

FY12 year-end trading update

In today's trading update, Next Fifteen (NFC) indicated that FY12 results are expected to be in line with the board's expectations and that further good progress is anticipated for FY13. The group continues to invest in digital capabilities through fill-in acquisitions. While we expect organic growth on a constant currency basis to continue, we are shaving our estimates (primarily FY13) to reflect both weak European economies, stronger than expected sterling against a number of trading currencies, and increased minority interests. Preliminary results for FY12 are due to be announced on 6 November 2012.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
07/10	72.3	6.6	7.5	1.85	13.2	1.9
07/11	86.0	8.4	8.7	2.05	11.4	2.1
07/12e	91.3	9.5	9.3	2.25	10.6	2.3
07/13e	97.0	10.5	9.8	2.50	10.1	2.5

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

Shaving estimates, primarily FY13

While management expects results to be in line with the board's expectations and further good progress is anticipated for FY13, we are adjusting down our estimates based on three metrics. First, the current absence of European economic growth; second, the relative strength in sterling against the group's trading currencies (just c 20% of revenues are UK based); and third, an increased deduction for minority interests. The latter reflects the higher growth in the group's digital marketing subsidiaries, where there are substantial minority shareholders. While our FY12 normalised pre-tax remains unchanged, the effect of these adjustments is to reduce FY12 revenue to £91.3m (vs £93.0m) and normalised EPS to 9.3p (vs 9.5p) and FY13 revenue to £97.0m (vs £99.0m) and normalised EPS to 9.8p (vs 10.6p).

Continuing to invest in digital – the growth driver

The group continues to invest in its transition to digital marketing services. Following the May acquisition by Lexis, the group's UK consumer agency, of Paratus, a UK PR agency with digital expertise, it has acquired Content & Motion, a UK-based social marketing agency, which will become part of Bourne, the group's pure digital marketing agency. Management expects to make further additions in the digital space.

Valuation: Digital growth prospects support premium

Despite the shaving of our estimates, the group continues to grow at a reasonable pace in current market conditions. We expect management's focus on the digital growth driver to add to future growth prospects and we continue to contend that this adds some justification to the current premium P/E rating to similar sized peers.

Media

6 September 2012

Price 99p

Market cap £58m

Shares in issue 58.1m

Free float 82%

Code NFC

Primary exchange AIM

Net borrowings (£m) at January 2012 4.4

Share price performance



% 1m 3m 12m

Abs 10.3 12.8 26.9

Rel (local) 7.8 5.3 11.7

52-week high/low 101.50p 73.00p

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

Preliminary results 6 November 2012

AGM January 2013

Interim results April 2013

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Exhibit 1: Financial summary

Year-ending 31 July	£'000s	2007	2008	2009	2010	2011	2012e	2013e
Accounting basis		IFRS						
PROFIT & LOSS								
Billings		69,422	73,916	77,287	91,175	105,163	110,000	116,800
Revenues		59,268	63,107	65,394	72,328	86,035	91,300	97,000
EBITDA		7,007	7,433	5,531	8,446	10,712	12,314	14,350
Operating Profit (before GW and except.)		5,837	6,706	5,591	6,992	8,823	10,040	11,000
Goodwill Amortisation		0	0	0	0	0	0	0
Exceptionals		(458)	(1,066)	(2,091)	(1,308)	(870)	(1,713)	0
Operating Profit		5,435	5,757	3,500	5,684	7,953	8,327	11,000
Net Interest		(313)	(241)	(342)	(380)	(426)	(500)	(500)
Profit Before Tax (norm)		5,580	6,582	5,249	6,612	8,397	9,540	10,500
Profit Before Tax (FRS 3)		5,122	5,516	3,158	5,304	7,527	7,827	10,500
Tax		(1,781)	(1,655)	(884)	(1,591)	(2,260)	(2,490)	(3,100)
Profit After Tax (norm)		3,713	4,857	3,750	4,638	5,854	6,897	7,400
Profit After Tax (FRS 3)		3,341	3,861	2,274	3,713	5,267	5,337	7,400
Average Number of Shares Outstanding (m)		49.0	51.7	52.6	54.4	54.9	57.2	58.2
EPS - normalised (p)		7.1	8.6	6.5	8.4	10.2	10.7	11.3
EPS - normalised fully diluted (p)		7.0	8.5	6.5	7.5	8.7	9.3	9.8
EPS - FRS 3 (p)		6.3	7.1	3.7	6.7	9.1	8.4	11.3
Dividend per share (p)		1.50	1.70	1.70	1.85	2.05	2.25	2.50
EBITDA Margin		10%	10%	7%	9%	10%	11%	12%
Operating Margin (before GW and except.)		10%	11%	9%	10%	10%	11%	11%
BALANCE SHEET								
Non-current assets		18,442	20,206	22,618	31,919	44,336	47,086	47,436
Intangible Assets		13,507	15,462	18,441	27,111	37,926	40,476	40,276
Tangible Assets		2,162	2,435	1,949	2,269	3,067	3,267	3,817
Other non-current assets		2,773	2,309	2,228	2,539	3,343	3,343	3,343
Current Assets		20,894	25,946	22,840	29,470	34,769	35,682	42,112
Debtors		15,060	16,421	15,710	22,174	26,252	28,650	30,800
Cash		5,834	9,525	7,130	7,296	8,517	7,032	11,312
Current Liabilities		(15,670)	(20,643)	(15,237)	(25,248)	(26,095)	(25,121)	(25,371)
Creditors		(14,958)	(20,228)	(14,887)	(20,009)	(25,767)	(24,793)	(25,043)
Short term borrowings		(712)	(415)	(350)	(5,239)	(328)	(328)	(328)
Long Term Liabilities		(8,684)	(5,871)	(5,319)	(8,562)	(20,677)	(20,677)	(20,477)
Long term borrowings		(5,190)	(5,700)	(4,995)	(2,908)	(9,760)	(9,760)	(9,760)
Other long term liabilities		(3,494)	(171)	(324)	(5,654)	(10,917)	(10,917)	(10,717)
Net Assets		14,982	19,638	24,902	27,579	32,333	36,970	43,700
CASH FLOW								
Operating Cash Flow		7,203	9,599	6,261	6,572	11,905	10,605	14,050
Net Interest		(311)	(240)	(342)	(380)	(418)	(500)	(500)
Tax		(1,992)	(1,090)	(1,476)	(1,465)	(2,618)	(2,490)	(3,100)
Capex		(1,246)	(2,153)	(307)	(1,936)	(2,202)	(1,950)	(2,200)
Acquisitions/disposals		(1,959)	(829)	(4,549)	(4,251)	(6,078)	(6,000)	(2,700)
Financing		953	(994)	(1,941)	2,263	1,927	0	0
Dividends		(691)	(807)	(900)	(932)	(1,045)	(1,150)	(1,270)
Net Cash Flow		1,957	3,486	(3,254)	(129)	1,471	(1,485)	4,280
Opening net debt/(cash)		1,439	68	(3,410)	(1,785)	851	1,571	3,056
Finance leases		(299)	(217)	(225)	(150)	(90)	0	0
Other		(287)	209	1,854	(2,357)	(2,101)	0	0
Closing net debt/(cash)		68	(3,410)	(1,785)	851	1,571	3,056	(1,224)

Source: Edison Investment Research, company accounts

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