

GB Group PLC - Full Year Results 2022

16TH June 2022

GBG

Transcript

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Richard Foster: Good morning, everyone. And a warm welcome to GBG's full year results call for the period ending, the 31st of March, 2022. My name is Richard Foster, senior manager in investor relations. Speakers on today's call include our CEO, Chris Clark, CFO, David Ward, and Chris Luttrell, CEO of GBG Americas.

Richard Foster: Before we begin, I'd like to draw your attention to the disclaimers found on slide two. Copies of the full announcement, this presentation, and a link to the replay of the webcast can be found on the GBG investor webpages. Now, before I hand over to Chris, we'd like to set the scene with a short introductory video, which we will now play. Thank you.

Video playback: You live in a digital world. You work. You play. You pay. You travel. You like things simple. But you want things safe. You like people you know. And the brands you trust. And that's where we come in. We find you in a couple of clicks. Match you in a moment. And authenticate in seconds. We check the documents. Match the data. And monitor the risks. Only we bring it all together. So you do the living, and we build the trust.

Chris Clark: Well, thank you, Richard. And a very good morning to everyone. Today, we want to cover four things. Firstly, give an overview of the significant strategic progress we made over the last 12 months. Then David will talk about the strong financial numbers. Then delighted that Chris Luttrell will give us an update on the progress that we're making with the Acuant integration. And then I'll wrap up looking forward before Q and A.

Chris Clark: GBG is now a business with pro forma revenues of £274 million. We are a clear leader globally in Identity and Fraud. We're incredibly proud of the progress we've made during the course of the last financial year ending March 31st, 2022. And we have delivered strong, diverse growth, growth across geography, across sector, and across our key solutions of Location, Identity and Fraud.

Chris Clark: We've seen a return to pre-pandemic levels in terms of where that growth has come from, in terms of approximately a third of our growth from new business wins, and two thirds from growth of existing customers. We've made significant strategic progress, both organically and inorganically. Organically, we've continued to invest in our team, our data, our products and technologies, bringing new innovative solutions to the market. And inorganically, we're delighted to have made two acquisitions in a period, the significant strategic acquisition of Acuant that we'll talk more about later, as well as the tucking acquisition of Cloudcheck. Which was a small acquisition that we made in New Zealand in quarter four.

Chris Clark: And last not least, we're incredibly proud of the results we've produced during the course of the year. Financial results that David will talk through, but also fantastic customer results in terms of wins and net promoter scores. And again, wonderful people engagement scores. With 95% of GBG's team, which today is approximately 1300 people, recommending GBG as a great place to work. Putting us in the upper quarter of the Gallup surveys.

Chris Clark: GBG's purpose is to help create trust in a digital world. We have a clear plan to deliver on our ambition of helping everyone in the world transact online with confidence. That plan is built around six key building blocks. And in summary, that is about continuing to expand our offer geographically and into new sectors as the opportunities arise. It's about to continue to differentiate our offer, both across the customer life cycle, but also in terms of data insight and ease of use of technology. And it's around building once and deploying locally to realise scale benefit, but also recognise the unique nature of more customer requirements in different geographies.

Chris Clark: And last but not least, we have a very simple way of operating within GBG, which is all about having a great, highly engaged team who do fantastic things for our customers, and the results take care of themselves.

Chris Clark: Every day, the 1300 GBG team members around the world work tirelessly to make millions of people's lives better. And by that, we mean allowing good people to operate safely in the digital world while stopping bad actors. I'm very proud of the progress we've made across our ESG agenda in the course of the 12 months, but I'm equally really excited about the new ambitious targets we set as we look to continue to be increasingly responsible business. But for GBG, ESG, isn't something on the side, it's fundamental to who we are and what we do for our customers. And to put it simply, our products and services, help the communities in which we live and work. Whether that's reducing the cost of fail deliveries through accurate address information, whether that's about helping the vulnerable transact online, or stopping fraud. Which is only increasing, as both Chris and I will talk briefly about.

Chris Clark: Now, you don't need me to spend much time today talking about some of the macro uncertainties in the world that we all live and work. But for GBG, if we look through the current challenges, the long-term structural growth drivers in which we operate are only building and growing in terms of momentum. The total addressable markets that we serve today are worth approximately 14 billion us dollars and a forecast to grow in the mid-teens to be approximately 25 billion us by 2025. Those structural drivers are all about helping people transact online and stopping bad actors. And to give you a sense, it is all about stopping fraud. And fraud is on the increase. Just recently, the FTC in the United States, reported a 25% increase in fraud attempts from the calendar year 2020 to calendar year 21. And 25% of those fraud attempts are due to identity fraud, GBG's sweet spot. And in Europe, our own research says that in the last 12 months, one in 10 European consumers have been the victim of fraud. This problem is only getting more complex and having a greater impact on more and more people.

Chris Clark: We help our customers fight those challenges by offering a differentiated end-to-end service. From the first point of contact with a potential consumer,

right through the value chain, to in-life management of that customer relationship. We can offer our customers a standalone point solution, or through layered capabilities, meaning that they can pick and choose what serves their needs best at a particular moment in time. And that's particularly important in such changing and challenging markets. We have world-leading Location, Identity and Fraud capabilities, and we have a unique global reach and local offer. And that is pulled together by our 1300 fantastic team members of GBG.

Chris Clark: Looking in a little bit more detail across our three core solution areas. The first point I'd want to make is a reminder that actually, whilst we talk about Location, Identity and Fraud, these capabilities are increasingly coming together. And I think that will become particularly clear when you hear Chris talk about the integration of Acuant in GBG. But looking at Location, which is approximately 25% of GBG, we're really pleased that we've delivered 13% growth in the period. That growth has been well diversified by sector and our chosen geographies for Location, those being the UK, Western Europe, United States, and Australasia. We see good growth from a number of existing customers and some fantastic new customer wins.

Chris Clark: Companies such as JetBlue in the U.S., who are using our services to enhance their digital booking services. Or Internetstores, the world's largest digital bike seller, who have deployed our services in 16 countries. And to build on our wins historically of Nike and Adidas, we're also delighted that ASICS are now part of the GBG family. We've continued to innovate and differentiate our offering both in data and the products. And we are delighted during the period to have launched our next-generation address type-ahead service.

Chris Clark: Looking at identity, which is the core of what we do. And it accounts are about 65% of GBG. We're very pleased that we delivered 9% growth in the period. And if you pull out the U.S. stimulus, as David will talk more about, we saw very positive growth of mid-teens. That growth was driven by good

growth across multiple sectors, whether that was the recovery in the first half from gaming, and growth in gaming and new geographies like the United States, across financial services, across many FinTech players, including crypto, and buy now pay later. And as well as supported by a number of new customer wins right around the world.

Chris Clark: And just a couple of examples that I'll pull out. We're delighted to have won St. James's Place here in the UK. Where with our new multi-bureau offering, we're able to provide St. James's Place with an 8% uplift in the number of customers passes against their incumbent provider. We've also won good business with people like Nintendo and plenty of others.

Chris Clark: And last not least, fraud. Fraud accounts are about 12% of the overall business. And at a simple level, is two key offerings. Firstly, in the UK, our UK fraud investigation service. And secondly, across Asia-Pacific and the Middle East are banking application services. Both parts of the fraud portfolio grew well. And we had overall growth of approximately 16% in the period. In the UK, we saw good growth as the acquisition that we made in December '20 of HooYu Investigate, has embedded in really well. And as per the strategic rationale, has created a competitively differentiated offer. And I guess that's best evidence by the fact that we've won companies, and clients such as AXA and EON here in the UK as competitive displacement.

Chris Clark: And across the fraud applications software business, whilst we were comparing against weak comparables because this was part of the business that was hit heavily in the initial lockdowns due to COVID-19, we were delighted that we saw a strong return to growth and really good progress with organic growth in new target geographies across Southeast Asia. With customer wins in Malaysia, Vietnam, and Indonesia. So really strong progress. And we are pleased with the progress we're making on cloud-enabling our fraud offerings. And that's been particularly helped with the acquisition of Acuant as well.

Chris Clark: So, I now would like to hand over to David to talk a little bit more about the financial performance.

David Ward: Thanks, Chris. And hello and good morning everyone. I think that was Chris's dogs just making a brief appearance there. I will now take you through a more detailed review of the financial results as Chris has said.

David Ward: So as we've said, FY22 was a very successful year in which GBG delivered a strong financial performance and beat expectations. Our revenue for the year was £242.5 million, which represents an 11.4% increase over last year. And this translates into an increase of 10.6% in organic constant currency terms.

David Ward: Our revenue mix remains steady with 94% of our revenue coming from the combined subscriptions and consumption-based agreements. More on why that is a good thing from me later. We completed the acquisitions of Acuant and Cloudcheck. And had we had those businesses for the whole 12 months, our revenue would've been £273.8 million.

David Ward: We delivered £58.8 million of adjusted operating profit, which represents an adjusted operating margin of 24.3%. As expected, this was lower than the prior-year when our margins were boosted by the exceptional revenue on the U.S., stimulus project. And also as a result of our cautious approach to investment as a result of COVID uncertainty, particularly in the first half of that year.

David Ward: And we did this while maintaining our strong cash generation, we converted our adjusted EBITDA to cash flows as a conversion rate of 95.7%. And by the end of the year, we had reduced our net debt balance to £107 million.

David Ward: Finally, today we have announced a proposed final dividend of 3.81 pence per share, which represents a 12% increase over our last dividend, and reflects our confidence in the financial model that has consistently delivered an impressive and balanced mix of revenue growth and profitability.

David Ward: So now let's take a look at the income statement in a bit more detail. As I've said, revenue increased 11.4%, but there are a number of moving parts to the revenue trend. So I will cover that in more detail using the next slide in a moment or two. Our growth margin improved slightly to 70.9%. And that was a function of our growth in our fraud business, which Chris has already talked about, which you might remember carries a higher gross margin relative to the other sectors.

David Ward: We had an increase in operating expenses year over year of 19.4%, but approximately 10 million of this came from the impact of our two acquisitions. The increase on an organic basis was more like 15%. And as expected, expenditure increased on people costs as we reintroduced salary increases and grew our headcount. We also increased investment in R&D and technology, in addition to increasing spend on marketing activities, some of which we had put the breaks on during the previous year.

David Ward: Our investment in R&D and technology was a healthy 13.8% of revenue. And in the last two years, GBG has now invested a total of £60 million in these areas. Bringing that all together, that led to an adjusted operating profit of £58.8 million, which represents an increase of 1.6% over last year and an operating margin of 24.3%.

David Ward: When we presented our results for H1, I said that I expected our margin in H2 to be more aligned with our target range of 22 to 23%. And it came in at 23.3%. The exceptional items charged in the year of 4.5 million, are predominantly related to costs of the two acquisitions during the year, just as the increase in amortisation of acquired intangible assets is too.

David Ward: FY22 saw a slightly higher share-based payment charge of £6.2 million. The increase here was due to our, our proactivity in managing the competitive recruitment market. As we awarded 300 share options to each of our team members in April, 2021, which will vest provided those employees are still in employment with us in April, 2023. This was both to reward the team for

their performance and resilience during the pandemic but was also designed to support team member retention. Overall, we feel we are contained relatively well in a competitive market.

David Ward: Our finance costs increased over the prior year as a result of the new debt facility we've put in place and which we utilised to part-fund the acquisition of Acuant. More on that later. And on tax, our charge for the year was 6.4 million pounds, which represents a statutory basis effective rate of 29.5%. On an adjusted basis, the rate was 22.1%, which was in line with our expectations. Adjusted diluted EPS for FY '22 was 20.2 pence, down from 22.4 pence the year before, and this decline was pure as a result of the additional shares in issue as a result of the equity placing to fund the Acuant acquisition. And of course, the fact that as expected at this stage, the full benefits of the acquisition have not yet come through in the results.

David Ward: So, next slide, please. So now, as I did at the half-year, on this slide, I wanted to provide more detail on the various moving parts within our revenue growth. Firstly, I'm working left to right. The main difference is between our reported growth rate and the organic constant currency rate of 10.6%. This comes from two factors. Firstly, the impact of the businesses we divested last year and the foreign currency translation effect, particularly from our revenues in the US. And then to try and help you all understand the underlying growth trends, we need to work through and unpick a few other revenue impacts. Firstly, there was a very significant revenue from a customer project last year that Chris has already mentioned to do with the US government and the distribution of COVID support payments. This was worth 13.3 million pounds to us in FY '21, and we were a little surprised, pleasantly surprised by the level of revenue that we still got from that in FY '22. It was much less, but still worth 4.2 million pounds. That activity has now completely ceased.

David Ward: Next, we have the revenue contributed from the two acquisitions we completed in FY '22. This was 13.2 million pounds and that is stated after

the deferred revenue haircut adjustment of 1.3 million. You'll hear more from us on how the integration of Acuant is progressing in the next section of the presentation, but for now, I'll just say that we were pretty happy with how both Acuant and Cloudcheck traded for the four months and two months respectively of GBG's ownership.

David Ward: And then the other unusual item we feel we should call out is the exceptional cryptocurrency volumes. In FY '22, revenue from this sub-sector contributed approximately 6% to our total revenue and grew 83% year over year. It's quite tough to analyse how much of that growth will be sustainable but we certainly feel that the exaggerated peak of 4 million that we saw in Q1 of last year was exceptional and is unlikely to be repeated, especially in light of current sentiment around crypto instruments. So underlying all of these other moving parts, we had a growth rate of 13.1% in the year, and as I mentioned a moment ago, including a full-year of revenue from our acquisitions, our pro forma revenue for FY '22 was 273.8 million pounds.

David Ward: So on the next slide, I don't intend to linger on this one for too long but I will just point out that these charts have been prepared on a pro forma basis, and we continue to execute on our strategy for multifaceted diversification, here, shown through the lenses of customer sector and geography. 45% of revenue comes from financial services, but that really is a very broad category which includes all elements of FS. During FY '22, we saw very strong growth, as I've already mentioned, in the cryptocurrency sub sector and also in buy now, pay later with more than 100% growth in that space. While our other category is 16% of the total, that does include our revenue via channel partners, which for obvious reasons, is harder to categorise. And just a reminder that the acquisition of Acuant improved our sector diversity, and in particular, we welcome the addition of some meaningful revenues in government, healthcare and automotive sectors.

David Ward: Through a geographic lens in reported terms, the US revenues decreased as a percentage of the total, but this really only just reflects the reduced

revenue from the one-off project we've already talked about as well as the currency translation effects. On an underlying basis, our US identity business continued its strong run with growth of over 20% during the year. It's also worth remembering that only five years ago, the GBG business generated less than one third of its revenue from outside the UK, and now, that's more than two thirds from outside the UK. We really are now a truly global business with fantastic opportunities for further geographic growth, particularly in Asia.

David Ward: And then on this next slide, I focused on our business and revenue model. You will remember that this was an area of our disclosure that I expanded on at the half year, and as you know, GBG generates most of our revenue from either subscriptions representing upfront commitments, and these can either be time limited or volume limited, or transactions or consumption agreements where customers pay monthly in arrears based on usage. While I'm not going to suggest all of these are occurring, although perhaps some companies might, I do take a significant degree of comfort that these are at least repeatable in nature, and by that, I mean two things. These are not one time revenue events and so if customers want to continue to use our solutions, then we will continue to generate revenue. Also, our forward visibility of revenue then becomes a function of our next retention, which for the last few years, has been more than 100% in value terms.

David Ward: So just a couple of highlights that I would like to put out for you from this slide. In total, 94% of our revenue came from a combination of subscriptions and consumption models. Term based subscriptions increased organically by 12.8%, driven by the growth in our fraud segment. We saw organic growth in our consumption revenues, which are predominantly in Identity by almost 10%, but on an underlying basis, as I defined that measure earlier, growth was 19.6%. Also relevant to forward revenue visibility and expectations for cash conversion, at the end of March, 2022, our accrued revenue or contract assets balance was only 3.6 million pounds, and yet our

deferred revenue balance had increased 37% to 58.8 million pounds, with almost half of that increase being attributable to Acuant.

David Ward:

And then lastly for me in this section, here is an overview of the balance sheet. Clearly, we had a large increase in intangible assets, related deferred tax liabilities, as well as capital and reserves following the acquisition of Acuant and the associated share placing. Receivables increased in line with the pro forma increase of the size of the business. The ageing and quality of those receivables remains very strong. I've already mentioned the large increase in deferred revenue and we were very pleased with our refinance revolving credit facility, which we then utilised to part-fund the acquisition. Since the time of the acquisition, we have already repaid \$40 million and that brought our net debt at the end of the year down to 107 million pounds, or approximately 1.7 times adjusted EBITDA. As I've said previously, we would expect that leverage would have reduced to approximately one times by the end of this new financial year. So with that, I'd now like to hand back to Chris.

Chris Clark:

Thank you very much, David. We'll now turn to the Acuant integration. Acuant has now been part of the GBG family for six months, and overall, we're really pleased with the progress we've made across our integration plans. One of the big things that we've done, as previously announced, is integrated Acuant from an organisational structure fully, and what that really simply means is we've created a GBG Americas business that Chris leads, and I'll come back to that, we've created a global product unit combining some of the core global capabilities from Acuant and GBG, and we've moved accountability for sales outside the United States from Acuant into the GBG regional setup. So we've made significant progress and I'm absolutely delighted that today, you get a chance to hear from Kris, who as I said, is now our CEO of GBG Americas, and Kris joined us with the acquisition of IDology three and a bit years ago and has done an absolutely outstanding job. And I'd also like to take a moment to thank Kris for

volunteering to join us at about 3:30 AM East Coast time, so Kris, over to you.

Chris Luttrell: All right, thank you so much, Chris, and good morning everyone and thank you for your time today, and it's a pleasure to be with you all. And I have the absolute pleasure of running the combined teams of Acuant and IDology, as Chris mentioned, and one of the reasons that we bought this business was because of the amount of talented technologists within the business. With this acquisition, we've added some incredibly bright and innovative people to the GBG family, and I'm very, very excited about that, as well as all of us are. I'm also excited to share with you how things are going with the integration of Acuant into the GBG family, and as Chris mentioned, we're building trust in a digital world in a really big way, and trust is so incredibly important right now as there's been an erosion of consumer trust due to an increase in fraud since the beginning of the pandemic.

Chris Luttrell: The pandemic really accelerated the need for digital onboarding and compliance, and this is never going to go back to the way it was before pre pandemic, but with more digital onboarding comes more fraud attempts, which we've absolutely seen over time. Every year, we put out key pieces of research on how businesses and consumers are feeling about the state of identity and fraud, and Chris shared some fraud stats with you from the FTC. These are some stats that we've gathered either from our own data or from our own research or things that we see within our own system. When we surveyed businesses in the financial services sector, specifically fintechs, we found that there was a 61% increase in fraud during the pandemic, and most of those surveyed, around 84%, expected fraud to continue to increase over time. Throughout this time period, we also saw an increase of over 107% in fraud attempts related to children's identities, which are used in creating synthetic identities, which is a very pervasive problem in the market today and one that we are equipped to address and prevent.

Chris Luttrell: Nearly 200% increase we saw in deceased identities being used to commit fraud, and we saw a large increase unfortunately in the use of identities of elderly consumers because these are individuals that were, at the beginning of the pandemic, transacting online for the first time in many cases and they, unfortunately, fell prey to account takeover attacks as well as phishing schemes from fraudsters.

Chris Luttrell: Another interesting fact that we found is that 98% of B2B retailers, manufacturers and marketplaces experienced financial losses and reputational risks because of successful fraud attacks. So quite plainly, what this means is that more fraud, more consumer fraud and more business fraud means that our business customers are going to need to spend more money with us, because fraud is just absolutely never going away.

Chris Luttrell: Bringing Acuant into the GBG family by combining Acuant and IDology truly enhances our ability to fight fraud with the compliance and fraud solutions that we gained with the acquisition. This acquisition creates the largest pure-play identity verification and fraud prevention provider in the Americas with that combination of IDology and Acuant. We are very entrenched and knowledgeable about local markets in the Americas and we have the capabilities to connect with the broader world across borders and continents. As the world becomes more interconnected, that paves the way for us to become the prominent go-to resource for identity verification, making sure that businesses can transact with complete confidence and trust.

Chris Luttrell: The Acuant and IDology go-to-market teams are joining up and working very well together by cross-selling each other's solutions. The suite of offerings from each is quite complimentary to the other. IDology has sold the Acuant document verification solution in its platform for several years already, and Acuant has sold IDology solutions in its compliance platform for years as well, so this has really been a natural fit and a natural combination of the platforms that each has to offer.

Chris Luttrell: So both teams are already selling the other team's products by default, but the way we're improving this is we're providing Acuant more IDology solutions to sell within the compliance platform, and IDology can also be more cost-competitive in the market with document verification and ongoing monitoring. Some examples of this success include a FinTech payments platform that's growing in popularity and getting industry attention. They're an IDology customer that has now come to us for Acuant's ongoing PEPs and Sanctions monitoring.

Chris Luttrell: We also have a real estate lead generation platform using a combined offering of Acuant and IDology to ensure identities are valid. We have a cross-border payments company that wanted to make sure it had a world class anti-money laundering product, so they picked Acuant and IDology because of the strength of the solution and data richness, along with functionality and document authentication, to get a more precise KYC answer. And we also have a world-leading payment provider. They were looking for a better and safer way to enrol consumers into its platform and they chose a combined offering of GBG and Acuant solutions to meet its needs.

Chris Luttrell: The opportunities are great and we are forging ahead jointly as one team to make all of this happen. Customers, they've responded positively when we talk about the offerings now available from both Acuant and IDology together. When I speak to IDology customers, they're very excited about the compliance offerings of PEPs and Sanctions and the ongoing monitoring that they can now have access to. And when I speak to Acuant customers, they're excited about the data-rich analytics and fraud solutions provided by IDology. These are incredible solutions that we already have, but with the future, it's even better. We know it's brighter because of how we can combine the assets from GVG, Acuant and IDology to create new, innovative solutions.

Chris Luttrell: So that's going to lead us into what's going on with product. In product, we have organised product within GBG by a global and a regional focus with close collaboration to ensure we optimise our resources and sustain our competitive advantage. In the short term, we're pursuing opportunities to combine GBG and Acuant technology to differentiate solutions that actively support customer needs. One of the things that I was really excited about when GBG acquired IDology is the same thing that excites me today about the Acuant acquisition because I'm a product person by heart and trade and we have this rich data that we can use to form new features and functionality or to enhance our current offerings.

Chris Luttrell: We're also focused on joining up our document capabilities. We're integrating our market-leading document library and front-end platform capabilities, so you can expect to see some really good things in the future with our document solutions. And thirdly, I'm very excited about deploying compliance and fraud in other regions - Chris alluded to this - where we can deploy our compliance and fraud platforms in both APAC and AMEA, and that's something that we're very excited about working towards as well.

Chris Luttrell: The assets we now have enable us to create that onboarding to end life experience, the entire consumer life cycle when they sign up with one of our customers, which is quite unique in the market. All of this strengthens our offerings and keeps us out in front of the competition. So with that, I'm going to hand it back over to David again to share some additional financial updates.

David Ward: Thank you, Chris, and thanks again for joining so early in the morning for you. Thank you. So, yeah, as Kris said, I'll pick up the financial profile piece here around the Acuant acquisition. Just a reminder that when we announced the deal, we did explain that the business has a very attractive financial profile and that is extremely complimentary with GBG. First and most important is that Acuant's standalone growth rate is accretive to the GBG mix, and so we'll enhance the overall group growth rate. Pre-

acquisition profitability was similar to GBG with margins of approximately 20%, and the revenue models are also very similar leading to assumed cash generation of 100% still.

David Ward: And as you've heard from Chris and Chris, we are very much on track with the integration and our teams have been working with great momentum on mitigating any integration risks, as well as identifying or delivering incremental value. We've been particularly pleased with the fast progress our teams have made on the people side and with team member engagement, which has already seen some improvement under GBG's ownership. It's also been really good to see strong alignment between the technology and product teams on future road maps and how the relative capabilities should be planned to come together over time. We committed to synergies of at least five million pounds for FY '23. And I'm very pleased to say that as of today, we've already identified and implemented three million pounds towards that target. Those have come almost exclusively from cost so far. We remain very confident in our ability to find the remaining two million pounds as we progress through this year.

David Ward: Of course, we would expect those to come from some of the great customer opportunities and examples that Chris outlined a moment to go, but of course we do also have the opportunity, and we probably do believe that there are likely to be some more cost saving opportunities too as the year goes on. But just one last comment for me, I think it's really important to remember, and I think Chris did a fantastic job of reminding us, that the strategic benefits that the acquisition of Acuant brings for us. It does represent a very large step forward for GBG, and there are likely to be many synergy benefits to come over the medium term, particularly as those products and technology solutions come together, as Chris was describing. The five million pounds of synergies that we committed to were just those we saw in the short term. I will now hand back to Chris Clark to sum up.

Chris Clark: Thank you both. And I think in summary, with regards to Acuant, as a reminder, there was three core reasons why we acquired Acuant back in November of 2021. Firstly, was to give us greater capability and opportunity in the world's largest identity and fraud market, that being North America, which accounts for over 40% of the total addressable market that I referred to earlier. Secondly, it was around accelerating our overall global product roadmaps in terms of that end to end customer life cycle that Chris has talked more about. And last but not least, it was about enhancing, in terms of our financial profile, in terms of accelerating growth, and improving margin.

Chris Clark: So in summary, we are very pleased with the progress we've made over the last 12 months. We're working at pace to bring the benefits of the Acuant integration particularly to our customers, and of course, through our financials, and we feel we're well positioned for the future. We're incredibly excited about the long-term opportunities that the market presents and how we sit in that market. We are conscious of the current macro challenges that exist, but equally, we have proved before, we are a diverse, adaptable business, and we'll see through these challenges, however long they might last.

Chris Clark: And in fact, they might well create opportunities, both in terms of customer need and M&A. And whilst we absolutely have no intention of doing big M&A in the short term, there could well be opportunities that arise in terms of tuck in, albeit there's nothing immediate to talk about on that front. So before handing back for Q&A, just one final comment I wanted to make, which is, that we've also announced today that after nearly 12 years as chair, David Rasche will in September be retiring from the board. And we're delighted that Richard Longden will take up the role as Chair on September 1st. Thank you all for your time and attention. On that note, I'll hand back to Molly for any questions that you might all have.

Call Operator: Thank you. If you would like to ask a telephone question, please signal by pressing * 1 on your telephone keypad. That is the star or asterisks key followed by the number one to pose a telephone question. Please ensure your mute function is turned off to allow your signal to reach our equipment. We will take our first question today from Tintin Stormont of Numis. Please go ahead. Your line is open.

Tintin Stormont: My first question is for Chris Luttrell. Actually a couple of questions for me. As you engage with customers and you put forward joint proposals, and obviously some of those instances won those proposals, do you get a sense of who you are taking share from? And then secondly, are there types or sizes of customers that you think you can access much better now with the combined offering? And then just a question either for other Chris or Dave, I might as well put it all forward now. Obviously you indicate confidence for your meeting FY '23 objectives. You also did provide some colour that H1 obviously will have the strong comparators because of US stimulus and the excess crypto volumes. Can you provide some colour and comfort around the latest trends on the other sectors and what they're seeing in terms of kind of maybe their trajectory as you go into this fiscal year.

Chris Clark: Thanks Tintin. And Chris, why don't you respond to Tintin's first questions.

Chris Luttrell: Yes, sir. And thank you so much. Yeah. One of the things that's really exciting about the acquisition and how we're integrating the solutions together, it really opens up for us some additional... I guess we can get into the door a little bit easier now into some of these large financial institutions that we work with. I come from the IDology side and on the IDology side, we didn't really have the ongoing monitoring, that transaction monitoring, PEPs and sanctions type solution and bringing Acuant into the fold and having that along with their document verification capabilities, that complete life cycle that we mentioned previously, that gives us a much bigger foot in the door, I guess you could say, with financial, with the large banks, who have that need for ongoing monitoring for PEPs and sanctions and transaction

monitoring. So really just having this full, complete KYC to ongoing monitoring opens up a lot more opportunities for us in that space.

Chris Clark: And Chris, Tintin did ask about who we're competing with.

Chris Luttrell: Competing with? Yeah. So here in the US, we compete largely with the bureaus and those are... From that perspective, I believe hands down we have the best product in the industry. And I'm not saying that from a bias perspective, I'm saying that as looking at data studies and trials that we've done, we absolutely have the best products in the industry, and we have the best people working on those products. And so as we go up against these bureaus and companies of that sort, we are winning against them when we go to head to head bakeoffs in competition.

Chris Clark: Thank you, Chris.

Tintin Stormont: Thank you.

Chris Clark: And David, why don't you cover the second part of Tintin's questions?

David Ward: Yeah, of course. Yeah. Good morning, Tintin, and thanks for the question. So you are right. I'm just going to replay. You're right. We remain confident in our outlook for this year. I think we've been pretty consistent in our messaging that H1 for this new year is always going to be facing a tough comparative. I think, as I say, been pretty consistent about the impact that the US stimulus, the tail end of that project, and the crypto peak last year would've had. So yeah, that's clearly a bit of a challenge for us for H1, but across the four year, we remain confident in our outlook.

David Ward: Clearly we're not blind to what's going on in the world. There are some challenges out there. And I guess one of the things we've tried to stress today is the strength of our diversification. We are a very well diversified business, and I think you've probably picked up from the announcement today that certainly that there might be some concerns around

cryptocurrency, and that might be an area where we see a bit of pressure. But we equally expect that through the full year, we will probably find also there'll be some opportunities in some other sectors. So yeah, we remain confident and we're sticking to our numbers for this year.

Tintin Stormont: Great. Thanks guys.

Call Operator: Thank you. We will take our next question from Andrew Ripper of Liberum. Please go ahead. Your line is open.

Andrew Ripper: Hi. Morning, everybody. Thanks for taking my question. Tintin asked the main question I was going to ask, but maybe just following up on Acuant, I think the last time you gave us some numbers, the revenue figure was about 58 million dollars LTM to September '21. Can you just give us a sense of what your expectation is for the business for FY '23 in dollars, either in terms of a range of revenue outcomes or a sense of the growth that we can expect off that 58 million base. And then just a follow up to that, in terms of the deferred income sort of haircut, is that going to be a similar number in FY '23? I think you mentioned it was 1.4 million in '22. Thanks.

Chris Clark: Thanks, Andrew. That's probably one for David to get into, but maybe just by way of introduction. The point I will make is, we have integrated the Acuant business into GBG and IDology hard and fast, and therefore with integrated teams and integrated offer. So actually one of the challenges that actually Chris and I and our customers have quoted for David and his team is how you split some of those revenues out. So, it does get quite difficult given what we've done, because we believe that's the best way to realise the benefits to do that. But on that note, David, I'll pass to you.

David Ward: Yeah. Firstly, good morning, Andrew. Thanks for the question. So yeah, inevitably a good question on Acuant. You're absolutely right, 58 million was the LTM at the time of the acquisition. Our expectations really were that was not necessarily going to accelerate in this sort of stuck period of these four months. Clearly there's been a lot going on on integration, and despite best

efforts, which I think we've done really well at, actually, inevitably there's always a bit of disruption from those things. So overall, as I said earlier, pretty happy with the result for last year. Remember, we've quoted in this statement in one of the notes that the revenue in pounds was 12.3 million pounds. Remember to add back the deferred revenue haircut that you've mentioned in your question, that was 1.3 million pounds.

David Ward: I'll take the second part of the question as well. So we do expect a similar deferred revenue haircut to impact our numbers next year, and then it really does tail off into an insignificant number the year after. In terms of expectations, we said at the time of the announcement that this was a business that we expected to grow approximately 25%. And we still stick to that number. That's still our view. And so in dollars, that would take us to the sort of the low 70s, to the low 70s for this new year.

Andrew Ripper: Great. Thanks very much.

Call Operator: We will take our next question from Damindu Jayaweera of Peel Hunt. Please go ahead. Your line is open.

Damindu Jayawee...: Thanks guys. Well done on a good outcome in what was not necessarily a straightforward year. What I wanted to ask was about next year's expectations. So obviously you did underlying about 13% growth in the first half, and maybe that translates to 11% underlying growth in the second half. I think the consensus expectations are probably about nine to 10% underlying for the following year. And I guess some of that will come from price increases, some of that will come from the market share gains, now that you also have Acuant on both as Chris was explaining earlier, but we still need some volume growth from existing customers. So could you kind of point in the direction of what verticals or anecdotally where we might find that volume, if you will. And then I got two questions after that, if you will.

Chris Clark: Thanks Damindu, and maybe I'll take that first question. Yeah. You've outlined very clearly the sort of split of H1, H2 growth. And if you strip away

the noise, what we've really seen, probably actually if you look, just excluding Acuant, but actually Acuant has seen similar trends. If you strip away some noise in terms of disposals US stimulus, what you've really seen from this time two and a bit years ago, where at the height or the start of the global lockdowns, we saw quite a shift in terms of some sectors accelerating the use of our services, such as some of the fintechs, retail. And we saw other sectors like travel and gaming significantly decline.

Chris Clark: Actually, if you look at the last couple of years over time, really reflecting the general trends on the pandemic and restrictions, you've come back to some sort of normalisation with some recovery in travel, recovery in online sports betting, helped by growth in online sports betting in new geographies, as states open up and say the US or in... Sorry about that, but she's becoming legendary on these calls... In Canada actually very recently. So coupled with a softening of some of that extrapolated growth that we saw at the height of the pandemic.

Chris Clark: And we broadly expect that similar trend to play out, albeit as David's alluded to, I think as well documented, we saw a significant boost to crypto, particularly in Q1, H1 last year. We started to see that tail off in H2 and actually from Q3 to Q4 tail off. And clearly the news is actually well known about crypto currently with Coinbase's announcement earlier in the week. So we'd expect that to continue to decline. But equally we expect to see other sectors to continue to pick up, and we are seeing that in things like travel. Quite how that plays out in the next three to six months, Dumindu, I've said this before, I wish I knew. I think we're once again operating in uncharted waters, but equally we are positive and optimistic that because of the diversity of the business by geography, sector, and solution set, we'll be able to go after those opportunities as they come to us. I hope that helps.

Damindu Jayawee...: No, that's perfect. Thanks, Chris. And if I may, I got two questions for Chris Luttrell, actually. So congratulations on your new role, and it's amazing to see two leading brands put together to what create what is probably the

most strongest identity platform in that market and maybe even globally. But what I wanted to understand was, now for the customers that share Acuant and IDology, does that mean that at renewal, GBG actually going to get more profit out of those customers given now that Acuant and IDology are together, and IDology doesn't have to kind of reuse someone else's platform for document verification side? And also, have you seen any changes in competitors who might be reliant on Acuant as well? And then I've just got a follow up, Chris, after that.

Chris Luttrell: Sure. Well, thank you so much. So those are great questions. IDology has used Acuant for, I think, over six years now, if I've got my years right. And you're right, absolutely. What this did was it allows us to reduce cost. So that's going to help with margins.

Chris Luttrell: It also helps us to be more cost competitive in the market from an Ideology perspective when providing document verification.

Chris Luttrell: It's also going to help Acuant because Acuant was already a reseller of Ideology within its compliance solutions. And so it helps their margins as well.

Chris Luttrell: And from a competitive perspective, I think that what we've seen so far that first off Acuant has the premier product in terms of document verification in the industry.

Chris Luttrell: And I think that in terms of potential competitors, they're already using the Acuant product and competing with Ideology. Really it's more, I would say those offerings are more complimentary in the market than they are in terms of true competition overall.

Chris Luttrell: And also in the U.S. there's the concept of co-opetition as well. And we all work very well there in terms of how we have competition but we're cooperating in the market in terms of how we go to market and how we compete.

Chris Luttrell: So yeah, I think things are going really well and I'm excited about what we're able to accomplish now that we've got all these assets together as one part of GBG's family.

Damindu Jayaweera: And following up on what you were just mentioning at the end, the co-opetition thing, all you guys have been around for a while and all you guys know each other's strengths. What about the new entrants?

Damindu Jayaweera: Obviously, you kind of see Stripe talking about identity verification and you all of a sudden now start to see Plaid talk about identity verification using open banking.

Damindu Jayaweera: And I assume these guys have no idea how to kind of go about approaching the market in the way you guys do. And you are probably not seeing them in competitive scenarios yet.

Damindu Jayaweera: So from where I am sitting I don't really think they are a major hit, but I would like to get your view on the likes of Stripe and Plaid, this new entrants if you will.

Chris Luttrell: Yeah, I think that Stripe and Plaid they both have interesting platforms and offerings. The thing about those types of companies is they're using underlying services and vendors such as Acuant and Ideology to build out their platforms.

Chris Luttrell: And so while they have interesting offers and products, those products are really products that are being built or purchased from other vendors within the market. And so a lot of that is powered by companies like us.

Damindu Jayaweera: So you would basically consider them as an indirect route to the market?

Chris Luttrell: Yes, sir. Absolutely. Yes, sir.

Damindu Jayaweera: Thank you. That's all I had.

Call Operator: Our next question will come from James Zaremba of Barclay's. Please, go ahead.

James Zaremba: Hi, good morning. Yes. Maybe one follow-up to the Damindu there, just on channel. Do you view the channel as a growing area for sales going forward, and then maybe what do you consider the kind of key advantages or disadvantages versus direct distribution? That would be my first question.

Chris Clark: James, thank you very much for that. And, and maybe I'll pick that up because I think it's broader than just the U.S and Acuant. So we have strategically been thinking and working over a number of years about three core channels.

Chris Clark: Direct face-to-face, self-service and channel. And, yeah, historically GBG has very much been a direct face-to-face business. We've over the last number of years started to do more in the self-serve and we believe that there's more to do in that side of things.

Chris Clark: And last but not least, historically channel hasn't been that important part of what GBG does except for in our Location business. And actually one of the key strategic benefits of Acuant is that Acuant's a very strong channel business.

Chris Clark: So we absolutely believe strategically that channel is a very important part of what we do and what we will do. Predominantly because channel offers access to new geographies, new sectors, and sub-sectors that we can't necessarily get to ourselves organically and actually competitively.

Chris Clark: An example I'll use is actually public sector. So public sector tend to have very complex, large needs that ... If you take the U.S. actually just because I'm looking at Chris, we've really chosen not to go after because of time, complexity, size.

Chris Clark: But actually with the offering that we now have and working with some very important channel customers that opens up possibilities. So, yes, perhaps a long-winded way of answering.

Chris Clark: We do believe channel is a very important part of our growth strategy going forward. Acuant helps turbo charge that, and it helps us get into new sectors, new sizes of customers and new geographies over time.

James Zaremba: Thanks. And then I guess in FY '22, you've stepped up investment quite a lot versus it being relatively flat the year before. But does this imply more short-term momentum or was most of that investment around longer-term things such as technology?

Chris Clark: I would think about it, James, more as I think David outlined. More about just timing with regards to sort of effort '21 and the pandemic and the fact that we naturally had operating leverage as we paused hiring, we stopped travel, we stopped marketing events and that sort of stuff flowing back in.

Chris Clark: Plus, frankly, a bit of wage inflation. So it's not that we fundamentally changed our investment profile. It was really more of just timing. So I think unless David wants to add anything, that's how I would be guiding you to think about it.

David Ward: Yeah, I agree with Chris. Yeah.

James Zaremba: Okay. That's very helpful. And then you've got a relatively strong balance sheet and we're in quite a bearish equity market. So I guess one final question is would you be considering a shared buyback at all? I that something the board might discuss?

Chris Clark: I'll let David respond to that. But I like the terminology quite bearish equity market. I'd like to see your definition of very bearish equity market.

David Ward: Yeah. James, thanks for the question. That is not anywhere near top of our priority list at the moment. I think certainly as I've said, we are focused on

reducing down our debts. That was one of our commitments when we made the acquisition. So we do want to bring that down to the one times leverage to deliver on that commitment.

David Ward: As Chris has said, we remain on the lookout for opportunities stakes, and small tucking acquisitions as well. So I think that would serve our strategy better at the moment.

David Ward: I think we're a long way off saying that there aren't those opportunities out there which might at some point lead us to returning cash. But as I say, we're a long way from there at the moment.

James Zaremba: Perfect. Thank you.

Call Operator: We will take our last question today from Bridie Barrett of Stifel. Please, go ahead.

Bridie Barrett: Good morning, everyone. The focus is on the deal in the U.S., but did I capture during the presentation that you call that in particular, that you see good growth potential from Asia?

Bridie Barrett: And if I did pick up on that correctly, can you maybe just talk a little bit more about that and also your expectations in the next couple of years to the Cloud solution that you're planning on launching later this year? I mean, sort of how big a part of the business you think that can become?

Bridie Barrett: That's my first question and then I do actually have another one as well.

Chris Clark: Thanks, Birdie, and I hope you're keeping well. So I guess sort of think about your question. I don't think anything's fundamentally changed in terms of how we think about our geographic strategy and how we have done for the last number of years.

Chris Clark: Now, we have a focus to expand geographically. David touched on the fact the progress we've made over the last number of years and our priority

focus areas over the last number of years have been expanding into the United States and the broader Americas, expanding in Asia Pacific and expanding into Western Europe.

Chris Clark: I think it is fair to say, which is probably the nub of your issue, that probably in the last 18 months, two years, we've really doubled down on the U.S. And Asia compared to say three years ago has perhaps not been quite as prominent.

Chris Clark: And I think that's really down to two factors. Not strategic intent. One is building on the strong base on ideology and the opportunity to expand quickly through acquisition in the U.S. And secondly was actually the pandemic in Asia.

Chris Clark: Asia is, as we all know, a vast and very differentiated continent with lots of different countries that had lots of different impacts of the pandemic. And that did slow us down because even today, as I think is well known, has parts of Asia that are still in lockdowns.

Chris Clark: So relatively speaking, we probably slowed down Asia over the last couple of years and accelerated the U.S. But to your point, yeah, we remain and are extremely excited about the opportunities that exist across Asia Pacific, particularly in Australasia and in Southeast Asia.

Chris Clark: And we've built good momentum in the last 12 months, and we expect that to continue. And then really building onto your second point.

Chris Clark: Actually if we had Chris's equivalent, on from Singapore today, he would talk with a great deal of excitement about the capabilities Acuant bring to him and the team and customers in the region. And actually exactly to your point around accelerating our overall breadth of portfolio and the Cloud offering.

Chris Clark: And as Chris referred to in her tour track, one of our first highest priorities is being able to launch the compliance services that Chris talked about in the U.S., actually into geography in Asia and we will be doing that shortly.

Bridie Barrett: Okay. And thank you. That's helpful. And then maybe just coming back to the U.S. then and I think this has sort of been asked in various different ways on the call. So apologies if you feel like you're repeating yourself, but maybe coming at it in a slightly different way.

Bridie Barrett: You've got now this end-to-end offering, which is quite remarkable compared to some of the other independent kind of point solution players in the U.S., but can you just sort of give us a sense of really kind of how differentiated the product is compared to the larger conglomerates? The CRA's, for instance.

Bridie Barrett: And I suppose kind of following on from that if they are starting to feel very threatened by GB group as a competitor does that impact this co-opetition dynamic from the likes of FICO and Experian and kind of how relevant is that?

Chris Clark: Yeah, thanks, Birdie. And maybe Chris and I will both take that. Actually, I'll start by taking the second part of the question and I'll let Chris, or ask Chris, to talk about the differentiator a bit because she spends every day talking to customers in the states. Has much better feel than I do.

Chris Clark: But if I take the second part of the question and I feel in a relatively privileged position to answer this question given my own background. I know understandably actually people talk about the risk of the compete-collaborate. And you know, I think from my own perspective and I think absolutely shared by others in the industry, whether they're some of the smaller players, the new entrants that Mindy referred to or the large credit bureau, we operate in a cooperative ecosystem. And we use one another's services.

Chris Clark: And we think about each other's strategy of strengths and actually I believe that if you ask the credit bureaus they would actually look at GBG as a key channel to market. Actually as much as Chris answered to Mindy's question with the likes of Stripe.

Chris Clark: So I personally feel there's very limited risk. And actually if you look at the CRA's, they're using assets like ours to power their solutions. So they're very important channel partners to us. And, I think as you know, buddy, I come from a world ... I spent the first half of my career in telecom and I think people underestimate ... It's not that different in terms of the competition that exists in that industry as well.

Chris Clark: So, yeah, certainly that's how we'd feel about it. But, Chris, why don't you talk more about the differentiation point?

Chris Luttrell: Sure. Yeah. And part of the ecosystem is data, right? And what you do with that data is what really matters because data's data. But it's how you really look at that data, how you formulate that data, what you can do with that information that gives us such an advantage in the market today.

Chris Luttrell: We have I believe the best people working on this who really understand things like identity and fraud. And when you look at how the landscape has changed over the years in the U.S, when we have the CIP or KYC requirements here in the U.S. that years ago became a little bit passe.

Chris Luttrell: It's still something that you have to do from a compliance and regulatory standpoint, but with all of the data breaches that have occurred over the years we really had to come in and add more to that.

Chris Luttrell: It couldn't just be just basic data matching. There had to be some fraud and analytics placed on top of that and strengthening of the compliance solutions.

Chris Luttrell: So when you think about how we do things differently, we have the expertise, the subject matter expertise, in these areas of fraud. We have the largest consortium in the U.S. of data, of shared data, across the network where we can spot fraud and stop fraud in the network.

Chris Luttrell: We're doing things to handle this issue of synthetic identity, which mentioned before is such a pervasive issue in the market. And it's something that we have to get a handle on and address. And these are things that we've built into the solutions to handle.

Chris Luttrell: So, again, it's getting back to data is data. But it's what you do with the data that matters. And that's where we really excel and where we specialise in the market and why we stand out amongst others in the market today.

Bridie Barrett: Thank you. Thank you. So you sort of feel like you're there and equivalent if not with a stronger based capability then the CRA's in the U.S. market?

Chris Luttrell: Yes, absolutely.

Bridie Barrett: Okay. Thank you.

Call Operator: This will conclude today's question and answer session. I would like to turn the conference back to Chris for any additional or closing remarks.

Chris Clark: Thank you, Molly. And thank you all for your time today. Really appreciate it. And actually, my biggest thanks go to Chris for joining us so early and you might have all noticed being slightly under the weather as well.

Chris Clark: So thanks all very much for your time. I think in summary, I'm hugely proud of the team and the progress we've made in the last 12 months. We are certainly fully aware of all the macro uncertainties that exist in which the world we live in today.

Chris Clark: But I have every confidence that we have the team and capability set to navigate whatever the next number of days and weeks will hold and absolute belief that we can continue to build and seize the long-term opportunities.

Chris Clark: Thanks all very much for your time, and we look forward to catching up with you shortly.