1 October 2019

# Next Fifteen Communications Group plc

## Interim results for the six months ended 31 July 2019

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 2019.

### Financial results for the six months to 31 July 2019 (unaudited)

| | Six months ended 31 July 2019 £m | Six months ended 31 July 2018 £m | Growth in results |
|---|---|---|---|
| **Adjusted results** | | | |
| Net revenue | **118.7** | 106.8 | **11%** |
| Operating profit after interest on financial lease liabilities[1] | **17.5** | 15.4 | **14%** |
| Operating profit margin[2] | **14.7%** | 14.4% | |
| Profit before tax | **17.2** | 15.1 | **14%** |
| Diluted EPS (p) | **15.2p** | 14.2p | **7%** |
| | | | |
| **Statutory results** | | | |
| Revenue | **145.2** | 127.9 | |
| Operating profit | **7.6** | 10.5 | |
| Profit before tax | **2.8** | 10.3 | |
| Net cash inflow from operating activities | **19.3** | 7.7 | |
| Diluted EPS (p) | **1.8p** | 9.4p | |

In order to assist shareholders' understanding of the underlying performance of the business, adjusted results have been presented. The items that are excluded from adjusted results are reconciled to statutory results within notes 2 and 3 to the interim results.

[1] The application of IFRS 16 has led to operating lease charges previously recognised within operating profit to now be partially recognised in interest costs. We have therefore presented the current period operating profit after interest on finance lease liabilities to give a comparable figure to the prior year.

[2] Operating profit margin is calculated using the operating profit after interest on finance lease liabilities in the current period in order to be comparable to the prior period.

### Highlights

- Group net revenue growth of 11%
- Adjusted profit before tax up 14% to £17.2m
- Adjusted diluted earnings per share increased by 7% to 15.2p
- Net cashflow inflow from operation increased to £19.3m (2018: £7.7m)
- Strong balance sheet with net debt of £3.6m (2018: £25.6m)
- Significant client wins including M&S, O2 and Purplebricks
- Interim dividend up 15.7% from 2.16p to 2.5p per share
- Acquisition of Health Unlimited, a NY based healthcare agency, for M Booth
- Confident of meeting market expectations for this year and return to high single digit organic growth in the next financial year

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

Next 15 continues to make good progress, validating our strategic focus on marketing technology as our Data and Analytics based businesses lead our growth. With the acquisition of Health Unlimited announced today, we are confident of meeting our expectations for this year. Furthermore, we are increasingly confident about our next fiscal year as the changes at Archetype and Beyond work through alongside the full year impact of our more recently acquired businesses.

## For further information contact:


### Next Fifteen Communications Group plc
Tim Dyson, Chief Executive Officer
+1 415 350 2801

Peter Harris, Chief Financial Officer
+44 (0) 20 7908 6444

### Numis
Nick Westlake, Mark Lander, Hugo Rubinstein
+44 (0)20 7260 1000


## 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 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 2019.

During the period the Group's net revenues increased by 11% to £118.7m (2018: £106.8m), while adjusted profit before tax increased by 14% to £17.2m (2018: £15.1m). The group's adjusted operating margin increased to 14.7% from 14.4% in the prior period. Diluted adjusted EPS increased by 7% to 15.2p and the strong management of our working capital resulted in our net debt remaining very modest at £3.6m.

The Group's organic revenue declined by 1.3% for the six months, held back by the previously announced restructuring at Archetype and the loss of Samsung and Just Eat as clients at Beyond. We are making progress with the relaunch of Archetype in the US and the UK, whilst Beyond has adjusted its cost base to reflect its reduced revenues, as well as focusing resources on winning clients such as the recently acquired Purplebricks. Excluding Archetype and Beyond Group's organic revenue growth was 11.6% for the period reflecting the strong health of the rest of the portfolio of businesses.

The Group is pleased to announce the acquisition of Health Unlimited which is a global health consultancy and communications agency. Following the acquisition the business will report to Dale Bornstein, M Booth CEO and trade as M Booth Health. Clients range from Gilead Sciences Inc. and Global Blood Therapeutics to Foundation for the National Institutes of Health, International AIDS Society and American Society of Clinical Oncology.

The Group reported a statutory operating profit of £7.6m compared with £10.5m in the prior period, while reported diluted earnings per share were 1.8p compared with 9.4p in the prior period.

The Group's recent acquisitions have performed strongly and the acquisition of Health Unlimited announced today is expected to be earnings enhancing in the current financial year. As a result of this, the Board expects to meet its current expectations for the full year. The Board has increased the interim dividend by 15.7% to 2.5p per share.

### Segment adjusted performance

| | Brand Marketing £'000 | Data and Analytics £'000 | Creative Technology £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|
| **6 months ended 31 July 2019** | | | | | |
| **Net revenue** | **63,873** | **20,869** | **33,981** | **-** | **118,723** |
| **Operating profit after interest on finance lease liabilities[1]** | **13,080** | **5,734** | **3,278** | **(4,592)** | **17,500** |
| **Operating profit margin[2]** | **20.5%** | **27.5%** | **9.6%** | **-** | **14.7%** |
| ***Organic revenue growth*** | **(4.9%)** | **21.4%** | **(1.1%)** | **-** | **(1.3%)** |
| 6 months ended 31 July 2018 | | | | | |
| Net revenue | 63,498 | 9,739 | 33,539 | - | 106,776 |
| Operating profit | 12,475 | 2,681 | 4,873 | (4,663) | 15,366 |
| Operating profit margin | 19.6% | 27.5% | 14.5% | - | 14.4% |
| *Organic revenue growth* | 1.8% | 32.0% | 24.1% | - | 8.7% |

[1] Operating profit after interest on finance lease liabilities is presented as a comparable measure to the prior year operating profit following the adoption of IFRS 16 from 1st February 2019.

[2] The operating profit margin is calculated on the operating profit after interest on finance lease liabilities to be comparable to the prior year.

Our **Brand Marketing** segment produced a resilient performance with an increase in absolute profitability and adjusted operating profit margin, as we continued with the previously announced restructure of Archetype and benefitted from good trading from the rest of the segment. Our M Booth and Publitek agencies continued to perform strongly and we announced today that M Booth had acquired Health Unlimited to broaden their customer range into healthcare for the first time. The segment's net revenue increased by 0.6% to £63.9m, with an organic decline of 4.9%. Excluding Archetype, the segment's organic revenue growth was 4.8%. The increase in the adjusted operating margin to 20.5% resulted in the adjusted operating profit increasing by 4.8% to £13.1m.

Our **Data and Analytics** segment has performed very well with strong trading across our portfolio. Savanta has grown its revenue significantly following its relaunch as a single brand in February. Activate and Planning, our recent acquisitions, have both exceeded expectation, whilst Encore have recovered from the slowdown experienced last year which was as a result of the implementation of GDPR. Overall the segment's net revenue increased by 114% to £20.9m, with organic revenue growth of 21.4%. The adjusted operating margin remained at 27.5%, resulting in a more than doubling in the adjusted operating profit to £5.7m.

Our **Creative Technology** segment has seen a mixed performance with strong growth from Twogether, Velocity and Agent3, whilst Beyond has suffered from a material drop in revenue and profitability principally due to a reduction in client spend from Samsung and Just Eat. Overall the segment's net revenue increased by 1.3% to £34.0m, with an organic decline of 1.1%. Excluding Beyond, the segment's organic revenue growth was 18.8%. The adjusted operating margin reduced to 9.6% due to the impact of the client losses and the adjusted operating profit reduced to £3.3m. We are anticipating a much stronger revenue, profit and margin performance in H2 for this segment.

## Reconciliation of Adjusted Financial Measures

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 |
|---|---|---|
| **Profit before income tax** | **2,848** | **10,346** |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable | 1,669 | 1,282 |
| Change in estimate of future contingent consideration and share purchase obligation payable | 2,041 | (1,367) |
| Share-based payment charge | - | 365 |
| Employment related acquisition payments | 2,781 | 213 |
| Restructuring costs | 2,141 | 172 |
| Deal costs | 306 | 320 |
| Amortisation of acquired intangibles | 5,443 | 3,764 |
| **Adjusted profit before income tax** | **17,229** | **15,095** |

Adjusted financial measures are presented to provide additional information to best represent the underlying performance of the business. We incurred £2.0m of charges on contingent consideration, principally relating to the outperformance of our recent acquisition, Activate, which has resulted in an increased expectation for their earn-out payment. 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 £2.8m (2018: £0.2m).

We incurred £2.1m of restructuring costs in relation to the ongoing relaunch of the new Archetype brand in the UK and US along with the rebranding of the Savanta brand, in addition to other staff related redundancy costs at other brands in the Group. We incurred £0.3m of deal costs in relation to acquisitions, and the amortisation of acquired intangibles was £5.4m in the period.

## Cashflow

The Group delivered an excellent cashflow performance with the net cash inflow from operating activities increasing to £19.3m from £7.7m in the prior period. This resulted in our net debt being only £3.6m as at 31 July 2019.

## Dividend

The Board has resolved to pay an interim dividend of 2.5p per share, which is a 15.7% increase on the interim dividend for last year. This will be paid on 22 November 2019 to shareholders whose names appear on the register of members at close of business on 25 October 2019.

## Current Trading and Outlook

Looking to the full year, the Board is encouraged by the performance of the data and analytics segment and our recent acquisitions and the prospects for the second half remain good. The Group's recent acquisitions have performed strongly and the acquisition of Health Unlimited announced today is expected to be earnings enhancing in the current financial year. The Board therefore remains confident of meeting its expectations for the full year. The Board has increased the interim dividend by 15.7% to 2.5p per share. The Board also remains optimistic about the medium term outlook for the Group and is confident of a return to high single digit organic growth in the next financial year.

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**

**FOR THE SIX MONTH PERIOD ENDED 31 July 2019**

| | Note | Six months ended 31 July 2019 (Unaudited) | Six months ended 31 July 2018 (Unaudited) £'000 | 12 months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|---|
| **Billings** | | 156,477 | 135,577 | 291,037 |
| Revenue | | 145,192 | 127,931 | 272,413 |
| Direct costs | | (26,469) | (21,155) | (48,320) |
| **Net revenue** | 2 | **118,723** | **106,776** | **224,093** |
| Staff costs | | 83,693 | 73,070 | 153,247 |
| Depreciation | | 6,302 | 2,076 | 4,199 |
| Amortisation | | 5,915 | 4,004 | 9,624 |
| Other operating charges | | 15,181 | 17,094 | 36,346 |
| Total operating charges | | (111,091) | (96,244) | (203,416) |
| **Operating profit** | 2 | **7,632** | **10,532** | **20,677** |
| Finance expense | 6 | (5,569) | (2,446) | (6,584) |
| Finance income | 7 | 698 | 2,251 | 4,667 |
| Share of profit from associate | | 87 | 9 | 65 |
| **Profit before income tax** | 3 | **2,848** | **10,346** | **18,825** |
| Income tax expense | 4 | (1,273) | (2,265) | (4,299) |
| **Profit for the period** | | **1,575** | **8,081** | **14,526** |
| Attributable to: | | | | |
| Owners of the parent | | 1,317 | 7,773 | 13,887 |
| Non-controlling interests | | 258 | 308 | 639 |
| | | **1,575** | **8,081** | **14,526** |
| **Earnings per share** | | | | |
| Basic (pence) | 8 | 1.9 | 10.0 | 17.5 |
| Diluted (pence) | 8 | 1.8 | 9.4 | 16.3 |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 31 July 2019**

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | 12 months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Profit for the period** | **1,575** | **8,081** | **14,526** |
| **Other comprehensive income / (expense):** | | | |
| *Items that may be reclassified into profit or loss* | | | |
| Exchange differences on translating foreign operations | 3,568 | 3,074 | 2,886 |
| Net investment hedge | (372) | (616) | (700) |
| | 3,196 | 2,458 | 2,186 |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Revaluation of investments | (335) | (430) | (682) |
| Total other comprehensive income / (expense) for the period | 2,861 | 2,028 | 1,504 |
| **Total comprehensive income for the period** | **4,436** | **10,109** | **16,030** |
| Attributable to: | | | |
| Owners of the parent | 4,178 | 9,801 | 15,391 |
| Non-controlling interests | 258 | 308 | 639 |
| | **4,436** | **10,109** | **16,030** |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**ADJUSTED RESULTS: KEY PERFORMANCE INDICATORS**

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 |
|---|---|---|
| **Net revenue** | **118,723** | **106,776** |
| Total operating charges | (93,646) | (89,094) |
| Depreciation and amortisation | (6,774) | (2,316) |
| **Operating profit** | **18,303** | **15,366** |
| Interest on finance lease liabilities | (803) | - |
| **Operating profit after interest on finance lease liabilities** | **17,500** | **15,366** |
| *Operating profit margin* | *14.7%* | *14.4%* |
| Net finance expense excluding interest on finance lease liabilities | (358) | (280) |
| Share of profits of associate | 87 | 9 |
| **Profit before income tax** | **17,229** | **15,095** |
| Tax | (3,446) | (3,017) |
| **Retained profit** | **13,783** | **12,078** |
| Weighted average number of ordinary shares | 84,480,836 | 77,891,708 |
| Diluted weighted average number of ordinary shares | 89,070,220 | 82,863,429 |
| Adjusted earnings per share | 16.0p | 15.1p |
| Diluted adjusted earnings per share | 15.2p | 14.2p |
| Cash inflow from operating activities | 19,340 | 7,743 |
| Cash outflow on acquisition related payments | (4,673) | (15,527) |
| Net debt | 3,552 | 25,565 |
| Dividend (per share) | 2.5p | 2.16p |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED BALANCE SHEET AS AT 31 July 2019**

| | Note | 31 July 2019 (Unaudited) £'000 | 31 July 2018 (Unaudited) £'000 | 31 January 2019 (Audited) £'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | | 16,002 | 15,931 | 15,870 |
| Right-of-use assets | | 42,341 | - | - |
| Intangible assets | | 132,274 | 102,242 | 126,149 |
| Investment in equity-accounted associate | | 131 | 118 | 98 |
| Investments in financial assets | | 1,308 | 1,387 | 1,587 |
| Deferred tax asset | | 11,391 | 9,806 | 10,521 |
| Other receivables | | 863 | 671 | 803 |
| **Total non-current assets** | | 204,310 | 130,155 | 155,028 |
| Trade and other receivables | | 76,642 | 64,996 | 66,123 |
| Cash and cash equivalents | 9 | 21,268 | 21,527 | 20,501 |
| Corporation tax asset | | 1,195 | 807 | 799 |
| **Total current assets** | | 99,105 | 87,330 | 87,423 |
| **Total assets** | | **303,415** | **217,485** | **242,451** |
| **Liabilities** | | | | |
| Loans and borrowings | 9 | 19,820 | 40,031 | 20,678 |
| Deferred tax liabilities | | 3,877 | 4,216 | 4,503 |
| Lease liabilities | | 46,223 | - | - |
| Other payables | | 18 | 4,934 | 4,622 |
| Provisions | | 3,867 | 439 | 1,825 |
| Deferred consideration | 10 | - | 1,657 | 2,464 |
| Contingent consideration | 10 | 18,622 | 10,421 | 20,147 |
| Share purchase obligation | 10 | 133 | 1,020 | 128 |
| **Total non-current liabilities** | | 92,560 | 62,718 | 54,367 |
| Loans and borrowings | 9 | 5,000 | 7,058 | 5,000 |
| Trade and other payables | | 66,454 | 54,903 | 60,173 |
| Lease liabilities | | 8,938 | - | - |
| Provisions | | 327 | 651 | 1,118 |
| Corporation tax liability | | 2,197 | 2,009 | 1,985 |
| Deferred consideration | 10 | 2,994 | 1,651 | 2,182 |
| Contingent consideration | 10 | 12,757 | 2,359 | 4,565 |
| Share purchase obligation | 10 | 1,328 | 630 | 1,608 |
| **Total current liabilities** | | 99,995 | 69,261 | 76,631 |
| **Total liabilities** | | **192,555** | **131,979** | **130,998** |
| **TOTAL NET ASSETS** | | **110,860** | **85,506** | **111,453** |
| **Equity** | | | | |
| Share capital | | 2,130 | 1,965 | 2,089 |
| Share premium reserve | | 68,956 | 39,639 | 62,993 |
| Foreign currency translation reserve | | 11,265 | 7,885 | 7,697 |
| Other reserves | | (2,026) | (1,570) | (1,654) |
| Retained earnings | | 31,229 | 39,175 | 41,404 |
| **Total equity attributable to owners of the parent** | | **111,554** | **87,094** | **112,529** |
| Non-controlling interests | | (694) | (1,588) | (1,076) |
| **TOTAL EQUITY** | | **110,860** | **85,506** | **111,453** |

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTH PERIOD ENDED 31 July 2019

| | 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 2018 as previously stated (audited)** | **1,892** | **28,611** | **4,811** | **(954)** | **42,604** | **76,964** | **(643)** | **76,321** |
| Change in accounting policy (IFRS 9) | - | - | - | - | 48 | 48 | - | 48 |
| **At 1 February 2018 as restated** | **1,892** | **28,611** | **4,811** | **(954)** | **42,652** | **77,012** | **(643)** | **76,369** |
| Profit for the period | - | - | - | - | 7,773 | 7,773 | 308 | 8,081 |
| Other comprehensive income / (expense) for the period | - | - | 3,074 | (616) | (430) | 2,028 | - | 2,028 |
| Total comprehensive income / (expense) for the period | - | - | 3,074 | (616) | 7,343 | 9,801 | 308 | 10,109 |
| Shares issued on satisfaction of vested share options | 55 | 7,764 | - | - | (7,819) | - | - | - |
| Shares issued on acquisitions | 18 | 3,264 | - | - | - | 3,282 | - | 3,282 |
| Obligation to purchase non-controlling interest | - | - | - | - | - | - | (630) | (630) |
| Movement in relation to share-based payments | - | - | - | - | 1,105 | 1,105 | - | 1,105 |
| Dividends to owners of the parent | - | - | - | - | (3,535) | (3,535) | - | (3,535) |
| Movement on reserves for non-controlling interests | - | - | - | - | (571) | (571) | 571 | - |
| Non-controlling interest purchased in the period | - | - | - | - | - | - | (135) | (135) |
| Non-controlling interest dividend | - | - | - | - | - | - | (1,059) | (1,059) |
| **At 31 July 2018 (unaudited)** | **1,965** | **39,639** | **7,885** | **(1,570)** | **39,175** | **87,094** | **(1,588)** | **85,506** |
| Profit for the period | - | - | - | - | 6,114 | 6,114 | 331 | 6,445 |
| Other comprehensive income / (expense) for the period | - | - | (188) | (84) | (252) | (524) | - | (524) |
| Total comprehensive income / (expense) for the period | - | - | (188) | (84) | 5,862 | 5,590 | 331 | 5,921 |
| Shares issued on satisfaction of vested share options | 13 | 2,829 | - | - | (2,878) | (36) | - | (36) |
| Shares issued on acquisitions | 6 | 1,169 | - | - | - | 1,175 | - | 1,175 |
| Shares issued on placing | 105 | 19,356 | - | - | - | 19,461 | - | 19,461 |
| Obligation to purchase non-controlling interest | - | - | - | - | - | - | 115 | 115 |
| Movement in relation to share-based payments | - | - | - | - | 1,608 | 1,608 | - | 1,608 |
| Dividends to owners of the parent | - | - | - | - | (1,708) | (1,708) | - | (1,708) |
| Movement on reserves for non-controlling interests | - | - | - | - | (655) | (655) | 655 | - |
| Non-controlling interest purchased in the period | - | - | - | - | - | - | (248) | (248) |
| Non-controlling interest dividend | - | - | - | - | - | - | (341) | (341) |
| **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 |
| Obligation to purchase non-controlling interest | - | - | - | - | - | - | - | - |
| 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** |

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

[2] Refer to Note 12.

## NEXT FIFTEEN COMMUNICATIONS GROUP PLC

## CONSOLIDATED STATEMENT OF CASH FLOW

## FOR THE SIX MONTH PERIOD ENDED 31 July 2019

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | 1,575 | 8,081 | 14,526 |
| Adjustments for: | | | |
| Depreciation | 6,302 | 2,076 | 4,199 |
| Amortisation | 5,915 | 4,004 | 9,624 |
| Finance expense | 5,569 | 2,446 | 6,584 |
| Finance income | (698) | (2,251) | (4,667) |
| Share of profit from equity accounted associate | (87) | (9) | (65) |
| Impairment of intangibles | 297 | - | - |
| Loss on sale of property, plant and equipment | 357 | 230 | 202 |
| Loss on disposal of subsidiary | 5 | - | - |
| Income tax expense | 1,273 | 2,265 | 4,299 |
| Share-based payment charge | 161 | 1,078 | 2,510 |
| **Net cash inflow from operating activities before changes in working capital** | **20,669** | **17,920** | **37,212** |
| Change in trade and other receivables | (5,680) | (9,430) | (8,013) |
| Change in trade and other payables | 6,279 | 2,677 | 7,629 |
| Change in other liabilities | 1,080 | (289) | 1,554 |
| | 1,679 | (7,042) | 1,170 |
| **Net cash generated from operations before tax and interest outflows** | **22,348** | **10,878** | **38,382** |
| Income taxes paid | (3,008) | (3,135) | (6,237) |
| **Net cash inflow from operating activities** | **19,340** | **7,743** | **32,145** |
| **Cash flows from investing activities** | | | |
| Acquisition of subsidiaries and trade and assets, net of cash acquired | (1,333) | (6,358) | (19,281) |
| Payment of contingent and deferred consideration | (3,290) | (8,617) | (9,265) |
| Purchase of investment | (50) | (552) | (1,008) |
| Acquisition of property, plant and equipment | (1,841) | (3,667) | (5,648) |
| Proceeds on disposal of property, plant and equipment | 13 | 23 | 71 |
| Proceeds on disposal of subsidiary | 466 | - | - |
| Acquisition of intangible assets | (878) | (927) | (2,384) |
| Net movement in long-term cash deposits | (39) | (83) | 132 |
| Interest received | 56 | 188 | 229 |
| **Net cash outflow from investing activities** | **(6,896)** | **(19,993)** | **(37,154)** |

**NEXT FIFTEEN COMMUNICATIONS GROUP PLC**

**CONSOLIDATED STATEMENT OF CASH FLOW *(Continued)***

**FOR THE SIX MONTH PERIOD ENDED 31 July 2019**

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Proceeds on issue of share capital | - | - | 20,000 |
| Issue costs on issue of Ordinary Shares | - | - | (539) |
| Repayment of lease liabilities | (5,337) | (3) | (5) |
| Net movement in bank borrowings | (1,311) | 10,512 | (10,922) |
| Interest on borrowings paid | (414) | (469) | (1,246) |
| Dividend and profit share paid to non-controlling interest partners | (616) | (1,059) | (1,400) |
| Dividends paid to shareholders of the parent | (4,595) | - | (5,243) |
| **Net cash (outflow) / inflow from financing activities** | **(12,273)** | **8,981** | **645** |
| **Net increase / (decrease) in cash and cash equivalents** | **171** | **(3,269)** | **(4,364)** |
| Cash and cash equivalents at beginning of the period | 20,501 | 24,283 | 24,283 |
| Exchange gains on cash held | 596 | 513 | 582 |
| **Cash and cash equivalents at end of the period** | **21,268** | **21,527** | **20,501** |

## NOTES TO THE INTERIM RESULTS
## FOR THE SIX MONTHS ENDED 31 July 2019

### 1) BASIS OF PREPARATION

The financial information in these results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). 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 2019 except for the adoption of the following accounting standards effective for the Group from 1 February 2019:

- IFRS 16 *Leases*

Refer to note 12 for further details on the impact on the Group's results.

The comparative financial information for the year ended 31 January 2019 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 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[1]** | **9,324** | **747** | **11,188** | **833** | **(4,592)** | **17,500** |
| **Adjusted operating profit margin[2]** | **19.4%** | **17.2%** | **18.8%** | **11.8%** | **-** | **14.7%** |
| **Organic revenue growth** | **4.6%** | **(0.6%)** | **(6.0%)** | **2.1%** | **-** | **(1.3%)** |
| Six months ended 31 July 2018 (Unaudited) | | | | | | |
| Net revenue | 39,958 | 4,202 | 55,812 | 6,804 | - | 106,776 |
| Adjusted operating profit / (loss) | 9,451 | 628 | 9,433 | 517 | (4,663) | 15,366 |
| Adjusted operating profit margin | 23.7% | 14.9% | 16.9% | 7.6% | - | 14.4% |
| Organic revenue growth | 14.9% | 9.0% | 7.0% | 0.2% | - | 8.7% |
| Twelve months ended 31 January 2019 (Audited) | | | | | | |
| Net revenue | 83,528 | 8,735 | 117,911 | 13,919 | - | 224,093 |
| Adjusted operating profit / (loss) | 20,482 | 1,504 | 22,047 | 2,207 | (9,284) | 36,956 |
| Adjusted operating profit margin | 24.5% | 17.2% | 18.7% | 15.9% | - | 16.5% |
| Organic revenue growth | 15.5% | 7.3% | 2.8% | (2.1%) | - | 6.4% |

[1] Operating profit after interest on finance lease liabilities is presented as a comparable measure to the prior year operating profit following the adoption of IFRS 16 from 1st February 2019.

[2] The operating profit margin is calculated on the operating profit after interest on finance lease liabilities to be comparable to the prior year.

## NOTES TO THE INTERIM RESULTS *(Continued)*

## FOR THE SIX MONTHS ENDED 31 July 2019

### 2) SEGMENT INFORMATION (continued)

| | Brand marketing £'000 | Data and analytics £'000 | Creative technology £'000 | Head Office £'000 | Total £'000 |
|---|---|---|---|---|---|
| **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[2]** | **20.5%** | **27.5%** | **9.6%** | **-** | **14.7%** |
| **Organic net revenue growth** | **(4.9%)** | **21.4%** | **(1.1%)** | **-** | **(1.3%)** |
| Six months ended 31 July 2018 (Unaudited) | | | | | |
| Net revenue | 63,498 | 9,739 | 33,539 | - | 106,776 |
| Adjusted operating profit / (loss) | 12,475 | 2,681 | 4,873 | (4,663) | 15,366 |
| Adjusted operating profit margin | 19.6% | 27.5% | 14.5% | - | 14.4% |
| Organic net revenue growth | 1.8% | 32.0% | 24.1% | - | 8.7% |
| Year ended 31 January 2019 (Audited) | | | | | |
| Net revenue | 133,163 | 23,209 | 67,721 | – | 224,093 |
| Adjusted operating profit / (loss) | 29,580 | 7,171 | 9,489 | (9,284) | 36,956 |
| Adjusted operating profit margin | 22.2% | 30.9% | 14.0% | – | 16.5% |
| Organic net revenue growth | 0.1% | 30.6% | 17.0% | – | 6.4% |

[1] Operating profit after interest on finance lease liabilities is presented as a comparable measure to the prior year operating profit following the adoption of IFRS 16 from 1st February 2019.

[2] The operating profit margin is calculated on the operating profit after interest on finance lease liabilities to be comparable to the prior year.

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

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Segment adjusted operating profit after interest on finance lease liabilities** | **17,500** | **15,366** | **36,956** |
| Interest on finance lease liabilities | 803 | - | - |
| **Segment adjusted operating profit** | **18,303** | **15,366** | **36,956** |
| Amortisation of acquired intangibles | (5,443) | (3,764) | (9,046) |
| Share based payment charge (note 3) | - | (365) | (1,311) |
| Employment related acquisition payments (note 3) | (2,781) | (213) | (821) |
| Restructuring costs (note 3) | (2,141) | (172) | (4,526) |
| Deal costs (note 3) | (306) | (320) | (575) |
| **Operating profit** | **7,632** | **10,532** | **20,677** |

## NOTES TO THE INTERIM RESULTS *(Continued)*

## FOR THE SIX MONTHS ENDED 31 July 2019

### 3) RECONCILIATION OF ADJUSTED FINANCIAL MEASURES

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Profit before income tax** | **2,848** | **10,346** | **18,825** |
| Unwinding of discount on deferred and contingent consideration and share purchase obligation payable[1] | 1,669 | 1,282 | 2,806 |
| Change in estimate of future contingent consideration and share purchase obligation payable[1] | 2,041 | (1,367) | (1,906) |
| Share-based payment charge[2] | - | 365 | 1,311 |
| Employment related acquisition payments[3] | 2,781 | 213 | 821 |
| Restructuring costs[4] | 2,141 | 172 | 4,526 |
| Deal costs[5] | 306 | 320 | 575 |
| Amortisation of acquired intangibles[6] | 5,443 | 3,764 | 9,046 |
| **Adjusted profit before income tax** | **17,229** | **15,095** | **36,004** |

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. (2018: ODD Communications Limited and Twogether Creative Limited) 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.

[3]The charge includes acquisition related payments linked to the continuing employment of the sellers which is being recognised over the required period of employment.

[4]In the current period the Group has incurred restructuring costs in relation to the ongoing relaunch of the new Archetype brand in the UK and US along with the rebranding of the Savanta brans, in addition to other staff related redundancy costs. 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]The Group determines that amortisation of acquired intangibles is not reflective of underlying performance. 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 2019 is based on the Group's estimated effective tax rate for the year ending 31 January 2019 (20%).

### 5) DIVIDENDS

An interim dividend of 2.5p (six months ended 31 July 2018: 2.16p) per ordinary share will be paid on 22 November 2019 to shareholders listed on the register of members on 25 October 2019. Shares will go ex-dividend on 24 October 2019. The last date for DRIP elections to be returned to the registrar is 8 November 2019.

## NOTES TO THE INTERIM RESULTS *(Continued)*

## FOR THE SIX MONTHS ENDED 31 July 2019

### 6) FINANCE EXPENSE

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Financial liabilities at amortised cost** | | | |
| Bank interest payable | 411 | 467 | 1,235 |
| Interest on finance lease liabilities | 803 | - | - |
| **Financial liabilities at fair value through profit and loss** | | | |
| Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable | 1,669 | 1,282 | 2,806 |
| Change in estimate of future contingent consideration and share purchase obligation payable | 2,683 | 695 | 2,532 |
| **Other** | | | |
| Other interest payable | 3 | 2 | 11 |
| **Finance expense** | **5,569** | **2,446** | **6,584** |

### 7) FINANCE INCOME

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| **Financial assets at amortised cost** | | | |
| Bank interest receivable | 20 | 45 | 82 |
| Finance lease interest receivable | 24 | - | - |
| **Financial assets at fair value through profit and loss** | | | |
| Change in estimate of future contingent consideration and share purchase obligation payable | 642 | 2,062 | 4,438 |
| Other interest receivable | 12 | 144 | 147 |
| **Finance income** | **698** | **2,251** | **4,667** |

## NOTES TO THE INTERIM RESULTS *(Continued)*

## FOR THE SIX MONTHS ENDED 31 July 2019

### 8) EARNINGS PER SHARE

| | Six months ended 31 July 2019 (Unaudited) £'000 | Six months ended 31 July 2018 (Unaudited) £'000 | Twelve months ended 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| Earnings attributable to ordinary shareholders | 1,575 | 7,773 | 13,887 |
| Unwinding of discount on future deferred and contingent consideration and share purchase obligation payable | 1,468 | 1,264 | 2,698 |
| Change in estimate of future contingent consideration and share purchase obligation payable | 1,554 | (1,349) | (1,959) |
| Share based payment charge | 2,781 | 572 | 2,042 |
| Restructuring costs | 1,757 | 139 | 3,501 |
| Costs associated with office moves | - | - | 136 |
| Amortisation of acquired intangibles | 4,342 | 3,053 | 7,300 |
| Deal costs | 306 | 317 | 560 |
| Adjusted earnings attributable to ordinary shareholders | 13,525 | 11,769 | 28,165 |
| | **Number** | **Number** | **Number** |
| Weighted average number of ordinary shares | 84,480,836 | 77,891,708 | 79,225,075 |
| Dilutive LTIP shares | 777,184 | 1,156,602 | 1,193,361 |
| Dilutive Growth Deal shares | 2,415,165 | 3,084,835 | 3,733,183 |
| Other potentially issuable shares | 1,397,035 | 730,284 | 864,585 |
| Diluted weighted average number of ordinary shares | 89,070,220 | 82,863,429 | 85,016,204 |
| Basic earnings per share | 1.9p | 10.0p | 17.5p |
| Diluted earnings per share | 1.8p | 9.4p | 16.3p |
| Adjusted earnings per share | 16.0p | 15.1p | 35.6p |
| Diluted adjusted earnings per share | 15.2p | 14.2p | 33.1p |

Adjusted and diluted adjusted earnings per share have been presented to provide additional useful information. 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 notes 2 and 3 is the tax effect of those adjusting items.

## NOTES TO THE INTERIM RESULTS *(Continued)*

## FOR THE SIX MONTHS ENDED 31 July 2019

### 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 2019 (Unaudited) £'000 | 31 July 2018 (Unaudited) £'000 | 31 January 2019 (Audited) £'000 |
|---|---|---|---|
| Total loans and borrowings | 24,820 | 47,089 | 25,678 |
| Obligations under finance leases[1] | - | 3 | - |
| Less: cash and cash equivalents | (21,268) | (21,527) | (20,501) |
| **Net debt** | **3,552** | **25,565** | **5,177** |
| Share purchase obligation | 1,461 | 1,650 | 1,736 |
| Contingent consideration | 31,379 | 12,780 | 24,712 |
| Deferred consideration | 2,994 | 3,308 | 4,646 |
| | **39,386** | **43,303** | **36,271** |

[1] In the current period the obligations under finance leases, which following the application of IFRS 16 include obligations for the Group's property leases, have not been included in the calculation of net debt.

### 10) OTHER FINANCIAL LIABILITIES

| | Deferred consideration £'000 | Contingent consideration £'000 | Share purchase obligation £'000 |
|---|---|---|---|
| At 31 January 2018 (Audited) | 6,039 | 18,639 | 955 |
| Arising during the period | 842 | 973 | 630 |
| Change in estimate | - | (1,293) | (74) |
| Exchange differences | - | 16 | 79 |
| Utilised | (4,255) | (6,095) | - |
| Reclassification | 445 | (445) | - |
| Unwinding of discount | 237 | 985 | 60 |
| At 31 July 2018 (Unaudited) | 3,308 | 12,780 | 1,650 |
| Arising during the period | - | 14,543 | 135 |
| Change in estimate | - | (673) | 134 |
| Exchange differences | - | (328) | (1) |
| Utilised | (1,653) | (76) | (249) |
| Reclassification | 2,627 | (2,627) | - |
| Unwinding of discount | 364 | 1,093 | 67 |
| 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** |
| Current | 2,994 | 12,757 | 1,328 |
| Non-current | - | 18,622 | 133 |

### 11) EVENTS AFTER THE BALANCE SHEET DATE

On 30 September 2019 Next 15 purchased the entire issued share capital of Creston Plc US Holdings Inc and its subsidiary Health Unlimited LLC ("Health Unlimited"), a global health consultancy and communications agency, for initial consideration of $27.7m. Following the acquisition, Health Unlimited will trade as a member of the M Booth group. Further deferred consideration may be payable in May 2020 and May 2021 dependent on the EBITDA performance of Health Unlimited for the years ending 31 March 2020 and 31 March 2021 respectively. We expect there to be goodwill arising as a result of this acquisition due to the anticipated profitability and operating synergies.

### 12) CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 February 2019, where they are different to those applied in prior periods.

**IFRS 16**

The Group applied IFRS 16 with a date of initial application of 1 February 2019. IFRS 16 requires lessees to account for all leases on-balance sheet, recognising a right-of-use asset and a lease liability at the lease commencement date. The Group has adopted IFRS 16 using the modified retrospective approach therefore comparative information has not been restated and the Group has recognised the cumulative effect of adopting IFRS 16 as an adjustment to equity at the start of the current period. The comparative information continues to be reported under IAS 17.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to transactions that were previously identified as leases. Therefore, the definition of a lease under IFRS 16 was only applied to contracts entered into or changed from 1 February 2019.

As a lessee the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all the risks and rewards of the ownership of the asset to the Group. Under IFRS 16 the Group recognised a right-of-use asset and lease liability i.e. all leases are recognised on-balance sheet.

At transition, the lease liabilities were measured at the present value of the remaining lease payments using the Group's incremental borrowing rate of 3% as at 1 February 2019. The right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's borrowing rate at the 1 February 2019. The Group used the following practical expedients when applying IFRS 16:

- Adjusted the right-of-use assets for any onerous lease provisions immediately before the date of initial application rather than perform an impairment review
- Applied the exemption not to recognise a right-of-use asset or lease liability for leases of low value or with lease terms with less than 12 months remaining at 1 February 2019
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application

**Impact of the financial statements**

On transition to IFRS 16 the Group recognised an additional £44.3m of right-of-use assets and £55.6m of lease liabilities, with a reduction in other creditors and provisions with regard to amounts relating to property leases, which are now recognised in the right-of-use asset. These movements resulted in a decrease to retained earnings of £1.8m and the recognition of a deferred tax asset of £0.4m.