

Half Year Results

for six months ended 30 November 2016

19 January 2017

Agenda

Overview

Growth track record

Group financial performance

Assurance

Industry landscape

Escrow

Current trading & outlook

Appendix

Double digit growth despite challenges

35%

Group revenue
up 35% to £125.8m

42%

Assurance revenue
up 42% to £104.8m

14%

Escrow revenue
up 14% to £18.7m

**PSC &
VSR**

Joined
the Group

15%

Group adjusted
EBITDA increased
by 15% to £21.3m

18%

Assurance
EBITDA up 18%
to £13.1m

14%

Escrow
EBITDA up 14%
to £10.6m

1,909

Employees
worldwide

4.6p

Group adjusted
diluted earnings
per share

1.50p

Interim
dividend
maintained

35+

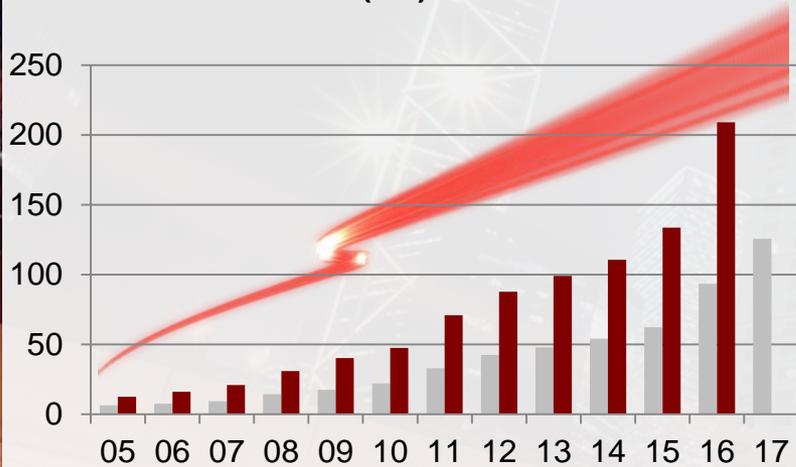
Offices
worldwide

Difficult H1 - impacting full year

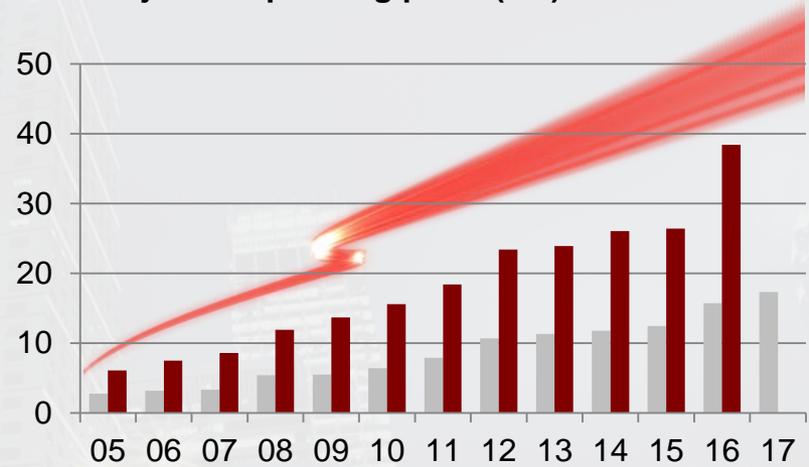
- Three unrelated contract cancellations mostly in Security Consulting - worth £14m - £18m
- Deferral of Government contracts in Fox-IT - part of integration
- Managed services contract renewals:
 - Proved more time consuming - unacceptable terms
 - Lower renewal rate than expected - cancellations due to service delivery
- Adjusted EBITDA expectations lowered to £45.5m - £47.5m
- This year is a 'year out'

Disappointing H1 - still 16 years of growth

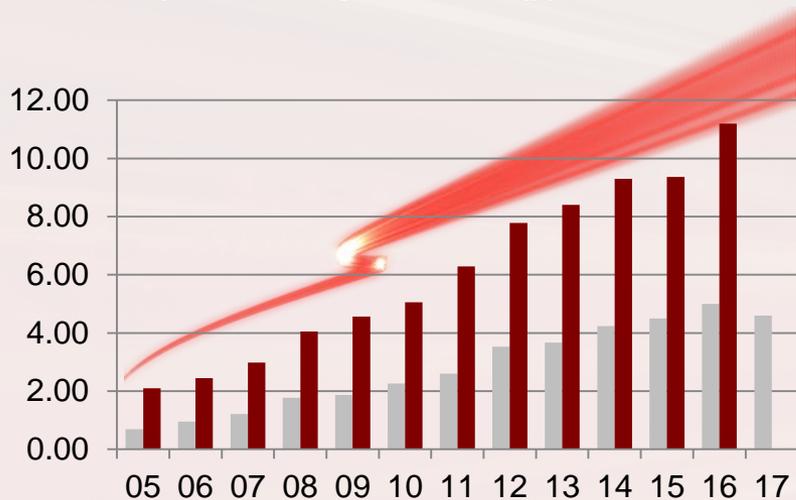
Revenue (£m) - CAGR 28%



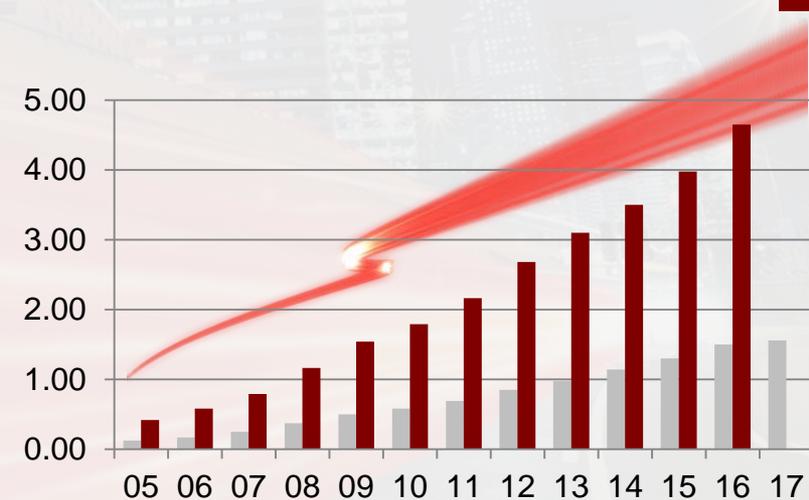
Adjusted operating profit (£m) - CAGR 16%



Fully diluted adjusted EPS (p) - CAGR 17%



Dividend (p) - CAGR 23%



Half year
Full year

Revenues

	2016 (£m)	2015 (£m)	Growth (%)	Organic (%)
Security Consulting	90.5	59.6	52%	44%
Software Testing & Web Performance	14.3	14.1	1%	1%
Assurance	104.8	73.8	42%	21%
Escrow UK	12.8	12.1	6%	6%
Escrow US	4.0	2.8	43%	43%
Escrow Europe	1.9	1.6	19%	19%
Escrow	18.7	16.4	14%	14%
Total Assurance & Escrow	123.5	90.2	37%	18%
Domain Services - ceased	2.3	3.3	(30)%	(30)%
Total revenue	125.8	93.5	35%	18%

International mix of revenue

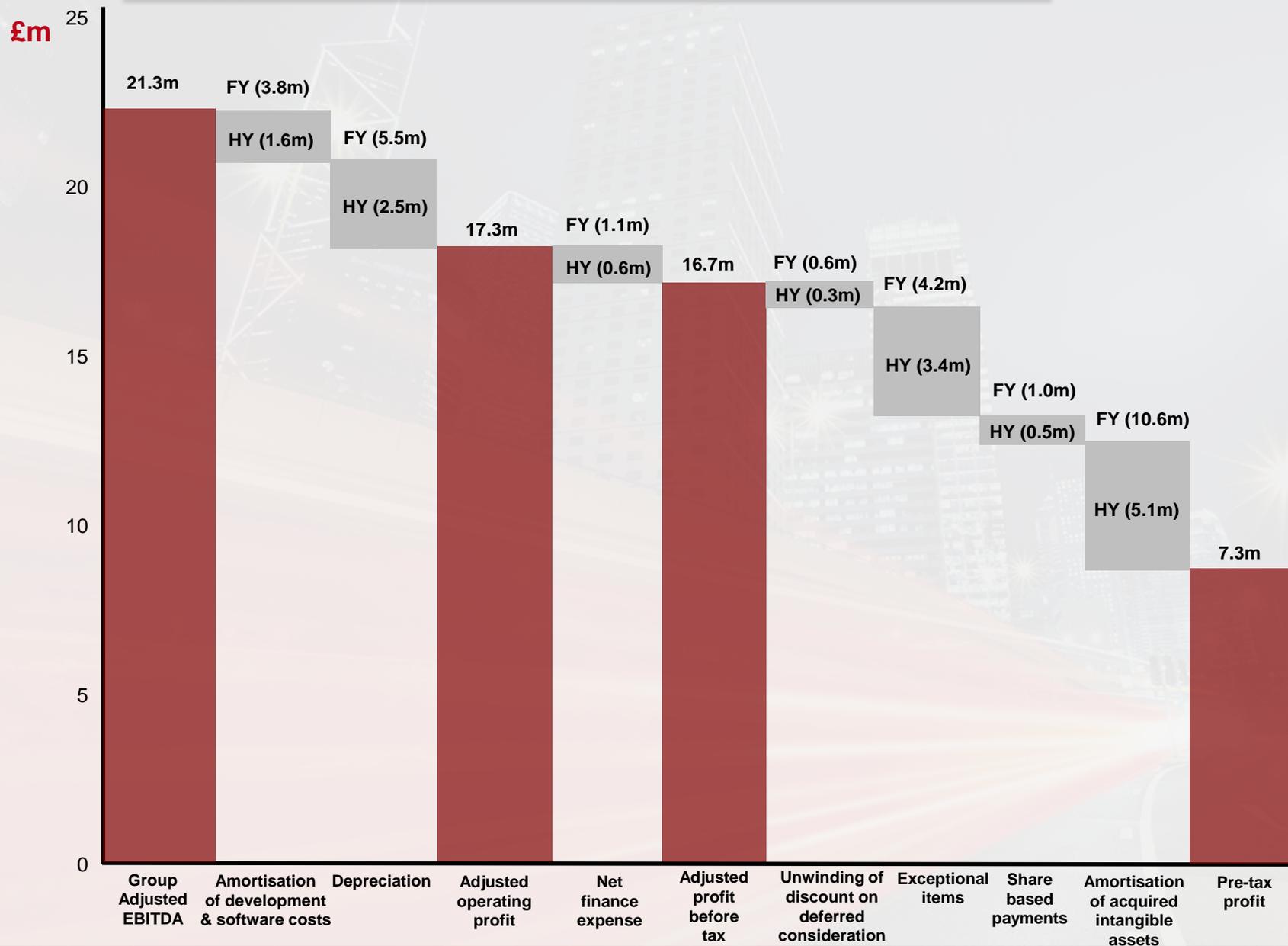
	UK		Europe		Rest of world
2016	49% £61.6m		19% £24.0m		32% £40.2m
2015	64% £59.5m		9% £8.8m		27% £25.3m

Group EBITDA & operating profit

	Margin (%)	2016 (£m)	2015 (£m)	Growth (%)
Assurance	13%	13.1	11.1	18%
Escrow	57%	10.6	9.3	14%
Head Office Costs	-	(2.4)	(1.8)	30%
Group EBITDA	17%	21.3	18.5	15%
Depreciation	-	(2.5)	(1.3)	92%
Amortisation	-	(1.6)	(0.5)	32%
Group adjusted operating profit*	14%	17.3	16.7	4%
Domain Services	-	-	(1.0)	-
Reported adjusted operating profit	-	17.3	15.7	10%

* Excluding Domain Services

Reconciliation of profit



Earnings per share & dividends

	2016 (£m)	2015 (£m)	Growth (%)
Group adjusted EBITDA	21.3	18.5	15%
Adjusted operating profit	17.3	15.7	10%
Adjusted pre tax profit	16.7	14.9	5%
Adjusted fully diluted EPS	4.6p	5.0p	(8%)
Fully diluted shares (m)	278.6	236.6	42%
Interim dividend per share	1.50p	1.50p	-

Cashflow

	2016 (£m)	2015 (£m)
Cash generated from operations	13.4	7.9
Net interest	(0.9)	(1.1)
Income taxes	(0.3)	(3.4)
Gross capital expenditure	(8.0)	(5.5)
Acquisition of businesses	(29.9)	(78.0)
Cash balances from acquisition	1.8	1.8
Dividends	(8.7)	(6.1)
Cash outflow before financing activities	(32.6)	(84.4)
Receipt of bank loans	37.5	27.9
Proceeds from issue of shares	0.7	62.4
Purchase of own shares	0.4	0.0
Increase in cash in the year	6.0	5.9

Cash, working capital & capitalisation

- Ratio of cash flow before interest & tax - 103% of operating profits (2015: 116%) - adjusted for exceptional items (basis to be revised at year end)
- Trade & other receivables £77.3m (2015: £57.8m) - due to Fox-IT & acquisitions
- Accrued income £23.8m (2015: £16.7m) - 31% (2015: 29%) - reflects mix of business towards consulting revenues
- Capitalised items for performance tools, portals & platforms £4.4m - reflects acquisitions of Fox-IT & Accumuli - will continue at this rate
- CAPEX £4.0m - reflects investment in building, hardware & infrastructure - office redevelopments will cost £5.0m in H2
- CAPEX will fall after head office relocation completes in July 2017

Banking & consideration payments

- Group's net debt decreased to £48.8m (Nov 2015: £73.1m)
- Total debt facility of £112.5m - £80m RCF, £27.5m term loan & £5m overdraft
- Acquisitions & deferred consideration:
 - PSC & VSR - initial consideration - £15.7m (\$20.3m)
 - FortConsult - earn out consideration - £2.0m (DKK17.6m)
 - Fox-IT - deferred payment - £10.6m (€12.5m)
 - Accumuli plc - prior acquisition - earn out consideration - £1.6m
- Deferred consideration & payments due:
 - PSC & VSR - payments totalling \$5.6m - due December 2017 & 2018
 - Fox-IT - deferred payment - €10m in cash & €2.5m in shares due November 17

Assurance

Assurance

Revenue £104.8m **EBITDA** £13.1m **Margin** 13% **Headcount** 1,612 FTE

UK

Headcount :
926 FTE



Europe

Headcount :
337 FTE



US

Headcount :
315 FTE

Asia Pacific

Headcount :
34 FTE



Assurance

	2016 (£m)	2015 (£m)	Growth (%)
Assurance revenue	104.8	73.8	42%
Assurance EBITDA	13.1	11.1	18%
Assurance operating profit	10.2	10.3	(1%)

- Revenue growth of 42% (2015: 57%) - 36% on a constant currency basis
 - Strong organic growth of 21% (Nov 2015: 17%) to £89.2m
 - US revenue up 38% to £21.6m (Nov 2015: £15.6m) - organic growth
- Assurance EBITDA margin 13% (Nov 2015: 15%)
 - Impact of higher margin cancelled & deferred contracts
- Assurance order books improved to £56.5m (Nov 2015: £41.0m)
- Assurance renewals improved to £32.3m (Nov 2015: £13.1m)
- Significant investment in management & delivery structures
- State-of-the-art facilities & environments for teams to flourish

Assurance

	2016 (£m)	2015 (£m)	Growth (%)	Constant Currency (%)
Security Consulting	90.5	59.6	52%	44%
Software Testing & Web Performance	14.3	14.1	1%	1%

Security Consulting

- Revenues grew by 52% - constant currency growth 44%
- Organic growth 26%
- Managed Services revenue £19.0m (Nov 2015: £13.2m)
- World leading research
 - Automotive, maritime, biometrics, block chains & quantum cryptography
 - State-of-the-art vulnerability discovery

Software Testing & Web Performance

- Web Performance recurring revenue 85% (Nov 2015: 90%)

Assurance

Managed Services

- World class security operations centres - 24/7
 - Serves over 900 customers & 5,000 devices across 50 countries
- Managed security scanning & monitoring
 - Over 6,500 application, infrastructure & monitoring scans per month
 - Six million IP address annually

Fox-IT Integration

- Slow but progress being made - key relationship is with Dutch Government
- High assurance contracts very lumpy & complex
- New MD, CFO & Director for High Assurance products recruited

GDPR is coming - 25 May 2018

- Confirmation that UK will adopt General Data Protection Regulation (GDPR)
- Allow individuals to regain control & ownership of their data
- Most breaches go unreported but that is about to change
- Two key areas:
 - Privacy by design - include privacy considerations from the start
 - Incident management - 72 hour deadline for breach notification
- Breaches of rules will be punished with fines of up to 4% of global turnover
 - Contrast to current legislation - TalkTalk fine was just £400k
 - Real incentive to get it right
- Tough standard to adopt:
 - Significant challenges around data storage & usage
 - Compliance - time consuming & difficult
 - Organisations cannot leave to the last minute

Board responsibility

- Cyber security & associated risk mitigation is a Board's responsibility
- Cultural change is needed - must move from reactive to proactive approach
- Security policies should be as familiar as accounting policies to Boards
 - Risk register must include cyber security
 - Boards must report cyber security strategy & any breaches annually
- GDPR preparation & compliance is the responsibility of the Board

Escrow

Escrow

Revenue	£18.7m	EBITDA	£10.6m	Margin	57%	Headcount	166 FTE
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UK

Revenue :
£12.8m
Headcount :
112 FTE



Europe

Revenue :
£1.9m
Headcount :
20 FTE



US

Revenue :
£4.0m
Headcount :
34 FTE

Escrow

	2016 (£m)	2015 (£m)	Growth (%)
Escrow revenue	18.7	16.4	14%
Escrow EBITDA	10.6	9.3	14%
Escrow operating profit	10.3	9.2	12%
Escrow UK revenue	12.8	12.1	6%

Escrow

- Revenue grew by 14% (2015: 7%) - 8% on a constant currency basis
- Verification testing worldwide order book - £2.8m (Nov 2015: £2.3m)
- Terminations remain below 11%
- Renewals grew to £21.3m (2015: £19.3m)

Escrow UK

- Good performance against exceptionally strong performance last year

Escrow

	2016 (£m)	2015 (£m)	Growth (%)	Constant Currency %
Escrow US revenue	4.0	2.8	43%	18%
Escrow Europe revenue	1.9	1.6	19%	0%

International

- US revenue grew sharply by 43% (Nov 2015: 10%)
- European revenue grew by 19% (Nov 2015: 3%)
- New General Manager in US to continue growth - promotion & relocation of UK Sales Director - 15 years escrow experience
- European business is growing but is a small part

Current trading & outlook

- Continued strong, solid growth across Escrow
- Assurance well positioned for GDPR impact
 - Security Consulting now global force - size of some nation's capabilities
 - Strong organic growth set to continue & allied to good staff retention
- Fox-IT integration taking place steadily & carefully
- Domain Services withdrawal completed - OR sold for €3.75m
- Continue to look for small US boutique acquisitions
- Group orders & recurring revenues £112.8m (2015: £75.7m)
- Confident of a typically strong second half performance
- Adjusted EBITDA for full year expected to be in range of £45.5m to £47.5m
 - Showing growth of up to 5% year on year

Locations

Europe

Manchester - Head Office
Amsterdam
Basingstoke
Cambridge
Copenhagen
Cheltenham
Delft
Edinburgh
Glasgow
The Hague
Leatherhead
Leeds
London
Madrid
Malmö
Milton Keynes
Munich
Vilnius
Zurich

North America

Atlanta, GA
Austin, TX
Boston, MA
Campbell, CA
Chicago, IL
Kitchener, ON
New York, NY
San Francisco, CA
Seattle, WA
Sunnyvale, CA
Toronto, ON

Asia-Pacific

Singapore
Sydney

Middle East

Dubai