Ticker:	SBDS.L
Price:	140p
Mkt Cap:	£18.8m
Listing:	LSE/AIM
Sector:	Technology
Country:	UK

Equity Research

Silverbullet*

Full year 2021 results review

Silverbullet's full year results show clear momentum in its core marketing services business with a slate of contract wins with large regional and multinational companies. Core marketing services revenues have grown by 60% with overall group revenues up by c.30%. 4D, the contextual targeting business had a slower start than anticipated, but the product is now fully developed and being used by a highly impressive list of clients. The announced £4.5 million capital raise should provide the company with the necessary funding to achieve its growth plans

- Good progress was reported within the core marketing services business with a number of new contract wins as well existing customer renewals and contract extensions. The strategic focus on winning higher margin business resulted in gross margins for the services business rising from 72% to 80%, albeit with a marginally lower revenue level than previously anticipated
- Silverbullet now has over 50 clients in its core services business, 19 of which have been won since the IPO in June 2021. In addition to new wins, the company has also deepened its relationships with existing clients and is reaping the rewards of the re-seller relationships with Salesforce and Treasure Data
- 4D had a slower start than expected, primarily due to the uncertainty over the date at which Google would finally phase-out the use of third-party cookies. Despite this, Silverbullet has signed up an impressive array of clients trialling 4D, feedback from which has so far been very positive. With the end date for Google's use of cookies confirmed to take place within 2023, the urgency among advertisers to sign up to alternative solutions is now returning
- The combination of a greater focus on higher margin contracts in the service business and a slower ramp-up in 4D revenues leads us to adjust our estimates for 2022 onwards. On the basis of our updated forecasts and comparative peer group 2023 EV/revenue multiples, we estimate an implied valuation for Silverbullet in the region of £37 million

Summary financials and forecasts

£'000	2020	2021	2022E	2023E	2024E
Revenue	2,789	3,809	6,328	13,588	22,148
Gross Profit	1,967	2,785	4,840	11,373	19,838
EBITDA (adj.)	(4,175)	(5,574)	(4,775)	248	7,068
EPS (p)	n/a	(72.8)	(42.7)	(8.4)	40.7
DPS (p)	n/a	0.0	0.0	0.0	0.0
EV/Sales (x)	n/a	3.4	3.6	1.8	0.9
EV/EBITDA (x)	n/a	(2.3)	(4.8)	97.7	2.8
P/E (x)	n/a	n/a	n/a	n/a	3.4

Prices as at close 31st May 2022 Source: SEAL Advisors

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*Silverbullet is the trading name of Silver Bullet Data Services plc

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CONTENTS

The Year in Review

60% core services growth, 30% total services growth

Silverbullet has published its 2021 results which are its first full-year numbers since IPO. The core services business has shown clear momentum with a slate of contract wins with large regional and multinational companies. Total services revenue grew by 30% (y-o-y) which was marginally below expectations. This however, disguises the fact that they achieved 60% growth in the higher-margin marketing services (MarTech) business which in turn led to an increase in the overall services margin from 72% to c.80%. The greater focus on blue chip clients and higher margin contracts, and a move away from lower margin transactional media has meant Silverbullet's position from a business development perspective is ahead of management expecations. With a client base of over 50 companies, 19 of which have been won since the IPO, it now has a platform it can scale across multiple geographies and brands.

Deepened existing client relationships

In addition to adding new clients, Silverbullet has also deepened its relationship with existing clients (e.g., Heineken) and has continued to benefit from its relationship with Local Planet. Its re-seller relationships with Salesforce and Treasure Data have gained real traction resulting in client wins with companies such as AT&T, D&G and Sony. It has also developed closer relationships with large media agencies such as IPG, Publicis and WPP and have positioned the service business to focus on higher margin, long-term client transformation contracts.

4D had a slower start

4D, the contextual targeting business, had a slower start in terms of client signings and revenues, but has made significant progress in getting the product trialled by major clients and agencies. The product is now fully developed and has been enhanced to include YouTube video content which opens up some $29bn in total digital ad spending that was not previously addressable. By the end of the period over 30 clients were either testing or running 4D. This included major advertisers such as AXA, Disney, P&G and Samsung. To date it has signed multiple contracts as a preferred contextual solution provider with agencies who have access to over 2,000 clients. A significant event for 4D over the period was the confirmation that Google will be phasing out third-party cookies, starting in the second half of 2023. This has re-ignited the sense of urgency among advertisers that a replacement solution such as 4D needs to be in place well ahead of the final days of third-party cookies.

Summary of forecast changes

Forecast changes

The combination of a changing revenue mix in the services business and the positive impact on gross margins together with the delayed ramp-up in 4D revenues leads us to adjust our forecasts for Silverbullet for 2022 onwards. These are summarised in the table below.

Table 1: Summary of forecast changes

£'000	2022E		2023E		2024E	
	Old	New	Old	New	Old	New
Revenue	10,517	**6,328**	19,289	**13,588**	28,960	**22,148**
Gross Profit	7,310	**4,840**	13,999	**11,373**	21,589	**19,838**
EBITDA (adj)	(3,114)	**(4,775)**	1,245	**248**	7,034	**7,068**

Source: SEAL Advisors

Performance Review 2021

Services

A data driven digital transformation business

Silverbullet services provides a data driven digital transformation offering to a broad range of international clients. This includes services to help marketers analyse their data, tech-stacks and processes and to drive efficiency in their marketing investments. Activities undertaken here include technology and data audits, strategic data consultancy, vendor analysis, implementation of customer data platforms, data science as a service, data visualisation and dashboard development. They also offer clients, agencies, publishers and first-party data owners the ability to activate customers via Demand Side Platforms (DSPs), as well as through Silverbullet's own meta DSP.

Blue chip client base

Testament to the demand for Silverbullet's expertise in helping companies optimise and manage their digital and data strategies is the blue-chip client list. Companies they have, and are working with include household names such as Amazon, Heineken, Channel 4, ITV, D&G, Mars and AT&T. Similarly, the company boasts an impressive array of partnerships, including Salesforce Marketing Cloud and Treasure Data.

Significant progress made

The year just passed has seen significant progress made by the services division, notably in their core MarTech business (c.64% of 2021A services division revenues). Here, the company posted c.+60% y-o-y revenue growth to £2,298k and although slightly below initial expectations, (due to a combination of ongoing Covid effects lengthening sales cycles as well as a deliberate effort to focus on larger, more profitable customers) the strong revenue growth is nonetheless testament to the demand for Silverbullet's expert advisory services given the rapid ongoing shift from offline to digital advertising. Given the fact that complexity is increasing rather than decreasing, the outlook for the business is strong.

Higher gross margins

Taking the Services business overall, revenues of £3,603k for the year represent an impressive c.30% y-o-y growth rate. While the deliberate decision to focus on higher margin work did impact the top-line and hence below our forecast by c£400k, the flipside was that gross margins were higher than estimated. Overall Services gross margin came in at 80.4% vs our 67.3% estimate, a significant increase from 71.8% in the previous period. This meant the revenue shortfall was more than made up at the gross profit level, with services gross profit of £2,896k comparing to our estimate of £2,735k, the latter equating to +45% y-o-y gross profit growth.

Relationship with Salesforce and Treasure Data

There was much that was encouraging in services business momentum over the course of the year. There is now a very real sense that the re-seller partnerships with Salesforce Marketing Cloud and Treasure Data are beginning to yield significant and tangible benefits. The relationships with both Salesforce and Treasure Data relate to the CDP (Customer Data Platform) where Silverbullet is recognised as an expert in undertaking the required technology service (i.e. the "plumbing") to get the clients on the platform. As a result of these relationships, they won contracts with a number of major companies including AT&T, D&G, Sony and Victoria's Secret. Given the ubiquity of Marketing Cloud and Treasure Data in the industry, the outlook for further contract wins as a result of these partnerships is positive. Meanwhile, the ongoing relationship with Local Planet continued to yield contract wins, notably with Haier Europe (part of Haier Smart Home).

Over 50 clients and 19 new clients since IPO

At the end of the period the company had over 50 active clients, which included 19 won since IPO. A notable client win was with Mars where Silverbullet has been brought on as a global data services partner to provide a first-party data strategy to underpin its $1 billion advertising spend. This includes ad spend in four categories in over 30 markets worldwide. This contract win highlights the growing services footprint of the company in the US and builds on the success they have already achieved in providing a first-party data strategy with global companies such as Heineken.

Deepening the relationship with Heineken

As well as winning new clients, Silverbullet has also continued developed its relationship with existing clients. A good example of this is with Heineken, where it was able to displace Accenture in the provision of the global integration of the Salesforce marketing cloud. In addition, it won a new assignment with Heineken USA, which has added to the array of value-added services it already provides to the client in various locations around the world.

Table 2 below provides a small selection of Silverbullet's current marketing services clients (both existing and since IPO) and highlights the quality and international foot print that they have developed in a relatively short space of time.

Table 2: A selection of Silverbullet's marketing services clients

Client	Sector	Existing/New (since IPO)
AT&T	Telecoms	New
Channel 4	Media	Existing
D&G	Luxury Goods	Existing
edyn	Travel & Leisure	New
Heineken	Food & Drink	Existing
ITV	Media	Existing
Mars	Food & Drink	New
RTE	Media	New
Sony	Electronics	New
Victoria's Secret	Retail	New

Source: SEAL Advisors

Activation being de-emphasised

The one area of weakness within the services business was with activation which was impacted by Covid which led to a reduction in spending by the retail client base which has not yet returned. This explains the differential in the c.60% revenue growth in the core marketing services relative to the 30% total services growth. Going forward, the lower margin business such as activation is being de-emphasised as the focus is on winning larger, higher margin business with the likes of the companies in the table above.

4D

Silverbullet's 4D business is a contextual product offering a targeted digital advertising solution to determine the best types of adverts to deliver to consumers in a brand-safe way. It is specifically designed for a post-cookies world where advertisers will no longer be able to design campaigns around targeting potential customers via third-party tracking cookies. Hence, rather than serving adverts based on the browsing history of a specific user, adverts are served relevant to the type of content displayed on the webpage a user is browsing at a given moment. In essence, this harkens back to the roots of advertising which was primarily contextually based. What's changed in this latest incarnation of contextual advertising is the use of sophisticated technologies such as Machine Learning and AI to analyse post-bid contextual data to further hone the selection and placements of ads.

4D has a substantial addressable market

Despite being a nascent market, the potential for 4D is substantial with an immediate target addressable market for contextual advertising services worth some \$0.8bn to \$2.3bn pa. In the long run, the phasing out of third-party cookies, means this value is likely to be the tip of the iceberg since there is some c.\$76bn pa of programmatic advertising outside of the Walled Gardens (see pages 14 for a more detailed description).

4D revenues lower than expected

In the year just ended, 4D contributed a maiden revenue contribution of £207k (vs £293k est). The absolute value in the shortfall was relatively minor as we had not forecast a significant contribution for 4D over the period since in reality it was only fully launched in Q4. However, the short-fall in 2021 and the pushing back of our revenue forecasts for 4D (as we discuss in the following section) highlights two important factors that impacted the media and ad-tech sector last year. The first factor, and one which was felt across the industry related to the impact of Covid and the subsequent "Great Resignation". The significant loss of staff within the media agencies inevitably led to lengthening of the sales cycles and a longer than expected time to get 4D trials in place.

Uncertainty of Google terminating the use of cookies

Of greater importance, and a subject we discuss in more detail later, has been uncertainty over the timing of when Google would finally pull the plug on third-party cookies. As a reminder this was originally expected to occur in Q2 2022, but was later pushed back to end 2023. The obvious impact was to reduce the urgency that clients and agencies felt towards signing up to a replacement product such as 4D. More recently there was the additional uncertainty introduced when Google decided to abandon its own in-house developed third-party cookie replacement, FloC (Federated Learning of Cohorts), which had has received substantial push-back from both regulators as well as the ad-tech industry itself. This, as we explain later in this report, is to be replaced by a new alternative called Topics. What we know of Topics is that its limited use for directed advertising further highlights the need for a contextual advertising product such as 4D. More importantly, the uncertainty over when Google is finally calling time on third-party cookies has been ended as it has announced that it will commence the removal in the second half of 2023 and will be completed by the fourth quarter of the year.

4D revenues held back

The impact of both of these factors has been to push back the 4D business in terms of revenues by between nine and 12 months. This is not to say there has been no progress in the business over the period. In fact, the opposite is true as they have continued to develop the product and have signed up an impressive roster of clients to trial product. In total over 30 clients/brands and 10 agencies are either signed up or trialling 4D. As Table 3 shows, this includes major companies such as AXA, Disney, Heineken, P&G and Samsung and agencies such as Mediacom (part of WPP), IPG and Pilot Media. The importance of the agencies is that they can/are adopting 4D as a preferred solution which in turn they sell into their extensive client base. The trials by the clients/brands (most of which are derived from the agencies) are important as 4D is being selected for a real-life situations in order to generate hard data with regard to its efficacy.

Table 3: A selection of 4D clients (signed and/or trialling)

Client	Type of contract/trial
AXA	Client/brand
Bupa	Client/brand
Equmedia	Agency
IPG	Agency
Mediacom	Agency
P&G	Client/brand
Pilot Media	Agency
Publicis	Agency
Samsung	Client/brand
VW	Client/brand

Source: SEAL Advisors

Positive feedback from 4D trials

To date, feedback from these real-world trials makes for fascinating reading. For example, the trial with insurance company AXA UK assessed 4D's capabilities in contextual video advertising, finding that the solution drove a 25% increase in Video Completion Rate (VCR) across skippable videos over the one-month trial period. In the trial with Renault, the 4D solution was pitted against a contextual advertising solution offered by Google (DV360), with 4D outperforming the competitor solution across all metrics and achieving a 133% increase in click-through rates and a 51% increase in page views. Also, in the Greene King trial aimed at increasing footfall and traffic into Greene King pubs during a major sporting event, 4D helped the client gain 1.7x more bookings than two legacy contextual solutions and also resulted in 56% more online clicks, driving new customer acquisition

Integrating YouTube

With regard to integrating YouTube into 4D's contextual ad solution this opens up a sizeable market given YouTube generated c.$29bn of ad revenues in 2021A. With 4D now able to provide contextual ad targeting solutions for YouTube content, this effectively widens the slate of advertising media for which the 4D solution is applicable. More broadly, 4D's capabilities in video contextual advertising places it in a very strong position when it comes to targeting the CTV (Connected TV) market particularly since CTV doesn't use third-party cookies and instead places more emphasis on the type of content that is being viewed when it comes to ad targeting.

The integration of YouTube is also important because of Silverbullet's relationship with Google re-seller Making Science. This JV, formerly announced on the 12th May 2022, has come about as part of the wider JV with Local Planet and provides the opportunity for 4D to be offered as part of Making Science's portfolio of products sold directly to Google technology clients.

In summary, after a slow start, 4D is now in an excellent position to be the product of choice for advertisers wanting a proven product to be used as a replacement for third-party cookies.

Updating Forecasts

Changes to forecasts

With a greater emphasis on higher margin 1P data business and a delay to the ramp-up of revenues from 4D we have adjusted our forecasts accordingly. The main effects have been to reduce the top line over the next few years, while increasing the gross profit and gross margins. We still expect the business to be EBITDA positive by end 2023 and positive at the EPS level by 2024.

Services

Limited changes to services top line but higher gross margin expected

In terms of revenues, Silverbullet's services business is expected to grow at a CAGR of c.37% over the forecast period 2022-2024E. This is being driven by growing demand for consultancy in marketing technology and the need for data integration of new MarTech technology stacks such as Salesforce marketing cloud and CDPs as well as the growing adoption of programmatic by traditional platforms such as TV and Out of Home (OOH). However, within services we now expect stronger growth and a larger contribution from the core MarTech (i.e. data and strategic services business), which primarily reflects the increasing relevance and value of 1P data in a world transitioning away from cookies. Overall, Services revenue growth outlook is similar to that shown in our previous note, but the change in the mix to higher margin business means for FY22e we now expect a Services gross margin of c.86% vs our previous forecast of c.69%. This means a higher absolute gross profit number for Services in FY22e compared to our previous expectation. A summary of the main forecast changes is shown in Table 4.

Table 4: Summary of forecast changes - services

£'000	2022E		2023E		2024E	
	Old	New	Old	New	Old	New
Revenue	5,716	**5,004**	7,218	**7,780**	8,458	**9,243**
% growth	*46%*	***39%***	*26%*	***56%***	*17%*	***19%***
Gross Profit	3,930	**4,288**	4,825	**6,753**	5,596	**8,001**
Gross margin (%)	*69%*	***86%***	*67%*	***87%***	*66%*	***87%***

Source: SEAL Advisors

4D

Biggest changes to 4D revenues

Silverbullet's 4D business is where we incorporate the largest changes to forecasts. As previously discussed, the combination of the previous uncertainty over the delay to Google implementing the phase out of third-party cookies and the Covid related "great resignation" within the media agencies has pushed back our revenue forecasts by between nine and 12 months. For FY22E, we were previously anticipating 4D revenues of c.£4.8m followed by £12.1m in FY23E. We are now looking for 4D revenues of £1.3m in FY22E and £5.8m in FY23E. The slower revenue ramp will also mean initially lower gross margins as continued investment in the interim is spread over fewer revenues.

While the 4D delay is disappointing, such delays are not unusual when it comes to industry paradigm shifts and the attempt to disrupt existing practice with an innovative new product. Going forward, as the number of trials ramps up and client urgency increases, investment in the product and deeper relationships forged with global agencies such as Publicis, IPG and WPP (which are the main sources of 4D client wins) has hopefully built the required foundations on which

4D can thrive. 4D should also bring a higher level of recuring revenues which is highly scalable given the media agencies relationships with the end clients.

Table 5: Summary of forecast changes – 4D

£'000	2022E		2023E		2024E	
	Old	New	Old	New	Old	New
Revenue	4,801	**1,324**	12,071	**5,808**	20,503	**12,904**
% growth	*n/a*	***n/a***	*151%*	***339%***	*70%*	***122%***
Gross Profit	3,380	**552**	9,174	**4,620**	15,992	**11,837**
Gross margin (%)	*70%*	***42%***	*76%*	***80%***	*74%*	***92%***

Source: SEAL Advisors

Group Revenues and EBITDA forecasts

Changes to group forecasts

Changes to our forecasts at the group level for revenue, gross profit and EBITDA are shown in Table 6 below and a full break down in forecasts are shown in Tables 8 to Tables 10 (pages 20 and 21).

Table 6: Summary of forecast changes – Group

£'000	2022E		2023E		2024E	
	Old	New	Old	New	Old	New
Revenue	10,517	**6,328**	19,289	**13,588**	28,960	**22,148**
Growth %	*141%*	***66%***	*83%*	***115%***	*50%*	***63%***
Gross Profit	7,310	**4,840**	13,999	**11,373**	21,589	**19,838**
Gross Margin %	*70%*	***77%***	*73%*	***84%***	*75%*	***90%***
EBITDA (adj)	(3,114)	**(4,775)**	1,245	**248**	7,034	**7,068**

Source: SEAL Advisors

Impact on cash

Impact on cash

One further impact on our forecasts from the delay in the contribution from 4D to revenues and gross profit has been the impact on cash-flow. Previously we had expected a positive net cash balance for the year end 2022 and a positive free cashflow in 2023. The slower ramp-up in 4D revenues and a continued investment in the business has resulted in the need to raise additional cash. This has been addressed with a £4.5 million capital raise and is reflected in our updated cashflow forecasts presented in page 20.

Valuation Update

EV/revenue valuation compared to the peer group

Previously we have used a discounted cashflow approach (DCF) to valuing Silverbullet on a standalone basis rather than a comparison to a relevant peer group. Given the hiatus in the global technology market and the resulting impact on valuations within the general technology and AdTech sectors, we believe it is more appropriate to estimate an implied valuation of the company based on a peer group analysis using the standard metric of EV/revenue.

Table 7: Peer group valuation metrics

			EV/revenue (x)	
Peer	**Country**	**Ticker**	**2022E**	**2023E**
AcuityAds	Canada	AT CN	0.8	0.7
Double Verify	USA	DV US	7.9	6.3
Integral Ad Science	USA	IAS US	4.9	3.9
Magnite	USA	MGNI US	3.9	3.2
Outbrain	USA	OB US	0.2	0.2
Perion	USA	PERI US	0.9	0.7
Pubmatic	USA	PUBM US	3.1	2.5
Taboola	USA	TBLA US	0.5	0.5
Trade Desk	USA	TTD US	15.4	12.2
Tremor	UK	TRMR LN	1.7	1.5
Viant	USA	DSP US	0.6	0.5
Peer Group Average			**3.6**	**2.9**
Silverbullet	**UK**	**SBDS LN**	**3.6**	**1.8**

Source: Bloomberg, SEAL Advisors

Estimates value of Silverbullet

On the basis of 2023 forecast EV/revenue multiples for the peer group of an average of 2.9x and forecast revenue for Silverbullet of £13.6m, the implied or target market value for the company would be in the region of £37 million[1]. This compares to the current market cap of £18.8 million[2].

[1] Taking into account the capital raise of £4.5 million
[2] Based on the closing price as at 31st May 2022

The decline of Cookies and the rise of 4D

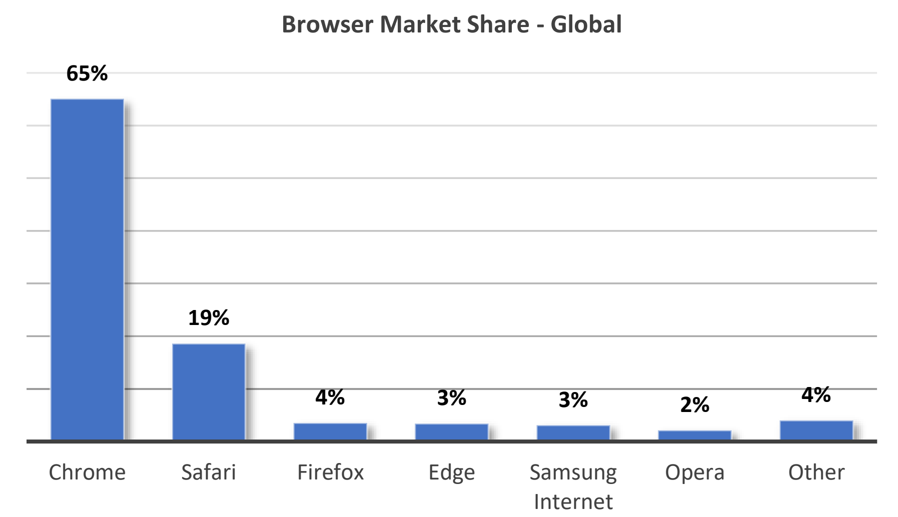
Third-party cookies originally planned to be blocked in 2022

In our initiation of coverage report published in September 2021 (link to report), we provided the background to Google's intention to phase out the use of third-party cookies and the implications for 4D. As we highlighted in our earlier report, Google made the decision to block third-party cookies in January 2020 as was announced on the Chromium Blog with the unequivocal title '*Building a more private web: A path towards making third party cookies obsolete*'. This announcement followed a statement in August 2019 discussing the 'Privacy Sandbox' initiative which was 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 from the first announcement. At the time this was assumed to occur at some point in early 2022.

Safari and FireFox already discontinued the use of cookies

As we highlighted in our original report, the use of cookies had already been discontinued by Safari and FireFox, but it was the decision by Google which was the seismic shift for the advertising industry. In turn, this led to a hiatus in the media industry around what could replace cookies to facilitate targeted advertising.

Figure 1: Internet browser market share, July 2021



Source: Statcounter GlobalStats, July 2021, SEAL Advisors

Push back of timetable

Following a number of announcements from Google, the date for the phase out was subsequently revised and in June 2021 it was indicated the time frame had been pushed back to late 2023. The reason for the delay was primarily due to a more extended implementation process than initially envisaged including the need to engage with regulators (e,g. the UK Competition and Markets Authority) over the broader Privacy Sandbox initiative. It also reflected the technological challenges involved in replacing third-party cookies and the increasing criticisms of Google's proposed cookie replacement product known as FloC. (Federated Learning of Cohorts).

FloC has been scrapped

FloC has subsequently been scrapped and the latest news from Google is that it will be replaced by a product called Topics. Detail on Topics is limited and as at the time of writing is being tested in small-scale trials. In essence, Topics is an API that assigns users a limited set of "interests" based on a relative short browsing history. The number of interests it collects on an individual user is between one and five which is collected over a maximum period of three weeks. The total number of topics being between 300 and 350. Topics is aim is to be a standard tool and for advertisers will not be anyway as effective for targeted advertising such as specialist solutions like 4D. As we understand it, Google are welcoming specialist contextual based products such as 4D to enhance their underlying AdTech products such as DV360 and YouTube. This creates a fertile ecosystem for 4D to grow.

Delays over the phase-out of cookies and uncertainty surrounding their replacement have undoubtably had an impact on the level of urgency and/or the desire for advertisers to find an alternative product (such as 4D). However, Google has now it made it clear that cookies will be removed from Chrome during 2023 as opposed to the end of 2023 as previously announced. Moreover, from what we have seen to-date, there are question marks over how effective Topics will prove to be as a replacement for advertisers. As a result, the need for contextual targeting products such as 4D (which are not based around third-party cookies) are very much back on the agenda.

Cookies, Walled Gardens and the Open Internet

Web cookies introduced in 1994

To put all of this this in context, it is important to understand the roll of cookies in digital advertising as well as the relationship with "Walled Gardens" and the Open Internet. We provided a detailed discussion on these subjects in the September 2021 research, here we provide a brief summary.

Cookies

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 device where they are stored, 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. Effectively, the third-party cookie enables advertisers to track the user's subsequent web browsing, serving the user ads wherever it is deemed optimal. It is third-party cookies that are to be removed from Google Chrome and it is these that a fundamental aspect of targeted advertising outside of the Walled Garden.

Walled Gardens

Walled gardens vs the Open Internet

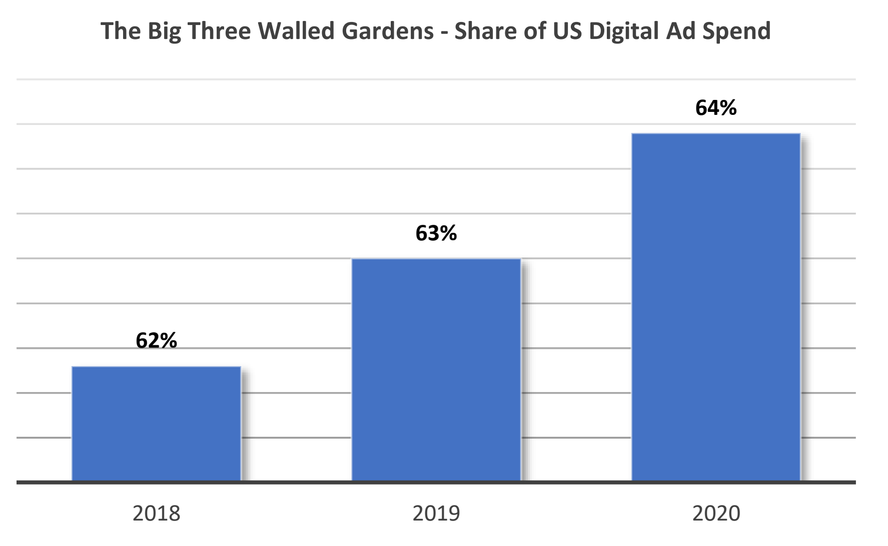
Walled Gardens, in the context of digital advertising, refer to the large internet platforms which have a utility value to consumers that is not overtly advertising-related, but which nonetheless derive most of their revenues from the sale of ad space (advertising inventory). The Big 3 are Google (internet search), Facebook (social media) and Amazon (B2C e-commerce). Other examples are 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.

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 accounted for 64% of US digital ad spend

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 2: 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

While Walled Gardens account for a substantial part of digital advertising, the open internet, nonetheless accounts for an estimated c.20% of the US digital advertising market. 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.

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).

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

The process described above is a simplified schedule 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 and track users according to interests and likes derived from a user's browsing history, the process of targeted advertising cannot take-place**.

Contextual Targeting & 4D in a post cookie world

Contextual Targeting 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. **4D provides the perfect solution for contextual targeting in a post cookie world.**

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: Umberto has 16+ years of experience in data and technology and was a senior member of the teams responsible for the exits of FreeWheel to Comcast for $320 million, and BlueKai to Oracle for c.$450 million. He has a successful and demonstrated track record of architecting and deploying data-led consulting & technology solutions for global clients.
- 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.
- 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.
- Alex Rosen, Chief Technology Officer (CTO): Alex has over 15 years' experience leading development teams in the advertising and marketing industry. After graduating in Computer Science and AI from Sussex University he worked as a software engineer, progressing through several senior roles building adtech, before co-founding a business in 2011. Over the next 7 years he and his team developed and brought to market a full, proprietary, programmatic advertising stack with machine learning at its core which was acquired in 2018.

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 Sadler: 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 Renumeration and Audit Committees;

- Steve Clarke, Steve is a serial entrepreneur with significant experience in the digital media industry. He is currently Chief Executive Officer of WithU Holdings Limited, a company that owns and operates digital fitness experiences. Steve co-founded Mobile5 Media Ltd in 2011, a company that was acquired by Omnicom Media Group in 2018 Prior to this, Steve founded Blue Star Mobile Limited and led the business at CEO through it's AIM flotation in 2005. The company was acquired by YOC in 2008
- Martyn Rattle, Martyn is currently Chief Executive Officer and founder of Local Planet and has over 30 years' experience in global media companies. Martyn is also the founder and a director of Marmalade Consultants Limited, a global M&A consultancy company specialising in acquisitions & growth strategies in the independent digital marketing services sector. Martyn will assist the Board to focus on scaling Silverbullet's client relationships and structuring long-term commercial contracts.

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

Nigel Sharrocks, an experienced Chairman, with over 40 years of global media experience. He is also Chairman of Local Planet;

Keith Sadler, who has long and relevant experience in a management and corporate transactional roles. He also 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.

Martyn joined 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.

Financial Forecasts

Income Statement

Table 8: Forecast Income Statement (SEAL Advisors' Estimates)*

Dec YE (£'000s)	2020	2021	2022E	2023E	2024E
Services	2,777	3,603	5,004	7,780	9,243
4D	12	207	1,324	5,808	12,904
Revenue	**2,789**	**3,809**	**6,328**	**13,588**	**22,148**
Gross Profit	**1,967**	**2,785**	**4,840**	**11,373**	**19,838**
Staff Costs	(3,826)	(5,505)	(7,526)	(9,071)	(10,566)
Other Opex	(2,317)	(2,854)	(2,089)	(2,054)	(2,205)
Total Operating Expenses	(6,142)	(8,359)	(9,615)	(11,125)	(12,771)
EBITDA (adjusted)	**(4,175)**	**(5,574)**	**(4,775)**	**248**	**7,068**
Depreciation & Amortisation	(380)	(512)	(658)	(577)	(496)
Operating Profit (adjusted)	**(4,555)**	**(6,086)**	**(5,433)**	**(329)**	**6,572**
Exceptional Items	(794)	(2,463)	(1,590)	(961)	0
Operating profit after exceptional items	**(5,349)**	**(8,549)**	**(7,023)**	**(1,290)**	**6,572**
Net finance income /(costs)	(25)	(19)	0	(45)	(34)
Other financing charge	0	0	(140)	(240)	(240)
Profit before tax (reported)	**(5,374)**	**(8,568)**	**(7,163)**	**(1,575)**	**6,298**
Tax**	256	57	360	240	180
Net Income (reported)	**(5,118)**	**(8,511)**	**(6,803)**	**(1,335)**	**6,478**

*Forecasts based on £4.5m capital raise as announced on the 31st May 2022. **Includes R&D/Grant income.

Cashflow Statement

Table 9: Forecast Cash Flow (SEAL Advisors' Estimates)*

Dec YE (£'000s)	2020	2021	2022E	2023E	2024E
Adjusted EBITDA	(4,175)	(5,574)	(4,775)	248	7,068
Other	131.6	(632)	0.0	0.0	0.0
Op. cashflow pre-working capital	**(4,044)**	**(6,206)**	**(4,775)**	**248**	**7,068**
Working capital movements	399.0	(1,252)	(699)	(714)	(1,413)
Op. cashflow post-working capital	**(3,645)**	**(7,457)**	**(5,474)**	**(465)**	**5,655**
Income tax (paid) / received	257	235	360	240	180
Capex – tangible	(25)	(41)	(61)	(86)	(80)
Capex – intangible	(1,057)	(1,459)	(952)	(866)	(806)
Free cashflow	**(4,471)**	**(8,723)**	**(6,127)**	**(1,176)**	**4,949**
Net finance income / (costs)	(25)	(19)	0	(45)	(34)
Free cashflow to equity	**(4,496)**	**(8,742)**	**(6,127)**	**(1,221)**	**4,915**
Dividends	0	0	0	0	0
Loans to Directors	(150)	0	0	0	0
Proceeds / (repayment) of debt	112	(29)	2,000	0	0
Share issues / (purchases)	4,933	11,803	2,375	0	0
Cash inflow / (outflow)	**4,894**	**11,775**	**4,375**	**0.0**	**0.0**
Other	0	0	(160)	0	0
Change in cash and cash equiv.	**397.8**	**3,033**	**(1,912)**	**(1,221)**	**4,915**
Net cash (debt) at start of year	**(580)**	**466**	**3,528**	**(524)**	**(1,985)**
Change (u/l: pre-debt increase)	398	3,033	(3,912)	(1,221)	4,915
Adjustment	649	29	(140)	(240)	(240)
Net cash (debt) at year end	**466**	**3,528**	**(524)**	**(1,985)**	**2,690**

*Forecasts based on £4.5m capital raise as announced on the 31st May 2022

Balance Sheet

Table 10: Forecast Balance Sheet (SEAL Advisors' Estimates)*

Dec YE (£'000s)	2020	2021	2022E	2023E	2024E
Non-current assets					
Goodwill	4,330	4,350	4,350	4,350	4,350
Tangible assets	37	42	63	97	132
Intangible assets	1,243	2,207	2,540	2,880	3,235
Total non-current assets	5,610	6,599	6,953	7,327	7,716
Current assets					
Trade debtors	1,333	1,536	2,721	4,484	5,537
Prepayments and other accruals	111	309	247	530	864
Other debtors	279	421	150	100	50
Cash	655	3,688	1,776	555	5,470
Total current assets	2,378	5,953	4,894	5,669	11,920
Total assets	7,988	12,551	11,847	12,995	19,637
Non-current liabilities					
Deferred tax liability	224	548	548	548	548
L/T Debt	189	144	2,144	2,144	2,144
Other L/T liabilities	0	0	140	380	620
Total non-current liabilities	412	692	2832	3072	3312
Current liabilities					
Trade creditors	901	525	417	1,285	1,155
Accruals and deferred income	470	1,168	1,431	1,845	1,899
Other creditors	1,901	915	915	915	915
S/T Debt	0	16	16	16	16
Total current liabilities	3,272	2,625	2,762	4,045	3,969
Total liabilities	3,685	3,317	5,594	7,116	7,280
Net Assets	4,303	9,235	6,253	5,879	12,356

*Forecasts based on £4.5m capital raise as announced on the 31st May 2022

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).
API	Application Programming Interfaces are is a software intermediary that allows two applications to talk to each other. Each time you use an app like Facebook, send an instant message, or check the weather on your phone, you're using an API (mulesoft.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 Home 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).
Topics API	The Topics API is a Privacy Sandbox proposal for a mechanism to enable interest-based advertising, without having to resort to tracking the sites a user visits
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

Oberon Capital is a trading name for Oberon Investments Ltd and is the corporate advisory and broking division of Oberon Investments Group PLC.

Oberon provides public and private corporate clients with access to capital via a broad and differentiated network of institutional and private investors. Our capabilities are supported by a hands-on, bespoke corporate advisory service that leverages the considerable experience of the Oberon Capital team, as well as the wider Oberon Group. Our ambition is to provide creative solutions combining old-fashioned relationship-based corporate broking with fresh innovation and imagination.

For more information and contact details see www.oberoninvestments.com

About SEAL Advisors

SEAL Advisors is the trading name of Scott Evans Associates Ltd.

SEAL provides specialist research services for companies, investment institutions and the legal services industry. All of SEAL's research is bespoke and tailored to the individual needs of clients. SEAL produces macroeconomic, thematic and issuer-sponsored research. In addition, SEAL provides advisory on all aspects of ESG.

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