

## Corporate

 Current price **137.5p**

 Sector **TMT**

 Code **ECSC.L**

 AIM **AIM**

### Share Performance



	1m	3m	12m
<b>ECSC.L</b>	-13.1%	82.8%	29.3%

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **12.5**

 Shares in issue (m) **9.1**

 52 weeks **High** **Low**
**152.5p** **62.5p**

 Financial year end **30 Dec**

Source: Company Data, Allenby Capital

### Key Shareholders

 Ian Mann **24.7%**

 Unicorn Asset Management **15.9%**

 Ravinder Bahra **11.7%**

 Phil Mclear **5.2%**

 Malcolm Hoare **3.3%**

Source: Company Data, Allenby Capital

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## ECSC Group plc (ECSC.L)

### Strong growth in customer acquisition

FY19 pre-close demonstrates that ECSC, the UK's longest running full service cyber security provider, has maintained the momentum identified in November's trading update. FY19 revenue of c. £5.9m (FY18: £5.4m, ACL: £5.9m) indicates record H2 revenue of c. £3.3m, up 21% on H2 FY18 and 25% sequentially. There was >25% growth in Managed Services revenue that offers both higher visibility and margin accretion and a good recovery in Consulting in H2. New client acquisitions increased 24% to 118, with 17% generated from ECSC's Partner Programme. These new Consulting clients represent a core source of prospects for Managed Services. ECSC returned to profit at the EBITDA level in H2 at £0.2m (H2 FY18: loss of £0.1m), although the breakeven EBITDA was £0.1m light against forecast. Year-end cash was £0.35m (ACL: £0.4m). We trim our FY20 revenue growth assumption to 19% (from 24%) that flow through to a lower EBITDA. 155p/share fair value unchanged and we introduce FY21 forecasts.

- FY19 performance** – Performance in line with forecasts that were nudged down in November with revenue +10% to £5.9m (ACL: £5.9m) and a £0.6m improvement in adj. EBITDA to a breakeven position (ACL: £0.1m profit). Within this, Managed Services recurring revenue increased >25%, boosting revenue visibility and gross margins through increased utilisation of ECSC's two Security Operations Centres. There was also a good recovery in Consulting. ECSC was cash generative in H2, with a final cash balance of £0.35m, an unutilised bank facility of £0.5m, and debtors of £1m.
- Addition of new clients** - 118 new clients, primarily in Consulting, were added during FY19, up 24% on FY18, with the Partner Programme generating 17% of the clients. The indirect channel has substantially increased ECSC's routes to market as resellers develop additional revenue streams but recognise the need for external expertise. Consulting represents the main source of Managed Services clients as many mid-market companies conclude that outsourcing represents the only cost-effective option given the challenges posed around cyber security. ECSC has developed a comprehensive service offering supported by its Kepler AI technology that filters log reports and refers a subset to ECSC's staff for further investigation. ECSC invested c. 13% of revenue in R&D in FY19.
- Positive outlook** – Cyber security remains high on the corporate agenda with the number of high-profile attacks (including the recent Travelex/Finabl ransomware attack) and the threats of fines under the GDPR regime. ECSC has started FY20 well, as evidenced by the announcement earlier this month ([here](#)) of five major contract wins across a range of sectors, with a combined revenue of >£750k that will be recognised over the contract duration of one and three years.

### Year End: 31 December

(£'000)	2018A	2019E	2020E (New)	2020E (Old)	2021E
<b>REVENUE</b>	5,382	5,930	7,043	7,352	7,704
<b>ADJ. EBITDA</b>	(635)	2	309	749	710
<b>ADJ. PBT</b>	(1,026)	(628)	(271)	168	132
<b>ADJ. EPS (p)</b>	(10.5)	(6.0)	(2.3)	2.2	1.4
<b>NET CASH</b>	610	348	379	692	927
<b>EV/EBITDA (x)</b>	NEG	NA	37.7		15.7
<b>PER (x)</b>	NEG	NEG	NEG		NA

Allenby Capital acts as Nomad &amp; Broker to ECSC Group plc (ECSC.L).

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