GBG
FY24 Results

Tuesday, 11th June 2024

Introductory Remarks

Dev Dhiman

CEO, GBG

Welcome

Good morning, everyone, and a very warm welcome to the GBG results announcement for FY24. Thank you to everyone who has joined us either via webcast or here in-person in the room in London.

Today marks my first results presentation as CEO, and I am excited for the opportunity to share my thoughts four months into the role. I hope you will observe a different tone in today's presentation and that I am able to give you an indication of what is to come.

Agenda

Our agenda for today is relatively straightforward, once I have finished my introductory remarks, David Ward, our CFO, will take us through the financials. I will then be back to share my first impressions since assuming the role of CEO, what I have been up to in those first four months, and what I see as initial focus areas as we look ahead to FY25.

One of the first impressions I can cover off now, though, is that we are fortunate at GBG to have some outstanding talent in this business. Several of the GBG global leadership team are in the room with us today and play testament to that fact.

Before I pass to David, I would like to acknowledge the role he has played in helping me get settled in my new role. In a relatively short space of time, we have built a strong relationship and I look forward to working even more closely as we build this business to the next level.

David, over to you.

Financial Review and Outlook

David Ward

CFO, GBG

Successfully executed our FY24 financial plan

Thank you, Dev. Hello, and good morning, everyone. Thank you for joining us.

Overall, I am very pleased with the results for our financial year 2024, which are in line with the trading update that we released in April, and represent the successful execution of our financial plan for the year.

We had a strong focus on cost-effectiveness and simplification, and as a result, we have delivered structural savings that we expect will benefit us into the future.

Our continued focus on growth initiatives led to us achieving the acceleration in year-on-year growth in quarter four that we had expected and built into our plan.

This improved revenue growth of approximately 5% on a constant currency basis, was primarily driven by the acceleration in the Identity segment, as a result of improving trends in both the Americas and in EMEA. This has provided us with positive momentum going into our new financial year.

Before I take you through the results in a bit more detail, first of all, I will give you a summary of the key headlines.

We delivered revenue of £277.3 million, which represented 2.7% year-on-year constant currency growth. And perhaps more importantly, we did see that growth acceleration that we had expected in quarter four. That improvement in Identity has also improved our Group NRR, which increased 580 basis points to 98.1%.

We delivered at least £10 million of annualised cost savings. This was despite general market inflation pressures, and we saw £8.8 million of those savings reported in the year-on-year numbers.

That helped increase our adjusted operating profit by 8%, excluding the large FX gain of the prior year, and improve our operating margin by 170 basis points to 22.1%. On a statutory basis, we did record a loss due to the non-cash goodwill impairment charge from the first half

And finally, the combination of this higher profitability and cash conversion returning to a more normal level for us, meant that we were able to reduce net debt by £25 million to £80.9 million.

Summary income statement

So now let me take you through the income statement in a bit more detail.

On a reported basis, revenue declined 0.5%, but on a constant currency basis, revenue increased 2.7%. That is a slight acceleration from the first half when growth was 1.8%, with growth in the second half being 3.5%, including that already mentioned 5% growth in Q4.

As expected, our gross margin returned to a more normal 71% in the second half of the year, bringing the year as a whole up to 70.1%.

Adjusted operating expenses reduced by 6.3% or £8.8 million, year-over-year as a result of our sharp focus on simplification and efficiency. And I have a slide with more detail on costs later, so I will come back to this topic, but it is worth noting at this point that the reduction you see here is net of inflation on our cost base.

We had a charge for bad debts, or ECL as they are now known, of £0.8 million versus a small credit last year. And as I have already mentioned, the FX retranslation difference has returned to a more normal level this year and we recorded a loss of just £0.2 million versus the unusual gain last year of £3 million.

Bringing that all together, that led to an adjusted operating profit of £61.2 million, which represents an operating profit margin of 22.1%, an improvement of 60 basis points or 170 basis points as I mentioned earlier, excluding the unusual FX gain of the prior year.

As expected, given the higher interest rate environment, our net finance costs increased over the prior year to £9 million. But we are making good progress with the repayment of our debt, and you never know, we may yet see some rate reductions in our FY2025.

Do remember that the majority of our debt is denominated in US dollars, and so our interest is charged with reference to the Federal reserve bank rate.

And finally on tax. Our effective adjusted tax rate was 25.2%, which, as expected, was higher than the prior year due to the increase in the UK tax rate from 19% to 25% which occurred at the start of our financial year.

Exceptional and normalising items

Looking beyond adjusted profit, we have amortisation of acquired intangibles of almost £40 million, with the main reasons for the variation between the two periods being the impact of FX, but also some impact from some intangible assets becoming fully amortised during the year.

The share-based payments charge for the year was £3.5 million compared to £2.3 million in the prior year. The main reason for the increase was the fact that last year we had £1.1 million of credits in respect of previously issued share options which we no longer expected to vest.

And there is the non-cash impairment charge of goodwill of £54.7 million. This arose at the half year and that value has remained unchanged here. You will remember that the cause of that was the use of a higher discount rate, driven by the increases in central bank rates since the previous assessment.

The other exceptional items came to a total of £4.9 million, and these entirely related to the enablement of our initiatives on operational simplification and efficiency, and ultimately the delivery of our cost savings.

Segment performance

Now, onto our segmental performance. Firstly, in Location, which represents 29% of the Group. We are very proud of the resilient growth rate that we have continued to generate, with 7.3% constant currency growth in the year. That means an 8% CAGR over the last three years, and that is at a time when some of the key sectors for Location have been suffering subdued volumes due to macroeconomic pressure, Retail for example.

That growth, combined with careful cost control has led to the contribution margin improving to 40%.

Some notable customer successes for the Location segment include:

- Supporting e-commerce expansion with big brands such as New Balance, Kurt Geiger and Marc Jacobs;
- While also capturing growing demand from our large and diverse customer and partner base, including Hellofresh and Aldi who we have helped expand into additional territories, and Reltio, who are a master data management company.

We are also helping to facilitate the efficient customer checkout journey for some of Asia's largest e-commerce marketplaces to enhance address accuracy as they experience growing cross-border demand.

As we have commented on previously, we continue to see greater convergence between our Fraud solutions and the Identity segment, where, increasingly, customers are looking for help with fraud detection as well as regulatory compliance. And this is a real point of differentiation for us given the breadth of our solutions.

In Identity, we had revenue of £156 million, representing 56% of the total Group. The main story here was the improving growth trend in quarter four, which we had expected once the comparatives no longer featured some of the pre-correction volumes from some of our internet economy and fintech customers that we talked about last year.

Our margin remained resilient and this is the area where we know there is significant operating leverage opportunity when we do see higher transaction volumes.

Notable customer successes for Identity included:

- Demonstrating our differentiation for customers with a need for global rather than just regional capabilities with customers like AIG, Atlantic Lottery, Currencies Direct and SumUp who all utilised our expanded international data sets coverage while investment platform, Webull, chose GBG as its end-to-end onboarding partner in both EMEA and APAC;
- In Americas gaming, we continue to leverage our unrivalled sector knowledge and expertise and we had success with customers such as ESPNbet and Bally's;
- Demonstrating my earlier point on the increasing convergence of Identity and Fraud, Floa chose our mobile fraud signal solution with an upsell to our fraud monitoring capabilities, and Tide selected Multibureau for improved match rates together with our new Trust solution.

In Fraud, we followed-up two very strong years of growth with three further quarters of solid growth. In FY24, as we had expected, growth did slow in the four quarter. But overall, growth was almost 8% in FY24 and took our three-year CAGR to 15%.

The slower growth in the fourth quarter does represent the start of a quieter period for us in terms of customer license renewals and we do expect that to continue into first half of this new financial year before a better second half. So, you should be mindful of that split dynamic for growth for our new financial year.

Notable customer success in Fraud included:

- Strong progress on geographic expansion, particularly Southeast Asia, and you will remember that was a focus area for Dev when he was in his previous role, and we had significant sales of our fraud monitoring solutions in banks in both Indonesia and Thailand;
- Plus, robust demand for our specialist fraud investigation capabilities in the UK which included emerging use cases. For example, working with one of the UK's leading transport firms to support revenue protection on its bus network; and supporting UK Companies House in investigations related to new Economic Crime legislation.

Repeatable revenue increasing and NRR improving

On this slide, I have provided more detail on our revenue dynamics. The high-quality proportion of our revenue that we define as Repeatable has continued to increase, now at 95% of total. You can see from the chart below that we have grown subscription revenues nicely over the last three financial years. And you can also see how the absolute pound values of services and hardware revenue has reduced over the last three years, and this has been a headwind to overall growth rates, particularly as FY24 was another quieter year for hardware sales.

And from the revenue bridge chart, you will be able to see the analysis of our constant currency growth rate of 2.7% between retention and growth of existing customers, versus revenue from new customers. As we expected, net revenue retention has begun to recover from the low-point of FY23, and across the 12 months of FY24, we successfully improved NRR to 98.1%.

And this is still relatively new KPI for us to be reporting, it may also be of interest to note that the timing of Fraud segment revenues can distort NRR somewhat. And so excluding Fraud, NRR actually improved 790 basis points to 99%.

We were also particularly pleased with the level of revenue growth attributable to new customers won in the last 12 months, which has been maintained at 4.6%.

Diversified across sectors and geographies

I have kept these two charts in the presentation as I have used them before, but really the end market sectors where GBG earns its revenue have not really seen any particularly shifts in the last 12 months from the prior year. And our broad differentiation remains a strength of the GBG Group.

But it is probably worth clarifying that in terms of crypto exchange customers, that remains a very small proportion of Group revenue at just 1%. And there was no pickup in Q4.

And from the analysis of revenue by geography, you can see the decline from the US given the tough comparatives for three quarters of the year. It also highlights the opportunity open to us now that this business is showing early signs of returning to growth.

Simplification and efficiency

I have mentioned at least once this morning how we have made savings on an annualised basis amounting to £10 million and how that is the net figure after the effects of inflation, which for us has been running at around mid-single digit. We also achieved that figure of £10 million by the half year. You will remember me talking about it at that stage.

In the second half, we realised additional savings of a few more million pounds. And Dev and I have redeployed these second half savings into a few specific strategic priorities. And you will hear from Dev shortly when he outlines our focus areas, where we have made those investments.

We achieved these savings by relentlessly focusing on simplification: simplification of the technology portfolio; simplification of the number of priorities that we are working on; and simplification of our operations.

Overall, that led to a reduction in our headcount through the year of approximately 8%, which we achieved through not replacing natural attrition, tougher performance management and there was also some paid redundancies.

There are a few more details of the areas of our business we focused on for savings included on this slide, but I do not intend to spend much more time on them today, as I already covered them at the half year. Just to say, that despite the significant cost savings we have delivered in the year, we are continuing to invest in technology and innovation and we feel well equipped to capture the future market opportunities, including the potential operating leverage.

So just two more slides from me.

Strong cash generation

My penultimate slide covers cash generation, and I am pleased to show that our cash conversion has returned to a level more aligned with our history and forward guidance at 90.6%. That led to free cash flow generation of £35.2 million, despite the net outflow of just over £4 million related to exceptional items and a relatively high interest charge, which we really hope will be starting to come down from here, through the combination of repayment of the debt and hopefully some lower rates of interest.

You will see that we had a £4.9 million outflow for working capital. That have a really three significant movements in that number:

- Firstly, there was an increase in our trade receivables;
- Secondly, there was an increase in our trade payables, as a result of, for example, bonus accruals returning to a more normal level this year-end; and
- Finally, there was an increase in accrued revenue, and you will remember that our accrued revenue represents the difference in timing between the recognition of our revenue and the timing of invoicing our customers. That is particularly notable in Fraud, where we do sometimes have customers on multi-year renewables and there can be a difference. And as I have talked about, we had another three quarters of strong growth from Fraud in the year just reported.

We used that free cash flow to pay our dividend and repay some of our revolving credit facility. We were pleased to achieve and actually slightly exceed our target of reducing our debt leverage to 1.3 times by the end of the financial year, and so representing net debt of £80.9 million at the end of March.

Today, we have announced a recommended final dividend for FY24 of 4.2p per share, which we expect will require a total cash outlay of £10.6 million in this new financial year, FY25.

So onto my final slide.

Reiterating FY25 outlook

We are today reiterating our guidance for FY25, which was first outlined in our April trading update.

Firstly, we expect mid-single digit top-line growth. That will drive high single digit growth in adjusted operating profit, given the great work on cost efficiency that we completed in FY24.

And finally, we expect a continuation of our cash conversion returning to a normal level and being in the range of between 90% and 95%. Our confidence in this outlook is underpinned by our improved momentum in the last quarter of FY24 combined with the impact from our current operational initiatives.

Which brings me nicely actually to my hand-over back to Dev, who is going to share his perspectives on his first four months in the CEO seat.

First Impressions and Current Focus Areas

Dev Dhiman

CEO, GB Group

Introduction

Thank you, David. Now, since I took up my role as CEO, I have been working with David and the global leadership team to take stock of where we are, and to think about how we can accelerate our business moving forwards.

Over the past four months, I have spent time better understanding the parts of the business that I was not directly exposed to whilst I was leading the Asia Pacific region. I have engaged with teammates around the world, met a number of customers, met our partners, participated in trade events, and of course, other key stakeholders such as yourselves.

These interactions, together with my own experience of GBG and my longer time in the industry, have helped shape my first impressions and inform our current focus areas.

First impressions

Strong engagement with our key stakeholders during first four months in role

I want to start by making one key point. GBG is a hugely successful business with an impressive track record. Hearing David describe our financial profile and some of our key performance indicators, I was again struck by the fact this is a high-quality business.

I feel really fortunate to be leading a company that has market-leading positions in the markets we play in today and one that is financially strong, giving us opportunity to grow it further. Our job is to deal with the issues we have, and deliver on that opportunity.

Coming into this role, it was clear to me that my biggest immediate priority was to address our recent underperformance in the Americas. I will talk later about some of the things we have done to improve the trajectory there, but having made half a dozen trips since the turn of 2024, I am confident that we have the right to win there, and that the opportunity for GBG in the Americas is significant.

First impressions

As I said up front, whilst I am still four months into my role as CEO, I have been with the business for three years before that, and in the industry for more than 15. And that experience gives me high confidence there is a good deal of scope for us to make operational improvements that can and will improve our execution.

There are a number of things, for example, that I have put in place during my time leading Asia Pacific, that I think can have an even bigger impact when we implement them on a global scale.

And lastly, something I think that you will all agree with me on, at GBG we can be simpler to understand. As I have spent more time with our people, customers, partners, analysts, investors, it struck me that is was really hard to find two people who can describe what we do in the same way. And that is, in some ways, understandable. What we do is not something that was developed over night, and we have a broad set of solutions, but for a business of our size, roughly 1,000 people, I feel that our complexity has become a speed bump.

So let us start there. Let us talk about what does GBG stand for.

What does GBG stand for?

To align us all behind a simpler, common identity, we have created a new elevator pitch for GBG. Before I share it with you, I wanted to add some context to bring to life why this has been a really important early milestone.

I mentioned earlier that I have been lucky enough to attend a number of customer events and trade shows as part of my induction to this role. And earlier this year I found myself at one such event in New York for our Location business with David Green. It was a fantastic event held at the Nike House of Innovation on Fifth Avenue, but towards the end of it, I overheard quite a troubling conversation. It was between a potential customer and one of our sales team. And the question went something along the lines of, "So tell me, what does GBG stand for?"

And I listened intently as that individual struggled to come up with a plausible description of what the letters G, B and G represented. And whilst it was somewhat amusing at the time, my mind immediately went to the fact that this was a real lost opportunity. And my mind then went to how many times must this be happening right across the business?

In speaking to that customer later, I found they had both a need for global address validation because their business was expanding cross-border, but they had also been targeted by fraudsters. This was someone that really needed to know what we stood for.

So since then, as a team, we have worked swiftly to create our pitch, and more importantly, put it into the hands of our people.

That pitch is on screen now, and it is really helping to unite our people. And in crafting it, it is really underscored the strength of our business. Rather than reading it to you, I wanted to look at it as three key components:

- Firstly, the increasing relevance of GBG;
- Secondly, our competitive differentiators; and then,
- Finally, how we support more than 20,000 customers across two global use cases.

Our relevance in an increasingly digital world

So let us start with the relevance of GBG, both today and how that will only increase as we look ahead to the future.

As a company that powers online commerce, we have access to a multi-billion pound market opportunity, and that market will only grow as the world becomes increasingly digital. I do not think you need me to take you through some of the mega trends that are shaping our market, but it might be helpful for me to remind you how these drive our growth.

So firstly, in terms of digital transformation.

UK High Street banks, such as Santander want to reduce cost and realise efficiencies as they rationalise their branch networks. They look to GBG to support them as they move their traditional banking methods to both online and app-based.

Regulation creates new sources of demand for us. For example, in Australia, soon 140,000 organisations will need to be compliant with AML regulations. That is up from just 14,000 today as smaller businesses like lawyers, accountants and real estate agents will come into scope for compliance.

The same can be said of the prevalence of fraud and financial crime, with increasingly sophisticated fraudsters, we see the market needs increasingly sophisticated solutions, and that drives demand for GBG's anti-fraud products.

Just last month, we shared how our fraud consortium in Malaysia had stopped MYR0.5 billion in fraudulent credit applications within the banks that subscribe to our service there.

And then finally, customer experience continues to be an area of high focus for online businesses in an increasingly competitive marketplace. And here, we see players such as Bet365 turn to GBG to improve their onboarding journey through a mix of our address validation and our identity fraud propositions.

Our markets have structural growth. They are fast developing. Our ability to continually innovate will be really important to ensure we capitalise on new and emerging trends.

Our competitive differentiators

So now let us look at what makes GBG stand out from our competitors using some of the hooks we built into our refreshed pitch.

In the past, we have spoken consistently about the strength of our three building blocks:

- The most relevant compliant data assets or data sets;
- Technology that can scale to handle billions of transactions; and
- Talented experts that our customers trust.

What we perhaps have not spent enough time on is how these three core ingredients help deliver competitive differentiation within our target customer segments.

So let us take a look in a bit more detail around why we win.

A common misconception I have observed about GBG is that we have this massive global data set, and we make that available to customers in a raw form. In fact, the reality is somewhat different. We combine our data sets with our technology and our expertise to enable customers to make decisions, providing organisations with actionable insight.

Secondly, those decisions are not trivial. They enable our customers to grow, expand their customer base. Again, it feels at times we have been misunderstood here. We are not and we will never be someone who helps tick a compliance box. We are a value-adding partner and we are able to grow with our customers, further illustrated by how quickly we can deploy new capability such as international data that David mentioned.

Thirdly, as you probably expect, the breadth of our solutions is a real differentiator and continues to be so. It means we are able to outperform point solutions such as behavioural biometrics players who have a much narrower focus. Indeed, in an age of vendor consolidation, we are actually able to integrate these providers into our more complete platform.

And our global reach means we can stand apart from regional players who have spent time focusing on a single geography.

And finally, GBG is a secure and trusted business. Our platform resilience means we are always on every second, and there when it matters most for our customers. Our investment in data compliance and data security is another reason why organisations choose to work with us.

So there is a lot to be proud about. And as we look ahead, I really want us to dial up the narrative about what differentiates us, what makes us better than others in the marketplace and truly stand out in a fragmented place.

How we support 20,000+ organisations

Finally, let us talk about how more than 20,000 customers around the world work with GBG.

Across two global use cases helping organisations reach and helping organisations trust their customers, we support some of the world's best known businesses, including financial institutions, retailers, system integrators, payment providers and gaming platforms.

Our relationships with these business has been built over many years and have really lasted the test of time. When we describe how we help organisations reach their customers, there is a couple of things that come to mind.

For many years, we have helped with optimising the consumer journey. Our type ahead software has enabled retailers like Nike to drastically reduce the number of key strokes needed by a consumer to build a validated address improving conversion rate.

However, more recently, we have been enjoying success with financial services and fintech customers in leveraging our addressed validation in their back-end processes to improve their match rates and increase their conversion rates with new customers. Our relationship with Mastercard is a good example of how we do this.

And then when we talk on the right side around how we help organisations trust their customers, we have built a really strong heritage in EMEA within the gaming segment. As that gaming market liberalises in the US, that reputation is giving credibility to us to support platforms like Fan Duel rapidly onboard new customers as new states open up to gaming in America.

With only a third of the US market accessible today for online and mobile sports betting, this is an enduring opportunity for us to build upon, in particular, as South American markets follow suit, such as Brazil and Peru.

Secondly, in trust, our best-in-class international data coverage is an asset that we are really proud of. We spent time making material enhancements to it in the past 12 months. And through that product, we help Western Union, for example, confidently and safely expand and operate across borders in a way that no other provider could do for them.

With such an enviable customer base, it is imperative that we:

- Become better at presenting a globally aligned message;
- Support our largest customers in a more joined-up manner; and
- Maximise the opportunity to cross-sell where relevant.

Current focus areas

So now let me turn to what have been and will be the key focus areas for me and the team as we look ahead to FY25. What I have heard from our people, customers and other stakeholders since becoming CEO of GBG four months ago, tells me that we need to evolve. And given what I have shared up to now, hopefully, it is clear there are four focus areas that we are prioritising:

- First, removing complexity – the elevator pitch has been an initial rallying call for that and helping us keep things more simple;
- Second, being globally aligned – better leveraging our size and scale;
- Thirdly, driving high performance – standing out from our competitors and winning more in the marketplace; and
- Finally, differentiating through innovation – making focused investments to grow our competitive moat.

Removing complexity

You have already heard David talk through the financial gains we have captured through our simplification and efficiency programme. We see this as a lasting benefit and expect it to continue to drive leverage as our business grows.

But simplicity is about more than that. It is also about us being easier for stakeholders to engage with us, including customers. From a customer perspective, we have made good strides on single global agreements. Most recently, we launched a single data processing agreement, meaning that customers now only need to sign one set of privacy terms when they sign up to GBG services.

It is also about taking stock of our product and technology stack, rationalising investment in legacy point solutions where they no longer fit with our core business model or our future growth plans. And David has talked a bit about how we are doing that.

Removing complexity is easy to say, but I think it is really important for us to deliver on as I believe all winning starts with simplifying. And I am confident our focus on this pillar will accelerate the pace of execution across the other three.

Being globally aligned

Next, let us talk about how we have been making steps towards being a more globally aligned business focusing on two global use cases, reach and trust.

We have continued to reorganise ourselves to drive global accountability. We have appointed a Global Chief Product Officer and a Global Market Development Director, among others, to drive more consistency in our go-to-market of our Identity Fraud business, Gus Tomlinson, and Anthony Kay are both here in the room today, and they have both spent a significant chunk of their initial time in the Americas, as we have shared talent and best practice from our EMEA business with our colleagues there.

And the pictures on this slide are testament to the effort we have placed on increasing visibility of our leaders, both in the business and in the Americas since I was appointed as CEO.

We have also doubled down on our differentiators. We, for example, let our US customers know about the strength of our international data. It is a great example of how we are starting to target and increase share of wallet from our more global accounts in all of our key markets.

And lastly, in order to maximise the strength of that 20,000 customer base I talked about, we have kicked off work to build standardised playbooks to drive cross-sell into different customer cohorts. We will be coupling this with renewed incentives for our teams to better collaborate on such opportunities and hope to see material progress.

Driving high performance

Moving now to performance culture and building and driving high performance. Everything we have talked about up to now demonstrates our right to win in several areas of the market, but we cannot succeed unless the team is focused on winning.

I am personally passionate about driving a high-performance culture where everyone is determined to outperform our goals and celebrate our successes. We want to change the tone at GBG. And to do this, we are focusing our efforts on improving our execution in Americas. I have already spoken about my conviction behind the market and the opportunity that GBG has there. And I have referenced on the last slide how we have approached our US challenge as a team sport.

Under more stable local leadership, we have refreshed and we have upgraded our talent in the go-to-market team, and we are pleased with our initial momentum, although it remains an ongoing effort.

We have rolled out a high-performance leadership programme for senior sales, senior product and senior technology leaders. This investment is changing the language in the business and driving a more positive mindset in what I have observed in the few short months since we kicked it off.

And then we are being more front-footed in our competitive positioning. Like me, you have probably lost count of the number of times you have seen Identity fraud providers use a man in a hoody to symbolise their proposition. Have a look if you have not already done so.

Now contrast that dull and unimaginative image to the vivid campaign that we unveiled last week, literally letting our Big Bad Wolf loose at Money 20/20 in Amsterdam, bringing to life the challenges our customers face in onboarding new customers, where it is not so obvious who are the heroes and who are the villains. The reaction and coverage we received from the event far surpassed our expectation and has given us confidence to be even more bold in our messaging moving forward in the market.

And lastly, next week, I will be hosting 60 of our highest performers from around the world in Montenegro, again, another investment that we are making and just one example of the things we are doing to put the right level of focus on rewarding those who make GBG go faster.

Differentiating through innovation

And then lastly, of the four pillars, differentiating through innovation. So here to ensure that we can keep supporting our teams in winning, clearly, we need to provide them with innovative solutions and differentiated propositions. Leveraging the cost efficiencies that David mentioned, we have made targeted investments in our product road map.

GBG Trust is a flagship solution for us and one we have a high degree of conviction around, and I will share more on developments there in a moment. That conviction is also fuelled by the ability it gives us to extend our data leadership by building a proprietary data asset, one which exploits our position as a data controller and allows us to respond quickly to the rapidly changing fraud landscape in a way that other providers cannot match.

We continue to focus on deploying our services through a single integration. A great example of this is how we have recently deployed our Loqate products into the Shopify marketplace, enabling customers to seamlessly leverage our solutions.

Similarly, we are continuing to build out GBG GO and have made progress on building connectors between the GO platform and our core identity solutions. We have, though, taken the opportunity to broaden the scope of our investment in GO so that it can leverage more recent developments like GBG Trust, which will ultimately, we believe, improve the long-term effectiveness of the product.

So in summary, there is a lot of great work taking place at GBG, but I really feel we can do a better job in how we amplify that. Take, for example, the recent work that our team in Australia have done with the venture arm of the Commonwealth Bank of Australia, helping them launch the Truyu app in response to high-profile data breaches in that market.

As you can see on the screen, the app notifies users as soon as their identity has been used. And if it was not them requesting the verification, they can block that request immediately and notify a case of fraud. It is early days, but it is a really great reminder of what we do as a business, not just for our customers but also for their consumers.

GBG Trust – our global identity network

Now, as promised, I wanted to go a little deeper into GBG Trust because I think it neatly brings those four focus areas to life and it illustrates how I think they will accelerate our growth.

For those who need a quick refresher, GBG Trust is our proprietary global identity network that has built to tackle identity fraud as it occurs across our network. Its comprehensive rules engine constantly interrogates the 0.5 billion consumer identity records flowing through GBG solutions and provides insight both into positive data and suspicious anomalies to help our customers recognise good, reward great and reject bad prospects at the very first point of contact. And here is how it plays to our focus areas.

Firstly, GBG Trust is a globally aligned solution with a highly correlated product roadmap across our key regions to tackle the highly correlated fraud trends we see in each of them. It is now a consistently branded solution. No longer do we have the complexity of navigating three product names in the three markets we serve it in, GBG Trust.

We have created common marketing collateral, pooling investment across the business to increase market awareness and double down on its competitive differentiation. And clearly, it is highly innovative.

The solution is augmented by AI and goes far beyond regulatory compliance, and we believe it prevents identity fraud in a way that cannot be easily replicated in a compliant manner.

GBG Trust – our global identity network

And I am pleased to say we have made really strong progress over the second half of FY 2024. In a relatively short period of time, we have enlisted more than 600 data contributors globally, all of which have signed data privacy terms with GBG, and the network has scaled beyond 50 million records.

To put that into context, that is more than most other fraud networks and consortiums have been able to amass over multiple years of operation.

Now while I could read off more statistics on the progress we have made, I think the most powerful pieces of this slide are actually the customer testimonials.

From a UK fintech, we saw ROI within 17 days and a Tier 1 Australian bank who took down fraudulent account opening by 70% having implemented Trust. And in terms of what is next, many things, but one of the things we are most excited about is to understand if GBG Trust can further benefit from the very large number of transactions going through our Location platforms.

Delivering sustainable value

So in summary, there are three key reasons that give confidence in our ability to deliver sustainable value.

- Firstly, GBG is a strong business in attractive markets with structural growth. If you take one thing away from this session, it is how excited I am to be leading GBG through this next phase of the journey.
- Secondly, while we have performed well in many areas of our business over the last few years, we recognise there is scope for us to improve execution, and we are on it.
- We are clear on our areas of focus, and we are encouraged to see momentum build as we make progress on those areas. As David highlighted, we saw an improvement in performance towards the end of FY 2024, and we have begun 2025, in line with our expectations.

Thank you for your time. I think it is now time for questions, which David has kindly helped to agree moderate today.

Q&A

David Ward: Okay. So as we move into questions, we will be taking questions just from the room. But please be aware, we are joined on the webcast by additional people. So please, when I come to you for your question, if you could just say your name and your institution you are representing. Lots of hands, which is excellent. Tintin we will come to you first.

Tintin Stormont (Deutsche Numis): Two questions for me. First, on Trust. Could you remind us of the business model? And is it still the case for you to join the network as it were, it has to be mandated that your key identity verification provider has to be GB Group. So providing some protection there from you guys.

And then secondly, in terms of the 20,000 accounts or 20,000 customers, are you able to talk through, for example, within that key global accounts and the approach you are taking in terms of the opportunity within those bigger customers that have global requirements. And the opportunity, for example, to take share from, for example, if they are taking multiple vendors or using multiple vendors, the opportunity to take more share from them.

Dev Dhiman: Yes, I will take those. Thank you, Tintin. Good questions.

So firstly, on Trust, the 600 data contributors that we have signed up, who have signed terms with us are GBG customers. So they are using our identity verification solutions and that is how they are contributing records to us. I think the data privacy terms is a really key thing to call out.

As Lara would attest, those are not simple things for us to get contracted. So it adds to the stickiness of the solution, if someone is prepared to share their data with us. And therefore, at the moment, we are working on the basis that they have a GBG solution in terms of the rest of processes that exists.

And then on the 20,000 customers, so yes, quite a lot for us to segment and we are working through it at the moment. An area we are seeing a real sweet spot in is cross-border e-commerce because as companies are scaling up their operations and growing rapidly, we are seeing a need to also enrich potentially global address with global identity. So we are currently working through, and actually it is a job that the high performers are working on next week when we have them together.

We are working through really segmenting that customer base to understand where we can cross-sell and sharing some standardised playbook. So customer looks like this. This is the playbook you should take to cross and upsell.

Charlie Brennan (Jefferies): I will just go with three questions, if I can. Firstly, Dev, you have given us some levers of optimism going forward. But can you just lay out the building blocks that are needed to get us back on to a double-digit growth trajectory or do you feel in a post-COVID environment, double-digit growth is a challenging ambition for you to have?

Secondly, you have talked about simplifying the technology stack and getting rid of some legacy products. Do we have to think about any revenue attrition as you work through that portfolio?

And then lastly, can I just come back on the working capital. It is not entirely clear to me what has happened. The accrued income is up £7 million. The constant currency growth in

Fraud is only £3 million. So it feels like it is a bigger issue than just fraud. And then you spoke about multiyear agreements in Fraud. Have you specifically gone through a strategy to shift people from one year to multiyear contracts? And is that what is driving the working capital?

David Ward: Yes. Why do not I go first, Dev, and then leave you to come in later.

So working through tech simplification is probably the first one to start with. I think as I covered and Dev alluded to as well, it was an area of focus for us over quite a number of years where we have done acquisitions, clearly, we have ended up with quite a big and broad technology portfolio. So it became an opportunity for us to be able to rationalise some of those activities and drive some savings.

That was a prioritisation debate. There were very few products that we have completely culled all investment into, but there are a few more where we have really rationalised it and being able to redeploy some of that into some of the things that Dev talked about that, frankly, at the moment, offer a bit more excitement for us, things like Trust and GO as examples.

So no, I do not really expect too much in terms of revenue impact moving forward. I think as I alluded to, well, actually the market is bringing us to a more converged Identity and Fraud position. So you should probably expect us over the next couple of years to move to probably reporting those two a bit more closely together as we are, frankly, combining our resources internally along those lines a bit more. So that is tech simplification.

Working capital. Sorry, that is still not clear, Charlie. Overall, there was a working capital outflow in the year. I mentioned that in my presentation. Three main elements to it, one of which, as you say, was to do with accrued revenue. Accrued revenue did increase in the year. The majority of that increase came through in the first half.

It was a bit more in the third quarter. And really, that represents the fact that particularly in Fraud, where the majority of our accrued revenue balance sits. We have had a strong cycle of renewals. We have always had some customers that have been on a multiyear arrangement. And under the revenue recognition standard, when those customers we knew, you get a revenue event. And sometimes the cash profile can be a bit different.

We are not seeing anything different in terms of trends and it has not been a significant push for us to move customers to multi-years, certainly not with a revenue event. Clearly, we do like multiyear arrangements with customers. It gives us security of revenue. But wherever possible, we do have stick with annual delivery of the software, which means that we still get the annual revenue event. So it has not been a significant push.

Clearly, it is a topic you are interested in, Charlie. So I think what I would say is, having had such a strong period for Fraud, I have talked about it being a bit of a leaner period through Q4 and the first half. So I think you could expect that dynamic to play into that accrued revenue balance moving into our new financial year.

And your final question, I did make a note of it, was optimism and growth trajectory. I know you did want to hear from Dev, but I am going to jump in first.

As I think we have been pretty clear today, Dev's four months in his new chair. I think we are asking for some level of patience as we work through. Dev's outlined his four pillars of growth. I think hopefully you have heard from both of us how excited we are about the opportunity. But our focus today really is to reiterate our guidance for the near term, which is the current year FY 2025.

Clearly, we both believe there is more opportunity than mid-single-digit growth. But I think bear with us while we work through those, and we will come back to you on what that picture might look like.

Kai Korschelt (Canaccord): Just another question on more specifically situation in the US and the expected growth acceleration here. Just wondering what will drive this from a secular perspective. It feels like sort of the start-up economy type dynamics probably are not going to be as buoyant as during COVID. There is probably a lot less white space opportunity, I would imagine. So I am just wondering how do you see that growth acceleration and what are the two or three key drivers? That was the first question.

The second one was around generative AI and sort of adjacent cybersecurity, but also fraud tech markets, obviously enabling fraudsters to come up with new ideas and new tools, new pathways. Just wondering how do you intend to leverage that from a sort of defensive perspective but also perhaps internally for efficiencies?

And then the third one was just around the RCF, David. I understand, I think there are scheduled amortisation payments. Can you accelerate those? So is there an opportunity to prepay faster to get those interest costs down?

Dev Dhiman: Maybe I will take Americas, and then you can come back to that last question and I will come back to GenAI. Do a bit ping-pong.

So on Americas, I think, really pleasingly, we are seeing an improvement. I think we talked about acceleration in the fourth quarter, and part of that was our Americas business returning to growth.

In terms of what will drive it? I think we talked about gaming as a big opportunity for us and the heritage we have there. But frankly, we have also got quite a bit more that we can take some of our longer standing American customers. So I talked about how we have rebuilt the go-to-market. We are reengaging with customers who may not have heard from us for longer than they should have. And we are taking to them some of the really great tools and things that we have not just developed in Americas, but also in EMEA, things like international data, and we are seeing a good pipeline for that at the moment. So high level of confidence that we will see growth continue.

David Ward: I will pick up the question on the revolving credit facility, the RCF. That is our debt tool that we have in place. So it is fully flexible. I am happy to share a bit more detail, we actually are able to make repayments and draw down at least twice a month, but it is fully flexible.

For example, cash generation post year-end, we have actually used to make some further repayments, but the chances are we may need to draw some of that back as we get towards the payment of the dividend. I mentioned earlier, that is going to be £10.6 million. So it is fully flexible. And we make use of it to obviously try and maximise working capital operations, but also minimise that interest charge.

Dev Dhiman: And then just coming back to the question around AI. So I think we have talked before about how we see AI generate more demand for solutions. Obviously, fraudsters taking AI and leveraging it in their techniques and we have, for many years, now used AI, machine learning in our capability. I think what we are thinking about differently is that firstly, when we talk about why our conviction on Trust is high, Trust is a proprietary asset so therefore, harder to be spoofed in terms of what is in there. So that is something we feel is AI-defensive. And that is why one of the reasons I am really excited given my background around what that could do for us.

I did talk in my section around being better amplifying what we do. I think there is a bit of a misconception around our use of AI in the business and how much more we are actually using it. I think we have got more than 120 software engineers using Copilot at the moment, and we have seen a 22% lift in productivity, for example, 94,500 lines of AI suggested codes accepted into production last month. There are some really good stats around AI that I am happy to take you through.

And then lastly, your point around internal efficiencies. So in two weeks, we will be launching a company-wide AI hackathon for everybody in the business to think about how they can become more efficient and more productive. Our legal teams are leading the way. We have just selected a legal AI tool that will help us red line more quickly and have a first pass, and we are on that journey towards driving productivity through AI.

Gautam Pillai (Peel Hunt): A couple of questions from my side. Can I start on a question regarding the competitive landscape? Over the course of last few years, we have seen quite a few VC and PE-backed startups come into the broader RegTech space. Are you seeing more price competition in any of you geographies and segments? And when you win and when the customer takes a solution, how much of that is on functionality versus price?

Secondly, on GBG GO. Do you see more appetite for a low-code no-code solution from your customer base who typically have gone for more broader implementations?

And last question on profitability. Can we touch upon the gross margin trajectory? Obviously, the gross margin has improved significantly in the second half versus the first half? Are those 2H levels now sustainable? And broadly on the OPEX cost base, is there more room for more operational efficiencies. And if there is, would that be returned into the P&L or reinvested in the platform?

David Ward: We will work backwards, I think, through that list. Good list. Thank you. So on OPEX, we talked about £10 million of savings that we had already identified and generated in the first half. I talked about the fact that we had found a few more million in the second half, which, at the moment, our plan is to redeploy those and we are busy doing just that.

Overall, when we think about the new financial year, inflation for us is still probably running at about mid-single digit, so £4 million to £5 million probably. But we probably expect a bit less than that increase in terms of OPEX and that is really the full year benefit of some of the initiatives that we had last year.

In terms of further to GO, that is actually not our focus at the moment. So our focus is, as you have heard from us that was our focus from last year. We actually expect a bit of a cleaner year this year in terms of exceptionals. So probably as we currently expect zero exceptionals. And our focus is much more as you have heard from Dev, we are still going to look to remove complexity, but that does not always mean cost savings and our focus is much more on growth. So that is OPEX.

Gross margin trajectory, yes, thank you for observing. It was better in the second half, so 71%. I think the first half was really the anomaly. We will always see some fluctuations from revenue mix across our segments and across our different products. So I think the right ballpark really for gross margin is just north of 70%, somewhere between 70%, 71% probably is about the right spot.

And I will just point out that, because I know your first question was around pricing. So before I hand over to Dev, I think there is a link there with gross margin actually. We have had quite a lot of questions over the last few years on pricing. I think just look at actually the gross margin. The gross margin has held up well, which shows that we are doing what we need to do on pricing. Maybe we need to do a better job in explaining what we have done. But actually, the financials have held up well.

Dev Dhiman: Yeah. And then just on GO, if I work backwards. So yes, we are seeing more demand for low-code, no-code. But beyond just the tech, I think it is what it delivers. So the fact that we can enable things more quickly for customers, they can grow with us as we deploy new innovation, people can take it up without necessarily needing to re-contract. If you think about the bit around being easier to do business with, you sign up for GO and you have the access to the full suite of GBG solutions, which is why I covered that we have taken a bit of a breath to broaden the range of it so that it can be even more effective in the long-term.

And then on competitive landscape, it is a really interesting question, actually. So if you think about your question around price versus functionality, I think we need to be clearer around telling you about our target segments. For people who just want a really quick age verification for 0.001p, we are not for them.

David uses an analogy of we do not all drive the same car. So different people need different things. And we are being clearer now around where our target market is something we will come back to when we probably update you next around some of what those personas look like and driving success with them.

David Ward: Good. I think just two more questions. Hopefully, everyone has got time to stay with us a bit longer. James, we will come to you next.

James Zaremba (Barclays): Three questions, please. So apologies, David, you may have answered this one. First one would be, what is your approach to appropriately monetise the differentiation you have in Identity via pricing?

The second would be what are some examples of the execution issues you are addressing in the Americas and what were the sources of these?

And then lastly, on performance culture. What initiatives have you embedded here?

David Ward: Should I go first?

Dev Dhiman: Yes.

David Ward: So James, your question, appropriate pricing in Identity is that.

James Zaremba: Well, I suppose, as in part of the strategy is about differentiation, and you are also saying that you have differentiation. So I guess what you are giving your sales force in terms of processes to make sure you are able to drive the appropriate pricing for the business.

David Ward: I think the first thing I will say, coming back to the comment Dev just made around the competitive positioning. All Identity solutions are not the same and all prices are not the same. So I think that is the first place you should start from. I think it is also fair to say that over the last 12 months or so, and there is a few people in the room that are very involved in this initiative, we have been really focused on actually what more we can do around advanced level pricing initiatives. And that is something that we will continue to push.

I feel there is a lot more we can do in that in terms of how we price, how we bundle. You have seen our increase in things like subscription revenue. I think there is a lot more to go after for us there. But those sorts of things take time to embed. And clearly, with 20,000 customers, there is quite a large pitch to cover. But I think, yeah, you should definitely think of that as an opportunity for us over the next few years.

Dev Dhiman: I echo that. So I think it is absolutely something we are on. We are building a team at the moment around strategic pricing and how we differentiate, especially where we have significant advantage. So something we are early on in the trial of.

On the Americas, so I think to kind of distil it to a couple, I would say, leadership visibility. So I think the team felt disconnected to the global HQ. I think we have addressed that very quickly. I think secondly, we talked about talent in the go-to-market team, not just the talent, but the size of the team. We have addressed that. We have made an investment into broadening the account management and new business side of the house. And we have also supported that with some of our experts from EMEA sharing best practice around gaming, for example, or international data.

And then thirdly, I would say we took our eye off a little bit on competitive landscape. And I think we have really dialled up our differentiators again, and we are seeing some good momentum. And those are not just differentiators we have in America. They are differentiators of our global business. So when we talk about gaming, yes, work with GBG because we work with everybody in EMEA and Australia. We have something to tell you about that market, whereas previously, we would have said, in America, we serve America. So that has been a real area of focus.

And then your third question around performance culture initiatives. So I talked a bit about how we've implemented a leadership programme designed around high performance, something that I have personally been through in the past in my career that is really accelerated my development. We have put 15 of our best and brightest onto that. And I said in my presentation, we are seeing a real shift in mindset and a change in language.

Next week, I am in Montenegro, with 60 of our best people from around the world who are either sales qualifiers or non-sales nominated by their colleagues, and that is driving momentum. That is something we used to do pre-COVID. It was probably the first thing I put back in place.

Prior to COVID, we had done it with about 20. We are taking 60 away now. Obviously, we are a larger business. And then just finally, just looking at just kind of spot incentives and performance incentives for teams to go beyond what is expected so giving back when they are giving us good reason to be positive.

David Ward: I think I will just comment on that point as well, James. I think if you get an opportunity to hang around for coffee afterwards, there are some of the team members. Hopefully, you will hear from them. It feels a bit different. Clearly, you have to get the timing right of these things. And clearly, it has been great that quarter four saw an improvement in our trajectory. And it has been the right time for us to be able to push ahead with some of these things. So I think the team will all echo that, hopefully.

Good. And last but certainly not least, Julian.

Julian Yates (Investec): Only two from me. Location and Identity. Firstly, Location, 7% growth for a couple of years, pretty good performance. As we look ahead to next, should not we see that accelerate? You are talking about volumes being weaker this past couple of years because of the macro, that should improve? Or conversely, do we see it not reaching those levels because you have done the price rises? You have had the low-hanging fruit in the new areas. Volumes remain weak, so actually we get a below trend performance. Just interested in your thoughts on that Location headline?

And second one, Identity. You speak to in the presentation, rapidly changing market needs. We have heard from the tech positioning you are doing to respond to that. Could you just talk a little bit more about the routes to market? You have mentioned account management. And it would just be interesting to hear a little bit more about how you are sort of really banging down on the routes to market to increase the revenue capture?

David Ward: I will take the first one. So yes, you are absolutely right. Location has had a really strong three years particularly when you consider the macro environment it has been operating in. We are not baking in an improvement in macro circumstances for Location in this current year. There are still sectors that our Location team working that are feeling a bit subdued, hence we are not baking in any improvement into those subsectors this year.

So the growth for this year will be somewhat similar to the year just finished we think, made up of pretty much the same initiatives that we had last year, so continuing to diversify into new market segments where the team have had some really good success.

Julian Yates: Could you just talk to price rises on that? How much have price rises helped Location and is that sustainable or is that a feature?

David Ward: Yes. You might remember that 18 months ago we talked about a bit more of a meaningful price increase put through by the team in Location, which the team navigated really well actually. We are probably more back to business as usual in terms of price increases now. So nothing significant or meaningful like we did then, but still continuing to push prices up in line with inflation where we are able to.

Dev Dhiman: And then on Identity to close this out. So I think current focus on our route to market is doing better with what we have. So we do have an enviable customer base, and we have spoken about how we are rebuilding the direct team in Americas, for example. But as our focus moves away from that and we are monitoring the results, we are now looking at the channel. And I do think there is an opportunity for us to do better around strategic channel partnerships, some of the bigger players in the industry and how we make a more meaningful relationship with them. We will need to resource that.

So it is one of the investment opportunities that we will be debating as a team, but that is something we are definitely looking at and I think it is something that could add to our growth.

David Ward: Good. I think that concludes the questions for today. Thank you very much for joining us. Just to reiterate the final messages. It was a year just closed that we were very pleased with the outcome. We feel it was a plan that we executed as we intended, and we are excited. As you have heard from Dev and I, today, we are excited about the opportunity ahead of us. Thank you very much for joining us.

Dev Dhiman: Thank you

[END OF TRANSCRIPT]