

GB Group

Trading update

Strong underlying growth puts FY18 ahead

GB Group (GBG) expects to report revenues and EBIT ahead of our forecasts on a strong performance from the fraud management and global electronic verification services. Net cash of £13.4m is also well ahead. This excellent momentum underpins our 12% organic revenue growth forecast in FY19, and the strong balance sheet provides additional support to the group's buy-and-build strategy.

Year end	Revenue (£m)	EBITA (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
03/17	87.5	17.0	16.5	9.9	2.4	46.9	0.5
03/18e	119.7	26.0	25.4	13.2	2.5	35.2	0.5
03/19e	133.4	27.0	26.5	13.5	2.8	34.4	0.6
03/20e	148.0	29.8	29.4	14.9	3.2	31.1	0.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

GBG expects FY18 revenues of £119.7m, up 37% y-o-y (2% ahead of our forecast) and EBITA of approximately £26m, 12% ahead of our forecast. Organic revenue growth of 17% is enhanced by the inclusion of a £3.5m perpetual licence sale within ID Scan in H1; recognising this over a three-year period converts to an underlying growth rate of 15% and implies a pick-up in underlying growth from 12% in H1 to 17% in H2. Mix effects and the recognition of said licence meant at 21.8% the operating margin was ahead of management's targeted trend margin of 20%. Year-end net cash of £13.4m was considerably better than forecast (£2.9m net debt), a combination of the better result, cash conversion, lower capital expenditure and cash tax as well as a lower final payment for PCA Predict.

The better-than-forecast performance was helped by continued strong growth from fraud risk and compliance, which has seen additional volumes from Bitcoin-oriented verifications towards the end of the year. Furthermore, the integration of GBG data into PCA Predict coupled with the investment in the US sales team is delivering ahead of plan with some early client wins from New York. Finally, volumes in the GOV.UK.Verify service have now reached a level that has prompted GBG to start to recognise revenues from this platform. We update forecasts for FY18 headline trading update but otherwise leave our operational forecasts for FY19 unchanged ahead of the results on 4 June.

Media

18 April 2018

Price 464p
Market cap £707m

Net cash (£m) at end March 2018 13.4

Shares in issue 152.4m

Free float 98%

Code GBG

Primary exchange AIM

Secondary exchange N/A

Share price performance



Business description

GB Group is a specialist in identity data intelligence. Its products and services enable its customers to better understand and verify their customers and employees, and are used across a range of fraud, risk management, compliance and customer onboarding services. With headquarters in the UK, it operates across 24 countries and generates approximately one-third of revenues internationally.

Analysts

Bridie Barrett +44 (0)20 3077 5757

Katherine Thompson +44 (0)20 3077 5730

media@edisongroup.com

[Edison profile page](#)

**GB Group is a research client of
Edison Investment Research
Limited**

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the [Financial Conduct Authority](#). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by GB Group and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.