Half Year Results

Six months to 30 November 2022

02 February 2023

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Initial impressions

Mike Maddison
CEO

NCC Group: a market leading cyber security company

Distinct businesses

- Assurance and Software Resilience
- Different buyers and sales cycles

A strong track record

- Working with the world's leading companies
- Strong footprint with Governments
- Growth focused: revenue CAGR of 8% since 2018
- Market leader in Software Resilience

Operating in a dynamic market

- Increasingly complex ecosystems
- Constantly evolving cyber threats
- Ever-changing needs of our buyers
- With an increasing pace of technology change

Advisor to regulators and legislators

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Built on strong foundations

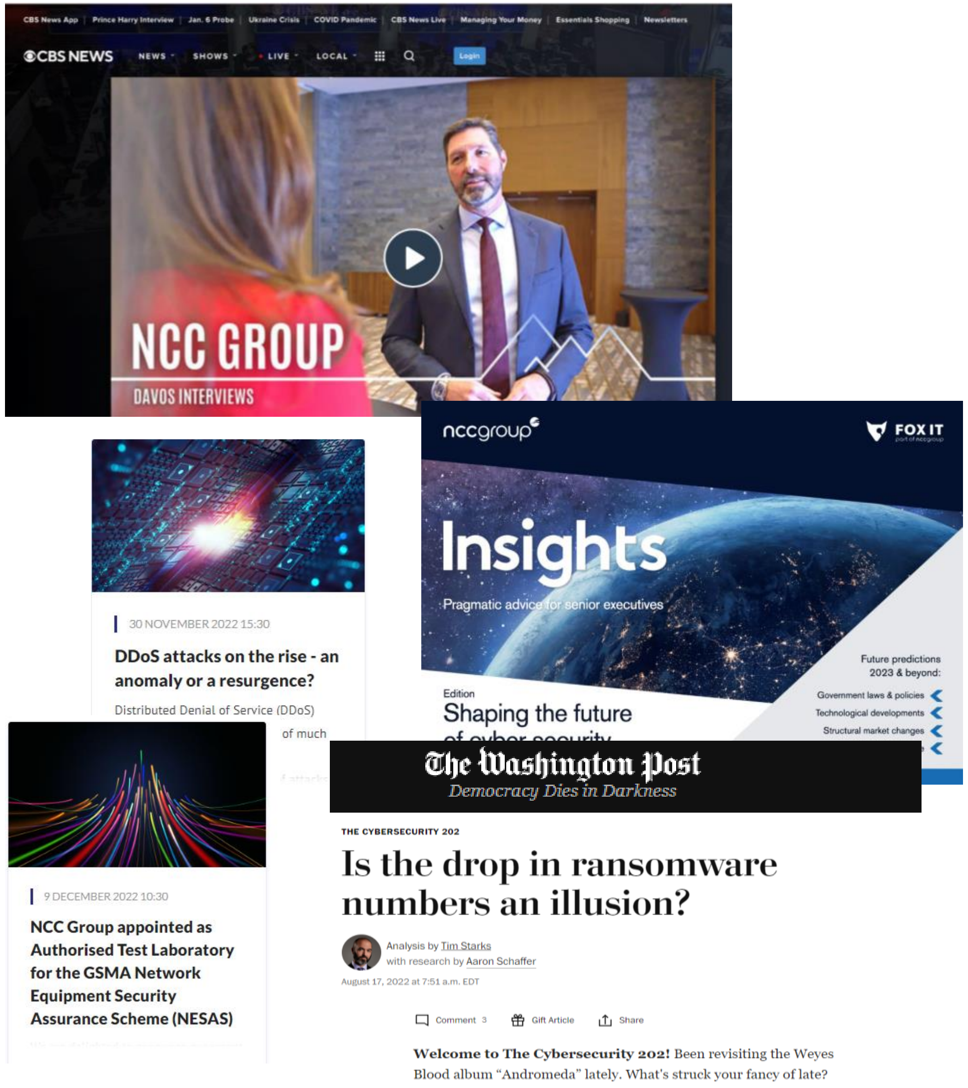
NCC Group's DNA

Innovation **Intelligence**

Insight

NCC Group's capability and people

- Passionate about our purpose
- Market leaders in testing and assurance services
- Have leading edge systems
- Highly successful at attracting and retaining talent



The Next Chapter of our strategy

A strategy designed to deliver enhanced growth and greater resilience

- Our clients
- Our capabilities
- Global delivery and operating model
- Differentiated brands

Mid-teens revenue growth in Cyber Security over the medium term, and mid-teens Adjusted EBIT margin, following phased implementation of strategic initiatives in FY23-FY24

Maintain single-digit revenue growth and global market leadership in Software Resilience

Robust H1 with the market becoming more challenging

- Robust trading performance
  - Double-digit revenue growth with Adjusted EBIT slightly ahead of last year
- Balance sheet strength
  - New four-year enlarged £162.5m multi-currency revolving credit facility signed in December 2022, to enable new strategy
- Current trading outlook
  - Certain clients are experiencing economic headwinds, consequential impact on our FY23 revenues and profitability but still growing in H2 at high single-digits
- Investment in the future
  - The Board remains confident in the outlook and committed to invest in the next chapter of our strategy to enhance growth

Looking forward – the next chapter

Mike Maddison
CEO

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NCC Group has two distinct businesses

	Our business today		Our future business – the next chapter	
Focus of growth strategy	**Assurance**	• Dynamic business protecting companies against an evolving spectrum of cyber threats • Current focus is on technical assurance services	**Cyber Security**	Large potential to grow the existing business through: • Greater geographic and client sector coverage • Adding services to address more of the C-suite agenda
Strategic Review	**Software Resilience**	• Addresses client needs linked to commercial risk with software vendors • Stable business based on committed recurring revenue • Successful operational review concluded, delivering annualised £5m of efficiency savings from FY24 onwards	**Software Resilience**	• High-margins with recurring single-digit revenue growth • Retain global market leadership in Software Resilience

Our strategy to enhance growth by focusing on cyber security

1 Our clients

Deeper client engagement on their most pressing cyber security needs

2 Our capabilities

Broader service portfolio addressing the full cyber security lifecycle

3 Global delivery

Transitioning from an international to a fully global business

4 Differentiated brands

Distinct and relevant brands for Cyber Security & Software Resilience

Underpinned by Insight, Innovation and Intelligence

Complemented by acquisitions in new markets, products and capabilities where it makes strategic and financial sense

Doubling-down on client sectors with the most opportunity

1 **Our clients** | 2 Our capabilities | 3 Global delivery | 4 Differentiated brands

Focus sectors

Financial Services

TMT

Govt. & Public Sector

Infrastructure

Industrials

- Focusing on the fastest growing sectors – specifically those which are highly-regulated and most exposed to cyber risk
- The right team, building deeper client relationships across the C-suite and business buyers
- Property portfolio aligned to support our clients and market propositions e.g. Client Experience Centre in Cheltenham, UK
- Diversifying routes to market and alliance ecosystem

End-to-end cyber security services to address growing client needs

1 Our clients | **2 Our capabilities** | 3 Global delivery | 4 Differentiated brands

	Relative NCC scale today	Future highest growth driver	Strategic objectives
Incident Response Helping clients respond to security incidents			Maintain high quality of this critical, niche service
Global Managed Services Helping clients with cyber security operations		✓	Enhance our offer to address major opportunities, increasing Annual Recurring Revenues (ARR)
Consulting & Implementation Addressing client challenges and transforming their cyber security posture		✓	Build capabilities most in demand, e.g. Operational Technology/IT Convergence and Identity & Access Management
Technical Assurance Helping clients assure the security of their assets			Invest in our core technical assurance capability, including our continuous, always-on testing proposition

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An efficient, agile and scalable global delivery model

1 Our clients | 2 Our capabilities | 3 **Global delivery** | 4 Differentiated brands

Delivering globally with new leadership tasked with developing the best skills with flexible resourcing:

- Global resourcing and scheduling
- Setting up teams to learn, think and act globally
- Identified a shortlist of offshore locations for a delivery and operations centre, with implementation in FY24

Creating distinct and relevant brands

1 Our clients | 2 Our capabilities | 3 Global delivery | 4 **Differentiated brands**

New CMO	CMO appointed Jan ’23 responsible for the delivery of a coordinated Marketing, Communications, Brand and Public Affairs strategy
Differentiated brands	Develop differentiated, stand-out brands for Cyber Security and Software Resilience
Engaging C-suite	Leverage our insight and increase marketing focus on cyber industry events and sustained buyer programme activity to engage C-suite
Market profile	Invest in brand and broader marketing activity to increase visibility in our chosen markets and verticals, with target buyers and influencers

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Strategic investment – generating net revenue growth from FY24

Pillar	Nature of global investment	Investment FY23
Clients Client centricity	• Incremental costs of new sales verticals, deep sector experts and global sales operation teams	(£5m)
Capabilities Cyber services	• Enhanced offering including XDR • Setting up a dedicated Consulting team under new leadership • Investment in continuous, always-on penetration testing	
Global delivery Delivery and Operating Model	• Leadership investment • People change and organisational transformation • Funding an offshore location set-up and implementation	
Differentiated Brands Relaunch	• Investment in the development of our brands and profile in the market • Incremental marketing investment	

Net benefits from FY24 onwards

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The next chapter – key outcomes:

Impact:

Cyber Security target mid-teen revenue growth rate (medium term)

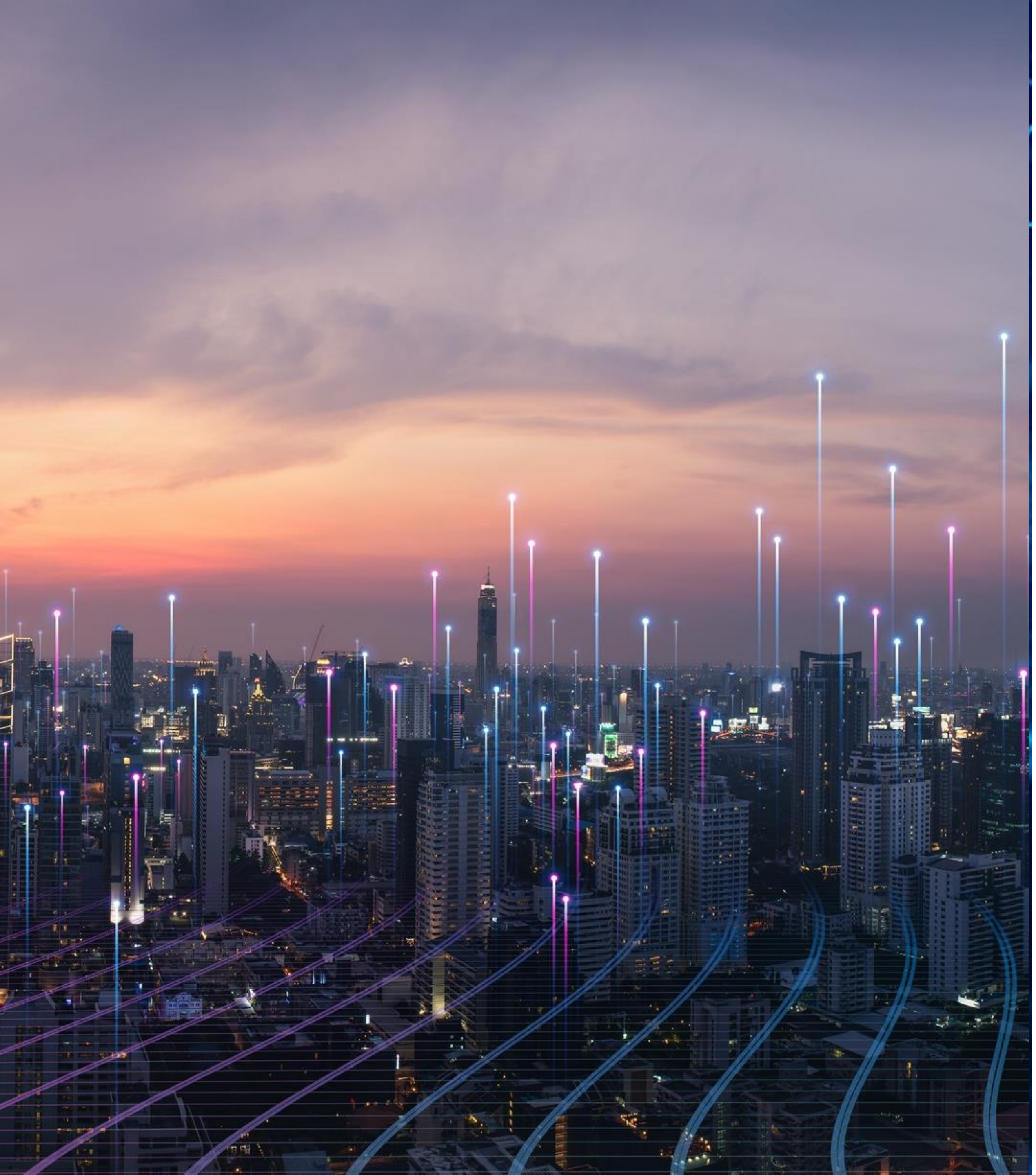
Driven by:
- Accelerated growth in Managed Services and Consulting & Implementation
- Continued investment in Technical Assurance and Incident Response

Target mid-teens Adjusted EBIT margin (medium term)

Driven by:
- Greater scale and more efficient operating model
- Diversified and more resilient service mix

Increased **proportion of recurring revenues** as % of total Group revenues

Driven by:
- Increased share of managed services revenues
- Innovation of ‘continuous, always-on’ testing services



Financial Review

Tim Kowalski
CFO

Statutory financial summary (actual exchange rates)

Metric	H1 2023	Change	H1 2022
Revenue	£176.6m	+17.7%	H1 2022: £150.1m
Gross Profit	£72.3m	+13.5%	H1 2022: £63.7m
Gross Margin %	40.9%	(1.5%) pts	H1 2022: 42.4%
Adjusted EBIT [1]	£20.5m	+1.5%	H1 2022: £20.2m
Adjusted EBIT Margin %	11.6%	(1.9%) pts	H1 2022: 13.5%
Adjusted EBITDA [2]	£26.7m	+2.3%	H1 2022: £26.1m
Cash conversion ratio [3]	91.0%	+16.3% pts	H1 2022: 74.7%
Free Cash Flow [4]	£14.9m	+9.6%	H1 2022: £13.6m
Net Debt [5]	(£54.8m)	+£19.4m	H1 2022: (£74.2m)

Notations detailed in the appendix of this presentation

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Operational KPIs

	H1 2023	H1 2022
Growth Drivers		
Remediation Sales (£k)	4,377	3,647
Microsoft XDR Sales (£k)	9,057	1,831
EaaS Sales (£k)	1,224	1,231
Sales		
Group Sales Orders (£m)	151.7	138.2
GMS Sales Orders (£m)	34.3	30.6
# Orders over £250k	80	61
Delivery		
Day rate change %	+5.4%	+1.7%
Global resourcing days (Days)	7,586	7,171
Direct utilisation	65.7%	71.6%
Research		
Research Days (Days)	2,408	2,281
People		
Technical Attrition Rate (%)	14.9%	21.5%
Net Movement in Technical Specialists	61	152
Global Voluntary Attrition Rate (annualised) (%)	14.8%	19.4%
Global Headcount Increase (%)	3.3%	15.5%

Accelerating our future growth engines

- Remediation sales grew at +20% YOY, to £4.4m with more client take up
- Microsoft XDR sales successfully grew +395% to £9.1m
- Escrow-as-a-Service has sustained sales orders
- Group sales orders up +9.8% YOY, with orders over £250k growing

Driving efficiency in our operating model

- Delivery day rate grew +5.4% YOY following phased increases
- Global resourcing days were up +6%
- Direct utilisation reduced to c.66% (H1 2022: c.72%) reflecting lengthened sales cycle, Q1 utilisation c.62%

Leading cyber industry research

- Continued investment in colleague/commercial research providing greater client insight

Capability and capacity

- Technical attrition rate dropped 6% to c. 15%
- Slowed down technical recruitment, with a net increase of +61 heads
- Global voluntary attrition rate has fallen by 4.6% pts since H1 2022

New Operational KPIs

- Revised and simplified operational KPIs to be used for FY24 aligned to the next chapter of strategy

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Financial performance – Group income statement

Robust H1 performance

	H1 2023 £m	H1 2022 £m	% change
Revenue	**176.6**	**150.1**	**17.7%**
Gross Profit	72.3	63.7	13.5%
Gross margin %	40.9%	42.4%	*-1.5% pts*
Overheads	(51.8)	(43.5)	(19.1%)
Adjusted EBIT	**20.5**	**20.2**	**1.5%**
Adjusted EBIT margin %	11.6%	13.5%	*-1.9% pts*
Adjusted EBITDA	**26.7**	**26.1**	**2.3%**
Adjusted EBITDA margin %	15.1%	17.4%	*-2.3% pts*
Depreciaiton and amortisation	(6.2)	(5.9)	5.1%
Individually significant items ("ISIs")	-	(0.9)	100.0%
Finance costs (inc. leases)	(2.6)	(1.7)	(52.9%)
Adjusted PBT	**17.9**	**18.5**	**(3.2%)**
Adjusted tax	(4.6)	(5.0)	8.0%
Adjusted tax %	25.7%	27.0%	*-1.3% pts*
Adjusted profit for the period	13.3	13.5	(1.5%)
Adjusted basic EPS (pence)	**4.3p**	**4.4p**	**(2.3%)**

Revenue: Double-digit growth at constant currency

- Revenue +10.2% at constant currency, +17.7% actual rates

Gross profit: Margin reduction driven by lower utilisation

- Gross margin (%) decreased -1.5% pts due to the reduced number of billable days

Overheads: Increased to support the business

- Overheads grew by £8.3m mainly due to increased people investment (£4.5m) including XDR set-up & resumption in non-client travel (including NCC Conferences) and increased office costs (£2.6m)

Individual significant items: £Nil in H1 2023, strategic one-off items will arise

- Rationalisation of our property estate and non-core assets may give rise to specific asset write downs in H2 2023/FY24
- Other near term strategic actions may give rise to material one-off implementation costs in H2 2023

Finance costs: Increased due to global base rates tripling impacting adjusted EPS

- Finance costs include interest costs of £2.1m and lease interest of £0.5m
- New facility (signed in December 2022) gives rise to arrangement fees of c.£1.7m that will be amortised to December 2026, old facility fees of £0.6m will be written off in H2 2023
- Expected H2 2023 finance cost of c.£4.5m (including lease interest, non-utilisation fees & historic and current arrangement fees)

Taxation: reduction in effective rate

- Effective rate decreased due to derecognition of European tax losses in H1 2022

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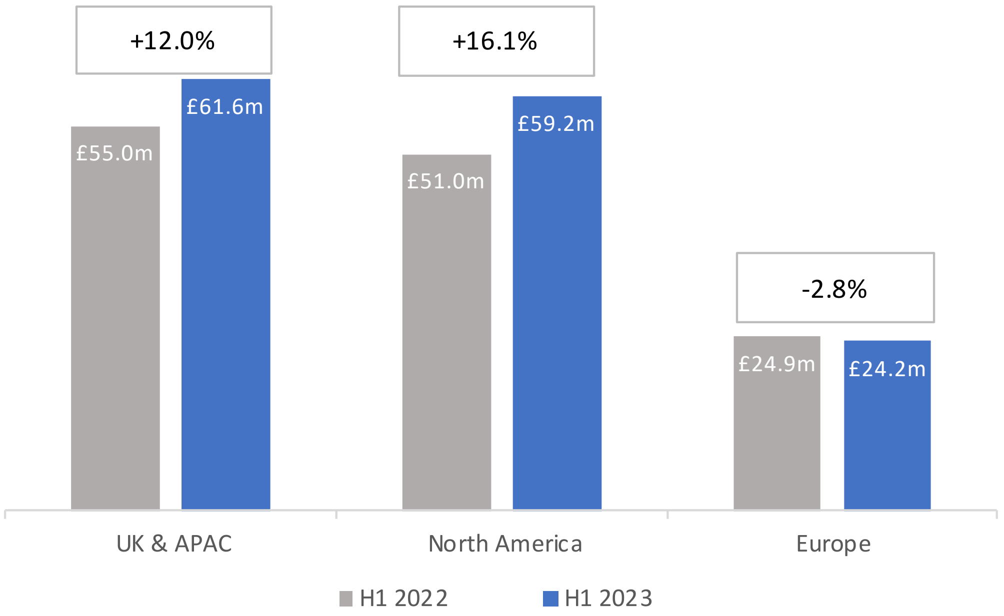
Assurance financial performance

Slower Q1, stronger Q2

Revenue by region - Constant Currency



Actual rates - £m	H1 2023	H1 2022	% change
Revenue	145.0	123.2	17.7%
Gross Profit	49.2	44.4	10.8%
Gross Margin %	33.9%	36.0%	(2.1%) pts
Adjusted EBIT	**10.5**	**14.0**	**(25.0%)**
Adjusted EBIT Margin %	7.2%	11.4%	(4.2%) pts

Revenue: slower Q1 mainly due to impact of NCC Conferences, stronger Q2

- Assurance grew +10.8% at constant currency basis to £145.0m (+17.7% actual rates)
- Performance across territories
  - UK & APAC grew by +12.0% at constant currency, Q2 grew +18.5% at constant currency
  - North America grew by +16.1% at constant currency, Q2 revenue grew +21.8% at constant currency
  - Europe declined by -2.8% at constant currency, Q2 declined -2.9% at constant currency

Profitability: decline in margin %

- Gross margin % declined 2.1% pts mainly due to slower Q1 due to impact of NCC Conferences plus lower utilisation

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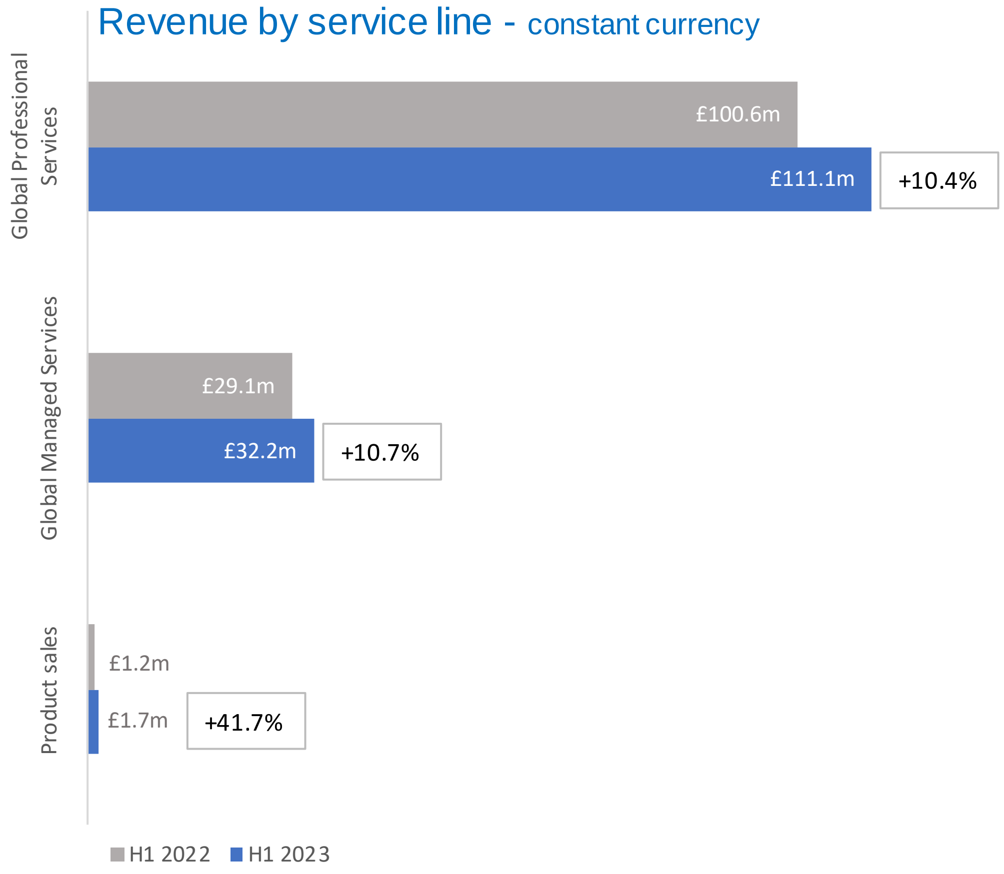
Assurance service line performance

Double digit growth for all service lines



Global Professional Services (GPS) +10.4% YOY (at constant currency)

- Driven by growth in Remediation, global resourcing and increased day rates

Global Managed Services (GMS) +10.7% YOY (at constant currency)

- Driven by Microsoft XDR momentum and larger sale orders

Software Resilience financial performance

LFL revenue returned to growth in Q2

LFL Revenue by region - Constant Currency

Actual rates - £m	H1 2023	H1 2022	% change
Revenue	31.6	26.9	17.5%
Gross Profit	23.1	19.3	19.7%
Gross Margin %	73.1%	71.7%	+1.4 pts
Adjusted EBIT	**14.1**	**9.3**	**51.6%**
Adjusted EBIT Margin %	44.6%	34.6%	+10.0 pts

Revenue: Q2 saw a return to growth LFL

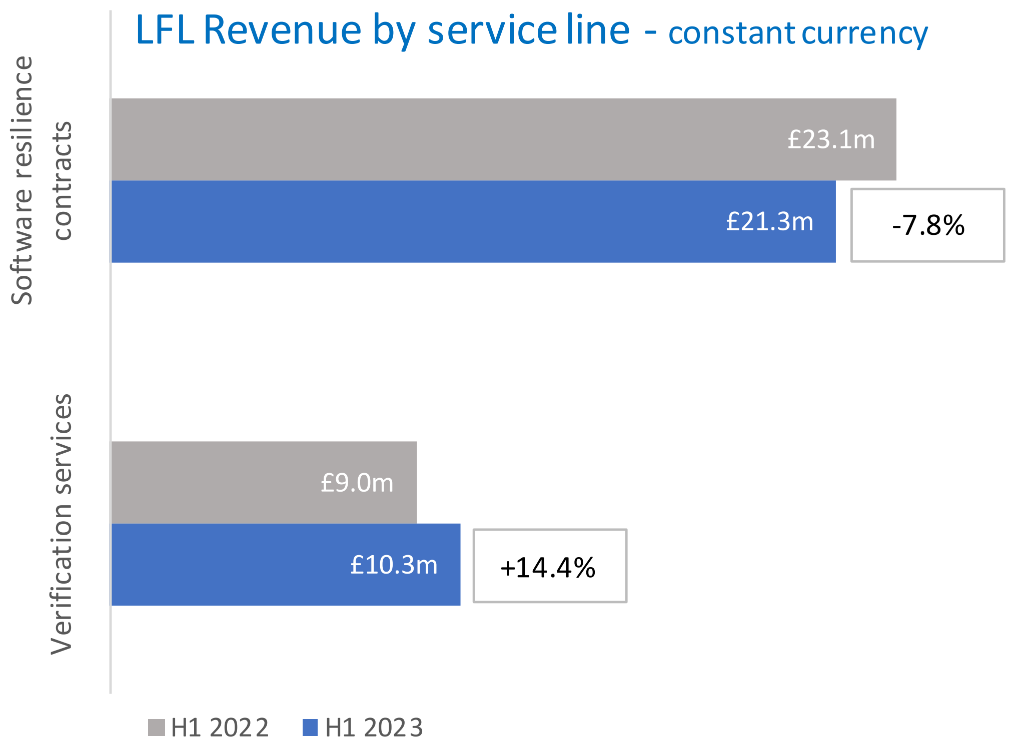
- SR Group revenue LFL declined -1.6% at constant currency
- Q1 LFL revenue declined -4.5% at constant currency following NA sales team reorganisation now stabilised, with Q2 LFL revenue +1.2%

Profitability: EBIT margin improvement

- Gross Profit % increased by +1.4% pts due to first year of IPM contract renewals (prior year fair value adjustment £2.7m)
- Adjusted EBIT increased due to fair value adjustment, absence of IPM integration costs and initial benefits from operational review
- IPM sales team now integrated into one North American team, new Managing Director and Finance Director onboarded to drive operational review contribution to operating profit
- As previously announced, full contribution of annualised £5m from operational review to come through in FY24 following phased system integration improvements, with net c.£2m identified and being delivered in FY23

Software Resilience service line performance

Continued verification growth



- Contract decline mainly arising from mature UK on-prem market
- Verification growth mainly driven by North America market as expected from IPM acquisition

Financial performance - Cash

Free cash flow and cash conversion both up YOY

	H1 2023 £m	H1 2022 £m
Cash flow before working capital	**24.8**	**19.0**
Movement in working capital	(0.5)	0.5
Operating cash pre interest / tax	**24.3**	**19.5**
Interest (inc. lease interest)	(2.2)	(1.3)
Taxation	(3.5)	(0.9)
Net cash from operations	**18.6**	**17.3**
Net capital expenditure	(3.7)	(3.7)
Free cash flow	**14.9**	**13.6**
Acquisitions	(1.0)	(152.8)
Dividends	(9.8)	(9.8)
Other investing and financing activities	(4.2)	(2.1)
Net movement	**(0.1)**	**(151.1)**
FX and other non-cash movements	(2.3)	(6.4)
Change in net debt (exc. lease liabilities)	(2.4)	(157.5)
Opening (debt)/cash (exc.lease liabilities)	(52.4)	83.3
Closing net debt (exc.lease liabilities)	**(54.8)**	**(74.2)**
Cash	44.0	50.2
Borrowings	(98.8)	(124.4)
Closing net debt (exc.lease liabilities)	**(54.8)**	**(74.2)**

Net debt: Cash conversion improved to 91.0% (H1 2022: 74.7%)

- Cash conversion of 91.0% expected to return to normalised group level of c.85% over the medium term

Free cash flow: Improved to £14.9m (H1 2022: £13.6m)

- Interest (inc. lease interest) increased due to base rates tripling, expected H2 2023 interest c.£3.5m
- Based on current interest base rates and borrowing levels FY24 interest paid will amount to c.£6.5m of which £4.2m is interest
- Increase in tax paid is mainly due to the historic Spanish tax payments and the phasing of US tax payments

Balance sheet strength

- New four-year enlarged £162.5m multi-currency revolving credit facility signed in December 2022
- Weighted-margin reduced, leverage covenant increased from 2.5x to 3x & Facility headroom at 30 November 2022 amounts to £83.4m (H1 2022: £78.1m)
- New arrangement fees paid in H2 2022 of £1.7m will be included in financing activities

Dividends

- Unchanged final dividend of 1.50p (H1 2022: 1.50p) per ordinary share

FX

- FX reduction mainly represents impact of the US$/£ movements

IFRS 16 – lease liabilities

- Liabilities amount to £29.3m (H1 2022: £32.2m)

Current trading

- Since the beginning of H2 2023 we have experienced a lengthening of the sales cycle, which is leading to delays in buying decisions, work commencement and therefore revenue recognition, particularly in North America and the UK
- Given the customer behaviour we are experiencing, 2023 Group revenues are expected to increase YoY by only single-digits (at constant currency) and still expecting to grow in H2 2023:
  - Assurance revenue increasing YoY by high single-digits
  - Software Resilience revenue (allowing for the prior period revenue fair value adjustment) declining YoY by c.1%
- As a result of the current market conditions, we are experiencing a reduction in our utilisation rates and attrition. We are therefore accelerating the implementation of our strategy and reshaping the business, with a proposed reduction in headcount in the near term
- Due to the macro-economic backdrop, and the savings arising from the actions to reshape the business, we expect FY23 Adjusted EBIT to be around £52m, before the investment we are making this year to implement the next chapter of our strategy

Strategic actions

- The Board remains confident in the medium-term prospects for the cyber market and these strategic actions will position the business to capitalise when the market improves

- Accordingly, the Board remains committed to implementing the next chapter of our strategy to enhance future growth through:

  - Reshaping our global delivery and operational model, with a proposed c.7% reduction of our global headcount announced today, mostly in the UK and North America. This gives rise to a material one-off implementation cost (c.£4m) in H2 FY23 that is expected to be treated as an individual significant item
  - Strategic investments of c.£5m in H2 FY23 to implement the 4 strategic growth pillars including enhancing our global delivery model by implementing an offshore delivery and operations centre in FY24. The strategic initiatives will give rise to underlying net returns from FY24 onwards

- As result, we expect FY23 Adjusted EBIT to be around £47m (after the impact of FY23 strategic investments)

- We expect this investment to deliver our strategy will result in low to mid-teens Cyber Security revenue growth and an improvement in gross margins in FY24 due to the impact of increased utilisation and the new offshoring capability. Our expectations for Adjusted EBIT in FY24 are therefore unchanged

- In the medium term, we believe our Cyber Security business can achieve mid-teens revenue growth and mid-teens Adjusted EBIT margins

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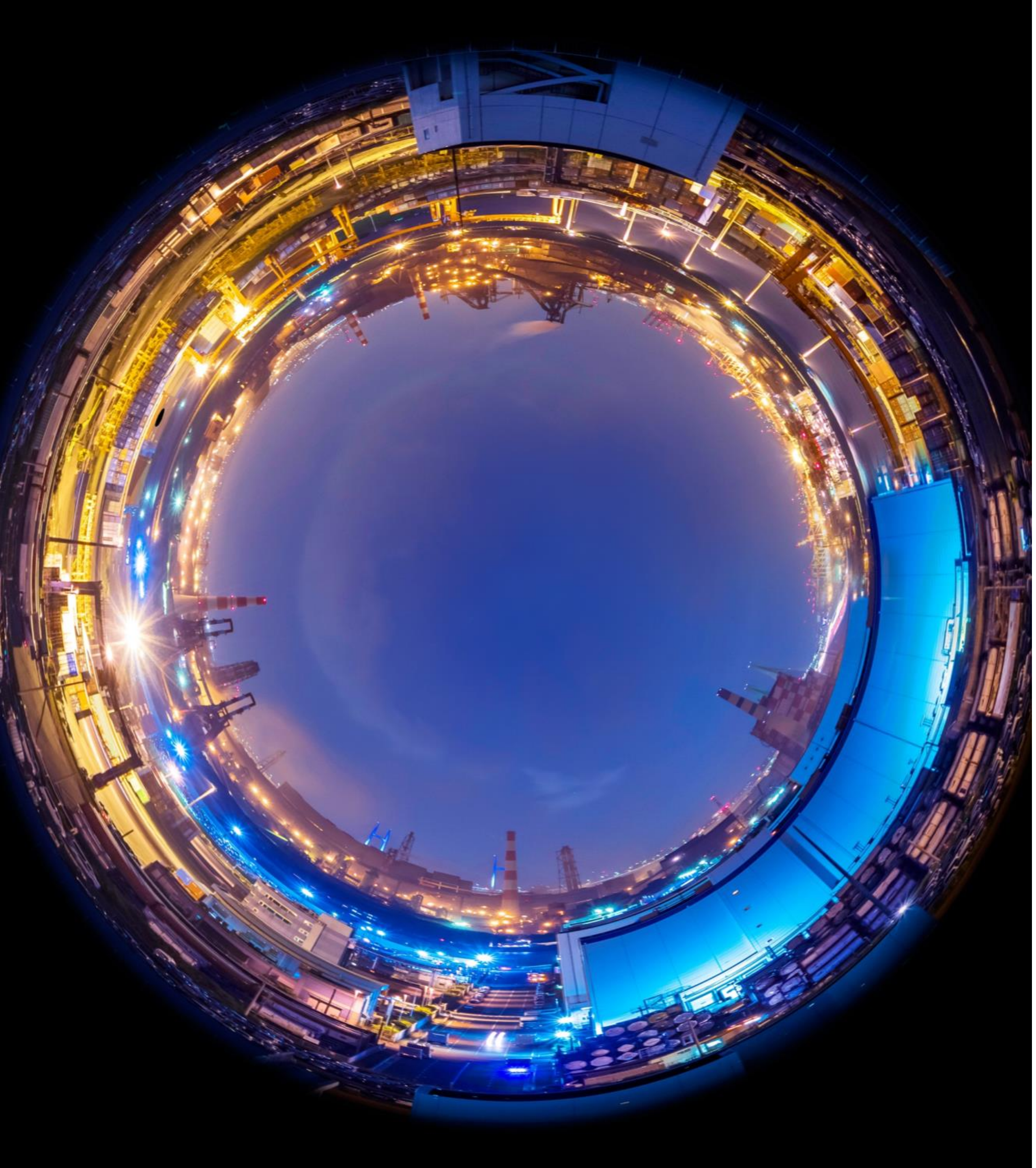

Summary

Mike Maddison
CEO

nccgroup

Summary – focused on enhanced growth

H1 performance:

- Robust trading
- Solid foundations

Outlook:

- Clients are experiencing economic headwinds, with a consequential short term impact on our FY23 revenues and profitability
- The Board remains confident in the outlook and committed to invest in the next chapter of our strategy to enhance growth

Our strategy – the next chapter:

- Four pillars delivering enhanced growth
- Commenced a strategic review of Software Resilience and other non-core assets
- Mid-teens revenue growth expected in Cyber Security over the medium term following phased implementation of the strategic initiatives over FY23-FY24
- Maintain global market leadership in Software Resilience and sustainable single-digit revenue growth

Q&A

Appendices

Notations

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1. *All financial performance numbers presented are based on post IFRS-16 unless specifically noted. References to the Group's results are to continuing operations. See Note 3 of the RNS for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.*
2. *See Note 1 above*
3. *Cash conversion ratio is a measure of how effectively EBITDA is converted into cash. As an APM, it is detailed in Note 3 of the RNS.*
4. *Free cash flow is defined as net cash generated from operating activities, less purchase of property, plant, and equipment & software and development expenditure and before acquisition costs.*
5. *Net debt excluding lease liabilities has been shown as APM to provide a measure consistent with bank covenant calculations. See Note 3 of the RNS for an explanation of Alternative Performance Measures (APMs) and adjusting items.*

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