

Corporate

Current price **1.9p**

Sector **TMT**

Code **BBSN.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **12.1**

Shares in issue (m) **608.7**

52 weeks High **3.4** Low **1.3**

Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

Tangent Marketing Services **18.9%**

Vesuvius Ltd **9.2%**

S Davies **7.0%**

CIP Merchant Capital **6.0%**

TCG **5.2%**

Source: Company Data, Allenby Capital

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Brave Bison Group plc (BBSN.L)

Swift response to Facebook content policy changes

Interims from Brave Bison Group, the social media company, saw further growth in Fee Based Services, primarily branded content in APAC. Group revenue increased 8.5% to £10.1m, gross margin +190bps to 33.4% reflecting the change in revenue mix, adj. EBITDA +£168k to £247k and net cash remains a healthy £3.7m. Performance in Advertising was weaker, however, down 10.4% to £6.6m, following changes to Facebook's publishing guidelines. This resulted in BBSN's four largest pages being demonetised. The new management team under Kate Burns, who joined in April, has responded quickly: rebranding and investing in these pages; publishing more content on alternative platforms and introducing new processes around licensing, creating and commissioning content. Two Facebook channels are live again and there is growth on alternative platforms. That said, it will take time to recover and we reduce FY19 and FY20 forecasts and move to a FV of 3.0p (4.6p) on a lower EV/EBITDA multiple.

- Interim results:** Revenue increased 8.5% to £10.1m with Fee Based Services revenue up £1.6m to £3.6m and Advertising down £0.8m to £6.5m. The change in revenue mix resulted in gross margin increasing 190bps to 33.4%. Administrative costs increased £0.2m to £3.6m following investment in APAC operations. On top of this, there was a £0.6m impairment charge of the Mutha and Perk channels and a £0.4m restructuring charge. Net cash was £3.7m (FY18: £5.4m) reflecting operating cash outflow and payment timings of two large branded content deals. £1.5m was received in July.

- Advertising:** In April, BBSN's four largest pages – VTRND, Bluntly, SuperCrafty and Daily Viral Stories – were demonetised as Facebook stopped serving adverts on these pages following its new content policy around exclusive content and editorialisation. This policy has impacted many publishers. BBSN has moved quickly to change how it licences, creates and commissions content. As a result, it has a more robust content ingestion and strategy that is aligned to Facebook's new policies but also diversified across multiple platforms. In H1, 35% of advertising revenue were from non-Facebook platforms (YouTube, Snapchat and Instagram), up 32%. Two brands (SuperCrafty and Daily Viral Stories) are now live again on Facebook.

- Fee Based Services:** Campaigns that delivered in H1 included SK-II, All Nippon Airlines, Lego, Jaguar Land Rover and British American Tobacco. BBSN also used its Facebook network to distribute third party advertising campaigns for the first time. BBSN is expanding its APAC operations with a South Korea launch event in April, a new campaign delivered in Thailand and one scheduled for Vietnam in H2. APAC represents a considerable growth opportunity with faster than average growth in ad spend and less competition with BBSN able to establish direct relationships with brands.

Year End: 30 December

(£'000)	2016	2017	2018	2019E	2020E
REVENUE	17,719	17,792	21,171	20,122	23,998
ADJ. EBITDA	(2,899)	(907)	802	408	1,019
ADJ. PBT	(2,941)	(945)	830	448	1,059
ADJ. EPS (p)	(0.44)	0.05	0.13	0.08	0.17
NET CASH (£m)	7,051	4,821	5,362	4,801	5,774
EV/EBITDA (x)	NEG	NEG	15.05	26.4	11.83
PER (x)	NEG	NEG	8.5	18.1	6.3

Allenby Capital acts as Nomad & Broker to Brave Bison Group plc (BBSN.L).

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H1 financial highlights

Exhibit 2: Summary financial highlights

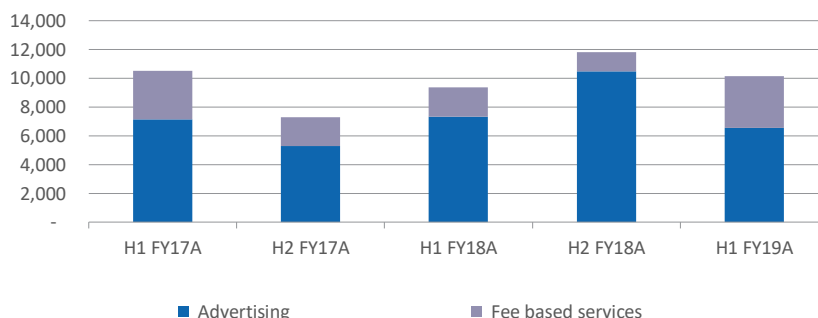
£000s	H1 FY18A	H1 FY19A	yoy change
Revenue	9,349	10,147	+8.5%
Gross profit	2,948	3,394	+15.1%
Gross margin (bps)	31.5%	33.4%	+192
Operating expenses	(3,365)	(3,582)	+6.4%
Adj. EBITDA	79	247	+212.7%
Adj. EBITDA (bps)	0.8%	2.4%	+159
Adj. PBT	81	276	+240.7%
Adj. EPS (p)	0.02	(0.11)	NA
Operating cash flow	(653)	(2,062)	+215.8%
Net cash at full year	4,170	3,671	-12.0%

Source: Company; Allenby Capital

Faster than expected growth in Fee Based Services

Revenue increased 8.5% to £10.1m with faster than expected growth in Fee Based Services, primarily in the APAC region. H1 campaigns included SK-II, All Nippon Airlines, Lego, Jaguar Land Rover and British American Tobacco. Brave Bison also used its Facebook network for the first time to distribute third-party advertising campaigns. Brave Bison has continued to invest in its APAC operations and a South Korea launch event was held in April, a new campaign has been delivered in Thailand in H2 and one is scheduled for Vietnam.

Exhibit 3: Revenue breakdown



Source: Company; Allenby Capital

32% growth in Advertising revenue on non-Facebook platforms

This growth was partly offset by the 10.4% decline in Advertising revenue from Brave Bison’s portfolio of 18 owned and operated social media channels following the changes in Facebook’s content policies. There was 32% growth in Advertising revenue on non-Facebook platforms (YouTube and Snapchat) and these accounted for 35% of Advertising revenue (H1 FY18A: 24%).

The growth in YouTube was a function of its largest existing clients, such as PGA Tour, Tennis Australia and Lev Group Media, and new clients including European Tour and World Chase Tag. Snapchat advertising revenue continues to grow as BBSN experiments with different content.

Response to the changes in Facebook’s content policy

Brave Bison has moved quickly to respond to the changes in Facebook’s content policy. It has rebranded its four largest Facebook pages in order to give them their own identities and to comply with Facebook’s new publisher guidelines. It is focusing investment in these biggest pages and also publishing more content on the alternative platforms, including Instagram. And it has developed brand guidelines.

New processes have been implemented around licensing, creating and commissioning content with the formation of dedicated cross-functional teams (audience development,

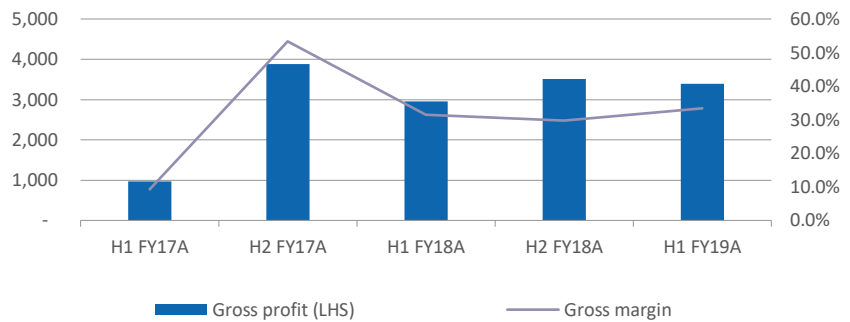
editorial, branding and licensing). As a result, it has a more robust content ingestion and creation strategy.

BBSN is also investing in its data dashboard project, with the first data scientist starting at the end of this month. It has redesigned its database to provide faster results and the project also feeds into Scorecard that scores its channels against a number of hard and soft metrics (e.g. brand fit, reach suitability and views). As a result, two of its largest pages (SuperCrafty and Daily Viral Stories) are being monetised.

Gross margin increased

The change in the revenue mix helped to drive the increase in gross margin (+192bps) to 33.4%. Gross profit in Advertising fell 17% to £1.7m and GM by 200bps to 25.3% whereas gross profit increased 82% in Fee Based Services to £1.7m and GM by 150bps.

Exhibit 4: Gross profit & gross margin



Source: Company; Allenby Capital

Investment in APAC

Administrative costs increased £0.2m to £3.6m following the investment in APAC operations. On top of this, there was a £0.6m impairment charge relating to the intangible assets of the Mutha and Perk channels. Mutha (climate change sustainability content aimed at generation Z) remains part of the Brave Bison and feeds into other parts of the business but investment will be scaled back. Perk (career advice for millennials) has failed to meet expectations around audience numbers and engagement and has been closed. Investment in APAC

The £0.4m restructuring charge relates to changes made to the senior management team in H1 with the previous CEO departing in April. BBSN will consolidate its UK operations to a single site and the Chief Creative Officer and Chief Revenue Officer are departing and these roles will not be refilled. Two senior managers will be joining to head the newly formed Publishing Division and Operational Initiatives.

Net cash of £3.7m (H1 FY18A: £4.2m; FY18A: £5.4m). The £1.5m outflow from operations was primarily the result of payment timings for work on two large branded content deals. This resulted in a £1.3m increase in working capital. £1.5m was received from these clients in July.

Forecasts

Exhibit 5: Revised forecasts summary

	Revised		Previously	
	FY19	FY20	FY19	FY20
Revenue	20,122	23,998	24,016	26,549
Gross profit	6,901	8,413	7,949	9,257
Gross margin	34.3%	35.1%	33.1%	34.9%
Total operating expenses	(7,363)	(7,878)	(7,658)	(8,041)
Adj. EBITDA	408	1,019	1,200	1,776
Adj. EBITDA margin	2.0%	4.2%	5.0%	6.7%
Adj. PBT	448	1,059	1,240	1,826
Adj. EPS (p)	0.08	0.17	0.19	0.28
Operating cash flow	13	1,383	1,575	1,292
Net cash at full year	4,801	5,774	6,327	7,519

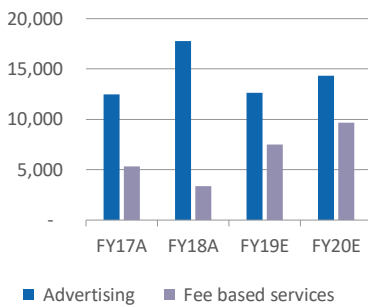
Source: Allenby Capital

Revised forecasts reflect the impact of the changes in Facebook’s content policies on Advertising revenue. BBSN has moved quickly to address the issues identified by Facebook about how it licences, creates and commissions content for its brands. Two of its largest pages (SuperCrafty and Daily Viral Stories) are now being monetised once again but it will take time for those pages to grow back to previous levels and BBSN is working to get the other pages re-established. The lower assumed growth in Advertising also reflects the decision to focus efforts on the four main Owned and Operated content channels, close Perk and de-emphasise Mutha.

In Fee Based Services, we increase growth assumptions in light of BBSN’s success with existing and new clients, primarily in the APAC region. As a result, we now expect FY19 revenue to exceed the levels achieved in FY17. FY18 fell 36.8% to £3.4m following the loss of a significant contract with a major US movie studio that ended in Q1 FY17 and a reduction in branded content in the UK and APAC.

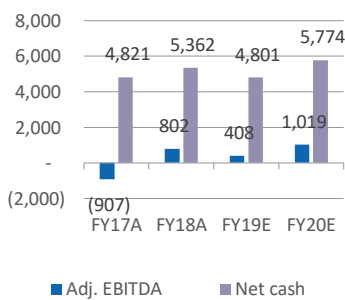
Management has taken a number of steps to adjust the operating cost base – moving its London operations to a single location, not replacing the roles of Chief Creative Officer and Chief Revenue Officer - but maintained investment in its growing APAC operations and appoint heads to lead the newly formed Publishing Division and Operational Initiatives. BBSN’s first data scientist also joins at the end of July. This is in line with the strategy to create a data offering that will help to inform the creative process and improve the quality of content. We expect net cash to dip back to the level of FY17 before generating cash in FY20.

Exhibit 6: Revenue progression



Source: Allenby Capital

Exhibit 7: Adj. EBITDA & net cash



Source: Allenby Capital

Exhibit 8: Income statement				
	GBP '000	GBP '000	GBP '000	GBP '000
Year End December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
Revenue	17,792	21,171	20,122	23,998
<i>YoY Growth</i>	0.4%	19.0%	-5.0%	19.3%
Cost of sales	(12,934)	(14,709)	(13,220)	(15,585)
Gross profit	4,858	6,462	6,901	8,413
<i>Gross margin</i>	27.3%	30.5%	34.3%	35.1%
General & administration	(8,747)	(6,574)	(7,363)	(7,878)
Restructuring costs	(1,049)	-	(450)	-
Total operating expenses	(9,796)	(6,574)	(8,388)	(7,878)
<i>YoY growth</i>	-30.6%	-32.9%	27.6%	-6.1%
Operating (loss)/Profit	(4,938)	(112)	(1,487)	535
Share of loss from equity accounted investment	-	(19)	(40)	(16)
Share-based payments	209	(204)	(200)	(150)
Exceptional items	(1,049)	-	(450)	-
Adj. operating (Loss)/Profit (excludes D&A, SBP and exceptional charges)	(907)	802	408	1,019
Amortisation	(3,070)	(649)	(650)	(300)
Depreciation	(121)	(80)	(60)	(50)
Adj. EBITDA	(907)	802	408	1,019
<i>Adj. EBITDA margin</i>	-5.1%	3.8%	2.0%	4.2%
Reported EBITDA	(1,747)	598	(242)	869
Impairment charge	(12,181)	-	(575)	-
Net interest	(38)	28	40	40
Adj. profit before tax	(945)	830	448	1,059
<i>PBT margin</i>	-5.3%	0.9%	2.2%	4.4%
Profit before tax (reported)	(17,157)	(103)	(1,487)	559
Tax	2,308	33	40	30
<i>Tax rate</i>	NEG	NEG	NEG	NEG
Adj. profit after tax from continuing operations	314	863	488	1,089
<i>Adj. PAT margin</i>	2%	4%	2%	5%
Profit after tax from continuing operations (reported)	(14,849)	(70)	(1,447)	589
<i>PAT margin</i>	NEG	0%	NEG	2%
Loss for the year	(14,875)	(71)	(1,442)	599
Shares in issue (basic)	572,349	574,279	599,645	599,645
Shares in issue (diluted)	572,349	649,314	643,776	643,776
Earnings per share (basic) (p)	(2.59)	(0.01)	(0.24)	0.10
Adj. earnings per share (p)	0.05	0.13	0.08	0.17
EV/Sales	0.4	0.3	0.4	0.3
EV/EBITDA	(8.1)	8.5	18.1	6.3

Source: Allenby Capital

Exhibit 9: Balance Sheet

	GBP '000	GBP '000	GBP '000	GBP '000
Year End December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
ASSETS				
Non-current assets				
Intangible assets	2,268	1,928	1,303	1,403
Property, plant and equipment	88	60	50	50
Deferred tax asset	-	-	-	-
Investment in associates	75	56	16	-
Total non-current assets	2,431	2,044	1,369	1,453
Current assets				
Trade and other receivables	4,345	5,766	5,528	6,410
Cash and cash equivalents	4,821	5,362	4,801	5,774
Total current assets	9,166	11,128	10,329	12,184
TOTAL ASSETS	11,597	13,172	11,698	13,627
Current liabilities				
Trade and other payables	(6,201)	(7,684)	(7,505)	(8,751)
Deferred consideration	-	-	-	-
Reorganisation provision	-	-	-	-
Borrowings and other financial liabilities	-	-	-	-
Total current liabilities	(6,201)	(7,684)	(7,505)	(8,751)
Net current liabilities	2,965	3,444	2,824	3,433
Non-current liabilities				
Borrowings and other financial liabilities	-	-	-	-
Deferred tax liability	(226)	(183)	(127)	(100)
Total non-current liabilities	(226)	(183)	(127)	(100)
TOTAL LIABILITIES	(6,427)	(7,867)	(7,632)	(8,851)
NET ASSETS	5,170	5,305	4,066	4,786
EQUITY				
Share capital	574	576	609	609
Share premium account	78,762	78,762	78,762	78,762
Capital redemption reserve	6,660	6,660	6,660	6,660
Merger reserve	(24,060)	(24,060)	(24,060)	(24,060)
Convertible loan note	-	-	-	-
Merger relief reserve	62,624	62,624	62,624	62,624
Retained deficit	(118,641)	(118,507)	(119,749)	(119,000)
Translation reserve	(749)	(750)	(780)	(809)
Total equity attributable to the equity shareholders	5,170	5,305	4,066	4,786

Source: Allenby Capital

Exhibit 10: Cashflow

	GBP '000	GBP '000	GBP '000	GBP '000
Year End December	FY 2017A	FY 2018A	FY 2019E	FY 2020E
Loss before taxation	(17,157)	(103)	(1,487)	559
Adjustments for:				
Depreciation, amortisation and impairment	15,372	729	1,285	350
Finance income	-	(28)	(40)	(40)
Finance expense	38	-	-	-
Share-based payment charge/(credit)	(209)	204	200	150
Increase in deferred consideration	-	-	-	-
Share of profits from associates	-	-	-	-
Profit arising on deemed disposal of associate	-	-	-	-
Movement in foreign exchange	-	-	-	-
Deferred consideration classified as remuneration	-	-	-	-
Operating profit before movements in working capital	(1,956)	802	(42)	1,019
Decrease / (increase) in trade and other receivables	2,111	(1,373)	238	(882)
Increase / (decrease) in trade and other payables	(1,673)	1,439	(179)	1,246
Movement in provisions	-	-	-	-
Tax paid	(10)	(10)	(4)	-
Cash flow from operations before tax	(1,528)	858	13	1,246
Investing activities				
Purchase of property, plant and equipment	(86)	(52)	(50)	(50)
Purchase of intangible assets	(500)	(309)	(600)	(400)
Payment of deferred consideration	-	-	-	-
Purchase of subsidiary undertakings	-	-	-	-
Cash acquired with subsidiary undertakings	-	-	-	-
Loans to associates	-	-	-	-
Investments	(75)	-	-	-
Interest received	(0)	28	40	40
Cash outflow from investing activities	(661)	(333)	(610)	(410)
Net cash flow from operations	(2,189)	525	(597)	973
Cash flows from financing activities				
Issue of share capital	2	2	33	-
Share issue costs	-	-	-	-
Loan finance	-	-	-	-
Interest paid	(38)	-	-	-
Net cash flow from financing activities	(36)	2	33	-
Net increase / (decrease) in cash and cash equivalents	(2,225)	527	(564)	973
Cash and cash equivalents at beginning of period	7,051	4,821	5,362	4,801
Movement in foreign exchange	(5)	14	3	-
Cash and cash equivalents at end of period	4,821	5,362	4,801	5,774

Source: Allenby Capital

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