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FY12 good progress

Media

Next Fifteen's FY12 results show good progress with a 14% rise in normalised pre-tax profit helped by an increase in operating margin to 11.0% from 10.3%. Normalised EPS rose 15.2% to 10.07p from 8.74p. Group revenues rose 6.4%, reflecting the acquisitions made in FY11 and FY12 and 1% organic growth. While technology PR (66% of revenues) remains the largest part of the group, the increasing focus on the move to digital marketing communications and a strong performance from the FY11 addition of Blueshirt are reaping reward. We are raising our FY13 EPS estimate by 0.8p to 10.6p, and initiating an 11.3p FY14 EPS estimate.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/11	86.0	8.4	8.7	2.05	11.7	2.0
07/12	91.6	9.6	10.1	2.30	10.0	2.3
07/13e	97.0	10.5	10.6	2.55	9.6	2.5
07/14e	103.5	11.6	11.3	2.85	9.0	2.8

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Good FY12 results: EPS up 15.2%

The good normalised FY12 results benefitted from increased operating margins in the majority of the group's sectors (up: tech, corporate communications, digital; down: consumer) and geographic segments (up: North America, UK, Asia Pacific; down: Europe). The adjustments from reported to normalised pre-tax profit are dominated by the impact of a $2.8m (£1.8m) fraud in Bite's San Francisco office discovered during the FY12 audit – in light of this, the group has decided to strengthen its internal financial controls. While this is a significant sum, management says "this regrettable event will not impact operational performance or the ability to make planned investments".

Transition to digital continues apace

Next Fifteen is placing significant emphasis on the transition to digital with CEO Tim Dyson's FY12 business review almost entirely focusing on this. Last year, he described this transition in the marketing services industry as "the biggest, most exciting industry transition we have ever seen". Now, one year later, he says "the pace and energy surrounding this transition has not decreased". We recommend reading his thoughts on this transition.

Valuation: Fair rating in current environment

Our projected 6% pa EPS growth rate over the next two years recognises continuing low global economic growth prospects, although these estimates do not include any future acquisitions that the group has the resources to complete. A prospective 9.6x P/E would seem to be a fairly undemanding rating for a leading player in transition to the fast growing digital communications market at a time of low global economic growth.

27 November 2012

Price	101.50p
Market cap	£59m

Shares in issue	58.4m
Free float	82%
Code	NFC
Primary exchange	AIM
Net debt (£m) at July 2012	2.6

Share price performance

%	1m	3m	12m
Abs	0.7	17.3	24.7
Rel (local)	(0.3)	13.2	21.1
52-week high/low		108.50p	83.50p

Business description

Next Fifteen Communications is a worldwide digital marketing communications and public relations group. Predominately serving clients in the technology and consumer sectors, it has world-leading and autonomous PR, research, digital, investor relations and policy communications subsidiaries.

Next events

AGM	29 January 2013
Interim results	April 2013

Analysts

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

Investment summary: FY12 good progress

Company description: Global digital marketing communications

Founded in 1981, Next Fifteen Communications is a worldwide digital marketing communications and public relations group, predominately serving clients in the technology (FY12: 66.1%), consumer (16.5%), digital/research consultancy (10.2%) and corporate communications (7.2%) sectors, with world-leading and autonomous PR, research, digital, investor relations and policy communications subsidiaries. Over the past eight years, a series of acquisitions has been successfully integrated into the group. The group has 53 offices across 17 countries, plus five licensed partners, serving nearly 1,100 clients and employing over 1,000 staff. Top 10 clients represented around 26% of revenues in FY12 (30% in FY11).

Addressing the technology industry, Next Fifteen has three principal PR subsidiaries, Text 100, Bite and OutCast, and on 1 November 2010, the group purchased an 85% stake in The Blueshirt Group, an investor relations company that services the technology market. In October 2011, the group, via Bite, acquired 80% of German PR and consulting firm, Trademark.

On the non-technology front, Next Fifteen owns Lexis, which primarily addresses the UK consumer sector, and M Booth, a leading New York-based consumer and B2B agency. In May 2012, the group, via Lexis, acquired 71.8% of Paratus, a UK PR agency with digital expertise. Since late 2009, Next Fifteen has been transitioning its business model from traditional PR to digital marketing services. This digital transition is being driven by organic expansion through 51% owned subsidiary Beyond and targeted acquisitions, such as Content and Motion in August 2012. In May 2011, the group acquired an 80% stake in Bourne, a global digital agency, and has now added the remaining 20%.

Valuation: Fair rating in current environment

Our projected 6% pa EPS growth rate over the next two years recognises continuing low global economic growth prospects, although these estimates do not include any future acquisitions that the group has the resources to complete. Next Fifteen is trading at a similar rating to Chime, and higher than Creston and Huntsworth, though at a significant discount to mega advertising group comparators Omnicom and WPP. We believe that Next Fifteen's prospective 9.6x P/E would seem to be a fairly undemanding rating for a leading player in transition to the fast-growing digital communications market at a time of low global economic growth.

Financials: Modest 7% net debt/equity

Next Fifteen has a long record of positive cash flow from operations. During FY12, this amounted to £10.0m – lower than our estimate of £11.9m, which would appear to be due to the impact of the fraud in Bite's San Francisco office. Acquisition-related payments totalled £5.7m during FY12, including £4.4m for contingent consideration for the M Booth and Blueshirt acquisitions made in 2009 and 2010 as well as the £0.9m initial payment for the 80% stake in Trademark acquired in October 2011. At FY12 year-end, net debt stood at £2.6m, representing a modest net debt/equity of 7%.

Results for the year to 31 July 2012

Next Fifteen's FY12 results show good progress with a 14% rise in normalised pre-tax profit helped by an increase in operating margin to 11.0% from 10.3%. This increase and a 28.1% tax charge (lower than our estimate of 29.8%) helped normalised EPS rise 15.2% to 10.07p from 8.74p, ahead of our 9.3p estimate.

FY12 revenues up 6%, primarily driven by acquisitions

Group revenues rose 6%, reflecting the acquisitions made in FY11 and FY12 and 1% organic growth, which was held back during the year by the loss of two large clients (HP in Technology; Boots in UK Consumer). While technology PR (66% of revenues) remains the largest part of the group, the increasing focus on transition to digital marketing communications and a strong performance from the FY11 addition of Blueshirt in the corporate communications segment are reaping reward.

Exhibit 1: Revenue segmentation by sector and geography (%)

	% by Sector				% by Geography		
	FY10	FY11	FY12		FY10	FY11	FY12
Technology	74.9	69.0	66.1	US & Canada	51.5	52.5	51.4
Consumer	19.9	18.7	16.5	UK	20.9	20.9	21.6
Digital/Research	2.3	6.5	10.2	Asia Pacific	14.1	15.3	15.6
Corporate Communications	2.9	5.8	7.2	Europe & Africa	13.5	11.3	11.4

Source: Company FY12 results

Overall adjusted operating margin rises to 11% (FY11: 10.3%)

The good normalised FY12 results benefitted from increased operating margins in most of the group's sectors (up: tech, corporate communications, digital; down: consumer) and geographic segments (up: North America, UK, Asia Pacific; down: Europe).

Exhibit 2: Adjusted operating profit segmentation by sector and geography (%)

		% by sector			% by geography	
	FY10	FY11	FY12		FY10	FY11	FY12
Technology	14.9	13.5	15.4	US and Canada	19.7	19.3	19.8
Consumer	16.6	17.9	13.6	UK	15.8	16.3	16.9
Digital/Research	7.3	12.0	14.0	Asia Pacific	1.5	1.8	4.7
Corporate communications	25.7	22.8	23.0	Europe & Africa	12.7	8.8	8.7
Head office	(5.7)	(4.5)	(4.6)	Head office	(5.7)	(4.5)	(4.6)
Adj operating profit	9.7	10.3	11.0	Adj operating profit	9.7	10.3	11.0

Source: Company FY12 results

Normalised EPS estimates: FY13 upped; FY14 initiated

We are raising our FY13 EPS estimate by 0.8p to 10.6p and initiating an 11.3p FY14 EPS estimate. This projected 6% pa two-year growth rate recognises continuing low global economic growth prospects but does not include any future acquisitions that the group has the resources to complete.

Company description: Global digital marketing communications

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 digital marketing communications and 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. The group continues to explore ways to expand its digital capabilities through a mix of organic investment and targeted acquisitions. To read CEO, Tim Dyson's thoughts on the transition to digital click here. In the near term, management is intending to invest in the 'Insight' space to help brands use technology, at a lower cost and more rapidly, to scour the internet and learn significant insight about their customers and potential customers in ways that the old market research industry could only do with large budgets and long timelines.

Next Fifteen has three broad technology PR brands: Text 100, Bite, and Outcast. Technology PR, which remains at the heart of the group, represented 66% of FY12 revenues. In recent years, the group has expanded its non-technology offering, with the acquisitions of Lexis, which focuses primarily on the UK consumer sector, and M Booth & Associates, a leading consumer PR consultancy based in New York. In November 2010, Next Fifteen entered the corporate communications arena, acquiring an 85% stake in US corporate and financial PR agency, The Blueshirt Group. In addition, the group owns 76% of 463 Communications, a US policy communications agency.

Since late 2009, Next Fifteen has been moving its business model from traditional PR to digital marketing services. This digital transition is being driven by organic expansion through 51% owned subsidiary Beyond and targeted acquisitions, such as Content and Motion in August 2012. In May 2011, the group acquired an 80% stake in Bourne, a global digital agency, and has now added the remaining 20%.

The technology brands (66.1% of FY12 net revenues)

Text 100 www.text100.com

Text 100 is a top 20 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.

With award-winning practices covering all public relations disciplines, Text 100 represents leading brands with 25 offices in major cities worldwide. To facilitate global coverage, these are supplemented by a number of licensed and affiliate partners in other locations, including three Latin American locations in partnership with the Jeffrey Group, Central and Eastern Europe, the Middle East, and, through the ASEAN Network, Southeast Asia. Text 100 was the first PR agency to set up business as a wholly-owned foreign subsidiary in China. Text 100 was named Digital Consultancy of the Year for 2012 by The Holmes Report and Text 100 Singapore and Cisco were awarded the Holmes Report SABRE Awards 2011 Blogger Outreach Campaign in Singapore for 'Flip Your Profile, Cisco Consumer Products.

Bite Communications www.bitecommunications.com

Bite provides a range of services from media, analyst and influencer relations to online strategy and social media communications. It is a global consultancy with more than 200 people and offices in 14 cities across North America, Europe and Asia Pacific. Over the past three years, a number of acquisitions have been integrated into Bite, including 55% of Upstream's marketing communications trading subsidiaries in Asia (with an option to acquire the balance over a five-year period based on the profitability of the acquired businesses), Hong Kong digital marketing firm, OneXeno, and an 80% stake in Munich-based agencies, Trademark PR and Trademark Consulting.

The OutCast Agency (100%, post FY12 year-end 85%) www.theoutcastagency.com

OutCast was founded in San Francisco in 1997 and was acquired by Next Fifteen in June 2005. It operates as a separate business under its own brand, with its founders co-presidents of the business, and has offices in San Francisco and New York. Outcast was awarded PR Week's Corporate Branding Campaign award for 2011 for its work for Bloom Energy. In August 2012, 15% of the group's Outcast 100% holding was transferred to senior staff under a long-term inventive plan.

The consumer brands (16.5% of FY12 net revenues)

Lexis The Recommendation Agency www.lexisagency.com

Next Fifteen took an initial 25% stake in August 2005 and became a fully owned subsidiary in October 2008. Lexis operates as a separate business under its own brand and has its office in London. 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. In September 2010, Lexis acquired the UK-based Glasshouse Partnership, a corporate communications and marketing agency and in May 2012 acquired 71.8% of Paratus, a UK PR agency with digital expertise.

M Booth & Associates www.mbooth.com

M Booth was acquired by Next Fifteen in August 2009. Headquartered in New York, 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. 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.

Pure digital and research consultancies (10.2% of FY12 net revenues)

Beyond (51% owned) www.bynd.com

Beyond was launched in September 2010 by integrating Context Analytics, Text 100's research and analytics business, and Type3, a digital creative agency acquired in August 2010. At FY12 year-end, Next Fifteen owned 51% of Beyond, while the rest is owned by three employee shareholders. The latter have the option to sell part of their shareholding to the group at certain dates in 2013 to 2015. By October 2015, the group expects to increase its holding in Beyond to 75%. In August 2012, Beyond acquired Content and Motion, a small social marketing agency based in the UK, for a 6.5% stake in Beyond and an initial cash payment of £0.4m and a further £0.1m maximum earn-out consideration. Next Fifteen has a share purchase obligation for this 6.5% holding.

Beyond's mission is to rethink the traditional digital agency approach and use a combination of earned, owned and paid media to maximise 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. Beyond uses conversation analytics to help understand what people are talking about online, where they are and who influences them; search experts to establish what content people are looking for online; and creative insight to develop engaging content on traditional and mobile brand properties such as YouTube, LinkedIn and Facebook. Beyond has offices in London, New York and San Francisco.

Bourne www.wearebourne.com

In May 2011, Next Fifteen acquired an 80% shareholding in Bourne, a global, full-service digital agency headquartered in Glasgow, with additional offices in London and New York. In April 2012, Next Fifteen acquired the remaining 20%. Bourne provides high value, strategic planning services across all digital channels. As a creative digital marketing agency, it embeds strategy, customer insight and imaginative business processes at the heart of large-scale online marketing programs.

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. Through its office in the UK and a presence in the US, Redshift offers a wide range of research services, including: opinion surveys, website evaluations, customer satisfaction, branding research, market segmentation and new product development.

Corporate Communications (7.2% of FY12 net revenues)

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

In November 2010, Next Fifteen acquired an 85% stake in US corporate and financial PR agency, The Blueshirt Group. The initial consideration was $3m with a further expected $8m based on performance over four years. Blueshirt provides strategic investor relations to both public and private companies, as well as venture capital firms, to help them effectively communicate with Wall Street, investors and the media.

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. 463 has offices in Washington DC and San Francisco, California. It specialises in helping technology companies with their policy, regulatory and public sector opportunities at state, federal and international levels. The group has an obligation to purchase the outstanding minority over seven years.

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 continues to grow slightly better than global GDP, and the consumer sector grows marginally less than global GDP; 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 26% of net revenue, with no one client larger than 5%. 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, though despite the two large client losses in FY12 the group still managed 1% organic growth. 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 10 years.

Foreign currency exposure

The group does have significant exposure to foreign currency movements, primarily the dollar and, to a lesser extent, the euro and Australian dollar. During FY12, 78.5% of revenue was generated outside the UK. If expansion continues in North America and other international locations, this risk could increase. The group has calculated the effect of a 20% weakening of sterling against all of its seven major currency exposures, with all other variables held constant, would have impacted FY12 pre-tax profit by £1.0m.

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 an estimated market share of c 10%. We expect the group will remain primarily focused on the tech sector and can grow revenues at a faster pace than the overall sector due to its expertise in the faster-growing digital arena.

Key employee retention: Employee incentives and share options

Next Fifteen has a Long-Term Incentive Plan (LTIP), which 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 after the award of performance shares. At 31 July 2012, the group has outstanding options and performance shares totalling 6.8m shares that could be potentially issued under existing plans.

Valuation: Fair rating in current environment

We believe that Next Fifteen has proved itself to be a well-managed group and over the past eight years has demonstrated that its management can successfully integrate acquisitions.

Our projected 6% pa EPS growth rate over the next two years recognises continuing low global economic growth prospects, though these estimates do not include any future acquisitions that the group has the resources to complete. A prospective 9.6x P/E would seem to be a fairly undemanding rating for a leading player in transition to the fast growing digital communications market at a time of low global economic growth.

Next Fifteen's prospective 9.6x P/E for the year to 31 July 2013 compares with consensus P/Es of 9.8x for Chime, and 5.7x for both Huntsworth and Creston. Mega advertising group comparators Omnicom and WPP trade at higher prospective P/Es of 12.5x and 11.2x. Interestingly, Next Fifteen's historic EV to revenues ratio of just 0.7x is significantly lower than all but Creston of the peers in our comparison table (Exhibit 3).

We contend that the group's expertise in the digital arena, supported by its 30-year specialisation in the tech sector, adds some justification to the current premium P/E rating to similar-sized peers. In the current sovereign debt and deficit environment, Next Fifteen has an additional advantage that it is unlikely to be distracted as it does not have direct exposure to government spending.

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

	Ticker	Price p/$	Mkt Cap £m/$m	Hist YE	Hist EV/Rev	Hist EV/EBITDA	P/E Jul-13*	P/E Year2	Yield Jul-13*
Chime	CHW	220	180	Dec-11	1.1	5.5	9.8	9.6	3.1
Creston	CRE	80	49	Mar-12	0.7	3.1	5.7	5.5	4.5
Huntsworth	HNT	40	101	Dec-11	1.0	5.7	5.7	5.7	8.8
Omnicom (US)	OMC	47	12,539	Dec-11	1.0	6.4	12.5	12.0	2.7
WPP	WPP	848	10,710	Dec-11	1.3	8.3	11.2	10.8	3.5
				Average	1.0	5.8	9.0	8.7	4.5
Next Fifteen	NFC	102	60	Jul-12	0.7	6.5	9.6	9.0	2.5

Source: Thomson Reuters, Edison Investment Research. Notes: Prices as at close on 23 November 2012.
* Straight line adjustment to July 2013 year-end.

Financials: £11.9m acquisition liabilities at FY12 year-end

After over 20 years of primarily organic growth, the group began its strategy of boosting growth through acquisition. During the past eight years, a series of acquisitions has been integrated successfully into the group. Most of these acquisitions included performance-related payments stretching over a number of years and, for some deals, the group has also made an undertaking to acquire outstanding minorities. These payments have been structured as part cash and part shares, generally at the option of the group. These M&A liabilities are included in the balance sheet under contingent consideration and share purchase obligations. At 31 July 2012, the group had contingent consideration of £2.9m in current liabilities, and contingent consideration of £5.0m and share purchase obligations of £4.0m in non-current liabilities. These amounts have been calculated based on the group's discounted estimates of the most likely outcome for the profitability of each of the acquired businesses. We have included cash payments of £2.75m and £3.2m in our FY13 and FY14 cash flow estimates – we expect these amounts to be adequately covered by operating cash flow.

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Exhibit 4: Financial summary

Year-ending 31 July £'000s	2007	2008	2009	2010	2011	2012	2013e	2014e
Accounting basis	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Billings	69,422	73,916	77,287	91,175	105,163	108,453	115,000	122,000
Revenues	59,268	63,107	65,394	72,328	86,035	91,583	97,000	103,500
EBITDA	7,007	7,433	5,531	8,446	10,712	11,080	12,480	13,630
Operating Profit (before GW and except.)	5,837	6,706	5,591	6,992	8,823	10,047	11,000	11,880
Goodwill Amortisation	0	0	0	0	0	0	0	0
Exceptionals	(458)	(1,066)	(2,091)	(1,308)	(871)	(3,630)	(1,400)	(1,250)
Other	56	117	0	0	0	14	0	0
Operating Profit	5,435	5,757	3,500	5,684	7,952	6,431	9,600	10,630
Net Interest	(313)	(241)	(342)	(380)	(425)	(472)	(500)	(280)
Profit Before Tax (norm)	5,580	6,582	5,249	6,612	8,398	9,589	10,500	11,600
Profit Before Tax (FRS 3)	5,122	5,516	3,158	5,304	7,527	5,959	9,100	10,350
Tax	(1,781)	(1,655)	(884)	(1,591)	(2,260)	(1,652)	(2,500)	(2,800)
Profit After Tax (norm)	3,713	4,657	3,750	4,638	5,854	6,914	7,550	8,390
Profit After Tax (FRS 3)	3,341	3,861	2,274	3,713	5,267	4,307	6,600	7,550
Average Number of Shares Outstanding (m)	49.0	51.7	52.6	54.4	54.9	57.0	58.3	58.4
EPS - normalised (p)	7.1	8.6	6.5	8.4	10.2	11.4	11.9	13.1
EPS - normalised fully diluted (p)	7.0	8.5	6.5	7.5	8.7	10.1	10.6	11.3
EPS - FRS 3 (p)	6.3	7.1	3.7	6.7	9.1	6.8	10.2	11.6
Dividend per share (p)	1.50	1.70	1.70	1.85	2.05	2.30	2.55	2.85
EBITDA Margin	10%	10%	7%	9%	10%	10%	11%	11%
Operating Margin (before GW and except.)	10%	11%	9%	10%	10%	11%	11%	11%
BALANCE SHEET								
Non-current assets	18,442	20,206	22,618	31,919	44,336	48,227	48,247	48,947
Intangible Assets	13,507	15,462	18,441	27,111	37,926	41,019	41,319	42,169
Tangible Assets	2,162	2,435	1,949	2,269	3,067	2,721	2,441	2,291
Other non-current assets	2,773	2,309	2,228	2,539	3,343	4,487	4,487	4,487
Current Assets	20,894	25,946	22,840	29,470	34,769	33,337	38,556	44,126
Debtors	15,060	16,421	15,710	22,174	26,252	24,901	27,700	30,380
Cash	5,834	9,525	7,130	7,296	8,517	8,436	10,856	13,746
Current Liabilities	(15,670)	(20,643)	(15,237)	(25,248)	(26,095)	(24,230)	(24,199)	(24,349)
Creditors	(14,958)	(20,228)	(14,887)	(20,009)	(25,767)	(23,946)	(23,915)	(24,065)
Short term borrowings	(712)	(415)	(350)	(5,239)	(328)	(284)	(284)	(284)
Long Term Liabilities	(8,684)	(5,871)	(5,319)	(8,562)	(20,677)	(20,106)	(19,856)	(19,656)
Long term borrowings	(5,190)	(5,700)	(4,995)	(2,908)	(9,760)	(10,756)	(10,756)	(10,756)
Other long term liabilities	(3,494)	(171)	(324)	(5,654)	(10,917)	(9,350)	(9,100)	(8,900)
Net Assets	14,982	19,638	24,902	27,579	32,333	37,228	42,748	49,068
CASH FLOW								
Operating Cash Flow	7,203	9,599	6,261	6,572	11,905	10,052	10,970	12,420
Net Interest	(311)	(240)	(342)	(380)	(417)	(470)	(500)	(280)
Tax	(1,992)	(1,090)	(1,476)	(1,465)	(2,618)	(2,520)	(2,500)	(2,800)
Capex	(1,246)	(2,153)	(307)	(1,936)	(2,202)	(957)	(1,400)	(1,700)
Acquisitions/disposals	(1,959)	(829)	(4,549)	(4,251)	(6,078)	(5,664)	(2,750)	(3,200)
Financing	953	(994)	(1,941)	2,263	1,927	719	0	0
Dividends	(691)	(807)	(900)	(932)	(1,045)	(1,208)	(1,400)	(1,550)
Other	0	0	0	0	0	0	0	0
Net Cash Flow	1,957	3,486	(3,254)	(129)	1,472	(48)	2,420	2,890
Opening net debt/(cash)	1,439	68	(3,410)	(1,785)	851	1,571	2,604	184
Finance leases	(299)	(217)	(225)	(150)	(90)	(72)	0	0
Other	(287)	209	1,854	(2,357)	(2,101)	(913)	0	0
Closing net debt/(cash)	68	(3,410)	(1,785)	851	1,570	2,604	184	(2,706)

Source: Company accounts, Edison Investment Research

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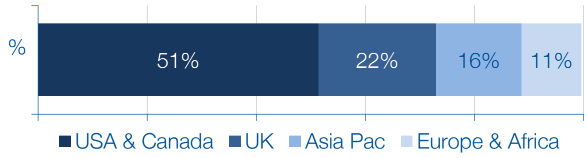
www.next15.com

Revenue by geography



CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2010-14e	10.8%	ROCE 13e	22.2%	Gearing 13e	0.5%	Litigation/regulatory	○
EPS 2012-14e	6.1%	Avg ROCE 2010-14e	22.8%	Interest cover 13e	22.0	Pensions	○
EBITDA 2010-14e	12.7%	ROE 13e	17.3%	CA/CL 13e	1.6	Currency	◖
EBITDA 2012-14e	3.0%	Gross margin 13e	N/A	Stock turn 13e	0.0	Stock overhang	○
Sales 2010-14e	9.4%	Operating margin 13e	9.6%	Debtor days 13e	87.9	Interest rates	◖
Sales 2012-14e	6.3%	Gr mgn / Op mgn 13e	N/A	Creditor days 13e	66.7	Oil/commodity prices	○

Management team

CEO: Tim Dyson

Tim Dyson joined the group in 1984 and became CEO in 1992. He was one of the early pioneers of tech PR, working on major corporate and product campaigns with such companies as Cisco, Microsoft, IBM, Sun and Intel. Mr Dyson moved from London to set up the group's first US business in 1995 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 Dewhurst joined the board as CFO in 1999. After qualifying in 1987 as a chartered accountant with KPMG, he worked as a corporate and group accountant for Hillsdown Holdings between 1988 and 1992. In 1992 he became group finance director for Strong & Fisher Holdings, before being appointed to the same post at The Media Business Group in 1997.

Chairman: Richard Eyre

Richard Eyre was appointed chairman in May 2011.He is also chairman of the Internet Advertising Bureau and the Eden Project, and is a non-executive director of Grant Thornton LLP and Results International Group LLP. He was formerly CEO of ITV Network and Capital Radio.

Principal shareholders	(%)
Liontrust Investment Partners LLP	19.7
Tim Dyson (CEO)	9.9
Herald Investment Management	9.0
Octopus Investments	8.0
Blackrock Investment Management (UK)	6.3
River and Mercantile Asset Management	5.5
Tom Lewis (Co-founder and former director)	4.8

Companies named in this report

Cisco (CSCO.O), Hewlett Packard (HPQ.N), IBM (IBM.N), Microsoft (MSFT.O), Chime (CHW.L), Creston (CRE.L), Huntsworth (HNT.L), Omnicom (OMC.N), WPP (WPP.L)

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