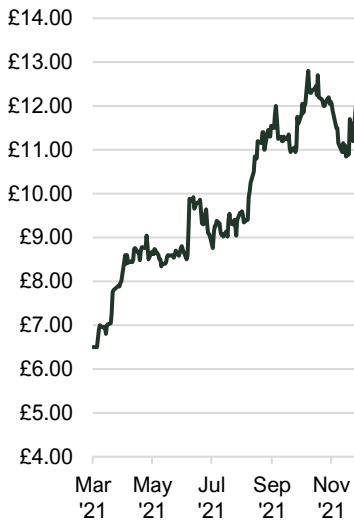


1 Year Chart



15 December 2021

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Next Fifteen Communications Group PLC is a research client of Radnor Capital Partners Ltd.

MiFID II – this research is deemed to be a minor, non-monetary benefit.

The Q3 trading update demonstrates that growth is accelerating across the board for Next Fifteen. The already strong H1 exit run rate has stepped up again. In line with commentary from earlier in the year, this momentum is being delivered across the group every segment delivering >15% organic growth. This performance is being driven by a virtuous combination of sharp recovery in pandemic affected markets; the digital transition theme across a range of client verticals and the relevance of digitally driven customer revenue propositions. Looking beyond the rising tide of B2C marketing spend, it is increasingly clear how well Next Fifteen has acquired over the last few years. These acquisitions have been performing well and were acquired at multiples and earn out structures that have not diluted existing holders.

For the fourth time this year, we are upgrading our estimates. Our upgraded FY22 PBT estimate now stands 42% ahead of where we started 2021. This positive earnings momentum goes some way to explaining the +133% share price performance YTD, but the balance comes from a FY22 PE rising from 14.9x to 22.7x. Yet we can still see relative value against a more highly rated peer group that does not offer the same revenue growth and margin profile.

- **Strong headlines:** Q3 revenue momentum has remained strong; +38% YoY on a headline basis and +26% organically with this momentum being maintained into Q4 (Next Fifteen has a January year-end). This represents an acceleration from the +23% organic growth reported at the half year. Critically, this growth is being driven across the group, with each of the four main legs delivering 15% plus organic growth.
- **Focus now moving to FY23:** With FY22 likely to prove a record year for Next Fifteen across a range of metrics, focus is shifting towards FY23 and beyond. The ground has been laid by the growing emphasis on productisation across the portfolio and progress both on investment and execution will be high up the agenda for investors.
- **Margin progression to be driven primarily by revenue mix:** Although we have made a number of revenue upgrades, we model these delivering a similar level of incremental margin as our previous estimates. This reflects management commentary around likely levels of cost reinvestment and headcount growth in a tight, high skilled job market.
- **Estimate upgrades:** We upgrade our revenue / PBT estimates for FY22 and FY23 by +4% / +5% respectively. We now look for £28.9m of net cash at the year end absent any further acquisitions. Next Fifteen's balance sheet strength is a key calling card and offers significant firepower for further accretive M&A

Y/E January, £m	Sales	PBT adj	EPS (p)	Div (p)	Net Cash	Fiscal PER x	Yield %
FY 2020A	248.5	40.2	34.8	2.5	-9.4	34.5	0.2
FY 2021A	266.9	49.1	40.7	7.0	14.0	29.5	0.6
FY 2022E	352.7	70.7	52.8	11.0	28.9	22.7	0.9
FY 2023E	379.3	78.0	56.7	12.6	60.9	21.2	1.1
FY 2024E	405.9	85.3	61.9	13.8	109.3	19.4	1.1

Source: Radnor Capital Partners

Estimate Revisions: PBT +5% for FY 2022, +5% for FY 2023

We have revisited our forecast model and have made the following changes:

Figure 1: Radnor estimate revisions

	£m	FY21A	Previous		New		Change, %	
			2022E	2023E	2022E	2023E	2022E	2023E
Customer Engagement	166.5		186.58	197.7	196.5	208.3	+5%	+5%
Customer Delivery	49.6		74.3	81.8	76.8	84.5	+3%	+3%
Customer Insight	33.1		39.7	42.9	40.3	43.6	+2%	+2%
Business Transformation	17.7		39.0	42.9	39.0	42.9	-	-
Revenue	266.9		339.5	365.3	352.7	379.3	+ 4%	+ 4%
Customer Engagement	36.9		41.0	45.5	43.8	47.9	+7%	+5%
Customer Delivery	15.2		26.0	28.9	26.9	29.8	+3%	+3%
Customer Insight	4.9		6.7	7.4	7.3	8.1	+8%	+9%
Business Transformation	3.9		9.0	9.9	9.0	9.9	-	-
Central Overhead	-11.4		-15.3	-16.4	-15.9	-17.1	+ 4%	+ 4%
EBITA	49.5		67.5	75.1	71.1	78.6	+ 8%	+ 12%
- margin %	18.5%		19.9%	20.6%	20.2%	20.7%		
Adj. PBT	49.1		67.1	74.5	70.7	78.0	+ 5%	+ 5%
Adj. EPS (p)	40.7		50.2	54.3	52.8	56.7	+ 5%	+ 5%
Dividend (p)	7.0		10.5	12.1	11.0	12.6	+ 5%	+ 4%
Net Cash (Debt)	14.0		25.3	55.2	28.9	60.9		

Source: Radnor

Valuation

Figure 2: Next Fifteen FY2 PE

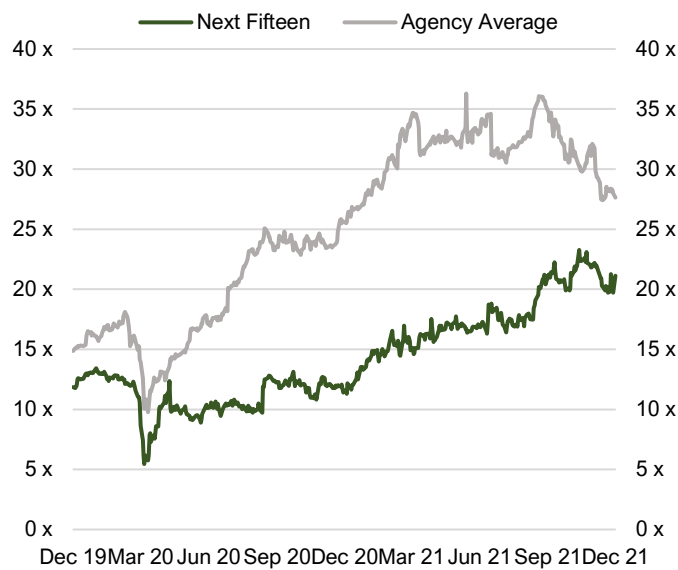
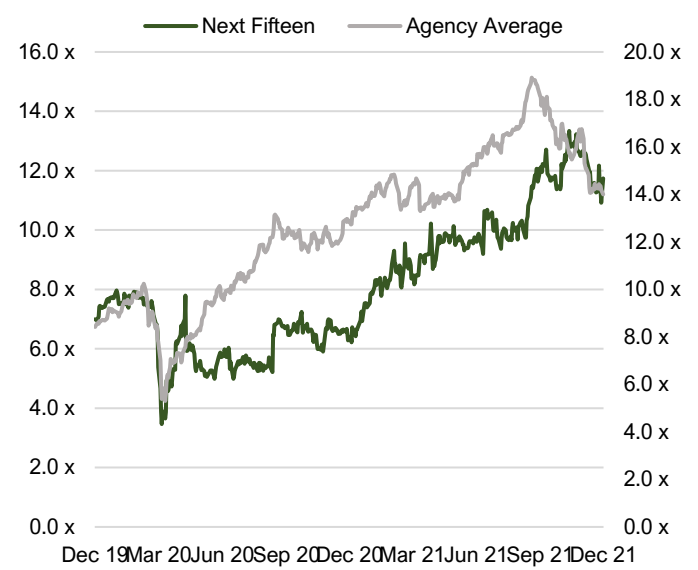


Figure 3: Next Fifteen FY2 EV/EBITDA



Source: FactSet, Radnor

In Figures 2 & 3 above, we show the evolution of the Next Fifteen FY2 PE and EV/EBITDA multiple over the last two years, compared to the Small Cap Agency average. We focus on FY2 earnings as short-term earnings volatility is clearly pronounced in the current year and we believe investors have now moved beyond their initial focus on near term security and are looking through to the calendar 2022 earnings outlook.

In Figures 4 and 5 below, we compare Next Fifteen to the peer group and Small Cap Media average in terms of PE vs Revenue Growth and PE vs EBITDA margins. On both measures we can see that Next Fifteen sits well ahead of the peer group averages in terms of both growth and margin, yet still does not command the premium multiples shown by a number of peers.

Figure 7: Next Fifteen FY2 PE vs Growth

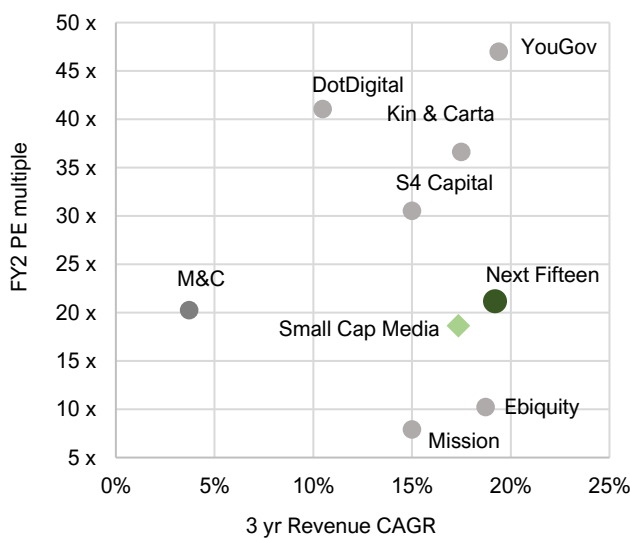
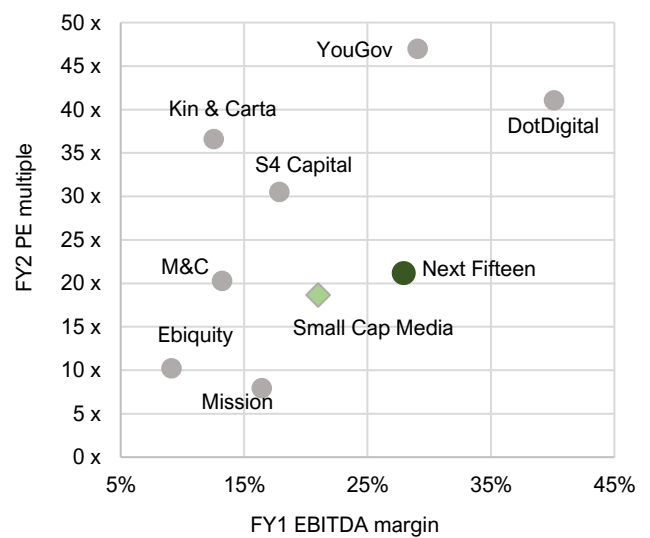


Figure 8: Next Fifteen FY2 PE vs Margin



Source: FactSet, Radnor

Next Fifteen Communications PLC

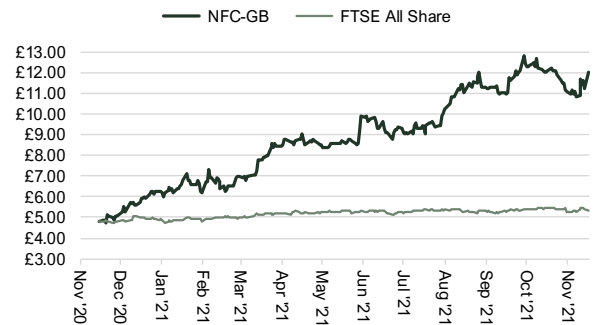
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Price (p): 1200 p
Market Cap: 1,114 m
EV: 1,100 m

PROFIT & LOSS

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Customer Engagement				166.5	196.5	208.3	218.7
Customer Delivery				49.6	76.8	84.5	92.9
Customer Insight				33.1	40.3	43.6	47.1
Business Transformation				17.7	39.0	42.9	47.2
Group Net Revenue	196.8	224.1	248.5	266.9	352.7	379.3	405.9
Customer Engagement				36.9	43.8	47.9	51.4
Customer Delivery				15.2	26.9	29.8	33.0
Customer Insight				4.9	7.3	8.1	8.9
Business Transformation				3.9	9.0	9.9	10.9
Head Office	(8.9)	(9.3)	(9.5)	(11.4)	(15.9)	(17.1)	(18.3)
EBITA - Adjusted	30.0	37.0	40.9	49.5	71.1	78.6	85.9
Associates & JV's	0.0	0.1	0.2	0.4	0.2	-	-
Net Bank Interest	(0.7)	(1.0)	(0.8)	(0.8)	(0.6)	(0.6)	(0.6)
PBT - Adjusted	32.8	36.0	40.2	49.1	70.7	78.0	85.3
Non Operating Items	(12.8)	(16.3)	(23.0)	(37.2)	(29.6)	(26.0)	(22.8)
Other Financial Items	(3.2)	(0.9)	(11.6)	(13.2)	(16.5)	(10.0)	(10.0)
PBT - IFRS	13.3	18.8	5.6	(1.3)	23.5	40.9	51.5
Tax	(4.0)	(4.3)	(2.7)	(2.6)	(4.8)	(10.2)	(12.9)
Tax - Adjusted	(5.9)	(7.2)	(8.0)	(9.9)	(16.6)	(18.7)	(20.5)
Tax rate - Adjusted	17.9%	20.0%	20.0%	20.2%	23.5%	24.0%	24.0%
Minority interests	0.7	0.6	0.6	1.0	3.1	4.6	5.1
No. shares m	74.3	79.2	85.3	89.4	92.0	92.0	92.0
No. shares m, diluted	82.1	85.0	90.9	93.8	96.4	96.4	96.4
IFRS EPS (p)	11.6	17.5	2.7	(5.5)	16.9	28.4	36.4
Adj EPS (p), diluted	32.1	33.1	34.8	40.7	52.8	56.7	61.9
Total DPS (p)	6.3	7.6	2.5	7.0	11.0	12.6	13.8

PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE



SHAREHOLDERS

	% of ord. Share capital
Liontrust Investment Partners	14.1%
Octopus Investments	14.1%
Aviva Investors	11.8%
Aberdeen Stan Life	7.9%
Tim Dyson (CEO)	5.9%
BlackRock	5.1%
Canaccord Wealth	5.0%
Herald Inv Mgmt	4.4%
Total	68.3%

CASH FLOW

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Net Profit: (add back)	9.3	14.5	2.8	(3.9)	18.7	30.7	38.6
Depreciation & Amortisation	11.4	13.8	26.4	28.0	27.6	27.8	28.1
Net Finance costs	4.0	1.9	14.1	15.4	18.2	11.7	11.7
Tax	4.0	4.3	2.7	2.6	4.8	10.2	12.9
Working Capital	(4.2)	1.2	(3.3)	6.6	(6.3)	(4.5)	(0.8)
Other	4.4	2.6	6.8	24.3	8.8	9.0	9.0
Cash from Ops	28.9	38.4	49.5	72.9	71.8	85.0	99.5
Cash Tax	(4.3)	(6.2)	(6.0)	(8.4)	(10.0)	(10.2)	(12.9)
Tangible Capex	(3.0)	(5.6)	(3.5)	(2.0)	(3.0)	(3.0)	(3.0)
Intangible Capex	(1.2)	(2.4)	(1.8)	(2.1)	(2.0)	(2.0)	(2.0)
Free Cashflow	20.4	24.1	38.2	60.4	56.8	69.7	81.6
Dividends	(5.7)	(6.6)	(7.5)	(0.7)	(7.3)	(11.1)	(12.6)
Acquisitions & Inv.	(15.4)	(29.6)	(24.2)	(23.6)	(25.0)	(17.0)	(11.0)
Financing	3.8	7.7	1.8	(37.7)	(9.7)	(9.7)	(9.7)
Net Cashflow	3.1	(4.4)	8.3	(1.6)	14.9	32.0	48.4
Net Cash (Debt)	(11.6)	(5.2)	(9.4)	14.0	28.9	60.9	109.3

BALANCE SHEET

Year to 31 January, £m	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e
Intangibles	94.8	126.1	155.4	163.8	175.8	179.8	177.8
P,P+E	13.6	15.9	14.2	8.9	12.3	10.4	8.3
Tax Asset & Other	11.7	13.0	54.7	43.4	35.4	27.4	19.4
Total Fixed Assets	120.1	155.0	224.4	216.1	223.4	217.6	205.5
Net Working Capital	(32.2)	(38.4)	(102.3)	(113.2)	(112.5)	(89.6)	(88.9)
Capital Employed	87.9	116.6	122.1	102.9	110.9	128.0	116.7
Net Funds	(11.6)	(5.2)	(9.4)	14.0	28.9	60.9	109.3
Net Assets	76.3	111.5	112.7	116.9	139.8	188.8	225.9

Announcements

Date	Event
September 2021	H1 results
August 2021	Trading update
April 2021	Final results (y/e Jan 2021)
April 2021	Acquisition of Shopper Media for £15m
January 2021	Trading update
September 2020	Trading update
September 2020	Acquisition of Mach49 for \$2.7m

RATIOS

	FY20	FY21	FY22e	FY23e	FY24e
RoE	28.1%	32.7%	36.4%	29.0%	26.4%
RoCE	33.6%	48.5%	64.3%	61.4%	73.6%
Asset Turnover (x)	0.9x	0.8x	0.6x	0.6x	0.5x
NWC % Revenue	41.2%	42.4%	31.9%	23.6%	21.9%
Op Cash % EBITA	121.2%	147.4%	101.0%	108.1%	115.8%
Net Debt / EBITDA	0.1x	-	-	-	-

VALUATION

Fiscal	FY20	FY21	FY22e	FY23e	FY24e
P/E	34.5x	29.5x	22.7x	21.2x	19.4x
EV/EBITDA	16.1x	14.2x	15.5x	14.0x	12.8x
Div Yield	0.2%	0.6%	0.9%	1.1%	1.1%
FCF Yield	3.5%	5.5%	5.2%	6.3%	7.4%
EPS growth	4.9%	17.1%	29.6%	7.4%	9.2%
DPS growth	-66.9%	180.0%	57.1%	14.6%	9.2%

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