Trustpilot Group plc

Initiation Note

27th September 2022

Price
74p

Ticker
TRST

Market Cap.
£307m/c.$328m

Net Debt (Cash) 1H22
($73.5m)/c.(£68.9m)

Free Float
62%

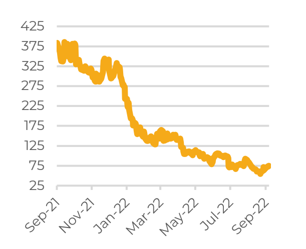
3mo Av. Daily Volume
900k

Brokers
J.P. Morgan Cazenove

Morgan Stanley

Index
FTSE 250

Share Price Performance



Source: Bloomberg

Founded in 2007, Trustpilot Group operates a leading global online review platform for businesses and consumers. This enables consumers to make better informed purchasing decisions, and businesses to engage with consumers and build a trusted brand.

Oliver Juggins, CFA
+44 20 7082 5522
Email the Analyst

It's All About Trust

Trustpilot is a truly differentiated dual-sided platform in the high-growth global online review market: it's an open, high-trust, consumer-led review platform that's free for consumers and freemium for businesses. The market opportunity is significant, at an estimated $50bn TAM (ex. China). Crucially, businesses can't choose which reviews to publish or hide, and thus Trustpilot provides the most complete picture of consumer experiences.

Trustpilot enables consumers to share their experiences, and to read verified, independent experiences of others - and therefore make better-informed purchasing decisions. This direct engagement also helps businesses to improve their services & products, to build a trusted brand by inviting & responding to reviews, and to benefit from high value, actionable insights. Engaging with Trustpilot significantly reduces consumer acquisition costs, increases traffic & conversion rates, and has even increased basket size for some online businesses.

As a result, Trustpilot benefits from strong virality and network effects which supports its organic growth once it reaches scale within any given industry vertical and across the broader market. The more that consumers choose to leave reviews on Trustpilot, the more businesses choose to engage with the platform by claiming their domain, displaying their TrustScore, and inviting more consumers to leave reviews. Consequently, Trustpilot's scale, breadth and depth are unmatched, with >190m total cumulative reviews, 811k reviewed domains, 53m monthly review invitations and close to 100bn annual TrustBox impressions.

Trustpilot differentiates itself on trust by employing a range of tools to maintain the integrity of the content on its platform, including clear guidelines to which consumers & businesses must adhere, automated fraud & fake review detection algorithms, and a team of fraud detection analysts –it is a market leader in trust.

In recent months there has been a material shift in market sentiment away from loss-making growth companies, and Trustpilot shares have derated significantly as a result. In response, management has signalled more conservative assumptions on top line growth, but expect greater operating leverage in 2H22. It has renewed its commitment to adjusted EBITDA breakeven in 2024: we would remind investors that it already demonstrated profitability and positive FCF in 2020. The recent CMD demonstrated the long-term margin potential, focusing on how profitable Trustpilot's most developed markets already are. Thus, with a strong balance sheet and cash-flow breakeven expected soon, we believe Trustpilot can fund its future growth organically.

We believe this combination of growth, moats, and the potential for imminent profit without dilution makes for a compelling investment case.

SWOT Table

Strengths	Weaknesses
• Unmatched scale, breadth, and depth with >190m total cumulative reviews, 811k business domains reviewed, 53m monthly invitations, c.100bn annual TrustBox impressions • Fully funded post-IPO, $73m of cash at the end of June 2022. No additional capital raises anticipated • Strong network effects drive organic growth • Track record of growth and "recurring revenue" due to high retention rates • Purpose-driven business	• Investment is required to drive bookings growth and ensure content integrity • Trustpilot relies on its reputation for fairness, trust, and transparency. Anything that damages that would seriously harm growth prospects • Given the platform hosts user-generated content there is the potential for litigation and disputes
Opportunities	**Threats**
• Growth potential from converting free users to paid, entering new geographies, and adding services. US market is under-penetrated, & go-to-market strategy is promising • A large, growing global market opportunity • Significant opportunity for operating leverage as the business scales • Trust is a significant differentiator • We expect adjusted EBITDA breakeven in 2024, with longer term >30% operating margin potential	• This is not a kind stock market environment for businesses that are not yet consistently profitable • Inability to recruit a skilled workforce could negatively impact growth prospects • Substantial or ongoing security or data privacy breaches could significantly damage Trustpilot's reputation amongst consumers and businesses • There is a changing and varied regulatory landscape • The market for online reviews is rapidly evolving and competition could increase • Macro uncertainty could dent marketing budgets

At a Glance (Yr. to Dec), $'m	Bookings	Revenue	EBITDA	EBIT	FCF	Current P/FY Sales
2019 a	96	82	(15.5)	(23.0)	(13.3)	4.0x
2020 a	113	102	6.1	(9.1)	2.1	3.2x
2021 a	150	131	3.9	(24.2)	(9.7)	2.5x
2022 Consensus	168	153	(9.6)	(18.7)	(16.1)	2.1x
2023 Consensus	201	180	(7.7)	(18.2)	(11.5)	1.8x
2024 Consensus	248	222	(0.2)	(12.6)	(3.3)	1.5x

Source: Bloomberg, Trustpilot

Background & Recent History

In 2007, current CEO, Peter Mühlmann founded Trustpilot in response to two requirements – firstly, he had a small online business that saw lots of traffic but had a very low conversion rate. He realised this was due to a perception that it may be unreliable or "fake" due to its lack of brand recognition and historical presence. Secondly, he wanted to ensure his mother didn't get scammed by fake businesses or poor business practices! This sincere sense of purpose pervades the business and its culture, and we believe this is a major asset for investors to consider.

Trustpilot was listed on the LSE in March 2021 and was quickly included in the FTSE-250 index.

In very basic terms, Trustpilot operates a global, open, online consumer reviews platform that helps consumers to make better-informed purchase decisions and to share their genuine experiences to help others. 'Open' in this context refers to the fact that businesses cannot choose which consumers they invite to submit reviews about them and cannot cherry-pick or edit which reviews are displayed on the platform. Hence, Trustpilot provides the most complete picture of consumer experiences of the competing review platforms. If a consumer wants to review a business, then that business will get a review – regardless of whether the business has chosen to claim its profile or interact with the platform. Indeed, if the business is not already profiled on Trustpilot the consumer can simply add their domain. In 2021, more than 15k domains were added to Trustpilot in this way on average each month and 21m consumers left their first Trustpilot review in the year.

Businesses can see and respond to all feedback they receive for free, and they can also begin to invite reviews and display their TrustScore via a widget (TrustBox) on their website without having to become a paying customer to do so.

Consumer confidence results from exposure to the experience of previous consumers dealing with businesses on the platform, and consumers can in turn leave freeform written feedback and a 1 -star to 5-star rating after each transaction. Each verified score contributes, by way of a formula that considers three factors (recency, frequency, and Bayesian average), to a "TrustScore" – which is visually represented by stars, rounded to the nearest half star. Every company on the platform has a TrustScore that can't be hidden or directly influenced by the company itself. More recent reviews have the highest weighting, as these are more relevant to the current behaviour of the business and are therefore more valuable to potential consumers.

It is also a fact that consumers like to leave reviews – the fact that your voice matters is an important factor in Trustpilot's success – and they like to interact with businesses, to share both positive and negative experiences. Being heard is an important social need, and the businesses benefit because they will be viewed more positively if they engage with consumers, responding to reviews, learning from the consumer feedback and building a trusted online reputation via Trustpilot. In fact, research has shown that 64% of consumers would prefer to buy from a business that made a small mistake and responded quickly than a business that appears to have no negative reviews.

This 'trust layer' helps to mitigate the information asymmetry between the consumer and a business they are considering transacting with: seeing, in a trusted and transparent format, the way in which a business has treated consumers is a real and valuable comfort. In this way, Trustpilot helps to create a community through increasing transparency and engendering trust.

A good example of an industry vertical where signalling trust is important is Financial Services, in particular the Fintech sub-vertical. Evidence suggests that increasing the trust in new, challenger brands is particularly valuable in the context of a market dominated by large, well-established brands. This need is acute in the financial services market as the fintech challengers need consumers to trust them with highly consequential matters concerning their finances and privacy. This, naturally, makes people nervous. The online education vertical has similar characteristics: if consumers are asked to trust a portion of their future to a business that they haven't interacted with before, being able to rely on feedback from other consumers offers significant comfort. In this way, Trustpilot is relevant to businesses across all verticals.

Businesses can gain tangible benefits from engaging with Trustpilot. Trustpilot reviews help with internet search engine results, helping to increase traffic, conversion, basket-size and to grow efficiently through optimising ad-spend.

This isn't just supposition: Trustpilot facilitates AB testing for its paying business customers – for example it might show 95% of visitors to that business's website a TrustBox and withhold it from 5% – the business can then measure visitor conversion and even basket size to determine the value Trustpilot delivers.

On top of this businesses can derive significant benefit from listening to their consumers, responding, and adapting. Trustpilot provides analytics and insights that help businesses understand how to improve their levels of service and, through sophisticated sentiment analysis, to identify emerging trends in real time.

Trustpilot's strategy is to be the most used and most trusted online reviews platform; if it succeeds and consumers decide that Trustpilot is where they wish to share their experiences, then in time businesses will need to engage with them on Trustpilot. It's analogous to Twitter. A business is likely to be mentioned on it, so needs a presence no matter what. Over time, businesses notice they're getting reviewed on Trustpilot and start to engage: 79% of new business customers in the UK in 2021 had existing, unprompted reviews on Trustpilot.

Let's look at two case studies that highlight the benefits for businesses:

Custom Ink	Details
Background	"Custom Ink", a leading US provider of personalised clothing – its products include corporate banding on hoodies, for example. Its first review was received in 2014 and it became a paying customer in 2017.
Problem	It operates in a market that's flooded with competitive start-ups and wanted to maintain its leadership position in an SEO-friendly way.
Trustpilot Solution	Paid subscription taken out, automatic display of reviews to improve SEO and grow trust, and feedback from reviews in a simple turnkey package.
Outcome 1	An influx of reviews following invitations improved consumer trust and strengthened SEO.
Outcome 2	Feedback from reviews was used to kill off unpopular products, enhance others, and stay ahead of peer offerings.
Outcome 3	In its first year with Trustpilot it increased web traffic by 5% and its conversion rate by 10% on pages that hosted Trustpilot reviews (it AB tested with and without review displays).
Vecteezy	**Details**
Background	Vecteezy is a platform for creators to provide stock imagery, founded in 2007. It received its first review in 2020 and became a paying customer in 2021.
Problem	It operates in a crowded, highly competitive market, and wanted to establish itself a top pick for customer satisfaction.
Trustpilot Solution	Paid subscription taken out, automatic review requests rolled out, Trustpilot rating and reviews displayed across email campaigns, websites, and Google ads.
Outcome 1	Feedback from reviews was used to enhance the offering, further improving customer satisfaction.
Outcome 2	Built social proof and credibility as a trusted provider.
Outcome 3	In its first year with Trustpilot it increased its conversion rate by 10% on pages that hosted Trustpilot reviews (it AB tested with and without review displays).

Source: Trustpilot, 2022

Put it this way: for free, a business can enjoy increased traffic, improved conversion rates, and useful, actionable feedback, as well as reduced per-customer acquisition costs through more effective marketing. Engaging at a free level is a "no-brainer", particularly as the business will be on there anyway.

Trustpilot should benefit from free active business users upgrading to paying accounts: there are 94k free active users sending out invitations and/or displaying a TrustBox at least monthly, but only 24k of these are paying business customers. The conversion process has so far been quite successful, and this is something we expect to continue or even accelerate as the platform grows in popularity and the subscription model evolves.

Trustpilot's open and collaborative approach differentiates its platform from 'closed' review platforms, which are essentially B2B marketing solution providers that allow businesses to display user-generated content on their website. These B2B solutions typically only let consumers review businesses when invited to do so and allow businesses to cherry-pick and edit their reviews. This latter business model has lacks transparency and so does not currently compete with Trustpilot on trust. As a result, Trustpilot has developed a powerful consumer brand which is not present among the B2B solution vendors: in fact, consumers actively seek out Trustpilot reviews.

By the end of 1H22, 811k domains had been reviewed on Trustpilot (+29% YoY), of which 617k have been claimed by their respective owners and 94k (+29%) were considered active domains – i.e., had invited reviews and/or displayed a TrustBox within the prior month. 24k of these domains were fee-paying, subscribing business customers. The platform had hosted 190m reviews (+32% YoY) by the same date, posted from over 200 countries and territories around the world.

Business Model

For consumers, Trustpilot is free to use – for both reading reviews and submitting them. It relies on its scale, openness, and the public perception of the transparency and integrity of the content hosted on its platform to attract consumers.

Figure 1: An example of a free TrustBox

For businesses, Trustpilot operates on a freemium model with a free service, a standard subscription, and add-on subscription modules providing additional functionality. Businesses can, without charge, use Trustpilot's basic services to engage with consumers that are reviewing their products & services. Practically speaking, this means a business using the free service can access its profile page, send a limited number of review invitations to consumers, respond to reviews, display a basic TrustBox widget, and see basic performance statistics. A TrustBox widget can also be added to a company's marketing materials or email signatures.

The "Standard Package", which costs from £199/month in the UK (depending on company size - and varies by country), allows profile page upgrades and 500 review invitations per month, as well as automated sending of review invitations. Further, it offers detailed performance analytics and enables business customers to earn Google seller ratings. These business customers can also use enhanced TrustBox widgets and display the content of their reviews in online and offline marketing materials.

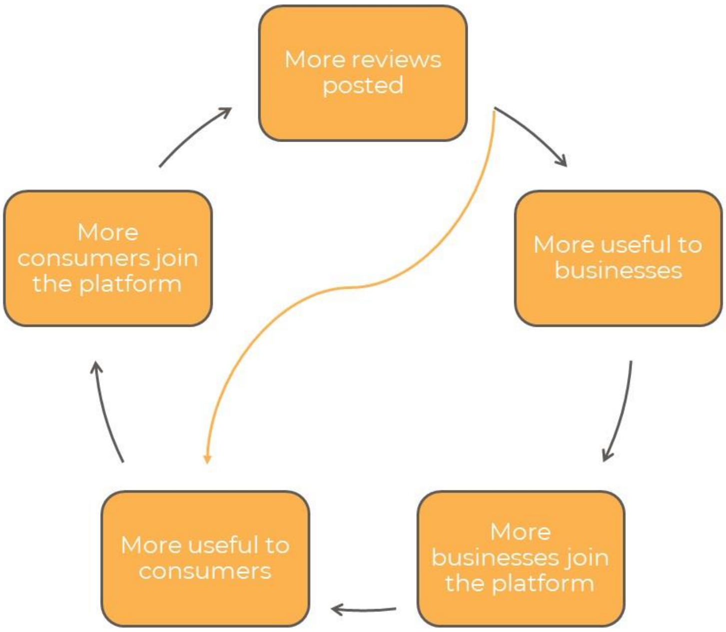
In addition to this standard subscription, paid subscribers can buy add-ons, including unlimited review invitations, use of the full TrustBox library (not just the widget) to showcase reviews, product & location reviews, point of sale review requests, integrate with tech partners, and access the full suite of analytics & support.

Finally, there are enterprise solutions, for larger business customers, which help with more complex integration through a library of application programming interfaces (APIs) and provide more functionality & data analytics. These services allow to businesses to enhance their experience of, and benefit derived from, the platform.

The advantage of this model is clear: the more business customers that use the site and showcase Trustpilot reviews, the more this promotes Trustpilot's consumer brand. A huge number of businesses active on Trustpilot provide free marketing for it in this way - in fact, if they are already subscribing business customers, they are paying Trustpilot to advertise the Trustpilot brand! TrustBoxes generated 8bn monthly impressions in 1H22 (10% up YoY), and as can be seen from figure 1, the Trustpilot brand features prominently in even the free ones. None of these impressions cost Trustpilot directly. Awareness is also driven, again at least for free, by review invitations – 318m invitations were sent out in 1H22 (+21% YoY), and although the data isn't available it's safe to say a significant number of those would have gone to consumers that are new to the platform.

A significant number of businesses also progress from free to paid packages. Offering a free basic service helps to make Trustpilot the market standard review platform. Why would a business *not* choose to engage when it can do so at no cost?

Network effect/virtuous circle – In simple terms, the more the platform scales, the more value it provides, so the more it scales - and so on. In Trustpilot's case, there are two feedback loops that are nested. Firstly, the more reviews there are on the platform, the more useful it is to Trustpilot's actual and potential business customers, so the more businesses will want to be on the platform. The more businesses on the platform (i) the more review invitations are sent and (ii) the more useful the platform is to consumers - so more consumers join the platform, and more reviews are posted. Alongside this, the more reviews there are the more useful the platform is to consumers, so the more consumers join the platform and drive reviews:



In addition, the more businesses there are displaying their Trustpilot ratings on their marketing materials and websites, the more this drives consumer awareness and traffic to Trustpilot, feeding into this cycle. Finally, this widespread use of the branding naturally increases trust in the platform through a feeling of affinity and the association with large, trusted brands.

As if that weren't enough, Trustpilot has also discovered that 37% of businesses found their online review platform "because it was well known inside their industry" – so there's a network/publicity effect amongst businesses too.

If this cycle continues, consumers should eventually get used to viewing Trustpilot as a "first port of call", no matter what business they wish to transact with, making it an indispensable tool for businesses.

Practically speaking, businesses can also benefit from use of the reviews as feedback to improve their customer experience. Clearly the more review data a business has, the more it will benefit from high value insights that can help it to improve its products and services. In turn, this response should drive sales for the business, and hence more reviews. We note that the network effect isn't reliant on businesses using the reviews to inform their efforts to improve – it's just an added momentum in the virtuous circle.

We also note that consumers can leave reviews for businesses that haven't yet claimed their profiles – this can lead to businesses joining the platform and then potentially becoming paid subscribers. In 2020, c.63% of paid subscribing business customers had received reviews prior to having claimed their profiles – up from 35% in 2015, suggesting that this link is strengthening as the platform grows.

Organic, cost-free growth is therefore baked into the Trustpilot model. The company continually invests in enhancing the user experience to ensure the most benefit is derived from this effect by increasing consumer engagement and propensity to leave even more reviews.

Trust – Trustpilot lives by four principles: being open, being neutral, treating business customers equally, and being transparent.

Trustpilot maintains the integrity of its reviews in various ways, which it has detailed in its [Annual Transparency Report](). Clearly it must maintain a balance between the needs of its business customers and the needs of their consumers: failing to treat either group fairly or consistently would lead to an erosion of trust and the loss of either consumer eyeballs or paying business customers. Of course, in the longer term these are interdependent, so the loss of one would lead to the loss of the other.

Trustpilot does not allow businesses to block, prevent, or alter reviews. In our opinion, this is unlikely to cause problems with businesses because Trustpilot has achieved enough scale in its existing markets that businesses need to engage with it or risk losing reputation and limiting their potential to attract new consumers. There is also an understanding from more and more businesses that their presence on a trusted platform is the best way to win and retain customers.

There is sometimes a misconception that a paying business customer enjoys a better TrustScore than a free business user of the Trustpilot platform. In reality, there is very little difference: paying business customers have an average TrustScore of 4.33, whilst free active domains average 4.35.

Consumer trust will only come from the perception that reviews are accurate and honest, and as such Trustpilot employs multiple controls to ensure the integrity of reviews and prevent companies from manipulating the platform.

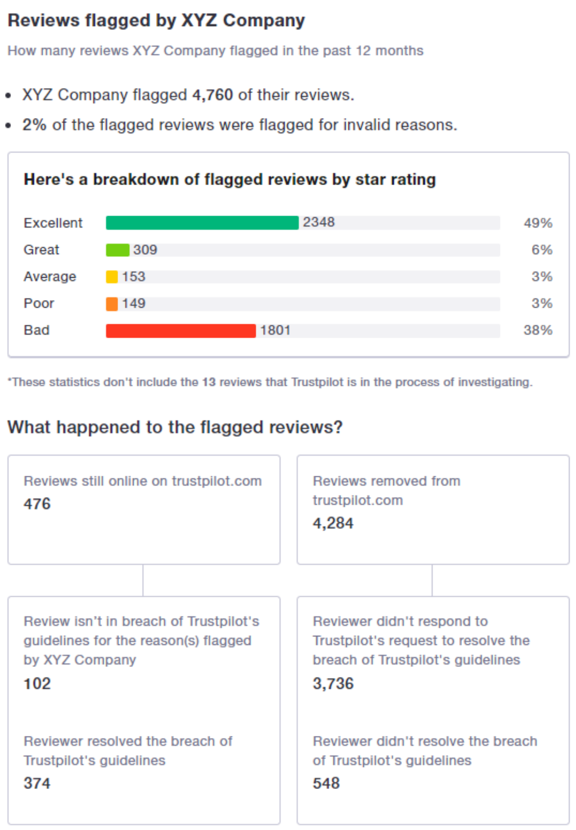


Figure 2: An example of flagging data available to consumers

Trustpilot has a clear set of guidelines that all participants must adhere to, both consumers and businesses. This is backed up by flagging tools to enable businesses and consumers to flag reviews that they feel breach these guidelines in some way. All reviews pass through sophisticated algorithms to check for potential fake or misleading content. There is also a team of fraud detection analysts who can intervene in more complex cases. For example, all reviewer accounts must be linked to an email address. Whilst this isn't fool proof, it does add an extra degree of accountability and a layer of effort to reduce the prevalence of fraudulent accounts. All reviewers and business customers must accept behavioural guidelines when signing up to use the platform.

Additionally, Trustpilot does not allow companies to remove, censor, or influence any reviews or their TrustScores. Once a review is published, it is there forever, provided it's not identified as inaccurate or deleted by the reviewer. It does, however, allow companies to respond to reviews for free.

Thirdly, inaccurate, illegal, or abusive reviews that may have escaped automatic detection can be flagged by businesses and consumers.

Trustpilot goes to great lengths to ensure that this flagging function is not abused or manipulated. For example, the transparent flagging process leaves flagged reviews on the platform whilst they are investigated, thus reducing the incentive to flag genuine negative reviews to hide them. Trustpilot has also implemented business transparency pages which allow consumers to see how many reviews a business has flagged, what sort of reviews were flagged, and what the outcomes of prior flagged reviews have been – see Figure 2 for an example of a business transparency page. Trustpilot also employs software to identify potentially anomalous trends, such as companies only flagging negative reviews that breach platform rules, or repeatedly flagging negative reviews that don't breach them. There's also a whistle-blower function acting as a final line of defence. Repeated abuse of the flagging system results in Trustpilot placing a consumer warning on the offending business profile page and limiting access to its account – culminating in contract termination if necessary and potential legal enforcement.

Trustpilot has continuously enhanced the flagging process, and in 2021 consumer flagging accuracy increased by 4% and business flagging accuracy rose by 14%. It also reduced the cost per ticket by 35% and reduced the manual labour component of the process by 15%, improving the scalability of the flagging system. There is much more automation potential in our view, and this could help improve the already strong operating leverage Trustpilot enjoys.

Finally, fake reviews are dealt with from several angles, starting from when they are submitted: there's a delay of up to 2 hours between submission and publication, to give the detection systems and processes the opportunity to check for fakes. In the past, fake reviews could be published very quickly, but this is more difficult now thanks to this clever evolution of operating procedure. Innovation and evolution to improve trust has been an ongoing part of Trustpilot's strategy from its genesis.

Trustpilot employs a global director of content integrity to oversee the maintenance of trust. In 2021 Trustpilot removed >2.7m fake reviews, out of >47m reviews left on the platform that year. This represents about 5.8% of the total submitted reviews, which is stable YoY – demonstrating that Trustpilot is able to grow efficiently. Trustpilot reviews 9k reviews per month that are flagged by platform users, and it employs automated systems that analyse every review submitted to the platform. Of the 2.7m fakes removed in 2021, 1.84m were removed by automated software. This software comprises a range of tools that have been developed over many years, and Trustpilot continues to invest in enhancing its efficacy and accuracy. This automation makes the business much more scalable than it would be using people alone, and we believe the investment in further scaling it should be limited. In fact, the system has been built to be outsourced, so that capacity can be easily and effectively flexed according to need.

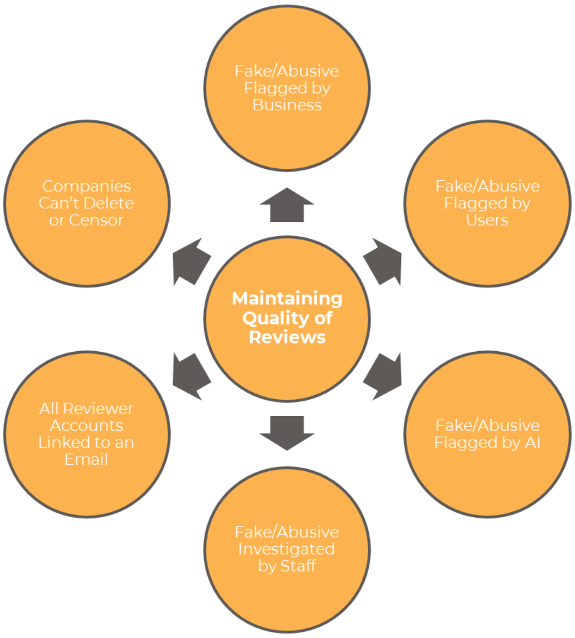


Figure 3 How Trustpilot maintains review integrity

Review sellers pay people to write positive reviews about businesses and are a major concern for the online review industry. Trustpilot is able to identify these types of reviews and tracks them back to their source. This ability to identify review sellers has achieved 99.6% accuracy and has enabled Trustpilot to work with marketplaces and social media platforms to remove bogus reviews generated by review sellers on a large scale, sometimes resulting in legal proceedings. Trustpilot reviews are clearly valuable to businesses and, as a result, there will always be those who seek to manipulate the platform for financial benefit; however, Trustpilot continues to evolve its detection capabilities to stay ahead of bad actors in this ongoing adversarial relationship.

Reviewers and businesses now have the option to verify their identities. Trustpilot highlights those who have undertaken this verification, which is another useful and innovative tool in the quest to ensure the integrity of reviews. This process uses the same technology as banks, and requires a photo of government ID and a 'selfie' photograph. Over 60k reviewers have opted into this programme so far. Given that 85% of UK and US consumers "would provide proof of identity to protect others from misinformation online", we believe this number could grow significantly and improve the overall accuracy and trustworthiness of reviews significantly – whilst extending Trustpilot's leadership in transparency and trust. Discussions with the company have given the impression that there is the potential for an app – this would make verification the default, and could rapidly expand this base of 60k verified users.

Trustpilot has also developed software to counter a very 21st century problem – "Twitter Storms". Its software can very quickly detect anomalous behaviours and freeze reviews – such as when Three UK ceased its sponsorship of Chelsea Football Club and fans tried to tank Three's TrustScore. The temporary suspension was enacted quickly and allowed the "storm" to pass, ensuring the integrity of reviews.

This is an industry-leading approach, with other online review platforms failing to go to these lengths to engender trust, as discussed in the Competition section, below.

In addition to all the safeguards, we believe that Trustpilot is naturally well aligned with the consumer – after all, the business was founded with a strong conviction in the importance of trust, and that sense of purpose very clearly defines its culture today. Further, employees at all levels of the business will be aware that were consumer trust to be eroded, Trustpilot would no longer be viable. Therefore, Trustpilot doesn't just virtue signal about trust, it takes violations of its terms of service very seriously and has taken legal enforcement action against persistent offenders. In 2021, 1,425 cease & desist letters were issued, and 136 contracts terminated. Management very much understands the importance of maintaining trust, and works hard to do so.

To summarise the benefits to Trustpilot business customers:

- Gather verified, independent reviews and display user-generated content to increase trust in their business/brand. Improved trust is particularly valuable for smaller and newer businesses, which can't rely on a strong pre-existing brand recognition and reputation when the customer is considering a purchase. In this respect, Trustpilot goes some way to level the playing field with larger brands.
- Increased traffic to the business, resulting from this additional trust.
- Increased click-through rate from marketing: subscribing business customers have experienced >20% click-through rate growth on their Google advertisements that displayed Trustpilot star rating vs. those that didn't.
- Improved conversion. A subscribing customer who added TrustBoxes to its application page saw a 6% increase in its overall conversion rate. This customer also started to include customer feedback in its marketing materials and has experienced a 2-4% increase in revenue per website visitor since adding TrustBoxes to its key website pages. Another customer experienced double-digit sales growth, higher conversions, and lower cost of acquisition after it added TrustBoxes to its paid media and point of sales displays.
- The addition of 5* review quotes in display and paid social adverts, when tested against control content, can reduce consumer acquisition costs. One Trustpilot customer saw its acquisition cost per customer fall by 38%.
- Gather actionable, high value insights to help a business improve its products and services: business customers that have used the feedback and data on offer to improve their service and offerings have reported improved consumer satisfaction over time.
- This all leads to increased revenue and lifetime value of a consumer relationship.

Big Data – The amount of data Trustpilot and its users already generate is phenomenal – in an average month, businesses send 53m review invitations to consumers. Trustpilot's software reads all posted reviews and can extract trends and high value insights to businesses: it effectively automates part of the workflow of its business customers, sitting within their tech stack to show consumer trends in real time. An example of this is Royal Mail, which can now see changes in customer sentiment in any given region in the last week, and therefore Trustpilot is adding significant value in helping it to identify if a problem exists in real time.

Interestingly there is an additional angle for investors here: many investors already check Trustpilot reviews as part of their diligence prior to making investments. Our experience with IPO documents also suggests that this Trustpilot plays a part in the diligence process for investment banks. Trustpilot could therefore provide data analytics and alerts on company quality and trends, for example, as a paid-for service to help investors understand when portfolio business performance changes.

Whilst the strategic focus for the business is currently, rightly, on increasing consumer engagement, we believe that there will be significant developments in data provision services in future. The more the platform scales the more data it generates, and the more insight it can extract. This represents a highly profitable growth opportunity, and Trustpilot's management team has repeatedly demonstrated its ability to experiment with go-to-market strategies and adopt new ideas when they work. Watch this space.

The **Marketing** strategy is broad, having to engage both consumers and business customers to ensure the virtuous circle continues. Trustpilot significantly benefits, at no material cost, from its business customers' use of its logo and widget in their own marketing materials and on their websites. This is a material source of exposure, generating 8bn monthly TrustBox impressions and over 1bn monthly Google search impressions (unpaid) in 1H22. Trustpilot has worked hard to optimise its platform to benefit from this effect, including implementing a strong SEO programme. This is a significant amount of free marketing (easily representing tens of millions of dollars per annum), and is testament to the network effect the business model enjoys.

Trustpilot also carries out a flexible mix of consumer campaigns, paid search, social media marketing, email marketing, and customer lifecycle engagement. The latter boosts customer engagement through automated, targeted prompts where it believes there is a propensity to subscribe or upgrade, as well as ensuring a strong onboarding process and habitual use/recall of the platform.

Trustpilot is also now executing a trial "full funnel" marketing campaign in Italy, a market in which 82% of consumers turn to an online review platform before making a purchase. Its focus is currently on driving brand awareness through multi-channel marketing, including physical/display ads and TV. Every aspect of the campaign's performance is measurable and will be evaluated thoroughly. It is data driven, responsive to new data, and uses proven techniques.

Trustpilot is keen to use the trial to inform a framework for future campaigns, improving customer acquisition costs and speeding up adoption when entering new markets. The expectation is that media spend should achieve an 18-month payback profile.

Trustpilot has also pursued a partnership and tech integration model, giving it access to its partners' existing customer relationships as well as integration with large ecommerce platforms. Key partners include Google, Facebook, PayPal, BigCommerce, Yext, Magento, PrestaShop, Shopify, WooCommerce, Freshworks, Hootsuite, Sprinklr, Shopware, Slack, and Zendesk. Partnerships are based around:

- Solutions, which consist primarily of marketing agencies and referral partners, driving scale through referring Trustpilot products to their customers
- Technology, primarily through Google, Facebook, and Bing to enhance Trustpilot's offerings. One example is the sharing of reviews via social media. Technology partners have also helped with customer onboarding and embedding reviews in the more complex enterprise scenarios.
- Data partners help with monetisation of Trustpilot's significant data assets. Comparison sites and markets like Autotrader are adding Trustpilot reviews to enhance conversion, and sites like PayPal use its data to verify business integrity. In another example, Bosch uses this data to offer consumers an independent measure of quality of its network of installers.

Key Risks

Profitable revenue growth is key to the investment case and the valuation, as the investment in the platform and offering will continue to be relatively large and the costs associated with incremental revenue are minimal (c.80% gross margin), meaning operating leverage is significant. We believe a significant portion of the market's perception of the value of the shares relies on this growth assumption. This growth in turn depends on customer retention & spend increase, new customer wins, entering new market segments & geographies, and ensuring the platform remains competitive and innovative.

As such, the business is under constant pressure to expand and innovate, which compounds the risk of problems: the next change to the platform could drive either businesses or consumers away.

On the other hand, innovation should prove beneficial, and to some extent investors have to trust the management and culture of any organisation in which they invest. Trustpilot has, over many years, built a significant and successful global review platform, and managed to balance this risk well.

Search Engines. Trustpilot is reliant on search engines to drive traffic to its platform and its business customers: at present, businesses that display ratings get better search rankings than businesses that don't, driving more traffic to Trustpilot and its business customers. The algorithms search engines such as Google use to generate results lists are not published, and can change with no notice. However, search results are more helpful to search engine users when they display useful, independent, user generated content. Displaying reviews and ratings therefore benefits all the involved parties and incentivises a positive relationship between the search engines and Trustpilot.

Nb. Google Seller Ratings, which are displayed in line in the list of search results, are different from Google Customer Reviews, and actually use data provided by Trustpilot, as well as a range of other review sites, to devise a rating. None of these are verified by Google itself. Google Customer Reviews is Google's review collection platform, and also feeds into the overall Google Seller Rating.

Economic risk is ostensibly serious, as a reduction in economic activity tends to reduce consumer demand, reducing the number of transactions. Because reviews tend to be posted following a transaction, this would therefore reduce the number of new reviews being generated. Additionally, it might lead companies to reduce their cost base quickly. The combination of fewer reviews and the need for cost savings could make cutting a Trustpilot contract an obvious cost saving measure. However, we believe companies tend to act with an eye on the longer term, and provided Trustpilot continues to demonstrate its utility, many would continue to use it in an attempt to take share of the decreased wallet during any economic downturn. In fact, during the 2008 recession marketing budgets in the US were cut by 13% across the board, but mass broadcast budgets were still dominant back then and were hit hardest – online ad spend fell by only 2%. The current industry zeitgeist suggests that intelligent spending on targeted marketing ensures the best outcomes. We believe Trustpilot falls into that category, and therefore the associated spending should actually increase during a recessionary period.

Technical risk, such as a hack or a material/sustained service outage could damage the brand, but we believe these are outlier risks that impact any business. In any event, a technology-focused business without legacy assets or systems is, in our view, very well placed to avoid such problems. For example, Trustpilot's data is hosted and transmitted through Amazon Web Services and Google Cloud, who are specialists with a good track record on availability and security.

Privacy and data security are designed into new products and all staff receive training to ensure awareness of the risks and to minimise the likelihood of any mishandling of data. Other safeguards include limiting access to segregated networks, encrypting data during transfer and storage, and running public "bug bounty" schemes, whereby anyone who finds a bug or potential exploit gets paid for reporting it.

A chief trust officer and a chief technology & product officer are responsible for compliance with privacy objectives and security, respectively.

Regulatory risk, including the trend for data protection, risks the addition of costs to the business and restrictions on its use of data for marketing and advertising purposes. Whilst this isn't currently a core part of the value proposition, further restrictions here could constrain growth.

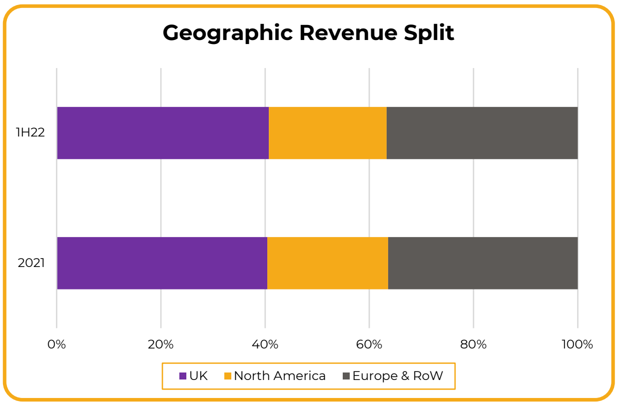
We would also expect further regulation of online content, making platforms more responsible for policing harmful and illegal content – even when posted by third parties. Trustpilot's fraud detection systems and processes position the business well from this perspective.

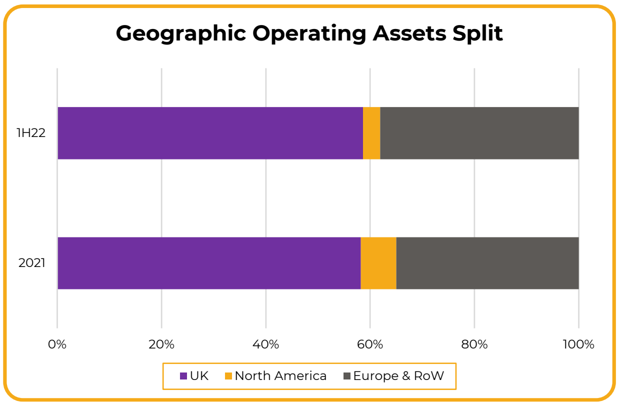
However, as a leader in transparency and trust, we would expect any regulatory changes to impact other review platforms relatively more than Trustpilot itself as it seeks to maintain positive, collaborative relations with regulators.

It's worth noting that Trustpilot derived less than $50k of revenue from Ukraine, Russia, and Belarus in 2021. As an ethical stance against the invasion of Ukraine, it has pulled its service from the latter two countries and offers its services for free to its existing Ukrainian business customers.

Business Segments

Trustpilot only recognises a single operating segment, but splits out its revenue, growth prospects, and non-current operating assets by geography.





Regional Development

When Trustpilot enters a new geography, its early-stage performance is best judged against strategic objectives. This changes once the network effect starts to drive real scale, at which point the more traditional economic measures of the business start to become meaningful.

The early stage strategic KPIs to watch for are generally activity related. These include the number of reviews left, the number of review invitations sent by business customers, the number of impressions, the number of reviewed domains, the number of domains that are active on the platform, and the number of paying/subscribing business customers. These indicators tend to lead to improving financial KPIs over time.

Trustpilot invests in encouraging the network effect through consumer engagement to drive adoption, e-commerce integrations (integrating the offering with companies such as Shopify, WooCommerce, etc.), and by targeting certain industry verticals to drive growth to a self-sustaining level. This is also the point at which more has to be invested in maintaining content integrity.

One key leading indicator of performance when Trustpilot has recently entered a geography or market is the growth in reviews and, perhaps more importantly, review invitations – that is, where companies invite consumers to submit reviews. For an idea of scale, in 1H22 53m review invitations were sent per month, a 21% increase year-on-year. This isn't always an immediate link, but review invitations are the engine of the network effect: businesses inviting consumers to review them exposes new consumers to Trustpilot. These consumers may then go on to review another business – perhaps even one that's not yet on the platform or hasn't engaged with it yet. If this happens repeatedly, these businesses may then decide to engage with Trustpilot, and start sending their own review invitations.

Once scale has been achieved in a region, more traditional financial measures become meaningful, such as revenue, recurring revenue, operating profit/loss, operating cashflow, and total bookings. It's worth noting that bookings are the dollar value of contracts signed, and most have a 12-month duration. The growth in reported bookings in a given year is therefore a strong lead indicator for revenue growth for the following year. For the years 2018-2021 the correlation between "year T" bookings and "Year T+1" revenue growth is 0.68:

		2018 a	2019 a	2020 a	2021 a
Group Bookings Growth		31%	27%	19%	32%
	2018 a	2019 a	2020 a	2021 a	
Revenue Growth	31%	32%	23%	24%	
Correlation					**0.68**

The **UK** represented c.41% of bookings and 41% of revenue in 1H22. It is the largest source of revenue, at $29.9m in 1H22, and reviews, at 16.9m in FY21. This market is amongst Trustpilot's most developed, and is already benefitting from the network effect, with consumer brand strength driving more corporates onto the platform, increasing its utility. However, penetration is still low, and there remains significant potential for long term growth. For many consumers, Trustpilot is now a vital part of the diligence carried out before a major purchase – a study by marketing consultant BrightLocal estimates that in 2021 77% of consumers read online reviews before committing to a purchase from a local business, for example. Other surveys estimate this is as high as 95% for general businesses, particularly for 18–34-year-olds. Interestingly, another survey suggests this isn't limited to retail consumers, and that 41% of business buyers read online reviews before making B2B purchases of software, for example.

Europe & Rest of World was the second largest revenue contributor, at $26.9m (37% of 1H22 group revenue), up 19% YoY, with strong growth in the Netherlands and Italy, where Trustpilot is starting to expand its presence more aggressively through its first local hires as a result of the spectacular growth experienced in these geographies since it entered them. Other countries in Europe are close to reaching this inflection point, from early-stage to "boosted by network effect" but no individual country within the Europe & RoW segment exceeds 6% of group revenue. This segment represented 37% of bookings in 1H22.

Finally, the **North America** posted 1H22 revenue of $16.6m (23% of group). The most recent (FY21) numbers show it generated 6.1m reviews, making it Trustpilot's second largest geography for reviews. This revenue was 13% ahead of 1H21. In 1H22 bookings grew 8% (representing 22% of 1H22 group bookings), and as a leading indicator this suggest the potential for revenue growth in 1H23 and beyond.

This H1 bookings growth in America lagged expectations due to difficulty hiring talent and organisational changes made to reflect the new go-to-market strategy, detailed in the next paragraphs. However, the strategic KPIs that measure adoption of the platform (# reviews, reviewed domains, etc.) grew by more around 30%, suggesting that bookings growth should materialise in due course.

In the US, 88% of reviews are generated on 4 sites: Google (73%), Yelp (6%), Facebook (3%), and TripAdvisor (3%). We believe the presence of such a strong network effect in the review market will potentially lead to a "few winners take all" outcome, and the challenge for Trustpilot is to be amongst those winners. We believe this is probable due to its verified, independent reviews are genuinely differentiated, which should provide an opportunity to take material market share: a recent survey revealed that 62% of consumers say they won't support brands that censor their reviews.

Looking from a different angle, another survey from BrightLocal suggests 7% of Americans used Trustpilot to evaluate a local business in 2021, placing it 8th behind the above "big 4", the Better Business Bureau (which 31% of respondents had used), Apple Maps (13%), and Healthgrades (12%). This is a remarkable feat in the brief time it's had a presence there.

Something we find particularly encouraging is that over Trustpilot's first 3 years in North America it has achieved growth in "unprompted reviews per capita" at the same pace as it did in its first three years in the UK market. In fact, it's been ahead of the UK market metric in all three years, and growing at a similar pace. As to how this translates into growth: after 3 years in the UK, 46% of businesses with existing unprompted reviews became paying business customers. In the US, three years after entering, it's currently 56%. Given the pace at which the UK then grew as the network effect took off, there should be significant growth to come from Trustpilot's US presence, and there should be a comparable, if not better, take off in the number of paying business customers.

US co-marketing is also increasing, which as we've previously explored, provides significant eyeballs on the Trustpilot brand and platform.

The North American market is a major proportion (c.81%) of the current serviceable addressable market, and Trustpilot has recently undertaken a segmental analysis to develop its go-to-market strategy there. In fact, this new strategy is an evolution based on experience for Trustpilot. The usual way of entering a new geography was to go in "high and wide" – marketing the service to all sectors in an attempt to get the whole geography to critical mass for the network effect, over a longer time period. However, management made a key observation: some industries achieved a network effect in isolation. The mechanism is that once some players in an industry start using Trustpilot, their peers follow. 37% of businesses found and chose their review platform because it was well knowing within their industry – more than through online search or any other channel.

This understanding has helped form the new go-to-market strategy: focus resource on a small number of industry verticals upon entering the geography, and build the network effect sequentially in each one, before moving to the next tranche of industries. This contrasts with the previous strategy of attempting to build the network effect across the whole geography at once. With resources focused on fewer industries at a time, Trustpilot is able to achieve the network effect in these industries relatively quickly.

As ever Trustpilot takes an evidence-based approach, and if a vertical fails to perform as predicted it is de-prioritised and another in the next wave is considered instead.

This targeted approach should therefore maximise the potential for growing efficiently – something that's increasingly important as Trustpilot matures and the market demands growing returns on capital. Under this strategy the early-focus industry verticals become self-sustaining much faster than they otherwise would, freeing up resource and generating profit and cash sooner.

Trustpilot's method for choosing the first tranche out of the 50 industry verticals it identified in the US is based on very granular data and modelling, as well as interviews with business customers, prospects, and partners. It also mapped its competitors and their position in each vertical under consideration, and benchmarked each vertical against those in which Trustpilot achieved early success in its more mature geographies. Verticals it has identified for this first tranche will likely include Investments & Wealth, Credit & Debt Services, Insurance, and Banking & Money. Once these have reached scale, the second tranche will likely focus on Education, and Travel.

Addressable Market/Market Trends

According to a study conducted by the strategy consultancy OC&C at the time of Trustpilot's IPO in 2021, the current serviceable addressable market (SAM), based on Trustpilot's 12 core industry verticals across its existing geographies (UK, US, and Europe), is c.$6.3bn. This estimate expands to $18.8bn in the longer term, assuming an eventual 100% penetration rate (proportion of "eligible companies" that become free or paid users) and 56% conversion rate (proportion of free users that become paid users) in these markets.

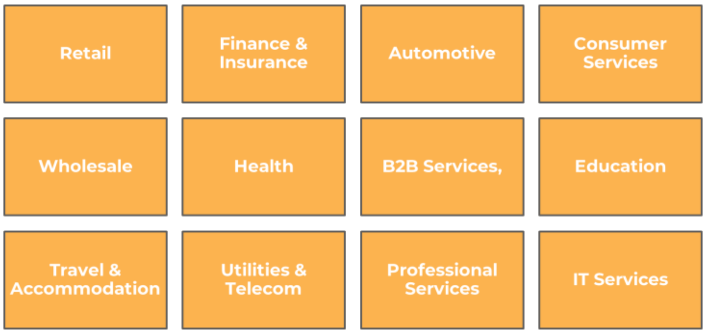


Figure 4 Trustpilot's 12 key industry verticals

Of the current SAM, c.$4.4bn represents Trustpilot's 4 core countries of operation: US ($3.6bn), UK ($0.5bn), Netherlands, and Denmark ($0.3bn between them) – based on there being 3.8m eligible companies in the 12 relevant verticals in these geographies. Eligibility here merely requires an online presence. The SAM for these geographies results from an assumed average revenue per customer (ARPC) of $6,200, penetration rate of 48%, and conversion rate of 38% - the former is based on Trustpilot's ARPC and the latter two are based on the maximum penetration rate Trustpilot and its competitors have achieved so far in these countries within their more advanced verticals.

The same report estimates current market penetration across the core verticals in Trustpilot's primary countries of operation to have reached only 5% at present, although Trustpilot has achieved higher penetration rates in the relatively mature UK market (14%). Its penetration in the US, on the other hand, is estimated to be much lower at c.2% of the estimated 2.5m eligible businesses there and 0.7% of the $3.6bn estimated SAM.

OC&C also, on a more blue-sky basis, estimates the Total Addressable Market (TAM) to be, excluding China, $50bn, and assumes penetration of new verticals and new geographies.

Growth Drivers & Strategy

We believe growth will be driven from two complementary angles: growth within the market, and a tailwind from growth of the market itself.

Growth within the market: 62% of consumers won't support brands that engage in fake reviews – something we believe no platform is as proactive in dealing with as Trustpilot. Coincidentally, 62% (not necessarily the same 62%) also believe they've seen a fake review for a local business in the past 12 months. This need for trust should drive consumers towards the platform, provided they are made aware of its strengths in this regard. As investors often say: "quality will out".

Trustpilot's stated mission is "*to become a universal symbol of trust for the online economy*". Its strategy to achieve this and therefore increase its share within the online review market is broken into 5 key categories:

1) Product-led growth.
   - This means Trustpilot aims to further automate its sales processes to reduce customer acquisition costs and increase the number of paying subscribers, as well as improve customer engagement for existing subscribers.
   - As such, it has invested in scale, whilst taking care to maintain the integrity of its reviews. It has streamlined key parts of the customer journey, including automated review invitations, which should increase the number of reviews on the platform. It's also launched an e-commerce channel, including partnerships with Shopify, WooCommerce, and PrestaShop – allowing merchants on these platforms to deploy Trustpilot in-platform, making the process quick and easy. We expect further investment in this channel in future.

- The segmentation exercise in North America also falls under this strategy, and the success of this go-to-market strategy is judged on the lifetime value of a customer divided by the cost of customer acquisition (defined as the lifetime value of a business customer divided by the business customer acquisition cost).
- We see integrity of reviews as a key competitive differentiator, so are comforted to note that this is the founding purpose of the organisation.

2) Subscriber maintenance and growth.
   - This is focused on encouraging companies to claim their profiles and converting them to paying business customers, as well as selling additional services to existing business customers. In 2021 Trustpilot achieved an astonishing net dollar retention rate of 99%, up 8pp YoY. Retention is particularly key in markets that Trustpilot has only recently entered, and where its brand value is not yet cemented. Management has noted that activation of profiles in the first year of entering a new market is associated with retention rate, thereafter, so is aligning its sales incentives to promote this. Once the first year has passed, very few businesses cease to engage with the platform.
3) Growth from entering new geographies and verticals.
   - Trustpilot uses its experience in more mature markets to target those verticals that are most likely to succeed when it enters new markets. It has significant data to inform this strategy, and the strategy is proving successful so far in the US. We discuss the US-specific implementation of this strategy in more detail in Business Segments.
   - Of course, COVID-19 had an impact with many more companies and industries, such as education, retail, and healthcare, increasing their online presence - encouraging more online reviews. However, some industries, such as travel and hospitality, shut down entirely during that period, partially offsetting this benefit.
4) Addition of new products, services, & capability that can be cross sold in to exiting business customer relationships, and that will enhance the offering to potential business customers.
   - There's been a focus on AI and machine learning to provide better data processing and analytics than peer, as well as adding innovative functionality, such as video reviews of products.
   - Personalisation of the platform experience for business customers and consumers remains a key focus going forward, and Trustpilot has invested in its ability to provide customised, actionable insights to help business customers respond to the feedback they receive.
   - This should help with customer retention as well as attracting new business customers.
5) Selective M&A
   - This is always an option to which management is open, particularly for entering new geographies or adding new products or talent.
   - It takes a flexible approach here, and will look at partnerships and JVs, as well as acquisitions.

Growth of the market: this is still a relatively young market, but it is one that's becoming ever more important to both consumers and businesses. Growth should be driven by several factors.

First, the number of businesses worldwide is continually growing. Statista estimates that the number of businesses worldwide has grown at a CAGR of 2.7% since the year 2000 (to some 214m), with every year posting positive growth except 2020, due to the extent of COVID shutdowns. This is a net increase, and in fact it also estimates 4.7m new businesses were registered that year. We posit that whilst net growth is important, new businesses benefit more from reviews than those with established brands, so the gross number of new registrations is also important.

On top of this, e-commerce is still growing strongly in the retail mix, and again this is an area that benefits from the trust and visibility provided by reliable online reviews because there are so many smaller, less known brands competing in this space. According to Insider Intelligence, the global e-commerce market might reach 21% of all sales in 2022 and 24.5% in 2025, up from 17.8% in 2020. The online shopping market could top $5.55tn of spend in 2022 and $6.17tn in 2023. This is a phenomenal pace of growth that should underpin growth in demand for online reviews.

Clearly an economic downturn might dampen the absolute spend, but the trend is likely to continue over time as more and more consumers globally get used to the convenience and broad choice presented by online shopping. Trustpilot's tie ups with platforms like Shopify provide a very helpful direct access to this growth, and we believe there is further opportunity to partner with online shopping platforms.

Finally, reviews are increasingly important to consumers:

- Review interactions are currently 50% higher than pre-pandemic levels, for example, and are said to have 25% more influence in convincing consumers to make a purchase: 5.3% of shoppers who interacted with a review in 2020 went on to make a purchase, vs. 4.25% in 2019.
- Companies simply no longer have the option not to engage with review platforms – in a survey by ReviewTrackers, a consultant specialising in online reviews, 53% of consumers expect a business to respond to negative reviews within a week. 89% of consumers said that they were 'highly' or 'fairly' likely to visit a business that responds to all of its online reviews. On the other hand, 57% said they were unlikely to visit a business that doesn't respond to reviews, and nearly 80% will review a purchasing decision based on reading a negative review and 94% of consumers said a bad review has convinced them to avoid a business.
  There's also a higher propensity to leave negative reviews than positive, so companies need to remain vigilant and engage with the review platforms to reduce loss of business: "7% of consumers will consider leaving a review for a positive experience, but 40% will consider leaving a review for a negative experience." However, it's worth noting that this is not the case on Trustpilot: 72% of reviews submitted are 5 stars and fewer than 20% are three star or below. We therefore posit that the community spirit on Trustpilot makes a material difference and may make businesses more likely to engage with the platform.
- Reviews perform better the more there are, and the more recently they are posted - volume of reviews is important to consumers: 25% of consumers will only trust a review as much as a personal recommendation if there are multiple reviews to read. In 2021, 22% of consumers said they would only pay attention to reviews written in the past 2 weeks.

So, market growth is being driven by a clear need from consumers for trusted reviews, and Trustpilot has a clear and credible strategy to fulfil its potential within this significant global opportunity.

The platform is highly scalable, so it will likely be able to handle a large amount of growth; and it should enjoy significant operating leverage in so doing.

Competition
By 2021, total cumulative reviews on Trustpilot surpassed 167m, with >714k reviewed domains, of which 84k are monthly active domains and 23k paying business customers. We foresee that the number of active businesses could eventually be in the millions if the current momentum of adoption of Trustpilot continues.

We do see competition as a risk in what is still a fairly young market, but we believe it is well mitigated for various reasons, including the scale Trustpilot has already achieved: the network effect makes this ultimately a "few winners take all" market, if not a single winner, making it difficult for new entrants to gain traction.

At present though, the market is highly fragmented, and breaks down into several categories:

- Closed/captive ecosystems like Amazon and eBay, which are a specific tool built for their respective ecommerce platforms and which we don't believe will spread to broader, open markets. We count Facebook reviews amongst these, as despite not being tied to a specific ecommerce platform, they're still tied to a Facebook account. Facebook Reviews face much the same problem as Google: fake reviews are perceived to be endemic. In fact, only 7% of consumers polled said say they are "'not at all" suspicious of reviews they see on Facebook. The top sources of fake reviews, according to the same poll, are Amazon, Google, and Facebook. In a recent consumer poll, use of Facebook Reviews fell from 54% in 2020 to 48% in 2021.
- Local platforms like Feefo, Verified Reviews (primarily France, but some US and European presence), and Trusted Shops (German focus, though with some other European presence). There's a risk these can enter new markets and therefore compete with Trustpilot, but it has a material head start in several key markets.
- White label/marketing/SaaS platforms like Feefo, Yotpo, and Bazaarvoice, which businesses can curate by choosing who to invite to review. There's also limited oversight, so businesses can potentially write their own reviews, etc. - reducing the openness and trust, and therefore their utility to consumers. Businesses can also opt out, and so not appear on these platforms. However, no matter what, they will appear on Trustpilot if consumers review them there – that's the genius of being consumer-led in this market, and in our view is the only way to be a fully trusted platform.
- Platforms that monetise through advertising, such as Yelp – and are therefore open to a serious conflict of interest. Google also monetises through advertising.
- Platforms that focus on single verticals, like TripAdvisor, which also happens to monetise through advertising. G2 is another, focused on B2B software reviews. Glassdoor is another vertical-leading, single vertical review platform. These brands could branch out into other verticals, much the same way Trustpilot is doing in its new go-to-market strategy, but for those with scale the association with a single vertical or group of verticals is likely too strong. For those without scale this is likely to be a prohibitively expensive endeavour.

Compared to these, Trustpilot is differentiated in all the right ways: we don't know of another free to use, open, consumer-led platform that's got global reach across all verticals, and such a strong focus on trust.

There are also some misconceptions to be addressed, such as the extent to which Trustpilot competes with Google – or, rather, doesn't. Google is a special presence in so far as Trustpilot actually powers Google's seller ratings (the 1-5-star reviews that are displayed in Google search results), which optimise companies' use of Google Ads. Functionally, Seller Ratings is an automated Google Ads extension that showcases businesses with high ratings, which come from several reputable sources - including Trustpilot. The rating also includes the number of reviews the business has received and a KPI (such as average delivery time) that's relevant to that business' rating.

Trustpilot therefore doesn't compete with Google for traffic, it provides its reviews for free (much like Wikipedia provides free access to articles in order to appear at the top of a search listing) because Google is primarily just trying to organise content, not become a review platform in its own right. Where it does provide a review platform, it's Google Maps led, and is therefore focused on dining and entertainment, where Trustpilot isn't. Trustpilot users tend to start searching for the business or service they want, not for a location.

Trustpilot reviews also enrich Google's search results – note that typing "<non-food company name> review" often serves Trustpilot as the first result, allowing users to see the star rating without having to visit the Trustpilot website.

Another point to consider is that the Competition and Markets Authority recently investigated the review market and has urged the government to build a pro-competition regulatory regime for online platforms. The European Commission also published a report on "Competition Policy for the Digital Era" in April 2019 and subsequently launched an open public consultation into a proposed competition tool, which will likely look similar to the CMA's market investigation regime. Various regulators appear to be pursuing investigations into certain online platforms – although we can confirm Trustpilot is not amongst those. We think, based on experience, that eBay and Amazon may be.

Trustpilot's alignment with the regulatory ideals of open and fair markets could confer an advantage over its less open competitors.

Key Management

Timothy Weller, Chair - Tim joined as Chair in February 2013, and is the founder and chair of Incisive Media, and chair of Pixomondo Inc., an Oscar winning VFX company. He has previously been Chair of Superawesome Limited, a provider of technology focussing on the digital media ecosystem for children, until its sale to EPIC Games in October 2020, and of Ti Media Limited, until its sale to Future plc in May 2020. Tim was also chair of AIM-traded Tremor International PLC, a leader in video advertising technologies, until September

2020. Tim was a member of the Shadow Cabinet New Enterprise Council, which advised George Osborne on business and enterprise. Tim was voted the Ernst & Young Entrepreneur of the Year — London in 2001.

Zillah Byng-Thorne, Deputy Chair – it was announced that Zillah has been appointed as an independent NED and Deputy Chair with effect from the 1st October 2022. Zillah will also join the Audit, Nomination and Trust & Transparency Committees. Zillah is currently CEO of Future plc, and has over 17 years of board-level experience in FTSE-listed companies.

Peter Holten Mühlmann, CEO and Founder - Peter founded Trustpilot in 2007. Since then, he has led it from a small Danish start-up to an international business. In 2013, he was named Danish Entrepreneur of the Year by Ernst & Young. He very clearly cares about the core values of the business, as we witnessed at the CMD.

Hanno Damm, CFO - Hanno joined in January 2016, from his role as an SVP at Bankrate Inc., where he oversaw corporate finance and M&A. Prior to that he has worked at global PE firm Apax Partners, and PWC. He has experience in multiple industries.

Tim Hilpert, Chief Operating Officer - Tim joined in February 2021, having been Europe and Central Asia CEO of OLX Group, as well as Senior Director at eBay. He has an engineering and consulting background

Mieke de Schepper, Chief Commercial Officer – Mieke joined Trustpilot in June 2022, having previously been an EVP for Amadeus. She is responsible for delivering Trustpilot's commercial strategy, and is based in the Netherlands.

Alicia Skubick, Chief Marketing Officer - Alicia joined in October 2021 and leads the marketing team that's responsible for building the brand globally. She has extensive tech company experience, having worked at Intuit (Marketing Director, UK), Sage (led European Marketing for Sage Pay), and Symantec (various roles), as well as Western Union, where she led global marketing for Travalex.

Carolyn Jameson, Chief Trust Officer – Carolyn joined in August 2019 and was appointed CTrO in January 2021. She was Chief Legal Officer at SkyScanner, and helped with its integration and transformation following its acquisition by Ctrip.com. She then went on to become head of international M&A and corporate development at Strip. She has extensive senior business and legal experience in the tech space.

This is a very experienced, high quality, and motivated team, that Peter has enabled to drive the business to success.

It also has significant exposure to the equity: Peter owns c.17.3m shares and Timothy Weller owns 3.5m shares.

The incentive plan includes base pay, an annual bonus, and an LTIP, as well as pension contributions. The LTIP generally has a 3-year vesting period, and in FY21 Peter was awarded 353,200 shares and Hanno 244,218 shares for performance up to March 2024.

ESG

In 2021 Trustpilot carried out a detailed ESG review, including stakeholder discussions, and concluded that the key topics on which its 2022 ESG framework should focus include the integrity of the platform content, data privacy and security, ethical behaviour, diversity & inclusion, and inclusive growth. In respect of these topics, Trustpilot already invests significantly in ensuring prevention and removal of harmful or illegal content, as well as deploying sophisticated cybersecurity and data privacy systems and processes to prevent hacking and data leaks.

The highly detailed 2022 sustainability report that resulted is available online, and focuses on the recommended points, detailing the KPIs set and the performance against each one. For example, it highlights that Trustpilot identified and removed 4% more fake 5* reviews in 2021 than in 2020. 2.7m of them, in fact, of which 1.84m were removed by automated software and 0.9m manually by the Content Integrity team. The level of granularity is impressive, and testament to how seriously the company takes its ESG performance. Clearly maintaining integrity is also critical to its reputation and success, so its natural incentives align nicely with positive social outcomes.

Additionally, its core values promote ethical behaviour, and a newly appointed Head of Diversity and Inclusion will ensure recruitment and retention practices encourage diversity. The board is split 1/3 female and 2/3 male, and 47.7% of the senior management team (executive management and their direct reports) are women.

Trustpilot has implemented a new carbon tracking and reporting framework, including the energy used by consumers in visiting its website. As a result, it has reviewed and improved its policies on business travel and commuting, as well as ensuring its suppliers meet sustainability objectives. It is currently evaluating carbon offsetting programmes and other options to reduce and mitigate its carbon generation.

Financial Statement Highlights/Characteristics

The business model is discussed in more detail above, but here we discuss any quirks or points of note to be considered when reviewing the company accounts.

The company reports in US Dollars, and its year end is 31st December. It recently reported 1H22 results, which we look at in detail here.

P&L – Below we look at some of the important details from the P&L, but it would be remiss not to start this section with the fact that management has guided that the business should achieve EBITDA breakeven by 2024 – in only 2 years' time. This is a significant development, and in our view differentiates the Trustpilot investment case from the many "jam tomorrow" tech stock stories on the market. Indeed, Trustpilot shares have exhibited significant correlation with the S&P tech sector, which to us suggests that this could be a "hidden gem" and re-rate once the market becomes more aware.

Profitability follows growth, certainly, but what needs to be appreciated is that margins can be disproportionately large once markets mature. Trustpilot enjoys a c.80% gross margin, which unlike most tech firms is accounted for conservatively and includes cost of the sales team salaries, cost of upselling, etc. What's more, the UK market, which we now consider relatively mature, generates a

57% contribution margin once its sales and marketing costs are accounted for. If all subsequent mature markets generate that level of margin, the potential profitability is significant. At present the Europe & RoW margin is c.45% and the North American margin is 30%. Longer term management has guided to 60% contribution margin from mature markets, resulting in a >30% operating margin at the group level.

The growth this business has achieved is impressive, and consistent - bookings grew at a CAGR of 26% from 2018-2021, and growth was positive each year. This trend has continued in 1H22 with 22% overall bookings growth – comprising +27% growth in the UK and Europe & RoW regions, and +8% in North America. Bookings growth also led to revenue growth at a CAGR of 27% over the same period (and +25% in 1H22), again with positive growth in each year.

Based on consensus and management's comments at their half-year results, which set an optimistic but cautious tone, we would expect this growth to slow a bit in H2. This is in response to an uncertain macroeconomic environment, leading Trustpilot to moderate the pace of its investment into additional headcount, particularly in sales and marketing: whilst it's not yet seeing any material delay in purchasing decisions, we can't dismiss these concerns if the economy worsens in the near term.

The customer base is incredibly diversified, with the top 10 business customers representing only c.1% of sales. C.37% of business customers have revenue <$700k, c.34% between $700k and $15m, 10% $15m-$50m, and c.20% >$50m.

Whilst contract lengths are generally 12 months, dollar retention is extremely high (>99%) so we would describe the SaaS business model it employs as resulting in "effectively recurring revenue". Almost all the churn is in the first year, with business customers who continue to engage beyond that virtually never leaving except through business failure.

Revenue is recognised once a contract is signed, and the company believes it probable it will receive the consideration due: contracts are mostly billed quarterly or annually. Subscription revenue is recognised over time as the software service under contract is delivered.

Being a platform/services business Trustpilot generates a high gross margin, in the order of 80% over recent years. COGS not only includes hosting costs, but also the labour for selling and support services provided for the duration of a paid subscription, and any related technology costs. Many software companies don't include this in their COGS, and so their gross margins may look higher, but not on a like-for-like basis.

G&A costs represents the largest portion of fixed costs, having grown significantly in FY21 from $$27.7m to $51.2m largely due to IPO-related costs ($10m) and share based compensation ($10m). It's worth noting G&A also includes a degree of depreciation of right-of-use assets: in 1H21 this was nearly $2.4m. Also included in this higher G&A is the additional headcount and professional advisor cost associated with being a public company.

The next largest operating cost was Sales and Marketing, which is self-explanatory, and we don't expect any cuts here given this is a high growth business jostling for market share in a high growth industry. However, during COVID this was cut significantly, recovered in H1, and is now set to pause somewhat in 2H22. Trustpilot can, to a large degree, control profitability through flexing its marketing spend. As such, despite softening top line expectations it should generate better-than-expected operating leverage in 2H22 because it is making savings against its original budgets. It's worth noting that this isn't cost cutting, it's simply slowing the rate of cost growth in staffing levels in sales & marketing and G&A departments. This can be done without damaging growth prospects because the network effect growth engine continues to churn: slowing down staffing growth is merely delaying spend, and possibly some monetisation potential, until the impact of global economic uncertainty is better understood. We believe this is a sensible strategy at this time.

R&D costs that are expensed come under Technology & Content, the smallest operating cost in the accounts. This includes investment in the platform technology as well as the cost of ensuring the integrity of content – as such this is a vital cost in maintaining Trustpilot's USP, and we expect it to continue to be incurred.

Other operating income covers gains or losses on the sale of tangible assets as well as government grants recognised as income, for example funds awarded by Scottish Enterprise relating to the setting up of its Edinburgh R&D/Innovation hub.

These costs are generally not a function of revenue, and so there is a large drop down of incremental revenue to operating profit – the business enjoys significant operating leverage.

Trustpilot has consistently been a net recipient of income tax due to its loss-making status, and we don't envisage this changing in the near term. It has built significant deferred tax assets and income tax receivables on the balance sheet.

No FX hedging is undertaken.

Balance Sheet – The biggest factor here in FY21 was the capital raise associated with the IPO, which raised c.$65m of cash through the sale of 17.6m new shares. Net cash at 1H22 was $73.5m, a comfortable level that to us confirms there will be no need to raise further capital given the probability of breakeven FCF in FY24 - and that $8m of the drop from $93.2m (FY21) was an FX adjustment.

There was a repayment of term debt in FY21, and there's now no debt on the balance sheet, just $13m of capitalised leases.

Trustpilot owns significant IP, including trademarks, copyrights, proprietary technology, and trade secrets. These are reflected in the balance sheet as intangible and right-of-use assets.

Contract liabilities (deferred income) represent the largest portion of current liabilities and can be expected to grow in line with bookings.

Cash Flow – The business has a significant runway thanks to the IPO, and we don't anticipate the need for any fundraising to support either growth or the normal course of business in the near future. We also can't envisage the company undertaking an acquisition of the scale that would require equity to be raised.

Cash from operating activities has been consistently negative, commensurate with a business at this stage in its growth cycle. In 1H22 this was -$7.7m, significantly below 1H21's -$12m. A further $3.4m was spent on investing activities: largely ($2.1m) development costs.

However, operating cashflow was positive in FY20, and would have been in FY21 if one adjusts for the $12.4m of IPO costs.

The remainder of the cashflow is simple, with no debt to repay, limited P, P, & E to purchase, no dividend, and minimal expected share issues beyond those used for remuneration.

Cash flow is largely within management's control – for example, new sales staff have a several-month running in period before they're really generating cash, so a reduction in hiring, which we believe is happening now, should unlock significant cash flow at short notice.

Evaluation of Consensus

All analysts have updated their numbers following the half-year results announcement on 13th September. The estimates for FY22 are very tight, as one would expect given that we're around 75% of the way through it. Management's slightly more cautious tone has brought bookings and revenue consensus down as 2022 has unfolded, but the new consensus looks eminently achievable in light of this results announcement.

Obviously, the spread in estimates for all metrics increases as they move out to FY23 and FY24, with an 18% spread in bookings in 2024, and a 14% spread in revenue. Where the divergence becomes more interesting is in EBITDA and FCF, with the highest estimate for both turning positive in FY24, whilst the lowest estimate is still just negative,

To us, consensus looks like it's behind the guidance curve overall – particularly given the -$3.3m consensus EBITDA, which compares negatively with guidance of breakeven. However, unlike the top line estimates, there has been positive momentum in EBITDA, and this number is much closer to guidance than was the -$6.4m consensus in July:

Consensus ($m)	2022 Cons	2023 Cons	2024 Cons
Bookings			
Low	163.8	192.4	235.6
High	170.6	207.3	266.1
Mean	**167.7**	**200.6**	**248.0**
Growth (constant currency)	19.6%	19.6%	23.7%
Revenue			
Low	149.7	170.8	211.1
High	155.3	187.5	240.7
Mean	**152.6**	**179.9**	**221.6**
Growth (constant currency)	23.6%	19.9%	23.4%
Adj. EBITDA			
Low	(10.4)	(11.4)	(4.0)
High	(8.2)	(4.2)	2.3
Mean	**(9.6)**	**(7.7)**	**(0.2)**
Adj. EBIT			
Low	(20.0)	(23.0)	(16.6)
High	(17.7)	(14.7)	(8.9)
Mean	**(18.7)**	**(18.2)**	**(12.6)**
FCF			
Low	(22.0)	(13.2)	(8.2)
High	(11.7)	(9.3)	1.2
Mean	**(16.1)**	**(11.5)**	**(3.3)**

Consensus does suggest confidence in the growth story, with fairly consistent high teens growth in bookings and revenue.

Valuation & Peers

There has been a material shift in market sentiment towards pre-profit, growth companies since 3Q21, and Trustpilot has not been immune to the change. Ultimately, we think it's a mistake to treat it the same though, as management expect adjusted EBITDA to be breakeven in 2024 – a mere 2 years away. This is no "jam tomorrow" story.

We look at the enterprise value-to-sales ratio of Trustpilot because it's not yet profitable. EV is most useful because it accounts for the relative cash balances of the various peer companies. We constructed a peer group of online platform businesses, as these are the most similar business model in terms of scalability, market position, and growth potential. As can be seen, Trustpilot sits towards the lower middle of the group, below the simple mean:

		EV/Sales			
Peer Name	EV, Reporting currency, m	2022e	2023e	2024e	2025e
Auto Trader	5,666	11.7x	10.7x	9.9x	9.1x
rightmove	5,024	15.2x	14.1x	13.0x	11.8x
MoneySuperMarket	1,106	2.9x	2.6x	2.4x	2.3x
OnTheMarket	56	1.6x	1.4x	1.3x	--
Deliveroo	609	0.3x	0.3x	0.2x	0.2x
Mean		**6.3x**	**5.8x**	**5.4x**	**5.9x**
Trustpilot Group	**566**	**3.5x**	**2.8x**	**2.2x**	**1.7x**

We note that Auto Trader and rightmove are both clear category-leading platforms, and would expect Trustpilot to end up in a similar competitive position in the review market as it matures. Deliveroo is not expected to make a profit in the near future, and continues to bleed cash.

Potential Catalysts

A key catalyst for a re-rate could be the realisation by the market that Trustpilot, whose shares have fallen in line with the unprofitable growth/tech sectors recently, is soon to be profitable, and will not likely need to raise any further capital from equity markets.

Investment Case Summary

	Details
Market-Leading, Differentiated Model	Trustpilot is differentiated in all the right ways: we don't know of another free to use, open, consumer-led platform that's got global reach across all verticals, and such a strong focus on trust
Data-Led, Adaptable Management Team	Management is happy to experiment in a data-led fashion and has a history of responding well to customer demands, constantly improving its offering
Network Effect	The more the platform scales, the more value it provides, so the more it scales - and so on.
Free Marketing	The bigger it grows, the more its business customers use Trustpilot branding and reviews in their own marketing materials (online and offline) and on their websites – providing tens of millions of free marketing
Growth	Potential to grow share in a growing market through entry into new verticals, new geographies, and increased penetration in existing ones
Operating Leverage	Incremental revenue does not add significantly to the cost base
Breakeven in 2024, Fully Capitalised	Management has guided to adj. EBITDA breakeven in 2024, and 30% EBIT margins in the medium-long-term and it already achieves 80% gross margins. It has also confirmed there's no need to raise additional capital
Market Missing Something?	Finally, we believe the market is missing something here: despite the above guidance, Trustpilot has been discounted alongside the "jam tomorrow" tech sector

Appendices

Glossary of Technical Terms

Term	Definition
Active businesses	Any business that has sent an invited review (service or product) or has received more than one TrustBox impression in the given month
Active consumers	Any consumer that has visited Trustpilot's consumer site in the month
Active domains	Number of domains that have claimed their profile on Trustpilot and have received an invited review or were the subject of a TrustBox impression during the month
ACV	Annual Contract Value
Bookings	The annual contract value of contracts signed in a given period. Nearly all are 12 months in duration but in the rare case a contract exceeds 12 months the value reported is only the 12 month equivalent
CAC	Customer Acquisition Cost. Includes Sales and Marketing costs in a given period
Claimed domains	Number of domains who have claimed their profile on Trustpilot and can access features like inviting customers to write reviews, replying to reviews, and being notified whenever someone writes a review
Closed review platform	Platform in which consumers can post reviews to rate products or sellers only on the platform, with the main purpose of creating product feedback between their users only (i.e. businesses have control of the reviews they choose to publish). Closed review platforms do not prevent businesses from choosing which reviews are published on, or removed from, the platform, so that not all reviews can be seen by consumers.
CMA	UK Competition and Markets Authority
Current serviceable addressable market (SAM)	Market opportunity currently serviceable by Trustpilot's core products and existing capabilities; SAM reflects core products and core go-to-market capabilities
Domains with reviews	All reviewed domains (inclusive of domains subsequently removed from Trustpilot consumer site)
Google Seller Ratings	Google Ads automated extension that displays a rating between one and five stars that shows up on search ads
Gross churn	Annual contract value lost in a renewal period due to customers who do not renew (i.e. customers who churn)
Gross dollar retention rate	Determined by taking retention bookings divided by contracts up for renewal. Refers to US$ amount rather than customer count and excludes up-and cross-selling (expansion) of existing customers
Lifetime Value	((Average New Customer ACV * Gross Margin) / Gross Value Churn). Excludes upsell and cross-sell.
LTM Net Dollar Retention Rate	Annual contract value of all subscription renewals in the last twelve months divided by the annual contract value of subscriptions expiring in the last twelve months. LTM Net dollar retention includes the total value of subscriptions with existing Subscribing Customers, and includes any expansion of contract value with existing Subscribing Customers through upsell, cross-sell, price expansion or winback. Twelve months of data is used as nearly all subscriptions are twelve months in duration, ensuring the appropriate alignment of renewal activities.
LTV/CAC	Lifetime Value ((Average New Customer ACV * Gross Margin) / Gross Value Churn) / Customer Acquisition Costs (Sales and Marketing Costs / # new customers). Excludes upsell and cross-sell.
M&A	Mergers & acquisitions
Net dollar retention rate	Determined by taking retention bookings divided by contracts up for renewal. Refers to US$ amount rather than customer count and includes up-and cross-selling (expansion) of existing customers
Net expansion	Calculated as net dollar retention rate minus gross dollar retention rate
Open review platform	Open review platforms in general allow any consumer to review any business with a website worldwide, whether that business is a Trustpilot customer or not. Open review platforms prevent businesses from choosing which reviews are published on, or removed from, the platform, so that all reviews can be seen by consumers, and any business can use the platform to view and respond to consumer reviews at no cost
Revenue	Recognised revenue, software subscriptions are amortised over the term of the contract
Review invitations	Product feature that allows Trustpilot customers to invite their customers to leave a review on their Trustpilot company page
Reviewed domains	All reviewed domains (inclusive of domains subsequently removed from Trustpilot consumer site)
Reviews by consumers / total reviews	All submitted reviews (inclusive of reviews subsequently removed or deleted)
Star Rating	TrustScore. An overall measurement of reviewer satisfaction based on all consumer reviews a business receives on Trustpilot. The TrustScore is represented numerically from 1 to 5.
Subscribing Customers	Number of customers with a paid subscription for services on Trustpilot's platform
Total addressable market (TAM)	Total future market opportunity that exists for the Company; includes all Trustpilot's current and planned products, and expansion opportunity into adjacent geographies and industries
TrustBox Impressions	The number of customer webpage loads with an embedded TrustBox, but the consumer does not necessarily see the TrustBox
TrustScore	An overall measurement of reviewer satisfaction based on all consumer reviews a business receives on Trustpilot. The TrustScore is represented numerically from 1 to 5.

Profit & Loss Highlights – 31st December year end

$'000	2019 a	1H20 a	2020 a	1H21 a	2021 a	1H22 a	2022 Cons	2023 Cons
Group Revenue	**81,915**	**47,680**	**101,985**	**62,448**	**131,443**	**73,410**	**152,600**	**179,900**
Revenue Growth YoY	27%	N/A	25%	31%	29%	18%	16%	18%
Gross Profit	**66,241**	**39,291**	**83,918**	**50,772**	**106,789**	**59,965**	**124,400**	**146,500**
Gross Margin	*81%*	*82%*	*82%*	*81%*	*81%*	*82%*	*82%*	*81%*
EBIT	(22,959)	(4,694)	(9,083)	(15,436)	(24,152)	(10,359)	(23,500)	(24,700)
Adjustments	4,150	4,187	9,462	15,345	19,797	1,157	4,800	6,500
Adj. EBIT	**(18,809)**	**(507)**	**379**	**(91)**	**(4,355)**	**(9,202)**	**(18,700)**	**(18,200)**
Depr. & Amortisation	3,322	2,117	5,738	3,860	8,232	3,767	9,100	10,500
Adj. EBITDA	**(15,487)**	**1,610**	**6,117**	**3,769**	**3,877**	**(5,435)**	**(9,600)**	**(7,700)**
Margin	-18.9%	3.4%	6.0%	6.0%	2.9%	-7.4%	-6.3%	-4.3%
Adj. PBT	**(22,587)**	**(6,411)**	**(12,942)**	**(17,256)**	**(26,610)**	**(9,178)**		
Margin	*-27.6%*	*-13.4%*	*-12.7%*	*-27.6%*	*-20.2%*	*-12.5%*		
Net Profit	**(22,659)**	**(5,826)**	**(12,279)**	**(17,177)**	**(25,894)**	**(9,240)**		
Margin	*-27.7%*	*-12.2%*	*-12.0%*	*-27.5%*	*-19.7%*	*-12.6%*		

$'000	2019 a	1H20 a	2020 a	1H21 a	2021 a	1H22 a	2022 Cons	2023 Cons
Revenue	81,915	47,680	101,985	**62,448**	**131,443**	**73,410**	**152,600**	**179,900**
Cost of sales	(15,674)	(8,389)	(18,067)	(11,676)	(24,654)	(13,445)	(28,200)	(33,400)
Gross profit	**66,241**	**39,291**	**83,918**	**50,772**	**106,789**	**59,965**	**124,400**	**146,500**
Gross Margin	81%	82%	82%	81%	81%	82%	82%	81%
Sales and marketing	(46,247)	(21,541)	(40,442)	*(21,265)*	*(46,167)*	*(29,129)*	*(75,000)*	*(89,300)*
Technology & Content	(20,728)	(10,993)	(25,161)	(15,205)	(33,806)	(20,426)	(39,500)	(44,800)
General and administrative	(22,256)	(11,489)	(27,750)	(30,129)	(51,552)	(21,231)	(33,400)	(37,100)
Reported EBIT	**(22,990)**	**(4,732)**	**(9,435)**	**(15,827)**	**(24,736)**	**(10,821)**	**(23,500)**	**(24,700)**
Operating Margin	-28%	-10%	-9%	-25%	-19%	-15%	-15%	-14%
Other operating income	31	38	352	391	584	462		
Profit/(loss) before net financial items	**(22,959)**	**(4,694)**	**(9,083)**	**(15,436)**	**(24,152)**	**(10,359)**		
Financial income/(expenses) net	372	(1,717)	(3,859)	(1,820)	(2,458)	1,181		
Profit/(loss) before tax	**(22,587)**	**(6,411)**	**(12,942)**	**(17,256)**	**(26,610)**	**(9,178)**		
Income tax	(72)	585	663	79	716	(62)		
Effective rate	0%	-9%	-5%	0%	-3%	1%		
Profit/(loss) for the year	**(22,659)**	**(5,826)**	**(12,279)**	**(17,177)**	**(25,894)**	**(9,240)**		
Net Margin	-28%	-12%	-12%	-28%	-20%	-13%		
NoS		367,673	367,727	394,605	401,445	414,426		
EPS (cents, reported)		**(1.6)**	**(3.3)**	**(4.4)**	**(6.5)**	**(2.2)**		
Tax Impact of adjustments		(438)	(1,110)	(1,868)	(2,153)	0		
EPS (cents, adjusted)		**(0.56)**	**(1.07)**	**(0.94)**	**(2.06)**	**(1.95)**		

Cash Flow

$'000	2019 a	1H20 a	2020 a	1H21 a	2021 a	1H22 a
Cash flows from operating activities						
Profit/loss for the year	(22,659)	(5,826)	(12,279)	(17,177)	(25,894)	(9,240)
Adjustments	7,601	3,488	9,826	9,284	16,435	5,512
Changes in net working capital	6,337	1,026	11,402	(2,862)	6,025	(3,191)
Interests received	43	9	21	4	10	7
Interests paid	(1,193)	(734)	(1,788)	(1,205)	(2,402)	(723)
Income taxes paid/received	(72)	--	--	--	382	(41)
Net cash flow from operating activities	**(9,943)**	**(2,037)**	**7,182**	**(11,956)**	**(5,444)**	**(7,676)**
Cash flows from investing activities						
Purchase of P, P, &E	(542)	(106)	(1,793)	(227)	(431)	(1,348)
Proceeds from lease sublet	799	70	70	--	--	--
Payment of development costs	(2,791)	(1,848)	(3,261)	(2,037)	(3,790)	(2,135)
Net cash flow from investing activities	**(2,534)**	**(1,884)**	**(4,984)**	**(2,264)**	**(4,221)**	**(3,483)**
Cash flows from financing activities						
Principal elements of lease payments	(3,895)	(2,115)	(3,047)	(2,484)	(4,522)	(1,973)
Proceeds from borrowings	--	12,144	12,144	--	--	--
Repayment of borrowings	(7,216)	--	--	(13,000)	(13,000)	--
Proceeds from share issue	50,755	36	41	71,706	73,916	1,057
Cash flow from financing activities	**39,644**	**10,065**	**9,138**	**56,222**	**56,394**	**(916)**
Net cash flow for the year	**27,167**	**6,144**	**11,336**	**42,002**	**46,729**	**(12,075)**
Cash and cash equivalents @ start	**8,337**	**35,016**	**35,016**	**50,387**	**50,387**	**93,177**
FX Impact	(488)	183	4,035	(997)	(3,939)	(7,635)
Cash and cash equivalents @ end	**35,016**	**41,343**	**50,387**	**91,392**	**93,177**	**73,467**
FCF	**(13,276)**	**(3,991)**	**2,128**	**(14,220)**	**(9,665)**	**(11,159)**

Balance Sheet

$'000	2019 a	1H20 a	2020 a	1H21 a	2021 a	1H22 a
Gross Debt (inc. leases)	4,582	24,917	29,545	15,133	13,056	14,070
Net Debt	(30,434)	(16,426)	(20,842)	(76,259)	(80,121)	(59,397)
Net Debt/EBITDA	**N/A**		**N/A**		**N/A**	
Gross Profit/Assets	1.31x		0.98x		0.83x	
Net Debt (Cash)/Equity	(2.1x)	(1.6x)	(3.0x)	(1.2x)	(1.3x)	(1.2x)
Capital Employed	17,564	36,068	33,665	78,398	72,485	63,034
ROCE	N/A		N/A		N/A	
ROE	N/A		N/A		N/A	
ROA	N/A		N/A		N/A	

$'000	2019 a	1H20 a	2020 a	1H21 a	2021 a	1H22 a
Intangible assets	2,675	4,356	5,478	6,203	6,338	6,530
Property, plant and equipment	657	557	2,021	1,790	1,484	2,238
Right-of-use assets	4,195	12,899	14,980	13,711	12,312	13,271
Deferred tax assets	4	7	11	17	311	229
Deposits	908	2,305	2,970	2,580	2,383	2,277
Total non-current assets	**8,439**	**20,124**	**25,460**	**24,301**	**22,828**	**24,545**
Trade receivables	3,791	3,766	5,227	5,114	6,176	6,544
Income tax receivables	--	576	926	962	856	1,064
Prepayments	1,704	3,527	2,099	2,216	3,134	3,393
Other receivables	1,653	1,574	1,130	2,693	2,870	3,323
Cash and cash equivalents	35,016	41,343	50,387	91,392	93,177	73,467
Total current assets	**42,164**	**50,786**	**59,769**	**102,377**	**106,213**	**87,791**
Total assets	**50,603**	**70,910**	**85,229**	**126,678**	**129,041**	**112,336**
Share capital	709	710	773	5,667	5,576	5,029
Share premium	162,109	162,412	177,842	66,032	70,994	64,708
Foreign currency translation reserve	(6,315)	(6,543)	(20,304)	(14,329)	4,648	6,927
Merger reserve	--	--	--	172,711	148,854	148,854
Retained earnings	(141,975)	(146,401)	(151,312)	(164,843)	(170,618)	(177,075)
Total equity	**14,528**	**10,178**	**6,999**	**65,238**	**59,454**	**48,443**
Borrowings	--	12,040	11,323	--	--	--
Lease liabilities	1,944	11,195	12,172	10,049	9,552	11,361
Provisions	--	--	--	--	517	476
Other payables	1,092	2,655	3,171	3,111	2,962	2,754
Total non-current liabilities	**3,036**	**25,890**	**26,666**	**13,160**	**13,031**	**14,591**
Borrowings	--	--	1,618	--	--	--
Lease liabilities	2,638	1,682	4,432	5,084	3,504	2,709
Provisions	--	--	--	--	670	428
Income tax payables	100	80	90	48	69	148
Contract liabilities	19,325	19,510	22,849	25,558	27,616	29,534
Other payables	9,773	12,112	21,298	16,381	22,861	13,670
Trade payables	1,203	1,458	1,277	1,209	1,836	2,813
Total current liabilities	**33,039**	**34,842**	**51,564**	**48,280**	**56,556**	**49,302**
Total liabilities	**36,075**	**60,732**	**78,230**	**61,440**	**69,587**	**63,893**
Total equity and liabilities	**50,603**	**70,910**	**85,229**	**126,678**	**129,041**	**112,336**

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Capital Access Group
1 Cornhill
London
EC3V 3ND
www.capitalaccessgroup.co.uk