GBG | Results Presentation

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Transcript

Disclaimer

Chris Clark: Good morning and thank you very much for joining GBG for our full year results presentation. I'm Chris Clark, CEO of GBG PLC, and I'm delighted today to be joined on the call by our CFO, David Ward. In terms of agenda, I'll start by giving an overview of our trading results and strategic progress we've made during the period. I'll then hand to David, who will do a deep dive into the financials. And then I'll wrap up with a summary and a forward view of our priorities for this financial year. And of course, we'll close with a Q&A session.

In summary, FY23 has been a challenging year for all of GBG'S stakeholders. However, we've made significant strategic progress and delivered some very strong growth, particularly in location and fraud. The challenge was primarily driven by a specific contained issue with regards to internet economy customers impacting our identity business in the United States that saw significant post-pandemic corrections.

In terms of the important strategic progress we've made during the period, firstly, we're delighted that the Atkin integration is now fully integrated and complete and we have delivered the £5 million worth of synergies, weighted more to cost and revenue given the external environment. This integration has allowed us to simplify and rationalize both our products and portfolio that I'll talk more about, and our go-to market capability and model. For example, we now have a single identity and fraud brand in the United States, that's IDology, and a single sales capability on under a single CRO leading that business.

That simplification and rationalization has helped margins, but also allowed us to accelerate our product innovation and we're delighted with the progress we've made on bringing new product to market that I'll talk more about. At the same time, we've continued to deliver good new logo growth, strong customer retention, positive momentum in cross-sell and upsell, as well as continued sector diversification and geographic expansion. And delighted that we have continued to deliver excellent customer and people engagement scores.

Turning to the trading performance, first thing I'll say is the results are as are April pre-trade. That's revenue of £279.8 million on an increase in our underlying constant currency basis of 3.7%, that of course David will talk about more. But I think the key in terms of revenue is that we saw strong new logo growth of 4.8%, and for those of you who've known us for a long time, you know that we expect about a third of revenue growths from new logo and two thirds from existing. So, our real challenge has been net revenue retention that David will talk more about.

In terms of operating profit, we delivered £59.8 million up 1.7%. As a result of our annual impairment review. We have taken a non-cash good weld impairment charge of £122 million against our identity businesses in the US, the former IDology and Acuant businesses. In effect, this is the accounting catching up with the trading performance and headwinds we described over the course of the last 12 months, and it is 19% of the pre-impairment carrying value, goodwill value. The board is delighted to propose a dividend of four pence per share, an increase of 5%, which we believe demonstrates the confidence we have in the long-term opportunity for all of GBG stakeholders.

Looking in more detail at the progress we've made during the course of the last 12 months across our three key solution areas of location, identity, and fraud, I'll start with location. Location accounts for 28% of the group and grew at a very strong, nearly 12%. This growth was driven by continued geographic expansion, good new logo wins across diverse sectors, cross-sell and upsell as well as pricing. And these initiatives more than offset some volume decline that we saw, particularly from our Ecommerce customers.

We continue to innovate and differentiate our products. For those of you who were at the Capital Markets event you would've heard of Kartik talk about our AI passing driving our next generation address hyper head services, that provides increased in match rates of up to 19%. That is resonating well right across the world with our customers and helping us win new customers and taking competitive wins as well. And Bet365 is a great example of a differentiated product displacing a competitor as well as cross-sell from our identity division.

In addition, more recently we have launched our digital-first capabilities in our SaaS platform in the US that allows us to target smaller customers more efficiently and effectively by using marketing and self-serve capabilities. As I've already mentioned, we've seen good geographic expansion and good sector wins right across the world. We've continued to do well in retail with upsell in Nike Group into Converse as well as great cross-sell with people like into financial services and gaming, where we have traditional strength and identity with people like Lloyd's Banking Group, Klarna and as I've already mentioned Bet365. And we're really pleased that we've extended our long-term relationship with IBM as they use our location tools to power some of their solutions.

Turning to identity, which accounts for 58% of group, we did see a decline on an underlying basis of 1.9% despite strong new logo growth right across the world, and strong customer retention as David will talk about. We did see revenue decline as a result of specific challenges with Internet economies as they adjusted from the pandemic. I guess this is most obvious when one looks at the underlyings. Due to our sector exposure, we were most impacted by the Americas. Elsewhere in identity we actually grew at just over 99% cause of our more diverse sector exposure.

We have been able to simplify, as I've already mentioned, our portfolio and drive efficiency. But the real goal here is to accelerate our differentiation and we're delighted that we've been able to launch a number of new products and features to our existing customers and to help us win new customers. Examples include mobile fraud signals, multi-bureau in the Canada and Australia, following our success in the UK, strengthening our documents and biometrics capability using AI to help tampering detection. And as we talked about, a number of you have seen the Capital Markets event, GBG Go, which we launched first in the US and we're delighted that a number of customers are now using the service both in the United States and in Europe.

As I've already mentioned, we've won a number of new logos across a variety of different sectors from traditional financial services, continue to expand in gaming and public sector, and we've got growing momentum in cross-sell with over a hundred customers in the United States now using both the former Acuant and IDology services. Finishing with fraud, which accounts for 14% of our business and grew at a very strong 15%, the first thing I'd say is the convergence between identity and fraud continues at a pace which plays to GBG's strengths, which is all about eliminating identity fraud.

Strong growth for the areas that we count in our fraud portfolio were driven by strong new logo acquisition, strong geographic expansion, particularly in the Asia-Pacific area, which you'll recall from the Capital Markets event is a geography that we think has significant long-term potential and quite a strong renewal base. We won customers, tier-one banks, in places like the Philippines, Indonesia, and we continue to roll out fraud consortiums in Southeast Asia.

We're also delighted to be able to have used our global technologies to create an AI-powered fraud alert system in Australia as to meet the requirements in the Australia market as a result of significant data breaches in Australia, that we now have eight large financial institutions using in Australia that helps detect changes in behavioral patterns by using AI.

Before handing to David, last but not least, I do want to touch on our ESG strategy. GBG is a company that makes a difference to the world in which we live. We help stop bad people doing bad things. As I think most of you know, our purpose is helping create trust in a digital world. We've made good progress over the course of the last 12 months across our ESG strategy, which is based on three pillars: environment, everyone, and ethics.

A couple of examples, we're delighted that we've become carbon-neutral in our own operations during the year and, as I'm sure a number of from us in the past, we are hugely proud of our 1,250 team members right around the world and commit a lot of time and making sure that we truly have the best engaged. And to be recognized during the year by Gallup for being a great place to work, we're incredibly proud of. We are one of only 57 organizations around the world that were recognized externally and only two UK headquartered companies. On that note, I'll pause and hand the call to David.

David Ward: Thank you, Chris. And hello and good morning everyone. Thank you for joining us. I will now take you through a more detailed review of the financial results.

In reported terms, our revenue increased 15% to £278.8 million, but of course that was helped by both the acquisitions that we made in FY22 and the more favorable rates of foreign currency. On a proforma basis, where we have also stripped out the exceptional revenues in FY22 from the US COVID stimulus project and cryptocurrency trading volumes, our growth was 3.7%. We accelerated our integration and simplification projects, which not only allowed us to drive focused investment into key customer-driven product initiatives, which Chris has already mentioned, but also became more efficient and which ultimately helped us protect our FY23 profit margins. Adjusted operating profit margin was 21.5% in the year and adjusted operating profit increased marginally to £59.8 million.

As Chris had mentioned, we have taken a non-cash exceptional impairment charge on our goodwill balance, more on that in a moment or two, and we ended the year with net debt of £105.9 million, which represents a net debt to EBITDA ratio of 1.7 times.

Moving on to the income statement in a bit more detail. As I said, reported revenue increased 15%, but there are quite a few interesting moving parts to the revenue, so I'll cover that in more detail using a separate slide in a moment or two. Our gross margin remained steady at 71%. We had an increase in operating expenses on an adjusted basis year over year of 25%, with the effect of the two acquisitions in the last year causing 15% of this and a further 7% arose from the translation of our non-GBP expenses at less favorable FX rates than the prior year.

So, the increase was only 2.5% in proforma constant currency terms, which in a higher cost inflation environment reflects our efficiency and optimization initiatives, plus unfortunately a lower variable pay outcome for the team. Bringing that all together, that led to an adjusted operating profit margin of £59.8 million, which represents an adjusted operating profit margin of 21.5% versus the prior year at 24.3%. That does include the benefit of some FX re-translation gains, but as expected, those were cumulatively much less significant at £3 million than they were in the first half, when you remember that the period end GBP-USD rate was particularly weak. On a more normalized basis, our adjusted profit margin in FY23 was 20.7%.

Moving below adjusted operating profit. The share base payment charge for the year of £2.3 million pounds was lower due to a combination of the fair value of current year awards being lower as the group's share price has fallen, and some prior year awards now not predicted to vest in full due to the performance conditions, not now expected to be fully met. The amortization charge for the year of £42.8 million represents the non-cash cost of amortizing separately identifiable, intangible assets including technology-based assets and customer relationships that were acquired through business combinations and the charge increased year-on-year due to the full year impact of the acquisitions of Acuant and Cloud Check that we made in the prior year.

As I said, I do have a slide in just a second covering exceptional items, so I'll wait to cover that. Our net finance costs increased over the prior year as a result of the new debt facility that we put in place and utilized in November '21 to part fund the acquisition of Acuant. We've obviously seen the impact of rising interest rates through the financial year, and we do expect that the net finance cost will unfortunately be even higher in FY '24, more on that later in the presentation.

And on tax, our charge for the year was just £1 million. On an adjusted basis, the effective rate was 21.3%, which was similar but a little lower than the prior year. In FY '24 and beyond, as you know, we will face a higher statutory rate of tax in the UK of 25%, and as a result we believe that the effective rate for the group will increase to between 25% and 27%.

So, as promised that I had a slide on exceptional items. In total we have exceptional items of £127.2 million, and of course the largest item by far is the impairment right down to goodwill. We had prior to the impairment, a total value of goodwill and intangible assets on the balance sheet of £973 million. And on goodwill specifically, the accounting standards, as you know, require us to do an impairment review annually.

As you know, GBG has been negatively impacted in the last 12 months by macroeconomic conditions, particularly in the US and this has impacted revenue, performance and cash flows which have, as a consequence been lower than our acquisition business cases had expected. This led to a goodwill writedown under IAS 36. The impairment recognized is £122.2 million and this represents 19% of the pre impairment carrying values and intangible assets associated with the ideology and accurate acquisitions, which as you know, are now combined and integrated. Just a reminder that there is no cash impact to this write down, we did also have a few other exceptional items totaling a net £5 million. Broadly, these exceptional charges came about from either our M&A activities, mostly in prior years or were incurred to enable our initiatives to achieve operational efficiency.

And then onto the balance sheet. And there really isn't too much new here, but the reduction in the intangible assets reflects the net effect of the Goodwill writedown and a foreign currency translation effect, as a number of the assets are US dollar denominated, our receivables remain healthy and the quality and aging is strong. Deferred revenue is 56.5 million and it's quite similar to the balance last year. There have been a number of movements in working capital and these will obviously also have impacted our cash conversion, which on an reported basis was relatively low for us at 67.3% and the main impacts to highlight here are we settled at £2.3 million liability that was part of the acquired balance sheet of Acuant, so no profit impact, but a outflow. Cash conversion was also impacted by the much larger than usual FX gain, which I've already talked about, which was included in profit but doesn't have a cash impact, and we always pay our bonuses and the majority of our commissions just after the year end. So in FY 23, we pay the team bonuses related to FY 22 and these haven't been replaced by accruals of anywhere near the same magnitude for FY 23. This is a major part of the reduced current liabilities balance.

Overall, given some of these are timing differences, we should expect that their effects mostly will reverse and cash conversion should be stronger in FY 24 Overall, our net debt at the 31st of March, 2023 decreased to 105.9 million, and this was despite the negative 8.6 million retranslation impact from the conversion of the US dollar denominated debt into pound sterling. It includes the 9.6 million full year dividend payment and it also includes £2.5 million that we used to purchase G B G shares for the new employee benefit trust. And just a reminder that following the additional 12 months of term for our RCF that we agreed with our lending banks during the year, our facility is now committed until July, 2026.

Okay, as I promised in my introduction on this slide, I've provided more detail on the various moving parts within our headline growth rate of 15%. Firstly, in moving left to right, the main difference between our reported revenue and the underlying growth was the impact of M&A that we completed last year that had a revenue impact of £31.3 million. And then to try and help you all understand the underlying growth trends, we also need to deduct the exceptional on non-repeating revenue from last year. Those two items being, firstly, the US stimulus project that you'll remember was 4.2 million in FFY 22 and second, the year-on-year cryptocurrency revenue decline as a percentage of group revenue that went from 7% to just 2% of group revenue in FY 23 a drop of some £15.4 million. And it seems likely that based on the H two run rates, which was lower than the first half, that it will most likely represent more like 1% of group revenue in FY 24.

Next, 6.1% or 15.7 million was the impact from the benefit of a more favorable FX translation rate for our non-UK businesses and particularly versus the US dollar, with approximately 40% of our group revenues generated in the US. That gives us the FY 22 proforma revenue of £269.9 million pounds. And versus that starting point, we've achieved 3.7% of growth. Now I'd like to draw your attention to the box on the right-hand side of this slide, which I think contains critical details that demonstrate both in the element of our success in a difficult market during FY 23, but also our revenue challenges in the year were really quite contained.

But first I want to remind you of what we said at the capital Markets event back in January about how our midterm guidance for revenue growth of 12 to 14% breaks down. Based on our financial history, GBG expects approximately one third of our growth to come from new logos, and then two thirds of our growth is expected to come from the expansion with existing customers. In FY 23, we achieved 4.8% of growth from new customer logos and that is absolutely in line, to slightly ahead actually of our midterm guidance. But unfortunately while the customer retention rate remained at 95%, that's the percent of customers that remained a customer 12 months later, our net revenue retention or NRR declined to 98.5% and that is the comparison of the revenue from those existing customers year-on-year. Our history has been for this to be more like 105 to 108% in the three years prior to FY 23, and so, it was this decline that was the cause of our lower growth in the year, as existing customers reduced their volumes due to market cyclicality, and we can actually pin a reasonable piece of this reduction to 98.5% on a relatively small number of identity customers that were relatively well known, to have decelerating post the pandemic.

The data for FY 22 used on this next slide, has been adjusted to include the revenue of both accurate and cloud check for the full year. It shows that a total of 94% of our revenue came from the combination of our repeatable revenue streams, being subscriptions and consumption. With the continuing strength of growth in our location and fraud segments, we've been able to deliver good growth in our subscription revenues. These increased 17% over last year, and in FY 23 represented an increased 57% of total revenue. Chris and I have both mentioned the factors that impacted growth in the US in FY 23, and you can see those on this slide through a number of points. First, you can see the change changing consumption revenues, which remains the predominant model for our identity business. You can see the decline in cryptocurrency, technology and retail revenues in the bottom left chart, and you can see the weakness in the USA in the bottom right chart.

Conversely, you can also see the relative strength in our APAC business, which grew year-on-year. You can also see the overall growth in total financial services, which despite for the weakness for FinTech customers and therefore represents strong success with our more traditional FS customers. And the growth in our other sector, where there was good growth from partners including IBM, Lexus Nexus and Experian, and a long list of other partners that have helped us broaden our reach into new sectors or GOs. The gaming sector remained a strong market for GBG and our revenue increased year-over-year. Overall, and as we've always said, our diversification is a real strength of GBG and an indicator of our resilience. Clearly it was disappointing that the decline in cryptocurrency has been so severe and abrupt, but we know that many of our competitors who have less diverse businesses than us have been feeling this impact much more severely.

As I said earlier, in FY 23, we managed to keep our operating expenses to an increase of just 2.5%, and that really is a symptom of our intense focus on efficiency and optimization. On this slide, we have set out some of the key initiatives that we are engaged in. These not only helped us protect our margin in FY 23, but more importantly will deliver significant longer term benefits for GBG and ensure that we can continue to invest in our technology. Our expenditure on technology in FY 23 was actually slightly higher than our norm, at 19% of revenue and increased 22.8% year-on-year.

There is quite a lot of content on this slide around our programs and so I'll just pick out a couple of examples of some of the optimization initiatives. As you know, GBG has a flexible working policy, with most of our teams now working in a hybrid of time in the office and time working at home. And as we've settled into these patterns, and our office leases have come up for renewal. We've taken the opportunity to right size our footprint and deliver savings, while also at the same time taken the opportunity to provide a better office environment that's more suitable for hybrid working styles.

We have a clear focus on ensuring operating leverage from our central corporate functions, and during FY 23, we did have a few team members leave the business as we simplified structures and reporting lines. In products and technology, after the number of acquisitions that GBG has made, we do have some opportunity for simplification and optimization. A number of our products and tech leaders talked about this at our capital markets event in January, and we are pleased with the progress we are making in this regard. This sharp prioritization has allowed us the space to put more investment into the areas of technology that is going to be most valuable by our customers. And you heard from Chris earlier about a number of the new fraud prevention solutions that we launched during the year. And finally, in sales and marketing. Our primary focus in FY 23 was in Americas where we have combined the teams hired a new CRO and expanded our direct selling team, and we also then harmonize the whole business in that region under the very well regarded ideology brand. Then just before we leave this slide and move on to our outlook, I thought it would be helpful if I reminded you of the variable cost leavers that GBG has, and which we use under tight control to regulate investment and short term margin protection. Those levers have been summarized in the purple boxes on the bottom of this chart.

So that takes me nicely onto my final slide where I wanted to take you through our comments made this morning on our outlook. First of all, using the boxes on the left-hand side of this slide, just a reminder of our midterm guidance that we set out again at the capital markets event in January. Since we last commented on the FY 24 outlook in the February trading update, we haven't really seen any change in the macro environment. It isn't materially better or worse. We remain happy with our sales pipeline, but it is just a fact that deals and implementations are taking longer to close. These factors do mean that predicting the timing for our growth acceleration is something that we cannot be precise about at this stage. However, hopefully through this presentation you've taken comfort. The GBG still has high customer retention and we are still winning new business in line with our midterm guidance. The one ingredient we are missing is a more stable macro so that our net revenue retention can return to above 100%.

You've also heard from Chris and I about our strong focus on a number of operational efficiency initiatives that have already delivered benefit through increased focus and cost discipline, and we expect that through the continuation of these through FY 24 will give us sufficiently as over our costs, such that we remain confident in delivering our profit expectations for the year.

There are some technical updates that we expect most analysts will need to consider for their models, and in addition, right now we expect FX rates to be approximately a 2.5% headwind to headline growth.

This presentation is available on our investment webpages and we have three slides in the appendices, which should help analysts and shareholders understand or model these impacts. We remain confident that in FY 24 we have strong cash generation such that we can reduce our debt leverage to approximately one and a quarter times and we remain optimistic about the longer term prospects for the business. It is for these reasons that board remains very confident and was very happy to propose an increase in the dividend to four pence per share. That subject to approval at the AGM will be paid in August. With that, I'll now hand back to Chris.

Chris Clark: Thank you, David. So in summary, FY 23 has been a changing year for all of GBG stakeholders as both David and I have described. However, in the period, we have delivered important strategic progress and seen some very strong performances, particularly around location and fraud. We recognize the challenge has been constrained, particularly around internet economy customers, particularly in the United States. But as David has just said, we do remain confident about the long term and believe we are very well positioned because of the important strategic progress we've made, to succeed in a very substantial market.

The structural tailwinds that have driven the market in the past and drive it in the future, remain well and truly intact. Such things as digitalization, ever-increasing amounts of fraud, increasing amounts of regulation, and the need for our customers to help try and reduce friction for their consumers. And in fact, one could argue with recent developments in technology, particularly generative AI, these challenges and threats for our customers increase.

I want to give you one small example. You may have seen in the media in early April that in the United States, a mother in Arizona, through the use of generative AI, was conned into being convinced her teenage daughter had called her and told her she'd been taken hostage in Mexico by voice imitation. She was actually enjoying a ski holiday in the US. When a mother can be convinced by AI that her daughter is her daughter, when she's not really, I think it shows the threats that exist through some of these new technologies, and we are well positioned to help our customers manage against some of those increased risks through our layered solutions. So the structural structural growth drivers are well and truly intact, and we are very well positioned in that market to succeed. However, we do recognize we are operating in volatile times, so we will remain, during the course of this year, incredibly focused on continuing to drive simplification and efficiency, continuing to innovate to meet our customers requirements as they change rapidly, and from a growth perspective, continue to expand geographically, penetrate resilient sectors, as well as build on the momentum of cross-sell and upsell that we've seen right across the group. Thank you all very much for your time this morning. I'll now hand back to Saskia, to take any questions that we have on the call.

Saskia: Yes sir. Ladies and gentlemen, if you would like to ask a question on today's call, please signal by pressing star one on your telephone keypad. That is star one for questions today. Now our first question comes from Tintin Stormont of Numis. Please go ahead.

Tintin Stormont: Morning guys. Three questions for me. First, your view on market share and if you could contextualize this in two aspects. First, with existing customers that multi-source, do you get a sense you're getting the same share of volume and secondly, in terms of win rate in new logos, do you feel that you are still retaining that or getting better? Second is, probably this one's really for Dave, comparators. At what point in the year do we really start overlapping weaker comps on the internet economy customers? And thirdly, on the breakdown of financial services. David, you talked about the relative resilience of the more traditional FS within that mix. Could you give us a sense of how that mix has changed between your traditional FS versus the fintech?

Chris Clark: Thank you, Tintin. Why don't I take the first question and then I'll hand it to David take two and three, and I perhaps can add some color. So as we've all talked about often, market share and dynamics in our space are regrettably very difficult to be precise about. However, what I'll try and do is give some color from what we are seeing. In terms of our share with the existing customers, I think in the main, we're seeing increasing share in existing customers through our strategy of using our differentiated end-to-end capabilities and packaging around that. And perhaps the best indicator of that is the stat I provided earlier around a hundred customers in the US now using both former IDology and Acuant services. So our strategy is very much, we are having the most complete end-to-end solution, using that to provide additional services to our customers.

So overall, generally I think we are growing our share with the the existing customers. We are seeing, I think unsurprisingly though, in some cases customers looking solely at price and therefore there are examples where we're doing slightly less with some existing customers frankly. But our long-term strategy to fight against that is the end-to-end capability set. And in terms of win rates, I think one thing that's very clear to us is the market, from a competitive perspective, is changing very rapidly and unsurprisingly as a number of our competitors are facing unique challenges in terms of having to focus a little bit more on how they spend and cash, and therefore actually at the same time, they're becoming more focused on what they go after and what they don't. So we do believe, yeah, and I think again best evidenced by the statistic that both David and I have referred to this morning, which is new logo at 4.8%, actually that suggests that we're winning more than we were before, but generally I think it's relatively stable. So hopefully that provides some color. David?

David Ward: Thanks Chris. Yeah, I'll pick up the next two questions. First one being the comment or question there, Tintin, on comparators. You're right and so it's a key consideration for sure. We will, as the year progresses, face some less challenging comparators, particularly in the US and Identity. I think the one thing I would say is there isn't one pattern. I mentioned earlier that there was a relatively small cohort of customers where we'd seen reasonably sizable impact, but actually within that small cohort of customers, they're actually all quite different businesses that all felt the effects at slightly different times. So I would say it's a gradual softening of the comparatives through the second half, is the way I would explain it, rather than you a particular point in time. But for sure, by the time we get to the end of the year, we are facing softer comparative and I think that is some reassurance around our expectations that growth rates will accelerate at some point. It's just the timing of those. At this point, as I said, it's hard to be precise about.

And then your second question, second part of the question for me, was about the breakdown of our FS customers. We've never really broken down that and there's a number of reasons for it, but obviously in the year, just past, we have spit out crypto for obvious reasons and hopefully that's been helpful. But what I can say is that... And also our breakdown would vary across our businesses and as you've heard about today, we do have a higher concentration of, for example, some of the fintech businesses in our US business than we do elsewhere in the world. But I would say, if we go back to last year, fintechs were know more than 10% of that 40%. So a quarter of the 40 is probably down to fintechs, last year, and obviously in the year just finished that would be even less than that. As I said, the more traditional FS businesses have been the ones where we've seen pretty resilient performance.

Chris Clark: Thank you Tintin. Saskia, if we could take the next question, please.

Saskia: Thank you and we're moving on to James Zaremba of Barclays. Please go ahead.

James Zaremba: Good morning. Yeah, three questions for me please, on new logo, location margin and the cost space. So firstly on the 4.8% new logo, how does that differ across geographies, divisions and your different routes to market? And then on location margin, there was quite a big step-up half-and-half and year-on-year in the second half, I assume on the back of the price increases you put through, should we view this as a permanent step up in margin in that division? And then lastly on the cost space and your efficiency initiatives, you're obviously night and day versus your private peers, but was there some factor trim going into FY23? And then again, if growth steps up in FY25, back to your medium term levels, do we get a further step up in bonus payments, recovering maybe closer to FY22 levels? Thank you.

Chris Clark: Thanks James. And good morning to you. I'll take the first question and I'll pass the next two to David, but actually I'm going to start with the third one just briefly on cost. So, the reason I've actually said I'll just start with that one is, again, for people who've known GBG for a long time, myself and David more recently and Dave Wilson before, have always said that there is some room to drive efficiency if time's required. And I think it's safe to say that given the external challenges, times required. So yes, absolutely I think that there is always fat to cut. Having grown up in the telco world, I'll tell you that I don't think any business in the world can tell you there isn't. So yes, there's always stuff to cut, particularly given we've been an acquisitive business and there's further integration one can do.

So I just wanted to make that general comment and really on that point as well, absolutely we hope bonuses get paid this year for the sake of our teams. But I'll let David perhaps talk a bit more on the detail of that. Coming back to the first question on new logos, the devil really is in the detail and it's very difficult to generalize. I guess it does vary by geography, by solution area, but actually a lot of that's still with the rev rec models. Clearly software, fraud software, more of it's recognized upfront, whereas identity and in most cases location is spread over a period. So, part of it, don't be fooled by the accounting, because of the trends. I would generally say though, in terms of your question, is actually when we look right around the world, across all of the different solution areas, new business has been healthy and particularly strong in Asia-Pacific, where we have absolutely not seen quite the same impact on elongated decision making. But generally, new business has been strong right across the patch. David, do you want to pick up on location margins and maybe a bit more on cost?

David Ward: Yeah, certainly can Chris. So, margins in location, as you rightly observe James, they were stronger in the year, but particularly in the second half, reflective of exactly the point you make. We had some good cross-sales, but also we did have some pricing impact and that has helped improve our margins in that business. I think actually location, there's a lot to be proud of for the location business in that year. We talked about retail and e-commerce particularly being a sector that understandably would've been under pressure in the current environment, but actually to still achieve double-digit growth, I think, is a fantastic achievement. So would we expect it in the longer term? I think it will depend on the growth rate, truthfully. I think the growth rate we saw last year was probably slightly higher than we would expect on an average basis. So I think perhaps we'll see some normalization from that exceptional margin last year.

I totally agree with Chris's comments on cost base. I think the other point I would just make is when you think about our cost base, you might remember that... I'm going to take you back a little bit further in history, but we go back to FY21, we were actually struggling to hire some of the roles we really wanted to and actually we ended up bringing in a number of new investment roles in the second half of '21. And so then as we progressed through '22, overall our headcount in FY20... Sorry FY23, overall our... I'm losing my years now. In FY23, actually we had a relatively flat headcount. So we ended the year with very similar number of heads to we started the year, ever so slightly down.

And I think that's reflective of the fact that we had put some investment in, in the previous year. We had made the acquisitions and that, as Chris has said, gave us some flexibility in terms of how we manage the cost base, how fast we integrated some of those teams. And I think we used some of those levers to protect the margin. As we think about moving forward, I think you could probably expect a relatively similar pattern for total headcount. It's probably unlikely to move very much through the year, although expect probably quite more significant changes within teams. So as we continue to really prioritize on the areas of our portfolio that we see the greatest opportunity, there will be some changes. But overall, probably from a cost base perspective, similar number of heads and yeah, Chris has already covered the bonus point, so I won't reiterate that. Thank you James for your questions.

Chris Clark: Thanks James. Saskia, next question please.

Saskia: Thank you and up next we have Kai Korschelt of Canaccord. Please go ahead.

Kai Korschelt: Yeah, thank you for taking my question. Good morning gentlemen. I just wanted to drill down a bit more into the, or I guess, growth market share and pricing discussion then. If I look at My Tech, I think they're guiding for a 14% growth. I think Onfido has been saying they're still growing. So it does feel like certainly your current revenue run rates, perhaps you're growing slower than some of your competitors. I'm just wondering, is that a conscious decision to give up market share, because of pricing? And I think we all remember pricing featured quite prominently at the Capital Markets Day, and I was just wondering how you think about the business in terms of volumes versus pricing, what level of like-for-like price erosion are you seeing right now and what do you expect going forward? Because clearly to get back to low teens revenue growth, it would probably require some sort of high teens, perhaps 20% volume growth with some pricing to offset. So I'm just wondering how you think about these two things. Thank you.

Chris Clark: Thanks Kai and good morning to you. So really back to the market share and competitive dynamics, building on the answer I gave to Tintin's question, absolutely don't think that we're losing market share. You pulled out a couple of companies, I could pull out several more that perhaps suggest otherwise. I'm intrigued by what My Tech announced earlier this week. Looking forward to the detail. I think their mobile deposit business is doing very well. But yeah, My Tech's a strong business, but we absolutely don't think we're losing market share and actually think that if you look across relative geographies and sectors that people's growth rates, actually some very similar patterns. That said, none of us can be sure. So I'm never going to... Don't want to sound defensive about that.

In terms of volumes and transactions, I think the key for us and what we're ruthlessly focused at is our points of differentiation, which is having this unique leading capability to provide end-to-end services. And we are not going to try chase price down, if someone wants to do a cheap check. What we are going to do is really try and focus on where we can differentiate, which is actually helping customers eliminate as much as possible fraud, as well as create a frictionless journey. So I guess read into that, we're very much focusing on both our existing customers and our new logo, on long-term relationships where we can provide our end-to-end capabilities to help them really try and delight their customers, their consumers, by offering a frictionless experience whilst helping manage the risk. And if that means that some business people are just buying on price for a tick box, then that's fine, because for us it's all about unique capability, long-term relationships, which actually also plays to the whole sort of long-term pricing debate, we're always pricing and we're investing a lot more time on that but it's actually about long-term relationships and differentiating from the end time capability set. Hopefully that answers the question okay. Saskia, next question please?

Saskia: And we're moving on to Charlie Brennan of Jeffries, please go ahead?

Charlie Brennan: Yeah, thank you. Just a few questions from me. Firstly, just in terms of the revenue trends, you've attributed a lot of the weakness to the US internet sector, but you actually haven't quantified the impact. Can you just put some numbers around that so we can help understand what sort of drag that's been to the business with Europe and Asia growing 9%, particularly in identity? I struggle to see how the internet sector can be that bad and then can you just help us understand what's going on within the cost space at the moment? It looks like the overall Op Ex is broadly flat for the year at roughly 140 million. Within that, you've had to absorb what looks like a 10 million increase in development spends. That implies sales and marketing and G&A must have fallen by around 10 million to provide the offset.

Now, I guess in the context of slowing revenue growth, the most important element of that sales and marketing, can you just give us some color around that? Thank you.

Chris Clark: Sure, Charlie, why don't I sort of start on the first one and then David can build on the first question and then cover the Op Ex point. Look, as David's alluded to, I think hopefully we've been as transparent and clear as possible on today's call around where our challenges to growth have been and today and previously I've referred to the sort of basket of customers that have really, we've seen the challenges from as internet economy, but as David said in his thought track that we're not going to talk about names for obvious reasons, but it goes from companies that have been well publicized, are seeing volume declines as well as a result of post pandemic corrections as well as I'd say companies taking quite dramatic action in terms of their own focus and therefore, again, I'm not going to give specifics, albeit I could, but where companies have actually said, we're not doing this piece of business where we were before.

So there are a number of factors and I think the key point is, as David referred to, there's a couple of handfuls of customers, we've seen a dramatic change, but really as a result of three things from a end customer perspective, either they've seen massive transactional volume declines. Yeah, I think those companies are fairly obvious or they've made business decisions around what they are and aren't going to do in terms of the businesses they're offering. And the third sort of factor is where companies have decided that they're going to perhaps look at their own risk profile slightly differently in the way of actually managing their own cost base and not check everything. And again, I'm not going to get into detail on that, it'd be inappropriate, but hopefully that gives you some context and hopefully we've given quite a lot of color around the dynamics of that piece. David, why don't you pick up on that and take Charlie's Op Ex question?

David Ward: Yeah, it's a good question Charlie, and apologies if it hasn't been clear, but I think we tried to be as clear as we can through this year. I'd add that in addition to the sort of population of customers Chris was talking about there, obviously there's also that has more heavily impacted the US. We've got the US stimulus project that they were doing that over the last two financial years and obviously Crypto, where actually there was a higher prevalence of crypto revenue in our US business as well. So those things I think we've been pretty clear on. It wouldn't be fair for us as Chris says, to mention specific customers and some of the actions they've taken, but I think that most of the names you'd expect to see because actually a lot of these are very well known companies that themselves have seen some post pandemic corrections.

So that's on the revenue growth. On cost base, I think as we've said, there were a number of different initiatives we took during the year that helped us manage our cost base. We wanted to capitalize in the year on some of the technology opportunities we had following the acquisition of Acuant and we talked a lot at the time of that acquisition about the technology advancement that, that offered us and actually it was really important for us to not cut back on any spend there to make sure that we got the benefit of it and we've just, as an example, we talked about the combination of the two document libraries, the pre GBG and the Acuant document library into one, and that's already delivering significant benefits for customers and there are many other things that we needed to capitalize on following that.

So that was one of the reasons why we really wanted to protect technology spend, but as we've said, there are always opportunities for us to streamline other areas and particularly after quite a busy run of organic growth and M&A over the last 10 years, certainly the last five, there's always opportunity for us to streamline some of our corporate functions and make sure that we're focused on the right things and we took that opportunity during the year and that has helped us, as I said, headcount relatively flat through the year, but actually it's allowed us to just rebalance that into some of those technology areas that we felt were really important. Thank you Charlie, for your questions. Next question?

Chris Clark: Yes, thank you.

Saskia: Thank you and we're moving on to Julian Yates from Investec. Please go ahead.

Julian Yates: Yeah. Hi. Thanks very much. There's two questions from me. One on revenue, one on cost. In terms of the revenue last year, know location, obviously very strong fraud, very strong, identity, up 9% in Europe, they're all pretty good numbers. If we're going into this year with sort of mid single digits and you're getting the, I guess the slight bounce back in the areas that didn't do so well last year in the states, it kind of implies all these sort of stronger areas are decelerating in terms of momentum. So I'm just trying to understand whether sort of one offs in there or are you seeing a deceleration momentum in all those sort of other parts of the market because of the macro backdrop and you're just trying to be prudent conservative because it's just difficult to just? Just trying to understand square that circle in terms of those stronger areas of that business.

The second question is again, on costs. H2 was below H1 in terms of Op Ex, few million pounds. Should we take that H2 as a run rate going into the following year, because if you're looking for a flat Op Ex number, I guess should we see that as a run rate and then add on a bit of inflation on there, just trying to understand that or was that influenced by no bonuses and some one offs in there and actually the underlying run rate is higher than that H2 number? Thank you.

Chris Clark: Thanks, Julian. Why don't I start and David I'll hand to you. So yeah, I think on the revenue you gave a lot of options there Julian, and my simple response given time is all of the above. I think firstly, yeah, a number of people on this call are far better positioned to comment than either David or I, but I think it is safe to say, and I think this is exactly what David said in his talk track, that when we look externally, the environment ain't getting any easier and actually forecasting what the next nine months look like from an external environment is anyone's guess, but I think the one thing we can say is probably, especially with the US last night with the interest rates, it's probably not going to get any easier. So yeah, when we look ahead and we think about revenue trajections, we're sort of saying, we don't think we're going to be helped by any stretch of the imagination with what's happening externally.

David made the comment, and I'll only reiterate it, our location performance was outstanding and above what we've historically said we'd expect to do in location. Now we talked about 11.7% growth. Again, those of you who've known us for a while will say that we talk about high single digit growth. So yes, we would expect location to see some moderation. Absolutely actually and fraud, the fraud software, we're very much focused from an innovation perspective about the integration of fraud and identity and as I use the Australia example in terms of the identity fraud alert service that we've offered and actually that's where our focus is, that's where our sweet spot is because it plays to our end-to-end offering and yeah, some of that modeling is different to perhaps the one-off software historic.

So yeah, I think all of the above and we can't be sure, especially when I think about how I responded to Charlie's question, we have seen some very dramatic change in customer behavior and decisions they've taken and we can't be certain of when, if we got the end of that. So hopefully that answers the revenue question. David.

David Ward: Yeah, thank you Chris and morning Julian. Thanks for your question. Nothing really to add on the revenue. I think Chris has covered that on the costs, yeah, you're right. H2 was lower than H1 and obviously hopefully in that you recognize that you need to strip out the FX gain, which was rather large in the first half and actually turned to a slight cost in the second half but underlying that, you're absolutely right H2 costs were lower than H1. I don't think you should see.. Shouldn't really see H2 as the run rate because actually as you suggested, there was some bonus costs that we reversed in the second half.

So actually on a constant currency basis, I think the run rate of the first half is probably more indicative on a constant currency basis and then as I talked about, just as there is a two and a half percent we estimate headwind for revenue, there's probably a two and a half percent tailwind for costs in the new year from FX.

Chris Clark: Thank you Julian, and Saskia I think we've got time just for perhaps one more question.

Saskia: Certainly and our next question comes from Andrew Ripper of Liberum. Please go ahead?

Andrew Ripper: Hi. Morning everyone. Thanks Chris. I wonder if I could make it a two-parter then if I'm allowed. Just wanted to start with maybe the partners that you've been working with. I think Dave referenced it in the presentation, Experian and LexisNexis both growing in fraud and ID. Just tell us what you're doing for them and whether the scope to do more going forward that will help the growth?

Chris Clark: Yeah, thanks Andrew. I think I said time for one more question, not two. No, sorry, that was a bit cheeky. Yeah, I mean David did reference the fact that we've seen good growth in partners and actually isn't just in identity and fraud in location as well. I referenced the extension and building of the relationship with IBM. So we've always talked about our go-to market strategy evolving over time based on direct self-serve and partners and we're pleased with the momentum we're getting with partners right around the world actually and yes, we absolutely believe there is opportunity to do more with a number of our partners in terms of opening up new geographies, new customer sectors that we think is a more efficient way of getting to, and that's by correct providing additional services that we have in out kit bag, very simply.

And Saskia, I think Andrew had one other part to his question, which we'll take.

Andrew Ripper: Yeah and Chris, can you just give us an illustration for example of what Experian and LexisNexis are using you for which bits of the product suite?

Chris Clark: Some of our documented biometric capability as an example.

Andrew Ripper: Yeah. Okay and then the second question I had was just going back to FX, just obviously we've seen a big change in rates and you've been talking about it today in terms of your interest cost, but just in terms of thinking about traditional banking, which is your biggest vertical credit conditions are tightening, are you sort of a little bit nervous about what that means for sort of origination related demand? To what degree should we be wary of that or do you feel that there's churn and enough activity in the market?

Chris Clark: Yeah, it's a good question, Andrew. Actually, I wouldn't say we're not worried about it because I think it is reflected the whole macro, but actually we're not specifically worried about it with regards to Julian's question on revenue really, because I think there is, when we look across our financial services customer base, there's definitely a flight to quality that we're seeing, but equally our relative share in some of those financial services segments isn't... We've got opportunity to grow. So we think that whilst there might be a tightening credit conditions around the world equally, we don't think that that'll impact our transactional volumes. Hopefully that answers that question Andrew. Conscious, we've overrun. So I will close the call. Thank you very much for taking time out on a busy day for joining David and I. thank you for your ongoing support and we look forward to catch up with you soon. Bye for now.