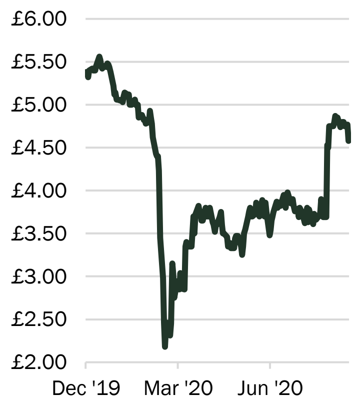
# Next Fifteen Communications Group PLC

## NFC | AIM | Media | 451p | £409m

### H1 trading update – Materially better than expected

1 Year Chart




*Heading into the pandemic, we had argued that Next Fifteen's broad spread of digital capabilities and heavy exposure to technology led clients should be a source of relative strength. The H1 trading update has underscored just how resilient the group has been. Yes, there have been impacts but the inevitable hit to organic revenue growth has not been as severe as first thought. Combined with the contribution from strongly performing acquisitions made over the last two years, Next Fifteen will be reporting H1 revenue and profit comfortably ahead of the prior year, which is a remarkable outcome against such a backdrop.*

*Next Fifteen has also announced the acquisition of the innovation consultancy, Mach49, which marks the first concrete step in building the fourth pillar underpinning the group portfolio. The group balance sheet remains a source of strength (H1 net debt to be less than £1m); reflecting both the better than expected profit performance as well as effective cash preservation and working capital management. This positions the group well for any further accretive M&A.*

*The current FY1 PE of* ***13.0x****, falling to* ***11.3x*** *for FY22 feels undemanding given the positive performance through the pandemic and the subsequent positioning heading into any sustained recovery. The rating also looks undemanding relative to others in the immediate peer group and the broader Small Cap Media sector.*

*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.***

- **H1 trading update:** Key headlines were a better than expected trading performance through the pandemic resulting in both revenue and profit for the year expected to be ahead of market expectations. Both revenue and profit for H1 will be +6% / +16% ahead of the prior year respectively.
- **Ticking all the boxes:** Next Fifteen has benefited from a less severe impact on organic growth as had first been feared (-6.5% in H1, -2.5% in the US), coupled with a continuing strong performance from acquisitions. Cashflow performance has also been strong, resulting in a largely ungeared balance sheet.
- **Estimate upgrades:** In response to the trading update we have upgraded both our current year and FY22 adjusted PBT estimates by **+8%** / **+13%** respectively.
- **Opportunities post Covid-19:** The recent Capital Markets Day also re-affirmed the strength of the group's positioning and the breadth of the digital capabilities across the group portfolio. In a world where technology trends are being accelerated across the board; Next Fifteen remains at the centre of a number of positive structural themes within the marketing landscape. The move into innovation consulting adds another complimentary string to the bow.

16th September 2020

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| January, £m | Sales | PBT adj | EPS (p) | Div (p) | Net Cash | Fiscal PER x | Yield % |
|---|---|---|---|---|---|---|---|
| FY 2019A | 224.1 | 36.0 | 33.1 | 7.6 | -5.2 | 13.6 | 1.7 |
| FY 2020A | 248.5 | 40.2 | 34.8 | 2.5 | -9.4 | 13.0 | 0.6 |
| *FY 2021E* | *255.4* | *41.0* | *34.7* | *5.3* | *-2.6* | *13.0* | *1.2* |
| *FY 2022E* | *276.7* | *47.5* | *39.9* | *8.3* | *20.5* | *11.3* | *1.8* |
| *FY 2023E* | *293.0* | *52.9* | *44.5* | *9.9* | *46.2* | *10.1* | *2.2* |

*Source: Radnor Capital Partners*

## Trading Update – Key Highlights

Next Fifteen released a H1 trading update on 25th August (link to announcement here). The key highlights from the announcement were:

- Overall trading through the first half of the year had been resilient and ahead of initial management expectations as outlined earlier in March;
- For the first six months of year (to 31st July 2020):
  - Group revenue expected to be £126m (+6.5% YoY)
  - Group adjusted profit before tax to be at least £20m (+16% YoY)
  - Group operating margin in excess of 16%, up at least 130 basis points on the 14.7% reported in H1 FY20
  - Group net debt at 20th August (post the most recent acquisition related payments) less than £1m, leaving the group effectively ungeared
- Driving the better than expected revenue performance was a lower level of organic revenue decline of 6%, combined with first time contributions from the Health Unlimited acquisition made at the back end of last year and a continued strong showing from acquisitions made earlier in 2019 that are not captured in the organic growth calculations. Most notable here was the demand generation agency, Activate, which has continued to grow strongly.
- It is worth revisiting the March trading statement, where the group outlined its initial assessment of the likely Covid-19 impacts. Here the group highlighted the likelihood of organic revenue declines in the 5% to 25% range across the group. The breadth of this range was driven by the group's exposure to a range of client industries beyond the technology industry core that Next Fifteen is known for.
- This more recent trading updates shows that this initial assessment of where the Covid-19 pain was most likely to be felt was correct as far as client segment was concerned but overly pessimistic in terms of actual outcome, which has been materially better than first anticipated.
- The geographical split provided shows the extent of this. The overall group organic revenue decline was 6.5%, but only 2.5% in North America which is where the majority of the group's technology and B2B facing agencies reside. The UK has a relatively higher proportion of consumer facing clients and it was here where the majority of the organic decline was felt.
- The extent to which the group has been able to grow its operating margin (up at least 1.3% to 16%) is indicative of both the speed of management actions around costs, but also the business mix of higher margin B2B revenues and more technology led agencies outperforming.
- Although not committing to a return to dividend payments, the group has stated that it will provide a further update on dividend at the upcoming interim results. Clearly, the balance of probability lies towards a resumption.

## **Estimate Revisions:** PBT +8% for FY 2021, +13% for FY 2021

Following the trading update, we have revisited our forecast model and have made the following changes:

**Figure 1:** Radnor estimate revisions

| | | Previous | | New | | *Change, %* | |
|---|---|---|---|---|---|---|---|
| £m | FY20A | 2021E | 2022E | **2021E** | **2022E** | **2021E** | **2022E** |
| Brand Marketing | 135.0 | 132.3 | 137.6 | 143.1 | 156.0 | *+ 8%* | *+ 13%* |
| Data + Analytics | 45.1 | 47.3 | 51.6 | 47.3 | 52.0 | *+ 0%* | *+ 1%* |
| Creative Technology | 68.4 | 69.1 | 72.5 | 65.0 | 68.9 | *- 6%* | *- 5%* |
| UK | 97.4 | 101.5 | 107.3 | 97.4 | 104.3 | *- 4%* | *- 3%* |
| North America | 127.6 | 123.8 | 129.9 | 134.3 | 147.7 | *+ 8%* | *+ 14%* |
| EMEA | 8.8 | 8.8 | 9.2 | 8.9 | 9.4 | *+ 1%* | *+ 2%* |
| Asia Pacific | 14.7 | 14.6 | 15.3 | 14.9 | 15.6 | *+ 2%* | *+ 2%* |
| **Revenue** | **248.5** | **248.7** | **261.7** | **255.4** | **276.9** | ***+ 3%*** | ***+ 6%*** |
| Brand Marketing | 30.8 | 28.6 | 30.3 | 32.9 | 36.8 | *+ 15%* | *+ 22%* |
| Data + Analytics | 12.7 | 12.3 | 14.2 | 12.5 | 14.3 | *+ 2%* | *+ 1%* |
| Creative Technology | 8.0 | 7.3 | 8.7 | 6.8 | 8.3 | *- 6%* | *- 5%* |
| UK | 20.4 | 19.1 | 21.8 | 18.7 | 21.1 | *- 2%* | *- 3%* |
| North America | 27.2 | 25.1 | 27.3 | 29.7 | 33.8 | *+ 18%* | *+ 24%* |
| EMEA | 1.6 | 1.6 | 1.7 | 1.6 | 1.7 | *+ 2%* | *+ 4%* |
| Asia Pacific | 2.4 | 2.3 | 2.4 | 2.4 | 2.6 | *+ 2%* | *+ 5%* |
| Central Overhead | -9.1 | -8.7 | -9.7 | -8.9 | -10.2 | *+ 3%* | *+ 6%* |
| **EBITA** | **42.5** | **39.5** | **43.5** | **43.4** | **48.9** | ***+ 10%*** | ***+ 12%*** |
| *margin %* | *17.1%* | *15.9%* | *16.6%* | *17.0%* | *17.7%* | | |
| **Adj. PBT** | **40.2** | **38.0** | **42.0** | **41.0** | **47.5** | ***+ 8%*** | ***+ 13%*** |
| **Adj. EPS (p)** | **34.8** | **32.6** | **35.9** | **34.7** | **39.9** | ***+ 6%*** | ***+ 11%*** |
| Dividend (p) | 2.5 | 6.5 | 8.0 | 5.3 | 8.3 | *- 18%* | *+ 4%* |
| **Net Cash (Debt)** | **-9.4** | **0.5** | **23.0** | **-2.6** | **20.5** | | |

*Source: Radnor*

The core drivers of our estimate revisions are as follows;

- **Revenue** – a 3% / 6% upgrade to our FY21 / 22 expectations respectively, driven primarily by the materially better than expected performance out of the US agencies, partly offset by a more modest pullback in our expectations for the UK. The key here is the relatively higher weight towards consumer facing clients in the UK. In terms of operating segment; we see the biggest beneficiary here being in the Brand Communications segment, where recent North American acquisitions (most notably Activate and Health Unlimited) have been strong performers and where Archetype has continued to make progress.

- **Margins** – We believe that the pandemic has created a number of opportunities for the group to secure longer term cost efficiencies, not least around establishment and property costs. Combined with the revenue mix effect favouring a number of higher margin agencies, we believe this will provide a tailwind to group margins beyond our original expectations.

- **Balance Sheet & Liquidity** - We are now factoring a marginally higher level of net debt at the year end (£2.6m vs our original expectation of £0.5m net cash), however this after factoring the initial consideration for Mach49 ($2.7m) offsetting a good period of cash conservation and working capital management. In the absence of any further acquisitions, we see the group reporting a healthy net cash position in FY22.

## Capital Markets Day + Mach49 acquisition

Following the release of the most recent trading update, Next Fifteen has also announced its most recent acquisition, the digital innovation consultancy, Mach49 and also hosted a Capital Markets Day where a number of group agencies were highlighted, including Mach49. The Capital Markets Day presentation can be downloaded here and the event recording here.

We will cover Mach49 in more detail below, but the Capital Markets Day covered a number of themes, not least of which was how Next Fifteen see their industry evolving and how they are positioning themselves accordingly. Key points stood out from our perspective:

- **Covid-19 impacts** – Unsurprisingly these have been significant and will likely to prove long lasting. In terms of sectors hardest hit; Travel, Retail, Automotive, Sports, Entertainment and Conferences & Events, were all highlighted.

  However, beyond the initial shutdown impacts in these industries, Next Fifteen has also seen a number of themes emerging. Perhaps most profound has been a realignment of how businesses are prioritising their marketing budgets. Pre Covid, over two thirds of marketing spend had been focused on brand building with the remainder on below the line, sales focused marketing activities. According to Next Fifteen, this has completely reversed with clients prioritising revenue generation above everything else.

  Beyond the need to drive revenue, clients have also been forced to reappraise the extent to which they are technology enabled, both inwardly and outwardly facing. Those businesses that, historically, have been slow to "digitise" have found this to be an existential threat and have been forced to respond.

  Interestingly, Next Fifteen also highlighted the extent to which government support measures across a number of geographies had been largely successful in enabling companies to not completely shutter themselves.

- **Next Fifteen's positioning in a post Covid world** - Next Fifteen has been largely insulated from the worst, initial effects of the pandemic largely through a lack of exposure to the industry verticals worst affected.

  Looking beyond Covid-19, the relevance of the portfolio mix within Next Fifteen is the critical question. Here the picture is more promising with the group's emphasis on areas such as B2B focused content led marketing, account based marketing, analytics and pure demand generation. Within these areas, Next Fitfeen's agencies are predominantly focused on clients that are selling to an enterprise audience where domain specific knowledge is critical and the adoption of both data and technology is already widespread but still growing fast. It is also in this area that the technology industry bias to Next Fifteen's global client base can be found.

Next Fifteen's consumer facing clients face more challenges in the short term but here Next Fifteen's portfolio agencies are geared towards the adoption of technology and data led tools as the route to securing future market position. Data led research, predictive analytics and user / consumer digital experience are Next Fifteen's main calling cards in this segment.

The critical point here is that Next Fifteen is not a play on traditional, brand building led advertising volume. The group's digital marketing exposure is not focused on a single, specific discipline or platform. These specialisms are instead found at the individual agency level within the Next Fifteen portfolio.

The Capital Markets Day also showcased three Next Fifteen agencies, including the most recent acquisition, Mach49.

- **Mach49.** Next Fifteen's strategic goal of establishing a new innovation consulting leg to the business has been previously flagged and Mach49 represents the first step. The business has been acquired for an initial consideration of c.$2.7m with the significant majority of the overall consideration structured as a five year, performance linked earn out.

  Mach49 is a Silicon Valley based consultancy, considered to be one of the pioneers in the growing field of corporate venturing. In effect, they help their clients (mostly well established corporations) future proof their own businesses by setting up internal growth incubators for new business ideas. The Mach49 principals all have extensive VC experience and has already built up an impressive client list (Schneider Electric, Pernod Ricard, TCK and Stanley Black & Decker).

  The Mach49 presentation at the CMD was hugely impressive and highlighted the existential threat that innovation poses to established corporates whose own internal inertia makes it difficult to respond to external disruptors. Mach49 exists to enable companies to "internalise" these disruptors in order to protect or drive forward value.

- **Activate.** This US based demand & lead generation specialist was acquired by Next Fifteen in November 2018 (£8.8m initial consideration, £10.7m of historic revenue and £3.2m of historic profit) and has been a strong performer since acquisition.

  Lead generation is a business model well established in the US. Activate is one of the leading specialists in demand generation for a predominantly B2B tech client list (IBM, Dell, VMWare, Oracle, Google and Microsoft are the leading client names).

  In effect, Activate uses a range of data and technology tools to identify potential enterprise customers for their clients and then undertake a rigorous lead qualifying and curation process before delivering those "prepared" sales leads to their customers.

  Activate have found themselves sitting at the centre of the shift of marketing budgets away from pure brand building towards more immediate revenue focused activities. Covid-19 has been a net positive for Activate as they have benefited from the absence of more traditional, demand generation formats such as trade shows. As an example of the positive effect this has had, Activate management highlighted that June 2020 had been their largest ever revenue month; +48% year on year against what was already a strong comparative period.

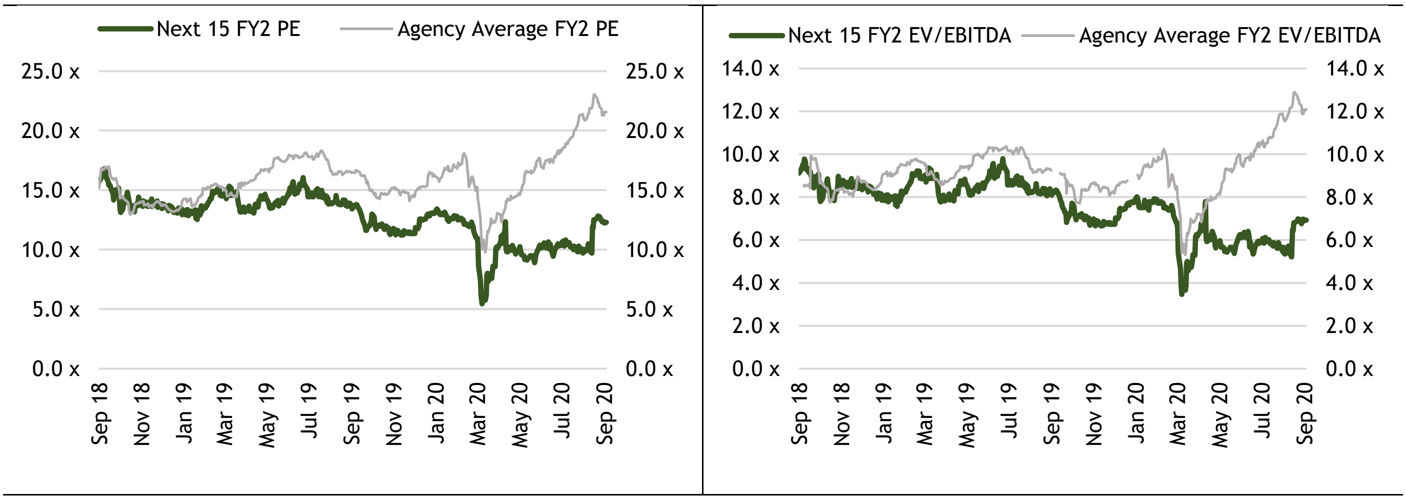
- **Agent3.** This is one of the internally grown success stories within Next Fifteen. Agent3 is a specialist in the field of account based marketing. What makes this different from other forms of marketing?

  Account based marketing is not a distinct product but is, instead, a different way of approaching existing customer marketing. It recognises that most companies have tended to operate with a clear distinction between their sales and marketing teams. Whilst this can be effective in generating new business it is not optimal for expanding relationships with existing customers. Agent3 focuses on putting together marketing campaigns and structures that are geared towards existing clients and looks to circumvent internal marketing bottlenecks.

  Agent3 has been successful to date; more than doubling revenue from $4m to $9m between 2018 and 2020 and with ambitions to reach $50m of revenue within five years.

## Valuation

**Figure 2:** Next Fifteen FY2 PE and EV/EBITDA multiple vs Agency average




*Source: FactSet, Radnor*

- In the chart 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 have focused 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 FY21 earnings outlook.

- Since May 2019, Next Fifteen has been trading at a sustained discount to its immediate peer group. We have explored this theme in previous notes and continue to believe this level of discount is unwarranted.

  – Three of Next Fifteen's peers (**S4 Capital**, **YouGov** and **DotDigital**) currently command materially higher valuation multiples. However, all the themes these companies variously represent; namely, M&A led growth and a focus on data & analytics and non-traditional advertising exposure are all key drivers for Next Fifteen.

   – The sharp peer group multiple expansion witnessed since the Covid-19 nadir **has not been** supported by consistent earnings upgrades. We also examine this in more detail below, but Next Fifteen has delivered a materially more positive and consistent earnings revision outlook than the immediate peer group.

- We believe there are a number of "optical" factors driving this disconnect.
   – Firstly, Next Fifteen is not solely focused on one digital marketing theme with its portfolio of agencies offering exposure to a broad range of digital and non-traditional marketing businesses and technologies.
   – Next Fifteen's centre of gravity has always been the North American technology industry and as such, UK based investors can sometimes feel distanced from the client base that Next Fifteen serves.
   – Next Fifteen, we believe, has the best M&A track record in the peer group in terms of value creation and protection. However, Next Fifteen's focus on value and their disciplined approach to M&A has come at the expense of absolute pace and scale. We remain cautious on purely M&A led models where value is a secondary consideration. For us, we see Next Fifteen as a balance between organic and M&A led growth.
   – Next Fifteen has a long history on the market and started life as a predominantly public relations led business, albeit with a distinct technology bias. Old perceptions linger and we believe investors have not fully appreciated the extent to which the mix of the group has evolved and the sheer breadth of the digital capabilities within the current portfolio.

**Figure 3:** Next Fifteen FY2 EPS vs Peer Group

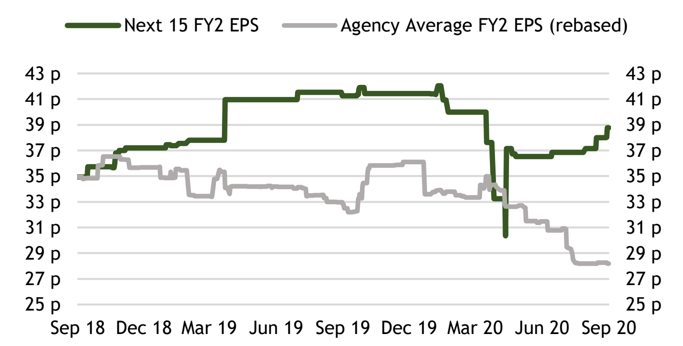
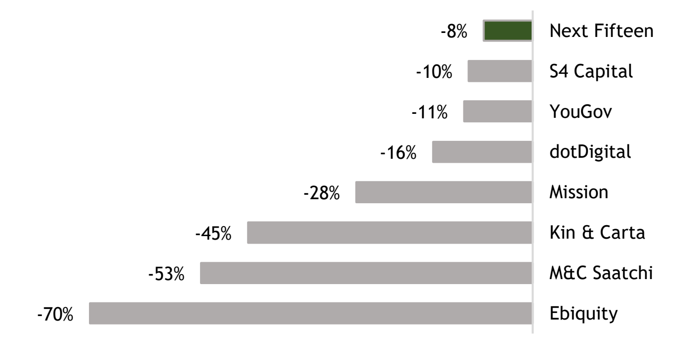



**Figure 4:** Current FY2 EPS consensus vs Peak




*Source: FactSet, Radnor*

In **Figure 3** above, we show the evolution of the current Next Fifteen FY2 consensus EPS estimate over the last two years, as sourced from FactSet. We have also taken the same data for the Agency peer group; averaged and rebased to Next Fifteen.

**Figure 3** demonstrates how Next Fifteen's forward earnings estimates have rebounded in a fashion not matched by peers. In fact, only **S4 Capital**, has outpaced Next Fifteen in terms of recent estimate momentum, driven almost entirely by acquisitions undertaken since the start of the year. Next Fifteen, on the other hand, has had a quiet period on the M&A front and has only just announced their first acquisition, the digital innovation consultancy Mach49, since November 2019.

**Figure 4** above shows the extent to which earnings estimates have recovered towards historic levels. Here, it is clear the extent to which Next Fifteen has recovered from the

Covid-19 with profit expectations for FY Jan 22 now standing only 8% below pre pandemic levels. It is no surprise to see the three most highly rated stocks in the peer group (**S4 Capital**, **YouGov** and **dotDigital**) following up behind given their exposure to the themes that have been driving Next Fifteen's resilience. The valuation discrepancy between Next Fifteen and these names is somewhat more surprising.

**Figure 5:** Peer Group PE vs earnings growth

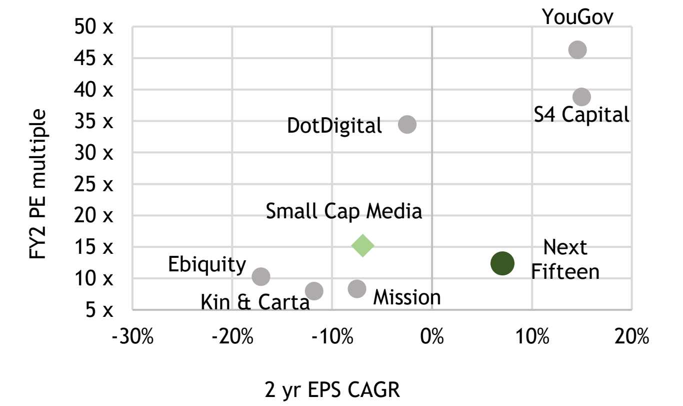
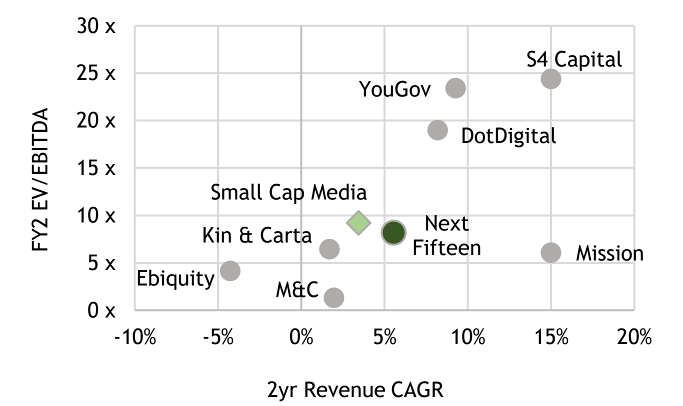



**Figure 6:** Peer group EV/EBITDA vs revenue growth




*Source: FactSet, Radnor*

In **Figures 5** and **6** above, we show the spread of valuation multiples within the Agency peer group, as well as the broader Media peer group and benchmark these against both revenue and earnings growth expectations.

Whilst it is not overly surprising to see Next Fifteen trading at a valuation discount (unwarranted on fundamentals, in our view) to **S4 Capital** and **YouGov**, given their singular positioning and, in the case of **S4**, aggressive M&A led expansion, we do find it perplexing to see Next Fifteen trading at a discount to the broader Small Cap Media sector.

Despite all the volatility over the last six months, recent trading commentary demonstrates that Next Fifteen has come through this period with its core business model unchallenged and in relatively rude health. Next Fifteen offers a healthy mid single digit organic growth profile with the added kicker of accretive M&A; further operating margin upside; strong cash generation and a healthy balance sheet.

## Next Fifteen Communications PLC

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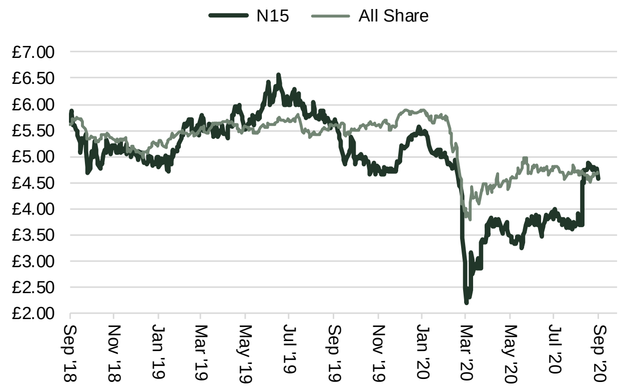
Price (p): **451 p**
Market Cap: 409 m
EV: 414 m

### PROFIT & LOSS

| Year to 31 January, £m | FY18 | FY19 | FY20 | FY21e | FY22e | FY23 |
|---|---|---|---|---|---|---|
| *Brand Marketing* | *134.7* | *133.2* | *135.0* | *143.1* | *156.0* | *163.8* |
| *Data & Analytics* | *13.9* | *23.2* | *45.1* | *47.3* | *52.0* | *56.2* |
| *Creative Technology* | *48.3* | *67.7* | *68.4* | *65.0* | *68.9* | *73.0* |
| **Group Net Revenue** | **196.8** | **224.1** | **248.5** | **255.4** | **276.9** | **293.0** |
| *Brand Marketing* | *27.5* | *29.6* | *30.8* | *32.9* | *36.8* | *40.3* |
| *Data & Analytics* | *3.5* | *7.2* | *12.7* | *12.5* | *14.3* | *15.7* |
| *Creative Technology* | *7.9* | *9.5* | *8.0* | *6.8* | *8.3* | *9.1* |
| *Head Office* | *(8.9)* | *(9.3)* | *(9.1)* | *(8.9)* | *(10.2)* | *(10.8)* |
| **EBITA - Adjusted** | **30.0** | **37.0** | **42.5** | **43.3** | **49.1** | **54.3** |
| Associates & JVs | 0.0 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 |
| Net Bank Interest | (0.7) | (1.0) | (2.4) | (1.2) | (0.6) | (0.6) |
| | | | | | | |
| **PBT - Adjusted** | **29.3** | **36.0** | **40.2** | **41.0** | **47.5** | **52.9** |
| Non Operating Items | (12.8) | (16.3) | (23.0) | (17.7) | (13.8) | (14.6) |
| Other Financial Items | (3.2) | (0.9) | (11.6) | (2.5) | (2.5) | (2.5) |
| **PBT - IFRS** | **13.3** | **18.8** | **5.6** | **22.2** | **32.5** | **37.0** |
| | | | | | | |
| Tax | (4.0) | (4.3) | (2.7) | (4.4) | (6.5) | (7.4) |
| Tax - Adjusted | (5.9) | (7.2) | (8.0) | (8.2) | (9.5) | (10.6) |
| *Tax rate - Adjusted* | *20.0%* | *20.0%* | *20.0%* | *20.0%* | *20.0%* | *20.0%* |
| Minority interests | 0.7 | 0.6 | 0.6 | 0.8 | 1.1 | 1.3 |
| No. shares m | 74.3 | 79.2 | 85.3 | 85.3 | 85.3 | 85.3 |
| No. shares m, diluted | 82.1 | 85.0 | 90.9 | 92.3 | 92.3 | 92.3 |
| IFRS EPS (p) | 11.6 | 17.5 | 2.7 | 19.9 | 29.2 | 33.2 |
| **Adj EPS (p), diluted** | **27.8** | **33.1** | **34.8** | **34.7** | **39.9** | **44.5** |
| Total DPS (p) | 6.3 | 7.6 | 2.5 | 5.3 | 8.3 | 9.9 |

### PRICE CHART - 1 YEAR ABSOLUTE vs FTSE ALL SHARE




*Source: FactSet*

### SHAREHOLDERS

| | % of ord. Share capital |
|---|---|
| Octopus Investments | 13.4% |
| Liontrust Investment Partners | 11.8% |
| Aviva Investors | 9.3% |
| Aberdeen Stan Life | 8.1% |
| Directors | 6.5% |
| BlackRock | 6.2% |
| Canaccord Wealth | 4.9% |
| Herald Inv Mgmt | 4.5% |
| | **64.7%** |

### CASH FLOW

| Year to 31 January, £m | FY18 | FY19 | FY20 | FY21e | FY22e | FY23 |
|---|---|---|---|---|---|---|
| Net Profit: (add back) | 9.3 | 14.5 | 2.8 | 17.8 | 26.0 | 29.6 |
| *Depreciation & Amortisation* | *11.4* | *13.8* | *26.4* | *25.4* | *25.8* | *26.2* |
| *Net Finance costs* | *4.0* | *1.9* | *14.1* | *3.7* | *3.1* | *3.1* |
| *Tax* | *4.0* | *4.3* | *2.7* | *4.4* | *6.5* | *7.4* |
| Working Capital | (4.2) | 1.2 | 1.7 | (2.0) | (1.1) | (0.8) |
| Other | 4.4 | 2.6 | 1.8 | 0.8 | 0.7 | 0.7 |
| **Cash from Ops** | **28.9** | **38.4** | **49.5** | **50.1** | **61.1** | **66.2** |
| Cash Tax | (4.3) | (6.2) | (6.0) | (4.4) | (6.5) | (7.4) |
| Tangible Capex | (3.0) | (5.6) | (3.5) | (4.0) | (4.0) | (4.0) |
| Intangible Capex | (1.2) | (2.4) | (1.8) | (2.0) | (2.0) | (2.0) |
| **Free Cashflow** | **20.4** | **24.1** | **38.2** | **39.6** | **48.6** | **52.8** |
| Dividends | (5.7) | (6.6) | (7.5) | (3.1) | (5.6) | (8.1) |
| Acquisitions & Inv. | (15.4) | (29.6) | (24.2) | (18.3) | (10.0) | (10.0) |
| Financing | 3.8 | 7.7 | 1.8 | (11.5) | (9.9) | (8.9) |
| **Net Cashflow** | **3.1** | **(4.4)** | **8.3** | **6.7** | **23.1** | **25.8** |
| Net Cash (Debt) | (11.6) | (5.2) | (9.4) | (2.6) | 20.5 | 46.2 |

### Announcements

| Date | Event |
|---|---|
| September 2020 | Trading update |
| September 2020 | Acquisition of Mach49 for $2.7m |
| April 2020 | Final results (y/e Jan 2020) |
| March 2020 | Trading update |
| January 2020 | Trading update |
| October 2019 | Interim results (6m July 2019) |
| October 2019 | Acquisition of Health Unlimited for $27.7m initial |

### RATIOS

| | FY19 | FY20 | FY21e | FY22e | FY23 |
|---|---|---|---|---|---|
| RoE | 25.3% | 28.0% | 24.6% | 25.8% | 26.2% |
| RoCE | 31.7% | 34.9% | 32.9% | 40.5% | 49.7% |
| Asset Turnover (x) | 0.7x | 0.9x | 0.9x | 0.8x | 0.7x |
| NWC % Revenue | 17.1% | 41.2% | 35.5% | 33.0% | 31.8% |
| Op Cash % EBITA | 103.9% | 116.6% | 115.6% | 124.3% | 121.8% |
| Net Debt / EBITDA | 0.1x | 0.1x | 0.0x | - | - |

### BALANCE SHEET

| Year to 31 January, £m | FY18 | FY19 | FY20 | FY21e | FY22e | FY23 |
|---|---|---|---|---|---|---|
| Intangibles | 94.8 | 126.1 | 155.4 | 160.7 | 159.7 | 158.7 |
| P,P+E | 13.6 | 15.9 | 14.2 | 15.8 | 15.0 | 13.8 |
| Tax Asset & Other | 11.7 | 13.0 | 54.7 | 46.7 | 38.7 | 30.7 |
| **Total Fixed Assets** | **120.1** | **155.0** | **224.4** | **223.3** | **213.4** | **203.2** |
| Net Working Capital | (32.2) | (38.4) | (102.3) | (90.6) | (91.3) | (93.2) |
| **Capital Employed** | **87.9** | **116.6** | **122.1** | **132.6** | **122.2** | **110.1** |
| Net Funds | (11.6) | (5.2) | (9.4) | (2.6) | 20.5 | 46.2 |
| **Net Assets** | **76.3** | **111.5** | **112.7** | **130.0** | **142.7** | **156.3** |

### VALUATION

| Fiscal | FY19 | FY20 | FY21e | FY22e | FY23 |
|---|---|---|---|---|---|
| P/E | 13.6x | 13.0x | 13.0x | 11.3x | 10.1x |
| EV/EBITDA | 6.6x | 6.1x | 6.0x | 8.4x | 7.6x |
| Div Yield | 1.7% | 0.6% | 1.2% | 1.8% | 2.2% |
| FCF Yield | 5.8% | 9.2% | 9.6% | 11.7% | 12.7% |
| | | | | | |
| EPS growth | 19.2% | 4.9% | -0.1% | 15.0% | 11.3% |
| DPS growth | 20.0% | -66.9% | 113.7% | 55.7% | 18.8% |

# REGULATORY DISCLOSURES

*Radnor Capital Partners Ltd is authorised and regulated by the Financial Conduct Authority.*

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