Outlook

Edison investment research

20 October 2009

Next Fifteen Communications

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/07	59.3	5.6	7.0	1.5	7.3	2.9
07/08	63.1	6.6	8.5	1.7	6.0	3.3
07/09	65.4	5.2	6.5	1.7	7.7	3.3
07/10e	66.5	6.4	7.8	1.8	6.5	3.5

Note: *PBT and diluted EPS are normalised, excluding exceptional items.

Investment summary: Better trading conditions

Today, Next Fifteen announced its FY09 preliminary results, which were better than expected. While revenue rose 3.6%, adjusted pre-tax profit fell to £5.2m (FY08: £6.6m), struck after £1.7m impact from currency hedging contracts. Since the year-end, the group has announced a number of selective acquisitions of specialist agencies, which should add to future growth. Management is seeing better trading conditions and good momentum. In consequence, we are raising our FY10 diluted EPS estimate to 7.8p from 7.3p. Net cash at 31 July 2009 stood at £1.8m.

Adjusted FY09 results ahead of expectations

While revenue of £65.4m was just £0.1m shy of our estimate, this does include £2.4m from the consolidation of 463 as a subsidiary. Adjusted pre-tax profit of £5.2m was £1.2m ahead of our estimate. The main contributors to this difference were lower staff costs (£0.4m) and lower other operating costs (by £0.7m).

Trio of acquisitions announced since FY09 year-end

Since the year-end, the group has acquired a US consumer PR agency. It expects to complete the purchase of a group of Asian PR businesses at the end of October, and has added to its stake in US policy consultancy 463 Communications.

Improving trading conditions building momentum

Management is seeing an improvement in trading conditions after the tough first quarter of the 2009 calendar year. In the first two months of the current financial year, the group has achieved good momentum, with Hewlett Packard as a significant addition in the US, as well as Autodesk and VM Ware becoming clients.

Valuation: Not a demanding rating

A prospective P/E of 6.5x, coupled with a yield of 3.5% is not a demanding rating and is at the low end of our peer comparators' range. With net cash of £1.8m at 31 July 2009 and continuing positive cash flow, we believe that Next Fifteen still has the resources to add further selective and earnings accretive acquisitions. Investors should also note that during the summer of 2009 Next Fifteen's management rebuffed takeover approaches from both Chime and Huntsworth.

Price	51p
Market Cap	£28m

Share price graph

Share details

Code	NFC
Listing	AIM
Sector	Media
Shares in issue	54.1m

Price

	High	Low
52 week	55.5p	25.5p

Balance Sheet as at 31 July 2009

Debt/Equity (%)	N/A
NAV per share (p)	45
Net cash (£m)	1.8

Business

Next Fifteen Communications is a global public relations consultancy group, predominately serving clients in the technology sector, with world leading and autonomous PR, research, marketing and policy communications subsidiaries.

Valuation

	2008	2009	2010e
P/E relative	88%	99%	68%
P/CF	4.5	7.8	5.5
EV/Sales	0.6	0.6	0.6
ROE	23%	14%	15%

Revenues by geography

UK	Europe	US	Other
25%	15%	48%	12%

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Next Fifteen Communications is a research client of Edison Investment Research Limited

Investment summary: Building a global PR presence

Company description: Global tech PR specialist

Founded in 1981, Next Fifteen Communications is a global public and press relations consultancy group with world leading and autonomous PR, media research and marketing subsidiaries, predominately servicing clients in the technology sector. Over the past six years, a series of accretive acquisitions has been successfully integrated into the group. In August, the group acquired M Booth & Associates, a leading New York based consumer and B2B agency. In October, the group entered into an agreement to purchase the Asian marketing communications trading subsidiaries of AIM-listed Upstream Marketing and Communications – on completion, these businesses are to be integrated with the group's Bite subsidiary. Next Fifteen has announced that it has increased its stake in 463 Communications, a US-based policy consultancy, from the current 40% to 70%.

The group has more than 300 clients, currently serviced by 40 offices in 18 countries around the world, and employs over 800 staff. The top 10 clients generated 36% of revenues in FY09.

Next Fifteen has three principal technology PR subsidiaries – Text 100, Bite and OutCast – that address the technology industry, with over half of the world's top 25 technology businesses being clients, including Cisco, IBM, Microsoft, NXP and Hewlett Packard. The group's expertise in technology enables it to exploit the expansion in social media, such as blogs and social networking sites. On the non-technology front, Next Fifteen now fully owns Lexis, which operates in the UK and primarily addresses the consumer sector, and the recently acquired M Booth, as noted above.

Valuation: Not a demanding rating

A prospective P/E of 6.5x, coupled with a yield of 3.5% is not a demanding rating and is at the low end of our peer comparators' range. With net cash of £1.8m at 31 July 2009 and continuing positive cash flow, we believe that Next Fifteen still has the resources to add further selective and earnings accretive acquisitions over the next year or so. Investors should also note that during the summer of 2009 Next Fifteen's management rebuffed two takeover approaches.

Sensitivities

Our base case scenario makes four key assumptions:

- Major clients are retained,
- The US dollar does not weaken or strengthen significantly,
- Technology industry rekindled growth continues, and
- Key employees are retained.

A material change in any of these could surprise either on the upside or on the downside.

Financials: Positive cash flow

Next Fifteen has a good record of positive cash flow from operations, a trend we expect to continue. In the current fiscal year, we are estimating operating cash flow of £8.2m (Exhibit 5) and £4.5m after interest, tax and dividends. After the inclusion of £1.1m of capital expenditure and £4.1m cash cost of acquisitions, we are estimating £1.1m net cash (Exhibit 6) by FY10 year-end, a decline of just £0.7m.

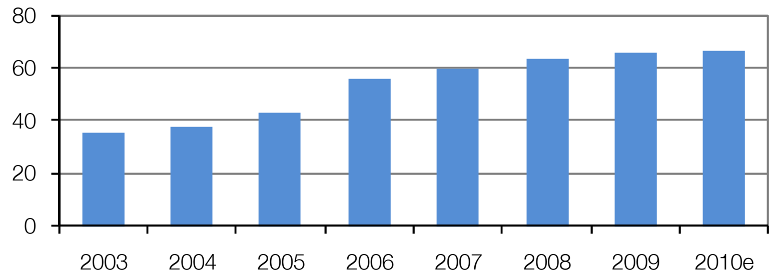
Preliminary results for the year to 31 July 2009

While revenue of £65.4m was just £0.1m shy of our estimate, this does include £2.4m from the consolidation of 463 as a subsidiary. Revenue from the group's top 10 clients has risen slightly to 36% from 35% and the largest single client contributed 7% compared with 8% in FY08. Normalised pre-tax profit, after adjusting for £2.0m reorganisation costs and exceptional items, of £5.2m was ahead of our estimate by £1.2m. The main contributors to this difference were lower staff costs (£0.4m) and lower other operating costs (by £0.7m). Reorganisation costs of £1.95m relate to headcount reductions (£1.25m), the merger of Inferno into Bite (£0.58m) and the closure of Text100's offices in Seattle and Dublin (£0.12m).

Revenue marginally ahead, aided by consolidation of 463

Reported revenue rose marginally in FY09, though this does include £2.4m from consolidation of 463 as a subsidiary from 1 August 2008. Excluding 463, revenue would have been flat. The poor economic environment has affected many client marketing budgets, especially in the first quarter of calendar 2009 when major technology companies saw sales under pressure. In addition, the group lost Sun Microsystems, one of its largest accounts, following Sun's takeover by Oracle.

Exhibit 1: Net revenues (£m)

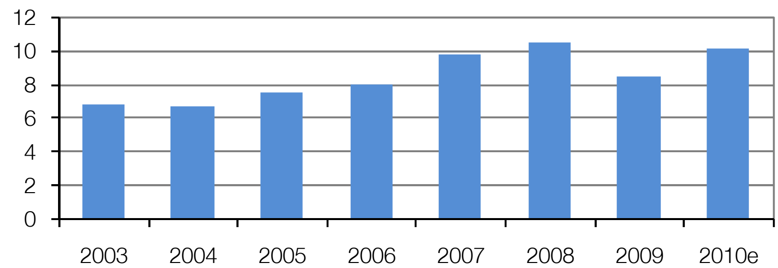


Source: Company reports, Edison Investment Research

Operating margins affected by crystallised hedging impact

Normalised operating margins fell to 8.5%, down from the previous year's record of 10.6%. The principal reason for this was the £1.7m impact of the crystallisation of the group's currency hedging contracts during the year. With the absence of such high hedging costs and the continued close management of staff costs, we expect a good recovery in operating margins in the current year.

Exhibit 2: Normalised operating margin (%)



Source: Company reports, Edison Investment Research

FY10 diluted EPS estimate raised to 7.8p from 7.3p

We are raising our FY10 diluted EPS estimate to 7.8p from 7.3p. This reflects not just the better trading conditions and good momentum that management has seen in the first two months of the current fiscal year, but also the likely benefit from the group's recent acquisitions.

Company description: Building global PR presence

Next Fifteen has built a multiple agency offering, each of which is run autonomously under a holding company umbrella. This enables the group to work with existing clients and win new clients in the same industry segment, as within the technology sector there are many sub-sectors that are dominated by five or less businesses. The group's strategy is to improve its margins while generating organic growth from existing PR brands, including cross selling its network to its existing client base, and to supplement this with targeted acquisitions that offer growth potential and complement the group's existing PR businesses.

Next Fifteen has three broad technology PR brands: Text 100, Bite, and Outcast. In addition, the group this month announced it has increased its 40% stake in 463 Communications, a US policy communications agency focused on the technology sector, to 70%. The planned acquisition of Upstream Asia, announced this month, once completed, will be integrated into Bite. The group is firmly moving towards its target 10% market share of the global tech PR market.

The group has been expanding its non-technology offering. Adding to Lexis, which focuses primarily on the consumer sector in the UK, the August 2009 acquisition of M Booth & Associates, a leading consumer PR consultancy based in New York, is moving the group towards its medium-term target of generating 25% of revenues from non-tech sectors.

Next Fifteen has also announced that it intends to open a digital communications agency in the next three months, with two Bite executives earmarked to move over to lead this venture.

The technology brands (estimate: 87% of FY09 net revenues)

Text 100

Text 100 is a global PR agency serving companies that use technology for competitive advantage. Built organically from the ground up, Text 100 uniquely offers the dedication of local agencies and the power and reach of a global firm and is a top 20 global agency. With award winning practices covering all public relations disciplines, Text 100 represents leading brands in 25 offices (plus four licensed partners and four locations in partnership with the Jeffrey Group) around the world, including the first PR agency to set up business as a wholly-owned foreign subsidiary in China. Text 100 continues to receive recognition awards, including recently the *Holmes Report* SABRE Award, 2009 for the Best Campaign – Corporate Products and Services/Business Services, for its work with Cisco Telepresence on its "Be There Without Being There" campaign. Text 100 APAC was also named "Technology Consultancy of The Year" in Asia by the *Holmes Report* in 2009. Clients of the company include Adobe, ARM, Cisco, e-Bay, Fujitsu, IBM, Lenovo, NXP, Paypal, Symantec and Xerox.

Text 100 also has a subsidiary, Context Analytics, which provides qualitative and quantitative market analysis services – including media, analyst, forward-looking competitive and primary research – to companies in various industries. Through its unique and proven research methodologies, Context Analytics helps clients assess the effectiveness of current communications campaigns and develop strategies to increase communications and business effectiveness.

Bite Communications

Founded in 1995, Bite is an established international PR brand. It has offices in London, Continental Europe, North America and China. During FY09, the group's Inferno subsidiary, which has Microsoft as its largest client, was merged into Bite. Bite has grown its business by building long-term relationships with both consumer- and business-focused blue-chip technology brands. Bite's client list includes AMD, British Telecom, Fujitsu, Global Crossing, Infosys, Logica, Sony, Sybase, Vonage and Wind River. In addition to providing core PR services, Bite has established a set of services to aid companies with European head offices in managing their PR needs.

Assuming the planned acquisition of Upstream's marketing communications trading subsidiaries in Asia is completed (subject to approval by Upstream shareholders at a general meeting to be held on 26 October 2009), these businesses will be integrated into Bite. Upstream Asia is a full service marketing and corporate communications network positioned to help companies make the most of business opportunities in the Asia-Pacific region. Initially Bite will own 55% of Upstream Asia with an option to acquire the balance over a five-year period based on the profitability of the acquired businesses. The initial consideration will be $0.9m cash and the assumption of £0.2m of liabilities. Next Fifteen will also have an option to purchase the remaining 45% over a five-year period based on the profitability of the acquired businesses, which generated revenue of $2.1m and recorded a net loss before tax of $0.4m in the six months ended 30 June 2009.

The planned acquisition of Upstream Asia is expected to enable Bite to offer its existing and new clients a single-agency solution in Europe, North America and Asia-Pacific.

OutCast Communications

Outcast was founded in San Francisco in 1997 and was acquired by Next Fifteen in June 2005. It operates as a separate business under its own brand, with its founders as appointed co-presidents of the business, reporting directly to Next Fifteen's CEO, Tim Dyson. With offices in San Francisco and New York, OutCast's clients include major technology businesses such as Amazon, Autodesk, EMC, Facebook, RSA Security, salesforce.com, VM Ware, Xerox and Yahoo!, as well as many emerging technology companies such as AdMob, Aliph, Nvidia, Omniture, Playdom, Ubisoft and Zimbra.

The company has won a string of awards, the most recent of which include *PR Week*'s Mid-Size PR Agency of the Year and four *Bulldog Reporter*'s Awards for Excellence in Media Relations and Publicity in 2008.

463 Communications (currently 40% owned and consolidated in FY09)

Founded in 2004, 463 is a strategic communications firm that provides senior level communications advice to navigate the intersection between technology, public policy and government. The company has offices in Washington DC and Palo Alto, California. It specialises in helping technology companies with their policy, regulatory and public sector opportunities at state, federal and international levels. Clients include Cisco, the Consumer Electronics Association, the National Cyber Security Alliance, Skype and TechNet. Since obtaining the right to purchase an additional 11% of 463 on 1 August 2008, Next Fifteen in effect acquired control of the business and, from that date, 463 has been accounted for as a subsidiary. During FY09, 463 contributed revenue of £2.4m and £0.6m normalised operating profit. Next Fifteen announced today that it has increased its stake in 463 from the current 40% to 70% for $2.1m ($1.4m cash, $0.7m shares).

The non-technology brands (estimate: 13% of FY09 net revenues)

Lexis Public Relations

Lexis was founded in London in 1992 and underwent a management buy-out from a team of Lexis staff in 2002. Next Fifteen took an initial 25% stake in August 2005, and following a series of phased purchases Lexis became a fully owned subsidiary in October 2008. Lexis operates as a separate business under its own brand. It is a full service agency with consumer, corporate/B2B, healthcare, sport and youth divisions providing in-depth expertise, supported by dedicated planning, creative, digital marketing, sponsorship and design specialists. Lexis delivers award-winning work for some of the UK's best-known brands including the Barclays Premier League, Boots, Coca-Cola, Dove, EDF Energy and Morrisons.

M Booth & Associates

M Booth was acquired by Next Fifteen in August 2009. It was founded in 1985 by Margi Booth and Brad Rodney, both of whom remain with the business in their ongoing roles and will report to Tim Dyson, Next Fifteen's CEO. It is a leading PR consultancy in North America, and Next Fifteen's aim is to integrate M Booth and Lexis over time and for these two businesses to work together on further international expansion.

Initial consideration of $4m was paid in cash on completion to these two founders. Deferred consideration of up to a maximum of $13.25m may be payable over the course of the next four years subject to the achievement of certain revenue and profit performance targets. Any such deferred consideration may be satisfied in cash or up to 25% in Next Fifteen shares at the option of Next Fifteen.

Specialising in building and growing strong, powerful brands, M Booth represents some of the world's best-known corporations and products across several industries, including consumer goods, consumer healthcare, beauty, fashion & retailing, travel & lifestyle, food & beverage, wine & spirits, online brands, corporate communications and technology. Clients include American Express Prepaid, Ben & Jerrys, Boots, Coca Cola, Myrtle Beach, MGM Mirage, JC Penny, Pfizer, Remy Cointreau USA and Unilever. Last month, M Booth received a *SAMMY* Award for Best Twitter Branding for the agency's work with Travelzoo.

For the year ended 31 December 2008, M Booth had consolidated revenues of $10.4m and profit before tax of $1m. At 31 December 2008, its consolidated gross assets were $4.3m. The business was acquired with $1.5m of net working capital.

Redshift Research

Redshift Research was established in May 2007 as a subsidiary of the group. It is a full-service market research consultancy that conducts both business to business and consumer research. It has a strong track record in the consumer technology and IT sectors, particularly in support of PR research. Redshift offers a wide range of research services, including: opinion surveys, website evaluations, customer satisfaction, branding research, market segmentation and new product development. Recent clients include AMD, Boots, Canon, Endemol, Intel, Norwich Union, the Open University, Oracle, Sage, Toshiba and Wolters Kluwer.

Global reach: Next Fifteen's locations

Through its autonomous operating businesses, Next Fifteen has strong global reach. At the end of its financial year on 31 July 2009, the group had 39 offices and four licensed partner offices. In addition, the group has a partnership arrangement with The Jeffrey Group, which specialises in providing PR services in Central and South America. Since the year-end, the acquisition of M Booth has added a further office in New York and the forthcoming purchase of Upstream Asia will add three other office locations in the Asia-Pacific region.

Exhibit 3: Geographic location of offices, licensed partners and other partner

Americas	EMEA	Asia-Pacific
	Technology brands	
	Text 100 (* licensed partners)	
Boston	Amsterdam	Auckland *
New York	Copenhagen	Bangalore
Rochester	Helsinki *	Beijing
San Francisco	Johannesburg	Chennai
	London	Hong Kong
With partner Jeffrey Group	Madrid	Kuala Lumpur
Buenos Aires	Milan	Mumbai
Mexico City	Munich	New Delhi
Miami	Oslo	Seoul *
Sao Paulo	Paris	Shanghai
	Stockholm	Singapore
		Sydney
		Taipei *
		Tokyo
	Bite (* additional from Upstream Asia)	
Los Angeles	London	Beijing
New York	Stockholm	Hong Kong
San Francisco		Shanghai *
Toronto		Singapore *
		Sydney *
	OutCast	
New York		
San Francisco		
	463 Communications	
Washington		
Palo Alto		
	Non-technology brands	
	Lexis	
	London	
	M Booth	
New York		
	Redshift	
	Kent	

Source: Next Fifteen Communications

Sensitivities

Our base case scenario makes four key assumptions: 1) major clients are retained, 2) the dollar does not weaken or strengthen significantly, 3) the technology market's rekindled growth continues, and 4) key employees are retained. A material change in any of the above has the potential to surprise either on the upside or downside.

Major client retention

The group's largest 10 clients represent around 36% of net revenue, with no single client larger than 7%. While these levels have been reducing significantly over the past few years, the loss of any one of these largest clients could impact the profit and loss account. However, Next Fifteen has a good record in retaining clients over long periods of time – eg Microsoft has been a client of the group for more than 20 years. IBM has been one of the group's largest clients for over seven years.

Foreign currency exposure

The group does have significant exposure to foreign currency movements, primarily the dollar and to a lesser extent the euro. If expansion continues in North America and other international locations, this risk could increase. In the past, derivative financial instruments have been utilised by the group to mitigate the effect of foreign exchange movements, primarily on dollar profitability, and interest rate changes, though these incurred significant losses in FY09. Most of these contracts have largely run their course. At present, the group has chosen not to renew its hedging contracts in the current year.

Sector focus

The group is primarily exposed to the technology market. Corporate PR budgets are closely correlated with turnover, with a lag of only a few months. Following a slip in the past year, the technology market is exhibiting rekindled signs of strength, though there is no guarantee that this trend will continue. NFC is one of the world's leading providers of PR services to the technology industry, with a market share now approaching 10%. We expect that the group will remain predominately focused on the tech sector, but with a target to increase the percentage of revenues from the non-tech sector to 25% in the medium term.

Key employee retention: Employee incentives and share options

A Long-Term Incentive Plan (LTIP) allows for up to 20% of the group's share capital to be issued under this plan or previous share option schemes. There are very demanding performance conditions for shares to be issued under the LTIP, based on the compound growth in earnings per share exceeding the growth in RPI by at least 15% pa over three consecutive financial years following the award of performance shares. The group holds nearly 1.0m shares in the ESOP (employee share option plan) and almost 1.2m shares in treasury, leaving around 2.5m new shares that could be issued to satisfy the current 4.7m shares that could be potentially issued under this and previous plans.

Valuation: Not a demanding rating

A prospective P/E of 6.5x and yield of 3.5% is not a demanding rating especially as we believe that the potential benefit from the recent selected acquisitions should add to future growth prospects.

Next Fifteen's management has proven to be adept at growing the business both organically and through acquisitions that have been earnings accretive from the first year of ownership. With net cash of £1.8m at 31 July 2009 (Exhibit 6) and continuing positive cash flow (Exhibit 5), we believe that Next Fifteen still has the resources to add further selective and earnings accretive acquisitions over the next year or so.

Next Fifteen's prospective 6.5x P/E is at the low end of our peer comparators' range (see Exhibit 4). While Creston's FY10 P/E rating is slightly lower at 6.2x, its net debt at 31 March 2009 was £18.6m plus a further £22.3m fair-valued earn-out liability for net deferred consideration, of which £19.4m is due to be settled before 31 March 2010.

Investors should also note that during the summer of 2009 Next Fifteen's management rebuffed takeover approaches from both Chime and Huntsworth.

Exhibit 4: Peer comparison table

Note: Prices at close of 19 October 2009. * Normalised PBT and fully diluted EPS.

			2008			2009a/e			2010e	
Company (year end)	Mkt Cap (£m)	Sales (£m)	PBT * (£m)	EPS * (p)	Sales (£m)	PBT * (£m)	EPS * (p)	Sales (£m)	PBT * (£m)	EPS * (p)
WPP (Dec)	7,471	7,477	747.0	55.5	8,500	784.0	48.6	9,000	884.0	45.7
Chime (Dec)	117	112	16.3	19.6	125	17.7	21.5	135	18.5	21.9
Creston(Mar)	59	81	13.5	17.0	84	14.2	18.6	80	13.1	15.4
Huntsworth(Dec)	147	159	24.0	8.3	155	23.7	7.9	165	24.2	7.9
Next Fifteen (Jul)	**28**	**63**	**6.6**	**8.5**	**65**	**5.3**	**6.5**	**67**	**6.4**	**7.8**
US Quoted	$m	$m	$m	$	$m	$m	$	$m	$m	$
Omnicom (Dec)	12,000	13,360	1,615	3.2	11,000	1,310	2.6	11,500	1,370	2.7
	Price (p)	P/E (x)	Yield (%)	EV/ Sales (x)	P/E (x)	Yield (%)	EV/ Sales (x)	P/E (x)	Yield (%)	EV/ Sales (x)
WPP (Dec)	596	10.7	2.6	1.5	12.3	2.6	1.3	13.0	2.7	1.2
Chime (Dec)	206	10.5	2.3	0.9	9.6	2.4	0.8	9.4	2.5	0.7
Creston(Mar)	96	5.6	2.9	0.9	5.1	0.8	0.9	6.2	0.8	0.9
Huntsworth(Dec)	70	8.5	3.8	1.2	8.9	3.9	1.2	8.8	4.1	1.1
Next Fifteen (Jul)	**51**	**6.0**	**3.3**	**0.4**	**7.8**	**3.3**	**0.4**	**6.5**	**3.5**	**0.4**
US Quoted	$									
Omnicom (Dec)	39	12.2	1.6	1.1	15.0	1.6	1.3	14.4	1.6	1.2

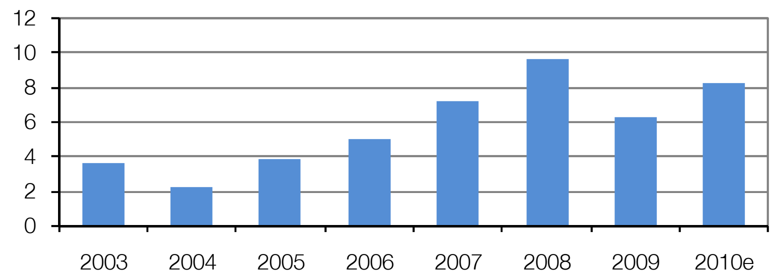
Source: Thomson Reuters, Edison Investment Research

Financials: Taking acquisitions in its stride

Cash flow likely to cover all but £0.7m of acquisitions costs

Next Fifteen has a good record of positive cash flow from operations, a trend we expect to continue. In the current fiscal year, we are estimating operating cash flow of £8.2m (Exhibit 5) and £4.5m after interest, tax and dividends.

Exhibit 5: Cash flow from operating activities £m

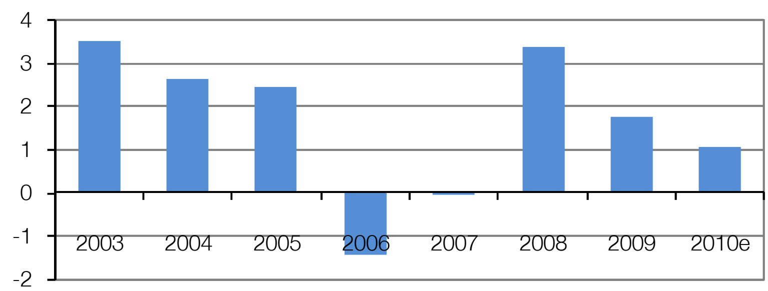


Source: Company accounts, Edison Investment Research

Net cash at FY10 year-end likely after a trio of selected acquisitions

After the inclusion of £1.1m of capital expenditure and £4.1m cash cost of acquisitions, we are estimating £1.1m net cash (Exhibit 6) by FY10 year-end, a decline of just £0.7m.

Exhibit 6: Net cash (debt) at fiscal year-end £m

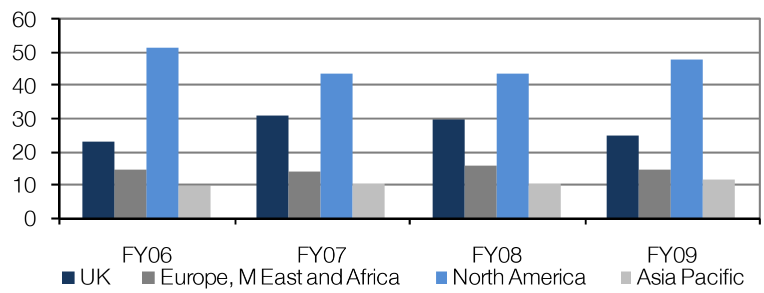


Source: Company accounts, Edison Investment Research

Global reach

Next Fifteen has established a broad global reach, which is reflected in the geographic breakdown of revenues (Exhibit 7). The largest segment is North America, where the majority of the largest and emerging technology companies have their headquarters.

Exhibit 7: Geographic breakdown of net revenues %



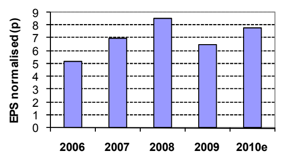
Source: Company accounts, Edison Investment Research

Exhibit 8: Financials

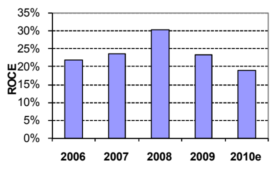
Year-ending 31 July	£'000s	2006	2007	2008	2009	2010e
Accounting basis		UK GAAP	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Billings		63,278	69,422	73,916	77,287	78,500
Revenues		56,007	59,268	63,107	65,394	66,500
EBITDA		5,970	7,302	8,022	6,759	8,000
Operating Profit (before GW and except.)		4,521	5,837	6,706	5,591	6,800
Goodwill Amortisation		(727)	0	0	0	0
Exceptionals		(700)	(458)	(1,066)	(2,091)	0
Other		174	56	117	0	0
Operating Profit		3,268	5,435	5,757	3,500	6,800
Net Interest		(265)	(313)	(241)	(342)	(400)
Profit Before Tax (norm)		4,430	5,580	6,582	5,249	6,400
Profit Before Tax (FRS 3)		3,003	5,122	5,516	3,158	6,400
Tax		(1,494)	(1,781)	(1,655)	(884)	(1,925)
Profit After Tax (norm)		2,649	3,713	4,657	3,750	4,475
Profit After Tax (FRS 3)		1,509	3,341	3,861	2,274	4,475
Average Number of Shares Outstanding (m)		46.5	49.0	51.7	52.6	53.7
EPS - normalised (p)		5.3	7.1	8.6	6.5	7.9
EPS - normalised fully diluted (p)		5.1	7.0	8.5	6.5	7.8
EPS - FRS 3 (p)		2.9	6.3	7.1	3.7	7.9
Dividend per share (p)		1.4	1.5	1.7	1.7	1.8
EBITDA Margin		9%	11%	11%	9%	10%
Operating Margin (before GW and except.)		8%	10%	11%	9%	10%
BALANCE SHEET						
Non-current assets		14,343	18,442	20,206	22,618	26,568
Intangible Assets		11,188	13,507	15,462	18,441	22,691
Tangible Assets		3,063	2,162	2,435	1,949	1,649
Other non-current assets		92	2,773	2,309	2,228	2,228
Current Assets		19,787	20,894	25,946	22,840	26,331
Debtors		15,769	15,060	16,421	15,710	17,500
Cash		4,018	5,834	9,525	7,130	8,831
Current Liabilities		(12,554)	(15,670)	(20,643)	(15,237)	(16,153)
Creditors		(11,739)	(14,958)	(20,228)	(14,887)	(15,803)
Short term borrowings		(815)	(712)	(415)	(350)	(350)
Long Term Liabilities		(6,834)	(8,684)	(5,871)	(5,319)	(7,719)
Long term borrowings		(4,642)	(5,190)	(5,700)	(4,995)	(7,395)
Other long term liabilities		(2,192)	(3,494)	(171)	(324)	(324)
Net Assets		14,742	14,982	19,638	24,902	29,027
CASH FLOW						
Operating Cash Flow		4,948	7,203	9,599	6,261	8,176
Net Interest		(325)	(311)	(240)	(342)	(400)
Tax		(2,430)	(1,992)	(1,090)	(1,476)	(2,275)
Capex		(1,203)	(1,246)	(2,153)	(307)	(1,100)
Acquisitions/disposals		(2,354)	(1,959)	(829)	(4,549)	(4,100)
Financing		232	953	(994)	(1,941)	2,400
Dividends		(590)	(691)	(807)	(900)	(1,000)
Other		0	0	0	0	0
Net Cash Flow		(1,722)	1,957	3,486	(3,254)	1,701
Opening net debt/(cash)		(2,449)	1,439	68	(3,410)	(1,785)
Finance leases		(20)	(299)	(217)	(225)	
Other		(2,146)	(287)	209	1,854	(2,400)
Closing net debt/(cash)		1,439	68	(3,410)	(1,785)	(1,086)

Source: Company accounts, Edison Investment Research

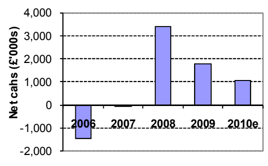
Growth



Profitability



Balance sheet strength



Sensitivities evaluation	
Litigation/regulatory	○
Pensions	●
Currency	◖
Stock overhang	○
Interest rates	●
Oil/commodity prices	◖

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	
EPS CAGR 06-10e	10.9	ROCE 09	23.3	Gearing 09	N/A
EPS CAGR 08-10e	N/A	Avg ROCE 06-10e	23.6	Interest cover 09	N/A
EBITDA CAGR 06-10e	7.6	ROE 09	14.1	CA/CL 09	1.5
EBITDA CAGR 08-10e	N/A	Gross margin 09	N/A	Stock turn 09	N/A
Sales CAGR 06-10e	5.5	Operating margin 09	7.2	Debtor days 09	74.2
Sales CAGR 08-10e	3.1	Gr mgn / Op mgn 09	N/A	Creditor days 09	56.6

Company details	
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Principal shareholders	%
Liontrust Asset Management	13.2
Tim Dyson (CEO)	10.7
Tom Lewis (Co-founder and former director)	9.4
Herald Investment Management	7.8
Matt Ravden (Employee of NFC)	5.9
River and Mercantile Asset Management LLP	5.2
BlackRock Investment Management (UK) Limited	4.7
British Steel Pension Fund Trustees Limited	4.5
Henderson Global Investors	3.3
Other NFC directors	2.4

Forthcoming announcements/catalysts	Date *
AGM	26 January 2010
Interim results	April 2010 *
Preliminary results	October 2010 *
*Note: * = estimated*	

Management team

CEO: Tim Dyson

Tim Dyson joined the company in 1984 and became global CEO in 1992. He was one of the early pioneers of technology PR, having worked on major corporate and product campaigns with such companies as Microsoft, IBM, Sun and Intel. Tim relocated to Seattle in 1995 to set up the group's first US business and is now based in Palo Alto. Outside NFC, Dyson is also on the advisory boards of a number of emerging technology companies.

CFO: David Dewhurst

David Dewhurst joined the board as finance director in July 1999. After qualifying in 1987 as a chartered accountant with KPMG, David worked as a corporate accountant and business analyst for Hillsdown Holdings plc between 1988 and 1990 and was then group accountant for Premier Brands Limited, one of Hillsdown's subsidiaries. In 1992, he became group finance director for Strong & Fisher Holdings plc before being appointed, in 1997, to the same post at The Media Business Group plc.

Chairman: Will Whitehorn

Will Whitehorn was appointed non-executive chairman in January 2004. He joined the Virgin Group in 1987 as group PR manager, which included presenting Virgin's strategy for JVs and expanding the brand into new areas such as financial services and telecoms. In 2000, Will was appointed brand development and corporate affairs director for Virgin. In 2004, he became president of Virgin Galactic. In 2007 he took on that role in an executive capacity and became a special advisor to Sir Richard Branson.

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