INTERIM RESULTS 2014

8TH APRIL, 2014

NEXT15

£49m
GROUP REVENUES INTERIM 2014

1,155
STAFF WORLDWIDE

24 key cities:
BEIJING
LONDON
MUNICH
NEW DEHLI
NEW YORK
PARIS
SAN FRANCISCO
SINGAPORE

Key clients:
AMAZON
AMERICAN EXPRESS
APPLE
CISCO
COCA COLA
FACEBOOK
GOOGLE
IBM

57%
REVENUES FROM US INTERIM 2014

+4%
GROUP ORGANIC REVENUE GROWTH 2014/13

+6%
INCREASE IN AVG CLIENT REVENUE YIELD 2014/13

12
AGENCIES

17%
US REVENUE GROWTH INTERIM 2014

13%
US ORGANIC REVENUE GROWTH INTERIM 2014

EXECUTIVE SUMMARY

FINANCIAL RESULTS

- Revenue up 6% to £49.3m in H1 2014 (2013: £46.6m)
- 4% organic revenue growth lead by 13% growth in US
- Adjusted EBITDA up 10% to £6.1m (2013: £5.6m)
- Adjusted pre tax profits up 13% to £5.1m (2013: £4.5m)
- Diluted adjusted earnings up 17% to 4.91p (2013: 4.20p)
- Dividend increased by 12% to 0.7p (2013: 0.625p)
- Net debt £5.4m (2013: £5.2m) after net £2.8m of acquisition payments

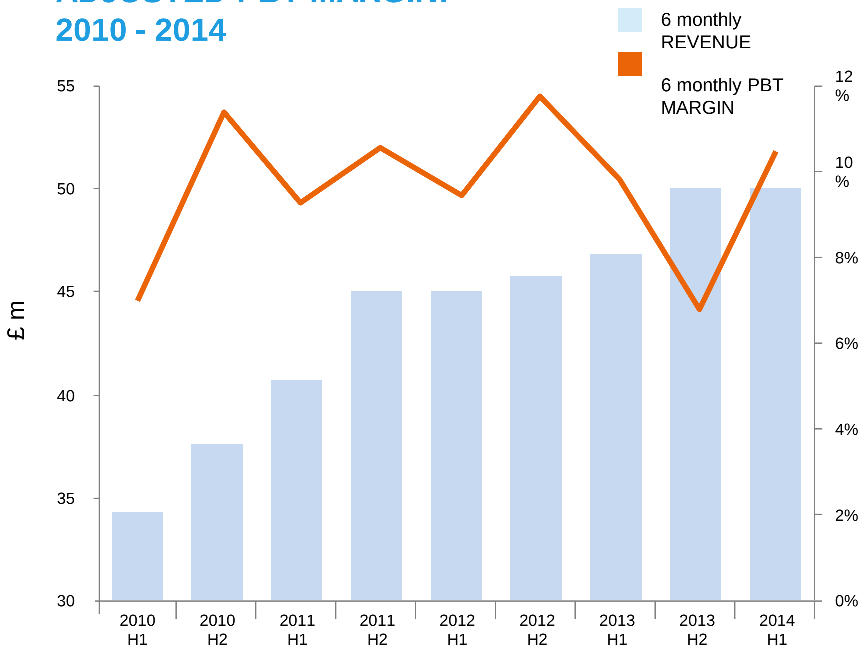
COMMERCIAL

- Developed Agent3 and acquired Continuous Insight*
- Acquired content marketing specialist Republic Publishing
- New CFO Peter Harris announced
- Created BiteDA
- Client wins include: GoDaddy, Hitachi Data Systems, Airbnb, Nest, Sainsbury's, Stripe
- Strong start to H214 despite strength of sterling

**Feb 2014*

NEXT 15 PERFORMANCE IN CONTEXT

6 MONTHLY REVENUE AND ADJUSTED PBT MARGIN: 2010 - 2014

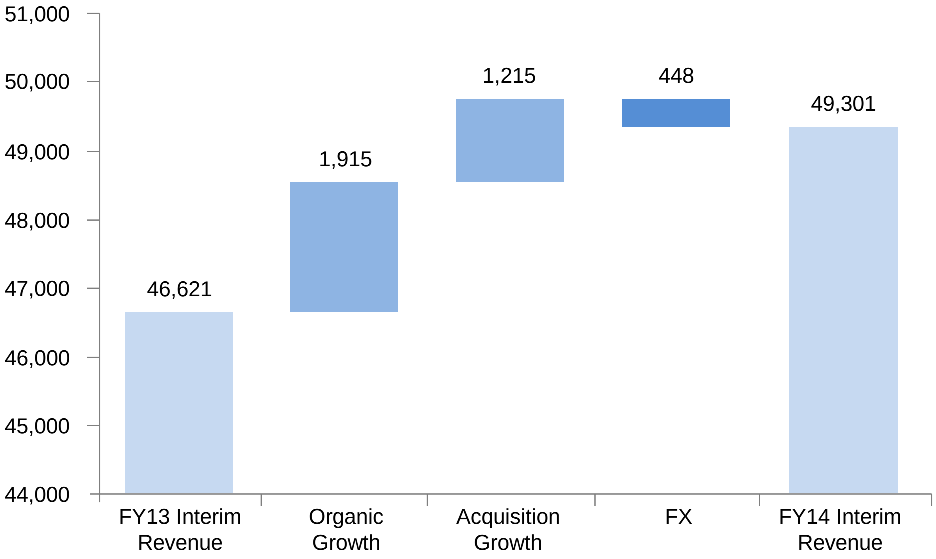


- Adjusted PBT margin per 6 month period had begun to show improving trends as revenues had grown
- Key break out from this was H2 2013 given the impact of the Bite trading issues
- H1 2014 has seen a partial return to trend
- Revenue growth, both acquisitive and organic is a consistent feature over the period

NEXT15

REVENUE BRIDGE 2013/14

INTERIM REVENUE PROGRESSION £'000 : 2013 - 14



- Growth of 6% in the period driven by organic gains
- Average client revenue yield up by 6%
- £1.2m of revenue from a full contribution of 2013's acquisitions (Connections Media) and one month from Republic Publishing.
- Continuous Insight to impact H214
- FX movements reduced reported growth by 0.9 percentage points

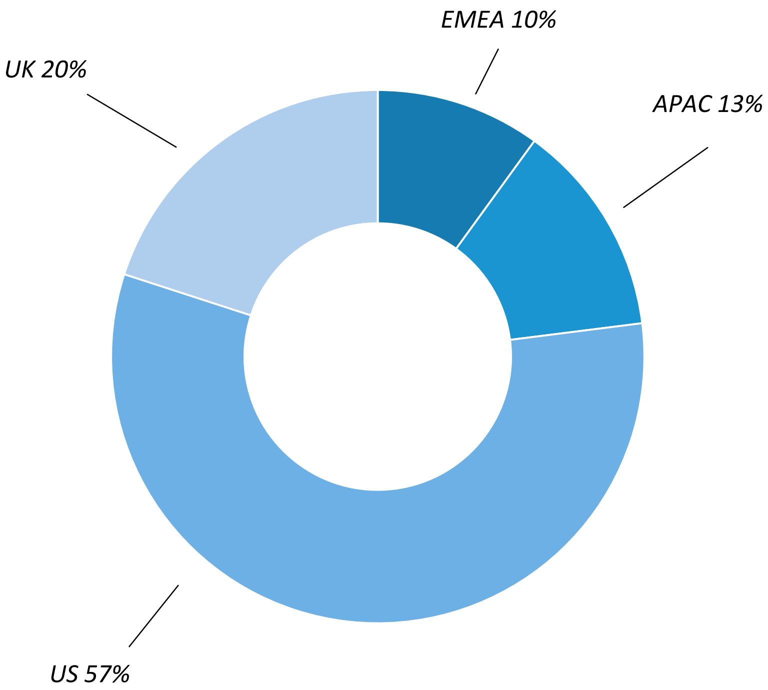
NEXT15

NEW BUSINESS UPDATE

REGION	WINS	LOSSES
US	Amazon, Blackboard, Google, GoDaddy, Hitachi Data Systems, Airbnb, Stripe, Vimeo, Trust the Vote, PhRMA, Tripadvisor, Patron Tequila, Beyond Meat	SAP, EMC, Lytro, Udacity, Foursquare
UK	Amazon, Nest, Blackboard, Akami, Tripadvisor, Sainsbury's, Agrium, Mastercard, Nike Foundation, Salesforce	Microsoft, Sony
APAC	Digital Realty, HaagenDaas, The Guardian (Aus), Dolby, F5, Grant Thornton, Polycom, Verizon, WeChat	Adobe, Marriott
EMEA	Amazon, Sophos, Criteo, SolarWinds, Palo Alto Networks, Sage, Quip, Infectious Media	HTC, BlackBerry, Storagecraft

- Increasingly digital and especially social capabilities key to pitch success
- More non tech brands beginning to feature
- Amazon wins cover Kindle, Video, and Music in different territories
- Bite seeing return to pitch success
- PhRMA and Trust the Vote are new clients for recent digital acquisition Connections Media

GLOBAL BREAKDOWN



- Organic growth gains on FY 2013, in line with H2
- US was up 13% on an organic basis (10% at full year 2013) – now 57% of group revenues
- US revenues per head is >3x that for APAC
- UK on an improving trend after tough 2013, returning to growth in H2

NEXT15

US IS OUR LONG TERM GROWTH DRIVER (1)

DATA

13%

Increase US organic revenue growth 2013

10

US offices

MARKET

- Growth in 2013 in US digital advertising market was 14.9% (e marketer 2013)

OUR KEY ADVANTAGES

- We have been in the US since 1995
- Our Tech PR background has created longstanding relationships at a senior level
- Authoritative digital work for high quality digital brands (Google, Apple, Facebook)
- Early investment in digital skills (social, content marketing)
- Industry-leading specialist brands (OutCast, Blueshirt, M Booth, Connections Media)

Recent key client success in digital demonstrates our ability to compete at the highest level of US digital agencies, both for consumer and tech brands

DATA

57%

US % of group revenues H1 2014

456

people

39%

of our workforce

US IS OUR LONG TERM GROWTH DRIVER (2)

NEAR TERM OUTLOOK

- Strong pipeline of new business across all areas
- Bite regaining its profile after tough 2013
- BiteDA and agent[3] extending into the US, and Republic Publishing also expanding into the US
- Continue to expand our key client relationships with the likes of: Google, IBM, Cisco, American Express, Facebook, Apple
- Continue to source next generation tech brands such as Nest, Airbnb, Pinterest, Actifio, Cumulus, Dropbox

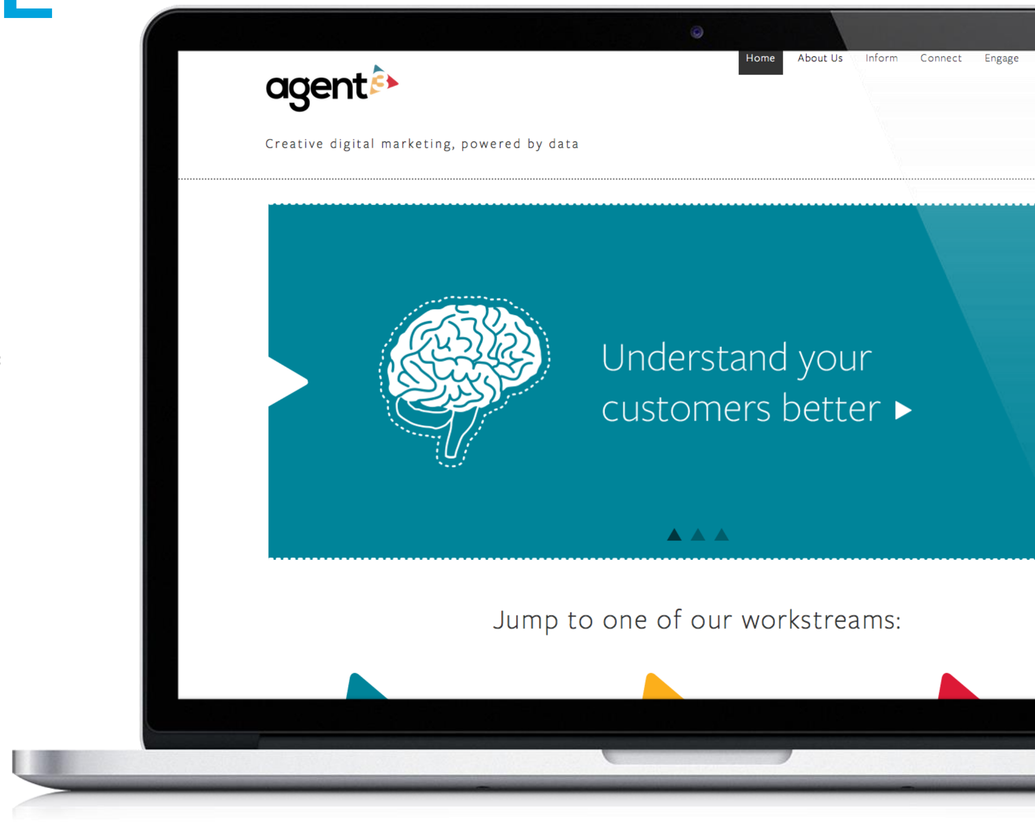
EXECUTING THE DIGITAL TRANSITION PLAN

	FY 2013	H1 2014	H2 2014 (KNOWN)
Restructure	Added digital talent across group (Bite, head of social at Lexis)	New digital lead at Lexis, new Chairman at Lexis, new digital lead at Bite US, new insight lead at M Booth	
Invest	agent³ UK start up losses	BiteDA US, Republic Publishing for Text100	Continuous Insight for agent³, Project X

NEXT 15

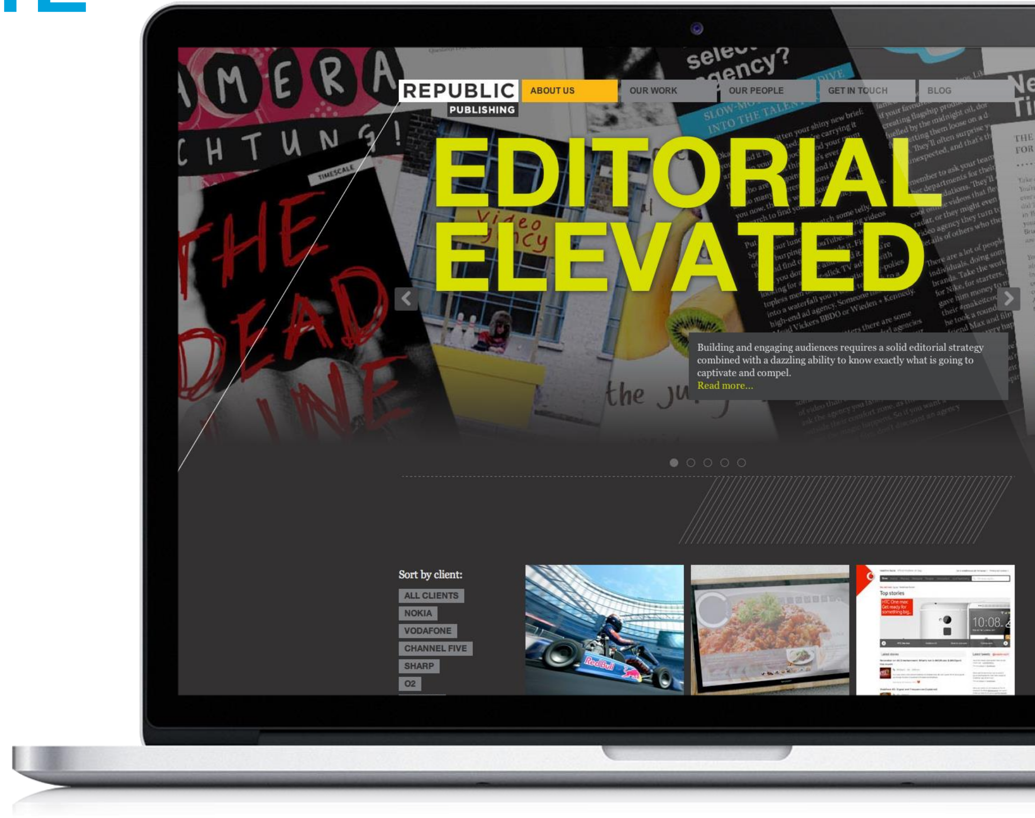
TRANSITION UPDATE

- Next 15's insight agency, agent³, delivers software and consultancy services to improve marketing and sales
- Built from internal teams, it acquired Continuous Insight in Feb 2014, whose data insight platform is now at the heart of the agent³ value proposition
- Annualised revenue of circa £3m in second year of business plan, high continuous retainer element
- Key clients include SAP, BT, CSC, Nokia, Sony and Tata
- Current pipeline for the Insight platform looks particularly strong, plan is to have a US presence within 12 months



ACQUISITION UPDATE

- Acquired content marketing specialist Republic Publishing in January 2014
- Republic help to generate inbound traffic to client web sites through the judicious use of content in all its forms (video, social, editorial)
- Annualised revenue of circa £2.5m, positive contribution on consolidation
- Key clients include Nokia, Vodafone, Sharp, Channel 5 and Red Bull



CLIENT UPDATE

- Next 15 has worked with Google since 2011, now a top 10 client by revenue
- Key priority for multiple brand initiative
- Activity in UK/Europe and US with 3 group agencies (Beyond, Bite, M Booth)
- Revenues in the period up over 60% from additional digital work

PROGRESS AGAINST M/TERM OBJECTIVES

KPI GROWTH

IMPROVE ORGANIC GROWTH AFTER FY 2014

- Organic growth now 4% from low of 1% in 2013
- Gains driven by higher client revenue yield linked to digital (software/social capability) and…
- …new brand development
- Address EMEA and APAC issues

KPI MARGIN

IMPROVE GROUP MARGINS AFTER FY 2014

- Adjusted op profit margin of 10.6% (2013: 10.1%)
- Focus outside US
- Non essential location update

KPI % DIGITAL

INCREASE PURE AND HYBRID DIGITAL % REVENUES

- Current rate over 50% vs 45% at end of 2013

NEW CFO IMPACT

Done

- Improved monthly management reporting (regional and brand KPIs, balance sheet reviews and cash-flow forecasts)
- New finance teams for Bite UK and EMEA
- Key hires in treasury, procurement, internal audit and MIS
- New finance system selected with Autumn roll out

To do

- New financial year end to improve visibility:
  - In synch with client budget processes
  - In synch with peer group
- Review banking and accounting arrangements and relationships
- CFO's review of operations to accompany Oct '2nd interim' results

NEXT 15

FINANCIALS

£49m
GROUP REVENUES INTERIM 2014

1,155
STAFF WORLDWIDE

27
CLIENTS GENERATING > $0.5M IN INTERIM PERIOD

12
AGENCIES

57%
REVENUES FROM US INTERIM 2014

+4%
GROUP ORGANIC REVENUE GROWTH 2014/13

+6%
INCREASE IN AVG CLIENT REVENUE YIELD 2014/13

SAN FRANCISCO
NEW YORK
KEY OPERATIONAL CENTRES

LONDON
HEAD OFFICE

17%
US REVENUE GROWTH INTERIM 2014

13%
US ORGANIC REVENUE GROWTH INTERIM 2014

INCOME STATEMENT (ADJUSTED)

£M	H1 2013	H1 2014	GROWTH %
Billings	54.8	59.7	
Revenue	**46.6**	**49.3**	**+6%**
EBITDA	**5.6**	**6.1**	**+10%**
Operating profit	4.7	5.2	
Operating margin	10.1%	10.6%	
PBT	**4.5**	**5.1**	**+13%**
Tax	(1.4)	(1.4)	
Minorities	(0.3)	(0.4)	
Retained profit	2.8	3.3	
Diluted EPS	**4.20p**	**4.91p**	**+17%**
Dividend	**0.625p**	**0.7p**	**+12%**

- Strong revenue performance led by US
- Margins on an improving trend but held back by EMEA and APAC
- Tax rate of 27% aided by utilisation of b/f losses
- Minorities will increase on back of Republic and CI deals

NEXT15

ADJUSTMENTS TO PRE TAX PROFITS

£M	H1 2013	H1 2014
Adjusted pre tax profits	**4.5**	**5.1**
Amortisation of intangibles	(0.7)	(0.7)
Share based payments	(0.5)	(0.1)
Acquisition obligation accounting	(0.3)	(0.8)
Restructuring	(0.4)	(0.3)
Bite Fraud	(0.6)	
Interest hedge		0.1
Reported profit before tax	**2.0**	**3.3**

CASH FLOW

£M	H1 2013	H1 2014
Inflow from op activities	4.8	6.0
Working capital	(1.3)	(4.8)
Net inflow from operations	**3.5**	**1.2**
Tax	(1.9)	(0.7)
Net capex	(1.2)	(0.5)
Acquisitions	(2.5)	(2.8)
Own shares	-	0.1
Interest	(0.2)	(0.1)
Minority dividend payments	(0.2)	(0.2)
Exchange loss on cash held	(0.1)	(0.7)
Increase in net debt	**(2.6)**	**(3.6)**
Net debt	**5.2**	**5.4**

- Net debt of £5.4m after net £2.8m spend on acquisitions
- Working capital outflow due to US bonus payments in October and significant client projects in the US
- Group to be cash generative in H2

NEXT15

BALANCE SHEET

£m	H1 2013	FY 2013	H1 2014
Intangible assets	40.6	41.4	42.5
Non-current assets	7.5	8.1	7.3
Current assets	33.8	37.6	36.5
Non-current liabilities	(18.7)	(18.5)	(8.0)
Current liabilities	(23.9)	(30.4)	(38.4)
Net assets	**39.3**	**38.2**	**39.9**
Share capital	1.5	1.5	1.5
Reserves	35.6	34.5	35.6
Minorities	2.2	2.2	2.8
Total equity	**39.3**	**38.2**	**39.9**
Net debt	**5.2**	**1.8**	**5.4**

Includes present value of estimated future earn out commitments (equity and cash) of £10.4m compared with undiscounted cash total of £13.0m

- Banking facilities to be renewed shortly

NEXT15

CONTINGENT CONSIDERATION AND MINORITY INTERESTS

Prospective cash commitments: 2014 - 2018

Cash commitments	£m
Feb to July 2014	1.3
Aug to July 2015	5.6
Aug to July 2016	1.1
FY 2017 and later	5.0

- Total cash commitments of £13m 2014 – 2019 and £1.3m of share obligation
- Cash can be substituted for share consideration at Next 15's discretion.

CONCLUSION

Summary of the results

- Business is returning to growth
- US growth extends the trend from last year
- New CFO in place
- Digital investments continuing in line with transition plans
- Balance sheet remains strong
- Change of year end will help planning and visibility

Trading outlook

- Trading patterns are good across the group including Bite UK/ US
- Taking cautious view on BBY and Bite EMEA
- US growth continues and UK set for a better H2 with benefit of recent investment activity
- On-going investments in new operations, products and re-skilling of agencies
- Selective M&A opportunities
- Continued organic growth
- Current trading in line with management expectations

QUESTIONS?

APPENDIX

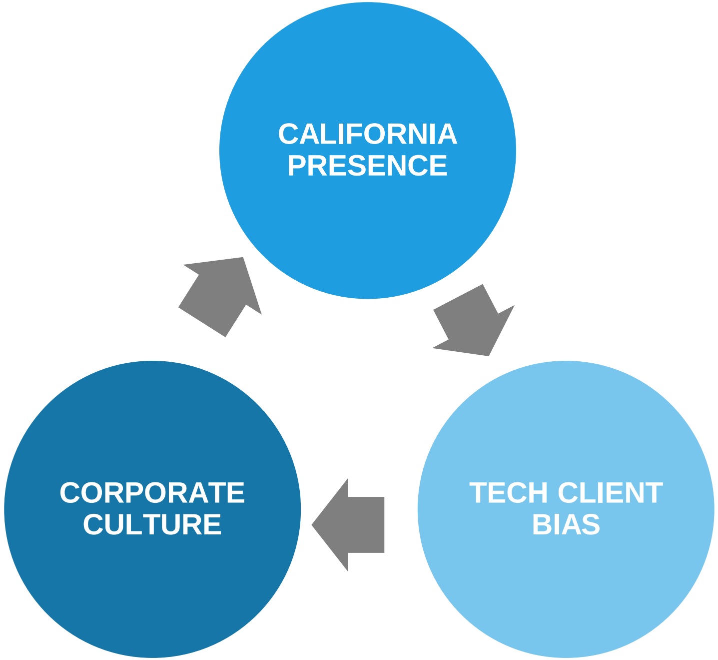
NEXT 15 – A DIGITAL COMMUNICATIONS GROUP

£96m REVENUES 2013 (A)	**1,155** STAFF WORLDWIDE (B)	**18** COUNTRIES	**12** BRANDS
57% REVENUES FROM US (B)	**70+%** OF REVENUES FROM TECH CLIENTS	**LONDON** HEAD OFFICE **SAN FRANCISCO** **NEW YORK** KEY OPERATIONAL CENTRES	**9%** CAGR REVS 2008-13 (A)

Notes – (a) Full year to July 2013, (b) Half year to Jan 2014

KEY CLIENTS

OUR COMPARATIVE ADVANTAGE



- Our California presence gives us preferred insight into the direction of digital markets
- Next 15's tech client base have been early adopters of the internet and social media….
- …and we have developed special relationships with key digital brands
- Our corporate culture is entrepreneurial and we have created new brands to meet and/or develop client demands

→ Our growth plan aims to leverage these advantages

THE DIGITAL UPGRADE OPPORTUNITY

	NON DIGITAL	DIGITAL
PR	**TRADITIONAL PR SERVICES**	**SOCIAL & EARNED MEDIA, ASTRO TURFING, CONTENT MARKETING**
NON PR		**CREATIVE, SOFTWARE SERVICES, MOBILE, NATURAL SEARCH OPTIMISATION**

Adapt and grow

- The internet is redefining PR from the poor relation of marketing services to the objective experts of social media
- Plus trusted adviser status with key clients offers chance to redefine and extend areas of influence (digital creative, mobile, social networking, content marketing)
- Software as a marketing service
- Data, data, data
- Starting point as ‘poor relation of marketing services’ means:

✓ Higher client revenue yield

✓ Higher margin, higher ROI services

✓ More client leverage - PRO to CMO

NEXT15

5 YEAR GROWTH TRACK RECORD

FY Growth %	2008	2009	2010	2011	2012	2013
Next 15 organic	7	4	8	11	1	2
Actual Revs	63.1	65.4	72.3	86.0	91.6	96.1
Rev per share (1)	122	124	133	157	161	163

Notes: (1) Revenue per share is a measure of £ revenue generated per weighted average shares in issue during the year

- Organic growth has remained positive during financial recession
- H1 2014 up 4%
- 2013/14 showing expansion after low point in FY 2012, led by US
- CAGR Full Year 2008 – 2013 of 9%
- CAGR Interim 2009 – 2014 of 8%

APPROXIMATE IR CALENDAR 2014/15

Date	Event
July/ Aug 2014	Trading update for 6m to July 2014
Oct 2014	Unaudited results for period to end July 2014 (2nd interims)
Jan 2015	Financial year end 2015 and trading update
May 2015	Preliminary results for the 18m period to end Jan 2015
July 2015	AGM 2015 and trading update