

# NCC Group plc

**Preliminary Results**  
for the year ended 31 May 2006

July 2006

# Agenda



- Highlights
- Group financial summaries
  - IFRS impact
- Group strategy
- Divisional reviews
  - Escrow Solutions UK
  - Escrow Solutions US
  - Escrow Solutions Germany
  - Testing Solutions
  - Consultancy
- Current trading and outlook

# Highlights



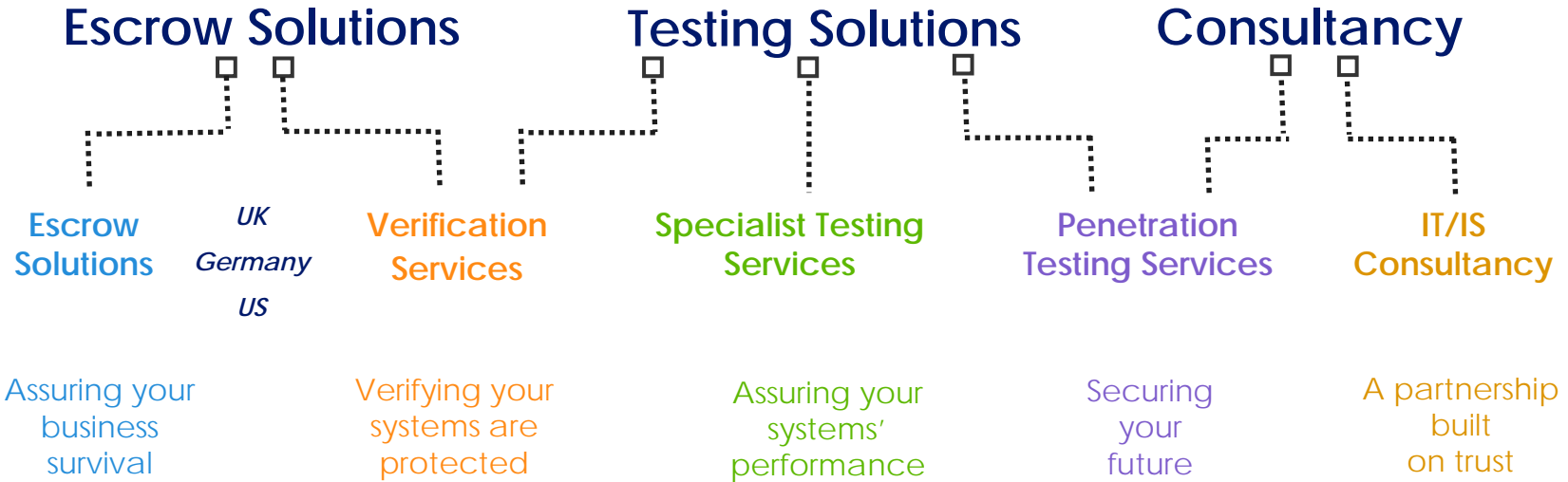
- Revenue up 15% to £20.7m
- Operating profits up 15% to £6.6m – IFRS
  - Group Escrow Solutions up 19% to £5.8m
  - Escrow Solutions up 27% to £6.1m
  - Testing Solutions up 34% to £1.3m
  - Consultancy return to profit second half, FY 2006 £0.6m
- Underlying profits up 23% to £7.5m – UK GAAP, excl Germany & US
- Basic EPS up 37% to 14.0p
- Final dividend up to 2.50p - total dividend of 3.50p - 40% increase
- Net cash positive at £1.3m at year end (2005: £0.0m)
- Two US acquisitions made for \$6.5m - provides \$1.4m escrow renewals

# Underlying operating profits



	2006	2005	%
	£m	£m	
Revenue	20.7	18.0	15
<b>IFRS operating profit</b>	<b>6.6</b>	<b>5.8</b>	<b>15</b>
Share option charge	0.5	0.3	58
Amortisation - US	0.1	-	-
<b>Operating profits - UK GAAP</b>	<b>7.2</b>	<b>6.1</b>	<b>17</b>
US acquisition	(0.2)	-	-
Germany investment	0.5	-	-
<b>Underlying operating profit</b>	<b>7.5</b>	<b>6.1</b>	<b>23</b>
Margin	37%	34%	-

# Integrated divisions



# Group revenues



Year to 31 May 2006	2006 £m	2005 £m	% change
<b>Revenue</b>			
Escrow Solutions UK	9.8	8.1	21
Escrow Solutions Germany	0.2	0.1	31
Escrow Solutions US	0.4	-	-
<b>Total Escrow</b>	<b>10.4</b>	<b>8.2</b>	<b>26</b>
<b>Testing Solutions</b>	<b>5.7</b>	<b>4.4</b>	<b>31</b>
<b>Consultancy</b>	<b>4.7</b>	<b>5.4</b>	<b>(13)</b>
<b>Total Turnover</b>	<b>20.8</b>	<b>18.0</b>	<b>15</b>
▪ UK	17.7	15.8	12
▪ Europe	1.3	1.1	18
▪ Rest of the World	1.8	1.1	65

# Group operating profits



Year to 31 May 2006	2006 £m	2005 £m	% change
<b>Operating profit</b>			
Escrow Solutions	6.1	4.8	27
Escrow Solutions Germany	(0.4)	0.1	-
Escrow Solutions US	0.1	-	-
<b>Total Escrow</b>	<b>5.8</b>	<b>4.9</b>	<b>19</b>
<b>Testing Solutions</b>	<b>1.3</b>	<b>1.0</b>	<b>34</b>
<b>Consultancy</b>	<b>0.6</b>	<b>1.0</b>	<b>(36)</b>
Corporate	(1.1)	(1.0)	7
<b>Total operating profit</b>	<b>6.6</b>	<b>5.8</b>	<b>15</b>
<b>Operating profit margin</b>	<b>32%</b>	<b>32%</b>	<b>-</b>

# Group financial performance



Year to 31 May 2006	2006 £m	2005 £m	% change
<b>Operating profits</b>	<b>6.7</b>	<b>5.8</b>	<b>15</b>
Amortisation	(0.05)	-	-
Exceptional	-	(0.8)	-
Interest	(0.1)	(0.4)	75
<b>Pre tax profits</b>	<b>6.6</b>	<b>4.6</b>	<b>44</b>
<b>Basic EPS (p)</b>	<b>14.0</b>	<b>10.2</b>	<b>37</b>
<b>Total dividend per share (p)</b>	<b>3.5</b>	<b>2.5</b>	<b>40</b>

# Balance sheet and cash



- Cash conversion at 110% of operating profits
- Group £1.3m net cash positive (2005: £0.0m)
- First acquisition paid £3.7m (\$5.0m) from cash
- Cash on balance sheet £5.2m (2005: £5.1m)
- Group debt at £3.9m (2005: £5.1m)
- Deferred income £6.0m
- Capital expenditure of £800k planned for 2006/07 (2006: £800k)

# IFRS impact

- First company to be IFRS compliant on Aim
- Adoption two years ahead of time – year end 31 May 2008
- Charge for share option schemes £468k (2005: £297k)
- 2006/2007 LTIP expected to increase charge by c.£200k
- Goodwill not impaired – no charge to P&L required (2005:£0m)
- Intangible asset with acquisition £2.3m - amortisation charge £0.1m per annum over 20 year life
- Tax credit worth £0.1m - taken to equity
- Lease incentive £15k per annum

# Group strategy



- Continued focus on organic growth across the Group
- Self funded investment in Germany- 2006/07 target of profitability
- Self funded investment in US – 2006/07 target to retain current profitability
- US Escrow Solutions providers continue to be acquisition targets
- Continued recruitment of UK account managers and testers
- Second UK Escrow centre being considered

# Escrow Solutions UK



<b>Sales</b>	<b>£9.8m</b>	+21%
<b>Contribution</b>	<b>£6.1m</b>	+27%

- 69 Escrow Solutions account managers (2005: 62)
- Contracts up 13% to over 7,000 (2005: 6,200)
- Agreement beneficiaries up 12% to over 13,500 (2005: 12,000)
- Contract termination rates down to <10% and <11% beneficiaries
- Safe planning assumption remains at 13%
- Price increase 8% in 2006 - guide at 6% for 2006/07
- UK annual renewals at £8.1m (2005: £7.1m)
- Deferred income up to £6.0m (2005: £4.9m)

# Escrow Solutions US

<b>Sales</b>	<b>£0.4m</b>
<b>Contribution</b>	<b>£0.1m</b>

- Performance in first 5 months on track
- Total US renewals base worth £620k (\$1.1m)
- Account management model developed – sales team of 6
- Infrastructure, IT investment and processes implemented
- Excellent market potential – no Verification Testing currently sold
- Source Harbor acquired July 2006 – earnings enhancing
  - £120k (\$220k) renewals base – average age of contract 2.3 years
- Acquisition may unlock other escrow providers

# Escrow Solutions Germany

<b>Sales</b>	<b>£0.2m</b>
<b>Contribution</b>	<b>(£0.4m)</b>

- Market worth £88 -£102m from Gartner Consulting research
- 8 account managers now selling – variant of UK model
- Sales teams supported by UK operational & testing teams
- Expected to be profitable within financial year 2006/07
- Renewals worth £120k (€220k)
- Other German business too small to acquire

# Testing Solutions

<b>Sales</b>	<b>£5.7m</b>	+31%
<b>Contribution</b>	<b>£1.3m</b>	+34%

- Verifications Testing - record 320 delivered in the year - up 34%
  - 1 in 10 new agreements are fully verified
  - at least 40% of verifications are repeated
- Penetration Testing - record 750 delivered in the year – up 43%
  - almost 40% of client tests are repeated
  - forensics are becoming important
  - successful recruitment 15 UK base testers
  - Argentinean operation established & contributing
- Specialist Testing now consistent performer - 20% revenue growth

# Consultancy

<b>Sales</b>	<b>£4.7m</b>	(13%)
<b>Contribution</b>	<b>£0.6m</b>	(36%)

- Independent trusted advisor status is still the key
- Order book much stronger entering new FY at £1.7m July 2005 (£1.3m)
- Last 5 months were tightly controlled & very successful
  - loss completely stemmed - H1 £(42k) : H2 £658k
  - good use of flexible resource pool
  - employee base now 25 consultants (2005:30)
  - 60% of work from existing clients (2005: 80%)
  - good success at winning new prestige clients
- Utilisation rates 73.8% reflecting first half performance – norm 80%

# Current trading and outlook



- Continue to generate strong organic growth to compliment potential acquisition targets
- Acquisitions & investments are bedding in well and are well placed for success
- Recruitment remains challenging – but very positive signs - additional location being considered
- Current day-rate market is “normally competitive”
- Group orders & renewals at £12.3m for 2006/07
  - Testing Solutions order book £1.6m (2005: £1.5m)
  - Consultancy order book £1.7m (2005: £1.3m)
  - Escrow Solutions renewals £9.0m (2005: £7.5m)

# Appendices

# Escrow Solutions

- Cornerstone of NCC Group in profit and revenue
- Only significant European provider
- Agreements sold globally
- Dual and electronic deposit service now launched
- All code is integrity tested - more than storage – 8% fail first time

Agreements automatically renew annually

Provides service to over 13,500 beneficiaries

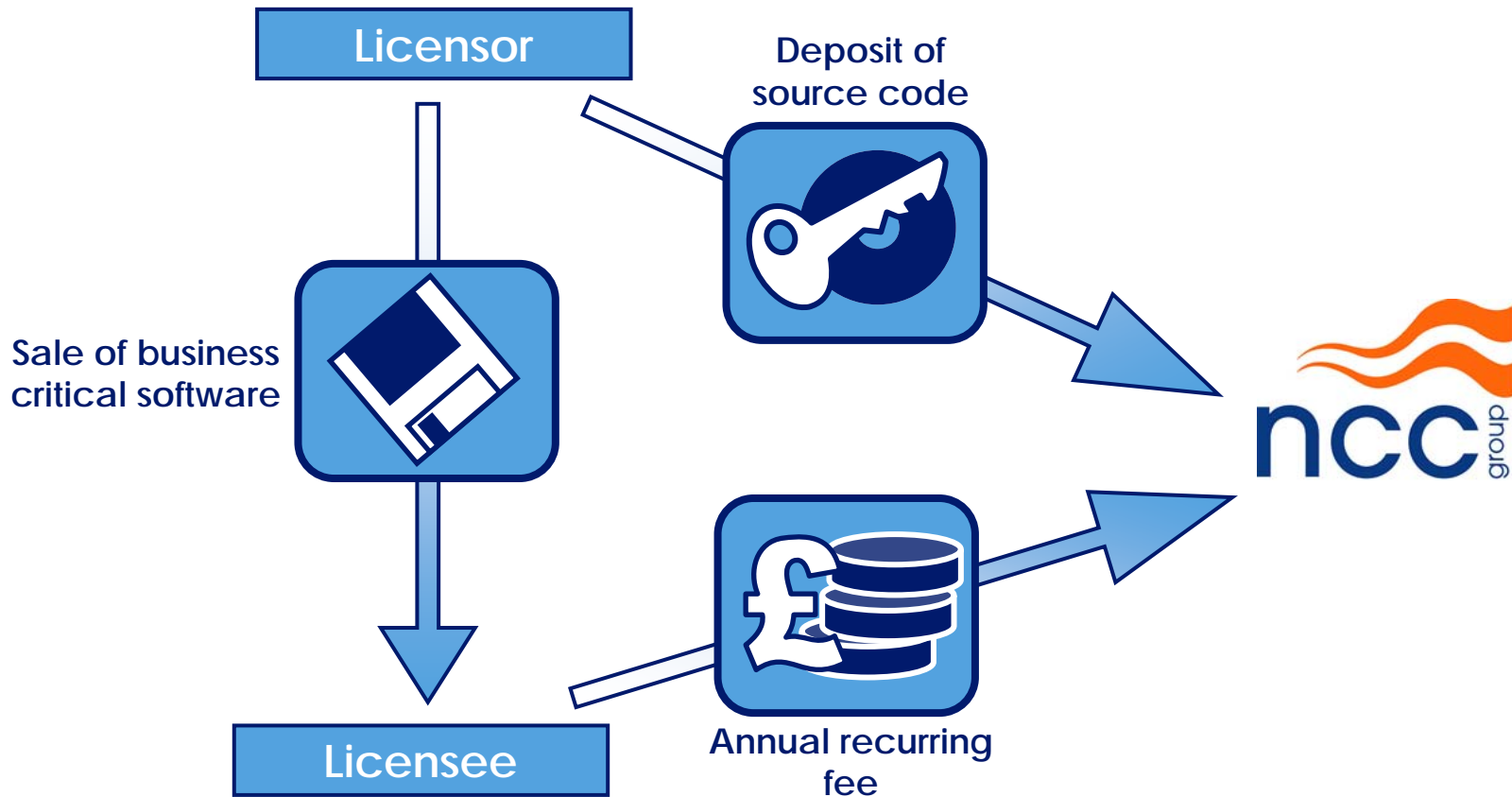
91 of FTSE 100 have NCC Group Escrow

69 UK account managers

## What is an Escrow Solution?

- Escrow is a legal contract between three parties
  - licensor (or owner), licensee and an independent trusted third party
- Holds software source code or business critical material
- Provides protection from key supplier failure or a failure of maintenance
- Demonstrates supplier's commitment to client care
- Key part of disaster recovery and business continuity planning
- Represents over 50% of Group revenue & over 87% of operating profits in FY 2006

# Escrow Solutions



**“High value low cost concept”**

# Escrow Solutions



## UK market potential

- Market leaders – competition consists of smaller providers winning business on price – rare though!
- Existing customers are significant growth opportunity:
  - Most businesses have insufficient protection
  - Customers average just c.2.0 agreements - may need over 19
- Significant market remains untapped:
  - Best adopters financial services, telecommunications and retail sectors and public sector organisations
  - Other less regulated or later-adopting of technology increasing demand

# Escrow Solutions



## UK market potential

- Sales force focused on developing existing accounts, increase penetration of agreements
- New investment into direct marketing and educational campaign
- Continued investment in CRM database to improve client handling techniques
- Working on increasing effectiveness of account management
- Recruitment and retention a challenge - very competitive nature of regional sales recruitment
- Currently 69 Escrow Solutions account managers, would like c.100
- Second account management site being considered

# Escrow Solutions



## German market potential

- Market research into German market suggests worth £88m - £102m\*
- No plans to move into rest of Europe in the near future
- IT infrastructure and new office in place
- Operational procedures now implemented
- Regional marketing and PR plans now in place
- Low level of competition - small, legal-focused providers
- Field sales the cultural norm but account management approach works

\*source: Gartner Research 2005

# Escrow Solutions



## US market potential

- Market more mature but much larger than UK
  - Owner led
  - Less complex law
  - No basic testing
  - No Verification Testing
- Acquired operational teams, recruited account managers, relocated and invested in business infrastructure and IT
- UK style account management model set up – training in UK
- Significant opportunities for Verification Testing
- Integration succeeding - General manager and UK reporting clear

# Escrow Solutions



## NCC Group market position

- Barriers to entry
  - Over 20 years' experience
  - Independence
  - Integrity testing and legal documentation
- Sales model
- Low cost high volume business model
- Beneficiary base with low churn



# Testing Solutions

- **Verification Services** confirmation code held under an Escrow agreement is useable
- **Specialist Testing** proves systems robustness & performance capabilities of a system or web site
- **Penetration Testing** uncovers security weakness by controlled invasion of a network or web site



# Testing Solutions

## Verification Testing

- Three levels of service
  - Integrity Plus – collection and securing code
  - Full Verification – assurance over code compilation
  - Escrow Complete – disaster recovery
- Sold by Escrow Solutions sales team – high growth area
- Delivered by Testing Solutions technical resources



# Testing Solutions

## Specialist Testing

- Performance and robustness testing of mobile data infrastructure
- Interoperability testing for handsets, MMS and video streaming
- Performance testing of web applications
- Definition of test strategies and regimes
- Consultants have highly specialist skills



# Testing Solutions



## Penetration Testing

- A leading UK provider of Penetration Testing services
- Ethically hack networks and web sites
- Expert CHECK accredited and team leaders - only c.80 in the UK
- Consultant rather than tool led – nearly 50 man years of experience



THE Carphone Warehouse

CAPITA



# Consultancy

- Reputation for technical excellence in public and private sectors
- 60% of revenue in 2005/06 from existing clients – “Trusted Advisor”
- Greenhouse environment – new service offerings developed to meet client/market needs

Completely independent

Only use expert, qualified and experienced consultants

Have maintained long term client partnerships

Driven by market demand for risk management

# Consultancy



## Consultancy

- Help clients maximise value from their IT and ensure clients information and infrastructure are safe, secure and compliant
- Independence from hardware and solution providers is key strength
- Consultants for over 30 years on whole IT lifecycle
- Strong client relationships (60% of 2005/06 revenue from existing clients)

