring revenue products accounting for 56% of total billings (FY21: 54%)

- Gross profit up 34% to £8.2m (FY21: £6.1m), gross margin up by 700 basis points to 59% (FY21: 52%) – reflecting continued improvement in operational gearing

- EBITDA of £1.0m (FY21: £1.1m loss)

- Year-end cash £2.1m (FY21: £0.2m), reflecting Jan22 share placing and particularly strong February and March trading and cash performance

FY22 Income statement

- **Revenue: £13.9m - up £2.1m YoY**

  - Up 18% on Covid-19 impacted comparative period

  - H2 revenue up 11% on previous six months to £7.3m (H1 FY22: £6.6m)

- **Gross profit: £8.2m – up £2.1m YoY**

  - Up 34% as revenue recovers and consultants' utilisation levels improve

  - Focus on higher margin subscription services, driven by margin improvement and operational gearing

  - 7% improvement in gross margin

- **Admin expenses (excl. dep'n and amort): £7.4m – up £0.1m YoY**

  - Investment in internal automation and focus on SaaS revenue lines means revenue growth achieved with lower levels of additional staff cost

	FY 2022 £m	FY 2021 £m	FY 2020 £m
Revenue	13.9	11.8	14.1
Cost of sales	(5.7)	(5.7)	(6.1)
Gross profit	**8.2**	**6.1**	**8.0**
	59%	52%	57%
Administration expenses	(7.4)	(7.3)	(9.5)
Exceptional charges	0.0	0.0	(0.4)
Other operating income	0.2	0.1	0.1
EBITDA	**1.0**	**(1.1)**	**(1.8)**
Depreciation and amortisation	(1.7)	(1.5)	(1.6)
Share-based payment charge	0.0	0.0	0.0
Operating loss	**(0.7)**	**(2.6)**	**(3.4)**
Finance Costs (net)	(0.3)	(0.2)	(0.2)
Share of profits of joint ventures	0.0	0.0	0.0
Loss before taxation	**(1.0)**	**(2.8)**	**(3.6)**
Taxation	0.0	0.2	0.4
	0%	7%	11%
Loss after taxation	**(1.0)**	**(2.6)**	**(3.2)**
Basic loss per share (pence)	(0.98)	(2.58)	(4.67)
Diluted loss per share (pence)	(0.98)	(2.58)	(4.67)

FY22 EBITDA

	FY 2022 £'000	HY2 FY22 £'000	HY1 FY22 £'000	FY 2021 £'000
Revenue	13,902	7,269	6,633	11,760
Operating loss	(697)	(312)	(385)	(2,588)
Depreciation	234	97	137	350
Amortisation	1,367	699	668	1,107
Loss on disposal of fixed assets	50	50	0	4
EBITDA	954	534	420	(1,127)
EBITDA as % revenue	7%	7%	6%	(10)%

- EBITDA positive result for the first full year trading period since the admission to AIM in March 2018

- Continued improvement in EBITDA performance over the last 2 years

FY22 Revenue – Segmental reporting

- Significant growth in the e-Commerce division that was hardest hit in the pandemic but the introduction of recurring revenue products and longer term contracts in this division has contributed to the growth

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

- International revenue up 43% to £3.0m (FY21: £2.1m)

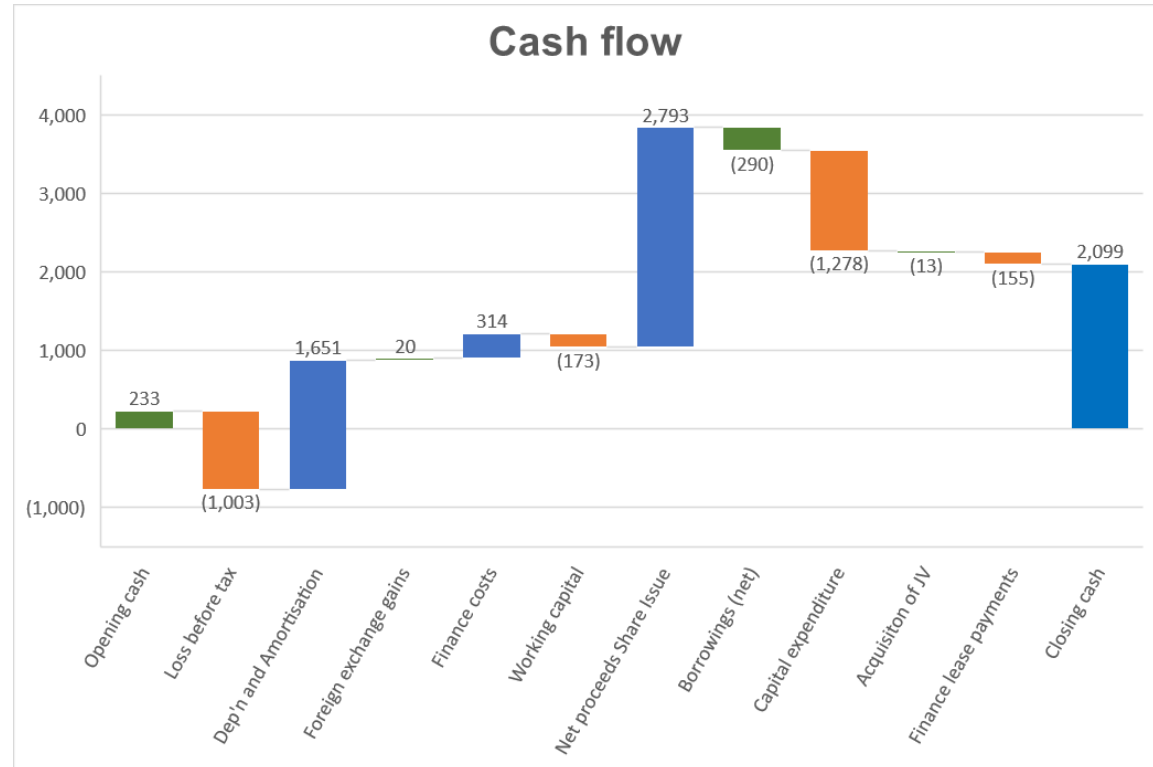- EU and US customers serviced by local operations providing a partial hedge against fx risk

	FY 2022 £'000	HY2 FY22 £'000	HY1 FY22 £'000	FY 2021 £'000
Revenue				
SaaS	3,721	2,052	1,669	2,852
e-Commerce	3,549	1,816	1,733	2,354
Services	6,632	3,401	3,231	6,554
Total	13,902	7,269	6,633	11,760
Gross Margin				
SaaS	87%	86%	90%	90%
e-Commerce	64%	63%	65%	60%
Services	41%	43%	37%	33%
Total	59%	60%	58%	52%
Revenue				
UK	10,880	5,609	5,271	9,666
Europe	1,110	412	698	698
United States	1,150	653	497	764
Rest of the World	762	595	167	632
Total	13,902	7,269	6,633	11,760
UK as a %	78%	77%	79%	82%

FY22 Cash flow highlights

- Successful completion of £3m oversubscribed share placing

- Changes in working capital:
  - Increase in deferred income to £1.8m (FY21: 1.1m) from improved revenue trends and provides forward visibility of FY23 revenue

- HMRC liabilities deferred during the pandemic now all on formal repayment plans and reduced by more than 40% since the plans were agreed

- Cash: £2.1m; Borrowings* £1.1m
  - 31 Mar 21: £0.2m; Borrowings £1.3m

* Borrowings exclude IFRS16 Lease Liabilities

Cash flow

	Value
Opening cash	233
Loss before tax	(1,003)
Dep'n and Amortisation	1,651
Foreign exchange gains	20
Finance costs	314
Working capital	(173)
Net proceeds Share Issue	2,793
Borrowings (net)	(290)
Capital expenditure	(1,278)
Acquisiton of JV	(13)
Finance lease payments	(155)
Closing cash	2,099

Current trading and outlook

Opportunities & Challenges

- **Cyberwar.**
- **Cybercrime.**
- **Regulation, compliance.**
- **Governance.**
- **Cyber insurance limits.**
- **Client requirements.**
- **Cyber skills shortages.**

- Recession.
- Inflation.
- Geo-political instability.
- Energy crisis.
- Climate change.

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GRC International Group | Current trading and outlook

"Looking ahead to 2022-2023, cybersecurity must be seen as a strategic business issue that impacts decision-making"' (World Economic Forum, 2022)

Threat landscape

- Increasingly sophisticated cyber criminals/serious organised crime.
- Nation-state activity and cyber warfare.
- Digitisation, migration to cloud, IoT.

Attack surface

- Weaknesses and vulnerabilities in technology, people, process.
- Supply chain & MSP vulnerabilities – one-to-many attacks.
- Inadequate governance, risk management & compliance.

Compliance landscape – UK, EU & USA

- Data protection and privacy (eg GDPR)
- Cyber security (NIS, NIS 2)
- Incident reporting (EU, CISA, SEC)

Supply side

- Global shortage of cyber security and privacy professionals.
- Fragmented market.
- Multiple small, 'single solution' businesses.
- Cyber insurance increasingly expensive/unavailable/restricted.

Buy side

- Buyers need cyber defence-in-depth, cyber resilience.
- Buyers need fewer, more broadly capable suppliers.

Ransomware will attack a device every 2 seconds by 2031 – up from every 11 seconds in 2021 (Cybersecurity Ventures)

Cybercrime damages increasing by 15% pa to $10.5trn by 2025, up from $3trn in 2015 (Cybersecurity Ventures/MasterCard)

The SEC's proposed rules would require disclosure of two broad categories of information: cybersecurity incidents and cybersecurity risk management, strategy, and governance.

Cybersecurity Workforce Gap of £2.72m people (ISC2 Research)

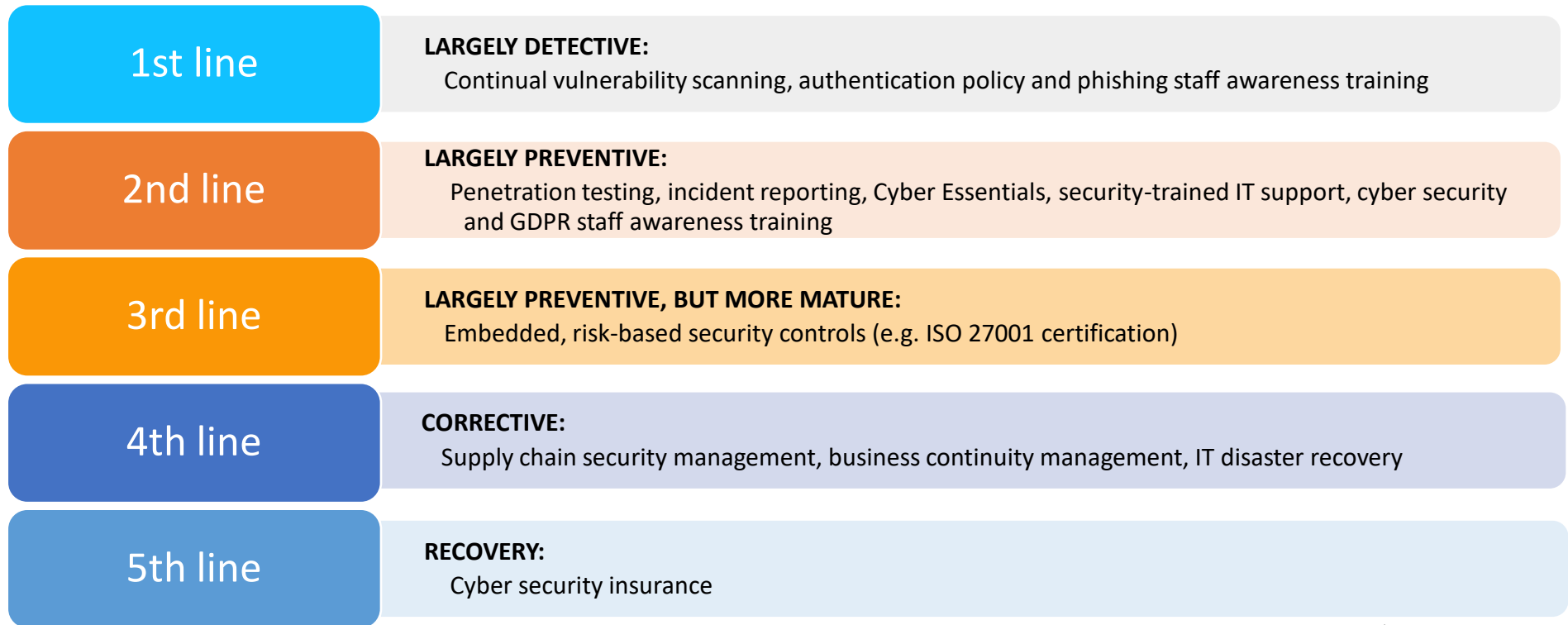Cybersecurity market growth: 2026 - £352bn +14.5% CAGR (Mordor Intelligence plc)

Capability: comprehensive suite of integrated cyber security & data protection solutions
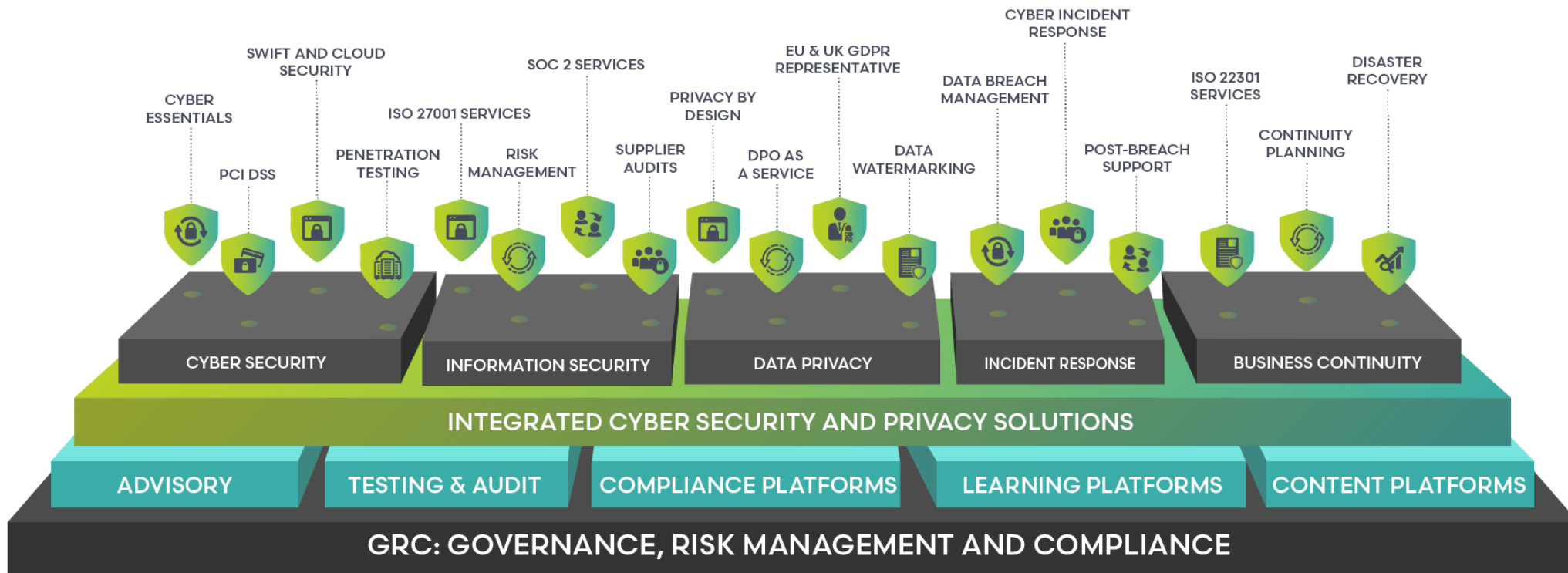
Delivering unique multi-layered, risk-based approach to help clients build and embed cyber resilience.

1st line	**LARGELY DETECTIVE:** Continual vulnerability scanning, authentication policy and phishing staff awareness training
2nd line	**LARGELY PREVENTIVE:** Penetration testing, incident reporting, Cyber Essentials, security-trained IT support, cyber security and GDPR staff awareness training
3rd line	**LARGELY PREVENTIVE, BUT MORE MATURE:** Embedded, risk-based security controls (e.g. ISO 27001 certification)
4th line	**CORRECTIVE:** Supply chain security management, business continuity management, IT disaster recovery
5th line	**RECOVERY:** Cyber security insurance

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Medium-term objectives

GRC International Group | Medium-term objectives

- Build annualised revenue, organically and through acquisition, to £50m

- Gross margins of 65%

- EBITDA margins of 25%

- Management incentives to align with these objectives

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GRC International Group | Medium-term objectives

- Accelerate growth nationally and internationally, organically and by acquisition:
  - Investment in SaaS and e-Commerce platforms to drive client acquisition, retention, cross-selling and high margins.
  - Overall growth supported through the continued development of the Services division, deploying expertise to solve client problems, creating opportunities for SaaS deployment.
  - Continued infrastructure investment to improve forward revenue visibility, widen gross margins and increase customer lifetime value.
  - Continued organic growth in USA and EU.
  - Step-up Asia-Pacific activity.

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Continue building our customer acquisition and development capability

MARKETING AND SALES FUNNEL

- 20 years of content marketing, book publishing, PR activity and SEO dominance translate into growing volumes of incoming customers seeking specific solutions.

- Multiple accreditations, wide-ranging customer endorsements and high NPS scores help convert visitors.

- Productised services and packaged offerings simplify choice for smaller customers and sales people.

- Largely automated fulfilment enables account managers to concentrate on landing and expanding.

OPERATIONAL MODEL

- e-Commerce division provides customers with proprietary, expert content and professional qualifications.
  - Enabling clients to address the skills gaps

- Services division delivers expertise into larger client organisations on a longer-term contracted basis.
  - Enabling clients to access expertise and the range of products and services from across Group.

- SaaS division delivers compliance and management platforms.
  - Enabling clients to embed consistent, robust and regularly updated compliance processes into their operations.

GRC International Group | ITG Fulfilment example

1. Client does web search for 'ISO 27001' – and will find www.itgovernance.co.uk.

2. Consumes free content, purchases a copy of the ISO/IEC 27001 standard and a book of guidance.

3. Then talks to our sales team about help with implementation.

- ISO/IEC 27001 Implementation (£7.5k to £50k)

    - 3 – 9 month consultancy-led implementation.

    - Project includes:

        - Lead implementer/Lead Auditor training courses for key personnel.

        - CyberComply annual subscription: creation and maintenance of risk assessment and statement of applicability.

        - DocumentKits annual subscription: creation and maintenance of policy documentation.

        - GRC e-Learning annual subscription: Staff Awareness training.

    - Initial project typically followed by annual internal audit and support contract (£5k to £15k).

- Client options, thereafter:

    - Cyber Essentials certification (through our CE certification service).

    - SOC 2 or PCI DSS accreditation (with our consultant support).

    - Annual penetration testing contract.

    - GDPR support, such as DPO as a Service.

    - Additional management system implementations eg Privacy or Business Continuity.

    - Repeat/additional staff training (awareness or professional certification).

This model replicates across all regions.

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GRC International Group | Investment case (1)

- **Clear strategy: exploiting fast-growing and fragmented international market**

- **Market opportunities and drivers**

  o Growth opportunities in digitally transformed, Cloud-based, increasingly vulnerable, hybrid-working environment:

  o Fragmented and rapidly growing international markets offer significant consolidation opportunities.

  o Cybersecurity market forecast to grow to £352bn by 2026, at a 14.5% CAGR*.

- **Position/USPs**

  o Established, respected, market-leading 20-year old IT Governance brand.

  o Experienced, resilient cross-Group management team with strength in depth.

  o Broad customer base, across multiple segments and organisation sizes.

  o Dominant SEO positioning supported by extended PR links, with 4.3 million visits (+18% YoY).

  o Unique cyber defence-in-depth offering - wide & deep range of products and services with numerous cross and upselling opportunities.

  o Unique, valuable intellectual capital (Software, content, brands, know-how).

  o Product quality demonstrated by multiple national & international accreditations, customer endorsements and NPS scores.

  o Established WFH/remote working model that supports international recruitment.

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GRC International Group | Investment case (2)

- **Financial**

  o Non-cyclical business.

  o Significant revenue growth - growing recurring/contracted revenue billings - already 56% of total billings.

  o EBITDA-positive.

  o Gross margins already at 58%.

  o Highly scalable SaaS and e-commerce divisions - inherent operational gearing.

  o Cash-generative.

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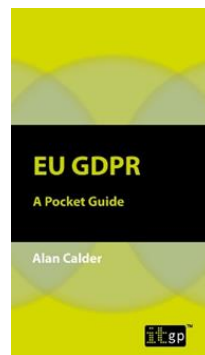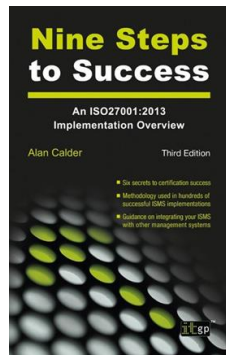Our expertise, your peace of mind

Appendices

GRC International Group | Management

Alan Calder led the world's first implementation and certification of an information security management system to what is now ISO/IEC 27001, back in 1997. His focus on the role of boards and senior management in protecting corporate assets has contributed to the evolution of today's cyber security world.

Alan Calder
GRCI Group CEO, Founder of IT Governance Ltd

Chris Hartshorne spent nearly 15 years in public practice accountancy, qualifying with Deloitte before moving to PwC. He spent much of his public practice career supporting fast growth tech companies juggling organic growth, M&A, financing, and investment both on and off the public markets. He joined IT Governance Ltd in 2017 to bring that experience to an organisation where he saw significant potential and market opportunity .

Chris Hartshorne
GRCI Group Finance Director

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GRC International Group | Group overview

GRC International Group Companies

GRC International Group | Operational divisions

UK, EU and USA

- Training
- Distribution
- Books

e-Commerce
One-Stop Shops, client acquisition, high transaction volume, breadth of offering.

- Cyber Essentials and CSaaS
- GRC e-Learning
- ITGP Toolkits
- GDPR.co.uk
- Vigilant Software CyberComply

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

Services
Relationships, longer term contracts, and cross-selling

- ISO/IEC 27001
- Cybersecurity & privacy
- Penetration testing
- PCI DSS, Cloud
- GRCI Law
- DQM GRC

- Integrated Client Service Centre
- Common infrastructure

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GRC International Group | Our locations

Dublin, Ireland

Cambridge, UK

New York, US

Asia Pacific (website)

GRC International Group | Our credentials

Consultancy services

IT Governance is independent of vendors and certification bodies and encourages clients to select the best fit for their needs and objectives. IT Governance is widely recognised amongst UKAS-accredited certification bodies as a leading consultancy and is listed on the following:

Our certifications

IT Governance has been awarded ISO 27001, 27701, ISO 9001 and BS 10012 certifications. We are currently working on implementing other standards including ISO 14001 and ISO 22301.

Training services

IT Governance is an approved training provider for a number of high-profile courses leading to internationally recognised qualifications.

Accreditations

We are accredited by the following bodies to deliver specialist services.

Cybersecurity training delegate: *"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."*

Information Security & Cyber Security Staff Awareness eLearning customer: *"Very easy to use and a simple but effective to-do list throughout which helped. Very easy to navigate. Great that you can log out when needed and resume when you are available to do so. A useful tool for online learning to have."*

Audit 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."*

GDPR Audit Client:: *"Our assessor, was knowledgeable, pragmatic, clear and concise - exactly what we needed! It made the process very easy and the speed we received our report was great."*

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."*

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."*

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GRC International Group | Clients and endorsements

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Office for National Statistics

Domino's Pizza

The Telegraph

YOOX NET-A-PORTER GROUP

TBS Turner Broadcasting System

NHS Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust

Sipchem EXCELLENCE everywhere

next

BFC Bank

FARNBOROUGH AIRPORT

Royal Mail

NHS Birmingham Community Healthcare NHS Foundation Trust

University of BRISTOL

ocado

AngloAmerican

100 YEARS

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GRC International Group | Let the numbers speak (1)!

At One Glance

More than

100,000

users of staff awareness
e-learning
courses

More than

30,000

delegates trained on one of our
courses

Successfully helped over

800

clients prepare for ISO 27001
certification

More than

13,000

users of our documentation
toolkits and templates

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GRC International Group | Let the numbers speak (2)!

At One Glance

More than
110,000
books and guides sold

More than
500
Cyber security projects delivered

Successfully certified
5,000
Organisations to Cyber Essentials standards

More than
500
Organisations use our governance, risk and compliance software

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Stats last updated 4th March 2021

H1 FY22 Balance sheet highlights

- Intangible assets: £5.6m (FY 2021: £5.8m)
  - Continued investment of £1.2m broadly offset by amortisation

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

- Net Cash: £2.1m
  - 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 £0.2m - £0.4m

	FY 2022 £m	FY 2021 £m
Goodwill	6.8	6.8
Intangible assets	5.6	5.8
Property, plant and equipment	0.1	0.2
Right of Use asset	0.2	0.2
Non-current assets	**12.7**	**13.0**
Borrowings	(0.7)	(0.9)
lease obligations	(0.1)	(0.2)
Working capital	(4.5)	(4.3)
	(5.3)	**(5.4)**
Trade and other payables	(0.1)	0.0
Borrowings	(0.3)	(0.5)
Lease obligations	(0.1)	(0.1)
Deferred tax	(0.3)	(0.3)
Non-current liabilities	**(0.8)**	**(0.9)**
Net Cash	2.1	0.2
Net assets	8.7	6.9

Questions

Protect • Comply • Thrive