

**Next 15 Group plc**  
("Next 15" or the "Group")

**Results for the year ended 31 January 2023**

**Record performance driven by strong organic revenue growth and M&A execution across all four business segments**

**Resilient outlook; full year performance anticipated to be in line with management expectations**

Next 15 Group plc (AIM:NFG), the tech and data-driven growth consultancy, today announces its final results for the year ended 31 January 2023.

**Financial results for the year to 31 January 2023**

	Year ended 31 January 2023 £m	Year ended 31 January 2022 £m	% change year on year
<b><u>Adjusted results</u><sup>1</sup></b>			
Net revenue	563.8	362.1	56%
Adjusted operating profit after interest on finance lease liabilities	114.2	79.3	44%
Adjusted operating profit margin	20.2%	21.9%	
Adjusted profit before tax	112.5	79.3	42%
Adjusted diluted earnings per share (p)	80.4p	59.7p	35%
<b><u>Statutory results</u></b>			
Net cash generated from operations <sup>2</sup>	95.2	88.8	7%
Revenue	720.5	470.1	53%
Operating profit	67.2	40.0	68%
Profit/(loss) before tax <sup>3</sup>	10.1	(80.1)	
Diluted earnings/(loss) per share (p)	1.5p	(74.9)p	

<sup>1</sup>Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the Group by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within the appendix.

<sup>2</sup>Comparatives have been restated to reclassify certain acquisition related payments. Further detail is included on page 17.

<sup>3</sup>In the prior, the statutory loss before tax was principally due to acquisition related accounting, the majority of which relates to the increased earnout payable over the next five years to Mach49 equity holders.

**Financial and Operational Highlights**

- Group net revenue growth of 56% to £563.8m and statutory revenue growth of 53%, aided by acquisitions
- Organic net revenue growth of 20.7% with strong growth across all segments
- Adjusted profit before tax up 42% to £112.5m
- Statutory operating profit up 68% to £67.2m
- Adjusted diluted earnings per share increased by 35% to 80.4p
- Final dividend of 10.1p per share, representing an increase of 20%
- Strong balance sheet with net cash of £26.1m at 31 January 2023
- Significant new client wins and expanded assignments with Morrisons, BiC and Mercedes-Benz
- Completed seven acquisitions, including the acquisition of Engine Acquisition Limited ("Engine") in March 2022 for consideration of £67.3m, which has since been successfully integrated into the Group
- Mach49 entered into a five-year strategic alliance with a global technology and digital company, total fees over the initial life of the contract expected to be in excess of \$400m

## **Current trading and outlook**

The new financial year has started well with performance year to date in line with management expectations.

Performance continues to be robust across all four business segments; underpinned by the significant Mach49 contract win in early 2022, the acquisition of Engine in March 2022 and other new client wins, such as Morrisons for Shopper Media Group (“SMG”), giving us confidence for further growth in the year ahead. Whilst we are mindful of the current economic and geopolitical backdrop, given the strength of our business we remain confident in meeting management expectations for the full year.

The Group’s strong liquidity position provides scope for further investments both in the businesses and in M&A to accelerate our longer-term growth.

## **Commenting on the results, Chair of Next 15, Penny Ladkin-Brand said:**

“Last year we dramatically stepped up our growth by combining organic wins with the successful execution of strategic M&A. We completed our largest ever acquisition in Engine and saw significant organic revenue growth across the business leading to a record performance for the Group. The Board will continue its disciplined approach when evaluating the Group’s portfolio and remains confident in Next 15’s ability to continue its trajectory this year. Against the backdrop of macroeconomic uncertainty, we believe our agile structure and entrepreneurial mindset will serve to deliver growth opportunities for our people, customers and shareholders alike.”

## **Tim Dyson, CEO of Next 15, said:**

“This year has seen a very strong performance with all four pillars of our business delivering strong levels of organic revenue growth. Our US operations have shown exceptional growth with the region now representing 52% of our total net revenues. We have also benefitted from a significant contract win by Mach49 at the start of the year and the acquisition of Engine which has been successfully integrated into our Group and is now making a very positive contribution to the Group’s trading.”

“Looking ahead, our positive trading has continued into our new financial year with good levels of activity across all four parts of the business. We have continued to see strong levels of spend from all of our major customers. In addition, our work with the public sector has remained strong and is anticipated to grow in the current year. We therefore expect our results for the full year to be in line with management expectations.”

## **Name change**

As announced on 18 April 2023, the Group has officially changed its name to Next 15 Group plc (ticker: NFG). This reflects that the Group no longer derives the bulk of its work from marketing communications having evolved into a tech and data-driven growth consultancy.

## **Webcast for analysts and investors**

Next 15 will host an analyst and investor webcast at 9:30 today, Tuesday 25 April 2023.  
To access the webinar, please contact [next15@mhpgroup.com](mailto:next15@mhpgroup.com)

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## **Notes:**

### *Net revenue*

Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

### *Organic net revenue growth*

Organic net revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions and disposals in the last 12 months. For acquisitions made in the prior year, only the corresponding months of ownership are included in the calculation of growth. Net revenue is reconciled to statutory revenue within the appendix and a reconciliation of the movement in the year is included in the net revenue bridge on page 7.

### *Adjusted operating profit margin*

Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue. Adjusted operating profit after interest on finance lease liabilities is reconciled to statutory results within the appendix.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation.

## About Next 15

Next 15 (AIM:NFG) is an AIM-listed tech and data-driven growth consultancy with operations in Europe, North America and across Asia Pacific. The Group has a strong track record of creating and acquiring high-performance businesses. For acquired businesses it offers an opportunity to take advantage of the Group's global operational infrastructure and centralized resources to accelerate their growth. The Group has long-term customer relationships with many of the world's leading companies including Google, Amazon, Facebook, Microsoft, IBM, American Express and Procter & Gamble.

The business operates across four segments, each of which describes how we help customers grow in different ways: Customer Insight helps them understand their opportunities and challenges; Customer Engagement optimises their reputation and digital assets; Customer Delivery helps them connect with customers to drive sales; and Business Transformation helps maximize long-term value through corporate positioning, business design and the development of new ventures.

At Next 15, success is underpinned by a people-led approach. Our purpose is to make our customers and our people the best versions of themselves, and our culture is empowering and respectful.

Our goal is to deliver above-market growth. Our net revenues have grown by 186% over the last five years and we are aiming to double the size of the business in the next four years. This will be driven by the quality of the businesses, the strength of our customer relationships, the support our model gives them, and strong tech, data and digital tailwinds.

## Chairman and Chief Executive's Statement

### Review of FY23

This has been a very strong performance with all four pillars of our business delivering strong organic revenue growth. The Group grew at its fastest pace in over a decade to deliver net revenues of £563.8m and adjusted profits of £112.5m. Adjusted earnings per share grew from 59.7p to 80.4p. We completed six small acquisitions, won the largest contract in our history, garnered countless awards, raised £50m of funding to partly fund the acquisition of Engine, our largest acquisition to date.

The statutory operating profit increased by 68% to £67.2m (2022: £40.0m) and diluted profit per share was 1.5p, compared with a diluted loss per share of 74.9p in the previous year.

### Strategy

The Group is set up to solve the biggest challenge facing all of our customers, which is driving sustainable growth. There are many ways we help our customers grow, but we believe we have a unique advantage in four areas:

- Customer Insight
- Customer Engagement
- Customer Delivery
- Business Transformation

Our **customer insight** business is set up to help customers understand the opportunities and challenges they face and arm them with the knowledge they need to make the best decisions.

Our **customer engagement** business is designed to help our customers optimize their brand reputation and build the mission-critical digital assets such as ecommerce platforms, apps and websites that are the window through which much of the world's commerce is now transacted.

**Customer delivery** businesses are deeply specialised to use creativity, data, and analytics to create the connections with customers to drive sales and other forms of interaction. This link in the chain is increasingly digital. Businesses want to anticipate what their customers want and when they will want it. It is perhaps not surprising that this is a high growth area for our Group.

**Business transformation** is where customers need our help to either redesign their business model or create entirely new ventures. It is also the area where they need our help to understand how to maximise the value of the organisation.

### Acquisitions

The Group has continued to grow its portfolio of businesses. In March 2022, the Group acquired Engine, which operated as three businesses. Post-acquisition the three businesses have been separated and we have created MHP, which provides corporate communications to a broad range of global clients. Transform, which provides digital transformation consultancy to mostly Government departments and House 337, which provides creative solutions to UK clients and has since been merged with ODD. Engine's clients include Astra Zeneca, the Department for Education and Sky.

The Group acquired Engine for £67.3m cash on completion, partly funded by an equity placing which raised gross proceeds of approximately £50m. Annualised head office synergies in excess of £3m have been successfully realised ahead of expectations and all London based Next 15 brands have been consolidated into Engine's offices. Since acquisition, Transform and House 337 have both seen a margin improvement through an improved operating model, with MHP delivering encouraging revenue growth at an already strong margin. The high-quality integration has been a success and the Group expects to deliver a return on the initial investment of at least 20%, based on strong expected level of profits to be delivered during FY24.

During the year Savanta, our Customer Insight business, acquired Motif in the UK, and Infosurv, in the US.

## Dividend

The Board is recommending the payment of a final dividend for the year ended 31 January 2023 of 10.1p per share, which would represent a total dividend of 14.6p for the year. The final dividend represents an increase of 20% on the final dividend in the prior year.

## Review of Adjusted Results to 31 January 2023

In order to assist shareholders' understanding of the performance of the business, the following commentary is focused on the adjusted performance for the 12 months to 31 January 2023, compared with the 12 months to 31 January 2022. The Directors consider these adjusted measures to be highly relevant as they reflect the trading performance of the business and align with how shareholders value the business. They also give shareholders more information to allow for understandable like-for-like year-on-year comparisons and more closely correlate with the cash and working capital position of the Group.

ADJUSTED RESULTS <sup>1</sup>	Year Ended	Year Ended
	31 January 2023	31 January 2022
	£'000	£'000
Net revenue	563,799	362,103
Operating profit after interest on lease liabilities	114,169	79,347
Operating profit margin	20.2%	21.9%
Net finance expense	(1,631)	(290)
Share of profits from associate	-	211
Profit before income tax	112,538	79,268
Effective tax rate on adjusted profit	23.3%	21.6%
Diluted adjusted earnings per share	80.4p	59.7p

<sup>1</sup>Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results below and within the appendix.

The Group has continued to trade very strongly over the last 12 months despite the macro-economic headwinds with all parts of the business making a positive contribution to the Group's performance. We had a particularly encouraging performance in the first half of the year following the acquisition of Engine and the significant contract win for Mach49. This continued into the second half albeit at not quite the rate of the first half, as we were modestly impacted by the global tech slowdown.

Profitability was also positively enhanced in the first half given the nature of the Mach49 contract win whereby we accounted for the contracted revenue equally across the year, but the costs were phased in the second half as we geared up for a significant increase in the revenue and deliverables in our new financial year. This had the impact of increasing the Group's underlying profit in our first half by approximately £5m which we reinvested in the second half.

The trading performance was strongest in our Customer Delivery and Business Transformation segments as clients focused on maximising their revenue growth and adapting their business models to a digital-first environment, whilst our Customer Insights and Customer Engage segments also saw encouraging revenue growth.

Our total Group net revenues increased by 56% (2022: 36%) and organic net revenue growth was 20.7% (2022: 26.1%). We acquired Engine in March 2022, which was operating at a lower margin, which depressed the Group's operating margin in FY23. This together with the expected return of some costs post Covid has resulted in our operating margin decreasing to 20.2% (2022: 21.9%). The current financial year will be the first full year of our ownership of Engine, and we expect to see the impact of our growth plan and the synergies set out at the time of the acquisition. This is expected to contribute to a modest increase in the Group's margin in the current financial year.

Most of our agencies performed well last year with the standout performances being from Activate, M Booth Health, Brandwidth and Mach49, which each grew their revenue above 30% and showed good margin progression. Our B2B agencies performed very strongly whilst our B2C agencies continued to recover from the impact of the pandemic in the prior year.

## Net revenue bridge

	Net Revenue (£'m)	Movement (% of prior year net revenue)	
<b>Year to 31 January 2022</b>	<b>362.1</b>		
Organic growth	75.1	+ 20.7%	(FY22: + 26.1%)
Acquisitions	93.6	+ 25.8%	(FY22: + 14.9%)
Impact of FX	33.0	+ 9.1%	(FY22: - 5.4%)
<b>Year to 31 January 2023</b>	<b>563.8</b>		

## Reconciliation between statutory and adjusted profit

For the year to 31 January 2023, the Group delivered net revenue of £563.8m (2022: £362.1m), adjusted operating profit of £114.2m (2022: £79.3m), adjusted profit before income tax of £112.5m (2022: £79.3m) and adjusted diluted earnings per share of 80.4p (2022: 59.7p).

Statutory revenue for the year was £720.5m (2022: £470.1m) which resulted in an operating profit of £67.2m compared with £40.0m in the previous year. Diluted earnings per share was 1.5p, compared with a loss per share of 74.9p in the previous year.

While adjusted operating profit increased by 44% to £114.2m (2022: £79.3m), reflecting the very strong trading of the Group, we made a statutory profit before tax of only £10.1m (statutory loss in 2022: £80.1m). The low statutory profit before tax was mostly caused by the increase in the expected Mach49 earn-out as well as acquisition related accounting, including the amortisation of acquired intangibles.

	Year ended 31 January 2023	Year ended 31 January 2022
	£'000	£'000
<b>Profit/(loss) before income tax</b>	<b>10,109</b>	<b>(80,139)</b>
Acquisition accounting related costs <sup>1</sup>	89,261	151,856
Charge for one-off employee incentive schemes	596	5,891
Costs associated with restructuring	2,302	-
Deal costs	5,521	486
Property impairment	4,749	233
Gains on investment activities	-	(455)
UK furlough grant	-	1,396
<b>Adjusted profit before income tax<sup>2</sup></b>	<b>112,538</b>	<b>79,268</b>

<sup>1</sup> Acquisition accounting related costs includes unwinding of discount and change in estimate on deferred and contingent consideration and share purchase obligation payable, employment linked acquisition payments and amortisation of acquired intangibles.

<sup>2</sup> A full reconciliation and further detail is set out in the appendix.

## Segment adjusted performance

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transfor mation £'000	Head Office £'000	Total £'000
<b>Year ended 31 January 2023</b>						
<b>Net revenue</b>	<b>274,951</b>	<b>102,096</b>	<b>51,985</b>	<b>134,767</b>	-	<b>563,799</b>
<b>Adjusted operating profit / (loss) after interest on finance lease liabilities</b>	<b>55,432</b>	<b>30,191</b>	<b>11,049</b>	<b>43,855</b>	<b>(26,358)</b>	<b>114,169</b>
<b>Adjusted operating profit margin<sup>1</sup></b>	<b>20.2%</b>	<b>29.6%</b>	<b>21.3%</b>	<b>32.5%</b>	-	<b>20.2%</b>
<b>Organic net revenue growth</b>	<b>9.3%</b>	<b>12.0%</b>	<b>10.2%</b>	<b>83.3%</b>	-	<b>20.7%</b>
<b>Year ended 31 January 2022</b>						
<b>Net revenue</b>	<b>187,566</b>	<b>79,951</b>	<b>42,109</b>	<b>52,477</b>	-	<b>362,103</b>
<b>Adjusted operating profit / (loss) after interest on finance lease liabilities</b>	<b>40,434</b>	<b>28,501</b>	<b>9,023</b>	<b>15,221</b>	<b>(13,832)</b>	<b>79,347</b>
<b>Adjusted operating profit margin<sup>1</sup></b>	<b>21.6%</b>	<b>35.6%</b>	<b>21.4%</b>	<b>29.0%</b>	-	<b>21.9%</b>
<b>Organic net revenue growth</b>	<b>15.7%</b>	<b>40.0%</b>	<b>18.6%</b>	<b>99.9%</b>	-	<b>26.1%</b>

<sup>1</sup> Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

The **Customer Insights** segment includes Savanta and Planning-inc. Savanta performed well as its predominantly B2C client base continued to recover from the pandemic. Their UK business was strengthened by the acquisition of Motif, which expanded their client offering in the financial services and healthcare markets, whilst Savanta US grew by over 38% year on year helped by the acquisition of Infosurv, which focuses on employee engagement research. Planning-inc continued to grow their retail client base and developed a suite of products which should facilitate further growth over the next couple of years. Total net revenue increased by 23.5% to £52.0m with organic growth of 10.2%, whilst the adjusted operating profit increased by 22.5% to £11.0m at an adjusted operating margin of 21.3%.

The **Customer Engage** segment includes M Booth, M Booth Health, Outcast, Archetype, Brandwidth, MHP and House 337, which were both acquired as part of the acquisition of Engine in March 2022. M Booth Health, MHP and Brandwidth were the stand-out performers as they expanded their relationships with a broad cross-section of clients including P&G, Google, Astra Zeneca and Dow Chemicals. The segment produced a very positive performance overall with net revenue growing by 46.6% to £275.0m, with organic revenue growth of 9.3%, and delivered an adjusted operating profit of £55.4m at an adjusted operating margin of 20.2%.

The **Customer Delivery** segment includes our Activate, Agent3, Twogether and SMG agencies. This segment is focused on solving short-term revenue challenges for its clients usually through digital products which are easier to determine their return on investment. The Covid pandemic brought an exceptional performance as online growth was often the only route to market for our clients. Growth has moderated somewhat as more traditional routes to market have resumed, but the segment still delivered net revenue growth of 27.7% to £102.1m with organic revenue growth of 12.0%. The adjusted operating profit increased to £30.2m at an adjusted operating profit margin of 29.6%.

The **Business Transformation** segment includes Mach49, Blueshirt, Palladium, and Transform, which was acquired as part of the Engine acquisition. We saw a very strong performance from this segment as the significant contract win for Mach49, which we announced in February 2022, contributed significant revenue and profit growth during the year. Transform made an encouraging start and their operating margin has improved materially during the period. Overall, the segment delivered net revenue growth of 156.8% to £134.8m with organic revenue growth of 83.3%. The adjusted operating profit increased by 188.1% to £43.9m at an adjusted operating profit margin of 32.5%.

## Regional adjusted performance

	UK	EMEA	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Year ended 31 January 2023</b>						
Net revenue	240,971	11,626	293,177	18,025	-	563,799
Adjusted operating profit / (loss) after interest on lease liabilities	42,460	2,826	93,463	1,778	(26,358)	114,169
Adjusted operating profit margin <sup>1</sup>	17.6%	24.3%	31.9%	9.9%	-	20.2%
Organic net revenue growth	11.3%	16.3%	28.2%	11.0%	-	20.7%
<b>Year ended 31 January 2022</b>						
Net revenue	137,491	10,041	199,348	15,223	-	362,103
Adjusted operating profit / (loss) after interest on lease liabilities	30,910	2,504	58,355	1,410	(13,832)	79,347
Adjusted operating profit margin <sup>1</sup>	22.5%	24.9%	29.3%	9.3%	-	21.9%
Organic net revenue growth	18.3%	21.3%	33.2%	11.9%	-	26.1%

<sup>1</sup> Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

In the year to 31 January 2023, total US net revenues grew by 47.1% to £293.2m from £199.3m which included organic growth of 28.2%. In February 2022, Mach49 announced a significant new contract win which added approximately \$65m of revenue during the year. The rest of their business also showed very strong growth. Our lead generation agency, Activate, had an exceptionally strong performance throughout the year, whilst our B2C agency M Booth and its sister agency M Booth Health grew their revenues predominantly by winning new business from existing clients. We also benefitted from a property consolidation which was prompted by the 'working from home' initiative which arose during the pandemic. This has reduced our establishment costs by 3% of revenues as our real estate footprint has materially



reduced, despite our growth in scale. The adjusted operating profit from our US businesses increased by 60.2% to £93.5m compared with £58.4m in the previous 12 months to 31 January 2022, with the operating margin increasing to 31.9% from 29.3% in the prior year.

The UK businesses have delivered an impressive performance over the last 12 months, with net revenue increasing by 75.3% to £241.0m from £137.5m in the prior period. This growth was helped by the Group's acquisition of Engine in March 2022. Our UK businesses achieved organic revenue growth of 11.3%. The adjusted operating profit increased to £42.5m from £30.9m in the prior year with the adjusted operating margin decreasing to 17.6% from 22.5% in the prior year due to the acquisition of Engine, which was operating at a lower margin on acquisition. Operational improvements will result in a much improved operating profit and margin in the new financial year.

The EMEA business continued to perform very well with net revenue increasing by 15.8% to £11.6m (2022: £10.0m) and adjusted operating profit increasing to £2.8m at an impressive adjusted operating margin of 24.3%.

In the APAC region net revenue increased by 18.4% to £18.0m (2022: £15.2m). The operating profit increased to £1.8m at an improved operating margin of 9.9%.

### Balance Sheet and Net Debt

The Group's balance sheet remains in a strong position with net cash as at 31 January 2023 of £26.1m (2022: £35.7m) and net assets of £114.4m (2022: £61.5m). Since the previous year end, intangible assets have significantly increased primarily due to £47.3m of goodwill and £50.4m of acquired intangible assets recognised as a result of the acquisition of Engine.

Contingent consideration also saw a significant increase due to the reassessment of management's estimation of future amounts payable to certain brands, in particular for Mach49, which has now been estimated to hit the \$300m cap on total payments. The estimates around the contingent consideration are considered by management to be an area of significant judgement, which could result in a material adjustment to the value of these liabilities in the future years.

The net cash inflow from operating activities before changes in working capital for the year to 31 January 2023 increased to £119.6m from £88.6m in the prior period. We had a net outflow from working capital of £24.4m due to the unwinding of the positive impact of short-term client payments during Covid as well as the Engine acquisition and very strong revenue performance increasing trade receivables. This resulted in our net cash generated from operations before tax being £95.2m (2022: £88.8m).

Over the year we incurred £111.6m in acquisition-related payments and £7.0m in capital expenditure.

Cash flow KPIs	Year to	Year to
	31 January	31 January
	2023	2022
	£m	£m
Net cash inflow from operating activities before changes in working capital	119.6	88.6
Working capital movement	(24.4)	0.2
Net cash generated from operations	95.2	88.8
Income tax paid	(20.3)	(14.1)
Investing activities	(67.5)	(18.5)
Dividend paid to shareholders	12.7	9.8

### Bank refinancing

On 20 September 2021, the Group agreed a £60m revolving credit facility ("RCF") with HSBC and Bank of Ireland. The facility had a maturity date of September 2024 with an option to extend for a further two years. As part of the arrangement, the Group had a £40m accordion option to facilitate future acquisitions. At the start of this year, £20m of this accordion was committed and available within the RCF.

Subsequent to this and in relation to the Group's offer for M&C Saatchi, the Group entered into an agreement amending and restating the existing facility agreement on 20 May 2022. The total amount available under the amended and restated facilities agreement was £150m, comprising of a £50m term facility and increasing the RCF to £100m. Under the amended and restated facilities agreement, £57.5m was available on a certain funds basis to be used for the acquisition of M&C Saatchi. As a result of the offer to acquire M&C Saatchi lapsing, the £50m term facility was cancelled and the £7.5m of the RCF was no longer on certain funds.

The remaining £100m of the RCF facility is available for permitted acquisitions and working capital requirements. It is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and Euro. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of \$7m (2022: \$7m) which is available for property rental guarantees and US-based working capital needs.

### **Current trading and outlook**

The new financial year has started well with performance year to date in line with management expectations.

Performance continues to be robust across all four business segments; underpinned by the significant Mach49 contract win in early 2022, the acquisition of Engine in March 2022 and other new client wins, such as Morrisons for Shopper Media Group ("SMG"), giving us confidence for further growth in the year ahead. Whilst we are mindful of the current economic and geopolitical backdrop, given the strength of our business we remain confident in meeting management expectations for the full year.

The Group's strong liquidity position provides scope for further investments both in the businesses and in M&A to accelerate our longer-term growth.

**NEXT 15 GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

		Year ended 31 January 2023	Year ended 31 January 2022
	Note	£'000	£'000
Revenue		720,500	470,055
Direct costs		(156,701)	(107,952)
<b>Net revenue</b>	<b>2</b>	<b>563,799</b>	<b>362,103</b>
Staff costs		391,798	258,945
Depreciation		12,187	9,442
Amortisation		25,053	19,317
Other operating charges		67,554	34,414
Total operating charges		(496,592)	(322,118)
<b>Operating profit</b>		<b>67,207</b>	<b>39,985</b>
Finance expense	5	(63,735)	(121,384)
Finance income	6	6,637	1,049
Share of profit from associate		-	211
<b>Profit/(loss) before income tax</b>		<b>10,109</b>	<b>(80,139)</b>
Income tax (expense)/credit	3	(7,123)	14,475
<b>Profit/(loss) for the year</b>		<b>2,986</b>	<b>(65,664)</b>
Attributable to:			
Owners of the parent		1,623	(69,219)
Non-controlling interests		1,363	3,555
		<b>2,986</b>	<b>(65,664)</b>
<b>Earnings/(loss) per share</b>			
Basic (pence)	7	1.7	(74.9)
Diluted (pence)	7	1.5	(74.9)

**NEXT 15 GROUP PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

	Year ended 31 January 2023	Year ended 31 January 2022
	£'000	£'000
<b>Profit/(loss) for the year</b>	<b>2,986</b>	<b>(65,664)</b>
<b>Other comprehensive (expense)/income:</b>		
<i>Items that may be reclassified into profit or loss:</i>		
Exchange differences on translating foreign operations	(1,323)	(963)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation of investments	(448)	7,466
Total other comprehensive (expense)/income for the year	(1,771)	6,503
<b>Total comprehensive income/(expense) for the year</b>	<b>1,215</b>	<b>(59,161)</b>
Attributable to:		
Owners of the parent	(148)	(62,716)
Non-controlling interests	1,363	3,555
	<b>1,215</b>	<b>(59,161)</b>

## NEXT 15 GROUP PLC

### ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS (Unaudited)

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
<b>Net revenue</b>	<b>563,799</b>	<b>362,103</b>
Operating charges	(434,213)	(270,641)
<b>EBITDA</b>	<b>129,586</b>	<b>91,462</b>
Depreciation and Amortisation	(14,052)	(11,072)
<b>Operating profit</b>	<b>115,534</b>	<b>80,390</b>
Interest on finance lease liabilities	(1,365)	(1,043)
<b>Operating profit after interest on finance lease liabilities</b>	<b>114,169</b>	<b>79,347</b>
<i>Operating profit margin</i>	<i>20.2%</i>	<i>21.9%</i>
Net finance expense	(1,631)	(290)
Share of profits of associate	-	211
<b>Profit before income tax</b>	<b>112,538</b>	<b>79,268</b>
Tax	(26,254)	(17,155)
<b>Profit after tax</b>	<b>86,284</b>	<b>62,113</b>
Non-controlling interest	(1,363)	(3,555)
<b>Retained profit</b>	<b>84,921</b>	<b>58,559</b>
Weighted average number of ordinary shares	97,635,507	92,395,619
Diluted weighted average number of ordinary shares	105,680,687	98,087,637
Adjusted earnings per share	87.0p	63.4p
Diluted adjusted earnings per share	80.4p	59.7p
Cash inflow from operating activities before working capital changes	119,560	88,584
Cash outflow on acquisition-related payments	(111,573)	(28,142)
Net cash	26,070	35,738
Dividend (per share)	14.6p	12.0p

Adjusted results have been presented to provide additional information that may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. Adjusted results are reconciled to statutory results within the appendix. Per the detail in the appendix (A2), charges for one-off employee incentive schemes, employment linked acquisition payments, restructuring costs, deal costs, property impairment, UK furlough grant and gains on investment activities are adjusted for in calculating the adjusted operating charges and amortisation of acquired intangibles is adjusted for in calculating the adjusted depreciation and amortisation. Interest on lease liabilities and unwinding of discount and change in estimate of future contingent consideration and share purchase obligation payables are adjusted for in calculating net finance expense. These measures are not considered to be adjusted performance measures for the Company.

**NEXT 15 GROUP PLC**  
**CONSOLIDATED BALANCE SHEET AS AT 31 JANUARY 2023 AND 2022**

		31 January 2023	31 January 2022
	Note	£'000	£'000
<b>Assets</b>			
Property, plant and equipment		10,882	7,506
Right-of-use assets		28,675	19,948
Intangible assets		274,067	183,050
Investments in financial assets		590	8,483
Deferred tax asset		67,058	46,350
Other receivables		830	821
<b>Total non-current assets</b>		<b>382,102</b>	<b>266,158</b>
Trade and other receivables		164,175	119,676
Cash and cash equivalents	8	47,320	58,216
Corporation tax asset		829	708
<b>Total current assets</b>		<b>212,324</b>	<b>178,600</b>
<b>Total assets</b>		<b>594,426</b>	<b>444,758</b>
<b>Liabilities</b>			
Loans and borrowings	8	21,250	22,478
Deferred tax liabilities		14,152	3,187
Lease liabilities		29,482	22,285
Other payables		169	401
Provisions		14,150	14,733
Contingent consideration	9	151,237	125,045
Additional contingent incentive	9	3,829	5,202
Share purchase obligation	9	6,729	9,717
<b>Total non-current liabilities</b>		<b>240,998</b>	<b>203,048</b>
Trade and other payables		160,006	120,333
Lease liabilities		12,286	10,698
Provisions		15,673	7,778
Corporation tax liability		8,159	3,278
Deferred consideration	9	-	133
Additional contingent incentive	9	2,480	-
Contingent consideration	9	38,169	36,496
Share purchase obligation	9	2,255	1,535
<b>Total current liabilities</b>		<b>239,028</b>	<b>180,251</b>
<b>Total liabilities</b>		<b>480,026</b>	<b>383,299</b>
<b>TOTAL NET ASSETS</b>		<b>114,400</b>	<b>61,459</b>
<b>Equity</b>			
Share capital		2,462	2,320
Share premium reserve		166,174	104,800
Share purchase reserve		(2,673)	(2,673)
Foreign currency translation reserve		3,880	5,203
Other reserves		608	608
Retained loss		(56,503)	(50,429)
<b>Total equity attributable to owners of the parent</b>		<b>113,948</b>	<b>59,829</b>
Non-controlling interests		452	1,630
<b>TOTAL EQUITY</b>		<b>114,400</b>	<b>61,459</b>

**NEXT 15 GROUP PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

	Share capital	Share premium reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves <sup>1</sup>	Retained loss	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 January 2021</b>	<b>2,274</b>	<b>92,408</b>	<b>(2,673)</b>	<b>6,166</b>	<b>608</b>	<b>18,174</b>	<b>116,957</b>	<b>(76)</b>	<b>116,881</b>
(Loss)/profit for the year	-	-	-	-	-	(69,219)	(69,219)	3,555	(65,664)
Other comprehensive (expense)/income for the year	-	-	-	(963)	-	7,466	6,503	-	6,503
Total comprehensive (expense) / income for the year	-	-	-	(963)	-	(61,753)	(62,716)	3,555	(59,161)
Shares issued on satisfaction of vested performance shares	22	5,385	-	-	-	(5,407)	-	-	-
Shares issued on acquisitions	24	7,007	-	-	-	-	7,031	-	7,031
Movement in relation to share-based payments	-	-	-	-	-	5,565	5,565	-	5,565
Tax on share-based payments	-	-	-	-	-	2,757	2,757	-	2,757
Dividends to owners of the Parent	-	-	-	-	-	(9,832)	(9,832)	-	(9,832)
Movement due to ESOP share purchases	-	-	-	-	(3)	-	(3)	-	(3)
Movement due to ESOP share option exercises	-	-	-	-	3	-	3	-	3
Movement on reserves for non-controlling interests	-	-	-	-	-	67	67	(67)	-
Non-controlling interest purchased in the period	-	-	-	-	-	-	-	585	585
Non-controlling interest reversed in the period	-	-	-	-	-	-	-	171	171
Non-controlling dividend	-	-	-	-	-	-	-	(2,538)	(2,538)
<b>At 31 January 2022</b>	<b>2,320</b>	<b>104,800</b>	<b>(2,673)</b>	<b>5,203</b>	<b>608</b>	<b>(50,429)</b>	<b>59,829</b>	<b>1,630</b>	<b>61,459</b>
Profit for the year	-	-	-	-	-	1,623	1,623	1,363	2,986
Other comprehensive (expense)/income for the year	-	-	-	(1,323)	-	(448)	(1,771)	-	(1,771)
Total comprehensive (expense)/income for the year	-	-	-	(1,323)	-	1,175	(148)	1,363	1,215
Shares issued on satisfaction of vested performance shares	8	2,067	-	-	-	(3,053)	(978)	-	(978)
Shares issued on acquisitions	21	10,780	-	-	-	-	10,801	-	10,801
Shares issued on placing <sup>2</sup>	113	48,527	-	-	-	-	48,640	-	48,640
Movement in relation to share-based payments	-	-	-	-	-	6,711	6,711	-	6,711
Tax on share-based payments	-	-	-	-	-	1,898	1,898	-	1,898
Dividends to owners of the Parent	-	-	-	-	-	(12,679)	(12,679)	-	(12,679)
Movement due to ESOP share purchases	-	-	-	-	(3)	-	(3)	-	(3)
Movement due to ESOP share option exercises	-	-	-	-	3	-	3	-	3
Movement on reserves for non-controlling interests	-	-	-	-	-	(126)	(126)	126	-
Non-controlling dividend	-	-	-	-	-	-	-	(2,667)	(2,667)
<b>At 31 January 2023</b>	<b>2,462</b>	<b>166,174</b>	<b>(2,673)</b>	<b>3,880</b>	<b>608</b>	<b>(56,503)</b>	<b>113,948</b>	<b>452</b>	<b>114,400</b>

<sup>1</sup> Other reserves include ESOP reserve, the treasury reserve, the merger reserve and the hedging reserve.

<sup>2</sup> Shares issued on placing is shown net of £1.4m issue costs on issue of ordinary shares

**NEXT 15 GROUP PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW**

**FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

	Year ended 31 January 2023	Year ended 31 January 2022 Restated <sup>1</sup>
	£'000	£'000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the year	2,986	(65,664)
Adjustments for:		
Depreciation	12,187	9,442
Amortisation	25,053	19,317
Finance expense	63,735	121,384
Finance income	(6,637)	(1,049)
Share of profit from equity accounted associate	-	(211)
Impairment of RoU assets and leasehold improvements	1,172	1,378
Loss on sale/impairment of property, plant and equipment	68	(189)
Gain on exit of finance lease	2,811	(1,423)
Gains on investment activities	-	(455)
Income tax expense/(credit)	7,123	(14,475)
Employment linked acquisition provision charge	11,971	15,167
Settlement of employment linked acquisition payments	(6,649)	(4,101)
Share-based payment charges	6,711	9,463
Settlement of share based payment in cash	(971)	-
<b>Net cash inflow from operating activities before changes in working capital</b>	<b>119,560</b>	<b>88,584</b>
Change in trade and other receivables	(16,995)	(26,842)
Change in trade and other payables	(7,307)	27,014
Change in other liabilities	(52)	4
	(24,354)	176
<b>Net cash generated from operations before tax outflows</b>	<b>95,206</b>	<b>88,760</b>
Income taxes paid	(20,301)	(14,109)
<b>Net cash inflow from operating activities</b>	<b>74,905</b>	<b>74,651</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries and trade and assets, net of cash acquired	(70,268)	(14,454)
Purchase of equity investments designated at FVTOCI	-	(60)
Proceeds on disposal of investments in financial assets	7,452	-
Acquisition of property, plant and equipment	(3,485)	(3,107)
Proceeds on disposal of property, plant and equipment	2	20
Acquisition of intangible assets	(3,491)	(2,694)
Net movement in long-term cash deposits	(13)	(73)
Income from finance lease receivables	2,228	1,767
Interest received	113	69
<b>Net cash outflow from investing activities</b>	<b>(67,462)</b>	<b>(18,532)</b>



**NEXT 15 GROUP PLC****CONSOLIDATED STATEMENT OF CASH FLOW (Continued)****FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

	Year ended 31 January 2023	Year ended 31 January 2022 Restated <sup>1</sup>
	£'000	£'000
<b>Cash flows from financing activities</b>		
Payment of contingent and deferred consideration	(34,656)	(9,527)
Issue of share capital	50,006	-
Issue costs on issue of ordinary shares	(1,365)	-
Capital element of finance lease rental repayment	(16,510)	(11,993)
Increase in bank borrowings and overdrafts	100,281	32,091
Repayment of bank borrowings and overdrafts	(101,795)	(22,518)
Interest paid	(1,794)	(424)
Dividend and profit share paid to non-controlling interest partners	(2,667)	(2,538)
Dividends paid to shareholders of the parent	(12,679)	(9,832)
<b>Net cash outflow from financing activities</b>	<b>(21,179)</b>	<b>(24,741)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13,736)</b>	<b>31,378</b>
Cash and cash equivalents at beginning of the year	58,216	26,831
Exchange gain on cash held	2,840	7
<b>Cash and cash equivalents at end of the year</b>	<b>47,320</b>	<b>58,216</b>

<sup>1</sup>Comparatives have been restated, to reclassify certain acquisition related payments. For the year ended 31 January 2022, cash payments amounting to £4.1m that were classified as cash flows from investing activities which related to employment linked post-acquisition payments have been reclassified as cash flows from operating activities before changes in working capital. In addition, the remaining cash payments of contingent consideration of £9.5m which were classified as cash flows from investing activities have been reclassified as cash flows from financing activities, as these payments are considered to settle a long-term liability that financed the acquisition.

## NOTES TO THE YEAR END RESULTS

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### 1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the United Kingdom (collectively Adopted IFRSs). The principal accounting policies used in preparing the results are those the Group has applied in its financial statements for the year ended 31 January 2023.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 January 2023 or 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

#### *Going concern statement*

The Directors have, at the time of approving this financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this financial information. The Directors have made this assessment in light of reviewing the Group's budget and cash requirements for a period in excess of one year from the date of signing of the annual report and considered outline plans for the Group thereafter.

#### 2) SEGMENT INFORMATION

#### *Measurement of operating segment profit*

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted operating profit before intercompany recharges and net revenue, which reflects the internal reporting measure used by the Board of Directors. This measurement basis excludes the effects of certain acquisition-related costs and goodwill impairment charges. Head office costs relate to Group costs before allocation of intercompany charges to the operating segments. Intersegment transactions have not been separately disclosed as they are not material. The Board of Directors does not review the assets and liabilities of the Group on a segmental basis and therefore this is not separately disclosed.

	Customer Engage £'000	Customer Delivery £'000	Customer Insight £'000	Business Transfor mation £'000	Head Office £'000	Total £'000
<b>Year ended 31 January 2023</b>						
Net revenue	274,951	102,096	51,985	134,767	-	563,799
Adjusted operating profit / (loss) after interest on finance lease liabilities	55,432	30,191	11,049	43,855	(26,358)	114,169
Adjusted operating profit margin <sup>1</sup>	20.2%	29.6%	21.3%	32.5%	-	20.2%
Organic net revenue growth	9.3%	12.0%	10.2%	83.3%	-	20.7%
<b>Year ended 31 January 2022</b>						
Net revenue	187,566	79,951	42,109	52,477	-	362,103
Adjusted operating profit / (loss) after interest on finance lease liabilities	40,434	28,501	9,023	15,221	(13,832)	79,347
Adjusted operating profit margin <sup>1</sup>	21.6%	35.6%	21.4%	29.0%	-	21.9%
Organic net revenue growth	15.7%	40.0%	18.6%	99.9%	-	26.1%

<sup>1</sup> Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

## NOTES TO THE YEAR END RESULTS *(Continued)*

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### 2) SEGMENT INFORMATION *(continued)*

	UK	EMEA	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Year ended 31 January 2023</b>						
Net revenue	240,971	11,626	293,177	18,025	-	563,799
Adjusted operating profit / (loss) after interest on lease liabilities	42,460	2,826	93,463	1,778	(26,358)	114,169
Adjusted operating profit margin <sup>1</sup>	17.6%	24.3%	31.9%	9.9%	-	20.2%
Organic net revenue growth	11.3%	16.3%	28.2%	11.0%	-	20.7%
<b>Year ended 31 January 2022</b>						
Net revenue	137,491	10,041	199,348	15,223	-	362,103
Adjusted operating profit / (loss) after interest on lease liabilities	30,910	2,504	58,355	1,410	(13,832)	79,347
Adjusted operating profit margin <sup>1</sup>	22.5%	24.9%	29.3%	9.3%	-	21.9%
Organic net revenue growth	18.3%	21.3%	33.2%	11.9%	-	26.1%

<sup>1</sup> Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

#### 3) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2023 is £26,254,000 (2022: £17,155,000), equating to an adjusted effective tax rate of 23.3%, compared to 21.6% in the prior year. The Group's adjusted corporation tax rate is expected to remain higher than the standard UK rate for the foreseeable future due to the higher rate of tax the Group suffers on its overseas profits.

The UK statutory tax rate increase from 19% to 25% will have a significant impact to the Groups adjusted corporation tax rate from FY24 onwards. In addition to the UK statutory rate increase to 25% (effective April 2023), we anticipate that overseas international tax pressures will continue to increase the Group's adjusted effective tax rate over the coming years.

The statutory tax expense for the year ended 31 January 2023 is £7,123,000 (2022: credit of £14,475,000).

#### 4) DIVIDENDS

A final dividend of 10.1p per ordinary share will be paid on 11 August 2023 to shareholders listed on the register of members on 7 July 2023. Shares will go ex-dividend on 6 July 2023. This makes the total dividend for the year 14.6p per share (2022: 12.0p).

## NOTES TO THE YEAR END RESULTS (*Continued*)

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### 5) FINANCE EXPENSE

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
<b>Financial liabilities at amortised cost</b>		
Bank interest payable	1,791	398
Interest on lease liabilities <sup>1</sup>	1,365	1,043
<b>Financial liabilities at fair value through profit and loss</b>		
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable <sup>1</sup>	22,885	8,299
Change in estimate of future contingent consideration and share purchase obligation payable <sup>1</sup>	37,691	111,618
<b>Other</b>		
Other interest payable	3	26
<b>Finance expense</b>	<b>63,735</b>	<b>121,384</b>

<sup>1</sup>These items are adjusted for in calculating the adjusted net finance expense.

#### 6) FINANCE INCOME

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
<b>Financial assets at amortised cost</b>		
Bank interest receivable	103	35
Finance lease interest receivable	50	65
<b>Financial liabilities at fair value through profit and loss</b>		
Change in estimate of future contingent consideration and share purchase obligation payable <sup>1</sup>	6,474	915
Other interest receivable	10	34
<b>Finance income</b>	<b>6,637</b>	<b>1,049</b>

<sup>1</sup>These items are adjusted for in calculating the adjusted net finance expense.

#### 7) EARNINGS PER SHARE

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>1,623</b>	<b>(69,219)</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	97,635,507	92,395,619
Dilutive LTIP shares	2,279,528	2,389,017
Dilutive growth deal shares	2,373,445	916,215
Other potentially issuable shares	3,392,207	2,386,786
Diluted weighted average number of ordinary shares	<b>105,680,687</b>	<b>98,087,637</b>

## NOTES TO THE YEAR END RESULTS (*Continued*)

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### 7) EARNINGS PER SHARE (*Continued*)

Basic earnings/(loss) per share	1.7p	(74.9)p
Diluted earnings/(loss) per share <sup>1</sup>	1.5p	(74.9)p

<sup>1</sup>In the prior year, the weighted average shares used in the basic loss per share calculation has also been used for the reported diluted loss per share due to the anti-dilutive effect of the weighted average shares calculation for the reported diluted loss per share.

#### 8) NET DEBT

On 20 September 2021, the Group agreed a £60m revolving credit facility (“RCF”) with HSBC and Bank of Ireland. The facility had a maturity date of September 2024 with an option to extend for a further two years. As part of the arrangement, the Group had a £40m accordion option to facilitate future acquisitions. At the start of this year, £20m of this accordion was committed and available within the RCF.

Subsequent to this and in relation to the Group’s offer for M&C Saatchi, the Group entered into an agreement, amending and restating the existing facility agreement on 20 May 2022. The total amount available under the amended and restated facilities agreement was £150m, comprising of a £50m term facility and increasing the RCF to £100m. Under the amended and restated facilities agreement, £57.5m was available on a certain funds basis to be used for the acquisition of M&C Saatchi. As a result of the offer to acquire M&C Saatchi lapsing, the £50m term facility was cancelled and the £7.5m of the RCF was no longer on certain funds.

The remaining £100m of the RCF facility is available for permitted acquisitions and working capital requirements, and is due to be repaid from the trading cash flows of the Group. The facility is available in a combination of sterling, US dollar and Euro. The margin payable on each facility is dependent upon the level of gearing in the business. The Group also has a US facility of \$7m (2022: \$7m) which is available for property rental guarantees and US-based working capital needs.

	31 January 2023 £’000	31 January 2022 £’000
Total loans and borrowings	21,250	22,478
Less: cash and cash equivalents	(47,320)	(58,216)
<b>Net cash</b>	<b>(26,070)</b>	<b>(35,738)</b>
Share purchase obligation	8,984	11,252
Contingent consideration	189,406	161,541
Deferred consideration	-	133
Additional contingent incentive	6,309	5,202
<b>Net debt and acquisition related liabilities</b>	<b>178,629</b>	<b>142,390</b>

## NOTES TO THE YEAR END RESULTS (*Continued*)

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### 9) OTHER FINANCIAL LIABILITIES

	Deferred consideration	Contingent consideration	Additional contingent incentive	Share purchase obligation
	£'000	£'000	£'000	£'000
<b>At 31 January 2021</b>	<b>1,262</b>	<b>45,894</b>	-	<b>6,508</b>
Arising during the year	-	9,073	3,888	-
Exchange differences	-	3,795	170	35
Utilised	(1,300)	(10,199)	-	-
Unwinding of discount	38	6,306	1,144	811
Change in estimate	-	106,805	-	3,898
Reclassification	133	(133)	-	-
<b>At 31 January 2022</b>	<b>133</b>	<b>161,541</b>	<b>5,202</b>	<b>11,252</b>
Arising during the year	-	1,779	-	-
Exchange differences	-	13,302	467	136
Utilised	(160)	(43,009)	-	(46)
Unwinding of discount	27	20,649	784	1,425
Change in estimate	-	35,144	(144)	(3,783)
<b>At 31 January 2023</b>	-	<b>189,406</b>	<b>6,309</b>	<b>8,984</b>
<b>Current</b>	-	<b>38,169</b>	<b>2,480</b>	<b>2,255</b>
<b>Non-current</b>	-	<b>151,237</b>	<b>3,829</b>	<b>6,729</b>

The estimates around contingent consideration and share purchase obligations are considered by management to be an area of significant judgement, with any changes in assumptions and forecasts creating volatility in the income statement. Management estimates the fair value of these liabilities taking into account expectations of future payments. During the year, earnout liabilities increased by a net £26.6m, primarily driven by changes in estimate of £33.8m relating to the Mach49 business. This change in estimate was driven by revised assumptions for the underlying revenue and profit growth of the Mach49 business. The management of the business has agreed to cap the earnout liability at US\$300m on an undiscounted basis.

Changes in the estimates of contingent consideration payable and the share purchase obligation are recognised in finance income/expense. If the judgements around future revenue growth, profit margins and discount rates change, this could result in a material adjustment to the value of these liabilities within the next financial year. An increase in the liability would result in an increase in finance expense, while a decrease would result in a further gain.

#### Litigation

During the year, a former minority shareholder and employee of the Group's largest US agency filed a legal claim against the other founding shareholders of the subsidiary and the Group amongst others, relating to their entitlement to a share in the business. The claim is in its early stages of legal proceedings. The Group strongly disputes these claims and is defending the claim. The Group has appointed legal advisors and having discussed the claim with them, determines a future outflow is not probable and therefore no provision has been made in relation to the claim.

No specific amount has been claimed and at this stage the outcome of this claim is inherently uncertain. IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires the disclosure of an estimate of the financial effect of any contingent liability, separate from the effect of any possible reimbursement. Whilst no specific estimate of potential gross outflow can be made given the stage of this claim, the claimant may seek a proportion of the earnout valuation of this agency, which is disclosed elsewhere in this note. Given the Group is only subject to certain claims, it is not clear what proportion of the earnout valuation this will represent, and how any such claim would be apportioned between the Group and other parties were it to result in a future outflow.

## **NOTES TO THE YEAR END RESULTS (*Continued*)**

### **FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

#### **9) OTHER FINANCIAL LIABILITIES (*Continued*)**

The Group cannot credibly estimate the timing or quantum of any outflow, but the Directors believe that any financial outflow against Next 15 will be primarily offset by reimbursement through an indemnity given at the time of the acquisition and therefore any overall financial impact for Next 15 would be immaterial.

#### **10) ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS**

##### *Engine*

On 8 March 2022 Next 15 acquired Engine Acquisition Limited ('Engine'). Engine is a broad-based digital transformation, communications and creative business with approximately 600 staff and 300 UK and international clients. The acquisition of Engine for an enterprise value of £77.5m, with £67.3m paid on completion in cash, of which £50.4m related to the Engine intragroup indebtedness.

The Acquisition was funded from the Company's debt facilities and the proceeds of a placing of new ordinary shares in the Company. A total of 4,505,000 new ordinary shares in the capital of the Company of 2.5 pence each have been placed by Numis Securities Limited and Joh. Berenberg, Gossler & Co. KG at a price of 1,110 pence per Placing Share, raising gross proceeds of approximately £50m (before expenses). We have recognised goodwill of £47.3m on this acquisition due to the anticipated profitability and operating synergies.

## APPENDIX – ALTERNATIVE PERFORMANCE MEASURES

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### Introduction

In the reporting of financial information, the Directors have adopted various alternative performance measures ('APMs'). The Group includes these non-GAAP measures as they consider these measures to be both useful and necessary to the readers of the financial statements to help understand the performance of the Group. The Group's measures may not be calculated in the same way as similarly titled measures reported by other companies and therefore should be considered in addition to IFRS measures.

#### Purpose

The Director's believe that these APMs are highly relevant as they reflect how the Board measures the performance of the business and align with how shareholders value the business. They also allow understandable like-for-like, year-on-year comparisons and more closely correlate with the cash inflows from operations and working capital position of the Group.

They are used by the Group for internal performance analyses and the presentation of these measures facilitates better comparability with other industry peers as they adjust for non-recurring or uncontrollable factors which materially affect IFRS measures.

#### A1: RECONCILIATION OF ADJUSTED OPERATING PROFIT TO STATUTORY OPERATING PROFIT

A reconciliation of segment adjusted operating profit after interest on finance lease liabilities to segment adjusted operating profit and statutory operating profit is provided as follows:

	Year ended 31 January 2023	Year ended 31 January 2022
	£'000	£'000
<b>Total operating profit</b>	<b>67,207</b>	<b>39,985</b>
Interest on finance lease liabilities	(1,365)	(1,043)
<b>Segment adjusted operating profit</b>	<b>65,842</b>	<b>38,942</b>
Amortisation of acquired intangibles (A2)	23,188	17,687
Charge for one-off employee incentive schemes (A2)	596	5,891
Employment linked acquisition payments (A2)	11,971	15,167
Property impairment (A2)	4,749	233
Costs associated with restructuring (A2)	2,302	-
UK furlough grant (A2)	-	1,396
Gain on investment activities (A2)	-	(455)
Deal costs (A2)	5,521	486
<b>Segment adjusted operating profit after interest on finance lease liabilities</b>	<b>114,169</b>	<b>79,347</b>



## APPENDIX – ALTERNATIVE PERFORMANCE MEASURES (Continued)

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### A2: RECONCILIATION OF ADJUSTED RESULTS

	Year ended 31 January 2023	Year ended 31 January 2022
	£'000	£'000
<b>Profit/(loss) before income tax</b>	<b>10,109</b>	<b>(80,139)</b>
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable <sup>1</sup>	22,885	8,299
Change in estimate of future contingent consideration and share purchase obligation payable <sup>1</sup>	31,217	110,703
Charge for one-off employee incentive scheme <sup>2</sup>	596	5,891
Employment linked acquisition payments <sup>3</sup>	11,971	15,167
Costs associated with restructuring <sup>4</sup>	2,302	-
Deal costs <sup>5</sup>	5,521	486
Property impairment <sup>6</sup>	4,749	233
UK furlough grant <sup>7</sup>	-	1,396
Amortisation of acquired intangibles <sup>8</sup>	23,188	17,687
Gains on investment activities <sup>9</sup>	-	(455)
<b>Adjusted profit before income tax</b>	<b>112,538</b>	<b>79,268</b>
<b>Operating profit</b>	<b>67,207</b>	<b>39,985</b>
Depreciation of property, plant and equipment	4,433	3,296
Depreciation of right-of-use assets	7,754	6,146
Amortisation of intangible assets	25,053	19,317
<b>EBITDA</b>	<b>104,447</b>	<b>68,744</b>
Charge for one-off employee incentive schemes <sup>2</sup>	596	5,891
Employment linked acquisition payments <sup>3</sup>	11,971	15,167
Costs associated with restructuring <sup>4</sup>	2,302	-
Deal costs <sup>5</sup>	5,521	486
Property impairment <sup>6</sup>	4,749	233
UK furlough grant <sup>7</sup>	-	1,396
Gains on investment activities <sup>9</sup>	-	(455)
<b>Adjusted EBITDA</b>	<b>129,586</b>	<b>91,462</b>

<sup>1</sup> The Group adjusts for the remeasurement of the acquisition-related liabilities within the adjusted performance measures in order to aid comparability of the Group's results year on year as the charge/credit from remeasurement can vary significantly depending on the underlying brand's performance. It is non-cash and its directional impact to the income statement is opposite to the brand's performance driving the valuations. The unwinding of discount on these liabilities is also excluded from underlying performance on the basis that it is non-cash and the balance is driven by the Group's assessment of the time value of money and this exclusion ensures comparability.

<sup>2</sup> This charge relates to transactions whereby a restricted grant of brand equity was given to key management in Elvis Communications Limited and Publitek Limited (total of £0.6m) (2022: Brandwidth Marketing Limited and Publitek Limited total of £0.6m) at nil cost which holds value in the form of access to future profit distributions as well as any future sale value under the performance-related mechanism set out in the share sale agreement. The remaining £5.2m of the charge in the prior year relates to an additional new incentive scheme for the sellers of Activate. This value is recognised as a one-off charge in the income statement in the year of grant as the agreements do not include service requirements, thus the cost accounting is not aligned with the timing of the anticipated benefit of the incentive, namely the growth of the relevant brands.

## **APPENDIX – ALTERNATIVE PERFORMANCE MEASURES (Continued)**

### **FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022**

#### **A2: RECONCILIATION OF ADJUSTED RESULTS (Continued)**

<sup>3</sup>This charge relates to payments linked to the continuing employment of the sellers which is being recognised over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs solely relate to acquiring the business. The sellers of the business are typically paid market salaries and bonuses in addition to these acquisition-related payments and therefore the Group determines these costs solely relate to acquiring the business. Adjusting for these within the Group's adjusted performance measures gives a better reflection of the Group's profitability and enhances comparability year-on-year.

<sup>4</sup>In the current year the Group has incurred restructuring costs which primarily relate to rebranding and redundancy costs taken in respect of the acquisition of Engine Acquisition Limited ("Engine"). These costs related to specific transformational events creating the three new brands from Engine, being MHP, Transform and House 337. They did not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year. These costs are made up of £1.3m staff costs and £1.0m of other costs relating to rebranding and creating the new businesses from the Engine Group which was acquired.

<sup>5</sup>These costs are directly attributable to business combinations and acquisitions, mainly our acquisition of Engine and our unsuccessful offer for M&C Saatchi.

<sup>6</sup>In the current year the Group has recognised charges relating to the reorganisation of the property space across the Group. The majority of the charge is impairment of right-of-use assets and leasehold improvements. As a result of the acquisition of Engine and understanding of the ongoing office space required, the Group has identified excess property space within the portfolio and therefore taken an impairment charge relating to those offices. The Group has adjusted for this cost, as the additional one-off impairment charge does not relate to the underlying trading of the business and therefore added back to aid comparability.

<sup>7</sup>As a result of Covid-19, a number of the UK agencies received government support from the UK furlough scheme. During the prior year the Group has repaid all amounts received from the UK government. As a result of the receipt and repayment being accounted for in two separate years, the amounts are added back to aid comparability of the Group's profitability year on year.

<sup>8</sup>In line with its peer group, the Group adds back amortisation of acquired intangibles. Judgement is applied in the allocation of the purchase price between intangibles and goodwill, and in determining the useful economic lives of the acquired intangibles. The judgements made by the Group are inevitably different to those made by our peers and as such amortisation of acquired intangibles been added back to aid comparability.

<sup>9</sup>In the prior period the Group acquired a controlling interest in BCA and became a subsidiary of the Group, previously accounted for as an associate. As a result of this change, the Group recognised a gain on the revaluation of the previously held investment in equity-accounted associate of £0.9m. The remaining charge relates to the loss on disposal of a separate controlling interest, whereby the Group retained an associate interest at the year end. The overall credit relates to specific transformational events and do not relate to the trading of the relevant brand and therefore have been added back to aid comparability of the performance year on year.

Adjusted profit before income tax and adjusted EBITDA have been presented to provide additional information which may be useful to the reader. Adjusted earnings to ordinary shareholders is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered an important indicator of the performance of the business and so it is used for the vesting of employee performance shares.

## APPENDIX – ALTERNATIVE PERFORMANCE MEASURES (Continued)

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### A3: RECONCILIATION OF ADJUSTED TAX EXPENSE

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Income tax expense/(credit) reported in the Consolidated Income Statement	7,123	(14,475)
<b>Add back tax on adjusting items:</b>		
Costs associated with the current period restructure and office moves	1,210	1,422
Unwinding of discount on and change in estimates of contingent and deferred consideration	12,978	27,287
Share-based payment charge	-	414
Amortisation of acquired intangibles	4,943	2,507
<b>Adjusted tax expense</b>	<b>26,254</b>	<b>17,155</b>
Adjusted profit before income tax	112,538	79,268
<b>Adjusted effective tax rate</b>	<b>23.3%</b>	<b>21.6%</b>

#### A4: RECONCILIATION OF ADJUSTED EARNINGS PER SHARE

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>1,623</b>	<b>(69,219)</b>
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	22,885	8,299
Change in estimate of future contingent consideration and share purchase obligation payable	31,217	110,703
Charge for one-off employee incentive scheme	596	5,891
Costs associated with restructuring	2,302	-
Property impairment	4,749	233
UK furlough grant	-	1,396
Amortisation of acquired intangibles	23,188	17,687
Employment linked acquisition payments	11,971	15,167
Deal costs	5,521	486
Gains on investment activities	-	(455)
Tax effect of adjusting items above	(19,131)	(31,629)
<b>Adjusted earnings attributable to ordinary shareholders</b>	<b>84,921</b>	<b>58,559</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	97,635,507	92,395,619
Dilutive LTIP shares	2,279,528	2,389,017
Dilutive growth deal shares	2,373,445	916,215
Other potentially issuable shares	3,392,207	2,386,786
Diluted weighted average number of ordinary shares	<b>105,680,687</b>	<b>98,087,637</b>

## APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

### FOR THE YEARS ENDED 31 JANUARY 2023 AND 31 JANUARY 2022

#### A4: RECONCILIATION OF ADJUSTED EARNINGS PER SHARE *(Continued)*

Adjusted earnings per share	87.0p	63.4p
Diluted adjusted earnings per share	80.4p	59.7p

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders to understand the performance of the business by facilitating comparability both year on year and with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares.

#### A5: RECONCILIATION OF NET REVENUE

	Year ended 31 January 2023 £'000	Year ended 31 January 2022 £'000
Revenue	720,500	470,055
Direct costs	(156,701)	(107,952)
<b>Net revenue</b>	<b>563,799</b>	<b>362,103</b>