NCC Group plc

Investor & Analyst Day - 1st December 2009

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Agenda

- NCC Group plc
  - Customers & sector concentrations
- Group Escrow
  - Growth drivers
  - Competition
- Assurance Division
  - Sector concentrations
  - Growth drivers
  - News headlines
  - Competition
- Questions & answers
- Lunch
- Technical demonstration

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NCC Group plc

- The world's leading independent IT Assurance provider:
  - Largest provider of Escrow
  - Largest team of Ethical Security Testers
  - 15,000 customers including 94 out of the FTSE 100
- The Group has two complementary divisions
  - Group Escrow
  - Assurance
- 10 offices in the UK, North America, Holland, Switzerland & Germany
- Formed June 1999, Floated on AIM July 2004 raising £38.4m, moved to Main Market July 2007
- Completed seven acquisitions to date

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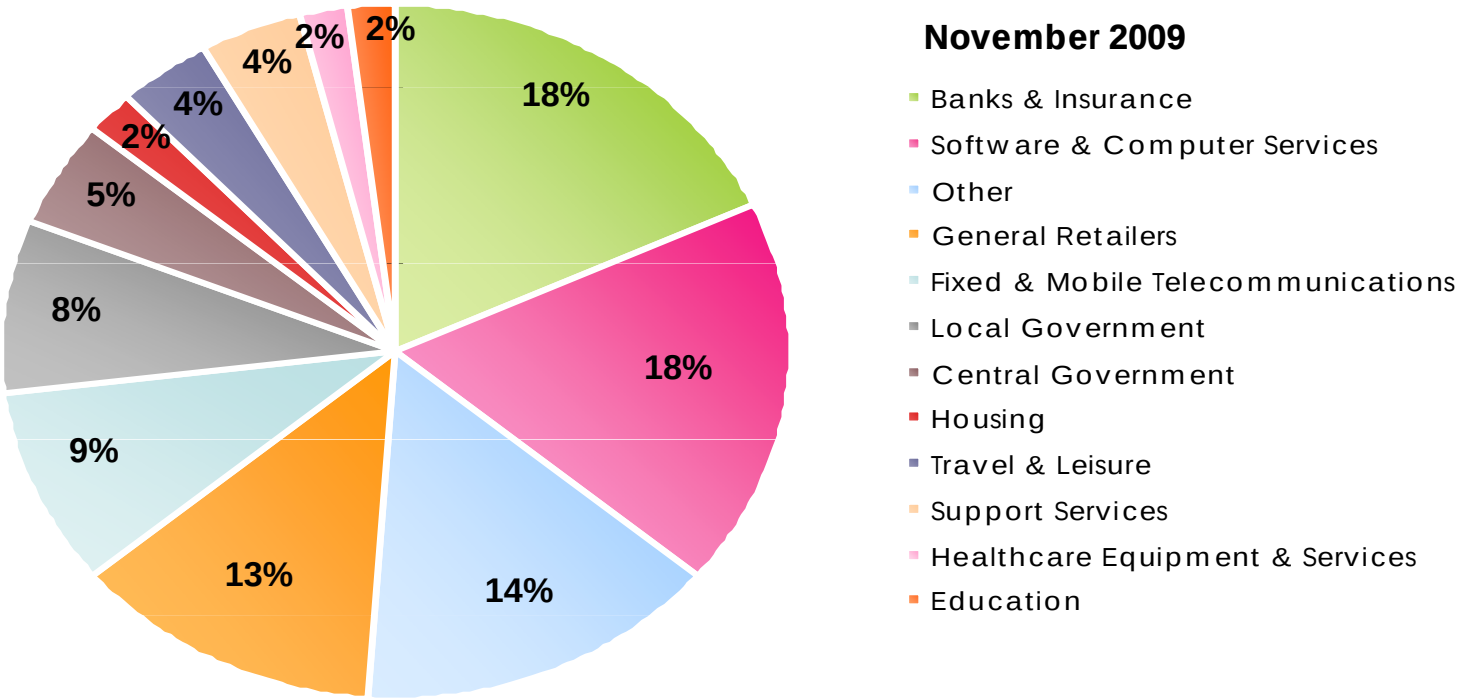
NCC Group – Customers & Sector Concentrations

- Multinational customer base
- Sell to everybody – PLC, SME, Local Govt, Central Govt & MOD
- No reliance on any sector
- Customers sold to many times over
- Strategic Accounts & Key Accounts actively cross sell – 250 Accounts



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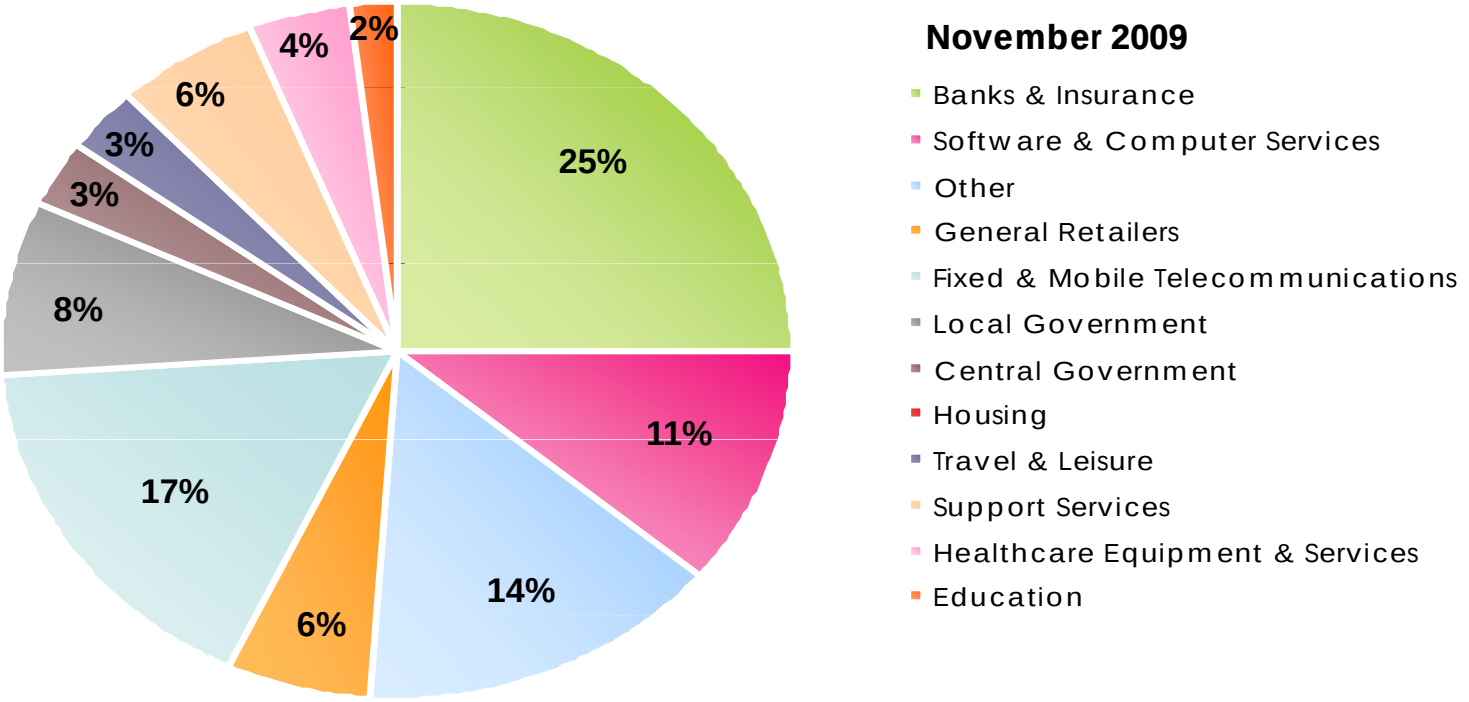
Group Escrow

- NCC Group remains the world's largest provider
- No reliance on a single sector
- Actively sell in UK, Holland, Switzerland, Germany & North America
- Dominance in Europe although not in North America



Group Escrow - Growth Drivers

- Escrow is a slow sale
  - No single point of contact
  - It is a legal contract
  - Multi person decision making
  - At least two companies involved
  - Protection levels are different to users perceptions
- Growth pattern is driven by sales effort
  - 85% of demand is generated by Account Managers
  - Sales team 93 FTE
  - Average length of service two years
  - Average length of service of leavers 10 months
  - Churn 24% but after one year of service drops to 4%
  - Price increase important but effective marketing can improve volumes too
- Product development to meet new demands
  - New groundbreaking verification products
  - SaaS agreements
  - Escrow to be ISO27001 – security needs to be demonstrated

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Group Escrow - Growth Drivers

Drivers

- Attitude to governance & risk
  - Corporate governance
  - Regulation & compliance
- Business continuity & disaster recovery
- Awareness is improving
- Corporate failures – no let up but no big names
- Complexity of services
- Reputation – 30 years & invented here!

Inhibitors

- Product withdrawal by software owners
- Sales & upgrades are still low
- Terminations currently 12% - cost control & not used are main reasons
- Recruitment & retention of sales resource
- Price – spend moratoriums

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Group Escrow – Competition

United Kingdom

- Gartner research 2004 still valid – NCC Group has 99% of spending market
- Market potential thought to be c.£80m
- Five providers operating in the UK
- Iron Mountain are not proactively selling in the UK or Europe
  - Call Centre does not know what escrow is!
  - Not prominent on web site
  - Price list is quoted in $
  - One Account Manager in UK, all else North America based
  - NCC Group have quoted against Iron Mountain in UK three times in 12 months – won 100%

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Group Escrow - Competition

- **Software Escrow Solutions**
  - Established in 2002 by former employee
  - Employs between 6-10 max
  - Lost £17,000 in 2008, P&L reserves £425
  - Successfully sued by NCC Group for breach of Copyright
  - USP – cheap alternative

- **Total Escrow Solutions**
  - Established 2008
  - Pretend to be a “plc”
  - No filed accounts
  - Employs one person & one contractor
  - USP – very cheap alternative

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Group Escrow - Competition

- **LE&AS**
  - Legal firm providing services to owners predominately
  - No facilities or testers
  - Comino, Agresso & Coda as clients
  - Target public sector & health
  - One sales person
  - USP – cheap alternative
- **Intellect**
  - Software owners association – membership model
  - Overall turnover £6.9m – profits £58,000
  - Escrow thought to be £200,000-£300,000?
  - No direct sales team – one part time person
  - USP – owner biased agreements

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Group Escrow - Competition

Europe

- Gartner research estimates available Dutch & German markets worth €45m & €240m in 2005
- Three small German competitors – total turnover c.€500k
- Three small Dutch competitors – total turnover less than €250k
  - Largest thought to be SoftCrow

North America

- Numerous players in the market
- Market dominated by Iron Mountain – acquired top three providers in 1998/99
  - Iron Mountain has 25 years experience
  - Escrow turnover thought to be c.$25m
- Escrow Associates, Escrow Tech, Innova Safe & Lincoln Parry are next
  - Turnover ranges $1 -$3m
- There are 6 - 10 other $0.1-$1m providers

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Assurance Division

- Assurance Division trades under the following brands
  - 365 Secure – Fully accredited secure & monitored service
  - Secure Test – Ethical testing & managed services
  - NGS – Premium brand ethical testing, research & forensics
  - NCC Group – PCI compliance & auditing
  - Site Confidence – Web site monitoring & load testing
- Division employees c.200 FTE including over 100 qualified ethical testers
- Largest team of CHECK, CLAS & CREST qualified testers
- Assurance revenues represent 57% of the Group now

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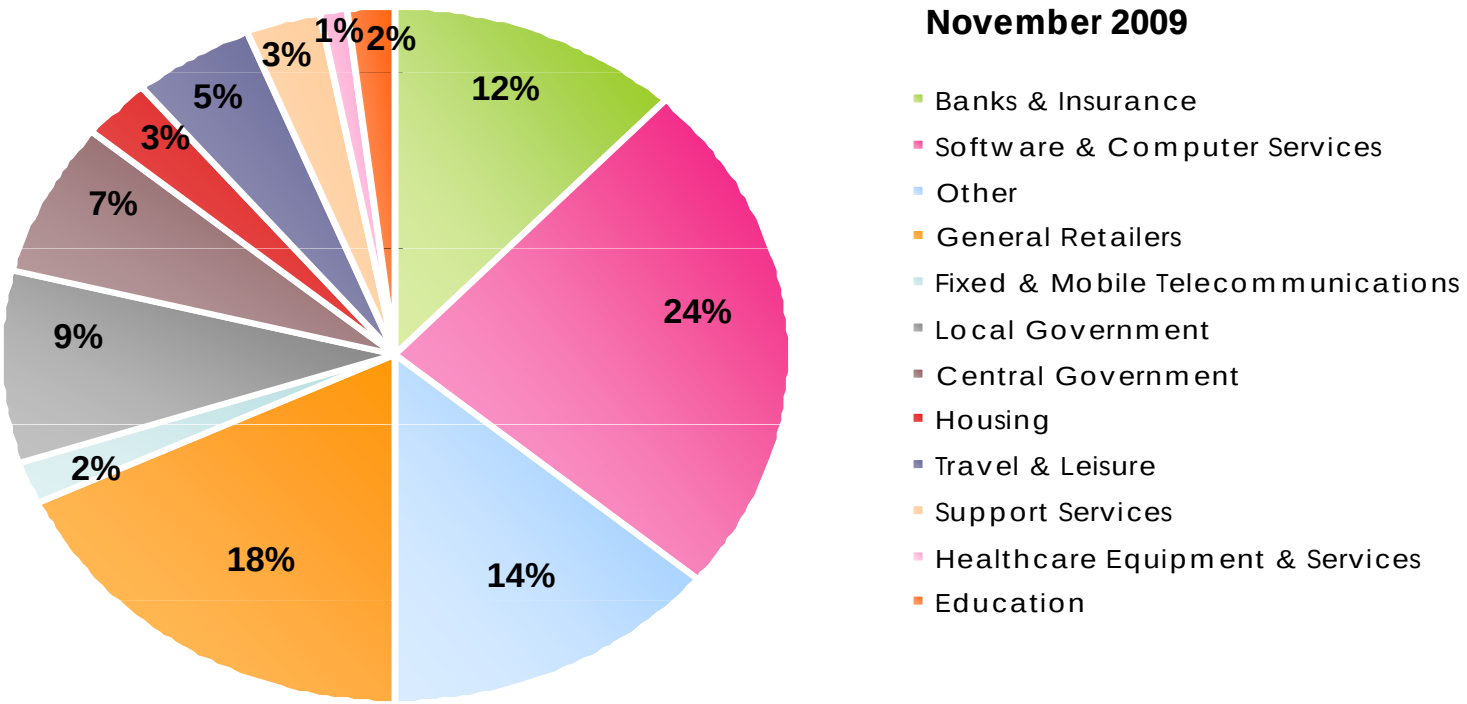
Assurance Division – Sector Concentrations

- Information security, prevention of data theft, fraud & risk issues are a global pandemic
- Risk mitigation & fraud prevention is the largest area of IT expenditure
- Evolution in the market is also driven by mandatory payment card industry standards



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Assurance Division - Growth Drivers

Internal Drivers

- Successfully target & acquire complementary businesses
  - Three to date for £25m
- Revenues have a high recurrence rate – over 80%
- Renewing customers' increase expenditure – typically 25% increase
- Growth of forensics offering – skills & reputation to deliver are considerable barriers to entry
- Development of products & services - monitoring & analysing test tools to aid service delivery
  - Purchased by clients
- Target emerging technologies & products to develop next set of vulnerabilities
- Reputation – name of choice for companies wanting protection
- Development of expert led solution with automation – Managed Services

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Assurance Division - Growth Drivers

External Drivers

- Increased need for systems, network & data security – *Arms Race*
- Media headlines highlight embarrassing, avoidable examples of poor security
  - BBC, ITN, Sky - news features
  - Watchdog type programmes
- Security Testing/Information security is a focus of Board level discussion all organisations
  - Threat of reputational damage is greater than ever
- Mandatory adoption of Payment Card Industry Standards
- Consumer Awareness – the right to have data held securely
  - Information Commissioner is there to protect us!
- Customers demand secure site

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Assurance Division - News Headlines

- **RBS World Pay**
  - Eight men from an international crime ring charged with hacking into Atlanta-based bank card processor - RBS WorldPay & stealing more than $9m in 12 hours
  - From Russia, Moldova & Estonia they gained access to the RBS computer network & retrieved payment card data as it was being processed
  - They increased the amount of funds available on the cards & dispatched cashers in 280 cities worldwide to withdraw money from ATMs

- **Symantec – Romanian Hacker**
  - A Symantec-run website was hacked by a Blind SQL Injection
  - It exposed highly sensitive information including passwords for customer records
  - The hack only used off-the-shelf tools to steal the database behind the website

- **iPhone Worm**
  - The Worm targeted customers of online bank ING Direct
  - Infected users visiting the site were redirected to a phishing site designed to harvest online banking login details
  - Another worm left Rick Astley as wallpaper & ringtone

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Assurance Division - Competition

- Competitors of Secure Test & NGS

- **Portcullis**	- Turnover £8-£9m - employs 25-30 testers
- **QinetiQ Group plc**	- Turnover £800m – unknown number of testers - predominately MOD & defence
- **BAE Systems**	- Turnover £18.5bn – employs 30-35 testers - Acquired Detica in 2008 - Predominately MOD & large defence contracts
- **KPMG**	- Security revenues c.£2-£3m employs 8-10 testers
- **Vega Consulting Services**	- Turnover £3-£4m - employs c.10/15 testers
- **IRM**	- Turnover c.£3m – employs c.10/15 testers
- **Numerous 1-10 man outfits**	

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Questions & Answers

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