Investors' Chronicle Alpha

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Alpha small company research

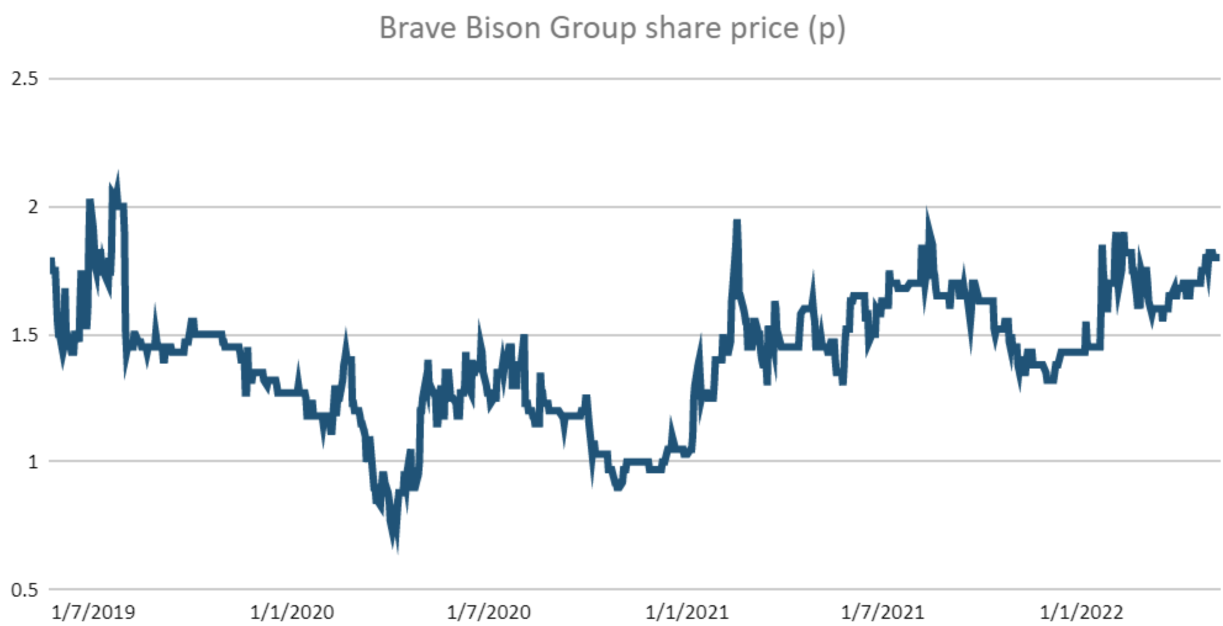
10 May 2022

A social marketing profit play for the digital age

This London-based social and digital media company has been restructured by an astute management team and is poised to deliver strong profit growth in the coming years.

Simon Thompson's view:

Brave Bison Group (BBSN) is a cash-rich technology company forecast to deliver 45 per cent growth in pre-tax profits this year, yet it is only valued on a multiple of 10 times earnings. The contribution from acquisitions underpin part of the forecast profit surge, which mitigates risk, but there is a strong organic growth profile, too. With the smart management team leveraging an enhanced service offering across an expanded customer base, the risk to forecasts looks weighted to the upside. It's reasonable to expect the directors to utilise a cash-rich balance sheet to make further small bolt-on deals, another catalyst for potential profit upgrades.



Source: FactSet

Bull points

1. Earnings upgrade cycle
2. Full benefit of Greenlight acquisition to be seen in 2022
3. Forecast double-digit growth in digital marketing markets
4. Blue-chip client base
5. 75 per cent of revenue is recurring or repeat business
6. Cross-selling opportunities across enlarged customer base
7. Experienced management team has restructured cost base
8. £2.9mn positive free cash flow in second half of 2021
9. Targeting double-digit operating profit margin
10. Management holds significant equity
11. Earnings-accretive acquisition post period end

Bear points

1. Liquidity – 70 per cent of shares held by top six shareholders
2. Bid-offer spread is wider than average
3. Shares are volatile
4. Global economic downturn risk

Brave Bison Group (BBSN)	
Ticker	BBSN
Current price	1.75p
Target price	3.15p
Market cap	£18.9mn
52-week high	2.1p
52-week low	1.2p
Net cash	£4.7mn (Dec 2021)
Shares in issue	1.08bn
Financial year end	31 December
Next event	interim results August 2022
Website	bravebison.com

Brave Bison (BBSN), a social and digital media company headquartered in London and with offices in Asia, has undergone a dramatic transformation since a boardroom clear-out in the first half of 2020. It's a story that investors have yet to fully cotton on to.

Previously known as Rightster, Brave Bison had gone through a series of chief executives since listing its shares on London's junior market in 2013, and multiple unsuccessful business models, too. However, the change in fortunes coincided with Tangent Marketing Services buying a 19 per cent stake in the company in the summer of 2019.

Brave Bison (Aim: BBSN)

Ord Price:	1.75p	**Market value:**	£ 18.9mn	
Touch:	1.7-1.75p	**12-mth high/low:**	2.1p	1.2p
PE ratio:**	10	**Dividend yield:**	nil	
Net asset value*:	0.7p	**Net cash:**	£4.7mn	
Year to 31 Dec	**Revenue (£mn)**	**Adjusted pre-tax profit (£mn)**	**Adjusted earnings per share (p)**	**Dividend per share (p)**
2019	16.8	-1.17	-0.16	nil
2020	14.5	-1.55	-0.25	nil
2021	21.7	1.38	0.18	nil
2022^	29.0	2.00	0.18	nil
% change	**33%**	**45%**	**-**	**-**

SETSqx

* includes intangibles assets and goodwill of £6.26mn, or 0.58p a share.

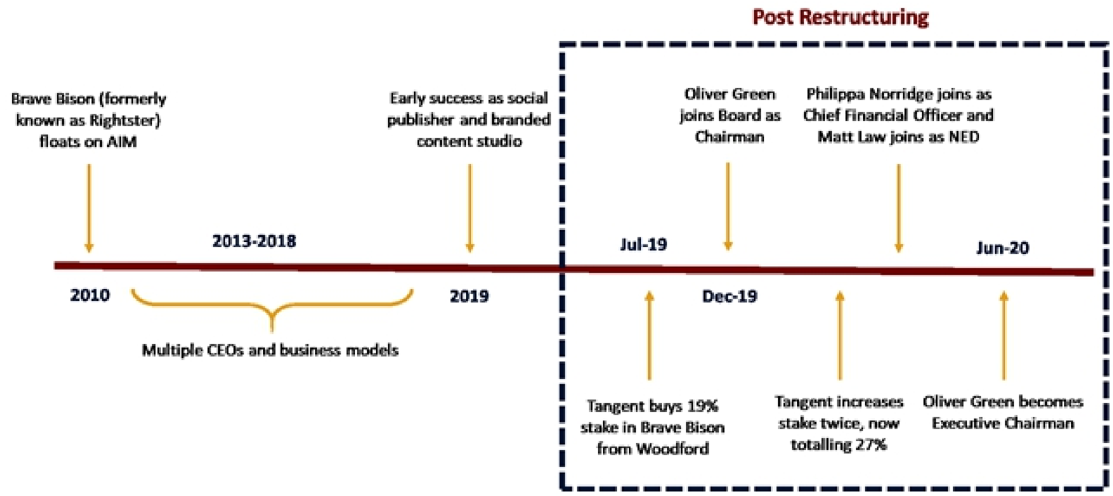
** PE ratio for the 2022 financial year are based on Cenkos Securities estimates.

^ Cenkos Securities adjusted pre-tax profit and EPS estimates for 2022 are stated before pre-share based payments, amortisation charges and prior years stated on the same basis.

Source: London Stock Exchange, Brave Bison Annual Reports

Tangent's managing director, Oliver Green, was appointed chairman of Brave Bison at the tail end of 2019 and then led a restructuring of the business. It resulted in Theo Green, a fellow Tangent director, being appointed chief growth officer; Philippa Norridge joining as finance director, having held the same position at Tangent; and Matt Law, a partner and chief operating officer of Outlier Ventures, joining the board as a non-executive director. Law has more than 20 years' experience in brand marketing and advertising and has a track record of assisting business founders in the digital services sector, providing specialist advice on business strategy and maintaining growth.

Brave Bison Timeline



Source: Brave Bison annual report and accounts, London Stock Exchange RNS

The new experienced management team have gone about restructuring the group by cutting the cost base, mainly by reducing monthly staff costs by half in 2020, and have repositioned the business across four core pillars: performance media and search engine optimisation (SEO); social advertising; transactional websites and platforms; and a portfolio of owned and operated social channels.

Through these four pillars, Brave Bison is unique in that it is both a digital media owner and a digital media agency. It effectively acts as a broadcaster for the digital age: publishing content on its own channels such as The Hook (on Instagram), The Wave House (on TikTok) and Slick (on Snapchat), and on behalf of channel partners such as PGA Tour and US Open (on YouTube). Brave Bison also buys media across advertising platforms such as Google and Facebook, as well as directly from creators, and manages transactional platforms for customers. Current partners include global blue-chip clients Reckitt Benckiser, Panasonic, Vodafone and New Balance. In 2021, over 80 per cent of group revenue was generated in the UK, 15 per cent from the Rest of the World, and the balance in Europe.

Brave Bison operates more than 700 social media content channels including: Cooking Wild (engages more than 4.2mn global followers with cooking videos from around the world; DIY & Crafts (the number one cross-platform home and DIY channel in the US); Slick (a male grooming and hairstyling Snapchat channel); and VSatisfying (a Snapchat Discover channel that connects with a huge roster of diverse creators to produce content that highlights the most satisfying content across social media).

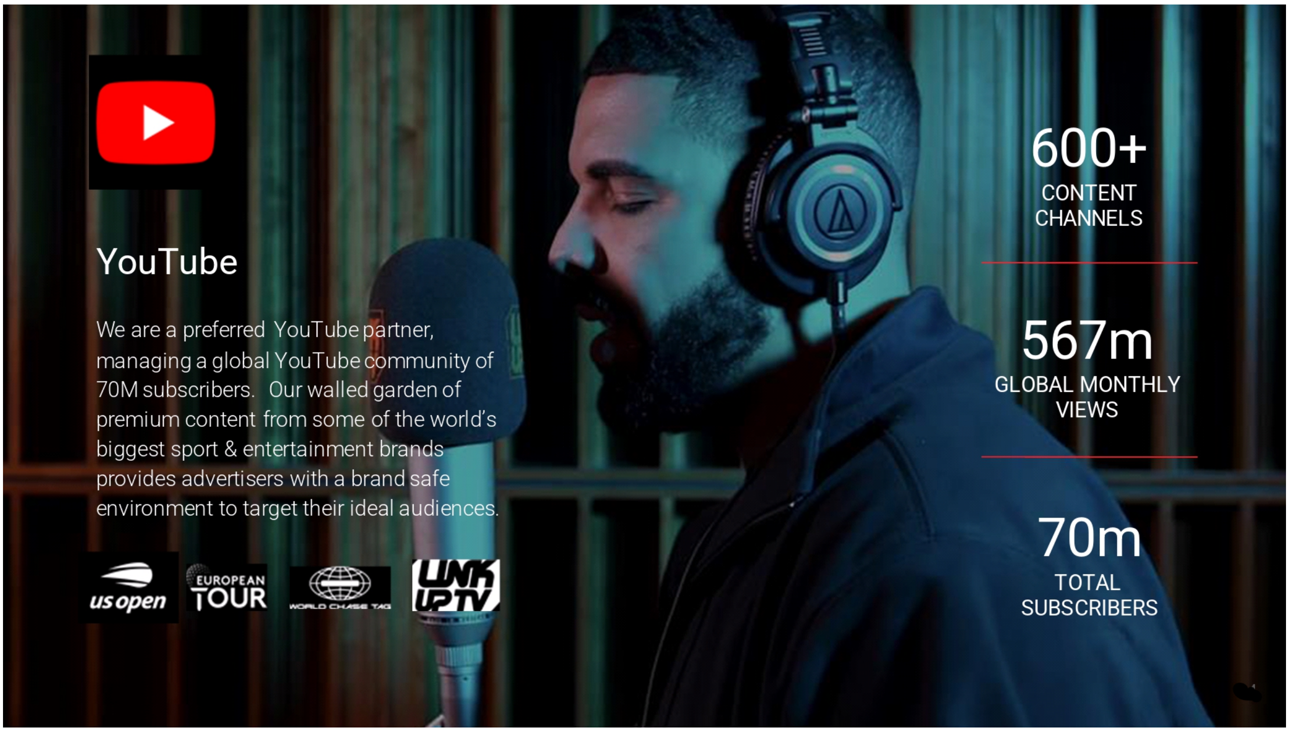
Ultimately, the amount of revenue generated from a channel depends on how many people watch the content, who these people are and where they are based. Brave Bison licenses and produces content that is published on these channels and watched by hundreds of millions of people across the world. In aggregate, these content channels delivered 1.74bn average monthly views from 164mn total followers and subscribers in 2021.

A good example of Brave Bison's innovation is *The Wave House Season 2*: a first of its kind production that saw six social media stars tasked with the aim of making original content for the likes of TikTok, Snapchat, Facebook and YouTube from a rented mansion in the English countryside. Having launched in April 2021, and generated more than 100mn views on social platforms and media coverage (Daily Mail, Vice and BBC), Brave Bison then negotiated sponsorship from one of the world's largest music companies and agreed an exclusive edit for Snapchat.

Source: Brave Bison

The group's YouTube network continues to grow strongly. In 2021, these channels generated average monthly views of 567mn from a global YouTube community of 70mn subscribers across more than 600 content channels. Contract renewals have been signed with some of its largest partners, including the PGA Tour (a client since 2017, during which time the subscriber base has increased more than fourfold), United States Tennis Association (USTA) and

Newsflare, an online video news community and marketplace, where sellers can upload video content and get paid, and buyers can choose the videos they need.



Source: Brave Bison, Youtube

The proposition around channel management for third parties is focused on helping partners grow views, engagement, subscribers and ultimately revenue across the platform. The roll call of sports federations, media and music companies and creators that have been signed as clients in the past months include the Ryder Cup, Caribbean Premier League T20, Scandinavian talk show Skavlan and creators such as Adolofo Loro, DJ Scuff and El Open Mic. Since the financial year end, Brave Bison has continued the strong new business momentum, the latest addition being Le Mans Endurance Management in motor racing.

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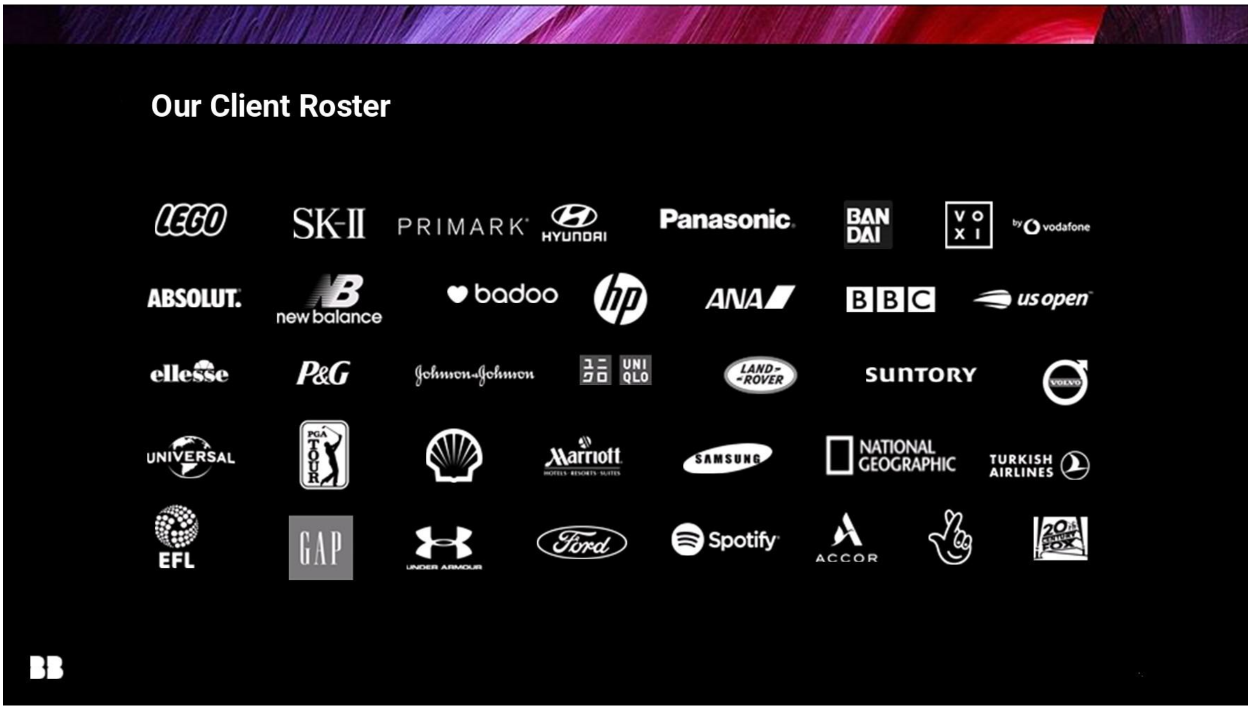
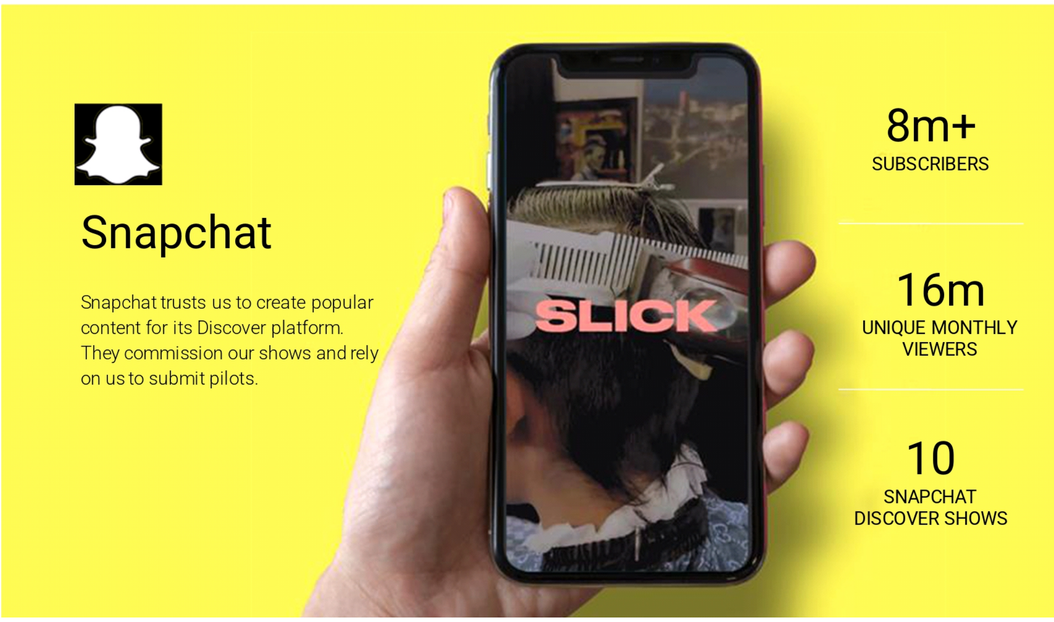


Source: Brave Bison

On Snapchat, Brave Bison is trusted to create popular content for its Discover platform, launching a slate of new programming across content verticals such as fitness, food and entertainment. One of its new shows, *The Sip*, is centred around pop culture and celebrity news with a millennial and Gen Z focus. In the past 12 months, Brave Bison has launched several new shows on Snapchat under The Hook brand, including collaborations with well-known comedy influencers Josh & Archie and JOLLY.



Source: Brave Bison, Snapchat

Launched in 2014, The Hook entertainment and comedy channel has grown rapidly into one of the largest youth-focused media platforms globally, reaching 200mn people each month across various digital platforms, making it arguably the number one destination for the biggest and brightest viral content. Hook is renowned for stand-out original content covering all core areas of popular culture, working with a range of global clients including Samsung, Universal, Boohoo.com and Apple Music.

Strategically, the acquisition of The Hook assets for a bargain basement £150,000 in April 2020 was an incredibly smart move by the new management team, massively increasing Brave Bison's social footprint across platforms such as TikTok and Instagram. Combined with Brave Bison's existing audience on YouTube, Facebook and Snapchat, it has helped drive stronger results for brand, creator and platform partners. In 2021, Brave Bison's Snapchat channels generated average monthly views of 20mn from a global community of 9mn subscribers.

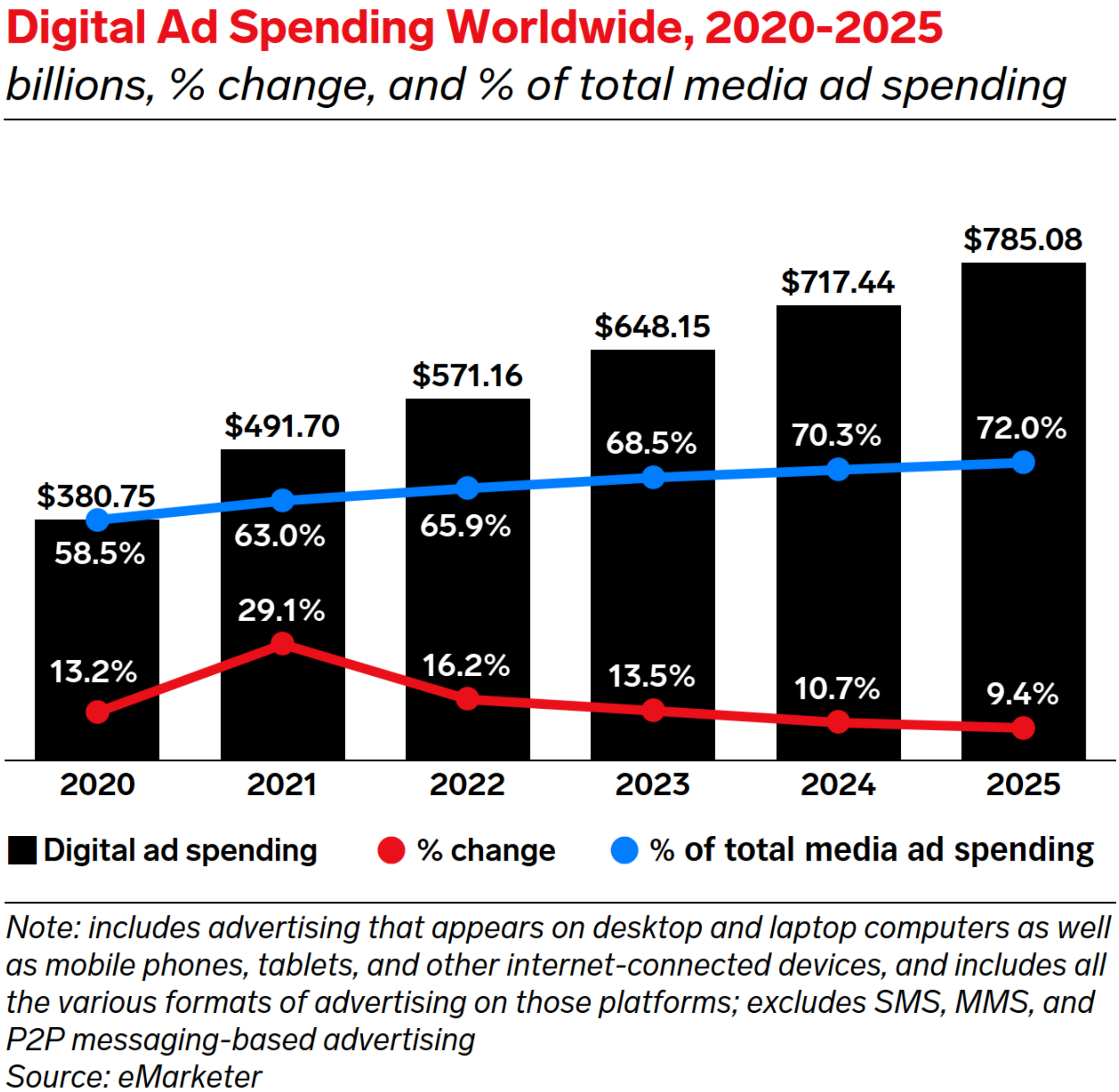
The group's Social & Influencer businesses have continued to thrive, too. Engagements with the likes of Vodafone and Panasonic were renewed last year and Brave Bison signed new agreements with the BBC, Suntory and a global real estate company. The fact that the group was ranked second in The Drum's Elite Agency Census attests to its position as one of the most respected social advertising outfits in the UK.

Digital advertising market

The digital advertising market has been growing strongly in recent years, supported by the technology boom and higher penetration rates. Global internet users have increased from 2.1bn to 5bn since 2010, of which 4.65bn use social media (source: Statista).

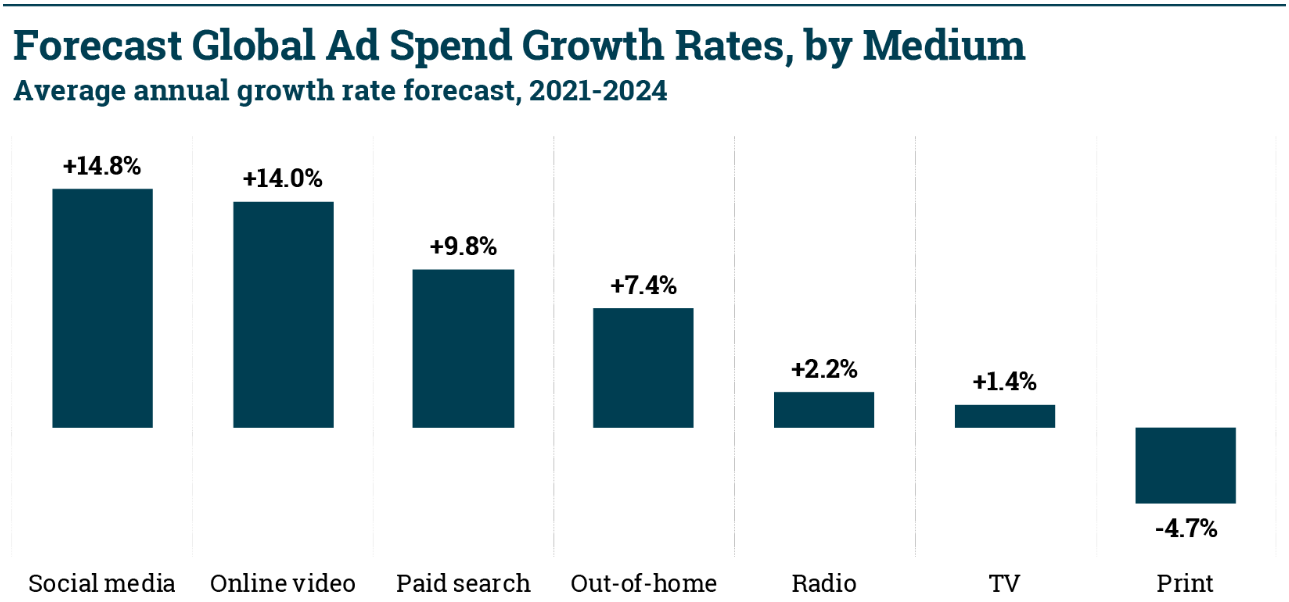
In turn, the strong underlying growth in internet usage has been driving up digital advertising revenue, a market that has more than doubled in size to $492mn (£394bn) in the five years to 2021, and is forecast to grow to $804mn by 2026 (source: Statista).

Digital advertising is now the dominant medium for advertising, accounting for 65 per cent of global advertising revenue (source: GroupM) with mobile adoption a key driver as more people purchase smart devices.



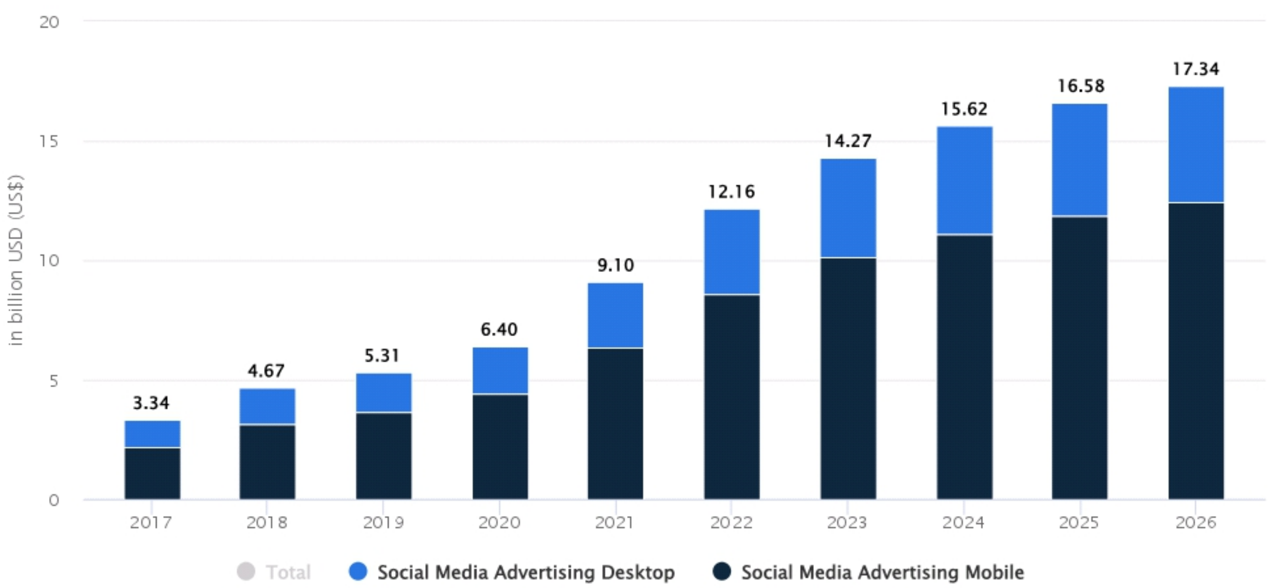
This is a positive backdrop for Brave Bison. That's because the group's focus on online video and social media advertising means that it will benefit from ongoing structural underlying growth even if the overall advertising market is impacted by a global economic slowdown.

Analysts at Zenith forecast that these two segments will generate average annual revenue growth of at least 14 per cent until 2024.



Source: Zenith

High growth rates are being seen in the UK market, the country being the fifth-largest economy in the world. In fact, analysts at Statista expect UK social media advertising spend to increase by 90 per cent to $17.3bn by 2026, representing a compound annual growth rate of 13.6 per cent over the five-year forecast period. The key driver of the growth is advertising spend on mobile devices, Brave Bison's target market.



Source: Statista

A transformational acquisition

Last autumn's acquisition of advertising and technology company Greenlight has proved a real gamechanger for Brave Bison. Greenlight is a specialist in paid and organic media and ecommerce technology, and is a certified partner to Facebook, Google, Salesforce, Amazon, SAP, Microsoft and BigCommerce.

Boasting more than 120 employees in the UK and across Eastern Europe, Greenlight works with blue-chip brands and omni-channel retailers on digital advertising and ecommerce technology systems. Clients include Muller, GAP, Furniture Village and New Balance. They typically work with Greenlight on multi-year retainer agreements across two or more service lines, with around 75 per cent of revenue contracted or recurring. Greenlight has more than 10 clients that have an annual spend of £0.5mn to £1mn, a good size for the industry.

The £6.8mn acquisition was sensibly priced – the business generated net revenue of £10.7mn and earnings, before interest, taxation, depreciation (Ebitda) of £0.8mn in its 2020 financial year. It made compelling strategic sense, too, transforming Brave Bison's value proposition to clients and investors. That's because the enlarged group is now working with more than 50 clients on five service lines, significantly increasing the resilience of Brave Bison's earnings by improving the overall diversity of income. Previously, Brave Bison worked with 15 clients across three service lines.

Importantly, Greenlight is well-placed to benefit from the significant growth in global digital advertising spend (see section below), a trend that has been accelerating in recent years. In addition, the enlarged group is now able to offer some of the most in-demand and high-growth services, including influencer marketing, social media management, performance marketing, SEO and ecommerce technology.

Furthermore, acquiring Greenlight expanded Brave Bison's footprint on key advertising platforms (such as Google, Facebook, Amazon, TikTok and Snapchat) and commerce platforms (such as SAP, Salesforce and BigCommerce), cementing the group's position as a partner of choice for the execution of digital transformation. One other major benefit of the acquisition is that it enables Brave Bison to leverage its existing Singapore presence and client base as a launch pad to offer Greenlight services in the Asia Pacific region.

There are cost benefits, too. Moving Brave Bison's 40 employees into Greenlight's Kings Cross headquarters in central London has cut £250,000 from annual property overheads, while a further £150,000 of savings should be realised through the centralisation of administration resources. Factoring in the property cost savings alone, the £6.8mn consideration paid equates to 6.5 times Greenlight's pro-forma adjusted Ebitda of £1.05mn.

The acquisition was mainly funded through a placing that raised £5.8mn at 1.35p a share and was backed by a £1mn investment by Brave Bison's executive chairman, Oliver Green, and chief growth officer Theo Green, who retain a 22.5 per cent shareholding in Brave Bison. New finance director Phillipa Norridge made a maiden investment of £100,000 in last summer's placing, too, and has since followed it up with a further purchase of 111,111 shares a fortnight ago.

Improving financials

Having failed to report a profit under previous management, the transformation in Brave Bison's financial performance has been dramatic under the new management team.

Headline revenue increased 50 per cent from £14.5mn to £21.7mn in 2021, of which £1.4mn was organic, buoyed by 9 per cent higher advertising revenue of £14.3mn. The key drivers were additions of new channels and shows to the group's media network across multiple platforms, growing the existing channels within its network, and deepening relationships with some key clients by offering new services such as enhanced in-tournament support for sporting clients. The balance of the £5.8mn growth in annual revenue came from Greenlight post acquisition in September 2021, during which time the acquisition contributed £0.3mn to Brave Bison's profit.

Annual Results: Financial Highlights

Financial Highlights	FY21	FY20A	Change
Revenue	£21.7m	£14.5m	+50%
Gross Profit	£7.8m	£4.0m	+96%
Adj. EBITDA	£1.8m	£0.1m	+1,225%
Adj. Operating Profit	**£1.4m**	**(£1.5m)**	**n/a**
Adj. Operating Profit Per Share	0.18p	(0.25)p	n/a
Profit Before Tax	£0.5m	(£2.3m)	n/a
Cash Resources	**£5.9m**	**£2.8m**	**+114%**
Net Cash	£4.7m	£2.7m	+75%

Source: Brave Bison 2021 annual results presentation

The combination of Brave Bison's ongoing organic growth and a tight focus on cost of sales meant that gross margins rose from 27.5 to 36 per cent last year, almost doubling gross profit to £7.8mn. Furthermore, with administration costs slashed 40 per cent in the first half, a higher proportion of gross profit earned is now being converted into cash profit (Ebitda).

BRAVE BISON GROUP PLC

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

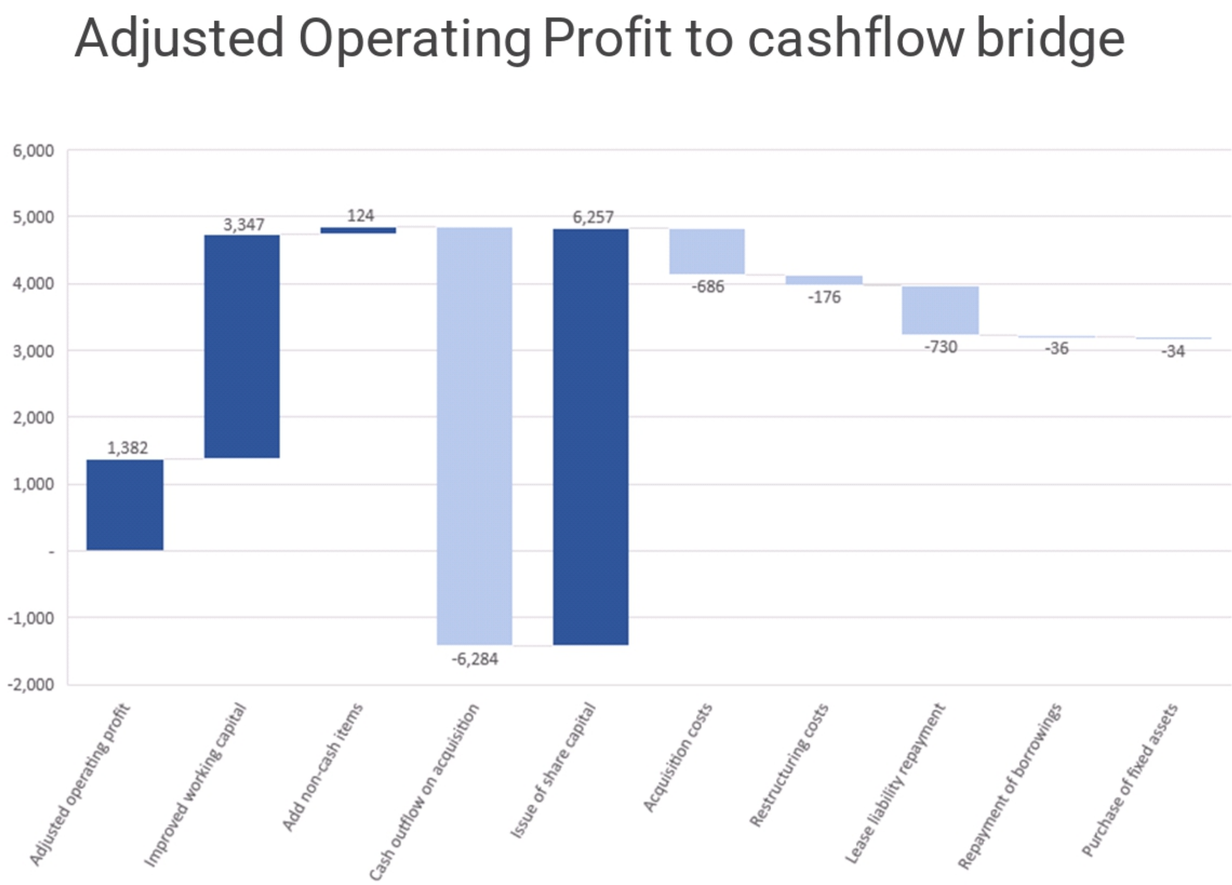
For the year ended 31 December 2021

	Note	31 December 2021	31 December 2020
		£000's	£000's
Revenue	**6**	21,660	14,486
Cost of sales		(13,854)	(10,510)
Gross profit		7,806	3,976
Administration expenses		(7,105)	(5,211)
Restructuring costs	**8**	(176)	(718)
Impairment charge	**15**	-	(248)
Operating profit/(loss)	**7**	525	(2,201)
Finance income	**9**	-	4
Finance costs	**9**	(67)	(61)
Profit/(loss) before tax	**7**	458	(2,258)
Analysed as			
Adjusted EBITDA		1,762	133
Finance costs	**9**	(67)	(61)
Finance income	**9**	-	4
Impairment charge	**15**	-	(248)
Depreciation	**14**	(279)	(527)
Amortisation	**13**	(34)	(848)
Adjusted Operating Profit/(loss)		1,382	(1,547)
Restructuring costs	**8**	(176)	(718)
Acquisition costs	**29**	(686)	-
Equity settled share based payments	**24**	(62)	7
Profit/(loss) before tax		458	(2,258)
Income tax credit	**10**	-	227
Profit/(loss) attributable to equity holders of the parent		458	(2,031)

Source: Brave Bison 2021 annual report and financial statements

Brave Bison's underlying Ebitda soared from £0.13mn to £1.76mn in 2021 on 50 per cent higher revenue of £21.7mn to produce adjusted pre-tax profit of £1.4mn. The statutory pre-tax profit of £458,000 is stated after acquisition costs (£0.7mn for the placing and professional fees for the Greenlight acquisition) and restructuring costs (£0.18mn), both of which are genuine non-recurring exceptional items. This was the first statutory profit in the company's eight-year history, a reflection of the turnaround that the Greens have overseen since 2020.

Another major take from the annual results was the group's cash flow performance; Brave Bison generated positive free cash flow of £2.9mn in the second half of 2021, despite 100 per cent of the proceeds from the oversubscribed £6.2mn share placing (£5.8mn net of expenses) being utilised in connection with last autumn's acquisition of Greenlight. This highlights much improved working capital management as demonstrated in the annual cash flow bridge.



Source: Brave Bison 2021 annual results presentation

As a result, the group ended the financial year with net cash of £4.7mn (4.4p a share) after deducting outstanding loans (government-backed coronavirus support loans) and deferred consideration on the Greenlight acquisition (subsequently paid in February 2022). That still represents a £2mn higher net cash position than at the start of 2021. It also means that net cash accounts for 25 per cent of Brave Bison's market capitalisation, a healthy sum that should enable the board to target more small bolt-on earnings-accretive acquisitions. The cash pile is set to grow further.

Based on a 12-month contribution from Greenlight, ongoing organic growth and the contribution from the recent acquisition of Best Response Media (announced alongside the

2021 annual results), house broker Cenkos Securities forecasts a 33 per cent increase in current year revenue to £29mn and £1mn higher Ebitda of £2.8mn. On this basis, I expect net cash of £2.3mn from operations to boost the cash pile to around £7mn (6.5p a share), a sum that equates to more than a third of Brave Bison's current market capitalisation of £18.9mn.

Brave Bison's revenue and Ebitda set to surge in 2022

Source: Brave Bison 2021 Corporate Presentation, Cenkos Securities estimates (28 April 2022)

Given that the board has made tactical, bolt-on acquisitions a priority by deploying cash and moderate debt levels, then the risk to earnings estimates is skewed to the upside as low-yielding cash is used to make profitable acquisitions. The directors are also targeting double-digit operating margins, another reason why Cenkos forecasts a 50 per cent rise in current year underlying operating profits to £2.1mn on a third higher revenue of £29mn, having upgraded their earnings per share (EPS) estimates by an eye-catching 42 per cent to 0.18p in January following Brave Bison's upbeat pre-close trading update. This means that the shares are priced on a modest price/earnings (PE) ratio of 10 and on a miserly cash-adjusted PE ratio of seven.

The group also has over £50mn of historical tax losses that can be used to offset tax liabilities on future profits. This means that Brave Bison's shareholders rather than HMRC are the beneficiaries as the cash tax payments that would have been payable can be recycled back into the business to support organic growth initiatives. Admittedly, current year EPS is only expected to be flat due to the 40 per cent increase in the average share count following last summer's placing.

However, that ignores the possibility that the cash pile will be recycled wisely into acquisitions, as is the board's intention. Moreover, Cenkos has not factored in any contribution from last month's acquisition of Best Response Media into their forecasts, nor a likely £0.15mn saving on administration costs from the Greenlight acquisition. Their estimates look conservative, especially as the Best Response Media acquisition is a bargain buy.

A sound strategic fit

Founded in 2009, Best Response Media is a specialist ecommerce and mobile development company focused exclusively on the Adobe Commerce platform. It works with a number of Tier 1 customers, including NatWest and Wasoko, the leading African ecommerce marketplace.

Consumer-facing clients include Paul, a French chain of bakery/café restaurants, and storage company Access Box Storage. The business is headquartered in London and utilises a global resourcing model with engineers and product managers located across Europe and North Africa. It provides a similar service to Brave Bison's existing commerce division, which develops transactional platforms for companies. However, Brave Bison's existing offering uses SAP, Salesforce or BigCommerce, whereas Best Response Media is focused on the Adobe Commerce platform. Adobe is one of the most important providers of technology behind transactional platforms and sits a step above the likes of a DIY Shopify solution. This means that Brave Bison is now able to operate across all four technology platforms, a major differentiator to peers.

The acquisition also adds scale to Brave Bison's commerce division, lifting revenue from the segment by more than £1mn to around £4mn, accounting for 14 per cent of Cenkos' 2022 revenue estimate. It's worth noting that Best Response Media has hubs located in both Egypt and Morocco, so it also provides a base for expanding Brave Bison's international workforce.

The purchase price is attractive as Best Response Media is being acquired for a total purchase price of £1mn, or 10 per cent below net assets of £1.1mn, and on an enterprise valuation of £0.35mn. Best Response Media generated revenues of £1.31mn and a profit before tax of £0.31mn in its last financial year. Adjust that for directors' salaries and the transaction is priced on about three times operating profit, a multiple that highlights the ability of Brave Bison's management team to seek out deals at attractive valuations.

Compelling valuation

In light of Brave Bison's chunky net cash position, the best way of valuing the group is on an enterprise valuation to cash profit (Ebitda) multiple. On this basis, and ignoring the likely cash build this year, the group is rated on a cash profit multiple of 5.5 times enterprise value. That is a very low multiple in relation to peers, representing a 50 per cent discount to the median rating of Cenkos' peer group.

Moreover, the shares are rated on a 12-month forward PE multiple of only 10, a 43 per cent discount to peers. An enterprise valuation to sales multiple of 0.5 times is a massive 80 per cent discount to peers even though Brave Bison has set out profit margin targets to enhance the profitability of business. Brave Bison's lowly enterprise valuation to sales multiple fails to take into account the higher sales growth rate the company is likely to generate as it scales up and exploits cross-selling opportunities across a deeper service offering.

For instance, a planned relaunch of the Brave Bison brand in the first half of 2022 is aimed at increasing revenue by selling multiple services to a single client and boosting client spend to a range of £0.5mn to £2mn, the upper limit being double that of the current range.

True, there is no dividend, but this is a small-cap growth company and one that is clearly undervalued relative to peers.

Brave Bison peer group comparison

Company	Year End	Market Capitalisation	Enterprise valuation/Sales (12 months forward)	Enterprise valuation/ Ebitda (12 months forward)	PE ratio (12 months forward)
Brave Bison	**31-Dec-21**	**£18.9mn**	**0.5**	**5.5**	**9.8**
Marketing peers					
Future	30-Sep-21	£2,732mn	3.6	10.3	13.8
Next Fifteen Communications	31-Jan-22	£1,275mn	2.4	10.9	17.4
S4 Capital	31-Dec-20	£1,670mn	1.9	10.9	17.5
Kin and Carta	31-Jul-21	£390mn	2.2	18.1	31.0
Panoply	31-Mar-21	£181mn	2.3	15.5	20.4
Digitalbox	31-Dec-21	£16mn	3.5	11.3	15.7
Median			**2.4**	**11.1**	**17.5**

Source: Company actuals, Cenkos Securities estimates (28 April 2022)

Shareholders

The top six shareholders control almost 70 per cent of the 1.08bn shares in issue with insiders, Oliver and Theo Green, owning 240mn shares through their company, Tangent Marketing Services, with a further 1mn sales held in the name of Oliver Green. Interestingly, institutional investors Lombard Odier and Trium Capital backed the 2021 oversubscribed placing that raised £5.8mn net of expenses for the group.

CIP Merchant Capital's holding is slightly complicated by the fact that Corporation Financière Européenne S.A (CFE) now controls 87 per cent of the shares of that company, having made a mandatory 60p-a-share cash offer. The intentions of CFE are unclear, but given that it acquired its stake materially below CIP's net asset value of 86p a share, and CIP owns multiple highly liquid holdings, CFE should be in no rush to dispose of CIP's 15.3 per cent in Brave Bison.

However, the lower than average free float means that the shares trade on a wider than average bid-offer spread, with trades going through the market between 17.5p and 18.5p in the past week, albeit some bargains have traded close to the official mid price. Bargains as large as 600,000 shares, or £10,500, have regularly been traded, so it's possible to build a decent position.

The reduced liquidity can accentuate positive or negative share price moves, but is likely to work in the favour of shareholders on upbeat newsflow. The directors have confirmed that the group is trading in line with Cenkos 2022 profit estimates and the first-half results, due to be released in the summer, are expected to show a dramatic improvement on last year. That's likely to be well-received by investors, thus creating the buyers needed for a rerating to narrow the unwarranted ratings discount with Brave Bison's sector peers.

Shareholder Register

SHAREHOLDER	% OUTSTANDING	NOTES
Oli & Theo Green	22.5%	*Management*
CIP Merchant Capital	15.3%	*Institutional. Invested pre and post 2021 fundraising*
Lombard Odier	14.0%	*Institutional. Invested in 2021 fundraising*
Russ DeLeon	9.0%	*Private family office*
Simon Davies	6.0%	*Private family office*
Trium Capital	3.1%	*Institutional. Invested in 2021 fundraising*
Total Above 3.0%	**69.9%**	
Other significant shareholders:	**Premier Miton, Risk Capital Partners, MMC Ventures and Philippa Norridge**	

Source: Brave Bison results presentation (28 April 2022)

Management

Brave Bison's executive chairman, **Oliver Green,** has worked in digital marketing and technology for the past eight years. He most recently worked as managing director of Tangent Marketing Services, a Top 100 technology agency. Clients have included Amazon, Sky, PepsiCo, SAP, IWG, Carlsberg and LVMH. Green has advised clients on strategy across projects such as digital transformation, ecommerce conversion rate optimisation and social marketing.

Chief growth officer **Theo Green** has worked in media and marketing for the past four years. His focus is on Brave Bison's advertising network, as well as growth and acquisition activities. Prior to joining Tangent Marketing Services as a director in 2018, Green was an associate at Brockton Everlast, a leading real estate private equity firm with more than £2bn of assets under management. During his time there, the firm built up a number of asset-backed operating activities including a data centre business.

Chief finance officer **Philippa Norridge** has spent the past 17 years working in media and marketing services. After graduating from the University of Oxford, Norridge went on to qualify as a chartered accountant with Moore Kingston Smith, leading audits and projects in their specialist media and marketing division. She has since held senior finance roles at a number of marketing services firms, including finance director at leading independent agency Albion Brand Communications and global agency group MullenLowe Profero (part of US-listed Interpublic Group).

Non-executive director **Matt Law** has 20 years' experience working in brand marketing and advertising, focusing on the use of emerging digital technology. He is currently a partner and chief operating officer of Outlier Ventures, a company that focuses on assisting business founders in the digital services sector, providing specialist advice on business strategy and maintaining growth. Prior to this, Law worked as global chief operating officer at independent agency network AnalogFolk.

While at AnalogFolk, Law developed the content marketing business, leading to the agency winning awards at the Webby Awards and Drum Content Awards, among others. He was responsible for business planning, growth, talent and expansion strategy for the network, including the launch of a new subsidiary and office in Shanghai. Law has worked with clients including *The Guardian*, the BBC, Vodafone, HSBC, Nike, Unilever, Pernod Ricard and Sainsbury's.

In 2021, the directors were paid total remuneration of £0.3mn, and the group adjusted pre-tax profit was £1.4mn. Norridge has 12.5mn share options with an exercise price of 0.1p, and holds 740,000 shares, so share price appreciation rather than salary is her greatest reward. The same is true of the Greens, who hold 22.5 per cent of the shares in issue.

Target and potential technical break out

The shares are interestingly poised, having tested and retraced from the 2p glass ceiling four times this year, a price point that marks the 2021 highs (February and August). A close above this level would be a bullish signal and one that points towards a major chart breakout.

Importantly, the shares are not overbought, the 14-day relative strength indicator (RSI) is reading 61. Also, the chart set-up is positive as the share price has made a series of higher lows since the March 2020 stock market crash, with the recent pull-back shallow, an indication of buyers moving on the dips.

Furthermore, the fundamental case for investing supports a much higher share price. Using the median PE ratio of 17.5 for peers suggests a target of 3.15p, or 75 per cent above the current 1.75p offer price in the market. Given that the board is aiming to make further earnings-accretive bolt-on acquisitions with Brave Bison's £4.7mn net cash pile, then even if the share price achieves that level the shares are still likely to be trading on a deep discount to peers after factoring in the incremental profits from selective acquisitions.

Trading on a PE ratio of 10, a cash-adjusted PE ratio of seven and an enterprise valuation to Ebitda multiple of only 5.5 times, Brave Bison's growth profile is well under the radar and the valuation anomaly is worth exploiting. **Buy**.

Risks

There are multiple risks to consider before considering making an investment.

Industry risk. Brave Bison operates within competitive markets and the business could be materially adversely affected by the actions of its competitors and suppliers. Rivals could bring superior scale, better-known brands, deeper experience or more compelling products to bear against the group's existing and potential business. If the group is not able to compete successfully against existing or future competitors, its competitive position and results, and therefore revenues and profitability, may be adversely affected.

Platform risk. The group operates parts of its business using large international technology platforms that it does not own and which are subject to external factors beyond its control. Advertising revenue from these platforms represents two-thirds of total revenues, which is a reduction from 90 per cent in 2020.

Technological innovation. Technological innovation is progressing quickly and Brave Bison may fail to keep pace or make the wrong choices. Customer preferences across the breadth of the platform and commercial offerings are subject to fast and relatively unpredictable change, as advances in technology progress.

Recent changes have included proliferation of device types, operating systems, video formats and delivery methods. Further changes are difficult to predict. If the group fails to adapt sufficiently quickly to any changes, there is a risk that revenue will be lost and that its proposition will become less competitive. Technology may progress to the point that in-house bespoke solutions become so efficient to build and adapt that the group's proposition may become obsolete, which would materially adversely affect operating results.

To counter this threat, Brave Bison continues to adapt quickly to technological advancements. For instance, the group has an internal technology team of six (and growing) who design and develop customer software applications for the business. The service offering is tech-enabled by a layer of tools that sit between project teams and customers, while the development process is introspective: How can our teams perform tasks faster or better?

A good example is how the Brave Bison technology stack uses artificial intelligence (AI). The group utilises Open AI, a totally open, non-proprietary research organisation for AI, uses the application of GPT-3 in the context of SEO (GPT-3 is a neural network machine learning model trained using internet data to generate any type of text), and has developed an internal tool to train the AI.

Intellectual property. The ability to compete effectively is dependent on the group's ability to protect its software, commercial offerings and trade secrets from unauthorised use. Brave Bison believes that it has taken appropriate measures to protect itself (including copyrights, trademarks and non-disclosure agreements). However, the protection provided by these intellectual property rights, confidentiality and contractual restrictions is limited and varies between the UK and other countries.

There can be no guarantee that these protections may be adequate to prevent competitors from taking commercial advantage of unauthorised disclosure of the group's sensitive business information. Similarly, these protections may not prevent competitors from copying, reverse engineering or independently recreating products, services and technologies to create similar offerings.

Importantly, Brave Bison does not sell or distribute its software, thereby making reverse engineering more difficult, which aids in mitigation of this risk.

Staff retention. Retaining and motivating technical and managerial personnel is a critical component of the future success of the business. The performance of the group depends, to a significant extent, on the abilities and continued efforts of its senior management.

Bearing this in mind, the average tenure of the leadership team is 6.5 years and Brave Bison's 170 employees have been with the group for an average of 3.1 years. Employee satisfaction surveys indicate that 80 per cent of them are optimistic about the future of the business. Oliver and Theo Green are both on 12-month notice periods, and Philippa Norridge has a six-month notice period.

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