

CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED PROGRESS ALONG OUR LINE OF SIGHT TO £200M



2024 has been a period of strong financial growth and key strategic and operational advancements as we progress along our line of sight to £200m in revenue. This path to £200m is driven by a clear focus on three key growth lenses: Direct, Indirect, and U.S. expansion, with our expansion in the U.S. supporting growth across both Direct and Indirect segments. Combined with our diversified revenue streams, strong client relationships, and dedicated team, this provides us with a platform for sustainable growth, enabling LBG to continue to capture market share from traditional media players in the years ahead.

REVENUE
FOR 9 MONTHS ENDED
30 SEPTEMBER 2024

£64.9m
(FY23 (12m): £67.5m)

ADJUSTED EBITDA
FOR 9 MONTHS ENDED
30 SEPTEMBER 2024

£16.9m
(FY23 (12m): £17.4m)

PROFIT BEFORE TAX
FOR 9 MONTHS ENDED
30 SEPTEMBER 2024

£12.1m
(FY23 (12m): £5.9m)

Market dynamics

The global ad market is expected to exceed \$1 trillion by 2025.¹ Over two-thirds of this is allocated to digital advertising and the momentum continues to be one-way, with this figure expected to reach 70% in the next year, up from 50% just five years ago.¹ This macro shift positions LBG as a key player within the biggest and fastest-growing segment of global advertising. A significant driver of this growth is social media, which has become the largest global advertising medium, accounting for 24% of total ad spend. With 94% of Gen Z using social media, we are uniquely positioned to capture spend targeting this influential demographic.¹

Gen Z is not only the largest generation ever from a population perspective, but it is also demonstrating significant purchasing power - already Gen Z represents 17% of global spend and is projected to become the wealthiest generation that has ever lived.¹ Our focus on engaging this digitally native generation, alongside the rapid expansion of the digital ad market, provides substantial opportunities for sustainable long-term growth for our business.

1. Sources: WARC, Global Ad Spend Outlook 2024/25 & NIQ, A Report on Gen Z Spending Power.

Financial performance

We have delivered a strong financial performance in both the reporting and proforma period. Total revenue for the 9 months ended 30 September 2024 reached £64.9m (12 months FY23: £67.5m). Revenue was £86.2m for the unaudited proforma financial statements for the 12 months ended 30 September 2024, an increase of 22% based on the same period from the prior year. The growth of Direct, which now accounts for more than 50% of our total revenue, up from 41% at the time of our IPO in 2021, underscores the effectiveness of our business model and the strong relationships we have built with major brands. Further diversity in Indirect revenues with the growth of our Web offering provides the business with a robust and resilient financial base.



Our strong topline performance in the 9 month period has resulted in adjusted EBITDA of £16.9m (12 month FY23: £17.4m). For the unaudited proforma financial statements for the 12 months ended 30 September 2024, adjusted EBITDA increased by 16%, driven by strong revenue growth, improvements to the ANZ operating model, and the accretive impact of Betches. Our profit before tax increased to £12.1m for the nine-month period ended 30 September 2024, whilst on an unaudited 12-month proforma basis, profit before tax grew 32% to £14.5m. We are also pleased to report a healthy cash position of £27.2m as at 30 September 2024, up from £15.8m at 31 December 2023. This provides us with the flexibility to continue reinvesting in our business and pursue strategic acquisitions, thereby supporting our long-term growth.

At LBG we believe strongly in leveraging our global platform to drive socially responsible agendas, supporting meaningful change. This year, we launched the 'You're On Mute' campaign to encourage young people to vote in the general election and also partnered with charity Stamp Out Spiking to launch the 'End Spiking, Now' campaign, raising awareness of the drink spiking problem and advocating for legal changes. The campaign, which included a powerful mini-series, culminated in the UK Government's decision to make drink spiking a specific offence. Additionally, LBG Media was honoured to become The King's Trust's first official social partner for their annual awards, celebrating young people who have overcome significant barriers. These initiatives reflect our ongoing commitment to using our platform to empower young people and contribute to positive social change.

We are very proud to have been the most awarded media owner at the Campaign Media Awards for the second year running, with three wins for our partnerships with The AA, Jacamo, and McDonald's. We also took home Best Finance Campaign at the Digital Media Awards for Bank of Ireland, along with other shortlists including 'Channel of the Year', 'Best Factual Channel', and 'Best Short Form' for our Honesty Box show.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED



Strategic Progress

Direct revenue is where we provide content marketing services to blue-chip brands and media agencies and have a direct relationship with the advertiser.

Our Direct segment performed extremely well in the 9 months ended 30 September 2024, driven by the strengthening of relationships with existing clients, expansion of our client base and the acquisition of Betches in October 2023. The growth in Direct revenue is a result of our ability to build deeper, more strategic partnerships, particularly with brands like Google, Lloyds and Costa Coffee, as well as our growing footprint in the U.S. where we already have one \$1 million client. Our Euros-themed edition of the highly successful original series "Snack Wars", which was sponsored by Uber Eats, was a great showcase of our expanding capabilities as we delivered brand sponsored-content in a native format that resonated with our audience, garnering millions of views.

As our client relationships continue to evolve, we have increasingly become an integral part of corporate marketing strategies. Our direct brief conversion rate for the 12 months ended 30 September 2024 stood at 29% and repeat client revenue was 74% - both clear indicators of the trust and value brands place in us, on a repeat basis. Our ability to provide partners with real time analytics and ROI insights that demonstrate the value and success of their advertising investment is a feature which sets us apart from the competition, particularly traditional media. We continue to capture a growing share of spend from these traditional players, as our unique value proposition, high-quality content, and deep audience engagement resonate with advertisers seeking to connect with young adults.

Indirect is where we generate revenue on social platforms ('Social') and from our owned and operated websites ('Web').

Indirect has performed in line with our expectations for the period, with solid growth driven by the continued expansion of our global audience, which increased by 19% to 503m in the 12 months to 30 September 2024. Our U.S. audience now stands at 143m. Social, which includes revenues generated from social media platforms and partners, delivered a robust performance despite recent changes to Facebook's commercial model. While these changes impacted social ad yields and introduced some short-term volatility, the segment remained resilient as the new model focuses on high-quality, engaging content - an area that aligns directly with our strengths. As we have demonstrated with previous platform changes, our scale, expertise, and data-driven approach enable us to adapt quickly and navigate such changes in the external environment efficiently.

Web has been a standout performer and now accounts for 45% of Indirect revenue for the 12 months ended 30 September 2024, up from 30% at the end of FY23. We have seen significant growth, fuelled by ongoing investment in technology and talent, which has led to substantially increased yields through the period. The diversification of our Indirect revenue, supported by both social platforms and our owned web assets, enhances the stability of our income streams and provides multiple levers for sustained, long-term growth.

U.S. Expansion: Supporting our growth across both Direct and Indirect segments

Expanding our operations in the U.S., the world's largest advertising market, presents a significant opportunity from both a Direct and Indirect perspective. Since acquisition of Betches on 17 October 2023, we have made significant strides in integrating our U.S. operations.

This has included consolidating offices at Betches HQ and reorganising sales teams to focus on category specialisations in areas such as entertainment, alcohol and consumer goods.

This operational shift has enabled us to build deeper client relationships and is demonstrating encouraging signs of early success with new high-profile partnerships, such as Netflix, L'Oreal and White Castle, and a very encouraging pipeline. We are also excited about new opportunities such as the launch of Betches Sports, a sub-sector where we already have significant experience through our SPORTbible brand. Our U.S. operation offers brands a 'one-stop shop' to access our young adult audience and the steps we have taken this year put the business in a fantastic position to capitalise on the significant opportunity ahead of us in the U.S. market.

Clear Line of Sight to £200m Revenue Opportunity

Through our strategic growth lenses LBG is uniquely positioned for significant growth in the years ahead and we remain on track as we progress along our line of sight to £200m of revenue. The positive momentum in our market and the continued growth of our global audience, is supported by our ability to foster even deeper relationships with blue-chip brands and key partners. Our U.S. operations provide a solid foundation for further growth in the world's largest advertising market and the diversification of our revenue streams, along with our strong cash generation profile, provides us with the financial flexibility to accelerate growth through strategic M&A opportunities.

We have made tremendous progress in the period, and with a clear strategy, strong partnerships, and continued market expansion, LBG is well-positioned for sustained, profitable growth in the years to come.

Solly Solomou
Chief Executive Officer

21 January 2025

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Our unique content and broad reach, bolstered by the Betches acquisition, position us for sustained growth and long-term value creation.”

Solly Solomou
Chief Executive Officer

