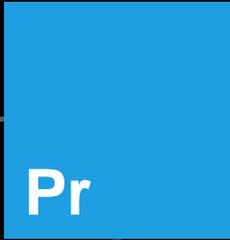




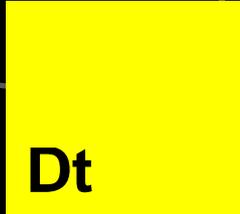
Strategy &  
Insight



Public Relations



Marketing  
Communications



Digital &  
Technology



Creative &  
Content

# NEXT15

## Interim Results 2013



# Agenda

## Part 1

- Results summary
- Progress of transition

## Part 2

- The financials
- Outlook



# Executive summary

## Results

- Revenue growth of 3% to £46.6m (was £45.3m)
- Adjusted profits increased 6% to pre tax £4.5m (was £4.2m)
- Dividend increased by 11% to 0.625p (0.565p)
- Net debt of £5.2m after acquisition payments
- Fraud investigation completed, now in legal system

## Investments

- Two year digital transition plan
- Formed new data and insight business
- Merged Bite and Bourne
- Acquired Connections Media (DC-based digital agency)

## Operations

- Client wins include: Virgin, Viacom, Box, Schwan's, Carlsberg, Samsung, SAP

# New business update

Region	Wins	Losses
US	Box, Campari, Good Technology, Krug, Lancôme, Lands' End, L'Oreal, Samsung, Schwan's, Virgin, Viacom	Nokia, Yahoo
UK	Carlsberg, Coca-Cola, Virgin	Nokia
APAC	Walt Disney	
EMEA	Carlsberg	

- Strong pipeline in all markets for hybrid and digital work
- Decrease in multi-country assignments
- Top 10 clients now account for 24% of revenues versus 28% last year

# The digital transition plan

## Terms

- Two year plan, approximately £2m spend (FY 13/14)
- Half of spend will fall in FY 2013
- Spend to cover staff restructuring and investment in new brands
- Investment part of up to £1m will cover start up losses and the acquisition of digital resources (equal to sum of last 4 years investment).

## Objectives

- Improve organic growth and margins after FY 2014
- Increase pure and hybrid digital revenues to be over 50% of revenues by FY 2015
- ✓ Expect investment to pay for itself over medium term
- ✓ Does not restrict our continuing M&A agenda

# Transition plan early progress

- Merging Bite and Bourne
- Investing in new operations
- Adding digital talent across the group
- Adding new agency capabilities – Connections Media
- Pure and hybrid digital services now 43% of revenue

# Transition plan implications

## **Additional Costs**

- Reorganisation costs over the next 18 months
- P/L investments in new businesses and staffing

## **Outcomes**

- Full service digital capabilities
- Improved organic growth and margins
- Pure and Hybrid revenues to be greater than 50%

## **Business development**

- Focus for acquisitions
- International network

# Focus for transition

	Engage	Content	Build	Insight
Re-skill	Lexis Text 100 Bite Outcast M Booth 463 Blueshirt	Lexis Text 100 Bite Outcast M Booth 463 Blueshirt	Beyond	Redshift
Invest			Bourne/Bite merger	Newco
Acquire	Connections Media	Content & Motion	Connections Media	

*More complex* 

# Key digital clients

- Client demand across range of capabilities
- ...and geographies
- Larger project client management skills
- Connections Media to add to this list

Engage	Content	Build	Insight
 			
			
		 	

# Digital client update



Client	
Campaign	Arctic Home
Brand	Lexis
Task	<i>Promote launch of WWF partnership</i>



❖ Immersive experience with launch event attended by key stakeholders, Friends of the Earth and Greenpeace

❖ Cross-platform digital execution with over 900 positive blogs, Tweets and comments achieved with 98% positive sentiment

❖ Media pick-up globally generating 388 pieces of coverage with a reach of 65 million

# Acquisition update: Connections Media



- Connections is a Washington-based digital agency
- Specialises in politics and public affairs
- 2012 Webby award winner
- Key clients include: Alliance of Auto Manufacturers; Mike Bloomberg; Google; PepsiCo; and Starbucks
- Growth opportunities in its markets and overseas
- Initial consideration of \$1.85m in cash plus earnout over next 5 years
- Connections had revenues of \$2.65m in the year to Dec 2012
- Acquired April 8<sup>th</sup>, full contribution FY 2014

## Part 2

- The financials
- Outlook



# Organic growth

Growth measure	Interim 2012	FY 2012	Interim 2013
Total <sup>(1)</sup>	11%	6%	3%
Organic <sup>(2)</sup>	4%	1%	1%

Notes: (1) net revenue growth, (2) adjusted to exclude the impact of currency and acquisitions

- Organic growth gains on H2 2012
- US was up 5% cf flat performance in FY 2012 – now 52% of group revenues
- Tougher markets in UK (flat), EMEA (-10%, NFC has no pure digital businesses) and APAC (-2%)

# New divisional split and digital services

		Group brands		Sum (2)
		Integrated Comms	Specialist Agencies	
Group services	Traditional PR/ other			57%
	Hybrid (1) digital			32%
	Pure digital			11%
Agencies		<i>Bite, Lexis, M Booth, OutCast, Text 100,</i>	<i>463, Beyond, Blueshirt, Connections Media (3), Redshift</i>	
Sum (2)		85%	15%	

- Previous structure did not work
- Brands now fall in two classifications, integrated communications providers or specialist agencies
- Digital is not a brand classification as all brands will have some digital aspects
- Hybrid and Pure digital now collectively 43% as at H1 2013

Notes: (1) Hybrid digital describes a group service that includes digital communications (2) % of group revenues interim 2013 (3) not consolidated until H2 2013

# Income statement

£m	H1 FY 2013	H1 FY 2012	Growth %
Billings	54.8	53.8	2
<b>Revenue</b>	<b>46.6</b>	<b>45.3</b>	<b>3</b>
Adj Op profit	4.7	4.5	4
<b>Adjusted PBT</b>	<b>4.5</b>	<b>4.2</b>	<b>6</b>
PBT	2.0	2.7	(24)
Tax	(0.5)	(0.8)	
Retained profit	1.5	1.9	(19)
<b>EBITDA</b>	<b>4.0</b>	<b>5.1</b>	<b>(22)</b>
Basic EPS	1.95p	2.82p	(31)
<b>Diluted adj EPS</b>	<b>4.20p</b>	<b>4.35p</b>	<b>(3)</b>
Dividend	0.625p	0.565p	11

- Flat/ modest operating margins gains
- Dividend growth is measure of management confidence and impact of the digital transition over medium term

# Adjustments interim 2013

£m	Normalised	Acquisition related charges	Bite fraud	Digital transition costs	Reported
<b>Revenues</b>	<b>46.6</b>				<b>46.6</b>
<b>Op Profit</b>	<b>4.7</b>				<b>2.5</b>
Amortisation of intangibles		(0.7)			
Equity as remuneration		(0.5)			
Cost of investigation			(0.6)		
Restructuring costs				(0.4)	
Net finance expense	(0.2)	(0.3)			0.5
<b>Pre tax profits</b>	<b>4.5</b>	<b>(1.5)</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>2.0</b>

- Acquisition charges are standard non cash adjustments
- No further Bite fraud net costs expected in H2, some recovery possible

# Cash flow

£m	HY 2013	HY 2012
Inflow from op activities	4.8	5.3
Working capital	(1.3)	(0.4)
<b>Net inflow from operations</b>	<b>3.5</b>	<b>4.9</b>
Tax	(1.9)	(1.5)
Net capex	(1.2)	(0.4)
Acquisitions	(2.5)	(5.4)
Own shares	-	-
Interest	(0.2)	(0.2)
Dividends	-	-
Minorities	(0.2)	(0.2)
Financing	1.1	2.7
<b>Decrease in cash</b>	<b>(1.4)</b>	<b>(0.1)</b>
Net debt	5.2	4.4

- Net inflow from operations represents 138% of Operating profit.
- Tax payments weighted to H1, particularly in US.
- Acquisition payments predominantly in H1.
- Dividends fall in H2.

# Balance sheet

£m	HY 2013	HY 2012	FY 2012
Intangible assets	40.6	40.4	41.0
Non-current assets	7.5	6.2	7.2
Current assets	33.8	34.4	33.3
Non-current liabilities	(18.7)	(23.1)	(20.1)
Current liabilities	(23.9)	(22.4)	(24.2)
<b>Net assets</b>	<b>39.3</b>	<b>35.4</b>	<b>37.2</b>
Share capital	1.5	1.4	1.5
Reserves	35.5	30.4	33.6
Minorities	2.2	3.6	2.1
<b>Total equity</b>	<b>39.3</b>	<b>35.4</b>	<b>37.2</b>
Net debt	5.2	4.4	2.6

Includes present value of estimated future earn out commitments (equity and cash) of £9.6m

# Outlook

- FY 2013 revenues tracking close to management expectations
- Client demand for pure and hybrid digital services gathering pace
- On-going investments in new operations and re-skilling of agencies
- US to generate solid organic growth through the transition
- Balance sheet to remain strong
- FY 2013 profits expected to show growth on 2012, before the costs of the digital transition plan

# Appendix

## INTUIT - TURBOTAX

### AN INTEGRATED APPROACH

#### GOALS

Deliver TurboTax messaging to mainstream consumers during tax season and drive conversion

#### APPROACH

- Develop and manage an integrated traditional/social media engagement program and establish a personality behind the products
- Indirectly drive positive brand association through use of creative content
- Conduct widespread outreach to national broadcast, print and online outlets by leveraging third party spokespeople and consumer-friendly topics
- Create a robust reputation management program, including real-time metrics monitoring and reactive content generation
- Define key moments in time like Tax Day to drive engagement and buzz that results in conversion
- Forge partnerships with key consumer brands to amplify brand messages

3.9M

PEOPLE TALKING ABOUT  
TURBOTAX ON  
FACEBOOK

5B+

TRADITIONAL MEDIA  
IMPRESSIONS DURING  
2013 TAX SEASON

75%

TWITTER AVERAGE  
FOLLOWER GROWTH

1M+

TWITTER IMPRESSIONS  
FROM SPOTIFY  
PARTNERSHIP

17%

FACEBOOK APP USERS  
CONVERTED TO SALES  
LEADS

510M+

VIEWERSHIP OF  
FINANCIAL EXPERT  
APPEARANCES



## LANCÔME & ST. JUDE'S

### GÉNIFIQUE DAY

#### GOALS

Raise awareness, build community around the cause partnership and drive consumers to Lancôme retailers by leveraging both traditional and social media channels and creating a unique online experience.

#### APPROACH

- Create and implement strategic digital assets
- Create a consistent offline and online experience
- Host and leverage patient makeover trip to St. Jude's with eight influential bloggers
- Creative for online and in store photo booths
- Traditional media outreach efforts to leverage celebrity talent supporting the cause
- Outreach to national and local broadcast and online media

23K

FACEBOOK FEED  
SHARES

6,000+

NEW FACEBOOK  
FANS

3.1M

TWITTER  
IMPRESSIONS

80

REGIONAL TV SPOTS

450

BLOG PLACEMENTS

560M+

TOTAL  
IMPRESSIONS

# LANCÔME

PARIS



## DOLBY

### RE-INVENTING THE SCIENCE OF SOUND

#### GOALS

Tell Dolby's story and gain recognition as a core technology element to entertainment experiences

#### APPROACH

An integrated program of traditional media outreach, digital influencer engagement and custom online consumer experiences

- Owned and earned integrated plan
- Unveiled the new Dolby Theatre in Hollywood
- Facilitated key film premiere and industry events, focusing on new Dolby technology enhancements to the theatre and mixing technology
- Pitched and exceeded placement goals for theater-focused tech stories during Oscar week
- Created a social ambassadors program from the 2013 Academy Awards red carpet
- Developed Facebook app to increase online community and engagement
- Deliver monthly analytics and actionable insights

THEATRE	ACADEMY AWARDS	FACEBOOK APP	
3.4M TWEETS	100% KEY MESSAGE PULL THROUGH	13.3M AMBASSADOR TWITTER REACH	10K+ NEW FACEBOOK FANS
900+ MEDIA HITS	26,700 DOLBY SOCIAL MENTIONS	8 NATIONAL BROADCAST PLACEMENTS	389% INCREASE IN "PEOPLE TALKING ABOUT THIS"



# Contingent consideration and minority interests

Prospective cash commitments: 2014 - 2017

Cash commitments	£m
FY 2014	4.8
FY 2015	2.7
FY 2016 and later	6.4

- These figures show undiscounted estimates, assuming that shares are issued in those acquisitions where they form part of the consideration
- Cash can be substituted for share consideration at Next Fifteen's discretion. This could add a further £3m cash consideration over the next five years

# H2 2013 EPS adjustments

- Digital transition costs      Impacts PBT and associates (start up costs)
- Acquisitions      Standard non cash acquisition-related costs
- Tax charge      Estimate to be same as interims, i.e. 30 – 32%
- Minority interests      Now includes Connections Media and OutCast equity incentive
- Shares      No plans for H2 share issues