



GRC INTERNATIONAL GROUP PLC

FY21 Preliminary Results

7 September 2021



Cyber Security



Privacy



Cloud



ISO 27001



Our Expertise,
Your Peace of Mind

The Board

Presenters



Alan Calder
Founder & CEO



Chris Hartshorne
Finance Director

Other Board members

Andrew Brode
Non-Executive Chairman

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

Global leader in integrated cyber and privacy solutions

A 'one-stop' shop with 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 governance, 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 and SOC2 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



Our Expertise,
Your Peace of Mind

Subscription lines of business:

- Cyber security as a Service (CSaaS)
- Privacy as a Service (PaaS)
- EU/UK Rep. Services
- GDPR as a Service for schools
- Cyber Essentials Certification
- Documentation Toolkits
- Risk & Compliance Management Platform
- Vulnerability scanning
- Staff awareness e-learning
- Watermarking and Seeding



The Telegraph

halfords



next



YOOX
NET-A-PORTER
GROUP



Highlights in the year

Continued performance improvement in a challenging macro-economic environment

| | Year to 31 March 2021 | Change (YoY) |
|---------------------------------|-----------------------|--------------|
| Revenue | £11.8m | (16)% |
| EBITDA | £(1.1)m | +42% |
| Total billings | £12.3m | (13)% |
| Website visits | 3.7m | 3% |
| Period end FTE headcount | 148.50 | (6)% |
| Rolling annual billings per FTE | £71.4K | (14)% |

Billings acceleration from Q3 leading to a strong Q4 and the best monthly performance for two years in March 21

Contracted and recurring revenue increased from 50% to 54% of total billings.

Careful control of cash, borrowings and facilities

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**

Further reductions in overhead costs and gross margin improvements position a strong forward performance

Financial performance

Chris Hartshorne

Financial performance

Income Statement Highlights

- Revenue: £11.8m - down 16% YoY
 - Revenue impacted by the Covid-19 pandemic; but recovering through the year – H2 19% up on H1 (£6.4m vs £5.4m) and Q4 21% up on Q3 (£3.5m vs £2.9m).
- Gross profit: £6.2m – down 24% YoY
 - Gross profit as % of revenue down (53% vs 57%) due to low consultant utilisation rates in the early part of the year; but gross margin in Q4 consistently above 60% and improving month on month through the quarter.
- Administrative expenses (excl. depreciation and amortisation): £7.4m – down 23% 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 FY 2021.
- EBITDA: £(1.1)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 positive in Q4 and into early months of FY22.

| | FY 2021 £m | FY 2020 £m | FY 2019 £m |
|------------------------------------|---------------|---------------|---------------|
| Revenue | 11.8 | 14.1 | 15.8 |
| Cost of Sales | (5.6) | (6.1) | (7.3) |
| Gross Profit | 6.2 | 8.0 | 8.5 |
| | 53% | 57% | 54% |
| Administration Expenses | (7.4) | (9.6) | (12.8) |
| Exceptional charges | 0.0 | (0.4) | (0.2) |
| Other operating income | 0.1 | 0.1 | 0.1 |
| EBITDA | (1.1) | (1.9) | (4.4) |
| Depreciation and amortisation | (1.5) | (1.6) | (0.8) |
| Share-based payment charge | 0.0 | 0.0 | (0.1) |
| Operating loss | (2.6) | (3.4) | (5.2) |
| Finance Costs (net) | (0.2) | (0.2) | 0.0 |
| Share of profits of joint ventures | 0.0 | 0.0 | 0.0 |
| Loss before taxation | (2.8) | (3.6) | (5.2) |
| Taxation | 0.2 | 0.4 | 0.0 |
| | 19% | 12% | (1)% |
| Loss after taxation | (2.6) | (3.2) | (5.2) |
| Basic loss per share (pence) | (2.58) | (4.67) | (9.30) |
| Diluted loss per share (pence) | (2.58) | (4.67) | (9.30) |

Financial performance

Billings & Revenue Highlights – Segmental reporting

| | <u>FY 21</u> | <u>FY 20</u> | <u>FY 20 to FY 21</u> | | <u>FY 21</u> | <u>FY 20</u> | <u>FY 20 to FY 21</u> |
|--------------------------------|---------------|---------------|-----------------------|--------------------------------|---------------|---------------|-----------------------|
| | <u>£'000</u> | <u>£'000</u> | | | <u>£'000</u> | <u>£'000</u> | |
| <u>Billings</u> | | | | <u>Revenue</u> | | | |
| Professional Services Division | 7,324 | 7,397 | (1)% | Professional Services Division | 7,285 | 7,208 | 1% |
| SaaS Division | 2,356 | 2,670 | (12)% | SaaS Division | 2,264 | 2,783 | (19)% |
| E-Commerce Division | 2,573 | 3,960 | (35)% | E-Commerce Division | 2,211 | 4,155 | (47)% |
| Total | 12,253 | 14,027 | (22)% | Total | 11,760 | 14,146 | (17)% |
| | | | | Training | 1,757 | 3,178 | (45)% |
| | | | | Consultancy | 8,106 | 8,635 | (6)% |
| | | | | Software and Distribution | 1,897 | 2,333 | (19)% |
| | | | | Total | 11,760 | 14,146 | (17)% |

Financial performance

Balance Sheet Highlights

- Intangible assets: £12.6m
(FY 2020: £12.5m)
- Working Capital:
Working capital cycle movement mainly driven by the deferral of certain HMRC liabilities through the pandemic. The majority of these liabilities are now on formal repayment plans factored into the Group's short term cash flow planning.
- Deferred income £1.1m
(FY 2020: £0.9m)
- 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.

| | FY 2021 | FY 2020 | FY 2019 |
|-----------------------------------|--------------|--------------|--------------|
| | £m | £m | £m |
| Intangible assets | 12.6 | 12.5 | 12.5 |
| Software & Website | 2.9 | 3.0 | 2.9 |
| Consultancy Products & Courseware | 1.0 | 0.6 | 0.4 |
| Trademarks | 0.4 | 0.4 | 0.5 |
| Goodwill | 6.8 | 6.8 | 6.7 |
| Customer Relationships | 1.5 | 1.7 | 1.8 |
| Other | 0.0 | 0.0 | 0.2 |
| Property, plant and equipment | 0.2 | 0.3 | 0.5 |
| Right of Use asset | 0.2 | 0.5 | |
| Deferred tax | 0.0 | 0.1 | 0.1 |
| Non-current assets | 13.0 | 13.4 | 13.1 |
| Contingent consideration | 0.0 | (0.1) | (3.7) |
| Borrowings | (0.9) | (1.4) | 0.0 |
| Working capital | (4.5) | (1.2) | (1.9) |
| | 7.6 | 10.7 | 7.5 |
| Borrowings | (0.5) | (0.4) | 0.0 |
| Lease obligations | (0.1) | (0.5) | 0.0 |
| Deferred tax | (0.3) | (0.6) | (0.2) |
| Non-current liabilities | (0.9) | (1.5) | (0.2) |
| Net Cash | 0.2 | 0.2 | 0.1 |
| Net assets | 6.9 | 9.4 | 7.4 |

Financial performance

Cash Flow Highlights

- Changes in working capital mainly due to 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 repaid of £0.7m as working capital loans taken during the FY20 restructure are cleared down in line with the agreements.
- Net cash: £0.2m
 - (FY 2020: £0.2m)
- Reduction in balance sheet borrowings from £1.8m at 31 March 2020 to £1.4m at 31 March 2021.
- Capital expenditure mostly relates to capitalised software and website development costs.

| | FY 2021 £m | FY 2020 £m | FY 2019 £m |
|--|---------------|---------------|---------------|
| Operating loss | (2.8) | (3.6) | (5.4) |
| Depreciation and amortisation | 1.5 | 1.6 | 0.8 |
| Finance costs | 0.2 | 0.2 | 0.0 |
| Share based payment charge | 0.0 | 0.0 | 0.1 |
| | (1.1) | (1.8) | (4.5) |
| Corporation tax refund | 0.2 | 0.0 | 0.0 |
| Changes in working capital | 3.2 | (0.4) | (0.3) |
| Cash flow from operations | 2.3 | (2.2) | (4.8) |
| Capital expenditure | (1.2) | (1.1) | (2.5) |
| Proceeds (net) from new shares | (0.1) | 3.6 | 4.8 |
| Payment for acquisition of subsidiary, net of cash acquired | 0.0 | (1.6) | (2.5) |
| Borrowings (net) | (0.7) | 1.7 | 0.0 |
| Payments and interest on lease liabilities as a result of IFRS16 | (0.2) | (0.2) | 0.0 |
| Other finance items | (0.1) | (0.1) | (0.5) |
| | 0.0 | 0.1 | (5.5) |
| Net cash: Opening | 0.2 | 0.1 | 5.6 |
| Net cash: Closing | 0.2 | 0.2 | 0.1 |



Operational Update

Alan Calder

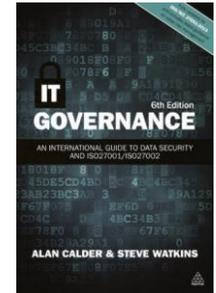
Operational highlights

Overview

| | Year to 31 March 2021 | Year to 31 March 2020 | Change (YoY) |
|-------------------------|-----------------------|-----------------------|--------------|
| Web visits | 3.7m | 3.5m | 3% |
| Revenue | £11.8m | £14.1m | (16%) |
| ▪ Professional services | £7.3m | £7.2m | 1% |
| ▪ Saas | £2.3m | £2.8m | (19%) |
| ▪ E-Commerce | £2.2m | £4.1m | (47%) |
| Billings - Total | £12.3m | £14.0m | (12%) |
| UK | £10.3m | £11.3m | (9%) |
| EU | £0.9m | £1.0m | (10%) |
| USA | £0.8m | £0.9m | (11%) |
| RoW | £0.3m | £0.8m | (63%) |
| Employees – FTEs | 148.5 | 157.5 | (6)% |

E-Commerce

- 19% of FY21 Group Revenue
- Training (instructor-led & self-paced), toolkits, books, staff awareness products
- Website visits FY20 3.5 million FY21 3.7 million YoY +4%
- E-Commerce was affected early by the pandemic as this is the most sensitive to changes in client decision criteria, with training particularly impacted.



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

- Revenues FY20 £4.1m FY21 £2.2m YoY (47) %
- Training particularly challenged:
 - Public course training delegate attendance declined 37% against comparative period
 - Average fill rate FY20 64% FY21 61%
 - Inhouse course delivery declined by 50%, recovery through Q3
 - Significant cost reduction with shift to online.delivery
 - Classroom fill rates recovered from 37% in April 2020 to 61% for the year as a whole
 - Running performance billings/seats: Q3 FY21 £377k/425 Q4 FY21 £475k/517 QoQ +26%/+22%

- 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 cyber security and Cloud – Microsoft Global Training Partner)

H1 FY 21 Top 5 instructor-led courses by volume

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

New Courses added to portfolio

- Cyber Security Foundation
- Cyber Security Practitioner
- UK GDPR & DPA 2018 Update
- Privacy Essentials for Marketeers
- Privacy by Design Foundation
- Microsoft Office 365 and Cloud security portfolio

Learn from Anywhere



Learn from anywhere with our flexible delivery methods

- Classroom**
Delivered in subject expertise or delivered in a virtual classroom. Interactive and available for those who need to be in a world classroom.
- Instructor-Led Live Online**
Our live online courses are hosted and delivered by one of our expert trainers to help you meet your needs to a standard.
- Self-Paced Online**
Our self-paced, self-paced online courses give you the flexibility to learn at your own pace and at your own pace.
- Inhouse**
Our inhouse courses are designed to deliver content that is relevant to your organisation.
- Staff Awareness Training**
Our staff awareness courses are designed to help you meet your needs to a standard.

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

Professional Services

62% of FY21 Group Revenue

- Growth in privacy compliance services balanced slow-down in cyber projects
- Revenues FY20 £7.2m FY21 £7.3m YoY +1 %

GRC/Cyber Consultancy under IT Governance brands

- Cyber security – implementation, testing and support
- Penetration testing, PCI DSS Compliance, SOC 2, Cloud, Incident response
- Management systems (ISO/IEC 27001) implementation and support

GRCI Law

- 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

19% of FY21 Group Revenue

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

Sold through the Group's e-commerce websites

- Revenues

| | | |
|--------------|--------------|------------|
| FY20 - £2.8m | FY21 - £2.3m | YoY (19) % |
|--------------|--------------|------------|

 - Cyber Essentials affected by IASME contract delays
 - All Lines of Business affected by client caution in the face of COVID-19

CyberComply (Vigilant Software)

- Transaction volume increasing sharply
 - 2 weeks Dec 2019 1 Complete Suite, 9 individual modules
 - 2 weeks Dec 2020 19 complete suites, 40 individual modules
 - 1,500+ Accounts (2,800+ users) on the platform
- DPIA (data protection impact assessment tool)
- GDPR management tools (DSARs, Supplier Management, Breach Reporting)
- vsRisk Cloud

| | | | |
|---|---|--|--|
|  STANDALONE |  MULTI-USER |  COMPLIANCE MANAGER |  DATA FLOW MAPPING TOOL |
| 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

- GRC e-Learning (www.grcelearning.com) established as a separate business from June 2018
- 922 companies and 98.3k users on our Learning Management System at 31 March 21

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 1,143 CE applications and 858 certificates issued in the year to 31 March 2021.

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 and the activities of serious organised crime are all part of a falling cyber risk threshold. Organisation's attack surfaces have expanded and become more porous to facilitate 'WFH' and hybrid working.
- Cyber risk continues to receive high-level press coverage and is increasingly a core risk-management issue for boards and management teams, with phishing and ransomware attacks of particular concern.
- Cyber Essentials, penetration testing, PCI, SOC 2 and ISO/IEC 27001 management systems are all seeing accelerating client demand. Regulated sectors (finance, legal services, etc) concentrating on cyber security requirements.

Privacy

- Regulatory action in respect of GDPR compliance is becoming more noticeable, with a growing focus on compliance rather than on data breaches.
- As organisations revisit GDPR compliance, Privacy by Design is becoming a key element of building privacy into organisational processes.
- 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 are driving 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 can be delivered online to clients globally and we see continued client investment in cyber security..
- We have increased subscription lines of business from four in FY19 to ten in 2021.
Our channel sales team is now dealing with a network of 100+ MSP partners

General

- Global macro-economic uncertainty, Brexit repercussions and Covid-19 are all factors that make it difficult to see into the future – but vaccine success rates are a positive.
- Key client wins and continued tight cost control 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



Even the experts are at risk – Fireeye hacked

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

