GB Group Plc
FY25 Half-Year Results

Tuesday, 19th November 2024

Operational Highlights

Dev Dhiman

CEO, GB Group

Welcome

Good morning, everyone, and thank you for joining us today via webcast. It is my pleasure to welcome you to our FY25 half year financial results presentation.

Agenda

Today, I am going to start the session by sharing some operational highlights and trading insights for the period. After that, I will hand over to David Ward, our Group CFO, to take us through the financial results and key metrics. I will then come back to share more on the initial focus areas, which I outlined in June, that have driven and will continue to drive our priorities in FY2025. Finally, we will then open up the floor for questions.

So let us get started.

Operational Highlights

A good first half – Identity built on the positive 4Q24 momentum

As you all know, the first half of our financial year coincided with:

- Continued uncertainties around the macroeconomic environment;
- Global elections; and
- Continued geopolitical instability.

Against that trading backdrop and still only a short amount of time since we underwent leadership change at GBG, I am pleased to be able to report that we were able to deliver improved revenue growth at 4.5% and strong profit growth of 21%.

The results we are announcing today reflect an awful lot of hard work from everybody at team GBG and are a testament to the talent and commitment we have in our business. We know there is more to do, but this is a good step forward.

A couple of quick highlights from me. Our top line growth in half one has been driven by good performance in Identity and Location, fuelled by an improving net retention rate and a continuation of new logo wins. The cost measures we introduced over the last few years, coupled with our continued cost discipline, has allowed us to translate this revenue growth into very strong operating profit for the half.

Beyond the numbers, I am particularly pleased with the progress we have made on the four focus areas, which we outlined back in June. These focus areas have been embraced by the team, and this has translated into the tangible results in terms of:

- Operational efficiencies;
- Product innovation;
- Customer centricity; and
- Team engagement, laying foundations for our future growth.

But more than the delivery of financial results, as a business, what we do matters and that is something I am tremendously proud of.

In the first half of the year, we have also continued to deliver impact, helping to power the digital economy. We have helped businesses onboard more good customers. We have helped them prevent fraud, and we have ensured first-time delivery right across the world. We have helped gaming customers navigate the peaks of Euro 2024, ensuring that on any given day, more than 200,000 of their consumers were able to transact online seamlessly.

And as we speak, our teams are gearing up for Black Friday and Cyber Monday, where we are prepared for more than 6,000 transactions to flow through our address verification platform every single second to support a global peak in online commerce. If you imagine a world where those things are not possible, it only serves to underscore our relevance as a business.

Segment performance

Growth in Identity & Location more than offset the anticipated decline in our smallest segment, Fraud

Let us turn now to look at the performance of our segments. David will shortly take us through the financial details, so I instead want to focus on the operational activity that underpin the results he will speak about. Let us start under the umbrella of how we help organisations trust their customers.

Identity

Our largest segment, Identity, grew 6% in the first half of the year, building on the momentum we achieved during the fourth quarter of the prior year. Growth in Identity was largely driven by improving performance in our EMEA and Americas regions, whilst our ANZ business continued to perform strongly.

In EMEA, our focus on modernising and expanding the coverage of our international data proposition, together with our unique multi-bureau offering, drove strong growth in key financial services customers, such as Remitly, capital.com, and we were able to win back MoneyGram.

In Americas, our investment in building out the account management team has helped improve customer retention, notably:

- We renewed our relationship with Square;
- We scaled our partnership with Boost Mobile; and
- We broadened the scope of what we do with MoneyLion.

We also saw increasing demand for our documents and biometrics capability, including an important project supporting the onboarding journey for Santander's UK banking app, as they seek to reduce the size of their branch network and achieve operational efficiencies.

And lastly, we have also seen success in some newer initiatives we are pursuing, some driven by market development, but others driven by new ways of working. Two examples that stand out. So firstly, how we have been able to help customers capitalise on market changes in Brazil and Peru, where online gaming is coming under regulation. We have helped deliver early wins with customers such as Rush Street Interactive and SuperBet, and help them support their safe expansion into LatAm.

Close to home, we have also had a much greater focus on cross-sell between our Location and Identity teams in EMEA, and that has resulted in new customer wins, notably with Asia's largest online marketplace, Temu, where we have supported growing cross-border activity.

Fraud

Turning now to Fraud, which is our smallest segment. As previously guided, revenue in this segment was down 9% year-over-year, primarily driven by timing differences in our customer license renewal cycles. Despite this headline, it has been encouraging that the team have continued to sign new customers in our focus markets, whilst also renewing, expanding and upgrading the existing customer relationships we hold with a very high quality customer base, as evidenced by JP Morgan Mobility Payments in Luxembourg and Bank BTPN in Indonesia.

On that basis, together with the forward visibility we have on the pipeline, we expect this segment will return to growth in the second half.

Location

Moving now to how GBG has helped organisations reach their customers wherever in the world they are. In Location, the team had another good half year, delivering 9% growth, following the trend they have set over the last three years. Growth was built on strong retention across our large and diverse customer base. For example, we were able to increase our share of wallet with brands such as Foot Locker.

We also supported customers whose businesses entered new markets and those who had a need for new products, such as our store locator offering. Primark, which has a new focus on America and the strategy for in-store returns, was a customer that fell into both of these buckets.

And growth was further boosted by new customer wins such as SharkNinja, a consumer electronics brand that is scaling globally and was impressed by the coverage that we enjoyed. Outside of our traditional direct sale channel, we also continue to drive increased partner activity with large partners such as Oracle, where we embed our technology, as well as smaller data distributors such as SmartyStreets.

Finally, the team have also built on the momentum they created last year in Asia, expanding our relationships with large cross-border e-commerce players such as SHEIN, across more licensed territories, as well as sealing a landmark new win with Temu, who we now support in 21 markets following an initial pilot for Germany.

As you can appreciate, the opportunity from a volume perspective with these customers is large, but the credibility we have established by working with brands like Temu is leading to more interest in our solution from others such as TikTok Shop.

With that, I will now hand you over to David to take you through the financial results.

Financial Results

David Ward

CFO, GB Group

Financial headlines

Delivered results in-line with expectations

Thank you, Dev. Hello, and good morning, everyone. Thank you for joining us. I will now take you through a more detailed review of the financial results for the six-month period to 30th September 2024, which I should start by confirming are in line with the trading update that we released five weeks ago.

This was a good first half for our financial year, where we continued to build on the positive revenue growth momentum and continue to benefit from the lasting positive impact of the cost saving and simplification initiatives from last year. We delivered revenue of £136.9 million, representing 4.5% constant currency growth. Dev has already mentioned why, as expected, Fraud recorded a decline in the period, but we were very pleased that our other two segments, Identity and Location, had a combined growth rate of 6.8% in constant currency.

Also, as expected, net revenue retention has continued to improve and is now back above 100%. I have a nice slide providing more detail on NRR for later in the presentation.

We delivered a 21% increase in adjusted operating profit to £29 million, and this was a result of the revenue growth, plus was strongly assisted by those cost saving initiatives that we implemented in the prior year.

And finally, the balance sheet continues to strengthen, and we reduced net debt by £9 million since the last year-end. Our net debt-to-EBITDA ratio is now only marginally above 1.

I can also confirm that trading since the period end has been in line with our expectations. And therefore, as a result of the strong start to our financial year, we are today reiterating our outlook for the full year.

Summary income statement

Cost discipline underpinned first half performance & FY25 outlook

Now let me provide you with an overview of the income statement. On a reported basis, revenue increased by 3.4% to £136.9 million. And in constant currency terms, that was an increase of 4.5%.

Our growth rate is not yet at the level that we know is possible, but we are making very good progress, and that is a reflection of the dedication and hard work of the whole GBG team.

Our gross profit margin improved by 40 basis points over the prior year as we continue to focus on pricing as well as disciplined management of our data and cloud hosting costs. As in prior years, we do expect our gross margin will be a bit higher in the second half of the year due to the relative revenue mix.

Adjusted operating expenses reduced by 1.4%, and that is obviously net of inflation, which has been running at between 4% and 5% for our business. This was as a result of the sharp focus on efficiency and simplification last year, where the benefits are continuing to flow. We continue to focus hard on preserving those efficiencies and not letting complexity creep back in.

Last year, we had a small charge for bad debts, or ECL, as they are now called, versus zero in the current period. Bringing that all together, that led to an adjusted operating profit of £29 million, which represents an increase over the prior half year of 21.3% and an adjusted operating profit margin of 21.2%.

As expected, our net finance costs decreased over the prior year as a result of the steadily reducing levels of net debt. There was very little impact actually from the reduced interest rates in the first half of the year. But obviously, that now will be a factor for the second half of the year after both the US and UK central banks have implemented two rate reductions.

And finally on tax. Our effective tax rate was only marginally higher than we would expect for the full year at 26.5%. As a result of the combination of the improved growth rate and the growth in adjusted operating profit, together with the reducing finance costs and the in-line tax charge, I am really pleased to be able to report that adjusted diluted earnings per share increased by more than 40% over the same period last year.

Revenue growth

Improving net revenue retention (NRR) is driving top-line growth

Across these next two slides, I have more detail and analysis to explain the key dynamics behind our revenue growth and that important improvement in momentum.

Firstly, this chart shows total Group revenue over the last three first half periods. And as you can see, our constant currency growth has progressed from minus 3.2% to plus 1.8%, and then pleasingly, a further improvement to 4.5% in the most recent period.

It is clear that the improving trend in NRR is fuelling the improving overall growth rate, with NRR having improved 530 basis points over the last 12 months to 100.2%. It is also pleasing to see that the proportion of our growth coming from new customer acquisition has remained strong at 3.8%.

As we have previously disclosed, the revenue recognition of our Fraud segment can and does occasionally cause some distortion in NRR due to the timing of license renewals and the associated revenue recognition. So we do also track this KPI just for the Identity and Location segments.

This additional chart shows the NRR improvement that we have driven, but this time, excluding the Fraud segment. You can see here just how steady the net revenue retention improvement curve has been since that low point of December 2022. Since that time, just over 18 months ago, NRR has improved 1,150 basis points.

You will remember from our previous commentary that the driver behind that drop in NRR during calendar year 2022 was predominantly the reduction in volumes or shrinkage for some of what were our largest Identity customers at the time. These were crypto exchanges, fintech businesses and those internet economy customers that really boomed during the pandemic.

In that period, we continued to show a lot of positive sales activity from our teams, but without this significant shrinkage would have driven solid top line growth. So as that shrinkage effect has subsided and faded into the comparatives, we are now able to more easily demonstrate the growth effects of our cross and upselling as well as the more recent proactive pricing initiatives.

And you have already heard from Dev about how we are now doubling down on these opportunities within our existing customer base.

In the last 12 months, specifically for Identity, where NRR has shown the most significant improvement, there are two areas of focus that I would like to highlight for you today. Firstly, upselling customers to our multi-bureau identity verification solution that provides enhanced match rates, and which in turn enables us to charge a higher price point per check, plus the introduction of our enhanced and best-in-class international data, which is facilitating us gaining a larger wallet share from some of our international customers as they deploy GBG Identity solutions in more of the geographic markets in which they operate.

Both of these initiatives have had a visibly positive impact on NRR. And for both of those opportunities, there is still plenty more runway for further growth.

Revenue diversification

> *Solutions delivered through a mix of commercial models, with diversity on a sector & geographic basis*

Here, we have three further charts on revenue dynamics. Firstly, we show the split of our revenue by type, which shows that the proportion of our revenue coming from the combination of our repeatable or reoccurring revenue streams, being our subscriptions and consumption, remains strong at 95% of the total.

And while there are no hugely significant moves in either of our sector or geography splits, in the six months to 30th September, we did see relative strength in financial services, and Dev has already mentioned some examples of key customer wins in this space earlier.

Plus, we are continuing to see growth driven by our focus on channel partners. That is in both Identity and in Location. Through the geographic lens, these same sector successes drove relative increases for our UK and Americas revenues. And just for the record, we did not see any increase in revenue from crypto exchanges, with revenue from this sector remaining at around 1% of the total Group revenue. And we are not forecasting that contribution to increase.

Operating expenses

> *Focus on simplicity & efficiency – driving margin improvement & underpinning confidence*

When I presented the income statement a few slides back, that was all on an adjusted basis. So here, I have a reconciliation of our operating expenses on a statutory or reported basis down to that adjusted basis.

Consistent with our presentation in previous periods, our adjusted measure excludes:

- Exceptional items;
- Amortisation of acquired intangible assets; and
- Share-based payments.

For the financial period we are reporting today, there are only two adjusting items with there being no exceptional charges to report. We have £17.4 million of amortisation on acquired intangible assets. That charge is lower than the prior year as we have some assets related to some of our acquisitions further back in time that have now become fully amortised.

And the share-based payment charge for the half year was £2.2 million. This was higher than the prior year as the prior period included some credits in respect of share option awards being under water, and therefore, not being expected to vest.

And then this chart shows the recent trend in those adjusted operating expenses. As you know, simplification and efficiency has been a big focus for us over the last couple of years. And this chart shows the progress we have made and the tight control we have over these costs. We have not only been able to achieve reported cost savings, but we have also completely mitigated the inflationary cost pressures in the macro environment.

As I said a moment ago, while most of the heavy lifting of the cost saving initiatives happened last year, we have maintained our focus on efficiency this year to ensure that the gains made are not lost and that we do not let complexity creep back into our operations.

We continually review our product and technology portfolio and ensure that investment is targeted to the areas where we feel there is the greatest commercial opportunity. While at the same time, we are also updating some of our operating systems and tools, including embedding more artificial intelligence to drive efficiency.

As a result of the progress we have made, Dev and I now feel confident to recycle some of the savings that we have realised into key focus areas that we feel will now ultimately drive faster growth for us in the future.

This has included some key product and technology initiatives as well as sales, marketing and enablement resources to boost our team in Americas. We do, therefore, expect our operating expenses to be a little bit higher in the second half of the year versus the first half, but this is all included within our expectations and outlook for the full year.

Group Balance Sheet

> *Balance sheet continues to strengthen, driven by focus on cash generation & debt repayment*

And then on to the balance sheet, and confirmation that our net debt has reduced by a further £9 million to £72 million at the period end. This was despite the payment of the final dividend in respect to the financial year 2024 of £10.6 million and the funding of our employee benefit trust for £1.6 million for the purchase of GBG shares that will one day be used to satisfy share option awards.

These impacts were somewhat mitigated by a £5 million translation effect of our US dollar-denominated debt that was converted to sterling for our 30th September balance sheet at a more favourable rate of 1.34 to the pound. Cash conversion for the first half of the year was 83.7%, which is a little lower than we would expect for the full year, with some of this due to the timing of bonus payments in respect to the prior year.

Our accrued revenue balance remained broadly flat when compared to the last year-end, and this reflected a slight reduction in the portion of the balance related to our Fraud segment, offset by an increase in the balance that relates to our channel partner business in Location.

The reduction in the deferred revenue balance relates to timing differences between the invoicing and usage of customers prepaying for consumption-based subscriptions as well as an FX translation impact.

Summary and FY25 Outlook

A good first half that binds confidence in positive growth momentum & the outlook for the full year

Before I hand back to Dev, I would just like to summarise the key messages of our first half results. We are pleased with our first half performance where those first signs of growth momentum that we saw in Q4 of the prior year have continued and accelerated, fuelled by that all important and encouraging increase in NRR.

Now that GBG is back to growth, we are clearly demonstrating our strong potential for operating leverage, with a 21% increase in adjusted operating profit and a 42% increase in adjusted diluted earnings per share. And the balance sheet continues to strengthen with our debt leverage now only just above 1 times EBITDA, and we still have what we expect to be a strongly cash-generative second half of the year in front of us.

Therefore, we are pleased to reiterate our outlook for FY25 where we expect to deliver mid-single-digit constant currency revenue growth and high single-digit growth in adjusted operating profit.

With that, now back to Dev.

Update on Initial Focus Areas

Dev Dhiman

CEO, GB Group

Delivering progress through four initial focus areas

Enabling GBG to build on its strong platform & accelerate growth

Thank you, David. Back in June, I talked about how GBG was a high quality business. I talked about how we have market-leading positions and strong financial fundamentals that give us the platform to grow it further.

I also shared my initial focus areas as CEO which will enable us to build on that platform and accelerate growth by capitalising on the opportunities we have ahead. We are on the right path, and I think we have made good progress in a short space of time, but we are really clear about what we want to deliver in the second half of the year and beyond.

Firstly, a quick refresher on the four initial focus areas I spoke about in June. I spoke about how GBG needed to remove complexity. I felt that our complexity had become a speed bump and it was important that we become easier to engage with. I spoke about needing to be globally aligned. Our three core geographies were developing in a similar manner and we needed to better leverage our size and scale as the market leader.

I talked about driving innovation at pace using what we have, but also investing in things that will grow our competitive moat further.

And lastly, I talked about high performance, improving our execution, in particular, in the Americas, but also just more generally being more front-footed in how we position ourselves competitively.

Removing complexity

Becoming easier to engage with for all stakeholders

As I have already shared, there has been a lot going on and I could talk for hours about the initiatives that we have got underway, but also those that we are turning our attention to next. But in the spirit of simplicity and in keeping with the time I have got, I am going to focus in on just a couple of things that have resonated with me, to give you a flavour of what has been going on under each pillar. I am happy to pick up questions around any other points during the Q&A.

One of the key things we have done when it comes to removing complexity is to simplify our paperwork. We have taken steps to reduce the number of agreements that customers need to sign as they grow their relationship with GBG. It is particularly pertinent for me because when I joined the business back in 2020, I recall seeing how our customers in Australia, where we operate all three of our business segments would have to sign separate contracts for each of our solutions, often with a different and sometimes with a legacy brand name on each piece of paper.

We work to get that down to a single agreement there, and now we are applying that same principle on a global scale. Thanks to great work by our legal and privacy teams today, a new customer of GBG can sign just one legal contract which contains the relevant terms for all products globally. That is truly a simpler way of doing business with us.

And what is more, this streamlined experience accelerates the sales cycle. It drives upsell, drives cross-sell, and it is also forcing our teams to work together more closely and collaborate.

Whilst we will keep driving home the things we kicked off in H1, in the second half we are also going to be focusing here on the consumption experience, essentially making it much easier for customers to discover and try our products as well as making it quicker for them to get value from our solutions.

In Location, the team are focused on integrations to e-commerce marketplaces, such as WooCommerce and Shopify, that would make us the number one choice for developers looking to adopt address verification capability.

In Identity, the launch of GBG GO will be game-changing. It will not only drastically simplify the user experience, but will also help customers improve their onboarding by suggesting additional GBG capability that would address any gaps in their workflow.

These recommendations essentially hardwire the pedigree and experience we have built over many years into our tech, making it available to customers at the click of a button. And remember, they will already have signed an agreement, that means the upsell journey is far simpler administratively.

I saw the beta release of GO a couple of weeks ago and I was really impressed with the progress that we have made since I last updated you on our plans in June.

Being globally aligned

Leveraging our size & scale as the market leader

Since I have taken up the role as CEO, I have continued to stress to our teams the importance of being globally aligned. Leveraging our size and scale is one thing, but this is also about our culture.

When I spoke back in June about the need for an elevator pitch, it may have seemed trivial, but launching it in our business has really helped our teams to understand how they fit together in a single global business. And that togetherness has been shown in the way we have seen collaboration across sales teams, the best example being our Identity and Location teams in EMEA.

In a short space of time, we have not only built clear customer use cases where our capabilities can combine well, but we have also converted some material new business wins, the largest being Temu, who we now support in terms of their Location needs, but also their Identity needs. And these wins are in turn creating more belief in the opportunity and helping to build the pipeline further.

I've also been really pleased to see the team take the initiative and experiment with new ways of working, trying things like talent swaps, where a salesperson from each segment has been assigned full time to sit within the other team to educate colleagues on the proposition, support sales conversations and to help build a repeatable formula.

The increased collaboration we are seeing and the buy in to being a single global business has given me a great deal of encouragement to go a step further. Over the second half of this year, our marketing teams will start the planning process as we move away from fragmented local brands, of which we have at least five, and finally embrace the power of GBG as the brand for our Identity, Fraud business.

As we have already seen with Loqate, focusing in on one brand will deliver commercial benefits in terms of marketing ROI and brand recognition. We have already put a spade in the ground with the acquisition of the domain, GBG.com, in the summer, which is a far stronger international go-to-market landing page. And I am confident based on the conversations I have had with my colleagues, but also with customers, that this will be a welcome step and will help all stakeholders to understand our global value much more quickly.

Differentiating through innovation

Retaining market leadership by growing competitive moat

Let us move on now to how we are driving innovation, using our smarts to stand out from the competition. And here, I am going to stay focused on our Identity segment. Let me start by giving you an update on GBG Trust, our proprietary Identity network, which is based on the contribution of verification data from our customer base.

In the first half, we have continued to build out the network and we expect to pass 100 million records in the next few months. The network now also includes document verification data. We have continued to grow the number of contributing customers. We are now up to 762.

Our network growth has also increased the value that the solution can deliver as we are now matching 56% of customer records against it. That is 21% higher than a year ago. Put simply, this means that more than half of new verification requests from users include data points that we have seen before, which gives our customers greater confidence in building trust with consumers or detecting bad actors.

Beyond network stats, we continue to collect great customer feedback. A large UK gaming operator shared insights on how strongly the Trust Score is correlating to bad actors that they are seeing coming through their business. A Canadian gaming customer highlighted how Trust not only helped improve their match rate by 9%, but it allowed them to prevent a $68,000 fraud attack.

And a remittance customer showed recently through a PoC that they were seeing a 9.5 times ROI by deploying Trust in their onboarding journey. As we look ahead, we are now getting much more focused on converting pipeline opportunities.

In terms of where our focus is for the second half, I have already spoken about my excitement on GBG GO. Clearly, that is about how we simplify the consumption experience, but it is also a big part of our innovation agenda. I am pleased with the beta release that we launched in September. I am even more pleased that we have got 10 customers participating in our early adopter programme.

But here, I wanted to spend a moment talking about something slightly different, essentially about how we are building out our data insights capability, something that we are going to move to production in the second half. Earlier this year, we pulled together a team of some of our best data scientists and data engineers to help solve the problem: how can we get much more insight into how our customers are using our products, and crucially, how can we spotlight where they can be using them more effectively?

Based on the progress we have made in the year-to-date, we will soon be able to address this challenge. We will be able to share data back with customers, which will also benchmark them against their industry peer group on an anonymised basis. We can then take action to assist our customers in fine-tuning their journey, their rules, or recommend additional GBG capability that would deliver strong ROI in the form of higher onboarding rates and/or lower fraud.

Our account management teams will also have access to the same information, and so, they can be much more proactive in addressing customer performance issues.

And lastly, we should be able to innovate far more quickly as the things that we are learning through these insights can then be baked into and prioritised in our product road maps.

Data science has always been a key focus for me throughout my career, and I am really excited about the potential it can bring to our customers at GBG.

Driving high performance

Shaping a culture with an increased focused on winning

Lastly, let us talk about high performance. Back in June, we described our vision for how we wanted to change the tone and the collective mindset at GBG to have an increased focus on winning. And we have seen proof points already on how that is driving our performance improvement.

Our core focus when it comes to addressing performance in the year-to-date has really been our Americas Identity business. I am encouraged by the progress we have delivered in stabilising our performance there, but we also know that we have a lot more to do to get to the growth levels which we aspire to and are capable of.

We talked earlier about how the Americas contributed to the improved growth rate in our Identity segment. But what we did not describe were some of the changes we have had to make along the way and they have probably been more significant than I anticipated back in June.

We knew back in June that we needed to focus on rebuilding our account management team. We were not close enough to our customers and we needed to focus on driving NRR improvements. What we probably did know back then was the size of the task around unifying the culture, both within the Americas as well as their perspective of being part of a larger global business. It is fair to say we have had to make more changes to team composition than we probably previously envisioned. Around a third of the team in Americas have joined our business in the last 12 months and it is important to note that context when we think about our performance in the market.

The significant time I have spent in the US this year, though, has given me conviction, it remains our largest opportunity. And whilst we are better off than when we compare ourselves to 12 months ago, we have more work to do to capitalise on that opportunity. And we are on it.

In the second half, we are going to strengthen our fundamentals further and evolve the business as it enters the next phase of its turnaround.

So what does that look like? We will continue to need to focus on attracting quality talent at all levels of the organisation as well as promoting the great talent we have in our business. We know the GBG opportunity is an attractive one based on the people we have spoken to over the year-to-date.

As we continue to shift to a globally aligned operating model, I also expect that more of our global Identity leadership team will be based in the US to help support our execution in that market.

And finally, the focus areas I have already talked about, GBG GO, the unified GBG brand, our data insights capability, should all have the greatest impact in the Americas and really help drive the improvement we need to see.

Delivering sustainable value

> *Confident that the progress being delivered will help GBG fulfil its significant long-term potential*

So putting all of that together, what will our focus on those areas help to drive? Well, I believe that continued successful execution against our priorities will build a culture that differentiates us and one that is global in keeping with our market position.

It will ensure that our solutions are seen as market-leading because they deliver the best results for customers. We have dialled up our innovation and we have seen the results in customer wins and win backs, and now we need to amplify our messaging.

It will solidify our position as the market leader, but also as a brand that is understood in our industry. And clearly, this will be much easier when we focus in on just one brand. It will also increase the pace of our execution, driving more urgency in how we respond to the challenge and the opportunity ahead. We are seeing some of this already come through our first half results, but we know there is more benefit to come and we are staying focused on delivering on that.

With that, I would now like to open the floor to questions, which David has kindly agreed to moderate.

Q&A

Tintin Stormont (Deutsche Numis): Couple of questions from me. First, on the Americas. Obviously, Dev, you have talked about, obviously, you have seen improved customer retention there. But obviously, there is more to do. Could you give us a sense of what percent of Identity is Americas? And how far was it from the 6% Identity growth overall, and therefore, getting that back on track or closer to EMEA and ANZ, giving us a sense of what that opportunity looks like?

Then secondly, on Temu. Could you just give us a bit more colour? You have obviously talked about this being a great cross-sell for both Location and Identity. But just in terms of how competitive it was, why they chose you in terms of potential upside in terms of rolling out more capability with them?

Dev Dhiman: Sure. Do you want to take the Americas question?

David Ward: Good morning, Tintin. Thanks for the questions. I will take the first one on Americas, and then I will let Dev come in on the customer question.

On Americas, yes, as you know, Americas is our largest Identity segment, represents about 40% of Identity revenue. We do not disclose specific performance for any of the geographies. But what I can say is that we were very pleased. As you heard from the presentation, we were very pleased that Identity in Americas did show year-on-year improvement, putting back into positive territory, but only just.

So again, as we said in the presentation, we do think there is further to go, further improvement possible, but it is really pleasing to see that it is back into positive growth territory. Dev?

Dev Dhiman: Yes. So on Temu. Tintin, morning. Yes, as you said, really positive, great win for us. The relationship with Temu started back in April where our focus on cross-border China e-commerce players paid off with them committing to test us in Germany. They were impressed by what they saw. They saw a significant improvement. They were previously using Google. They saw an improvement in their match rates, and therefore then moved on to putting us into production.

Since then, we have signed up for another 20 markets. So we are helping them in another 20 markets, which we are now starting to see translate into usage. But what was also really pleasing and slightly different is that, in August, we then expanded our relationship into Identity. So the use case was really clearly some of the goods to move shipping need age verification, and they chose us for that.

And the reason, again, they chose us was similar to why they chose us in Location, the international pedigree that we bring and the fact that we can provide them coverage over multiple markets that nobody else can do.

Nick Dempsey (Barclays): I have got three questions. First of all, are there any areas where regime change in the US could be positive or negative for your business? Topical one.

Second question, so the 83.7% EBITDA cash conversion. I know you have explained some of the timing issues there. But how likely is it that you might be able to climb your way into the 90% to 95% range this year? I guess, more importantly, how confident are you that you can hit that range next year in FY2026?

Last question, in Fraud, I wonder if you can give an indication of whether FY2026 will be a normal year in terms of the renewal cycle or better or worse than normal?

David Ward: Thank you for the three-part question. I think I will have a go all about those and then see if Dev wants to add anything. I might actually take them in reverse order.

Fraud. Yes, as we said in the presentation, Fraud in the first half did see a decline. That was expected and that was as a result of just having fewer longer term renewals scheduled and slated for that period. Actually, the business still performed reasonably well underlying that. Just a reminder that within the Fraud segment that we report, there are actually tow businesses, one of which the performance remained pretty robust, and the other one is the one where we sell software licenses that are on-premise. They give a point-in-time revenue recognition.

And as we guided at the start of this year, that always have a tough comparative in this first half. We do expect that business to return to growth in the second half. And at this stage, there is no reason to think that it would not return to its more normal longer term growth rate beyond this year.

Actually, if you remember results a few months ago, back in the summer when we reported the full year results, the Fraud business across the last three years has had a CAGR of 15% growth. So a slightly slower year this year is going to only marginally make a dent in that. It is still going to be a double-digit growth business and that is really how we think about it. So that is Fraud.

Cash conversion, yes, you are right to highlight cash conversion was bit lower in the first half. We do report it on a rolling 12-month basis. So it was 83.7% to the end of September. That is a bit lower than we would expect. But there is a couple of things that can cause timing differences within that calculation. The first of which is the timing of bonuses and the scale of bonuses and incentives that we generally pay in the first half of the year, but actually reflects performance across the previous full financial year. So that can cause a bit of a dip.

To provide a bit of comfort, we do expect that cash conversion to improve through the second half. So by the time we get to the year-end and report the rolling 12-month basis, it should be a bit bigger. And actually, just to provide a little fact point behind that, cash conversion to the end of September just for the year-to-date was a bit higher. That was close to 85%. And by the end of October, actually we were already north of 90%.

And then the final part of the question, regime change. Obviously, it has been a period of uncertainty, and Dev referenced it in the presentation. It has been a period of uncertainty for us and lots of businesses with both change in the UK and in the US.

I think actually stability and some decisions is probably overall going to be slightly positive for us. I cannot think of anything specific that we can point to at the moment that we are either concerned about or feeling pretty positive about. We have had some questions from investors about what does it mean for crypto. So I will deal with that.

Obviously, as you know, we have had some positive times with crypto a few years ago. At the moment, crypto currency exchange revenue for us is still only about 1% of total Group and that really has not changed for about two years now. It has been pretty consistent at that level. So certainly, we are not expecting or baking into any forecast, any pickup there. So we are largely basing our outlook on more at the same.

Dev Dhiman: Yes. And I will just add a couple of things on that last point that if that were to change, particularly we would think about disclosure a bit differently having lived through that period. And in terms of talking to US colleagues and customers, there is definitely positivity in terms of sentiment and feeling, but we are not really seeing that change trading at the moment.

Andrew Ripper (Panmure Liberum): I have got three. The main one I wanted to ask was about the NRR and the drivers that you mentioned, Dev, I think in terms of upselling the push on multi-bureau and also you were talking about international data. Can you contextualise those in terms of how much further they may have to go? Maybe give us an indication of what proportion of Identity customers are multi-bureau today and where that could go? And then on the international data point, I did not quite get the relevance of that. Can you maybe bring it to life for us a bit better? And then I have got a follow-up after that.

David Ward: Good morning, Andrew. I appreciate the comments on our cleanliness, always good. I think just on your questions on NRR, I guess the first thing I would say, and I will hand over to Dev in a moment to add bit more commercial colour to it. But just from a financial perspective, clearly, our improvement in NRR is made up of quite a number of different factors. I highlighted a couple in the presentation and I think Dev did as well.

But actually, we are actually coming at that from a number of different angles. Clearly, there is upselling for things like multi-bureau and international data, which I will come back to. But also, we are seeing some improvement from things like increased pricing discipline. That is also helping. This is where within these numbers, eventually we would expect to see some level of impact from things like GBG Trust and GO, which as you know we are still in early phases at the moment. But that is where you would see them. We do not intend to report them separately and nor would that make any sense really they will drive increased consumption.

So I think it is a number that we see good potential for further improvement in NRR. Specifically, on multi-bureau, actually, we have seen good penetration. It has been something we have been pleased with. But clearly, there is a lot more to go after. And specifically, more recently, it is an offering we have launched in the US. So there is a bit more opportunity in the US, definitely.

And on international data, I guess the point we were saying is it has been a real focus for us. It is a real strong point for us in the market that we are particularly strong with customers who have an international customer base. And so it has been a real focus over the last couple of years to improve that data quality.

And as a result of that, we have been much more competitive with those customers. And not only have we retained and expanded use with some, I think Dev referenced even a win back as well of a key customer. So hopefully, that clarifies what we are talking about in international data.

Dev Dhiman: Yes. Andrew, thanks for the question. I think the high level, simplest way to put it is more data equals a better decision, as David talked about. And so I will start with multi-bureau actually. So in the UK, we are the only provider that has access to all three credit bureaus, which means that as we think about matching customers, we can offer our customers the best possible match rate which means that they can onboard more customers and reject more fraudulent activity. And again, the selling point to customers is more data, better decisions.

On international, a slightly more interesting use case. So if I take someone like Remitly that I talked about in the section earlier, Remitly are really interested to see the performance of our business by market and they will often use different providers for France versus Germany versus Spain to get whatever gives them the best possible match rate. What we have really put a focus on in the last six months is getting clearer on our performance by market, assessing areas where more data in a specific market would give us a lift and then putting that into production with customers.

So what we are now seeing is that our match rates in most of the countries that customers care about, are really, really strong. And we have opportunities to strengthen those, both in terms of more data, but also in terms of modernising the platform to make it easier for customers to draw down on that data. Hopefully, that one makes sense.

Andrew Ripper: Then I just wanted to come back to Americas. Just in terms of the extensive change there. Obviously, you appointed a new MD, I think, for the region at the beginning of the year. Dev, I think in your commentary, you mentioned a third of the team was it, have joined in the last 12 months or so? I was not sure whether you were talking about the whole of the Americas or just the account management function? What is your sense of the momentum within the business post these changes? I mean, you have a very settled proposition now and you have got good momentum going into the new calendar year. How do you expect things to evolve from here?

Dev Dhiman: Yes. I think just to clarify the comment that I made around a third of the team being new, implies the entire Americas Identity, Fraud team. So quite a significant number. We are talking about 50-ish people that are new to the business. And to put some context around it. I think in that context, I guess the performance maybe looks a bit more resilient, that we have described already.

I think a couple of points to make. One is where we have had a more stable team, so EMEA, we can see that the operational improvements have driven a stronger growth rate. So I guess our thesis is, with a more stable, solid team, we should see some of those operational improvements driving increased momentum.

Just to be clear, though, despite those changes, we still pushed up with a number of things. So we talked about rebuilding the account management team. We have launched salesforce.com into that business. We now have a single CRM, which is driving increased pipeline visibility, and we have launched a pricing initiative that I am sure David will talk about in more detail.

From a product standpoint, we have launched international data into that, on your last question, and we see a huge amount more opportunity. And from a sector perspective, we are getting focused on gaming and how we share best practice there. But undoubtedly, with a stronger, more stable team, some of these operational improvements we expect will have an increased performance lift.

Andrew Ripper: Then just lastly, very briefly. Just wonder if you can be a bit more specific about what you expect cost growth to be year-on-year in H2, please?

David Ward: Yes. I am not sure we can do that today, Andrew. As I said in the presentation, I think we do expect some increase in costs across the second half versus the first half. That is really representing some of the areas where we have been and will continue to recycle some of those savings we made. So it does largely depend on the speed of delivery of those. But obviously, as I did say in the presentation, that is all included within our outlook for this year. So that outlook of high single-digit growth in adjusted operating profit would include that.

Charles Brennan (Jefferies): Just three questions from me. Firstly, Dev, you have talked about higher ambition levels and the scope to do better. Can you actually quantify what good looks like? What are your longer term growth ambitions for GB as we stand today?

And then two follow-up number questions. Firstly, a clarification. David, did you say that gross margins may soften slightly in the second half of the year due to business mix? If that is the case, I thought you had a 70% to 71% gross margin aspiration. Does that imply pricing pressure in the market or anything like that that we should be aware of?

And then lastly, just on accrued income. You called out the two component parts of point-in-time revenue recognition and the revenues coming through your partner channel. Is there any way of stripping out the contribution from the point-in-time revenue recognition? I think most people will feel like pulled forward revenue recognition is something that we should be aware of?

David Ward: Good morning, Charlie. Thanks for your questions. So I will deal with the middle of your three because it is the easiest one to deal with.

Now, I think you misheard me, or I was not clear. We expect gross margin in the second half to be slightly higher than the first half, but the extent to which it is higher will just depend on the revenue mix. So hopefully that takes away any concerns you may have. And actually on pricing specifically, we have been making some really proactive moves on pricing, which at this stage are still relatively making a small contribution to both margin and NRR, but actually really quite encouraging the progress we have made there.

On accrued income, thank you for the question. Somewhat expected you would ask a question on accrued income. I think we said last year that there was some increase in accrued income related to the point in time license recognition for Fraud. As I said, it is really just one part of the Fraud segment. And most of the customers of that, we recognise revenue annually. It is still point in time at the point of renewal, but there are some customers where we recognise and actually have an agreement with those customers that spans multi years.

And so, the revenue recognition standard does require us to recognise that upfront, and that goes into accrued revenue to the extent we are not yet able to bill it. So a pretty standard accounting treatment. We did have some benefit from that last year. And as I said, this year we are getting much less benefit from it, although there is always a cycle of customers on a renewal.

So it is not easy for you to actually quantify it, not from the numbers. But I think you have made an estimate in your note of a couple of million last year, which is probably not too far wrong.

Then I will hand over to Dev for a comment on the first question.

Dev Dhiman: Thanks, Charlie. So I think you made a good point and a good question. The drive in the business needs to be for us to look forwards and not look backwards and to raise our own ambition collectively. You asked if we could quantify. It is difficult to quantify, but maybe I will give you a couple of anecdotes that spring to mind from our location business. These are probably things that a year ago we probably would not have backed ourselves on.

But in the last six months, we have signed an agreement with the largest super app in Southeast Asia to partner around how we can bring more location intelligence collectively to that region. That company is called Grab. It is effectively the Uber equivalent of Southeast Asia and has access to the largest consumer market in Asia. And we are really excited about what we might be able to do with them.

Secondly, we have made good progress with one of the Magnificent 7, where again a year ago we probably would not have backed ourselves to be quite so front footed in our competitive positioning. We did not do this in the first half, but I am delighted to say that in just after the first half, we managed to close out an agreement with them, again to displace themselves in terms of their location capability.

In terms of how that plays into the longer term ambition, I think hopefully you are getting a sense that my ambition is just that ambitious. And my ambition is for us to accelerate our growth. Where that gets to? Still probably too early to say. We talked just recently about uncertainty in the broader macro market, and we are still forming our view of that. But inevitably, it means an acceleration.

Charles Brennan: Can I just ask a clarification on the accrued income? David, you said there is no way of us externally being able to work out the component parts. But does any of your partner business go through the non-current accrued income line? Or can we assume that the non-current is all pulled forward revenue from multiyear deals?

David Ward: I think it would be fair to say it probably is correct, that piece. But I would say the first assertion is wrong in that, actually, it is a detailed point around some of how the relationships and commercial arrangements with our location channel partners work. But there will be an element of that in there, but the majority of it will be related to the fraud business, that is true.

Charles Brennan: I was going to say my last question on this. If we have got accrued income growing every year, is there any impact that we have to bear in mind for cash conversion going forward?

David Ward: I guess the first thing I would say, Charlie, is I think there was very little growth in accrued income in the first half of this year. That was, as we said it was going to be. The extent that it did grow was related to some super channel partners of the location business. In fact, it has been fantastically successful actually, and there is been some tremendous names in there, for example, IBM and Oracle, where we are really extending our relationship with those customers. And just the commercial arrangement with them means that accrued income increases slightly. So I am not going to apologise for that. That is a fantastic commercial win by the team.

But it is something we are watching, and I do not necessarily think it was the bit I think you are concerned about, which is the multiyear license piece. I am not expecting that to increase. And as we said, we are probably at some level of peak over the renewal cycles and I probably expect it to moderate slightly, although, it is quite difficult to predict.

I think we probably should move on Charlie. I appreciate the questions.

Kai Korschelt (Canaccord): Just a couple of questions from me. And I think the first one, just to follow up on the previous one around the long-term growth potential. Obviously, great to see you guys return to what seems to be a sustainable growth rate. I am just wondering what do you see as the main inhibitor to the faster growth? So I am thinking maybe high single-digits or low teens. I mean is it pricing, is it activity levels, volumes or competitive pressure? I am just trying to get a feel for, I guess, needs to happen or what we should look for to see growth accelerate? I am thinking more next year rather than short-term, perhaps.

And then the second one was just around the M&A versus organic growth. You have deleveraged successfully now. I am just wondering, is there any appetite at some point to reengage with M&A or having to deal with some of the complexity and sorting that out as a consequence of prior M&A, do you perhaps feel organic growth is the way to go?

David Ward: Yes. Good morning, Kai. Thanks for your questions. I will pick up both of those and then see if Dev wants to add anything.

On long-term growth, I think, Dev talked about some of the initiatives that we have got running. We are pretty excited about the opportunity they will give us to accelerate growth. I think if you stand back from a big picture, the elements that we think should give us confidence for why growth potential should be higher than the 4.5% constant currency growth we reported in the first half.

Firstly, we have talked a bit about Americas. Americas is not yet at full potential. I said in the answer to an earlier question, it probably is back in positive territory about just. So I think that clearly could make more of a contribution.

We have also talked a bit about Fraud. Fraud being a decline in this period is clearly not what we would expect across a longer-term horizon. So those are two things that we expect to change. I think the third one, big picture is macro. It continues to be a period of uncertainty, and it continues to be a period where at least some of our sectors that are focused more on the consumer, continue to be pretty challenged.

So I think those elements for us give us confidence that there is a higher growth rate out there for us. But as Dev said, I think we prefer to stay focused on all of these initiatives and come back to you, hopefully not before too long, but come back to you with a bit of a clearer picture as to the building blocks behind future growth.

On M&A, firstly, just to recognise the point you made, which is leverage is improving. We are only just now slightly north of 1 times EBITDA. And clearly, by the end of the year, we would expect to be somewhere below 1 times. I think that gives us a lot of flexibility. But I think the first thing I would say as you have heard from us today, we are very focused on the exciting organic opportunities ahead of us.

I think if we think longer term, then it is a market in which M&A does probably represent an inorganic opportunity for us, but it is not really a short-term focus for us right now and probably expect us to talk a little bit more about that maybe next year, at least about how we think about it.

Julian Yates (Investec): A couple of quick ones hopefully. North America. Can you tell us a little bit what your customers are saying? We have heard about internally what is going on. A lot of change, obviously. What are your customers saying to that? What has attrition been like within the install base and the volumes in the install base? I am trying to understand if you have gone through a pretty difficult period and now stability, you snap back quite quickly as that headwind subsides and the new wins you can see really coming through on the face of it, or if that environment continues maybe in terms of that customer focus?

Investments, R&D, trying to understand, do we need to prepare ourselves for a step-up in R&D next year, year ahead? It is a fast-moving backdrop. You have alluded to some sensible innovations you are pushing through. Are you happy with where the R&D place is now past your simplification and the incremental steps from there, or will there be a requirement for a step-up at some stage?

David Ward: Thanks, Julian, and good morning. I think I am going to have a go at the investment question first, and then I will hand over to Dev, you may want to make a comment on that and then move on to the customer question.

So on R&D, it is an area that if you remember, we did probably take our closest look at this last year. And that was really quite a significant reprioritisation review. So we did quite a lot of work. We closed out some projects that had reached where they needed to get to. We have redirected resource to some of the projects that we thought were more important for us and actually continue to do so. So we are very pleased with the decisions we took there.

So I think we are in a pretty good spot actually. I think we feel we are investing at about the right level. There are always things that will churn into projects and out of projects. And I think that is one of the things that when we talk about cost discipline and efficiency is one of the areas we continue to stay focused on.

The projects are just that. A project starts and finishes and then that frees up resource to move on to the next project. So I think at the moment, we are okay. We are certainly not signposting a step-up in spend for next year.

And obviously, to the extent that we get a bit more operating leverage back into the business and to the financial profile, then again that gives us more flexibility for decisions into the future.

Dev Dhiman: Then turning to Americas. It has been, I think now seven or eight trips out there since I took the role. So I think I have got a pretty good handle on customer sentiment. I think I should start by saying Americas is clearly a very competitive market. And so we have got to earn the right to win. I feel good about where we are versus 12 months ago. But as I said, I think we have got a lot more we can achieve before we are at the levels that we both aspire to and are capable of.

I think some of the things that are coming through and there is a question about attrition, maybe David, you can talk about NRR specific to Americas. But one of the things that we are finding from customers there is that we have not really done the best job of explaining to them the benefit of the global proposition.

And so quite often, once they have unwound the complexity that we have created, they can see far more beneficial ways for them to work with us. So we talked about moving to a single global brand. That means we will no longer go-to-market in Americas as Idology, we will be GBG, and I think we will see some increased opportunity off the back of that.

I think the other point I would say is we have just been much more focused on getting closer to customers to understand them. So I feel much better about where we are at today because it is based off data points around how customers are using us and plan to use us and what is happening in their businesses. So hopefully that gives you a bit of colour.

Julian Yates: Do you feel that you are losing share, in the sense that talking to your customers, are they going elsewhere. But that sort of the sentiment, do you feel that that has been the case and you are winning the battle there?

Dev Dhiman: No, I think what we have seen in the period that we are describing here is probably ups and downs in customers, but not in terms of customer count. We have been pretty steady and stable, and that is coming through some of the NRR analysis that we are seeing.

David Ward: Yes. I think just specific on the attrition and NRR stats. Julian, just one final comment. Just specifically on the attrition and NRR stats, we are not really seeing anything different in the US than we have seen elsewhere. But I will say in terms of the trends, it is just lagging a bit behind the improvement that we have seen in EMEA. So NRR for the Americas business, we do not quote that but I can say that it is just lagging further behind, but actually, we can see where and what we need to do to get it back to the levels that we are seeing elsewhere in the business.

Gautam Pillai (Peel Hunt): Quick two questions. First on the NRR specifically. Great to see the improvement. And you do mention that Identity and Location combined NRR will be close to 1% or 3%. So is it fair to assume that once the fraud growth normalises, you are already close to the 1% or 5% seen historically? And what is the upside scenario in this metric over the long-term, please?

And the related question to that would be, can you give us an update on the mix of revenues between subscriptions and transaction linked currently?

David Ward: Good morning, Gautam. Thanks for your question. So NRR, yes, as I said in the presentation actually, Fraud, just because of the dynamics of it, being point in time recognition or at least some of the businesses, it probably does not lend itself very well to the NRR KPI. And probably if we had our time again, maybe we would not include that. I think NRR as a KPI makes a lot more sense for the Location and Identity businesses.

So you are absolutely correct, stronger NRR recovery for Identity and Location, 102.6%. I still think there is strong potential for that to continue to improve. Dev and I both talked about Americas, but we have also got lots of other initiatives, including pricing that are ongoing, that I think can continue to contribute to that. So we are certainly not content with where that is and we are seeing further potential regardless of what Fraud may contribute to that stat in the future.

And then, apologies, your question on the splits of revenue. I did say in the presentation that 95% of our revenue is split between consumption and subscription. That has slightly increased, and that really reflects a little bit less revenue in the last six months from hardware. As you know, we occasionally sell hardware to support the document identity business. And that has continued to be rather sluggish with some of our customers taking longer to make some of those decisions. They are pretty big CAPEX decisions. So that has continued to be a bit of a drag on the identity number.

So as a result, the increase from what we would consider reccurring revenues has pushed up from 94% to 95%. The breakdown of that between subscriptions and consumption has not really changed. But it is something we continue to look at, particularly in the Identity business. You will be aware that in Location, we have a slightly higher percentage of subscriptions. And it is something we continue to look at that for some of our larger and more stable customers, actually some level of pre-commit subscription arrangement, may be a good outcome for both us and the customer. So that is something we continue to look at in key instances.

Dev Dhiman: Thank you. Thanks, everybody, for your time and the keen interest and questions today.

Just to wrap up, we are really pleased to report a clean period for the first half of the financial year. We have seen improving top line growth that has been driven by good performance in Identity and Location, which taken together grew almost 7%.

The cost measures over the past two years, together with continued discipline, translated into a really strong operating profit for the first half. And beyond the numbers, we have made good progress on our operational focus areas.

And we are seeing some of that come through the results today, but we think those operational focus areas have a lot more benefit to drive, and that is what David and I are staying focused on together with the rest of the team GBG.

Thank you all for your time, and speak to you all again soon.

[END OF TRANSCRIPT]