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NCC Group

Technology

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H126 shows more focus and more quality

H126 results show that the changes at NCC Group go far beyond its divestment programme, making the investment opportunity more interesting than investors might realise. An increased focus on Cyber means that revenue growth is returning, with increasing predictability. This is not just through growth in managed services but, more importantly, as a result of moving from transactional to outcome-based customer relationships. We expect future valuations to reflect not only the higher quantity but also the enhanced quality of earnings.

Financials

The H126 results were aligned with the April trading update. H126 revenues were £151.3m, up c 5% CER y-o-y. Cyber revenues rose 5.9% to £118.4m, including 12.5% growth in UK/APAC in the period. Gross margins were 45.9% (H125: 43.2%) with a record Cyber gross margin of 38.4% (H125: 35.2%). Adjusted EBITDA was £23.5m, with Cyber adjusted EBITDA increasing to £8.3m (H125: £3.6m). The interim dividend was unchanged at 1.5p/share. Net debt (excluding leases) as at March 2026 was £10.2m, and, following the sale of Escode, net cash as at May 2026 was £230m. The board intends to commence a £170m tender offer followed by a new £15m share buyback. Guidance is for mid- to low-single-digit Cyber Security FY26 revenue growth and for FY26 adjusted EBITDA margin of c 5.5–7.5% (H126: 7.0%). FY27 and FY28 Cyber revenue growth is expected to be mid-single-digit, with mid-teens adjusted EBITDA margins by the end of FY28. Management expects to generate £25m in gross margin and overheads by FY28.

Strategy

Investors should note that the group's new focus is not only restoring top-line growth but, just as importantly, is building greater quality into future earnings. Customer relationships are deepening as a result of more outcome-based agreements, which in turn is driving both growth and predictability of earnings. Consulting and Managed Services revenue now represents 55% of Cyber revenue.

Valuation

AI is expanding the enterprise attack surface and highlighting the importance of robust cyber solutions over simply adhering to IT best practices. Thus, we expect the market increasingly to realise that AI is more of a tailwind than a threat to NCC and value it accordingly.

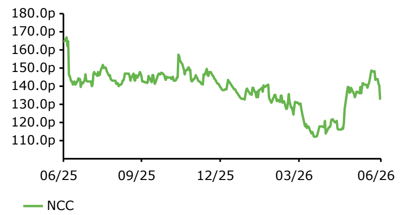
Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	EV/sales (x)	Yield (%)	EV/ EBITDA (x)
9/25	305.4	43.7	18.7	4.70	4.70	30.0	0.6	3.3	4.0
9/26e	297.1	39.3	24.1	5.90	3.90	23.9	0.6	2.8	4.4
9/27e	289.8	35.3	20.3	5.00	4.00	28.2	0.6	2.8	4.9

Source: Company data, LSEG Data & Analytics. EBITDA, PBT and EPS are adjusted for share based payments.

Price	141.20p
Market cap	£404m

Share price performance



Share details

Code	NCC
Listing	LSE
Shares in issue	284.3m
Net cash/(debt) as at May 2026	£230.0m

Business description

The group provides independent full-service cyber resilience services on a global basis.

Bull points

- Significant re-focusing of the business around cyber security with only 50% of addressable market currently penetrated.
- £73bn market forecast to growth at 8–10% CAGR to 2030.
- Opportunities to add new services from AI disruption.

Bear points

- Uncertainty surrounding the nature of future AI disruption.
- Execution risk associated with managed services.
- Historically inconsistent financial performance.

Analysts

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