Edison investment research

19 October 2010

Next Fifteen Communications

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/08	63.1	6.6	8.5	1.70	8.7	2.3
07/09	65.4	5.2	6.5	1.70	11.4	2.3
07/10	72.3	6.6	7.5	1.85	9.9	2.5
07/11e	80.6	8.0	8.4	2.00	8.8	2.7

Note: *PBT and EPS (diluted) are normalised, ex intangible amortisation and exceptionals.

Investment summary: Good progress continues

Today, Next Fifteen released its FY10 preliminary results. Revenues came in higher than our estimate. Pre-tax profit was in line. Adjusted diluted EPS of 7.5p was 0.3p less than our estimate because of higher than expected dilutive shares. The group is seeing an improvement in trading conditions, particularly in North America and Asia. We have raised our FY11 estimate for revenue and pre-tax, although we maintain our diluted EPS estimate 8.4p due to higher dilutive shares. While tech and consumer PR remains the backbone of the business, the acquisition of Blueshirt, a US corporate and financial PR agency, and the recently formed digital consultancy, Beyond, are likely to become important areas of the group's future growth.

FY10 results – adjusted diluted EPS up 15%

Revenues for FY10 were £72.3m, which included £9.4m from the two main acquisitions of M Booth and Upstream Asia. Encouragingly, organic growth was 7.7% H2 over H1 FY10. Record pre-tax profit of £6.6m, up 26% over FY09, was in line with our estimate. While adjusted basic EPS of 8.45p was up 30%, adjusted fully diluted EPS was 7.5p, 0.3p less than our estimate because of more dilutive shares, primarily due to the inclusion of 1.9m potentially dilutive shares in respect of the M Booth acquisition.

Digital agency set up, plus first foray into financial PR

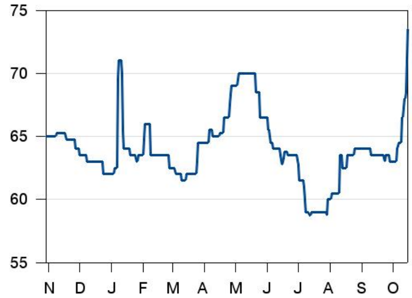
Emerging from Project Metal, the group has now established a dedicated 51% owned digital agency, Beyond. Next Fifteen announced today that it has agreed to purchase an 85% stake in US corporate and financial PR agency, The Blueshirt Group, which has a revenue base of $5.6m and achieves a 20% operating margin. The initial consideration is to be $3m with a further expected $8m payable based on performance over four years. We have included these metrics in our FY11 estimate.

Valuation: Slight P/E premium justified

Next Fifteen has no direct exposure to government spending and should therefore be largely unaffected as governments around the world cut back on expenditure. To some extent, this justifies the current slight premium P/E rating to similar sized peers, although Next Fifteen trades at a much lower P/E than the larger-cap comparators.

Price	74p
Market Cap	£41m

Share price graph



Share details

Code	NFC
Listing	AIM
Sector	Media
Shares in issue	54.9m

Price

	High	Low
52 week	74p	51p

Balance Sheet as at 31 July 2010

Debt/Equity (%)	3
NAV per share (p)	50
Net borrowings (£m)	0.9

Business

Next Fifteen Communications is a global public relations consultancy group, predominately serving clients in the technology (c 75%), consumer (c 23%), digital consultancy (c 2%), and now corporate and financial sectors, with world leading and autonomous PR, research, marketing, digital and policy communications subsidiaries.

Valuation

	2009	2010	2011e
P/E relative	115%	105%	81%
P/CF	7.8	6.6	5.0
EV/Sales	0.6	0.5	0.5
ROE	14%	17%	17%

PR revenues by geography (98% of total)

UK	Europe	US	Other
21%	14%	51%	14%

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Next Fifteen Communications is a research client of Edison Investment Research Limited

Investment summary: Good progress continues

Company description: Global PR presence

Founded in 1981, Next Fifteen Communications is a global public and press relations consultancy group with world leading and autonomous PR, media research and marketing subsidiaries, predominately servicing clients in the technology and consumer sectors. Over the past six years, a series of accretive acquisitions has been successfully integrated into the group. In August 2009, the group acquired M Booth & Associates, a leading New York-based consumer and B2B agency. In October 2009, the group purchased a 55% stake in the Asian marketing communications trading subsidiaries of AIM-listed Upstream Marketing and Communications, which have now been integrated with the group's Bite subsidiary. During FY10, the group increased its stake in 463 Communications, a US-based policy consultancy, from 40% to 76%. The group has 47 offices across 19 countries and employs over 850 staff. Top 10 clients represent around 32% of revenues in FY10 (36% in FY09).

Next Fifteen has three principal technology PR subsidiaries – Text 100, Bite and OutCast – that address the technology industry. On the non-technology front, Next Fifteen owns Lexis, which operates in the UK and primarily addresses the consumer sector, and M Booth, as noted above. In August 2010, Next Fifteen has also set up a 51% owned digital agency, Beyond, which combined the group's existing digital start-up and its Context Analytics businesses with Type 3, a digital agency acquired that month. The group announced today that it has agreed to purchase an 85% stake in US corporate and financial PR agency, The Blueshirt Group.

Valuation: Slight P/E premium justified

Next Fifteen has no direct exposure to government spending and should therefore be largely unaffected as governments around the world cut back on expenditure. To some extent, this justifies the current slight premium P/E rating to similar sized peers, although Next Fifteen trades at a much lower P/E than the larger caps. In addition, we believe that Next Fifteen is a well-managed group with good organic growth prospects, coupled with proven accretive acquisition skills.

Sensitivities

Our base case scenario makes four key assumptions:

- major clients are retained;
- the US dollar does not weaken or strengthen significantly;
- technology industry rekindled growth continues; and
- key employees are retained.

A material change in any of these could surprise either on the upside or on the downside.

Financials

Next Fifteen has a good record of positive cash flow from operations (FY10: £6.6m), a trend we expect to continue. During FY10, the group expended £5.1m in acquisition-related payments. The group ended FY10 with net debt of £0.9m, enabling acquisitions such as Blueshirt to be comfortably accommodated without stressing the balance sheet.

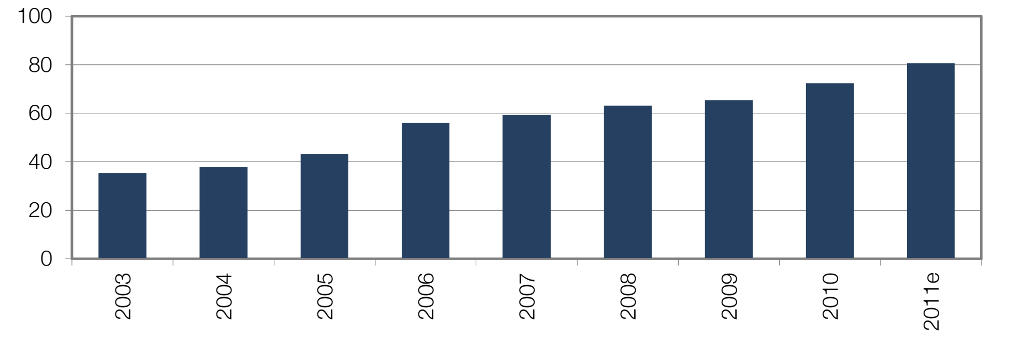
Preliminary results for the year to 31 July 2010

Revenues for FY10 were £72.3m, which included £9.4m from the two main acquisitions M Booth and Upstream Asia. Encouragingly, organic growth was 7.7% H2 over H1 FY10. Record pre-tax profit of £6.6m, up 26% over FY09, was in line with our estimate. While adjusted basic EPS of 8.45p was up 30%, adjusted fully diluted EPS was 7.5p, 0.3p less than our estimate because of more dilutive shares, primarily due to the inclusion of 1.9m potentially dilutive shares over the next three years in respect of the M Booth acquisition.

Revenues boosted by acquisitions

Revenues for FY10 grew 10.6% to £72.3m, which included £9.4m from the two main acquisitions M Booth and Upstream Asia. Underlying activity was down 5.5%, which largely came in the first half. Encouragingly, organic growth was 7.7% H2 over H1 FY10. We are estimating further growth in revenues for FY11 to £80.6m, which includes a £2.6m contribution (from 1 November 2010 acquisition date) from Blueshirt, the US acquisition announced today.

Exhibit 1: Net revenues (£m)

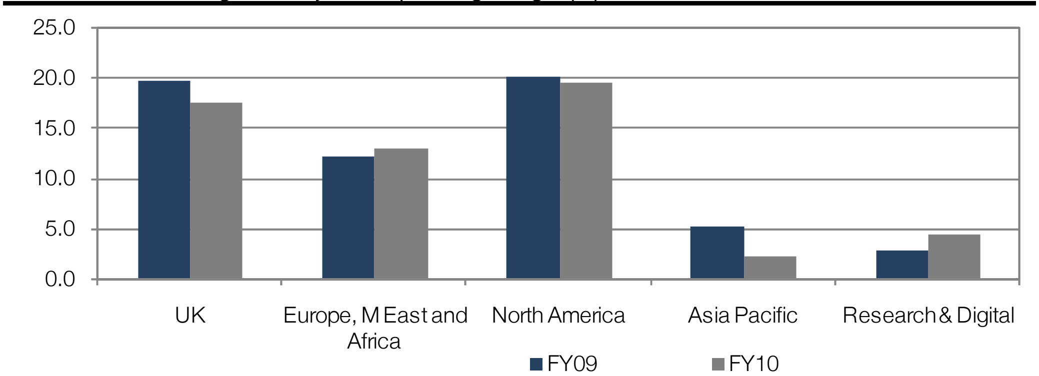


Source: Company accounts, Edison Investment Research

Adjusted operating profit and margins

Adjusted operating profit for FY10, before head office expenses of £4.15m (FY09: £5.19m), was £11.1m up from £10.9m in FY09. Adjusted operating margin declined to 15.4% (FY09: 16.7%), primarily due to higher salary pressures in some markets, and the inclusion of the Upstream Asia business, which traded at break-even during FY10. Upstream Asia is now in profit.

Exhibit 2: Historic segment adjusted operating margin (%)



Source: Company accounts, Edison Investment Research

Company description: Global PR presence

Next Fifteen has built a multiple agency offering, each of which is run autonomously under a holding company umbrella. This enables the group to work with existing clients and win new clients in the same industry segment, as within the technology sector there are many sub-sectors that are dominated by five or fewer businesses. The group's strategy is to improve its margins while generating organic growth from existing PR brands, including cross-selling its network to its existing client base, and supplement this with targeted acquisitions that offer growth potential and complement the group's existing PR businesses. Over the next few years, the group is looking to build in the financial PR and healthcare arenas, which should further diversify its client base.

Next Fifteen has three broad technology PR brands: Text 100, Bite, and Outcast. Over half of the world's top 25 technology businesses are clients, including Cisco, IBM, Microsoft, NXP and Hewlett Packard. The group's expertise in technology enables it to exploit the expansion in social media, such as blogs and social networking sites. In addition, the group owns 76% of 463 Communications, a US policy communications agency focused on the technology sector.

In recent years, the group has expanded its non-technology offering, with the acquisitions of Lexis PR, which focuses primarily on the consumer sector in the UK, and M Booth & Associates, a leading consumer PR consultancy based in New York. With the acquisition of the latter in August 2009, the group has now achieved its medium-term target of generating 25% of revenues from non-tech sectors. This target has been raised to 40% by 2013.

In late 2009, Next Fifteen set up a digital communications agency, known as Project Metal, with two Bite executives leading this start up. In September 2010 the group launched Beyond, a digital agency with offices in London, New York and San Francisco. This was created by combining the existing digital start-up and the group's Context Analytics businesses together with Type 3, a digital agency acquired in August 2010.

Next Fifteen announced today that it has agreed to purchase on 1 November 2010 an 85% stake in US corporate and financial PR agency, The Blueshirt Group. The initial consideration is $3m with a further expected $8m payable based on performance over four years.

The technology brands (c 75% of FY10 net revenues)

Text 100 www.text100.com

Text 100 is a global PR agency serving companies that use technology for competitive advantage. Built organically from the ground up, Text 100 uniquely offers the dedication of local agencies and the power and reach of a global firm and is a top 20 global agency.

With award-winning practices covering all public relations disciplines, Text 100 represents leading brands in 25 offices (plus four licensed partners and four Latin American locations in partnership with the Jeffrey Group) around the world, including the first PR agency to set up business as a wholly-owned foreign subsidiary in China. Clients of the company include Adobe, Cisco, eBay, Fujitsu, IBM, Lenovo, MathWorks, Nokia, NXP, PayPal, SanDisk, Schneider Electric, Skype and Xerox.

Bite Communications www.bitecommunications.com

Founded in 1995, Bite is an established international PR brand. It has offices in London, Continental Europe, North America and Asia Pacific. During FY09, the group's Inferno subsidiary, which has Microsoft as its largest client, was merged into Bite. Bite has grown its business by building long-term relationships with both consumer- and business-focused blue-chip technology brands. Bite's client list includes AMD, Hewlett Packard, HTC, Logica, Microsoft, Sony, Sybase, Tivo, Trend Micro and Vonage. In addition to providing core PR services, Bite has established a set of services to aid companies with European head offices in managing their PR needs.

In October 2009, the acquisition of Upstream's marketing communications trading subsidiaries in Asia was completed and these businesses have been integrated into Bite. Upstream Asia is a full service marketing and corporate communications network positioned to help companies make the most of business opportunities in the Asia-Pacific region. The acquisition of Upstream Asia enables Bite to offer its existing and new clients a single-agency solution in Europe, North America and Asia-Pacific. Bite owns 55% of Upstream Asia with an option to acquire the balance over a five-year period based on the profitability of the acquired businesses. The initial consideration was $0.9m cash and the assumption of £0.2m of liabilities. Next Fifteen has an option to purchase the remaining 45% over a five-year period based on the profitability of the acquired businesses. In the post-acquisition period in FY10, Upstream Asia contributed £2.0m to revenue and £0.02m loss before tax.

On 1 September 2010, Bite acquired the trade and assets of Hong Kong digital marketing firm, OneXeno, which has been integrated into Bite's existing Asia Pacific operation. The initial £0.09m consideration was paid in cash with further consideration payable based on the revenue of retained clients over the next 12 months.

OutCast Communications www.theoutcastagency.com

OutCast was founded in San Francisco in 1997 and was acquired by Next Fifteen in June 2005. In FY10, the final deferred consideration of £0.2m was paid in cash. It operates as a separate business under its own brand, with its founders as appointed co-presidents of the business. With offices in San Francisco and New York, OutCast's clients include major technology businesses such as Amazon, Autodesk, EMC, Facebook, RSA Security, salesforce.com, VM Ware, and Yahoo!, as well as many emerging technology companies.

463 Communications (76% owned) www.463.com

Founded in 2004, 463 is a strategic communications firm that provides senior level communications advice to navigate the intersection between technology, public policy and government. The company has offices in Washington DC and Palo Alto, California. It specialises in helping technology companies with their policy, regulatory and public sector opportunities at state, federal and international levels. Clients include Cisco, the Consumer Electronics Association, the National Cyber Security Alliance, Skype, TechNet and VeriSign.

During FY10, Next Fifteen increased its stake from 40% to 76% for £1.44m, of which £0.99m was paid in cash and the remainder in shares. The group has an obligation to purchase the outstanding minority over a seven-year period.

The consumer brands (c 23% of FY10 net revenues)

Lexis Public Relations www.lexispr.com

Lexis was founded in London in 1992 and underwent a management buy-out from a team of Lexis staff in 2002. Next Fifteen took an initial 25% stake in August 2005, and following a series of phased purchases Lexis became a fully owned subsidiary in October 2008. Lexis operates as a separate business under its own brand. It is a full service agency with consumer, corporate/B2B, healthcare, sport and youth divisions providing in-depth expertise, supported by dedicated planning, creative, digital marketing, sponsorship and design specialists. Lexis delivers award-winning work for some of the UK's best-known brands including Allied Bakeries, Barclays, Boots, Budweiser, Coca-Cola, DHL, Dove and Hiscox.

In September 2010, Lexis acquired the UK-based Glasshouse Partnership, a corporate communications and marketing agency. The initial consideration was £0.08m cash, with uncapped additional consideration contingent on the achievement of certain performance targets over the new two years.

M Booth & Associates www.mbooth.com

M Booth was acquired by Next Fifteen in August 2009. It was founded in 1985 by Margi Booth and Brad Rodney, both of whom remain with the business in their on-going roles. It is a leading PR consultancy in North America, and Next Fifteen's aim is to integrate M Booth and Lexis over time and for these two businesses to work together on further international expansion.

Initial consideration of $4m was paid in cash to these two founders. Deferred consideration of up to a maximum of $13.25m may be payable over the course of four years subject to the achievement of certain revenue and profit performance targets. Any such deferred consideration may be satisfied in cash or up to 25% in Next Fifteen shares at the option of Next Fifteen. During FY10, M Booth contributed £7.3m to group revenues and £1.1m to group pre-tax profit. Next Fifteen estimates that c 0.7m shares will be issued as the earn-out in year one, plus a further c 1.9m shares for years two to four based on year one earnings. These shares have been included in the weighted outstanding and potentially dilutive shares for the group's FY10 EPS calculations.

Specialising in building strong and powerful brands, M Booth represents some of the world's best-known corporations and products across several industries – consumer goods, consumer health, beauty, fashion and retailing, travel and lifestyle, food and beverage, wine and spirits, online brands, corporate communications and technology. Clients include American Express, Ben & Jerrys, Evenflo, Hershey's, Myrtle Beach, MGM Mirage, JC Penney, Pfizer, Remy Cointreau USA, Travelzoo, Unilever and US Virgin Islands.

Research and digital consultancies (c 2% of FY10 net revenues)

Redshift Research www.redshiftresearch.co.uk

Redshift Research was established in May 2007 as a subsidiary of the group. It is a full-service market research consultancy that conducts both business to business and consumer research. It has a strong track record in the consumer technology and IT sectors, particularly in support of PR research. Redshift offers a wide range of research services, including: opinion surveys, website evaluations, customer satisfaction, branding research, market segmentation and new product development. Recent clients include AMD, Autodesk, Aviva, American Express, Boots, Canon, Endemol, Intel, Morgan Ashurst, the Open University, Oracle, Sage, Toshiba, Wolters Kluwer and the World Cancer Research Fund.

Beyond (51% owned) www.bynd.com

Beyond is was launched in September 2010 by integrating Context Analytics, Text 100's research and analytics business; Type3, a digital creative agency acquired in August 2010; and communications consultants from Bite Communications (in late 2009, Next Fifteen set up a digital communications agency, known as Project Metal, with two Bite executives leading the start up).

Next Fifteen owns 51% of Beyond, while the remainder is owned by three employee shareholders. The latter have the option to sell half of their shareholding to the group at certain dates in 2013 to 2015. By October 2015, the group expects to have increase its holding in Beyond to 75%.

Beyond's mission is to rethink the traditional digital agency approach and use a combination of earned, owned and paid media to maximize relevant traffic to brand properties and experiences. It combines the capabilities of a traditional digital agency, but with an emphasis on the disciplines of listening and influence more often associated with PR agencies.

The Context Analytics business, which was transferred to Beyond from Text 100, provides qualitative and quantitative market analysis services – including media, analyst, forward-looking competitive and primary research – to companies in various industries. Through its unique and proven research methodologies, Context Analytics helps clients assess the effectiveness of current communications campaigns and develop strategies to increase communications and business effectiveness.

The initial consideration for Type 3, acquired in August 2010, was £0.3m. Type 3 consists of two companies – one based in the UK and the other in the US. Both companies offer a fully integrated web design service.

Beyond has 35 employees and has offices in London, New York and San Francisco. The business works for blue-chip brands such as Google, YouTube, Genentech, Cisco and Virgin Trains.

Corporate and financial communications (new for FY11)

The Blueshirt Group (to be 85% owned) www.Blueshirtgroup.com

Next Fifteen announced today that it has agreed to purchase an 85% stake in US corporate and financial PR agency, The Blueshirt Group, on 1 November 2010. The initial consideration is to be \$3m with further expected \$8m based on performance over four years. Blueshirt, which has offices in New York and San Francisco, has a revenue base of c \$5.6m and achieves a 20% operating margin. We have included these metrics in our FY11 estimate.

Sensitivities

Our base case scenario makes four key assumptions: 1) major clients are retained, 2) the dollar does not weaken or strengthen significantly, 3) the technology market's rekindled growth continues, and 4) key employees are retained. A material change in any of the above has the potential to surprise either on the upside or downside.

Major client retention

The group's largest 10 clients represent around 32% of net revenue, with no single client larger than 6%. While these levels have been reducing significantly over the past few years, the loss of any one of these largest clients could impact the profit and loss account. However, Next Fifteen has a good record in retaining clients over long periods of time – eg Microsoft has been a client of the group for more than 20 years. IBM has been one of the group's largest clients for over eight years.

Foreign currency exposure

The group does have significant exposure to foreign currency movements, primarily the dollar and, to a lesser extent, the euro. If expansion continues in North America and other international locations, this risk could increase. In the past, derivative financial instruments have been used by the group to mitigate the effect of foreign exchange movements, primarily on dollar profitability, and interest rate changes, although these incurred significant losses in FY09. The group has reassessed its policy on placing forward cover. The result is that cover periods have shortened and cover is now based on the expected surplus cash receipts returned to the UK within current financial year only. As a result of this policy change, there should be much reduced volatility in the accounting charges arising from the requirement to fair value these contracts.

Sector focus

The group is primarily exposed to the technology market and, to a lesser extent, to the consumer sector. Corporate PR budgets are closely correlated with turnover, with a lag of only a few months. Next Fifteen is one of the world's leading providers of PR services to the technology industry, with a market share now approaching 10%. We expect that the group will remain primarily focused on the tech sector. Nevertheless, management has recently intimated a new target for the percentage of revenues from the non-tech sector to 40% by 2013.

Key employee retention: Employee incentives and share options

A Long-Term Incentive Plan (LTIP) allows for up to 20% of the group's share capital to be issued under this plan or previous share option schemes. There are very demanding performance conditions for shares to be issued under the LTIP, based on the compound growth in earnings per share exceeding the growth in RPI by at least 10% pa over three out of four consecutive financial years following the award of performance shares. The group holds 0.5m shares in the ESOP (employee share option plan) and almost 1.2m shares in treasury, leaving around 4.9m new shares that could be issued to satisfy the current 6.6m shares that could be potentially issued under this and previous plans.

Valuation

Next Fifteen has no direct exposure to government spending and should therefore be largely unaffected as governments around the world cut back on expenditure. To some extent, this justifies the current slight premium P/E rating to similar sized peers, though a much lower P/E than the larger caps. In addition, we believe that Next Fifteen is a well-managed group with good organic growth prospects, coupled with proven accretive acquisition skills.

Next Fifteen's prospective 8.8x P/E for the year to 31 July 2011 compares with calendar 2011 consensus P/Es of 8.5x, 7.9x and 6.2x for peer comparators Huntsworth, Chime and Creston. Mega advertising group comparators, WPP and Omnicom trade at considerably higher prospective P/Es of 11.8 and 13.3x. Interestingly, Next Fifteen's EV to sales ratio is just 0.5x, significantly lower than all of the peers in our comparative table (Exhibit 3)

Investors should note that during the summer of 2009, Next Fifteen's management rebuffed takeover approaches from both Chime and Huntsworth.

Exhibit 3: Peer comparison table

Note: Prices as at close on 15 October 2010. * Normalised PBT and fully diluted EPS.

		2009			2011a/e				2011e		
Company (year end)	Mkt Cap (£m)	Sales (£m)	PBT * (£m)	EPS * (p)	Sales (£m)	PBT * (£m)	EPS * (p)	Sales (£m)	PBT * (£m)	EPS * (p)
WPP (Dec)	9,072	8,684	812.0	44.4	9,400	996.0	55.2	10,000	1115.0	60.9
Chime (Dec)	147	123	18.6	21.1	155	25.5	23.8	165	27.4	25.2
Creston (Mar)	56	84	14.2	18.5	81	13.8	17.7	65	12.2	14.8
Huntsworth (Dec)	184	156	23.4	8.0	185	27.2	8.6	200	30.2	9.3
Next Fifteen (Jul)	40	65	5.3	6.5	72	6.6	7.5	81	8.0	8.4
US Quoted	$m	$m	$m	$	$m	$m	$	$m	$m	$
Omnicom (Dec)	12,991	11,720	1,305	2.5	12,500	1,370	2.7	13,200	1,450	3.1
	Price (p)	P/E (x)	Yield (%)	EV/ Sales (x)	P/E (x)	Yield (%)	EV/ Sales (x)	P/E (x)	Yield (%)	EV/ Sales (x)
WPP (Dec)	721	16.2	2.1	1.4	13.1	2.4	1.3	11.8	2.7	1.2
Chime (Dec)	200	9.5	2.6	1.1	8.4	2.8	0.9	7.9	3.0	0.9
Creston (Mar)	92	5.0	0.8	0.7	5.2	1.1	0.7	6.2	1.9	0.8
Huntsworth (Dec)	80	9.9	3.6	1.5	9.3	3.8	1.3	8.5	4.1	1.2
Next Fifteen (Jul)	74	11.3	2.3	0.6	9.8	2.5	0.6	8.8	2.7	0.5
US Quoted	$									
Omnicom (Dec)	42	16.5	1.4	1.3	15.3	1.9	1.2	13.3	2.1	1.1

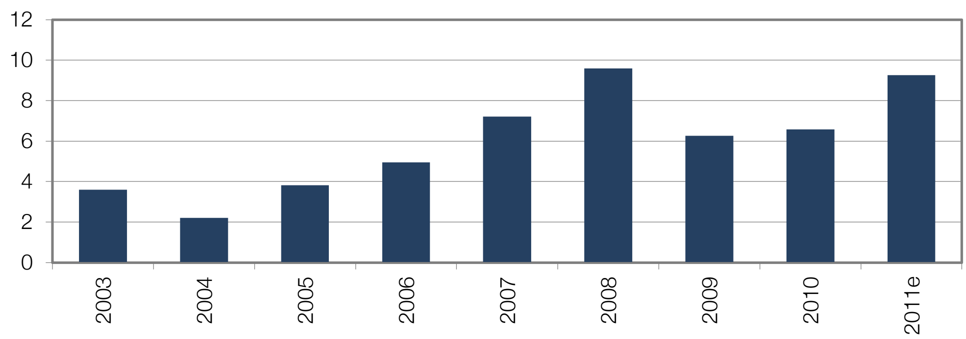
Source: Thomson Reuters, Edison Investment Research

Financials: Available fire power for acquisitions

Continuing positive cash flow from operations

Next Fifteen has a good record of positive cash flow from operations (FY10: £6.6m), a trend we expect to continue. During FY10, the group expended £5.1m in acquisition-related payments. The group ended FY10 with net debt of £0.9m, enabling acquisitions such as Blueshirt to be comfortably accommodated without stressing the balance sheet.

Exhibit 4: Cash flow from operating activities (£m)

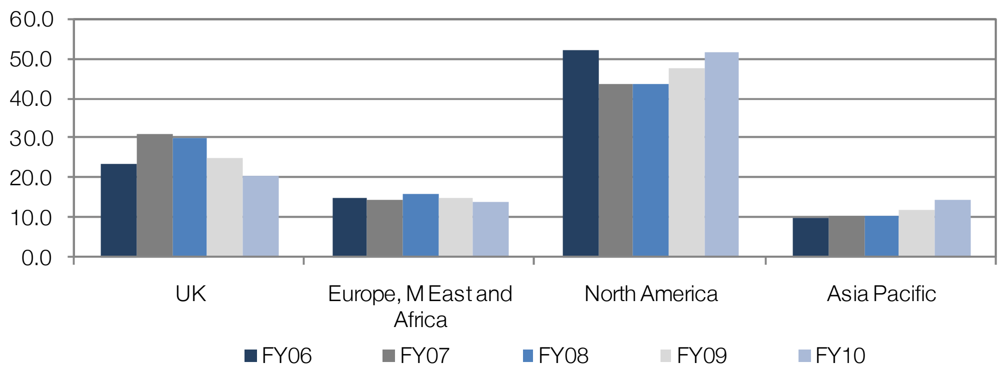


Source: Company accounts, Edison Investment Research

Global reach – North America remains largest segment

Through its autonomous operating businesses, Next Fifteen has strong global reach. The group has a total of 39 offices and four licensed partner offices. In addition, the group has a partnership arrangement with The Jeffrey Group, which specialises in providing PR services in Central and South America. The acquisition of Blueshirt adds a further two offices in the US and additional revenue in North America in FY11. The largest segment is North America, where the majority of the largest and emerging technology companies have their headquarters. The UK PR segment remains the second largest despite a year-on-year decline, but grew 7.5% in H2 FY10 (v H1 FY10) showing good momentum. In the Asia Pacific segment, revenue grew 30% helped by stronger currency and the Upstream Asia acquisition.

Exhibit 5: Geographic breakdown of net PR revenues (%)

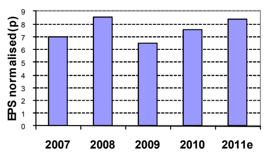
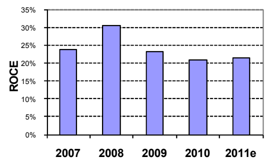
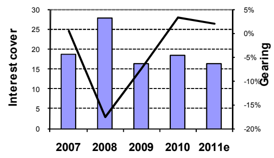


Source: Company accounts

Exhibit 6: Financials table

Year-ending 31 July	£'000s	2006	2007	2008	2009	2010	2011e
Accounting basis		UK GAAP	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Billings		63,278	69,422	73,916	77,287	91,175	98,000
Revenues		56,007	59,268	63,107	65,394	72,328	80,600
EBITDA		5,970	7,302	8,022	7,272	8,930	10,720
Operating Profit (before GW and except.)		4,521	5,837	6,706	5,591	6,992	8,520
Goodwill Amortisation		(727)	0	0	0	0	0
Exceptionals		(700)	(458)	(1,066)	(2,091)	(1,308)	(1,350)
Other		174	56	117	0	0	0
Operating Profit		3,268	5,435	5,757	3,500	5,684	7,170
Net Interest		(265)	(313)	(241)	(342)	(380)	(520)
Profit Before Tax (norm)		4,430	5,580	6,582	5,249	6,612	8,000
Profit Before Tax (FRS 3)		3,003	5,122	5,516	3,158	5,304	6,650
Tax		(1,494)	(1,781)	(1,655)	(884)	(1,591)	(2,080)
Profit After Tax (norm)		2,649	3,713	4,657	3,750	4,638	5,520
Profit After Tax (FRS 3)		1,509	3,341	3,861	2,274	3,713	4,570
Average Number of Shares Outstanding (m)		46.5	49.0	51.7	52.6	54.4	54.4
EPS - normalised (p)		5.3	7.1	8.6	6.5	8.4	9.6
EPS - normalised fully diluted (p)		5.1	7.0	8.5	6.5	7.5	8.4
EPS - FRS 3 (p)		2.9	6.3	7.1	3.7	6.7	7.9
Dividend per share (p)		1.37	1.50	1.70	1.70	1.85	2.00
EBITDA Margin		9%	11%	11%	9%	10%	11%
Operating Margin (before GW and except.)		8%	10%	11%	9%	10%	11%
BALANCE SHEET							
Non-current assets		14,343	18,442	20,206	22,618	31,919	36,094
Intangible Assets		11,188	13,507	15,462	18,441	27,111	31,311
Tangible Assets		3,063	2,162	2,435	1,949	2,269	2,244
Other non-current assets		92	2,773	2,309	2,228	2,539	2,539
Current Assets		19,787	20,894	25,946	22,840	29,470	32,965
Debtors		15,769	15,060	16,421	15,710	22,174	25,382
Cash		4,018	5,834	9,525	7,130	7,296	7,583
Current Liabilities		(12,554)	(15,670)	(20,643)	(15,237)	(25,248)	(28,998)
Creditors		(11,739)	(14,958)	(20,228)	(14,887)	(20,009)	(23,759)
Short term borrowings		(815)	(712)	(415)	(350)	(5,239)	(5,239)
Long Term Liabilities		(6,834)	(8,684)	(5,871)	(5,319)	(8,562)	(8,312)
Long term borrowings		(4,642)	(5,190)	(5,700)	(4,995)	(2,908)	(2,908)
Other long term liabilities		(2,192)	(3,494)	(171)	(324)	(5,654)	(5,404)
Net Assets		14,742	14,982	19,638	24,902	27,579	31,749
CASH FLOW							
Operating Cash Flow		4,948	7,203	9,599	6,261	6,572	9,262
Net Interest		(325)	(311)	(240)	(342)	(380)	(520)
Tax		(2,430)	(1,992)	(1,090)	(1,476)	(1,465)	(2,080)
Capex		(1,203)	(1,246)	(2,153)	(307)	(1,936)	(1,375)
Acquisitions/disposals		(2,354)	(1,959)	(829)	(4,549)	(4,251)	(4,000)
Financing		232	953	(994)	(1,941)	2,263	0
Dividends		(590)	(691)	(807)	(900)	(932)	(1,000)
Other		0	0	0	0	0	0
Net Cash Flow		(1,722)	1,957	3,486	(3,254)	(129)	287
Opening net debt/(cash)		(2,449)	1,439	68	(3,410)	(1,785)	851
Finance leases		(20)	(299)	(217)	(225)	(150)	0
Other		(2,146)	(287)	209	1,854	(2,357)	0
Closing net debt/(cash)		1,439	68	(3,410)	(1,785)	851	564

Source: Company accounts, Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
			Litigation/regulatory	○
			Pensions	○
			Currency	●
			Stock overhang	○
			Interest rates	◖
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 07-11e	4.7	ROCE 10	21.0	Gearing 10	3.2	Address:	
EPS CAGR 09-11e	13.9	Avg ROCE 07-11e	24.0	Interest cover 10	18.4	The Triangle, Level 5 5-17 Hammersmith Grove London W6 0LG	
EBITDA CAGR 07-11e	10.1	ROE 10	17.3	CA/CL 10	1.2		
EBITDA CAGR 09-11e	21.4	Gross margin 10	N/A	Stock turn 10	N/A	Phone	020 8846 0770
Sales CAGR 07-11e	9.0	Operating margin 10	7.7	Debtor days 10	88.8	Fax	020 7160 5322
Sales CAGR 09-11e	12.6	Gr mgn / Op mgn 10	N/A	Creditor days 10	68.5	www.nextfifteen.com	

Principal shareholders	%
Liontrust Asset Management	14.0
Tim Dyson (CEO)	10.5
BlackRock Investment Management (UK)	9.9
Herald Investment Management	9.5
Tom Lewis (Co-founder and former director)	6.3
Matt Ravden (Employee of NFC)	5.6
River and Mercantile Asset Management	5.4
Other NFC directors	2.7

Forthcoming announcements/catalysts	Date *
AGM	25 January 2011
Interim results	April 2011 *
Preliminary results	October 2011 *
Note: * = estimated	

Management team
CEO: Tim Dyson
Tim joined the company in 1984 and became global CEO in 1992. He was one of the early pioneers of technology PR, having worked on major corporate and product campaigns with such companies as Microsoft, IBM, Sun and Intel. Tim relocated to Seattle in 1995 to set up the group's first US business and is now based in Palo Alto. He is also on the advisory boards of a number of emerging tech companies.
CFO: David Dewhurst
David joined the board as CFO in 1999. After qualifying in 1987 as a chartered accountant with KPMG, he worked as a corporate accountant and business analyst for Hillsdown Holdings plc between 1988 and 1990 and was then group accountant for Premier Brands Ltd, one of Hillsdown's subsidiaries. Between 1992 and 1999, he was group finance director for Strong & Fisher and The Media Business Group.
Chairman: Will Whitehorn
Will was appointed non-executive chairman in January 2004. He joined the Virgin Group in 1987 as group PR manager, which included presenting Virgin's strategy for JVs and expanding the brand into new areas. In 2000, Will was appointed brand development and corporate affairs director for Virgin. In 2004, he became president of Virgin Galactic. In 2007 he took on that role in an executive capacity and became a special advisor to Sir Richard Branson.

Companies named in this report
Chime Communications, Creston, Huntsworth, Omnicom, WPP