GB Group 1H24 Results Presentation

Tuesday, 28th November 2023

Introduction

Chris Clark

CEO, GB Group

Welcome

A very good morning to you all. Thank you very much for joining us today. I am delighted to be joined on the call by David Ward our CFO and Dev Dhiman our CEO Designate. In terms of agenda shortly Dev will take over the call to introduce himself so you can all get to see and know Dev. Then David and I will talk through the progress we have made in the first half of the year. Then we will wrap up with Q&A.

CEO Transition

On 8th November we announced that I had notified the board that after seven years at GBG I intended to retire from executive life. After a thorough process we are delighted that we announced that Dev Dhiman, who had previously been running our Asia Pacific business, would be promoted to Chief Exec. Dev and I are currently running through a transition and on 30th January I will step down from the board and Dev will take up the reins full time. I think for me personally it shows one of GBG's greatest strengths which is our team, that we have been able to promote within for Dev to drive forward the next chapter. It gives me huge pleasure to introduce and welcome Dev to this community. Dev, why not say a few words?

Dev Dhiman (CEO Designate, GB Group): Good morning everyone. I am delighted to be joining Chris and David on our call today. It is a pleasure to speak with you all. I hope to get to know you all better in the coming months and years ahead. It has been a few weeks now, as Chris said, since my appointment as his successor was announced. I said at the time internally here that my appointment as CEO was a source of enormous pride for me. That feeling of pride and privilege continues to strike true as I speak to you this morning. I am really excited to have been given the opportunity to lead the next chapter for the GBG business.

A little bit about me. Prior to coming on board at GBG I spent 12 years with Experian and during my time there I worked across almost all of their businesses, the credit bureau, the decisioning analytics business and the data quality/location business. I spent time in both established and emerging markets in which they operated around the world. I was fortunate enough to join GBG just over three years ago to lead APAC and I am really proud of the growth the team and I have been able to drive in that region over that period of time. The reasons I joined GBG in 2020 continue to be evident to me today. Great customers, great product, great people, the global presence in a highly attractive marketplace, and a real purpose to build trust in a digital world. I have experienced these assets firsthand in my time here and I am passionate about bringing them together to continue to build on the foundations that Chris has laid over the past seven years.

As I transition into the role my plans for the next couple of months will be to spend time with our teams, customers and partners in the US and in EMEA before relocating back to the UK permanently in early 2024. I will now hand you back to Chris to take us through the half year results. Thank you.

1H24 Review

Chris Clark

CEO, GB Group

1H24 At a Glance

Excellent strategic progress

As Dev said, turning to the results overall we are pleased with the progress we have made in the first half. The results are largely as we expected and in line with our trading update that we posted on 19th October. We have seen continued strong performance in our Location and Fraud areas and we are pleased that there has been stabilisation in Identity. We delivered revenues of £132.4 million, which is a 3.3% constant currency organic growth excluding crypto, and an operating profit of £23.9 million. That has been aided by very strong progress with our simplification and cost transformation programme which David will talk more about.

Our simplification programme has enabled us to do two things. Firstly drive out over £10 million worth of annualised operating cost as well as actually accelerating innovation, which I will touch on a little bit more shortly. We have continued to deliver a strong performance in new business across all of our segments and all of our geographies, driving 4% revenue growth. Our customer retention and cross-sell and upsell remain positive and strong. As most of you know, our challenge has been net revenue retention. Our existing customers are using our services less, particularly in Identity. We are pleased that we have seen stabilisation and NRR is improving to just shy of 100% as David will talk through.

Location

Looking across our three solution areas in a little bit more detail in terms of Location, Identity and Fraud, starting with Location. Location accounts for 28% of our group and grew at a very positive 8.1%. We go to market in Location across three major channels, partner, direct and self-service. Our partner channel delivered strong growth as we open up the new user cases and diversify the end customer segments we serve. We have significantly enhanced our self-service offering, launching our new digital-first platform enabling us to sell in over 45 countries. We continued to win good new business in all of our target geographies of the UK, Western Europe, the US and Australia, across multiple and increasingly diversified sectors. For example, in the UK we have won business with OVO Energy to help on smart metering and energy switching. In Germany we have won Deutsche Telekom as a customer and in the US we have won Moody's Analytics. We have also seen positive momentum in upsell and cross-sell both within our Location services but also between Location, Identity and Fraud. Such as Revolut who have been a long-term Identity customer of ours and are now using Location services in 30 countries.

We are proud of our differentiated offering in Location and I am delighted with the work our teams have done to continue to innovate. One very recent example of that is a new service that we have introduced to the market called Global Store Finder. This very simply allows consumers from a digital experience to actually find their closest store to do click and collect or returns. Of course this capability is not just relevant to retailers. This is also deployed in healthcare to help find local consultants and the hospitality sector linking hotels and restaurants, for example. Overall we are delighted with the performance in Location and we believe that we have a differentiated capability.

Identity

Turning to Identity, Identity accounts for 58% of the group and in terms of financial results declined at 2.8% constant currency and if you strip out crypto broadly flat. As we have discussed many times before, there have been two major challenges we faced impacting our Identity offering. Firstly the correction post-pandemic on online usage which particularly impacted internet economy customers. Secondly the turmoil in macroeconomics with inflation and high interest rates impacting particularly our fintech customers. The net impact of this has been that our customers in those specific sectors are using our services less. It is not a case of us losing customers. This is particularly evident in our US Identity business really as a result of our relative sector exposure. We have a far greater percentage of our revenues in internet economy and fintech in the US than we do in our other regions of Asia Pacific and EMEA. This is evident in performance. We have seen very strong growth in Asia Pacific in Identity, improving and solid growth in EMEA, and our challenge has been the Americas.

What we have been working hard to do is two things. Firstly prioritise ruthlessly our offer using the best of everything we have in our Identity and Fraud capability sets because our sweet spot is the intersection between Identity and Fraud. This has allowed us, as I have already mentioned, to drive out cost but also accelerate innovation. We are delighted that we have continued to bring new capability to market building on our GBG Go offering that we talked about in January. We have also now launched GBG Score and GBG Trust. GBG Score is simply a score between zero and 1,000 that allows our customers' B2B organisations to understand the relative risk of onboarding a customer as opposed to a simple yes/no answer. GBG Trust is building on our experience in the US of fraud consortiums. Using the billions of data records we have and AI technologies is allowing us to identify different types of fraud between customers and between customer segments. That is really critical because fraud is only increasing. Our most recent statistics show that 55% of businesses in the UK have been victims of fraud.

We have driven prioritisation which was resulted in cost savings and an acceleration of innovation. We have also looked to accelerate our diversification of end customer. We are pleased to report we are making good progress on that front. We have won new business and we continue to upsell and cross-sell across the gaming sector right around the world. Examples being Flutter Group which we do numerous things with different parts of Flutter Group. We have added Brazil. We have added multi-bureau in the United Kingdom. We have added more capability in the United States. We have driven good new business in public sector and in utilities such as the university sector in Australia and winning Dish Network in the United States. We continue to do well in our most important sector, financial services, but particularly traditional financial services. For example, winning a new client in AIG where we are providing data both in the UK and the United States, as well as document in the United States. We continue to build good progress in upsell and cross-sell, a good example being Mastercard where we are providing Identity services in all of our regions as well as now Location services.

Fraud

Lastly Fraud. I have already mentioned that our sweet spot and our differentiated capability is the intersection between Identity and Fraud but for the specific services that we categorise in our Fraud offering, those being our transactional fraud software and our investigate software, we are pleased that we have continued to deliver good growth of 10.5%. This is down to continued excellent progress across Southeast Asia in particular, winning a number of clients in Malaysia, Thailand, Philippines and Indonesia, as well as good upsell and cross-sell with people like Virgin Bet and E.On here in the UK. Overall we are pleased with the progress. Results are very much in line with what our expectations are. Now to talk about that in more detail I will hand to David.

Financial Review

David Ward

CFO, GB Group

Financial Review

Revenue in line with expectations; excellent progress on cost saving initiatives

Hello and good morning everyone. Thank you for joining us again. I will now take you through a more detailed review of our first half results and particularly our progress on cost efficiency. Overall we are pleased with the results we have achieved in H1 which are in line with both the October trading update and our expectations for this financial year. We said at the start of this year that given the macro environment, which continues to have a little more uncertainty than we would like, that there was a range of possible outcomes for revenue but that overall we had confidence in our profit expectations because of the strong progress we were making on our efficiency projects. We also said that we expected some revenue growth in Identity to return towards the end of this year as we started to lap less challenging comparatives.

In H1 we delivered revenue of £132.4 million which was in line with that range of outcomes with growth at 3.3% excluding the drag from crypto. As Chris has already said, we have made significant strides forward with our cost reductions programmes and since the start of the last financial year we have now already delivered just over £10 million of annualised savings. That has translated into an adjusted operating profit for H1 of £23.9 million, which is 7.9% higher than H1 last year excluding the large and unusual FX gain that we had last year, but also further underpins our confidence over the profit expectations for the full year. We did have a statutory operating loss of £52.6 million which was impacted by a non-cash goodwill impairment charge caused by higher discount rate as a result of higher central bank interest rates since we last did that impairment test back in March. Lastly our cash conversion for the year-to-date has returned to the more normal levels for GBG at 102%. We are on track for further debt repayment in the second half of the year which we expect will drive our debt leverage down to approximately 1.3x by our year end.

Group Income Statement

Now let us take a look at the income statement in a bit more detail. On a reported basis revenue declined 1.1% but on a constant currency basis increased 1.8%. I have my usual revenue bridge chart to share with you in a few minutes so I will talk you through the revenue dynamics in a bit more detail then. Our gross margin was a little lower in H1 at 69.2% and that reflects a number of revenue mix items plus some higher cloud costs. Some of the mix changes we would not expect to persist and we are working hard to drive greater efficiency into how we use cloud computing. Adjusted operating expenses reduced by 8.3% period-over-period as a result of our sharp focus on efficiency. I have a slide on that with more detail later too so I will come back to that topic. However, it is worth remembering that the reduction you see here is net of the effects of inflation on our cost base.

As I have already mentioned, the FX retranslation difference has returned to a more normal level this year and we recorded a gain of just £0.3 million versus the much larger gain last year of £6.3 million. Bringing that all together that led to an adjusted operating profit of £23.9 million which represents an adjusted operating profit margin of 18.1%. Normalising for the FX gains I just mentioned a growth in adjusted operating profit over last year of 7.9%.

Moving below adjusted operating profit the share-based payment charge for the year was a very small £100,000 due to a number of prior year awards now being assessed to be under water and therefore not expected to divest. That causes a credit for those awards which here is offset against the charge related to the more recently issued share options. There are exceptional items of £56.6 million and these are broken down in a table included on right-hand side of this slide. The largest items is of course the non-cash impairment charge against goodwill of $54.7 million. This is purely the mathematically outcome of having to use a higher discount rate. You will remember that we impaired the intangible assets associated with our Identity Americas unit last year and of course at that time we took the write-down down to a level which was perfectly balanced with the DCF valuation model. Therefore the nearly 1% increase in the discount rate since the end of March has had to lead to an increase in the impairment sadly.

The other exceptional items came to £1.8 million and these are entirely related to costs we incurred to enable the delivery of our cost savings. We do expect some more of the same in H2. As expected, our net finance costs increased over the prior year as a result of the higher interest rate environment but, as I have said, we do expect to gradually de-lever in the second half of the year and this will help to reduce the run rates for these financing costs. Finally on tax our effective tax rate was a little higher than we would expect for the full year at 31.2%. This was due to some revaluation of US-based deferred tax assets. We still expect a full year effective tax rate in the range of 25-27%.

Cash Flow Statement

Then on to the cash flow statement which confirms that our cash conversion in the year-to-date was 102% and so has returned to a level more aligned with our history and our forward guidance. Net debt at the end of September was £104.8 million versus £105.9 million at the last year end so only a marginal reduction in the six months. This was due to the payment of our dividend and the other usual working capital outflows we have in Q1 plus the cash impact of exceptional items which was £2.8 million in the period. We expect strong cash generation in the second half such that our net debt to EBITDA leverage we expect will reduce to approximately 1.3x by the end of the year. We have made a good start because as we have announced today our net debt has already reduced to approximately £95 million.

1H24 Revenue Bridge

Next I have our now hopefully familiar revenue bridge which is looking quite a bit simpler than it has for a while. I am sure that will be a relief for most of you. We have just included the constant currency adjustment and the final piece of crypto-related drag effect. Just a reminder, crypto currency trading customers represented 7% of total revenue in FY22. That reduced to 3% in the first half of last year, FY23, and as I have already said, that has now reduced to a run rate of just 1%. While our revenue declined 1.1% in reported terms that was growth of 1.8% in constant currency terms and 3.3% of growth without the crypto currency drag. You might remember that the comparative from FY24 was 3.7% and so the outcome in H1 is very much aligned with our guidance for the period but in truth it probably is approximately 1% lighter than we had targeted. Of course we have made greater progress on cost efficiency that has at least compensated.

On this slide we have also repeated the disclosure we first gave at our last year end around revenue from new business and net revenue retention. Christ has mentioned that already. First, just to remind you that this disclosure is provided on a 12-month rolling basis and that is why at this half year point it will not match the 3.3% growth I have just described. We are pleased with the 4% growth coming from new customers which demonstrates that we are still winning our share of new customers and Chris has already mentioned a few great examples of new business wins. Our customer retention remains high and as you can also see our net revenue retention is starting to pick up. This is exactly as we expected and we expect that the headwind of the internet economy customer declines to further subside as we move into our quarter four.

A Diversified Revenue Mix

> *Delivering our solutions through a mix of commercial models with diversification across sectors and geographies*

The split of our revenue by type shown on this slide shows that the split between subscriptions-based and transaction-based has not shown any significant change from last year, either at the total group level as shown on this slide or in any of our reported segments. We still have a total of 94% of our revenue coming from the combination of our repeatable revenue streams being subscriptions and consumption. We did see a slight reduction in the other category which was driven by fewer hardware orders, which as I have said before, can be quite lumpy. While our hardware revenue is not significant or certainly not a primary focus for us, that decline of £1.5 million in the other revenue clearly was not helpful for our overall revenue growth rate for the half year.

On the bottom-left of this chart the diverse end market sectors where GBG earns its revenue have not seen any significant shifts this period either but you can see the positive impacts of our focus on diversification both through our direct sales channel as well as via our partners. Chris has already mentioned some of the great wins that we have had in some of these diversified sectors. It is worth noting that the relative stability in financial services which reflects the challenges in the fintech space that we have talked a fair bit about but balanced against further growth in more traditional financial services. You can also see the decline from crypto exchanges that I mentioned earlier, now just 1% of group revenue. Retail remains a sector under pressure for fairly obvious consumer budget and confidence reasons but this does underline the impressive nature of the growth we have seen in our Location segment where retail makes up a higher proportion of that segment's revenue. It really shows the success we have had in that team in diversifying. Finally the other category here grew nicely as a result of our success in selling through our partners and also some good growth in utilities and telco, Chris mentioned a few of those names earlier, which was up to approximately 3% of total revenue in the half year.

From the analysis of revenue by geography as you can see in the bottom right-hand chart you can see the decline in revenue from the USA given the tough comparatives and the drag effect of the correction to internet economy customers. You can also see the relative success and strength of our growth in APAC and in Europe. In APAC particularly where our growth was into the high teens.

Focusing On Efficiency

Ongoing initiatives with an annualised run rate reduction in opex of £10m already achieved

Chris and I have both said a fair bit so far about our focus on cost efficiency and so I have decided to provide a bit more detail on what we have been focused on. Firstly just a reminder that this has been a focus now for almost 18 months and which we first kicked off as soon as we saw some of our transaction volumes were under pressure last year. In this half year versus the first half of last year our operating expenses on an adjusted basis were £6.1 million lower. Now, some of that is due to currency translation rates but the key message I would like you to take from this slide is that across that same period we have now achieved an annualised run rate reduction of £10 million which is at constant currency rates and is net of inflation impacts on our costs. While we will not see all of that in FY24 as a reduction over FY23 we do expect to see approximately three-quarters of that amount in the year. There are still a few ongoing projects that we are working through into the second half.

At the bottom of this slide I have set out some of the optimisation initiatives that we have been driving hard to achieve these savings. Clearly people is the largest component of our cost base and since March 2022 we have reduced our headcount by 9% and we have been quite efficient in achieving this with only approximately one-third of this reduction being from paid redundancies. The remainder comes from being tougher on performance management and stricter and tighter on hiring replacements when we have had levers. It is for this reason that we have been able to achieve a strong payback from annualised savings versus the exceptional cash cost we have incurred, which is currently close to a ratio of 3:1.

While we have also focused on integration and simplification within our products and technology team and projects, we have balanced that with retaining a clear focus on driving differentiation from our competitors, particularly in Identity as Chris has already talked about. We are excited about the projects we are pursuing but through stricter prioritisation we have been able to save costs in other areas. In sales and marketing we have increased our focus on marketing returns on investment and have deployed some modern sales productivity tools that use AI and analytics to drive efficiency. That takes me on to our final slide.

Summary and Outlook

Confidence in our FY24 profit expectations

To summarise the key messages that you have heard from Chris and I this morning we are pleased with our first half performance which has largely panned out as we expected. We have made good progress with our projects aimed at increasing our differentiation and continuing innovation with solutions such as Score and Trust in Identity and our digital-first platform and Global Store Finder in Location. These will further consolidate GBG's position as a partner of choice for our customers. Our customer retention remains high and NRR is improving. New business from logo acquisition continues to be good and we are pleased that monthly volumes in Identity have now stabilised. This reinforces our confidence that we will see growth from our Identity segment before the end of this financial year.

Lastly but perhaps most importantly we are pleased with our progress on the execution of our simplification and efficiency projects that have already delivered an annualised saving run rate of £10 million and which underpins our confidence in our FY24 profit expectations. With that I think it is time for Q&A so I will hand over to the operator to see if we have our first question.

Q&A

Tintin Stormont (Numis): Morning guys, three questions from me. First, well done on the £10 million of cost savings achieved to-date. Dave, you talked about some ongoing projects still and I guess for people on the call and if we were to think that were there to be further weakening what is the ability to achieve more? Any quantum that you could attach to that. Then secondly again for David, in terms of NRR at just shy of 100%, I think from the last time you disclosed this number you did give some insight as to the big proportion that some of the internet economy customers caused in terms of that NRR number shifting down. With this improvement is it really being driven by those internet economy customers or are other customers picking up as well? Then finally on new wins could you give us a flavour Chris of the conversations that you are having with customers? Maybe it is different across the three different divisions but is it product? Is it capability led? Is pricing a determining factor in some particular areas? I would just be interested with that 4% growth coming from new customers what is driving those wins.

Chris Clark: Thanks Tintin. Maybe I will start with the question you posed to me and then I will hand over to David on the cost and NRR question. As both David and I have said and you have reiterated we are pleased with the levels of new business across the half. 4% is a good number and I think it is strong across all three solution areas and all geographies. It is difficult to summarise about the conversations but I would say it is really about outcome-driven. Our customers are facing numerous challenges both in terms of the macros but also a bit closer to home the threats that they are facing are particularly enhanced by things like AI. Therefore our customers are really focused almost irrelevant of sector on how they can continue to onboard customers that mitigate the risks that are facing them. It tends to be outcome based. Therefore we think that is what drives a strong competitive position and differentiation for us because with our access to billions of data records and strong capability sets we think that when we come to proof of concept we outperform on outcomes. What I simply mean by outcomes is the number of valid customers one can be sure about whether they are trustworthy or not. I hope that gives a bit of colour to that and David if you want to take Tintin's other two questions.

David Ward: Thanks Chris and morning Tintin. Yes, two good questions, I will take them in order so savings first. Just to repeat what I said, £10 million of annualised savings discovered and found so far. There are some projects that are continuing into the second half for us. We expect for most of that focus and those projects to be largely complete by the end of this financial year. There will be a bit more exceptional cost incurred to execute on those. Some of those are around teams and structures and some of those are around office locations where you will remember last year we started a project to rationalise some of our office spaces. There just has not been so much of an opportunity in the first half to do those as leases were not expiring but in the second half we have a bit more opportunity. I do expect that run rate of £10 million to be a little bit higher. I am afraid you are not going to get much more of a number out of me at this stage but I do expect it to be a bit higher. The combination of those two things I would expect that we should be able to deliver on a reported basis versus last year probably £7-8 million of operating cost savings.

On NRR it is a good question. Actually it gets to the heart of really what has been happening with some of our revenue dynamics. We are very pleased to be able to say that the wins from new business has held up well at 4%. That is a real positive. As Chris said in his piece, a challenge for us really has been NRR but that is starting to improve. You are right, at last year end I said that about 3% of the drag came from a relatively small cohort of internet economy customers and that headwind has started to unwind but will not be fully unwound until we get into our Q4. Aside from those customers it continues really reflecting the macro position. It continues to be a pretty mixed picture. There are still some customers that have been trimming and there have been others that have been showing some growth. That really reflects us bouncing back at this stage to 100% but I would expect that to improve in the second half as we get beyond some of those headwinds. Thank you Tintin for your questions.

Andrew Ripper (Liberum): Morning everybody, thanks for taking my questions. I have got three if I am allowed. I will start with one just following on from the last one regarding NRR. I am wondering, have you got any more that you can do in terms of trying to drive greater share of wallet? Obviously GB has got a lot of different solutions. Can you give us a sense of what your share of customer wallet is and are you in a position to go to customers and basically offer more? How easy is that? Is that an opportunity to improve revenue growth?

Chris Clark: Andrew, why not give us your other two questions as well and then we will come back to them?

Andrew Ripper: Yes, the second one was regarding visibility for revenue for this year. If you take into account the wins that you have mentioned, improved NRR, crypto drag dropping out, I just wonder if you can give us a sense of what you expect the exit rate to be in terms of organic revenue growth when we get to March 2024 and what the range of outcomes is around that? Then the third one if I am allowed I just wanted to ask Dev a quick one given he has spent 12 years working for a bureau. Whether he can give some perspective of how GBG is positioned versus the bureaus. That would be helpful thanks in terms of the Fraud and Identity business.

Chris Clark: Sure, thank you Andrew. I will take the NRR one, David you touch on visibility and then Dev you can touch on your view of bureaus. From a NRR and our ability to take more share it is a really pertinent question. Maybe a I did a poor job of trying to explain actually exactly what we are trying to do around that. Both David and I have talked at some length today about our drive on simplification and efficiency. I have talked about how that drives two benefits, opex savings but also accelerating innovation. All of that innovation is centred around making it easier and simpler for us to upsell/cross-sell or take more share of wallet. I touched briefly on a couple of examples when I talked about Identity with GBG Score and GBG Trust. Those capabilities actually allow us to add further differentiation and value to existing customers and therefore charge more for them. Absolutely a natural add-on to allow us to take a greater share of wallet. I would summarise by saying actually we have been ruthlessly focused on doing just that. In a world where we are not getting growth from existing customers as a result of macros, how do we get growth from existing customers by offering a broader solution set? We are pleased with the progress we are making and actually most importantly new services we are bringing to market which will make that easier. I hope that covers that point. David, maybe if you touch on visibility?

David Ward: Yes, thanks Chris and morning Andrew, thanks for your question. Visibility really at this stage for H2 clearly we are a business that lives off run rate in the majority of our businesses, particularly Location and Identity. In Fraud it is slightly more around renewals so clearly we have a forecast and are constantly reviewing the pipeline. We are happy with that pipeline of deals. On the more transactional side of Location and Identity at this stage clearly we are winning customers but actually in terms of the performance for the remainder of this year it is mostly about volumes from customers that we have already got and have onboarded. In that, as you know, we do have a bit of event driven volume in the second half in Location. It is around Black Friday and Christmas spending. In our Identity business it is around gaming activity. I think you have heard us talk before about taxes and in the US. On a number of those things we feel we are in good control. Actually remember last year taxes and revenues were a bit lighter than we had expected so obviously that has fed into our assumptions for the second half of this year. Visibility pretty strong at this stage.

I think you had a question about exit rates. I have talked about us expecting some growth from identity in Q4. I think that will still be low-to-mid single digits as we wind past those tougher comparatives but as that rolls into the next year that combined with the other two business units and segments that have been delivering good growth will improve our average for next year. Dev, over to you for the third part.

Dev Dhiman: Thanks David. Maybe before I answer the question on the bureau just to chip in on the NRR point around market share. I think one of the reasons we are so excited about things like Trust and Alert as we launched in Australia is it really does help us to differentiate and actually win more of the core business back. We have a choice point around making those solutions available if you consume Identity through us. We are seeing customers come to us with an interest in Trust or Alert and that is leading to a broader conversation on other GBG solutions that we need them to consume before we allow them to take the benefit of the consortium. I think that is something we are really excited about and I am personally very excited about.

On the question of bureaus again it has been a while now since I left that space. I would say in terms of the ID and Fraud outlook and capability it is mixed. It is very mixed by geography. I think what you see is more capability in the bigger businesses that they operate within but equally in those markets you see a big bit of inertia around the core business of credit bureau which has probably limited the growth that they have seen in those spaces. In emerging markets we see them far, far less and I think the proof of that is how we have seen our APAC business really scale up in terms of the Fraud operation as we have in the past couple of years. Back to you operator for more questions.

James Zaremba (Barclays): Good morning, I have got questions on management change, UK growth and gross margin please. Firstly, Chris what advice are you giving Dev on how to deliver continued success at GBG? Secondly, the UK share revenue was flat year-on-year. I assume given growth in Location the UK Identity business was down. Can you discuss the drivers and outlook there? Then lastly David some more colour on the cloud computing costs would be helpful please. For example, the rough share of the cost space, how pricing evolved over your tenure. Are the costs more associated with development or delivery? The levers you are looking to pull to reduce that. Thank you.

Chris Clark: Thanks James and good morning to you. I will take the first two questions and then I will hand to David on the third. Advice to Dev. Dev is a very capable individual and does not need a lot of advice from me but all joking aside Dev and I have worked together for a number of years. Obviously our paths crossed at Experian too. The core piece of advice I would be sharing with Dev is keep focused. There is a lot of things that one cannot control and at the end of the day the most important thing is to focus on what we can control. I think that is around making sure that we continue to innovate and bring differentiated propositions to market, continue to make sure that we have a highly engaged team and continue to ensure that we deliver very best-of-breed customer satisfaction and net promoter because those are the things that we can control. Those are the things that will make a difference and when times improve will put us in an even stronger position. I think that is my major advice. Focus on what we control. Certainly I look back over the last couple of years and there is a lot that has gone on that has perhaps caused a lot of anxiety that actually frankly we could not do a lot about.

In terms of the UK I am not going to go into lots of detail on that James but suffice to say looking at revenue streams geographically it is one angle. UK is slower growth for us and has been all my time at GBG which is one of the reasons we have worked hard over ten years to internationalise the business. The reason it tends to be a little bit slower growth is our relative market shares. Actually our Location business is growing at 8.1% globally and I think as most people know most of that growth is driven through our international expansion outside the UK. We are showing low single digit growth in the UK and most of that is driven by competitive takeout because we do have a high market share. Identity for the period is basically flat but actually improving strongly as I referenced. That is the shape on that piece. Perhaps I will hand to David on GM and David, you might want to touch on UK as well. You might want to add some flavour.

David Ward: Thanks Chris and morning James. Yes, just one final comment on the UK piece. Just remember while we associate most of the correction for internet economy customers with the US I think we have always said there is a bit of that in Europe and particularly in the UK. Chris mentioned pretty flat performance in Identity but actually the team have worked really hard to make up for that deficiency coming through from last year's corrections. They are coming out nice and strong actually for the second half.

Moving on to cloud computing costs, the first thing I want to say just to put it in context is I mentioned that our gross margin was a little lower this first half. There are two things there really. It is mix and there is a bit of cloud computing. The majority of it is mix and as I said I would not expect that to persist. There were some unusual items. We had some deals through some partners that ordinarily partners are not necessarily lower gross margin but there were a couple of ones in the first half that were. I mentioned the fact that actually hardware orders overall were a bit lower but generally we did have a couple of hardware orders that were at very low margin. It is not a primary focus for us so it did not matter but that obviously has played into gross margin and the mix. That is just to set the context but we have mentioned cloud computing. There has been some price rises, as you would expect from those providers. We use most of the names you would expect. There has been some price rises and in some of our businesses, as you know, we have been able to pass on price increases. In others we have not really. One of the things that we have been very focused on, our technology teams have been, is seeing if there are ways that we can use cloud computing more efficiently. I think we are pretty optimistic that there are opportunities for that.

I think you wanted some level of size. What I can say is clearly after probably the third of our larger cost items, obviously people is our largest cost item, followed by the data that we use to provide our services to customers and then probably third largest item is would be the cloud computing costs. Thank you James. Next question please.

Kai Korschelt (Canaccord Genuity): Good morning everyone, I have three as well if that is okay. The first one was around the US sports betting which has been taking off strongly. It does not feel or look in Identity or the gaming sector that it has created much of a benefit. I am just wondering are you perhaps under-indexing customers there or why is that not a larger or more material growth driver? That was the first question. The second one was for Dev. Just wondering what could be additional or incremental growth opportunities or vectors as you look at the business and I think particularly APAC is very much or mostly a Fraud market? I am wondering where there might be opportunities to perhaps sell some of that software a bit more forcefully into other regions. Just wondering how you think about some of these growth opportunities in the business. Then the third one was around price competition. I remember at the capital markets day it was one of the themes that a lot of your competitors had seen growth slow down. It became a bit more competitive on that front. Just wondering in which product areas are you seeing that. I think David you mentioned that as well just recently in the recent answer. Just wondering which areas, products or geographies are you seeing that and where are you not. Thank you.

Chris Clark: Thanks Kai. I will touch perhaps on US sports betting and price. Then Dev you can pick up to Kai's question and David shout if you want to add anything. Kai, US sports betting when I referenced it briefly in my prepared remarks when I was talking about Identity, we absolutely believe that liberalisation of sports betting in the United States, Canada and Latin America is a good strong structural growth driver for us. We are pleased to see that we are growing and growing well. It is not a case of simply turning a tap on though. Firstly, and I suspect a number of you on this call know this, in the United States as an example it is state by state and therefore it is a slow long grind. There are about half the states now that have liberalised sports betting. A number of them never will. We have to apply for a licence in every state in which we provide service but there a couple where we are unable to gain a licence because of some of the compliance requirements. We are actually pleased but it is a steady build. It is not suddenly turning on a tap and it all comes flooding through. I think we also observe, and the private listed companies we supply say this a lot themselves, is that they are investing dollars away from perhaps the United Kingdom to say the United States. Some of it moving geographically but overall we absolutely still believe it to be an important growth segment for us.

Then on price I think I would summarise by saying price competition and price in general has not changed substantially over the course of 2023. What we talked about at the CMD is largely the same as we see today. As David just touched on in his answer to James's question, we do have pricing power in a few areas, particularly around Location. Identity it is harder because of the price positioning of some of our competition but also actually candidly customers are prepared sometimes to trade off risk versus value particularly in tough times if you are trying to move to profitability in the fintech space. However, our strategy to solve that is really twofold. Firstly to drive efficiency ourselves to allow us to be competitive pricing and not have any impact on margin but actually most importantly, which really plays to my response to Andrew's question, really it is around broadening our offer. Therefore given we are a premium price provider actually offer more value with services like GBG Score and GBG Trust. I hope that helps and Dev over to you.

Dev Dhiman: Yes, thanks Chris. In terms of the question around incremental growth opportunities it is clear to me that in the short and mid term the US represents our single biggest opportunity and that is why I am really excited to be getting out there in January to meet with the teams, customers and our partners. That is really going to be a focus. I think in terms of then your question around APAC we have worked really hard to build what I think is an outstanding customer base in APAC. Moving forwards I see that gives us a huge amount of optionality in terms of how and when we penetrate other solutions into that region. As I spoke to the Capital Markets Day back in January I really believe a huge long term opportunity exists for us in APAC and I am excited for us to take steps towards realising that.

I guess more tactically in terms of an immediate growth opportunity, I think you mentioned it there around sports betting. Sports betting is a vertical and gaming more broadly is a vertical for us in the UK, Australia and in Americas more recently is a huge opportunity. By joining forces across how we tackle that opportunity I think we can see a lot more benefit coming through sooner rather than later. Thank you and the next question please.

Bridie Barrett (Stifel): Hi, morning everyone, two questions from me. Obviously good news that transaction volumes in Identity are stabilising and you are expecting that to pick up a bit in the second half of the year but I understand that you think that the Location and Fraud businesses will soften into the second half of the year a little bit. I wonder if you could just talk us through in a bit more detail the revenue dynamic in both of those businesses. I know in Location this year you have done well both in terms of prices and new business. In the second half of the year how do you think growth will look for that division? I suppose particularly as I would have thought that some of the transactional headwinds will ease a little bit. Then in Fraud I think you said that the APAC business is up 18% and Fraud was up double-digit. Obviously it is a lumpier business but could you just talk a little bit about the sales cycle there? That is a very long first question. My second question is just coming back to a point you made on the gross margin, that you took a little bit of a hit on some new business coming through your partners. Are you essentially saying there that the 4% growth you got from new business was at the expense of gross margin? Thank you.

Chris Clark: Thanks Bridie. David, I think those questions are both appropriate for you, particularly when you are talking about revenue outlook and GM. Thanks for the questions Bridie.

David Ward: Morning Bridie, thank you for your questions. On Location and Fraud first, I would not use the phrase softening. Actually I think as we have said those two businesses have had a really good run and have performed and delivered good growth rates almost despite the macro over the last 18 months. We are very pleased with how they have performed. It is absolutely true that as we look forward to the second half both those businesses face some pretty tough comparatives, particularly Location. As we know the business has been performing very well. It has benefitted from a number of things, particularly some proactive pricing last year but also there was a couple of very key strategic deals in the second half of last year that we may be able to replace but at this stage we are not baking those into our numbers. In Fraud somewhat similarly it is a bit of a lumpy business. It does depend on renewals and it does depend on when we are able to bring new business over the line. We had a really strong second half last year so similarly we are not expecting a soft second half, that is not how we would describe it, but clearly against that tough comparative growth may not be quite as strong as we would expect over the medium term or in fact as it has been in the first half. That is those two.

Then in terms of gross margin percentage just to clarify on partners generally it is not true to expect that a partner business would be at a lower gross margin. It just so happens that in this first half there were a couple of deals that came through partners and were at lower gross margins. I mentioned a couple of particular hardware deals. The 4% is slightly complicated because actually obviously business through one of our existing partners would not show up as new logo win so that would be in retention. It is not within the 4% so it would not be true to say that the 4% has come at the expense of lower margins.

Overall just coming back to the gross margin point last year we did 71% gross margin. I would expect for the second half our gross margin for a discrete second half would be more like 70% as some of those mix changes do not persist. As I have already talked about, we are focused on a few other areas where we think actually we will be able to bump it up a bit higher than 70% into next year. Thank you Bridie for your questions.

Chris Clark: Thank you, perfect timing. Thank you all for judging your question timing perfectly. I will wrap up by saying firstly thank you all very much for your time today. Secondly, thank you to Dev and David for joining me on the presentation and last but not least a huge thank you to the GBG team. I touched on it in my opening remarks that it gives me personally immense pride that we have been able to promote internally. There are many great strengths of GBG, the greatest one of all is the team and the capability. It feels totally appropriate for me to finish by thanking the GBG team. Thank you all. Have a good rest of day and we look forward to catching up with you soon.

[END OF TRANSCRIPT]