29 September 2020

Next Fifteen Communications Group plc

Interim results for the six months ended 31 July 2020

Next Fifteen Communications Group plc ("Next 15" or the "Group"), the digital communications group, today announces its interim results for the six months ended 31 July 2020.

Financial results for the six months to 31 July 2020 (unaudited)

	Six months ended 31 July 2020 £m	Six months ended 31 July 2019 £m	Growth in results
Adjusted results			
Net revenue	**126.2**	118.7	**6%**
Operating profit after interest on financial lease liabilities	**21.2**	17.5	**21%**
Operating profit margin	**16.8%**	14.7%	
Profit before tax	**20.7**	17.2	**20%**
Diluted EPS (p)	**17.4p**	15.2p	**14%**
Statutory results			
Revenue	**153.1**	145.2	
Operating (loss)/profit	**(0.4)**	7.6	
(Loss)/profit before tax	**(3.4)**	2.8	
Net cash inflow from operating activities	**31.5**	19.3	
Diluted EPS (p)	**(3.6)p**	1.8p	

Adjusted results have been presented to provide additional information that may be useful to shareholders through facilitating comparability with industry peers. Adjusted results are reconciled to statutory results within notes 2 and 3.

H1 Highlights

- Group net revenue growth of 6%
- Adjusted profit before tax up 20% to £20.7m (2019: £17.2m)
- Adjusted diluted earnings per share increased by 14% to 17.4p (2019: 15.2p)
- Net cash inflow from operating activities increased to £31.5m (2019: £19.3m)
- Strong balance sheet with net debt of £5.0m (2019: £3.6m)
- Significant client wins including Mont Blanc, EY Global Consulting and Block One
- £10.9m property impairment following review of the property portfolio due to flexible working from home initiative

Current trading and outlook

- Taking into account the continued good performance across the business and the property related savings, we are confident of modestly exceeding market expectations for the year
- Acquisition of Mach49 and CRE
- Expectation that dividend payments will be resumed in 2021

Commenting on the results, Chairman of Next 15, Richard Eyre said:

Robust actions have been taken to secure current performance as well as build for the long-term. Safeguarding our people and maintaining our service quality have been the Board's priority, but we also tasked ourselves to emerge from the crisis better than we entered it. This has resulted in new software products for our customers, increased usage of data driven products and a reduction of the group's property portfolio as the Group shifts to a new working model.

The group's strategic direction toward marketing technology is seeing success and our newest target, to build a substantial innovation-consulting division has been kick-started by the acquisition of Mach49. Taking all of the above into account, we are confident of modestly exceeding market expectations for the year.

N15 will host an analyst and investor webcast at 13.00 today, Tuesday 29 September 2020.
The registration link can be found here:
https://numiscorp.zoom.us/meeting/register/tJUkcOugqjIjGNOoi0DBJx85EMhZDYcN6JHy

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Notes:

Net revenue
Net revenue is calculated as revenue less direct costs as shown on the Consolidated Income Statement.

Organic revenue growth
Organic revenue growth is defined as the net revenue growth at constant currency excluding the impact of acquisitions and disposals in the last 12 months.

Adjusted operating profit margin
Adjusted operating profit margin is calculated based on the adjusted operating profit after interest on finance lease liabilities as a percentage of net revenue.

This announcement contains inside information as defined in Article 7 of the Market Abuse Regulation.

Chairman and Chief Executive's Statement

Next 15, the digital communications group, is pleased to report its interim results for the six months ended 31 July 2020.

During the period the Group's net revenues increased by 6% to £126.2m (2019: £118.7m), despite the challenging macro-economic backdrop, while adjusted profit before tax increased by 20% to £20.7m (2019: £17.2m). The positive revenue performance aided by tight control of our cost base resulted in the Group's adjusted operating margin increasing to 16.8% from 14.7% in the prior period. Diluted adjusted EPS increased by 14% to 17.4p and the strong management of our working capital resulted in our net debt remaining very modest at £5.0m.

Against a sector backdrop of double-digit declines in revenues, the Group saw a more modest organic net revenue decline of 6.6% for the six months. We believe this resilient performance to the Covid-19 related disruption of economic activity is attributable to the high share (approximately 55%) of the Group's revenue generated from Tech businesses. Our B2B agencies such as Agent3 and Activate particularly benefitted from clients' focus on short-term revenue generation at the expense of long-term brand building and the fall-off in the live events industry. Our B2C agencies suffered from immediate Covid-related client deferrals but we are seeing encouraging signs of a recovery of revenue in this area.

During the pandemic, the Group has reviewed its property portfolio in the wake of the significant movement to a more flexible working environment. We have determined that approximately a third of our real estate in London, New York and San Francisco, approximately 100,000 sq ft, is now surplus to requirements and we are actively marketing the space. Accordingly, we have taken an impairment of £10.9m as at 31 July 2020 against the carrying value of our right-of-use property assets. This will, in time, yield significant on-going improvements to profitability, estimated to be £2.8m annually, and £1.5m for FY21. Primarily as a result of this charge, the Group reported a statutory operating loss of £0.4m compared with £7.6m profit in the prior period, while reported diluted earnings per share were (3.6)p compared with 1.8p in the prior period.

The Group has continued to grow its portfolio of businesses. In July, the Group acquired CRE, a web optimisation agency and in August Mach49, the Silicon Valley-based growth incubator for global businesses which becomes a cornerstone of our previously announced plan to create a $100m revenue innovation business. Mach49 which has annual revenues of approximately $13m, currently has offices in Silicon Valley, Boston, London and Singapore serving Global 1000 clients such as Schneider Electric, Pernod Ricard, TDK, Stanley Black and Decker and many others. CRE has annual net revenues of approximately £3.6m and current and previous clients include Facebook, Google and Jamf.

The Board is aware of the importance of payment of dividends for shareholders and expects to resume payments with a dividend for the year ended January 2021, paid following the AGM in early summer 2021.

Segment adjusted performance

	Brand Marketing £'000	**Data and Analytics £'000**	**Creative Technology £'000**	**Head Office £'000**	**Total £'000**
6 months ended 31 July 2020					
Net revenue	**69,297**	**23,897**	**32,964**	**-**	**126,158**
Adjusted operating profit after interest on finance lease liabilities	**15,863**	**5,965**	**4,158**	**(4,814)**	**21,172**
Adjusted operating profit margin	**22.9%**	**25.0%**	**12.6%**	**-**	**16.8%**
Organic revenue growth	**(7.9%)**	**3.6%**	**(9.5%)**	**-**	**(6.6%)**
6 months ended 31 July 2019					
Net revenue	63,873	20,869	33,981	-	118,723
Adjusted operating profit after interest on finance lease liabilities	13,080	5,734	3,278	(4,592)	17,500
Adjusted operating profit margin	20.5%	27.5%	9.6%	-	14.7%

Our **Brand Marketing** segment produced a resilient performance with a strong increase in absolute profitability and adjusted operating profit margin, as we reacted quickly to the onset of the pandemic by aligning our cost base to our reduced organic revenue expectations. Our M Booth and M Booth Health agencies saw an initial impact to their revenues, but trading has recovered over the last couple of months as consumer confidence has returned. Outcast, Archetype and Publitek's revenues proved to be more resilient and their swift action on costs resulted in a strong profit and margin performance. We acquired M Booth Health and Nectar in the prior period, which helped the segment's overall net revenue increase by 8.5% to £69.3m, with an organic revenue decline of 7.9%. The increase in the adjusted operating margin to 22.9% resulted in the adjusted operating profit increasing by 21.3% to £15.9m.

Our **Data and Analytics** segment has had a mixed performance with an exceptionally strong performance from our lead generation agency Activate, and whilst Savanta and Planning did experience short-term client revenue deferrals on the back of Covid-19 disruption, both agencies are now benefitting from a recovery in confidence from their clients. Overall, the segment's net revenue increased by 14.5% to £23.9m, with organic revenue growth of 3.6% and an adjusted operating margin declined to 25%, producing an increase in the adjusted operating profit to £6.0m.

Our **Creative Technology** segment has seen strong performances from our B2B agencies such as Twogether, Velocity and Agent3. Beyond returned to profitability in the period following the actions taken by management, whilst our B2C agencies suffered from reductions in client revenue in large part due to Covid disruption. Overall, the segment's net revenue declined by 3.0% to £33.0m, with an organic decline of 9.5%. The adjusted operating margin increased to 12.6% due to swift action on costs and the adjusted operating profit increased to £4.2m.

Reconciliation of Adjusted Financial Measures

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000
(Loss)/profit before income tax	**(3,402)**	**2,848**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable	2,182	1,669
Change in estimate of future contingent consideration and share purchase obligation payable	(366)	2,041
Share-based payment charge	189	-
Employment-related acquisition payments	1,699	2,781
Restructuring costs	2,052	2,141
Deal costs	178	306
Property impairment	10,910	-
Amortisation of acquired intangibles	7,264	5,443
Adjusted profit before income tax	**20,706**	**17,229**

Adjusted financial measures are presented to provide additional information that may be useful to shareholders through facilitating comparability with industry peers and to best represent the underlying performance of the business. Adjusted results are reconciled to statutory results within note 2 and 3.

We had a net credit of £0.4m in relation to our estimate of future contingent consideration. As a Group, we are moving towards the inclusion of employment conditions for certain acquisition-related payments. As a result, we are required to build up a provision relating to these payments over time and therefore this has led to an accounting charge of £1.7m (2019: £2.8m).

As mentioned earlier, we have conducted a full review of our property requirements in light of the general move to a working from home culture going forward and we have determined that we have a significant amount of surplus property in London, New York and San Francisco. The leases have typically got three to four years left and we have therefore made an impairment of £10.9m against the carrying value of the right-of-use assets and leasehold improvements, which takes account of our assessment of the likely financial recovery against these surplus properties.

We incurred £2.1m of restructuring costs in relation to a restructuring of our cost base pursuant to the pandemic. We incurred £0.2m of deal costs in relation to acquisitions, and the amortisation of acquired intangibles was £7.3m in the period.

Cashflow

The Group delivered an excellent cashflow performance with the net cash inflow from operating activities increasing to £31.5m from £19.3m in the prior period. This resulted in our net debt being only £5.0m as at 31 July 2020.

Post Covid-19

We see opportunities for the Group to use our healthy balance sheet to increase the pace of acquisitions while maintaining low gearing; using growth in innovation consulting to drive growth across the Group; and to invest in internally developed software product solutions to our customers' challenges. We believe that being a purpose-driven organisation matters, and this is the time to make meaningful improvements to the business. We are investing in DE&I and targeting a reduction in our carbon footprint. We believe an internal focus on ESG initiatives is crucial to excellent client delivery and attracting the best talent.

Dividend

The Board is aware of the importance of payment of dividends for shareholders and expects to resume payments with a dividend for the year ended January 2021, paid following the AGM in early summer 2021.

Current Trading and Outlook

Whilst the group remains cautiously optimistic about trading as we enter the second half of our financial year in what is still a highly uncertain general economic environment, the continued good performance across the business and the property related savings give us confidence of modestly exceeding market expectations for the year.

We will continue to tightly manage our cost base and conserve cash. The group is highly cash generative and has a strong balance sheet, with net debt as at 24th September of £2.4m.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 July 2020

	Note	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	12 months ended 31 January 2020 (Audited) £'000
Billings		159,973	156,477	325,353
Revenue		153,100	145,192	300,711
Direct costs		(26,942)	(26,469)	(52,242)
Net revenue	2	**126,158**	**118,723**	**248,469**
Staff costs		88,836	83,693	171,180
Depreciation		6,618	6,302	13,196
Amortisation		7,960	5,915	13,211
Other operating charges		23,108	15,181	31,469
Total operating charges		(126,522)	(111,091)	(229,056)
Operating (loss)/profit	2	**(364)**	**7,632**	**19,413**
Finance expense	6	(4,985)	(5,569)	(16,672)
Finance income	7	1,888	698	2,611
Share of profit from associate		59	87	204
(Loss)/profit before income tax	3	**(3,402)**	**2,848**	**5,556**
Income tax expense	4	408	(1,273)	(2,717)
(Loss)/profit for the period		**(2,994)**	**1,575**	**2,839**
Attributable to:				
Owners of the parent		(3,330)	1,317	2,262
Non-controlling interests		336	258	577
		(2,994)	**1,575**	**2,839**
Earnings per share				
Basic (pence)	8	(3.8)	1.9	2.7
Diluted (pence)	8	(3.6)	1.8	2.5

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 July 2020

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	12 months ended 31 January 2020 (Audited) £'000
(Loss)/profit for the period	**(2,994)**	**1,575**	**2,839**
Other comprehensive income / (expense):			
Items that may be reclassified into profit or loss			
Exchange differences on translating foreign operations	473	3,568	(136)
Net investment hedge	-	(372)	(411)
	473	3,196	(547)
Items that will not be reclassified subsequently to profit or loss			
Revaluation of investments	5	(335)	(562)
Total other comprehensive income / (expense) for the period	478	2,861	(1,109)
Total comprehensive (expense)/income for the period	**(2,516)**	**4,436**	**1,730**
Attributable to:			
Owners of the parent	(2,852)	4,178	1,153
Non-controlling interests	336	258	577
	(2,516)	**4,436**	**1,730**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000
Net revenue	**126,158**	**118,723**
Total operating charges	(96,916)	(93,646)
Depreciation and amortisation	(7,314)	(6,774)
Operating profit	**21,928**	**18,303**
Interest on finance lease liabilities	(756)	(803)
Operating profit after interest on finance lease liabilities	**21,172**	**17,500**
Operating profit margin	*16.8%*	*14.7%*
Net finance expense excluding interest on finance lease liabilities	(525)	(358)
Share of profits of associate	59	87
Profit before income tax	**20,706**	**17,229**
Tax	(4,141)	(3,446)
Retained profit	**16,565**	**13,783**

Weighted average number of ordinary shares	88,542,197	84,480,836
Diluted weighted average number of ordinary shares	93,197,615	89,070,220

Adjusted earnings per share	18.3p	16.0p
Diluted adjusted earnings per share	17.4p	15.2p

Cash inflow from operating activities	31,536	19,340
Cash outflow on acquisition related payments	(18,350)	(4,673)
Net debt	4,993	3,552
Dividend (per share)	-	2.5p

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 July 2020

	Note	31 July 2020 (Unaudited) £'000	31 July 2019 (Unaudited) £'000	31 January 2020 (Audited) £'000
Assets				
Property, plant and equipment		10,048	16,002	14,224
Right-of-use assets		27,623	42,341	41,655
Intangible assets		157,332	132,274	155,408
Investment in equity-accounted associate		123	131	232
Investments in financial assets		1,080	1,308	1,075
Deferred tax asset		15,233	11,391	10,967
Other receivables		590	863	809
Total non-current assets		212,029	204,310	224,370
Trade and other receivables		68,634	76,642	70,260
Cash and cash equivalents	9	30,191	21,268	28,661
Corporation tax asset		1,943	1,195	734
Total current assets		100,768	99,105	99,655
Total assets		**312,797**	**303,415**	**324,025**
Liabilities				
Loans and borrowings	9	30,184	19,820	33,007
Deferred tax liabilities		4,932	3,877	3,538
Lease liabilities		35,147	46,223	43,023
Other payables		1,193	18	16
Provisions		3,949	3,867	4,942
Contingent consideration	10	20,615	18,622	26,815
Share purchase obligation	10	1,670	133	2,098
Total non-current liabilities		97,690	92,560	113,439
Loans and borrowings	9	5,000	5,000	5,000
Trade and other payables		66,988	66,454	59,620
Lease liabilities		11,038	8,938	11,210
Provisions		2,700	327	1,522
Corporation tax liability		2,510	2,197	1,173
Deferred consideration	10	1,424	2,994	2,715
Contingent consideration	10	8,666	12,757	15,366
Share purchase obligation	10	1,263	1,328	1,269
Total current liabilities		99,589	99,995	97,875
Total liabilities		**197,279**	**192,555**	**211,314**
TOTAL NET ASSETS		**115,518**	**110,860**	**112,711**
Equity				
Share capital		2,265	2,130	2,163
Share premium reserve		90,838	68,956	76,019
Foreign currency translation reserve		8,034	11,265	7,561
Other reserves		(2,065)	(2,026)	(2,065)
Retained earnings		16,890	31,229	29,618
Total equity attributable to owners of the parent		**115,962**	**111,554**	**113,296**
Non-controlling interests		(444)	(694)	(585)
TOTAL EQUITY		**115,518**	**110,860**	**112,711**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 July 2020

	Share capital £'000	Share premium reserve £'000	Foreign currency translation reserve £'000	Other reserves[1] £'000	Retained earnings £'000	Equity attributable to owners of the Company £'000	Non-controlling interests £'000	Total equity £'000
At 31 January 2019 (audited)	**2,089**	**62,993**	**7,697**	**(1,654)**	**41,404**	**112,529**	**(1,076)**	**111,453**
Change in accounting policy (IFRS 16) [2]	-	-	-	-	(1,794)	(1,794)	-	(1,794)
Deferred tax on accounting policy change (IFRS 16)	-	-	-	-	400	400	-	400
At 1 February 2019 as restated	**2,089**	**62,993**	**7,697**	**(1,654)**	**40,010**	**111,135**	**(1,076)**	**110,059**
Profit for the period	-	-	-	-	1,317	1,317	258	1,575
Other comprehensive income / (expense) for the period	-	-	3,568	(372)	(335)	2,861	-	2,861
Total comprehensive income / (expense) for the period	-	-	3,568	(372)	982	4,178	258	4,436
Shares issued on satisfaction of vested share options	36	4,829	-	-	(4,865)	-	-	-
Shares issued on acquisitions	5	1,134	-	-	-	1,139	-	1,139
Movement in relation to share-based payments	-	-	-	-	437	437	-	437
Dividends to owners of the parent	-	-	-	-	(4,595)	(4,595)	-	(4,595)
Movement on reserves for non-controlling interests	-	-	-	-	(740)	(740)	740	-
Non-controlling interest purchased in the period	-	-	-	-	-	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	(616)	(616)
At 31 July 2019 (unaudited)	**2,130**	**68,956**	**11,265**	**(2,026)**	**31,229**	**111,554**	**(694)**	**110,860**
Profit for the period	-	-	-	-	945	945	319	1,264
Other comprehensive expense for the period	-	-	(3,704)	(39)	(227)	(3,970)	-	(3,970)
Total comprehensive income / (expense) for the period	-	-	(3,704)	(39)	718	(3,025)	319	(2,706)
Shares issued on satisfaction of vested share options	2	559	-	-	(561)	-	-	-
Shares issued on acquisitions	31	6,504	-	-	-	6,535	-	6,535
Movement in relation to share-based payments	-	-	-	-	330	330	-	330
Dividends to owners of the parent	-	-	-	-	(2,164)	(2,164)	-	(2,164)
Movement on reserves for non-controlling interests	-	-	-	-	66	66	(66)	-
Non-controlling interest dividend	-	-	-	-	-	-	(144)	(144)
At 31 January 2020 (audited)	**2,163**	**76,019**	**7,561**	**(2,065)**	**29,618**	**113,296**	**(585)**	**112,711**
Profit for the period	-	-	-	-	(3,330)	(3,330)	336	(2,994)
Other comprehensive income for the period	-	-	473	-	5	478	-	478
Total comprehensive income / (expense) for the period	-	-	473	-	(3,325)	(2,852)	336	(2,516)
Shares issued on satisfaction of vested share options	64	9,253	-	-	(9,317)	-	-	-
Shares issued on acquisitions	38	5,566	-	-	-	5,604	-	5,604
Obligation to purchase non-controlling interest	-	-	-	-	-	-	-	-
Movement in relation to share-based payments	-	-	-	-	273	273	-	273
Dividends to owners of the parent	-	-	-	-	-	-	-	-
Movement on reserves for non-controlling interests	-	-	-	-	(359)	(359)	359	-
Non-controlling interest purchased in the period	-	-	-	-	-	-	-	-
Non-controlling interest dividend	-	-	-	-	-	-	(554)	(554)
At 31 July 2020 (unaudited)	**2,265**	**90,838**	**8,034**	**(2,065)**	**16,890**	**115,962**	**(444)**	**115,518**

[1] Other reserves include ESOP reserve, hedging reserve, share purchase reserve and merger reserve.

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTH PERIOD ENDED 31 July 2020

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Cash flows from operating activities			
(Loss)/profit for the period	(2,994)	1,575	2,839
Adjustments for:			
Depreciation	6,618	6,302	13,196
Amortisation	7,960	5,915	13,211
Finance expense	4,985	5,569	16,672
Finance income	(1,888)	(698)	(2,611)
Share of profit from equity accounted associate	(59)	(87)	(204)
Impairment of RoU assets	7,664	-	-
Loss on sale/impairment of property, plant and equipment	5,753	659	1,360
(Gain)/Loss on exit of finance lease	(2,327)	-	14
Income tax expense	(408)	1,273	2,717
Share-based payment charge	502	161	600
Net cash inflow from operating activities before changes in working capital	**25,806**	**20,669**	**47,794**
Change in trade and other receivables	1,607	(5,680)	1,971
Change in trade and other payables	6,962	6,279	(1,950)
Change in other liabilities	175	1,080	1,686
	8,744	1,679	1,707
Net cash generated from operations before tax and interest outflows	**34,550**	**22,348**	**49,501**
Income taxes paid	(3,014)	(3,008)	(5,993)
Net cash inflow from operating activities	**31,536**	**19,340**	**43,508**
Cash flows from investing activities			
Acquisition of subsidiaries and trade and assets, net of cash acquired	(4,237)	(1,333)	(18,501)
Payment of contingent and deferred consideration	(14,113)	(3,290)	(5,622)
Purchase of investment	-	(50)	(50)
Acquisition of property, plant and equipment	(1,028)	(1,841)	(3,460)
Proceeds on disposal of property, plant and equipment	2	13	23
Proceeds on disposal of subsidiary	-	466	466
Acquisition of intangible assets	(1,059)	(878)	(1,831)
Net movement in long-term cash deposits	120	(39)	(24)
Income from finance lease receivables	434	-	547
Interest received	33	56	112
Net cash outflow from investing activities	**(19,848)**	**(6,896)**	**(28,340)**

NEXT FIFTEEN COMMUNICATIONS GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)*

FOR THE SIX MONTH PERIOD ENDED 31 July 2020

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Cash flows from financing activities			
Repayment of lease liabilities	(6,235)	(5,337)	(11,367)
Net movement in bank borrowings	(3,000)	(1,311)	13,039
Interest on borrowings paid	(578)	(414)	(979)
Dividend and profit share paid to non-controlling interest partners	(554)	(616)	(760)
Dividends paid to shareholders of the parent	-	(4,595)	(6,759)
Net cash outflow from financing activities	**(10,367)**	**(12,273)**	**(6,826)**
Net increase in cash and cash equivalents	**1,321**	**171**	**8,342**
Cash and cash equivalents at beginning of the period	28,661	20,501	20,501
Exchange gains on cash held	209	596	(182)
Cash and cash equivalents at end of the period	**30,191**	**21,268**	**28,661**

NOTES TO THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 July 20120

1) BASIS OF PREPARATION

The unaudited consolidated interim financial statements represent a condensed set of financial information and have been prepared using the recognition and measurement principles of International Accounting Standards, and in accordance with IAS 34, Interim Financial Reporting. 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 2020.

The comparative financial information for the year ended 31 January 2020 has been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

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, 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. Other information provided to them is measured in a manner consistent with that in the financial statements. 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.

	UK	Europe and Africa	US	Asia Pacific	Head Office	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Six months ended 31 July 2020 (Unaudited)						
Net revenue	**46,773**	**4,228**	**68,657**	**6,500**	**-**	**126,158**
Adjusted operating profit / (loss)	**9,063**	**882**	**15,385**	**1,181**	**(4,583)**	**21,928**
Adjusted operating profit / (loss) after interest on finance lease liabilities	**8,955**	**868**	**15,011**	**1,152**	**(4,814)**	**21,172**
Adjusted operating profit margin[1]	**19.1%**	**20.5%**	**21.9%**	**17.7%**	**-**	**16.8%**
Organic revenue growth	**(11.9%)**	**(3.3%)**	**(2.6%)**	**(6.2%)**	**-**	**(6.6%)**
Six months ended 31 July 2019 (Unaudited)						
Net revenue	47,974	4,332	59,361	7,056	-	118,723
Adjusted operating profit / (loss)	9,466	763	11,541	866	(4,333)	18,303
Adjusted operating profit / (loss) after interest on finance lease liabilities	9,324	747	11,188	833	(4,592)	17,500
Adjusted operating profit margin[1]	19.4%	17.2%	18.8%	11.8%	-	14.7%
Organic revenue growth	4.6%	(0.6%)	(6.0%)	2.1%	-	(1.3%)
Twelve months ended 31 January 2020 (Audited)						
Net revenue	97,377	8,820	127,563	14,709	-	248,469
Adjusted operating profit / (loss)	20,366	1,619	27,155	2,367	(9,051)	42,456
Adjusted operating profit / (loss) after interest on finance lease liabilities	20,094	1,587	26,421	2,299	(9,541)	40,860
Adjusted operating profit margin[1]	20.6%	18.0%	20.7%	15.6%	-	16.4%
Organic revenue growth	0.3%	0.4%	(4.6%)	4.8%	-	(2.0%)

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

2) SEGMENT INFORMATION (continued)

	Brand marketing £'000	Data and analytics £'000	Creative technology £'000	Head Office £'000	Total £'000
Six months ended 31 July 2020 (Unaudited)					
Net revenue	**69,297**	**23,897**	**32,964**	**-**	**126,158**
Adjusted operating profit / (loss)	**16,252**	**5,975**	**4,284**	**(4,583)**	**21,928**
Adjusted operating profit / (loss) after interest on finance lease liabilities[1]	**15,863**	**5,965**	**4,158**	**(4,814)**	**21,172**
Adjusted operating profit margin[1]	**22.9%**	**25.0%**	**12.6%**	**-**	**16.8%**
Organic net revenue growth	**(7.9%)**	**3.6%**	**(9.5%)**	**-**	**(6.6%)**
Six months ended 31 July 2019 (Unaudited)					
Net revenue	63,873	20,869	33,981	-	118,723
Adjusted operating profit / (loss)	13,478	5,744	3,414	(4,333)	18,303
Adjusted operating profit / (loss) after interest on finance lease liabilities[1]	13,080	5,734	3,278	(4,592)	17,500
Adjusted operating profit margin[1]	20.5%	27.5%	9.6%	-	14.7%
Organic net revenue growth	(4.9%)	21.4%	(1.1%)	-	(1.3%)
Year ended 31 January 2020 (Audited)					
Net revenue	135,036	45,054	68,379	-	248,469
Adjusted operating profit / (loss)	30,750	12,722	8,035	(9,051)	42,456
Adjusted operating profit / (loss) after interest on finance lease liabilities[1]	29,930	12,697	7,774	(9,541)	40,860
Adjusted operating profit margin[1]	22.2%	28.2%	11.4%	-	16.4%
Organic net revenue growth	(5.7%)	19.3%	(2.1%)	-	(2.0%)

[1] Adjusted operating profit margin is calculated based on the operating profit after interest on finance lease liabilities as a percentage of net revenue.

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

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Segment adjusted operating profit after interest on finance lease liabilities	**21,172**	**17,500**	**40,860**
Interest on finance lease liabilities	756	803	1,596
Segment adjusted operating profit	**21,928**	**18,303**	**42,456**
Amortisation of acquired intangibles (note 3)	(7,264)	(5,443)	(12,099)
Share-based payment charge (note 3)	(189)	-	(374)
Employment-related acquisition payments (note 3)	(1,699)	(2,781)	(5,029)
Restructuring costs (note 3)	(2,052)	(2,141)	(4,596)
Property impairment (note 3)	(10,910)	-	-
Deal costs (note 3)	(178)	(306)	(945)
Operating (loss)/profit	**(364)**	**7,632**	**19,413**

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

3) RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
(Loss)/profit before income tax	**(3,402)**	**2,848**	**5,556**
Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1]	2,182	1,669	3,552
Change in estimate of future contingent consideration and share purchase obligation payable[1]	(366)	2,041	8,086
Share-based payment charge[2]	189	-	374
Employment-related acquisition payments[3]	1,699	2,781	5,029
Restructuring costs[4]	2,052	2,141	4,596
Deal costs[5]	178	306	945
Property impairment [6]	10,910	-	-
Amortisation of acquired intangibles[7]	7,264	5,443	12,099
Adjusted profit before income tax	**20,706**	**17,229**	**40,237**

Adjusted profit before income tax has been presented to provide additional information which may be useful to the reader, and it is a measure of performance used in the calculation of the adjusted earnings per share. This measure is considered to best represent the underlying performance of the business and so it is used for the vesting of employee performance shares. The adjusting items are consistent with those in the prior period.

[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 Savanta Group Limited. (2019: M Booth & Associates LLC) 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 share-based payment 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 over the required period of employment. Although these costs are not exceptional or non-recurring, the Group determined they should be excluded from the underlying performance as the costs solely relate to acquiring the sellers business.

[4]In the current period the Group has incurred restructuring costs which primarily relates to Covid-19 redundancy costs taken in the period in response to the pandemic. These costs relate to these specific transformational events; they do not relate to underlying trading and therefore have been added back to aid comparability of performance year on year.

[5]This charge relates to third party professional fees incurred during acquisitions.

[6]In the current period the Group has 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 Covid-19, the Group has identified excess property space within the portfolio and therefore taken an impairment charge relating to those offices. The Group has adjusted for this cost, as the additional one-off impairment charge does not relate to the underlying trading of the business and therefore added back to aid comparability.

[7]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.

4) TAXATION

The tax charge for the six months ended 31 July 2020 is based on the Group's estimated effective tax rate for the year ending 31 January 2021 (20%).

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

5) DIVIDENDS

Given the macroeconomic backdrop due to Covid-19, the Group has decided to suspend the interim dividend, although it expects to resume payments with a dividend for the year ended January 2021, paid following the AGM in early summer 2021. For the six months ended 31 July 2019, an interim dividend of 2.5p per ordinary share was paid.

6) FINANCE EXPENSE

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Financial liabilities at amortised cost			
Bank interest payable	575	411	977
Interest on finance lease liabilities	756	803	1,596
Financial liabilities at fair value through profit and loss			
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable[1]	2,182	1,669	3,552
Change in estimate of future contingent consideration and share purchase obligation payable[1]	1,470	2,683	10,545
Other			
Other interest payable	2	3	2
Finance expense	**4,985**	**5,569**	**16,672**

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

7) FINANCE INCOME

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Financial assets at amortised cost			
Bank interest receivable	19	20	99
Finance lease interest receivable	20	24	40
Financial assets at fair value through profit and loss			
Change in estimate of future contingent consideration and share purchase obligation payable[1]	1,836	642	2,459
Other interest receivable	13	12	13
Finance income	**1,888**	**698**	**2,611**

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

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

8) EARNINGS PER SHARE

	Six months ended 31 July 2020 (Unaudited) £'000	Six months ended 31 July 2019 (Unaudited) £'000	Twelve months ended 31 January 2020 (Audited) £'000
Earnings attributable to ordinary shareholders	(3,330)	1,575	2,262
Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable	1,848	1,468	3,138
Change in estimate of future contingent consideration and share purchase obligation payable	(612)	1,554	6,395
Share-based payment charge	189	2,781	572
Restructuring costs	1,884	1,757	3,746
Property impairment	8,670	-	-
Employment-related acquisition payments	1,682	-	5,010
Amortisation of acquired intangibles	5,720	4,342	9,607
Deal costs	178	306	882
Adjusted earnings attributable to ordinary shareholders	16,229	13,525	31,612
	Number	**Number**	**Number**
Weighted average number of ordinary shares	88,542,197	84,480,836	85,284,663
Dilutive LTIP shares	609,071	777,184	755,018
Dilutive Growth Deal shares	1,711,629	2,415,165	2,983,371
Other potentially issuable shares	2,334,718	1,397,035	1,913,430
Diluted weighted average number of ordinary shares	93,197,615	89,070,220	90,936,482
Basic earnings per share	(3.8)p	1.9p	2.7p
Diluted earnings per share	(3.6)p	1.8p	2.5p
Adjusted earnings per share	18.3p	16.0p	37.1p
Diluted adjusted earnings per share	17.4p	15.2p	34.8p

Adjusted and diluted adjusted earnings per share have been presented to provide additional information which may be useful to shareholders through facilitating comparability with industry peers. The adjusted earnings per share is the performance measure used for the vesting of employee performance shares. The only difference between the adjusting items in this note and the figures in note 3 is the tax effect of those adjusting items.

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

9) NET DEBT

The HSBC Bank revolving credit facility of £40m expires in 2022 and therefore the outstanding balance has been classified in non-current borrowings. The £20m loan drawn from HSBC is repayable in annual instalments and is classified in non-current borrowings with the exception of the instalment due in less than one year.

	31 July 2020 (Unaudited) £'000	31 July 2019 (Unaudited) £'000	31 January 2020 (Audited) £'000
Total loans and borrowings	35,184	24,820	38,007
Less: cash and cash equivalents	(30,191)	(21,268)	(28,661)
Net debt	**4,993**	**3,552**	**9,346**
Share purchase obligation	2,933	1,461	3,367
Contingent consideration	29,281	31,379	42,181
Deferred consideration	1,424	2,994	2,715
	38,631	**39,386**	**57,609**

10) OTHER FINANCIAL LIABILITIES

	Deferred consideration £'000	Contingent consideration £'000	Share purchase obligation £'000
At 31 January 2019 (Audited)	4,646	24,712	1,736
Arising during the period	350	4,194	-
Change in estimate	-	2,038	3
Exchange differences	-	1,069	103
Utilised	(2,205)	(2,028)	(453)
Unwinding of discount	203	1,394	72
At 31 July 2019 (Unaudited)	2,994	31,379	1,461
Arising during the period	-	10,251	-
Change in estimate	-	4,129	1,916
Exchange differences	-	(1,795)	(96)
Utilised	(462)	(3,397)	-
Unwinding of discount	183	1,614	86
At 31 January 2020 (Audited)	2,715	42,181	3,367
Arising during the period	-	417	-
Reclassification	2,405	(2,405)	-
Change in estimate	-	258	(624)
Exchange differences	-	3	7
Utilised	(3,811)	(13,057)	-
Unwinding of discount	115	1,884	183
At 31 July 2020 (Unaudited)	**1,424**	**29,281**	**2,933**
Current	1,424	8,666	1,263
Non-current	-	20,615	1,670

NOTES TO THE INTERIM RESULTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 July 2020

11) EVENTS AFTER THE BALANCE SHEET DATE

On 1 September 2020 Next 15 purchased the entire issued share capital of Mach49, the Silicon Valley-based growth incubator for global businesses. This signals an important strategic move, as Mach49 will become the cornerstone of the previously announced plan to create a $100m revenue innovation business to work alongside our market leading data, technology and brand marketing businesses to help global leaders create and execute disruptive growth strategies, shake up existing markets and open new ones. We expect there to be goodwill arising as a result of this acquisition due to the anticipated profitability and operating synergies.