

Chief Executive Officer's review



Chris Clark
Chief Executive Officer

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Overview

GBG has a clear purpose, to build trust in a digital world, enabling individuals and businesses to transact online with confidence in the growing digital marketplace. We are at the forefront of the global market for location intelligence, identity verification and fraud prevention. These markets are converging and have strong structural growth drivers such as digital acceleration, eCommerce adoption, increased regulation and the rising industrialisation of digital fraud across sectors. The rapid development of artificial intelligence (AI) has further reinforced the need for customers to adopt multi-layered identity solutions to combat bad actors exploiting these emerging technologies to the detriment of consumers.

The global identity market has seen significant macro uncertainty and GBG has not been immune, with the challenging post-pandemic conditions for the internet economy, cryptocurrency and fintech customers in particular, primarily impacting our identity business in the Americas. Overall, GBG has demonstrated resilience, with growth in revenue and a strong adjusted operating profit margin for FY23, despite, as previously indicated, tough comparators driven by the US stimulus project and exceptional cryptocurrency volumes.

Importantly, against this difficult backdrop, GBG has maintained its leading market positions, and its strong customer relationships. We have continued to win new logos, accelerated up-sell and cross-sell and maintained excellent customer retention rates. At the same time we have driven simplification and efficiency within the business. GBG's performance this year is in no small part due to the dedication of our 1,250+ global team. Their commitment and expertise, working tirelessly in partnership with our valued customers, have enabled GBG to navigate the present and evolving macro uncertainty and deliver important strategic progress and operational improvements to enable the Group to achieve its medium-term growth and profitability plans.

Important strategic progress with our product and technology portfolio

The need to detect and prevent fraud is critically important to our customers, who rely on GBG millions of times each day to increase efficiency, prevent bad actors, and to ensure they know their end customers are who they say they are, with technological shifts such as the advent of generative AI only accelerating the risk involved with operating in the digital world. Our established reputation and relationships as a trusted industry specialist mean GBG is well-positioned as one of the world's leading experts in digital identity to help customers navigate these changes, delivering our multi-layered approach underpinned by our leading combination of data, technologies, and people.

A recent study by identity and security specialists, KuppingerCole, noted the convergence of identity and fraud across the full customer lifecycle, recognising GBG as a market leader in fraud prevention. This year we have focused on deploying our technological capabilities globally, simplifying and rationalising our portfolio to deliver innovation locally that responds effectively to rapidly changing market dynamics. This includes Mobile Fraud Signals in EMEA, while in APAC we extended the fraud monitoring capabilities acquired with Acuant via the GBG Compliance Platform and launched GBG Fraud Alerts. The innovative nature of our solutions supports entry into new markets with growing demand for identity fraud services. Opportunities in Thailand, Vietnam and the Philippines demonstrate our expanding footprint in Southeast Asia, where we are providing fraud data-sharing consortiums to enable customers to combat suspicious transactions effectively.

Our market-leading breadth of capability is a key differentiator in a customer's decision to work with GBG. The integration of the comprehensive document library built by Acuant has upgraded our global documents and biometrics capability to cover 8,000 identity documents, underpinned by AI tampering detection to counter increasing sophistication in counterfeit documents. We are also leveraging our global data partnerships, we have launched our Multi Bureau product in Australia and Canada to build on its success in delivering higher match rates to EMEA customers.

As we evolve, we will remain an expert partner that is easy to work with. The launch of the GBG GO platform enables customers to orchestrate their identity services quickly via a no-code platform. This is resonating with customers, and we are already working with multi-brand gaming such as OX and Jumpman to reduce their risk and maximise customer conversion.

We have continued to expand our broader capabilities in Location, with customers now benefitting from the release of our latest AI-powered address capture/verify solutions, which include AI-parsing capability. This has increased our ability to understand address data with an increased match-rate performance of up to 19% in some markets. Location has also successfully upgraded its digital-first capabilities, developing a next-generation customer experience that we can replicate globally following its initial launch in the Americas. Location's progress this year reinforces the strength of our location intelligence products, which have been recognised by a product leadership award from industry experts, Frost & Sullivan, who highlighted our ability to handle address data more efficiently and accurately than our peers.

Well-positioned for the future

GBG has continued to evolve its go-to-market activities, concentrating on profitable growth through up-selling and cross-selling the breadth of our portfolio, while driving enduring value through our commercial approach, developing solutions bundles to elevate the customer experience. We are enhancing GBG's longer-term competitiveness with product and technology investment in areas to deliver the highest returns, alongside operational efficiency initiatives. This includes reviews of our office footprint in light of hybrid working, marketing activities, the creation of a single global customer support framework and active headcount management.

One of the key activities undertaken this year has been the integration of Acuant with our existing Identity business, IDology, to form the largest pure-play identity verification provider in the Americas. We are well-positioned to navigate the short-term headwinds in our largest region, with the work to achieve the anticipated products and technology benefits of this combination continuing at pace. We delivered £5 million of planned synergy benefits in the last year, with a

runway of enduring benefit to the Group over the medium to long term that reflects the strategic nature of the acquisition.

GBG's go-to-market approach in the Americas has evolved as we capitalise on the increased scale generated by bringing the two businesses together. Beginning April 2023, IDology is the primary go-to-market brand for our identity solutions in this region. This will amplify our voice in a large and fragmented market and leverage our combined capabilities to deliver a unique multifaceted approach in documents & biometrics and data, augmented by the latest machine learning and AI innovations. This is underpinned by a unified sales structure, led by a newly established Chief Revenue Officer role for the Americas, to execute on our priority to capture cross-sell, with over 100 opportunities with new and existing customers secured to date.

Looking ahead, there is a compelling opportunity to build our markets, capitalising on cross-sell and upsell opportunities throughout GBG as we expand use cases with existing customers, as well as capturing new business as we move into new sectors and geographies. High customer satisfaction and net promoter scores higher than our industry benchmarks demonstrate our focus on delivering for the customer. Over 1,275 responses to our Voice of Customer programme this year provide relevant and actionable feedback which we apply to build differentiation through our products, technology and data. This is being reflected in the enhanced solutions we bring to market that offer proprietary data insights to serve customers' evolving needs.

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Trading performance

Group revenue and adjusted operating profit were in line with the trading update released on 20 April 2023. Our statutory revenue of £278.8 million (FY22: £242.5 million), represents growth of 15.0%.

Contribution from prior year acquisitions more than offset the tough prior period comparative that includes the unusually high and non-repeating transaction volumes driven by the US stimulus project and cryptocurrency trading customers.

On a pro forma basis, organic constant currency revenue growth was 3.7%. This fully adjusts for the impact of the two prior year acquisitions, including the associated FY23 deferred revenue haircut adjustment. It also adjusts for £4.2 million of revenue from US stimulus customers in the prior period and the full £15.4 million impact from the year-on-year decline in cryptocurrency customer revenues, which was 1.8% of Group revenue in FY23, having stabilised at a run-rate of around 1% going forward. Our Location and Fraud segments performed strongly, delivering double-digit growth, however, overall growth was impacted by the post-pandemic reduction in demand experienced in the internet economy, primarily within our Identity business in the Americas.

Adjusted operating profit increased by 1.7% to £59.8 million, representing an adjusted operating profit margin of 21.5%. Throughout the year, we have maintained discipline around cost and overall headcount, proactively managing our resources to ensure ongoing investment in the business aligns with our medium-term guidance for growth and profitability. On a statutory basis, there was an operating loss of £112.4 million (FY22: profit of £23.4 million), principally due to the FY23 goodwill impairment charge of £122.2 million following the annual impairment review and higher charge for amortisation of acquired intangibles.

The Group's net debt position at the year-end was £105.9 million (FY22: £107.0 million), despite a negative £8.6 million retranslation impact since FY22 from the conversion of US dollar-denominated debt into pound sterling. We will continue to use GBG's ongoing ability to generate good levels of cash to further reduce our net debt over the coming year.

The Board remains committed to a progressive dividend policy that provides consistent reliable cash returns to investors as part of our balanced approach to capital allocation. Based on its ongoing confidence that the business is well-placed for the future, the Board has recommended a final dividend per share of 4.00 pence (FY22: 3.81 pence per share), which represents a year-on-year increase of 5.0%.

Chief Executive Officer's review continued

Location

28%
of Group revenue

Location delivered a strong performance with revenue growth of 11.7% on a constant currency basis to £76.9 million driven by our international expansion in Europe, Americas and APAC, despite softer demand in some sectors. We more than offset these lower transactional volumes with effective up-sell and cross-sell campaigns, proactive pricing strategies and new business in increasingly diversified sectors. This approach yielded positive growth to demonstrate the resilience of Location's business model. We also expanded our existing partnership with IBM, extending our long-standing relationship with a new agreement.

Our new business pipeline has seen wins across sectors and regions. Notable new customers include Inditex (owner of Zara), Converse and Clarks while the trend of manufacturers transitioning to direct-to-consumer sales continues, which includes Scentsy in North America, Delonghi in Italy and Teufel Audio in Germany. We have also continued to diversify through our new customer acquisition. By building on the Group's strength in financial services and gaming, we are now delivering our Location capabilities to customers such as Credit One, Klarna, Lloyds Bank and Bet365 to help meet their regulatory needs and improve transaction effectiveness.

Identity

58%
of Group revenue

Identity's statutory revenue increased to £162.7 million, as a result of the acquisitions of Acuant and Cloudcheck in FY22. On a pro forma constant currency basis, revenue declined by 1.9%, which adjusts for the slowdown in volume from cryptocurrency customers and the non-repeat of the US stimulus work. This reduction, as previously announced, largely reflects the specific impact of lower volumes from internet economy customers, who benefitted significantly from pandemic-related changes in consumer behaviour with a particular impact in the Americas.

Identity	FY23 £m	FY22 £m	Change %
Statutory revenue	162.7	142.8	13.9%
Acquisitions/disposals	-	31.4	-
Full YoY decline in crypto customer revenue	-	(15.4)	-
Revenue related to US stimulus work	-	(4.2)	-
Constant currency adjustment	-	12.3	-
Unwind of deferred revenue haircut and other	1.0	-	-
Pro forma constant currency revenue	163.7	166.9	(1.9%)

The uncertainty also led to an incremental lengthening of sales cycles and project delays. The trends in this region influenced the assumptions used for the annual impairment review, which resulted in an exceptional non-cash impairment charge of £122.2 million, with more detail provided in the financial review.

Outside the Americas, Identity demonstrated resilience through greater sector diversity as EMEA and APAC achieved combined constant currency pro forma organic growth of 9.1%. We are also pleased that, regardless of the overall volume reduction, our customer retention rate remains strong. New customer acquisition continues to contribute to underlying growth, driven by structural opportunities in sectors such as gaming, financial services and the public sector. We demonstrated our ongoing strength in gaming; securing Bally's, Pollard, and NTD in the Americas and Australia; while securing new financial services customers such as Confidia, Mortgage Advice Bureau and Transamerica Lending. A number of additional law enforcement and local authority customers continue to indicate growing public sector demand.

As noted above, we completed the integration of our two businesses in the Americas, creating a strong foundation as our team moves forward as IDology. The team is focused on a number of cross-sell and up-sell revenue initiatives, with customers such as B2B Soft, ClickBank and Qolo among over 100 customers now gaining the benefit of the expanded capabilities we offer. We have also been encouraged by cross-sell in our EMEA and APAC regions for the GBG Compliance platform, with customers such as ZeusFX, Tazapay and BuddyBet being notable new logos selecting our SaaS-based solution for its international coverage.

Fraud

14%
of Group revenue

We continue to see an increasing convergence of fraud and identity which is driving the strong demand for our fraud prevention and detection solutions as customers look to deploy an integrated approach to respond to the fast-evolving threat landscape. Revenue of £39.2 million represents strong organic constant currency growth of 14.7% from success in securing new customers and renewals of agreements with large financial institutions, which demonstrate the importance of GBG's fraud prevention capabilities to customers in both APAC and EMEA. Our new customer pipeline reflects our expansion in Southeast Asia, in Malaysia with CTOS, Union Bank of the Philippines and Bank BJB in Indonesia, while in EMEA we secured Banque Marocaine. We continue to see use case expansion for our specialist fraud investigation capabilities with the UK Government's Department for Work & Pensions, in addition to a competitive win-back of Next, one of the UK's largest non-food retailers.



Recognition for our highly engaged team

Our success and ongoing progress is driven by our 1,250+ people delivering each day for our customers. They create an inclusive environment that supports our position as an employer of choice. We were delighted to have been recognised with Gallup's 2023 Exceptional Workplace Award. Of 57 companies awarded globally, GBG was one of only two companies headquartered in the UK to be selected.

The award reflects our commitment to prioritising team engagement, which we have placed at the heart of our business strategy. We measure this on an ongoing basis with the results consistently demonstrating the high levels of engagement in the organisation, with our latest Q12 survey reporting that 93% of our team members recommend GBG as a great place to work. While we have actively managed our headcount, we have continued to invest in our people. This year we have recognised 138 team members by awarding them with promotions for their contributions to the Group's performance.



Looking ahead, there is a compelling opportunity to build our markets, capitalising on cross-sell and upsell opportunities throughout GBG as we expand use cases with existing customers, as well as capturing new business as we move into new sectors and geographies.

Progress on Environment, Social & Governance (ESG)

At GBG, we are committed to driving positive change and ensuring that the needs of our stakeholders are reflected in our evolving ESG strategy. We have worked closely with our team, customers and investors to identify key areas for improvement, including business and data ethics, people development and inclusion, diversity and equality. We have embedded this feedback into our strategy and processes, as we strive to meet our targets to reduce our environmental impact and increase diversity within our business.

We are actively managing the environmental impact of our operations and solutions while continuing to drive growth and innovation across our business. This year we formalised our ESG strategy and approach to measure, communicate and enhance our impact. Having become carbon neutral in our operations during FY23, we have now set out a longer-term target to become a carbon net zero business by 2045, supported by a 42% reduction in our Scope 1 and 2 emissions over the next decade.

GBG's approach to data use is critical to building a more inclusive digital economy, with our recent Digital Identity Service Provider certification against the UK Government's trust framework being one such example of our commitment to data privacy and security. Following the UK's Information Commissioners Office 2018 audit of data in GBG's services conducted along with several companies, we have now received confirmation that formal engagement has closed. Our significant capabilities and expertise will enable us to continue applying the highest data privacy and protection standards in our operations as a key differentiator for our offering.

Outlook

In the year ahead, GBG will continue to evolve its go-to-market activities, concentrating on profitable growth through up-selling and cross-selling the breadth of our portfolio, driving enduring value through our commercial model as we implement solutions bundles to elevate the customer experience. We will also prioritise enhancing GBG's competitiveness over the longer term, focusing product and technology investment in areas that deliver the highest returns and implementing initiatives to increase our operational effectiveness.

Since our update in February, there has been no material change in market conditions. While uncertainty remains, we still expect some gradual revenue acceleration in the latter part of the year. The Board is confident that GBG will deliver its FY24 profit expectations assisted by a group-wide focus on efficiency. The business is well-placed to benefit from structural growth, capitalising on the breadth of its capabilities and global reach to deliver our mid-term targets.

GBG has a high-quality global customer base, engaged people and differentiated products. The business is well-positioned to capitalise on the significant potential in our markets with solutions that are crucial for customers to operate safely and efficiently in a digital world. Notwithstanding the current headwinds facing the business, the Board remains confident in the long-term opportunity for GBG as the world continues to build an ever-increasing business presence online.

Chris Clark
Chief Executive Officer
On behalf of the Board
 14 June 2023