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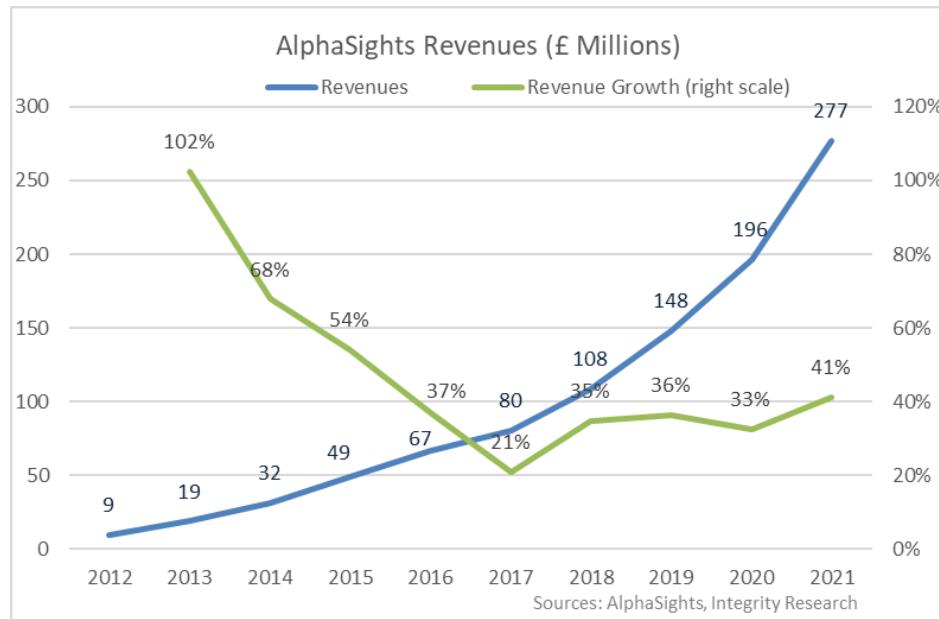
Expert Network AlphaSights Grew By 41% in 2021

BY SANFORD BRAGG
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London-based expert network AlphaSights grew over 40% in 2021 even as its revenues reached \$300 million, according to its latest regulatory filings. We estimate AlphaSights to be the second largest expert network by revenues, but given its high level of profitability, we believe AlphaSight's operating profit exceeds that of industry leader Gerson Lehrman Group. If it continues to maintain its high growth rate, AlphaSights is on track to supersede GLG's revenues by 2025.



AlphaSights reported consolidated 2021 revenues of £277 million (\$309 million), up by 41% from the previous year. The results included an exchange gain of £1 million (\$1.1 million) from weakening pound sterling, which was immaterial (adjusted for the exchange gain, revenue growth was still 40.8%). In its regulatory filings, company management attributed its revenue growth to increased usage from current clients in addition to new clients. Rather than salespeople, the firm relies heavily on its relationship managers to grow business by expanding usage from existing customers.



The firm's technology platform is also a source of revenue growth. Technology investments improve the timeliness of sourcing experts — as implied in the firm's recently adopted tagline 'Knowledge on demand' — giving the company an edge among power users such as consulting firms and hedge funds that request experts from multiple expert networks.

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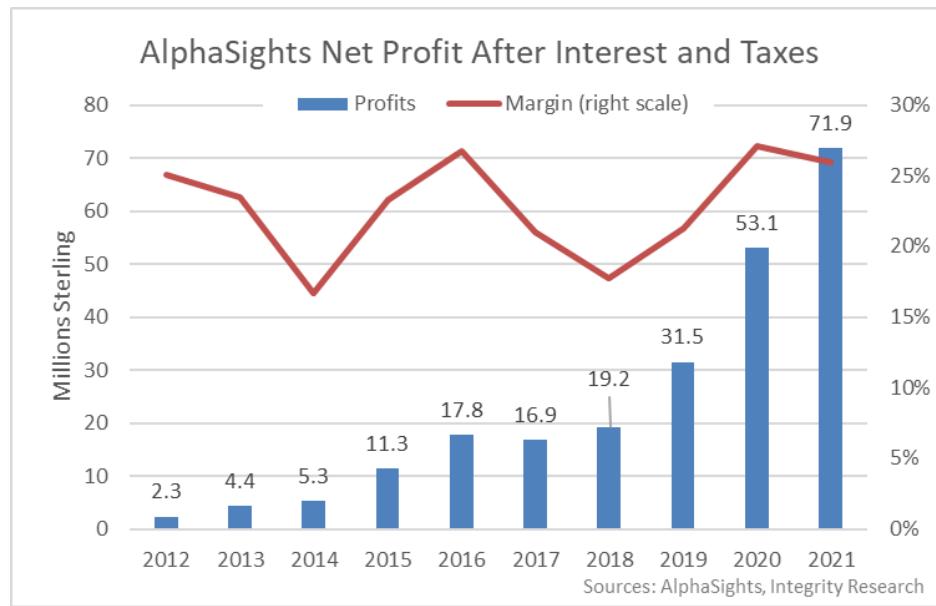
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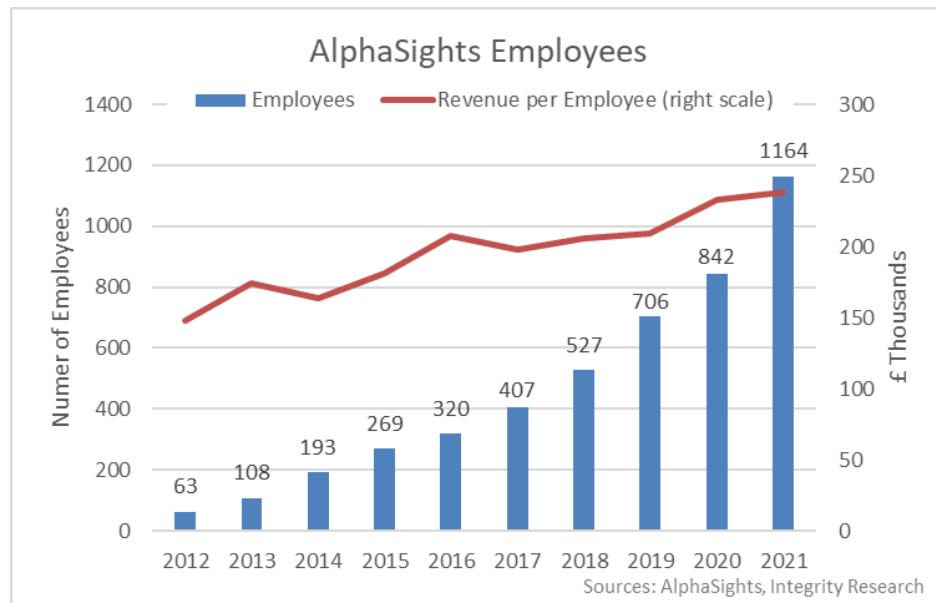
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Profit after tax increased to £71.9 million (\$80 million) in 2021 from £53.1 million (\$72 million) in 2020, as after-tax margins remained in the high 20's (26%). The company attributed its profit growth to its top line growth and "sustained technology investments". We suspect reduced travel and office expenses post-pandemic were also factors.



AlphaSights reported an average of 1164 employees in 2021, a 38% increase over 2020's level. Revenues per employee improved to £238,000 (\$266,000) per employee, an extremely high level of efficiency for the expert network industry. The firm is currently advertising 75 positions globally.



AlphaSights has expanded its technology staff from a handful in 2018 when it hired CTO Heath Hohwald, a former Google engineer, to around 60 staff currently, according to [analysis](#) we performed earlier this year. The firm devotes extensive recruiting resources to growing its engineering staff, including videos and white papers describing its technology infrastructure and approach. To provide locational flexibility, it adopted a remote-first policy for most of its technology staff, which are based in Portugal and Brazil as well as the UK and US. Engineering staff are organized in pods led by team leaders with regional managers overseeing the pods.

Payments to the company's directors, co-founders Max Cartellieri and Andrew Heath, increased 38% in 2021 to £2.5 million in aggregate. The company bought out its private equity

ownership last year, removing Acton Capital's managing partner, Sebastian Wossagk, as director in 2020.

AlphaSights was founded in 2008 by co-CEOs Max Cartellieri and Andrew Heath. Cartellieri is based in New York and Heath in the home office in London. The two co-founders have similar backgrounds, both having worked as management consultants (Cartellieri at McKinsey; Heath at Bain) before attending Stanford's Business School. Heath left Stanford to start GolIndustry, an asset valuation service for industrial companies, which was ultimately listed on the London Stock Exchange (AIM) in 2006. Cartellieri founded Ciao AG, an online price comparison and product review service, which was acquired by Microsoft in 2008.

Our Take

AlphaSights continues to impress. Its 2021 growth is extraordinary given the size of the firm. AlphaSights is distancing itself from its erstwhile rivals for the #2 position in the expert network industry and now aims to surpass the top dog, GLG. If it can sustain its current top line growth rates, it could do so by 2025.

AlphaSights' net profit and operating profit already exceed that of GLG. In its IPO filing (subsequently withdrawn), GLG disclosed that its net income in 2020 was \$34 million, a level that AlphaSights achieved in 2019. GLG's 2020 operating profit was nearly \$80 million. We estimate that AlphaSights' 2021 operating profit (£89 million equivalent to \$99 million) surpassed GLG's 2021 operating profit.

Increasing proliferation of new expert networks has heightened competition along two dimensions: price and technology. Many of the newer entrants are promoting lower fees, undercutting the price umbrella set by industry leader GLG. A handful of new firms are also boosting natural language processing and machine learning as a more efficient, timely and differentiated way of sourcing experts. It appears that AlphaSights is responding to both competitive threats. It has geared up its IT staff to embrace new technologies, with a goal of creating more efficiencies for an already productive workforce. With its solid profitability, AlphaSights is well positioned to weather any coming price wars. For these reasons, we expect AlphaSights will continue to expand, threatening the hegemony of industry leader GLG.

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ABOUT AUTHOR

SANFORD BRAGG

Sandy Bragg is a principal at Integrity Research Associates. He has over thirty years experience as an investment research professional. Prior to joining Integrity in 2006, he was an Executive Managing Director at Standard & Poors, managing S&P's equity research business and fund information properties. Sandy has an MBA from New York University and BA from Williams College. Email: Sanford.Bragg@integrity-research.com

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