

# Next15

Interim Results Presentation

September 2023

# Agenda

Introduction	03
Highlights from the period	05
Financial overview	07
Investment case + operational & strategy update	14
Outlook	22
Appendix	24

# The Market

Strong client retention remains.  
Spend shifted with unexpected  
upsides and isolated areas of  
weakness

Shift away from general brand  
building to retail/customer  
interface, accelerated by the  
demise of the cookie

Wage pressures have largely  
disappeared as macro environment  
has changed

...and **Next 15** has navigated  
the environment remarkably  
well...

# Next 15

Our businesses are all **specialists** in their fields. They benefit from group support and have the freedom and incentives to grow entrepreneurially

We are a **diversified group** at the forefront of growing trends, allowing us to solve clients' complex, multidisciplinary needs

We have **an agile business model** with scale and capital to adapt to new trends and invest in new growth areas

Focussed on **organic growth** within the portfolio, **with disciplined M&A** approach to take advantage of strategic opportunities and new trends

# H1 Highlights

## 3 Bolt ons

These add:

- consulting capabilities to our business transformation segment; and
- e-commerce capabilities to complement our digital skills within Engage

## Operational savings

Head office costs as proportion of Group net revenue reduced to 3.8% from 4.7% in H1 FY23 due to realised central savings following the Engine acquisition and property portfolio rationalisation

## Strategic client wins

Significant growth opportunities for Activate, Transform, M Booth, Outcast and SMG



# H1 Financial Highlights

Net revenue up  
5% to £286.4m  
(2022: £274.0m)

Adjusted operating  
profit down 7% to  
£57.0m  
(2022: £61.3m)

Margin performance  
of 19.9%  
(2022: 22.4%)

Adjusted diluted  
EPS down 14% to  
37.9p (2022: 44.1p)

**Encouraging  
performance** across all  
segments and  
geographies despite  
challenging market

Net debt as at 31 July  
2023 £21.6m  
(2022: net debt of £18.1m)

**Interim dividend**  
increased by 5%  
to 4.75p

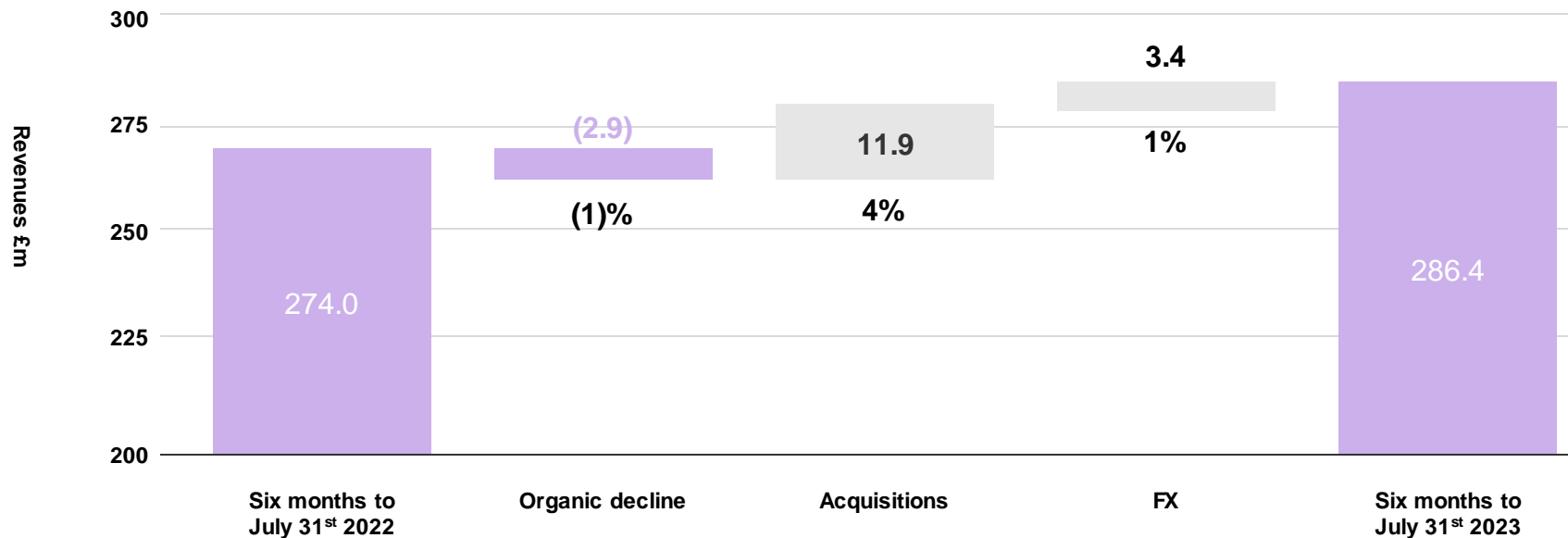
# Financial Results

# Adjusted P&L

£M	H1 2024	H1 2023	Growth/(Decline)%
Net revenue	286.4	274.0	5%
Organic revenue (decline)/growth	(1)%	31.0%	
Operating profit	57.0	61.3	(7)%
Operating margin	19.9%	22.4%	
Profit before tax	55.6	60.7	(8)%
Tax	(15.0)	(14.1)	
Minorities	(1.0)	(0.6)	
Profit after tax	39.6	46.0	(14)%
Diluted EPS (p)	37.9	44.1	(14)%
Final dividend per share (p)	4.75	4.5	5%



# Revenue Bridge



# Segment Performance

Operation	Net revenue H1 2024 £M	Net revenue growth/(decline)	Organic growth/(decline)	Operating Profit £M	Margin H1 2024	Margin H1 2023
Customer Insight	27.3	10.6%	2.4%	4.7	17.2%	21.3%
Customer Engage	131.1	(1.6%)	(6.4)%	26.5	20.2%	20.1%
Customer Delivery	51.8	6.1%	2.4%	14.1	27.3%	32.3%
Business Transformation	76.2	13.3%	5.8%	22.6	29.7%	39.4%
Head Office	-	-	-	(10.9)	(3.8)%	(4.7)%
<b>Total</b>	286.4	4.5%	(1)%	57.0	19.9%	22.4%

# Cash flow summary

£M	H1 2024	H1 2023
Inflow generated from operations*	61.6	66.2
Working capital	(23.6)	(42.2)
Net inflow from operations	38.0	24.0
Tax	(13.8)	(14.0)
Net capex	(3.1)	(3.5)
Acquisitions	(57.6)	(102.8)
Other cashflows**	(11.2)	(6.1)
Net proceeds from share placing	-	48.6
Increase in net debt	(47.7)	(53.8)
Net (debt) closing	(21.6)	(18.1)

\*Adjusted to reflect the employment linked earn-out payments in acquisitions

\*\*Other cashflows includes interest, dividends, payment of lease liabilities and exchange gains/losses

# Estimated cash earn-out commitments

	31 July 2023 £M	31 Jan 2023 £M
FY 2024	5.1	45.4
FY 2025	71.0	62.8
FY 2026	66.2	48.5
FY 2027	45.1	47.7
FY 2028	36.8	39.4
<b>Total</b>	<b>224.2</b>	<b>243.8</b>

*Assumes all Mach49 earn-out paid in cash which increases the commitment by £29.1m*

# Capital Allocation

**Continue to prioritise investment in internal capabilities**

**Leverage will remain within historic levels**

**Disciplined approach to bolt on M&A to enhance key business areas**

**Strategic acquisition strategy unchanged**

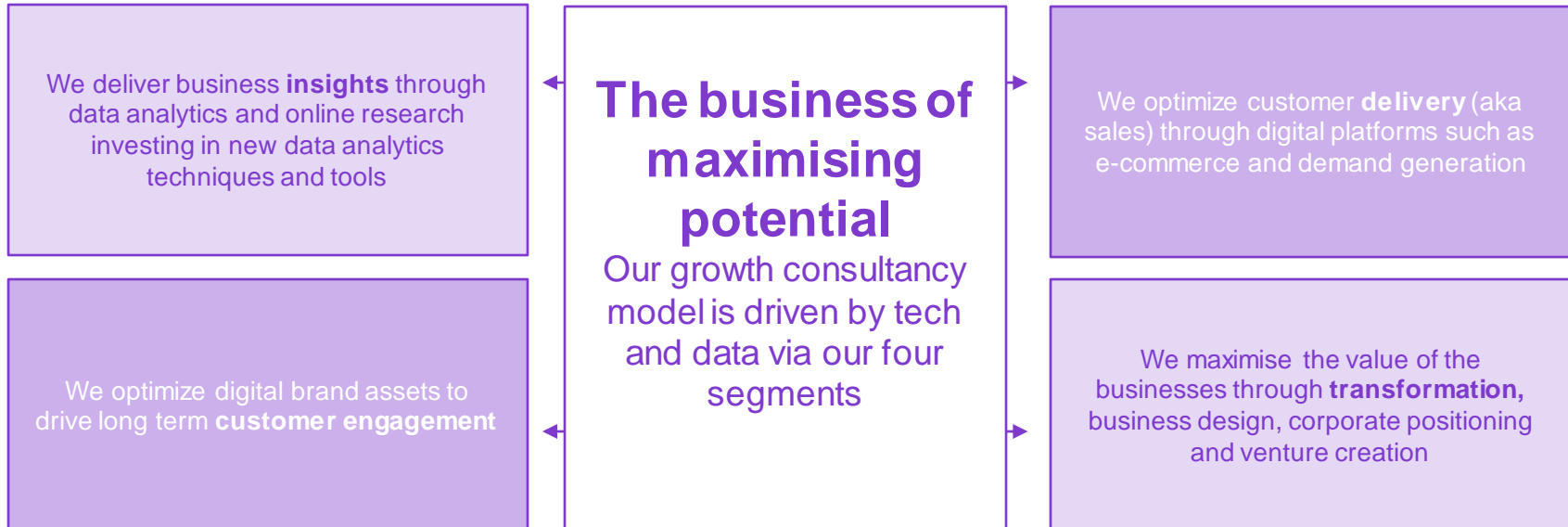
**Surplus cash to be returned to shareholders via share buybacks**

**Share price will determine whether earn-outs are paid in cash**

# Investment case

## + Operational & Strategy Update

# Next 15



Our model in action

# Business transformation

MACH49

**Realising opportunity**  
to build massive  
consulting business  
from big data

 **Transform**

**Unlocking value** from  
Engine acquisition and  
opening up public  
sector opportunity

  
PALLADIUM

**Building by bolt-on**  
with huge potential  
through digital  
transformation

TheBlueshirtGroup

**Well poised to**  
**capitalise** when the  
cycle turns



# Mega trends

## Data-driven decisions

Data has always been the new oil. Now AI brings additional power to capture more data and use it to make better decisions. The winners will be the companies that can create the right access and packaging

Our data-driven insights businesses and consultancies fuel clients with what they need to make better decisions, faster and automate their marketing

## Customer experience

Our clients are trying to navigate a world in which channels and behaviours are becoming ever more digital.

To compete they need to exceed their customers' expectations at every digital touchpoint. Next 15 helps clients navigate these complexities and keep ahead of the competition

## Sales engagement

Customers are increasingly looking to use data and technology to drive direct revenue opportunities. Sales boondoggles are increasingly seen as inefficient and ineffective






## Digital transformation

Digital transformation is an ongoing process for most businesses as they struggle to keep their products, services and operations relevant in a world that changes faster than they can

Next 15 helps clients reimagine everything from individual functions to entire businesses to remain relevant and keep pace with the world around them

# Key client sectors

Focus on key sectors that deliver above-average long-term growth

	Technology	33% (H1 FY23 – 41%)
	Healthcare	5% (H1 FY23 – 5%)
	Professional & Financial Services	27% (H1 FY23 – 22%)
	Public Sector	10% (H1 FY23 – 7%)
	Consumer Passions	19% (H1 FY23 – 20%)

# AI and our progress



## Efficiency

Group-wide education and information sharing programme spreading best practice and what we are learning from client work

Pilot programmes exploring best way to roll-out at speed

Pricing programme accelerating the separation of client charging and hours

Next15 GPT: shared development and task-based prompts



## Innovation & Data

Using annual strategy process to reframe what our businesses do and identify new ways to serve clients

Central and local 'labs' teams building proof of concept for new ideas

New data strategy forming out of cross-brand collaboration

# Our ambition



# Strategy update

- Recommitment to our specialist, decentralised model
- But some simplification and consolidation of our group to suit the changing environment
- Continued focus on AI enabled efficiencies and innovation
- Increased focus on high value strategic relationships, especially offering more to existing clients
- M&A driven by megatrends
- Creation of more AI data assets within the group
- New capital allocation strategy

# Outlook

# Outlook

- **The business continues to trade broadly in line with management expectations** despite the macro-economic headwinds in certain markets.
- **Performance continues to be encouraging** across all four business segments; underpinned by the integration of Engine and the significant growth of Mach 49.
- **We continue to win new client engagements** giving us confidence for further growth in the year ahead.
- **The Group's strong balance sheet strength** provides scope for further investments both in the businesses and in M&A to accelerate our longer-term growth ambitions
- Continued focus on AI **enabled efficiencies and innovation**

# Appendices



# Next15 board



**Penny Ladkin-Brand** (Chair)  
Pricing



**Robyn Perriss** (Audit)  
Governance



**Helen Hunter** (Rem)  
Data Insight



**Dianna Jones** (ESG)  
B Corp



**Paul Butler** (ESG)  
Business Transformation



**Tim Dyson**  
(CEO)



**Peter Harris**  
(CFO)



**Jonathan Peachey**  
(COO)

# Regional

Operation	Net revenue H1 2024 £M	Organic (decline)/growth	Operating Profit £M	Margin H1 2024	Margin H1 2023
US	144.5	(2.8)%	43.4	30.1%	34.5%
UK	127.7	1.1%	22.4	17.5%	19.0%
APAC	8.0	(6.1)%	0.7	8.6%	9.5%
EMEA	6.2	7.9%	1.4	23.1%	28.0%
Head office	-	-	(10.9)	-	-
<b>Total</b>	286.4	(1.0)%	57.0	19.9%	22.4%

# Balance sheet summary

£M	31 July 2023	31 July 2022
Intangible assets	261.0	285.7
Non-current assets	102.9	111.6
Current assets	193.2	214.5
Non-current liabilities	(189.3)	(259.8)
Current liabilities	(250.7)	(248.4)
Net assets	117.1	103.6
Share capital	2.5	2.4
Reserves	114.1	100.8
Minorities	0.5	0.4
Total equity	117.1	103.6
<b>Net debt</b>	<b>21.6</b>	<b>18.1</b>

# Adjustments

£M	H1 2024	H1 2023
Adjusted profit before tax	55.6	60.7
Restructuring	(1.4)	(3.1)
Property impairment	-	(3.9)
Deal costs	(0.2)	(2.7)
Charge for one-off employee incentive schemes	(5.2)	(0.4)
Acquisition accounting related costs	(24.5)	(59.1)*
Statutory profit/(loss) before tax	24.3	(8.5)

\* £26m of this charge relates to the Mach 49 increase in earn-out

# Share buyback criteria

- We will consider share buybacks if the following criteria are met:
  - Must be earnings enhancing
  - Keep net debt below 1x EBITDA
  - Share price must be below its intrinsic value, kept under constant review
- Will purchase between 2% and 5% of share capital in any 12-month period