16 April 2024

Next 15 Group plc

(“Next 15” or the “Group”)

Results for the year ended 31 January 2024

Record performance delivered by organic revenue growth and M&A execution

Current trading 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 2024.

Financial results for the year to 31 January 2024

	Year ended 31 January 2024 £m	Year ended 31 January 2023 £m	% change year on year
Adjusted results[1]			
Net revenue	**577.8**	**563.8**	**2.5%**
Adjusted operating profit	**121.1**	**114.2**	**6.1%**
Adjusted operating profit margin	**21.0%**	**20.2%**	
Adjusted profit before tax	**117.9**	**112.5**	**4.8%**
Adjusted diluted earnings per share (p)	**81.6p**	**80.4p**	**1.5%**
Statutory results			
Net cash generated from operations	**105.0**	**95.2**	**10.3%**
Revenue	**734.7**	**720.5**	**2.0%**
Operating profit	**77.1**	**67.2**	**14.7%**
Profit before tax	**80.3**	**10.1**	
Diluted earnings per share (p)	**50.3p**	**1.5p**	

[1]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.

Financial and Operational Highlights

- Group net revenue growth of 2.5% to £577.8m, including organic net revenue growth[1] of 0.3%, a strong contribution from acquisitions of 3.3%, and an FX headwind of 1.1%
- Record adjusted operating profit of £121.1m, at a margin of 21.0%
- Adjusted profit before tax up 4.8% to £117.9m
- Statutory revenue up 2.0% to £734.7m. Statutory operating profit up 14.7% to £77.1m
- Adjusted diluted earnings per share increased by 1.5% to 81.6p
- Final dividend of 10.6p per share, representing an increase of 5%
- Strong balance sheet with net debt of £1.4m at 31 January 2024
- Client spend excluding technology clients increased 11% LFL; technology clients spend declined by 17% during the year
- Significant new client wins and expanded assignments with Asda, Workday and Sega
- Completed bolt-on acquisitions for initial consideration of £15.4m, including Explorer, Rush, Whitespace and Williams Commerce, with £4.5m spent on the acquisition of Studio La Plage post the year end
- Returned £4.5m to shareholders via the share buyback programme

Current trading and outlook

Trading in the new financial year is in line with management expectations. Performance continues to be robust across all four business segments despite the current economic and geopolitical backdrop. The significant Mach49 contract won in early 2022 and recent new client wins, such as Asda for SMG, give us confidence in further growth in the year ahead and in meeting management expectations.

The Group's financial strength and liquidity provides scope for further investments in AI and bolt-on M&A opportunities to accelerate our long-term growth, with one bolt-on already completed since year end, and supports us in achieving our stretch goal of doubling the size of the business in the next five years.

Commenting on the results, Tim Dyson, CEO of Next 15 said:

"The year saw the benefit of the decentralised and diversified business model as we delivered record revenues and profits despite a turbulent macro-economic environment and a pullback in spend by technology customers, as seen in the wider market. We continue to make strategic investments in our AI strategy at both a Group level and within the operating businesses. These investments have already resulted in a number of new products designed to create greater efficiency and accuracy of the work being produced. These AI-driven products will enable us to further productise the business and protect and improve our profitability, whilst also enabling us to expand into adjacent areas."

Webcast for analysts and investors

Next 15 will host an analyst and investor webcast at 9:30 today, Tuesday 16 April 2024.

To access the webinar, please contact next15@mhpgroup.com

For further information contact:

Next 15 Group plc
Tim Dyson, Chief Executive Officer
+1 415 350 2801
Peter Harris, Chief Financial Officer
+44 (0) 20 7908 6444

Deutsche Numis (Nomad & Joint Broker)
Mark Lander, Hugo Rubinstein
+44 (0)20 7260 1000

Berenberg (Joint Broker)
Ben Wright, Mark Whitmore
+44 (0)20 3207 7800

MHP (Investor Relations)
Simon Evans, Eleni Menikou, Veronica Farah
Next15@mhpgroup.com

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 6.

Adjusted operating profit margin
Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue. Adjusted operating profit 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 centralised 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 maximise 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 158% over the last five years and our stretch goal is to double the size of the business in the next five 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 FY24

In FY24 the Group delivered record revenues and profits with all four segments of our business delivering positive results despite the continued challenging macro-economic environment. The Group grew its net revenues by 2.5% to £577.8m and its adjusted profit before tax by 4.8% to £117.9m and we delivered a record adjusted operating profit of £121.1m at a margin of 21.0%. Adjusted diluted earnings per share grew by 1.5% to 81.6p. We completed five bolt-on acquisitions for total consideration of £15.4m to provide further opportunities for revenue growth in a number of our key businesses.

The statutory operating profit increased by 14.7% to £77.1m (2023: £67.2m) and diluted earnings per share increased to 50.3p (2023:1.5p).

Acquisitions

The Group has continued to grow by acquisition with the focus of the last twelve months being on expanding a number of our existing businesses through bolt-on acquisition. During the period, we completed two acquisitions for Palladium, expanding its capabilities into the US market and commercial due diligence. We also completed two acquisitions for Brandwidth, Williams Commerce in the UK, which expanded their product range into e-commerce web build and secondly, Rush, a Canadian based performance marketing business. Finally Savanta acquired Explorer in Canada, a retailer focused market research business. Post the year end, MHP Group acquired Studio La Plage, bolstering its creative content creation capabilities.

Returns to shareholders

Our capital allocation philosophy guides our view of returns to shareholders and usage of excess cash. The first priority for investment is into the business and we will continue to invest in a targeted manner to support long-term growth of the Group. We also continue to be acquisitive with a focus on bolt-on acquisitions to enhance the key business areas. Beyond this, our priority is to return excess cash to shareholders, through a regular dividend and, when possible, further returns via a share buyback.

The Board is recommending the payment of a final dividend for the year ended 31 January 2024 of 10.6p per share, which would represent a total dividend of 15.35p for the year. The final dividend represents an increase of 5% on the final dividend in the prior year.

In September 2023, the Group announced a share buyback programme to a maximum of £30m, allowing us to return excess cash to shareholders. As announced in our trading update on 24 January 2024, we had, to that date, invested £4.5m buying back shares. We also announced we would acquire up to a further £10m worth of shares by the end of April 2024, of which we have spent £2.1m up to 15 April 2024. The Board has decided to continue this share buyback programme and extend the time scale until the end of July 2024.

Review of Adjusted Results to 31 January 2024

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 2024, compared with the 12 months to 31 January 2023. 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[1]	Year Ended 31 January 2024 £'000	Year Ended 31 January 2023 £'000
Net revenue	**577,839**	**563,799**
Operating profit	**121,081**	**114,169**
Operating profit margin	**21.0%**	**20.2%**
Net finance expense	**(3,136)**	**(1,631)**
Profit before income tax	**117,945**	**112,538**
Effective tax rate on adjusted profit	**26.3%**	**23.3%**
Diluted adjusted earnings per share	**81.6p**	**80.4p**

[1]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 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. Our Customer Delivery, Data and Insights and Business Transformation segments each delivered organic revenue growth whilst the Engage segment reported a revenue decline, primarily due to softness in the Tech sector, but saw an improving performance as the year progressed.

Our total Group net revenues increased by 2.5% (2023: 56%) to £577.8m, with organic net revenue growth of 0.3% (2023: 20.7%) reflecting the slowdown in the Tech sector and the more challenging macro-environment. Our operating profit increased by 6.1% to a record £121.1m (2023: £114.2m) at an operating margin of 21.0% (2023: 20.2%). The brands managed their cost bases well reflecting the trading environment and we exceeded our expected head office savings from the Engine acquisition. We also benefited from stronger growth from our higher margin segments.

Net revenue bridge

	Net Revenue (£'m)	Movement (% of prior year net revenue)	
Year to 31 January 2023	**563.8**		
Organic growth[1]	1.7	+ 0.3%	(FY23: + 20.7%)
Acquisitions	18.3	+ 3.3%	(FY23: + 25.8%)
Impact of FX	(6.0)	- 1.1%	(FY23: +9.1%)
Year to 31 January 2024	**577.8**		

[1]The definition of net revenue and explanation of how organic net revenue growth is calculated is included within the appendix.

Reconciliation between statutory and adjusted profit

For the year to 31 January 2024, the Group delivered net revenue of £577.8m (2023: £563.8m), adjusted operating profit of £121.1m (2023: £114.2m), adjusted profit before income tax of £117.9m (2023: £112.5m) and adjusted diluted earnings per share of 81.6p (2023: 80.4p).

Statutory revenue for the year was £734.7m (2023: £720.5m) which resulted in an operating profit of £77.1m compared with £67.2m in the previous year. Diluted earnings per share increased to 50.3p (2023: 1.5p), principally reflecting significantly lower net finance charges in the year, due to the reduction in the estimated future earn-out payments.

While adjusted operating profit increased by 6.1% to £121.1m (2023: £114.2m), we made a statutory profit before tax of £80.3m (2023: £10.1m). When comparing to the adjusted operating profit, the lower statutory profit before tax was mostly due to acquisition related accounting, including the amortisation of acquired intangibles, offset by a reduction in the expected Mach49 earn-out payment.

At each balance sheet date we are required to estimate the value of future earn-out payments for all of our acquired businesses. The Mach49 estimate is the largest and most judgemental of these calculations. As at 31 January 2023, we estimated the total value payable under the earn-out to be the maximum cap of $300m on an undiscounted basis, but noted at the time this was an area of significant judgement. When reflecting the historic trading performance and forecast expectations, we have reduced the estimate of the earn-out to $250m, a reduction of $50m. Accordingly, in the current year, this resulted in a £32.3m credit to the profit and loss reflecting the reduction in the remaining earn-out liability on a discounted basis. This change in estimate has been included as a credit to the profit and loss account within finance income.

We also incurred £5.2m of operational restructuring costs as we reacted to the reduction in demand for our services at a number of our agencies.

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Profit before income tax	**80,348**	**10,109**
Acquisition accounting related costs[1]	24,568	89,261
Charge for one-off employee incentive schemes	6,605	596
Costs associated with operational restructuring	5,152	2,302
RCF fees write off	601	-
Deal costs	671	5,521
Property impairment	-	4,749
Adjusted profit before income tax[2]	**117,945**	**112,538**

[1] 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.
[2] 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
Year ended 31 January 2024						
Net revenue	**263,120**	**107,653**	**57,476**	**149,590**	**-**	**577,839**
Adjusted operating profit/(loss)	**53,178**	**29,117**	**10,358**	**48,253**	**(19,825)**	**121,081**
Adjusted operating profit margin[1]	**20.2%**	**27.0%**	**18.0%**	**32.3%**	-	**21.0%**
Organic net revenue (decline)/growth	**(6.3)%**	**5.1%**	**4.3%**	**8.7%**	**-**	**0.3%**
Year ended 31 January 2023						
Net revenue	274,951	102,096	51,985	134,767	-	563,799
Adjusted operating profit/(loss)	55,432	30,191	11,049	43,855	(26,358)	114,169
Adjusted operating profit margin[1]	20.2%	29.6%	21.3%	32.5%	-	20.2%
Organic net revenue growth	9.3%	12.0%	10.2%	83.3%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

The **Customer Insights** segment includes Savanta and Plinc.

Savanta performed well with its predominantly B2C client base continuing to recover from the pandemic. The UK business grew by 9% with good growth in the financial services sector, whilst Savanta US grew by over 20% year on year supported by strong trading from healthcare and financial services clients and the acquisition of Explorer, a Canadian based market research agency which specialises in packaging and shopper research. Plinc grew its retail client base and continued to develop a suite of new products for its target market. It invested heavily in sales and marketing to facilitate further growth over the next couple of years. Total net revenue for the segment increased by 10.6% to £57.5m with organic growth of 4.3%, whilst the adjusted operating profit decreased by 6.3% to £10.4m at a reduced adjusted operating margin of 18.0%, due to the investment in Plinc's sales and marketing function.

The **Customer Engage** segment includes M Booth, M Booth Health, Outcast, Archetype, Nectar, Brandwidth, MHP and House 337.

M Booth Health, MHP and Nectar delivered organic growth in the tough macro-environment whilst our more tech and project based agencies showed revenue declines for the year. The segment's net revenue declined 4.3% to £263.1m, with an organic revenue decline of 6.3%, and it delivered an adjusted operating profit of £53.2m at a maintained 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 end of the Covid pandemic brought a return to more normal trading conditions as other routes to market opened. Growth moderated as a result, but the segment still delivered net revenue growth of 5.4% to £107.7m with organic revenue growth of 5.1%. The adjusted operating profit decreased marginally to £29.1m at a still very healthy adjusted operating profit margin of 27.0%.

The **Business Transformation** segment includes Mach49, The Blueshirt Group, Palladium and Transform. We saw a mixed performance from this segment as the significant contract win for Mach49, which we announced in February 2022, continued to contribute significant revenue and profit growth during the year. Transform had a very strong year on the back of a major contract win with the Department of Education, whilst the Blueshirt Group and Palladium suffered revenue and profit declines due to weakness in the Tech IPO and PE advisory markets. Overall, the segment delivered net revenue growth of 11.0% to £149.6m with organic revenue growth of 8.7%. The adjusted operating profit increased by 10.0% to £48.3m at an adjusted operating profit margin of 32.3%.

Regional adjusted performance

	UK	EMEA	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 January 2024						
Net revenue	**254,281**	**12,399**	**294,054**	**17,105**	**-**	**577,839**
Adjusted operating profit/(loss)	**45,731**	**2,345**	**91,139**	**1,691**	**(19,825)**	**121,081**
Adjusted operating profit margin[1]	**18.0%**	**18.9%**	**31.0%**	**9.9%**	**-**	**21.0%**
Organic net revenue (decline)/growth	**(0.4)%**	**6.1%**	**0.9%**	**(3.6)%**	**-**	**0.3%**
Year ended 31 January 2023						
Net revenue	240,971	11,626	293,177	18,025	-	563,799
Adjusted operating profit/(loss)	42,460	2,826	93,463	1,778	(26,358)	114,169
Adjusted operating profit margin[1]	17.6%	24.3%	31.9%	9.9%	-	20.2%
Organic net revenue growth	11.3%	16.3%	28.2%	11.0%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

In the year to 31 January 2024, total US net revenues grew by 0.3% to £294.1m from £293.2m which included organic growth of 0.9%. The adjusted operating profit from our US businesses decreased by 2.5% to £91.1m compared with £93.5m in the previous 12 months to 31 January 2023, at a still very healthy operating margin of 31.0% compared with 31.9% in the prior year.

After a very strong performance in the previous year particularly from our B2B tech businesses, trading in the US slowed last year predominantly due to weakness in spend from our larger tech clients. Our lead generation agency, Activate, had a resilient performance throughout the year, outperforming its immediate competition, whilst our B2C agency M Booth and its sister agency M Booth Health improved their performances as the year progressed and confidence returned to their key customers. Mach49 had another year of strong growth on the back of their big contract win, whilst the Blueshirt Group had a material fall in revenues due to the demise of Tech IPOs which had contributed to a very strong performance in the prior year. All the businesses reacted to the tougher trading conditions by managing their cost bases tightly.

The UK businesses delivered a positive performance over the last 12 months, with net revenue increasing by 5.5% to £254.3m from £241.0m in the prior period. Our UK businesses delivered an organic revenue decline of 0.4%. The adjusted operating profit increased to £45.7m from £42.5m in the prior year with the adjusted operating margin increasing to 18.0% from 17.6% in the prior year. This growth was supported by an extra month's trading from the Group's acquisition of Engine in March 2022 and a number of bolt-on acquisitions for Palladium and Brandwidth.

The EMEA business continued to perform well with net revenue increasing by 6.6% to £12.4m (2023: £11.6m) and an adjusted operating profit of £2.3m at an adjusted operating margin of 18.9%.

In the APAC region net revenue declined by 5.1% to £17.1m (2023: £18.0m). The operating profit was broadly flat at £1.7m at an operating margin of 9.9%.

Balance Sheet and Net Debt

The Group's balance sheet remains strong, moving to a modest net debt position as at 31 January 2024 of £1.4m (2023: net cash £26.1m) and net assets of £156.2m (2023: £114.4m). Since the previous year end, intangible assets have increased by £5.3m due to goodwill and acquired intangible assets recognised as a result of the acquisitions during the year offset by the amortisation.

Contingent consideration also saw a significant decrease, due to by £39.1m settlements during the year and a £32.5m change in estimate, primarily driven by the revised assumptions for the latest trading performance and forecast expectations for the Mach49 business. 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 2024 decreased to £115.7m from £119.6m in the prior period due to £15.7m settlement of employment linked acquisition payments compared to £6.6m in the prior year. We had a net outflow from working capital of £10.7m due to the reduction in deferred income and accrued expenses across the Group. This resulted in our net cash generated from operations before tax being £105.0m (2023: £95.2m).

In September 2023, the Group announced a share buyback programme to a maximum of £30m, allowing us to return excess cash to shareholders. As of 31 January 2024, we have spent £4.5m buying back 603,912 shares which have been cancelled. The Board continued this policy to acquire up to a further £10m worth of shares by the end of April 2024, and has now extended this deadline until the end of July 2024.

Over the year we incurred £70.9m in acquisition-related payments and £7.2m in capital expenditure.

Cash flow KPIs	**Year to 31 January 2024 £m**	**Year to 31 January 2023 £m**
Net cash inflow from operating activities before changes in working capital	**115.7**	**119.6**
Working capital movement	**(10.7)**	**(24.4)**
Net cash generated from operations	**105.0**	**95.2**
Income tax paid	**(25.4)**	**(20.3)**
Investing activities	**(17.9)**	**(67.5)**
Dividend paid to shareholders	**(14.8)**	**(12.7)**
Net (debt)/cash	**(1.4)**	**26.1**

Bank refinancing

The Group refinanced its banking facilities during the year and on 12 December 2023, the Group agreed to a new £150m revolving credit facility ("RCF") with a consortium of HSBC, Bank of Ireland, NatWest Bank, Citibank and CIC. The facility is available until December 2027 with an option to extend for a further year. As part of the arrangement, the Group has negotiated a £50m accordion option to facilitate future acquisitions.

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 (2023: $7m) which is available for property rental guarantees and US-based working capital needs.

Current trading and outlook

Trading in the new financial year is in line with management expectations. Performance continues to be robust across all four business segments despite the current economic and geopolitical backdrop. The significant Mach49 contract won in early 2022 and recent new client wins, such as Asda for SMG, give us confidence in further growth in the year ahead and in meeting management expectations.

The Group's financial strength and liquidity provides scope for further investments in AI and bolt-on M&A opportunities to accelerate our long-term growth, with one bolt-on already completed since year end, and supports us in achieving our stretch goal of doubling the size of the business in the next five years.

NEXT 15 GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

	Note	Year ended 31 January 2024	Year ended 31 January 2023
		£'000	£'000
Revenue		734,673	720,500
Direct costs		(156,834)	(156,701)
Net revenue	2	**577,839**	**563,799**
Staff costs		407,445	391,798
Depreciation		12,263	12,187
Amortisation		24,360	25,053
Other operating charges		56,652	67,554
Total operating charges		(500,720)	(496,592)
Operating profit		**77,119**	**67,207**
Finance expense	5	(31,393)	(63,735)
Finance income	6	34,622	6,637
Profit before income tax		**80,348**	**10,109**
Income tax expense	3	(26,403)	(7,123)
Profit for the year		**53,945**	**2,986**
Attributable to:			
Owners of the parent		52,907	1,623
Non-controlling interests		1,038	1,363
		53,945	**2,986**
Earnings per share			
Basic (pence)	7	53.3	1.7
Diluted (pence)	7	50.3	1.5

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

	Year ended 31 January 2024	Year ended 31 January 2023
	£'000	£'000
Profit for the year	**53,945**	**2,986**
Other comprehensive expense:		
Items that may be reclassified into profit or loss:		
Exchange differences on translating foreign operations	(576)	(1,323)
Items that will not be reclassified subsequently to profit or loss		
Revaluation of investments	(6)	(448)
Total other comprehensive expense for the year	(582)	(1,771)
Total comprehensive income for the year	**53,363**	**1,215**
Attributable to:		
Owners of the parent	52,325	(148)
Non-controlling interests	1,038	1,363
	53,363	**1,215**

NEXT 15 GROUP PLC

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS (Unaudited)

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Net revenue	**577,839**	**563,799**
Operating charges	(441,062)	(434,213)
EBITDA	**136,777**	**129,586**
Depreciation and Amortisation	(14,592)	(14,052)
Operating profit	**122,185**	**115,534**
Interest on finance lease liabilities	(1,104)	(1,365)
Adjusted Operating profit	**121,081**	**114,169**
Operating profit margin	*21.0%*	*20.2%*
Net finance expense	(3,136)	(1,631)
Profit before income tax	**117,945**	**112,538**
Tax	(31,073)	(26,254)
Profit after tax	**86,872**	**86,284**
Non-controlling interest	(1,038)	(1,363)
Retained profit	**85,834**	**84,921**

Weighted average number of ordinary shares	99,247,832	97,635,507
Diluted weighted average number of ordinary shares	105,218,101	105,680,687

Adjusted earnings per share	86.5p	87.0p
Diluted adjusted earnings per share	81.6p	80.4p

Net cash generated from operations before tax	105,041	95,206
Cash outflow on acquisition-related payments	(70,865)	(111,573)
Net (debt)/cash	(1,356)	26,070
Dividend (per share)	15.35p	14.6p

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, RCF fees written off and property impairment 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 2024 AND 2023

	Note	31 January 2024 £'000	31 January 2023 £'000
Assets			
Property, plant and equipment		10,099	10,882
Right-of-use assets		24,686	28,675
Intangible assets		279,342	274,067
Investments in financial assets		581	590
Deferred tax asset		62,087	67,058
Other receivables		1,040	830
Total non-current assets		377,835	382,102
Trade and other receivables		170,003	164,175
Cash and cash equivalents	8	42,871	47,320
Corporation tax asset		911	829
Total current assets		213,785	212,324
Total assets		**591,620**	**594,426**
Liabilities			
Loans and borrowings	8	44,227	21,250
Deferred tax liabilities		15,939	14,152
Lease liabilities		23,313	29,482
Other payables		110	169
Provisions		19,591	14,150
Contingent consideration	9	84,693	151,237
Additional contingent incentive	9	1,847	3,829
Share purchase obligation	9	7,277	6,729
Total non-current liabilities		196,997	240,998
Trade and other payables		151,510	160,006
Lease liabilities		10,115	12,286
Provisions		3,066	15,673
Corporation tax liability		6,843	8,159
Additional contingent incentive	9	2,483	2,480
Contingent consideration	9	62,059	38,169
Share purchase obligation	9	2,326	2,255
Total current liabilities		238,402	239,028
Total liabilities		**435,399**	**480,026**
TOTAL NET ASSETS		**156,221**	**114,400**
Equity			
Share capital		2,486	2,462
Share premium reserve		175,144	166,174
Share purchase reserve		(2,658)	(2,673)
Foreign currency translation reserve		3,304	3,880
Other reserves		608	608
Retained loss		(22,904)	(56,503)
Total equity attributable to owners of the parent		**155,980**	**113,948**
Non-controlling interests		241	452
TOTAL EQUITY		**156,221**	**114,400**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

	Share capital	Share premium reserve	Share purchase reserve	Foreign currency translation reserve	Other reserves[1]	Retained loss	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2022	**2,320**	**104,800**	**(2,673)**	**5,203**	**608**	**(50,429)**	**59,829**	**1,630**	**61,459**
Profit for the year	-	-	-	-	-	**1,623**	**1,623**	**1,363**	**2,986**
Other comprehensive expense 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[2]	**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)**
At 31 January 2023	**2,462**	**166,174**	**(2,673)**	**3,880**	**608**	**(56,503)**	**113,948**	**452**	**114,400**
Profit for the year	-	-	-	-	-	**52,907**	**52,907**	**1,038**	**53,945**
Other comprehensive expense for the year	-	-	-	**(576)**	-	**(6)**	**(582)**	-	**(582)**
Total comprehensive (expense)/income for the year	-	-	-	**(576)**	-	**52,901**	**52,325**	**1,038**	**53,363**
Shares issued on satisfaction of vested performance shares	**22**	**4,024**	-	-	-	**(6,643)**	**(2,597)**	-	**(2,597)**
Shares issued on acquisitions	**17**	**4,946**	-	-	-	-	**4,963**	-	**4,963**
Acquisition of own shares	**(15)**	-	**15**	-	-	**(4,475)**	**(4,475)**	-	**(4,475)**
Movement in relation to share-based payments	-	-	-	-	-	**11,476**	**11,476**	-	**11,476**
Tax on share-based payments	-	-	-	-	-	**(984)**	**(984)**	-	**(984)**
Dividends to owners of the Parent	-	-	-	-	-	**(14,762)**	**(14,762)**	-	**(14,762)**
Movement due to ESOP share purchases	-	-	-	-	**(7)**	-	**(7)**	-	**(7)**
Movement due to ESOP share option exercises	-	-	-	-	**7**	-	**7**	-	**7**
Movement on reserves for non-controlling interests	-	-	-	-	-	**(216)**	**(216)**	**216**	-
Non-controlling interest purchased in the period	-	-	-	-	-	**(3,698)**	**(3,698)**	**(204)**	**(3,902)**
Non-controlling interest reversed in the period	-	-	-	-	-	-	-	**29**	**29**
Non-controlling dividend	-	-	-	-	-	-	-	**(1,290)**	**(1,290)**
At 31 January 2024	**2,486**	**175,144**	**(2,658)**	**3,304**	**608**	**(22,904)**	**155,980**	**241**	**156,221**

[1] Other reserves include ESOP reserve, the treasury reserve, the merger reserve and the hedging reserve.
[2] 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 2024 AND 31 JANUARY 2023

	Year ended 31 January 2024	Year ended 31 January 2023
	£'000	£'000
Cash flows from operating activities		
Profit for the year	53,945	2,986
Adjustments for:		
Depreciation	12,263	12,187
Amortisation	24,360	25,053
Finance expense	31,393	63,735
Finance income	(34,622)	(6,637)
Impairment of property, plant and equipment	-	1,172
Loss on sale/impairment of property, plant and equipment	125	68
(Gain)/loss on exit of finance lease	(1,313)	2,811
Income tax expense	26,403	7,123
Employment linked acquisition provision charge	10,006	11,971
Settlement of employment linked acquisition payments	(15,713)	(6,649)
Share-based payment charges	11,476	6,711
Settlement of share based payment in cash	(2,597)	(971)
Net cash inflow from operating activities before changes in working capital	**115,726**	**119,560**
Change in trade and other receivables	837	(16,995)
Change in trade and other payables	(12,343)	(7,307)
Change in other liabilities	821	(52)
	(10,685)	(24,354)
Net cash generated from operations before tax outflows	**105,041**	**95,206**
Income taxes paid	(25,408)	(20,301)
Net cash inflow from operating activities	**79,633**	**74,905**
Cash flows from investing activities		
Acquisition of subsidiaries and trade and assets, net of cash acquired	(13,006)	(70,268)
Proceeds on disposal of investments in financial assets	-	7,452
Acquisition of property, plant and equipment	(3,711)	(3,485)
Proceeds on disposal of property, plant and equipment	8	2
Acquisition of intangible assets	(3,436)	(3,491)
Movement in long-term cash deposits	(179)	(13)
Income from finance lease receivables	1,388	2,228
Interest received	1,051	113
Net cash outflow from investing activities	**(17,885)**	**(67,462)**

NEXT 15 GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

	Year ended 31 January 2024	Year ended 31 January 2023
	£'000	£'000
Cash flows from financing activities		
Payment of contingent consideration	(42,146)	(34,656)
Purchase of non-controlling interest in subsidiary	(5,059)	-
Proceeds on sale of non-controlling interest in subsidiary	29	-
Acquisition of own shares	(4,475)	-
Issue of share capital	-	50,006
Issue costs on issue of ordinary shares	-	(1,365)
Capital element of finance lease rental repayment	(14,175)	(16,510)
Increase in bank borrowings and overdrafts	195,564	100,281
Repayment of bank borrowings and overdrafts	(171,891)	(101,795)
Banking arrangement fees	(1,905)	-
Interest paid	(4,268)	(1,794)
Dividend and profit share paid to non-controlling interest partners	(1,290)	(2,667)
Dividends paid to shareholders of the parent	(14,762)	(12,679)
Net cash outflow from financing activities	**(64,378)**	**(21,179)**
Net decrease in cash and cash equivalents	**(2,630)**	**(13,736)**
Cash and cash equivalents at beginning of the year	47,320	58,216
Exchange (loss)/gain on cash held	(1,819)	2,840
Cash and cash equivalents at end of the year	**42,871**	**47,320**

NOTES TO THE YEAR END RESULTS

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

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 2024.

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 January 2024 or 2023, but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 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 Transformation £'000**	**Head Office £'000**	**Total £'000**
Year ended 31 January 2024						
Net revenue	**263,120**	**107,653**	**57,476**	**149,590**	**-**	**577,839**
Adjusted operating profit/(loss)	**53,178**	**29,117**	**10,358**	**48,253**	**(19,825)**	**121,081**
Adjusted operating profit margin[1]	**20.2%**	**27.0%**	**18.0%**	**32.3%**	**-**	**21.0%**
Organic net revenue (decline)/growth	**(6.3%)**	**5.1%**	**4.3%**	**8.7%**	**-**	**0.3%**
Year ended 31 January 2023						
Net revenue	274,951	102,096	51,985	134,767	-	563,799
Adjusted operating profit/(loss)	55,432	30,191	11,049	43,855	(26,358)	114,169
Adjusted operating profit margin[1]	20.2%	29.6%	21.3%	32.5%	-	20.2%
Organic net revenue growth	9.3%	12.0%	10.2%	83.3%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

NOTES TO THE YEAR END RESULTS *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

2) SEGMENT INFORMATION *(continued)*

	UK	EMEA	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 January 2024						
Net revenue	**254,281**	**12,399**	**294,054**	**17,105**	**-**	**577,839**
Adjusted operating profit/(loss)	**45,731**	**2,345**	**91,139**	**1,691**	**(19,825)**	**121,081**
Adjusted operating profit margin[1]	**18.0%**	**18.9%**	**31.0%**	**9.9%**	**-**	**21.0%**
Organic net revenue (decline)/growth	**(0.4%)**	**6.1%**	**0.9%**	**(3.6%)**	**-**	**0.3%**
Year ended 31 January 2023						
Net revenue	240,971	11,626	293,177	18,025	-	563,799
Adjusted operating profit/(loss)	42,460	2,826	93,463	1,778	(26,358)	114,169
Adjusted operating profit margin[1]	17.6%	24.3%	31.9%	9.9%	-	20.2%
Organic net revenue growth	11.3%	16.3%	28.2%	11.0%	-	20.7%

[1] Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

3) TAXATION

The tax charge on adjusted profit for the year ended 31 January 2024 is £31,073,000 (2023: £26,254,000), equating to an adjusted effective tax rate of 26.3%, compared to 23.3% in the prior year. The Group's adjusted effective tax rate was higher than the rate achieved in the prior year largely due to the increase in the UK rate from 19% in the prior year and due to a strong performance from our US-based agencies.

The UK statutory rate increased from 19% to 25% from 1 April 2023, which is reflected by the increase of the adjusted effective tax rate to 26.3%. 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 2024 is £26,403,000 (2023: £7,123,000).

4) DIVIDENDS

A final dividend of 10.6p per ordinary share will be paid on 9 August 2024 to shareholders listed on the register of members on 5 July 2024. Shares will go ex-dividend on 4 July 2024. This makes the total dividend for the year 15.35p per share (2023: 14.6p).

NOTES TO THE YEAR END RESULTS (*Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

5) FINANCE EXPENSE

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Financial liabilities at amortised cost		
Bank interest payable	4,242	1,791
Interest on lease liabilities[1]	1,104	1,365
Financial liabilities at fair value through profit and loss		
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1]	24,871	22,885
Change in estimate of future contingent consideration and share purchase obligation payable[1]	1,150	37,691
Other		
Other interest payable	26	3
Finance expense	**31,393**	**63,735**

[1]These items are adjusted for in calculating the adjusted net finance expense.

6) FINANCE INCOME

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Financial assets at amortised cost		
Bank interest receivable	1,039	103
Finance lease interest receivable	81	50
Financial liabilities at fair value through profit and loss		
Change in estimate of future contingent consideration and share purchase obligation payable[1]	33,490	6,474
Other interest receivable	12	10
Finance income	**34,622**	**6,637**

[1]These items are adjusted for in calculating the adjusted net finance expense.

7) EARNINGS PER SHARE

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Profit attributable to ordinary shareholders	**52,907**	**1,623**
	Number	**Number**
Weighted average number of ordinary shares	99,247,832	97,635,507
Dilutive LTIP shares	1,848,787	2,279,528
Dilutive growth deal shares	3,345,900	2,373,445
Other potentially issuable shares	775,582	3,392,207
Diluted weighted average number of ordinary shares	**105,218,101**	**105,680,687**

NOTES TO THE YEAR END RESULTS (*Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

7) EARNINGS PER SHARE (Continued)

Basic earnings per share	53.3p	1.7p
Diluted earnings per share	50.3p	1.5p

8) NET DEBT

The Group refinanced its banking facilities during the year and on 12 December 2023, the Group agreed to a new £150m revolving credit facility ("RCF") with a consortium of HSBC, Bank of Ireland, NatWest Bank, Citibank and CIC. The facility is available until December 2027 with an option to extend for a further year. As part of the arrangement, the Group has a £50m accordion option to facilitate future acquisitions.

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 (2023: $7m) which is available for property rental guarantees and US-based working capital needs.

	31 January 2024 £'000	31 January 2023 £'000
Total loans and borrowings	44,227	21,250
Less: cash and cash equivalents	(42,871)	(47,320)
Net debt/(cash)	**1,356**	**(26,070)**
Share purchase obligation	9,603	8,984
Contingent consideration	146,752	189,406
Additional contingent incentive	4,330	6,309
Net debt and acquisition related liabilities	**162,041**	**178,629**

NOTES TO THE YEAR END RESULTS (*Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

9) OTHER FINANCIAL LIABILITIES

	Deferred consideration £'000	Contingent consideration £'000	Additional contingent incentive £'000	Share purchase obligation £'000
At 31 January 2022	**133**	**161,541**	**5,202**	**11,252**
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)
At 31 January 2023	**-**	**189,406**	**6,309**	**8,984**
Arising during the year	-	12,077	-	-
Exchange differences	-	(6,160)	(238)	(78)
Utilised	-	(39,075)	(3,071)	-
Unwinding of discount	-	23,049	572	1,250
Change in estimate	-	(32,545)	758	(553)
At 31 January 2024	**-**	**146,752**	**4,300**	**9,603**
Current	**-**	**62,059**	**2,483**	**2,326**
Non-current	**-**	**84,693**	**1,847**	**7,277**

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 decreased by a net £44.0m, primarily driven by settlements during the year and a change in estimate of £32.3m relating to the Mach49 business. This change in estimate was driven by the revised assumptions for the latest trading performance and forecast expectations for the Mach49 business. At the previous year end, the Group estimated the total earn-out to be the maximum cap of US$300m, which has now been reduced to US$250m at 31 January 2024 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 prior year, a former minority shareholder and employee of the Group's largest US business filed a legal claim against the founding shareholders of the subsidiary and the Group amongst others, relating to their historic entitlement to a share in the business. The claim has progressed through the discovery phase and depositions are taking place. The Group continues to strongly dispute these claims and is defending the claim. The Group has continued to discuss the claim with legal advisors and still determines a future outflow is not probable and therefore no provision has been made in relation to the claim.

Although the legal claim continues, there is continued ambiguity as to what the total settlement amount might be and the amount, if any, that the Group will be required to pay. 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 for the Group can be made given the stage of this claim, the claimant is seeking a proportion of the earnout valuation of this business, 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 2024 AND 31 JANUARY 2023

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 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. The Group has incurred legal fees in relation to this claim and has recognised a corresponding asset representing the amount recoverable under the indemnity given at the time of the acquisition.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

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 STATUTORY OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

A reconciliation of segment adjusted operating profit to segment adjusted operating profit and statutory operating profit is provided as follows:

	Year ended 31 January 2024	Year ended 31 January 2023
	£'000	£'000
Statutory operating profit	**77,119**	**67,207**
Interest on finance lease liabilities	(1,104)	(1,365)
Statutory operating profit after interest on finance lease liabilities	**76,015**	**65,842**
Amortisation of acquired intangibles (A2)	22,031	23,188
Charge for one-off employee incentive schemes (A2)	6,605	596
Employment linked acquisition payments (A2)	10,006	11,971
Property impairment (A2)	-	4,749
Costs associated with restructuring (A2)	5,152	2,302
RCF fees write off (A2)	601	-
Deal costs (A2)	671	5,521
Adjusted operating profit	**121,081**	**114,169**
Adjusted operating profit margin	**21.0%**	**20.2%**

Adjusted operating profit margin is calculated based on the adjusted operating profit as a percentage of net revenue.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

A2: RECONCILIATION OF STATUTORY PROFIT BEFORE TAX TO ADJUSTED PROFIT BEFORE TAX

	Year ended 31 January 2024	Year ended 31 January 2023
	£'000	£'000
Statutory profit before income tax	**80,348**	**10,109**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1]	24,871	22,885
Change in estimate of future contingent consideration and share purchase obligation payable[1]	(32,340)	31,217
Charge for one-off employee incentive scheme[2]	6,605	596
Employment linked acquisition payments[3]	10,006	11,971
Costs associated with restructuring[4]	5,152	2,302
Deal costs[5]	671	5,521
Property impairment [6]	-	4,749
RCF fees write off[7]	601	-
Amortisation of acquired intangibles[8]	22,031	23,188
Adjusted profit before income tax	**117,945**	**112,538**

[1] 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.

[2] This charge relates to transactions whereby a restricted grant of brand equity was given to key management in House 337 Limited, MHP Group Limited, Transform UK Consulting Limited, M Booth & Associates LLC, Brandwidth Marketing Limited and Plinc Limited (2023: Elvis Communications Limited and Publitek Limited) 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. 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.

[3]This charge relates to payments linked to the continuing employment of the sellers which is being recognised as an expense over the period of employment as required by accounting standards. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs 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.

[4]In the current year the Group has incurred restructuring costs all relating to staff redundancies as we pro-actively reduced our cost base to take account of macro-economic trends and anticipated efficiencies arising out of the adoption of AI. Only costs that relate to roles permanently being eliminated from the business with no intention to replace are adjusted for. In the prior year, the costs primarily related to rebranding and redundancy costs for the specific transformational events of creating the three new brands from the acquisition of Engine Acquisition Limited ("Engine"). In both years, the costs do not relate to underlying trading of the relevant brands and have been added back to aid comparability of performance year on year.

[5]These costs are directly attributable to business combinations and acquisitions made during the year. The charges are excluded from performance as they would not have been incurred had the business combination not occurred and a higher or lower spend has no relation on the organic business. They do not relate to the trading of the Group and are added back each year to aid comparability of the Group's profitability year on year.

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

A2: RECONCILIATION OF STATUTORY PROFIT BEFORE TAX TO ADJUSTED PROFIT BEFORE TAX*(Continued)*

[6]In the prior year the Group 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 identified excess property space within the portfolio and therefore took an impairment charge relating to those offices. The Group adjusted for this cost, as the additional one-off impairment charge did not relate to the underlying trading of the business and therefore added back to aid comparability.

[7]In the current year the Group refinanced its banking facilities and agreed to a new £150m revolving credit facility ("RCF") with a consortium of five banks. The refinance occurred before the old facility agreement ended and therefore there was £0.6m of capitalised fees remaining on the balance sheet in relation to the previous facility agreement that had yet to be amortised. As a result of the new agreement, the old RCF fees were written off as a one-off charge to the income statement. The Group adjusted for this significant cost as the charge is non-recurring and therefore added back to aid comparability of the Group's profitability year on year.

[8]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.

Adjusted profit before income tax has 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.

A3: RECONCILIATION OF ADJUSTED TAX EXPENSE

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Income tax expense reported in the Consolidated Income Statement	26,403	7,123
Add back tax on adjusting items:		
Costs associated with the current period restructure and office moves	1,248	1,210
Unwinding of discount on and change in estimates of contingent and deferred consideration	(2,220)	12,978
Share-based payment charge	273	-
Amortisation of acquired intangibles	5,369	4,943
Adjusted tax expense	**31,073**	**26,254**
Adjusted profit before income tax	117,945	112,538
Adjusted effective tax rate	**26.3%**	**23.3%**

APPENDIX – ALTERNATIVE PERFORMANCE MEASURES *(Continued)*

FOR THE YEARS ENDED 31 JANUARY 2024 AND 31 JANUARY 2023

A4: RECONCILIATION OF ADJUSTED EARNINGS PER SHARE

	Year ended 31 January 2024 £'000	Year ended 31 January 2023 £'000
Profit attributable to ordinary shareholders	**52,907**	**1,623**
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	24,871	22,885
Change in estimate of future contingent consideration and share purchase obligation payable	(32,340)	31,217
Charge for one-off employee incentive scheme	6,605	596
Costs associated with restructuring	5,152	2,302
Property impairment	-	4,749
RCF fees write off	601	-
Amortisation of acquired intangibles	22,031	23,188
Employment linked acquisition payments	10,006	11,971
Deal costs	671	5,521
Tax effect of adjusting items above	(4,670)	(19,131)
Adjusted earnings attributable to ordinary shareholders	**85,834**	**84,921**

	Number	**Number**
Weighted average number of ordinary shares	99,247,832	97,635,507
Dilutive LTIP shares	1,848,787	2,279,528
Dilutive growth deal shares	3,345,900	2,373,445
Other potentially issuable shares	775,582	3,392,207
Diluted weighted average number of ordinary shares	**105,218,101**	**105,680,687**
Adjusted earnings per share	86.5p	87.0p
Diluted adjusted earnings per share	81.6p	80.4p

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 2024 £'000	Year ended 31 January 2023 £'000
Revenue	734,673	720,500
Direct costs	(156,834)	(156,701)
Net revenue	**577,839**	**563,799**

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.