Next Fifteen Communications

Preliminary results

Bite mars strong US growth in FY13

Media

Next Fifteen's FY13 results have been marred by accounting issues at its Bite subsidiary. This has eaten into FY13's normalised pre-tax profit, which fell 20% to £7.7m. The finance director stepped down last week – an interim finance director is being recruited while the search for a permanent replacement goes on. Despite the c £1.6m impact of these issues, the group reported operating cash flow of £11.2m (FY12: £10.1m) and net debt decreased to £1.8m from £2.6m at FY12 year-end. Group net revenue for the year of £96.1m, up 4.9% on FY12, was just £0.4m below our estimate, aided by strong 10% organic growth in the US. In the absence of further detail on Bite, we are reducing our FY14 estimate marginally, dropping revenue by £1m, normalised pre-tax by £0.7m and EPS by 0.4p.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/11	86.0	8.4	8.7	2.05	8.4	2.8
07/12	91.6	9.6	10.1	2.30	7.2	3.2
07/13	96.1	7.7	6.6	2.55	11.1	3.5
07/14e	102.0	9.8	9.3	2.85	7.8	3.9

Note: *Adjusted PBT and diluted EPS exclude intangible amortisation and exceptionals.

FY13 record revenue; Bite issues hit pre-tax

FY13's record revenue of £96.1m reflects highest-ever revenue at four of the group's largest agencies. While the US businesses delivered 10% organic growth, overall revenue growth was affected by client losses (primarily in the UK) and essentially flat business in Asia and Europe. However, it was accounting issues at two of Bite's 12 offices that seriously affected the group's profitability by c £1.6m.

FY14 has started on a brighter note

Management has stated that the group has made a good start to FY14 and has already added work from clients such as Sainsbury's, Anheuser Busch and HBO. With the issues at Bite identified and provisioned, we are not expecting an ongoing drain on profitability, though we are marginally reducing our FY14 normalised EPS estimate to 9.3p (from 9.7p). Management's confidence is reflected in proposing a 10% dividend hike.

Valuation: Fairly attractive; 'show-me' short term

The near 20% fall in the Next Fifteen share price following the disclosure of the issues at Bite and the departure of the long-serving finance director announced on 29 October has put the relative prospective valuation rating of the group at a fairly attractive level. However, it may be some months before investors may consider placing a much higher valuation as they await the appointment of a new finance director and evidence that the internal control issues has been totally resolved. That being said, the group would appear to be well placed to take advantage within the radically changing marketing sector as it transitions its business model to increased focus on digital marketing services.

5 November 2013

Price	**73.00p**
Market cap	**£44m**

Net debt (£m) at 31 July 2013	1.8
Shares in issue	59.8m
Free float	69.1%
Code	NFC
Primary exchange	AIM

Share price performance

%	1m	3m	12m
Abs	(21.7)	(17.1)	(29.1)
Rel (local)	(25.2)	(18.6)	(39.6)
52-week high/low		115.00p	71.50p

Business description

Next Fifteen Communications is a digital marketing communications and public relations group. Predominately serving clients in the technology and consumer sectors, it has world-leading and autonomous PR, research, digital, investor relations and policy communications subsidiaries.

Next events

AGM	January 2014
Interim results	April 2014

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Edison profile page

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

Investment summary: Bite mars strong US growth

Company description: Accelerating digital investment

Founded in 1981, Next Fifteen Communications is a worldwide digital marketing communications and public relations group, predominately serving clients in the technology, consumer, digital/research consultancy and corporate communications sectors, with world-leading and autonomous PR, research, digital, investor relations and policy communications subsidiaries. Over the past nine years, a series of acquisitions has been successfully integrated into the group, which now has 48 offices across 19 countries. Since late 2009, Next Fifteen has been transitioning its business model to increased focus on digital marketing services, driving this by organic expansion and targeted acquisitions, and via a two-year 'Digital Transition Plan'.

The group has two segmented divisions:

- Integrated Communications (FY13: 84% of net revenues), which contains the group's PR agencies primarily servicing clients in the technology (including Text 100, Bite and 85% owned Outcast) and consumer (including Lexis and M Booth) sectors.
- Specialist Agencies (FY13: 16% of net revenues), which contains the group's marketing and communications operations (primarily 51% owned Beyond, plus Redshift Research), and the group's corporate communications segment, which provides policy communications (including 76% owned 463 Communications and the April 2013 acquisition of 80% stake in Connections Media), and the group's 85% owned investor relations business, The Blueshirt Group.

Valuation: Fairly attractive; 'show-me' stock short-term

The relative prospective valuation rating of the group is at a fairly attractive level (see Exhibit 3). Investors may remain cautious in the short term as they await the appointment of a new finance director and evidence that the internal control issues have been totally resolved. That being said, the group would appear to be well placed to take advantage of the radically changing marketing sector as it transitions its business model to increased focus on digital marketing services.

Financials: Low debt/equity of 4.7% at FY13 year-end

Next Fifteen has a long record of positive cash flow from operations. During FY13, this amounted to £11.1m, boosted by £1.7m improvement in the net movement of debtors and creditors. Despite £3.0m of acquisition related payments during FY13, net debt at 31 July 2013 stood at £1.8m (FY12: £2.6m), representing a modest net debt/equity of 4.7%, The group has acquisition-related contingent liabilities and share purchase obligations totalling £11.0m, with settlement dates that are variable and extend until 2018. These payments are structured as part cash and part shares, generally at the option of the group, and we expect to be covered by cash flow.

Sensitivities

Our base-case scenario makes five key assumptions. A material change in any of these has the potential to surprise either on the upside or downside. In addition to these sensitivities, the group has no finance director in place following the departure of the CFO in October 2013:

- major clients are retained;
- the dollar does not weaken or strengthen significantly;
- the technology market continues to grow slightly better than global GDP, and the consumer sector grows in line with global GDP;
- key employees are retained; and
- the 'Digital Transition Plan' (initiated in H113) is successfully implemented.

Results for the year to 31 July 2013

FY13's record £96.1m revenue reflects the highest-ever revenue at four of the group's largest agencies. While the US businesses delivered 11.4% growth, overall revenue growth was affected by client losses (primarily in the UK) and essentially flat business in Asia and Europe. However, it was accounting issues at two of Bite's 12 offices that seriously affected the group's profitability by c £1.6m, which has not been treated as an exceptional item. Overall staff costs of £68.3m rose to 71.1% (FY12 68.5%) of net revenues. After head office expenses of £4.8m, up 14.1% from £4.2m in FY12, adjusted operating profit declined by 18.2% to £8.2m (FY12: £10.1m). The adjusted tax charge of £2.9m (FY12: £2.7m) reflects a significantly higher overall rate of 37.4% (FY12: 27.9%) in part due to losses in certain areas, notably the UK and Germany, where management has decided it would not be prudent to recognise deferred tax assets. In consequence, adjusted diluted EPS fell 34% to 6.65p (FY12: 10.1p).

FY13 revenue up 4.9%, led by 10% US organic growth

The Specialist Agencies recorded a strong year with revenue up 15.0% and adjusted operating margin increasing to 18.2% (FY12: 17.1%). Revenue rose 3.2% in the Integrated Communications division, however, the impact of the issues at Bite lead to a fall in its adjusted operating profit margin to 12.6% (FY12: 15.3%).

Exhibit 1: Analysis of revenue by reporting segment

	Integrated Communications		Specialist Agencies		Total	
£000s	FY12	FY13	FY12	FY13	FY12	FY13
Revenue	78,101	80,570	13,482	15,499	91,583	96,069
Adjusted operating profit	11,934	10,170	2,299	2,828	14,233	12,998
%						
Adjusted operating profit margin	15.3	12.6	17.1	18.2	15.5	13.5

Source: Company FY13 preliminary results, Edison Investment Research. Note: Adjusted operating profit is before head office expenses, intangible amortisation, exceptionals and acquisitional share-based payments.

Big rise in US adjusted operating profit margin, poor elsewhere

US revenue rose 11.4%, boosted by 10% organic growth, and grew to 54.6% (FY12: 51.4%) of group net revenue, and a solid increase in operating margin – this provides some reassurance around the fundamental model and the strategic direction of the group. However, overall revenue growth and margins were affected by client losses (primarily in the UK) and essentially flat business in Asia and Europe, while the Bite issues materially hit operating margins in the UK and Europe.

Exhibit 2: Revenue and adjusted operating margin analysis by geography

	Revenue by geography %		Adjusted operating profit margin %	
	FY12	FY13	FY12	FY13
US & Canada	51.4	54.6	19.8	22.5
UK	21.6	19.9	16.9	6.0
Asia Pacific	15.6	14.6	4.7	1.9
Europe & Africa	11.4	10.9	8.7	(2.1)

Source: Company FY13 preliminary results, Edison Investment Research. Note: Adjusted operating profit is before head office expenses, intangible amortisation, exceptionals and acquisitional share-based payments.

FY14 estimate marginally reduced

Management has stated that the group has made a good start to FY14 and has already added work from clients such as Sainsbury's, Anheuser Busch and HBO. With the issues at Bite reported to have been identified and provisioned, we are not expecting an ongoing drain on profitability, though we are marginally reducing our FY14 estimate for revenue by £1m to £102m (in part due to concerns regarding client Blackberry) and normalised EPS estimate to 9.3p (from 9.7p).

Company description: Accelerating digital investment

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 fewer businesses. The group's strategy is to improve its margins while generating organic growth from existing digital marketing communications and PR brands, including cross-selling its network to its existing client base, and supplement this with targeted acquisitions that offer growth potential and complement the group's existing PR businesses. Since late 2009, Next Fifteen has been moving its business model towards an increased focus on digital marketing services and continues to explore ways to expand its digital capabilities through a mix of organic investment, through the implementation of a £2m 'Digital Transition Plan' commenced in H113, and targeted acquisitions.

The group has two segmented divisions: Integrated Communications and Specialist Agencies.

Within Integrated Communications, there are three broad technology PR brands: Text 100, Bite, and Outcast. Technology PR remains at the heart of the group. There are two consumer PR brands: Lexis PR, which focuses primarily on the UK consumer sector, and M Booth & Associates, a leading consumer PR consultancy based in New York.

Within Specialist Agencies, the group owns two pure digital and research consultancies, 51% of Beyond and 100% of Redshift Research, as well as 85% of The Blueshirt Group, a US corporate and financial PR agency; 76% of 463 Communications, a US policy communications agency and, since April 2013, 80% of Connections Media, a full service digital agency specialising in politics and public affairs. During FY13, the group invested in the start-up of Agent 3, a digital marketing agency.

Integrated Communications division (84% of FY13 net revenues)

The technology brands

Text 100 **www.text100.com**

Text 100 is a top 20 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.

With award-winning practices covering all public relations disciplines, Text 100 represents leading brands with 25 offices in major cities worldwide. To facilitate global coverage, these are supplemented by a number of licensed and affiliate partners in other locations, including three Latin American locations in partnership with the Jeffrey Group, Central and Eastern Europe, the Middle East, and, through the ASEAN Network, Southeast Asia.

Bite Communications **www.bitecommunications.com**

Bite provides a range of services from media, analyst and influencer relations to online strategy and social media communications. It is a global consultancy with more than 200 people and offices in 14 cities across North America, Europe and Asia Pacific. Over the past four years, a number of acquisitions have been integrated into Bite, including 55% of Upstream's marketing communications trading subsidiaries in Asia (with an option to acquire the balance over a five-year period based on the profitability of the acquired businesses), Hong Kong digital marketing firm, OneXeno, and an 80% stake in Munich-based agencies, Trademark PR and Trademark Consulting. During FY13, Bite merged its operations with Bourne, which Next Fifteen acquired in May 2011 (an 80% stake) and in April 2012 (the remaining 20%). Bourne adds to Bite high value, strategic planning services across all digital channels, embedding strategy, customer insight and imaginative business processes at the heart of large-scale online marketing programs.

The OutCast Agency (85% owned) **www.theoutcastagency.com**

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 co-presidents of the business, and has offices in San Francisco and New York. OutCast was awarded PR Week's Corporate Branding Campaign award for 2011 for its work for Bloom Energy. In August 2012, 15% of the group's OutCast 100% holding was transferred to senior staff under a long-term incentive plan.

The consumer brands

Lexis Public Relations **www.lexispr.com**

Next Fifteen took an initial 25% stake in August 2005 and became a fully owned subsidiary in October 2008. Lexis operates as a separate business under its own brand and has offices in London and New York. 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. In September 2010 Lexis acquired the UK-based Glasshouse Partnership, a corporate communications and marketing agency and in May 2012 acquired 71.8% of Paratus, a UK PR agency with digital expertise.

M Booth & Associates **www.mbooth.com**

M Booth was acquired by Next Fifteen in August 2009. Headquartered in New York, it is a leading PR consultancy in North America, and Next Fifteen's aim is to integrate M Booth and Lexis and for these two businesses to work together on further international expansion. Specialising in building strong and powerful brands, M Booth represents some of the world's best-known corporations and products across several industries – consumer goods, consumer health, beauty, fashion and retailing, travel and lifestyle, food and beverage, wine and spirits, online brands, corporate communications and technology.

Specialist Agencies (16% of FY13 revenues)

Pure digital and research consultancies

Beyond (51% owned) **www.bynd.com**

Beyond was launched in September 2010 by integrating Context Analytics, Text 100's research and analytics business, and Type3, a digital creative agency acquired in August 2010. Next Fifteen owns 51% of Beyond, while the rest is owned by three employee shareholders. The latter have the option to sell part of their shareholding to the group at certain dates in 2013 to 2015. By October 2015, the group expects to increase its holding in Beyond to 75%. In August 2012, Beyond acquired Content and Motion, a small social marketing agency based in the UK, for a 6.5% stake in Bourne and an initial cash payment of £0.4m and a further £0.1m maximum earn-out consideration. Next Fifteen has a share purchase obligation for this 6.5% holding.

Beyond's mission is to rethink the traditional digital agency approach and use a combination of earned, owned and paid media to maximise relevant traffic to brand properties and experiences. It combines the capabilities of a traditional digital agency, but with an emphasis on the disciplines of listening and influence more often associated with PR agencies. Beyond uses conversation analytics to help understand what people are talking about online, where they are and who influences them; search experts to establish what content people are looking for online; and creative insight to develop engaging content on traditional and mobile brand properties such as

YouTube, LinkedIn and Facebook. Beyond's offices are in London, Brighton, New York and San Francisco.

Redshift Research **www.redshiftresearch.co.uk**

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. Through its office in the UK and a presence in the US, Redshift offers a wide range of research services, including: opinion surveys, website evaluations, customer satisfaction, branding research, market segmentation and new product development.

Agent 3 **www.agent3.com**

During FY13, the group invested in the start-up of Agent 3, a digital marketing agency, which sells technology platforms and data-based marketing services that help companies connect their CRM systems to their marketing activities. The three founders of this agency were previously senior members of staff at Bite.

Corporate Communications

The Blueshirt Group (85% owned) **www.Blueshirtgroup.com**

In November 2010, Next Fifteen acquired an 85% stake in US corporate and financial PR agency, The Blueshirt Group. The initial consideration was $3m with a further expected $8m based on performance over four years. Blueshirt provides strategic investor relations to both public and private companies, as well as venture capital firms, to help them effectively communicate with Wall Street, investors and the media.

463 Communications (76% owned) **www.463.com**

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. 463 has offices in Washington DC and San Francisco, California. It specialises in helping technology companies with their policy, regulatory and public sector opportunities at state, federal and international levels. The group has an obligation to purchase the outstanding minority over seven years.

Connections Media (80% owned) **www.connectionsmedia.com**

Founded in 2004, Connections Media is a full service digital agency specialising in politics and public affairs. It provides complete digital campaign services including: strategy, design, advertising, social media, and customised technology development to select political, advocacy and corporate public affairs clients. Connections Media has offices in Washington DC and New York City. In April 2013, Next Fifteen acquired an 80% stake for an initial consideration of $1.85m cash. Deferred consideration may be payable (in cash or up to 25% in Next Fifteen shares at the option of Next Fifteen) over five years subject to the achievement of certain revenue and profit performance targets.

Sensitivities

Fundamental to our analysis is an assumption that there will be no further internal control provisions at the company. Our base-case scenario makes five key assumptions: 1) major clients are retained; 2) the dollar does not weaken or strengthen significantly; 3) the technology market continues to grow slightly better than global GDP, and the consumer sector grows marginally less than global GDP; 4) the 'Digital Transition Plan' is successfully implemented; and 5) key employees are retained. A material change in any of the above has the potential to surprise either on the upside or downside. In addition to these sensitivities, the group has no finance director in place following the departure of the CFO in October 2013.

Major client retention

We understand that the group's largest 10 clients represent around a quarter of net revenue, with no one client larger than 5%. 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 and IBM has been one of the group's largest clients for over 10 years.

Foreign currency exposure

The group does have significant exposure to foreign currency movements, primarily the US dollar and, to a lesser extent, the euro and Australian dollar. During FY13, 78.4% of net revenue was generated outside the UK. If expansion continues in North America and other international locations, this risk could increase.

Sector focus

The group is primarily exposed to the technology market and, to a lesser extent, to the consumer sector. Corporate PR budgets are closely correlated with turnover, with a lag of only a few months. Next Fifteen is one of the world's leading providers of PR services to the technology industry, with an estimated market share of c 10%. We expect the group will remain primarily focused on the tech sector and can grow revenues at a faster pace than the overall sector due to its expertise in the faster growing digital arena.

The 'Digital Transition Plan' is successfully implemented

In response to the rapidly changing client requirements, Next Fifteen is initiated in H113 a 'Digital Transition Plan' to accelerate the group's transition towards more pure and hybrid digital services. Management anticipates a £2m investment over a two-year period, of which c £1.0m fell in FY13. The costs of this plan are being treated as non-recurring restructure costs and as such are excluded in the adjusted P&L data.

Key employee retention: Employee incentives and share options

Next Fifteen has a Long-Term Incentive Plan (LTIP), which 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 10% pa over three out of four consecutive financial years after the award of performance shares. At 31 July 2013, the group has outstanding options and performance shares totalling 6.3m shares that could be potentially issued under existing plans.

Valuation: Fairly attractive; 'show-me' stock short term

The near 20% fall in the Next Fifteen share price following the disclosure of the issues at Bite and the departure of the long-serving finance director announcement on 29 October have put the relative prospective valuation rating of the group at a fairly attractive level. However, it may be some months before investors may consider placing a much higher valuation as they await the appointment of a new Finance Director and evidence that the internal control issues has been totally resolved. That being said, the group would appear to be well placed to take advantage within the radically changing marketing sector as it transitions its business model to increased focus on digital marketing services.

Next Fifteen's prospective 7.8x P/E for the year to 31 July 2014 compares with consensus P/Es of 13.2x for Chime, 11.3x for Huntsworth and 8.1x for Creston. Mega advertising group comparators Omnicom (which is in the process of a 'merger of equals' with Publicis) and WPP trade at higher prospective P/Es of 16.7x and 15.6x. In addition, Next Fifteen's historic EV/EBITDA and EV/revenue are both significantly lower than all the companies in our comparison table (Exhibit 3). While we believe that the group can return to solid profit group in the medium term, we intend to formulate a FY15 EPS estimate following the appointment of a new permanent finance director.

We contend that the group's expertise in the digital arena, supported by its 30-year specialisation in the tech sector, provides some encouragement that the group's historical premium P/E rating to similar-sized peers can be re-achieved in the medium term.

Exhibit 3: Proxy comparison table

	Ticker	Price	Mkt Cap	Hist	Hist	Hist	P/E	P/E	Yield
		p/$	£m/$m	YE	EV/Rev	EV/EBITDA	Jul-14*	Year2	Jul-14*
Chime	CHW	314.0	271	Dec-12	1.7	12.1	13.2	11.7	2.5
Creston	CRE	99.5	61	Mar-13	0.7	4.2	8.1	7.8	4.0
Huntsworth	HNT	65.6	209	Dec-12	1.6	9.5	11.3	11.1	5.3
Omnicom (US)	OMC (US)	69.0	17,741	Dec-12	1.4	9.3	16.7	16.0	2.5
WPP	WPP	1,326.0	17,756	Dec-12	2.0	11.8	15.6	15.1	2.8
				Average	1.5	9.4	13.0	12.3	3.4
Next Fifteen	NFC	73.0	44	Jul-13	0.5	4.0	7.8	n/a	3.9

Source: Thomson Reuters, Edison Investment Research. Note: Prices as at close on 1 November 2013. * Straight line adjustment to 31 July 2014 year-end.

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

Financials: Acquisition liabilities covered by cash flow

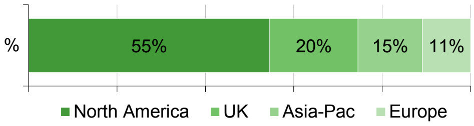
After over 20 years of primarily organic growth, the group began its strategy of boosting growth through acquisition. During the past nine years, a series of acquisitions has been integrated successfully into the group. Most of these acquisitions included performance-related payments stretching over a number of years and, for some deals, the group has also made an undertaking to acquire outstanding minorities. These payments have been structured as part cash and part shares, generally at the option of the group. These M&A liabilities are included in the balance sheet under deferred/contingent consideration and share purchase obligations.

At 31 July 2013, the group had deferred consideration of £1.3m, contingent consideration of £2.9m and share purchase obligations of £3.3m in non-current liabilities, and contingent consideration of £3.2m and £0.3m of share purchase obligations in current liabilities. These amounts have been calculated based on the group's discounted estimates of the most likely outcome for the profitability of each of the acquired businesses. The quantum of these obligations is dependent of estimations of forecast profitability of the individual acquired businesses. In addition, it should be noted that settlement dates are variable and range from 2013 and 2018. We have included cash payments of £4.5m in our FY14 cash flow estimate and we expect this amount to be adequately covered by operating cash flow.

Exhibit 4: Financial summary

Year-ending 31 July	£000s	2009	2010	2011	2012	2013	2014e
Accounting basis		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Billings		77,287	91,175	105,163	108,453	113,360	120,000
Revenues		65,394	72,328	86,035	91,583	96,069	102,000
EBITDA		7,272	8,930	11,518	12,858	11,358	13,280
Operating Profit (before GW and except.)		5,591	6,992	8,823	10,047	8,229	10,130
Goodwill Amortisation		0	0	0	0	0	0
Exceptionals		(2,091)	(1,308)	(871)	(3,630)	(5,620)	(2,515)
Other		0	0	0	14	(79)	0
Operating Profit		3,500	5,684	7,952	6,431	2,530	7,615
Net Interest		(342)	(380)	(425)	(472)	(445)	(330)
Profit Before Tax (norm)		5,249	6,612	8,398	9,589	7,705	9,800
Profit Before Tax (FRS 3)		3,158	5,304	7,527	5,959	2,085	7,285
Tax		(884)	(1,591)	(2,260)	(1,652)	(1,364)	(2,150)
Profit After Tax (norm)		3,750	4,638	5,854	6,914	4,820	6,885
Profit After Tax (FRS 3)		2,274	3,713	5,267	4,307	721	5,135
Minorities		(342)	(38)	(270)	(401)	(393)	(600)
Net income (normalised)		3,408	4,600	5,584	6,513	4,427	6,285
Net income (FRS3)		1,932	3,675	4,997	3,906	328	4,535
Average Number of Shares Outstanding (m)		52.6	54.4	54.9	57.0	59.1	59.8
EPS - normalised (p)		6.5	8.4	10.2	11.4	7.5	10.5
EPS - normalised fully diluted (p)		6.5	7.5	8.7	10.1	6.6	9.3
EPS - FRS 3 (p)		3.7	6.7	9.1	6.8	0.6	7.6
Dividend per share (p)		1.70	1.85	2.05	2.30	2.55	2.85
EBITDA Margin		9%	10%	11%	12%	10%	11%
Operating Margin (before GW and except.)		9%	10%	10%	11%	9%	10%
BALANCE SHEET							
Non-current assets		22,618	31,919	44,336	48,227	49,457	47,007
Intangible Assets		18,441	27,111	37,926	41,019	41,369	39,219
Tangible Assets		1,949	2,269	3,067	2,721	3,165	2,865
Other non-current assets		2,228	2,539	3,343	4,487	4,923	4,923
Current Assets		22,840	29,470	34,769	33,337	37,593	37,781
Debtors		15,710	22,174	26,252	24,901	29,529	29,150
Cash		7,130	7,296	8,517	8,436	8,064	8,631
Current Liabilities		(15,237)	(25,248)	(26,095)	(24,230)	(30,390)	(28,723)
Creditors		(14,887)	(20,009)	(25,767)	(23,946)	(29,675)	(28,008)
Short term borrowings		(350)	(5,239)	(328)	(284)	(715)	(715)
Long Term Liabilities		(5,319)	(8,562)	(20,677)	(20,106)	(18,467)	(13,967)
Long term borrowings		(4,995)	(2,908)	(9,760)	(10,756)	(9,157)	(9,157)
Other long term liabilities		(324)	(5,654)	(10,917)	(9,350)	(9,310)	(4,810)
Net Assets		24,902	27,579	32,333	37,228	38,193	42,098
CASH FLOW							
Operating Cash Flow		6,261	6,572	11,905	10,052	11,188	10,797
Net Interest		(342)	(380)	(417)	(470)	(435)	(330)
Tax		(1,476)	(1,465)	(2,618)	(2,520)	(2,686)	(2,150)
Capex		(307)	(1,936)	(2,202)	(957)	(2,113)	(1,700)
Acquisitions/disposals		(4,549)	(4,251)	(6,078)	(5,664)	(3,020)	(4,500)
Financing		(479)	(296)	(66)	(264)	(693)	0
Dividends		(900)	(932)	(1,045)	(1,208)	(1,409)	(1,550)
Other		0	0	0	0	0	0
Net Cash Flow		(1,792)	(2,688)	(521)	(1,031)	832	567
Opening net debt/(cash)		(3,410)	(1,785)	851	1,571	2,604	1,808
Finance leases		(225)	(150)	(90)	(72)	(59)	0
Other		392	202	(108)	70	23	0
Closing net debt/(cash)		(1,785)	851	1,570	2,604	1,808	1,241

Source: Next Fifteen Communications, Edison Investment Research

Contact details	Revenue by geography
The Triangle, Level 5 5-17 Hammersmith Grove London W6 0LG, United Kingdom +44 (0)20 8846 0770 www.next15.com	

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2010-14e	5.3%	ROCE 13	18.4%	Gearing 13	5.0%	Litigation/regulatory	○
EPS 2012-14e	N/A	Avg ROCE 2010-14e	21.7%	Interest cover 13	18.5x	Pensions	○
EBITDA 2010-14e	10.4%	ROE 13	12.3%	CA/CL 13	1.2	Currency	◖
EBITDA 2012-14e	1.6%	Gross margin 13	N/A	Stock days 13	N/A	Stock overhang	○
Sales 2010-14e	9.0%	Operating margin 13	7.3%	Debtor days 13	95.1	Interest rates	◖
Sales 2012-14e	5.5%	Gr mgn / Op mgn 13	N/A	Creditor days 13	86.2	Oil/commodity prices	○

Management team

CEO: Tim Dyson

Tim Dyson joined the group in 1984 and became CEO in 1992. He was one of the early pioneers of tech PR, working on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM, Sun and Intel. Mr Dyson moved from London to set up the group's first US business in 1995 and is now based in Palo Alto. He is also on the advisory boards of a number of emerging tech companies.

CFO: TBA

Following the departure on 29 October 2013 of David Dewhurst, who joined the board as CFO in 1999, the board intends to recruit an interim finance director while a search for a permanent replacement takes place.

Non Executive Chairman: Richard Eyre

Richard Eyre was appointed non executive chairman in May 2011.He is also chairman of the Internet Advertising Bureau and the Eden Project, and is a non-executive director of Grant Thornton LLP and Results International Group LLP. He was formerly CEO of ITV Network and Capital Radio.

Principal shareholders	(%)
Liontrust Investment Partners	19.2
Octopus Investments	9.8
Herald Investment Management	8.8
Tim Dyson (CEO)	8.4
River and Mercantile Asset Management	5.4
Hargreave Hale	5.3
Tom Lewis (Co-founder and former director)	4.7
JO Hambro Capital Management	3.1

Companies named in this report

Anheuser Busch (BUD.O), Blackberry (BBRY.O), Chime (CHW.L), Creston (CRE.L), Facebook (FB.O), Huntsworth (HNT.L), LinkedIn (LNKD.N), Omnicom (OMC.N), Publicis (PUB.PA),Sainsbury's (SBRY.L), WPP (WPP.L)