

Ticker:	SBDS.L
Price:	259.5p
Mkt Cap:	£34.8m
Listing:	LSE/AIM
Sector:	Technology
Country:	UK

Silverbullet*

The next dimension in digital advertising

Silverbullet is a fast-growing digital marketing transformation services and product company serving a blue-chip client base. Silverbullet's "killer-app" is their recently launched 4D contextual advertising solution designed to help advertisers target consumers in a post-cookie world.

- Silverbullet was established as a media consulting business to help advertisers and brand owners build and activate a data strategy in a rapidly changing marketing landscape.
- In a relatively short space of time, they have developed a blue-chip client base and now provide a wide offering in both data driven marketing transformation and in programmatic media services.
- Clients include major advertisers such as Heineken, ITV and Amazon, and their recent partnership with Local Planet, the world's leading independent global agency network significantly increases their global reach.
- Going forward, the major driver of growth is expected to be their 4D contextual digital targeted advertising solution which is specifically designed to address the issue of how to target consumers in a post-cookie environment.
- The ability to encompass video as well as text provides an inherent advantage over 4D's competitors' products. The provision of contextual tools also allows advertisers to target consumers in a brand-safe manner.
- Led by a management team with deep sector experience we are forecasting the group's revenues to grow by a CAGR of 68% to reach £36.9m by end 2025. Our DCF model suggest a valuation range of between £45 million and £90 million on the basis of our current forecasts.

Summary financials and forecasts

£'000	2020	2021E	2022E	2023E	2024E	2025E
Revenue	2,789	4,358	10,517	19,289	28,960	36,877
EBITDA (adj.)	(4,552)	(5,804)	(3,114)	1,245	7,034	10,956
Pre-tax Profit	(5,374)	(6,905)	(3,735)	374	6,007	9,879
EPS (p)	n/a	(48.2)	(25.1)	4.9	37.0	59.1
DPS (p)	n/a	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	n/a	6.9	3.3	1.8	1.1	0.7
EV/EBITDA (x)	n/a	(5.2)	(11.1)	27.7	4.5	2.3
P/E (x)	n/a	(5.4)	(10.3)	52.9	7.0	4.4
Dividend Yield (%)	n/a	0.0	0.0	0.0	0.0	0.0

Source: SEAL Advisors

*Silverbullet is a trading name of Silver Bullet Data Services Group plc.

Prices as at close 17/09/2021

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Silverbullet and the World of Digital Advertising

A fast-growing digital media company

Silver Bullet Data Services Group, trading as Silverbullet is a fast-growing digital marketing transformation services and product company which was listed on AIM in June 2021. The business was originally founded in 2016 by Ian James (CEO) and Umberto Torrielli (CTO) as a media consulting business focused on helping advertisers and brand owners build and activate a data strategy in a rapidly changing marketing environment. Following a number of strategic acquisitions, the company has grown rapidly and now provides a wide offering in both data driven marketing transformation and in programmatic media services to a blue-chip client base. The recent link up with Local Planet, the world's leading independent global agency network significantly enhances Silverbullet's global reach.

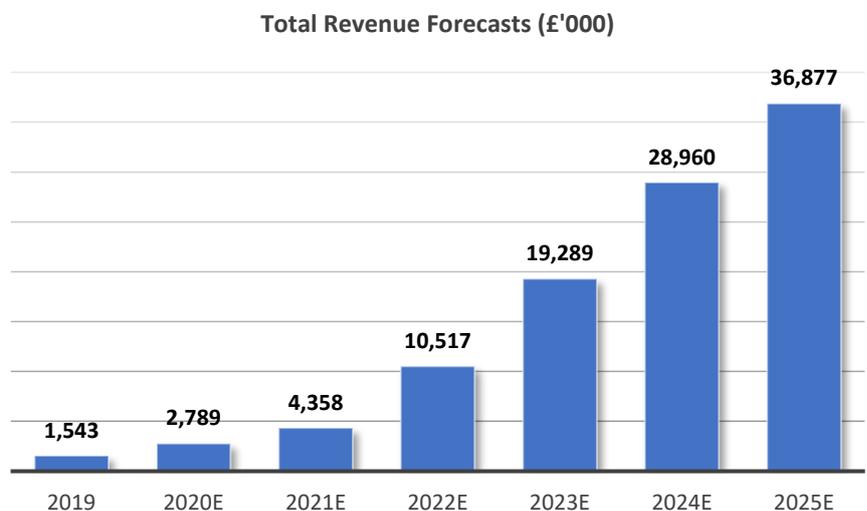
4D is the killer app

While the bulk of the company's revenues currently originate from its services business, going forward the "killer-app" is their proprietary contextual digital targeted advertising solution, 4D. The product has been developed to address the looming issue of how advertisers can continue to target consumers in a post-cookie environment. The use of third-party cookies has already been removed from browsers such as Safari and FireFox and Google has stated its intention to stop their use on Chrome entirely at some point between 2022 and 2023. The blocking of third-party cookies is a seismic shift for the advertising industry and is considered one of the biggest media challenges by digital advertising professionals.

Key advantages over its competitors

The roll-out of 4D will shift the focus of the business from a pure advertising services provider to a product-led company offering cutting-edge technology to address one of the most critical issues facing digital advertisers. It has a key advantage over its competitors in that has been developed to encompass the analysis of video as well as text. It also provides the tools to place ads in a brand-safe manner which has become of fundamental importance to all major advertisers. As the end-date for the use of cookies approaches we expect a rapid take-up in the use of 4D. This combined with continued growth in Silverbullet's services business underpins our forecast revenue growth of CAGR 68% to reach £36.9 million by end 2025.

Figure 1: Silverbullet revenue forecasts (£'000s)



Source: SEAL Advisors

Global Digital Advertising in Perspective

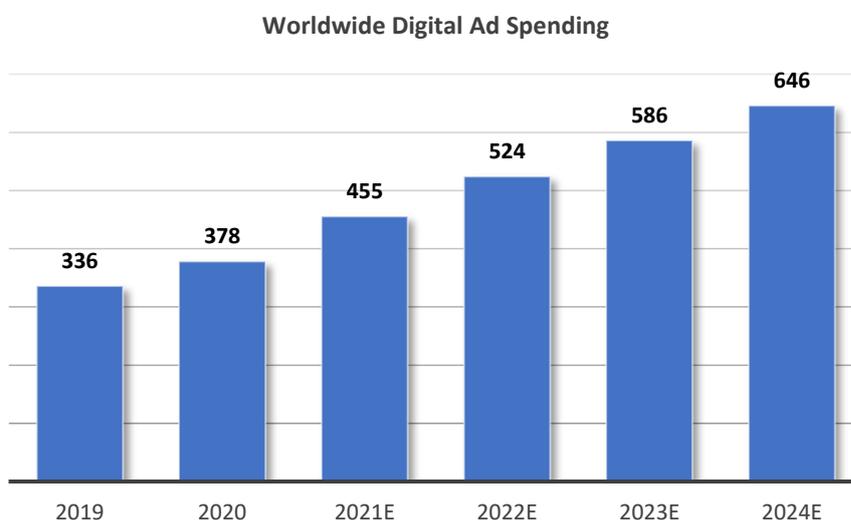
First clickable web advert in 1993

The global digital advertising market in which Silverbullet operates traces its history back to 1993. This was the year when the first clickable web advertisement appeared, which was sold by publisher Global Network Navigator to a Silicon Valley law firm, Heller Ehrman White & McAuliffe LLP.

Different approach to printed ads

Banner ads which are pixel displays appearing on publisher websites became mainstream in October 1994 when the online offshoot of Wired Magazine, HotWired, came up with the idea of the banner ad as a way of generating revenue to pay its writers. As a website ad is permanent rather than changing with each issue, website ad space differs to printed ads space in that it is sold for a set period of time. In this instance, the ad space on the website was 'rented' to AT&T for three months for the sum of \$30,000, with AT&T's banner ad generating a click-through rate of an impressive 44%.

Figure 2: Global Digital Advertising Spend (\$bn)



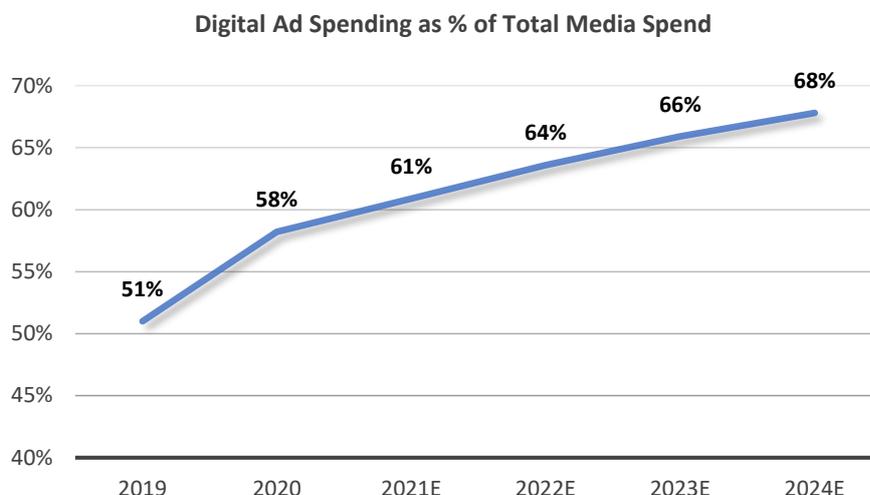
Source: eMarketer, March 2021

From modest beginnings to exponential growth

From these modest beginnings, the digital advertising industry has grown at an exponential rate and has become increasingly sophisticated. In 2016, digital advertising in the US surpassed linear TV as a percentage of total media ad spending, and in 2019 digital ads accounted for the majority of worldwide total media ad spending for the first time.

As of 2020, c.58% of total worldwide advertising spend is digital. According to eMarketer, the global digital advertising market is forecast to reach c.\$650 billion by 2024E, by which point it is expected to comprise some 68% of total media ad spend.

Figure 3: Global Digital Advertising Spend as % of Total Media Spend



Source: eMarketer, March 2021

Primary drivers more time spent on more screens

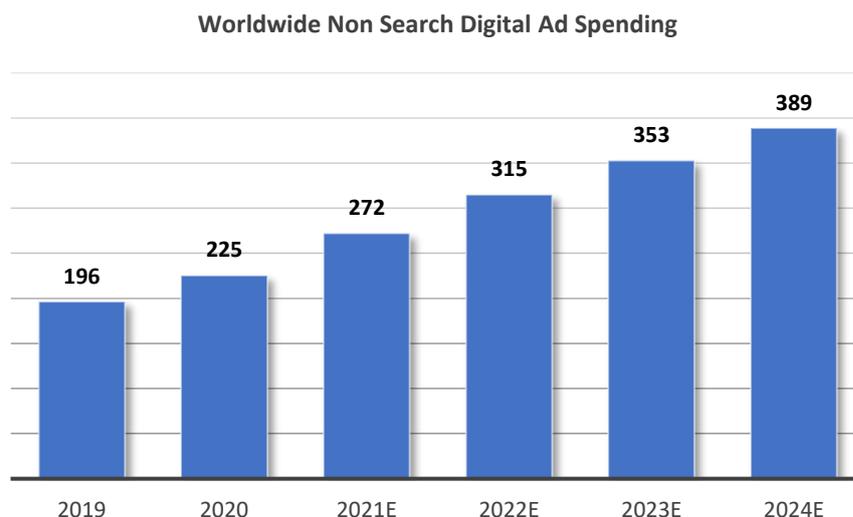
The primary drivers of digital ad spending are a combination of increasing amount of time spent using the internet each day (attention = ad dollars) and the proliferation of internet-enabled devices (more screens = more ways to reach the consumer).

As consumers spend increasing amount of time per day using the internet across a range of screens, digital advertising share will continue to grow, at the expense of offline media such as linear TV and print.

Non-search most relevant to Silverbullet

The Non-Search component of Digital Advertising (i.e. display ads appearing on third-party websites as opposed to ads appearing as a result of search engine queries) represents around 60% of total digital advertising.

Figure 4: Global Digital Advertising Spend – Non-Search (\$bn)



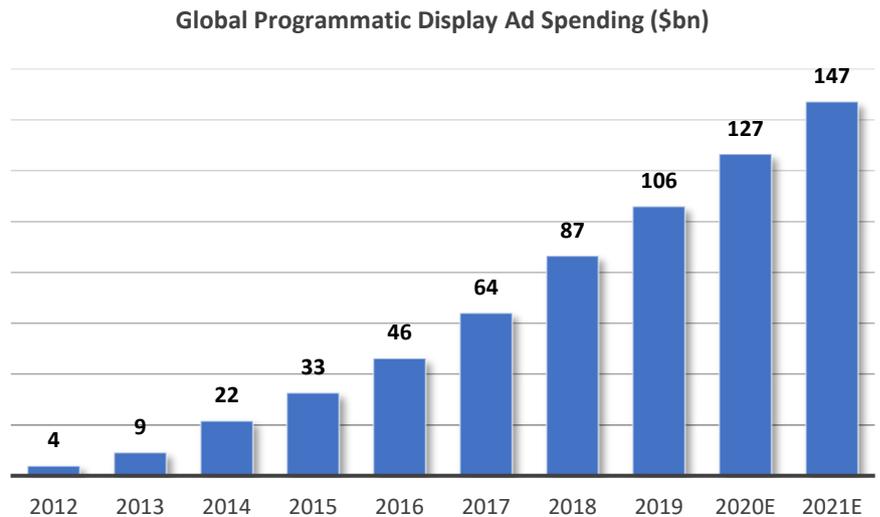
Source: GroupM

Non-search advertising is the most relevant segment for Silverbullet and as can be seen from the figure 4 this represented around \$225 billion of ad spending in 2020 and is forecast to grow to c.\$390 billion in 2024E, a CAGR of 14.6%

Programmatic has experienced substantial growth

The bulk of Silverbullet’s revenues currently derive from its services business and relates to marketing transformation services including programmatic services, data strategy, data tech implementation and data science. Unlike traditional advertising which requires human intervention to provide proposals, tenders and pricing, programmatic advertising is algorithmic based and uses machines to purchase marketing space. This is an industry that has undergone significant growth over the past decade, increasing from approximately \$3.9 billion in 2012 to an estimated \$147 billion by end 2021.

Figure 5: Global Programmatic Display Ad Spending (\$bn)

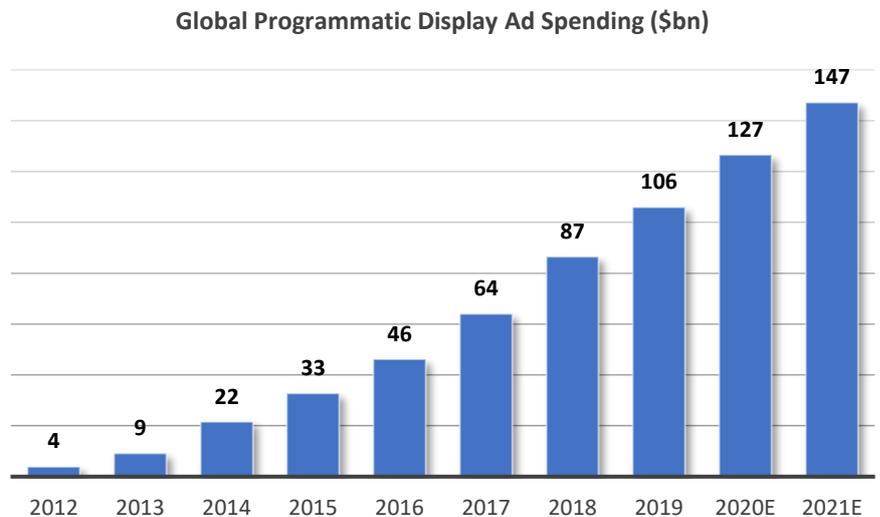


Source: Statista

Programmatic will continue to grow

Programmatic should continue to increase as a percentage of overall digital ad spending, given cost advantages vs other forms (i.e. fewer employees required given higher level of automation), as well as the increased transparency that comes from the auction-based process used to buy and sell ad impressions.

Figure 6: Global Programmatic Display Ad Spending (\$bn)



Source: Statista

Silverbullet – Now and the Future

Silverbullet provides two types of offerings:

- **Services;** a wide offering in both data driven marketing transformation and programmatic media services
- **4D;** a contextual product offering a targeted digital advertising solution to determine the best type of adverts to deliver to consumers in a brand-safe way

Services – the expert plumber

Services has been the growth driver to date

Silverbullet's services business accounted for just under 100% of total 2020 revenues. While this is expected to decline as a proportion of total revenue as the 4D product becomes the primary driver, in the near-term services are expected to remain a significant part of the business.

Silverbullet's services offering can be split in to the two broad categories of:

- **Marketing transformation**, where Silverbullet provides services to help marketers analyse their data, tech-stacks and processes and to drive efficiency in their marketing investments. This includes technology and data audits, strategic data consultancy, vendor analysis, implementation of customer data platforms, data science as a service, data visualisation and dashboard development, and;
- **Programmatic media**, where they offer clients, agencies, publishers and first party data owners the ability to activate customers through Demand Side platforms (DSP), as well as Silverbullet's own meta DSP and proprietary "native" content programmatic offering.

The expert "plumber"

The marketing transformation side deals with advertisers' digital and data strategies and helps them achieve their objectives. Silverbullet can be considered the expert "plumber" helping firms to sort out the complex pipework (i.e. marketing technology infrastructure) that is essential for them to manage their marketing capabilities in-house. While advertisers have been developing in-house capabilities (i.e. taking more control of their advertising and digital activities), these are not sufficient to build and maintain the often complex solutions required. These clients require the services of experts such as Silverbullet to provide such functions. The need for specialist integration skills which are constantly evolving is a key reason why disintermediation of specialists such as Silverbullet is unlikely.

A blue-chip client list

Silverbullet has already established a blue-chip list of clients and partners and have worked with in excess of 100 clients. Clients include Heineken, Channel 4, Amazon, ITV, RTE, Eyd Group and Jägermeister. A selection of the top clients/brands Silverbullet has worked with is shown in table 1.

In tandem with growing their client base, Silverbullet has also expanded its offerings to its clients, both in terms of the service offering and geographic spread.

Table 1: A selection of clients that Silverbullet has worked with

Media	FMCG/Retail	Finance	Auto & Travel	Other
Channel 10 (Aus)	Amplifon	American Express	FCA	British Heart Fdn
Channel 4	Bosch Siemens	Generali	Michelin	GVC
ITV	D&G	Global Blue	Hertz	Ladbrokes Coral
SBS	Heineken	Moneyfarm	Maserati	Packt
Telenor	Jägermeister	UBI Banca	Aplitour	Technogym
The Economist	Lumene	Unipol		
Village Roadshow	Marks & Spencer			
Vodafone				

Source: Silverbullet Data Services Group Ltd

They also have a high-quality list of partners which includes Salesforce, Oracle Treasure Data and Adobe and are one of only four companies globally to achieve Adobe specialised DMP partner status. They work with all the major Demand Side Platforms (DSPs) and have relationships with the major agency holding groups – WPP, Publicis, Omnicom, Interpublic, Dentsu and Havas, as well as integrators such as Accenture.

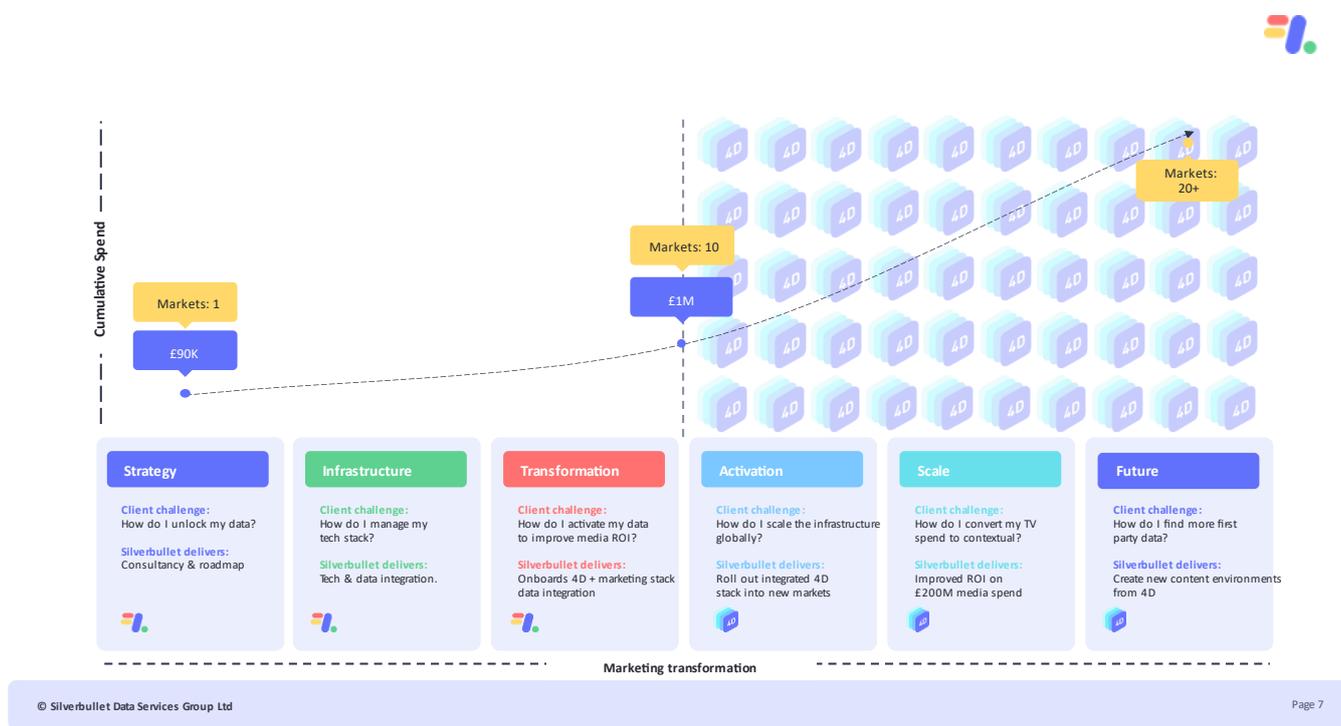
The willingness of both clients and partners to engage with the company has allowed Silverbullet to expand geographically. They now operate in over 20 countries, with offices in five, the most recent being the United States.

Silverbullet's business model is simple, but effective. It is based on the principle of 'land and expand'. They take a building block approach; whereby having won a client they steadily expand the range of services offered and increase the overall revenue per client. Over time, this leads to a potential multiplying of the revenue stream many times over.

Building block approach to client revenue growth

An example of the building block approach to client revenue growth is shown in Figure 4. The timeline and revenues shown relate to a genuine client with the name redacted to maintain client confidentiality. In this example Silverbullet grew its revenues from £90,000 in year one to c.£400,000 by end of year two. They started by advising the client on their data strategy, then expanded to advising and integrating the data and technology and are now at the stage where they are rolling out their 4D contextual advertising solution. As a result, they expect to reach over £1m revenues with the client by year three.

Figure 7: An example of Silverbullet’s approach to growing the client relationship



Partnership with Local Planet

Local Planet brings significant opportunities

In December 2020, Silverbullet signed a joint venture with the independent agency group Local Planet. This cooperation has enabled Silverbullet to provide a footprint in over 40 extra markets on top of its pre-existing reach. Local Planet describes itself as the world’s largest independent Media Agency Network. It sits outside the framework of the major Agency holding groups (such as WPP, Omnicom etc) and currently has 56 agencies under its umbrella, present in 68 markets and handling over \$16 billion in global media billings. The group provides a variety of different services including media buying and planning, performance marketing, brand research and campaign measurement. The Global CEO of Local Planet, Martyn Rattle, has joined the Board as a Non-Executive Director as has Local Planet’s Chairman, Nigel Sharrocks. Additionally, Silverbullet’s CEO Ian James sits on the board of Local Planet, acting in a non-executive capacity as Chief Data, Technology and Analytics Officer

There are several advantages for Silverbullet from the Local Planet deal which include; 1) greatly expanded geographical reach, without the need to open expensive new offices; 2) potential introduction of Silverbullet by Local Planet to the latter’s clients; and 3) reputational benefit from the association with Local Planet, boosting the credibility of the group. After accounting for the referral fee payable to Lonely Planet, Silverbullet estimates that it should retain around 90% of the gross profit on any business sourced via Local Planet or an agency member of Local Planet

4D – The Next Dimension

4D is the future of Silverbullet

While the services business has been the core to Silverbullet's growth, the transformational product is 4D. This is Silverbullet's proprietary technology which aims to provide advertisers with the ideal audience targeted solution in the post-cookie world. In essence, it is pioneering the way for advertisers to target customers online as the traditional methods are phased out.

4D is essentially a contextual advertising solution. Whereas digital advertising which relies on third-party cookies is based on the principle of serving the web user ads based on their browsing history, contextual advertising does not require the use of cookies since it is predicated on serving an ad suitable to the webpage that the web user happens to be browsing at that point in time. While contextual advertising has been around a long time, the primary innovation in Silverbullet's 4D product is the analysis of post-bid real-time contextual data, using bespoke machine learning and AI to surface intelligence and recommendations to drive better marketing outcomes, as well as the product's ability to work seamlessly across video content, rather than simply focus on text.

The potential market for the product is significant. Silverbullet believes the 4D product will target in excess of \$100 billion of programmatic media spend and over \$3 billion of contextual targeting and brand safety spend. There has already been significant interest from companies including Unilever, Vodafone, American Express and Amazon, all global brands that offer the potential to roll out the product in multiple countries.

Silverbullet has hired Mark Pearlstein as its Chief Revenue Officer. He was the CRO for DoubleVerify, which is a targeted digital advertising authentication solution. It was listed on the New York Stock Exchange in April of this year at an initial market capitalisation of \$4 billion. It was valued at over \$5.5 billion by mid-September 2021. While at DoubleVerify, he grew the revenues from \$14 million to \$250 million and oversaw revenue growth of over 1500% across core measurement solutions. He therefore comes with an experienced track record of delivering the type of growth required and the 4D model is built off the back of his knowledge and experience.

Industry changes will promote 4D's success

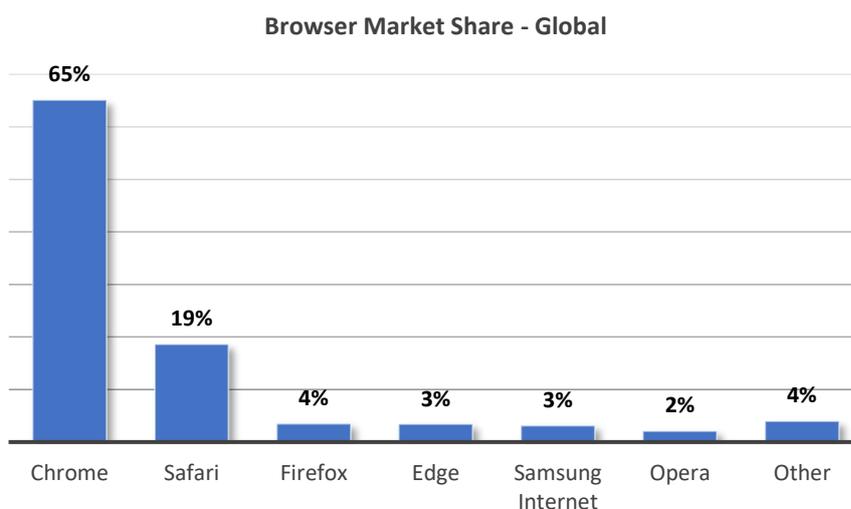
To appreciate the potential of 4D it is important to understand how the world of digital advertising is changing, and in particular the impact of phasing out third-party cookies by the main web browsers. We examine this in the following section.

The World of Digital Advertising is Changing

Blocking of cookies biggest single change since real-time bidding

According to a report by IAB Europe, the European-level association for the digital marketing and advertising ecosystem, the 'blocking of third-party cookies in [Google] Chrome will bring the single biggest change to the digital advertising ecosystem since the introduction of real-time bidding in 2009'. The reason is simply that Google Chrome is by far the dominant browser used globally, with a c.65% market share.

Figure 8: Internet browser market share, July 2021



Source: Statcounter GlobalStats, July 2021, SEAL Advisors

Firefox and Safari already discontinued using cookies

Additionally, the next largest browsers Safari (c.19% market share) and Firefox (c.4% market share) have already discontinued the use of third-party cookies, with Apple's Safari blocking the use of third-party cookies by default in 2020 and the Mozilla Corporation's Firefox doing the same in 2019. Hence, with Google's decision to follow suit, this will mean that c.87% of the web browser market will no longer allow third-party cookies, representing a seismic change for the digital advertising industry.

Google will phase out the use of cookies by 2023 at the latest

Google's decision to block third-party cookies in Chrome was announced in Jan 2020 on the Chromium Blog with the unequivocal title '*Building a more private web: A path towards making third party cookies obsolete*'. The blog announcement discusses how the decision to 'phase out support for third-party cookies' is a continuation of Chrome's August 2019 'Privacy Sandbox' initiative, aimed at developing a set of open standards to enhance privacy on the web whilst creating a secure environment for personalization.

The original time frame given for what has become known as 'Cookie Deprecation' was around two years (i.e. by Q2 2022), though in a recent announcement this has been extended to the second half of 2023 given a more extended implementation process than initially envisaged, partly due to Google's engagement with UK regulators (Competition and Markets Authority) over the broader Privacy Sandbox initiative. It also reflecting the technological challenges involved in replacing third-party cookies with something else.

Increasing concerns over privacy and the gathering and exploitation of internet user data is a secular theme arising in response to a world which is rapidly shifting online via a multitude of internet-enabled devices. A 2019 survey

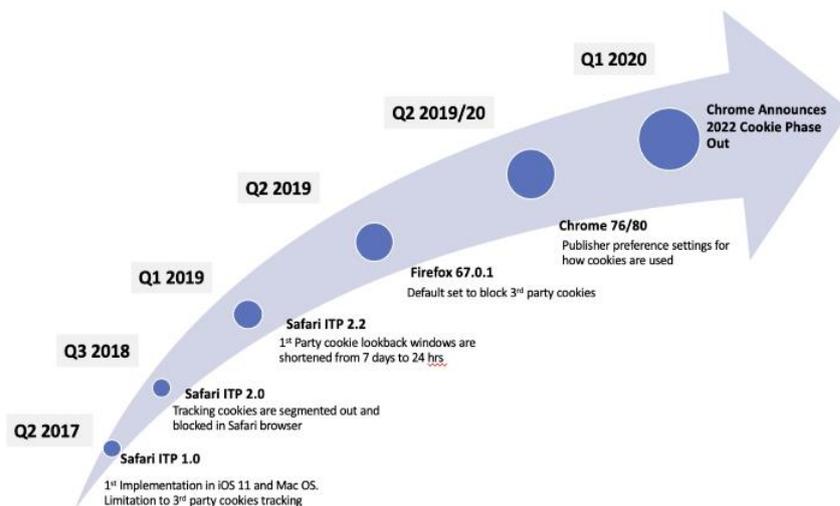
conducted by the Pew Research Center found that 72% of Americans felt that almost all or most of what they did online or while using their cell phone was tracked by advertisers, technology firms or other companies. 81% felt they had little or no control over the data that companies collected about them. Moreover, the report found that 81% of Americans thought that the potential risks of data collected on them outweighed the benefits. Similarly, with regard to the UK, a 2019 survey by the European Commission found that 84% of UK respondents felt they had only partial or no control over their online data, and a 2020 survey by OFCOM found that only 13% of respondents said they were happy for online companies to collect and use their data to show more relevant adverts or information.

Data privacy is a global issue

Meanwhile, individual concerns regarding data privacy have been met at the macro level with increasingly stringent data privacy laws, principally the EU’s General Data Protection Regulation (GDPR) which was enacted by all EU member states in 2018 and which regulates the use of personal data, as well as the California Consumer Privacy Act (CCPA) of 2018 which regulates privacy rights around online data.

While neither of these acts banned cookies *per se*, they did set an ‘opt in’ requirement, the GDPR for example mandating that websites must receive users’ consent before they use any cookies, except ‘strictly necessary cookies’. These latter are defined as those essential to the functioning of the site (e.g. cookies which allow a shopping cart to hold items a user has selected while shopping online). The penalties for non-compliance with GDPR are stringent, with fines of up to 4% of annual turnover, and this is before the extra effects of reputational damage.

Figure 9: A Brief History of Browser Cookie Restriction Activity



Source: IAB Canada, “Moving towards Cookie Independence, March 2020

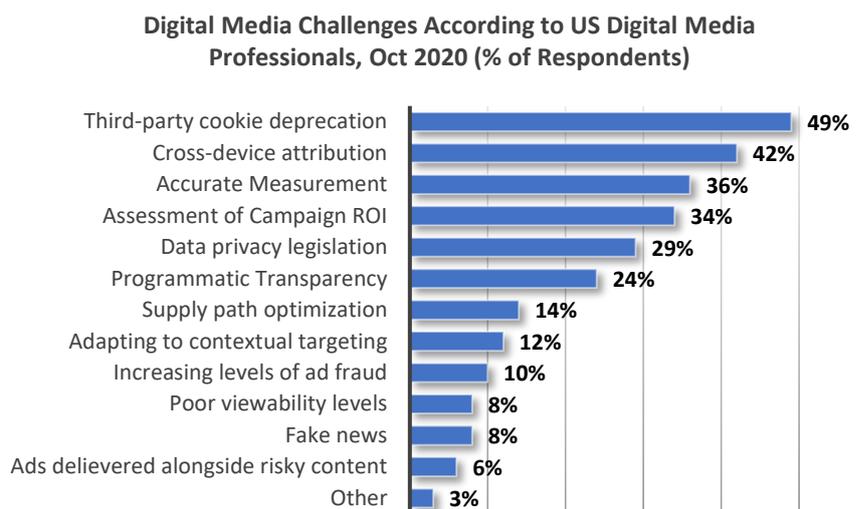
Cookie deprecation is a major concern

That impending deprecation of cookies is a major concern to advertisers can be seen from a survey of digital media professionals with 49% of respondents classifying third-party cookie deprecation as the greatest challenge they face over the following year.

In addition to the removal of cookies, Apple, which, together with Google, dominates the market for apps, has announced it would adopt an “opt-in” policy

for its Identifier for Advertisers (IDFA). This means consumers opening an app for the first time will be asked directly whether they want to be tracked. While the effects of this change are currently unknown, some estimates suggest that the percentage of users who allow tracking of where they visit will drop from 70% to as low as 10-15%. This would inevitably render online advertising far less effective.

Figure 10: Digital media challenges according to US digital media professionals



Source: eMarketer/note: top 3 responses

What are Cookies?

Web cookies introduced in 1994

The term ‘cookie’ was coined by Netscape web-browser programmer Lou Montulli in 1994. It was used to reference the term ‘magic cookie’ used by Unix programmers to refer to a packet of data a program receives and sends back without changing it in the interests of performing a specific operation or providing a unique identifier. Montulli devised the cookie to solve the problem of ascertaining whether or not a user had visited the Netscape website before. To do that, he had to find a means of distinguishing one browser from another. Hence, the cookie was born.

More formally known as a HTTP cookie, a web cookie, an Internet cookie, or a browser cookie, a cookie is a small packet of textual data sent by a web server to a PC where it is stored on the hard drive. Cookies are typically used to make websites remember a user’s action, so a user is not asked to repeat the same task again and again when they visit the same site. This enables user identification during the login process, as well as allowing for a personalised web browsing experience.

Third-party cookies are the issue

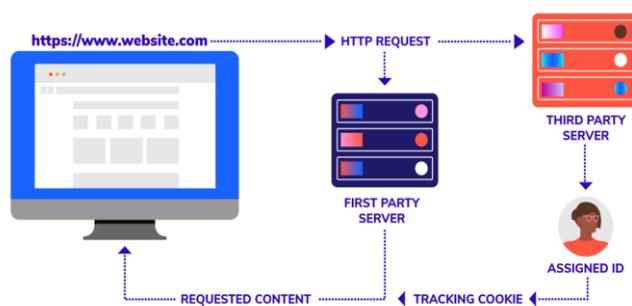
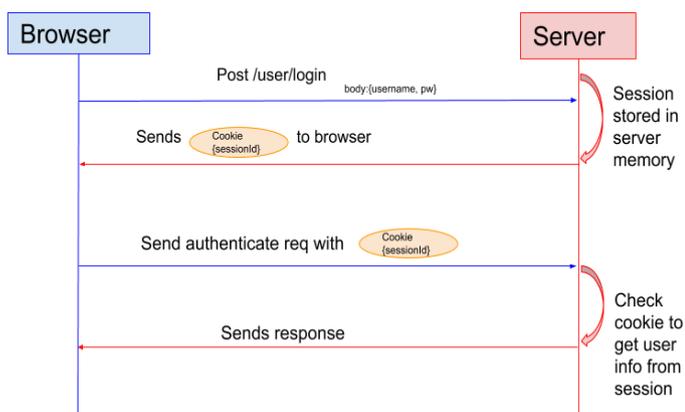
There are two principal types of cookie; first-party and third-party. First-party cookies are generated by the host domain, or website the internet user is browsing. These are what are categorized by the GDPR as ‘strictly necessary cookies’ which augment the user’s browsing experience and which are essential to the smooth functioning of the site. Such cookies are necessary since a web server (on which a website is hosted) has no memory of its own, hence a website needs to use first-party cookies to provide a memory of an individual user’s profile (e.g. user name, language preferences). These cookies are sent from the website to a user’s PC where they are stored on the hard drive, and then activated during future visits to the same site so that the site recognises the user.

First-party cookies will remain unaffected by the changes impacting third-party cookies.

Third-party cookies, by contrast, are not generated by the host domain, but instead are created and placed by websites other than the website the internet user happens to be visiting. The principle uses of these are for tracking and advertising purposes. Typically, these cookies are loaded by a third-party server (e.g. an Advertiser ad server such as Google DV360) onto the website the user is browsing as shown in the diagram below right.

Figure 11. Problem solved by a First-Party Cookie

Figure 12. Generation of a Third-Party Cookie



Source: Sherry Hsu, 'Session vs Token Based Authentication' (2018), Medium.com:

Source: Abby Matchett, 'Google Chrome & Third-Party Cookies – What You Need to Know' (2020), Bounteous.com:

As can be seen from the above, user browsing of the host website, facilitated by the first-party cookie, typically leads to the generation of a third-party cookie which is also stored on the user's PC where it subsequently tracks user web browser behaviour as they surf the web, enabling targeted advertising.

Walled Gardens and the Open Internet

Walled gardens vs the Open Internet

In addition to understanding the role that cookies play in the digital advertising ecosystem, and the potential for Silverbullet's 4D product, it is also important to understand the concept of "Walled Gardens" and the "Open Internet".

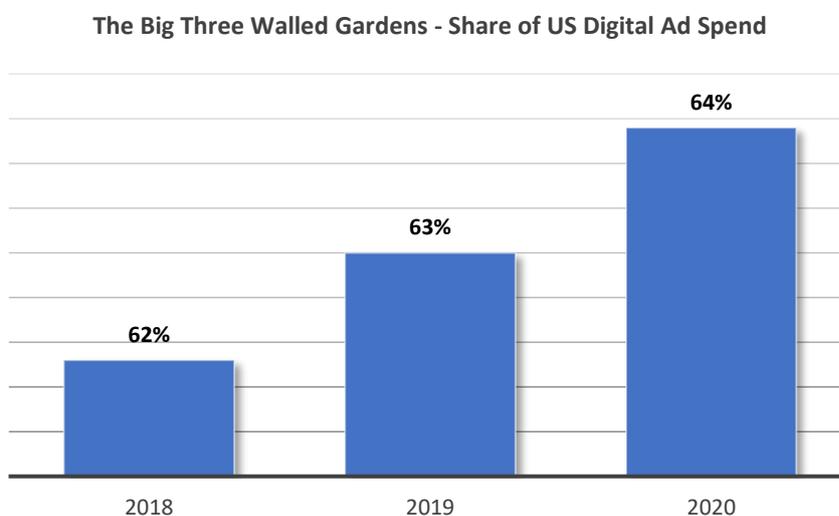
Walled Gardens in the context of digital advertising refer to the large internet platforms which have a utility value to consumers that is not overtly advertising-related, but which nonetheless derive most of their revenues from the sale of ad space (advertising inventory). The Big 3 are Google (internet search), Facebook (social media) and Amazon (B2C e-commerce). Other examples are Snapchat (social media), Twitter (social media) and Pinterest (social shopping). Walled Gardens enjoy a significant data advantage versus Open Internet competitors since they can leverage vast amounts of first-party data from their consumer-facing activities in order to build a user profile. In turn they very often supplement this with data gathered from third-party websites courtesy of 'tags' (Google)/'pixels' (Facebook) which are placed in return for 'free' use of analytics tools. This allows for a high level of user targeting, augmenting the value of their ad inventory.

The Big 3 accounted for 64% of US digital ad spend

Since the walled gardens also own their own ad tech in the form of DSPs/SSPs (eg. Facebook Ads Manager), it follows that they are effectively running a closed ecosystem with minimal value leakage to third parties – hence the term ‘Walled Garden’.

The Big 3 of Google (inc. YouTube), Facebook (inc. Instagram) and Amazon accounted for a combined c.64% of US digital ad spend in 2020. As shown in figure 13 the dominance of the Big 3 has increased over the last 3 years, rising from c.62% of total US digital ad spend in 2018 to just over 64% in 2020. After factoring in the revenues of the smaller platforms mentioned above, the total market share of Walled Gardens is around 80% of US digital ad spend. The remaining 20% of US digital ad spend that sits outside the Walled Gardens is known as the ‘Open Internet’.

Figure 13: The Big Three Walled Gardens – share of US digital ad spend (%)



Source: eMarketer/Statista

The walled gardens have an inherent advantage

The great advantage enjoyed by the Walled Gardens is their ownership of first party data (1P data). This is because users give the website or app permission (i.e. ‘opt-in permission’) to track them whilst using the website or app. Hence, such platforms are able to collect data directly from the user while the latter interacts with the platform. For example, during the one hour per day the average Facebook user interacts with the social media platform, that user has given Facebook permission to show them relevant ads, with relevancy driven by what sort of topics the user clicks on in their newsfeed. Not only does this granularity with regard to user profiles and behaviour make the ad inventory sold to advertisers by the Big 3 Walled Gardens extremely valuable, but it also means that the platforms do not need to use third-party cookies to track web user behaviour since they have already acquired the users’ opt-in permission to do just that.

Cookie deprecation is primarily an open internet issue

Additionally, the absence of an intermediary (such as an Ad Exchange) between the Walled Garden and the Ad buyer means there is no value leakage to third parties, resulting in high margins for the platform. What this means is third-party cookie deprecation is primarily a challenge facing digital advertising on the open internet, rather than in the Walled Gardens.

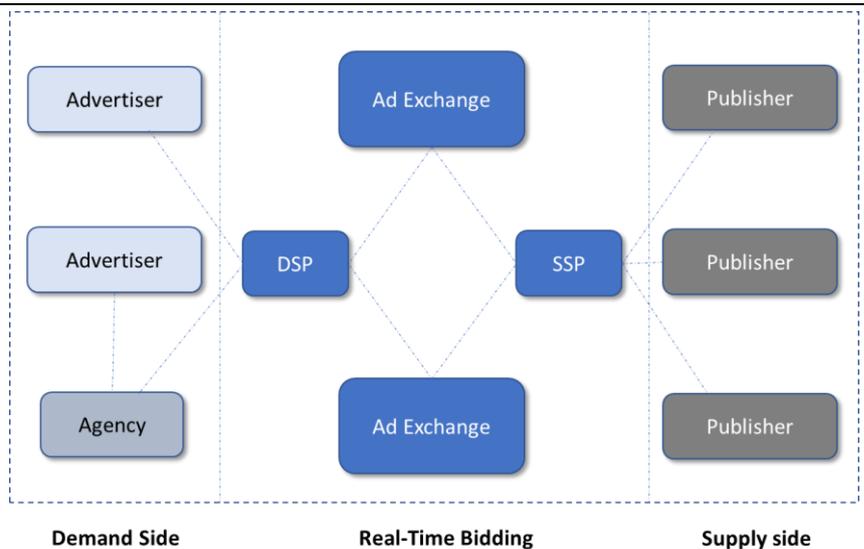
The open internet accounts for a sizeable percentage of digital advertising

However, with the Open Internet accounting for an estimated c.20% of US digital advertising, and perhaps the same percentage of digital advertising ex US, the stakes are sizeable. On the basis of the most recent figures available, the open internet represents around \$30 billion per annum in US digital ad revenues and a total c.\$76 billion per annum in global digital ad revenues.

Digital Advertising in the Open Internet

At its simplest, digital advertising in the open internet relies on two main types of business model. The first is known as a DSP, or Demand Side Platform. This caters to the needs of Ad Buyers, and DSP software is licensed/subscribed to by ad agencies and brands who wish to buy advertising inventory on the open internet. The other is called a SSP, or Sell Side Platform, which caters to the requirements of Ad Sellers (i.e. content owners/publishers) who wish to sell digital advertising space to Ad Buyers. Both DSP and SSP business models comprise a software ‘sale’ to the buyer (though the software is frequently provided free of charge), with the seller of the software (e.g. Magnite for an SSP/The Trade Desk for a DSP) subsequently taking a cut of advertising sales/purchases transacted using their software (estimated overall take-rates are 15-20%, including other fees). Transactions using both types of software platform are typically enacted via Ad Exchanges (which also charge a percentage fee of business transacted over the exchange).

Figure 14: Digital advertising ecosystem in the open internet (%)



Source: Markletic, ‘What is Programmatic Advertising in B2B Marketing?’ by Ricky Wolff.

Stylised example of the digital advertising ecosystem

The process can be summarised as follows:

1. The user visits a webpage
2. The publisher’s ad server sends a bid request to SSPs for advertising space available on the webpage
3. SSPs sends bid request to DSPs via the ad exchange
4. DSPs evaluate advertising opportunity based on campaign objectives of advertisers and send bids to SSPs via Ad Exchange(s)
5. SSPs rank bids received based on price and priority levels set by publisher and send winning bids to publisher

6. Publisher ad server compares bids received from SSPs, together with any pre-existing direct deals between publisher and specific advertisers and decides which ad to serve on webpage

Fundamental to the process is the existence of third-party cookies

The process described above is a simplified schematic and in actual fact buyers and sellers of advertising inventory are matched in real time. Inventory is priced in real time on a cost per thousand impressions (CPM) basis which reflects the multiplicity of users that are being targeted at any one time by advertisers. Further refinements to the process exist such as Data Management Platforms (DMPs) working with DSPs to further refine the target group. However, the main point to appreciate is that whole process hinges on third-party cookies since these are necessary for targeting the type of users that advertisers wish to reach. Without the third-party cookie to classify users according to interests and likes, the process of targeted advertising shown in the diagram cannot take-place.

Alternatives to Third-Party Cookies

Three main alternatives to cookies

To date, the advertising ecosystem has put forward the following solutions as replacements for third-party cookies:

- **Google's 'Federated Learning of Cohorts or FLoC** – part of the Privacy Sandbox initiative. Google's proposed solution is an API (Application Programming Interface) that aggregates large groups of people with common interests as suggested by their browsing history into cohorts so that ads can be targeted accordingly. Google has claimed that the solution is at least 95% effective compared to tracking using third-party cookies in terms of conversions per dollar spent. It is as yet unclear to what extent FLoC may or may not contravene the spirit of the GDPR. On this point, Google has already signalled that FLoC is unlikely to be available in Europe.
- **Universal IDs** – this is a user identifier created by an ad-tech company or consortium to identify the user as they browse the internet. Instead of tracing the user by means of third-party cookies, the ad-tech provider leverages first-party publisher/CRM data to create a Universal ID. Examples of this approach include The TradeDesk's (TTD US) Unified ID 2.0 (UID 2); LiveRamp's (RAMP US) IdentityLink; and Verizon Media's ConnectID. An advantage of Universal IDs would be to introduce data interoperability to the ad-tech ecosystem, hence improving the user browsing experience since the resulting fall in synching would speed up web page loading times. In order to function in the ways envisaged, though, Universal IDs would require increased co-operation across the open internet ecosystem, between brands and ad-tech providers. To some extent this is what we are seeing with the emergence of consortia comprising publishers and ad tech companies. An example being the consortium involved in the Unified ID 2.0 initiative.
- **Contextual Targeting** – this solution works by matching the content of a webpage with the content of an ad. Prior to the behavioural targeting enabled by third-party cookies, the dominant means of advertising was demographics combined with contextual targeting. In the third-party cookie era, however, this approach has tended to be supplanted by deterministic targeting based on a user's browsing history. The beauty of contextual targeting is that there is no requirement for third-party cookies, since the internet user is not being served ads based on a profile created through their browsing history triangulated with other first and third-party data.

Instead, ads are served based on the type of webpage they happen to be visiting at that moment. An additional benefit is that focusing on the context in which the ad appears, rather than the user, has the potential to lessen the chance of damage to brand value. Examples of Contextual Targeting include digital ad verification company DoubleVerify's (DV US) Custom Contextual; contextual targeting offerings by GrapeShot (part of Oracle's digital ad verification business, Moat), AdmantX (part of digital ad verification company, IAS) as well as private-equity owned Peer39; and, of course, Silverbullet's 4D solution.

How Does 4D Work?

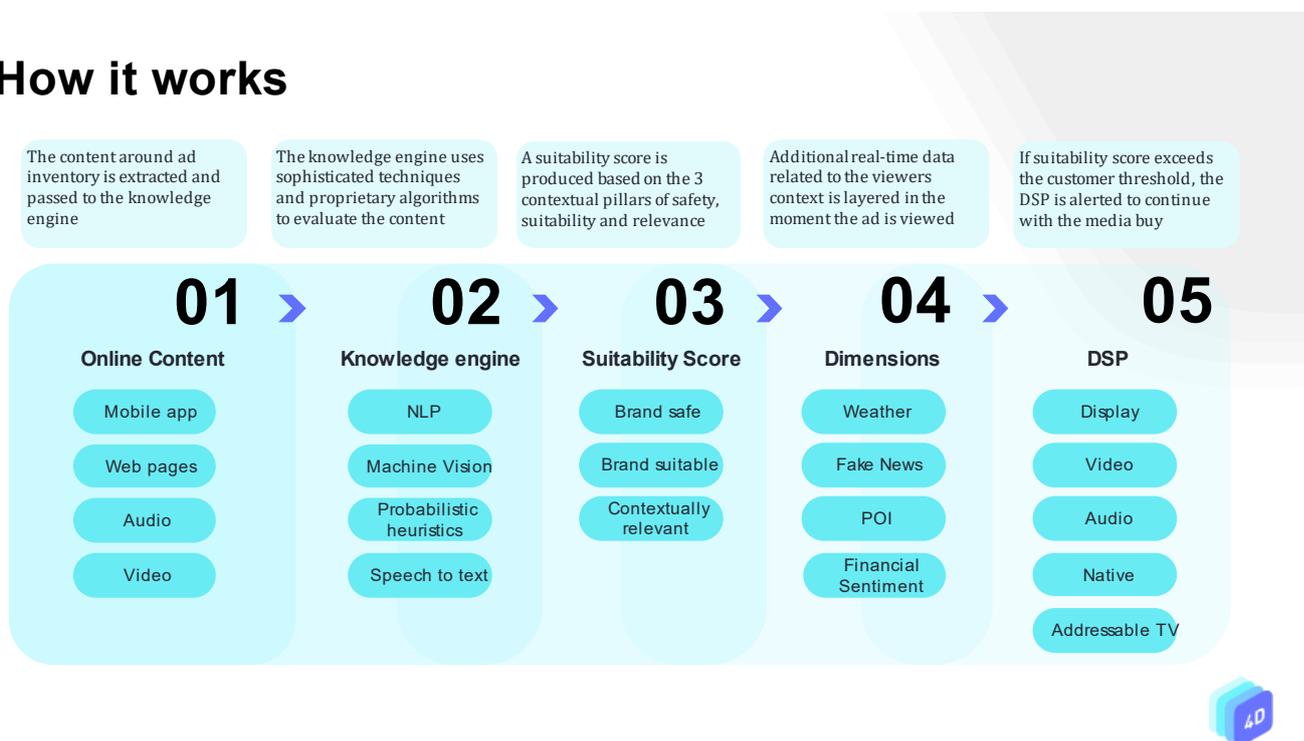
4D is a contextual targeting solution

Silverbullet's 4D product is a cloud-based contextual targeting solution which leverages Natural Language Processing (NLP) and proprietary algorithms to evaluate content, providing a suitability score based on three contextual pillars of safety, suitability and relevance. This score is then triangulated with other real-time data, and if the overall score exceeds the specified threshold, the product instructs the DSP to proceed with the ad bidding process.

Essentially, 4D allows advertisers to target consumers more effectively, and in a brand-safe manner. This level of sophistication is crucial, given the real propensity for false signals that exist when it comes to evaluating context (e.g. an internet user reading about a car crash would not want to be served an ad by an auto OEM for a new model of car). This is all the more the case given the increasing share of video-based advertising in the mix, which is obviously not amenable to a linguistic analytical methodology to evaluate context.

Figure 15: Description of how Silverbullet's 4D solution works

How it works



Source: Silver Bullet Data Services Group

Principal customer is the demand side

The principal customer group for the 4D product is the demand side, i.e. brand owners, ad agencies and ad traders. The main route to market is via integration with SSPs and DSPs such as those owned by The Trade Desk and Adform, with 4D generating revenues on a CPM basis. While revenues are clearly transactional in nature being based on the number and price of ad impressions served using its technology, there would nonetheless appear to be the potential for a high degree of repeat business given the frequency with which clients run advertising campaigns. Moreover, the solution is inherently scalable, given limited incremental S G & A cost per incremental sale. 4D can also be acquired by Agencies and brands to provide customer insights based on their contextual behaviours.

Importance of video analysis in the 4D product

While it has competitors in the contextual targeting space, it is 4D's proprietary context outcomes engine that gives it an advantage over its peers who are not able to use post-bid data to affect the outcome of campaigns in real-time. Their rivals' products are based on older technical solutions that can only offer text-based analysis whereas 4D leverages computer vision technology and speech-to-text capability to enable the evaluation of video contexts. In addition, 4D offers a variety of parameters that further enhance the suitability of showing adverts to consumers.

Multiple parameters for ad targeting

Parameters can also include attributes such as political bias (provided by a third party). This combination of contextual parameters combined with their proprietary technology allows advertisers to better target consumers and address the dilemma that many advertisers will face in a post-cookie world.

Most importantly, it has been shown to work. A particularly interesting case study was with Lumene, a luxury beauty brand. 4D was tested in an independent study which found it led to a 47% increase in sales as well as a 45% increase in Click Through Rates. From a competition standpoint, it also performed better than a number of well-known alternatives including YouTube, Instagram and Pinterest. This is the sort of proven performance that advertisers want. A testament to its efficacy, Silverbullet's 4D product is being made available on key ad tech platforms such as The TradeDesk, Google DV360 and Xandr.

4D also addresses the issue of brand safety. This has been an issue that has been around for years, with major advertisers complaining about the negative impact on their brands. It has impacted platforms such as YouTube and Facebook. Brands are increasingly sensitive about where their advertising is placed given the potential for them to be shown on inappropriate sites that can have an impact on a brand's value and / or also lead to adverse publicity.

The Addressable Market for 4D

Contextual targeting estimated to be between 1 and 3% of total programmatic media spend

Currently, contextual targeting and associated technologies is estimated to account for somewhere between 1-3% of total programmatic media spend. Taking the current global programmatic media ad spend of \$127 billion (2020), this would imply a range of \$1.3 billion to \$3.8 billion. However, this also includes programmatic ad spend within the Walled Gardens. If, instead, we apply this range to the open internet, then we get an estimated figure for total global Display Advertising of \$76 billion pa, with contextual targeting representing 1-3% of this.

As shown in table 2 the estimated total addressable market (TAM) range for 4D's Contextual Targeting solution is currently between \$0.8 billion to \$2.3 billion. However, in a post third-party cookies world, the importance of contextual advertising will be substantially increased and so it is reasonable to assume that the share of contextual targeting will also increase. Taking a conservative estimate of 5% of global open internet display advertising, this would equate to a TAM of \$3.8 billion based on 2020 figures.

Table 2: Total addressable market of contextual targeting ad spend

Total global programmatic media ad spend (2020 figures)	\$127 bn
Total programmatic – open internet (ex walled garden)*	\$76 bn
Current contextual targeting:	
Low end (1% share)	\$0.8bn
High end (3% share)	\$2.3bn
Future contextual targeting (post third-party cookies):	
Estimated addressable market (5% share)	\$3.8bn

Source: Silver Bullet Data Services Group, SEAL Advisors, eMarketer. *Based on 2020 figures

\$3.8 billion is a low estimate in a post cookie world

Taking into account that global digital ad-spend is forecast to grow from \$378 billion to \$646 billion between 2020 and 2024, and programmatic media spend is expected to take an increasing share of the total, the addressable market for contextual targeting is very likely to be significantly in excess of this \$3.8 billion when the use of cookies is phased out.

The Competitive Landscape

Three main competitors

Currently the competitive landscape for Silverbullet's 4D product is limited. While there are a number of smaller companies offering solutions related to contextual targeting, there are only three that appear particularly noteworthy. These are:

- **Grapeshot**, acquired by Oracle for c.\$325 million in 2018;
- **Peer39**, bought by private equity in 2018;
- **ADmantX**, acquired by Integral Ad Science in 2019:

Grapeshot

Grapeshot was a UK-based Company acquired by Oracle for \$323 million where it was combined with another asset, Moat, to build up Oracle's brand safety service. Interestingly, this reflected Grapeshot's own development. While it initially focused on contextual targeted advertising, it moved more into the general arena of brand safety.

Peer39

Peer39 was originally owned by ad tech firm Sizmek, which went bankrupt, and sold Peer39 to a combination of private equity and ad tech veterans Mario Diez (ex-CEO of Pointroll, acquired by Sizmek in 2016) and Alex White (ex-Sizmek) in 2019 for \$18 million. Sizmek had bought the business in 2012. Peer39 was one of the early players in the contextual advertising space but its technology is mainly text-based.

ADmantX

ADmantX was sold to IAS in November 2019 for an Enterprise Value of €16 million. Again, ADmantX has been in the contextual advertising space for a long time (it was spun off as a separate unit from its then owner Expert System in 2010) and so relies on text-based contextual advertising. An interesting point is that, unlike Peer39 and Grapeshot, ADmantX was not integrated with The Trade Desk for contextual advertising.

4D has the advantage of allowing analysis of both text and video

Compared to these three potential competitors 4D has an inherent advantage in that its competitors only allow analysis of text whereas 4D offers both text and video. This reflects the fact that 4D has been developed recently while the other products mentioned above have been in the market for a number of years and are based on legacy technology.

It should also be noted that digital ad verification company, DoubleVerify (DV US) has launched a Contextual Targeting solution called Custom Contextual. However, this approach seems to be text-based, and hence would not offer the same ability to evaluate video contexts as 4D.

Given the growing use of video in the programmatic space – which is only likely to increase significantly as broadcasters progressively move to a programmatic environment and increase the scope of video content – this is going to prove a major advantage relative to its competitors.

As noted above, Google's proposed solution to the end of third-party cookies, FLoC appears to be facing challenges, not least from a regulatory perspective where compliance with GDPR stipulations seems to be a major stumbling block to the product's ability to be offered in Europe.

Forecasting Silverbullet's Revenues

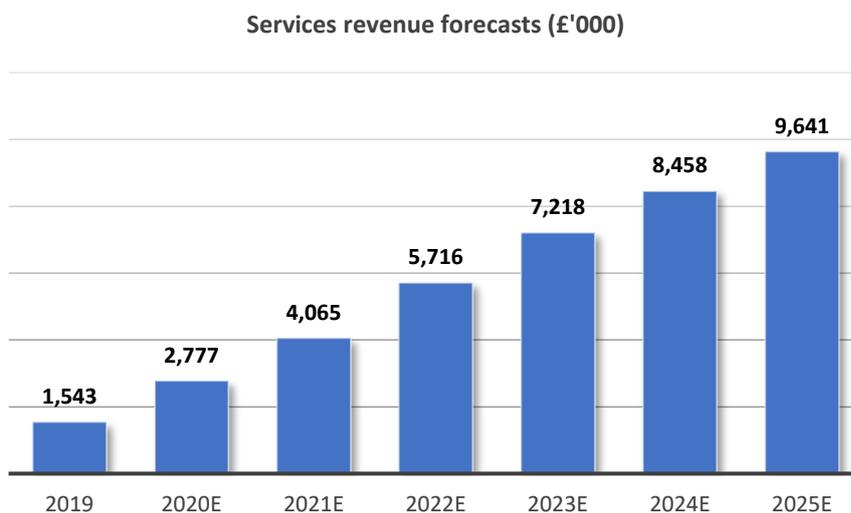
Services Revenues

Services will be the main driver in the short term

In terms of revenues, Silverbullet's services business is expected to continue to grow, with a CAGR of 28% over the forecast period 2020-2025E. The three key drivers to growth are:

1. growing demand for consultancy services in the marketing technology market
2. the in-housing of programmatic services by advertisers as they seek to improve the efficiency of the way they buy media, and
3. the growing adoption of programmatic by traditional platforms such as television and Out of Home (OOH) as they discard their traditional caution and roll out programmatic offering to grab a share of the digital advertising market.

Figure 16: Silverbullet services revenue forecasts (£'000s)



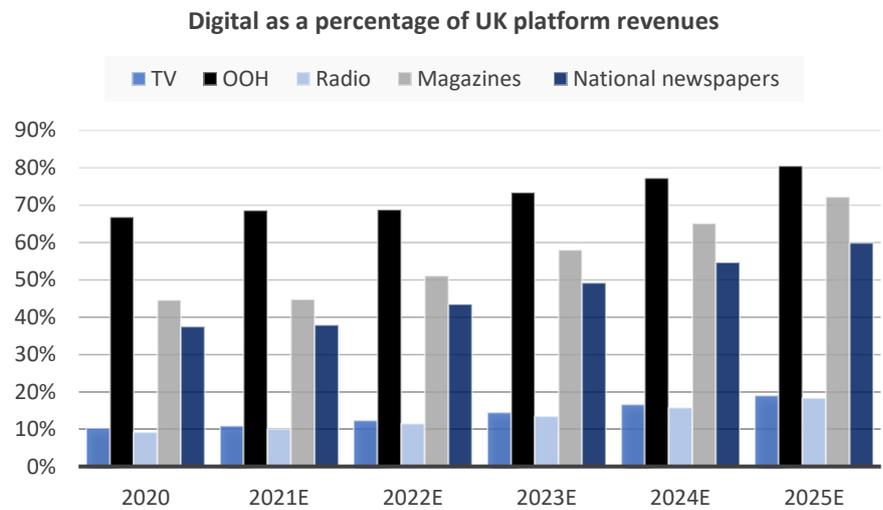
Source: SEAL Advisors

Traditional platforms shifting to programmatic

The third growth driver is increasingly relevant as "traditional" platforms such as television and Out of Home (OOH) embrace programmatic as they look to capture a share of digital budgets and trade their own combined inventory. This is already happening in the United States, where platforms such as Disney and Comcast are moving rapidly to offering clients integrated bundles of linear Television and Advertising Video on Demand sold programmatically.

We expect adoption of programmatic to be slower in Europe, given more conservative trends. However, platforms such as OOH and Publishing already receive a significant part of their revenues from digital advertising. For example, in the UK, more than half of all OOH advertising and well over a third of publishing is now digital.

Figure 17: Digital ad spend as a percentage of UK platform revenues



Source: Liberty Sky Advisers

Few competitors can offer the full skill set

This switch by traditional platforms to programmatic, together with the growing share of digital advertising revenues, will lead to more demand for clients to develop and maintain data driven infrastructure and programmatic capabilities. Silverbullet should be an ideal port of call for advertisers looking for help in these areas and this need for more in-housing is likely to be a major driver of revenues.

For services such as data strategy, consulting and new product development there will be a variety of players at each different part of the offering that compete with Silverbullet. However, there are few who can offer the necessary skillset to handle the multitude of complex skills needed to maintain such vital infrastructure while also advising clients on the strategic side. Probably the closest competitor would be S4 Capital, which was founded by Sir Martin Sorrell. Despite S4 being a competitor there would nonetheless be significant grounds for cooperation. Silverbullet's 4D product, for example, would be a natural product for S4 Capital's Mightyhive to offer.

4D Revenues

The main driver for the growth in 4D revenues will be rapid adoption by major advertisers, particularly after 2021, as the latter are forced to seek out new solutions to replace cookies. We expect 2022 to see the first year of "hockey-stick" style growth given that many advertisers are still trying to work out what solutions they should adopt. In that regard, 4D could not come at a better time and the strength of relationships that Silverbullet has should give it a noticeable advantage.

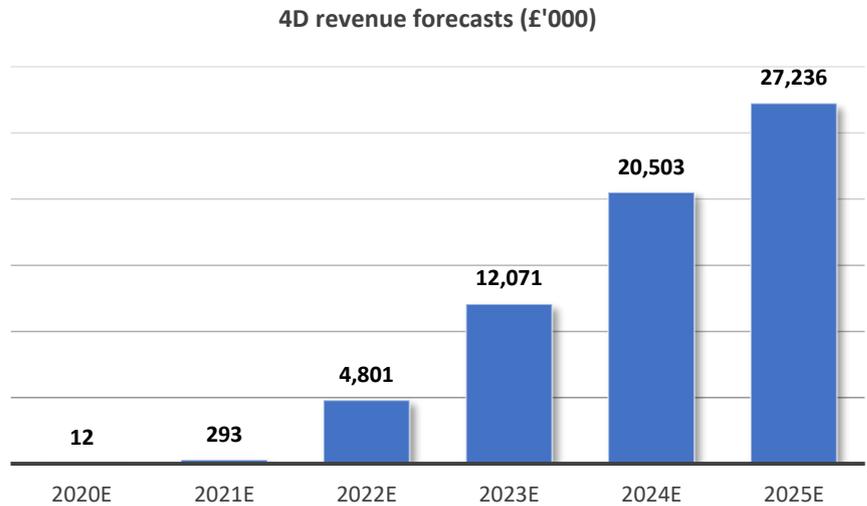
Strong growth expected in 4D

We expect 4D to start delivering meaningful revenues in the later part of 2021. After the initial take-up we expect to see rapid acceleration in growth, rising from less than £300,000 in 2021 to over £27 million by 2025E.

The 4D revenue is driven from agency and in house traders selecting 4D as the chosen contextual targeting and brand safety solution. With the enhanced functionality and performance of the product, the Company expects client churn to be minimal, and at the end of each year somewhere in the region of 60% of the following year's target revenue should be secured. Hence, as 4D becomes

a larger part of the overall revenue, it will have a significant impact on the predictability of the group's revenue streams.

Figure 18: Revenue forecasts for Silverbullet's 4D product

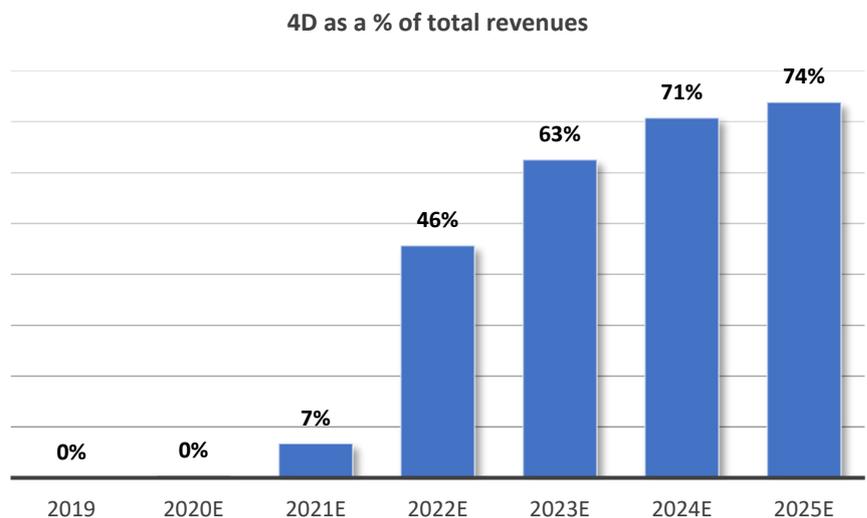


Source: SEAL Advisors

Recurring revenue streams

One further point about the market that could prove lucrative for Silverbullet is that the contextual digital targeting advertising space is likely to be the type of market that benefits from strong network effects. Therefore, if Silverbullet's solution was to see widespread adoption, it is likely that this would create significant positive momentum.

Figure 19: Revenue forecasts for Silverbullet's 4D product percentage of total



Source: SEAL Advisors

In Summary

Silverbullet is a relatively young but fast-growing company. It has an enviable client base and has developed a global reach in the digital advertising services industry. The roll-out of 4D looks set to significantly enhance the revenue growth of the company, and we forecast revenues to exceed £38 million by end 2025.

Experienced Management Team and Board

The Management Team

Very experienced management team

Silverbullet's executive management team has extensive experience in the agency and data worlds which underpin the commercial business.

- Ian James, Group CEO and co-founder: former Chief Digital Officer (CDO) of Starcom MediaVest. International CEO of Acxiom, which was sold to IPG for \$2.3 billion. Within Acxiom, headed up LiveRamp in non-US markets, which is current listed with a valuation of over \$3 billion. He has 25 years' experience in data and technology;
- Umberto Torrielli, Chief Strategy Officer (CSO) and co-founder: Data and Tech specialist and The Drum's MarTech Hero 2019. Part of the management team responsible for the exit of BlueKai to Oracle for \$450 million;
- Darren Poynton, Chief Financial Officer (CFO): is a highly experienced ACA Finance Executive with extensive knowledge of the advertising, media and entertainment industries. Having started his career at KPMG Darren spent over 10 years with National Geographic and was part of the successful management team that led the expansion of the TV channels business across EMEA. Darren was UK CFO for MediaCom (WPP's largest Media Agency) and UK Group CFO for Havas Media Group where he led the UK M&A strategy.
- Mark Pearlstein, Chief Revenue Officer (CRO): was the CRO for DoubleVerify, during which time he presided over 1500% revenue growth across its core management solutions and built the business from \$14 million to \$250 million revenues.
- Marco Godina, SVP Product: Marco was previously the product lead for Grapeshot, which was sold to Oracle for c.\$325 million. He has over 14 years data and technology experience, with deep expertise in GDPR, Brand Safety and marketing technologies such as CDP and DMP;
- Kristen Kelly, Chief Operating Officer (COO) / Chief Commercial Officer (CCO): was formerly President of Publicis Media Data and Technology Division and has a successful track record in leading significant digital transformational programmes for global clients.

The Board

High-calibre Board

In addition to an experienced management team, Silverbullet has established a high-calibre Board encompassing both industry, board and finance experience:

- Nigel Sharrocks, Chairman: founder of MediaCom, one of the key agencies within WPP, Nigel has over 40 years of global media experience. He was Managing Director for Warner Bros UK and part of the management team that sold Aegis Plc to Dentsu for \$3.2 billion cash in 2012. He is also Chairman of Local Planet;
- Keith Saddler: NED and Corporate Finance Advisor: Keith has extensive experience of M&A deals over the past several decades. As CFO of News Communications and Media plc, he was co-responsible for selling the business to Gannett for £500 million and then was involved with Kelvin McKenzie in developing and then selling Talksport for £110 million. His responsibilities include delivering corporate structure

guidance, advice on fundraising and M&A activity. He will also chair the Remuneration and Audit Committees;

- Steve Clark Steve is a serial entrepreneur with significant experience in the digital media industry. He is currently Chief Executive Officer and co-founder of Withu Holdings Limited, an online business providing audio-based workout programmes, prior to which he co-founded Mobile5 Media Ltd, which was acquired by Omnicom Media Group in 2018, and served as managing director of Bluestar International Limited
- Martyn Rattle, NED and Commercial Development Advisor: Martyn is CEO and the founder of Local Planet, which is the world's biggest collection of local independent agencies. He has over 30 years' experience in global media companies and, as CEO Global Clients at Aegis, was part of the management team that sold Aegis Plc to Dentsu for \$3.2 billion in 2012. Martyn will focus on building Silverbullet's client relationships and structuring long-term commercial contracts.

SWOT Analysis

Strengths

1. Very experienced management team with a proven track record of delivering value;
2. A blue-chip list of clients with increasing depth of relationships;
3. Partnerships with key industry partners in the MarTech / AdTech / Agency space;
4. Proven technology solutions that work, as shown in the example of 4D and Lumene;
5. The Local Planet partnership extends Silverbullet's geographical reach significantly, as well as providing further client opportunities.

Weaknesses

1. Available resources to support the predicted growth and expansion;
2. Only directly present in five markets, and has only opened an office recently in the United States, which should be a key market;
3. Presence of Local Planet management on the Board may act as a disincentive for other Agency partners.

Opportunities

1. The search for alternatives to cookies offers a very large opportunity for the 4D product, especially given advertisers' reluctance over embracing Google's proposed solution;
2. The opportunity to expand its product reach with existing clients, as demonstrated by the example of Heineken;
3. The push by traditional platforms such as Broadcasters and Out of Home into programmatic is likely to open up new opportunities;
4. The renewed focus by advertisers on ensuring that advertising money is not wasted opens up opportunities for new clients.

Threats

1. Competition in what is a very crowded competitive space in their services business.
2. 4D is likely to face significant competition given the size of the prize at stake;
3. Some of Silverbullet's current partners may become more competitive in future;

ESG Overview

Environmental

Limited environmental footprint

Silverbullet has a very limited environmental footprint. GHG emissions are effectively limited to scope 3 through third party electricity supply and AWS cloud computing. Silverbullet operates from only a few office locations. It has a cycle scheme in place for staff.

Social

Improving gender diversity

There is some potential for (at least relative) reputational gain as Silverbullet enables and exploits the market for contextual programmatic marketing in a post-cookie world. As a B2B operation, there is limited scope for privacy and customer data security issues to arise. Silverbullet is taking issues of training and diversity seriously with both gender and LGBT addressed in a relatively young workforce. Gender diversity at senior leadership level is being improved by the new appointment of women to more senior leadership roles.

Corporate Governance

Experienced board members

Recent appointments of relevant non-executive talent to the Board are welcome.

Nigel Sharrocks, an experienced Chairman, formerly of WPP (he founded MediaCom and was CEO of Warner Studios in EMEA) and is also Chairman of Silverbullet's JV partner agency Local Planet.

Other new Non-Executives include:

Keith Sadler, who has long and relevant experience in a management and corporate transactional role with News Corp, and he also built and sold Talksport. He has been involved in other media M&A deals and sits on various AIM listed Company boards;

Martyn Rattle, current CEO and founder of Local Planet and has over 30 years' experience in global media companies.

Nigel and Martyn were part of the Board team that sold Aegis to Dentsu for \$3.2 billion in 2012. Martyn is joining the Board to focus on scaling Silverbullet's client relationships and structuring long-term commercial contracts. Keith will focus on delivering corporate structure guidance, fundraising/listing and M&A and will chair the REMCOM committee.

Silverbullet is in the process of creating appropriate equity based incentivisation schemes with outside advice from consultants and existing shareholders. More focus and scrutiny on board function and process will ensue as Silverbullet evolves as a public company.

Conclusion

Low ESG risk

As a relatively recently founded software and services company, Silverbullet has a limited to negligible ESG risk profile, though it has a commensurately low level of ESG upside.

Valuation Range

We use a DCF approach to valuation

To provide a suggested valuation range we use the free cash flow estimates from our financial forecasts in a discounted cashflow model. The financial inputs are summarised in the table below.

Table 3: Free cash flow estimates for DCF calculation

£'000	2021E	2022E	2023E	2024E	2025E
EBITDA	(5,804)	(3,114)	1,245	7,034	10,956
Tax	434	360	285	(1,043)	(1,944)
Capex	(1,328)	(1,138)	(1,133)	(1,133)	(1,133)
Change in working capital	(613)	(637)	(367)	(2,188)	(1,275)
Free cash flow	(7,310)	(4,529)	30	2,670	6,605

Source: SEAL Advisors

Using a discount rate ranging from 8% to 12% and terminal growth rates ranging from 1% to 5% in perpetuity, table 4 provides a suggested valuation range of between £35 million and £158 million. Focusing on a more realistic range of between 9% to 11% for the discount rate and between 2% and 4% for the terminal growth rate we arrive at a valuation range of between £45 million and £90 million.

Table 4: Valuation range based on varying assumptions £m

		Discount rates				
		8%	9%	10%	11%	12%
Terminal Growth Rates	1%	66	55	46	40	35
	2%	77	63	53	45	38
	3%	93	74	61	51	43
	4%	118	90	72	59	49
	5%	158	113	87	69	56

Source: SEAL Advisors

Financial Forecasts (SEAL Advisors' Estimates)

Table 5: Forecast Income Statement

Dec YE (£'000s)	2019	2020	2021E	2022E	2023E	2024E	2025E
Services	1,543	2,777	4,065	5,716	7,218	8,458	9,641
4D	-	12	293	4,801	12,071	20,503	27,236
Revenue	1,543	2,789	4,358	10,517	19,289	28,960	36,877
Gross Profit	840	1,967	2,940	7,310	13,999	21,589	27,569
Staff Costs*	(2,445)	(4,203)	(6,953)	(8,365)	(10,489)	(12,063)	(13,872)
Other Opex	(3,913)	(2,317)	(1,791)	(2,059)	(2,265)	(2,492)	(2,741)
Total Operating Expenses	(6,358)	(6,519)	(8,744)	(10,424)	(12,754)	(14,554)	(16,613)
EBITDA (adjusted)	(5,518)	(4,552)	(5,804)	(3,114)	1,245	7,034	10,956
Depreciation & Amortisation	(125)	(380)	(371)	(612)	(862)	(1,034)	(1,117)
Operating Profit (adjusted)	(5,642)	(4,932)	(6,175)	(3,726)	383	6,000	9,839
Net finance income /(costs)	(16)	(25)	(9)	(9)	(9)	7	40
Profit before tax (reported)	(6,084)	(5,374)	(6,905)	(3,735)	374	6,007	9,879
Tax**	199	256	434	360	285	(1,043)	(1,944)
Net Income (reported)	(5,885)	(5,118)	(6,471)	(3,375)	658	4,963	7,936

*Excludes share option charges. **Includes R&D/Grant income

Table 6: Forecast Cash Flow

Dec YE (£'000s)	2019	2020	2021E	2022E	2023E	2024E	2025E
Adjusted EBITDA	(5,518)	(4,552)	(5,804)	(3,114)	1,245	7,034	10,956
Op. cashflow pre-working capital	(5,518)	(4,542)	(5,804)	(3,114)	1,245	7,034	10,956
Working capital movements	2,094	899	(613)	(637)	(367)	(2,188)	(1,275)
Op. cashflow post-working capital	(3,424)	(3,644)	(6,417)	(3,751)	878	4,846	9,681
Income tax paid	199	256	434	360	285	(1,043)	(1,944)
Capex – tangible	(42)	(25)	(78)	(38)	(33)	(33)	(33)
Capex – intangible	(596)	(1,057)	(1,250)	(1,100)	(1,100)	(1,100)	(1,100)
Free cashflow	(3,864)	(4,471)	(7,310)	(4,529)	30	2,670	6,605
Net finance income /(costs)	(16)	(25)	(9)	(9)	(9)	7	40
Share issues/ (purchases)	3,865	4,933	11,766	-	-	-	-
Change in cash and equivalents	(5)	398	4,446	(4,538)	21	2,677	6,645
Net cash (debt) at year start	233	(580)	466	4,912	374	395	3,072
Net cash (debt) at year end	(580)	466	4,912	374	395	3,072	9,717

Table 7: Forecast Balance Sheet

Dec YE (£'000s)	2019	2020	2021E	2022E	2023E	2024E	2025E
Non-current assets							
Goodwill	4,704	4,330	4,330	4,330	4,330	4,330	4,330
Tangible assets	28	37	93	110	118	121	121
Intangible assets	593	1,243	2,144	2,652	2,915	3,011	3,026
Total non-current assets	5,325	5,610	6,567	7,093	7,363	7,462	7,477
Current assets							
Trade debtors	919	1,333	2,179	4,207	5,594	8,109	9,957
Prepayments and other accruals	69	111	174	421	772	1,158	1,475
Other debtors	173	279	200	150	100	50	50
Cash	257	655	5,101	563	584	3,261	9,906
Total current assets	1,418	2,378	7,654	5,341	7,049	12,578	21,388
Total assets	6,743	7,988	14,221	12,433	14,412	20,040	28,865
Non-current liabilities							
Deferred tax liability	101	224	224	224	224	224	224
Debt	18	189	189	189	189	189	189
Total non-current liabilities	119	412	412	412	412	412	412
Current liabilities							
Trade creditors	905	901	1,063	2,245	2,645	2,580	2,792
Accruals and deferred income	437	470	525	930	1,851	2,580	3,258
Other creditors	2,236	1,901	1,901	1,901	1,901	1,901	1,901
Debt	819	0	0	0	0	0	0
Total current liabilities	4,397	3,272	3,489	5,076	6,397	7,061	7,951
Total liabilities	4,516	3,685	3,901	5,489	6,810	7,474	8,364
Net Assets	2,227	4,303	10,319	6,944	7,602	12,566	20,501

Source: Silver Bullet Data Services Group plc, SEAL Advisors

Glossary of Terms

Ad Exchange	Ad Exchanges are digital marketplaces where publishers and advertisers come together to trade digital ad inventory such as display, native, video, mobile and in-app. Buying and selling happen in real-time auctions, empowered by RTB (real-time bidding) technology (ref: smartyads.com).
Brand Safety	Brand safety is defined as keeping a brand's reputation safe when they advertise online. In practice, this means avoiding placing ads next to inappropriate content. According to the Internet Advertising Bureau this also involves providing a safe environment for ad trading (ref: Bannerflow).
Cookies	A cookie is a text file (up to 4KB) created by a website that is stored in the user's computer either temporarily for that session only or permanently on the hard disk (persistent cookie). Cookies provide a way for the website to recognize you and keep track of your preferences.
Contextual Targeted Advertising	Contextual digital targeted advertising is the use of on-page keywords to first identify the meaning of a page, and secondly to make ad-serving decisions based on that meaning. In practise, contextual advertising allows advertisers to serve up ads on individual web pages based on the content of that page (ref: BrillMedia).
Demand Side Platforms (DSP)	A demand-side platform (DSP) is software used by advertisers to buy mobile, search, and video ads from a marketplace on which publishers list advertising inventory. These platforms allow for the management of advertising across many real-time bidding networks, as opposed to just one, like Google Ads (ref: Instapage).
FloC	Federated Learning of Cohorts or FLoC, is Google's proposed replacement for cookies. It is a method for browsers to enable interest-based advertising. It works by gathering data about a user's browsing habits and then clustering groups of users with similar interests into cohorts. Individual user data is kept locally, in the browser, and the browser only exposes the cohort ID (searchengineland.com).
Linear TV	Linear TV is the traditional broadcast television system, delivered through cable, satellite, or 'over the air.' The term linear TV is used to refer to the way the television content is consumed. The viewer can only watch the program that the service provider has "lined up", according to the broadcast programming schedule (ref: Kaltura.com).
Non-Search Advertising	Non-search or display advertising is where ads are posted on third party sites based on a user's behaviour. They are based on the principle of posting the right ads to the right people.
Open Internet	The open internet is defined as the online environments outside of search and social walled gardens, where advertisers have more choice of who they want to work with, when and how they want to share their data, and how they prefer to measure success (ref: crieto.com).
Out Of Homed Media (OOH)	OOH media, sometimes referred to as outdoor media, is any advertising that reaches consumers when they're outside of their homes. OOH media used to be relatively limited to concepts like billboards and other print ads. Today, it includes dynamic content on digital screens in a variety of situations (ref: Lemonlight).

Programmatic Advertising

Programmatic advertising is a way to automatically buy and optimise digital campaigns, rather than buying directly from publishers. It's designed to replace human negotiations with machine learning and AI-optimisation. (ref: Match2One).

Third-Party Cookies

Third-party cookies are created by domains that are not the website (or domain) that the user is visiting. These are usually used for online-advertising purposes and placed on a website through a script or tag. A third-party cookie is accessible on any website that loads the third-party server's code (ref: cookiepro.com).

Walled Garden

A walled garden is an organization which keeps its technology, information, and user data to itself, with no intention of sharing it. In simpler words, a walled garden is a closed ecosystem, operated by people within the ecosystem, without the involvement of an outside organization. Google, Facebook, and Amazon are three ad tech giants that are walled gardens (ref: adpushup.com).

About Oberon Capital

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Revision 19/09/2021 11:19